

Thailand International Investment Position and The Role of Small and Medium Enterprises (SMEs) International Joint Ventures (IJV) In Thailand Economic Development¹

*Wanida Wadeecharoen**

*Athiwat Kanjanavanikul**

*Rungsun Lertnaisat***

*Sombat Teekasap****

บทคัดย่อ

ธุรกิจขนาดกลางและขนาดย่อม (SMEs) มีบทบาทสำคัญในการเสริมสร้างผลิตภัณฑ์มวลรวมของประเทศไทยสูงถึงร้อยละ 42 ซึ่งผลิตภัณฑ์มวลรวมดังกล่าว คิดเป็น 3 ใน 4 ของการจ้างงานภายในประเทศ โดยเฉพาะอย่างยิ่ง แนวโน้มของธุรกิจขนาดกลางและขนาดย่อม ที่อยู่ในรูปของธุรกิจร่วมทุนระหว่างประเทศ (SME IJV) มีความเชื่อมโยงในภาพรวมกับเศรษฐกิจของประเทศไทย ทั้งนี้จากข้อมูลทั้งหมดที่กล่าวมานั้น ได้รับการยืนยันจากผู้ทำการศึกษาศักยภาพทางเศรษฐกิจของ



คำสำคัญ : การลงทุนจากต่างประเทศ บริษัทร่วมทุนต่างประเทศ ธุรกิจขนาดกลาง วิฤตติน้ำท่วม ประเทศไทย

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* Lecturers, Faculty of Business Administration, Thonburi University.

** Lecturer, Faculty of Business Administration, Thai-Nichi Institute of Technology.

*** Associate Professor, Faculty of Engineering, Eastern Asian University

ประเทศไทยผ่านการวิจัยทางเอกสาร (การวิเคราะห์ข้อมูลที่เกี่ยวข้องในอดีต) โดยผลของการวิจัยพบว่าในช่วงปี ค.ศ. 2009 ถึง ค.ศ. 2010 เงินลงทุนจากต่างประเทศที่เข้ามาในประเทศไทย มีแนวโน้มเพิ่มสูงขึ้นในรูปของ SME IJV โดยโครงการ SME IJV ขนาดใหญ่จะอยู่ในภาคอุตสาหกรรมการผลิตยานยนต์ ซึ่งมีมูลค่าถึง 1,315 ล้านบาท เพิ่มขึ้นจากจากปี ค.ศ. 2009 สูงถึงร้อยละ 72 อย่างไรก็ตามในช่วงไตรมาสสุดท้ายของปี ค.ศ. 2011 เศรษฐกิจไทยได้รับผลกระทบจากวิกฤติน้ำท่วม

ส่งผลให้เกิดความเสียหายกับภาคยานยนต์และการผลิตชิ้นส่วนอะไหล่ ซึ่ง SME IJV ส่วนใหญ่จะอยู่ในภาคธุรกิจดังกล่าว ดังนั้นการศึกษาครั้งนี้มุ่งที่จะตรวจสอบผลกระทบของวิกฤติน้ำท่วมที่มีต่อสถานะการลงทุนจากต่างประเทศ โดยใช้วิธีวิจัยทางเอกสาร ซึ่งผลของการวิจัยในครั้งนี้จะสามารถยืนยันสถานะความน่าเชื่อถือของประเทศไทยที่มีต่อภาคการลงทุนจากต่างประเทศด้วยฐานบารมีเดิมที่ไทยมีอยู่ และพื้นฐานความแข็งแกร่งทางเศรษฐกิจของประเทศไทย



Abstract

Thai SMEs have been contributing up to 42 percent of Thailand national GDP. This phenomenon has generated up to 3 quarter of total national employment. Thai SME IJVs tend to be extensively associated with Thailand's national economic performance. This is confirmed by past research studies, which examine the result of Thailand economic performance through a research document during 2009 and 2010; Thailand foreign investment inflow grew in terms of SME IJV projects. The largest SME IJV projects were in manufacturing of motors vehicles which involves 1,315 million

Baht, an increase of 72 percent from 2009. However, during last quarter of 2011 Thailand economy was affected by devastating floods and caused damage to motor vehicles and its spare parts producers, whereby most of the SME IJVs are engaged. Therefore, this study intends to examine the impact of floods crisis on International investment position through a research document, were its analysis result confirm the International investment position of Thailand and its original glory and strength based on the SME IJVs.

Keywords : FDI, IJV, SME, Flooding Crisis, Thailand



Introduction

Small and Medium Enterprises (SMEs) are performing as a major kind of national's business unity. The number of SMEs close to 3 million (2,924,912 enterprises), account up to 95 percent of business enterprises. The roles of SMEs are contributing up to 42 percent of national GDP, generating 78 percent of domestic employment (OSMEP, 2011). Additionally, SMEs are responsible for 28 percent of total national exports. SMEs are the major players of Thailand economic development because they strongly contribute to national GDP, and employment generation by high used of labor, equitable distribution of income to develop the rural areas. One of the most vital roles of SMEs is jobs creation which is an important factor to resolve and alleviate national poverty. On this point, it is not surprise that the role of SMEs have no sign to decrease and it is expected that the number of SMEs will reach up to 5 million in the near coming year (Wadeechoen, Kanjanavanikul & Aunahabandid, 2011). In the international foreign investment position, SMEs are engaged in the form of International Joint Venture (IJV) and most of SME IJVs are employed in manufacturing sector (Wadeechoen & Nik Mat, 2010). This is because IJV represents a popular foreign entry mode and it is becoming increasingly an accepted strategic mode for overseas market expansion in the ASEAN region (Julian, 2005: 2009).

In Thailand, SME IJVs are represented as majority type in the manufacturing sector (Board of Thailand Investment: BOI, 2011). The major

investors of SME IJVs in Thailand manufacturing are from Japan and ASEAN countries (Wadeechoen & Nik Mat, 2010; Suwannarat, Williams, Smith & Ibrahim, 2010). IJV is the popular strategy used by multinational enterprises (MNEs) from developed countries to enter into developing countries especially in ASEAN region (Suwannarat et al., 2010; Julian, 2005: 2009; Harrigan, 1998; Glaister & Buckley, 1998). This is because of the IJV's characteristic whereby cost is minimized, enhancing a competitive advantaged acquired by the parties involved (Kogut, 1988).

Thailand is one of the most attractive countries of foreign investment in the form of IJV because of its location advantages, low labour cost, cheap raw materials, with high national consumption for their after market expansion in this region (Suwannarats et al., 2010). Most of foreign firms from developing countries and new industrial countries prefer to use Thailand as their offshore production based for the labour-intensive product items and such products tend to be provided by SMEs (Huang, 2003). SME IJVs are providing labor-intensive production techniques which directly generate employment and local income, improve unskilled labour techniques, boost up national economic performance in Thailand manufacturing sectors. SME IJVs role is associated with Thailand economic performance (Wadeechoen, KanJanuaryavanikul, Lertnaisat & Teekasap, 2012). Hence, to remain as Thailand competitive advantage, Thai government attempts to create the dynamic and knowledge-based of the SMEs, as described

in the current SME promotion plan (OSMEP, 2011).

Background of The Study

The SME IJVs role does not show sign to December. It is closely associated with Thailand economic performance (Wadeechoen et al., 2012). Their analysis shows that the foreign investment inflows during 2009 to 2010 has increased in term of SME IJV projects and their total investment has changed up to 48 percent (71,931 million Baht) in contrast with 2009. Particularly, those foreign investments were mainly invested in the manufacturing of motor vehicles, trailers and semi-trailers which involved 1,315 million USD, a 72 percent growth from 2009 (384 million Baht). Similarity, in 2010 the investment value of metal and machinery sectors has increased up to 65 percent (106,118 million Baht) from 2009 (37,624 million Baht) (BOI, 2011). This is because of the enlargement of Japanese automotive manufacturing as well as their use of Thailand as an offshore production site in the ASEAN region (Gossack, 2004).

