

## CHAPTER 5 RESULTS

### 5.1 Result

Using Thailand's import value as a dependent variable, exchange rates, trade agreements and tariffs are all independent variables. The results show that the p value of the tariff and trade agreement is zero, which means both of them are of great significance in this study. While the value of r-square is low, the strong significance of trade agreements and tariffs does underscore their impact on imports. On the other hand, the exchange rate variable is not significant because the p value is 0.704, which shows the weakness of the variable in the import.

Figure 3-1 Statistic data after using import as dependent variable

Source	SS	DF	MS			
Model	6.269E+14	3	2.0897E+14	Number of obs=420		
Residual	3.4048E+15	336	1.0133E+13	F (3, 336) =30.36		
TOTAL	4.0317E+15	339	1.1893E+13	Prob> F=0.0000		
				R-squared=0.1796		
				Adj R-squared=0.1737		
				Root MSE=1.7E+06		

  

Import Value	Coe f.	Std. Err.	t	P>  t	[95% Conf. Interval]	
Exchange Rate	129882.1	341910.7	0.38	0.704	-542673.2	802437.4
import_tariff	-46984.95	11973.55	-3.92	0	-70537.52	-23432.38
I_Trade Agreement	2006944	411238.2	4.88	0	1198019	2815870
_cons	1141225	1661092	0.69	0.493	-2126225	4408676

Figure 3-2 Statistic data after using export as dependent variable

Source	SS	DF	MS			
Model	6.269E+14	3	2.0897E+14	Number of obs=340		
Residual	3.4048E+15	336	1.0133E+13	F (3, 336) =20.62		
TOTAL	4.0317E+15	339	1.1893E+13	Prob> F=0.0000		
				R-squared=0.1555		
				Adj R-squared=0.1480		
				Root MSE=3.2E+06		

  

Export Value	Coe f.	Std. Err.	t	P>  t	[95% Conf. Interval]	
Exchange Rate	111656.4	133892	0.83	0.405	-151532.8	374845.6
export_ tariff	-17593.12	5453.004	-3.23	0.001	-28312	-6874.247
I_ Trade Agreement	1512516	229934.9	6.58	0	1060537	1964496
_cons	391298	645663.4	0.61	0.545	-877871.6	1660468

## 5.2 Hypothesis Testing and Discussion

H1 predicted that exchange rate would have a positive impact on the trade between Thailand and China. Unexpectedly, this study found out that there was no positive impact presented between the exchange rate and the value of export and import. Therefore, this hypothesis was rejected. With this result, one possible explanation for the lack of statistical significance was that the range of years in this study was too long and the exchange rate would have not been impacted the import and export. Therefore, it was reasonable to claim that the exchange rate had little to no impact on the trade both import and export. Another reason the exchange rate did not contribute to the alteration of trade level was that Chinese government had control over Chinese Yuan. As a result, the exchange rate rarely fluctuated; thus, it would not observably impact the trade volume.

Although there is no significant relationship between exchange rate and trade level in this particular study, it is in fact an important market mechanism to control the state's economic status. In theory, exchange rate movements should have an impact on every economy. However, governments or financial institutions always intervene. Without government intervention from time to time, markets would be out of control and exchange rates would fluctuate wildly. Subsequently, the fact that the exchange rate has not changed significantly indicates that it will not show any significant trade changes.

Nevertheless, exchange rates should not be part of any strategy to increase or curb trade size. The exchange rate plays a different role in the larger economic picture. It affects not only two countries but also the whole world. It should be controlled just to prevent market crashes and create market equilibrium.

H2 predicts that the trade agreement has positive impact on the trade between Thailand and China. Expectedly, trade agreement showed its significance in the regression model. The p-value equaled to 0.00 implying a strong relation to the trade volume between Thailand and China since it represented both import and export values. Hence, this hypothesis was approved. The statistics result also revealed that after the CAFTA was applied, the rate of import and export changed from steadily rising up to sharply increase. There is no doubt that trade agreements are designed to expand the trade circle and expand the market. The product is not taxed, so it is worthwhile for the newcomers to send their products to new markets. At the same time, they also benefit from tax exemptions and lower margins, meaning they earn more from the same income.

Trade agreements are a common term, including lowering tariffs, dropping transaction costs, and even eliminating trade taxes. Establishing trade agreements is an effective strategy to support inter-state trade and promote market development. However, if external parties have more spending, it could lead to a loss of internal resources.

H3 predicts that Tariffs Barrier has positive impact on the trade between Thailand and China. As predicted, tariff barrier is significant in this study. The p-value equals to 0.00 in both import and export indicated that tariff barrier has a strong impact to this bilateral trade. This meant this third hypothesis was approved. The purpose of tariffs was to prevent the domestic supplier from outside supplier that might have been able to sell at a lower price. Also, it is to prevent too much money flowing from inside to other country. Compared with the change trend of import and export figures before and after the tariff, it is obvious that the graph is completely different. Although CAFTA has not yet been introduced, the chart trend is on the rise until 2010, but after the CAFTA was introduced, the chart shows a steep upward trend after 2010. Through all these statistics, the study confirmed that tariffs could serve as an indicator of trade between the two countries.

### **5.3 Summary**

This chapter presents the results of the data processing section and explains the importance of each factor to the transaction. After that, the test results were used to test hypotheses that were approved or rejected. In addition, each factor is discussed in detail about why and how it affects or does not affect the trade in this study.