

Research on the Influencing Factors and Countermeasures of Chinese Enterprises' Direct Investment in Thailand

Yi Changjun, Wang Yumin, Wang Wei, Yan Xiaojuan
College of Business Administration,
Huaqiao University

Abstract: With the "Go Global" policy and the "One Belt and One Road" initiative, the scale of direct investment by Chinese enterprises in Thailand continues to expand. This article matches the "List of Overseas Investment Companies (Institutions)" of the Ministry of Commerce with the "List of All A-Share Listed Companies in China" of Guo Tai'an database, obtains panel data of OFDI from A-shares listed in Shanghai and Shenzhen that invested in Thailand from 2005 to 2016, and investigate the relationship between ownership concentration and the proportion of the state-owned shares of enterprises, and the decisions of the enterprises' direct investment in Thailand. Finally, this article provides relevant policies to promote OFDI in Thailand. The study found that ownership concentration is one of the most important factors affecting enterprises' direct investment decisions in Thailand. Specifically, there is an inverted U-shaped relationship between ownership concentration and the decision of the company's direct investment in Thailand; the proportion of state-owned shares of the company will weaken the inverted U-shaped relationship between ownership concentration and the company's decision to invest directly in Thailand. This article is based on the situation in Thailand, and innovatively incorporates corporate governance, corporate equity structure, etc., into corporate foreign direct investment research from a micro-perspective. It has certain guiding significance for both advancing Chinese enterprises' direct investment in Thailand and improving Chinese OFDI theory.

Key Words: OFDI, Thailand, ownership concentration, proportion of state-owned shares

1. Introduction

Since the Chinese government has actively promoted the construction of the "One Belt and One Road," the "Go Global" policy has been gradually improved, and the integration of Chinese companies in the process of economic globalization has been accelerated. Chinese Outward Foreign Direct Investment (OFDI) along the "Belt and Road" should give priority to the development of OFDI in neighboring countries, identify the point of convergence of interests of OFDI in neighboring countries, and promote the sustainability of OFDI Development (Zhou, 2015). According to the 2016 Statistical Bulletin on China's Outward Foreign Direct Investment, Chinese enterprise directly invest \$15.34 billion in countries along the "Belt and Road", of which China's direct investment in ten ASEAN countries was US\$ 10.079 billion, accounting for 67% of the total. The main investment countries include Singapore, Malaysia, Laos, Vietnam, Thailand and other ASEAN countries. This shows that ASEAN countries have become important areas for Chinese enterprises' OFDI. As of

the end of 2016, China has set up 4,300 direct investment enterprises in ASEAN countries and hired 283,900 foreign employees, which greatly promoted employment in the ASEAN countries (Table 1). In recent years, China’s investment in the ASEAN region has generally maintained an upward trend (Figure 1), and it has become the fourth largest source of investment in the ASEAN region for seven consecutive years. At the same time, the increase in capital inflows from foreign direct investment to the ASEAN region will directly promote local employment, provide more employment opportunities, and further promote the local economic development of ASEAN member countries.

Table 1 China's Investment in Establishing Direct Investment Enterprises in ASEAN Region

Year	2013	2014	2015	2016
Number of subsidiaries	2700	3300	3600	4300
Employment of local staff(in thousand)	159.7	159.5	315	283.9

Sources: Data collected from the Statistical Bulletin of China's Foreign Direct Investment 2013-2016.

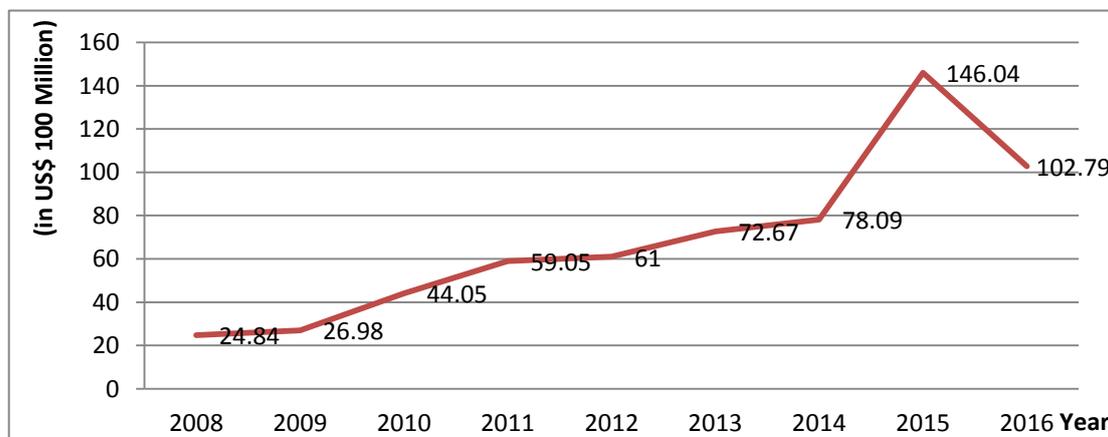


Figure 1 China's OFDI Situation in ASEAN 2008-2016

Source: Data collected from the Statistical Bulletin of China's Foreign Direct Investment 2016.