Thailand manufacturing sector is dominated by Japanese firms (Wadeechoen & Nik Mat, 2010). For instance, in the automotive sector, Japanese firms prefer to form IJV with Thai partners because Thailand's location is an advantage for their further targeted market in the ASEAN region (Suwannarat et al., 2010) and because of the 64 million population in Thailand with a private domestic consumption in passenger cars of

310,448 million Baht in 2010; an increase of 31 percent from 2009, this makes Thailand to become a lucrative market. This argument is supported by the fact that Thailand is currently the world's second largest pick-up truck user, after the US and the largest automotive market and producer (Runckel, 2005).

Wadeechoen, Kanjanavanikul, Lertnaisat and Teekasap, (2012) concluded that *"Thailand still remains an attractive offshore production side for foreign firms"* which mainly desires to spread out their sales volume in ASEAN markets. As of this point they justify that foreign investors are still confident to expand their business affiliates in the form of SME IJVs in Thailand.

Thailand still remains attractive to foreign investors and they are confident in Thailand's economic situation. The foreign investment opportunity shows a credible position by an application of 444 new investment projects submitted to BOI during the first 10 months of 2011, worth 136.93 billion Baht, or 54 percent of the total foreign investment. However, Thailand flood crisis over the last 2 months of 2011 affected Thailand economic situation for a short time. This is stated during the speech of the BOI secretary general, Atchaka Sibunruang, *"The flood situation may slightly defer investments, but we still believe the country's overall investment climate remains on course for growth."* (Bangkok Post, 2 December 2011). Thus, to recuperate the foreign investor confidence and to sustain Thailand economy and its strength, the flooding defensive plan should be

taken systematically. Consequently, the foreigner confidence after the flooding crisis and the credibility of Thailand economy and its investment position should be examined empirically.

Research Objectives

There are 3 objectives as shown below;

1. To examine the confidence of foreign investors in Thailand
2. To examine the role of SME IJVs to sustain Thailand economic development
3. To examine Thailand economy and its international investment position after the effect of the flood crisis during November 2011 to March 2012

Literature Review

The Definition of SME

The definition of SME diversifies in several concepts used by difference countries (exhibited in Table 1). The Office of Small and Medium Sized Enterprise Promotion (OSMEP), has given the definition of SME based on their productivity sectors such as (1) manufacturing and (2) services sectors; the number of employees and fixed asset (exclude land); in small enterprise the fixed asset does not exceed 50 million Baht while medium enterprise fixed asset is less than 200 million Baht; (3) in the wholesaler sector the number of employees does not exceed 25 and its fixed asset (exclude land) in small enterprises does not exceed 50 million Baht,

while the number of employees in medium enterprise does not exceed 50 and its fixed assets (exclude land) are less than 100 million Baht; (4) in the retail sector the number of employees in the small enterprise does not exceed 15 and its fixed assets (exclude land) are less than 30 million Baht, while in medium enterprise the number of employees does not exceed 15 and its fixed assets (exclude land) are less than 60 million Baht. Obviously, the concept of SME is defined based on *the number of employees* and its *fixed assets*. Although, there are different definition in different countries such as in the USA, which use the *annual receipt* to define the SME in those particular trade sectors such as general and heavy construction, special trade contractors, and agricultural industries (refers to Table 1).

In Thailand, Japanese companies form the majority of SME IJV in the manufacturing sector and are the main investors (Wadecharoen & Nik Mat, 2010). Comparing SMEs between Japan and Thailand is worthy in order to determine the appropriate concept of SME IJV in Thailand. In Japan, an SME in the manufacturing sector is defined as an enterprises with less than 300 employees, and fixed capital of less than ¥ 300 million (equivalent to 124 million Baht; see detail in Table 1). In contrast, in Thailand, an SME in the production sector is defined as an enterprise with less than 200 employees, and fixed capital of less than 200 million Baht. These two perspectives (employees/fixed capital assets) are generally used as the standard measurement to identify an SME in

Japan and in Thailand. Comparing between Japanese and Thai SME, Thai SME has more fixed capital asset than Japanese SME up to 76 million Baht while the employment of Japanese SME has 100 employees more than Thai SME.

Additionally, USA SMEs in the manufacturing sectors focus only on the employment dimension with less than 500 employees. In other view, USA SMEs in general and in the heavy construction sectors have fixed annual receipt for 33.5 million USD (equivalent to 1,040 million Baht; see detail in Table 1).

Table 1: The Definitions of SME in Selected Asian Pacific Economic Cooperation (APEC)

Country	Sector	Employment	Other Measures
Australia	Manufacturing	Less than 100 employees	
	Service	Less than 20 employees	
Canada	Manufacturing	Less than 500 employees	
	Service	Less than 50 employees	
China	Varies with Industry	Usually less than 100 employees	
Indonesia		Less than 100 employees	
Japan	Manufacturing	Less than 300 employees	¥ 300 million assets
	Wholesaling	Less than 100 employees	¥ 100 million assets
	Retailing-Service	Less than 50 employees	¥ 100 million assets
Korea	Manufacturing	Less than 300 employees	
	Service	Less than 20 employees	
Malaysia	Varies (for SMI)	Less than 75 employees (Different for Bumiputra Enterprises)	Less than RM 2.5 million Baht
Thailand**	Production	Less than 200 employees	Less than 200 million Baht
	Service	Less than 200 employees	Less than 200 million Baht
	Wholesale	Less than 50 employees	Less than 100 million Baht
	Retail	Less than 30 employees	Less than 60 million Baht

Country	Sector	Employment	Other Measures
Philippines		Less than 200 employees	P 40 million assets
Singapore	Manufacturing		Less than \$12 million fixed assets
	Service	Less than 100 employees	
USA***	Manufacturing	Less than 500 employees	
	Wholesaling	Less than 100 employees	
	Retailing-Service		\$ 7 million of annual receipts for most retail and service industries
	General & heavy construction		\$ 33.5 million of annual receipts for most general & heavy construct industries
	Special trade contractor		\$ 14 million of receipts for all special trade contractors
	Agricultural industries		\$ 0.75 million of receipts for most Agricultural industries

Source: Japan* (Hall, 1995 cited in Small and Medium Enterprise Development Authority, <http://www.smeda.org.pk>)

Thailand** Small and Medium Enterprise (SMEs) Bank of Thailand (<http://www.sme.go.th>)

USA*** Small Business Administration (SBA) Size Standards Office (<http://www.sba.gov/>)

According to the above discussion points, Thai SME is defined as an enterprise which has employees less than 200 and fixed capital less than 200 million Baht, excluding land and properties (SME Bank, 2008). The SME definition defined by Thailand SME Bank is universally recognized and applied conceptually in this study.

The Definition of IJV

IJV can be defined as the participation of two or more partners who forcedly join to establish a newly incorporated company in which each has an equity position; thereby each expects a proportional share of dividend as compensation and representation on the board of directors (Glaister, 1998). Nonetheless, the view of goal accomplishment underlies most interpretations of IJV (Beamish, 1987; Hamel, 1991; Anderson, 1990; Beamish & Delios, 1997). Thus, defining IJV performance as the degree of accomplishment of IJV goals is the first step in capturing the meaning given to this concept by previous researchers, as supported by the following caption;

“International Joint Ventures (IJVs) are legally and economically separate organizational entities created by two or more parent organizations that collectively invest financial as well as other resources to pursue certain objective” (Schuler & Tarique, 2005).

