รายงานวิจัยฉบับสมบูรณ์

โครงการ บริษัทข้ามชาติและผลประกอบการ: นัยยะทางนโยบาย

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รัฐบาลจากประเทศเกิดใหม่หลายประเทศให้การสนับสนุนบริษัทในประเทศให้พัฒนากลายเป็นบริษัทข้ามชาติ อย่างไรก็ตามนโยบายการสนับสนุนบริษัทในประเทศให้มีการออกไปลงทุนในต่างประเทศกลายเป็นประเด็นที่ได้รับการถกเถียงอย่างกว้างขวาง เนื่องจากนโยบายดังกล่าวต่างจากนโยบายการสนับสนุนการส่งออกซึ่งก่อให้เกิดการจ้างงานและการลงทุนภายในประเทศ ในขณะที่การส่งเสริมการลงทุนในต่างประเทศจะเป็นการสนับสนุนการลงทุนและการจ้างงานในประเทศผู้รับการลงทุนมากกว่า อย่างไรก็ตามจากการศึกษาพบว่าการลงทุนในต่างประเทศส่งผลให้เกิดผลกระทบเชิงบวก (Spillover) แก่ประเทศผู้ลงทุน

รายงานฉบับนี้ใช้การวิเคราะห์ผลกระทบโดยการหาความสัมพันธ์ระหว่างระดับความเป็นบริษัทข้ามชาติ (multinationalisation) และผลประกอบการของบริษัทเพื่อทำความเข้าใจเกี่ยวกับสภาวะที่บริษัทจำเป็นต้องได้รับการสนับสนุนเพื่อการพัฒนาเป็นบริษัทข้ามชาติ ผู้วิจัยเสนอว่าเมื่อผู้บริหารเล็งเห็นกำไรจากการลงทุนทางตรงในต่างประเทศ รัฐบาลของประเทศผู้ลงทุนอาจจะไม่จำเป็นต้องสนับสนุนเนื่องจากผู้บริหารมีแรงจูงใจในการลงทุนในต่างประเทศแล้ว ดังนั้นการสนับสนุนการลงทุนในต่างประเทศของรัฐบาลควรมุ่งไปยังการช่วยเหลือบริษัทโดยการลดข้อจำกัดและเอื้อให้เกิดกระบวนการลงทุนในต่างประเทศมากกว่าการอุดหนุนการลงทุน

ผู้วิจัยใช้ข้อมูลจากบริษัทจดทะเบียนในตลาดหลักทรัพย์ไทยในช่วงเวลาระหว่างปี พ.ศ. 2533 – 2555 (ค.ศ. 1990-2012) และค้นพบว่า การลงทุนในต่างประเทศส่งผลกระทบทางบวกต่อกำไรในรูปแบบของความสัมพันธ์เชิงเส้นโค้ง (curvilinear relationship) นอกจากนั้นผู้วิจัยไม่พบความสัมพันธ์ระหว่างประเทศผู้รับการลงทุนและกำไร ยกเว้นการลงทุนในศูนย์กลางทางการเงินซึ่งมีความสัมพันธ์เชิงบวกเช่นกัน

จากการวิเคราะห์ผลดังกล่าว ผู้วิจัยเสนอว่าการให้การสนับสนุนการลงทุนในต่างประเทศควรเป็นไปอย่างรอบคอบ ผู้บริหารที่มีแรงจูงใจในการลงทุนทางตรงในต่างประเทศอยู่แล้วอาจจะไม่ต้องการการสนับสนุนจากรัฐบาลในการขยายการลงทุน นโยบายรัฐบาลที่เหมาะสมควรมุ่งสู่การกระตุ้นให้เกิดภาวะที่เอื้อต่อการลงทุน

ทั้งในและต่างประเทศอันจะช่วยลดภาระต้นทุนในการขยายตัวสู่ต่างประเทศ และช่วยให้ผู้บริหารสามารถเลือกลงทุนในประเทศที่จะทำให้เกิดประโยชน์สูงสุดแก่บริษัท

คำสำคัญ: บริษัทข้ามชาติ การลงทุนโดยตรงในต่างประเทศ ผลประกอบการ ประเทศไทย

Abstract

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Project Title : Multinationals and Performance: Policy Implications
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Governments in emerging economies are supporting the transformation of their firms into multinationals. This policy has generated a debate because, unlike related policies such as export promotion or the attraction of inward foreign direct investment which have direct influences on employment and investment in the home country, the support of outward foreign direct investment (OFDI) in some cases is seen as supporting investment and employment abroad. Nevertheless, it appears that outward foreign direct investment has positive spillovers in the home economy.

In this report we take a different approach from the traditional analysis of spillovers and instead analyze the relationship between multinationalization and performance to understand under which conditions firms need for government support to become multinationals. We propose that if managers find it profitable to expand their firms abroad, the government may not need to provide support as managers already have incentives in place and the spillovers would happen. Thus, government support for OFDI can be directed at helping firms become multinationals by reducing constraints on and facilitating the process of OFDI rather than at directly subsidizing the investments.

We analyze this relationship in a panel of publicly traded Thai firms in the period 1990-2012. We find that internationalization appears to have a positive impact on profitability and may follow a curvilinear relationship. We also find that there is no clear relationship between the location of international expansion and profitability, except for investments in offshore financial centers that appear to have a positive relationship.

From these arguments and findings we recommend caution on public support for OFDI. Managers appear to have the incentive to engage in foreign investment and thus may not need government support to continue expanding their firms abroad. Government policy can be directed at lifting constraints to investments in the home country and in host countries that will reduce the cost of expanding, allowing managers to choose the destination countries they consider to be better for the success of their firms.

Keywords: Multinationals, outward foreign direct investment, performance, Thailand
JEL classification: F21, F23

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1. Introduction

In this research project we analyze the merit of home-country support for outward foreign direct investment (OFDI). Inward foreign direct investment (IFDI), is generally welcome in most countries, thanks to the inflows of foreign capital, expertise and domestic employment opportunities and the spillovers on the economy and its domestic firms have been well documented (Blomstrom and Kokko 1998). In contrast, OFDI is often questioned on its benefits and impacts on the home country's economy. Opponents of OFDI argue that it is a zero-sum game, in which local firms are substituting increases in domestic production capacity by foreign production. For developing countries that have long thrived on labor-intensive industries, OFDI is perceived to pose threats to domestic employment should local companies relocate their operations to countries with lower costs. Companies can use the relocation as a threat to negotiate for concessions from employees in the home country. At the same time, the relocation of activities to other countries is perceived as a reduction of the productive base of the country and the associated taxes for the government. As a consequence, OFDI may have a negative influence on the overall home economy.

However, despite the arguments against OFDI, a few countries have started helping their local firms to invest abroad. These support programs go beyond the traditional export promotion support that most countries, including proponents of small government like the United States, have in place, whereby exporting firms can obtain tax rebates or soft loans to support their international expansion. Some countries have initiated proactive programs to support OFDI of their domestic firms. Examples include China's government 'Going Abroad' mandate that started in 2000 (Luo, Xue & Han, 2010); Singapore's 'Regionalization 2000' policy launched since 1993 (Goh, Sikorski & Wong, 2001); and Brazil's financial support for the acquisition of foreign firms through the Brazilian Development Bank (BNDES, 2015).

The support of OFDI has been justified on the basis that with increasing deregulation and competition at home, investments abroad will ensure the future success of firms as they gain scale to compete globally. Unfortunately, some of the support seems to be based on little more than on government officials' desire to have some local firms become global champions and appear in the leagues of the largest firms. However, there is a logic for supporting OFDI. OFDI can benefit not only the investing firms, but also the overall home country economy following positive benefits to the home country operations in the form of global learning for investing firms, as well as spillovers to other domestic firms in the form of increased competitiveness. For emerging economies, OFDI has been increasingly considered to be a key process through which domestic emerging market multinationals can enhance their competitiveness to global levels. As a result, the question on the roles of home country government in supporting and promoting OFDI has become more pertinent to the overall economic policy, as OFDI contributes to industrial upgrading and economic growth.

Thailand is no exception to the debate on the merits of government support for OFDI. Given a variety of policy initiatives undertaken by different government authorities, the Thai government has yet to come up with a comprehensive policy framework toward the development of Thai companies' 'global competitiveness' in line with the broad support provided by other governments like the Chinese and the Singaporean ones. Recent policy initiatives are based on two criteria—selecting target industries and target destinations (Wongwivatchai, 2013). Target industries are divided into those that seek raw materials that Thailand lacks and those that can

maintain and expand markets for Thai products and services. For destinations, Asia particularly the Association of Southeast Asian Nations (ASEAN) members, receive the most emphasis, followed by China and India, the Middle East, South Asia and Africa. While giving priority to selected industries and destinations may provide a short-term answer to Thai companies looking for directions from the government, it risks overlooking other types of OFDI that could be equally significant for the global competitiveness of Thai companies.

In addition, making recommendations for OFDI opportunities alone may not be sufficient to convince Thai firms to invest abroad. In a study of OFDI activities of Thai listed companies, Nitichai (2011) pointed out that one of the main reasons Thai firms lag behind their ASEAN neighbors in investing abroad is the lack of convincing evidence that international expansion leads to better firm performance. It is therefore necessary for home-country government to get a better understanding of whether internationalization is good for firms before embarking on a grand OFDI support scheme. After all, operating in a foreign country is more difficult than operating at home, as foreign firms face a series of challenges from being a new entrant, to lacking reputation and established relationships to outright discrimination by consumers and some governments (Cuervo-Cazurra, Maloney and Marakhan, 1997).

Therefore, in this research project we analyze the logic for supporting OFDI and the need for such support by studying the relationship between internationalization and performance of firms. OFDI impact on the home country has been traditionally examined at the macro-economic level, such as analyses of domestic investment or employment statistics. Few research looks at the impact on firm, despite the fact that government support policy bears direct implication on the firm's strategy and performance. Before providing support for the internationalization of firms, government officials may need to understand whether such investments are likely to pay off. Any company can become a multinational if it has enough financial funds, or if the government is willing to subsidize its internationalization. However, not all companies become successful in their internationalization, and thus some of the government support for internationalization of firms that are unlikely to succeed overseas may have been a bad idea from the start. Hence, we propose to analyze the impact of internationalization on firm performance to gain a better understanding of whether internationalization provides incentives for firms in terms of better performance. If it does, managers will already have the incentive to engage in global competition with or without government support. However, if internationalization does not lead to better firm performance, firms may hesitate to engage in international expansion and the government may need to provide incentives and support for OFDI to encourage the positive spillovers it generates in the home country.

The rest of the report is organized as follows. In chapter 2 we review home government policies regarding OFDI, identifying the debate surrounding the type of policies. In chapter 3 we review the relationship between internationalization and performance. In chapter 4 we describe the process used for collecting and analyzing data on publicly-listed firms in the Stock Exchange of Thailand (SET). In chapter 5 we provide some background statistics on Thai multinationals. In chapter 6 we analyze the relationship between internationalization and performance. We conclude in chapter 7 with a discussion of the recommendations for policy support for OFDI.

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2. Home Government Policies toward OFDI

Support for OFDI is becoming increasingly common among governments of emerging economies. Thailand is no exception of this trend. For the first time since its establishment in 1959, the Board of Investment (BOI) stated in its five-year strategic plan for 2013-2017 that it will actively promote outward investment as part of the scheme to increase the competitiveness of Thai business (Wongwivatchai, 2013). This officially sets a new direction for the BOI, the main government body that has previously been tasked only with attracting IFDI to Thailand. OFDI of its domestic firms is now officially part of Thailand's development strategy.

The starting point for discussing how governments should approach policies toward OFDI should be to examine whether and how it benefits home economies and whether the government needs to intervene to facilitate benefits that would otherwise not happen with its direct intervention. Unlike the general support for IFDI, merits for government assistance toward OFDI remains under scrutiny. It is commonly accepted that IFDI brings an overall benefit to host economies, directly via the transfer of capital, resources and technology resources and capabilities by multinationals that set up operations in the host country. Additionally, there are positive externalities in the form of unintended spillover of these resources and capabilities to local competitors via the demonstration, employee mobility and training of joint supplier mechanisms (Blomstrom and Kokko, 1998). However, the positive impact is not automatic. Some domestic companies may suffer and disappear because they are unable to face the increased competition from foreign firms, although the overall efficiency of the industry tends to increase with IFDI (Kumaraswamy *et al*, 2012). Moreover, the spillovers to local firms require that such companies have the ability to absorb the more advanced capabilities, which is not always the case (Blomstrom and Kokko, 2003). Additionally, the benefit tends to be higher in activities integrated in global supply chains rather than those directed at serving the local market (Moran, Graham and Blomstrom, 2005) and when domestic companies have established alliances with foreign companies (Aitken and Harrison, 1999). Despite some counterarguments, most countries welcome IFDI as an engine of growth in addition to domestic investment.

It is less clear what the impact of OFDI is, and whether it generates positive externalities to the home economy to the point where it deserves government support. While OFDI may benefit the investing firm because it accesses larger markets or comparative advantages available in other countries, these may not necessarily bring positive externalities to the firm's home economy. OFDI may be undertaken at the expense of domestic investment, with the funds channeled abroad reducing the availability of funds for domestic investment and thus increasing the cost of finance at home. Shifting productive assets abroad may also come at the price of home economy, depending on the motive for the investment (Stevens and Lipsey, 1992). Although the relationship is not conclusive in advanced economies (Desai, Foley and Hines, 2005), it appears that OFDI has a negative impact on domestic investment in emerging countries, although this may vary depending on the driver of such investments (Al-Sadig, 2013). Yet, OFDI has increasingly become part of the overall economic development of most countries.

To come up with appropriate policy framework, home country governments are faced with two fundamental questions. Naturally, the very first one is *whether* the government should support OFDI of its domestic firms. Answering this question requires a thorough understanding of the potential impacts OFDI bears on the home economy. Supportive policies can be used

when the home country believes it can benefit from OFDI of domestic firms, whereas restrictive measures are required should OFDI leads to negative externalities to the home economy.

The second question then is *how* home-country governments should go about implementing policies to support OFDI. This question is much more complex because there is no "one-size-fits-all" answer (UNCTAD, 2006). Policies need to reflect a variety of factors, including a country's stage of development, comparative advantages, geopolitical situation, capabilities and competitiveness of domestic firm, and the country's overall economy.

In the rest of the chapter we analyze these issues, reiterating the argument that OFDI policy framework should reflect and take into consideration firm-level factors, especially their different internationalization strategies. We first review possible impacts of OFDI on the home economy. We then discuss policies and measures toward OFDI. Finally, we elaborate why home-country governments may want to promote OFDI.

2.1. OFDI Impact on Home Economies

The impact of OFDI on the domestic economy has long been a subject of public policy debates. Opponents of OFDI argue that it is a zero-sum game, in which domestic production is substituted by OFDI. As a consequence, OFDI only benefits the investing firm but inevitably hurts the home economy following a relocation of economic activities to other countries and the reduction of capital available for investment in the home country (Stevens and Lipsey, 1992). To make matters worse, OFDI can place burden on a country's balance of payment when the home country is short of capital resources. For emerging economies in particular, OFDI is often viewed to pose threats to the local economy because domestic investment is a key driver to economic growth in addition to IFDI. Negative externalities of OFDI include reductions in home outputs, domestic employment, export incomes and tax revenues, as well as the 'hollowing out' effects, whereby outflows of FDI replace domestic investment and leads to a reduced capital stock in the domestic economy (see Herzer, 2010; UNCTAD, 2006).

However, OFDI impacts are not simply one-directional and negative toward the home country. The motivations behind OFDI have a different effect on the home country, with strategic seeking investments likely having a positive impact as they help firms improve their productivity, natural resource seeking investment likely having a positive impact as they provide better or cheaper inputs for domestic operations, while market seeking investments potentially having a negative impact if they are done at the expense of exports (Hejazi & Pauly, 2003; Al-Sadig, 2013).

The general agreement is that OFDI is a necessary step toward a country's economic development because it compels domestic firms to become more competitive. OFDI can benefit home economies in both direct and indirect manners. Although direct benefits are generally accrued to investing firms, home countries also gain from indirect gains that contribute to the improvement of its overall competitiveness. More competitive domestic firms contribute to the home country's industrial transformation, enabling the domestic economy to undertake higher value-adding activities (UNCTAD, 2006) and generating spillovers, such as technological diffusion, toward other local firms (Blomstrom and Kokko, 1998). In short, the most important potential gain from OFDI is the improved competitiveness and performance of the firms and industries involved (UNCTAD, 2006: 169).

We now discuss the impact of OFDI on the investing firms and on other firms in the home economy.

2.1.1. OFDI impact on investing firms

International expansion through direct investment can help the investing firm achieve different strategic goals. Four main motives for firms to undertake OFDI are to obtain natural resources that are imperfectly distributed across countries (natural resource seeking), to improve the efficiency and profitability of the firm by benefiting from economies of scale by serving foreign markets (market-seeking), to increase the firm's overall efficiency by accessing factors of production that are lower costs (efficiency-seeking), and to acquire strategic assets that could help improve the firm's competitiveness and long-term sustainability (strategic asset seeking) (Dunning, 1993; Dunning and Lundan, 2008). This four-way framework of OFDI motivations can generally explain the overseas expansions of Thai multinationals.

International expansions to acquire natural resources that are not available at home, or available but at higher costs, are common in multinationals in energy and resource industries. For example, the PTT group's exploration projects in South America, Africa and the Middle East, as well as in Southeast Asia, are clear examples of resource-seeking investment. Similarly, Banpu's extensive investment in Indonesia, China and Australia, reflects the firm's need to seek alternative and additional sources of raw materials that are no longer available in Thailand. Such investments are not likely to be done at the expense of domestic investment as the firm is obtaining resources that are not available in the home country. Even if such resources can be available but at a higher cost, the access and importation of the natural resources for processing in the home country is likely to not only improve the efficiency of the firm but also lead to expanded investment to process the new sources of raw materials.

Market-seeking investment is likely the most common strategic goal for much OFDI. Examples include the CP group's investment in animal feeds and livestock farming in Asia and beyond, which allowed CP to expand its market coverage. Such investments may have a positive or negative impact on domestic investment depending on the impact on the exports of the firm, which in turn depend on the proximity-concentration tradeoff (Brainard, 1997). Thus, in some cases the investment abroad may be done at the expense of exports from the home country, with the multinational avoiding transportation costs and tariffs to serve the host country, while in others the firm exports from the home country with the local investment facilitating the sales. Thus, the impact on the home operations is unclear, but the impact on the overall firm tends to be positive as the company is using resources and capabilities that it has developed in the home country (e.g., technology, innovations) and uses them more intensively abroad, benefitting from economies of scale in investments it has already undertaken.

Through efficiency-seeking investments, firms can benefit from different factor endowments in different countries and use international expansions to improve their competitiveness by seeking cheaper inputs or achieving scale economies through vertical and horizontal integration. Thai textile companies' relocation of production facilities to Cambodia and Myanmar represent this type of OFDI. The impact on the home country is likely to be positive as the firm improves its efficiency and international competitiveness, but it may have negative consequences as low-valued added operations move abroad because they are no longer viable in the home country.

Strategic asset-seeking investment is particularly relevant to emerging market multinationals (EMNEs) that seek to augment their competitiveness through acquisitions of higher value-added assets such as technologies, skills, R&D facilities, brand names and distribution networks. This has been the main strategy for Thailand's TUF acquisitions of leading canned tuna brands in advanced economies. The impact on the home country is likely to

be positive as companies improve their operations and the value added of the operation via their link into global value chains, and are able to compete on better terms against firms from more advanced economies.

2.1.2. OFDI impact on home-country economy

While benefits accrued and risks borne from these projects are direct consequences for investing firms, the impact on the home economy at large stems more from indirect effects of how those MNEs translate their acquired benefits to their home-base operations and other entities in the domestic economy.

In general, the impact of OFDI on the home economy depends on how the increased competitiveness of outward investing firms can be translated into benefits for industries in the home economy and for companies beyond the firm that is undertaking the investment. OFDI bears direct and indirect impacts on suppliers, competitors and players in related industries. Positive externalities on the competitiveness of home-country industries can take place through the enhancement of industrial competitiveness and the industrial transformation of the home economy (UNCTAD, 2006). The exposure to new technology and know-how could also be a source of positive externalities that raise the returns on invested capital (Gammeltoft and Kokko, 2013), with the firms that becomes a multinational taking the role of the foreign multinational and becoming a source of spillovers for home-based suppliers, distributors and competitors (Blomstron and Kokko, 1998).

Benefits that investing firms accrued can be transmitted to the overall home country's competitiveness through various channels, including backward and forward linkages with local firms via the creation of global value chains with the domestic multinational at the center (Gereffi and Fernandez-Stark, 2011), spillovers to competitors and firms in related clusters via the demonstration, employee mobility and training of joint supplier effects (Blomstrom and Kokko, 1998), as well as linkages and interactions with institutions in the national innovative systems (e.g. universities and research centers) (Nelson, 1993). Although indirect, these spillovers can benefit the home country as they lead to an overall increase in the country's competitiveness.

Beyond industrial competitiveness, home-country economies can also benefit if increased industrial capabilities lead to the restructure of their economies. Restructuring the domestic economy to move into higher value-added activities is a key development goal for most emerging economy home governments. As countries develop, their costs increase and the comparative advantage shifts from labor-intensive to capital- and technology-intensive sectors. In these situations, domestic enterprises may need to relocate unskilled labor-intensive activities to countries with lower costs of production, while keeping the higher skill and value added activities at home. In the short run, this may be perceived negatively as domestic investment and employment are diverted outside the home economy (Hijzen, Gorg and Hine, 2005). In the long run, however, this process can release the country's existing resources for use in more sophisticated sectors, inducing the upgrading of competitiveness and thus facilitating the home economy's industrial transformation and enhancing the long-term economic growth. From the view that OFDI leads to negative externalities toward the domestic economy, the more recent perspective considers OFDI as an instrument for development (Gammeltoft and Kokko, 2013). Thus, in a cross-country study of 50 economies, Herzer (2010) confirmed that outward investment is positively associated with economic growth. Outward-investing firms can improve their competitiveness domestically and internationally through the combination of home and

foreign productions. This benefits the entire domestic economy due to the increase in productivity and efficiency of the investing firms and increases the potential positive spillovers to other local firms. Increasingly, there is a converging view that FDI, both inward and outward, is one key mechanism to strengthen the competitiveness of domestic firms and home-country economies. IFDI contributes by supplying new or more advanced resources and capabilities. OFDI similarly plays its part by creating new avenues to access market, capital, technology and other strategic assets from other countries, or from expanding market coverage of domestic players (Dunning and Lundan, 2008).

Put it simply, inward and outward FDI can make domestic firms more competitive. Better and more competitive domestic firms generate higher domestic competition, increase linkages and spillovers benefits to local competitors, suppliers and other parties in supporting and related clusters, and are able to absorb more of the spillovers from foreign companies located in the home country, which leads to an overall development of the domestic economy. These growth-enhancing benefits of OFDI are becoming more significant as more emerging countries, Thailand included, evolve from being recipients of IFDI to home countries of FDI outflows and eventually to becoming net sources of foreign invest, as the economy and its firms develop, thus following the investment development path (Dunning, 1981).

2.2. Policies on OFDI

Although policies on OFDI are aimed at improving the competitiveness of domestic firms, active promotion of OFDI still deserves careful considerations whether the home country has reached the level where such proactive promotion is possible and desirable.

Government policy on OFDI has been viewed critically because what is good for investing firms may not necessarily be good for its home economy. While IFDI is generally perceived to bring net benefits to host economies in the form of the use of factors of production and labor that otherwise may not be put to use and the spillovers to domestic firms, the perception is not the same for OFDI. Most conventional economic studies on home-country impacts of OFDI focus on effects on domestic investment, exports and technology flows (Sermcheep, 2013). Impacts on the three issues can be both positive and negative. OFDI can reduce domestic investment, should production relocation takes place and reduces outputs in the home economy. However, OFDI can also be complementary to domestic investment if foreign subsidiaries lead to increased outputs in the home economy through backward or forward linkages. For exports, OFDI can lead to export-replacing effects if foreign production reduces export from the home economy. At the same time, OFDI can be export-supporting if foreign production creates demands on other related products for the home country. The net effects on both domestic investment and exports depend on the country and there is no firm conclusion on the impacts of OFDI on home economies. Contrary to the inconclusive impacts on domestic investment and exports, OFDI is generally believed to generate positive impacts on knowledge flows as firms can tap a broader pull of knowledge through strategic-seeking investment in overseas markets (Dunning and Lundan, 2008).

To maximize benefits from OFDI, home-country governments can choose from a range of policies to restrict, facilitate or promote OFDI. Policies toward OFDI can therefore be classified into three types (UNCTAD, 1999): (1) liberalization of regulatory policies (reduction of constraints in the home country); (2) policies facilitating and protecting FDI (reduction of constraints abroad); and (3) promotional policies (subsidization of investments).

2.2.1. Policies Liberalizing OFDI: Reducing Constraints in the Home Market

A country's degree of openness to OFDI needs to balance its desire to control cross-border flows of capital and the need of domestic firms to internationalize. Unlike most advanced economies with free floating exchange rates and advanced capital markets, emerging economies tend to have managed or pegged exchange rates and underdeveloped capital markets. Thus, the flow of large amounts of funds to invest abroad may have negative consequences on the maintenance of the stability of the peg or the availability of funds for domestic investors, which have prompted some countries to impose constraints on OFDI.

