A STUDY OF CHINESE MNE'S (MULTINATIONAL ENTERPRISES) DIRECT INVESTMENTS IN THAILAND

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Abstract

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Abstract:

Thailand has great potential to become the investment base to serve as the gateway to ASEAN and world market for Chinese enterprises. The objectives of this study are: 1) To investigate the determinants of Chinese firm's outward foreign direct investment into Thailand; 2) To examine the firm internal factors and external factors that impact Chinese investors'current performance; 3)To provide Chinese investors with sustainable investment suggestion in order to help them insight and avoid reasonably investment risk, enhance their own competitiveness to carry out scientific foreign direct investment as well.

At present, with the continuous development of economic globalization and the capital internationalization, outward direct investment plays an increasingly important role in adjusting the industrial structure, promoting the development of economic and enhancing national competitiveness. Under the "Go globally" and "the Belt and Road" policy China gradually integrated into the world economy with its remarkable achievements. Especially in recent years, an increasing number of enterprises begin to invest in foreign country. As Thailand has close cultural and ethnic ties with China and strategic location in ASEAN, in light of the China-ASEAN Free Trade Area (CAFTA), Thailand would play an important role in manufacturing and exporting of Chinese products to ASEAN region. The foreign direct investment between these two countries gained a considerable development which led to development of Sino-Thai Economy. Follow the trend of the growth, China will play a more and more important role in inward FDI of Thailand. On the other hand, inward FDI has been an important driver of Thai economic development. Therefore, exploring the current status of Chinese enterprises will help the authority to understand the trend of Chinese outward FDI in Thailand and to create conducive business environment to retain the existing inflows as well as to persuade the remaining to invest.

This paper is a quantitative study and primary data was collected from 113 Chinese enterprises in Thailand while secondary data was collected from previous researches. Principal Component Analysis was applied to investigate the motives and factors determining Chinese firm's outward foreign direct investment into Thailand. Research findings showed that motive of China's outflow FDI to Thailand is marketing seeking, the influence factor of Chinese decision-makers invest in Thailand are lacks of effective management and fierce competition.

At the same time, this paper will be helpful to study and further strengthen the relationship between China and Thailand, deepening economic and trade cooperation between those two countries in the field of economy and trade, achieve mutual benefit and win-win situation.

Key words: Foreign direct investment, Chinese enterprises, Thailand

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Chapter I Introduction

1.1 Research background

Nowadays, foreign direct investment (FDI) plays a vital role in international business operation. Regarding to World Investment Report 2017 from UNCTD (United Nation Conference on Trade and Development), global FDI increased considerably by 38 percent to 1.76 trillion USD, peaking the period, 2008-2015, of post-financial crisis. Comparing with the oscillation of international trade within 2-2.6 percent growth rate between 2012 and 2014, and in 2016 world merchandise trade accounted for 16 trillion USD which decreased 3.2%. Global flows are forecast to increase to almost $1.85 trillion in 2018. Therefore, FDI became a more popular way for international business competitors.

Considering the large volume of domestic market and cheap labor, China was attracting foreign capital remarkably during the past two decades. In 2010 China operated the biggest inward FDI flow, at the amount of 243 billion USD, exceeding the United State. The tremendous capital inflow had brought a significant growth of economy, for instance, the revenue for both individuals and government had been increased, the innovation and technology had been easily allowed to access for the corporation. However, after 2013, the inward FDI began declined steadily from 290 billion USD to 170 billion USD in 2015. At the same time, China's outward FDI was becoming stronger, outflow FDI country within the value of 145.67 billion USD which ranked the second largest country within the FDI outflow. Horizontally, the distribution of China ODI (outward direct investment) tended to be diverse and various. In 2015, the majority of ODI allocated in Asia, accounting for 74% to the total; followed by Latin America and North America, 8.6% and 7.4% respectively. One of the reason for China increasing ODI is "the Belt and Road initiative" the policy that pushing China investment go globally introduced in late 2013. Under the policy, a great amount of Chinese investment poured in Asia-Pacific and Africa, especially in infrastructure sector. According to figure 1.1 shows the annual outward FDI by major countries in the time period of 2005-2017. As we can see that among these six countries, only China's OFDI performances a consistent upward trend over the time, while UK performances a considerably downtrend correspondingly. France and Germany fluctuate significantly during the time period and Japan and US keep at a stationary of great amount of OFDI volume. It should be noted that the Chinese investment jumped significantly after 2013 instead of gradual momentum.

Table 1.1 The flow of outward FDI for major countries (million USD)

Country	Average 2005-2012	2013	2014	2015	2016	2017
USA	299269	323776	312288	322494	318268	362598
Japan	82330	135745	129157	128698	145230	160425
China	40848	72971	123130	174391	217203	121914
UK	112052	40481	-148383	-82144	-12607	99665
Germany	95769	36721	84867	81105	39985	77483
France	74314	20365	48028	37509	52372	58135

Source: OECD organization

Southeast Asia is one of the important participants to global economy, with the large volume of population and abundant natural resources. This area including 11 countries has not only many differences and diversities, but also with relative unification and integrity. Also, ASEAN has a closed relationship with China for a long history. Since the "10+1" China — ASEAN(Association of Southeast Asian Nations) Free Trade Zone was established and the "China—ASEAN Free Trade Zone Investment Agreement" was signed, especially the "Chinese Belt and Road Initiatives" strategy was come up, China and ASEAN constantly promote the China—

ASEAN regional Foreign Direct Investment (FDI) development. With the quickening of the process of regional integration, the scale of FDI of Chinese enterprises in ASEAN countries is expanding. Chinese direct investment in ASEAN has accelerated the economic development of ASEAN countries, optimized the industrial structure of ASEAN countries, but also improved the economic efficiency of ASEAN member states. From China's point of view, the rise in its domestic labour costs, the slowdown in potential growth and imbalances due to sector overcapacity are some reasons prompting authorities to channel capital overseas for investments. These factors feed nicely into China's ambitious Belt and Road Initiative (BRI), which envisions a Chinese-led investment programme to creates a web of infrastructure to enhance the economic inter-connectivity and facilitate development within and outside of Asia.

1.2 The Objective of Study:

1. To investigate the motives of Chinese enterpeise invest in Thailand.
2. To find out the Chinese investors' current performance and investment satisfaction level in Thailand.
3. To examine the firm internal factors and external factors that impact Chinese investors' current performance;
4. To help Chinese investors know how can Chinese enterprises better invest in Thailand, analysis difficulties and risks of Chinese business will be facing while doing business in Thailand.
5. For Chinese enterprises which develop investment cooperation in Southeast Asia, they should evaluate the investment environment of the countries objectively, get to know relative laws and regulations, find out the investment benefit policies, understand local labor force situation,regard the nationality and religion aspects, then choose the most suitable country and industry for investment to out shine others in the investment competition and achieve the best investment result.

5.Moreover, the study may help Chinese MNCs and Authority to improve their investment effectively in Thailand and also provide suggestions for Thailand in inward FDI attraction.

1.3 The Scope of Study:

●The historic investment development path of China outward foreign investment.

●China’s Economic Growth : 1979-the Present.

●The historic development of trade relationship between China and Thailand.

●China’s outward foreign investment to Thailand.

●A questionnaire about Chinese enterprises invest in Thailand.

●The main influencing factors of Chinese enterprises invest in Thailand.

1.4 Research Significance:

With the gradual acceleration of economic globalization and regional economic integration, the international industrial structure adjustment and international industrial transfer has become increasingly active. Because of the high scale of development of China's foreign direct investment has achieved, the promotion of the FTA, and the implementation of the " One Belt And One Road ", foreign direct investment will face with great opportunities for development. China and Thailand have established and escalated FTA, which lay a good foundation for the economic and trade cooperation. China and Thailand share a complementary relationship regarding economic structure and industrial structure. Thus, foreign direct investment will effectively speed up the domestic industrial structure adjustment and solve the problem of domestic over capacity and accomplish the international transfer of marginal industry. (KongLingjie,2015)

Many countries are eager to attract foreign direct investment (FDI), as FDI can contribute to economic development and growth in the FDI recipient countries. FDI has been proven to contribute to economic growth through various channels. FDI can bring not only financial resources for fixed investment but also technologies and managerial know-how, which play crucial roles in promoting economic growth in the recipient countries. Moreover, FDI enables the recipient countries to be engaged in various networks, such as the production, sales, procurement, and information networks of foreign multinational corporations (MNCs), major suppliers of FDI, resulting in an improvement of efficiency in production and marketing.(Shujiro Urata ,2011)

Indeed, in East Asia FDI has helped enable East Asian countries to achieve high economic growth through these factors. The members of the Association of Southeast Asian Nations (ASEAN) have been quite successful in attracting FDI in recent years.（A Jetschke, P Murray,2012）

The rise of Chinese economy, Chinese investment in Thailand is increasing,the impact of financial crisis and the start up of CAFTA are supplying the opportunities for the direct investment from China to Thailand. Chinese enterprises' lack of investing experience and the backward investment environment in Thailand will be bringing challenges for FDI from China to Thailand.

In this paper, on the basis of theory research thus provides useful countermeasures and suggestions for strategic decisions for the relevant government departments and enterprises, for reference.

Research will help researcher and Chinese companies to get information what is Thailand investment environment and what are the advantage and disadvantage inside of Thailand , and analyze the prospects of China's direct investment in Thailand, how business or investor avoid the problem.

This paper analyzes the FDI climates of the Thailand with a view of identifying impediments to FDI not only in the policies but also in their implementation and enforcement and providing useful information to policy makers interested in attracting FDI. Although we found wide variations among countries, Thailand as a whole tend to have relatively improved the explicit investment climate so far as FDI liberalization is concerned.

Direct barriers to FDI, however, still remain, and further efforts to reduce them by Thailand are necessary. At the same time, the reduction of indirect barriers to FDI or the promotion of FDI facilitation is also indispensable. Particularly important areas for improvement include institutional problems, complicated and delayed procedures, underdeveloped infrastructure, inflexible labor market conditions, and problems involving taxation regulations. Our findings indicate the need for further liberalization of FDI policies and promotion of facilitation measures for Thailand in order to successfully attract FDI.

At the same time, this paper will be helpful to study and further strengthen the relationship between China and Thailand, deepening economic and trade cooperation between China and Thailand in the field of economy and trade,achieve mutual benefit and win-win situation. For Chinese enterprise, giving some suggestions on how to invested in Thailand.

Chapter II Literature Review

2.1 Concepts of Foreign Direct Investment (FDI)

Foreign direct investment (FDI) in its classic form is defined as a company from one country making a physical investment into building a factory in another country. It is the establishment of an enterprise by a foreigner. Its definition can be extended to include investments made to acquire lasting interest in enterprises operating outside of the economy of the investor. The FDI relationship consists of a parent enterprise and a foreign affiliate which together form a multinational corporation (MNC). In order to qualify as FDI the investment must afford the parent enterprise control over its foreign affiliate. The International Monetary Fund (IMF) defines control in this case as owning 10% or more of the ordinary shares or voting power of an incorporated firm or its equivalent for an unincorporated firm; lower ownership shares are known as portfolio investment.

The growth of FDI (and of the MNEs themselves) that followed World War II emphasised the inadequacy of the neo-classical theory to explain the phenomenon and the need for a whole new approach. The volume of FDI not only grew substantially, it started to reduce its concentration in primary goods, and to be increasingly directed towards the production of knowledge-based products in other developed countries (Buckley and Casson, 1985). Furthermore, important changes in the organization of international business were taking place, in particular, the development of horizontal MNEs and the new Japanese vertical foreign investments.

Despite its late arrival, international business literature (and in particular that on FDI) proliferated with increasing speed. The publication of the product cycle theory by Raymond Vernon (1966) was followed by extensive research on the determinants of foreign production, in particular by scholars at the Harvard Business School led by

Vernon himself. In the mean time, John Dunning brought a copy of Stephen Hymer's 1960 PhD thesis to the University of Reading where, together with the work of Charles Kindleberger, it had a major impact.

Until the 1950s, international direct investment was entirely explained within the traditional theory of international capital movements. Like other forms of international investment, FDI was seen as a response to differences in the rates of return on capital between countries. This suggestion was reinforced by the empirical observation that American firms (the major source of FDI in the 50s) obtained a higher rate of return from their European investments than at home (Mundell, 1960). However, the differential rate of return hypothesis did not resist the inversion in that relationship registered in the 1960s, which was still accompanied by increases in US investment in Europe (Hufbauer, 1975). Neither did it receive much empirical support.

Hymer (1960) was the first to expose the deficiencies of this approach. He claimed that the differential rate of return hypothesis was not consistent with several observed characteristics of international investment. First, the United States combined net outflows of FDI with net inflows of portfolio capital. Second, flows of FDI in both directions between two countries were not rare. Third, many subsidiaries complemented the inflow of direct investment with capital borrowed in local markets. And, finally, manufacturing companies were at the time far more important in international direct investment than financial firms. Furthermore, an international difference in expected returns is not sufficient to induce FDI (Caves, 1982). Under perfect markets, an increase in the short run profits of firms in one country would not induce international investment. Instead, it would attract new entrants that would eliminate any excess profits. Perfect markets and MNEs are not compatible (Hymer, 1960). He thinks that some enterprises in the same industry have certain monopoly advantages, which can cause a huge gap between different enterprises, and only those monopolized enterprises can carry out transnational operation. The monopoly advantage includes capital advantage, technical advantage, management system and sales skill. The advantage of scale economy.

According to Dunning (2000), the reason why portfolio theory can only partially explain direct foreign investment is that it ignores that "direct investment does not involve changes in ownership. It does, however, involve the transmission of factor inputs other than money capital, viz. entrepreneurship, technology, and management expertise, and is likely to be affected by the relative profitability of the use of these resources in different countries as that of money capital". Furthermore, MNEs are not necessarily profits maximizes. Even if they are, there is no reason why they should forcibly seek higher profits on FDI than on domestic investment.

2.2 Major Theories of FDI

International business activity is by no means a recent phenomenon. The lives of Phoenicians and Carthaginians, in the ancient world, were deeply dependent on international business. This economic activity included foreign direct investment (FDI), joint ventures and strategic alliances, among other forms of internationalization Tinbergen,J.(1962). Several multinational corporations (MNEs) can also be identified in Europe in the middle ages and in the beginning of the modern era (Dunning, 2000).

The origins of modern international business activity however, are associated with the industrial revolution. Modern MNEs, in particular, have their roots in the massive international movement of factors that took place in the nineteenth century (Dunning, 2000). Resource-seeking was the most common motivation of FDI in this period, even if by 1850 many firms had already crossed the Atlantic, in both directions, in what can be defined as market-seeking investment.

Tinbergen expanded the theory of monopoly advantage and believed that the incomplete market caused the monopoly advantage of the American enterprises. This monopoly advantage enabled the American enterprises to gain higher profits than the local enterprises in the host country. The incompleteness of the market can divide the monopoly advantage of the enterprise into three categories. The first category is the incomplete advantage of the product market, that is, the product differentiation, including the products' trademark, price, performance, marketing channel and other factors; the second is the advantage of the incomplete production factor market, including the low cost of borrowing and borrowing. Gold, management skills, technology patents and production processes, and so on. The third category is the advantage of scale economy. Enterprises can gain economic scale by expanding their reproduction and reducing the fixed cost of enterprises.