The Definition of SME IJV

Combining the meaning of SME and IJV is rather problematic due to uncertain data sources. Since, SME is defined as an enterprise which has employee less than 200 and fixed capital less than 200 million Baht, excluding land and properties (SME Bank, 2008). However, in the sources of publish press such as multinational companies directory may not report the certain number of IJV involved in the venture. In doing so, those are likely to record only major ventures which involve relatively middle and large size, which perhaps small ventures seem to be unreported in the press; this reason is similarly supported by Hergert & Morris (1988) and Glaister & Buckley (1994). Consequently, to extend over and cover a part of this gap, this study put a new line on the concept of SME IJV, whereby, SME IJV projects refer to the projects jointing between Thai and foreign partners which requires at least 10 percent of foreign capital (Board of Thailand Investment: BOI, 2012). Thus, this study will be following and adopting the concept of SME IJV by previous researchers in caption below;

“Small and Medium Enterprises (SMEs) International Joint Venture (IJV) refers to IJV project with required minimum 10 percent of foreign capital and totals investment size is less than 500 Million lion Baht” (Wadeecharoen et al., 2012)

Research Methodology

The documentary research is applied in the study by utilizing secondary data. The analysis of secondary data is the most appropriate method to examine Thailand economic position; the situation of IJV in Thailand are: (1) Sustainable economy through SME IJV Mode of Internationalization, (2) Thailand is a credible and attractive country for FDI according to the country, (3) Thailand is a credible and attractive country for FDI according to the industry, (4) Thailand economic situation during the flooding crisis (November 2011-January 2012), and (5) Thailand investment position. Utilizing documentary research whereby most of the data is in the form of statistic report and published news, accurately contributes to the new knowledge of SME IJV and its sustainable role towards Thailand economic development. In addition, the use of secondary data analysis is effective to indicate Thailand investment position by contrasting the total foreign investment position before and after the flooding crisis during period January-November 2011; December 2011; January 2012, January-April 2012. The final version of documentary research results will be sufficiently reliable to confirm the confidence of foreign investor in Thailand.

The secondary data comes from the sources as follows:

1. Statistics Data provided by Bank of Thailand (BOT)
2. Statistics Data provided by Board of Investment (BOI), Thailand

3. The office of Small and Medium Enterprises Promotion (OSMEP)

4. Business news, www.bangkokpost.com.

Limitation of The Study

The limitation of the study can be divided into 2 parts as follows:

1. Macro Evaluation: The study examines Thailand international investment position and the role of SME IJVs towards Thailand economic development only at macro evaluation level.

2. Preliminary Survey: The study has been conducted only with secondary data recorded by the government office. The content of the study is a partial preliminary survey before conducting the field research.

Results

Part 1: Thailand Economic Sustainability through SME IJV Mode of Internationalization

Thailand remains an attractive country in the ASEAN region for the foreign investor (Wadecharoen et al., 2012). An increase of 48 projects from 2010, this is worth about 278,447 million Baht of total foreign investment. Particularly, over half of FDI flows to Thailand mainly in the form of International Joint Venture (IJV) (BOI, 2012). The number of IJV was steady and not much changed from 2006 to 2008. Until 2009, IJV projects decreased 253 or 26 percent changed from 2008 before it jumped to 298 or 45 projects (15%) increased in 2010 while it has a little changed

to 296 projects in 2011. In term of investment value IJV was continually decreased from 267,608 million Baht to 191,371 million Baht or 28 percent slightly down from 2007 and again peak down to 54,341 million Baht in 2009 or 72 percent decreased from 2008. In 2010, IJV investment value has improved to 95,682 million Baht, an increase of 57 percent from 2009 before it jumped to 108,625 million Baht or 11 percent improved from 2010.

In 2011, the total number of investments was 1,653 with 672 Thai and 904 foreign projects while another 77 projects were from other investments.

During 2010 and 2011, the number FDI tends to boost up to 904, a minor changed of 5 percent from 2010 with shrink of 786 million Baht from 2010. Thus, from the BOI report, over half of Thailand investments are from foreign investment, worth 278,447 million Baht in 2011 and nearly half of these foreign investments are IJV, worth 108,625 million Baht (refers to Table 2). Based on this result reported by BOI, it is identified that foreign investment inflows prefer to engage in IJV mode of internationalization and it seems to be a major player to the sustainable Thai economy as a whole.

Table 2 : International Joint Venture Investment Project Approved by BOI

	2006	2007	2008	2009	2010	2011
Total investment (no. of projects)	1,220	1,342	1,253	1,003	1,566	1,653
Total investment (million Baht)	373,508	744,491	499,727	281,385	491,279	449,699
Total Foreign Investment (no. of projects)¹	751	836	838	614	856	904
Total Foreign Investment Value (million Baht)	266,643	505,612	351,142	142,077	279,233	278,447
❖ 100% Foreign (no. of projects)	404	479	496	361	558	608
❖ 100% Foreign (million Baht)	124,291	238,004	159,771	87,736	183,551	169,822
❖ Joint-Venture (no. of projects)²	347	357	342	253	298	296
❖ Joint-Venture (million Baht)	142,352	267,608	191,371	54,341	95,682	108,625
100% Thai (no. of projects)	436	452	400	344	629	672
100% Thai (million Baht)	91,160	220,369	133,408	73,697	156,741	146,997
Other Investment (no. of projects)³	33	54	15	45	81	77
Other Investment (million Baht)	15,704	18,510	15,177	65,611	55,305	24,256

Source: Board of Investment (BOI) Thailand

Note: 1) Foreign investment projects refer to projects with foreign capital at least 10%

2) JV projects refer to joint projects between local Thai investors and foreign partners with foreign capital at least 10%

3) Other investment projects refer to JV between Thai investors and foreign partners with foreign capital less than 10%

According to BOI information provided, foreign investment projects refer to the projects which involved at least 10 percent of foreign capital and their investment size is classified from 50 to 1,000 million Baht (exhibited in Table 3). Consequently, SME size is classified into three ranks such as less than 50 million Baht, between 50 to 90 million Baht and more than 90 million Baht but less than 500 million Baht (see more detail in Table 3). Based on Table 3, it shows the number of foreign investment projects. In 2006, there were 673 projects and they increased to 703 in 2007, 744 in 2008 before slightly decline to 562 in 2009 while again raise to 762 in 2010 before their peak to nearly 800 in 2011, respectively. These are foreign projects with capital investment of less than 500 million Baht.

Table 3 exhibits foreign investment SME classified by investment size, over 80 percent of foreign projects fall into SME investment size by year after year (2006-2011). However, in terms of investment capital, foreign SME projects are relatively very low as compared to large foreign projects (large projects greater than 500 million Baht). For instance, in 2007, the number of SMEs peaked to 82 percent while the capital investment was only 71,954 million Baht or 14 percent involved out of a total foreign investment (550,612 million Baht). And also in 2009, the number of SMEs peaked to 91 percent. This simply means that almost all foreign projects fall into the SMEs context while total investment was very low compared to large size foreign projects (refer to Table 3). In 2010, the foreign investment increased up to 26 percent from 2009 and the trend remained in the position up to 2011.