Naturally, countries that are tight on capital resources tend to restrict investment outflows lest they instigate balance of payment pressure or risk capital flights (UNCTAD, 1995). Since the 1980s, most developed economies have eliminated capital control restrictions in line with OECD liberalization codes and deregulations agreed within the European Union (UNCTAD, 1999).

Emerging economies are slower to adopt capital market liberalization. However, since the 1990s, the more advanced emerging economies, particularly those in East and Southeast Asia such as South Korea, Taiwan, and Singapore, have adopted a more liberal policy toward capital controls (UNCTAD, 1995). Thailand's financial liberalization attempts during the early 1990s helped remove restrictive capital control policies earlier implemented. Although the 1997 Asian Crisis reiterated the recognition for regulations of short-term capital flows, deregulations and liberalization of capital control measures proceeded. The Capital Account Liberalization Master Plan, initiated by the Bank of Thailand in October 2012, sought to encourage and increased the flexibility for overseas investment for Thai residents and companies (BOT, 2012). Other liberalization attempts include measures that lead to more flexibility in foreign exchange management, and ones that relax the approval of OFDI attempts by Thai corporates. The liberalization of exchange control has been Thailand's main policy toward OFDI until 2012 when the Board of Investment begins its new mandate to promote Thai outward investment in addition to attracting inward foreign investment to Thailand.

In sum, this initial policy consists in the reduction of constraints in the home country toward firms investing abroad. A reduction of such constraints is an initial and relatively easy way to help domestic firms become multinationals, since the government is merely allowing firms to undertake the investment they perceive as beneficial for them, without altering the incentives to undertake particular types of investments or selecting particular countries.

2.2.2. Policies Facilitating or Protecting OFDI: Reducing Constraints Abroad

After liberalization policies at home, policies facilitating and protecting overseas investment are generally introduced as further support for outward investing firms. These measures include bilateral treaties among countries seeking to prevent double taxation and/or to ensure fair and equitable treatment and mechanisms for the resolution of disputes between investors and host-country governments (UNCTAD, 1999). Thailand's insufficient availability of double taxation treaties was identified as one of the key barriers for Thai OFDI (Thaicharoen, 2013). As of September 2014, Thailand had concluded 57 double taxation treaties (DTTs) with other countries (Revenue Department of Thailand, 2015). This number is rather limited, considering that the number of cumulative DTTs concluded in Asia and Oceania was 968 in 2005 (UNCTAD, 2006).

In addition to DTTs, treaties that guarantee non-discriminatory conditions for foreign affiliates (i.e. national treatment) and investment protection are also important in providing incentives for OFDI (UNCTAD, 1995). Generally, these policies seek to reduce the risks

associated with foreign investments by firms but do not directly promote OFDI. These policies could be done at the bilateral, regional and multilateral levels. Although the continuously increasing number of these policies and treaties help facilitate and enable more FDI, the multilayered and multifaceted nature of these frameworks can be demanding on the investing firms and governments (UNCTAD, 2006).

In sum, this additional policy requires the government to actively engage with other governments to reduce constraints that imped the expansion of domestic firms into those foreign countries. This negotiation and reduction of constraints with particular countries does alter the decisions of domestic firms regarding their foreign investments. Countries in which their investments can be undertaken more easily and/or are protected would be favored over countries in which the government has not negotiated the reduction of barriers. Thus, this second policy can redirect OFDI to particular countries or activities that the government may favor by reducing barriers abroad without the government having to support specific industries or firms.

2.2.3. Policies Promoting OFDI: Subsidization of Investments

To directly promote and encourage OFDI, home-country governments may employ a variety of policies to push for further OFDI from domestic investors. Promotional policies for OFDI can be grouped into three broad categories: information and technical assistance; direct financial support and fiscal incentives; and investment insurance (UNCTAD, 1995: 313). However, it may not always be easy to draw the line to separate these functions as investment promotion agencies may undertake various policies at the same time.

Information and technical assistance is usually the first step of government policies to promote investment in other countries. At a minimum, government agencies provide basic macroeconomic and business-related information such as economic and legal conditions of host countries to potential investors. "Matchmaking" services, whereby government agencies bring information of potential business partners in host countries, are common as part of information assistance. Home-country governments of both developed and developing economies widely undertake this practice as an initial service to promote OFDI. Many Asian countries, including Singapore, Taiwan, Hong Kong, Malaysia, China and Thailand, widely adopt this practice (see details in UNCTAD, 1995). For Thailand, the Board of Investment (BOI) has been the main government agency undertaking this role since 1991. The BOI has been following a rather indirect approach to support OFDI through this type of policies.

Beyond information, some governments may provide direct financial support to potential overseas investors. Financial support is given in the form of grants, loans, and equity (UNCTAD, 1999). Funding could be available for the entire outward investment projects or specific stages of the investment process, particularly feasibility studies and start-up for smaller and less experienced domestic firms. For developed economies, these financial support may come as part of development assistance to host economies. For example, Germany provided investment guarantees and low interest rate loans for investment in developing economies through the German Development Corporation (UNCTAD, 1995). For emerging economies, it is not obvious from an economic standpoint why capital exporters should benefit from government subsidies. However, the wide variety of measures that have been used by different home-country governments from emerging economies is an indication of the growing importance these governments place on OFDI.

While UNCTAD (1995, 2006) provide a broad brush of different home-country OFDI measures across countries, detailed country studies are appearing as more emerging market

governments undertake serious attempts to promote OFDI. Goh, Sikorski, and Wong (2001) explained in details how Singapore undertook its Regionalization 2000 Policy, initiated as early as in 1993. Luo, Xue and Han (2010) also elaborated on OFDI policies of the Chinese government, whose "Going Abroad" policy was formally initiated in 2000. Thailand's recent recognition of the need to promote OFDI was officially stated in the BOI's 5-year strategic plan for 2013-2017, which officially added OFDI promotion to the agency's traditional agenda of IFDI promotion. With the plan to establish the Thai Overseas Investment Bureau, Thailand now seeks to encourage OFDI through direct measures, including tax incentives and financial measures, in addition to providing information assistance on investment opportunities. In Brazil the government has used the Brazilian Development Bank (BNDES) to promote OFDI (BNDES, 2015). In many cases the government has taken minority stakes in those firms for which it provides loans to, and it appears the government is subsidizing firms that could obtain access to capital on their own (Lazzarini et al., 2015).

The third type of policies, investment insurance measures, may be more commonly available in advanced economies rather than emerging ones. The early stage of OFDI from emerging economies limits the number of potential users for this type of OFDI policies. In contrast, national investment insurance programs exist in most developed economies to provide coverage for expropriation, war and repatriation risks of doing business. While some countries, like the US, Switzerland and the Netherlands, may provide such measures for investment in emerging economies only, others, such as Austria, Sweden and the UK, offer these investment insurance measures in virtually any country (UNCTAD, 1995).

Given the variety of OFDI policies, home-country governments can take different approaches toward OFDI. Each country is shaped by its own conditions, overall competitiveness and development strategy. OFDI policy framework should therefore reflect the specific conditions each home country faces. Understanding the reasons behind home-country OFDI support may shed more light on how the support can be designed and implemented. The next part addresses why home-country governments, especially those from emerging economies, may wish to promote OFDI.

In sum, in this third set of policies the government engages in direct subsidization of investments of firms, thus having a very direct influence on the decisions that managers take with regard to OFDI. The subsidization of particular investments alters the incentives of firms to invest in particular countries or activities. Thus, providing information on certain countries will reduce the information gathering expenses of managers and induce them to select those countries over others, while the provision of low-cost loans or insurance may induce firms to undertake larger investment that they would otherwise do. Thus, this third policy has very direct implications on firm behavior and needs careful design as it would alter the decision-making of firms. This differs from the situation of state-owned firms, in which their affiliation with the government via ownership and political links affects their international expansion (see Cuervo-Cazurra et al., 2014, for a review of state-owned multinationals).

2.3. Rationale for OFDI Policies

The existing literature points out two main reasons why emerging country governments provide support for OFDI. First, in countries where OFDI is mainly undertaken by state-owned enterprises or state-linked enterprises, the home-country involvement and support for OFDI is viewed as another avenue by which home-country governments drive their political policy and interest (Gammeltoft and Kokko, 2013). The case in point is China. Luo, Xue & Han (2010)

argued that the Chinese government's policies during the three stages of OFDI evolution reflect China's broader development policies. For example, China's regulated OFDI policy during its first stage of OFDI development (1984-1990) was to accumulate foreign exchange for the Chinese economy. During that period, Chinese enterprises were not ready for international expansion. A liberal stance toward OFDI was therefore not favorable at the time. During the second phase (1991-2000), Chinese's OFDI policy became part of the national policy to reform large state-owned enterprises (SOEs) and to subject smaller ones to international competition. A group of leading SOEs was strongly encouraged to globalize and serve as the national champions of Chinese firms. It was only after 2001 that the Chinese government formally initiated the "Going Global" policy to foster more OFDI changed its direction from directly regulating OFDI to a more supporting and facilitating role (Luo, Xue & Han, 2010).

Considering OFDI as part of a country's agenda leads to heavy government involvements in initiating and spearheading international investment projects. Home-country governments may play a direct role as partner or as stakeholder in OFDI attempts. Government-as-partner schemes may see government taking part in overseas investment projects together with private investors. Singapore is a clear example of how government can become partner to private enterprises through government-linked corporations (GLCs), which are state enterprises that are run more like private ones with focus on bottom line performance (Ramirez & Tan, 2003). Singaporean GLCs are an important component of Singapore's national agenda of its Regionalisation policy (Goh, Sikorski & Wong, 2001). Goldstein and Pananond (2008) argued that some Singaporean GLCs encountered resistance from host economies due to their links to the government.

As a result of strong government's influence and direction, OFDI policy mirrors closely what the industrial and development policy home-country government wants to pursue. Often, strategic industries and destinations are then selected as priorities for international expansion based on macro-level factors such as industry competitiveness or strategic resources. This first approach to OFDI policy framework may be more particular to emerging country governments that exert strong control over corporate activities through the management of state-owned enterprises.

The second reason home-country governments' support OFDI is to use it as part of the overall economic development policy to strengthen the competitiveness of domestic firms and the overall home-country economy. In this capacity, the government performs the role of facilitator to promote OFDI as an avenue, through which domestic firms can use to strengthen their domestic and international competitiveness. Outward investment allows emerging market firms to access market, capital, technology and other strategic assets that may not be available in their home countries. Better and more efficient domestic firms enable their home country through spillovers to other local suppliers and competitors. Under this principle, home-country governments support OFDI so that it could lead to the development of better domestic firms and subsequently a better home economy.

It cannot be denied that direct consequences of OFDI are absorbed by investing firms. OFDI may help enhance the competitiveness of firms through four main strategic motivations discussed in part 2.1. Due to the difference of private and public interests, benefits accrued to investing firms may not always benefit the home economy at large. OFDI would benefit the home economy if direct competitive effects accrued on investing firms can filter to the overall economy through spillovers and linkages that together strengthen the competitiveness of the home economy. The enhancement of industrial competitiveness and the structural transformation

of the overall economy are two important positive externalities resulting from outward investment of domestic firms.

However, whether active promotion of OFDI is warranted still deserves careful consideration. This question is particularly relevant to home-country governments in emerging economies for two particular reasons. First, it is necessary to consider whether the level of OFDI has reached a level where active promotion is feasible or desirable. For many emerging economies, whose firms and industries may still be at early stages of development, active promotion of OFDI may not yet be the priority and may be premature. In such situation, the priority of the home-country government would thus be the enhancement of domestic firms' capabilities to the point where more can become internationally competitive. Policies related to the overall promotion of industrial competitiveness of the domestic economy may be more important.

While the first question challenges the need for specific and active OFDI promotion, the second one directs attention to why government of emerging economies should financially support activities that should be under the responsibility of private enterprises. In some cases like Brazil, the government seems to be providing subsidies to firms that could obtain funds for investment on their own (Lazzarini et al., 2015). Because outward investment activities are driven by strategic interests of individual firms, they should be the ones who are responsible for their own actions. If OFDI leads to better performance of firms, they should naturally expand overseas with or without the help of home-country governments. Why should home-country governments of emerging economies spend their limited resources on activities that firms will eventually undertake for their own benefit?

The answers to these two questions are not clear-cut. There is no one-size-fits-all policy that can be undertaken to maximize the benefits of OFDI (UNCTAD, 2006). Each and every home country needs to adopt and adapt policies that are appropriate to its specific conditions, from the level of local absorptive capacities to the overall industrial development policy. OFDI policy is therefore generally placed within the context of other policies to develop the country's competitiveness. It is therefore appropriate to link OFDI policies to those on small- and medium-sized enterprise development, export competitiveness, trade and innovation, as well as the more macro-oriented policies on industrial restructuring and transformation.

2.4. Conclusions

To formulate appropriate OFDI policy framework, policy makers should integrate the firm-level perspective on international expansion and understand what kind of strategy and behavior make emerging market firms competitive in their international expansion. We therefore propose that policy makers should first have a better understanding on how different strategies of international expansion bear implications on the investing firm's strategy and performance.

The adoption of OFDI policy framework hinges on the premise that outward investment enhances the competitiveness of investing firms, which later cascades into positive spillovers and externalities to the home-country industrial competitiveness. Given that inference, it is first and foremost crucial to understand whether and how international expansions bear impacts on investing firms. Such understanding could prepare home-country governments to better evaluate OFDI projects and to justify the priority of different areas of OFDI support.

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3. The Impact of Internationalization on Performance

Understanding the impact of internationalization on firm performance is one crucial starting point for policy making of home-country governments as much as it is for firms. Most analyses of government policy supporting the internationalization of firms focus on whether internationalization has positive externalities to the home country. These externalities are usually viewed as either increases in investments or in employment in the home country. Thus, when such increases are found, the usual conclusion is that the government may want to encourage firms to undertake internationalization, so that the economy can gain from these positive externalities. Our approach differs from this usual view in the sense that we are not focused as much in understanding the creation of positive externalities of OFDI, but rather the existence of private incentives in the form of performance and whether government policy is needed at all. This question is critical, especially in an emerging country whose limited capital resources could be directed towards other high-return areas such as education, healthcare or infrastructure.

3.1. Implications of the Internationalization-Performance Relationship

Although performance is firm-specific, it carries indirect implications for other parties involved. We argue here that the relationship between internationalization and performance has implications for three different parties: the investing firm, other domestic firms, and the home-country government.

First, knowing whether international expansion helps the bottom line is fundamental for managers of firms. As with any investment, managers expect positive financial returns for a given risk of the investment. However, international investments incur additional risks and uncertainty due to the lack of knowledge of on how to manage across borders, how to compete in the industry abroad, and how to manage in a different country (Johanson and Valhne, 1997; Eriksson *et al*, 1997). Thus, knowing whether internationalization leads to better performance in the long run is naturally the most important incentive for investing firms.

Second, such evidence can also encourage or discourage other domestic firms that may still have doubts about international investment. When other firms see how international expansion could lead to better financial performance, they imitate. Such competitive interactions among other domestic firms could prompt them to also expand overseas and pressure them to improve their international competitiveness (Knickerbocker, 1973). While this process might be considered as herd behavior, it nonetheless leads to an overall positive spillover for domestic firms via the demonstration effect (Blomstrom and Kokko, 1998). Seeing other firms enjoying higher returns from overseas investment is a natural incentive for other domestic firms to move in a similar direction. For example, in a study of top 100 listed firms in the Stock Exchange of Thailand (SET), Nitichai (2011) concluded that the relatively lower level of OFDI from listed Thai firms compared to their ASEAN peers is partly caused by the lack of evidence to show how OFDI could be linked to better performance. Understanding the relationship between internationalization and performance therefore helps encourage more OFDI from domestic firms through these interactive competitions.

Third, understanding the relationships between internationalization and performance is necessary for policy makers because it helps the home-country government to decide when and where intervention is needed. If there is a positive influence, companies are likely going to engage in OFDI regardless of the government support. Hence, government intervention may not

be needed even if there are positive externalities and subsidies can be directed to other areas of higher returns or where market imperfections are present. However, for smaller firms with less resource and experience, international expansion, despite the potential future gains, may still pose threats and uncertainty that prevent firms from taking that road (Cuervo-Cazurra, Maloney and Manrakhan, 2007; Johanson and Vahlne, 1977). If there is no positive influence, or there is a negative one, firms may decide against international expansion.

The question of providing publicly funded incentives to firms to engage in OFDI is therefore directly linked to the government's interest. Policy makers need to decide first whether intervention is needed to prompt firms to move from doubts to actions. All industrial policies come at a cost for the home-country government, knowing whether and when government support is needed helps avoid subsidizing firms that do not need subsidies to become multinationals. Moreover, assessing performance of OFDI projects is also necessary for OFDI policy framework as home-country governments can evaluate how their country's multinationals are performing in overseas markets. More details can also be captured on impacts of different types of internationalization strategy and on obstacles confronted by home-country in their overseas expansion. For example, compiling a detailed databank of firms' OFDI activities is a key part of China's Ministry of Commerce policy on OFDI (Luo *et al.*, 2010).

In Chapter 2, we argued that there are three types of OFDI policies: those aimed at reducing constraints at home; those aimed at reducing constraints abroad; and subsidies for overseas investment. While the former two are indirect measures that would benefit all outward investors alike, the third type of subsidies applies more specifically at selected targets and therefore warrants a careful consideration. Knowing the impact of internationalization on firm performance allows policy makers to make better decisions on OFDI policy, particularly on when subsidies may not be needed.

3.2. Explanations of the Internationalization-Performance Relationship

One fundamental question for managers when considering OFDI is whether international expansion is good for a firm. The international business literature has long explored performance implications of internationalization strategies (see a review in Rugman, 2009a). Despite being one of the most studied topics in international business, the literature on relationships between internationalization and performance remains inconclusive (Hennart, 2011). Views range from no significant relationship, linear ones with positive and negative directions, to various shapes of curvilinear effects. The lack of consensus can lead to different inferences about the net performance benefits of internationalization and can discourage firms from exploring growth and expansion opportunities in overseas market. The following paragraphs provide a brief summary on the extant literature.

The first group of research concludes that there is no or insignificant relationship between internationalization and performance. For example, Hennart (2011) argued that there are no reasons to expect relationship between a firm's performance and its international expansion because a firm's multinationality results from its decision to internally coordinate the stages of its value chain and let them be organized on the market. The profitability impact of international expansion depends solely on the choice the firm made on the degree of integration compared to the optimum, and has nothing to do with the degree of its multinationality. This first group of literature therefore posits that there is no or no significant proof of relationships between internationalization and performance.

The second group proposes that the relationship between internationalization and performanceis a linear one. Within this group, there are two opposite views—positive and negative effects. Proponents of the positive relationship between internationalization and performance believe that international expansion is good for firm's performance. The consensus on the primary benefit to international expansion is the exploitation of market imperfections (Rugman, 1979). International expansion incurs benefits from risk diversifications and the exploration and exploitation of firm-specific advantages across countries. Geographical diversification provides exploration and exploitation benefits (Lu and Beamish, 2004). Major exploitation benefits include: the possibility to realize economies of scale and scope (Caves, 1996); spreading investment risks over different countries (Kim, Hwang, and Burgers, 1993; Annavarjula and Beldona, 2000); increased bargaining power within the supply chain (Kogut, 1985); and a better arbitrage of differences of input and output markets (Hennart, 1982). Recently, international business scholars have also indicated exploration benefits resulting from international expansion. This perspective emphasizes the greater learning possibilities that an internationalizing firm can accumulate from its own experience, as well as from overseas subsidiaries (Kobrin, 1991; Delios and Henisz, 2000; Zahra, Ireland and Hitt, 2000).

In contrast to this view, others have cautioned that internationalization could lead to negative performance due to the increased costs of international operations. International expansion exposes the internationalizing firm to a variety of costs that could dampen its performance (Cuervo-Cazurra, Maloney and Manrakhan, 2007). The costs in geographic diversifications are typified by the costs of doing business abroad (Hymer, 1976) that result in a liability of foreignness (Zaheer, 1995). These challenges and additional costs are related to setting up new subsidiaries as well as operating in new countries. Managing at a distance incurs costs of coordination across borders (Teece, 1977), and sometimes by discriminations from host country governments (Buckley and Casson, 1976). Costs could be incurred from the initial lack of knowledge and capabilities on how to manage a multinational company, how to operate in a different industry structure and how to operate in a different institutional setting (Eriksson, et al., 2000). The view that there are costs associated with international expansion puts spotlight on the 'liability of internationalization', which emphasizes the negative performance implications of multinationality (Li, 2007). However, these liabilities tend to decrease as a firm's foreign subsidiaries build and improve reputations and legitimacy in the host country (Barkema, Bell & Pennings, 1996).

Despite their opposing stands on the direction of relationship, these two groups of literature share the same view that the relationship between internationalization and performance is linear. Li (2007) explained that this common viewpoint stems from the economic rationale of the internalization theory, which inherited the equilibrium-centered paradigm of economics and focused on the statics rather than the dynamics of relationship. As a result, the internationalization and performance relationship is viewed as static and linear. Only later, when research in international business adopted more incremental and evolutionary perspectives, the internationalization and performance relationship is perceived to reflect different stages of the internationalization process.

Given the incremental view, the third group of literature emphasizes the curvilinear relationships that reflect different impact of internationalization on performance during different stages of a firm's international expansion. This suggests that liabilities and advantages of internationalization vary in degree throughout the process of internationalization. Impacts of internationalization on performance can therefore take a different turn once the investing firm

moves beyond certain thresholds. Because there is no conclusive evidence on this relationship, researchers have not come to any mutual agreement on how internationalization impacts firm performance. Studies have shown a U-shaped effect, in which low level of FDI is associated with decreasing performance whereas greater FDI with higher performance (Lu and Beamish, 2001; Ruigrok and Wagner, 2003; Capar and Kotabe, 2003; Elango and Sethi, 2007).

On the contrary, other studies have reported an inverted U-shaped relationship, suggesting that profitability increases with more FDI only to a certain point, after which profitability declines. Driven by the incremental internationalization process (Johanson and Vahlne, 1977), firms initially expand to nearby familiar and relatively homogeneous markets from which they can reap the benefits of scale and scope with limited liabilities of foreignness. As firms expand further into less familiar markets, the effects of complexity are reflected in the firm's administrative costs. Higher costs following the increased liabilities of internationalization hamper performance. In other words, the internationalization and performance relationship takes on an inverted U-shape after a certain threshold of internationalization (Geringer, Beamish and Da Costa, 1989; Hitt, Hoskisson and Kim, 1997; Gomes and Ramaswamy, 1999).

Yet, there are other studies that show different kinds of curvilinear relationships between internationalization and performance. The more recent studies proposed that the internationalization and performance relationship could be a horizontal S-curve, which at first showed a performance decline with increasing internationalization, followed by performance upswing with increasing geographic diversification, but later a decline in performance at very high levels of multinationality. A key message from this group of studies is that more internationalization is not necessarily better, and there might be costs associated with over-internationalization (see Lu and Beamish, 2004; Sullivan, 1994; Contractor, Kundu and Hsu, 2003; Li, 2005).

The lack of consensus on the internationalization and performance relationship stems from both theoretical and empirical complexities. In a comprehensive literature review of 43 studies, Li (2007) argued that the gradual shift from the traditionally equilibrium-oriented theorization to the more dynamic-oriented perspectives added to a broader awareness of the evolutionary relationship between internationalization and performance. This transformation, in turn, leads scholars to come up with a diverse range of curvilinear relationships, from U to inverted-U, three-stage horizontal S to inverted S, and even the four-staged M curve, that reflect the changing nature of internationalization and performance relationship throughout internationalization process.

3.3. Empirical Issues on the Internationalization-Performance Relationship

In addition to different theoretical heritage, different research methods also compounded the inconsistency in empirical findings. Different measures of internationalization and performance have been used, leading to the difficulty in comparing the results across studies. More importantly, with the objective of empirically testing the internationalization and performance relationship, the literature has been overwhelmingly focused on delineating the relationship, sometimes at the expense of explaining which contextual factors drive those relationships. Although scholars have incorporated moderating variables, most have focused on similar operational issues, such as firm size, R&D intensity, advertising intensity, or product diversification. A much less emphasis has been placed on key factors that could yield significant impacts on a firm's performance. For example, Li (2007) argued that key factors, particularly internationalization strategy, has been treated more as a moderating variable, whereas it actually

is a key force that bears direct influence on both multinationality and performance. A market-seeking multinational is expected to pursue a different internationalization path compared to a strategic asset-seeking firm. This may lead to different choices of locations and different complexities surrounding their international activities. As a result, performance of these two firms may differ reflecting the different internationalization strategy they choose. With an over-emphasis on the shape of the internationalization and performance relationship, the literature risks being too focused on explaining different kinds of curvilinear relationships at the expense of addressing the underlying driving factors. More attention therefore should be placed on key contextual and strategic factors that could be the driving force behind different shapes of the internationalization and performance relationship.