2.2.1 The International Trade Tradition

It is certainly no surprise that International Trade economists were among the first to study the FDI phenomenon. Foreign production can be a substitute for exports, as it can influence the terms of trade and thus change the whole pattern of specialisation. However, in the neo-classical world of the Heckscher-Ohlin tradition there is no space for foreign direct investment. Any disequilibrium in the prices of goods or factors across countries brought about by different factor endowments would be immediately corrected by international movements of goods (the Samuelson theorem).

2.2.2 FDI theory based on strength of currency

Aliber (1970) made one of the early attempts to explain FDI on the basis of the strength of currency. He presented his theory of foreign investment on the basis of the relative strength of the various currencies. He forwarded his theory in terms of the differences in the strength of the currencies in host and source country. He postulated that weaker currencies compared with stronger investing country currencies had a higher capacity to attract FDI in order to take advantage of differences in the market capitalization rate. Aliber had tested his hypothesis and found the result to be consistent with FDI in the United States, the United Kingdom and Canada.

Although Aliber claimed that it was an alternative theory, and may be a valid explanation for direct investment in developed countries, it does not seem to be a particularly relevant to that in less developed countries with highly imperfect or non-existent capital markets and with heavily regulated foreign exchanges (Urata, S. and M. Okabe (2010).

Even though Aliber's theory found wide support, the theory does not provide an explanation for investment between two developed countries that have currencies of equal strength. Furthermore, the relevance of the theory cannot explain the investment of a developing country's (weaker currency) MNCs in a developed country (stronger currency). Recent investment in the United States and the United Kingdom by Indian and Chinese firms can be cited as examples. Almost all the theories reviewed in the above sections are based on a Western developed world perception. Few theories have been formulated that explain FDI from developed Asian countries such as Japan.

He put forward the theory of regional advantage of currency, which further enriches the incomplete advantage of the production factor market. The theory holds that if the currency of a company is strong, the company's assets will get higher prices in the financial market, so that it can raise the capital needed for transnational operation at lower market interest rate. Kim, as opposed to a weak currency, has the advantage of the currency area, so it is more likely to invest directly in a country with a weak currency.

2.2.3 Theories of FDI based on perfect competition

The early works of FDI theory can be traced in the work by (MacDougall，1958) who established his model based on the assumptions of perfectly competitive market. His theory was further elaborated by Kemp. Assuming a two-country model and prices of capital being equal to its marginal productivity, MacDougall and Kemp both stated that when there was free movement of capital from an investing country to a host country, the marginal productivity of capital tended to be equalized between the two countries. They found that after investment, the output of the investing country fell without any decrease in the national income of the country. This is because in the long term the investing country gets higher income from its investment abroad.

Theories explaining international investment in a similar way can be found in the works by Simpson , Frankel, Pearce and Rowan and Caves. However, the fact is that in a world characterized by perfect competition, FDI would not have existed (Kindleberger, 1969). In fact, some form of distortion must be there to enable the realization of direct investment. Hymer, who was the first to point this out in 1960, developed his theory based on an imperfect market setup. Others followed suit. This is discussed in the next section.

Furthermore it is pertinent to note that during the interwar period of the twentieth century an important development was Britain's loss of its status as the major creditor, and the United States emerged as the major economic and financial power. In the post-Second World War period, there was significant FDI growth fuelled by: (a) the improvement in transport and communications, which facilitated exercising control from a distance; and (b) the need of Europe and Japan for United States capital to finance their reconstruction activities.

2.2.4 The Theory of Product Life Cycle

The product life cycle theory its connection with FDI. The Product Life Cycle Theory set forth by Vernon (1966) has intended to address the apparent inadequacy of the comparative advantage framework in explaining trade and foreign investment and to concentrate on the issues of timing of innovation, effects of economies of scale and, to a lesser extent, the role of uncertainty. Product life cycle theory also seeks to explain how a company will begin by exporting its products and eventually undertake foreign direct investment (FDI) as the product moves through its life cycle. Besides that, the theory also says that for a number of reasons, a country's export eventually becomes its import. The theory has suggested three stages in the life of a product, there are new product stage, maturing product stage and standardized product stage. FDI occurs in the later two stages, there are in the maturing product stage and standardized product stage.

The theory points out that if an enterprise wants to invest directly, it must have three advantages, namely, ownership advantage, internalization advantage and location advantage, that is, the OIL model of international direct investment of transnational corporations. The advantage of ownership refers to the advantages of the enterprise relative to foreign competitors, including patent technology, trademark, innovation ability advantage, scale advantage, organizational management ability advantage, financial and monetary advantage as well as market sales advantages, etc. The advantage of internalization is similar to the above theory of market internalization. Location advantage refers to the more favorable conditions for the host country in investment environment, economic system and policy, including the advantage of resource endowment and the advantage of policy system. The different combinations of the three advantages determine the enterprise to adopt international direct investment, commodity export or license trade. Only when the three parties are satisfied, the international direct investment is carried out, and only the ownership advantage and the internalization advantage will be carried out for the export of goods; and the license trade is carried out only with the advantage of ownership.

2.2.5. Product Life-Cycle Theory

Life-cycle Theory (Vernoon, 1966) also considered the cost of production. It distinguished each stage of production, saying that when a product entry into growth production stage, the manufacturer tends to invest abroad to obtain lower cost of production. Denisia using an example of US-EU international competition, viz the first stage, US manufacturers possessed competitive advantages and sold their goods to Europe. With the standardizing of production, European companies began to imitate and copied US products, facing the severe competition, US manufacturers were faced to shift their facilitations of plants to local market in order to maintain their market shares in the area. Not only the economy perspective, social perspective would affect FDI decision.

International product life-cycle theory provides a theoretical explanation for both trade and FDI. The theory, developed by Raymond Vernon, explains why U.S. manufacturers shift from exporting to FDI. The manufacturers initially gain a monopolistic export advantage from product innovations developed for the U.S. market. In the new product stage, production continues to be concentrated in the United States even though production costs in some foreign countries may be lower. When the product becomes standardized in its growth product stage, the U.S. manufacturer has an incentive to invest abroad to exploit lower manufacturing costs and to prevent the loss of the export market to local producers. The U.S. manufacturer's first investment will be made in another industrial country where export sales are large enough to support economies of scale in local production. In the mature product stage, cost competition among all producers, including imitating foreign firms, intensifies. At this stage, the U.S. manufacturer may also shift production from the country of the initial FDI to a lower-cost country, sustaining the old subsidiary with new products.

The product life cycle can be divided into three stages, namely, product innovation stage, product growth and maturity stage, and product standardization stage. In the stage of product innovation, the enterprise monopolizes the production technology of the product. At this time, the production in the country can obtain higher profit, so it is mainly through export to meet the market demand in this stage. With the growth and maturity of the product, with the continuous diffusion of production technology, the monopoly advantage of the enterprise has gradually weakened, the market competition tends to be fierce, and the cost factors become more and more competitive. In order to reduce the cost of production, enterprises begin to invest in foreign direct investment and establish export substitutes in foreign countries. The main target of FDI is other developed countries and regions which are similar to their own environment but with low production cost. In the stage of product standardization, the enterprise has lost the original advantage of technology monopoly. The technology content of product production has been greatly reduced and has reached standardization. The enterprise can carry on mass production. In this stage, the advantages of production cost are further highlighted. Enterprises begin to look for production costs in the world. Low location, not limited to other developed countries similar to their own conditions, enterprises begin to invest in developing countries with rich natural resources and low production costs. The production of products will be carried out in the host country, and the investment countries will obtain the final products from the host country to meet the domestic demand. At this point, the investment nation has begun to develop new products and maintain the monopoly advantage of new product production technology.

2.2.6 Monopolistic Advantage Theory

The monopolistic advantage theory suggests that the MNE possesses monopolistic advantages, enabling it to operate subsidiaries abroad more profitably than local competing firms can.4 Monopolistic advantage is the benefit accrued to a firm that maintains a monopolistic power in the market. Such advantages are specific to the investing firm rather than to the location of its production. Stephen H. Hymer found that FDI takes place because powerful MNEs choose industries or markets in which they have greater competitive advantages, such as technological knowledge not available to other firms operating in a given country. These competitive advantages are also referred to as firm-specific or ownership-specific advantages,Aliber (1970).

The theory holds that in the course of international trade, a country should produce and export the products with comparative advantages, and the comparative advantage of the country will gradually disappear with the change of the surrounding environment. Therefore, international direct investment should be carried out in turn from the beginning of the marginal industry, which is already in or at a disadvantage position in the country. These industries in his country may be in an advantageous position or a potential dominant position. The motivation of foreign direct investment can be divided into three categories: the first category is natural resource oriented. With the continuous expansion of production, the existing resources can not meet the demand of production. In order to overcome this situation, the Congress invested in the host country's natural resources field to meet the production needs of its own development. . The second category is labor oriented, because the labor cost of developed countries is relatively high, so the developed countries tend to transfer labor intensive industries to countries with lower labor costs, thus increasing the investment of labor-intensive industries in low labor countries. The third category is market oriented, which can be divided into trade oriented investment and reverse trade oriented investment, and trade oriented investment belongs to trade creation. Due to the existence of trade barriers in the host country, the investment countries are set up locally in the host country, thus processing the final products and maintaining market share; reverse trade oriented investment. The technological gap between the host country and the investment country is narrowing, and the monopoly advantage of the investment countries is no longer existing. At the same time, the expansion of the host country's production and sales has reduced the export of the host country's commodities and increased the trade deficit, so it belongs to the trade alternative investment. To some extent, the theory explains the gradient transfer of industrial structure formed in Asia, that is, the so-called "wild goose model".

2.2.7 Internalization Theory

Internalization theory holds that the available external market fails to provide an efficient environment in which the firm can profit by using its technology or production resources. Therefore, the firm tends to produce an internal market via investment in multiple countries and thus creates the needed market to achieve its objective. A typical MNE consists of a group of geographically dispersed and goal-disparate organizations that include its headquarters and different national subsidiaries. These MNEs achieve their objectives not only through exploiting their proprietary knowledge but also through internalizing operations and management.

The theory originates from Coase's theory of transaction cost, and discusses the expanded behavior of MNCs by combining the international division of labor and the organization form of international production from the perspective of incomplete natural market. The theory holds that the incompleteness of the intermediate market leads to an increase in the transaction cost of the enterprise, and the enterprise management is to pursue the maximization of the profit, which causes the enterprise to internalize the external market. Only when the external market internalized the income is higher than the related cost, that is, the transaction cost of the original external market. The internalization of external market will result in the internalization of external market. This behavior is not limited to the domestic market. When it surpasses the national boundaries, it generates multinationals. At the same time, it also produces foreign direct investment.

The costs of transactions conducted at arm’s length in an external market (i.e., a fair price in an open market) may be higher than transactions within an intraorganizational market. The incentives to internalize activities are to avoid disadvantages in external mechanisms of resource allocation or to benefit from an internally integrated and intraorganizational network, A Jetschke, P Murray, (2012).

Internalization theory also specifies that the common governance of activities in different locations (e.g., Rubbermaid's subsidiary in China uses materials supplied by its sister subsidiary in Thailand and then ships products to the United States, Europe, and Japan) is likely to result in transaction gains. In many industries, MNEs are no longer able to compete as a collection of nationally independent subsidiaries; rather, competition is based in part on the ability to link or integrate subsidiary activities across geographic locations. To summarize, internalization advantages include the following:

1. To avoid search and negotiating costs
2. To avoid costs of moral hazard (moral hazard refers to hidden detrimental action by external partners such as suppliers, buyers, and joint venture partners)
3. To avoid costs of violated contracts and ensuing litigation
4. To capture economies of interdependent activities
5. To avoid government intervention (e.g., quotas, tariffs, price controls)
6. To control supplies and conditions of sale of inputs (including technology)
7. To control market outlets
8. To better apply cross-subsidization, predatory pricing, and transfer pricing

Thus, resource flows are a necessary condition for achieving either location-specific or competitive advantages in global business. Resource flow requires internalization within an MNE network because it involves interdependence among subsidiaries. Internalization, in turn, requires centralized decision-making responsibility and authority. Nevertheless, control should be segmented by product line and distributed among different subsidiaries, depending on particular capabilities and environmental conditions,Shujiro Urata,(2011).

2.2.8 The Eclectic Paradigm

The general theory to study of foreign direct investment has been developed consistently during the past half century. The eclectic paradigm is possibly the most comprehensive framework for understanding foreign direct investment.

In short, OLI. Ownership advantage includes the special advantage or endowment which the MNEs have. These advantages should be taken into account before company investment abroad. (Kindleberger, 1969) suggested that ownership refers to intangible assets, which are, at least for a while exclusive possesses of the company and may be transferred within transnational companies at low costs, leading either to higher incomes or reduced costs.

The eclectic paradigm offers a general framework for explaining international production. This paradigm includes three variables: ownership-specific(O), location-specific (L), and internalization (I), all identified in earlier theories of trade and FDI. The paradigm is also called the OLI framework. It stands at the intersection of a macroeconomic theory of international trade (L) and a microeconomics theory of the firm (O and I). It is an exercise in resource allocation and organizational economics. The key assertion is that all three factors (OLI) are important in determining the extent and pattern of FDI.

Ownership-specific variables include tangible assets such as natural endowments, manpower, and capital but also intangible assets such as technology and information, managerial, marketing, and entrepreneurial skills, and organizational systems.

Ownership advantages are key to explaining the existence of MNEs. A key idea is that firms are collections of assets, and that candidate MNEs possess higher-than-average levels of assets having the character of internal public goods. These assets can be applied to production at different locations without reducing their effectiveness. Examples include product development, managerial structures, patents, and marketing skills, all of which are encompassed by the catch-all term of “headquarter services”. While this is clearly a muti-dimensional factor, it is common to model it in terms of a single index of firm productivity. The most sophisticated treatment along these lines is found in recent work on heterogeneous firms by Helpman, which combines the simplest version of the horizontal motive for FDI with the assumption that firms differ in their productivities. A potential firm must pay a sunk cost to determine its productivity, and, when this is revealed, active firms sort themselves into different modes of production(Bun, Klaassen and G. K. R. Tan ,2009) .

Low-productivity firms produce only for the home market; medium-productivity firms choose to pay the fixed costs of exporting; but only the most productive firms choose to pay the higher fixed costs of engaging in FDI. These predictions are consistent with the evidence. As a further contribution, the paper derives from the model the prediction that industries with greater firm heterogeneity will have relatively more firms engaged in FDI, and shows that this prediction is confirmed by the data. However, this work (and others like it) do not explore why firm reproductive differ in the first place. Prior investment in R&D (both process and product) and in marketing presumably account for the disproportionately greater productivity of most MNEs.

Location-specific (or country-specific) variables refer to factor endowments introduced in the preceding chapter as well as market structure, government legislation and policies, and the political, legal, and cultural environments in which FDI is undertaken. Finally, internalization refers to the firm's inherent flexibility and capacity to produce and market through its own internal subsidiaries.

