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**THE GLOBALIZATION OF CHINESE STATE OWNED ENTERPRISES
AND CHINESE FOREIGN DIRECT INVESTMENT IN THAILAND**

Author: Allan Kvisgaard
Supervisor: Christer Gunnarsson

Abstract

The intention of the present thesis is to describe Chinese outward direct investment on a macro level both as a global phenomenon and specifically in relation to Thailand.

Thailand is considered a “safe haven” for the Chinese in South East Asia. According to MOFCOM the country is the biggest recipient of Chinese FDI in the region. The motives and investment incentive factors of these investors are to a certain extent politically controlled and can also be said to follow a historical outline based on the changing political rationale for encouraging the creation of Chinese multinationals. The formation of economic blocs in an ever more globalized world have also affected China and is possibly guiding the strategies at an Asian level.

Statistics in China have considerable discrepancies, using variables that are not readily comparable to other FDI statistics. These discrepancies have at times, especially in the Chinese media, created confusion and possibly also disbelief about the real size of the Chinese outward direct investment.

The exact amount of Chinese investment and the number of Chinese funded enterprises active in Thailand today is not readily transparent. The monitoring and creation of follow-up procedures from both investor and host countries needs to be improved.

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The Problem

Since the economic opening, under Deng Xiaoping in 1979, China has actively pursued a policy of utilizing FDI as an essential tool in economic development and poverty reduction.

China's soaring growth rate, WTO entrance and promotion of exports have created a situation where Chinese companies themselves are using FDI as a method of corporate development.

According to 2003 figures from the Ministry of Commerce the stock of Chinese outward direct investment totalled US\$ 29.92 billion. (Asian Labour News 2003b)

In 1999, in the wake of the Asian Financial Crisis, the Chinese Government adopted the "Going-Abroad" strategy, which established schedules for the promotion of Chinese outward FDI. Under this policy, Chinese companies have been encouraged to invest abroad which in connection with the entry into the WTO should create an international competitiveness. The Chinese government has pledged in its 10th Five Year Plan (2001-2005) to provide a supportive policy framework that will create favourable conditions for enterprises to establish overseas operations (People's Daily 2002a).

The expansion of these overseas operations has been driven by various factors such as industrial overcapacity, the necessity to access natural resources that due to the industrial boom have become scarcer domestically and the circumvention of trade barriers. Other suggested reasons include the privileged policies of the host countries, better profits, and competition with exports from China (UNCTAD 2003:6) Shao Ning, vice-chairman of state-owned Assets Supervision and Administration Commission recently declared that the expansion of Chinese companies' overseas operations is a strategic necessity in a medium and long time frame because domestic market constraints (People's Daily 2004d).

Furthermore China is becoming a capital surplus economy and is running substantial international reserves, which are currently estimated to exceed \$ 400 billion (Wong & Chan 2003:275). If the Chinese currency should appreciate, more Chinese enterprises could be pushed to invest abroad (UNCTAD 2003:8).

This all seems to come as a result of the 1979 Open Door Policy from when China has been the absolutely dominant receiver of FDI among the developing economies. The inward stock of China's

FDI in 2004 is estimated to be US\$ 245.4 billion. This combined with years of trade surplus has in itself created a surplus capital for outward investment purposes (Wong & Chan 2003:274).

Average annual outward FDI flows have grown from US\$ 0.4 billion in the 1980s to US\$ 2.3 billion in the 1990s translated into a book value of at least US\$ 38 billion of Chinese outward FDI stock at the end of 2004.

China is promoting outward FDI by offering loans on preferential terms, tax rebates and investment insurance. In particular investment from China is bound to increase due to the government's relaxation of outward investments, partly to ease the pressure of rising international reserves on the fixed currency regime (WIR 2004:20).

This is further accentuated by the fact that an increasing number of Chinese firms are on the UNCTAD list of top 50 TNC's from developing countries in terms of foreign assets.

So far the ODI, albeit small compared to the FDI coming into China, has been concentrated in Hong Kong, US, Australia, Russia, and Canada. The recent trade agreement between ASEAN and China will most likely channel a bigger proportion of investment in the South-East Asian area.

Presumably the biggest recipient of Chinese ODI in ASEAN has been Thailand. In September 2003 there were 242 mainland companies with operations in Thailand, totalling a cumulative investment of US \$ 258 million, mainly in textiles, garments, and home appliances (Asian Labour News 2003a). Nonetheless, due to the limited convertibility of the Chinese Yuan and the government's control of financial markets, investments have been subject to bureaucratic approval. This fact has limited the number and size of the investments.

Theoretical Background

Chinese outward FDI is a recent phenomenon that so far has not received major international attention due to the relatively small amount of capital investment.

Specific theories to describe Chinese outward FDI have yet to be developed but John Dunning's Investment Development Path Theory defines the overall theory governing the rationale and development of FDI. (See Appendix J)

This theory is applied on both a general and a global basis and provides a general definition of the investment stages that a country goes through and the country's propensity to be inward and/or outward investor.

A more specific method of analysis for the specific case of developing countries have been defined by the UN, which has identified 5 primary types of FDI from developing countries that provide rudimentary units of analysis. (Wu & Sia 2002:2).

-Market Seeking/ Export Seeking: This type of investment is characterized by the establishment of trade companies and /or representative offices which act as marketing and distribution channels to host country of domestic products. The companies collect market information and act as investment spotters for future larger-scale investments.

-Resource Seeking: These investments' primary goal is to ensure a stable supply of natural resources, which are in lack in domestic market.

-Technology Seeking: These investments aim to obtain more advanced technologies from upstream countries. This can be done through technological transfers through JV partners, through M&A, or technology licensing.

-Efficiency Seeking: These investments focus on supply of land, cheap labour, and mature production bases. At the same time this kind of investment is also characterized by intentions to circumvent trade barriers and inclusions in Free Trade Agreements.

Furthermore Wang identifies motivations with "Chinese characteristics" such as a political motive, as seen with Taiwan and Hong Kong (Wang 2002:203). Generally speaking the government permits outward FDI primarily within the context of its national identity.

Aims and Objectives of Research

The research aims on to describe on a macro level the investment pattern of Chinese companies in Thailand, and in consequence study the intentions and strategies of its actors. Furthermore, the research will attempt to analyse the Chinese investment data in order to clarify the concepts these statistics cover and in which connections they are used.

Methodology

Due to the recent appearance of the phenomenon and the dearth of the material published on this topic, the purpose of this research is mainly exploratory and, to certain extent, descriptive in nature. To meet this end the research is divided into two parts.

Part one consists of an evaluation and textual analysis of the Chinese investment statistics.

MOFCOM statistics are published in *The Almanac of China's Foreign Trade and Economic Cooperation*. Due to the inaccessibility of these statistical works it has been necessary for me to reconstruct the MOFCOM statistics based on secondary information primarily for assessing the limits of application of these statistics and secondarily to be able to create a base from which to compare the different statistics on Chinese investments in Thailand. This raises the question of definition of investment, what do the statistics include and exclude and how are they used in both the media and in academic papers, as most secondary sources are not very specific on which type of investment is meant.

It also hints to the complexity and variables of the statistics and an additional question is if and how do the statistics distinguish between Chinese part of investment versus total investment value.

In this connection important concepts are: Trading versus Non-trading activities; Financial versus non-financial investment; Contracted versus realized investments; Private versus state owned investments.

Part two of the research consists of the development of a case study with Thailand itself as the object.

The objective of the case study is to describe the Chinese investment in Thailand as a whole.

The Chinese investments in Thailand are intended described in two different ways:

Firstly, to analyse the data by means of segmentation, made according to the development of the changing Chinese political rationale of foreign investment.

Secondly, through a basic grouping into primary investment types, where country / regional specific motives of investment are put in focus.

Furthermore the actual size of Chinese investments in Thailand will be compared with the results developed in part one.

The research focus is on primary data collection. The collection of these data will be carried out in connection with fieldwork in Thailand under the auspices of Thammasat University between August and September 2004. The main method will be through analysis of obtainable data and in second line through semi-structured interviews with and questionnaires to informants in situ, to obtain the maximum richness of information in order to shed light on the phenomenon. A further objective of this procedure is to minimize preconceptions and maintain the possibility that informants may discover new leads to follow and to generate a snowball effect. The structure of the interviews is made up by predefined “primary” questions. The choice of this form, even though it can be difficult to manage, has been necessary due to the exploratory nature of the research. (See Appendix K)

As mentioned before the secondary information readily available that would help to describe the research topic is very scarce. Some of the information will be generated from part one, but the huge bulk of the secondary information will be intended located in Bangkok, basically through statistics, local industry reports and other available material. Due to the fact that in Thailand this kind of secondary information is not centrally organized, physical presence in Thailand to collect these data is of maximum importance. One of the objectives with the interviews is also to establish how to locate this secondary information.

In this respect both qualitative and quantitative data is used which is one the advantages of the case study approach. Furthermore it can capture dynamic aspects, which other methods fail to notice. Another factor, which speaks in favour of case study, is that lack of reliable data, both from the Thai and the Chinese sides.

A case study is an examination of a single instance of a phenomenon of interest and is defined as a research study which focuses on understanding the dynamics present within a single setting (Collis & Hussey 2003:68).

My intention with the present thesis is not necessarily to provide a conclusive answer to the Chinese investment patterns in Thailand. Rather I intend to offer a minor contribution by creating a modest base for further research until the appearance of more comprehensive information.

Disposition

The disposition of this thesis first examines the description of Chinese outward FDI as a general phenomenon. The available statistics are discussed and analysed, and some statistics are partially recompiled through secondary references.

The general factors and motivations for Chinese investors along with geographical distribution of the global Chinese outward FDI are also discussed within the framework of existing statistics and the UN primary investment types.

In the second part of the thesis, where the case study is generated, the focus is on the actual situation in Thailand. The few statistical references to Chinese investment in Thailand are explained in more depth, principally through the listings of the Thai Board of Investment and The Bank of Thailand.

These will help to provide a relative valid picture of the current Chinese investment situation in Thailand both in terms of value, size and export orientation.

1

Chinese ODI as a general Phenomenon

1.1 Chinese ODI Statistics

FDI data are notoriously difficult, and a considerable hindrance to Chinese outward FDI research is the lack of reliable statistics. The data show considerable variance according to source, which makes it somewhat difficult to compare stocks and flows, both inward and outward as well what the number exactly covers. Without proper specification, even references to the same source may at times create confusion and contradicting results. Hence, with regard to the statistics on Chinese FDI data, there are three possible sources: MOFCOM, SAFE, and UNCTAD.

The Chinese media at times has difficulties framing its data within the right contextual reference, which may give an incoherent picture. Appendix A contains a chronological ordered selection of quotations from the Chinese press with regard to the size of Chinese outward investment, using MOFCOM as source.

MOFCOM statistics are based on compilations of numbers (Wong & Chan 2003:276). Therefore by comparing the different sources where references to the MOFCOM statistics coincide it is possible to calculate on a differential basis and deduce the meanings of different treatments of the word “investment”. Taking year-end 2002 as basis Wang uses MOFCOM statistics to state that 6960 entities have gone abroad representing a Chinese party investment of US\$ 9.34 billion and total investment of US\$13.78 billion (Wang 2003:65). She states that these numbers include investments by both trading and non-trading companies (*maoyi yu feimaoyi qiye*). Furthermore, these numbers do not include private sector transactions. (UNCTAD 2003:4)

Wong & Chan suggests a cumulative investment in non-trade by US\$ 4.4 billion by end 2001, and quotes Guoji Shangbao that by June 2001 trade and non-trade investments amount to US\$ 7.7 billion, which in turn support the references by Wang.

In 2003 the outward (*Chinese part*) investment reached US\$ 2.1 billion (China Daily 2004). Zhao confirms that the accumulated *Chinese part* of investment by end 2003 was US\$ 11.43 billion. (Zhao 2004:4). Shi also reports this number and that it represents *contracted (xieyi), non-financial (feijinrong)* investments (Shi 2004:69). This fact is also confirmed by the *China Commercial Yearbook 2004:73*, which states that in 2003, 510 Chinese *non-financial* enterprises on the Chinese side had invested a total contracted value of US\$ 2.08 billion abroad.

Wong & Chan state that MOFTEC data reveals mainly non-trade figures (Wong & Chan 2003: 287). Accordingly the statistics operate with two distinct categories: trading investments and non-trading investments.

Non-trading investments cover manufacturing (processing and assembly) resource development (mining and forestry) and contracting works such as turnkey engineering and construction.

The term trading investments covers service-oriented activities such as financial intermediation, distribution, transport and communication. In the specific case of Chinese investments these trading activities mainly cover banks and other financial institutions (Wong & Chan 2003:286)

Wong & Chan therefore have two points that contrast with the references above: that trade related investments should include financial investments and that MOFCOM data mainly reflect non-trade figures. Both Shi and Wang claim MOFCOM data represent trade and non-trade investments.

However, they exclude financial investments and their data are confirmed by other sources. Wong & Chan use the same flow data as MOFCOM data quoted by UNCTAD in their reference to the statistics, which supposedly should belong to both trade and non-trade investment. (See Appendix B Table B.3) (See Table 1.3 p.13).

In consequence the data in bold in Table 1.1 below reflect trade and non-trade related contracted Chinese overseas investments, excluding financial and private sectors.

Cumulative Total by end year	Non Financial but including Trading and non-trading, non-private contracted Chinese Investments			Non Trading Investments, Chinese part
	Chinese Part of contracted Investment (US\$ billion)	Total Contracted value (US\$ billion)	Entities	
1996	2.15	4.5	1985	
1997				2.5 ¹
2001	(7.7) ² / 8,35	12.33	(6439) ³ / 6610	(3.3) ⁴ (1963 entities) 4.4 ⁵ (2296 entities)
2002	(8.9) ⁶ / 9,34	(13.2) ⁷ / 13.78 (>16) ⁸ (29.9) ⁹	(6758) ¹⁰ /((6796) ¹¹)/ 6960	
2003	11.43		7470	
2004	11.98 ¹²	>30 ¹³	7603 ¹⁴	

Table 1.1 Reconstructed MOFCOM Cumulative Statistics based on secondary flow data

According to Zhao the 2002 year-end value of US\$ 29.9 billion at year end 2002 in Table 1.1 is an estimate calculated by MOFCOM and China's Statistical Bureau, that also includes Chinese investments which have not gone through the official channels of approval (Zhao 2004:5). Zhao's estimated accumulated capital abroad is US\$ 117.1 billion. Zhao does not provide any specifications as to whether these numbers are total investment values or just represent the Chinese part of investment. Asian Labour News (2003b) quoting MOFCOM reports that these numbers represent the total volume of Chinese direct investment, excluding investments in the field of finance.

¹ Industrial investment

² By June 2001, Guoji Shangbao, See Table 1.6

³ By June 2001, Guoji Shangbao

⁴ By June 2001, Guoji Shangbao

⁵ (Wong & Chan 2003:275)

⁶ End June 2002

⁷ End June 2002

⁸ Beijing Review 2003

⁹ Calculation by MOFCOM and China's Statistical Bureau which includes all non approved investments (Zhao 2004:5)

¹⁰ End June 2002 (People's Daily 2002b)

¹¹ Beijing review

¹² By March (Zhao 2004:4)

¹³ By May

¹⁴ By March (Zhao 2004:4)

	Outward Investment Flow Calculated by IMF on BOP basis	MOFTEC approved Chinese Investment Flow (Non-trade)	Net Errors and Omissions China's BOP
1980	35	32	-
1985	628	47	5
1990	830	77	-3205
1995	2000	106	-17823
1999	1775	591	-17641
2000	916	551	-11748
2001	6884	708	-4732
Cumulative Total 1979-2001	34697.5	4462.1	-150114

US\$ Million

Table 1.2 Outward Chinese Investment Flows

Source: Wong & Chan 2003:276

	1999		2000		2001		2002		1979-2002	
	Number of Projects	Value	Cumulative Number of Projects	Cumulative Investment Value						
Total	220	590.6	243	551.0	232	707.5	350	982.7	6960	9340.0

Table 1.3 China's Approved FDI outflows 1979-2002 (US\$ millions)

Source: Ministry of Commerce of China, *The Almanac of China's Foreign Trade and Economic Cooperation*, 2003 (UNCTAD 2003:5)

As reflected by the tables, Chinese outward FDI statistics can be both confusing and contradicting. This is also due to the approval procedures of Chinese investment projects and the involvement of different government entities in the process. For example the approval procedure for an investment project of US\$ 1 million or more has to go through the following agencies.

1 The local planning agency, which assesses the proposals and feasibility studies, after an evaluation by the commercial office of the PRC Embassy in the host country.

2 The State Planning Commission, which afterwards revises the proposal. The State Administration of Foreign Exchange (SAFE) examines investment risks and audits capital sources. If the investment involves more than US\$ 30 million it needs a further approval of the State Council.