Table 3 : Foreign Investments through BOI Classified by Investment Size

Investment Size (Million Baht)	2006		2007		2008		2009		2010		2011	
	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht
<50	314	6,557	335	5,687	403	6,875	315	5,236	387	6,885	418	7,558
50-90	120	8,580	133	9,524	117	8,580	109	7,850	155	11,025	146	10,454
100-499	239	58,810	235	56,743	224	57,113	138	32,893	220	54,021	229	55,151
500-900	36	25,585	54	35,699	43	28,324	29	20,423	44	30,996	59	40,512
1,000-9,999	39	89,847	70	246,196	47	158,905	22	55,546	46	113,509	51	153,052
>=10,000	3	77,264	9	151,763	4	91,345	1	20,130	4	62,797	1	11,720
Total FDI	751	266,644	836	505,612	838	351,142	614	142,077	856	279,233	904	278,447
Total FDI <500	673	73,647	703	71,954	744	72,568	562	45,979	762	71,931	793	73,163
% of SME/FDI	89%	(28%)	82%	(14%)	88%	(21%)	91%	(32%)	88%	(26%)	88%	(26%)

Source : Author's calculation based on data provided by Board of Investment (BOI) Thailand

Based on Table 4, in 2007, the number of SME IJVs was taken half of total SME FDI with highly investment capital worth 195,654 million Baht. In 2009, the number of SME IJV involved nearly 3 quarter (63%) out of total SME FDI project, worth 8,362 million Baht before it jumped to 23,753 million Baht (75%) in 2010 and 35,462 million Baht in 2011, respectively.

Table 4 : Foreign Investments through BOI Classified by Mode of Internationalization

Investment Size	2006		2007		2008		2009		2010		2011	
	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht
¹ Total IJV	347	142,352	357	267,608	342	191,371	253	54,341	298	95,684	296	108,625
Total FDI	751	266,644	836	505,612	838	351,142	614	142,077	856	279,233	904	278,447
% of IJV/ Total FDI	46%	124,292 (47%)	57%	238,004 (47%)	61%	159,771 (45%)	42%	87,736 (39%)	35%	183,549 (34%)	33%	169,822 (39%)
² SME FDI <500	673	73,647	703	71,954	744	72,568	562	45,979	762	71,931	793	73,163
⁽¹⁻²⁾ % of SME IJV	48%	68,705 (51%)	50%	195,654 (27%)	46%	118,803 (38%)	63%	(8,362) 15%	40%	23,753 (75%)	37%	35,462 (33%)

Source : Author's calculation based on data provided by Board of Investment (BOI) Thailand

Table 5 exhibits the foreign projects and its investments classified by seven industries. In 2011, metal and machinery sector was the majority of foreign investment with the high volume of 300 projects and its investment inflows worth 86,158 million Baht. Previously, in the year 2007, the number of metal and machinery projects was 212 with the extreme investment capital worth 122,020 million Baht before its trend decline to 87,141 million Baht in 2008 and 44,424 million Baht in 2009. In 2010, the number of metal and machinery projects has returned to 217 with foreign capital of 49,258 million Baht before it reached

86,185 million Baht in 2011. The second largest industries are the electric and electronic sectors, apparently, the number of foreign projects involved in these sector were 189, worth 106,118 million Baht before they declined to nearly half (61,196 million Baht) in 2011. The third largest industry is the service industry; the foreign investment in this sector decline to 19,525 million Baht in 2009, a decreased of 83 percent from 2008 (117,015 million Baht). In 2010, this sector has recovered to 44,435 million Baht or double from 2009 before it went down to 38,309 million Baht in 2011 (refer to Table 5).

Table 5 : Foreign Investments Projects Approved by BOI classified by Sector

Sector	2006		2007		2008		2009		2010		2011	
	No.	Million lion Baht	No.	Million lion Baht	No.	Million lion Baht	No.	Million lion Baht	No.	Million lion Baht	No.	Million lion Baht
Agriculture	39	11,152	43	23,415	54	9,674	60	16,171	72	17,534	62	18,361
Mineral& Ceramics	21	2,544	28	32,379	33	25,071	13	3,284	18	33,449	31	24,961
Light Industrial	75	9,3001	58	9,442	67	10,371	48	5,612	65	9,324	62	11,501
Metal & Machinery	232	54,239	212	122,020	220	87,141	157	44,424	217	49,258	300	86,158
Electric&Electronic	166	57,938	175	100,300	141	60,133	108	37,624	189	106,118	180	61,196
Chemicals & Paper	81	100,696	114	96,451	117	41,737	63	15,438	107	19,114	101	37,960
Services	137	30,773	206	121,606	206	117,015	165	19,525	188	44,435	166	38,309
Total	782	325,828	751	266,644	836	505,612	838	351,142	614	142,077	904	278,447

Source: Board of Investment (BOI) Thailand

Table 6 shows the foreign investment projects based on export-orientation or produced for export not less than 80 percent of total productivity approved by BOI. In 2007, the number of foreign projects was 836, an increase of 85 projects from 2006. Similarly, the total investment was peak to 505,612 million Baht in 2007, a double increase

compared to 2006. In 2010, there were 856 projects, an increase of 29 percent from 2009; the total investment was 279, 233 million Baht, improved from 2009 up to 50 percent. In 2011, the number peaked to 904 projects with 278,447 million Baht involved (refer to Table 6).

Table 6 : Foreign Investment Projects through BOI classified by Type

Sector	2006		2007		2008		2009		2010		2011	
	No.	Million lion Baht	No.	Million lion Baht	No.	Million lion Baht	No.	Million lion Baht	No.	Million lion Baht	No.	Million lion Baht
Net Application ¹ Expansion Projects	372	210,479	362	323,195	397	178,110	365	159,783	439	171,491	450	172,879
² New Projects	450	97,191	483	179,239	435	119,351	423	190,973	427	64,567	609	223,469
Total	823	307,670	845	502,432	832	297,462	788	350,755	866	236,059	1,059	396,348
Application Approved												
¹ Expansion Projects	356	119,157	368	341,808	387	228,671	291	77,615	470	216,863	408	157,753
² New Projects	395	147,487	468	163,804	451	122,471	323	64,463	386	62,370	496	120,693
Total	751	266,644	836	505,612	838	351,142	614	142,077	856	279,233	904	278,447

Source: Board of Investment (BOI) Thailand

In summary, Table 2 and Table 4 show that International Joint Ventures (IJVs) are performing a popular mode of internationalization used by foreign firms to enter Thailand. Whereby, over half of IJV investment sizes are fallen into small and medium enterprise (SME). In other terms, SME IJV refers to IJV project with requested minimum 10 million of foreign capitals and total investment size of less than 500 million Baht (Wadecharoen et al., 2012). After the global crisis in 2009, SME IJVs were increased by foreign investment capital year after year (8,362 million Baht in 2009, 23,753 million Baht in 2010, before reached 35,462 million Baht in 2011). Similarly, the number of foreign investment projects (Agriculture, Mineral &

Ceramics, Metal & Machinery, Electric & Electronic, Chemicals & Paper, and Services) tended to increase by 904 projects worth 278,447 million Baht in 2011, an increase of 290 projects worth 136,370 million Baht from 2010, (referred to Table 5). Obviously, these foreign investment projects tend to increase year after year in order to respond to the export expanding orientation whereby over 80 percent of their productivity were produced for export (refer to Table 6). Thus, this evidence is sufficient enough to confirm that “SME IJVs are able to sustain Thailand economy through national consumption, productivity and long-term export orientation”.

