

A COMPARATIVE STUDY OF JAPANESE
AND AMERICAN FDI IN THAILAND

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ABSTRAK

Tujuan kertas ini adalah untuk menilai secara perbandingan penentu utama pelaburan asing langsung (FDI) Jepun dan Amerika Syarikat di Thailand dalam tempoh 1970-2000. Dalam analisis ini penentu FDI jangka pendek dan jangka panjang dianggarkan. Keputusan pengaggaran menunjukkan bahawa dalam jangka pendek dan jangka panjang FDI Jepun didorong oleh faktor-faktor perdagangan dan kenaikan nilai yen. Manakala FDI Amerika Syarikat didorong oleh faktor pasaran, khususnya tahap pendapatan rakyat Thailand. Keputusan ini membawa kita kepada kesimpulan bahawa FDI Jepun adalah berorientasikan perdagangan, manakala FDI Amerika Syarikat beorientasikan pasaran.

ABSTRACT

The intention of this paper is to comparatively assess the determinants of Japanese and American FDI in Thailand during 1970-2000. In this analysis, the short- and long-term determinants of both FDI are estimated. Estimation results reveal that, in the short and the long run, Japanese FDI is found to be driven by trade factors and the yen appreciation. While the American FDI is driven by market factor, specifically the income level of Thai people. These findings lead us to conclude that Japanese FDI is trade-oriented, whereas the American FDI is market-seeking-oriented.

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I retain entire responsibility for all remaining errors in this research.

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Chapter 1

Introduction

For developing countries, in general, foreign capital is a necessity. Most of them do not have adequate domestic saving because their populations have low incomes and their savings are also at a low level. Foreign direct investment (FDI) can serve not only as an important source of capital funds to fill the developing countries savings gap, but it can also be an important channel of technological and managerial resources as well as provide market access in a package form for the developing host countries.

In Thailand as in many developing countries, foreign direct investment (FDI) assists its economic development. The high economic growth rates were attributed by industrial sectors' performance, which were boosted by high inflow of capital funds from foreign countries, especially FDI in the manufacturing sector (Sibunruang, 1984; Board of Investment, 2001).

The main source of foreign direct investment inflow to Thailand is Japan, followed by the United States, Asian Newly Industrialising Economies (NIEs), European Union (EU), and Association of Southeast Asian Nations (ASEAN). The importance of Japanese and American FDI can be seen from the fact that they accounted for between 51-59 percent of total FDI inflow in Thailand. During 1970-1979, the annual average of American direct investment was slightly higher than that of Japan, with an average of 590.27 million baht compared to 496.8 million baht that of Japan. In contrast, in the 1980s, Japanese direct investment was more than twice that of the American, with a total of 4,958.81 million baht

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