Thailand, as a friendly neighbor of China and an important member of ASEAN, has become increasingly close to China’s bilateral economic and trade exchanges through the “One Belt and One Road” policy. According to statistics, bilateral trade between China and Thailand reached US\$74.14 billion in 2017, and China is Thailand’s third largest trading partner. In recent years, China’s investment in Thailand has generally maintained an upward trend (Figure 2). From January to March 2018, China became a The second largest source of investment in Thailand. The cash inflows from Chinese corporate investment projects have injected new

vitality into Thailand's local economy, created more job opportunities, increased the local consumer spending of local suppliers and multinational companies in Thailand, and boosted local economic growth, thereby boosting Thai GDP growth and promoting Thai Economic and social progress (Figure 3). In the course of China's direct investment in Thailand, what factors actually affect the direct investment of Thailand's enterprises in Thailand? What are the microeconomic decision-making factors for companies investing in Thailand? Based on the situation in Thailand, this paper innovatively incorporates corporate governance, corporate equity structure, etc., into corporate foreign direct investment research from a micro-perspective. It has certain guiding significance for both advancing Chinese enterprises' direct investment in Thailand and improving Chinese OFDI theory.

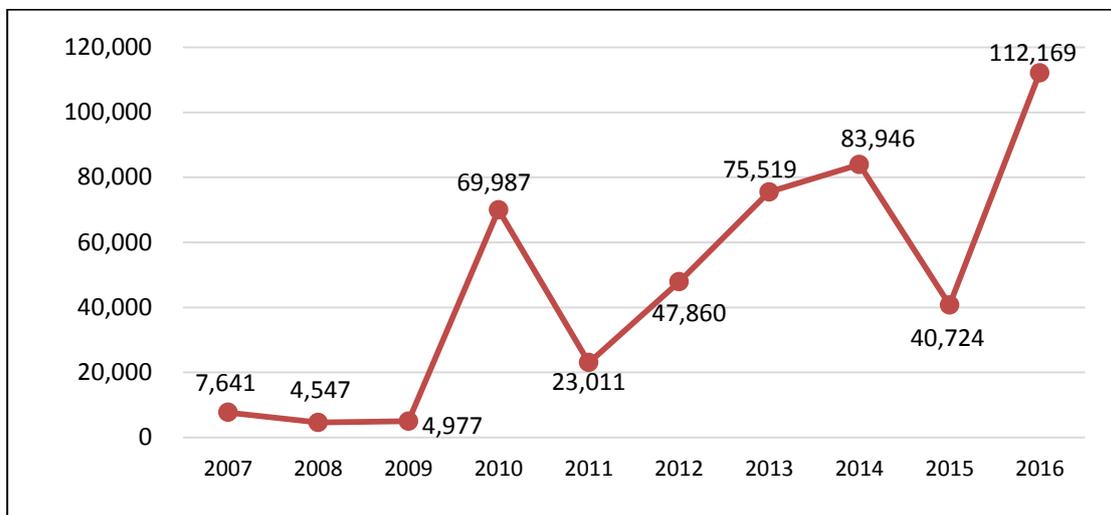


Figure 2 Chinese OFDI in Thailand 2007-2016

Source: Data collected from the Statistical Bulletin of China's Foreign Direct Investment 2016.

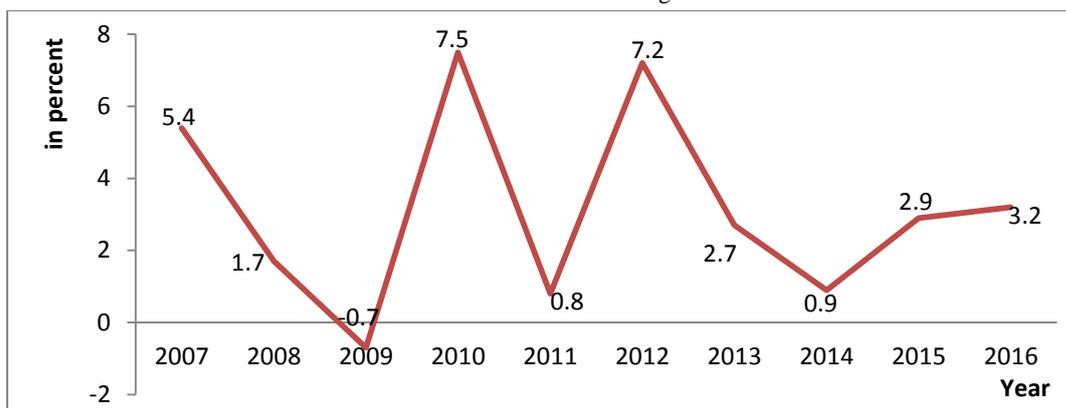


Figure 3 Changes in GDP Growth in Thailand, 2007-2016

Source: Data collected from the China-ASEAN Statistical Yearbook 2017.