3.4. The Internationalization-Performance Relationships in Emerging Market Multinationals

The relationship between internationalization and performance has been one of the topic that is most studied in international business over the past few decades. However, the lack of consensus on various issues has rendered the literature stratified and inconclusive. Increasingly, there are calls for studies that take into consideration key contextual factors that could influence the internationalization and performance relationship (see Li, 2007; Ruigrok and Wagner, 2003).

Country of origin is one factor that could explain differences in the internationalization and performance relationship because firms from different countries may exhibit different patterns of international expansion. In their comparative studies of German and US firms, Ruigrok and Wagner (2003) found that US firms tend to expand into nearby markets, with closer 'psychic distance' and hence recording higher profitability level when compared to German firms that expanded into markets with further 'psychic distance' and therefore showing less profitability due to their higher costs of internationalization.

The notion that country of origin should bear consequences on the internationalization and performance relationship is further supported with the growing popularity of studies on emerging market multinationals (EMNEs) in the literature of international business (for a list of articles see the bibliography in Cuervo-Cazurra and Ramamurti, 2014). A key message from the EMNEs literature is that institutional context matters, and the behavior of firms that originate from different institutional context should reflect differences in their country of origin. The internationalization process of emerging market multinationals should therefore reflect how idiosyncrasies of emerging markets are portrayed through their international expansion strategy (Cuervo-Cazurra, 2012). Moreover, the opportunity to study early stages of internationalization of EMNEs is as if researchers have a set of laboratories that could be used to examine the early stages of international expansion of these firms. A range of commonly accepted concepts in the literature can be tested with a different set of firms that emerge from a different context, hence deepening our understanding of international business (Ramamurti 2012; Cuervo-Cazurra, 2012). Most studies on the internationalization and performance relationship are based on empirical studies of large firms from developed economies, particularly the US, EU and Japan, with only a few that analyze firms from emerging markets (see a detailed review in Li, 2007). This research project therefore presents a rare and unique opportunity to study the relationship between internationalization and performance of emerging market firms, Thailand in this case.

Throughout the process of internationalization, firms from emerging markets face additional costs on top of the liability of foreignness. They face additional challenges because their ownership-specific advantages may be more location-specific and are difficult to be

translated to overseas markets (Rugman, 2009b). The lack of advantages to be exploited, the need to obtain resources and capabilities during internationalization, the weak institutional context that pushes firms to expand even before they reach their domestic maturity, the need to relocate to cheaper countries as well as the need to expand to more developed ones to access higher resource and capabilities. All these lead to a more complex situation facing firms from emerging economies when it comes to multinationality and performance.

Moreover, the emerging market origin may also influence the motivation for international expansion. Because these firms are not known for possessing superior technological and managerial skills, R&D proprietary resources or well-recognized brands (Ramamurti, 2012), their international expansions are often geared toward other emerging economies with similar conditions. These investments are often found in neighboring region, not too far in term of 'psychic distance' from the home economy. However, some EMNEs are pursuing a more aggressive route toward internationalization through mergers and acquisitions in more developed economies (Mathews, 2006; Luo and Tung, 2007; Madhok and Keyhany, 2012). These different internationalization strategies should lead to different effects on firm's performance.

Hence, with this study we will not only extend existing theory by analyzing how the particularities of these firms alter traditional arguments (Cuervo-Cazurra, 2012), but also can help domestic authorities design appropriate support policies. Understanding the degree of multinationality and performance of listed Thai firms could form a crucial foundation for relevant and progressive OFDI policy that could directly benefit Thai firms and upgrade their competitive position.

We empirically answer two related questions. First, how does the level of internationalization of firms affect their performance? The initial working hypothesis answering this question is that internationalization is likely to lead to a dip in performance in the initial stages of foreign involvement compared to firms that do not internationalize, but that at higher levels of internationalization performance is likely to increase. The reason is that at the beginning of a firm's internationalization there are learning costs on how to operate abroad that are only later reduced and compensate by the learning benefits of being exposed to new ideas.

Second, which particular location strategies are likely to result in superior performance? The initial answer to this question is that investments in countries that are not close neighbors to Thailand are likely to result in superior performance than investments in neighboring countries. The reason is that neighboring countries are too similar in terms of comparative advantages that limit the ability of firms to learn and arbitrage differences across countries.

If these hypotheses are confirmed, government officials may need to take them into account and design policies that are appropriate for the desired objective. On the one hand, the government may choose to "bet on the winning horse" and support those firm actions that are associated with superior performance. This can help sell the idea of an OFDI policy as the support can show that it helps firm become even better. On the other hand, the government may choose to "help the underdog" and support those firm actions that are associated with lower performance. This can help sell the idea that the government comes to the aid of firms when they are in need and helps them overcome temporary challenges. In both cases, government support may need to be temporary in nature to avoid firms becoming dependent on government aid, or even internationalizing for the sake of obtaining aid.

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4. Research Design

We analyze the relationship between internationalization and performance using a panel dataset of publicly traded Thai firms for the period of 1990-2012. Focusing on Thai multinationals helps not only better understand these firms, but also illuminate some of the actions that the Thai government can do in light of the support that other countries are giving their multinationals. Different from some other emerging economies, like China and Brazil, in which industrial policy is directly implemented through state-owned firms, Thailand's corporate activities are mainly undertaken by privately owned enterprises. Thus, analyzing privately-held firms helps illustrate whether government support would be beneficial to the country separately from the use of state-owned firms to support government policy abroad.

4.1 Sources of Data on OFDI of Thai Firms

Although it would be desirable to have access to a large dataset that included all overseas activities of firms operating in Thailand, we do not have access to such dataset. In fact, no such dataset is yet available in Thailand. The novelty of the issue and the lack of a single government agency directly responsible for OFDI are key reasons there has not been any attempt in creating a firm-level dataset on Thai multinationals. Before describing how our dataset is created, we discuss how data related to OFDI from Thailand are collected.

Thailand's OFDI statistics can be obtained from two key government agencies: the Bank of Thailand (BOT) and the Board of Investment (BOI). Data from the two agencies are hardly comparable, however, as there are a number of discrepancies in the way both agencies collect their data (see a detailed discussion on data sources in Pananond, 2001). BOT started collecting and publicly disclosed statistics of 'Thai Equity Investment Abroad' (TEI) since 1978, as part of the preparation for the country's Balance of Payment. Data on 'Thai Direct Investment Abroad' only became available from 2005 onward, after the central bank adjusted its statistics collections methods to comply with the sixth Edition of the IMF's Balance of Payment and International Investment Position Manual (BPM6) that was launched in 2013 (IMF, 2013.)[1].

There are two key areas where TEI and FDI data differ. First, TEI is only part of FDI. Three components that make up Thai FDI are: equity investment exceeding 10 percent of control of resident investors in non-resident enterprises; intra-company loans; and reinvested earnings (BOT, 2015.). Second, the publicly disclosed TEI data only covered non-bank sectors, whereas the statistics made available since 2005 covered OFDI from all sectors. Despite being the most comprehensive source, the BOT only provides aggregate country and industry level statistics. No data are publicly available on international activities of Thai firms, hence rendering firm-level studies based on BOT data impossible.

Some data on international activities of Thai firms are available from the Board of Investment (BOI). Although the BOI statistics are based on firm-specific information, their data are not without problem. First, the BOI statistics are not collected in a coherently standardized manner, as the agency relies on information supplied by investing firms and the BOI-equivalent agencies in other countries. Types of information available are therefore dependent on each

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[1] We thank the International Investment Position Statistical Team, Statistics and Information Systems Department, Bank of Thailand, for explanations through telephone conversation on 5 February 2015 on why changes were made.

provider, and often are presented in different local currencies. Second, BOI figures often refer to the planned total project value, without any indication on the actual paid-up investment. Lastly, the BOI statistics do not cover all geographical destinations, as the agency limits its focus on Thai OFDI only in neighboring countries in the ASEAN region and China. Such restriction prevents the BOI statistics from presenting a complete picture on the distribution of Thai outward investments (Pananond, 2001).

Given the data constraints discussed above, we decided to create our own dataset based on the financial reports of listed firms in the Stock Exchange of Thailand (SET). Analyzing listed firms allows us to access publicly available information, as these firms are required by the SET to regularly supply their financial accounts and additional reports—a requirement that is much less stringent on non-listed firms. More importantly, using financial statement of publicly listed firms allows us to obtain firm-level information that has not been available elsewhere. This dataset is therefore a unique source of information that could provide us a glimpse into the working of the largest firms in Thailand, which increasingly play a leading role in overseas investment.

Despite all these benefits, we are aware that analyzing publicly traded firms has inherent limitations. The sample is not representative of all Thai firms. Only firms whose managers have decided to take the companies public appear in the dataset. Thus, we are missing the behavior of most small and medium sized firms as well as the behavior of large firms whose managers have preferred to keep their firms private. Having noted these limitations, we now describe the sources of data.

4.2 Dataset: Sample and Sources

We created a dataset of the international expansion of listed firms in the Stock Exchange of Thailand (SET) for the period of 1990-2012. To compile our database, we collected corporate information and foreign direct investment information. The main source of general corporate information on SET-listed firms was the Thompson Reuters' Datastream Professional (Datastream). We collected a variety of firm-level information, particularly those related to financial performance and firm characteristics through Datastream. Despite their rich data, Datastream provides very limited information on OFDI activities of Thailand-listed firms.

To obtain information on foreign direct investment activities of SET-listed firms, we therefore relied on each company's Annual Registration Statement (Form 56-1) and financial statements. The main source of information on these reports was the website of the Securities and Exchange Commission, SEC (SEC, 2014). These reports can also be accessed through the SET database, SET Market Analysis and Reporting Tool (SETSMART).

We first started by matching the total number of listed firms in the SET from Datastream and the SET database, SETSMART. Those that did not have data entries were dropped. This gave us a population size of 535 firms for the year 2012. Following UNCTAD's practice,[2] we excluded financial firms from our list of firms. We also excluded firms from the Market for Alternative Investment (MAI) as MAI-listed firms tend to be small and medium-size enterprises, which differ from the general population of the SET. After the two exclusions, we had a sample of 422 firms.

[2] UNCTAD excludes financial firms from its ranking of MNEs because the overseas assets of financial firms perform different economic function when compared to firms in other sectors (see UNCTAD 2015)

We then went through financial statements of each and every firm to check if they report overseas investment. SET-listed firms provide names, investment amounts and locations of all their investment in subsidiaries, associated companies, joint ventures, and related companies as part of the non-current assets disclosure in the balance sheet. When a listed firm controls more than 10 per cent of equity in another firm outside Thailand, we treat it as an overseas subsidiary and as OFDI of that listed firm. The 10-percent benchmark is based on the IMF's definition of 'foreign direct investment' (IMF, 2010, p. 101).[3] Among the sample of 414 firms, 113 reported overseas investment activities, accounting for 27.3 per cent of the total number of firms in the sample.

Equity investments in other companies may be recorded in two different accounting methods—the 'equity method' and the 'cost method'. Under the cost method, an investment is recorded at its historical value (i.e. purchase price). The equity method, on the other hand, records the adjusted value of the investment by subsequently recognizing the investor's share in the company's earnings, losses and/or changes in capital of the investee after the date of acquisition. The main criteria to select the method used is the company's own evaluation of its influence over the invested companies. An investor applied the equity method when it exercises significant influence in another company. According to the International Financial Reporting Standards (IFRS), equity investments between 0-20 percent are to be recorded under the cost method, whereas equity investments between 20-50 percent are to be recorded under the equity method. For equity investments of 50 percent and higher, the investment value is to be presented under the cost method and consolidated with the investor's account (Ernst and Young, 2013).

Despite this IFRS regulation, we recorded all foreign direct investment values in our database using the cost method for two reasons. First and foremost, the cost method provides more consistency of investment value across time and ownership levels. The cost method records all equity investments at their historical value and can therefore be applied to equity investments at all levels. Data consistency is particularly crucial for our database, as we follow the IMF's definition of foreign direct investment to be equity investments of 10 percent and more.

Second, the cost method provides better data comparability over the years. Because our database is a time series of Thai firm's outward foreign direct investments, it is necessary that the data can be compared across the years and the ownership levels.

To check for accuracy, we sampled some investment values and tracked them from notes to financial statements to the actual amount shown in financial statements. These values were also compared to the data available through Datastream.

4.3. Variables and Measures

Our dependent variable is corporate performance. For our study, we use Return on Assets (ROA) computed as the ratio of net income to total assets. ROA is the most frequently used variable in the literature on internationalization-performance relationship (Kotabe, Srinivasan and Aulakh, 2002; Thomas and Eden, 2004; Li, 2007). This accounting measure is less subject to influence and helps compare the results of the analyses to existing literature. We obtained ROA, and other firm-level corporate performance data from Datastream.

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[3] According to IMF (2010), ownership of 10 percent of the ordinary shares or voting stock is the criterion for determining the existence of a direct investment relationship. Direct investment can take place through subsidiaries (more than 50 percent ownership), associated (between 10 and 50 percent ownership), and branches (unincorporated enterprises wholly or jointly owned).

The independent variable of interest is internationalization. There are three frequently used measures to represent the degree of internationalization/multinationality of firms (see a detailed summary of different measures used in Li, 2007). The first one features different ratios that represent the significance of foreign operations. The most frequently used measure in this category is the ratio of foreign sales to total sales (FSTS) (Li, 2007). Other ratios are foreign assets to total assets (FATA) and foreign employees to total employees (FETE).

Instead of using single and individual ratios, the second method used in providing proxy for internationalization is to compute a composite index based on a number of indicators. Although an index is more technically reliable and inclusive, its content validity is sometimes questioned (Ramaswamy *et al*, 1996). The third method to represent internationalization is to look at a firm's geographical footprint. One popular ratio for this method is that of number of overseas subsidiaries to number of host countries (Delios and Beamish, 1999; Lu and Beamish, 2001).

It should be noted that these measures are selected to represent the international investment of firms. The most direct measure should be the international investment value of each investing firm. However, this figure is not always publicly available in generic datasets because it requires some analysis of the firm's financial statements. It should, however, be much further promoted because it is the most direct measure of a firm's international investment.

Using foreign sales as proxy for international investment could be misleading, as firms may include export sales as part of foreign sales. This issue is especially alarming for firms in export-oriented sectors, whereby the majority of the revenue comes from export sales in foreign markets. If export sales are included as foreign sales, it is a misleading measure to indicate international investment. Studies that rely on the degree of multinationality, represented by foreign sales over total sales, could be revealing the relationship between export over performance, rather than investment on performance. The strict interpretation of 'foreign sales' is of particular relevance to firms in export-oriented economies, as exporters may derive a significant part of their sales and revenues from exports. Without a clear distinction between export sales and sales generated by foreign subsidiaries, using 'foreign sales' as indicator for internationalization could be gravely misleading.

To overcome this challenge, we resort to collecting investment value of listed Thai firms. This process is extremely time-consuming, as information on subsidiaries are disclosed in notes to financial accounts only. In addition, as of February 2015, there is no standard requirement how investment value in overseas subsidiaries should be disclosed in the consolidated account. While some listed companies provide investment values, others may disclose percentage of ownership in an overseas subsidiary. In the latter case, researchers have to identify the amount of investment by proportionally calculating from the percentage of the overall project value.

Inevitably, some mistakes could occur during such a laborious process. We control for these mistakes by considering the overall trends of the investment for each company, and also to randomly select some firms to cross check the value and details of their overseas investment. To check for the accuracy and validity of our international investment value, we compare the total international investment value of our database to the value of UNCTAD's OFDI stock from Thailand. The investment value of our database accounts for about 60 per cent of the total OFDI stock from Thailand. Such comparison not only confirms the validity of our database, but also reveals that the majority of firms that are leading the FDI outflows from Thailand are mainly large and publicly-listed firms, and not small- and medium-sized ones.

To identify geographical spread of firms, we classify regions into ASEAN, Asia (non-ASEAN), Oceania Europe, America, Africa. The geographical spread of firms can be counted in absolute terms with investment value, and in relative as ratios of number of subsidiaries in different regions over the total number of foreign subsidiaries.

To be consistent with previous studies on the relationship between internationalization (I) and performance (P), we will include control variables that are frequently used and for which we have data. These include size of the firm (sales in Thai Baht), age of the company (number of years since creation), industry of operation (SEC code). The inclusion of other financial measures such as goodwill or leverage diminishes the sample size significantly and thus we do not include them.

4.4. Methodology

Since the dependent variable is continuous and we have a panel of 23 years, we use a panel model to analyze the relationship between multinationalization and performance. We lag the dependent variable one year as performance is likely to reflect past actions rather than current ones. We control for firm specific autocorrelation in a random effect model and heteroskedasticity in a generalized least squares model. The general model we use is the following:

(1) $ROA_{it+1} = \beta_0 + \beta_1 * internationalization_{it} + \beta_2 * internationalization^2_{it} + \beta_3 * internationalization^3_{it} + \beta_4 * size_{it} + \beta_5 * age_{it} + \beta_k * industry_{kit} + \beta_l * year_{it} + \mu_{it}$

We are interested in understanding the relationship between multinationalization and performance and thus explore different possible relationships by including the variable internationalization, internationalization square and internationalization cube, as the particular relationship discussed in the literature is unclear.

We also explore different measures of internationalization, thus using sales, assets, or the number of subsidiaries abroad.

Additionally, we explore the location of the internationalization of the firm by analyzing the countries in which the firms indicate they have their investments and their subsidiaries. In this case, the model we use is the following:

(2) $ROA_{it+1} = \beta_0 + \beta_1 * internationalization\ level\ at\ location_{kit} + \beta_2 * size_{it} + \beta_3 * age_{it} + \beta_k * industry_{kit} + \beta_l * year_{it} + \mu_{it}$

Here we are interested in understanding how investments in particular locations are related to profitability. Thus, we separate absolute levels of investments and the number of foreign subsidiaries by the location. Since we are not classifying foreign investments or number of subsidiaries as a percentage of the total foreign investment of total number of subsidiaries, we do not need to exclude a category of location.

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5. Thai Multinationals

We now analyze the reality of Thai multinationals. To do this we first discussed the economic development leading to the rise of OFDI. We then provide an overview of Thai OFDI in aggregate form, using information from UNCTAD and BOT.

5.1. Thailand's Economic Development Leading to Outward Foreign Direct Investment

Thailand's post-war economic transformation from being host economy to IFDI to becoming home country to Thai multinationals complies with the Investment Development Path (IDP) model (Narula, 1996; Dunning and Narula, 1996; Narula and Dunning, 2010). The IDP model posits that a country's economic development stage is related to its position with regard to inward and outward FDI. The underlying mechanism that explains such transformation is the changing dynamism of the interplay between ownership-specific advantages of domestic firms and the location-specific advantages of that particular country.

Countries in the first stage of development have little in terms of location advantages that could attract any IFDI. With limited development, their domestic firms also do not possess much ownership advantages that could allow them to venture outside. Countries during this stage therefore have little IFDI and no OFDI.

As they develop, more IFDI come in and enable local firms to accumulate their ownership advantages through technology transfer either directly with foreign partners, or indirectly through spillover effects. During this stage, IFDI increases while OFDI remains rather limited. Location advantages of countries in stage 2 usually stem from lower factor costs.

Given higher development of ownership-specific advantages of their local firms, countries in the third stage see their OFDI rise as firms begin their overseas investment in nearby countries. Costs of production also rise as the country develop, reducing its attractiveness to foreign investors looking for cheaper sources of production. As OFDI increases, there tends to be a decline in IFDI.

During stage 4 and 5, domestic firms should accumulate more sophisticated and advanced ownership advantages that allow them to engage more in OFDI. The increase in OFDI during these later stages leads to a convergence between inward and outward FDI of that particular country.

Thailand's various stages of foreign direct investment have also been reflected in its industrial development policy. During 1940-1958, Thailand remained under state capitalism, in which agriculture and public investment featured heavily in the economy (Decharuk *et al*, 2009; Kohpaibool, 2005). State monopolization of investment activities limited private investment both from domestic entrepreneurs and foreign investors. International trade was limited and carried out mainly under the state control, with high level of tariffs to boost state revenue. Foreign direct investment was also limited due to the lack of opportunity for private entrepreneurship.

During the import substitution period of 1959-1971, Thailand remained domestic oriented but became more open toward foreign investment to undertake import-substitution productions and to stimulate more private entrepreneurship. The Board of Investment (BOI) was established in 1959 to provide various investment privileges that could direct investors to local manufacturing sectors to reduce the country's dependence on imports and to stimulate more private entrepreneurship. Sectors that prospered during this period included: textiles and

clothing; transport equipment; basic metals; and chemical products (Kohpaibool, 2005). International trade was still under protection behind high tariff barriers but inward investment in import-substituting sectors was welcome, rendering Thailand into the second stage of IDP.

Thailand's surge in IFDI did not come until the late 1980s when the government fully adopted the export orientation policy. Although export promotion was officially adopted in the third five-year National Economic and Social Development Plan (1972-1976), it took a number of adverse situations to convince both the government and the private sector to finally commit to the policy. The inadequacy of domestic supplies in intermediate products put pressure on manufacturers to rely on imports. Large intermediate goods imports, along with the two oil price shocks put an unprecedented pressure on Thailand's balance of payments (Phongpaichit and Baker 1995: 147).

As the economy slowed down in the late 1970s and early 1980s, the private sector increasingly put pressure on the government to help promote their exports as a way out of the recession. A major response from the government was the decision to devalue the baht in 1984 and to tie it to a basket of currencies instead of only to the US dollar. The 1984 devaluation restored Thailand's export competitiveness, and manufacturing exports rose rapidly from an average of about 12 percent annually in 1982-84 to over 35 percent on average in 1985-87 (Muscat 1994: 194).

Thailand's export-led growth was further enhanced by the rise of the Japanese yen after the ratification of the Plaza Accord in 1985. The sharp appreciation of the yen not only benefited Thai exports, but also led to a remarkable increase in IFDI as Japanese and other East Asian firms sought cheaper production locations. Thailand was a favorite choice for investors from Korea, Taiwan, and Hong Kong, whose close alignment with the yen inevitably inflated their production costs. Foreign investment inflows from these four East Asian countries, especially Japan, rose rapidly from 1985 and accelerated dramatically since 1988. Although FDI from other countries also increased, East Asia alone accounted for two-thirds of total FDI inflows from 1986 to 1991 (Phongpaichit and Baker 1995: 155). Thailand moved further into the second stage of the IDP model as IFDI further intensified.

It was not only the incoming FDI that contributed to the rapid economic growth during 1988-91. Domestic investment also played a crucial part in the growth process. The export growth, along with the domestic investment sparked a secondary boom in a variety of new industries catered to the expanding urban middle class. Sectors such as finance and stock broking, real estate development, hotel facilities and telecommunications services, enjoyed a period of tremendous growth. The service sector grew at an average rate of eleven per cent during 1987-90. These new opportunities not only allowed established domestic business groups to diversify their activities, but also created opportunities for growth in the "new economy" sectors, such as telecommunications, finance, and property development. As the previous part already points out, the importance of these sectors rapidly increased as they formed the industrial base for many "new wave" entrepreneurs.

The boom in the domestic market strengthened skills and the market power of local firms. By the late 1980s, some domestic business groups took on a new challenge and began to look for opportunities in the overseas market. The total Thai outward investments prior to 1987 had been negligible, contributing almost nothing to the country's GDP. However, the outward investment flows increased rapidly between 1990-97 and made up 0.5 per cent of the GDP in 1996. This marked Thailand's entry into stage three of the IDP, in which OFDI began to rise as

more domestic companies accumulated sufficient ownership advantages to be able to compete abroad.

Having realized the potential of overseas markets, the Thai government initiated a number of policies to encourage Thai entrepreneurs to invest abroad. One of the leading government agencies responsible for this task is the Board of Investment (BOI). Despite its various attempts, the BOI's role toward outward investment remained rather limited, focusing mainly on providing information on neighboring countries and organizing investment missions to meet with foreign government agencies and entrepreneurs (see Viraphong 1992: 12). More crucial to the growth of Thai outward investments was the financial liberalization policy adopted in the early 1990s (Unger 1998; Bello *et al*,; and Lauridsen 1998).

Among various financial liberalization schemes, the two policies most relevant to outward investment were the removal of exchange control and the creation of offshore banking facilities. Since Thailand adopted the IMF's Article 8 status in May 1990,[4] the central bank launched a series of liberalization and elimination of controls over foreign exchange transactions and capital movement (Unger 1998: 96). The financial liberalization program was further enhanced with the creation of Bangkok International Banking Facilities (BIBF) in 1992. The BIBF is a system in which local and foreign banks are allowed to engage in offshore banking activities. Its main ambition was to make Bangkok a regional financial center by facilitating capital from abroad to go through Bangkok and be used in investment activities outside Thailand

Easier access to international financial markets, along with favorable regional investment climate, contributed to the development of Thai outward investment. Economies in the region were enthusiastic in reducing trade and investment barriers and pushing forward for further integration in order to speed up regional economic development. In 1992, members of the Association of Southeast Asian Nations[5] (ASEAN) agreed to the creation of the Asean Free Trade Area (AFTA). The formation of AFTA was a major step to link the Southeast Asian countries into one united market with few trade and investment barriers among members. The combination of the growing regional market, the increased strength of Thai entrepreneurs after a decade of economic growth and various financial liberalization policies at home, played a crucial role in encouraging outward investment flows (Pananond, 2001).