Part 2: Thailand is a credible and attractive location for FDI according to country

Japan remains the majority investor country in Thailand and it has no sign to decrease the investment as apparently the FDI from Japan has improved from year to year (refer to Table 12). Japan is the largest Thailand FDI investor, bringing 3,415 million USD in 2007 with a minor change to 3,195 million USD in 2008. In 2009, FDI from Japan shrank to 1,362 million USD, a decrease of 57 percent from 2008. In 2010, Japan FDI turned back to 3,573 million USD, an increase of 61 percent from year 2009 before it peaked to 4,561 million USD in 2011. The second largest FDI in Thailand is from ASEAN countries with the total investment 3,271 million USD in 2006 and slightly shrank to 2,216 million USD in 2007 until peaked down to 942 million USD in 2008. In 2009, FDI from ASEAN has recovered up to 35 percent from 2008, worth 1,463 million USD before steady declined to 1,205 million USD in 2010 and 1,156 million USD in 2011, respectively. US and EU is the third and fourth largest investor after Japan and ASEAN region, FDI from those countries (US & EU) contributed to 748 and 1,519 million USD in 2010, before declined to 473 million USD and -130 million USD (deficit) in 2011, respectively. It can be said that Japan is the main contributor and major player in Thailand manufacturing sectors (Wadecharoen & Nik Mat, 2010). Moreover, the role of Japan has no sign to decline and investment capital keeps increasing by year after year (refer to Table 12). Therefore, this is sufficient enough to

justify that Thailand remain an attractive location for FDI from major investor countries.

Part 3: Thailand is a credible and attractive location for FDI according to industry

Thailand manufacturing sector is the main part of Thailand business units involved with 5,161 million USD in 2006 before decreased to 2,412 million Baht (50%) in 2009. In 2010, the volume of FDI had turned to 5,074 million USD, an increase of 48 percent compared to 2009 before it increased to 6,285 million USD in 2011. Visibility over half of the total FDI comes from manufacturing sector and several industries (refer to Table 7). The manufacturing of motor vehicles, trailers and semi-trailers are the largest of FDI followed by the manufacture of computers, electronics and optical products.

The second largest FDIs are in the financial and insurance activities, such institutions played an important role in the FDI contributions with 2,332 million USD in 2010 and decreased to 1,662 million USD in 2011. This was an increase in the financial and insurance institutions FDI in 2010 (2,332 million USD or 88%) as compared to year 2009 before it turned down to 1,662 million USD in 2011. The banks were Hong Kong Bank, Bank of America, European Banks such as Germany Bank and etc. Additionally, real estate and services contributed to FDI 802 million USD in 2010 and 905 million USD in 2011, respectively. This was a minor increase in foreign real estate FDI in 2011 as compared to previous years.

The manufacturing of motor vehicles, trailers and semi-trailers were strongly boosted to 1,356 million USD in 2010; an increase of 72 percent compared with 2009 and steady remained in a position in 2011. In term of private consumption, in 2010 large volume of passenger cars grew to 310,448 units before slightly went down to 298,709 units in 2011. Similarity, in motorcycle market

growth reached 1,840,940 units and remained in the position in 2011 (refer to Table 8). This high consumption supports the growth of motor vehicles, trailers and semi-trailers sectors. With these words, we would like to conclude that Thailand location is still credible and attractive for foreign investment particularly in motor vehicles sector.

Table 7 : Foreign Direct Investment Classified by Business (million USD)

	2006	2007	2008	2009	2010	2011
A Agriculture, forestry and fishing	-3	3	9	7	-0.30	21
B Mining and quarrying	257	1,307	-2	641	806	423
C Manufacturing	5,161	4,495	4,891	2,412	5,076	6,285
Of which :						
10 Manufacture of food products	104	191	137	140	159	229
11 Manufacture of beverages	48	41	34	54	64	-9
17 Manufacture of paper and paper products	-43	14	389	24	35	79
19 Manufacture of coke and refined petroleum products	365	1,238	-438	182	-10	5
20 Manufacture of chemicals and chemical products	198	-122	616	507	990	783
21 Manufacture of basic pharmaceutical products	0.00	0.00	0.00	0.00	0.00	0.00
22 Manufacture of rubber and plastics products	494	313	390	305	196	697
26 Manufacture of computer, electronic and optical products	792	485	341	36	1,139	569
27 Manufacture of electrical equipment	939	376	1,302	290	276	678
28 Manufacture of machinery and equipment n.e.c.	138	145	119	191	206	426
29 Manufacture of motor vehicles, trailers and semi-trailers	1,536	1,080	914	384	1,356	1,315
31 Manufacture of furniture	-5	0.06	-0.77	-3	8	2
D Electricity, gas, steam and air conditioning supply	354	33	200	222	-107	94
F Construction	-94	30	-34	1	21	28
G Wholesale and retail trade; vehicles and motorcycles	845	-263	132	345	30	513
H Transportation and storage	81	-43	450	118	-190	95
I Accommodation and food service activities	125	167	-51	46	-32	13
K Financial and insurance activities	692	2,815	1,766	274	2,332	1,662
L Real estate activities	1,419	1,103	1,203	768	802	905
Others	623	1,683	-17	19	953	526
Total	9,460	11,331	8,547	4,853	9,690	9,539

Source: Bank of Thailand

Table 8 : Private Consumption Indicators

	2007	2008	2009	2010	2011
1 Electricity consumption (million kilowatt-hour)	138,579	140,552	140,301	154,752	153,357
2 Household	27,960	28,682	30,263.45	33,218	32,792
3 Small-scale business (consume 0-30 kw)	13,335	13,733	14,380	15,610	15,471
4 Medium-scale business (consume 31-999 kw)	22,637	22,754	22,355	23,760	23,153
5 Large-scale business (consume 1,000 kw onwards)	54,388	55,085	53,079	60,512	61,093
6 Special business	4,029	4,234	4,380	4,750	4,801
7 Quantity sales of benzene (million liters)	6,951	5,303	5,030	5,104	5,034
8 Value added Tax at 2000 prices (million Baht)	389,278	424,156	380,970	440,003	485,046
9 Import of consumer goods at 2000 prices (million USD)	8,315	10,231	9,328	10,989	12,466
10 Beer (Thousand litres)	2,170,151	2,097,995	1,864,601	1,814,946	1,746,731
11 Soda Water and Drinking Water (million liters)	504	530	542	593	571
12 Passenger cars	164,072	221,705	211,782	310,448	298,709
12 Motorcycles	1,540,427	1,725,310	1,493,171	1,840,940	1,818,332
14 Insured Persons (article 33)	104,500,606	105,770,617	103,469,333	105,954,509	108,569,847
15 Utilisation in case of Unemployment	587,413	779,459	1,790,537	1,334,734	1,167,750
16 Retail Sales Index (2002 = 100)	158	163	153	179	186

Source: Bank of Thailand

Part 4: Thailand Foreign Investment Position after Flooding Crisis (December 2011-March 2012)

“The flooding situation may slight defer investments, but we believe the country’s overall investment climate remains on course for growth”, speech of BOI secretary general Atchka Sibunruang (Bangkok Post, 2 December 2011)

As the result of the flood crisis, the private consumption drops down 1.6 percent in all sectors due to the deferment of investments from the private sectors compared to the same period in the previous year 2011. Moreover, in November 2011, the impact of floods crisis hit most of the manufacturing sectors, especially in hard disk drives, motor vehicles and electric appliances production (MCOT, 6 January 2012). This issue leads to the halt of manufacturing productivity in automobile plants, shortage of electric

spare parts and especially make transportation difficult. However, since December 2011, most of productions sector have returned to normal and about 90 percent of the plants affected by the flood crisis are expected to resume their productivity within the fourth quarter of the year (MCOT, 5 June 2012). Because of attention on motor vehicle sectors after post-flood rehabilitation, the consumption on this sector has improved seasonally from November 2011 to March 2012. Passenger car consumption has increased to 20,961 units in December 2011, an increase of 40 percent or 8,595 units after November 2011. In January 2012, passenger car sales unit volume has slightly increased from January to March 2012; this sale volume was similarly increased in motorcycle and commercial car sales (exhibited in Table 9). This evidence indicates rebound growth in the motor vehicles sector where most of the SME IJVs were engaged.