2. Literature review and hypothesis

Equity Concentration and OFDI

Corporate governance refers to the relationship among many stakeholders of a company, including shareholders, management, and the board of directors. The essence is the interest issue between large shareholders and minority shareholders, which determines the decision-making and development direction of the company. Ownership concentration refers to whether the shareholder's equity is relatively decentralized or relatively concentrated through the proportion of shares held by the shareholders. This reflects the owner's control of the company and an important indicator of whether the company is operating stably. The existing research has inconsistent explanations on the relationship between ownership concentration and OFDI. On the one hand, the degree of ownership concentration is positively related to the direct foreign investment of the company. Li and Xu (2010) found that centralized control enterprises have greater risk-taking propensity and are more inclined to adopt wholly-owned methods to enter overseas markets. Compared with enterprises with dispersed shareholding structure, the more concentrated the company's equity, the greater the control of shareholders' control over management, and the lower the cost of supervision. Enterprises are more inclined to choose greenfield investment and establish new companies in the host country; Almeida and Wolfenzon (2006) found that as the ownership concentration increases, the investment expansion behavior of controlling shareholders will also increase, that is, the higher the degree of ownership concentration, the higher the investment motivation, including the expansion of the market size and enterprises' scale, such as expanding overseas markets and Outward Foreign Direct Investment. On the other hand, some scholars have concluded that ownership concentration is negatively related to the direct foreign investment of enterprises. For example, Rajesh (2006) found that although gains on control rights will cause controlling shareholders to continue to expand investment scale, due to the existence of cost of control, the costs are also increasing substantially as the scale of investment expands, and will eventually tend to be underinvested. That is, with the increase of ownership concentration and the expansion of investment scale, when the growth of the cost of control exceeds the gains of control rights, the investment will be reduced in the enterprises with higher ownership concentration, and it will not benefit the foreign direct investment of the enterprises. In addition, scholars have found that the degree of ownership concentration does not affect OFDI enterprises. For example, Lu and Guo (2015) used the data of Chinese listed companies OFDI towards European Union as a sample to study the influence of the degree of ownership concentration in the governance structure on corporate OFDI. And it was found that there was no significant correlation between the degree of ownership concentration and the corporate OFDI.

OFDI is a risk decision for enterprises. The choice of investment decision depends on the decision maker's cognition and view of this risk. The degree of ownership concentration represents the ownership right of the company. In the highly concentrated corporate ownership, the personal characters and decision-making tendencies of a few large shareholders or even a single controlling shareholder are more evident in the company's strategic decision-making because of their absolute

control power. Social stratification theory holds that having or lacking power can fundamentally change one's mentality (Magee J C and Galinsky A D., 2008). Specifically, having power will motivate individuals to focus on the positive aspects of the situation. The results of Anderson's study (2006) also show that having power increases their optimism about the perceived risks and leads to risky behavior. The higher of the degree of the ownership concentration is, the greater the power that this minority of shareholders have, companies might have a greater market and opportunities although the environment is more complex with more risks which makes them more concerned about OFDI in Thailand. In addition, among the companies controlled by large shareholders, the greater the size of the company, the greater the degree of freedom for large shareholders to seize the company's resources, and the major shareholders prefer to choose investment strategies that can expand the scale of the company in order to maximize their own interests (Yao and Kong, 2008). Therefore, the more power a controlling shareholder has, the more likely it is to "Go Global" and invest directly in Thailand in order to achieve a significant expansion of the company's scale and thus gain greater benefits. At the same time, with the increase in the shareholding ratio of major shareholders, its control position has also increased, the management status is relatively stable, and the pressure it faces from control power is also greatly reduced, which may result in a lower level of effort in its work, and less consideration of the risks brought about by investment (Li Xin, 2008), the lack of cautiousness in the selection of investment plans, and the more attention to the positive aspects of the program, such as technology acquisition, market share, etc., and has led to more direct investment in Thailand.

However, according to the benefit of the Alignment Effect, when the ownership concentration is too high and the shareholding ratio of the controlling shareholder exceeds a certain level, even the largest single shareholder, the largest shareholder has absolute interests in the company, the proportion of income gained from the infringement of other shareholders' interests through the exercise of decision-making is reduced. At this time, the encroaching behavior of the largest shareholder will be weakened (Chen et al., 2011), and he will pay more attention to the overall interests of the enterprise. When participating in corporate governance, the supervision of senior management personnel will be improved, and incentives for senior executives tend to be more related to business performance. But business performance is mainly measured by the accounting earnings, especially the current accounting surplus, which is more likely to lead to short-sighted behavior of the company (Liu, 2013). In this situation, companies tend to choose to keep conventional profitable behaviors. Since has a high risk of direct investment in Thailand, and it will not only generate surplus in the short term, but will consume corporate earnings and be unfavorable to deal with numerous uncertainty, companies are less likely to "Go Global" and choose OFDI in Thailand.