3 MOFCOM as the final authority approves the investment proposal. (Wong & Chan 2003:301)

The approval procedure is a process that can take as long as seven months. Therefore, in an attempt to simplify the procedures local authorities are authorized to approve investments of less than US\$ 3 million outside the auspices of the MOFCOM (People's Daily 2003). Additionally as of October 2002 SAFE only audits capital sources. These changes in procedures create complications in compiling reliable statistics, as there is no central organ in China with responsibility for capturing these data.

MOFCOM records the amount of Chinese outward investment with a geographical breakdown. But as seen from the stylised approval procedure, not all forms of outward investment require MOFCOM's direct approval. MOFCOM's registry only includes what it itself approves and what other data it can obtain on the investment approvals by provincial and local authorities. Even then, the statistics only represent an accumulation of approved flows. FDI has been defined as involving a foreign equity stake of 10% or more and consists of three components: equity capital, intra-company loans, and reinvested earnings. (WIR2005: 4). But some of these components -- namely reinvested earnings, investment by overseas Chinese affiliates, intra-company loans, investment of private-owned entities and investment in financial services -- are not captured by MOFCOM. The screening of investments in financial services, for instance, is the sole responsibility of The People's Bank of China, which is why the statistics do not include financial investments.

Furthermore, MOFCOM requires registration for initial investments only and it does not reflect loans raised in foreign capital markets. As hinted by Zhang, extremely large projects would be far beyond the authority of MOFCOM to approve and thus remains unregistered (Zhang 2003:103). The new simplified approval procedures will not ease the way of capturing data, as local authorities, outside the control of MOFCOM, will handle more investments approvals. The data therefore underestimates the actual outward Chinese FDI. The Chinese authorities are also well aware that their statistics have defects and may not cover private investments or reinvestments made by some SOEs. These defects are blamed as a reason why Chinese outward direct investment has not attracted more international attention (Xinhua 2003).

The State Administration of Foreign Exchange (SAFE) is responsible for gathering data on capital flows for BOP use. It registers all outflows of capital from China but doesn't provide a geographical

breakdown. Additionally, it only captures the outflow from China it does not include reinvested earnings or loans from foreign capital markets (Wu&Sia 2002:18). SAFE's statistics would in fact be comparable to the data calculated by the IMF in table 1.2. SAFE has calculated the total accumulated outward direct investment outflow from 1982-2001 to reach the amount of US\$ 34.6 billion, and by June 2003 US\$ 38 billion. Apart from the above-mentioned defects, SAFE's numbers are further distorted by governmental non-commercial investments (Zhao 2004:4), which may in fact overestimate investment statistics.

United Nations Conference on Trade and Development (UNCTAD) statistics (See Table 1.4) intend to evaluate foreign direct investments on basis of different sources: official MOFCOM data, the total international foreign investment flows and distribution, BOPs, as well as data from research organizations with international authority. UNCTAD additionally includes the other components of FDI through company statements of assets and registries of cross-border M&As, which are not captured by the MOFCOM. The divergence between UNCTAD and MOFCOM is considerable, as MOFCOM with its cumulative accounting method, only captures around ¼ of UNCTAD's estimated Chinese outward FDI stock. In the case of statistics on Chinese outward FDI, UNCTAD provides its own statistics as a measure of Chinese global outflow. In the case of a geographical breakdown on the Chinese FDI flows, UNCTAD apparently has to rely on the official MOFCOM statistics or host country data. (See Appendix B Table B.3).

	Outward Stock (UNCTAD)	Outward Flow (UNCTAD)
1980	39	
1985	131	
1990	2489	
1995	15802	2846 ¹⁵
2000	25804	916
2001	27579	6884
2002	35206	2518
2003	37006	1800
2004	38825 ¹⁶	1805

US\$ million

Table 1.4 Outward Chinese Investment Flows and Stocks

Source: UNCTAD WIR 2005

¹⁵ Annual Average 1992-97

¹⁶ Estimate

Zhao claims that it would be almost impossible to estimate the exact value of Chinese investments abroad, especially the true size of investment in Hong Kong. He believes that the UNCTAD statistics are the ones closest to reality (Zhao 2004:4). The Chinese private sector still faces discrimination by bureaucracy both in approval procedures and for obtaining foreign exchange which forces these private companies to carry out their overseas investments through illegal channels (Zhang 2002:2).

Neither of the Chinese statistics will register illegal capital outflows, much of which presumably is for non-approved foreign investments. The potential size of unauthorized capital outflows will normally be comparable to the “errors and omissions” item in the BOP. (Wu & Sia 2002:18) This item is in fact considerable when compared to any statistics on the Chinese outward investment flows. (See Table 1.2).

Another part of the illegal capital outflow can, apart from plain capital flight, also be explained by the phenomenon of “round-tripping”. Hong Kong is in particular a favourite destination of this capital, which then returns to the mainland to take advantage of the favourable investment policies.

1.2 Factors

Chinese companies are encouraged to invest, explore new markets, and obtain market know-how and management skills, thus gaining both knowledge and confidence of working in a foreign environment. The main condition is the feasibility of an investment project¹⁷ as many state owned enterprises paid their lesson dearly in the beginning years of Chinese outward expansion. The Chinese government aspires to build international brands and this fact comes as a consequence of the Chinese companies growing exposure to international business and their increasing financial strength.

¹⁷ The local Chinese Embassy will always evaluate the feasibility of the projects.

Establishing the factors that govern the motives of investment statistics can only be of limited help because of the flaws in the MOFCOM collection method and general omissions. As discussed above the MOFCOM statistics operate with three main variables: number of enterprises, total investment value, and the Chinese part of investment value.

With regard to the industry sector distribution of Chinese outward FDI, the secondary sources are not very specific to which of these three variables the ratios relate.

Zhang and Zhao's numbers are quite similar; the slight differences may be caused by a difference in year of the statistics. (See Table 1.5).

Sources	Zhang ¹⁸	Zhao ¹⁹
Foreign Trade	61%	59%
Natural Resources Exploration	19%	20%
Processing industries	12%	12%
Transportation	2%	2%
Others	6%	7%

Table 1.5 Sector distribution of Chinese investments

If compared with more readily identifiable information (Table 1.6) and even though the categories are slightly different, there is a fair consistency in the numbers to indicate that the numbers in Table 1.5 are related to percentage of investment and that this investment relate to the Chinese part, as seen from the totals in Table 1.6

In conjunction, these statistics indicates that the market / export seeking type of investment is the main Chinese outward drive in form of investments in foreign trade.

This kind of investment was prevalent in the initial stages of the Chinese investment history. (See Appendix H). But, a representation office is still an effective way to support the export, to expand local market presence, and to establish local distribution networks. In this way it becomes a natural precursor for establishing higher risk investment in production facilities.

¹⁸ (Zhang 2002:3) quoting MOFTEC statistics in 2000

¹⁹ (Zhao 2004:5) without indication of year and source. He only calls them: *The relevant statistics (you guan tongji)*. The consistency with Zhang indicates that these are MOFCOM numbers.

Based on these cumulative MOFCOM statistics, it is fairly tempting to support the claim that Chinese outward FDI is largely used to serve and promote the export of commodities (Wong & Chan 2003:290).

	Number of enterprises	Contractual Value of Overseas Investment (US\$ million)
Trade/Services	4473 (69.4%)	4450 (57.2%)
Manufacturing (Processing and Assembling)	1580 (24.5%)	1670 (21.5%)
Resources Exploration	133(2%)	1430 (18.4%)
Agriculture	142(2.2%)	150 (1.9%)
Other	108(1.7%)	82 (1.1%)
Total	6439	7782

Table 1.6 Sector Distribution of China's Accumulative Outward Trade and Non-trade Flows, as of June 2001

Source: Guoji Shangbao, 7 Sep. 2001 quoted in Wang & Chan 2003:290

Nonetheless comparing the UNCTAD flow statistics (table 1.4) with the database for cross-border M&As for the year 2002 (See Appendix B, Table B.1) indicates that resource-seeking Chinese investments may in fact be of much more important investment motive than reflected by the MOFCOM statistics. Even though flow statistics are not comparable to cumulative statistics, it is still extremely indicative and suggestive that at least 68% of UNCTAD's recorded outflow of Chinese investment in 2002 relate to resource-seeking investments. The traditional Chinese self-sufficiency policy has become non-retainable and access to and a stable supply of natural resources is needed for maintaining the development momentum of the Chinese economy. The crescent inflow over the years of foreign investors to China has increased the need of especially energy, but also rubber, timber and minerals. The government has encouraged SOEs to invest in oil, gas, and mining projects in resource rich countries through M&A

Resource-seeking investments are by nature high value investments, which more easily attract international attention and easier identifiable and captured by UNCTAD statistics. But compared with the flow data in Tables 1.3 and 1.4 it is clear that MOFCOM statistics do not reflect these M&As for 2002 or at least not the totality. So the investments in resource extraction are

characterized by a relative small number of large state-owned enterprises, carrying out extremely large valued investment projects. Some of these investing companies figure on the top 50-list of non-financial TNCs from developing countries. This fact may be a support for Zhang's suggestion that very high profile investments are outside the authority of MOFCOM to approve (Zhang 2003:103) and are consequently not registered. It may also reflect a greater autonomy and ability among the Chinese state owned enterprises to dispose of own foreign currency assets or raising capital in foreign capital markets.

The other primary types of investment are also present but their relative importance is less discernable and provable by official statistics.

Efficiency seeking investments have risen as domestic competition has become fiercer and intensified. The inflow of foreign investment and with it, new technologies have created a crowding out effect. The Chinese need to concentrate on new technologies and relocate mature industries to lower wage sites. In particular industries with excess production capacities and falling domestic demand (such as the machinery, electronic appliances, textiles, motorcycles, chemicals and building materials sectors), will incite Chinese companies to look for growth opportunities abroad. Another motive is the circumvention of trade barriers or reduction of transport costs to third markets by setting up production facilities in developing countries.

In markets where China has trade surplus FDI may be a mean of supplying those markets, also through investment in local distribution networks.

The technology seeking investments have appeared, as the foreign investors in China so far have been very reluctant to transfer the amount of technology, which the Chinese had hoped for. One of the Chinese motivations for outward investment is thus the access to advanced technologies. The Chinese investors seek this advanced technology in developed countries, higher in the development path through M&A and alliances. Another method of accessing advanced technology is by establishing R&D centres in developed countries. Among the developing countries, China is the only one the specifically encourage FDI in R&D (WIR 2005:221)

A few recent acquisitions have caught attention such as Lenovo's acquisition of the personal computer division of IBM and Chinese TCL's buying of Schneider Electronics and subsequent merger with Thomson (UNCTAD 2003:6)

1.3 Geographical distribution

The MOFCOM statistics that represent the Chinese part of contracted investment in all non-financial projects (trade and non-trade) are the only statistics available with regard to geographical distribution. Appendix B Tables B.2 and B.3 show that according to MOFCOM statistics the geographical distribution of Chinese investment is concentrated in Asia where Hong Kong has swallowed a full 74% of all accumulated approved Chinese investments from 1979-2002.²⁰

Appendix B Table B.4 shows that the approved Chinese investment in ASEAN is almost on par with the investments in the United States. Among the ASEAN countries Thailand assumes the top rank as receiver of Chinese foreign direct investment and the top 5 globally, receiving 2,3% of all approved FDI outflows.

Chinese companies are in fact focused on the neighbouring Asian countries. Appendix B Table B.5 shows the results of a survey among Chinese companies in the Shanghai area regarding intended overseas investment targets. The ASEAN countries are by far the most attractive investment area followed by Hong Kong, Japan and North America.

	1979-2002		
	Number of projects	Average project size	Cumulative value
Thailand	234	0.91	214.7
Cambodia	61	2.04	125
Vietnam	73	1.16	85
Singapore	172	0.42	71.7
Myanmar	38	1,74	66.1
Indonesia	59	1.10	65
Laos	18	2.03	36.6
Philippines ²¹	29	0.37	10.8
Malaysia ²²	78	0.41	31.5

Table 1.7 China's approved FDI Outflows in ASEAN, 1979-2002 (US\$ million)

Source: Ministry of Commerce of China, *The Almanac of China's Foreign Trade and Economic Cooperation*, 2003 (UNCTAD 2003:5) and (Wu & Sia 2002:8)

²⁰ The numbers for Hong Kong carry a substantial amount of "round-tripping" capital, destined for re-investment in Mainland China in order to take advantage of the preferential investment policies, along with other forms of capital flight

²¹ By 1999, quoted from (Wu & Sia 2002:8) using MOFTEC as sources. There is no specification whether the numbers refer to total investment value or only Chinese part of investment

²² Ibid

Table 1.7 shows the distribution of official Chinese investment within the ASEAN.

Due to the inconsistency of the MOFCOM numbers with reality could lead to the conclusion that Thailand is in fact the main receiver of Chinese FDI within ASEAN. But taking into account the Chinese initiated M&As in the resources sectors during (See Appendix B Table B.1) would place Indonesia far ahead of the other ASEAN countries.

A further proof that MOFCOM are only indicative to a certain extend can be made by comparing the MOFCOM data in Table 1.7 to official IPA data of approved Chinese investment projects in host countries (Table 1.8)

Year ²³	Indonesia	Malaysia	Philippines	Thailand
1990-99	270.6	318.7	82.2	562.5

Table 1.8 Host country IPAs registration of Chinese FDI (US\$ million)

Source: Wu & Sia 2002:9

²³ The numbers are not entirely comparable, due to the different statistics compilation methods of host country IPA

2 Chinese ODI in Thailand

2.1 Statistics in Thailand

Thai FDI statistics have important flaws and are in many cases highly unreliable for a basis of comparison with other countries' statistics. The official authority for collecting FDI data in Thailand is the Bank of Thailand (BOT) and it lists flows of FDI for use in its BOP statistics. These statistics are provided with a geographical and sector breakdown for both in- and outflows. But the BOT figures only include cash transfers through commercial banks, which excludes flows from overseas loans and savings. Furthermore it also only includes capital flows for equity participation and not parent company's loans to overseas subsidiaries (Pananond 2004:107). As an additional factor of error the numbers do also not include reinvested earnings. From 1987-2003 the BOT has registered an FDI inflow of US\$ 114.9 million from China. (See Table 2.2)

The Thai Board of Investment (BOI) publishes its listings of approved investment projects²⁴ (contracted projects) according to the international standard of minimum 10% foreign equity stake. The listings are extremely detailed with identifiable company names, total investment values, industry sector, and foreign equity participation. The listings have the huge and obvious drawback of representing only projects and/or companies that have obtained the investment support of the BOI. These projects do of course not represent the totality of FDI in Thailand. (See table 2.2) In many circumstances the BOI tend to use the official statistics from the investor country, UNCTAD and other IPAs (Pananond 2001:46) instead of those of the BOT.

The Kasikorn Research Centre²⁵ also points out the problem and encourages the government to place more emphasis on the compilation of FDI data to match international standards by for instance including reinvested earnings as the present investment statistics underestimate the true size of FDI (Kasikorn 2004)

²⁴ See Appendix F

²⁵ The Kasikorn Research Centre is an affiliate of the Bangkok-based Kasikorn Bank (formerly Thai Farmers' Bank)

In the case of Chinese investment in Thailand, Thai media, academia and authorities rely on MOFCOM statistics to provide a general picture of the investment, supplemented by the approved investment statistics by the BOI. (Kasikorn 2004)

UNCTAD does not publish any specific statistics on Chinese investment in Thailand and also tend to lean itself against the MOFCOM statistics in lack of better, well aware that these have their flaws (UNCTAD 2003:2)

The available secondary references to MOFCOM statistics for Chinese investments in Thailand are shown in table 2.1

Cumulative Investment to end year	Entities	Chinese part of investment (US\$ million)	Entities	Total investment (US\$ million)	Entities	Non-trading sector, Chinese part of investment (US\$ million)
1996			134	204.3 ²⁶		
2001					154	193.8 ²⁷
2002	234	214.7 ²⁸				
2003	245	263.8 ²⁹				

Table 2.1 Recompiled MOFCOM statistics, based on secondary data, on contracted non-financial Chinese investments in Thailand

As it can be appreciated from the table, the data is very scarce and combines different concepts and variables that are not readily comparable.

2.2 Chinese Companies in Thailand

Establishing a picture of the companies physically present in Thailand today can create a basis of comparison for the relative validity of other statistics. Nonetheless the official listings of Chinese companies in Thailand are of varied quality. (See Appendix E).