This rising trend took a sharp downturn after 1997. The Baht flotation and its subsequent depreciation in July 1997 increased the cost of foreign operations and almost doubled the amount of foreign-currency debts of Thai firms that had been borrowing heavily to finance their domestic and international expansions. The slowdown in the economy of many countries in the region following the crisis further aggravated the difficulty of domestic entrepreneurs. Many emerging Thai multinationals aborted or shelved their plans for international expansion activities, leading to a sharp drop of FDI outflows in the post-1997 period.

Many overly leveraged Thai firms spent the post-crisis period restructuring their debt and corporate structure. Leading overseas investors in the period prior to 1997, like the Siam Cement Group and the Dusit Thani group, shifted their focus more toward domestic survival. However, Thai corporates that were not too exposed to foreign currency debts escaped this onslaught.

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[4] Article 8 is the status shared by developed-country members of the IMF. Member countries that have adopted this Article are required to liberalize their foreign exchange transactions (see https://www.imf.org/external/pubs/ft/aa/).

[5] ASEAN was established in 1967, and currently comprises ten Southeast Asian countries. The five founding members were Indonesia, Malaysia, Singapore, the Philippines and Thailand. Brunei joined in 1983, Vietnam and Laos in 1994, Myanmar and Cambodia in 1997.

Many in export-oriented sectors even benefited from the depreciated local currency. Although most Thai firms retreated from OFDI during 1997-2003, a few, most notably the Thai Union Frozen group, expanded further overseas during this period (Pananond, 2013).

OFDI from Thailand was on the rise again, particularly after 2003. This re-emergence and even a more rapid rise after 2005 was a response to two key transformations in the economic context (Pananond, 2007). First, Thailand's overall policy toward foreign investment, both inward and outward, became much further liberalized after 1997. The economic turmoil following the 1997 crisis compelled Thailand to seek IMF's aids and advice. As part of the IMF package requisites, international trade and investment liberalization were further undertaken (Decharuk *et al*, 2009). The second positive factor for the rise of OFDI from Thailand was regional growth opportunities. Given the economic difficulties in the US and the EU following the Subprime and the Eurozone crises, Asia was the region least affected and still managed to grow. Optimism toward regional growth was also stimulated by the decision of ASEAN leaders in 2003, and an affirmation in 2007, to create the ASEAN Community by 2015. Regional economic integration is to be upgraded from a free trade area of AFTA to the ASEAN Economic Community (AEC)—a single market in which goods and services, investment, and factors of production can flow freely (ASEAN, 2007).

The discussion in this part explained how Thailand evolved from a country with little engagement to one that is fully embracing both inflows and outflows of FDI. From being host country to basic manufacturing, Thailand has transformed into a more sophisticated location for a broad range of IFDI. Increasingly, Thailand is also taking on an additional role of home country to a growing range of Thai multinationals that are making their presence felt both in the region and further beyond. To provide a background on how the Thai government is moving in that direction, the next part discusses government policies toward OFDI.

5.2 Government Policies toward Outward Direct Investment

The most apparent policy attempt toward promoting OFDI was announced in the Board of Investment (BOI)'s five-year strategic plan for 2013-2017 (Wongwiwatchai, 2013). Prior to this, there was no clear direction on which government agency should be responsible for OFDI. Three agencies with overlapping interest are: the BOT; the BOI; and the Export-Import Bank of Thailand.

5.2.1. The Bank of Thailand (BOT)

The main policy the BOT has undertaken to support OFDI from Thailand is to further liberalize rules related to OFDI. Starting from 2007, the BOT has gradually expanded the amount of capitals investors are allowed to invest in foreign countries (Pongpattananont and Annoncharn, 2012). New policy announced in 2012 enabled individuals and corporates to invest unlimited amounts of capital in foreign countries. Moreover, measures to support OFDI, such as allowance of foreign currency deposits, foreign exchange risk management, foreign exchange funding, have also been initiated (Thaicharoen, 2013). The central bank is also addressing various tax-related issues, particularly double taxation on dividends, Thailand's relatively higher tax rate, in order to facilitate more OFDI. In short, the BOT's main role so far has been to remove barriers to enable outflows of investment from Thailand.

5.2.2. The Export-Import (EXIM) Bank

While the BOT's mechanism toward OFDI has been to remove barriers, the EXIM Bank's main role has been to provide funding and other facilitating services for investors who want to expand overseas. As a state-owned financial institution under the control of Ministry of Finance, the EXIM Bank's mandate is to support Thai imports, exports and investment both in domestic and overseas markets. Since 1999, the EXIM Bank has put more emphasis on supporting Thai investors abroad (EXIM Bank, 2015). Funds have been set up to increase EXIM's capital base to better support OFDI in the prioritized clusters or country targets. The Bank supports business investing overseas, particularly in the ASEAN Economic Community (AEC) through services such as cheaper loans, bank guarantees, and access to information. In 2014, the Bank will particularly support entrepreneurs in sectors such as infrastructure, automobile and alternative energy, and those who which to relocate their production bases to countries in the ASEAN region. Similar to the BOT, the EXIM Bank's role toward OFDI is more to support entrepreneurs who are looking to expand their activities overseas.

5.2.3. The Board of Investment (BOI)

If the two previously discussed agencies play a supporting role, the BOI is evidently the lead actor in promoting OFDI. This role has now been made official in its latest five-year investment promotion strategy plan for 2013-2017 (Wongwiwatchai, 2013), and its principal policies for investment promotion (BOI, 2014). BOI's inclusion of outbound investment under its jurisdiction marks a major transformation of the agency. Since its establishment in 1959, the BOI's orientation was only toward inbound investment. More importantly, the adoption of OFDI promotion in its 2013-2017 five-year strategic plan is a major milestone in terms of Thailand's policy framework toward OFDI. Never before has such policy been placed under a single government agency. As a consequence, policies toward OFDI have been piecemeal, with various agencies looking at different aspects of OFDI that concern them most. For example, the central bank has been mainly concerned about the effects of OFDI on exchange rate and Thailand's balance of payment, whereas the EXIM Bank has focused more on the legwork supporting entrepreneurs who are keen to invest overseas. Starting from 2013, the BOI is now expected to be the main body formulating strategies targeting industries and developing supporting measures and facilitations for OFDI (Wongwiwatchai, 2013).

The principal goal behind BOI's 2013-2017 investment promotion strategy is to support Thailand's economic restructuring to break through the middle-income trap and become a knowledge-based economy with more emphasis on higher value-added activities (Wongwiwatchai, 2013). OFDI is considered as part of this grand scheme as OFDI is expected to increase the competitiveness of Thai businesses. According to the BOI, OFDI should enhance Thai business's competitiveness by allowing them to seek raw materials Thailand lacks, expand and maintain markets for Thai products and services (Wongwiwatchai, 2013).

Under such approach, the BOI has identified three levels of target countries. The number one priority is directed at Indonesia, Myanmar, Vietnam and Cambodia. The second set of countries is China, India, and other ASEAN countries, to be followed by the Middle East, South Asia and Africa in the third group (Wongwiwatchai, 2013). To promote OFDI, the BOI plans to start with establishing the "Thai Overseas Investment Promotion Bureau" to undertake several measures ranging from providing information and knowledge on overseas investment, to exploring investment opportunities with overseas government, and coordinating with other government agencies in Thailand and beyond.

In sum, the BOI has now undertaken the leading role in initiating measures to promote and support OFDI. Their policy remains generic, focusing more on facilitating activities. BOI's strategy toward OFDI promotion gives priority to geographical proximity of two types of investment only—those seeking resources and market in nearby countries. While such strategy may reflect the current stage of Thai OFDI, it does not include other types of OFDI that Thai entrepreneurs may undertake.

5.3. Statistics on Thai OFDI

To get a broader perspective of OFDI from Thailand, we now discuss statistics on Thai from UNCTAD and the BOT. Figure 5.1 provides the evolution of OFDI flows in millions of US dollars and as a percentage of world total and Figure 5.2 presents the evolution of OFDI stocks in millions of US dollars and as a percentage of world total. The noticeable pattern is the sharp upward trend from the middle of the 2000s onward, both in the flows and stocks in US dollars. In the case of flows, there is a large increase and then drop in 2012. This drop in 2012 may result from errors and omissions resulting in unregistered capital outflows (IMF, 2013). In the case of the percentage of world total, the picture differs, as there is already a noticeable increase in the early 1990s but then a drop in the later 1990s after the South East Asian crisis, to rebound from the middle of the 2000s onward. Table 5.1 provides the statistics behind these tables as well as additional information.

One significant lesson from the figures is that the increase of OFDI from Thailand coincides with the Great Recession of 2008 that led to significant drop in OFDI in many advanced economies. Nevertheless, despite this Thai firms continued investing abroad and as a result the percentage of OFDI as a percentage of the world quintuples.

*** Insert Figure 5.1 and 5.2 about here ***

Table 5.2 and 5.3 present data on OFDI flows from Thailand by destination country. There is a large variety in the destinations followed by Thai multinationals, with a shift in the destination. Whereas in 2001 advanced countries represented one sixth of OFDI flows they increased to represent over a third of OFDI flows in 2012. Emerging economies decreased from being over two third of OFDI flows in 2001 to being 57% in 2012, but if we discount flows to offshore financial centers like Mauritius, Cayman Islands and British Virgin Islands, emerging economies represent only 40% of OFDI flows. Additionally, Singapore appears to be a particularly attractive destination of Thai OFDI, and for example in 2011 it represented 45% of OFDI flows. Although Singapore is not classified as an offshore financial center, it has a well-developed financial industry and an active policy of attracting FDI, which may distort its use by Thai investors.

*** Insert Table 5.2 and 5.3 about here ***

Table 5.4 and 5.5 present data on OFDI stock from Thailand by destination country. These figures provide a different picture from the data on OFDI flows. Developed economies grew from being 6% of OFDI stock in 2001 to being 23% in 2012, while emerging economies drop from being 90% of OFDI stocks in 2001 to being 67% in 2012. Again, if we discount OFDI stock in offshore financial centers, the figure drops to 69% in 2001 and 50% in 2012. And this figure becomes lower if instead of following UNCTAD's classification of countries we consider Singapore, Hong Kong, Taiwan and Korea as advanced economies rather than as developing ones. Singapore is noticeable is that it is the largest recipient of OFDI stock by 2012, accounting for 13.2%, followed by Cayman Islands with 9.7%, and Hong Kong with 9.4%.

For developed economies, OFDI stock from Thailand is mostly concentrated in the EU, North America and Japan, accounting for 8.2%, 6.1%, and 4.7% of total OFDI stock in 2012. For developing economies, Asia accounted for half of OFDI stock from Thailand with Southeast Asia being the major chunk (31%) in 2012. Despite the main concentration of OFDI stock from Thailand in Asia, the trend is on the downward slope, with Asia's share reducing from 68% in 2001 but down to 51% in 2012. The decline is also reflected in OFDI stock from Thailand in Southeast Asia, with nearly 45% in 2001 down to 31% in 2012. Again, Singapore appears to play a special role as a destination.

*** Insert Table 5.4 and 5.5 about here ***

These figures are in line with the information provided by BOT, which appears in Tables 5.6. to 5.13. In terms of OFDI destinations, the BOT data on OFDI flows reflect similar trends noted from UNCTAD data. Because the BOT changed their methodology in collecting FDI in 2004, data are not comparable across tables. Figures for 1995-2004 cover Thai outward equity investments in non-bank sectors only, whereas from 2005 onwards, intra-company loans and reinvested earnings are also included as Thai direct investment abroad.[6] The BOT data on OFDI stock similarly reflects the trends previously discussed under the UNCTAD tables. In particular, we observe an increasing significance of Thai OFDI to advanced economies, particularly the EU, the US, Japan and Australia. The share of Thai OFDI stock in these countries increased from 12.9% of total OFDI stock in 2006 to 22.6% in 2013. During the same time, the percentage of Thai OFDI stock in ASEAN went from 40% to 26.9% of total OFDI stock.

*** Insert Table 5.6 to 5.13 about here ***

Within ASEAN, the country with the highest percentage of Thai OFDI is Singapore, followed by Malaysia and Indonesia. In 2013, for example, the shares of Thai OFDI stock in these three countries were 9.3%, 4.2%, and 4% of total Thai OFDI stock consecutively. On the contrary, OFDI geared toward the less developed ASEAN economies, particularly Cambodia, Laos, Myanmar, and Vietnam (CLMV) have been declining. The overall significance of Thai OFDI in these economies is also relatively lower, when compared to Thai OFDI in Singapore. In 2013, the share of these CLMV together made up 8.9% of total Thai OFDI stock, whereas Singapore alone accounted for 9.3%.

Similar to UNCTAD statistics, the significance of offshore financial centers is observed in the BOT flows and stock data. For example, at 10.1% of total OFDI stock, Cayman Island is the single largest country with Thai OFDI stock in 2013. Moreover, of the five individual countries with Thai OFDI stock exceeding 5% in 2013, two are well-known offshore financial centers, with Cayman Island (10.1%), Mauritius (7.8%). The three others are Singapore (9.3%), Hong Kong (7.7%), and the US (6.5%). If we consider Singapore and Hong Kong as locations with well-developed financial industry, the concentration of Thai OFDI in financial centers should not go unobserved.

The analysis of OFDI by industry reveals a wide dispersion of OFDI undertaken by Thai firms, with large variations across years that may reflect significant acquisitions of foreign firms. Again, the BOT's changing methodology and classification of industry in 2004 makes it difficult to compare Thailand's OFDI industrial distribution in the period prior to that. Moreover, the inclusion of intra-company loans as part of Thai direct investment without further firm-level information on what these loans are for has made it difficult for the BOT to identify industry

[6] We thank the International Investment Position Statistical Team, Statistics and Informational Systems Department, Bank of Thailand, for explanation through telephone conversation on 5 February 2015 on the changes.

classification and resorted to grouping these amounts as 'others', making it the largest category of industry from 2011 onward.[7] Nonetheless, the BOT data reveal some observable trends.

Looking at the statistics from 2006 onward, it is clear that Thai OFDI flows and stock are concentrated in a few leading sectors, most notably in: mining & quarrying; wholesale, retail trade & repair of vehicles and motorcycles; and manufacturing of food products. In 2013 for example, these sectors accounted for 22.6%, 10.4%, and 8.7% of total OFDI stock.

The second trend to note is the declining significance of OFDI in manufacturing. From 45.8% of total OFDI stock in 2006, the share of manufacturing contracted to 25.9% in 2013. Although some of this figure may be obscured in the inclusion in 'others', the decline of OFDI in manufacturing should be noted.

On the contrary, sectors that show upward trends are mining & quarrying, and wholesale, retail trade & repair of motor vehicles and motorcycles. Although the classification of these sectors may be too broad to detect a clearer picture of where Thai OFDI is heading, it is quite clear that resource-intensive sectors (e.g. mining & quarrying) and services have become more prominent for Thai OFDI.

*** Insert Table 5.14 to 5.16 about here ***

To enhance our understanding of what Thai multinationals are doing, tables 5.14-5.16 present some statistics from our database. Table 5.14 shows the sectoral distribution of international investment of SET-listed firms. It should be noted, however, that the SET follows a different industrial classification from the BOT, making it more difficult to compare directly between the two sources of data.

It is clear, from table 5.14, that the international investment of SET-listed firms is most concentrated in two industries: resources; and agro & food industry. Resources comprise of two sub-industries: energy & utilities; and mining; whereas agro & food industry can be further divided into agribusiness and food & beverage. The dominance of these two sectors has become increasingly more so over the years. For example, the share of international investment of listed firms in agro & food industry almost quadrupled from about 10% in 2000 to 34% in 2012. Similarly, the share of resources rose over 7 times from 6% to 45% during the same period.

These two sectors also feature large and high profile Thai multinationals that have been actively expanding overseas through a variety of modes, including mergers and acquisitions (M&As) of overseas targets. For example, in 2012, PTT Exploration & Production trumped Royal Dutch Shell Corporation to win control of UK-based oil explorer Cove Energy, whose main operation base is in Mozambique (*Wall Street Journal*, 30 July 2013). Other high profile international deals included Thai Beverage PCL 's USD 6.9 billion acquisition of Singapore's Fraser and Neave LTD in 2012, Thai Union Frozen's USD 1.51 billion acquisition of Bumble Bees Foods (US) in 2014, which came after two other high profile 2014 acquisitions of the Norway-based King Oscar, the France-based MerAlliance, and the USD 880 million takeover of MW Brands, a major France-based company with several leading canned tuna brands in Europe (Thai Union Group, 2015).

International expansion is no longer limited to a few large national champions only. Rather, more and more Thai firms have started to look overseas for their growth opportunities. Table 5.15 shows the ratio of listed firms with OFDI as percentage of the total number of firms

[7] We thank Ms. Nutchanant Chantraprapasook, Senior Analyst, from Statistics and Informational Systems Department, Bank of Thailand, for explanation on this classification through an email correspondence dated 6 February 2015.

in each sector. There is a clear upward trend in all sectors, reflecting the increase in number of firms that have undertaken OFDI. Although listed firms in the SET are still dominantly large firms, in comparison to the majority of Thai firms that may not yet be actively involved in overseas investment, the rising percentage of firms that report OFDI reflects a new reality of Thai firms.

5.4. Conclusions

The last two decades have resulted in a remarkable transformation of Thai firms. These firms mainly operated at home and at most exported in the 1990s. By the 2010s many had become multinationals and in some cases, such as the cannery TUF, have become global leaders in their industries. The transformation of these firms has been accompanied by a process of deregulation as well as by the development of the country, coupled with managerial efforts at upgrading the competitiveness of their firms. This chapter has provided more details on overseas activities of Thai firms. It confirms that Thai OFDI has become much broader in geographical and sectoral scope. Moreover, the depth of participants is also expanding, albeit still relatively limited to large firms.

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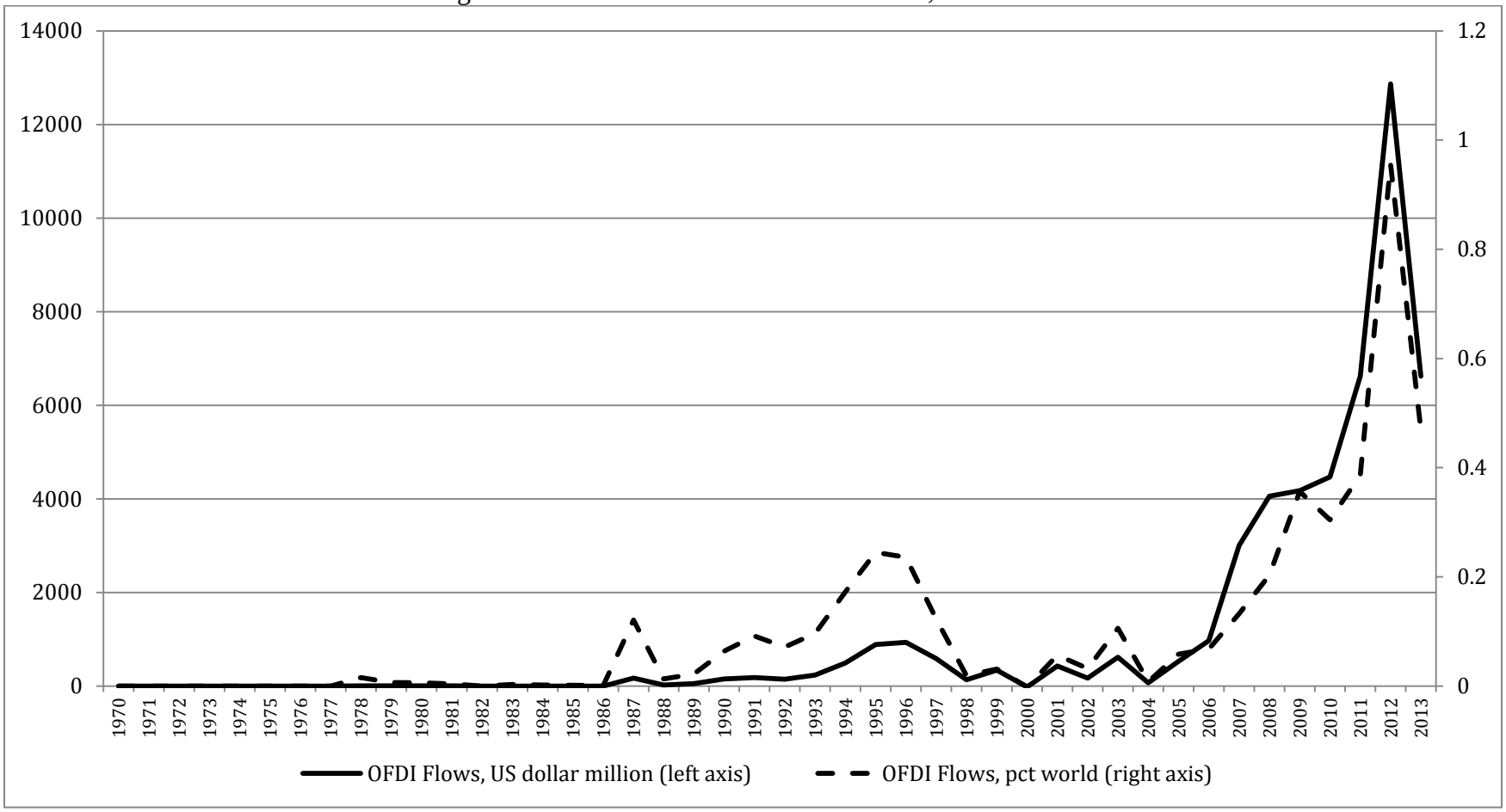
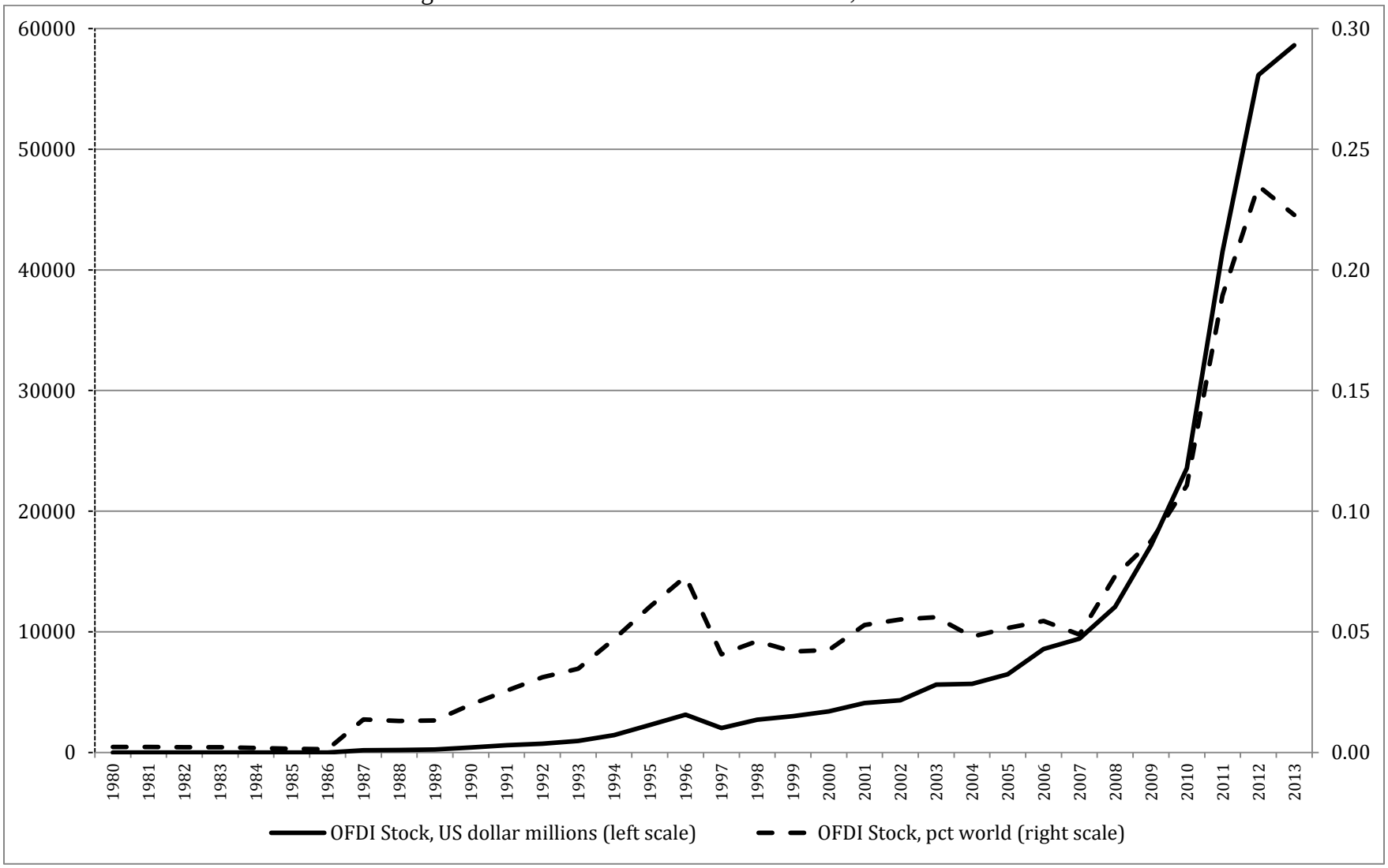
Figure 5-1. Evolution of Thai flows of OFDI, 1970-2013