In summary, with a small ownership concentration, with the increase of the ownership concentration, the enterprises tend to increase OFDI in Thailand; and after the ownership concentration reaches a certain value, the enterprises tend to decrease OFDI in Thailand as the ownership concentration increases, which means there may

be an inverted "U" relationship between ownership concentration and foreign direct investment of the company. Therefore, we propose Hypothesis 1: there may be an inverted "U" relationship between the ownership concentration and the direct investment of enterprises.

The proportion of state-owned shares of enterprises and OFDI

The existing studies pay more attention to the influence of the ownership structure of enterprises on OFDI entering model. There is very little literature on OFDI of state-owned enterprises and the combination of the proportion of state-owned shares and the amount of foreign direct investment. At present, the main force of Chinese "going global" enterprises is still state-owned enterprises supported by policies (Yan et al., 2009). State-owned enterprises have a closer relationship with the government and, to a certain extent, represent the will of the government. They can get more benefits from policy support in the process of economic globalization (Sun, 2017). Therefore, state-owned enterprises tend to be more inclined to choose OFDI than private enterprises. (Huang et al, 2014). In the process of OFDI by multinational enterprises, compared to private enterprises, the special nature, business objectives, and interest needs of the state-owned enterprises give them many policy advantages in terms of ownership, social goals, social and economic functions, and operating mechanisms of property rights organizations (Zhou et al., 2015). Private enterprises are subject to many obstacles and restrictions in the approval of access applications, and have difficulties in financing predicament. To a certain extent, financial repression also restrains the OFDI of private enterprises (Jiang et al., 2014), which is not conducive to OFDI of private enterprises. For enterprises, OFDI is a typical high-risk, high-uncertainty, and exploratory strategic behavior. The greater the equity of corporate decision makers, the greater the autonomy of decision-making, and the more autonomy to choose high-risk overseas investments. However, to establish more overseas subsidiaries, it is necessary to deal with the cultural and political risks brought about by the expansion of internationalization through the national resources and government support represented by the proportion of state-owned shares or state-owned shares of joint ventures. With the implementation of the "One Belt and One Road" strategy, state-owned enterprises have a larger geographical advantage in the ASEAN region. Chinese state-owned enterprises are more familiar with Thailand's local socio-cultural environment and their investment environment is more relaxed, providing protection for multinational enterprises' direct investment in Thailand. We believe that compared to private enterprises, the higher the ownership concentration in state-owned enterprises, the more likely it is to encourage actual decision makers to turn to state resources to respond to the "One Belt and One Road" policy call, and to go abroad for direct investment in Thailand, which increases the amount of OFDI in Thailand and promotes the expansion of OFDI by enterprises. At the same time, when the equity of the enterprise is extremely dispersed, a higher proportion of state-owned equity can improve the ability of enterprises to cope with risks. The closer is the relationship with the government, the more government support that can be obtained during the process of OFDI, both the pressure on resources of corporate decision makers and the prudent investment will weaken,

which promote the expansion of foreign direct investment of enterprises. With the increase in ownership concentration, the proportion of major shareholders' share of equity is increasing, and the proportion of state-owned equity is relatively small, leading to a reduction in the degree of will representing the government's will. The actual decision-makers of an enterprise tend to ignore the impact of macroeconomic policies and increase the investment risks. As investment risks increase, major shareholders may reduce their investment scale in consideration of their own interests, which is not conducive to the expansion of foreign investment. The negative effect of ownership concentration may reach its maximum when the ownership concentration is at an intermediate level. At this time, the internal contradictions are fierce, that is, the interaction between the proportion of state-owned shares of enterprises and the relative concentration of ownership concentration will result in the lowest amount of OFDI in Thailand. When the equity of the enterprise is too concentrated, the controlling shareholder occupies most of the interests of the enterprise, there is little interest can be infringed with. And the controlling shareholder will consider more for the overall development of the enterprise and make the enterprise develop in a better and orderly way because the interest of the enterprise is closely related to itself. Therefore, the interaction between the proportion of state-owned shares and the ownership concentration is conducive to expanding the direct investment in Thailand.

In summary, we propose Hypothesis 2: The inverse "U" relationship between equity concentration and corporate direct investment in Thailand is negatively adjusted by the proportion of state-owned shares of the company. That is, the increase in the proportion of state-owned shares of the company can weaken the relationship between ownership concentration and OFDI in Thailand.

