

Contents

<i>Map and Thailand in Brief</i>	<i>i</i>
<i>Lists of Tables/Appendixes</i>	<i>iv</i>
<i>Lists of Figures</i>	<i>xi</i>
<i>Lists of Annexes</i>	<i>xii</i>
<i>Lists of Abbreviations</i>	<i>xiv</i>
<i>Preface</i>	<i>xvii</i>
<i>Acknowledgements</i>	<i>xviii</i>

PART I: INTRODUCTION

Chapter 1 Introduction

1.1	Introduction	2
1.2	Background to the Study	4
1.2.1	A Question of Definition: What is Foreign Direct Investment?	5
1.2.2	Overview of FDI in Thailand	7
1.3	Theoretical Background of Foreign Direct Investment	9
1.3.1	FDI and Its Determinants	9
1.3.2	FDI and Its Effects	9
1.3.3	Empirical Analysis of FDI and Growth	11
1.4	The Purpose of Study	14
1.5	Hypotheses	15
1.6	The Scope of Study	16
1.6.1	What are Exactly Multinational Corporations?	16
1.6.2	Why European MNCs Are Selected as a Special Reference?	17
1.6.3	Why Manufacturing Sector and not Others?	17
1.7	Methodologies	18
1.8	Structure of the Research	19

Chapter 2 Determinants of FDI and Consequences on Economy: Issues and Theoretical Concerns

2.1	Introduction	24
2.2	The Issue of FDI in Thailand in the Age of Globalisation	24
2.3	What Determines the Composition of FDI? : Theoretical Considerations	26
2.3.1	The Neoclassical Theory	26
2.3.2	Industrial Organisation Theory	27
2.3.3	Internalisation Theory	30
2.3.4	Location Theory	31
2.3.5	Eclectic Paradigm of International Production	33
2.4	Competitiveness of Host countries as Determinants of FDI: Analytical Framework	34
2.4.1	Host Countries Determinants of FDI: Types of FDI	36
2.4.2	Measuring the Consequences of MNCs Activities	38

2.5	FDI and Its Overall Impacts	38
2.6	The Application of the Theories and the Consequences of Globalisation	39
2.7	Conclusions	41

PART II: DETERMINANTS AND ECONOMIC IMPACT OF FDI : WITH SPECIAL REFERENCE ON EUROPEAN FDI IN THE MANUFACTURING SECTOR

Chapter 3 European Multinational Corporations, Trade and Foreign Investment in the Thai Manufacturing Sector

3.1	Introduction	44
3.2	The Importance of FDI and Trade	45
3.3	EU and ASEAN	47
3.3.1	The Development of Relationship between ASEAN and EU	47
3.3.2	Pattern of Trade between EU and ASEAN	49
3.4	Pattern of Trade between EU and Thailand	52
3.4.1	Specific Trade Performance	52
3.4.2	European Trading Partner	54
3.5	Foreign Direct Investment in Thailand: Increasing Role of Manufacturing Sector	56
3.5.1	Overview of Foreign Direct Investment: Structural Change	56
3.5.2	Industrial Revolution in Thailand: Policy Importance	58
3.5.3	Importance of FDI in Thai Manufacturing	61
3.5.3.1	FDI Performance in the Overall Economy	61
3.5.3.2	FDI in Thai Manufacturing	63
3.5.3.3	Foreign Direct Investment by Source Countries	65
3.6	European Foreign Direct Investment: Global Importance	67
3.7	European Direct Investment in the Thai Manufacturing Sectors	68
3.7.1	European's Direct Investment: Industrial Investment Status	68
3.7.2	Investment Breakdown of Country Member	69
3.7.3	Sectoral Distribution European FDI	70
3.8	Conclusion	72

Chapter 4 Determinants of European Direct Investment in Thai Manufacturing: Survey Evidence

4.1	Introduction	76
4.2	Determinants of Foreign Direct Investment	77
4.2.1	Theoretical Considerations	77
4.2.2	Determinants of Locational Decisions	79
4.2.3	Investment Promotion Policy: Does Industrial Linkages Matter?	81
4.2.4	Previous Empirical Analysis of FDI in Thailand	82
4.3	Assessing the Investment Determinants	84
4.3.1	Methodology	85
4.3.1.1	The Sample	85
4.3.1.2	The Instrument	86
4.3.1.3	Effective Measures	87
4.3.1.4	Scope of the Survey	87

4.3.2	Survey Results	87
4.3.2.1	Key Features of the Sample	87
4.3.2.2	Motivations of Investment	89
4.3.2.2.1	Motivations of Initial Decision	89
4.3.2.2.2	Motivations of Investment Expansion	90
4.3.2.2.3	Endowment of the Factors of Production	91
4.3.2.3	Mode of Entry and Ownership Structure	92
4.3.2.4	Industrial Linkages in Manufacturing Sector	94
4.3.2.5	Role of Government Agencies	96
4.3.2.5.1	Experiences with BOI's Services	96
4.3.2.5.2	Experiences with Other Government Agencies	97
4.3.2.6	Sources of Country Problem	97
4.3.3	Determinants Based on Interview and Discussion	98
4.4	Summary of the Findings and Policy Recommendation	100
4.4.1	Fact Findings: Base-Surveyed Analysis	100
4.4.2	Policy Recommendation	101
4.5	Conclusion and Implication for Further Study	102