Source: UNCTAD (2015a)

Figure 5-2. Evolution of Thai stock of OFDI, 1980-2013



Source: UNCTAD (2015a)

Table 5-1. Thai outward FDI flows and stocks, 1970-2013

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
OFDI Stock, US dollar millions											13	14	13	15	13	14	16	189	212	258	418	603
OFDI Stock, pct world											0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.02	0.03
OFDI Stock, pct GDP											0.04	0.04	0.04	0.04	0.03	0.04	0.03	0.36	0.33	0.35	0.47	0.60
OFDI Stock, US dollar per capita											0.3	0.3	0.3	0.3	0.3	0.3	0.3	3.5	3.9	4.6	7.4	10.5
OFDI Flows, US dollar million	0	0	0	0	0	0	0	0	6	4	3	2	0	1	1	1	1	172	24	52	154	183
OFDI Flows, pct world	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.12	0.01	0.02	0.06	0.09
OFDI Flows, pct GDP	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.33	0.04	0.07	0.17	0.18
OFDI Flows, US dollar per capita	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	3.2	0.4	0.9	2.7	3.2
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
OFDI Stock, US dollar millions	743	961	1457	2276	3137	2029	2734	3012	3406	4112	4333	5632	5690	6488	8585	9450	12080	17165	23570	41505	56144	58610
OFDI Stock, pct world	0.03	0.03	0.05	0.06	0.07	0.04	0.05	0.04	0.04	0.05	0.06	0.06	0.05	0.05	0.05	0.05	0.07	0.09	0.11	0.19	0.23	0.22
OFDI Stock, pct GDP	0.64	0.75	1.00	1.35	1.72	1.35	2.41	2.38	2.70	3.43	3.23	3.71	3.30	3.44	3.89	3.61	4.17	6.14	6.97	11.38	14.56	14.34
OFDI Stock, US dollar per capita	12.9	16.5	24.9	38.6	52.7	33.7	44.9	48.9	54.6	65.2	67.9	87.3	87.4	99.0	130.3	143.0	182.5	259.0	355.0	623.4	840.7	874.6
OFDI Flows, US dollar million	146	234	494	887	932	584	132	342	-20	427	171	615	72	529	968	3003	4057	4172	4467	6620	12869	6620
OFDI Flows, pct world	0.07	0.10	0.17	0.25	0.24	0.12	0.02	0.03	0.00	0.06	0.03	0.11	0.01	0.06	0.07	0.13	0.20	0.36	0.30	0.39	0.96	0.47
OFDI Flows, pct GDP	0.13	0.18	0.34	0.52	0.51	0.39	0.12	0.27	-0.02	0.36	0.13	0.40	0.04	0.28	0.44	1.15	1.40	1.49	1.32	1.82	3.34	1.62
OFDI Flows, US dollar per capita	2.5	4.0	8.4	15.0	15.6	9.7	2.2	5.5	-0.3	6.8	2.7	9.5	1.1	8.1	14.7	45.4	61.3	62.9	67.3	99.4	192.7	98.8

Source: UNCTAD (2015a)

Table 5-2. Thai outward FDI flows by destination in US$ million, 2001-2012

Region / economy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	183	157	377	393	529	968	3003	4057	4172	4467	3976	12622
Developed economies	28	14	87	36	164	21	639	-678	404	296	790	4492
Europe	26	-26	40	30	-95	27	353	-58	53	473	138	1942
European Union	26	-26	28	8	-92	40	355	-73	44	447	177	1862
Austria	-1	-1	-5	-6	0	4	-4	0	-4	-4	0	0
Belgium	0	1	0	0	2	6	27	0	13	61	-36	9
Denmark	0	0	0	0	0	-1	-1	-4	0	2	0	9
Finland	0	0	1	0	0	0	0	0	0	0	0	0
France	0	0	0	0	-1	12	0	6	1	10	-14	33
Germany	25	-23	0	-2	-12	-1	6	27	-1	-5	0	835
Ireland	0	0	0	0	-93	-13	0	0	0	64	-65	0
Italy	0	0	0	-3	0	0	0	0	0	0	0	0
Lithuania	0	0	0	9	-3	8	8	91	45	93	5	83
Luxembourg	0	5	20	-1	0	0	0	0	0	0	0	0
Netherlands	-1	-6	3	0	0	0	22	13	-66	25	264	278
Romania	0	0	0	1	0	0	0	0	0	0	0	0
United Kingdom	3	-2	8	9	5	23	278	-290	59	175	0	564
Other dev. Europe	0	0	13	22	-3	-13	-2	14	8	26	-39	80
Switzerland	0	0	13	22	-3	-13	-2	14	8	26	-39	80
North America	3	35	37	2	357	-33	239	-894	-175	297	333	1156
Canada	0	0	0	1	-1	3	7	3	9	336	193	121
United States	3	34	36	1	358	-35	232	-897	-184	-39	140	1036
Other dev. countries	0	5	10	4	-98	27	47	274	527	-474	319	1393
Australia	0	2	4	3	-4	29	10	37	33	-191	473	515
Japan	-1	3	6	1	-95	-2	38	237	494	-283	-154	878
Developing economies	129	85	243	207	194	1046	2055	4526	3478	3433	3174	7248
Africa	0	0	0	0	-1	103	425	773	-21	72	490	576
North Africa	0	0	0	0	-1	-2	422	-14	-31	11	-6	-120
Egypt	0	0	0	0	-1	-2	422	-14	-31	11	-6	-120
Other Africa	0	0	0	0	0	106	3	787	10	61	496	695
Mauritius	0	0	0	0	0	106	3	787	10	61	496	695
Asia	129	85	243	207	108	679	1422	3334	2345	3402	996	5079
East Asia	22	29	70	31	90	80	604	431	907	450	-236	2495
China	13	14	64	51	83	69	298	142	660	-43	-52	581
Hong Kong	8	13	8	-23	7	23	300	248	255	493	-74	1811
Korea	-2	1	1	1	-1	1	0	19	0	0	-76	70
Taiwan	3	1	-3	1	0	-12	5	22	-7	0	-33	33
South-East Asia	107	57	173	176	5	580	759	2897	1395	2776	1189	2370
Cambodia	2	0	2	2	-12	33	26	39	-51	6	-44	113
Indonesia	1	4	15	19	-104	11	-39	122	64	55	442	564
Lao	-15	0	1	1	-68	20	39	192	180	96	-196	262
Malaysia	2	-1	3	2	5	50	150	293	322	263	55	338
Myanmar	73	0	84	71	112	83	425	1573	1324	172	338	324
Philippines	-20	-3	28	31	10	-6	20	4	3	42	-60	41
Singapore	50	51	20	14	0	336	99	490	-512	2009	390	467
Viet Nam	13	6	19	35	62	53	38	183	64	134	265	259
South Asia	0	0	0	0	12	14	54	8	38	76	46	196
Bangladesh	0	0	0	0	1	9	7	6	14	23	25	30
India	0	0	0	0	11	5	47	3	24	53	21	166
West Asia	0	0	0	0	0	5	4	-3	4	99	-2	19
United Arab Emirates	0	0	0	0	0	5	4	-3	4	99	-2	19
Latin America & Caribbean	0	0	0	0	88	264	208	419	1154	-41	1687	1593
Caribbean	0	0	0	0	88	264	208	419	1154	-41	1687	1593
British Virgin Islands	0	0	0	0	98	106	10	123	184	-264	6	-1
Cayman Islands	0	0	0	0	-10	157	198	296	970	223	1681	1594
Unspecified	26	58	47	149	171	-99	309	209	290	739	13	882

Source: UNCTAD (2015b)

Table 5-3. Thai outward FDI flows by destination as percentage of total, 2001-2012

Region / economy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed economies	15.5	8.9	23.1	9.3	30.9	2.1	21.3	-16.7	9.7	6.6	19.9	35.6
Europe	14.3	-16.4	10.8	7.7	-17.9	2.8	11.7	-1.4	1.3	10.6	3.5	15.4
European Union	14.2	-16.4	7.3	2.1	-17.4	4.1	11.8	-1.8	1.1	10.0	4.4	14.8
Austria	-0.3	-0.6	-1.4	-1.5	0.0	0.4	-0.1	0.0	-0.1	-0.1	0.0	0.0
Belgium	0.0	0.5	0.0	0.0	0.4	0.6	0.9	0.0	0.3	1.4	-0.9	0.1
Denmark	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.1
Finland	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0	-0.3	1.3	0.0	0.1	0.0	0.2	-0.4	0.3
Germany	13.6	-14.8	0.0	-0.4	-2.4	-0.1	0.2	0.7	0.0	-0.1	0.0	6.6
Ireland	0.0	0.0	0.0	0.0	-17.5	-1.3	0.0	0.0	0.0	1.4	-1.6	0.0
Italy	0.0	0.0	0.0	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lithuania	0.0	0.0	0.0	2.4	-0.5	0.8	0.3	2.2	1.1	2.1	0.1	0.7
Luxembourg	0.0	2.9	5.3	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Netherlands	-0.4	-3.9	0.9	0.0	0.0	0.0	0.7	0.3	-1.6	0.5	6.6	2.2
Romania	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
United Kingdom	1.5	-1.1	2.2	2.3	0.9	2.4	9.2	-7.2	1.4	3.9	0.0	4.5
Other dev. Europe	0.0	0.0	3.4	5.6	-0.5	-1.3	-0.1	0.4	0.2	0.6	-1.0	0.6
Switzerland	0.0	0.0	3.4	5.6	-0.5	-1.3	-0.1	0.4	0.2	0.6	-1.0	0.6
North America	1.5	22.1	9.8	0.5	67.4	-3.4	8.0	-22.0	-4.2	6.7	8.4	9.2
Canada	0.0	0.0	0.0	0.3	-0.2	0.3	0.2	0.1	0.2	7.5	4.9	1.0
United States	1.5	21.9	9.6	0.3	67.6	-3.7	7.7	-22.1	-4.4	-0.9	3.5	8.2
Other dev. countries	0.0	3.1	2.6	1.1	-18.6	2.8	1.6	6.8	12.6	-10.6	8.0	11.0
Australia	0.0	1.0	1.0	0.8	-0.7	3.0	0.3	0.9	0.8	-4.3	11.9	4.1
Japan	-0.4	2.1	1.6	0.3	-17.9	-0.2	1.3	5.8	11.8	-6.3	-3.9	7.0
Developing economies	70.2	54.2	64.5	52.7	36.7	108.1	68.4	111.6	83.4	76.8	79.8	57.4
Africa	0.0	0.0	0.0	0.0	-0.3	10.7	14.2	19.1	-0.5	1.6	12.3	4.6
North Africa	0.0	0.0	0.0	0.0	-0.2	-0.2	14.1	-0.3	-0.7	0.2	-0.1	-0.9
Egypt	0.0	0.0	0.0	0.0	-0.2	-0.2	14.1	-0.3	-0.7	0.2	-0.1	-0.9
Other Africa	0.0	0.0	0.0	0.0	0.0	10.9	0.1	19.4	0.2	1.4	12.5	5.5
Mauritius	0.0	0.0	0.0	0.0	0.0	10.9	0.1	19.4	0.2	1.4	12.5	5.5
Asia	70.2	54.2	64.5	52.7	20.3	70.2	47.3	82.2	56.2	76.2	25.1	40.2
East Asia	11.9	18.2	18.6	7.9	17.0	8.3	20.1	10.6	21.7	10.1	-5.9	19.8
China	6.9	9.1	16.9	13.0	15.8	7.1	9.9	3.5	15.8	-1.0	-1.3	4.6
Hong Kong	4.1	8.0	2.1	-5.8	1.4	2.4	10.0	6.1	6.1	11.0	-1.9	14.3
Korea	-0.9	0.6	0.3	0.4	-0.2	0.1	0.0	0.5	0.0	0.0	-1.9	0.6
Taiwan	1.8	0.5	-0.7	0.3	0.0	-1.3	0.2	0.5	-0.2	0.0	-0.8	0.3
South-East Asia	58.3	36.0	45.8	44.8	0.9	59.9	25.3	71.4	33.4	62.1	29.9	18.8
Cambodia	1.0	0.0	0.5	0.6	-2.3	3.4	0.9	1.0	-1.2	0.1	-1.1	0.9
Indonesia	0.8	2.5	4.1	4.9	-19.6	1.1	-1.3	3.0	1.5	1.2	11.1	4.5
Lao	-8.1	0.0	0.4	0.3	-12.8	2.1	1.3	4.7	4.3	2.2	-4.9	2.1
Malaysia	0.9	-0.8	0.8	0.4	0.9	5.2	5.0	7.2	7.7	5.9	1.4	2.7
Myanmar	40.1	0.0	22.4	18.0	21.1	8.6	14.1	38.8	31.7	3.8	8.5	2.6
Philippines	-11.0	-2.0	7.4	7.9	1.9	-0.7	0.7	0.1	0.1	0.9	-1.5	0.3
Singapore	27.4	32.3	5.3	3.7	0.0	34.7	3.3	12.1	-12.3	45.0	9.8	3.7
Viet Nam	7.2	4.1	5.0	9.0	11.8	5.5	1.3	4.5	1.5	3.0	6.7	2.0
South Asia	0.0	0.0	0.0	0.0	2.3	1.4	1.8	0.2	0.9	1.7	1.1	1.6
Bangladesh	0.0	0.0	0.0	0.0	0.2	0.9	0.2	0.1	0.3	0.5	0.6	0.2
India	0.0	0.0	0.0	0.0	2.1	0.5	1.6	0.1	0.6	1.2	0.5	1.3
West Asia	0.0	0.0	0.0	0.0	0.0	0.5	0.1	-0.1	0.1	2.2	-0.1	0.2
United Arab Emirates	0.0	0.0	0.0	0.0	0.0	0.5	0.1	-0.1	0.1	2.2	-0.1	0.2
Latin America & Caribbean	0.0	0.0	0.0	0.0	16.7	27.2	6.9	10.3	27.7	-0.9	42.4	12.6
Caribbean	0.0	0.0	0.0	0.0	16.7	27.2	6.9	10.3	27.7	-0.9	42.4	12.6
British Virgin Islands	0.0	0.0	0.0	0.0	18.6	11.0	0.3	3.0	4.4	-5.9	0.2	0.0
Cayman Islands	0.0	0.0	0.0	0.0	-1.9	16.3	6.6	7.3	23.2	5.0	42.3	12.6
Unspecified	14.3	36.9	12.5	38.0	32.4	-10.2	10.3	5.1	7.0	16.5	0.3	7.0

Source: UNCTAD (2015b)

Table 5-4. Thai outward FDI stocks by destination in US$ million, 2001-2012

Region / economy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	1764	2039	2577	3024	3716	8585	9450	12080	17165	23570	41505	56144
Developed economies	101	108	188	177	295	1150	1253	1549	2803	3331	8274	12881
Europe	9	11	113	99	103	366	650	701	947	1497	2837	4869
European Union	8	9	32	42	51	305	593	650	892	1412	2643	4595
Austria	6	6	18	25	28	21	18	18	15	12	12	12
Belgium	0	0	0	0	0	21	39	38	52	119	149	160
Denmark	0	0	0	0	0	0	0	2	0	2	2	12
France	0	0	0	0	0	4	19	34	16	26	86	118
Germany	0	0	0	0	0	48	23	23	40	36	200	1056
Ireland	0	0	0	0	0	1	0	0	0	65	0	0
Lithuania	0	0	0	0	0	30	38	119	162	275	310	404
Netherlands	0	0	0	0	0	3	35	88	152	188	575	872
United Kingdom	2	3	14	17	23	103	343	246	313	525	1024	1623
Other dev. Europe	1	2	81	57	52	61	56	51	54	85	194	274
Switzerland	1	2	81	57	52	61	56	51	54	85	194	274
North America	92	97	75	78	192	481	437	568	864	806	2648	3882
Canada	0	0	0	0	0	10	17	22	31	48	318	440
United States	92	97	75	78	192	472	420	546	833	758	2330	3443
Other dev. countries	0	0	0	0	0	303	167	279	993	1028	2789	4131
Australia	0	0	0	0	0	42	37	37	46	230	984	1480
Japan	0	0	0	0	0	261	130	243	947	799	1805	2651
Developing economies	1575	1784	2269	2680	3244	7205	7884	9976	13523	18647	29669	37754
Africa	2	2	36	93	88	226	721	790	1087	1239	1633	2316
North Africa	0	0	0	0	0	12	513	477	465	510	293	174
Egypt	0	0	0	0	0	12	513	477	465	510	293	174
Other Africa	2	2	36	93	88	214	209	313	622	729	1341	2142
Mauritius	2	2	36	93	88	214	209	313	622	729	1341	2142
Asia	1199	1388	1797	2112	2597	5226	5250	6834	9127	13702	22609	28366
East Asia	404	461	475	523	580	1674	1856	2107	2806	3756	6882	9813
China	265	316	320	359	433	789	1126	1214	1917	1955	3292	4116
Hong Kong	139	145	155	164	147	718	669	832	834	1741	3251	5274
Korea	0	0	0	0	0	11	3	1	0	1	160	209
Taiwan	0	0	0	0	0	156	58	60	54	58	178	213
South-East Asia	788	904	1289	1545	1935	3415	3182	4504	6025	9434	14751	17406
Cambodia	15	14	20	23	30	134	146	152	177	175	365	452
Indonesia	21	28	46	59	118	347	181	204	268	440	1605	2193
Lao	0	0	0	0	0	49	142	294	552	745	847	1009
Malaysia	44	44	46	54	77	332	547	883	1221	1520	2110	2478
Myanmar	188	279	386	462	564	850	259	381	518	700	1197	1527
Philippines	82	68	139	157	171	193	217	195	196	259	482	492
Singapore	262	283	429	532	682	1139	1323	1935	2497	4862	6551	7405
Viet Nam	176	188	223	258	293	372	366	460	598	733	1593	1850
South Asia	7	23	33	44	82	136	197	202	270	377	752	897
Bangladesh	0	0	0	0	0	32	30	34	64	96	121	155
India	7	23	33	44	82	104	167	168	206	282	631	742
West Asia	0	0	0	0	0	1	15	21	25	135	224	250
United Arab Emirates	0	0	0	0	0	1	15	21	25	135	224	250
Latin America & Caribbean	374	394	436	475	559	1752	1912	2352	3309	3706	5427	7072
Caribbean	374	394	436	475	559	1752	1912	2352	3309	3706	5427	7072
British Virgin Islands	286	300	346	357	459	599	614	757	1051	1011	1379	1618
Cayman Islands	88	94	90	118	100	1154	1298	1595	2258	2695	4048	5453
Unspecified	88	147	120	167	177	230	314	556	840	1591	3562	5509

Source: UNCTAD (2015b)

Table 5-5. Thai outward FDI stocks by destination in percentage of total, 2001-2012

Region / economy	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed economies	5.7	5.3	7.3	5.9	7.9	13.4	13.3	12.8	16.3	14.1	19.9	22.9
Europe	0.5	0.5	4.4	3.3	2.8	4.3	6.9	5.8	5.5	6.4	6.8	8.7
European Union	0.5	0.4	1.2	1.4	1.4	3.6	6.3	5.4	5.2	6.0	6.4	8.2
Austria	0.3	0.3	0.7	0.8	0.8	0.2	0.2	0.2	0.1	0.1	0.0	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.2	0.4	0.3	0.3	0.5	0.4	0.3
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.1	0.1	0.2	0.2
Germany	0.0	0.0	0.0	0.0	0.0	0.6	0.2	0.2	0.2	0.2	0.5	1.9
Ireland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0
Lithuania	0.0	0.0	0.0	0.0	0.0	0.3	0.4	1.0	0.9	1.2	0.7	0.7
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.7	0.9	0.8	1.4	1.6
United Kingdom	0.1	0.1	0.5	0.6	0.6	1.2	3.6	2.0	1.8	2.2	2.5	2.9
Other dev. Europe	0.1	0.1	3.1	1.9	1.4	0.7	0.6	0.4	0.3	0.4	0.5	0.5
Switzerland	0.1	0.1	3.1	1.9	1.4	0.7	0.6	0.4	0.3	0.4	0.5	0.5
North America	5.2	4.8	2.9	2.6	5.2	5.6	4.6	4.7	5.0	3.4	6.4	6.9
Canada	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.8	0.8
United States	5.2	4.8	2.9	2.6	5.2	5.5	4.4	4.5	4.9	3.2	5.6	6.1
Other dev. countries	0.0	0.0	0.0	0.0	0.0	3.5	1.8	2.3	5.8	4.4	6.7	7.4
Australia	0.0	0.0	0.0	0.0	0.0	0.5	0.4	0.3	0.3	1.0	2.4	2.6
Japan	0.0	0.0	0.0	0.0	0.0	3.0	1.4	2.0	5.5	3.4	4.3	4.7
Developing economies	89.3	87.5	88.0	88.6	87.3	83.9	83.4	82.6	78.8	79.1	71.5	67.2
Africa	0.1	0.1	1.4	3.1	2.4	2.6	7.6	6.5	6.3	5.3	3.9	4.1
North Africa	0.0	0.0	0.0	0.0	0.0	0.1	5.4	3.9	2.7	2.2	0.7	0.3
Egypt	0.0	0.0	0.0	0.0	0.0	0.1	5.4	3.9	2.7	2.2	0.7	0.3
Other Africa	0.1	0.1	1.4	3.1	2.4	2.5	2.2	2.6	3.6	3.1	3.2	3.8
Mauritius	0.1	0.1	1.4	3.1	2.4	2.5	2.2	2.6	3.6	3.1	3.2	3.8
Asia	68.0	68.1	69.7	69.8	69.9	60.9	55.6	56.6	53.2	58.1	54.5	50.5
East Asia	22.9	22.6	18.4	17.3	15.6	19.5	19.6	17.4	16.3	15.9	16.6	17.5
China	15.0	15.5	12.4	11.9	11.7	9.2	11.9	10.1	11.2	8.3	7.9	7.3
Hong Kong	7.9	7.1	6.0	5.4	4.0	8.4	7.1	6.9	4.9	7.4	7.8	9.4
Korea	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.4	0.4
Taiwan	0.0	0.0	0.0	0.0	0.0	1.8	0.6	0.5	0.3	0.2	0.4	0.4
South-East Asia	44.7	44.3	50.0	51.1	52.1	39.8	33.7	37.3	35.1	40.0	35.5	31.0
Cambodia	0.9	0.7	0.8	0.8	0.8	1.6	1.5	1.3	1.0	0.7	0.9	0.8
Indonesia	1.2	1.4	1.8	2.0	3.2	4.0	1.9	1.7	1.6	1.9	3.9	3.9
Lao	0.0	0.0	0.0	0.0	0.0	0.6	1.5	2.4	3.2	3.2	2.0	1.8
Malaysia	2.5	2.2	1.8	1.8	2.1	3.9	5.8	7.3	7.1	6.4	5.1	4.4
Myanmar	10.7	13.7	15.0	15.3	15.2	9.9	2.7	3.2	3.0	3.0	2.9	2.7
Philippines	4.6	3.3	5.4	5.2	4.6	2.2	2.3	1.6	1.1	1.1	1.2	0.9
Singapore	14.9	13.9	16.6	17.6	18.4	13.3	14.0	16.0	14.5	20.6	15.8	13.2
Viet Nam	10.0	9.2	8.7	8.5	7.9	4.3	3.9	3.8	3.5	3.1	3.8	3.3
South Asia	0.4	1.1	1.3	1.5	2.2	1.6	2.1	1.7	1.6	1.6	1.8	1.6
Bangladesh	0.0	0.0	0.0	0.0	0.0	0.4	0.3	0.3	0.4	0.4	0.3	0.3
India	0.4	1.1	1.3	1.5	2.2	1.2	1.8	1.4	1.2	1.2	1.5	1.3
West Asia	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.1	0.6	0.5	0.4
United Arab Emirates	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.1	0.6	0.5	0.4
Latin America & Caribbean	21.2	19.3	16.9	15.7	15.0	20.4	20.2	19.5	19.3	15.7	13.1	12.6
Caribbean	21.2	19.3	16.9	15.7	15.0	20.4	20.2	19.5	19.3	15.7	13.1	12.6
British Virgin Islands	16.2	14.7	13.4	11.8	12.4	7.0	6.5	6.3	6.1	4.3	3.3	2.9
Cayman Islands	5.0	4.6	3.5	3.9	2.7	13.4	13.7	13.2	13.2	11.4	9.8	9.7
Unspecified	5.0	7.2	4.7	5.5	4.8	2.7	3.3	4.6	4.9	6.8	8.6	9.8

Source: UNCTAD (2015b)