It is the inability of the market to produce a satisfactory deal between potential buyers and sellers of intermediate products that explains why MNEs often choose internalization over the market route for exploiting differences in comparative advantages between countries.

Location theory, in economics and geography, theory concerned with the geographic location of economic activity; it has become an integral part of economic geography, regional science, and spatial economics. Location theory addresses the questions of what economic activities are located where and why. The location of economic activities can be determined on a broad level such as a region or metropolitan area, or on a narrow one such as a zone, neighbourhood, city block, or an individual site.

Location advantage means the better off for MNEs produce in target market rather than transport from any other countries. It is another motivation for home country's investors. Location advantages can be divided by direct and indirect perspective. In details, large market size, effective policy from host country are included into direct advantage. In contrast, higher transportation cost, economic uncertainty which be thought as an indirect impact on foreign direct investment. Internalization advantage means MNEs would operate internalization to reduce transaction cost. (Dunning, 2000) introduce Orthodox internalization theory, saying that as long as the transaction and coordination cost in the exchange goods and services exceed those incurred by internal hierarchies, the MNEs would engage in FDI. According to the theory, (Buckley etal, 2007) using three primary motivation of ODI (outward direct investment)—market-seeking, efficiency-seeking and resource-seeking to analyse Chinese ODI.

The eclectic paradigm distinguishes between structural and transactional market failure. Structural market failure is an external condition that gives rise to monopoly advantages as a result of entry barriers erected or increased by incumbent firms or governments. Structural market failure thus discriminates between firms in terms of their ability to gain and sustain control over property rights or to govern geographically dispersed valued-added activities. Transnational market failure is the failure of intermediate product markets to transact goods and services at a lower cost than that incurred via internalization(L. T. Wells Jr.,1983).

Overall, the eclectic paradigm provides a more comprehensive view explaining FDI than do the product life-cycle theory, the monopolistic advantage theory, or the internalization theory (S. Lall.,1983). It combines and integrates country specific, ownership-specific, and internalization factors in articulating the logic and benefits of international production. Although today's international business environment and MNE behavior are markedly different from what they were two decades ago, when the theory first emerged, the OLI advantages are still vital to explaining why FDI takes place and where MNEs' superior returns come from. The eclectic paradigm, like other theories of FDI, has some limitations, however. First, it does not adequately address how an MNE's ownership specific advantages such as distinctive resources and capabilities should be deployed and exploited in international production. Possessing these resources is indeed important, but it will not yield high returns for the MNE unless they are efficiently deployed, allocated, and utilized in foreign production and operations.

Second, the paradigm does not explicitly delineate the ongoing, evolving process of international production. FDI itself is a dynamic process in which resource commitment, production scale, and investment approaches are changing over time. The product life-cycle theory also falls short on explaining the dynamics of the FDI process. Third, the conventional wisdom seems inadequate in illuminating how geographically dispersed international production should be appropriately coordinated and integrated. The internalization perspective addresses how an MNE could circumvent or exploit market failure for intermediate products and services but does not discuss how a firm could integrate a multitude of sophisticated international production and balance global integration with local adaptation. To redress these deficiencies, several new theoretical perspectives have emerged in recent years. We introduce these perspectives next (W. He and M. A. Lyles,2008).

After reviewing empirical result from previous papers, we can conclude that the economy, institutions, and other factors are jointly affect the FDI.

By reviewing the previous studies, the most of paper base on Eclectic Paradigm Theory. Meanwhile, researchers take institutional environment into account. The majority of papers have proved that market size has positive effect to outward foreign direct investment. a faster growing economy provides more profit-making opportunities than those economies that are growing slowly or stagnant. The paper uses GDP growth and population proxy market size. With a high growth rate of GDP, the income level of domestic consumer would correspondingly increase, MNEs would expect the consumption will increase, so they will set up more branches or agent or others strategies in order to entry the market. Population growth also leads to a growing consumption for de goods and services. Apart from market size, market-seeking companies are interesting in the policy liberalization which has a positive influence in stimulating Chinese ODI.

Next comes to the geographical distance. Empirically, long distance indirectly induced the pronounced reduction of stocks of outward FDI (M. Y. Wang, 2002) Base on the Eclectic Theory of International Production. The closer distance between home country and host country, the bigger volume of FDI flow. However, (Kolstad, Ivar, and Arne Wiig, 2012) concluded that the distance has less either positive or negative effect on ODI. (Buckley, 1985) examined the differences over time, saying that the distance was one of the important factors influence Chinese ODI in the period of 1984-1991. (S. Lall.,1983) showed an interested story about distance on geographic, socio-economic and culture between China and host country by employing partial least squares. he pointed out that the larger distance of two countries, the lower stock of investment.

The MNEs are more attracted by host country with abundance of natural resources. For some resource-oriented corporations, FDI can easily allow them to obtain the raw materials, water or minerals. Therefore, the increased efficiency lets corporations create more profit. (S. Lall.,1983) highlighted that the oil and mineral export propensity of host countries is positive and significant in both China and India. (Kang, Yuanfei, Fuming Jiang, 2012) concluded that there is a different performance in developed and developing sample group. The full sample showed an insignificant outcome in natural resources, by contrast, Chinese FDI flows were attracted by developing country group. (Kolstad, Ivar, 2012) posed a conclusion that Chinese investors are favor of combination of rich natural resources and poor institution. The empirical result from (Buckley, 1985) indicates that host country natural endowment is significantly positive to FDI inflow. He used sum of ore and metal export to total export ratio as data measurement. And then, he argued that the significant role played by host country natural resource endowments that the institutional environment has strongly shaped Chinese ODI, leading to significant natural resources-seeking FDI.

Foreign exchange rate would influence the outward FDI. (M. Y. Wang, 2002) employed log mean exchange rate, exchange rate volatility and expected exchange rate to explain systematically how the exchange rate impact on China outward FDI. After empirical study, he suggested that the appreciation in RMB will promote China's OFDI to Asian developing countries. This is because as Chinese exchange rate appreciates, MNEs will find another way to get into oversea market besides exporting. The fluctuation of exchange rate has a positive and significant effect on China's OFDI. It shows that China's MNEs will be stimulated if they find the exchange rate risk is becoming higher. Additionally, the volatility exchange rate would be an incentive factor for foreign investors due to the expectation of high expected profit. However, the opposite pattern can be found, regarding to (Buckley, 1987) study, showing that there is not any statistically significant for exchange rate.

Cultural distance positively is related to China outward FDI. The closed cultural distance makes less reduction of cost in international business. Such as when MNEs should negotiate with host country counterpart (e.g. government and companies) before they are allowed enter the market. The similar cultural such as language, tradition or manners will make MNEs avoiding from misunderstanding and promote mutual understanding. Finally, it would make contribution to success negotiation. Cultural distance was statistically significant, but it is not included in full observation, suggesting that Chinese FDI was flowing into the Asian developing economies that were culturally distant from China. (M. Y. Wang, 2002) also suggested that Cultural and historical distance between the home and host countries can strongly illustrates that the closed outward FDI to host countries and firms from emerging perform better than firms from developed countries.

2.2.9 Research on China's Outward FDI Theories

Kolstad, Ivar, and Arne Wiig, (2012) believes that Thailand and Malaysia actively attract and utilize foreign direct investment. He has studied the process of attracting foreign capital from Thailand and Malaysia. He believes that Thailand and Malaysia have taken better measures towards foreign direct investment. It was also found that at the end of Thailand, foreign investors investing in agricultural products processing industry, export industry, labor-intensive industry, energy industry, inland industry and so on were given more preferential special treatment to take certain restrictions on the investment outside these areas.

CHAPTER III Research Methodology

3.1 Historic Investment development path of China OFDI

China's development path has been recognized as being "unique", since it develops rapidly with "gradual privatization and marketization, massive private capital inflows, and extensive exporting"(Kolstad, Ivar, and Arne Wiig, 2012), and all these have been achieved without political democratization.

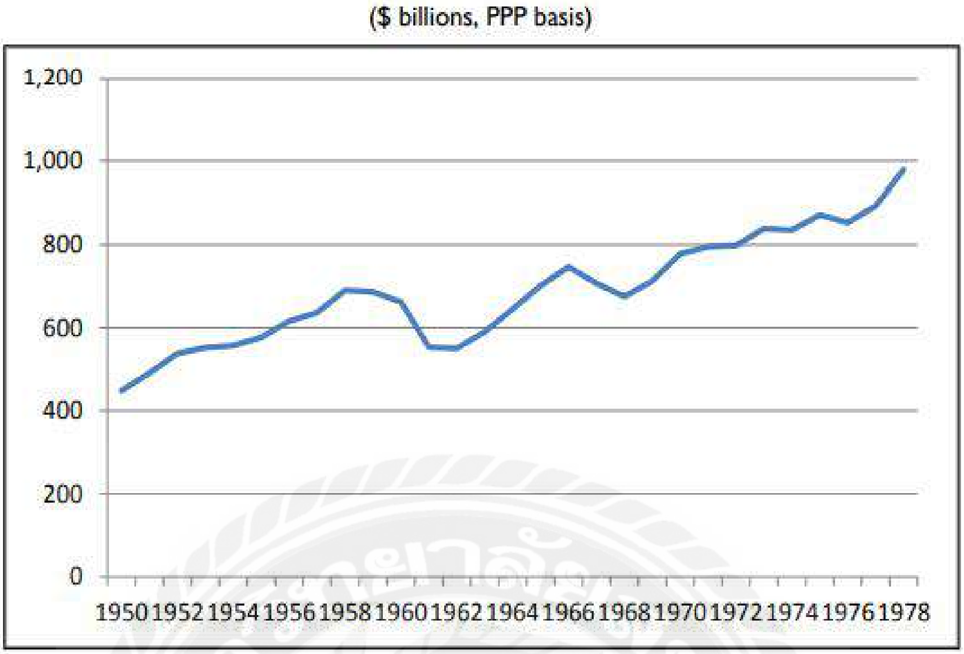
Does it establish a distinctive economic development path or follow a universal pattern? Let's take a look at the historical development path of China OFDI. I divide the Chinese historical path into four phases according to the changing government attitude towards outwards investment:

- **Phase 1 (1978-1991): Significant control over the outward FDI**

Prior to 1979, China, under the leadership of Chairman Mao Zedong, maintained a centrally planned, or command, economy. A central goal of the Chinese government was to make China's economy relatively self-sufficient. Foreign trade was generally limited to obtaining those goods that could not be made or obtained in China. Such policies created distortions in the economy (J. Zhang and C. Zhou, 2010). Since most aspects of the economy were managed and run by the central government, there were no market mechanisms to efficiently allocate resources, and thus there were few incentives for firms, workers, and farmers to become more productive or be concerned with the quality of what they produced (since they were mainly focused on production goals set by the government).

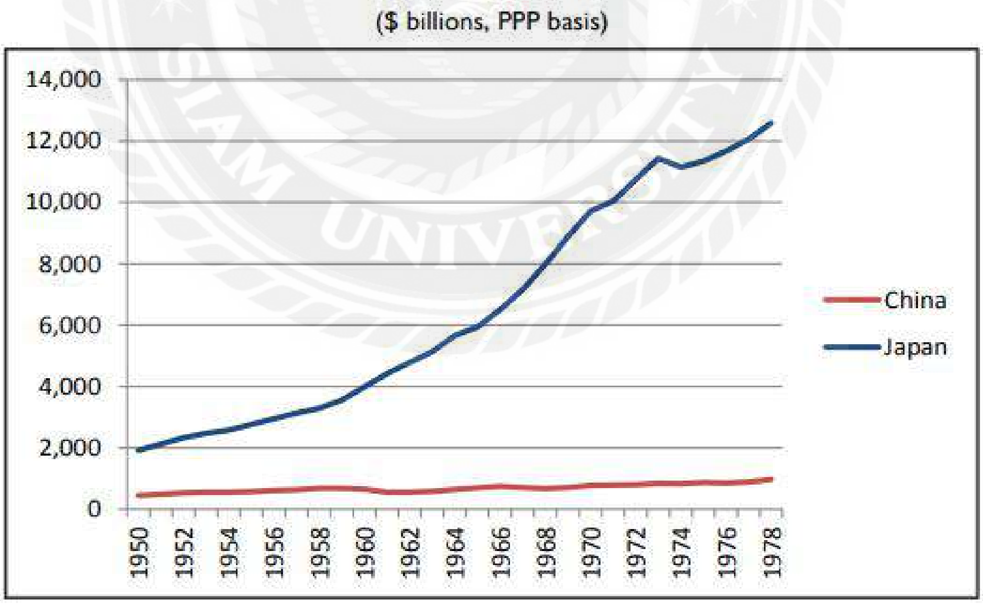
According to Chinese government statistics, China's real GDP grew at an average annual rate of 6.7% from 1953 to 1978, although the accuracy of these data has been questioned by many analysts, some of whom contend that during this period, Chinese government officials (especially at the sub-national levels) often exaggerated production levels for a variety of political reasons. Economist Angus Maddison puts China’s actual average annual real GDP growth during this period at about 4.4%. In addition, China’s economy suffered significant economic downturns during the leadership of Chairman Mao Zedong, including during the Great Leap Forward from 1958 to 1962 (which led to a massive famine and reportedly the deaths of up to 45 million people) and the Cultural Revolution from 1966 to 1976 (which caused widespread political chaos and greatly disrupted the economy). From 1950 to 1978, China’s per capital GDP on a purchasing power parity (PPP) basis, a common measurement of a country’s living standards, doubled. However, from 1958 to 1962, Chinese living standards fell by 20.3%, and from 1966 to 1968, they dropped by 9.6% (Figure 3.1). In addition, the growth in Chinese living standards paled in comparison to those in the West, such as Japan, as indicated in Figure 3.2.

Figure 3.1 Chinese Per Capital GDP: 1950-1978



Source: Historical Statistics of the World Economy

Figure 3.2 Comparison of Chinese and Japanese Per Capital GDP:1950-1978



Source: Historical Statistics of the World Economy

In 1978, (shortly after the death of Chairman Mao in 1976), the Chinese government decided to break with its Soviet-style economic policies by gradually reforming the economy according to free market principles and opening up trade and investment with the West, in the hope that this would significantly increase economic growth and raise living standards.

● **Phase 2 (1992-1998): Tightening of the approval procedure**

In this period, inward FDI remained playing a more significant role than OFDI for China, and the Chinese government was more rigorous about the approval procedure of outward FDI. Due to the Asian Crisis and a surge of state asset losses in Hong Kong real estate and stock market speculation, many foreign projects were rejected or slowed down by the government (Z. Wei, 2010).

The majority of the MNEs were engaged in the natural resource and business service industries. Some private manufacturers also start to invest abroad during this period such as Huawei, Haier Group and Galanz. Although the oversea investments were all in small scale, these companies were considered as the most successful companies in their field inside China at that time(Z. Wei, 2010).

