

## ABSTRACT

Thesis Title : The Effect of Exchange Rate on the Demand for Export  
: A Case of Thai Agricultural Product (1965-1994)  
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While most countries in the world are utilizing floating foreign exchange system, which is flexible or somewhat flexible system, Thai's currency exchange is the basket system or a system that ties its currency to U.S. Dollar and other major trading country currencies, 80 % of Thai basket currency was U.S. Dollar, which fixed the exchange rate at around 25 to 26 Baht per U.S. Dollar. Since 1981, the year that the system was implemented, evidence have shown that either devaluation or revaluation has a major role on the real exchange rate and Thai's competition edge in the global market. From study, the real exchange rate has a significant impact on the agricultural products; for example, Tin mineral which is widely demand in many industries, the elasticity is 0.0098. For many other agricultural products that face intense competition so that it has an effect to the Thai agriculture. The most important thing is that the basket system made an overvaluation of the Thai Baht resulting negative competitive advantage of export goods. Furthermore,

from 1987 the increasing inflation comparative to Thai of the U.S economy also has pressure on the declining ability to compete in the global export market.

Aside from the real exchange rate, there are other causes of Thai export : such as , export price , price substitution for import product , and the world GDP. According to the study, the elasticity of export price for rice, corn and rubber are - 0.007 -0.795 and 0.023 respectively . The number show that export price of rice and corn causes declining of the export . On the other hand , the export of rubber would increase when the Baht is revaluated. The elasticity of price substitution for import product of wheat , soybean, synthetic rubber are 0.0686 , 0.4494 and 1.5592 respectively. Therefore, the imported countries produce more products to substitute the import products resulting in trade deficit of Thailand . The elasticity of world GDP for rice and Tin mineral are 0.0095 and 0.8641 respectively. This means that those products are highly demanded from many countries. Eventhough , they are popular, there are extremely competition associated with the products in the global market . Taking this reason into account, Thailand should develop and control the quality of the products in order to keep the world market share.