3. Econometric Model and Data

Sample Selection

This article selects Shanghai-Shenzhen A-share listed companies from 2005 to 2016 as the research object. First, the "List of Overseas Investment Companies (Institutions)" of the Ministry of Commerce and the "List of All A-Share Listed Companies in China" of Guo Tai'an database are matched to obtain a list of Chinese enterprises that invested in Thailand. Then annual reports and announcements of these companies are searched on the website of CNINFO and Shenzhen Stock Exchange to find out the information of subsidiaries, and the subsidiaries included in the consolidated statements are manually collected. Finally, this paper matches the national level data for each year between China and Thailand with the above information. At last, the unbalanced panel data of Shanghai-Shenzhen A-share listed companies that invested in Thailand from 2005 to 2016 is obtained, and the final sample size is 153.

Indicator Design and Data Description

Dependent variable

Amount of Foreign Direct Investment (COFDI). This article selects the number of multinational companies invested in Thailand to represent the level of enterprises' direct investment in Thailand. The data is mainly derived from CNINFO.com.cn. The

annual reports of the relevant year are obtained on the website of CNINFO according to the "Going Global" listed companies' stock code, the number of subsidiaries and the state of investment are manually collected .

Independent variable

Ownership Concentration (OwnCon). This article takes OwnCon as an explanatory variable, and the sum of the top five major shareholders' shareholding ratios is used as a proxy variable for corporate ownership concentration. The data comes from Reith Financial Research Database.

Adjusting Variable

The proportion of state-owned shares (lnStates). The measurement of the proportion of state-owned shares is relatively straightforward. It is directly measured by the proportion of state-owned shares by taking the logarithm. The data comes from RESSET Financial Research Database.

Control Variables

(1) Institutional distance (instance). At present, there are multiple methods for measuring the institutional distance. Some scholars use the data of the global competitiveness report, and some scholars use the global governance index. Based on the World Governance Indicators (WGI) released by the World Bank, this paper uses the Kogut-Singh distance index formula proposed by Kogut and Singh in 1988 to calculate the institutional distance between Thailand and China. The formula is as follows:

$$insdistance_t = \sum_{i=1}^6 [(I_{it} - I_{ic})^2 / V_i] / 6$$

Among them, $insdistance_t$ represents the institutional distance between Thailand and China. I_{it} represents Thailand's i th institutional dimension index. I_{ic} represents the i th institutional dimension index of China. And V_i represents the variance of the i th institutional dimension. The data comes from the "Global Governance Indicators" database released by the World Bank.

(2) Labor cost (lnlab). This article uses the per capita gross national income of Thailand in U.S. dollars and takes logarithms to avoid heteroscedasticity. The number comes from the World Bank database.

(3) Enterprise size (lnsize). This paper takes the logarithm of the number of employees in a multinational enterprise to represent the size of the company. The data comes from Guo Tai'an database.

(4) Enterprise age (lnage). This paper selects the difference between the year of the study and the year when the business was opened, and takes the logarithm to represent the age of the business. The older the company is, the richer the experience is, and the easier it is to go global. The data comes from Guo Tai'an database.

(5) Operational efficiency(operation). This article uses the company's total asset turnover rate to measure operational efficiency. The data comes from the Guo Tai'an database.

(6) Finance (Finance). This article uses corporate interest expense divided by fixed assets as the method to measure the financial constraints of enterprise interest

expense/fixed assets which learns from Yi (2016). The data comes from Guo Tai'an database.

(7) Labor productivity (Intfp). This article uses company's sales divided by employees to represent the productivity of the company. The data comes from Guo Tai'an database.

(8) Solvency (assetpay). This article uses the asset-liability ratio to measure the solvency of the company. The data comes from Guo Tai'an database.

(9) Board size (lnDcount). This article draws on the method of Wang Yilin et al. (2016), and adopts the number of members of the company's board of directors to represent the size of the board of directors and performs logarithmic processing. The data comes from Guo Tai'an database.

(10) Precipitated redundant resources (absor). This article uses the method of Greenley and Oktemgil (1998) to measure redundant resources by the proportion of management expenses in sales revenue. The data comes from Guo Tai'an database.

(11) Non-Precipitated redundant resources (unabsor). This article uses the method of Singh (1986), Herold and Jayaraman (2006), and Shimizu (2007) to measure the non- Precipitated redundant resources by using the quick ratio that reflects the amount of immediate resources available to the company, namely, (current assets-inventory)/current liabilities. The data comes from Guo Tai'an database.

(12) Institutional investors (institute). It is measured by the proportion of shares held by institutional investors in total shares. The data comes from RESSET Financial Research Database.

(13) Voting rights (decide). This indicator refers to the right of a multinational parent company to make certain intentions for the subsidiary company's motion when setting up a subsidiary overseas. The data comes from the listed company's annual report.