In the table below different sources of information are compared

²⁶ Taylor 2002:218

²⁷ Wong & Chan 2003:287

²⁸ UNCTAD 2003: 5

²⁹ Commercial Office of the Chinese Embassy in Thailand <http://th.mofcom.gov.cn>

	MOFCOM (1979-2003)	BOI (1985-2003)	BOT (1987-2003) FDI Inflow	Thai Ministry of Commerce (1997-2003)	Chinese Embassy In Thailand (Status 2003)	Chinese-Thai Enterprise Association (Status 2003)
Value of Investment Chinese part US\$ million	263,8	767,5 Total 343,8 Chinese part of investment 104,5 Chinese registered capital	114,9			
Number of Projects	245	119				
Number of Chinese companies		115 ³⁰ (42 with 50% Chinese equity)		60 (50% or more Chinese equity)	69 (Chinese identity)	58 (Chinese Identity)

Table 2.2 Comparison of Available Company listings and official FDI Statistics

Source: *Selected statistics and company lists (Appendix B,E &F)*

In order to make the numbers in Table 2.2 somewhat comparable it is necessary to define the term “Chinese Part of investment” The Chinese references³¹ use the term “Zhongfang Touzi’e”. Taking into account the approval procedures of the MOFCOM and the Chinese currency restrictions, it can be assumed that this term in plain English covers: The amount of money that the Chinese part has to come up with to realize the total investment. With regard to the BOI approved projects, the registered equity capital is far less than the total project value. The term “Chinese part of investment”, as used for the BOI data set, assumes that the total investment value would be financed by the parties on a ratio equalling the initially registered capital. Nonetheless not all the capital needed to finance the investment in question would necessarily need to come through the MOFCOM approval channels or from China for that matter.

The definition of the term “Chinese Company” can be somewhat confusing. The BOI uses the international standard and regards every investment of over 10% Chinese equity as Chinese FDI. The Thai Ministry of Commerce operates with a 50% threshold.

³⁰ Some companies have more than one project

³¹ Chinese Embassy in Thailand (www.th.mofcom.gov.cn)

With regard to the listings of The Chinese Embassy and the Thai-Chinese Enterprise Association, one would presume that these companies have a strong sense of Chinese identity as they are managed by Chinese.

Nonetheless when these lists are compared there are respectively 24 and 17 companies not mentioned on either list, which in fact gives a total of 82 companies. Of these 82 companies only 3 companies can be found on the BOI list. The real number of Chinese companies (Chinese identity) in Thailand nowadays is by an interviewee believed to be around 60-70. The rest are private companies or companies that “disappeared” during the Asian Financial Crisis in 1997. Most went back to China but didn’t deregister and some took advantage of the confusion during the crisis and disappeared out of the governments control (Far East Legal)

Consequently, at least 79 Chinese investments in Thailand did not receive support from the BOI and thus not covered by the statistics.

As the BOI listings only list approved projects (contracted investments) these might differ from the realized investments. Nonetheless from the data it can be deduced that of the 245 projects approved by MOFCOM, many of these companies do not operate in Thailand anymore. Furthermore it can also be confirmed that the value of investment approved by MOFCOM is understated and not really close to reality. The BOI numbers do not show a complete picture either as many Chinese invested companies did not receive promotional support. An additional problem is that there is no officially available listing, with company names, on realized investments. The BOT statistics, at best, only shows the inflow of equity capital and none of the statistics show intra-company loans, or reinvested earnings.

The scarce academic material on Chinese investment in Thailand uses either the MOFCOM statistics or the BOI list of approved projects both of which provide a distorted picture of the reality. Stephen Frost estimates on basis on Internet and newspaper research that the number of Chinese companies with current investments in Thailand is about one hundred. (Frost 2004:8).

2.3 Analysis of Chinese Investment in Thailand

A situational picture of the Chinese investments can be approximated through the available dataset. The dataset to be analysed are the inflow data from the Bank of Thailand and the listing of approved

investment by the Thai Board of Investment. (Appendices D, F and G) The dataset diverge substantially with regard to investment sums, due to the before mentioned deficiencies³². Both dataset are unique in the way that they provide a sector classification of investments and can thus provide a relative picture with regard to motives and tendencies as opposed to the actual investment values. The dataset also supplement each other for classification purposes. The BOI dataset only includes categories for which BOI offer incentives³³ whereas the BOT dataset furthermore captures the additional categories needed to give a fuller picture of the investment pattern.

The appropriate way of analysing the data is to group years into the segments corresponding to the natural development of the Chinese Outward FDI policy since 1979 and in the same line take into account the Asian Financial Crisis, which affected Thailand devastatingly hard.³⁴

The changing political rationale behind Chinese FDI since 1979 has gone from “selective allowance” to “active encouragement”. Through a period segmentation it is possible to test whether these changes of policy are reflected in the Thai statistical data and to register the relative point of entry of certain sectors for a subsequent evaluation of politically related changes in investment motives.

The total investment values of BOI projects for each time segment, divided into industry sectors can be found in Appendix D.

1979 - 1984 comprise the initial period after opening the Chinese economy when the Chinese political rationale towards outward FDI can be characterized as “selective acceptance”. Still, overseas investment was proposed as one among many policy measures for economical reforms. The investments were extremely selective and limited in scope and only some of the biggest trading companies were allowed abroad. No data on Chinese investments in Thailand is available for this period until an agreement on mutual protection of investment between Thailand and China was signed in 1985.

1985 - 1992 In China all state-owned entities were allowed abroad if their investments fulfilled certain requirements³⁵. The political rationale for the future Chinese economy had been cleared and

³² See p. 22

³³ The BOI does not support investments in trade

³⁴ Detailed explanation on reasons and rationale behind the segmentation is offered in Appendix H

the decision for pursuing a Chinese market economy model had been made and the stance towards FDI can be described as “inclusive allowance”

Thailand in this period sees the result of allowing all entities to go abroad. If the investment in the service sector in this period is disregarded³⁶, the statistics are dominated by the inflow of investment in agricultural paper products, and towards the end of the period there is an interesting upsurge of investments in low-tech light industry³⁷. The BOT data (See Appendix G Table G.2) confirms the expected entry of the construction companies and trading companies and confirms the general trend these are normally precursors for actual industrial investment

1993-1997 In 1992 when outward investment had been accepted as a term of development, Jiang Zemin then publicly endorsed that companies could go abroad, in both late 1992 and in 1997. During the period approval procedures for outward investment were gradually decentralized which eased the outward expansion. Another important factor for the timing is reflected by fact that the sanctions against China after the Tiananmen Incident were being lifted. The period from 1993-1999³⁸ can fittingly be resumed as “active endorsement”.

This endorsement is reflected in investments in Thailand; the amount of approved projects rises and their character moves towards heavy industries sectors such as steel production, while agricultural and chemical investments still plays a role. The period also witnesses the first major investment in consumer electronics, which is a reflection of the saturation of mid-tech industries in China. Concurrently the BOT dataset registers more inflow of trade related investment in the period.

1998-1999 is the aftermath of the Asian Financial Crisis, which hit Thailand particularly hard. This fact is naturally reflected in the Chinese investment with inflow at its lowest level ever. The few investment projects registered in this in this period are very small value wise. The BOT surprisingly captures investments in real estate and construction investment at the end of 1999, which indicates that investors possibly are gaining more confidence in the property market and that the worst effects of the crisis may have been subdued.

³⁵ See Appendix H

³⁶ The investments in the service sector in this period are exceptional in nature.

³⁷ Such as motorcycle chains, refrigerators, and textiles

³⁸ In this connection 1998-1999 should be regarded a period of local influence (Asian Financial Crisis), which in principle is not connected to Chinese political rationale, even though it might have had an effect on the development for subsequent policies.

From 2000 Zhu Rongji explicitly called for companies to go abroad and that the government should implement a coordinated strategy for such investments. This should also be seen in connection with China's entry in the WTO in November 2001. A suitable keyword for this period is "explicit encouragement".

From a Thai perspective this result of this encouragement is very visible, in 2000 the relative amount of investment doubles and there is a general upsurge in trade and textiles industry. 2001 is the year where the Chinese investment pattern in Thailand really changes. The Worldbest Group makes a stunning US\$180 million, wholly owned investment in chemicals and textiles, mainly for export. Sinochem (Fortune Top 500 Company) makes a full equity stake US\$ 1.4 million investment in an antioxidant plant. Other such full Chinese equity projects include production of for instance air conditioners and plastic bottles.

Even though fixed segmentation is used for categorizing the changing political attitude, these changes should also be seen as a continuum with overlap. The companies do not necessarily respond immediately to the changes in political discourse. Especially the influence factors behind bigger investment projects, which need more preparation time, should perhaps rather be seen as the result of a gradually changing political climate. This is somewhat opposed to small "guerrilla" companies which have, more so, the ability to respond to such changes with immediacy.

But on an overall level, the investment patterns in Thailand fit very well with the changing Chinese political attitude towards FDI.

But it is very visible that from 2000 the investment patterns make a notable change. This may in fact be the result of Jiang Zemin repeated endorsement (set off by the financial crisis) but not least Zhu Rongji's encouragement and the perspectives of joining the WTO.

The exceptional US\$ 180 million investment by the Worldbest Group logically influences the numbers, but nonetheless there seems to be a trend towards larger projects both in terms of value and higher Chinese equity participation after year 2000.

Considering strictly the BOI statistics, from 1985-2003 the majority of the investments was concentrated in smaller projects. 80% of the BOI approved projects are below a total investment

value of US\$ 7 million and with a Chinese proportion of investment of under US\$ 3 million. (See Appendix D Table D.5). This corresponds with the historic focus of the Chinese authorities on the joint venture investment model.³⁹

But the Chinese focus on the joint venture model and on low value/low risk investment seems to have changed. Chinese investors have learned how to invest internationally and have become more daring in Thailand as opposed to the initial years when many Chinese companies failed when going abroad. (Interview A)

In the period from 2000 average project sizes have risen from US\$ 6 million to US\$ 8.7 million and at the same time the average Chinese equity has quadrupled. (See Appendix D Table D.6)

This should also be seen in connection with the increasing focus on industry investments in Thailand that happened after 2000. The investment of Worldbest Group is obviously a huge influential factor in the statistics but even if these numbers are removed from the BOI statistics, both as total investment value and Chinese part of investment (Appendix I Table I.3-6) the period 2000-2003 show a clear predominance of manufacturing industries as opposed to the period of 1985-1999, where investments in agricultural products were more predominant.

The BOT statistics also confirms this recent trend of dominating industry investments (Appendix I Table I.9)

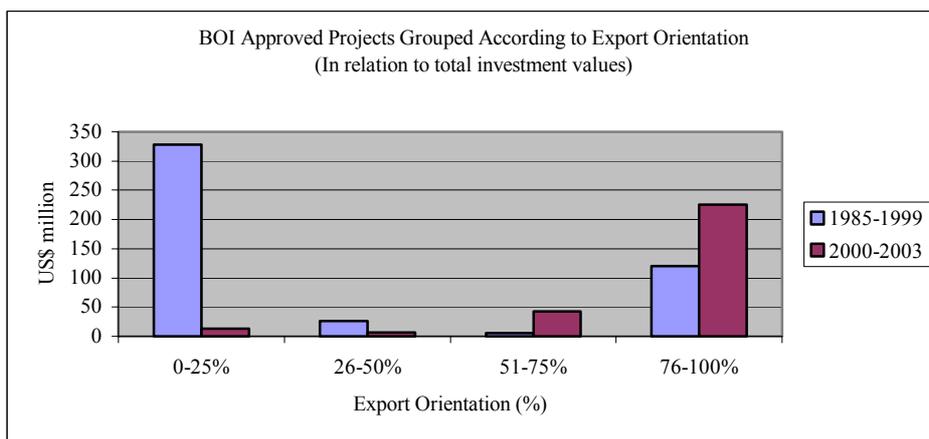


Table 2.3 Export Orientations of BOI Approved Chinese Investments

Source: BOI (Appendix F)

³⁹ See Appendix H

In the period 2000-2003 the export orientation of the investments has risen sharply. (See Table 2.3) Today the bulk of BOI approved investments are destined at export as opposed to the former focus on the local Thai market.

2.4 Factors and Motives

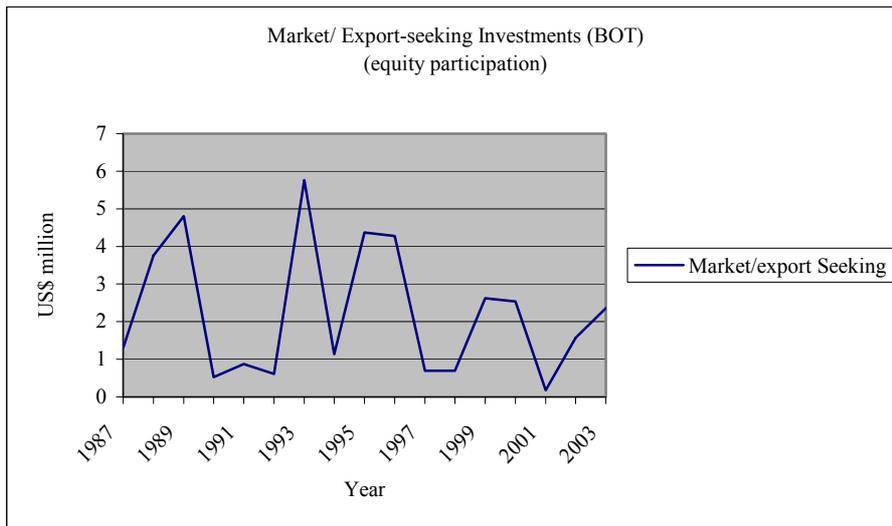


Table 2.4 Market/ export- seeking Chinese Investment in Thailand⁴⁰

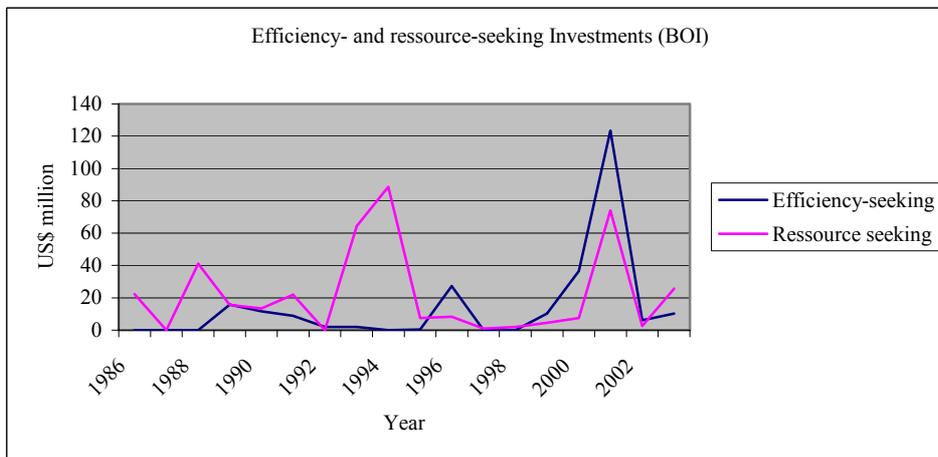


Table 2.5 Efficiency and Resource- seeking Chinese Investments in Thailand

With the danger of oversimplification it is attempted to combine the BOT and BOI to show the relative change and time of entry for different types of investment. The categories between the two

⁴⁰ The investment values in Table 2.4 & 2.5 are not directly comparable. See discussion p. 22

statistics are not exactly comparable. The BOT operate with a relatively high “others” category and the BOI classification is not necessarily conclusive to make a clear definition between the types of primary investment.

In Table 2.4 I have chosen to use the BOT statistics in the categories “trade and construction to reflect the export /market-seeking investments”.

In Table 2.5 you will find the BOI categories of “light industry/textile, metals/machinery, electric/electronics” to reflect efficiency seeking investment. These are by prior research defined as areas where Chinese enterprises have intended to expand their production bases as a result of mature technologies and saturated home markets.

The categories of “agricultural products, minerals, chemicals/paper” are chosen to represent resource-seeking investment.

Through the few obtained business interviews further motives were discovered. These anecdotal statements are not sufficient to draw a general conclusion as to the more intricate motives of Chinese investments, but the statements still provide valuable hints. One interviewee felt that factors such market, labour, location and strategy (ASEAN, WTO) being the most important ones. Whereas the soft values such as geographical nearness, good Sino-Thai relations, and social cultural factors being the least important ones. (Interview A)

This contrasts somewhat to other interviewees from smaller Chinese companies who stressed the cultural proximity between the two countries and the existence of an ethnic Chinese minority as a major decision factor for investing in Thailand. Furthermore the ASEAN market proximity was considered a major important investment factor. (Telephone interviews A)

Another respondent says that the main motive for Chinese companies to go abroad is the increasing integration of the markets, which calls for internationalisation of Chinese TNC's. According to the respondent's opinion the main economic reason for Chinese companies to come to Thailand is in anticipation of the CAFTA. He also states that the similarities between Thai and Chinese cultures are beneficial for investment. In accordance with the speed of the Chinese economy is developing,

there will be more and more Chinese companies will be coming to Thailand to invest.

(Questionnaire A)

Taking into account that major investment in Thailand is done by Chinese SOEs (Kasikorn 2004) it can be claimed that this kind of investment is to some degree government controlled and the motives can be said to be overall strategic in nature.

The Chinese government aim has been to carry out FDI in targeted sectors, industries, and regions in accordance with China's long-term strategies. (Wang 2002:194)

In 1985 the Chinese Government put forward five requirements for allowing Chinese companies to go abroad. These requirements are motives in the own right and have in principle not officially been changed, still they carry some resemblance to the following primary investment types as defined by the UN.(See Appendix H)

From the BOI projects list there is no evidence of specific technology-seeking Chinese investment in Thailand. This also fits with the notion that this kind of investment is normally sought in developed countries.