● **Phase 3 (1999-2005): From approval to supervision**

1999 was the official beginning of the "Go Global" policy. This policy became the key guideline for Chinese development ever since. It provided a strong institutional support for the outbound investment.

China became a member of the World Trade Organization (WTO) on 11 December 2001. The admission of China to the WTO was preceded by a lengthy process of negotiations and required significant changes to the Chinese economy. It signified China's deeper integration into the world economy.

It is to be noted that while China has gained tremendously from foreign trade balance with the Western countries, particularly with United States(US)-with the US trade deficit with China of US$100.30 billion in 2002 increasing to US$125 billion and more than US$220 billion in 2003 and 2007,respectively. U.S. imports from China almost doubled within five years from $51.5 billion in 1996 to $102 billion in 2001-it has lost significantly from its trade balance with East Asian countries such as Japan,South Korea,and some ASEAN members,among others.

From this phase, the government's attitude also changed from caution to encouragement and started to evaluate outward FDI higher than inward FDI. In 2004, "Decision on Reforming Investment System" was published. It stipulated that firms could invest overseas without the approval of the government. They simply needed to keep a record with the government and the firms are allowed to raise money in international finance markets to fund the outward investment activity (J. B. Barney and W. S. Hesterly, 2010) Under this regulation, outward FDI fluctuated around 5 billion US dollars. M&A(Mergers and Acquisitions)became one of the three important entry modes besides joint venture and green field investment. In this phase, Lenovo, TCL, Haier and other firms were highly active in M&As in the international market. 2004 was even named the Chinese M&A year.

● **Phase 4 (2006-Present): supervision and providing service**

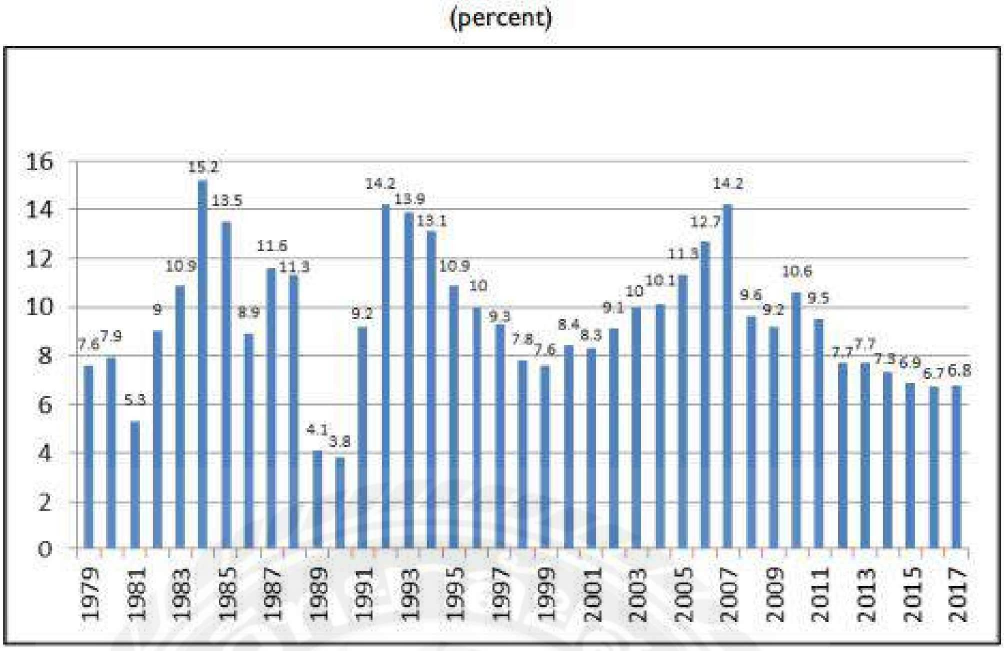
In phase 4, Outward FDI increased remarkably, from 12 billion US dollars in 2006 to around 115 billion US dollars in 2012. At this stage, the main role Chinese government played is supervision. It also attempted to provide comprehensive service and support, such as offering information and guidance to reduce the investment risks. Encouraging outward FDI has been more important than attracting inward FDI for the government, since China possessed one of the largest foreign exchange reserves in the world.

M&A has been the favored entry mode for Chinese enterprises because of the government support for the acquisition of technology, knowledge and management skill. Stronger RMB exchange rate give Chinese firms the availability of acquisition targets at more attractive prices. Some early-starters like Huawei, Lenovo, Haier had gained abundant experience and decent reputation in the foreign market. At the same time, some newcomers, such as Geely, Sany also performed actively in M&A and green field investment.

3.2 China's Economic Growth : 1979-the Present

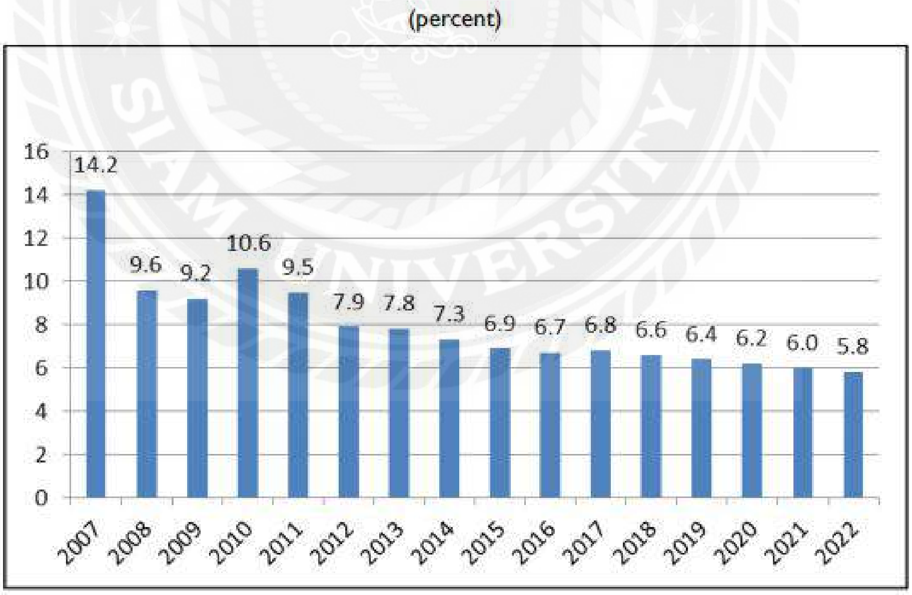
Since the introduction of economic reforms, China's economy has grown substantially faster than during the pre-reform period, and, for the most part, has avoided major economic disruptions.11 From 1979 to 2016, China's annual real GDP averaged 9.6% (see Figure 3.3). This has meant that on average China has been able to more than double the size of its economy in real terms every eight years. The global economic slowdown, which began in 2008, had a significant impact on the Chinese economy. China's media reported in early 2009 that 20 million migrant workers had returned home after losing their jobs because of the financial crisis and that real GDP growth in the fourth quarter of 2008 had fallen to 6.8% year-on-year. The Chinese government responded by implementing a $586 billion economic stimulus package (approved in November 2008), aimed largely at funding infrastructure and loosening monetary policies to increase bank lending. Such policies enabled China to effectively weather the effects of the sharp global fall in demand for Chinese products. From 2008 to 2010, China's real GDP growth averaged 9.7%. However, the rate of GDP growth slowed for the next six consecutive years, declining from 10.6% in 2010 to 6.7% in 2016 (although it rose to 6.8% in 2017). The IMF's October 2017 World Economic Outlook projected that China's real GDP would slow further in the years ahead, hitting 5.7% in 2022 (Figure 3.4).

Figure 3.3 Chinese Real GDP Growth:1979-2017



Source:IMF,and Chinese National Bureau of Statistics.

Figure 3.4. China’s Real GDP Growth 2007-2017 and Projection through 2022

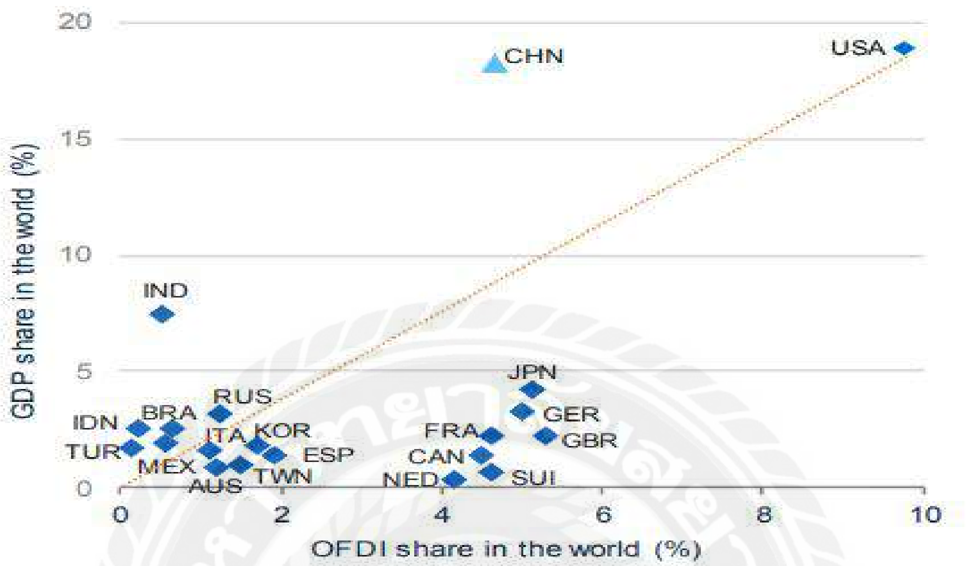


Source:IMF,and Chinese National Bureau of Statistics.

3.3 China’s ODI during 2016-2017

With the implementation of the out-going global strategy and economic development, China’s outbound foreign direct investment (ODI) has reached a relatively higher level among developing countries (Figure 3.5), although China is still lagging behind compared to developed nations.

Figure 3.5 China became the net trade importer again in 2017



Source:UNCTAD,IMF and BBVA Research

China saw its strongest annual growth of outbound foreign direct investment (ODI) in 2016 as its non-financial ODI flows surged by 49.3% to USD 181.2 billion. Moreover the ODI excluded financial sector significantly outpaced inbound foreign direct investment (FDI) in 2016 (Figure 3.6), which amounted to USD 123.4 billion in 2016. However, non-financial ODI declined by 40.9% year on yea to $57.2 billion in the January-July periodr in 2017, according to the commerce ministry.

There are a number of reasons for this:

1. The authorities' restrictive measures to curb ODI as the fast rise in capital outflows, including ODI, posed a threat to the country's financial stability in the aftermath of the RMB's unexpected devaluation in August 2015.

2. Chinese regulators have issued policies to regulate and guide investment behaviors since late 2016 as Chinese enterprises made some irrational overseas investment decisions.

3. The global political and economic environment remains unpredictable in 2017, which eclipses Chinese investors' will to conduct overseas investment.

4. More and more Chinese enterprises have resorted to innovative financing channels overseas, which has caused a decline in outward FDI flows.

Figure 3.6 China still highlight investment in key areas tied to the One Belt One Road Initiative (BRI) in 2017.

Source:MOFCOM and BBVA Research

Since November 2016, China has been increasing its scrutiny of outbound direct investment to avoid capital outflow. Consistent with that trend, the National Development and Reform Commission along with other four agencies formalized the regulatory pathway for ODI transaction approval on August 18, 2017, by issuing the Opinions on Further Guiding and Regulating Outbound Investment (the Guiding Opinions).The Guiding Opinions classify outbound investment into three groups: encouraged, restricted, and prohibited transactions.

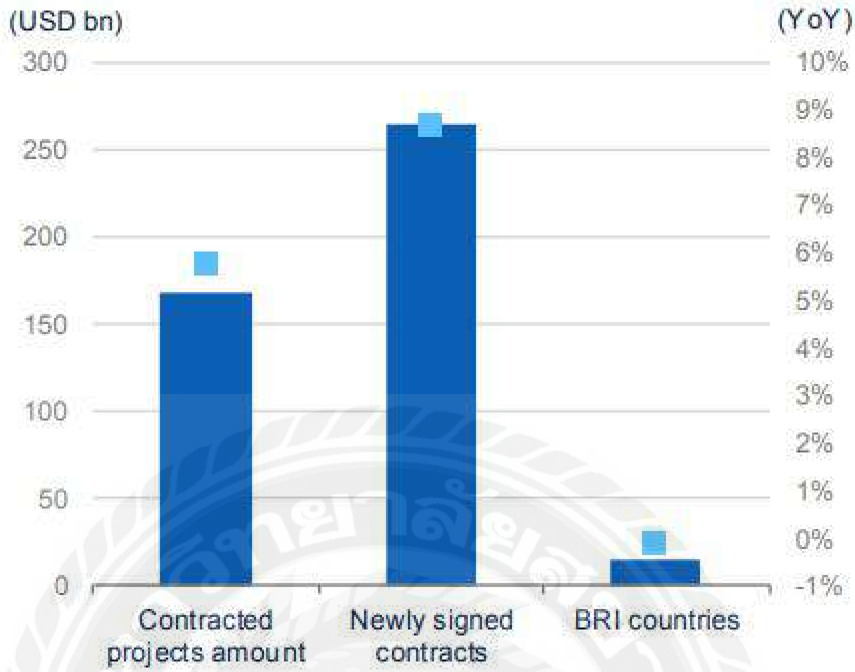
Encouraged transactions: China will promote ODI transactions that are strategically important to China's growth and development e.g. Infrastructure projects that are tied of the Belt and Road Initiatives, high-tech businesses, advanced manufacturing enterprises, overseas research and development (R&D), agriculture, energy resources and services sectors e.g. commerce, culture and logistics.

Restricted: China will discourage outbound direct investments that go against the countries' national interests or are prone to "irrational" risk-taking. Several industries are restricted following the Guiding Opinions, including real estate, sports clubs, hotels, entertainment and the film industry.

Prohibited transactions: ODI transactions that may endanger the national interests or security of China are subject to strict management and control. ODI to Gambling or sex industries are prohibited.

Even though the decline of ODI is broad-based, the authorities continued to stress its commitment and determination to press ahead with its new national strategy of the BRI, with China's ODI flow to the 65 BRI countries remaining stable at USD 14.4 billion in 2017, compared with USD 14.5 billion in 2016. Accordingly, the share of investment in BRI countries increased to 12% of total ODI from 8% in 2016 (Figure 3.7).

Figure 3.7. China’s share of global ODI stock relative to its GDP is rising(2016).