Table 9 : Private Consumption Index and Components (Seasonally Adjusted)

	March 2012	February 2012	January 2012	December 2011	November 2011
1 Private Consumption Index 1/	146	147	141	140	135
2 Car Index	456	443	379	240	160
3 Passenger Car Sales (Unit)	40,721	37,789	33,131	20,961	12,370
4 Motorcycle Sales (Unit)	8,182,192	195,917	5,133,732	3,133,299	124,030
5 Commercial Car Sales (Unit)	53,515	62,487	58,007	22,514	12,072
6 Fuel Index	149	154	147	144	141
7 Sales of Benzene & Gasohol (million liters)	626	623	623	606	576
8 Sales of Diesel (million liters)	1,645	1,729	1,613	1,627	1,633
9 Sales of LPG (million liters)	626	631	610	591	517
10 Sales of NGV (million kilograms)	224	233	233	204	166
11 Household Electricity (million kilo. watt)	3,087	3,055	3,027	2,974	2,936
12 Imports of Consumer Good (US\$)	1,110	1,184	1,056	1,101	993
13 Real VAT at 2000 Prices (million Baht)	46,224	47,165	41,267	42,041	37,886

Source: Bank of Thailand

Since most of Thailand factories have rebounded sharply and boosted up their productivity quickly from last year's floods as the evidence in the case of motor vehicles were most of the SME IJV engaged (refer to Table 9). In term of foreign investment inflows in December 2011, it was 35,810 million Baht and jumped down to 15,791 million Baht in January 2012. This accounts to about 55 percent, decreased from 2011. For January-April of 2012, the investment grew to 102,085 million Baht. This involves up to 36 percent as compared to the annual foreign investment (278,447 million Baht) in 2011. This is a great sign to show that foreign investor are still confident in Thailand and some of this large foreign investment inflows spend for the purchase of new machinery to restore the ones damaged by floods. There are about 420 foreign projects relating to machinery repairing,

worth more than 94 billion Baht (MCOT, 5 June 2012). This evidence is adequate to explain that Thailand manufacturing quickly resumed its productivity to become normal and Thailand is still in good health to receive foreign investment.

Japan investment inflow is representing the largest of Thailand foreign investor and this takes the majority of the SME IJV in Thailand manufacturing (Wadeecharoen & Nik Mat, 2010). Visibly, in December 2011, the total foreign capital was 35, 810 million Baht before it dropped down to 15,791 in January 2012. It accounts for 55 percent decreased from December 2011; this is mainly caused by the floods crisis impact. However, Thailand foreign investment still remains in a credible position, since the foreign capital is boost up quickly in January-April 2012, worth 102,085 million Baht. Obviously, in the first quarter of 2012

To make a clear picture of the current Thailand foreign investment position after the flooding crisis; the next table (Table 11) shows a comparison between the year before and the year after the flooding crisis, which is required to be examined deeply in detail as follows.

During January-November 2011, the total foreign investments in Thailand were worth 242,639 million Baht and involved 815 projects, mainly coming from Japan and ASEAN countries. Similarly, from January-November 2012, the total foreign investment was worth 467,282 million Baht, with an increase of 224,645 million Baht or improved by 48 percent from 2011. According to this evidence, it confirms that Thailand investment

position has been quickly recovering from the devastating flood during the last quarter of 2011. These results also indicate the rapid growth of foreign investment in Thailand in terms of projects and investment value. The largest foreign investor is still Japan, which takes nearly 70 percent of the total foreign investment in 2012 (refer to Table 11). This is sufficient to justify that even though Thailand economy was attacked by the flood crisis at the end of 2011, the foreign investors are still confident to invest in Thailand because of its good health as a gateway of ASEAN hub responding to the ASEAN Economic Community (AEC) expansion in the upcoming year 2015.

Table 11 : Foreign Investment Classified by Countries (Comparison between January-November 2011-2012)

Sector	2011 January- November		2012 January- November	
	No.	Million Baht	No.	Million Baht
Total foreign investment	815	242,637	1,222	467,282
Japan	430	140,876	690	311,847
Taiwan	33	4,962	54	7,815
Hong Kong	18	4,068	31	9,171
Korea, South	33	6,523	39	2,833
ASEAN	117	16,146	126	25,019
- Singapore	57	25,126	93	18,286
- Malaysia	28	5,460	32	7,125
- Indonesia	1	2	1	43
- Philippines	1	10	-	-
PRC	31	9,995	35	6,977
INDIA	15	1,693	23	5,301
North America				
U.S.A	28	9,238	45	15,557
Canada	6	856	2	8
EU	117	16,146	134	23,645
All Europe	124	16,848	151	26,290
-UK	17	1,552	15	1,161
-Germany	34	1,786	29	2,875
- Switzerland	5	591	14	2,621
- France	16	3,045	11	251
- Belgium	1	20	6	364
- Italy	3	62	8	131
- Denmark	14	1,362	14	1,645
- Sweden	7	3,266	8	735
- Netherlands	17	4,024	33	15,831

Part 5 : Thailand International Investment Position

A : Thailand Trade Balance

Thailand export volume has been increasing from 2009 to 2011 and continues its surplus, in contrast with import volumes over the same period. Although Thailand trade balance has a steady surplus, however the volume has been declining year after year (refer to Table 8). Overemphasizing it, during the flood crisis November 2011 to March 2012, Thailand trade balance has shown a deficit

of -7 million USD in December 2011. After the flood situation, Thailand trade balance has grown by 17 million USD in January 2012 and again improved to 63 million USD in February 2012 before it deficit of -43 million USD in March 2012.

Thailand financial account and portfolio investment showed a deficit of -211 million USD in 2011. This was mainly caused by the flood crisis during November -68 million USD) and December -85 million USD in 2011. At the beginning of 2012, Thailand financial account improved from

7 to 30 million USD during January and February 2012. This indicates a positive sign of Thailand's good health investment position. Thailand balance of payment has shown a strong decrease to 35 million USD in 2011, or 96 percent compared to 2010. Looking inside Thailand balance of payment, between November to December 2011 and January 2012, the volume has declined from -47 million

USD in November 2011, -32 million USD in December 2011 and -5 million USD in January 2012 before it has rebound to 46 and 24 million USD in February and March 2012, respectively (refer to Table 12). Thus, these results indicate that Thailand trade balance and their balance of payment are still well-built and recovering after the Thailand flood crisis at the end of 2011.

Table 12 : Balance of Payments (Million USD)

Balance of Payment	2009	2010	2011	2011 Nov	2011 Dec	2012 Jan	2012 Feb	2012 Mar	Cumulative Jan-Mar
1: Balance of Trade	1,121	1,000	714	7	-7	17	63	-43	80
2: Exports (F.O.B)	5,158	6,123	6,866	473	526	490	572	603	1,062
% changed	(-12)	(19)	(12)	(-10)	(1)	(-3)	(1)	(-6)	(-1)
3: Imports (F.O.B)	4,037	5,123	6,152	466	534	474	509	646	982
% changed	(-23)	(27)	(20)	2	24	1	8	23	4
4: Service & Income	-366	-588	-351	-11	68	15	-30	-4	-15
5: Current account	755	412	363	-4	61	31	34	-47	65
6: Capital account	2	8	-1	0	1	0	0	....	0
7: Financial Account	-93	7667	-211	-68	-85	7	30	....	38
8: Errors and omissions	161	-200	-116	25	-9	-43	0	....	-43
9: Balance of payment	825	987	35	47	-32	-5	46	24	59

Source: Bank of Thailand (BOT)

B: Foreign Investment Position

Japan direct investment has been regaining the largest in Thailand investment position year after year (2006 to 2008 as referred in Table 9). The direct investment from European zone has declined to 671 million USD in 2008, a nearly 62 percent decreased from 2007. The year after, EU investment volume has improved to 993 million USD in 2009 and 1,519 million USD in 2010 before decreased to -130 in 2011. On ASEAN side, the investment volume has declined to 942 Million USD, a decreased of 57 percent from 2007. In 2009, ASEAN investment has jumped to 1,463 million USD and kept stable in a secure

position from 1,205 million USD in 2010 and 1,156 million USD in 2011.