2.4.1 Market/Export-seeking Investments

The investments in trade offices and representative offices were among the first to enter the Thai market along with the construction companies have been a favourite pet of the Chinese authorities and have received extensive support in exporting the Chinese engineering skills and contract labour.

China began entering Thailand for engineering project contracting and labour service contracting in 1980 and at present there are more than 20 Chinese companies operating in this field.

By the end of 2001, more than 2200 contracts for engineering projects and labour service had been signed totalling US\$ 2176 million (Chinese Embassy in Thailand)

Investments in representative offices were salient in the past (Wu&Sia 2002:11) and the foregoing analysis also confirms this trend. As much as 45% of the members in the Chinese-Thai Enterprise

Association are active in these two sectors. (See Appendix E Table E.1) This affirms the importance of this type of investment but only the Bank of Thailand publishes statistics for these categories.⁴¹

Tables 1.5 & 1.6 provide a sector distribution of Chinese investment on a global basis, where Trade/Services investment account for 57-59% of total Chinese investment. When these tables are compared on a percentage basis with the BOT statistics 1987-1999 (Appendix I Table I.8), and assuming that the categorization follows that of Table 2.4, there is a decent similarity. This similarity also leads to the assumption that trade has in fact also been the most influential Chinese investment sector in dollar terms. The logic conclusion would be that the BOI data at best only represent approximately 40% of total Chinese investments in Thailand. This fact could also explain some of the huge discrepancy in numbers of Chinese companies having invested in Thailand (See Table 2.2)

2.4.2 Resource-seeking Investments

Resource-seeking investments have been dominating the Chinese outward investment globally and this motive for Chinese investment has also shown itself in the investments in Thailand right from the beginning. Agricultural products, rubber, chemicals, paper and steel along with investments in forestry and fishery have been important attractions for Chinese investors. As Thailand is a country rich in agricultural resources; basic staples such as rice, vegetables and fruit are abundant, and as China has an increasing problem by feeding its growing population, the match for such a motive is present. Given the geographical proximity of the two countries it is quite feasible that Thailand could continue being a supportive food chamber for China. China has also actively encouraged the import of fruits and vegetables from Thailand to China through the Thailand-China Free Trade Agreement of 2003 and the ASEAN “Early Harvest Programme” which came into effect on January 1, 2004. Under this program, both sides have reduced tariffs on about 600 agricultural imports between 2% - 15%, and have agreed to abolish these tariffs by 2006. As a result, from January to June 2004, Thailand’s exports of fruits and vegetables to China increased more than 30% to reach US\$ 210 million, accounting for 64% of ASEAN’s total exports to China (BOI 2005a: 3)

⁴¹ See discussion p.22 regarding the drawbacks of BOT data

2.4.3 Efficiency-seeking Investments

The Chinese investments are not necessarily driven by production costs; there is abundant land and cheap labour in China. Globally, the Chinese government is driving its companies to transfer matured technologies to overseas production bases, which is also the case with Thailand. Especially the electronics, light industry and machinery sectors have experienced a rise since 2000. After years of industrial expansion in the Chinese domestic market the industrial capacity at home had exceeded demand. An industrial survey showed that in 1999 about 500 kinds of industrial products had been manufactured at 60% of production capacity (Wang 2002:200). This situation has been a natural motivator for expanding overseas. This can be a reflection of the technological and economical development in China and the fact that technology level of saturated industries is gradually increasing. For instance, in the mid 80s it was bike productions that were moved to Thailand and today it is air conditioner productions.

2.4.3.1 Avoidance of quotas

The efficiency seeking investments has also been characterized by intents to dodge trade barriers trade and quotas to local and third-country markets. This trend existed before China joined the WTO but has also continued after. Later years have seen the inflow of this kind of investment in manufacturing processing in Thailand, especially garment processing and other textile related investments for sales in third countries.

The sector of manufacturing processing has years back been an important building block of the modern Chinese industrialization and an important investment incentive for attracting foreign investment into China. With time, though, the process manufacturing has become somewhat a nuisance to China. The processing manufacturing creates a trade deficit pressure towards trading partners and prior to entry into the WTO China faced it self with increasingly used up quotas. The Chinese government has therefore been very adamant in trying to transfer this kind of processing manufacturing to other countries. China is now member of the WTO and in principle would have unlimited access to the two major trading blocks, The US and the EU. But part of the conditions for

ascending to the WTO has been the maintenance of certain kinds of quotas on garments until January 2005.

2.4.3.2 CAFTA

ASEAN is a very important factor in China's political and economical strategies and can be categorized as a type of efficiency-seeking investment. At the beginning of the new millennium when ASEAN made the first moves to create a Free Trade Area (FTA), China saw this as an opportunity and the choice fell on Thailand as a convenient trade and production hub inside ASEAN.

Future Chinese investments in Thailand are bound to be influenced by this China-ASEAN Free Trade Agreement (CAFTA), which was signed on December 2, 2004 and will take effect by 2010. It will be the world's largest FTA, covering 1.7 billion people with a combined gross domestic product of US \$2 trillion. (Wu & Keong: 101) Under the full FTA exports from both sides are expected to grow by nearly 50%.

China and ASEAN have agreed to start implementing the tariff cuts on January 2005 in order to prepare for the 2010 FTA by when tariffs should be completely eliminated. (BOI 2004b:2)

The economic rise of China and its joining the WTO was initially perceived as a threat to ASEAN exports to other to thirds country markets and a diversion of FDI in favour of China. Both China and the majority of ASEAN countries are major exporters of labour intensive products and have a similar economic structure. Even the higher developed ASEAN countries like Singapore and Malaysia fear competition on high technology products from China in the near future.

According to (Wu & Keong 2003:100) the growth in FDI flows to China has not been at the expense of ASEAN, but rather a general drop in FDI from other Asian countries after the financial crisis. FDI is not a zero-sum game and investments can grow concurrently. Therefore some IPAs in have opted to try to attract Chinese outward FDI. China is well aware of the anxiety she is creating throughout the region and is moving to build closer ties to the ASEAN countries. (Lo 2004:121) This is in fact understandable in light of the present China- ASEAN trade statistics which means that a trade deficit pressure is building up.

The Chinese Government's strategic interest in the CAFTA is seen as a bone for the Southern Chinese Province of Yunnan. This province during the economic development of China has found itself very far from the booming East Coast provinces and even farther from Beijing both geographically and politically. Yunnan has been given the opportunity to become the Chinese gateway to ASEAN and expect to profit substantially in the coming upsurge in bilateral trade and investment. China has already announced that it has set a target to triple the bilateral trade by 2010. (BOI 2004a:10).

The promotion of this regional gateway and the importance of Thailand as a South East Asian hub are closely connected to the restart of the UN plans for the construction of The Asian Highway. (See Appendix C) The project was conceived in 1992 but not until November 2003 was the intergovernmental agreement adopted in which Asian Highway network is classified as a coordinated plan for the development of highway routes of international importance and standard.

This is in line with the development plan for the Greater Mekong Sub region (GMS), which covers Southern China (Yunnan), Thailand, Laos, Myanmar, Vietnam, Cambodia. The GMS Program is supported by the Asian Development Bank (ADB), with the goal of promoting economic and social development by strengthening economic linkages.

The development of transport links and the economic cooperation inside the GMS area is likely to facilitate Chinese investment. Businesses from China's Yunnan province are currently investing in Thailand Northern Province of Chiang Rai. With this development trend, Thailand will strengthen its importance as a communication and transportation hub.

2.4.3.3 Motives with Chinese Characteristics

Wang's "motivations with Chinese characteristics" (Wang 2002:203) could anecdotally be exemplified by a concurrent strategy for developing the investments in Thailand. This strategy supposedly would be related to securing the supply of oil for sustaining the development of the Chinese economy. In case of a conflict with the US over Taiwan, it is feared that the US might block the sea passages for oil tankers to the Chinese East coast. The Chinese Government perceives the good Sino-Thai relationship a basis for using the Thai ports in the Andaman Sea and the Gulf of Thailand in case of such a blockade. Furthermore the Chinese Government has gone into

negotiations with the Myanmar Government about the construction of an oil pipeline. (Far East Legal)

Seen from the foregoing analyses the superior Chinese investment motive, in later years, seems to be that of increasingly use FDI as a foreign policy tool to gain regional influences and to secure regional stability and prosperity.

Conclusion

China has long been in the focus as potent receiver of foreign direct investment. The total inward FDI stock, currently the size of Australia's has attracted much more attention than the logical consequences of a return outflow.

According to Dunning's development model China is presently on stage 2 where she is experiencing a huge inflow of FDI because of improving location advantages such as low cost, well educated labour force, inexpensive land, huge market size and potential, more transparent investment policies, better infrastructure and attractive investment incentives.

China is precisely in the middle of this development process and is emerging as a more visible and potential foreign investor with a current outward FDI stock almost equal to that of South Korea. An important factor for the negligence of Chinese outward investments is the lack of reliable statistics to describe the phenomenon. Furthermore due to the ambiguity of the available statistics these are at times used to draw erroneous conclusions. China needs to authorize a central organ to collect all data pertinent to Chinese FDI, according to international standards.

The basic motives such as market, technology, resource and efficiency seeking types of investment may not be very different from those of other economies in the region in their respective stage of development.

The individual targets and objectives for each motive are in fact directed by the economical and political reality of China.

What makes the Chinese experience slightly different is the predominance of SOEs in the Chinese economic fabric. The hand of the government is very visible and incentive to investment is the result of a merger between economic motives and political strategies.

The superior Chinese investment motive, in later years, seems to be that of increasingly using FDI as a foreign policy tool. China is witnessing the global creation of trade blocs and earning the increasing anxiety from ASEAN neighbours about rising trade deficits, and China being the proverbial black hole with regard to FDI and export potential in the region. Closer ties with ASEAN will avoid regional conflicts and help securing secure natural resources for China's continued

development. In the eventuality of a Taiwan conflict to supply of oil through the ASEAN would be of immense strategic importance. To meet these ends it is of maximum importance to China to expand its political and economical influences in the ASEAN region.

The CAFTA is therefore of both economic and political interest to China, which is reflected by the official Chinese investment in the area., which is presently on par with the Chinese investments into the United States. Furthermore the development plans for the GMS region and the construction of the Asian Highway will bring unprecedented benefits to the economically neglected Southern Chinese provinces.

Thailand is presumably the country in Asia, which apart from Hong Kong has attracted most Chinese investment. But looking from another perspective, Indonesia may in fact the country that should rightly possess the honour of being the biggest receiver of Chinese investments in the ASEAN region.

Nonetheless the Chinese investment pattern in Thailand complies with the general change of Chinese political attitude towards outwards FDI, which has passed through various steps from “selective acceptance” to “explicit encouragement”.

With regard to motives, the pre-1997 Chinese investments in Thailand do in fact concord very well with the requirements as stipulated in 1985 by MOFERT. This can be asserted by the fact that China during the years has been locating its resource investments in Thailand to have direct access to agricultural products and minerals. It can furthermore be confirmed by the continuous inflows of investments in trade and construction.

From year 2000 at the prospect of joining WTO and the increasing encouragement made by Chinese leaders has, without doubt, had its effect on Chinese investments in Thailand. The picture starts changing and there is a significant swing towards efficiency-seeking types of investment in manufacturing with high profile projects and important increases in both export orientation and Chinese equity shares.

Especially the investment by Worldbest Group has an extremely high signal value as to Chinese interest in Thailand in particular and in ASEAN as a whole. The Chinese transfer of mature and

saturated domestic industries to Thailand have an increasing technology level and will also pose challenges to the local Thai manufacturers.

UNCTAD estimates that on a global basis the MOFCOM data only reflects approximately ¼ of the real Chinese outward FDI. If this ratio would be applicable to Chinese investment in Thailand is difficult to confirm. Logically the true amount of accumulated Chinese FDI should be significantly higher than the MOFCOM statistics and even the US\$ 343.8 million in Chinese part of investments that the BOI has approved until 2003 would be an underestimate. Around 80 identifiable Chinese companies are not included in the BOI statistics, which must also necessarily represent a relative amount of investment. Nonetheless if the global ration of Chinese investment in trade could be applied to the Chinese investment picture in Thailand, the BOI numbers in theory would only account for 40% of the real investment values, without taking into account the reinvested earnings.

From year 2000 when Thailand witnessed the entry of a whole new kind of assertive and confident Chinese investors, it also heralded the fact that Chinese companies in general have learnt the ways and dealings of international investments. Several Chinese companies have entered the ranks of Top 50 TNCs from developing countries and increasingly present at high profile M&As.

The initial experiences of many Chinese companies that went global were failure. Some went bankrupt or some got plain out cheated by their local JV partner.

It therefore seems reasonable that many of the Chinese companies or Chinese participated investments in Thailand did not make through the Asian Crisis and that presently there are about 60-100 companies of Chinese identity left in Thailand.

This lead one to suspect that the Chinese authorities themselves are uncertain about the real amount of Chinese investment and the number of companies, both in the SOE sector but even more so in the private sector. MOFCOM would need to implement a program to monitor the new investments abroad a try to capture valid information on the existent ones.

From a more pragmatic point of view it could argued that a discrepancy of Chinese investments in Thailand of some hundreds of millions is insignificant when the Chinese BOP item of “errors and omissions” since 1979 totally sums to more than US\$ 150 billion

This goes to prove that even though the Chinese authorities presumably have elaborate measures of foreign exchange control capital will still find its way through unapproved channels.

The unapproved projects are not necessarily plain capital flight, but in some cases simply an avoidance of bureaucratic hassle and red tape.

There is no doubt the Thailand is doing its best to take advantage of its position as an international hub within the ASEAN and through the socio-cultural nearness to create a safe haven for attracting the Chinese investments.

But the Thai authorities should pay more attention to transparency and to differentiate the Thai investment climate from other developing economies in the region. Cambodia, for instance, may in a near future be able to create competition in attracting the same Chinese investment sectors that are presently investing in Thailand.

There is no doubt that the more complex investment motives of Chinese SOEs needs much more research and the development of more subtle and refined definition tools than the ones presently available.

It has not been the intention of the present thesis to develop such tools, which demands a larger time frame and less restricted access to primary sources of information.

Equally, the trans-nationalization process and investment motives of the much neglected Chinese private companies are largely unknown and are indeed a field worth of research

Chinese companies are thus moving in at the present time in order to prepare for 2010 and the increasing importance of China as an economic motor of growth will create different patterns of dependence in the region both politically and economically. It will be interesting to see how China will handle this responsibility. This Asian integration is visible on many levels and the following quote exemplifies it beautifully:

“It is envisaged that a day will soon come when products from Singapore, Shanghai or Bandar Abbas will be delivered to buyers in Central Asia or tourists and adventurers may drive to Europe from Tokyo or Bali. The benefits of this for the peoples of the region are immense and unparalleled.” (Asian Highway Handbook 2002: 14)

Outward FDI is becoming necessary part of the Chinese economic development and what is fascinating about this development, apart from its complexity, is its unprecedented speed.

The modern history of world economy shows that a latecomer usually completes various development stages much faster than their predecessors.

In this connection, China is bound to continue investing abroad and eventually, the growth rates of inward and outward FDI will start to converge and China can pass on to the next stage of its development path.