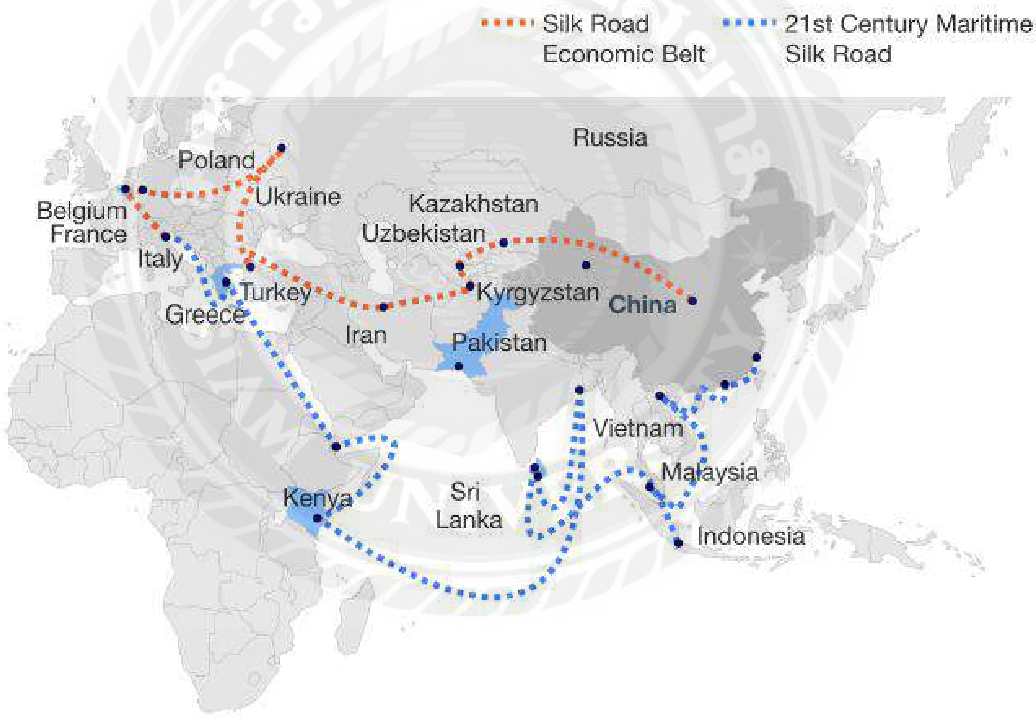
Source: China Global Investment Tracker and BBVA Research

3.4 The One Belt One Road Initiative

More than 2,000 years ago, China’s imperial envoy Zhang Qian helped to establish the Silk Road, a network of trade routes that linked China to Central Asia and the Arab world. The name came from one of China’s most important exports—silk. And the road itself influenced the development of the entire region for hundreds of years.

In 2013, China’s president, Xi Jinping, proposed establishing a modern equivalent, creating a network of railways, roads, pipelines, and utility grids that would link China and Central Asia, West Asia, and parts of South Asia. This initiative, One Belt and One Road (OBOR), comprises more than physical connections. It aims to create the world’s largest platform for economic cooperation, including policy coordination, trade and financing collaboration, and social and cultural cooperation. Through open discussion, OBOR can create benefits for everyone.

The State Council authorized an OBOR action plan in 2015 with two main components: the Silk Road Economic Belt and the 21st Century Maritime Silk Road (exhibit). The Silk Road Economic Belt is envisioned as three routes connecting China to Europe (via Central Asia), the Persian Gulf, the Mediterranean (through West Asia), and the Indian Ocean (via South Asia). The 21st Century Maritime Silk Road is planned to create connections among regional waterways. More than 60 countries, with a combined GDP of $21 trillion, have expressed interest in participating in the OBOR action plan.



The effort has already made some practical achievements. China has signed bilateral cooperation agreements related to the project with Hungary, Mongolia, Russia, Tajikistan, and Turkey. A number of projects are under way, including a train connection between eastern China and Iran that may be expanded to Europe. There are also new rail links with Laos and Thailand and high-speed-rail projects in Indonesia. China’s Ningbo Shipping Exchange is collaborating with the Baltic

Exchange on a container index of rates between China and the Middle East, the Mediterranean, and Europe. More than 200 enterprises have signed cooperation agreements for projects along OBOR’s routes.

China seeks to take the interests of all parties into account so as to generate mutual benefits, including environmental management and closer cultural exchanges. We wish to give full play to the comparative advantages of each country and promote all-around practical cooperation.

China in ASEAN direct investment stock growth, this is the "key investment areas The Belt and Road". In 2016, China of ASEAN's non-financial direct investment stock of $71 billion 550 million, an increase of 1.77 times higher than in 2015, China on the world stock of direct investment growth rate of 153 percentage points higher than that of Chinese, Asian stock of direct investment growth rate of 158 percentage points, accounting for The Belt and Road along national ratio of 55.2%, accounting for Asian straight 7.9% of the investment stock, accounting for 5.3% of China's direct investment in the world. In 2017, the direct investment stock of China to ten ASEAN countries was US $88 billion 360 million, an increase of 23.5% over 2016. The growth rate of investment in Vietnam, Laos and Malaysia accelerated. In 2017, the growth rate of investment stock was 165.9%, 24% and 39.7% respectively. The investment in Brunei was advancing by leaps and bounds, from 200 million US dollars in 2016 to 2 billion 880 million US dollars in 2017, which increased by 13 times.

China pay a lot attention to "One Belt One Road Initiative" investment platform, promote foreign trade and economic cooperation zones, industrial cooperation, project landing support to provide government, investment, logistics, finance and other one-stop service for enterprises to reduce enterprises "going out" risk and cost. The region is mainly located in Southeast Asia, central and central Europe and Central Asian countries. The number of cooperation zones in Russia, Indonesia, Kampuchea and Vietnam is the top four. Kampuchea Sihanouk port economy special economic zone, Thailand Tai Zhong Luo Yong Industrial Park, Vietnam Longjiang Industrial Park, Laos Vientiane color tower comprehensive development zone and so on, form the new highland of local economic growth. Among them, the "one-stop" administrative service window of the special economic zone of Kampuchea port of Kampuchea is formally entered, providing investment applications, registration, customs declaration, commodity inspection and certification of certificate of origin for the enterprises of the entry area, and leasing or selling land and standard plant at a favorable price.

3.5 FDI flows along the One Belt One Road initiative

In 2013, China introduced an initiative to jointly build the Silk Road Economic Belt and the 21st Century Maritime Silk Road (jointly referred to as “One Belt One Road”). More than 60 countries in various regions and economic groupings are located along the Belt and Road, with a combined inward FDI stock of nearly $6 trillion and outward FDI stock above $3 trillion. More than 50 agreements have been signed between China and its partners, covering six major international economic corridors.

China's direct investment in ASEAN is dominated by the service sector, accounting for more than 50%. In 2017, China's direct investment stock of ten ASEAN countries, rental and business services, wholesale and retail trade were $12 billion 160 million and $11 billion 760 million, respectively 13.8% and 13.3%, respectively, and second and third. The investment stock of the construction industry, the finance industry, the transportation and storage and the post industry and the real estate industry are 6 billion 220 million US dollars, 4 billion 270 million US dollars, 2 billion 990 million US dollars and 2 billion 210 million US dollars, and the proportion is 3% to 7%. The investment stock of scientific research and technology services, residential services, information transmission, software and information technology services is $990 million, $660 million and $660 million, respectively.

China's direct investment in ASEAN's service industry has increased rapidly and has great potential for development. Education, transportation, warehousing and postal services, accommodation and catering industries have a very fast investment rate, which increased by 72.5%, 64.2% and 49.3% in 2016, respectively in 2017. Construction, scientific research and technological services, cultural, sports and entertainment industry investment growth rate also reached 30%, 38.1%, 37.8% and 36% respectively. Water conservancy, environmental and public facilities management industry, wholesale and retail businesses, and residents' service industries increased by 29.9%, 21.3% and 17.4% respectively. Rental and business services, information transmission, software and information technology services investment stock growth has also reached 10% or so.

South Asia is benefiting from a number of projects being implemented along the China-Pakistan Economic Corridor. This has resulted in a large amount of foreign investment in infrastructure industries, especially electricity generation and transport. For instance, Power Construction Corporation (China) and Al-Mirqab Capital (Qatar) have started to jointly invest in a power plant at Port Qasim, the second largest port in Pakistan. In addition, the State Power Investment Corporation (China) and the local Hub Power Company have initiated the construction of a $2 billion coal-fired plant.

3.6 Development of trade relationship between Chin and Thailand

China-Thailand bilateral relations in the form of commercial and cultural exchanges were historical one during the Ming and Qing dynasties and lasted consistently with few interruptions over time. After the Second World War, both countries strengthened their relationship by signing the Siam-PRC treaty.

PRC had the relatively closed economy prior to 1978 initiated economic reforms since then and intensified them by joining World Trade Organisation (WTO) in 2002. The 1990s and 2000s perceived a speedy growth performance in the Chinese economy, reflected in reduced trade and investment barriers, improved trade, the quick technology transmission, and greatly mobile factors of production such as capital and labour. Special economic zones (SPZs) were formed along the coastal line to invite Foreign Direct Investment (FDI) and lift exports and imports of advance technology based products. State-owned firms were permitted to function and adopt on free market-based principles and private firms were promoted and legalised.

Thailand's population comprised of around 14 percent of ethnic Chinese. Thai Chinese are highly influential in Thai economy and control major part of the firms registered on the stock market and the major part of market capitalization. Thai Chinese entrepreneurs control in majority of the sectors including agriculture, banking and finance, real estate and wholesale trade. Such cultural links facilitated Chinese investments in Thailand especially in the areas of agribusiness, textiles, electronics, rubber, chemicals, hotels, restaurants and real estate.

The Agreement on Promotion and Protection of Mutual Investment was signed in 1985 to promote trade and investment. This agreement facilitated PRC's direct investment in Thailand. Investments prior to 1985 were mainly in the form of trading but not production. The time period fall into initial stage of opening the PRC economy to the rest of the world. PRC's political rationale towards inward FDI could be characterized as selective acceptance. PRC invited only selective investments and allowed big trading companies to go overseas.

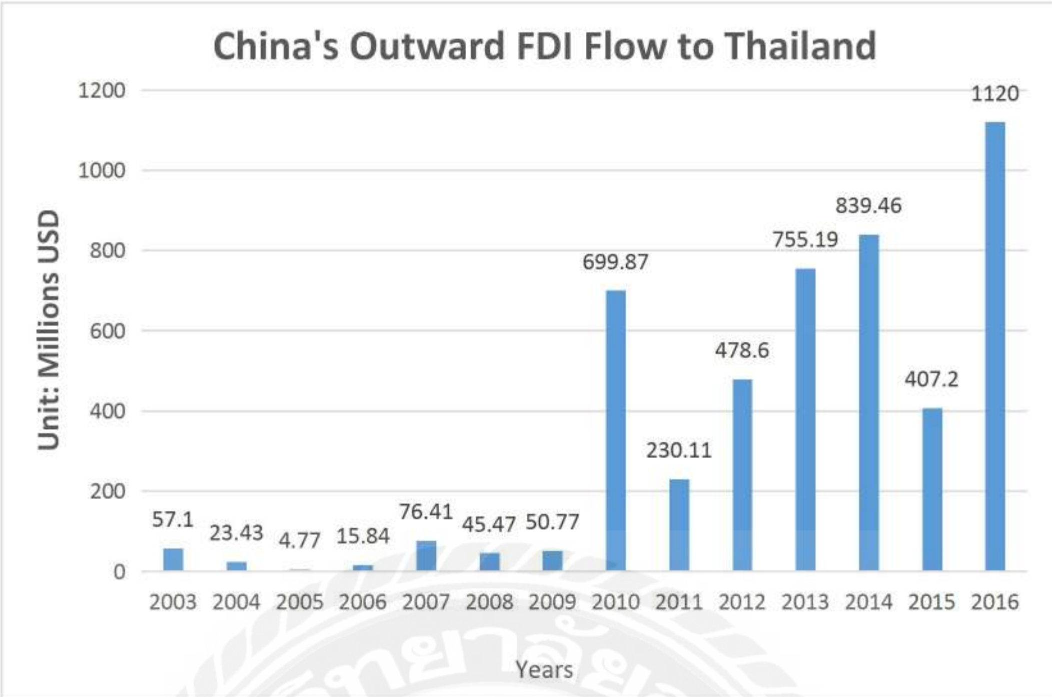
3.7 China's outward FDI to Thailand

Chinese enterprises began investment in Thailand since the formal establishment of diplomatic relations between China and Thailand in 1975, has been

42 years. In 1985, China and Thailand have signed a mutual protection investment agreement, and a year later they also signed an agreement that avoids double taxation, which help to encourage both investors to actively operate business and enhance relationship between the two countries. From 1998 until now, during the period of Chinese government's "going out" strategy, Chinese enterprises have yearly increased their investment in Thailand, which effectively promote economic exchanges and trade between the two countries. On the grounds of China Customs statistics, bilateral trade volume in 2017 was of 6.91 billion US dollars, increase by 9.71%, among which China exports 4.07 billion US dollars to Thailand, increased by 5.19%, and imports 2.84 billion US dollars from Thailand, increased by16.93%.

According to Ministry of Commerce of China, China's outward FDI flow to Thailand has risen significantly in 2016, reached the value of 1120 million USD, increase by 175.0%. The graph 1 demonstrates the trend of China outward FDI flow to Thailand during the period of 2003 to 2016. The graph shows the flows of FDI fluctuated slightly in 2003 to2009 period, it was experienced a substantial surge from 50.77 million USD to 699.87 million USD in 2010, which is increased by 1275% compared with that in 2009. After 2010 China was always acting as the first or second trade partner with Thailand. However, the flows had dropped to 230.11 million USD in 2011 and began to increase gradually during 2012 to 2014. By experiencing a sharply decline in 2015, the trend reached a peak at 1120 million USD in 2016.

Figure 3.8. China's outward FDI flow to Thailand



Souece:National Bureau of Statistics of China

The history of Chinese enterprises outward FDI in Thailand can be divided into three main stages:

1. The first stage is 1975-1991, in that time China and Thailand began to establish diplomatic relations. In economic respect, there is trade and investment agreements.

China began to invest in Thailand, seeking to develop in Thailand. In the meantime, China is carrying out the reform of the economic system, and the application of international direct investment must follow the development strategy and measures of China's economic system reform, and it is only available to some large trading companies. As shown in chart one, in 1987, China first applied for investment projects through Board of Investment, but all have not been approved. In the following years, China applied for direct investment projects in the amount of 22, however only 12 got approved. In the past five years between 1987 and 1991, China has applied to Thailand for a total number of 62 direct investment projects, of which there are 41 projects got approved, and the passing rate of projects is gradually increasing. (Table 3.9)

Table 3.9 China's investment Projects Submitted to BOI(1987-1991)

Year	Net Application No.of projects	Application Approved No. of projects	Investment (Million Bath)
1987	2	0	0
1988	22	12	40.6104
1989	21	14	30.4412
1990	13	12	133.2635
1991	4	3	30.345
Total	62	41	234.6601

Source: the Board of Investment of Thailand

2. The second stage is 1992-1997, during the period not only after the Cold War, but also the Deng Xiaoping period to promote the development of economy, China was still expanding investment, but not at a great number.

Investment tends to heavy industry such as steel, and it is also popular in agriculture and agricultural products, and chemicals. During this period, there were 30 projects that achieve the approval of the Board of Investment of Thailand, at the investment amount of 204 million US dollar (see Table 3.10).The least investment year of Chinese enterprises' direct investment in Thailand is 1997, of which the investment amount is only 1.43 million US dollar, with the approval of one projects when applying for two. Because of the Asian financial crisis in 1997, leading to the result of Chinese investor reduce their investment in Thailand.