Chapter 5 Evaluating the Impact of Foreign Direct Investment

5.1	Introduction	104
5.2	Theoretical Costs and Benefits of FDI in Developing Countries	105
5.3	How the Impact of FDI on the Economy Can Be Measured?	106
5.4	Concepts of Measurement	107
5.4.1	The Contribution to Economic Development and Growth	108
5.4.2	Impact on Foreign Trade: Export Growth	109
5.4.3	Impact on Balance of Payments	111
5.4.4	Impact on Employment	115
5.4.4.1	Structure of Workforce in Thailand	116
5.4.4.2	Employment Creation	116
5.4.4.3	Wages and Earnings	118
5.4.5	Impact on Technology	121
5.4.5.1	Technology and Its Transfer	121
5.4.5.2	R&D Oriented Technology Development by Private Sector	125
5.4.6	Impact on Environment	128
5.4.6.1	Location Distribution of FDI Projects	129
5.4.6.2	Industrial Estate and Environmental Management	132
5.5	Conclusion	132

PART III: INVESTMENT PROMOTION ACTIVITIES AND POLICY ISSUES

Chapter 6 FDI Policies and the Role of Investment Promotion Agency

6.1	Introduction	136
6.2	The Generation of Investment Promotion Policies	137
6.2.1	Three Generations of Investment Promotion Policies	137
6.2.2	Why a Country Must Engage in Investment Promotion?	138
6.2.3	Guideline for Investment Promotion Agencies	139

6.3	The FDI Promotion Policy Regime in Thailand	140
6.3.1	Open Investment Policy	140
6.3.2	The Legal Framework	141
6.3.2.1	The Foreign Business Act of 1999	141
6.3.2.2	The Investment Promotion Act 1977	143
6.3.2.3	The Industrial Estate Authority of Thailand Act of 1979	144
6.3.3	The Development of FDI Policy Regime	144
6.3.4	New Approach to Investment Promotion Policy	146
6.4	Role of Thai Investment Promotion Agency	148
6.4.1	The Board of Investment	148
6.4.2	Organisation Structure	149
6.5	Investment Policy Framework	150
6.6	Investment Incentives	151
6.6.1	Incentives under the Investment Promotion Act	151
6.6.1.1	Foreign Equity Participation Rules	151
6.6.1.2	Non-Tax Incentives for Promoted Companies	151
6.6.1.3	Investment Promotion Zones	152
6.6.1.4	Major Tax Incentives for Promoted Companies	153
6.6.2	Incentives under the Industrial Estate Authority of Thailand Act	154
6.6.3	Incentives under the Petroleum Laws	155
6.7	Investment Promotion Strategies and Techniques	156
6.7.1	Image-Building	157
6.7.2	Investment Generation	157
6.7.3	Investment Services	157
6.8	Changing Context of Investment Policy in Thailand in the Era of Globalisation	158
6.9	Conclusion and Policy Recommendations	160

Chapter 7 The Synopsis of Policy, Economics and FDI: Lessons from Other Countries

7.1	Introduction	162
7.2	The Importance of Policy in Attracting FDI	163
7.2.1	The Need for Best-Practice Policy	163
7.2.2	Framework of Successful Policy	163
7.3	The Case of Mexico	165
7.3.1	Policy Measures: Macroeconomic Stabilisation	165
7.3.2	The Success of Liberalisation Program	167
7.3.2.1	Trade Liberalisation	167
7.3.2.2	Investment Liberalisation	168
7.4	The Case of Indonesia	169
7.4.1	Inward to Outward Looking Strategy	169
7.4.2	Stage of Economic Policy	170
7.5	The Case of South Korea	173
7.5.1	Evolution of Foreign Investment Policy	173
7.5.2	Moving Towards Knowledge Economy	175
7.6	The Case of China	176
7.6.1	Briefing of China's Open Door Policy to Attract FDI	176

7.6.2	FDI Promotion Policy: From Reactive to Proactive Policy Making	177
7.6.2.1	Liberalisation of FDI Policy	178
7.6.2.2	Proactive Policy	178
7.7	The Case of Vietnam	179
7.7.1	Economic Development	179
7.7.1.1	Before 'Doi Moi' (1976-1985)	180
7.7.1.2	After 'Doi Moi' (1986 to Present)	180
7.7.2	Foreign Investment Regime	180
7.7.3	Policy Implication	182
7.8	Other Findings	182
7.8.1	Efficient FDI in Singapore	182
7.8.2	Policy Based Competition for FDI: The Case of Brazil	184
7.9	Conclusion	185
Chapter 8	Conclusion, Lessons and Policy Recommendations	
8.1	Summary and Conclusion	190
8.2	Lessons Learned	195
8.3	Policy Recommendations	197
Tables		196
Annex		225
Appendixes		230
References		251