Table 2 Control Variable Design and Data Sources

Variable Type	Variable Name	Variable Symbol	Data Source
Dependent variable	Direct investment in Thailand	COFDI	Annual report of listed company
Independent Variable	Ownership Concentration	OwnCon	RESSET Financial Research Database
Regulatory variable	Proportion of state-owned shares	lnStateS	RESSET Financial Research Database
Control variables	Institutional distances	insdistance	World Bank database
	Host country labor costs	lnlabor	World Bank database
	Corporate Size	lnsize	Guo Tai'an database
	Corporate Age	lnage	Guo Tai'an database
	Operational efficiency	operation	Guo Tai'an database
	Financing	Finance	Guo Tai'an database

constraints		
Labor productivity	Intfp	Guo Tai'an database
Board size	lnDcount	Guo Tai'an database
Solvency	assetpay	Guo Tai'an database
precipitating	absor	Guo Tai'an database
redundant resources		
Non-precipitating	unabsor	Guo Tai'an database
redundant resources		
corporate investor	institute	Resset Financial Research Database
right to vote	decide	Listed company annual report

Table 3 Descriptive Statistical Analysis Results for Each Variable

Variable Name	N	Average	Standard Deviation	Minimum	Maximum	VIF Value
state	153	0.444444	0.498536	0	1	3.3
lnStateS	153	1.049205	0.748445	0.071451	3.710201	1.78
OwnCon	153	0.535543	0.163045	0.143602	0.850765	1.43
Intfp	153	14.07248	0.932446	12.38827	15.99646	2.33
decide	153	0.424743	0.433167	0.1	1	4.22
absor	153	0.082078	0.08871	0.011407	0.766018	3.54
unabsor	153	1.197423	1.133542	0.242749	8.789929	3.33
institute	153	0.246145	0.226259	0	0.901386	1.49
assetpay	153	0.037415	0.083751	-0.77838	0.194499	1.84
lnDcount	153	2.203948	0.236615	1.609438	2.833213	1.99
Finance	153	0.17299	0.151894	0	0.936631	1.56
lnlabor	153	8.525623	0.20322	7.926603	8.667336	2.62
operation	153	0.953026	0.421133	0.212621	2.194927	3.22
insdistance	153	0.267743	0.123625	0.116405	0.52646	4.91
lnsize	153	9.365646	1.508376	6.424869	12.05173	3.64
lnage	153	2.652095	0.439126	1.098612	3.433987	2.58

Variable Correlation Analysis

In order to select an effective model for regression, before the empirical analysis, the correlation of each variable was analyzed. The Spearman correlation coefficient between the variables is shown in Table 4, and the correlation between the variables can be initially judged to be weak.

Table 4 Correlation Coefficient between Variables

Variable Name	state	lnStateS	OwnCon	Intfp	decide	absor	unabsor	institute
state	1.0000							
lnStateS	0.1005	1.0000						
OwnCon	0.1382	-0.0836	1.0000					
Intfp	0.4080*	-0.1348	0.1551	1.0000				

decide	-0.0346	-0.0308	-0.2518*	0.2109*	1.0000			
absor	-0.4840*	0.1206	-0.1088	-0.5729*	-0.1440	1.0000		
unabsor	-0.1620*	0.1565	0.2534*	-0.3238*	-0.1077	0.2998*	1.0000	
institute	-0.0533	0.0780	-0.0662	-0.1674*	-0.1229	0.2731*	0.1796*	1.0000
assetpay	-0.1748*	-0.0571	0.4309*	-0.0306	0.0563	0.1109	0.4573*	0.0464
lnDcount	0.0269	0.2983*	-0.1828*	-0.2215*	0.1252	0.2979*	0.2831*	0.1989*
Finance	-0.1102	0.0481	0.2170*	0.1261	0.1984*	-0.1216	0.3037*	0.0459
lnlabor	0.0698	-0.3654*	0.3016*	0.0353	-0.5169*	0.0183	-0.0020	-0.0973
operation	0.6195*	0.2470*	0.0629	0.3887*	0.2228*	-0.5876*	0.0267	-0.0530
insdistance	0.1007	0.1423	-0.1893*	0.1328	0.7971*	-0.0912	-0.1103	-0.1549
lnsize	0.4494*	0.1848*	-0.0771	-0.0414	0.0851	-0.0654	0.0180	0.3855*
lnage	0.0407	-0.3145*	0.0936	0.1343	-0.3019*	0.0517	-0.1928*	0.1562

Continued Table 4 Correlation Coefficient Table between Variables

Variable Name	assetpay	lnDcount	Finance	lnlabor	operation	insdistance	lnsize	lnage
assetpay	1.0000							
lnDcount	-0.0381	1.0000						
lnlabor	-0.0455	-0.2381*	-0.0823	1.0000				
operation	0.0350	0.2335*	0.2890*	-0.2617*	1.0000			
insdistance	-0.0459	0.2316*	0.1833*	-0.4374*	0.2754*	1.0000		
lnsize	-0.1435	0.4957*	0.1491	-0.1539	0.4667*	0.2260*	1.0000	
lnage	-0.0694	-0.3927*	-0.3373*	0.3853*	-0.3478*	-0.3634*	-0.2549*	1.0000