Table 3.10 China's investment Projects Submitted to BOI(1992-1997)

Year	Net Application No.of projects	Application Approved No. of projects	Investment (Million Bath)
1992	5	1	1.9685
1993	19	13	68.4174
1994	11	6	89.122
1995	2	5	7.8788
1996	6	4	35.0933
1997	2	1	1.4344
Total	45	30	203.9144

Source: the Board of Investment of Thailand

3. The third stage is start from 1998, Chinese enterprises went to invest more in Thailand, because of the government's "going out" strategy, arousing a lot of cooperation with Thailand.

Affected by the Asian financial crisis in 1997, investment projects and amount of Chinese enterprises in Thailand dropped significantly, of which investment inflows become the historical lowest level. After that, in order to attract foreign investment, Thailand' government quickly promoted the economic liberalization reform, as a result Chinese outward FDI in Thailand slowly returned to normal. China's direct investment in Thailand in 1999 jumped 782.36% compared with the year before, at the amount of $14.8 million thousand, and it is the biggest rise since 1997. In 2001, after China joined the World Trade Organization, directly driven by trade liberalization, there was a rising trend of investment to Thailand. Affected by the global economic crisis of in 2008, although there were 27 approved projects, the investment amount only 3.5 billion Bath. In 2009, Chinese investment in Thailand recovered growth momentum, reached the amount of 7 billion Baht. In 2011, there is a rapid growth of Chinese enterprises investment in Thailand, investment projects approved by the Board of Investment of Thailand reach 36 projects, with amount of

17.3 billion baht. Experienced three years of declining investment, the Chinese investment capital in Thailand dramatically grow to 38.2 billion Bath in 2014, which is two times more than those in 2010. During 2015-2017, Chinese companies invested 263 projects in Thailand, with the amount of 93.248 billion Baht within three years. (Table 3.11)

Table 3.11 China's investment Projects Submitted to BOI(1998-2017)

Year	Net Application No.of projects	Application Approved No. of projects	Investment (Billion Bath)
1998	11	2	0.0694
1999	16	7	0.5601
2000	5	17	2.5509
2001	17	12	8.6904
2002	16	7	0.3792
2003	15	11	1.3896
2004	20	20	4.4325
2005	18	15	2.2856
2006	26	16	2.4557
2007	31	26	15.8559
2008	21	27	3.4738
2009	25	15	7.0087
2010	31	28	17.3115
2011	36	36	16.9221
2012	44	38	7.901
2013	45	30	4.991
2014	74	40	38.247

2015	53	81	28.1
2016	99	107	53.777
2017	87	75	11.371
Total	690	610	227.7724

Source: the Board of Investment of Thailand

3.8 Research Strategy

This chapter explains about the research method which has been used in the research paper. This paper mainly use questionnaires as a tool to collect data and use statistical analysis to analyze the data then draw the final results. This is a quantitative study. Primary data was collected from 113 Chinese investors while secondary data was collected from previous researches. Quantitative research is a prescriptive scientific research in order to determine a certain amount of things.The well known definition taken from Aliaga and Gunderson (2000) described what we mean by quantitative research method is "Quantitative research is explaining phenomena by collecting numerical data that are analyzed using mathematically based methods (in particular statistics)". In order to explaining phenomena which is the key element of all research; collecting numerical data from the surveys or questionnaires and analyze the data is needed to complete the research. Mark Saunders (2009) indicates that any business and management research is likely to involve numerical data or contain data which can be use to answer the research questions and archive the research objective. Quantitative data refer to such data can be recognized and can be a product to all research strategy.

The researcher will set the questionnaire question and the answer that can be selected. The questionnaire is distributed to the target population and the target people responds to the question independently. Questionnaire will be sent and received by mail, website questionnaires and face to face. The research methodology is designed to include sampling strategies, data collection and data analysis as follows to answer the research objectives. The objectives of this questionnaire are: 1) To investigate the motives of the Chinese investment in Thailand; 2) To find out the Chinese investors' satisfaction level; 3) To examine the factors that impact Chinese investors'current performance in Thailand; 4) To provide Chinese investors with sustainable investment suggestion.

3.8.1 Data collection

Primary data: Primary data was collected by survey. A questionnaire, as a research instrument used in this study, was developed based on the literature review and related studies, and designed to achieve the objectives of the study. In this paper the questionnaire has been distributed collectively to 113 respondents to collect information. It was gathered through the medium of survey and at some cases through personal interview.

Secondary data: In this paper the data collected from past research works which had done by different researchers in the related areas of this paper. The ways to gather data in this section was from the journals, reports, books, conference papers, magazines and periodicals which had been issued by the government of Thailand and China especially by statistics bureau and ministry of commerce.

3.8.2 Population and sample

1. Population:

Population of this study was identified as the investor from China, who had experience in investment in Thailand.

2.Samples and sample size:

The sample from this study is investor from China, which are investing in Thailand. The author conducted a random sample survey of the above-mentioned population in Thailand.

The author will determine sample size by applying an equation proposed by Bingru Zhang. After calculation, the required sample size is 100 copies. Therefore, the sample size of this research was 100 people who are Chinese and invest in Thailand. In addition, in order to prevent errors, the author will increase the sample to 113 people.

3.8.3 Statistical Method

This paper uses statistical package for social sciences (SPSS) for the analysis because statistical tools are very important to measure the reliability test by using Cronbachs reliability test for questionnaire to check whether list of questions are accurate enough to justify the research paper. Also use Principal Component Analysis to find out the key factors that effect the development of Chinese enterprise in Thailand. Principal Component Analysis (PCA) is a dimension-reduction tool that can be used to reduce a large set of variables to a small set that still contains most of the information in the large set.

3.8.4 Survey Instruments

Researchers use questionnaires as a tool to collect data to examine and identify the factor to influenced Chinese firms' performance in Thailand. The questionnaire is divided into 5 parts, a total of 13 questions.

● **Demographic information**

Part 1.The first part of the question involves some basic information, including years of operation in Thailand,sector distribution of firms, number of employees in Thailand, company type of the present company in Thailand. The questions are close-ended questionnaire and the answer of each question is check list type. It totally have 4 questions.

Part 1. Demographic Information

1. When did your company enter into Thailand?

A. Before 1990

B. 1990--2000

C. 2000-2010

D. 2010-2018

2. What the industrial sector is your company belong to?

A.Manufacturing

B.Agriculture Products

C.Building

D.Hotel and restaurant

E.Real estate

F.Logistic and transportation

G.Electric and Electronic Products

H.Services

I.Retail

J.Other

3.How many employees in your company?

A. <50

B. 50-100

C. 100-150

D. >150

4.Type of the company in Thailand?

A. Green-field investment

B. Joint Venture

C. Merger&Acuisition

D. Others(please specify)

A. Satisfaction Level of Chinese Investors toward FDI in Thailand

In this section the researcher asked questions based on satisfaction level of Chinese Investors toward FDI in Thailand. The questions are based on Likert scale in which each respondents was required to rate the question on the scale of 1 to 5. The total numbers of questions are 4 in this section.

5.Has your company achieve the business goal?

A.Strongly disagree =1

B.Disagree=2

C.Neutral = 3

D.Agree=4

E.Strongly agree=5

6. Do you satisfy the performance of your company in Thailand?

A.Not satisfy

B.satisfy

7.Do you want to invest in Thailand continuously?

A.Yes

B.No

8.What the expectation for your company in Thailand in the future?

A.Very Optimistic

B.Few optimistic

C.Some pessimistic

D.Totally pessimistic

E.Not clear

C.Motives and Firm-Specific Advantages of Chinese Enterpeise in Thailand

In this section the researcher asked questions based on the motives for investing in Thailand, the firm-specific advantages of Chinese company in Thailand, factors leading to success of business in Thailand. The questions are based on likert scale in which each respondents was required to rate the question on the scale of 1 to 5. The total numbers of questions are 3 in this section.

9. What kind of factors that attract your company to invest in Thailand?

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content:	1	2	3	4	5
A.Market seeking.					
B.Increase market share.					
C.Enjoy a lower cost structure					
D.Seek low-cost or specialized labor.					
E.Preferential policies for investment in Thailand					
F.Fierce competition in the Chinese market.					
G.Risk spreading					

10.What kind of advantages do you think Chinese enterprises have in Thailand?

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content：	1	2	3	4	5
A.Cost advantage.					
B.Quality advantage.					
C.A better marketing strategy					
D.Advantages of commodity design and development.					
E.Capital advantage					
F.Talent advantage					

11.What kind of main resons that make your company achieve success in Thailand?

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content：	1	2	3	4	5
A.Adapt to market change and handle flexibly					
B.Good planning and correct market information					
C.Have a good partnership with Thai partners					
D.Have a business advantage over rivals of the same industry					
E.Seize the opportunity to enter the market					

D. Difficulties and risk faced by Chinese enterprises in Thailand

In this section the researcher asked questions based on the difficulties and risk faced by Chinese enterprises in Thailand. The questions are based on likert scale in which each respondents was required to rate the question on the scale of 1 to 5. The total numbers of questions are 2 in this section.

12.What internal factors will hinder your company's development in Thailand?

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content：	1	2	3	4	5
A.Lack of management experience and management talents for overseas management.					
B.Lack of strong business method.					
C.Lack of understanding of the target market					
D.Lack of knowledge of local laws.					
E.Lack of products suitable for Thailand market demand					
F.Lack of foreign language workers.					
G.Lack of money					

13. What kind of risks does your company faces in Thailand?

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content：	1	2	3	4	5
A. Exchange rate fluctuation.					

B.Fierce competition in the same industry.					
C.Restrictions on labor force					
D.Received legal restrictions from the local government.					
E.The local political environment is unstable					
F.The attitude of local government service is bad.					
G.Differences in language and Culture					
H.Local consumers are not familiar with Chinese brands.					
I.Local workers are inefficient					
J.Others(please specify)					

E.Suggestions and countermeasures

In this section the researcher asked questions based on what kind of policy countermeasures does Chinese company want to get from the Thailand government. The questions are based on likert scale in which each respondents was required to rate the question on the scale of 1 to 5.

14. What kind of policy countermeasures do you want to get from the Thailand government?

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content：	1	2	3	4	5
A.Simplify the procedures, and provide conveniences for the foreign invstors.					
B.Providing better protection of					

intellectual property rights.					
C.Offer attractive FDI incentive.					
D.Developing various forms of economic and trade activities to provide a platform for foreign investment and cooperation of enterprises.					
E.Providing legal and financial consultation services for foreign enterprises					
F.Better safeguard the welfare of foreign employees.					
G.Others(please specify)					

Chapter IV Research Finding and Data Analysis

This chapter mainly shows the results of data analysis, in order to further complete the research objectives. It is mainly divided into two parts. The first part is descriptive statistical analysis. The second part is about the research on the influencing factors of satisfaction, and the analysis of factors affecting the development of Chinese enterprises in Thailand, which is mainly based on the Pearson correlation analysis.

4.1 The Analysis of Demographic Data of Samples

1. When did your company enter into Thailand?

Time period	Frequency	Percentage
Before 1990	22	19.47%
2010~2018	47	41.59%
1990~2000	16	14.16%
2000~2010	28	24.78%
Totally	113	

Regarding to this chart, we can see that the amount of Chinese companies doing business in Thailand experienced a steady increase in the past 30 years. The majority of these companies are "new player" in Thai market--- investing in Thailand less than 10 years, accounting for 41.59%. Followed by group of year 2000~2010, about 24.78%. Rationally it can be explained that combined with Chinese head to WTO and development of globalization in the first decade of 21 century, the increase rate went up sharply. In the period of post-2010, thanks for the "One Belt One Road", the amount of Chinese companies increased considerably.

2.What the industrial sector your company belong to?

Industrial sector	Frequency	Percentage
Manufacture	45	39.82%
Agriculture and mining	17	15.04 %
Building	15	13.27%
Hotel and restaurant	8	7.08%
Real estate	7	6.19%
Logistic and transportation	7	6.19%
Post and telecommunication	1	0.88%
Culture and communication	6	5.31%
Retail	1	0.88%
Other	6	5.31%
Totally	113	

From the chart upon summarized that almost 40% of the interviewee constituted by manufacture sector, the second largest portion is agriculture and mining around 15%, followed by building sector, standing at 13.27%. It is obvious that the top three sectors occupied a significant portion of total observation sample (around 70%). The "Tier II" composed by hotel and restaurant, real estate, logistic and transportation, culture and communication and others, each have 5%~10% shares of total observations. While retail sector and post & telecommunication are insignificant sector.

3.How many employees in your company?

Amount	Frequency	Percentage
≤ 50 people	26	23.01%
50-100 people	56	49.56%

100-150 people	15	13.27%
150 ≥	16	14.16%
total	113	

The result demonstrates that half of companies' employees constituted at 50-100 people, while 23.01% of companies just have staffs which less than 50. The employees in the group of 100-150 and 150 ≥ are standing at 13.27% and 14.16 respectively.

4. What the way do you investment in Thailand ?

Type of Investment	frequency	Percentage
Green field investment	58	51.33%
Joint venture	21	18.58%
M&A	15	13.27%
Others	19	16.81%
Total	113	

The questionnaires specified four categories of investment once Chinese companies invested in Thailand. The most frequent way is Green field investment (51.33%), followed by joint venture (13.27%), rest of the portion constitute 14.16%.

5. **Does your company reach the expected objectives you set up before?**

Selection	Frequency	percentage
All objectives achieved	16	14.16%
Most objectives achieved	56	49.56%
Few of	10	8.85%
No any achievement	14	12.39%
Not clear	17	15.04%

Total	113	

The chart illustrates the achievement of Chinese company in Thailand in terms of numbers of expected objective they set up before. The significant portion is located in the group of "most objectives achieved", 49.56%, even though there are existing 15.04% people cannot define if their objectives have been achieved. It should be noted that there are 12.39% failed to reach any objective.

6. Do you satisfy the performance of your company in Thailand

Choices	Frequency	percentage
Not satisfy	20	17.7%
satisfy	93	82.3%
total	113	

The sixth question wants to examine the satisfaction of the representatives regarding to their Chinese companies' performance. More than 80% of them feel satisfaction on their company's performance in Thailand while 17.7% of companies do not satisfy with their companies' performance.

7.Do you want to invest in Thailand continuously?

Choices	Frequency	Percentage
Yes	103	91.15%
No	10	8.85%
Total	113	

The statistics showed that more than 91 percent of company will invest in Thailand continuously while just 10 companies said they will not invest in Thailand anymore.

8.What the expectation for your company in Thailand in the future

Expectation	Frequency	Percentage
Very Optimistic	47	41.59%
Few optimistic	35	30.97%
Some pessimistic	22	19.47%
Totally pessimistic	4	3.54%
Not clear	5	4.42%
Totally	113	

The expectation survey concluded that 70% of observations show an optimistic sign (both very optimistic and some optimistic), whereas 20% of observation put a pessimistic view on the future development. Rest of the portion is the reply with ambiguous expectation.

