# Chapter V

# CONCLUSIONS AND SUGGESTIONS

## 5.1 CONCLUSIONS

### 5.1.1 The Role of Thailand's GDP (GDPTH) in Driving Bilateral Trade

The findings reveal that Thailand's GDP is the only variable exerting a statistically significant positive influence on Thailand–China trade in the long run. This result aligns with Ricardo's (1817) Theory of Comparative Advantage, which posits that domestic economic growth enhances production capacity, generates surpluses for export, and stimulates specialization. It also resonates with Porter's (1990) Competitive Advantage framework, which emphasizes that national competitiveness can be developed through strengthening domestic industrial and economic structures.

This suggests that Thailand's economy functions as a leading determinant of bilateral trade, rather than being solely dependent on China's economic expansion. Put differently, when Thailand's economy grows, bilateral trade with China increases significantly. This conclusion corroborates earlier studies such as Srisuwan (2019), which identified Thailand's GDP as a primary driver of trade flows with East Asian partners.

### 5.1.2 Rejection of Hypotheses 2–4 (China's GDP, Inflation, and Exchange Rate Volatility)

Interestingly, the results do not support the hypotheses concerning the

impacts of China's GDP, inflation, and exchange rate volatility. Several theoretical explanations can account for these findings.

a) China's GDP (GDPCH): Despite China being Thailand's largest trading partner, the expansion of China's economy does not directly translate into higher trade values. This can be explained through the Import Substitution perspective, as China has developed domestic production capacity across key sectors, thereby reducing its dependence on imports, including from Thailand.
b) Inflation (INFL): The absence of a significant effect supports Dornbusch and Fischer's (1994) view that inflation has an ambiguous impact on trade. If inflation results from cost-push factors, it erodes competitiveness by raising production costs. Conversely, demand-pull inflation could stimulate import demand, especially from a key partner such as Thailand.
c) Exchange Rate Volatility (EXR): The lack of a significant impact may reflect the widespread use of hedging mechanisms by firms, as well as the increasing adoption of local currency settlement schemes under ASEAN–China financial cooperation. These mechanisms reduce the risks associated with exchange rate fluctuations and stabilize trade transactions.

Collectively, these findings indicate that traditional trade theories alone cannot fully explain Thailand–China trade dynamics, as trade flows are increasingly shaped by structural, institutional, and policy-driven factors such as ACFTA and RCEP.

### 5.1.3. Long-Run Trade Dynamics

The ARDL estimation confirms a stable long-run relationship between trade values and Thailand's GDP. However, it fails to capture certain structural shifts, such as the 2008 global financial crisis, escalating trade tensions, and China's industrial policy shifts. This limitation is consistent with the arguments of Pesaran et al. (2001), who highlighted that ARDL is well-suited for examining linear relationships but less effective in modelling structural breaks or nonlinearities.

Future studies may consider alternative approaches such as the Gravity Model, which incorporates economic size and distance, or the Vector Error Correction Model (VECM), which captures both short- and long-run dynamics more comprehensively.

### 5.1.4 Practical Implications

1. Policy Implication: The Thai government should prioritize strengthening domestic economic fundamentals, as they are the primary determinant of bilateral trade performance. In particular, industrial upgrading in sectors aligned with China's future demand—such as processed agricultural products, green technology, and innovation-based goods—will be critical.
2. Business Implication: Thai enterprises should leverage domestic growth momentum while capitalizing on trade frameworks such as ACFTA and RCEP. Emphasis should be placed on quality enhancement, compliance with international standards, and branding strategies to secure competitiveness in the Chinese market.

3. Academic Implication: The rejection of several hypotheses demonstrates that macroeconomic variables alone are insufficient to explain Thailand–China trade. A broader analytical framework that integrates political economy and institutional economics is necessary to capture the full complexity of trade relations.

In summary, this study confirms only the first hypothesis (H1), namely that Thailand's GDP has a significant positive effect on Thailand–China trade in the long run. The other hypotheses (H2–H4) are not supported. These results not only contribute to the academic debate on international trade but also provide practical insights for policymakers and entrepreneurs. The findings underscore that the resilience and competitiveness of Thailand's domestic economy remain the most decisive factor in fostering sustainable trade relations with China.

**5.2 Suggestions**

1. For Policymakers, the Thai government should strengthen domestic production capacity and industrial upgrading, as Thailand's GDP is the key driver of bilateral trade. Policies that support innovation, value-added exports, and trade facilitation will enhance competitiveness in the Chinese market.
2. For Entrepreneurs, Thai enterprises are encouraged to leverage trade privileges under ACFTA and RCEP, while adopting strategies that emphasize product quality, compliance with Chinese standards, and risk management against external shocks.

3. For Future Research, Subsequent studies should expand the scope of analysis by incorporating structural factors such as trade agreements, global shocks, and institutional frameworks. Alternative models, such as the Gravity Model or VECM, may provide more comprehensive insights into long-run trade dynamics.