Second, in order to ensure the robustness of the empirical results, we used the method of Yi and Xu(2016) to measure the Variance Inflation Factor (VIF) of all the independent variables in this paper. The larger the value of VIF is, the more serious the problem of collinearity is. From Table 3, it can be seen that the maximum VIF values of all independent variables are far less than the critical value of 10, indicating that there is no obvious correlation between the variables.

Finally, The two-way causality or interaction between explanatory variables can lead to errors in the empirical results. In order to avoid the endogenous problems caused by existence of bidirectional causality or interaction between explanatory variables which can result biased empirical results. The paper tests the problem using the method proposed by Davidson and MacKinnon (1993). The results show that the p value is $0.3642 > 0.1$. Accepting the null hypothesis indicates that there is no endogenous bias between explanatory variables.

Measurement Model Settings

First, set up a reference model to examine the macro-national institutional distance and Thailand's labor costs; As for the micro level of the enterprises, factors such as firm size, enterprise age, operational efficiency, financing constraints, labor productivity, board size, solvency, Precipitated redundant resources, Non-Precipitated redundant resources, institutional investor ratio, and voting rights can impact on China's direct investment in Thailand, that is the basic model containing only control variables is as follows:

$$COFDI_{kj} = u_k + \beta_1 insdistance_j + \beta_2 lnlabor_j + \beta_3 lnsize_{kj} + \beta_4 lnage_{kj} +$$

$$\beta_5 operation_{kj} + \beta_6 Finance_{kj} + \beta_7 ln tfp_{kj} + \beta_8 Dcount_{kj} + \beta_9 assetpay_{kj} + \beta_{10} absor_{kj} + \beta_{11} unabsor_{kj} + \beta_{12} institute_{kj} + \beta_{13} decide_{kj} + \varepsilon_{kj} \quad (\text{Model 1})$$

Among them, k represents the enterprise, j represents the year. u_k indicates the individual effect of the enterprise that varies with the company. ε_{kj} is a random disturbance term.

In order to test the impact of ownership concentration on Chinese enterprises' direct investment in Thailand, the degree of ownership concentration and its quadratic items are added to Model 1 to obtain the following model:

$$COFDI_{kj} = u_k + b_1 OwnCon_{kj} + b_2 Own2_{kj} + \varnothing(x) + \varepsilon_{kj} \quad (\text{Model 2})$$

Among them, k, j, u_k , ε_{kj} have the same meaning as above. $\varnothing(x)$ represents all the control variables in Model 1. $OwnCon_{kj}$ indicates the ownership concentration of the company k in year j. $Own2_{kj}$ indicates the Square item of the degree of ownership concentration in year j of company k.

4. Empirical Results Analysis

Effect of ownership concentration on Chinese enterprises' direct investment in Thailand

The article first applies the fixed effect model to examine the impact of ownership concentration on Chinese enterprises' investment in Thailand. The test results are shown in Table 5. Among them, Model 1 is the basic model which contains only the control variables. Model 2 adds the standardization of ownership concentration and its quadratic items on the basis of Model 1, while Model 3 and Model 4 are the robustness test results.

Table 5 Fixed-effect Model Regression Results and Robustness Test of Ownership Concentration for Total Sample

Variable name	Model 1	Model 2	Model 3	Model 4
ln tfp	-0.067 (-0.87)	-0.292*** (-3.78)	-0.067 (-0.92)	-0.292** (-2.42)
decide	-0.592*** (-2.95)	-0.248 (-1.35)	-0.592** (-2.01)	-0.248 (-1.24)
absor	-1.036 (-1.64)	-1.065** (-2.08)	-1.036* (-1.99)	-1.065** (-2.44)
unabsor	-0.083 (-1.41)	-0.014 (-0.28)	-0.083* (-1.70)	-0.014 (-0.29)
institute	-0.214 (-1.66)	-0.388*** (-3.08)	-0.214 (-1.14)	-0.388** (-2.40)
assetpay	-0.716 (-1.34)	-0.610 (-1.40)	-0.716** (-2.19)	-0.610** (-2.04)
ln Dcount	0.610** -2.530	0.319 -1.480	0.610 -1.290	0.319 -1.170
Finance	0.171	0.092	0.171	0.092