Table 5-6. Thai outward FDI flows by industry in US$ million, 1995-2013

Line		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	Industry	216.5	326.5	209.8	54.2	75.9	51.6	120.2	85.6	251.2	238.8
2	Food & sugar	30.3	27.3	52.4	7.2	26.4	14.3	91.0	18.8	99.1	77.2
3	Textiles	12.3	11.8	1.7	1.0	0.0	2.6	1.7	0.8	4.1	6.3
4	Metal & non metallic	51.7	52.7	9.0	17.7	16.1	0.2	0.0	0.7	1.7	3.0
5	Electrical appliances	61.4	142.8	7.3	10.1	7.7	12.9	18.9	47.3	74.9	60.9
6	Machinery & transport equipment	2.8	17.2	10.2	0.3	2.5	3.9	2.2	0.3	16.4	6.7
7	Chemicals	14.7	14.7	89.0	5.1	14.5	6.4	2.3	2.7	12.7	25.1
8	Petroleum products	1.8	1.6	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0
9	Construction materials	1.3	38.9	33.5	1.9	1.7	1.2	0.1	0.0	3.4	0.7
10	Others	40.2	19.5	6.5	10.9	7.1	10.0	4.0	15.0	39.0	58.7
11	Financial institutions	80.3	27.3	14.4	11.3	0.6	28.9	18.1	12.3	54.8	10.5
12	Trade	31.3	38.9	68.3	43.0	39.7	34.0	39.2	57.3	61.6	44.4
13	Construction	14.9	0.8	4.1	0.4	0.2	3.7	0.7	2.0	1.6	3.4
14	Mining & quarrying	5.0	6.5	0.8	0.4	0.1	1.8	1.4	0.5	0.1	15.5
15	Agriculture	5.8	2.8	0.4	2.9	4.4	4.7	7.2	0.9	3.4	0.4
16	Services	177.1	234.0	139.2	16.9	18.5	15.6	39.1	18.4	18.6	24.9
17	Investment	127.4	150.7	60.4	53.9	249.8	17.6	39.5	35.4	21.4	37.4
18	Real estate	145.7	46.4	17.2	1.8	0.8	4.3	1.7	1.4	8.6	22.8
19	Others	0.9	0.0	0.4	2.1	14.1	27.9	8.0	14.2	54.7	140.9
20	Total	805.0	834.0	515.0	187.0	404.0	190.0	275.0	228.0	476.0	539.0

	2005	2006	2007	2008	2009	2010	2011	2012p	2013p
A Agriculture, forestry and fishing	8.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.4
B Mining and quarrying	32.2	371.8	267.7	504.1	267.1	2332.7	1470.1	743.4	671.0
C Manufacturing	313.3	294.9	202.1	534.4	351.4	448.8	1118.9	1030.1	1522.8
Of which :									
10 Manufacture of food products	161.5	135.5	31.1	71.1	62.8	146.0	147.8	543.3	196.7
11 Manufacture of beverages	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	209.9
13 Manufacture of textiles	0.0	0.1	0.1	2.1	1.7	8.1	188.9	6.6	30.5
20 Manufacture of chemicals and chemical products	17.5	12.1	25.0	169.4	45.8	101.2	315.6	53.9	60.8
26 Manufacture of computer, electronic & optical products	14.0	1.9	5.2	0.6	2.0	62.1	32.0	86.5	21.0
27 Manufacture of electrical equipment	16.8	31.2	53.6	62.8	75.7	2.1	18.1	9.5	172.4
28 Manufacture of machinery and equipment n.e.c.	1.3	0.8	0.3	2.3	0.5	3.6	3.8	12.8	173.0
Other Manufacture	102.2	113.4	86.9	225.9	162.9	125.6	412.7	317.4	658.5
D Electricity, gas, steam and air conditioning supply	3.6	9.8	1.0	159.9	47.7	109.5	13.7	4.2	0.6
F Construction	2.0	10.7	30.6	45.5	55.3	94.4	40.6	41.6	40.3
G Wholesale & retail trade; repair motor vehicles & motorcycles	62.0	70.2	103.8	305.4	537.5	185.0	133.7	110.3	149.2
H Transportation and storage	83.2	21.0	113.5	131.4	251.5	132.8	266.0	9.0	12.6
I Accommodation and food service activities	3.8	1.7	8.4	10.5	10.1	14.0	58.9	11.2	57.0
K Financial and insurance activities	157.2	52.9	371.4	584.7	472.1	147.4	608.2	379.0	788.8
L Real estate activities	12.5	15.7	10.0	11.2	17.6	25.3	5.7	30.7	37.6
Others	65.8	42.7	36.8	58.4	110.8	16.8	12731.0	14778.3	16567.1
Total	744.1	891.4	1145.5	2345.3	2121.0	3506.6	16446.6	17137.8	19851.5

Source: Bank of Thailand (2015).

Note: The table includes only outflows of foreign direct investment. Tables with the net flows of foreign direct investment, appear in Bank of Thailand (2015b). The methodology changed in 2004 and thus data are not comparable across tables. Figures for 1995-2004 cover investments in non-bank sectors. From 2005 data include Baht transactions. From 2001 Reinvested earnings are included in direct investment. From 2011 intra-company loans are included as foreign direct investment and are classified in the others category.

Table 5-7. Thai outward FDI flows by industry in percentage of total, 1995-2013

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Industry	26.9	39.2	40.7	29.0	18.8	27.1	43.7	37.5	52.8	44.3
Food & sugar	3.8	3.3	10.2	3.9	6.5	7.5	33.1	8.2	20.8	14.3
Textiles	1.5	1.4	0.3	0.5	0.0	1.4	0.6	0.3	0.9	1.2
Metal & non metallic	6.4	6.3	1.7	9.5	4.0	0.1	0.0	0.3	0.4	0.6
Electrical appliances	7.6	17.1	1.4	5.4	1.9	6.8	6.9	20.7	15.7	11.3
Machinery & transport equipment	0.3	2.1	2.0	0.2	0.6	2.1	0.8	0.1	3.4	1.2
Chemicals	1.8	1.8	17.3	2.7	3.6	3.4	0.8	1.2	2.7	4.7
Petroleum products	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction materials	0.2	4.7	6.5	1.0	0.4	0.6	0.0	0.0	0.7	0.1
Others	5.0	2.3	1.3	5.8	1.7	5.3	1.5	6.6	8.2	10.9
Financial institutions	10.0	3.3	2.8	6.0	0.1	15.2	6.6	5.4	11.5	1.9
Trade	3.9	4.7	13.3	23.0	9.8	17.9	14.3	25.1	12.9	8.2
Construction	1.9	0.1	0.8	0.2	0.0	2.0	0.2	0.9	0.3	0.6
Mining & quarrying	0.6	0.8	0.1	0.2	0.0	1.0	0.5	0.2	0.0	2.9
Agriculture	0.7	0.3	0.1	1.6	1.1	2.5	2.6	0.4	0.7	0.1
Services	22.0	28.1	27.0	9.0	4.6	8.2	14.2	8.1	3.9	4.6
Investment	15.8	18.1	11.7	28.8	61.8	9.3	14.4	15.5	4.5	6.9
Real estate	18.1	5.6	3.3	1.0	0.2	2.3	0.6	0.6	1.8	4.2
Others	0.1	0.0	0.1	1.1	3.5	14.7	2.9	6.2	11.5	26.2
Total	100	100	100	100	100	100	100	100	100	100

	2005	2006	2007	2008	2009	2010	2011	2012p	2013p
A Agriculture, forestry and fishing	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B Mining and quarrying	4.3	41.7	23.4	21.5	12.6	66.5	8.9	4.3	3.4
C Manufacturing	42.1	33.1	17.6	22.8	16.6	12.8	6.8	6.0	7.7
Of which :	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10 Manufacture of food products	21.7	15.2	2.7	3.0	3.0	4.2	0.9	3.2	1.0
11 Manufacture of beverages	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1
13 Manufacture of textiles	0.0	0.0	0.0	0.1	0.1	0.2	1.1	0.0	0.2
20 Manufacture of chemicals and chemical products	2.4	1.4	2.2	7.2	2.2	2.9	1.9	0.3	0.3
26 Manufacture of computer, electronic and optical products	1.9	0.2	0.5	0.0	0.1	1.8	0.2	0.5	0.1
27 Manufacture of electrical equipment	2.3	3.5	4.7	2.7	3.6	0.1	0.1	0.1	0.9
28 Manufacture of machinery and equipment n.e.c.	0.2	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.9
Other Manufacture	13.7	12.7	7.6	9.6	7.7	3.6	2.5	1.9	3.3
D Electricity, gas, steam and air conditioning supply	0.5	1.1	0.1	6.8	2.2	3.1	0.1	0.0	0.0
F Construction	0.3	1.2	2.7	1.9	2.6	2.7	0.2	0.2	0.2
G Wholesale and retail trade; repair of motor vehicles and motorcycles	8.3	7.9	9.1	13.0	25.3	5.3	0.8	0.6	0.8
H Transportation and storage	11.2	2.4	9.9	5.6	11.9	3.8	1.6	0.1	0.1
I Accommodation and food service activities	0.5	0.2	0.7	0.4	0.5	0.4	0.4	0.1	0.3
K Financial and insurance activities	21.1	5.9	32.4	24.9	22.3	4.2	3.7	2.2	4.0
L Real estate activities	1.7	1.8	0.9	0.5	0.8	0.7	0.0	0.2	0.2
Others	8.8	4.8	3.2	2.5	5.2	0.5	77.4	86.2	83.5
Total	100	100	100	100	100	100	100	100	100

Source: Bank of Thailand (2015).

Note: The methodology changed in 2004 and thus data are not comparable across tables. Figures for 1995-2004 cover investments in non-bank sectors. From 2005 data include Baht transactions. From 2001 Reinvested earnings are included in direct investment. From 2011 intra-company loans are included as foreign direct investment and are classified in the others category.

Table 5-8. Thai outward FDI flows by destination country in US$ million, 1995-2013

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Japan	1.1	0.3	1.0	0.2	2.4	2.5	0.1	4.9	6.0	2.3
United States of America	146.5	87.8	71.5	18.6	28.9	38.2	9.7	37.1	37.7	15.5
EU15	158.1	35.1	14.4	39.9	30.5	2.3	31.9	8.2	37.0	11.8
EU	158.1	35.1	44.7	39.9	30.5	2.3	31.9	8.2	37.0	21.7
Austria	0.0	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.2
Belgium	0.0	0.0	0.6	0.0	0.6	0.0	0.0	0.9	0.2	0.0
Germany	107.7	1.9	1.1	3.0	0.0	0.2	28.9	0.2	0.2	0.6
Denmark	0.0	0.0	1.6	0.0	0.1	0.2	0.0	0.4	0.0	0.1
Spain	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Finland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0
France	3.0	0.2	0.4	10.1	0.2	0.0	0.0	0.4	0.5	0.9
United Kingdom	38.9	33.0	5.6	1.0	17.2	1.9	2.9	1.6	12.0	9.4
Greece	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	0.0	25.9	10.8	0.0	0.0	0.0	0.0	0.0
Italy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Luxembourg	8.4	0.0	5.1	0.0	0.0	0.0	0.0	4.7	20.1	0.0
Netherlands	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	3.1	0.2
Portugal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sweden	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Cyprus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estonia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hungary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Latvia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lithuania	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.0
Malta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Slovakia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Poland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Slovenia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bulgaria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Romania	0.0	0.0	30.3	0.0	0.0	0.0	0.0	0.0	0.0	0.9
ASEAN5	195.7	121.0	145.9	18.6	230.4	25.3	63.0	58.0	77.8	107.1
ASEAN	260.8	269.8	224.1	34.5	244.9	39.1	159.1	69.1	191.0	219.5
Brunei Darussalam	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	29.1	33.2	18.2	0.1	0.0	2.6	3.0	4.5	17.6	19.5
Malaysia	2.2	2.0	9.9	0.3	0.0	1.1	3.5	1.6	3.4	1.8
Philippines	146.7	74.0	10.4	8.5	4.8	0.0	1.4	0.5	29.4	32.6
Singapore	17.6	11.9	107.4	9.6	225.7	21.5	55.2	51.5	27.4	53.2
Cambodia	9.1	32.3	20.0	1.3	3.1	1.2	2.7	1.2	2.8	3.1
Laos	5.8	55.8	1.4	0.1	0.2	1.1	0.1	0.5	1.4	2.1
Myanmar	20.0	8.0	7.8	1.7	3.1	0.8	77.5	1.1	85.9	70.8
Vietnam	30.3	52.7	49.0	12.8	8.1	10.8	15.7	8.2	23.0	36.4
Hong Kong	63.8	164.8	12.4	57.6	36.1	46.8	22.8	17.0	19.3	31.1
Taiwan	1.0	1.4	4.2	0.0	7.9	7.9	3.0	0.8	0.1	1.0
Korea, South	0.3	0.5	0.3	2.2	0.1	0.0	0.2	1.0	1.1	1.5
China	75.3	96.4	36.2	13.0	11.6	8.9	18.9	23.6	68.6	55.9
Canada	3.0	0.2	0.7	3.3	0.0	0.1	0.0	0.4	0.4	1.1
Australia	11.1	10.7	8.0	1.7	0.2	0.5	2.2	2.2	4.6	3.7
Switzerland	2.2	0.0	0.3	0.0	0.0	0.0	0.1	0.1	13.0	21.8
Others	81.8	166.9	111.6	15.9	41.4	43.7	27.0	63.6	97.1	163.9
Total	805.0	834.0	515.0	187.0	404.0	190.0	275.0	228.0	476.0	539.0

Source: Bank of Thailand (2015).

Note: The methodology changed in 2004 and thus data are not comparable across tables. Figures for 1995-2004 cover investments in non-bank sectors. From 2005 data include Baht transactions. From 2001 Reinvested earnings are included in direct investment. From 2011 intra-company loans are included as foreign direct investment and are classified in the others category.

Table 5.8. Thai outward FDI flows by destination country in US$ million, 1995-2013 (continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
ASEAN	744.1	891.4	1145.5	2345.3	2121.0	3506.6	16446.6	17137.8	19851.5
Brunei Darussalam	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cambodia	23.8	53.6	42.1	53.3	19.6	35.6	794.1	1180.4	1384.7
Indonesia	33.9	32.6	17.1	137.3	69.2	83.3	2574.7	2845.7	2909.8
Laos	2.1	28.2	50.7	206.7	197.2	283.4	632.5	1075.8	1069.7
Malaysia	24.2	57.8	153.2	371.3	357.7	283.3	2562.1	2858.2	2901.3
Myanmar	112.4	83.0	426.1	347.7	94.4	164.9	895.4	959.6	1179.9
Philippines	21.4	16.5	20.5	7.8	8.8	44.1	887.3	1031.7	1016.3
Singapore	424.0	525.5	361.0	1029.5	1214.9	2401.4	6303.3	5554.2	7565.4
Vietnam	102.3	94.2	74.6	191.6	159.2	210.7	1797.3	1632.2	1824.4
EU	48.9	70.6	412.3	409.3	273.1	585.0	4651.9	6065.3	8126.0
Austria	0.9	12.3	2.4	2.5	0.0	0.0	0.0	0.0	1.4
Belgium	5.1	5.8	27.5	0.0	13.4	80.7	391.7	361.6	383.2
Denmark	0.3	0.0	0.9	6.7	0.1	2.3	0.0	9.9	1.3
France	0.5	13.3	0.3	8.4	3.2	12.1	354.7	412.1	476.0
Germany	3.1	1.0	7.2	30.5	2.7	18.8	751.1	1572.9	1213.7
Ireland	1.9	0.6	0.0	0.2	0.2	65.0	0.1	0.2	2.1
Lithuania	0.0	7.9	7.6	95.7	44.8	93.4	49.6	158.9	93.0
Netherlands	1.1	0.3	34.8	30.1	16.5	68.6	1145.2	1557.7	1936.8
United Kingdom	19.9	27.8	311.6	121.8	120.0	198.2	1273.4	1489.2	3435.0
Other EU	16.0	1.6	20.1	113.4	72.3	46.0	686.2	502.6	583.6
Australia	4.5	33.7	12.3	37.8	35.5	532.8	2002.9	2522.3	2641.1
Bangladesh	2.7	9.1	7.5	8.2	14.2	24.0	24.6	30.9	27.4
British Virgin Islands	113.8	156.6	26.1	211.9	212.9	128.2	378.0	171.6	402.5
Canada	2.2	2.7	7.3	3.4	9.4	356.1	531.1	437.0	723.3
Cayman Islands	14.7	336.5	570.1	925.7	1793.5	649.1	2354.9	2852.0	872.2
China	139.3	104.9	367.5	284.8	786.6	185.3	5735.0	7041.4	6280.7
Egypt	0.0	0.2	437.3	5.1	2.7	15.1	5.2	3.6	8.5
Hong Kong	63.7	68.9	326.0	278.3	307.5	598.8	2640.8	5277.0	4591.7
India	28.6	28.6	51.8	5.7	29.0	55.4	1092.1	1263.9	1256.8
Japan	21.7	10.3	51.4	272.0	546.7	251.6	6495.8	6554.1	6076.4
Mauritius	0.0	105.3	3.1	841.3	10.3	365.3	721.1	1096.1	262.9
South Korea	2.1	1.1	0.5	19.2	0.2	0.5	1180.8	1409.7	1416.4
Switzerland	2.8	0.2	20.7	24.2	8.6	44.5	866.1	1083.7	291.9
Taiwan	0.6	2.6	6.9	22.1	1.4	0.9	714.7	715.4	741.1
United Arab Emirates	0.9	5.7	22.0	8.5	8.7	103.2	523.0	594.6	660.2
United States	744.2	49.1	296.3	461.5	311.2	255.6	5718.8	6515.6	6344.6
Others	218.9	56.5	310.0	298.9	454.3	816.3	14831.4	16360.6	7599.5
Total	2153.9	1933.9	4074.4	6463.0	6926.9	8474.3	66914.9	77132.6	68174.6

Source: Bank of Thailand (2015).

Note: The methodology changed in 2004 and thus data are not comparable across tables. Figures for 1995-2004 cover investments in non-bank sectors. From 2005 data include Baht transactions. From 2001 Reinvested earnings are included in direct investment. From 2011 intra-company loans are included as foreign direct investment and are classified in the others category.

Table 5-9. Thai outward FDI flows by destination country in percentage of total, 1995-2013

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Japan	0.1	0.0	0.2	0.1	0.6	1.3	0.0	2.2	1.3	0.4
United States of America	18.2	10.5	13.9	10.0	7.2	20.1	3.5	16.3	7.9	2.9
EU15	19.6	4.2	2.8	21.4	7.5	1.2	11.6	3.6	7.8	2.2
EU	19.6	4.2	8.7	21.4	7.5	1.2	11.6	3.6	7.8	4.0
Austria	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Belgium	0.0	0.0	0.1	0.0	0.2	0.0	0.0	0.4	0.0	0.0
Germany	13.4	0.2	0.2	1.6	0.0	0.1	10.5	0.1	0.0	0.1
Denmark	0.0	0.0	0.3	0.0	0.0	0.1	0.0	0.2	0.0	0.0
Spain	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Finland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
France	0.4	0.0	0.1	5.4	0.1	0.0	0.0	0.2	0.1	0.2
United Kingdom	4.8	4.0	1.1	0.5	4.3	1.0	1.1	0.7	2.5	1.7
Greece	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	0.0	13.8	2.7	0.0	0.0	0.0	0.0	0.0
Italy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	1.0	0.0	1.0	0.0	0.0	0.0	0.0	2.1	4.2	0.0
Netherlands	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0
Portugal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sweden	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cyprus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czech Republic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estonia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hungary	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Latvia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lithuania	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7
Malta	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Slovakia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Poland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Slovenia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bulgaria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Romania	0.0	0.0	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.2
ASEAN5	24.3	14.5	28.3	9.9	57.0	13.3	22.9	25.4	16.4	19.9
ASEAN	32.4	32.4	43.5	18.4	60.6	20.6	57.9	30.3	40.1	40.7
Brunei Darussalam	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indonesia	3.6	4.0	3.5	0.1	0.0	1.4	1.1	2.0	3.7	3.6
Malaysia	0.3	0.2	1.9	0.2	0.0	0.6	1.3	0.7	0.7	0.3
Philippines	18.2	8.9	2.0	4.5	1.2	0.0	0.5	0.2	6.2	6.1
Singapore	2.2	1.4	20.9	5.2	55.9	11.3	20.1	22.6	5.8	9.9
Cambodia	1.1	3.9	3.9	0.7	0.8	0.6	1.0	0.5	0.6	0.6
Laos	0.7	6.7	0.3	0.1	0.1	0.6	0.1	0.2	0.3	0.4
Myanmar	2.5	1.0	1.5	0.9	0.8	0.4	28.2	0.5	18.0	13.1
Vietnam	3.8	6.3	9.5	6.8	2.0	5.7	5.7	3.6	4.8	6.8
Hong Kong	7.9	19.8	2.4	30.8	8.9	24.6	8.3	7.5	4.0	5.8
Taiwan	0.1	0.2	0.8	0.0	2.0	4.2	1.1	0.3	0.0	0.2
Korea, South	0.0	0.1	0.1	1.2	0.0	0.0	0.1	0.4	0.2	0.3
China	9.4	11.6	7.0	6.9	2.9	4.7	6.9	10.4	14.4	10.4
Canada	0.4	0.0	0.1	1.8	0.0	0.1	0.0	0.2	0.1	0.2
Australia	1.4	1.3	1.6	0.9	0.0	0.3	0.8	1.0	1.0	0.7
Switzerland	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.1	2.7	4.1
Others	10.2	20.0	21.7	8.5	10.2	23.0	9.8	27.9	20.4	30.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Thailand (2015).

Note: The methodology changed in 2004 and thus data are not comparable across tables. Figures for 1995-2004 cover investments in non-bank sectors. From 2005 data include Baht transactions. From 2001 Reinvested earnings are included in direct investment. From 2011 intra-company loans are included as foreign direct investment and are classified in the others category.

Table 5-9. Thai outward FDI flows by destination country in percentage of total, 1995-2013 (continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
ASEAN	34.5	46.1	28.1	36.3	30.6	41.4	24.6	22.2	29.1
Brunei Darussalam	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cambodia	1.1	2.8	1.0	0.8	0.3	0.4	1.2	1.5	2.0
Indonesia	1.6	1.7	0.4	2.1	1.0	1.0	3.8	3.7	4.3
Laos	0.1	1.5	1.2	3.2	2.8	3.3	0.9	1.4	1.6
Malaysia	1.1	3.0	3.8	5.7	5.2	3.3	3.8	3.7	4.3
Myanmar	5.2	4.3	10.5	5.4	1.4	1.9	1.3	1.2	1.7
Philippines	1.0	0.9	0.5	0.1	0.1	0.5	1.3	1.3	1.5
Singapore	19.7	27.2	8.9	15.9	17.5	28.3	9.4	7.2	11.1
Vietnam	4.7	4.9	1.8	3.0	2.3	2.5	2.7	2.1	2.7
EU	2.3	3.7	10.1	6.3	3.9	6.9	7.0	7.9	11.9
Austria	0.0	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	0.2	0.3	0.7	0.0	0.2	1.0	0.6	0.5	0.6
Denmark	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
France	0.0	0.7	0.0	0.1	0.0	0.1	0.5	0.5	0.7
Germany	0.1	0.1	0.2	0.5	0.0	0.2	1.1	2.0	1.8
Ireland	0.1	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0
Lithuania	0.0	0.4	0.2	1.5	0.6	1.1	0.1	0.2	0.1
Netherlands	0.1	0.0	0.9	0.5	0.2	0.8	1.7	2.0	2.8
United Kingdom	0.9	1.4	7.6	1.9	1.7	2.3	1.9	1.9	5.0
Other EU	0.7	0.1	0.5	1.8	1.0	0.5	1.0	0.7	0.9
Australia	0.2	1.7	0.3	0.6	0.5	6.3	3.0	3.3	3.9
Bangladesh	0.1	0.5	0.2	0.1	0.2	0.3	0.0	0.0	0.0
British Virgin Islands	5.3	8.1	0.6	3.3	3.1	1.5	0.6	0.2	0.6
Canada	0.1	0.1	0.2	0.1	0.1	4.2	0.8	0.6	1.1
Cayman Islands	0.7	17.4	14.0	14.3	25.9	7.7	3.5	3.7	1.3
China	6.5	5.4	9.0	4.4	11.4	2.2	8.6	9.1	9.2
Egypt	0.0	0.0	10.7	0.1	0.0	0.2	0.0	0.0	0.0
Hong Kong	3.0	3.6	8.0	4.3	4.4	7.1	3.9	6.8	6.7
India	1.3	1.5	1.3	0.1	0.4	0.7	1.6	1.6	1.8
Japan	1.0	0.5	1.3	4.2	7.9	3.0	9.7	8.5	8.9
Mauritius	0.0	5.4	0.1	13.0	0.1	4.3	1.1	1.4	0.4
South Korea	0.1	0.1	0.0	0.3	0.0	0.0	1.8	1.8	2.1
Switzerland	0.1	0.0	0.5	0.4	0.1	0.5	1.3	1.4	0.4
Taiwan	0.0	0.1	0.2	0.3	0.0	0.0	1.1	0.9	1.1
United Arab Emirates	0.0	0.3	0.5	0.1	0.1	1.2	0.8	0.8	1.0
United States	34.6	2.5	7.3	7.1	4.5	3.0	8.5	8.4	9.3
Others	10.2	2.9	7.6	4.6	6.6	9.6	22.2	21.2	11.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Thailand (2015).

