# Real Exchange Rate and Trade Flows between Thailand and Selected EU Nations

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**Document Information:**

**Title:** Real Exchange Rate and Trade Flows between Thailand and Selected EU Nations

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This study investigates the impact of bilateral real exchange rates and trade flows between Thailand and the UK, the Netherlands, and Germany prior to and after the switching from fixed to floating exchange rate regime. The period covers 1990Q1 to 1998Q4. The tests for stationarity of variables show that all variables are non-stationary, but integrated of order one. The Engle-Granger cointegration tests show that export/import, bilateral real exchange rate, and real GDP are cointegrated. The non-linear estimations of elasticities yield results that lend a mixed support to the notion that there exists a systematic relationship between real exchange rate and trade flows. The bilateral real exchange rates seem to have positive impacts on exports, but have no impact on imports. The results from this study suggest that policymakers in Thailand should be aware of fluctuations in real exchange rates on the export side of the balance of trade. Real appreciation can lead to Thailand's trade deficits with these major EU trading partners. Therefore, it is compulsory to stabilize the nominal exchange rates and the relative prices so as to maintain the relatively stable bilateral real exchange rates.