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(Questionnaire A).
08.09.2004

List of Abbreviations

ADB	Asian Development Bank
BOI	Thai Board of Investment
BOT	Bank of Thailand
CAFTA	China-ASEAN Free Trade Area
FTA	Free Trade Area
GMS	Greater Mekong Sub Region
IPA	Investment Promotion Agency
JV	Joint Venture
M&A	Merger and acquisition
MOFCOM	China's Ministry of Commerce
MOFERT	Ministry of Foreign Economic Relations and Trade, renamed MOFCOM
ODI	Outward Direct Investment
SAFE	State Administration of Foreign Exchange, China
SOE	State Owned Enterprises
TNC	Trans National Company
TVE	Town and Village Enterprises
UNCTAD	United Nations Conference on Trade and Development

Appendices

Appendix A Selected Quotes from Media and Academia

- By end June 2002, 6758 enterprises have gone abroad, with a total investment of US\$ 13.2 billion of which 8.9 billion is Chinese capital (People's Daily 2002b) quoting MOFTEC⁴²
- By end September 2002, 6849 enterprises have gone abroad representing a combined contracted investment of US\$ 13.5 billion (People's Daily 2002a) quoting MOFTEC
- By end 2002 Chinese investment abroad totalled US\$ 29,9 billion with an annual sales volume in those foreign countries of US\$ 77,2 billion (People's Daily 2003) quoting MOFCOM
- By end 2002 Chinese enterprises have set up 6796 businesses abroad with a combined contractual investment exceeding US\$ 16 billion. The business volume of Chinese enterprises through engineering projects and labour cooperation abroad totalled US\$ 97.2 billion (Beijing Review 2003) quoting MOFTEC
- By end 2003, the number of approved Chinese enterprises to invest overseas reached 7470, and the contracted investment from the Chinese side amounted to US\$ 11.43 billion (People's Daily 2004c) quoting MOFCOM
- In 2003 the outward (Chinese) investment reached US\$ 2.1 billion (China Daily 2004)
- In 2003 the Chinese Government approved 510 enterprises to go abroad, involving a total investment of US\$ 2,09 billion, compared with 350 companies and US\$ 983 million in 2002 (People's Daily 2004a) quoting MOFCOM
- So far (May 2004) China's total overseas investment exceeded US\$ 30 billion (People's Daily 2004b) quoting MOFCOM

In academic literature there are also divergences. Taylor (Taylor 2002:218) quotes Bi Xiaolong who uses *China's Economic s and Trade Yearbook 1997/98* in claiming that by end 1996 the total investment amount of Chinese approved FDI of 1985 entities amounted to US\$ 4,5 billion of which the Thai proportion amounted to US\$ 204,3 million with 134 entries. This coincides with Tan (Tan 1999:24) who additionally states the Chinese investment value being 2.15 billion

Wang (Wang 2002:197) uses *China's Foreign Trade and Economy Yearbook* that from 1978-1997 China has made industrial investments for US\$ 2.3 billion

⁴² Ministry of Foreign Economy Cooperation (MOFTEC) recently renamed Ministry of Commerce (MOFCOM)

Frost (Frost 2004:6) mistakenly uses host countries approved projects' data in Wu & Sia 2002 as a reflection of official MOFCOM figures on outward FDI in ASEAN-5 in the period 1990-99, totalling US\$ 1,8 billion

Zhang (Zhang 2002:2) quotes MOFCOM in stating that by the end of 2001 some 6610 enterprises have been set up abroad with total investment of US\$ 8,3 billion and that by September 2001 China had won US\$ 121,8 billion in overseas engineering and labour contracts, involving 2,4 million labourers.

Wong and Chan (Wong & Chan 2003:275) quotes MOFCOM statistics stating a cumulative total of US\$ 4,46 billion in non-trade Chinese overseas investment, of these 154 project for a value of US\$ 193,8 million in Thailand (Wong & Chan 2003:293)

Shi (Shi 2004:69) says that by end 2003 there were 7479 non-financial overseas investing companies with Chinese part of contracted value of US\$ 11.42 billion

Appendix B Selected Tables and Statistics

Acquiring firm	Industry	Host location	Acquisition Value (US\$ million)
Huagang Forest Co	Timber tracts	New Zealand	7.7
China Petroleum & Chemical Corp.	Oil	North Africa	394
Petro China Co Ltd	Oil	Indonesia	262
Baosteel	Iron ore	Australia	30
CNODC and CNPC	Oil	Azerbaijan	52
China National Offshore Oil Comp	Oil	Indonesia	585
China National Chemical Import and Export Corp	Oil field Service	Norway	105
CNOOC	Gas	Indonesia	275
Total			1710.7

Table B.1 Selected Chinese resource-seeking FDI in 2002

Source UNCTAD, *Cross- Border M&A database quoted in (UNCTAD 2003:7)*

Rank	Region	Number of approved investment projects involving Chinese enterprises (Non-financial)	Cumulative investment value (US\$ millions)
	Total	6960	9340
1	Asia	3672	5482.3
2	North America	847	1270.5
3	Africa	585	818.1
4	Latin America	362	658.2
5	Europe	1194	561.1
6	Oceania	300	549.8

(US\$ million)

Table B.2 China's approved FDI outflows, by region 1979-2002

Source: Ministry of Commerce of China, *The Almanac of China's Foreign Trade and Economic Cooperation*, 2003 (UNCTAD 2003:4)

Rank	Economy	1999		2000		2001		2002		1979-2002	
		Number of project	Value	Number of projects	Value	Number of projects	Value	Number of projects	Value	Cumulative Number of projects	Cumulative Investment Value
1	Hong Kong	24	24.5	15	17.5	26	200.7	40	355.6	2025	4074.3
2	United States	21	81.1	15	23.1	19	53.7	41	151.5	703	834.5
3	Canada	1	0.1	8	31.7	4	3.5	4	1.2	144	436
4	Australia	3	1.7	13	10.2	6	10.1	15	48.6	215	431
5	Thailand	3	2.0	6	3.3	9	121.3	5	3.9	234	214.7
	Total (all countries)	220	590.6	243	551.0	232	707.5	350	982.7	6960	9340.0

(US\$ millions)

Table B.3 China's approved FDI Outflows, top 5 destinations, 1979-2002

Source: Ministry of Commerce of China, *The Almanac of China's Foreign Trade and Economic Cooperation*, 2003 (UNCTAD 2003:5)

	Entities	Chinese part of Investment	Total investment
2002	52	66.4	109
1979-2002	792	716	1201

(US\$ million)

Table B.4 China's approved investment in ASEAN by 2002

Source Ministry of Commerce: Yearbook of foreign Economic cooperation 2003

Region	Percentage
ASEAN Countries	45,1%
Hong Kong	35,3%
Japan	33,3%
North America	31,4%
Western Europe	19,6%
NIEs (excluding Taiwan and Hong Kong)	15,7%
South America	5,9%
Tax havens	3,9%
Other Areas	3,9%
Australia	2,0 %

Table B.5 Intended Overseas Investment Targets by Chinese Companies in Greater Shanghai

Source: *NRI Shanghai (Matsuno & Lin 2003:5)*

Appendix C Asian Highway Route Map



Source: Asian Highway Handbook, (UNESCAP)

Appendix D BOI Approved Investment Statistics

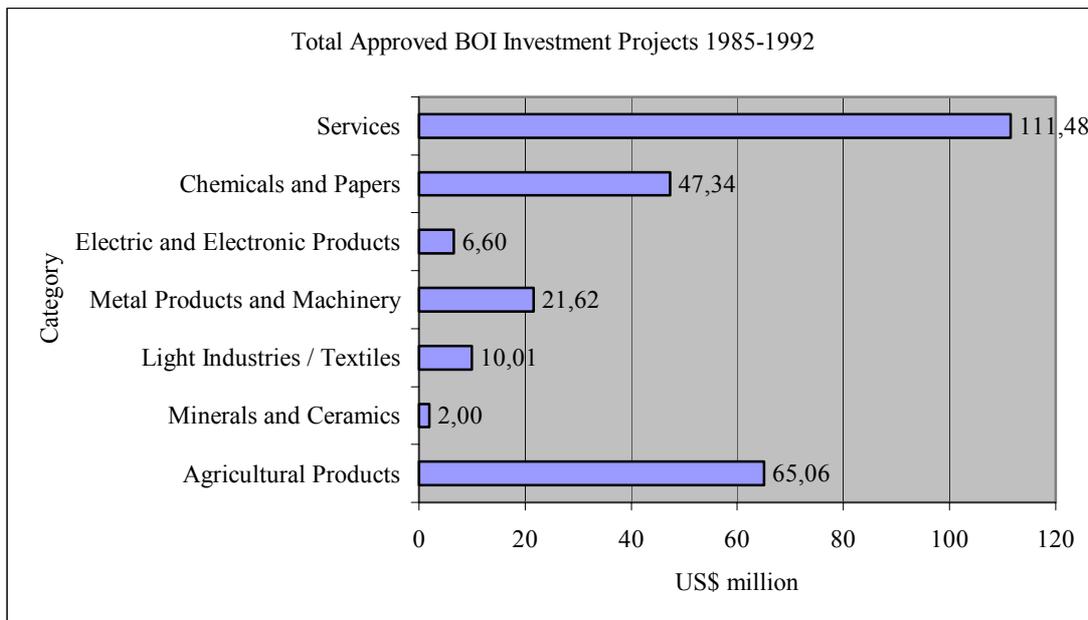


Table D.1 Total Approved BOI Investments with Chinese participation 1986-92

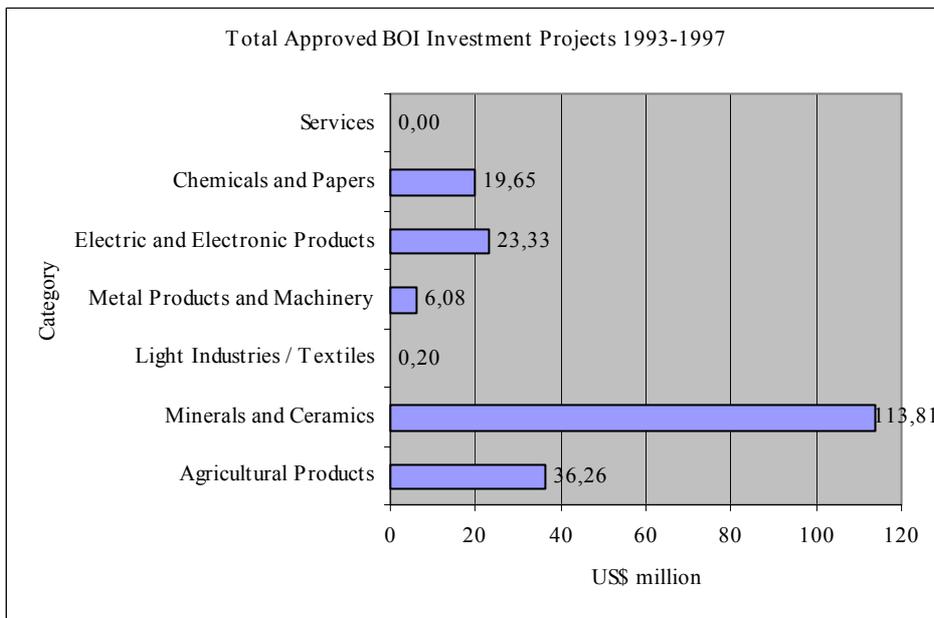


Table D.2 Total Approved BOI Investments with Chinese Participation 1993-1997

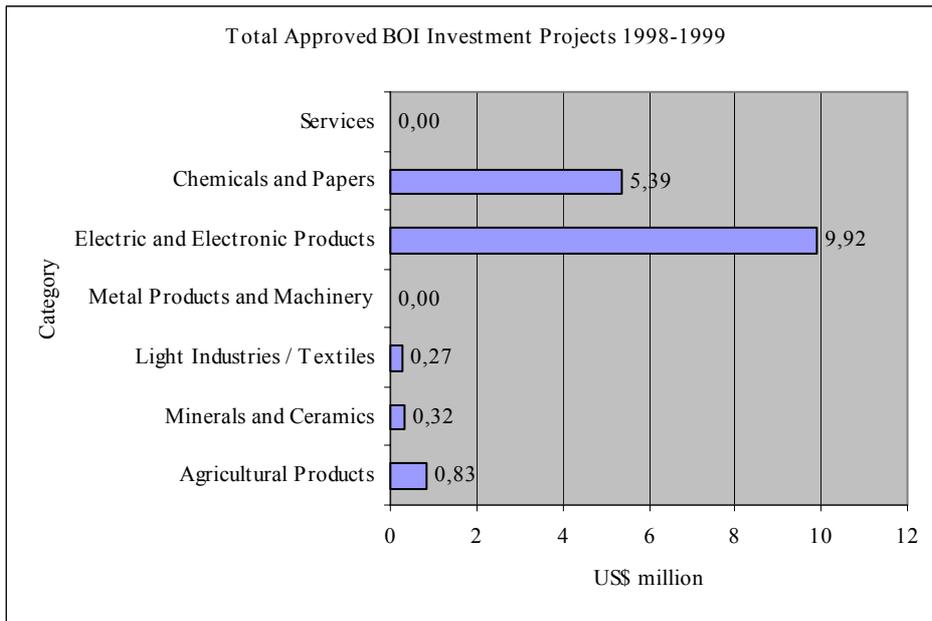


Table D.3 Total Approved BOI Investments with Chinese Participation 1998-1999

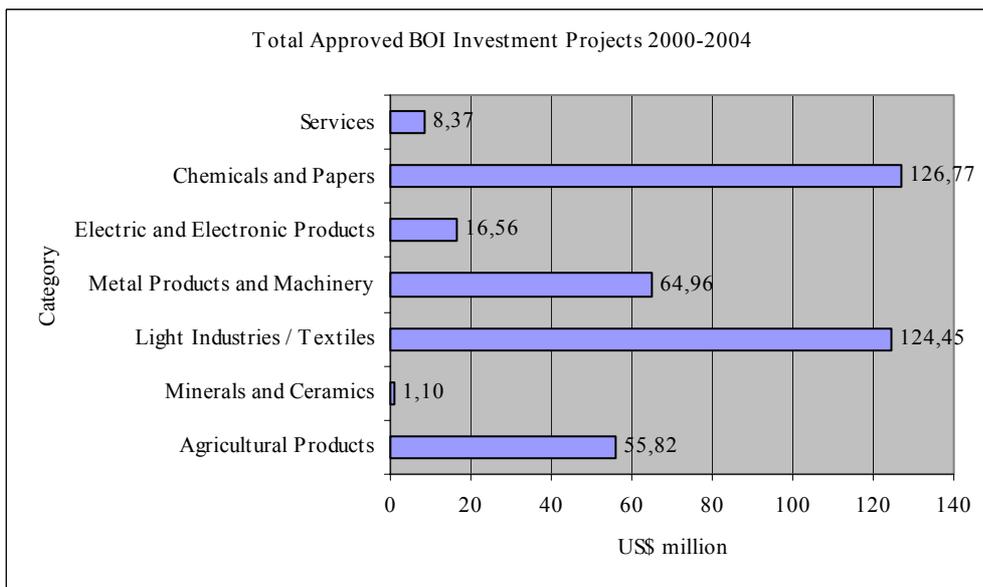


Table D.4 Total Approved BOI Investments with Chinese Participation 2000-2004

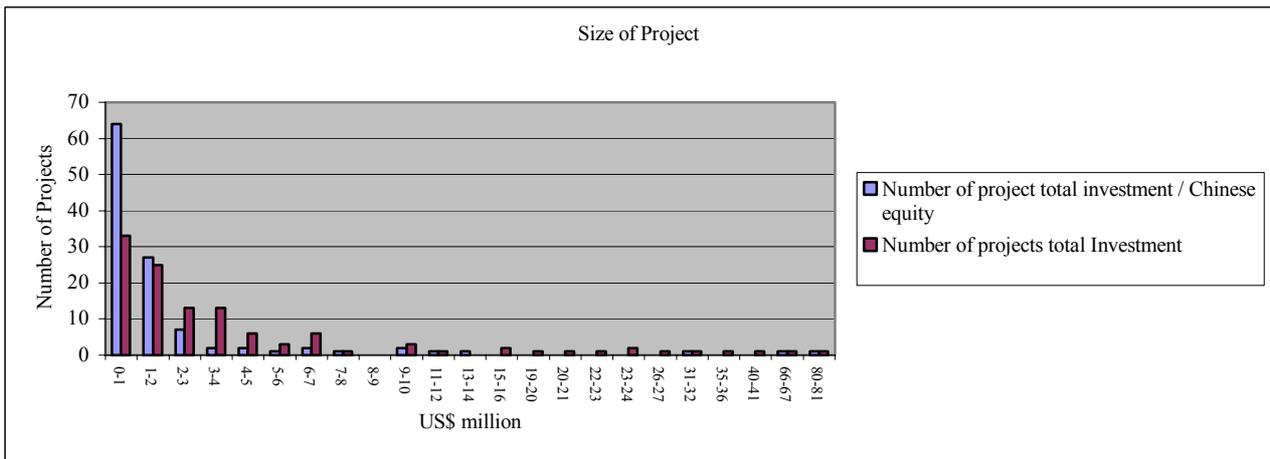


Table D.5 Investment Size of BOI Approved Chinese Investment Projects

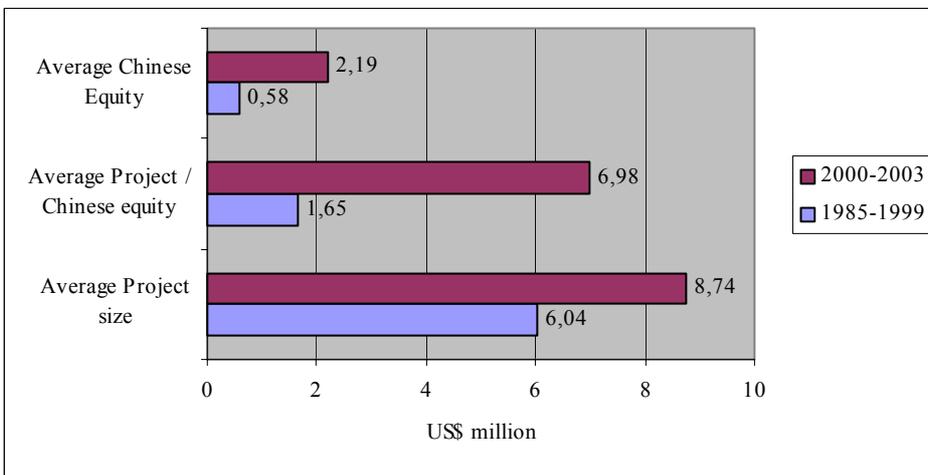


Table D.6 Investment Averages of BOI Approved Chinese Investment Projects

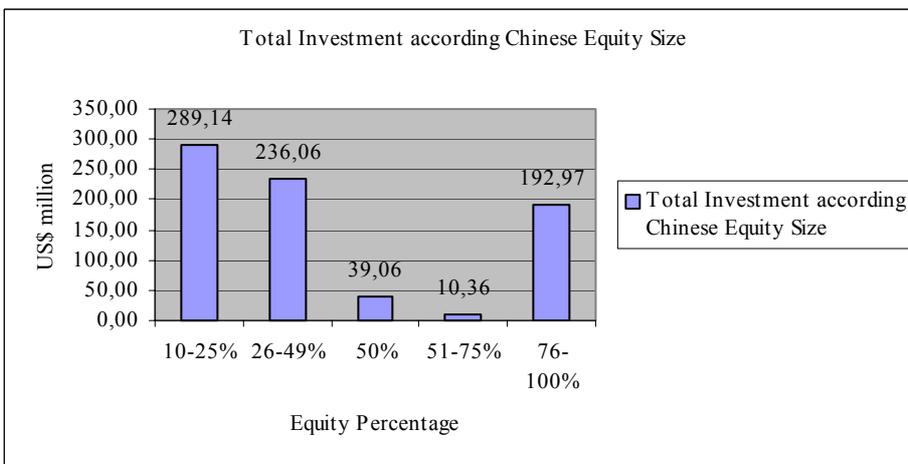


Table D.7 Total Investment according to Chinese Equity of BOI Approved Chinese Investment Projects

Appendix E Thai Company Listings

There are 4 sets of listings available for determining Chinese companies or companies of Chinese participation in Thailand.