The total foreign investment decreased 57 percent (4,853 million USD) in 2009 compared with year 2008. In 2010, the total investment volume raised up to 9,690 million USD, an increase of 50 percent from 2009. Recently in 2011, the total investment remains stable as compared with previous year. These results, exhibited in Table 13, confirm that Thailand remains a well-built for foreign investment receipts country. The overall Thailand investment opportunity has been able to maintain its investment position from 2009 to 2011; the direct investment has steadily risen year after year.

Table 13 : Foreign Investment Classified by Country (Million USD)

	2006	2007	2008	2009	2010	2011
1 ASEAN	3,271	2,216	942	1,463	1,205	1,156
1. Brunei Darussalam	2	-4	2	-11	0.24	1
2. Cambodia	2	0.88	0.82	6	5	3
3. Indonesia	-4	4	7	-5	2	3
4. Laos	34	37	-74	0.35	0.11	-5
5. Malaysia	395	-431	184	738	265	110
6. Myanmar	0.65	1	17	0.57	0	0.22
7. Philippines	0.67	24	25	17	3	11
8. Singapore	2,849	2,584	778	715	928	1,033
9. Vietnam	-8	0.11	0.9	1	0.38	1
2 EU 1/	2,191	1,726	671	993	1,519	-130
1. Austria	72	-20	21	10	14	22
2. Belgium	67	28	21	3	2	35
3. Cyprus	1	50	-48	2	4	5
4. Denmark	77	54	116	93	147	146
5. Finland	-48	7	2	6	6	13
6. France	44	90	5	22	298	-913
7. Germany	399	87	-265	28	28	146
8. Ireland	39	6	62	-17	-28	-14
9. Italy	10	9	-3	9	9	18
10. Luxembourg	11	6	68	96	115	116
11. Netherlands	934	384	424	565	481	126
12. Spain	51	177	126	125	-0.34	-2
13. Sweden	60	111	8	38	52	125
14. United Kingdom	455	728	119	8	378	28
Other EU	19	9	16	6	12	20
1. Middle East 2/	60	36	54	65	-9	3
2. Iran	1	1	0.40	0.59	0.34	0.26
3. Kuwait	18	1	13	0.41	1.	-10
4. Oman	0.02	0.06	0.62	0.27	0.46	0.05
5. Qatar	0.28	2	2	1	2	1
6. Saudi Arabia	0.44	1	1	0.76	0.25	0.02
7. United Arab Emirates	34	24	30	45	-18	2
8. Other Middle East	7	7	7	17	5	9
9. Australia	50	79	85	63	103	100
10. Bahamas	49	57	-6	-577	0.00	-3
11. Bermuda	268	776	41	58	331	375
12. British Virgin Islands	-708	235	-12	1,078	55	76
13. Cayman Islands	155	610	1,119	249	285	304
14. China	28	88	16	25	663	138
15. Hong Kong	203	49	1,017	-48	-237	205
16. India	-2	40	-102	9	4	56
17. Japan	2,344	3,415	3,195	1,362	3,573	4,561
18. Liechtenstein	79	-166	3	-52	2	2
19. Mauritius	445	124	348	125	338	159
20. New Zealand	9	3	1	3	3	4
21. Panama	944	219	-208	84	38	46
22. Russia	3	6	16	12	21	16
23. Samoa	31	-3	499	34	31	32
24. South Korea	100	40	99	110	217	728
25. Switzerland	268	167	455	76	163	290
26. Taiwan	-54	3	-28	44	-8	102
27. United States	9	1,348	166	-491	748	473
28. Others	-365	262	176	160	646	846
Total	9,4560	11,331	8,547	4,853	9,690	9,539

Source: Bank of Thailand (BOT)

This indicates a strong sentiment from foreign investors towards Thailand economy holistically.

C: Thailand Current Economic Situation

Thailand is considered as an attractive investment country in ASEAN region. Since Thailand's population is about 64 million people which makes Thailand a rewarding market, as well as a source of cheaper labour, available of raw material for most multinational companies (MNC). In 2012, headline consumer price index has slightly risen up 4 percent changed from 2011. In the export market, Thailand has gained 194

billion USD in 2010, an increase of 14 percent from 2009. In 2011, Thailand export volume reached 225 billion USD, an increase of 31 billion USD from 2010 while the first quarter of 2012 has involved 54 billion USD. The positive trade balance was 32 billion USD in 2010 and declined to 24 billion USD in 2011. Surprisingly, there was only 1 billion USD involved in the first quarter of 2012. This may be caused by the impact of Thailand flood crisis during the last quarter of 2011. However, the overall Thailand macro-economic seems to be a good indicator to support Thailand as a credible country (refer to Table 14).

Table 14 : Thailand Macro Economic Indicators (Million USD)