9. Which factors are important determinants for pulling Chinese investment, the score depend on the reality.

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content	1	2	3	4	5	Average score
Potential Market	6(5.31%)	2(1.77%)	34(30.09%)	56(49.56%)	15(13.27%)	3.64
Market expansion	0	18(15.93%)	2(1.77%)	50(44.25%)	43(38.05%)	4.04
Reduce cost of raw material and	11(9.73%)	2(1.77%)	23(20.35%)	56(49.56%)	21(18.58%)	3.65

resource						
Reduce labor cost	6(5.31%)	18(15.93%)	21(18.58%)	59(52.21%)	9(7.96%)	3.42
Favorable policy	3(2.65%)	12(10.62%)	18(15.93%)	60(53.1%)	20(17.7%)	3.73
High competition in China	12(10.62%)	11(9.73%)	10(8.85%)	58(51.33%)	22(19.47%)	3.59
Risk diversification	15(13.27%)	7(6.19%)	0(0%)	60(53.1%)	31(27.43%)	3.75

Considering the scores for each factor, the highest score is (4.04) for market expansion, followed by risk diversification (3.75). However, there also 13.27% of people against that the risk diversification is not important which accounts for the largest disagreement in the survey. Reduce labor cost is the lowest score (3.42) during the factors. In general, each average score greater than 3, meaning that each factor is seen to be important for most of Chinese company.

10. What kind of competitive advantages do you think Chinese enterprises invest in Thailand?

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content	1	2	3	4	5	Average score
Cost advantage.	8(7.08%)	10(8.85%)	10(8.85%)	70(61.95%)	15(13.27%)	3.71

Quality advantage.	0(0%)	18(15.93%)	9(7.96%)	53(46.9%)	33(29.2%)	3.89
A better marketing strategy	14(12.39%)	3(2.65%)	23(20.35%)	57(50.44%)	16(14.16%)	3.51
Advantages of commodity design	6(5.31%)	19(16.81%)	18(15.93%)	57(50.44%)	13(11.5%)	3.46
Capital advantage	6(5.31%)	12(10.62%)	10(8.85%)	60(53.1%)	25(22.12%)	3.76
Talent advantage	8(7.08%)	11(9.73%)	14(12.39%)	53(46.9%)	27(23.89%)	3.65

The above table show that firm-specific advantages of Chinese enterprise in Thailand. Firm-specific advantages (FSA) refer to the advantages derived from specific assets and capabilities which allow it to outperform its competitors.The reply mainly focused on "Quality advantage" with 3.89 scores, the follows by “Capital advantage”with 3.76 scores and “Cost advantage” with 3.71 scores.

11.What are the main factors that make your company successful in Thailand? (1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content	1	2	3	4	5	Average score
Adapt to market change and handle flexibly	5(4.42%)	11(9.73%)	15(13.27%)	58(51.33%)	24(21.24%)	3.75
Good planning and correct market information	5(4.42%)	11(9.73%)	10(8.85%)	59(52.21%)	28(24.78%)	3.83
Have a good partnership with Thai partners	10(8.85%)	11(9.73%)	19(16.81%)	58(51.33%)	15(13.27%)	3.5
Have a business advantage over rivals of the same industry	15(13.27%)	14(12.39%)	19(16.81%)	47(41.59%)	18(15.93%)	3.35
.Seize the opportunity to enter the market	11(9.73%)	6(5.31%)	7(6.19%)	61(53.98%)	28(24.78%)	3.79

The above table show that main factors that make Chinese enterprise get success in Thailand. The reply mainly focused on "Good planning and correct market information" with 3.85 scores, the follows by “Seize the opportunity to enter the market”with 3.79 scores and “Adapt to market change and handle flexibly” with 3.75 scores.

12.What internal factors will hinder your company's development in Thailand? (1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important

Survey content	1	2	3	4	5	Average score
A.Lack of strong business method.	7(6.19%)	7(6.19%)	20(17.7%)	62(54.87%)	17(15.04%)	3.66
B.Lack of management experience.	0(0%)	15(13.27%)	10(8.85%)	48(42.48%)	40(35.4%)	4
C.Lack of understanding of the target market	19(16.81%)	7(6.19%)	19(16.81%)	53(46.9%)	15(13.27%)	3.34
D.Lack of knowledge of local laws.	12(10.62%)	28(24.78%)	6(5.31%)	57(50.44%)	10(8.85%)	3.22
E.Lack of products suitable for Thailand market demand	7(6.19%)	14(12.39%)	11(9.73%)	51(45.13%)	30(26.55%)	3.73
F.Lack of foreign language workers.	14(12.39%)	15(13.27%)	5(4.42%)	58(51.33%)	21(18.58%)	3.5
G.Lack of money	21(18.58%)	9(7.96%)	3(2.65%)	43(38.05%)	37(32.74%)	3.58

The above table show that internal factors will hinder Chinese company's development in Thailand. The reply mainly focused on "Lack of management experience." with 4.0 scores, the follows by “Lack of products suitable for Thailand market demand.”with 3.73scores.

13. What kind of risks does your company faces in Thailand?
(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content	1	2	3	4	5	Average score
A. Exchange rate fluctuation.	7(6.19%)	16(14.16%)	19(16.81%)	59(52.21%)	12(10.62%)	3.47
B.Fierce competition in the same industry	5(4.42%)	24(21.24%)	15(13.27%)	35(30.97%)	34(30.09%)	3.61
C.Political instability	17(15.04%)	10(8.85%)	22(19.47%)	46(40.71%)	18(15.93%)	3.34
D.Differences in language and Culture	14(12.39%)	29(25.66%)	18(15.93%)	46(40.71%)	6(5.31%)	3.01
E.Restrictions on foreign investments	6(5.31%)	26(23.01%)	14(12.39%)	45(39.82%)	22(19.47%)	3.45
F.Low education level of labor force	24(21.24%)	14(12.39%)	13(11.5%)	49(43.36%)	13(11.5%)	3.12
G.Low work efficiency of government	30(26.55%)	6(5.31%)	13(11.5%)	23(20.35%)	41(36.28%)	3.35

The above table show that internal factors will hinder Chinese company's development in Thailand. The reply mainly focused on "Fierce competition in the same industry." with 3.61 scores, the follows by “Exchange rate fluctuation.”with 3.47 scores.Currency exchange rate risk is a financial risk posed by an exposure to unanticipated changes in the exchange rate between two currencies. The exchange rate between currencies fluctuates over time, and can lead to unexpected gains or losses. Investors can reduce currency risk by using hedges and other techniques designed to offset any currency-related gains or losses.

14. What kind of policy countermeasures do you want to get from the Thailand government?

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content	Frequency	Percentage
A.Simplify the procedures, and provide conveniences for the foreign invstors.	54	47.79%
B.Providing better protection of intellectual property rights.	50	44.25%
C.Providing better information services for foreign enterprises	74	65.49%
D.Developing various forms of trade activities to provide a platform for cooperation of foreign enterprises.	47	41.59%
E.Providing legal and financial consultation services for foreign enterprises	39	34.51%
F.Better safeguard the welfare of foreign employees.	4	3.54%
G.Others(please specify)	18	15.93%
Totally	113	

The majority of respondents are "Providing better information services for foreign enterprises " which equal to 74 respondents (65.49%), followed by "Simplify the procedures, and provide conveniences for the foreign invstors" in others 54 (47.49%), while "Providing better protection of intellectual property rights" with 57 (14.8%). It can be seen that most of Chinese enterprise hope to get help in "Providing better information services for foreign enterprises" and "Simplify the procedures, and provide conveniences for the foreign invstors" from the Thaigovernment.

4.2 Factor and Principal Component Analyses

Principal Component Analysis (PCA) is a dimension-reduction tool that can be used to reduce a large set of variables to a small set that still contains most of the information in the large set. It is a mathematical procedure that transforms a number of (possibly) correlated variables into a (smaller) number of uncorrelated variables called principal components. The first principal component accounts for as much of the variability in the data as possible, and each succeeding component accounts for as much of the remaining variability as possible.

In order to make our research more in-depth, this paper use variable clustering method to categorize the questionnaire options, which are divided into 4 categories, including the basic information Chinese enterprises in Thailand (including its year of operation, industry sector, number of employees, entry model),investment motivations and advantage, satisfaction level, investment risks and difficulties. According to the survey data of principal component analysis to find out the main driving factors of Chinese enterprises entry Thailand, the main risk and difficulties influence the development of Chinese enterprises, and analyze the possible link between and among.

Table 4.1 Survey content and Index Classification

Topic	Index
Essential information of	Year of operation

Chinese enterprise	Industrial sector
	No. Of employees
	Entry model
Investment motivations and advantage	Market seeking
	Increase market share
	Enjoy a lower cost structure
	Seek low-cost or specialized labor
	Preferential policies for investment in Thailand
	Fierce competition in the Chinese market.
	Risk spreading
	Cost advantage.
	Quality advantage.
	A better marketing strategy
	Advantages of product design
	Capital advantage
	Talent advantage
Satisfaction level	Satisfaction level
	Expectation
Investment risks and difficulties	Lack of management experience and talents for overseas company.
	Lack of strong business method.
	Lack of understanding of the target market
	Lack of knowledge of local laws.
	Lack of products suitable for Thailand market demand
	Lack of foreign language workers.
	Lack of money
	Exchange rate fluctuation.
	Fierce competition in the same industry

	Political instability
	Differences in language and Culture
	Restrictions on foreign investments
	Low education level of labor force
	Low work efficiency of government
	Exchange rate fluctuation.

Data analysis:

According to the standard layer division of Table 4.1, the principal component analysis aim to find out the motives of Chinese enterprise toward FDI in Thailand and the predicament that Chinese enterprises are facing in Thailand.

Figure 4.2 Scree plot of the motives of Chinese enterprise

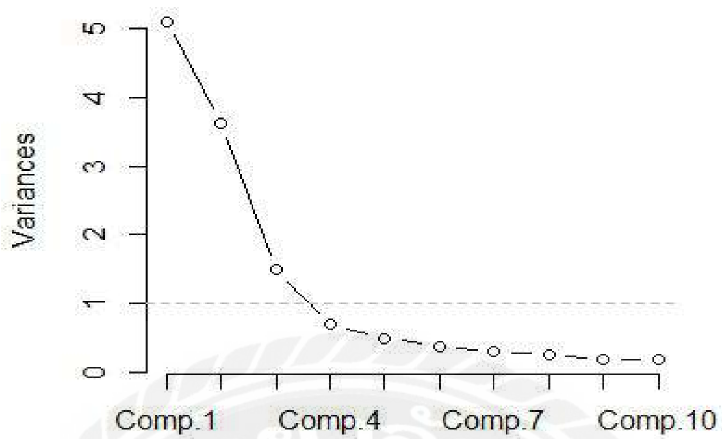


Table 4.3: Principal component analysis result of the motives of Chinese enterprise

Variable	PC1	PC2	PC3	h2	u2
Market seeking	0.70	0.00	0.48	0.72	0.28
Increase market share	0.42	0.08	0.74	0.73	0.27
Enjoy a lower cost structure	0.85	0.11	0.32	0.83	0.17
Seek low-cost or specialized labor	0.84	0.00	0.19	0.75	0.25
Preferential policies for investment in Thailand	0.89	0.09	-0.08	0.80	0.20
Fierce competition in the Chinese market	0.91	0.09	-0.17	0.86	0.14
Risk spreading	0.87	0.03	0.01	0.76	0.24
Cost advantage.	-0.22	0.83	0.31	0.84	0.16
Quality advantage.	-0.20	0.81	0.29	0.79	0.21
A better marketing strategy	0.14	0.91	-0.04	0.85	0.15
Advantages of product design	0.15	0.81	-0.10	0.68	0.32
Capital advantage	0.32	0.67	-0.47	0.77	0.23
Talent advantage	0.26	0.74	-0.47	0.84	0.16

The principal component analysis of the motives of Chinese enterprise entering Thailand is shown in Figure 4.2. In this section, we have 13 wariances show as Table 4.3.Generally, in PCA, we only uptake those components whose variances are above 1 and above the inflection point. As shown in Fig. 4.2, three principal components should be selected for the principal component analysis of the motives of Chinese enterprises entering into Thailand. The results of the principal components analysis (see Table 4.3), it show that the main motives of Chinese enterprises invest in Thailand is to reduce the investment risk by reducing the cost and reducing the competition. The second motives are that Chinese enterprises have the advantages of marketing, commodity quality and design, thus entering Thailand. The third motives is in oder to increase market share and seeking market Chinese enterprise choose to invest in Thailand, although the capital and talent of the enterprises themselves are not outstanding. Totally explained 79% by just using the first three components..

Figure 4.4 Scree plot of the hindrance factors of Chinese enterprise

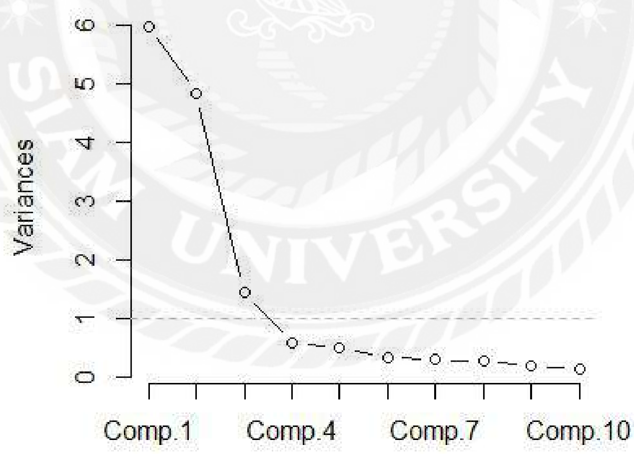


Table 4.5 Principal component analysis of the hindrance factors of Chinese enterprise

Variable	PC1	PC2	PC3	h2	u2	com
Lack of management experience and talents for overseas company.	-0.04	0.33	0.84	0.81	0.19	1.30
Lack of strong business method.	-0.17	0.41	0.72	0.72	0.28	1.71

Lack of understanding of the target market	0.04	0.82	0.47	0.89	0.11	1.61
Lack of knowledge of local laws.	0.10	0.67	0.48	0.70	0.30	1.87
Lack of products suitable for Thailand market demand	0.05	0.94	0.03	0.89	0.11	1.01
Lack of foreign language workers.	0.09	0.92	0.13	0.86	0.14	1.06
Lack of money	0.07	0.91	0.21	0.88	0.12	1.12
Exchange rate fluctuation	0.64	-0.44	0.46	0.81	0.19	2.64
Fierce competition in the same industry	0.80	0.25	0.07	0.71	0.29	1.21
Political instability	0.86	-0.16	0.27	0.85	0.15	1.27
Differences in language and Culture	0.87	0.07	-0.10	0.77	0.23	1.04
Restrictions on foreign investments	0.91	0.22	-0.09	0.89	0.11	1.13
Low education level of labor force	0.95	0.07	-0.13	0.92	0.08	1.05
Low work efficiency of government	0.95	0.00	0.04	0.90	0.10	1.00
Exchange rate fluctuation.	0.79	-0.01	-0.17	0.64	0.36	1.09

The principal component analysis of the predicament that Chinese enterprises are facing in Thailand is shown in Figure 4.4. In this section, we have 15 wariances show as Table 4.5. The first three main components are selected to be analyzed. The results of the three three main components, as shown as Table 4.5, show that the first main predicament facing by Chinese enterprises in Thailand is the local environment, including the difficulties in brand promotion, the poor local government service and fierce competition in the same industry, and the second main components mainly indicate that Chinese capital enterprises are in the market. The second predicament Thailand is lack of products suitable for Thailand market demand and the lack of foreign language talents. The third predicament are lack of management experience and management talents in foreign country. The overall interpretation of the above three principal components is 82%.