The Thai Ministry of Commerce listing of established Chinese companies from 1997 to 2003. The 60 companies listed are foreign according to Thai law, i.e. 50% or more Chinese equity participation. The drawback is that the listing is only available in Thai with the company names in Thai version, which makes it extremely difficult to make a comparison with other listings.

The Chinese Embassy in Thailand's listing of Chinese enterprises located in Thailand (2003) lists 69 companies. This listing provides comparable company names in both English and Chinese but doesn't provide any information on the company line of business or year of constitution.

Nonetheless the fact that they appear on this list (with Chinese contact persons) would indicate that the companies feel a high degree of Chinese identity or reflect the fact that they comply with the minimum requirement of 25% equity stake (Chinese standards) to be regarded a Chinese company. The drawback of the listing is that it could be very out of date. Some companies gave up and went back to China during the Asian financial crisis and never deregistered.

The members' listing of the Chinese-Thai Enterprise Association (2003) lists 58 members.

Company names are provided in both Chinese and English. The association's name in Chinese; The Chamber of Commerce of Companies in Thailand of Chinese Investment (Zhu Tai Zhongzi Qiye Shanghui) confers the impression that the members have a high degree of Chinese identity. The general managers of the member companies are all Chinese which also gives an indication of a high Chinese equity stake. The listing does not provide formal information on equities or year of constitution, but it provides information on the lines of business of its members.

The Thai Board of Investment (BOI) listing of approved Investment projects 1985-2003. This listing probably provides the most complete information with regard to investments in Thailand with Chinese equity stake of 10% or more. The listing provides detailed information on equity stake, total investment, lines of business, promotion zones, employees, and export ratio. The drawback of this listing is the same as mentioned above. Nonetheless it may still provide a valid picture of Chinese investment patterns in Thailand.

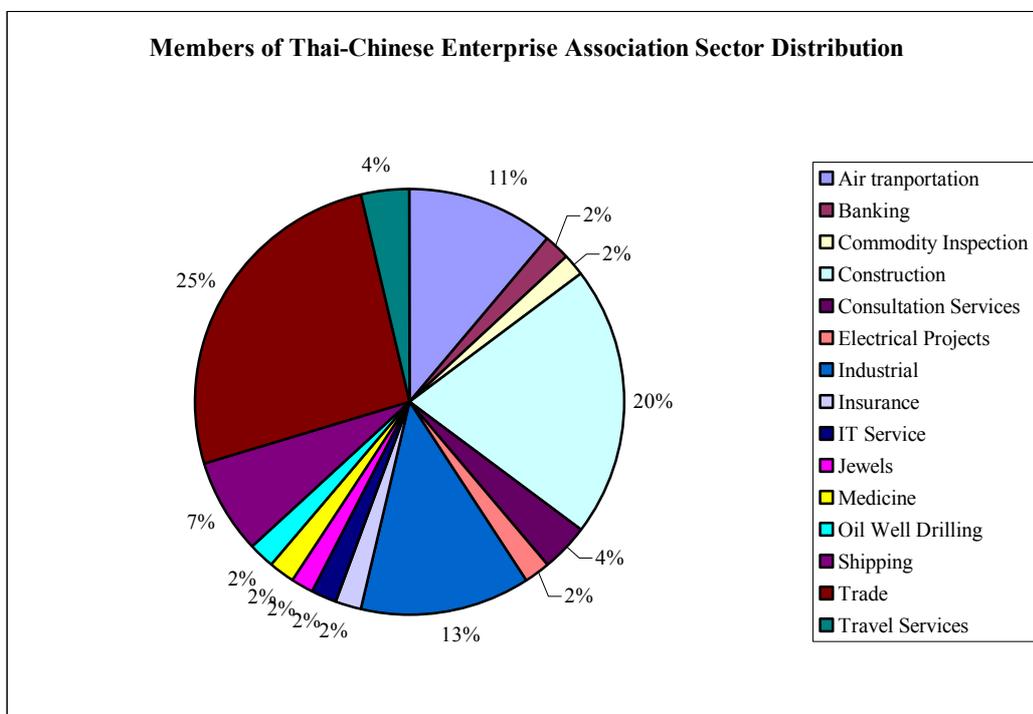


Table E.1 Sector Distribution of The Thai-Chinese Enterprise Association

Appendix F BOI and BOT Dataset

BOI Approved Investment Projects, 1985-2003 with Chinese Equity Capital of 10% or more

	Total investment US\$ million	Registered capital US\$ million	Chinese part of registered capital (%)	Promotion Zone	Export Ratio	Year of Approval	Industry Code
CF Wood	6,524	4,8	49	2	100	1988	1.0
"thai name"	1,748	0,4	40	3	100	1988	1.0
Chantaburi Aquaculture	2,08	0,4	40	3	0	1988	1.0
TS Wattana	3,792	0,8	10	3	0	1988	1.0
Thai-China Flavours and Fragrances	4,2	2	50	2	90	1989	1.0
"thai name"	2,98	1,2	40	3	90	1989	1.0
"thai name"	2,98	1,2	40	3	90	1989	1.0
TS Wattana	3,835	expansion	10	3	0	1993	1.0
Thai Jin Kaset Thong	11,54	3,92	40	3	0	1993	1.1
Inhouse	5,92	1,18	40	3	0	1993	1.1
Thai Sen Agriculture ind.	4,478	0,98	40	3	0	1993	1.1
Intercontinental Tannery	6	2,4	30	1	100	1990	1.10
Zhen Hai	0,828	0,32	50	3	0	1988	1.11
Shang Thai Food	1	0,6	20	3	100	1989	1.11
GFPT Public	5	expansion	10	1	100	2001	1.11.1
Sangsorikankaset	0,8	0,32	50	3	30	1995	1.11.2
Changlong Foods	0,833	0,222	33	3	100	1998	1.11.2
Shu Hua	4	2	50	1	90	1988	1.12
Mengtai Co	3,8	1,14	49,1	3	60	2003	1.13
Changjiang Latex	6,72	1,68	50	3	100	1988	1.14
Latex industries	1,38	1,04	50	2	80	1988	1.14
"thai name"	9,736	4,32	49	3	100	1988	1.14
"thai name"	3	1	40	3	80	1988	1.14
B.Ex Rubber commercial	0,8	0,24	33	3	80	1988	1.14
Thai Chong Chemical	0,48	0,8	30	2	100	1988	1.14
Clomg Pon Rubber Ind	0,8	0,2	40	3	80	1989	1.14
Mr Chen Ping Kwang	1,852	1,2	36,6	3	80	1989	1.14
"thai name"	0,96	0,32	25	2	95	1989	1.14

Clomg Pon Rubber Ind	0,8	expansion	10	3	80	1989	1.14
Hua Tai Rubber Co	6,47	2,35	40	3	50	1993	1.14
Supertex	2,35	0,784	25	3	30	1993	1.14
Supertex	0,866	expansion	25	3	100	1994	1.14
Taksin Rubber Products	1,174	0,279	33	3	50	2000	1.14
Supertex	1,72	expansion	25	3	80	2000	1.14
Thai Yok rubber	0,125	0,045	50	3	0	2001	1.14
W. A. Rubbermate	2,05	0,232	20	2	90	2002	1.14
MRI Co	0,581	expansion	10	2	95	2002	1.14
H.V. Fila	15,23	5,076	10	1	95	2003	1.14
Choosak and Punnee Leader co	1,162	0,233	30	3	70	2000	1.25
TCL Parawood	0,68	0,182	33	3	100	2001	1.25
Chico-Thai Plantation	2,404	expansion	10	3	100	1990	1.6
Thai International marble	1,49	0,78	50	3	0	1993	2.0
Asia Shandong Minerals	1,57	0,39	40	2	0	1993	2.0
Namheng Steel	23,53	5,88	30	3	0	1993	2.0
"thai name"	26,27	6,66	35,3	3	0	1994	2.0
RNC Engineering	5,098	1,176	30	3	0	1994	2.0
Aerocrete	15,85	5,88	15,3	3	0	1994	2.0
UMC metals	40	8	14,5	2	0	1994	2.0
United Ceramics	0,318	0,318	91,6	2	90	1999	2.4
New Moon Industrial	2	1,2	50	2	100	1991	2.6
Amerasia	1,248	0,4	80	1	100	1989	3.0
Bona Bag	0,4	0,12	33	1	100	1990	3.0
Thai Silk Agro Ind	5,964	2	10	3	0	1989	3.1.1
World Best Industry	80,9	24,27	100	2	85	2001	3.1.1
Coats Threats Ltd	2,57	0,79	50	1	70	2002	3.1.4
Worldbest Household textiles	31,34	8,25	100	2	80	2001	3.1.5
PH Garment Manufacturing	2,977	0,795	14,3	3	90	2001	3.1.6
TKSS Co	0,265	0,053	50	3	100	1999	3.12
Klonglarn	0,711	0,227	50	3	100	2001	3.12
Orient Merchandise	2	0,4	50	1	100	1990	3.2
Bleu de Chine	0,196	0,196	60	1	95	1993	3.2
Creadores Jewellery	0,43	0,114	40	1	100	2003	3.2
Mr Fong Ah Tak	0,233	0,047	100	1	20	2000	3.2.1
Eastar BF Co	0,396	0,08	50	1	100	1989	3.7
Oriental fine arts	0,286	expansion	10	3	100	2000	3.7.1

BBA Machinery	4,8	0,8	40	3	100	1990	4.0
Asia Thai Thong Metal	1,76	0,59	46,6	3	0	1993	4.0
Eastern Light Technical Ind	0,32	0,12	33	3	0	1995	4.0
B.K.J. Advanced Process	4	0,96	8,3	3	0	1996	4.12
Thai Capitol Roll	0,465	0,256	36,3	1	80	2000	4.2
Dongyun Plate Making	3,52	2,954	75,5	2	30	2001	4.2
"thai name"	0,697	0,418	33	2	10	2002	4.2
Thai toolings industry	1,68	1,2	50	2	0	1989	4.3
Shang Hua Vacuum coating	0,964	0,96	50	2	100	1990	4.3
M. Manothai enterprises	8,972	4	15	3	50	1991	4.3
Nan Chang Ind	0,22	0,23	100	2	80	2002	4.3
Mr Somsak Leeswasditrakul	3,24	1,6	40	1	80	1989	4.8
Toheng co	1,96	1,176	50	3	80	1992	4.8
Parish Structural products	35,46	17,71	33,3	2	60	2000	4.8
Marn Su Electric Machine	2,4	1,2	40	2	90	1990	5.1
Mr Somboon Jarukulvanich	3,2	0,8	20	2	80	1989	5.2
US Star Ind Group	1,793	2,27	100	3	80	2001	5.2
Far east Solar Energy	0,568	0,253	80	2	40	2003	5.2
Somprasong Thaveekij	1	1	48	1	80	1990	5.4
Function Telecom	0,609		10	2	10	2003	5.4
Delta Electronics	23,33	expansion	10	1	80	1996	5.5
Palo Alto	9,92	8,49	12,5	1	100	1999	5.5
Calcorp intl	2,16	expansion	10	2	80	2001	5.5
Royal Electronic Factory	2,348	expansion	10	2	80	2002	5.5
Hoo Chin Electronics	1,9	0,761	60	3	80	2003	5.5
Thai China Fiber optics	3,172	2,538	60	2	0	2003	5.5
CKL Electronics	3,66	expansion	40	2	80	2003	5.5
Chaimongol Import	0,348	0,139	50	1	80	2002	5.5.17
World Best Biochemicals	66,91	16,72	100	2	90	2001	6.1
Thai Paper	22,4	6	40	2	0	1986	6.11
Ocean Dragon	3,656	1,2	20	2	0	1990	6.12
Yong Song Co	1,28	0,4	50	3	0	1990	6.2
Bangkok Nanyang Chemical	2,94	1,96	46	2	0	1993	6.2
Fung Ling Development	0,196	0,784	20	3	95	1993	6.2
Thai Supreme Agriculture	1,4	0,4	50	2	100	1995	6.2
Windmill Chemical	0,8	0,4	20	3	30	1996	6.2
Quartz Chemical	7,404	2,4	10	2	30	1996	6.2

Jiu Tong Biological product	0,978	0,978	100	2	80	1997	6.2
Sinochem	1,36	0,34	100	2	30	2001	6.2
Rung Siam Fertilizer	20	4	30	1	0	1991	6.3
"thai name"	4	2	36	3	0	1995	6.5
NGL Chemical	1,811	N/A	10	2	60	1999	6.5
"thai name"	0,588	0,392	50	3	0	1994	6.7
Thai Harbin	1,34	4	50	3	0	1995	6.9
Soon yi Plastics	1,094	0,222	50	3	60	1998	6.9
Soon Fa	1,567	0,371	57,1	3	60	1999	6.9
Siang Cheng Packing	0,92	0,636	50	3	70	1999	6.9
Commuwell Enterprise	0,581	0,233	40	2	80	2000	6.9
Mei San Ind. Corp.	2,9	0,58	24	3	80	2000	6.9
Zhongfu	6,72	2,538	100	1	10	2003	6.9
Energy Conservation and Environment	0,685	0,865	25,1	3	0	2003	7.1
RD Green Source Chemical	0,38	0,253	85	3	0	2003	7.21
Thai expo city	92,28	15,4	15	1	0	1990	7.4.2
Ideal Estate	19,2	8	10	1	0	1990	7.4.3

Note: The BOI data were originally listed in Thai Bath. The conversion to US\$ has been done on basis of the official year end exchange rate of the Bank of Thailand of the approval year of the project. For “expansion” projects no information is available on equity share. The term “thai name” refers to companies only identifiable by their Thai name

Bank of Thailand (BOT) FDI Inflow Data (from People's Republic of China) 1987-2003

Year	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1 Financial Institutions	0	0	0	0	0,4	0,7	0	0	0	0	1,4	0	0	0	0	0	0
2 Trade	0,3	0,9	1,9	0,6	0,7	0,2	6,6	1,3	2,5	3,9	0,6	0,4	1,1	2,3	0,2	1,7	2
3 Construction	1,2	3,4	3,6	0	0,3	0,5	0	0	2,5	1	0,2	0,4	1,9	0,6	0	0,1	0,7
4 Mining & Quarry																	
4.1 Oil Exploitation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4.2 Others	0	0	0	0	0	0,1	0	0	0	0	0	0	0	0	0	0	0
5. Agriculture	0,1	0	0	0,5	0	0	0	0	0	0	0	0	0	0	0	0	0
6 Industry																	
6.1 Food	0	0,3	0,1	0,9	0	0	0,1	0	0	0	0,3	0,9	0	0	0	0	0
6.2 Textiles	0	0	0	0	0	0	0	0	0	0	0,6	0	0,1	1	1	9,1	7
6.3 Metal based	0,1	0,3	0	0,9	0	0	0,1	0	0	0	0	0	0	0	0	0	0
6.4 Electrical appliances	0	0,9	0,5	0	0	0	0	0	0	0	0	0	0,4	0	0	0	2,9
6.5 Machinery and Transport	0	0	0	0	0	0	0	0	0	0,2	0	1,9	0	0	0	0	0
6.6 Chemicals	0,1	1,2	0	0	0	0	0	0	0	0	0	0	0	0	0,1	1,2	2,8
6.7 Petroleum production	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6.8 Construction materials	0	0,1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6.9 Other industry	0,3	0,5	0	1,6	0	0	3	2,3	0	0	0,1	0	0,3	0,6	0,2	2,1	0,6
7 Services																	
7.1 Transportation & Travel	0	0	0	0	0	0	0	0	0	0,2	0	0	0	0	0	0	0
7.2 Other Services	0	0	0	0	0	0	0	0,6	0,1	0,6	0,2	0	0,2	0,2	0	0,2	0,4
8. Investment	0		0	0	0	0	0	0	0	0	0,3	0	0	0	0	0	0,1
9. Real Estate																	
9.1 Housing	0,2	0	0	0	0	0,1	0,2	0	0	0	0	1,9	0,1	0	0	0	0
9.2 Hotels & Restaurants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9.3 Other real estate	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Others	0	0	0	0	0,3	0	0	0	0	0,1	0	0,5	0	3,4	0,3	5,9	4,9