	2006	2007	2008	2009	2010	2011	2012 Jan- April
1. Population (Million lion persons)	63	63	63	64	64	64	....
2. GDP							
2.1 GDP at constant 1988 price (billions of Baht)	4,055	4,259	4,365	4,263	4,596	4,598	....
(% change)	5	5	3	-2	8	0.1	....
2.1.1 Agriculture (billions of Baht) 2/	365	370	385	390	381	396	....
(% change)	5	1	4	1	-2	4	....
2.1.2 Non-agriculture (billions of Baht) 2/	3,689	3,889	3,980	3,873	4,215	4,203	....
(% change)	5	5	2	-3	9	-0.3	....
2.2 GDP at current price (billions of Baht)	7,845	8,525	9,080	9,042	10,105	10,539	....
(% change)	11	9	7	-0.4	12	4	....
2.3 GNP per capita (Baht : Person)	114,804	124,377	131,718	129,875	143,655	150,315	....
3. Inflation							
3.1 Headline Consumer Price Index (2007=100)	98	100	105	105	108	112	114
(% change)	5	2	6	-1	3	4	4
3.2 Core Consumer Price Index (2007=100) 3/	99	100	102	103	104	106	107
(% change)	2	1	2	0.30	1	2	3
4. External Account							
4.1 Export (BOP basis) (billions of USD)	128	151	175	151	194	225	54
(% change)	17	18	16	-14	28	16	-4
4.2 Import (BOP basis) (billions of USD)	114	124	158	118	161	202	53
(% change)	8	9	27	-25	37	25	10
4.3 Trade balance (billions of USD)	14	27	17	33	32	24	1
4.4 Current account balance (billions of USD)	2	16	2	22	14	12	1
(as % of GDP)	1	6	0.7	8	5	3	....
4.5 Net capital movement (billions of USD)	8	-2	13	-3	24	-7	1
4.5.1 Central Bank	8	1	13	-5	18	-0.1	3
4.5.2 Government	-0.5	-2	-0.4	0.5	4	4	1
4.5.3 Other Depository Corporation	0.4	-0.6	0	1	3	-8	2
4.5.4 Other Sectors	16	10	12	-13	7	-3	-5
4.6 Balance of payments (billions of USD)	13	17	25	24	31	-3	-5
4.7 International reserves (billions of USD)	67	87	111	138	172	175	179
4.8 Swap Obligation (billions of USD)	-7	-19	-7	-16	-20	-31	-29
4.9 Total debt outstanding (billions of USD)	70	74	76	75	101	106	115
4.10 of which : Public debt 5/	15	15	15	15	26	29	33
4.11 Total debt service ratio (%)	11	12	9	8	5	4	4
4.12 of which : Public (included BOT since 1997)	0.7	0.7	0.6	0.7	0.6	0.9	1
5. Government Finance (fiscal year)							
5.1 Overall cash balances (billions of Baht)	0.1	-1	-0.2	-5	-2	-1.5	....
(as % of GDP)	2,893	2,948	3,119	3,661	3,917	4,139	4,068
5.2 Total public debt outstanding (billions of Baht)	2,331	2,483	2,693	3,248	3,539	3,780	3,731
6/Domestic debt							
6. Monetary Statistics 7/							
6.1 Narrow Money (billions of Baht)	911.5	1,000.0	1,041	1,175	1,302	1,414	1,437
(% change)	2.4	9.7	4	13	11	9	7
6.2 Broad Money (billions of Baht)	8,573.4	9,109.0	9,944	10,617	11,779	13,566	13,887
(% change)	8.2	6.3	9	7	11	15	13
6.3 Domestic Claims : Included investment (%change)	1.1	3.9	8	5	10	16	15
6.4 Claims on Other Nonfinancial Corp., Other Resident Sector & Other financial Corp. (% change)	3.0	3.3	8	3	12	16	15
6.4 Other Depository Corporations deposits (% change)	7.3	2.3	9	6	9	10	13
6.5 Interest rate (year end) 9/	8	7	7	6	6	7	7
6.5.1 Prime rate : Min	8	7	7	6	7	8	8
Prime rate : Max	4	2	2	0.7	1	3	3
6.5.2 Fixed deposits (1 yr.) : Min	5	2	2	1	2	3	3
Fixed deposits (1 yr.) : Max							
7. Exchange rate 10/							
Baht : US\$ (Reference rate) average (Baht: 1 USD)	38	35	33	34	32	31	31

Discussion and Conclusion

Since Thailand SME directly responds to 42 percent of national GDP and is generating up to 3 quarter of total national employment (OSMEP). Particularly in foreign investment, SMEs were engaged in IJV strategy and most of SME IJVs were employed in manufacturing sectors (Wadeechoeroen & Nik Mat, 2010). Thus, the role of SME IJVs is believed to be an important component of the national business units contributing to Thailand economic development and resolving the national poverty (Wadeechoeroen et al., 2012). The overall result of study by Wadeechoeroen, Kanjanavanikul, Lertnaisat and Teekasap, (2012) confirms that Thailand investment position is still well-built which is backed up by the new investment applications of 444 projects submitted to board of Thailand investment (BOI) in the first 10 months of 2011, value at 136.93 billion Baht. With this high applications submitted before flooding crisis indicates Thailand location advantage whereby cheap wage is available and completes of basic-infrastructure comparing to neighbor countries.

The large investment of IJV leads to increase by 108,625 million Baht in 2011 and 37 percent of total IJV investment has fallen in SME IJVs, worthy at 35,462 million Baht in the same year (refer to Table 4). The most of SME IJVs are engaged in the manufacturing of motor vehicles, trailers and semi-trailers (refer to Table 7). This is caused by the expansion of passenger cars and motorcycles consumption (refer to Table 8).

Thailand automobile sector has been majority dominated by Japan-SME IJV firms and use Thailand location advantage to form an offshore production site in order to supply domestic consumption and for further the market growth in ASEAN (Suwannarats et al., 2010; Gossack, 2004). Based on these reasons, they are sufficient to conclude that foreign investors have no sign to leave their attention and remain confidence on Thailand location advantage. Hence, we could not deny the role of SME IJV that contributes to Thailand economic long-term sustainable development.

In November 2011, flood crisis had the highest effect on Thailand economy, based on the data provided by the bank of Thailand (BOT) which reported the number of agriculture sector dropped 7.2 percent, directly led to 8.6 percent decrease in farming revenue. Similarity, in the industrial sector, the impact of floods was on industrial productivity, especially in motor vehicles, hard disk drives and electric appliances production (MCOT, 6 January 2012). This issue directly affects manufacturing productivity intermission and lead to shortage of electric spare part in the global market. After the flood disaster returns to normal, Thailand's economy has rebounded sharply as most of factories boost up their productivity quickly from last year's floods (BBC: News Business, 21 May 2012).

Since about 90 percent of Thailand industrial sectors were hit by the devastating floods and the situation affected state investment position holistically. Those 90 percent of industrial sectors

were expected to resume their productivity in January-April of 2012 (MCOT, June 2012).

Based on these documentary analyses as discussing in several parts (part 1 -5) of this study, it has seen that Thailand manufacturing is resuming their production quickly from the flood crisis from November 2011 to March 2012 and continuing to increase domestic consumption and export orientation within December 2012.

An overall Thailand economic outlook for the farming sector has returned to a normal situation after the flood crisis. Particularly, vehicle motor sector has remained high volume of sale as well as high Japan investment capital year after year.

As of these points, it can be concluded that flood crisis at the end of 2011 may cause damages in most of Thailand business and halt productivity in several factories. This may defer foreign investment and need some time for their rehabilitation the overall business environment to return to normal. As a result of Thai government concern on this situation, 3.2 billion Baht were planned for the construction of permanent flood management and prevention walls at the industrial estates. Thus, *“foreign investors still have confidence in maintaining their plants in Thailand and have studied measures for a long-term flood prevention plan”* (MCOT, 17 December 2011). This is sufficient to confirm a credible Thailand investment position with its original glory and strength.

Business Implication

The intention of the study is mainly contributed into 2 sectors as follows;

1. Private Sector: A study intentionally contributes the knowledge to business sectors whereby most of the investors are from foreign countries. The information provided by the study is useful for the businessmen both Thai and foreigner who are seeking a long-term partner for operating business in Thailand. Hence, International Joint Venture (IJV) is suggested to be the most appropriate strategic entry mode for foreign firms to enter Thailand.

2. Public Sector: A study purposely examines the effect of Thailand flooding crisis by contrasting the Thailand foreign investment position before and after the crisis. Even though, Thailand economy was affected by floods especially in the manufacturing sector whereby most of IJV firms are engaged into. However, foreign investors are still confident to stay in Thailand as its location advantage. Thus, Thailand's government should plan an action to promote international investment in short and long-term. Additionally, flood management should be designed in appropriate and secure. This plan will recall foreign investment confidence and magnetize of international investment inflows for a long-term.

Suggestion for Future Study

This study points out that *'Thailand location is still considered as a good location for foreign firms to stay confident in maintaining their plants in Thailand'*. The largest foreign investor is Japan following by ASEAN countries and all European countries. Japan is holding the majority investment both in term of projects and investment in flows. In the other words, nearly half of Thailand foreign investment came from Japan as a major player in Thailand economic. Obviously, most of Japanese

companies are in the form of International Joint Venture (IJV) and engaged in the manufacturing sector (Wadecharoen et al., 2012; Wadecharoen & Nik Mat, 2010). Therefore, to examine the reason *'why Japan companies are confident to maintain their plants in Thailand manufacturing sector?'* worthy to investigate empirically for the further study. This will be creditable to Thailand in term of international investment perspective and enhance Thailand economic position for the further market growth in ASEAN.

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