Note: The methodology changed in 2004 and thus data are not comparable across tables. Figures for 1995-2004 cover investments in non-bank sectors. From 2005 data include Baht transactions. From 2001 Reinvested earnings are included in direct investment. From 2011 intra-company loans are included as foreign direct investment and are classified in the others category.

Table 5-10. Thai outward FDI stocks by industry in US$ million, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013 p
A Agriculture, forestry and fishing	2	0	0	4	5	5	6	6
B Mining and quarrying	1474	2034	3423	4514	7641	10782	13787	15160
C Manufacturing	4011	3199	4184	5429	7290	8735	15253	17306
Of which:								
10 Manufacture of food products	1462	940	1195	981	1933	1965	4654	5809
11 Manufacture of beverages	42	40	33	343	447	599	1240	1092
13 Manufacture of textiles	112	147	289	363	441	534	400	453
17 Manufacture of paper and paper products	122	150	140	138	206	348	311	286
20 Manufacture of chemicals and chemical products	578	325	566	807	1138	1396	1715	2040
22 Manufacture of rubber and plastics products	324	236	280	173	213	268	415	472
26 Manufacture of computer, electronic and optical products	707	549	674	776	969	751	2349	2390
27 Manufacture of electrical equipment	147	252	328	81	91	410	481	441
28 Manufacture of machinery and equipment n.e.c.	15	7	5	322	327	465	611	534
29 Manufacture of motor vehicles, trailers and semi-trailers	184	165	253	738	648	463	870	1001
D Electricity, gas, steam and air conditioning supply	229	53	300	491	650	18	76	69
F Construction	92	177	203	276	320	382	348	393
G Wholesale and retail trade; repair of motor vehicles and motorcycles	441	499	742	1569	2501	3480	4594	6975
H Transportation and storage	411	495	601	782	965	353	384	332
I Accommodation and food service activities	129	149	211	250	237	167	178	188
K Financial and insurance activities 1/	1456	2389	2228	3108	2875	6822	8032	8484
L Real estate activities	235	655	561	688	1046	1131	1251	1201
Others	276	239	225	925	1051	10180	13157	16824
Total	8756	9889	12677	18035	24581	42054	57063	66939

Source: Bank of Thailand (2015)

Table 5-11. Thai outward FDI stocks by industry as percentage of total, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013 p
A Agriculture, forestry and fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B Mining and quarrying	16.8	20.6	27.0	25.0	31.1	25.6	24.2	22.6
C Manufacturing	45.8	32.3	33.0	30.1	29.7	20.8	26.7	25.9
Of which:								
10 Manufacture of food products	16.7	9.5	9.4	5.4	7.9	4.7	8.2	8.7
11 Manufacture of beverages	0.5	0.4	0.3	1.9	1.8	1.4	2.2	1.6
13 Manufacture of textiles	1.3	1.5	2.3	2.0	1.8	1.3	0.7	0.7
17 Manufacture of paper and paper products	1.4	1.5	1.1	0.8	0.8	0.8	0.5	0.4
20 Manufacture of chemicals and chemical products	6.6	3.3	4.5	4.5	4.6	3.3	3.0	3.0
22 Manufacture of rubber and plastics products	3.7	2.4	2.2	1.0	0.9	0.6	0.7	0.7
26 Manufacture of computer, electronic and optical products	8.1	5.6	5.3	4.3	3.9	1.8	4.1	3.6
27 Manufacture of electrical equipment	1.7	2.5	2.6	0.4	0.4	1.0	0.8	0.7
28 Manufacture of machinery and equipment n.e.c.	0.2	0.1	0.0	1.8	1.3	1.1	1.1	0.8
29 Manufacture of motor vehicles, trailers and semi-trailers	2.1	1.7	2.0	4.1	2.6	1.1	1.5	1.5
D Electricity, gas, steam and air conditioning supply	2.6	0.5	2.4	2.7	2.6	0.0	0.1	0.1
F Construction	1.1	1.8	1.6	1.5	1.3	0.9	0.6	0.6
G Wholesale and retail trade; repair of motor vehicles and motorcycles	5.0	5.0	5.9	8.7	10.2	8.3	8.1	10.4
H Transportation and storage	4.7	5.0	4.7	4.3	3.9	0.8	0.7	0.5
I Accommodation and food service activities	1.5	1.5	1.7	1.4	1.0	0.4	0.3	0.3
K Financial and insurance activities 1/	16.6	24.2	17.6	17.2	11.7	16.2	14.1	12.7
L Real estate activities	2.7	6.6	4.4	3.8	4.3	2.7	2.2	1.8
Others	3.1	2.4	1.8	5.1	4.3	24.2	23.1	25.1
Total	100	100	100	100	100	100	100	100

Source: Bank of Thailand (2015)

Table 5-12. Thai outward FDI stocks by country of destination in US$ million, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013 p
Asia								
ASEAN	3502	3265	4685	6128	9558	14872	16990	18038
Brunei Darussalam	0	0	0	0	0	0	0	0
Cambodia	134	148	153	188	189	378	461	538
Indonesia	357	199	225	279	476	1606	2205	2676
Laos	50	143	300	564	763	911	1054	1189
Malaysia	332	548	883	1226	1526	2111	2456	2801
Myanmar	852	261	383	520	702	1199	1483	2186
Philippines	194	219	197	198	260	483	387	445
Singapore	1182	1354	2054	2542	4892	6577	7201	6216
Vietnam	401	392	490	612	748	1608	1743	1989
Rest of Asia								
Australia	42	37	37	57	242	996	1660	2572
Bangladesh	32	30	34	64	96	121	156	170
China	789	1145	1265	1928	2050	3387	3857	4146
Hong Kong	741	802	972	1296	1862	3317	5327	5177
India	104	168	169	206	282	631	633	845
Japan	261	130	251	962	878	1867	2642	2696
Mauritius	214	209	323	622	731	1343	2587	5208
South Korea	11	3	13	3	21	179	296	411
Taiwan	156	59	60	56	66	190	251	296
United Arab Emirates	1	15	22	26	136	225	299	335
Europe								
EU	323	661	712	1008	1583	2679	4967	5556
Austria	22	19	19	15	13	12	13	11
Belgium	21	39	38	52	126	156	171	266
Denmark	0	3	4	2	4	4	13	16
France	4	20	35	43	59	86	150	473
Germany	49	26	26	43	40	204	1119	455
Ireland	4	0	0	0	65	0	0	1
Lithuania	30	38	119	162	275	310	404	439
Netherlands	3	40	116	206	255	597	972	1285
United Kingdom	106	400	273	341	570	1026	1705	2186
Other EU	85	77	82	143	176	285	420	424
Switzerland	61	71	65	54	85	194	178	196
Americas								
United States	495	491	616	892	1085	2397	3590	4331
Canada	11	18	22	31	48	318	442	917
British Virgin Islands	600	617	761	1050	1052	1379	2367	2949
Cayman Islands	1154	1298	1595	2261	2698	4098	5463	6741
Africa								
Egypt	12	513	477	465	510	293	169	160
Others	247	357	597	927	1599	3569	5189	6195
Total	8756	9889	12677	18035	24581	42054	57063	66939

Source: Bank of Thailand (2015)

Table 5-13. Thai outward FDI stocks by percentage of total, 2006-2013

	2006	2007	2008	2009	2010	2011	2012	2013 p
Asia								
ASEAN	40.0	33.0	37.0	34.0	38.9	35.4	29.8	26.9
Brunei Darussalam	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cambodia	1.5	1.5	1.2	1.0	0.8	0.9	0.8	0.8
Indonesia	4.1	2.0	1.8	1.5	1.9	3.8	3.9	4.0
Laos	0.6	1.5	2.4	3.1	3.1	2.2	1.8	1.8
Malaysia	3.8	5.5	7.0	6.8	6.2	5.0	4.3	4.2
Myanmar	9.7	2.6	3.0	2.9	2.9	2.9	2.6	3.3
Philippines	2.2	2.2	1.6	1.1	1.1	1.1	0.7	0.7
Singapore	13.5	13.7	16.2	14.1	19.9	15.6	12.6	9.3
Vietnam	4.6	4.0	3.9	3.4	3.0	3.8	3.1	3.0
Rest of Asia								
Australia	0.5	0.4	0.3	0.3	1.0	2.4	2.9	3.8
Bangladesh	0.4	0.3	0.3	0.4	0.4	0.3	0.3	0.3
China	9.0	11.6	10.0	10.7	8.3	8.1	6.8	6.2
Hong Kong	8.5	8.1	7.7	7.2	7.6	7.9	9.3	7.7
India	1.2	1.7	1.3	1.1	1.1	1.5	1.1	1.3
Japan	3.0	1.3	2.0	5.3	3.6	4.4	4.6	4.0
Mauritius	2.4	2.1	2.5	3.4	3.0	3.2	4.5	7.8
South Korea	0.1	0.0	0.1	0.0	0.1	0.4	0.5	0.6
Taiwan	1.8	0.6	0.5	0.3	0.3	0.5	0.4	0.4
United Arab Emirates	0.0	0.1	0.2	0.1	0.6	0.5	0.5	0.5
Europe								
EU	3.7	6.7	5.6	5.6	6.4	6.4	8.7	8.3
Austria	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0
Belgium	0.2	0.4	0.3	0.3	0.5	0.4	0.3	0.4
Denmark	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
France	0.0	0.2	0.3	0.2	0.2	0.2	0.3	0.7
Germany	0.6	0.3	0.2	0.2	0.2	0.5	2.0	0.7
Ireland	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0
Lithuania	0.3	0.4	0.9	0.9	1.1	0.7	0.7	0.7
Netherlands	0.0	0.4	0.9	1.1	1.0	1.4	1.7	1.9
United Kingdom	1.2	4.0	2.2	1.9	2.3	2.4	3.0	3.3
Other EU	1.0	0.8	0.6	0.8	0.7	0.7	0.7	0.6
Switzerland	0.7	0.7	0.5	0.3	0.3	0.5	0.3	0.3
Americas								
United States	5.7	5.0	4.9	4.9	4.4	5.7	6.3	6.5
Canada	0.1	0.2	0.2	0.2	0.2	0.8	0.8	1.4
British Virgin Islands	6.9	6.2	6.0	5.8	4.3	3.3	4.1	4.4
Cayman Islands	13.2	13.1	12.6	12.5	11.0	9.7	9.6	10.1
Africa								
Egypt	0.1	5.2	3.8	2.6	2.1	0.7	0.3	0.2
Others	2.8	3.6	4.7	5.1	6.5	8.5	9.1	9.3
Total	100	100	100	100	100	100	100	100

Source: Bank of Thailand (2015)

Table 5-14. Sectoral distribution of OFDI of SET-listed firms, 2000-2012

Year	Agro & Food Industry	Consumer Products	Industrials	Property & Construction	Resources	Services	Technology
2000	10%	20%	2%	31%	6%	9%	21%
2001	10%	17%	2%	9%	5%	13%	44%
2002	9%	16%	2%	11%	7%	12%	43%
2003	13%	15%	3%	14%	7%	10%	38%
2004	11%	17%	5%	16%	7%	11%	33%
2005	22%	17%	3%	20%	10%	12%	15%
2006	63%	7%	2%	10%	7%	5%	7%
2007	54%	6%	3%	12%	9%	8%	8%
2008	51%	6%	5%	13%	12%	6%	8%
2009	67%	4%	3%	8%	7%	5%	5%
2010	56%	3%	3%	7%	23%	3%	4%
2011	35%	2%	3%	7%	47%	3%	3%
2012	34%	2%	6%	6%	45%	3%	4%

Source: Authors' database

Table 5-15. Percentage of firms with OFDI

Industry	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agro & Food Industry	**20%**	**26%**	**24%**	**26%**	**26%**	**26%**	**28%**	**28%**	**28%**	**33%**	**26%**	**26%**	**26%**
Agribusiness	7%	14%	14%	21%	21%	21%	21%	21%	21%	29%	21%	29%	21%
Food & Beverage	25%	31%	28%	28%	28%	28%	31%	31%	31%	34%	28%	25%	28%
Consumer Products	**21%**	**26%**	**26%**	**26%**	**24%**	**26%**	**29%**	**26%**	**31%**	**36%**	**38%**	**36%**	**33%**
Fashion	28%	36%	36%	36%	32%	32%	32%	32%	36%	40%	40%	36%	32%
Home & Office Products	8%	8%	8%	8%	8%	8%	17%	17%	25%	25%	25%	25%	25%
Personal Products & Pharmaceuticals	20%	20%	20%	20%	20%	40%	40%	20%	20%	40%	60%	60%	60%
Industrials	**9%**	**12%**	**12%**	**12%**	**14%**	**18%**	**18%**	**17%**	**20%**	**21%**	**21%**	**22%**	**22%**
Automotives	19%	25%	25%	25%	25%	25%	25%	25%	31%	31%	31%	38%	38%
Industrial Materials & Machinery	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%
Packaging	0%	7%	7%	7%	14%	14%	14%	14%	14%	14%	14%	14%	14%
Paper & Printing Materials	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Petrochemicals & Chemicals	15%	15%	15%	15%	23%	31%	31%	31%	31%	31%	31%	31%	31%
Steel	4%	4%	4%	4%	4%	12%	12%	8%	12%	15%	15%	15%	15%
Property & Construction	**15%**	**17%**	**17%**	**19%**	**21%**	**21%**	**21%**	**23%**	**23%**	**28%**	**27%**	**25%**	**23%**
Construction Materials	0%	11%	11%	11%	11%	11%	11%	11%	11%	16%	16%	16%	16%
Construction Services	33%	33%	33%	39%	39%	39%	39%	50%	50%	61%	56%	44%	44%
Property Development	14%	14%	14%	14%	18%	18%	18%	18%	18%	20%	20%	20%	18%
Resources	**13%**	**20%**	**20%**	**23%**	**23%**	**23%**	**23%**	**23%**	**23%**	**30%**	**30%**	**33%**	**33%**
Energy & Utilities	10%	17%	17%	21%	21%	21%	21%	21%	21%	28%	28%	31%	31%
Mining	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Services	**15%**	**17%**	**17%**	**18%**	**18%**	**18%**	**20%**	**20%**	**21%**	**21%**	**20%**	**20%**	**21%**
Commerce	16%	21%	21%	26%	26%	26%	26%	26%	26%	32%	32%	32%	32%
Health Care Services	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
Media & Publishing	12%	12%	12%	12%	12%	12%	15%	15%	15%	12%	12%	12%	15%
Professional Services	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Tourism & Leisure	31%	31%	31%	31%	31%	31%	31%	31%	38%	38%	31%	31%	31%
Transportation & Logistics	18%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
Technology	**22%**	**22%**	**22%**	**19%**	**22%**	**24%**	**30%**	**30%**	**27%**	**27%**	**27%**	**27%**	**30%**
Electronic Components	30%	30%	30%	30%	30%	40%	50%	50%	50%	50%	50%	50%	50%
Information & Communication Technology	19%	19%	19%	15%	19%	19%	22%	22%	19%	19%	19%	19%	22%

Source: Authors' database

Table 5-16. Top 20 Thai Multinationals at 2012 (by asset and by international investment)

Top 20 By Asset at 2012			Top 20 by International Investment at 2012	
Rank	Name	Total Asset (USD)	Name	International Investment (USD)
1	PTT	52,016,022,001.24	Charoen Pokphand Foods	8,448,388,912.39
2	PTT Exploration and Production	18,976,334,990.27	Banpu	6,021,872,014.02
3	PTT Global Chemical	14,007,385,773.24	PTT Exploration and Production	3,627,142,798.90
4	Siam Cement	12,587,937,010.77	Electricity Generating	2,830,122,440.53
5	Charoen Pokphand Foods	9,965,450,133.53	Thai Union Frozen Products	1,334,933,648.88
6	Thai Airways International	9,623,541,737.99	Siam Cement	1,323,101,714.69
7	Banpu	7,143,649,942.59	Delta Electronics	975,564,787.08
8	True Corporation	5,635,912,665.27	Indorama Ventures	961,683,467.25
9	Thai Oil	5,490,058,769.89	Ratchaburi Electricity	641,249,482.26
10	Indorama Ventures	5,484,502,501.49	PTT Global Chemical	545,715,776.63
11	Airports of Thailand	4,740,841,792.07	Thoresen Thai AG	313,466,562.90
12	IRPC	4,567,660,177.52	Cal-Comp Electronics (Thailand)	262,256,110.80
13	Glow Energy	4,170,077,075.67	Polyplex (Thailand)	226,092,929.15
14	Electricity Generating	3,517,155,731.24	Siamgas and Petrochemicals	197,944,845.35
15	Total Access Communications	3,207,941,959.87	Saha-Union	179,063,393.74
16	Ratchaburi Electricity	3,110,400,922.69	Berli Jucker	161,910,408.88
17	Advanced Information Service	3,077,364,408.46	Sri Trang Agro-Industry	152,530,337.39
18	Thai Union Frozen Products	3,011,118,971.17	Tipco Foods	121,715,510.02
19	Big C Supercenter	3,008,510,511.21	Regional Containers Lines	120,411,332.43
20	Sahaviriya Steel Industries	2,847,848,307.67	CP All	116,000,000.00

Source: Authors' Database

6. The Relationship between Internationalization and Performance of Thai Firms

We now analyze the relationship between internationalization and performance of Thai firm. To do so we analyze two dimensions of internationalization: international trade in the form of exports or foreign sales, and international investment in the form of overseas investment. We analyze international trade because much of the literature has analyzed this dimension, and to provide a comparison with the focus of analysis of this report on foreign investment. By analyzing two dimensions of internationalization (trade and investment) we are able to draw a better understanding of the relationships between internationalization and performance. As discussed in Chapter 4, the conventional use of Foreign Sales as opposed to foreign investment in most studies may have included export sales in export-oriented firms. There are two reasons this mix-up can take place. First, there is no requirement on listed Thai firms to disclose details of their revenue sources. Each firm decides to disclose according to their main sources of income. For example, firms can disclose revenue by product category, business group, or geographical distribution. For revenue distribution by geographical areas, the SET does not require firms to differentiate export sales from revenue generated by foreign subsidiaries. This practice can lead to foreign sales reflecting export performance rather than internationalization prowess. Second, if foreign subsidiaries are sales offices that distribute products produced from home-country operations, revenues generated in that foreign sales units should also be considered as export revenues. Nonetheless, such detailed distinction can only be disclosed by the listed firm. Without a clear regulatory requirement, no firm is willing to provide their sources of revenue in such details, hence the possibility that foreign revenue may not be the most appropriate proxy for internationalization performance. This practice is particularly more pertinent in emerging markets, particularly those export-oriented ones, due to the less sophisticated financial disclosure requirements.

Additionally, we run the analysis using two sources of information: Datastream and the information we gathered from the annual reports. Because Datastream provides secondary statistics, mainly collected on broad categories, data on specific aspects of business operations may not be sufficiently available. Information on foreign operations of firms are particularly hard to find in such a generic and large commercially available database. Our comparative analysis of these two datasets reveals remarkable differences in the relationship between internationalization and performance, as we describe below. These significant differences, reinforce the benefit of gathering primary data instead of only relying on secondary data.

6.1. Internationalization and Performance

Table 6.1 provides the descriptive statistics and correlation matrix. Average ROA is close to five percent, has 158 million US$ in sales and close to twenty years of age. These figures suggest that listed Thai firms are still relatively small in comparison to other players from emerging economies. For example, to be included in the list of ‘global challengers’ collected by the Boston Consulting Group (BCG), firms need to have a minimum threshold of USD 1 billion in annual revenue, plus overseas revenue of at least 10 percent of total revenues or USD 500 million (BCG, 2014).

*** Insert Table 6.1 about here ***

6.2. Analysis of the Relationship between Internationalization and Performance

Table 6.2 provides the results of the analysis on the relationship between internationalization and performance of Thai firms. First, focusing on the analysis of international trade, we find that whereas the analysis of Datastream data does not show statistically significant relationships (Model 6.2.a), the analysis of data from the annual reports shows that the level of foreign sales has a positive and statistically significant coefficient (Model 6.2.b). This relationship seems to be positive with no diminishing returns because the coefficients of the square and cube of the measures of foreign revenue are not statistically significant. Thus, it appears that firms that have more foreign sales as a percentage of gross income seem to have higher ROA.

Second, moving now to the analysis of foreign investment, we find again that whereas the analysis of Datastream data does not show statistically significant relationships (Model 6.2.c) the analysis of the information gathered from the annual reports show statistically significant relationships (Model 6.2.d). Specifically, we find that international investment has a curvilinear impact on ROA, increasing at lower levels of international investment, then diminishing at higher levels and finally increasing again at higher levels. We find that the coefficient of international investment over total assets is positive and statistically significant, the coefficient of the square of international investment over total assets is negative and statistically significant and the coefficient of the cube of international investment over total assets is positive and statistically significant. Additionally, we analyze the number of foreign subsidiaries (Model 6.2.e) and also find that it has a curvilinear effect on ROA, as profitability increases with the number of foreign subsidiaries but at a diminishing rate with the higher number of subsidiaries. Specifically, we find that the coefficient of number of foreign subsidiaries is positive and statistically significant, the coefficient of the square of number of foreign subsidiaries is negative and statistically significant and the coefficient of the cube of number of foreign subsidiaries is not statistically significant.

*** Insert Table 6.2 about here ***

6.2.1. Robustness tests

We ran additional analyses to explore the robustness of the results to alternative measures and specifications.

First, we completed the dataset with zeroes to avoid the loss of observations as data in Datastream is incomplete for some observations. We find similar results to the ones discussed before For the analyses of foreign sales and ROA, we find a positive relationship between foreign sales and ROA, with a positive and statistically significant coefficient. For the analyses of international investment and ROA, we find a curvilinear relationships, with a positive and statistically significant coefficient of international investment, a negative and statistically significant coefficient of the square of international investment, and a positive and statistically significant coefficient of the cube of international investment. For the analyses of number of foreign subsidiaries and ROA, we find a curvilinear relationships, with a positive and statistically significant, a negative and statistically significant coefficient of the square of the number of foreign subsidiaries, and a positive and statistically significant coefficient of the cube of number of foreign subsidiaries.

Second, we run the same specifications with two, three, four and five year lags. We find that the relationships we find are robust up to three years. We find the similar positive relationships between foreign sales and ROA and the curvilinear relationship between international investment and ROA

Third, we used the number of employees instead of sales as the measure of firm size. The number of employees is more stable over time than sales. However, the dataset has many observations recording zero employees, which is not a possibility for the relatively large publicly traded firms. After excluding observations of firms that have zero employees we find results in line with the ones presented, with foreign sales having a positive impact on ROA, international investment having and number of foreign subsidiaries having a curvilinear relationship with ROA.

Fourth, we included other firm characteristics in the analyses, such as goodwill or leverage. Unfortunately, the coverage of these measures in Datastream is very limited and after including these variables the sample drops significantly, resulting in non-significant relationship between internationalization and performance. Nevertheless, we are already accounting for firm-specific characteristics with the random effects controls.

6.3. Analysis of the Relationship between Internationalization and Performance by Location

We now go deeper into the analysis of the relationship between multinationalization and performance by analyzing differences in this relationship across locations. From the annual reports we collected information on the value of the investments and on the number of subsidiaries in the host countries in which firms have foreign operations. We grouped the value of the investments and the number of subsidiaries by groups of countries to facilitate the analysis. We use the absolute investments and the number of foreign subsidiaries in groups of countries. Table 6.4 provides the results of the analyses of the location of investments and the number of subsidiaries on ROA. We did a sequential analysis of different locations to understand which ones had an impact on performance.

*** Insert Table 6.3 about here ***

First, we analyzed the impact of investment and number of subsidiaries in advanced countries (following the IMF classification) and emerging countries. We expect better performance in the latter group because investments in other emerging countries may be easier for Thai firms, resulting in higher profitability. We find that investments in emerging countries seem to have a positive impact on profitability, as the coefficient of foreign investment (Model 6.3.a) and the number of subsidiaries (Model 6.3.b) in emerging countries is positive and statistically significant. Thus, one could conclude that Thai firms should invest in emerging rather than advanced countries. However, when we separate offshore financial centers (OFCs) (e.g., Cayman Islands, Mauritius) from the rest of other emerging countries, we find that it is actually investment in of OFCs that appear to have the positive impact on performance. The coefficient of foreign investment (Model 6.3.c) and the number of subsidiaries (Model 6.3.d) in offshore financial centers are positive and statistically significant.

Second, we analyze the impact of investment in ASEAN countries, because the geographic proximity and membership on a regional economic integration agreement may facilitate a profitable internationalization of Thai firms. Thus, we analyze investments in ASEAN countries and in non-ASEAN countries and find that investments in non-ASEAN countries have a positive impact on performance. The coefficient of investments (Model 6.3.d) and number of subsidiaries (Model 6.3.e) in non-ASEAN countries are positive and statistically significant. This seems to contradict the view that investment in proximate and similar countries and in which there are lower barriers to investment thanks to the ASEAN agreement would help firms improve profitability because such investments are easier. Nevertheless, once we separate OFCs from

non-ASEAN countries we find that only investments (Model 6.3.f) and the number of subsidiaries (Model 6.3.g) in OFCs have a positive impact on performance.