FDI Inflow from China to Thailand 1987-2003

Source: Bank Of Thailand (US\$ million)

Appendix G Flow Statistics Bank of Thailand and Thai Board of Investment

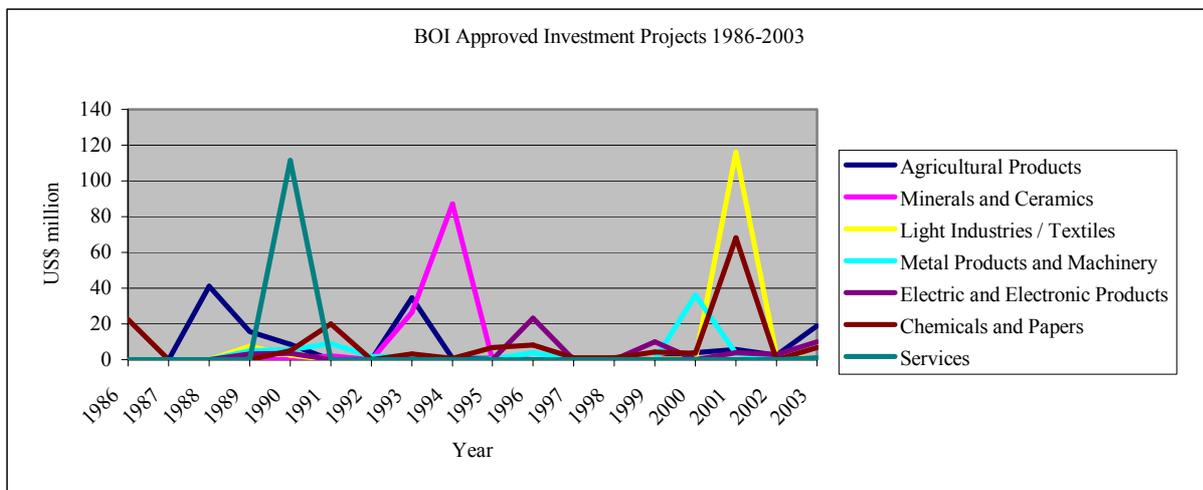


Table G.1 BOI Approved Investment Projects 1986-2003

Source: The Thai Board of Investment

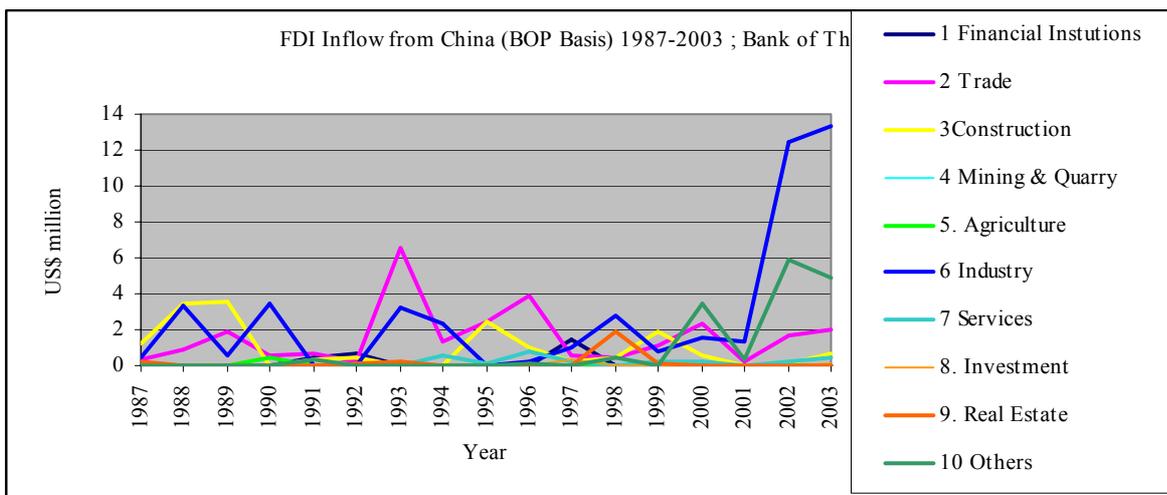


Table G.2 FDI Inflow from China 1987-2003

Source: The Bank of Thailand

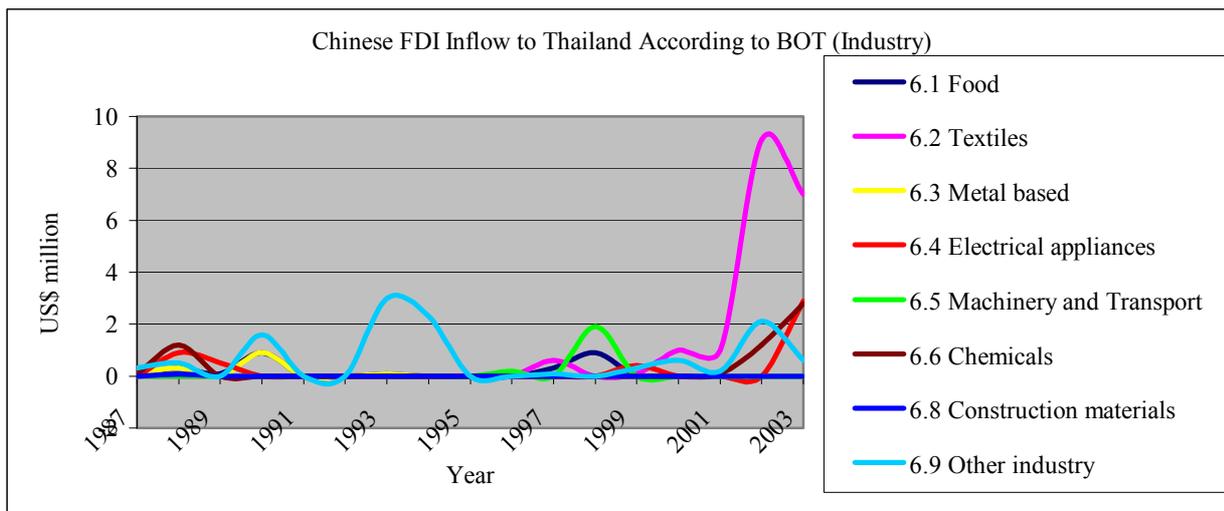


Table G.3 Inflow of Chinese FDI to Thailand, Industry Sector

Source: Bank of Thailand

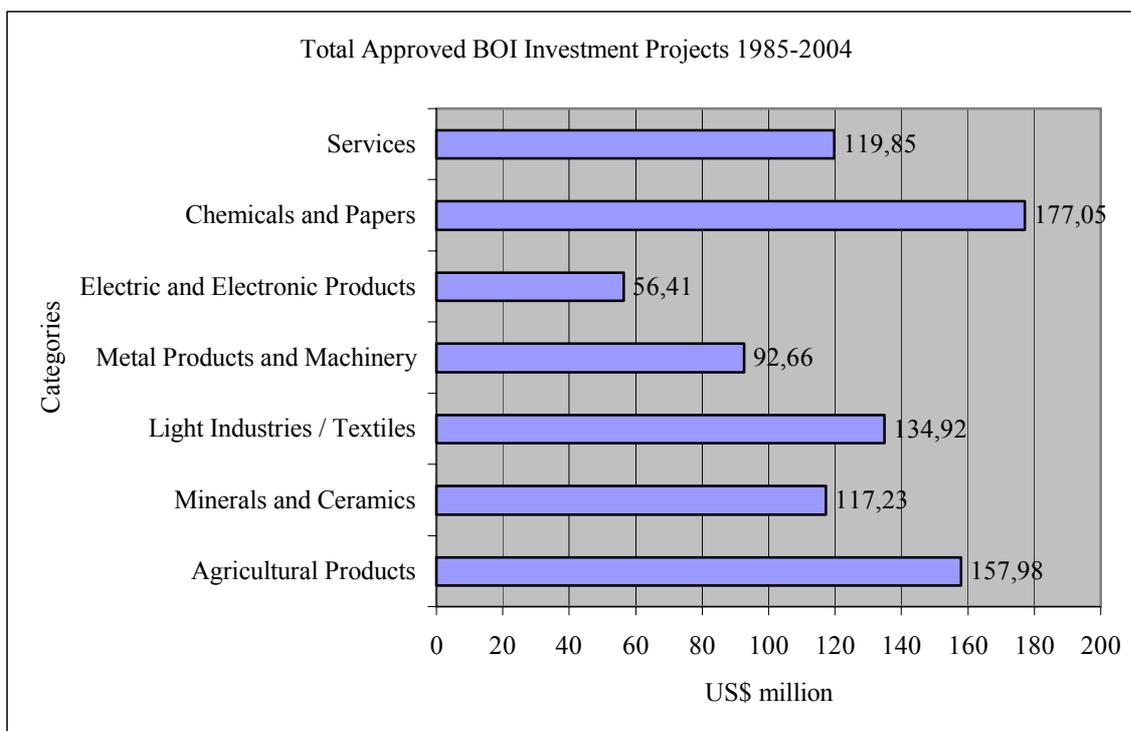


Table G.4 Sector distribution of BOI approved Chinese Investment Projects 1985-2004

Appendix H Political Rationale and Background

The initiative for Chinese overseas investment was set out by a State Council document from August 13, 1979 in which investing to set up Chinese enterprises overseas was proclaimed as one of thirteen official policies for opening the Chinese economy. Most had the form of a joint venture and were mainly located in developing countries. Although to date there is no official legislation a regulation in 1985 from MOFERT expanded the scope of investment and allowed all economic entities to go abroad under certain circumstances, such as possessing own financial resources, possessing technological advantage and expertise, and having a foreign joint venture partner. The approval of investment projects was also subject to compliance with at least one of the following requirements which practically have guided the approval procedures ever since:

1. It helps import advanced technology and equipment that are difficult to import through other channels.
2. It helps provide a long term reliable supply of raw materials needed for China's domestic economic development
3. It helps generate foreign currency income for China
4. It is conducive to exporting Chinese machinery and materials; and to the expansion of China's engineering and labour service contracts overseas
5. It helps provide the local market with Chinese products needed and make foreign currency earnings (Zhang 2003:57)

The companies that went abroad at the time in the mid 80s were not many in number due to the fact that even though investing abroad was officially allowed it was still not officially encouraged. During this period the Chinese companies started engaging in manufacturing activities. The political perception of the multinational corporations as imperialist tools for economic exploitation and plundering created an ideological barrier. This barrier was not overcome until the appearance of the Chinese translation of Well's *Third World Multinationals*, which created an intellectual discussion and rationale for a positive view on multinational corporations' potential in developing the Chinese economy. The official acceptance came as a result of Deng Xiaoping's famous tour of Southern China in February 1992 and endorsed by Jiang Zemin at the Fourteenth Party Congress in

October 1992 where he encouraged overseas investment by Chinese firms. This congress also brought an end to the political and ideological controversies as to the general orientation of Chinese economic reform (Zhang 2003:77). China then fully launched itself into the establishment of a socialist market economy and entered into the globalisation process through a bid for WTO membership. The Chinese Government sponsored and organized workshops and seminars on business opportunities abroad and how to establish subsidiaries abroad.

	1979-1985	1986-90	1991-1996
Number of Enterprises	185	616	1184
Total Investment Value	249	2146	2122
Chinese Investment Value	154	1055	943
Chinese Percentage of Total Investment Value	61.8	49.2	44.4

US\$ millions

Table H.1 Approved Overseas Chinese Investment 1979-1996

Source: *Almanac of China's Foreign Economic Relations and Trade, various issues*

Quoted in (Tan 1999:24)

At the tenth five year plan in 2001, Zhu Rongji explicitly called for a coordinated strategy for Chinese companies to go abroad and invest in areas of processing trade, natural resources, international engineering, and export of labour. At the same time he called for better policy support to implement this strategy, the so-called “go abroad “strategy.

Appendix I Sector Distribution of BOI Approved Chinese Investments

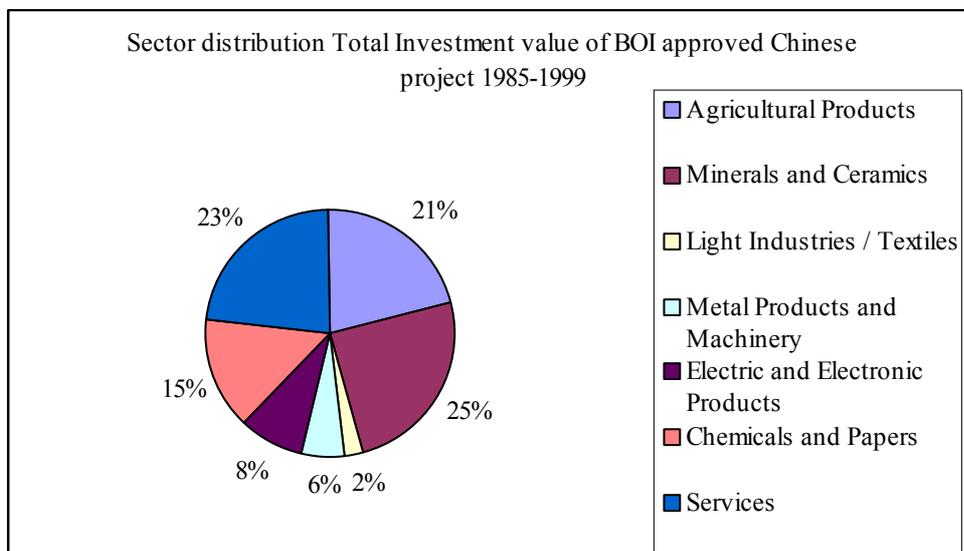


Table I.1 Sector Distribution of Total Investment Value of BOI Approved Chinese Investment Projects 1985-1999

Source: BOI

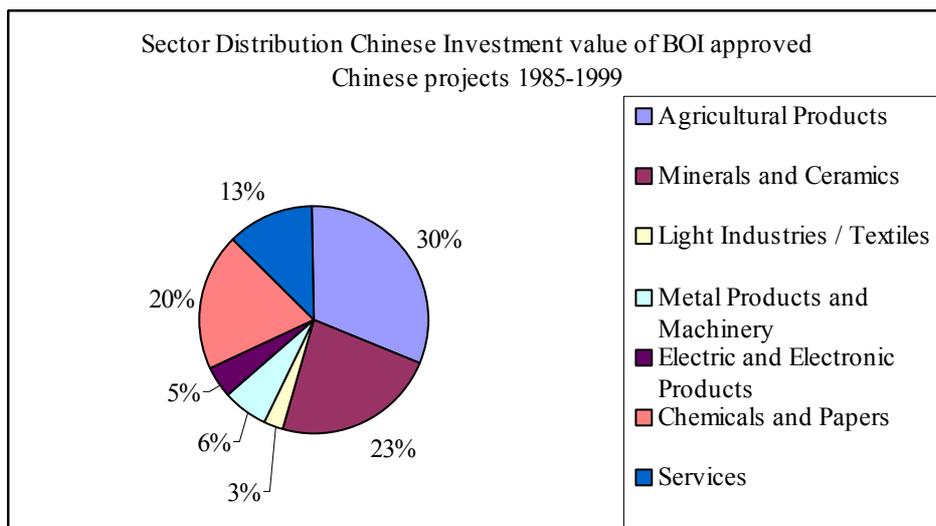


Table I.2 Sector Distribution of Chinese Investment Value of BOI Approved Chinese Investment Projects 1985-1999