Chapter V Conclusion

5.1 Conclusion

Through the analysis of the data, this article solves the research problem, and further reaches the purpose of the study, so that the significance of research is more valuable. The data of motives of Chinese investors in Thailand and the hindrance factors of Chinese enterprise was collected in this study. Though many researchers believed that China's firms conduct outward FDI to seek for natural resources, but, in the feedback of survey, this study found that lower cost structure and market seek had positive and significant correlation with Chinese FDI in Thailand. There are several reasons may explain why this two factors significantly influence on Chinese FDI. Markt-seeking and lower cost structure is the major investment motivation of these 113 Chinese firms; the internal motivation push Chinese firms go out to seek investment opportunities. Southeast Asia is a very important strategic target for Chinese firms. Comparing with other ASEAN countries, Thailand has much more comparative advantages in many aspects: lower setup costs, low labor cost,reasonable taxation, and huge marek potential,etc. Absolutely Thailand is the priority for Chinese firms to invest rather than other countries.

Meanwhile, the influence factors of restrictions on labor force, fierce competition, lack of management experience have negative effect on Chinese direct investment in Thailand. In order to protect Thai labor force, BOI regulates that all BOI promoted projects or firms are not allowed to hire foreign labor force from Myanmar, Laos, Cambodians, and so forth. This problem has decelerated desires of foreign investors to expand their investment in Thailand. Among thoes 113 enterprise, many of them may be expertise in export, but most of them have no or less experience on oversea management. Because of high risks and uncertainties, FDI is much more complex and difficult than purely export. Some of them may have not recognized the importance of each aspect of the management that will have an impact on their investment in the long run.

5.2 Recommendation

5.2.1 Countermeasures and suggestions for Thai government

(1) Maintain and create good relationship with Chinese firms or related associations in Thailand. If BOI can maintain and build a good relationship with Chinese firms in Thailand, utilizing the "word-of-mouth" marketing strategy, these existing Chinese firms will be the intermediaries and presenters to bring more Chinese firms to invest in Thailand, who maybe their friends' firms or their suppliers. This is the easiest way to let more Chinese firms to access investment information about Thailand efficiently and effectively. Simultaneously, BOI can get a good connection with the commerce association of Chinese enterprises in Thailand; hundreds of Chinese enterprises are the member in this association. From this association, BOI can easily access to other non-BOI Chinese firms and have good communication with them. It is a good way to keep good relationship or communication with most influential Chinese firms in Thailand, and help more Chinese companies to know and update more new FDI incentives of BOI, not only help more Chinese firms to develop in China, but also help BOI have chances to attract more Chinese FDI.

(2) BOI can launch more advertising campaigns to promote Thailand as an ideal investment destination. Under some special events, BOI can get cooperation with Tourism Authority of Thailand's offices in China to do co-marketing not only to promote Thailand's amazing tourism but also to offer the favorable investment opportunities. At the same time, all the Thailand FDI in China can help BOI to promote investment opportunities in Thailand, all of these Thai firms can help to build good relationship with Chinese government, organizations, and many Chinese companies.

(3) Offer attractive FDI incentive. Many non-BOI enterprises can't enjoy any FDI privileges or incentives, these firms perceived they were treated by Thai government unfairly and discriminately, BOI of Thailand should give some basic FDI incentives or privileges to many of non-BOI enterprises in Thailand, How much the privileges and incentives can provide to them should depend on how much benefits or welfares of these projects and industries can bring to Thailand. As many limitations, not all the Chinese FDI can get BOI's approvals, but many of these FDI players in Thailand can contribute a lot for the development of Thailand. They are deserved to enjoy some FDI incentives which may not as much as BOI promoted projects or firms have, but at least can enjoy some basic FDI incentives.

(4) Relax some labor regulations. Regulations about labor issues are the biggest problem for production-based Chinese firms, especially in the industrial park, such as: Rayong province and Chonburi province. As the high concentration of factories from foreign countries and the inefficiency of the labor force, many factories can't find enough labor force to maximize their production capacity. At the same time, the high turnover rate of labor force also seriously affected the daily production outcome.

In order to protect Thai labor force, BOI regulates that all BOI promoted projects or firms are not allowed to hire foreign labor force from Myanmar, Laos, Cambodians, and so forth. This problem has decelerated desires of foreign investors to expand their investment in Thailand. BOI can consider to partly opening some legal foreign labor force from neighboring countries to fulfill the tasks of production level. Proper competition can lead local labor forces to improve themselves' education and skill level.

(5) Relax some immigration rules and regulations. From the comments of many Chinese investors, the researchers realized that many companies complained that the 4:1employment ratio between foreign and local labors is largely limited the development of many Chinese firms in Thailand, particularly, Hi-tech industry and the startup stage of production-based factories seriously affected by the quota

limitation to bring people from parent company. The different quota limitations should be applied in different industries with different organization structure.

(6) Improve education system and quality. Education is one of the most important soft infrastructures can support the development of one country. As the serious shortage of skilled technicians and engineers in highskill level in Thailand, Thai government should focus on the development of universities and vocational schools, providing more opportunities for Thai students to gethigher level education. Particularly, Thai government should put more efforts to develop the education facilities in the up countries both in lower level and high level education. Most of good schools are highly concentrated in Bangkok, but there are limited chances for most students in the up countries to get good quality education. At the same time, many factories are concentrated in up countries, which provide good job opportunities for local people but also caused big problem for the investors as the shortage of labor force both in high and low level in the up countries.

5.2.2 Countermeasures and suggestions for Chinese enterprises in Thailand

(1)Improve the Modern Enterprise System

Chinese multinational enterprises should change operating mechanism, enhance the core competitiveness of enterprises, diversification of investment, establishment of efficient decision-making system, implementation of effective incentive and restraint mechanisms, establishment of excellent manager team. Many Chinese firms should have clear division of work and job description. Thus, firm need to setup a clear reporting system and integrated management information channel. It requires the long-term united efforts of leaders in a strategic hierarchical level and high organizational maturity.

(2)Seeking Differential Advantage, and Enhance the Enterprises Competitiveness

Differential advantage is a competitive advantage in the international market, this advantage may be technology advantage, research and innovation strengths, and it also be organized and managed technical advantages, and marketing management advantages and so on.

(3)Research and Development Localization of Products

Chinese enterprises should research and develop localized brand, not only to create an international brand, but also to make the brand "localization" in multinational operations. Chinese enterprises can learn from the successful experience of Japanese enterprise, put on new product research and development in the first place, to cultivate brand of Chinese enterprises, to develop local consumers identify core products of Chinese enterprises, on the basis of further open up new business and expand market share.

(4)Innovation

Although some Chinese firms have laid their attention on innovation, where Chinese firms still have a lot of catching up to do in general is in making adjustments based on customer feedback after a product hits the market, bringing a new product to market rapidly and improving its quality. Though many firms have very limited innovative capability, they still can access innovative technology via spillovers from academic, publicly funded research and other open R&D sources.

(5)Technological resource

Joint venture or M&A can helpChinese firm to access the limited physical like land or sourcing/distribution channel. However partner up with local business partner should help firm to achieve the goal with less risk. Chinese firm need to understand the value and importance of intellectual property in overseas market. Meanwhile, Chinese firm need to improve the ability in generating patents and the ability to translate patents into economic value.

(6)Attach importance to the introduction and cultivation of talents

Talents are the foundation of enterprises. The development and expansion of enterprises can not be separated from talents, and the problem of talents is the short board of China's foreign direct investment enterprises. China's foreign direct investment enterprises should establish a reasonable human resource management and incentive mechanism, attach importance to the introduction and cultivation of international talents, and create the necessary conditions for the growth and development of talents. Specifically, for the employees, it is possible to establish an international platform for talent development, to train employees to manage and foreign investment, to improve their business ability and comprehensive quality, to cultivate a group of special professional investment talents who know the host country's politics, economy, law and culture. The incentive mechanism for the two aspects of material and spirit of the employees will provide impetus for them to improve their quality and actively participate in the construction of enterprises. In addition, the talents who are short of enterprises can attract and recruit by many ways, such as profit sharing, enterprise culture, and so on, and introduce high-end talents with international vision and innovative ideas to cultivate their sense of ownership and teamwork spirit, and enhance the cohesion of the enterprise.

(7)The brand image of Chinese Enterprises

China's overall image is very important for the overseas operation of enterprises. In order to establish a valuable global brand, first of all, we should overcome the negative impression of foreigners on China. It needs to be publicized by the central government and the local governments at all levels. It is not enough to have a brand name, or to invest in the media. The construction and management of the brand is a continuous and circular process. Only through the continuous experience of the product or service can the user continuously strengthen the recognition of the brand. It is necessary to set up representative offices in internationally famous big cities for marketing and regular marketing in internationally renowned media.

5.3 Limitation of the Study

Although this study may provide insight into the motives and the hindrance factors of the development of Chinese enterprise in Thailand, it has many limitations. First, this study employed a survey over a short period of time. So this study does not fully explore the paths within the firms' growth history in Thailand. The firms'past behavior may present guide and constrain to its future behavior and other firms can take the experience as reference.

The second limitation is in regard to respondents. Although all respondents were Chinese investors, thus the collected data are therefore believed to be accurate, but the feedback rate is low. Many researcher counter similar issues when they investigate Chinese oversea investment. The research in the characteristic of firms which do not reply the survey may help to have a complete understanding of China's outward FDI.

5.4 Future research

In this paper the researchers have provided a systematic analysis of the motives and the hindrance factors of the development of Chinese enterprise in Thailand, using both primary data and secondary data. This paper will be helpful to study and further strengthen the relationship between China and Thailand, deepening economic and trade cooperation between China and Thailand in the field of economy and trade,achieve mutual benefit and win-win situation. For Chinese enterprise, giving some suggestions on how to invested in Thailand. However, the number of Chinese investors included in the sample we used is smal, it has many limitations. Thus, the first direction of research is to expand the sample size. A second direction of further research is to consider the impact of other potential factors that could have an impact on China's outward FDI from instructional based view.

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APPENDIX

Research Questionnaire

Appendix: Questionnaire (English)Direction:

This questionnaire will be used for a Independent study by a graduate student of Master of Administration Business, International Program at Siam University. It is a part of plan B “Master Degree Independent study ” in order to examine and identify the factors that impact Chinese investors’ choice in Thailand.

The questionnaire is composed of 5 parts: basic background; satisfaction level of Chinese Investors in Thailand, motives and Firm’s advantages of Chinese enterprise in Thailand, difficulties and risk faced by Chinese enterprises in Thailand,suggestions and countermeasures.

A. Demographic Information

1. When did your company enter into Thailand?

A. Before 1990
B. 1990--2000
C. 2000-2010
D. 2010-2018

2. What the industrial sector is your company belong to?

A.Manufacturing
B.Agriculture Products
C.Building
D.Hotel and restaurant
E.Real estate
F.Logistic and transportation
G.Electric and Electronic Products
H.Services
I.Retail
J.Other (please specify)

3.How many employees in your company?

A. <50
B. 50-100

C. 100-150
D. >150

4.Type of the company in Thailand?
A. Green-field investment
B. Joint Venture
C. Merger&Acuisition
D. Others(please specify)

B. Satisfaction Level of Chinese Investors toward FDI in Thailand

5.Has your company achieve the business goal?
A.Strongly disagree
B.Disagree
C.Neutral =
D.Agree
E.Strongly agree

6.Do you satisfy the performance of your company in Thailand?
A.Not satisfy
B.satisfy

7.Do you want to invest in Thailand continuously?
A.Yes
B.No

8.What are the expectation for your company in Thailand in the future?
A.Very Optimistic
B.Few optimistic
C.Some pessimistic
D.Totally pessimistic
E.Not clear

C. Motives and Firm-Specific Advantages of Chinese Enterpeise in Thailand
(Instructions: Please tick (√) for the answers which are mostly related to your opinions)

9.What kind of factors that attract your company invest in Thailand?
(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content：	1	2	3	4	5
A.Market seeking.					
B.Increase market share.					

C.Enjoy a lower cost structure					
D.Seek low-cost or specialized labor.					
E.Preferential policies for investment in Thailand					
F.Fierce competition in the Chinese market.					
G.Risk spreading					

10. What kind of advantages do you think Chinese enterprises have in Thailand? (1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content：	1	2	3	4	5
A.Cost advantage.					
B.Quality advantage.					
C.A better marketing strategy					
D.Advantages of commodity design					
E.Capital advantage					
F.Talent advantage					

11.What are the main factors that make your company achieve success in Thailand?
(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content：	1	2	3	4	5
A.Adapt to market change and handle flexibly					
B.Good market strategy and correct market information					
C.Have a good partnership with Thai partners					
D.Have a marketing advantage over rivals of the same industry					
E.Seize the opportunity to enter Thai market					

D. Difficulties and risk faced by Chinese enterprises in Thailand

(Instructions: Please tick (√) for the answers which are mostly related to your opinions)

12.What are the internal factors will hinder your company's development in Thailand?

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content：	1	2	3	4	5
A.Lack of management experience and talents for overseas management.					
B.Lack of strong business method.					
C.Lack of understanding of the target market					
D.Lack of knowledge of local laws.					
E.Lack of products suitable for Thailand market demand					
F.Lack of foreign language workers					
G.Lack of money					

13. What kind of risks does your company faces in Thailand?

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content：	1	2	3	4	5
A. Exchange rate fluctuation.					
B.Fierce competition in the same industry.					
C.Providing better information services for foreign enterprises					
D.Received legal restrictions from the local government.					
E.The local political environment is unstable					
F.The attitude of local government service is bad.					
G.Cultural differences make business hard to continue on.					
H.Local consumers are not familiar with Chinese brands.					
I.Local workers are inefficient					
J.Others(please specify)					

E. Suggestions and countermeasures

(Instructions: Please tick (√) for the answers which are mostly related to your opinions)

14. What kind of policy countermeasures do you want to get from the Thailand government?

(1 = Strongly Unimportant, 2 = Unimportant, 3 = Moderate, 4 = Rather Important, 5 = Strongly Important)

Survey content：	1	2	3	4	5
A.Simplify the procedures, and provide conveniences for the foreign invstors.					
B.Providing better protection of intellectual property rights.					
C.Providing better information services for foreign enterprises					
D.Developing various forms of trade activities to provide a platform for cooperation of foreign enterprises.					
E.Providing legal and financial consultation services for foreign enterprises					
F.Better safeguard the welfare of foreign employees.					
G.Others(please specify)					