Third, we expanded the analysis and separate the rest of the world by the geographical regions of ASEAN, Asia excluding ASEAN, Africa, Europe, America, and Oceania and offshore financial centers. As with previous analyses, we find that only investments in OFCs have a positive impact on performance. The coefficient of investments in OFCs is positive and statistically significant (Model 6.3.h). However, we also find that in the number of subsidiaries, not only those in OFCs have a positive impact but also those in ASEAN countries, while subsidiaries in the rest of Asia seem to have a negative impact on performance. The coefficient of the number of subsidiaries in ASEAN countries and in OFCs are positive and statistically significant, while the coefficient of the number of subsidiaries in Asian countries except ASEAN are negative and statistically significant. (Model 6.3.i).

6.3.1. Robustness tests

We ran the same analyses with two, three, four and five year lags. We find that with two year lags, when we analyze value of investments by location, investments in OFCs have a positive and statistically significant coefficient in the comparison with advanced and emerging markets and in the comparison with ASEAN and non-ASEAN countries, but not in the analysis with all separate locations, while other investments do not have statistically significant coefficients; when we analyze the number of subsidiaries by location, subsidiaries in emerging countries have a positive and statistically significant coefficient in the comparison of advanced and emerging countries, subsidiaries in ASEAN countries have a positive and statistically significant coefficient in the comparison of ASEAN and non-ASEAN countries, and subsidiaries in ASEAN, America, and OFCs have a positive and statistically significant coefficient while subsidiaries in non-ASEAN Asia have a negative and statistically significant coefficient in the analysis of all locations. Analyses with three year lag are similar to the ones with two year lag. Analyses with four year lag do not yield statistically significant coefficients in the analysis of the investments abroad, and result in the coefficient of the number of subsidiaries in ASEAN countries having a positive and statistically significant coefficient. Analyses with five year lag do not yield statistically significant coefficients.

6.4. Conclusions

We analyzed the relationship between multinationalization and performance for publicly traded firms in Thailand. First, we find that multiantionaliaiton seems to be a profitable strategy, as foreign sales have a positive impact on the performance of firms, foreign investments have a curvilinear relationship with performance that takes the shape of an inverted-s, and the number of foreign subsidiaries has a curvilinear relationship with performance but with an inverted-u shape. Second, we find that among the locations of investments, those made in offshore financial centers tend to have a positive impact on performance.

These relationships provide new insights to the literature analyzing the relationship between internationalization and performance in several ways. First, by analyzing foreign sales, international investment and the number of foreign subsidiaries we uncover different relationships that previous analyses may have confused. Thus, the discussion on the different shapes of the relationship between internationalization and performance may be driven by the dimension of internationalization analyzed. Moreover, by keeping the dimensions of internationalization separate rather than combining them in one index as other studies have done,

we are able to identify these different relationships, which are driven by different mechanisms. Although the concepts are related, the level of exports, the level of foreign investment and the number of foreign subsidiaries reflect different firm behavior and strategies and thus do not need to lead to the same impact on performance. Second, by analyzing the location of foreign investment, we uncover an important relationship which has not been done in previous studies. Additionally, we find that for emerging market firms, despite the expectation that nearby, similar countries may be preferred destinations for investment because it is easier to operate there, we find that investments in offshore financial centers seem to drive profitability.

Table 6-1. Descriptive statistics and correlation matrix

	Variable	Mean	Std. Dev.	1	2	3	4	5	6	7
1	ROA, one year lag	4.870	55.861	1.000						
3	International Sales on Gross Income	0.020	1.319	0.008	1.000					
5	Foreign Revenue on Gross Income	0.018	0.115	0.014	0.008	1.000				
6	International Assets on Total Assets	0.115	1.064	0.006	0.016	0.702*	1.000			
7	International Investment on Total Assets	0.016	0.436	0.003	0.000	0.024*	0.016	1.000		
8	Number of foreign subsidiaries	0.665	3.821	0.019*	0.003	0.241	0.181*	0.114*	1.000	
9	Sales	158000000	1590000000	0.007	0.001	0.053*	0.063*	0.011	0.379*	1.000
10	Age	19.175	15.322	0.0219*	0.030*	0.065*	0.052*	0.020	0.160*	0.055*

Correlations with * are statistically significant at 5%

Table 6-2. Results of the analysis of multinationalization on performance, original data, one year lag, 1990-2012

	Dependent variable: ROA, one year lag				
	International trade		International investment		
	Datastream	Annual reports	Datastream	Annual reports	
Dimensions of internationalization:	International Sales on Gross Income	Foreign Revenue on Gross Income	International Assets on Total Assets	International Investment on Total Assets	Number foreign subsidiaries
	Model 6.2.a	Model 6.2.b	Model 6.2.c	Model 6.2.d	Model 6.2.e
Internationalization	-1.544 (2.493)	0.233** (0.106)	86.580 (133.700)	11.56*** (3.100)	0.368*** (0.083)
Internationalization square	-3.035 (3.554)	-0.004 (0.006)	-783.300 (7421.000)	-1.138*** (0.335)	-0.00997** (0.004)
Internationalization cube	-0.321 (0.688)	0.000 (0.000)	5054.000 (81010.000)	0.0259*** (0.009)	0.000 (0.000)
Sales	6.84e-11** 0.000	6.71e-11** 0.000	6.59e-11** 0.000	6.49e-11** 0.000	0.000 0.000
Age	0.0354*** (0.009)	0.0350*** (0.008)	0.0350*** (0.009)	0.0343*** (0.008)	0.0313*** (0.009)
Constant	-3.722*** (1.314)	-3.684*** (1.305)	-3.663*** (1.308)	-3.775*** (1.268)	-3.550*** (1.272)
Chi square	1469.80 ***	1493.87 ***	1444.89***	2794.09***	2533.10***
Observations	8,584	8,584	8,584	8,584	8,584
Number of Firms	413	413	413	413	413

Note: Generalized least squares models with correction for panel specific autocorrelation and heteroskedasticity. Standard deviations appear in parenthesis. Controls for industry and year included but not reported. Significance: * 10%, ** 5%, *** 1%

Table 6-3. Results of the analysis of location of investments on performance, non-zero, one year lag, 1990-2012

	Dependent variable: ROA, one year lag									
	Model 6.3.a	Model 6.3.b	Model 6.3.c	Model 6.3.d	Model 6.3.e	Model 6.3.f	Model 6.3.g	Model 6.3.h	Model 6.3.i	Model 6.3.j
	Foreign Investment	Number of subsidiaries	Foreign Investment	Number of subsidiaries	Foreign Investment	Number of subsidiaries	Foreign Investment	Number of subsidiaries	Foreign Investment	Number of subsidiaries
Advanced	0.000 (0.000)	-0.035 (0.086)	0.000 (0.000)	-0.029 (0.085)	--	--	--	--	--	--
Emerging	4.93e-10** (0.000)	0.164** (0.066)	--	--	--	--	--	--	--	--
Emerging except OFCs	--	--	0.000 (0.000)	0.091 (0.081)	--	--	--	--	--	--
Asean	--	--	--	--	0.000 (0.000)	0.155 (0.108)	0.000 (0.000)	0.157 (0.106)	0.000 (0.000)	0.200* (0.107)
Non-Asean	--	--	--	--	4.50e-10** (0.000)	0.033 (0.054)	--	--	--	--
Non-Asean non-OFC	--	--	--	--	--	--	0.000 (0.000)	-0.050 (0.061)	--	--
Asia except Asean	--	--	--	--	--	--	--	--	0.000 (0.000)	-0.274** (0.107)
Europe	--	--	--	--	--	--	--	--	0.000 (0.000)	0.197 (0.126)
America	--	--	--	--	--	--	--	--	0.000 (0.000)	0.268 (0.370)
Africa	--	--	--	--	--	--	--	--	0.000 (0.000)	2.177 (2.005)
Oceania	--	--	--	--	--	--	--	--	0.000 (0.000)	-0.148 (0.218)
OFCs	--	--	4.99e-10** (0.000)	0.322*** (0.122)	--	--	4.99e-10** (0.000)	0.338*** (0.131)	4.97e-10** (0.000)	0.358*** (0.135)
Sales	6.43e-11** (0.027)	7.57e-11 (0.040)	6.44e-11** (0.027)	3.63e-11 (0.046)	6.44 e-11** (0.027)	2.85 e-11 (0.060)	6.43 e-11** (0.027)	3.15 e-11 (0.060)	6.42 e-11** (0.027)	1.07 e-11 (0.072)
Age	0.0350*** (0.008)	0.0275*** (0.009)	0.0351*** (0.008)	0.0286*** (0.010)	0.0351*** (0.009)	0.0283*** (0.010)	0.0350*** (0.009)	0.0279*** (0.010)	0.0356*** (0.008)	0.0297*** (0.010)
Constant	-3.693*** (1.307)	-3.610*** (1.285)	-3.693*** (1.307)	-3.620*** (1.285)	-3.692*** (1.307)	-3.560*** (1.287)	-3.692*** (1.307)	-3.574*** (1.284)	-3.718*** (1.305)	-3.596*** (1.284)
Chi square	1497.41***	2621.66***	1495.28***	2669.99***	1497.69***	1577.95***	1501.99***	2051.52***	1545.73***	1747.25***
Observations	8584	8584	8584	8584	8584	8584	8584	8584	8584	8584
Firms	413	413	413	413	413	413	413	413	413	413

Note: Generalized least squares models with correction for panel specific autocorrelation and heteroskedasticity. Standard deviations appear in parenthesis. Controls for industry and year included but not reported. Significance: * 10%, ** 5%, *** 1%

7. Conclusions

Thailand has now joined many other emerging economies in promoting OFDI of their domestic firms. Although the level of OFDI from Thailand may still be relatively low compared to its peers, OFDI is now part of the country's economic features. Various government agencies have now launched programs to encourage and support OFDI by Thai entrepreneurs, ranging from providing more information on overseas business opportunities to selecting types of industries and geographical areas of preference. While policies aiming at reducing constraints for OFDI at home and abroad are welcome, as they benefit all businesses that may wish to undertake overseas investment, those providing specific subsidies in selected industries or preferred geographical areas should be undertaken with much further care and consideration as they may distort firm behavior.

Most studies on OFDI policy framework study how it improves the overall competitiveness of the home economy through the development of investing firms and related parties. Studies tend to focus on analyzing the positive externalities of OFDI on the economy, studying how OFDI tends to lead to higher levels of development, domestic investment or employment. The main principle guiding OFDI policy framework is to promote activities that lead to positive externalities and to restrain those that lead to negative ones. However, much less is known on the impact of OFDI on those investing firms, particularly whether international investment actually makes them better off. Policy directions have therefore been made without much understanding on how OFDI affect the operations of investing firms, and whether firms have an incentive to undertake OFDI.

We argue that policy makers should take firm-level perspective into consideration when formulating an overall OFDI policy framework. Outbound FDI of countries is undertaken by firms. It is therefore instrumental to begin by asking how internationalization affects firm's operations. The underlying logic is that if managers have an incentive to undertake OFDI because their firms will do well, there is less need for government policy to encourage OFDI; rational managers will already undertake it and the country will benefit from the positive externalities associated with OFDI in development, domestic investment and employment. However, if OFDI does not lead to higher performance, managers may be discouraged from undertaking OFDI and thus there would be fewer positive externalities in the economy; in this case the government may want to step in and address this market imperfection.

7.1. Insights from the Study

Specifically, in this research project we answered two related questions: how does the level of internationalization of firms affect their performance?; and how does international expansion into particular locations affect performance? Although our questions address firm-level issues, answers to these questions should shed more light on policy implications for relevant government agencies responsible for encouraging and promoting OFDI from Thailand.

7.1.1. A Positive Relationships between International Expansion and Performance

From our empirical analysis on publicly listed firms in Thailand, we found a positive relationship between internationalization and performance. More specifically, we find that internationalization appears to have a curvilinear impact on firm's return on assets, with

internationalization having a positive impact at lower levels, then diminishing and later on increasing again.

The initial positive impact of internationalization on performance can be explained by the internationalizing firm's abilities to explore or exploit its firm-specific advantages in countries other than its own. Companies that become multinationals tend to be firms that have honed particular capabilities for producing more efficiently or serving their customers better and whose managers then decide that such capabilities can be used in other countries. Thus, in effect they benefit from a degree of economies of scale in their capabilities, as managers make more intensive use of knowledge developed at home. This process enables firms to increase its initial profitability through international investment.

However, after a certain point, the complexity of international operations increases the costs of internationalization and leads to a decline in corporate performance. Managing across borders is challenging and managers need not only to be able to manage at a distance but also to deal with new knowledge of how to compete in industry conditions different from the one at home and how to operate under different set of institutions. Such complexity adds a burden to the firm as it has to develop new knowledge and structures to integrate and coordinate the increased complexity of operating across borders

Nevertheless, over time managers learn how to manage this increased complexity, and establish the adequate operational and managerial structures to run a complex and dispersed set of foreign operations. With these in place, adding additional foreign operations and entering in new countries becomes easier, and the company benefits from its global learning that helps it improve its network of operations. As a result, performance rebounds again with further international investment.

In plain words, this means international investment is good for firms. This finding seems congruent with the general view that international expansion is part of a firm's growth strategy and therefore should be good for firms. This view has recently been emphasized in Thailand thanks partly to the growing recognition of potential business opportunities arising out of a more economically integrated region of Southeast Asia through the ASEAN Economic Community. The Thai authority appears convinced that international expansion of Thai firms, large and small, should be promoted because it would enhance the competitiveness of Thai firms, which subsequently should also be good for Thailand. Our findings are in support of this idea.

7.1.2. An Unclear Relationship between Destination of Investment and Performance

To get a deeper understanding of Thai firms' internationalization, we further analyzed whether locations of international investment affects firm's performance. The common understanding and theoretical explanation in international business suggest that international investment in nearby locations is better for firms because they incur lower costs of foreign operations. It is easier to manage operations that are in close physical proximity to the home country, as nearby operations may share common facilities and support operations. Moreover, managers are likely to know more about countries nearer to their home, or countries with lower 'psychic distance', in the theoretical parlance. Managers can use much of the knowledge they have developed at home, as the competitive conditions and customer needs may be relatively similar, and also as the institutional conditions and norms of behavior may also have similarities. As a consequence, this familiarity should enable them to perform better in nearby markets. In the case of multinationals from emerging markets, there is an additional argument that as many of these firms suffer from financial, innovation and educational comparative disadvantages of their

home countries, their firm-specific technologies and capabilities may not up to par with those needed to compete in advanced economies. Competition in those markets requires firms to rely more on deep expertise in serving more sophisticated and demanding customers. Firms from more advanced economies not only possess more of those expertise, but also benefit from a supporting innovation system and sophisticated capital markets. Thus, with less sophisticated knowledge and capabilities, these multinationals are expected to perform better in their expansion in other emerging economies in which competitors are not as advances and consumers are not as sophisticated as in advanced economies. The main strategic implication for EMNEs is therefore: go to nearby countries and thou shalt do better.

Our analysis did not find support for this line or argumentation, however. We analyzed the impact of investments in different locations, comparing advanced to emerging countries, ASEAN to non ASEAN, and different regions of the world, and we found that the only consistent finding was of a positive relationship on performance for investments in offshore financial centers (OFCs), the likes of Mauritius, Cayman Islands, and British Virgin Islands. This does not mean that investment in other locations such as in the nearby countries of ASEAN or in distant countries such as the United States are not good for firms; they are likely to be so but they may not be as profitable as investments in OFCs. One reason for this finding may be that investments in OFCs are not done with the purpose of exploiting the advantages created by the firm at home or to learn and obtain new technologies from abroad, which result in an increase in the asset base of the firm. Instead, investments in OFCs may be done to obtain financial and tax advantages and thus do not entail an increase in tangible assets.

7.2. Managerial Implications

Our research reveals two main findings that can provide guidance for managers. First, international investment tends to be good for firms. Managers that aspire to perform better should consider internationalization as one possible strategy as it enables their firms to make more intensive use of the capabilities and skills developed in the home country, and to obtain new and in many cases more sophisticated capabilities as an outcome of the global learning. Despite the apparent challenges that taking the firm abroad shows, and which in some cases may appear daunting, investing abroad seems to provide benefits that compensate for the additional costs and risk. Of course not all foreign investments may result in high profitability and some may even result in losses, but on average they seem to be beneficial.

Second, there does not seem to be relationship between investments in nearby countries or emerging countries on performance, even though such investments would seem to be easier and more profitable. Instead, we find that international investment in offshore financial centers has a positive impact on firm performance. This finding is more difficult to translate into managerial implications because we are not able to trace how firms use international expansion in these OFCs. While we can reasonably hypothesize that investments in these countries are unlikely to concentrate in the production processes of any industry, we do not have information to confirm whether those investments are used for round-tripping back to the home economies or for investing in other value-adding activities elsewhere.

7.3. Policy Implications

The existence of more competitive domestic firms is the main driver for the increased competitiveness of a home economy. For this particular reason, what the government could do to strengthen the home-country competitiveness is to promote more firms to internationalize.

Our research confirms that internationalization and performance have a positive relationship. Managers who want to achieve a higher performance already have a valid reason to internationalize, with or without additional government incentives. Moreover, we do not find support for the idea that investing in the ASEAN region leads to superior performance compared to investing in other regions. The only group of destinations that show a positive relationship between internationalization and performance is offshore financial centers. This finding appears to contradict a preference to promote more OFDI in the increasingly integrated ASEAN region.

Given these two findings, our policy implications are twofold. First, prepare a policy framework that would encourage a broad-based range of firms to internationalize, regardless of size, industry and destination country. Encouraging foreign investment can be done through three different types of policies, which we discussed in Chapter 2. The first set of policies would reduce constraints to OFDI in the home markets. This includes further foreign exchange liberalization policy, simplification of bureaucratic processes related to OFDI, or adopting a competitive tax rates on repatriated dividends. The second group of policies could focus on reducing constraints abroad. Initiating more double taxation treaties and reduction of constraints to foreign investment with countries with which Thai business may be interested in investing is among the key policy in this group.

The third group of policies aimed at subsidizing particular types of investment or selecting specific industries to support requires more careful justification. For this, the Thai government should refrain from picking specific industries or locations for special help and focus more on providing subsidies that could benefit a broad range of firms. This could take shape in the forms of information provision and financial support of specific activities that could support firms that may not expand abroad without such help. Examples include a repository of information on the requirements for investment of foreign countries, the creation of on-line and face-to-face seminars explaining how to invest abroad, the promotion of visits to foreign countries and to international fairs for managers to gain a first-hand understanding of foreign countries, or financial support for feasibilities studies for firms with less international experience.

In general, the Thai government has already launched policies in this direction. What should be further encouraged is to undertake these policies in a much more informed manner. It is not only the managers of investing firms that need to be educated about international investment. Even more importantly, the government should also be equally informed on the range of international investment opportunities and possibilities for Thai firms across sectors and in different groups of countries. Silo-oriented policies that lead to subsidies for particular sectors and geographical locations should be considered with care as they can distort firm behavior.

Second, we propose that policies toward OFDI should be undertaken under a holistic approach of how to increase firm's competitiveness. Outbound investment activities cannot be planned separately from the overall strategy of firms. At the country level, OFDI cannot be perceived as a separate stage of activities for Thai firms, but an integral part of their continuous development. For this reason, OFDI policy framework should be integrated as part of the plan for Thailand's overall competitiveness.

This means that policy makers should have a comprehensive understanding of the variety of international investment Thai firms are following in order to provide valuable support for increasing their competitive advantages. Some firms may relocate their production to neighboring countries to benefit from cheaper costs of production, but others may prefer to invest in capital- and technology-intensive R&D through acquisitions of firms in advanced economies. Some others may prefer to invest in the development of distribution channels and the

acquisition of foreign brands that facilitate their sales abroad. OFDI policy framework that does not take into consideration the broad variety of OFDI from Thailand risks channeling Thai firms into certain types of activities or certain geographical destinations that may not be what managers and their firms need or want. Such policies may result in firms investing abroad in search of government subsidies rather than in search of their own business objectives.

An appropriate OFDI policy framework should feature three characteristics. First, it should provide a holistic picture of how OFDI fits with the overall economic development of the country. International investment may lead to some negative externalities such as reduced domestic employment or investment in sectors where Thailand is no longer an attractive location. This process may free up resources that could be channeled to other areas that Thailand needs to invest in order to move forward with its economic development and move up the value chain. The process of upgrading along the value chain does not take place separately between the domestic markets and beyond. Without a comprehensive understanding of how international investment contribute to the overall economic development, the OFDI policy framework risks being too piecemeal to be meaningful and productive.

Second, the OFDI policy framework should be inclusive, answering to the broad variety of outbound investment that Thailand has now generated. There is no one-size-fits-all policy that could be useful for all firms. What the government should refrain from doing is to assume that there is certain priority for some particular types of overseas investment and then to channel subsidies in that direction. Such subsidization would distort what managers may want to do with their firms as they seek to follow where subsidies lead them. In order to come up with an appropriate framework, government agencies should first understand the overall picture of Thai OFDI. Our discussion in chapter 5 already indicates that an increase of OFDI stock in more developed economies has become an important feature in OFDI from Thailand. Nonetheless, government policies are only looking at OFDI promotion in countries within the ASEAN region, without taking into consideration what Thai firms are actually doing. Without an inclusive direction to all types of international investment, the OFDI policy framework risks misleading firms into the areas they may not want to enter.

Last, the OFDI policy framework should not be intrusive and interventional. Government agencies do not know better than managers who are responsible for firms' strategy what their firms need and where the best business opportunities exist. The role of the government in OFDI policy should therefore be to encourage more participation of those who feel that they are ready for the challenge and enable the process of internationalization. This means reducing constraints both at home and in international markets, and reducing the cost of information gathering and learning about foreign markets, but not telling firms what to do and where to go.

A final recommendation that does not speak directly to the findings but to the research process is the recommendation to facilitate the creation of dataset on the foreign activities of Thai firms that can facilitate more sophisticated analyses. Much of these recommendations are subject to several data limitations that we describe below. One way to address these would be for the Bank of Thailand to collect detailed information, and make it available, on the foreign activities of Thai firms. This would require not only the inclusion of non-publicly traded firms, but also, and in collaboration with the SEC, the disclosure of ultimate investments by subsidiaries to disentangle the web of subsidiaries and also to make transparent what is the ultimate use of the investments that go to offshore financial centers, whether these are then invested in other countries, whether they are used to invest back in Thailand (i.e., roundtrip

investment) or whether they are parked in OFCs as financial investments for tax or accounting reasons.

7.4. Limitations

The current research project has several limitations that we need to acknowledge. First, the empirical analysis has several biases because of data availability. We analyzed publicly traded firms because they provide the information needed to create the dataset and analyze the relationships. However, publicly traded firms are a subset of the population of firms and a biased subset as their managers have decided to be subject to the benefits and rigors of capital markets. As such they are not a representative sample of the population of Thai firms, which is dominated by private companies. Moreover, although there is a wide diversity in size, publicly traded firms are likely to be on the larger size among firms. This does not invalidate the findings as larger firms are the ones which are likely to become multinationals, given that foreign expansion requires excess financial and managerial resources and larger firms in many cases have become large because they are better companies. Small firms may have become mini-multinationals, likely with supply or sales offices in nearby countries, but we do not have information on such firms. Additionally, the data collection process indicated the challenge of finding information even for publicly traded firms. We find differences in the conclusions generated from the data collected by Datastream and the data we collected directly from annual reports. Finally, we only have performance at the aggregate level for the overall firm and not performance at the foreign investment level. Hence, the results are also influenced by the success of the home operations and not just the foreign expansion.

Second, the focus of the analysis was on the relationship between internationalization and performance, and we analyzed differences across several locations. However, we do not have information on the motives that underlie particular investments and thus we cannot speak to differences in the logic behind foreign expansion. Thus, investments like sales offices that have a shorter term horizon may differ in their impact on performance from investments like the acquisition of foreign technology that may have a much longer term impact on performance. The selection of particular countries for investment may be driven by different objectives and thus their comparison requires caution. Additionally, we do not have measures for the mechanisms we proposed as the explanation of the relationship between internationalization and performance, such as complexity or managerial learning, and thus we are not able to analyze the actual working of the mechanisms.

7.5. Future Studies

Our research takes a different approach from the conventional macro-economic perspective that analyzes impacts of OFDI on the home country by focusing on externalities. Rather, we proposed here that policy makers should have a better understanding of firm-level issues related to OFDI. In this research, we analyzed whether there is any relationship between internationalization and performance. In addition, we also explored deeper on whether any particular location strategy leads to superior performance.

To follow in the same direction, future studies can explore more the relationship between different internationalization strategies and firm performance. Such study can help policy makers broaden their view on the variety of internationalization strategies Thai firms are pursuing. Strategies can be based on how Thai firms are moving along different stages of the value chain of their industry. A deeper understanding on whether and how operating in different stages of

value chain affect performance would be instrumental for policy makers to come up with more specific policies to encourage OFDI as a way to move up the value chain.

In sum, the study is a first step toward a better understanding of the need for government support for OFDI by firms. Given that OFDI seems to be good for firms, OFDI policies may not need to subsidize particular industries or locations and instead provide reduce constraints on investment and support managerial learning on OFDI, allowing managers to select the particular activities and locations they think would be best for their firms.