Source: BOI

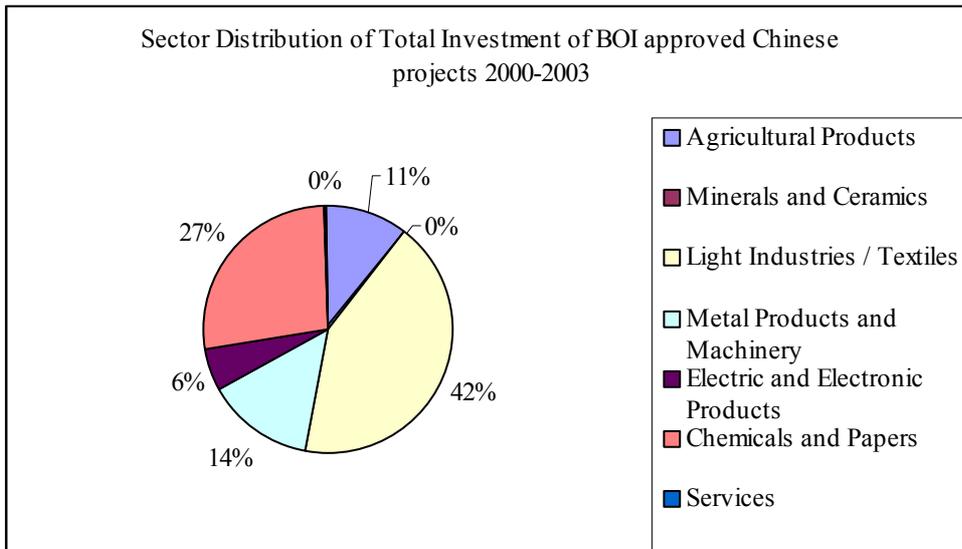


Table I.3 Sector Distribution of Total Investment Value of BOI Approved Chinese Investment Projects 2000-2003

Source: BOI

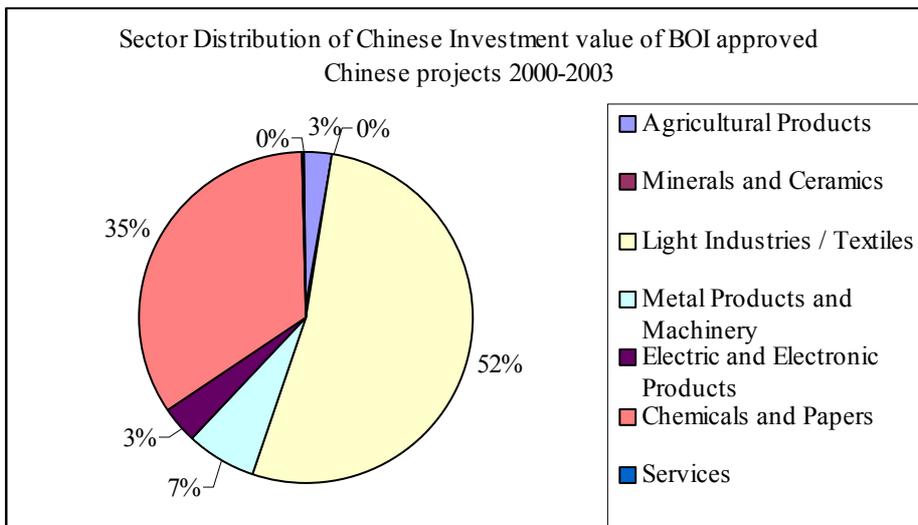


Table I.4 Sector Distribution of Chinese Investment Value of BOI Approved Chinese Investment Projects 2000-2003

Source: BOI

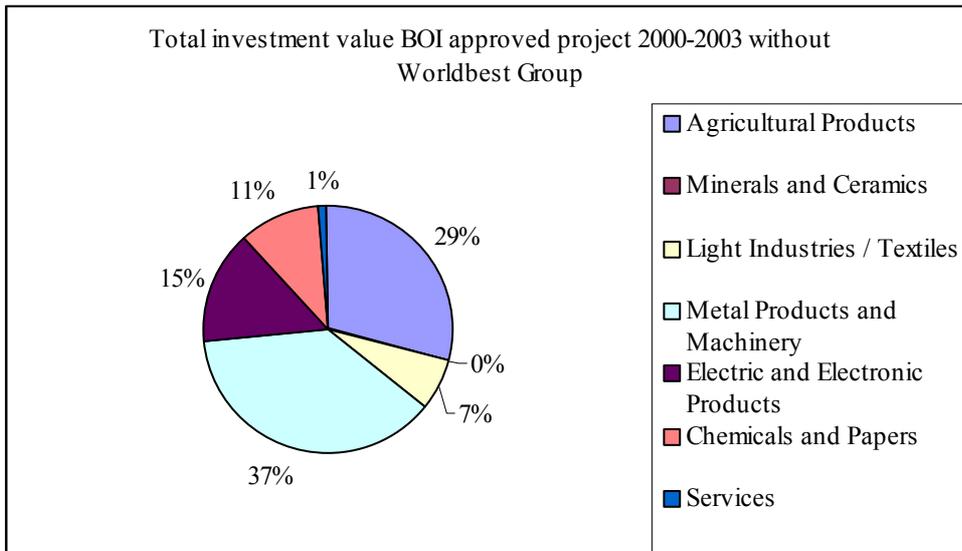


Table I.5 Sector Distribution of Total Investment Value of BOI Approved Chinese Investment Projects 2000-2003, without World best Group

Source: *BOI*

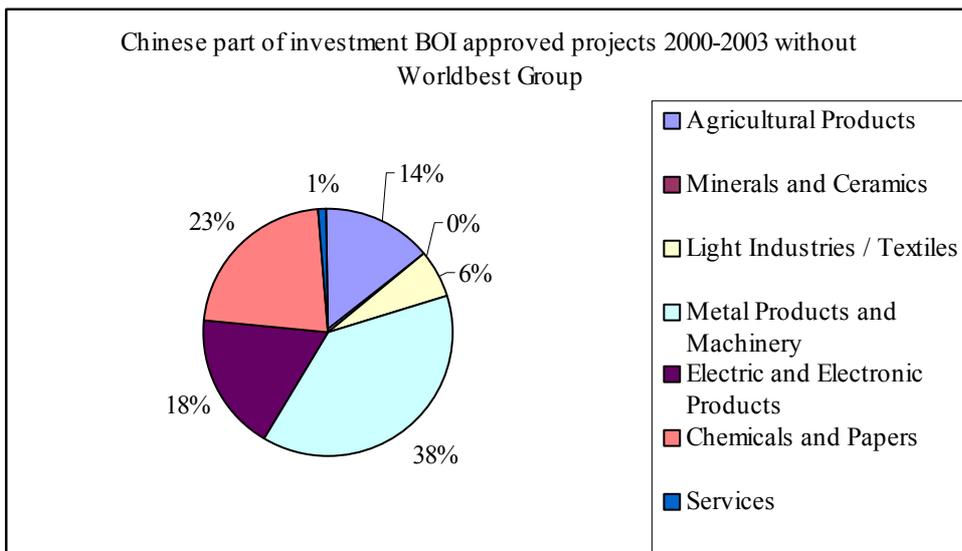


Table I.6 Sector Distribution of Chinese Investment Value of BOI Approved Chinese Investment Projects 2000-2003, without World best Group

Source: *BOI*

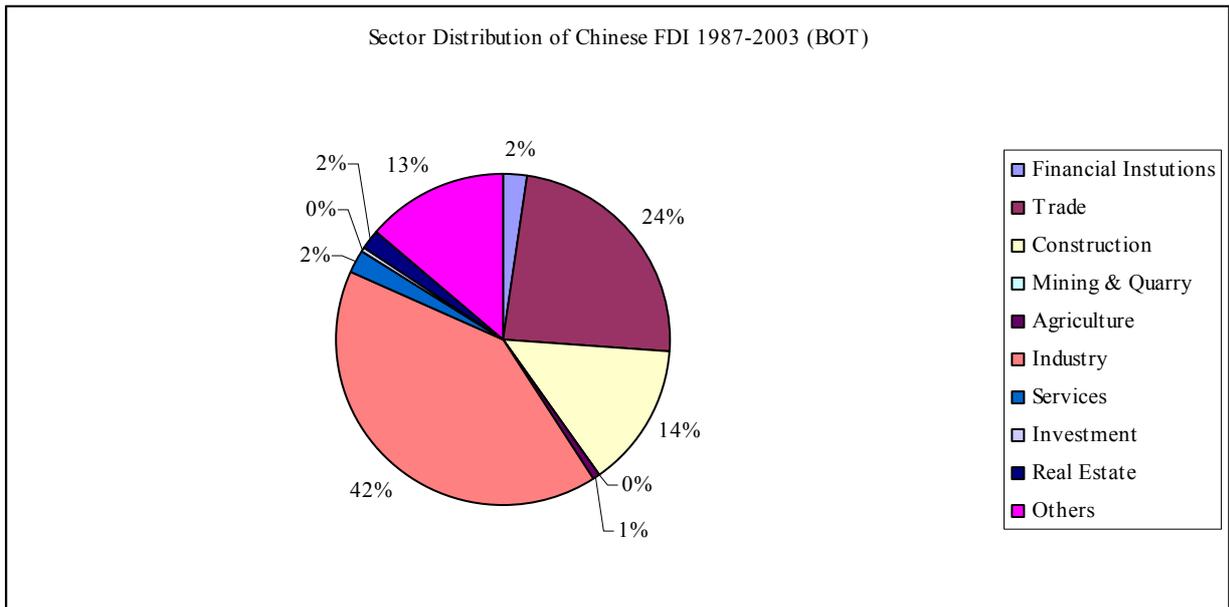


Table I.7 Sector Distribution of Chinese FDI (BOT) 1987-2003

Source: *Bank of Thailand (Appendix F)*

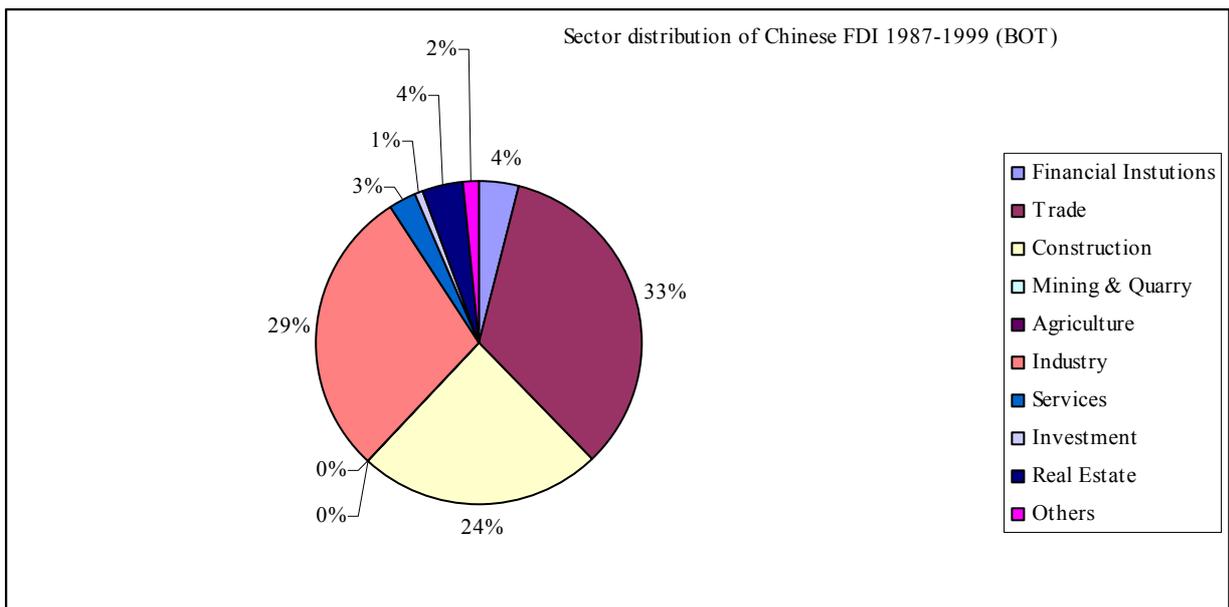


Table I.8 Sector Distribution of Chinese FDI (BOT) 1987-1999

Source: *Bank of Thailand (Appendix F)*

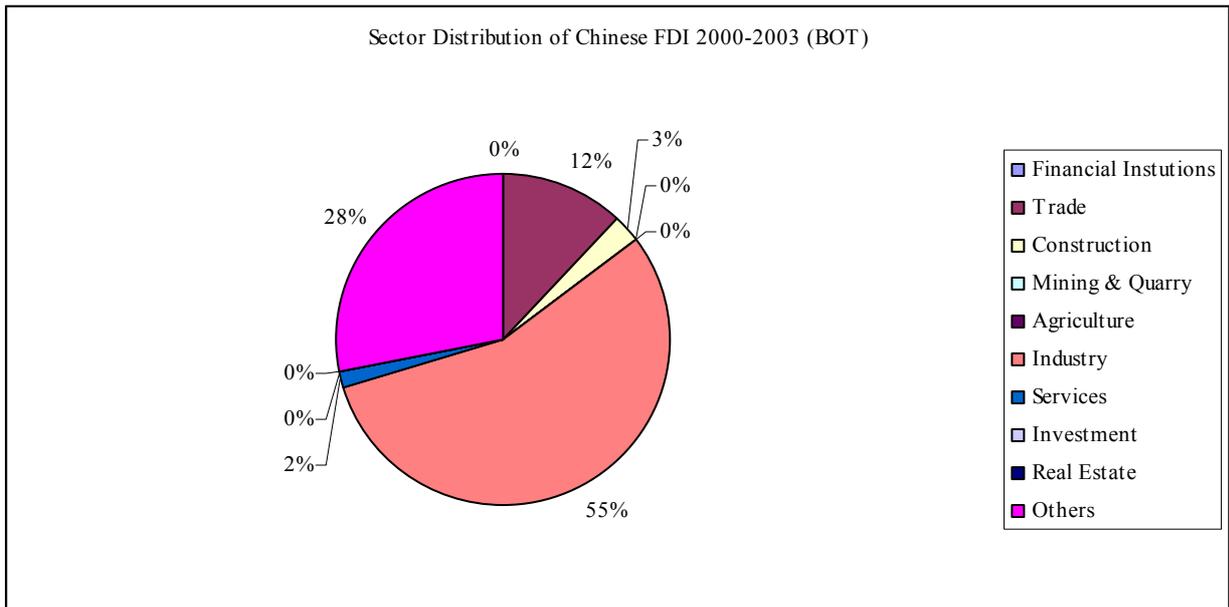


Table I.9 Sector Distribution of Chinese FDI (BOT) 2000-2003

Source: *Bank of Thailand (Appendix F)*

Appendix J Investment Development Path

John Dunning's investment development path

According to Dunning countries go through 5 stages in their development path. These stages can be classified according to the propensity of the country to be inward and/or outward investor. The propensity relies on the competitive or ownership specific advantage (O), and the competitiveness and the resources on the location (L)

Stage 1 L&O advantages do not provide any incentive for either inward FDI or outward FDI

Stage 2 Inward FDI starts to rise because of better L advantages. Outward FDI appears as a result of better O advantages of domestic companies.

Stage 3 is characterized by a gradual decrease in growth rate of inward FDI and an increase in the growth rate of outward, which results in a better net out investment (NOI)

Stage 4 is reached when the outward FDI stocks equals or surpasses the inward FDI stock, and the outward FDI continues to grow faster than inward FDI

Stage 5 implies that the net outward investment approaches zero, while at the same both inward and outward FDI continues to grow (Cai 1999:879)

Appendix K Questions / Questionnaire

Semi-structured questions

1. Basic motives of Chinese investment in Thailand.
2. Sectors of Chinese investment in Thailand.
3. Size of Chinese investment in Thailand.
4. Private investments vs. SOE investments.
5. Adaptation of Chinese companies to Thai business environment.
6. Part of investments, which receives official approval.
7. Future trends.

Questionnaire

尊敬的公司领导：您好

我是来自丹麦的顾思刚ALLANKVISGAARD,我在瑞典林德大学读研究生，我的毕业论文题目是《中国投资公司在泰国投资的项目及成果》，泰国曼谷THAMMASAT大学协助我一起做论文。我现在碰到一些问题希望能得到贵公司的帮助，谢谢！我有以下几个问题：

1. 现投资的项目是政府间的合作项目还是援建项目，或民营投资项目？
2. 为什么选中到泰国投资？而不是到欧洲、美国及其它亚洲国家投资？
3. 是否是中国政府鼓励到海外建厂扩大市场，为国家挣回更多的外汇？

4. 泰国的市场、投资环境、税收等方面是否有好政策吸引中国公司来投资？

还是有天然资源等其它原因？

5. 中国和泰国在文化上有很多的共同点是否更有利于投资

6.

在海外建厂市场如何解决？在泰国销售还是返销国内或出口？如果出口的话出口量占产量的百分之多少？

7.

经济高速发展的中国对全球的经济产生越来越重要的作用，是否会有更多的中国公司来泰国投资建厂，建立更多的投资项目？

希望得到贵公司的支持、帮助，您的支持和帮助对我的论文以及9月20日以后我在北京的对
外贸易经济大学的学习起着重要的作用，我期望访问贵公司，同时我代表瑞典林德大学、泰
国曼谷THAMMASAT大学衷心的感谢贵公司的支持和帮助！谢谢！

我在泰国的联系电话：02-2253485 传真：02-6235289 手机：09-1498508

顾思刚