	-0.900	-0.590	-1.170	-1.200
Inlabor	-0.233	-0.036	-0.233	-0.036
	(-0.81)	(-0.14)	(-0.63)	(-0.22)
operation	0.473***	0.682***	0.473***	0.682***
	-4.930	-8.040	-4.040	-4.740
insdistance	0.833***	0.619***	0.833***	0.619***
	-3.160	-2.870	-3.170	-3.570
Insize	-0.143**	-0.349***	-0.143	-0.349***
	(-2.13)	(-4.97)	(-1.63)	(-2.81)
Inage	0.400	1.038***	0.400	1.038***
	-1.650	-4.500	-1.110	-4.020
OwnCon0		1.703***		1.703***
		-4.870		-3.560
Own2		-6.548***		-6.548***
		(-4.40)		(-2.70)
CONS	3.053*	5.264***	3.053	5.264***
	-1.970	-4.020	-1.310	-3.040
<hr/>				
N	153.000	153.000	153.000	153.000
R ²	0.664	0.787	0.664	0.787

The results of Model 2 in Table 5 show that the regression coefficients of ownership concentration (OwnCon) and its quadratic terms are 1.703 and -6.548, and are significant at the 1% level. After the decentralization, the ownership concentration range is (-0.392, 0.315). An axis of symmetry of 0.130 indicates that ownership concentration and the amount of direct investment by Chinese multinational corporations in Thailand have a significant inverted "U" relationship. In other words, within a certain range, the higher the ownership concentration, the more the enterprise tends to increase the amount of direct investment in Thailand. When ownership concentration exceeds a certain range, the higher the ownership concentration, the less direct investment the company will have in Thailand. Hypothesis 1 is verified. Ownership concentration represents the ownership of the enterprise, the majority shareholder have control over the decision-making power in the enterprise with a high ownership concentration. The greater the proportion of shares of the major shareholder, the less consideration the risks the investment brings (Li Xin, 2008). At the same time, in order to maximize their own interests, they tend to expand corporate investment (Yao & Kong, 2008), thereby prompting companies to increase the amount of direct foreign investment. However, when the ownership is too concentrated, it has a phenomenon of "over-jeopardizing" which is not good for the expansion of foreign direct investment.

Robustness test

In order to examine the stability of the results of ownership concentration on the return of direct investment by enterprises in Thailand, this paper conducts further tests. As shown in Table 5, Model 3 and Model 4 take the influence of heteroscedasticity into account. The results of Model 4 show that the significance of the regression

coefficient of ownership concentration (OwnCon) and its quadratic terms is unchanged, which is consistent with the results of Model 2. Therefore, Model 2 has a good robustness.

Regulatory effect of the proportion of state-owned shares (lnStates)

In order to verify the adjustment effect of the proportion of state-owned shares (StateS) on the relationship between ownership concentration and the Chinese enterprises' direct investment in Thailand, model 5 is constructed. In order to avoid multiple collinearity problems, this paper first normalizes the independent variables and the adjusted variables, and then obtains the interaction term of the Square item of ownership concentration and the proportion of the state-owned shares; then this interactive item and the proportion of state-owned shares variable with standardized processing are added in the Model 2 to obtain Model 5.

Table 6 Test Results of Adjustment Effects of Proportion of State-owned Shares

Variable Name	Model 2	Model 5
Intfp	-0.292*** (-3.78)	-0.260*** (-3.77)
decide	-0.248 (-1.35)	-0.039 (-0.23)
absor	-1.065** (-2.08)	-0.049 (-0.10)
unabsor	-0.014 (-0.28)	0.010 -0.210
institute	-0.388*** (-3.08)	-0.260** (-2.31)
assetpay	-0.610 (-1.40)	-0.374 (-0.97)
lnDcount	0.319 -1.480	0.264 -1.370
Finance	0.092 -0.590	0.065 -0.470
lnlabor	-0.036 (-0.14)	0.026 -0.110
operation	0.682*** -8.040	0.571*** -7.310
insdietance	0.619*** -2.870	0.555*** -2.880
lnsize	-0.349*** (-4.97)	-0.303*** (-4.69)
lnage	1.038*** -4.500	0.645*** -2.710
OwnCon0	1.703*** -4.870	1.503*** -4.700

Own2	-6.548*** (-4.40)	-5.420*** (-3.91)
InStateS		-0.085*** (-4.05)
Own2*S		3.298*** -3.400
CONS	5.264*** -4.020	4.867*** -3.640
N	153.000	153.000
R ²	0.787	0.846

The results of Model 5 show that the coefficient of interaction terms between ownership concentration and the proportion of state-owned shares is 3.298, which is significant at the 1% level and the sign is positive. It shows that the inverted "U" relationship between ownership concentration of multinational enterprises and the amount of Chinese enterprises' direct investment in Thailand is negatively regulated by the proportion of state-owned shares held by the company. Hypothesis 2 is verified. In other words, when the proportion of state-owned shares of a company is relatively high, the inverse "U" relationship between ownership concentration and foreign direct investment in Thailand will be significantly weakened, as shown in Figure 4 below.

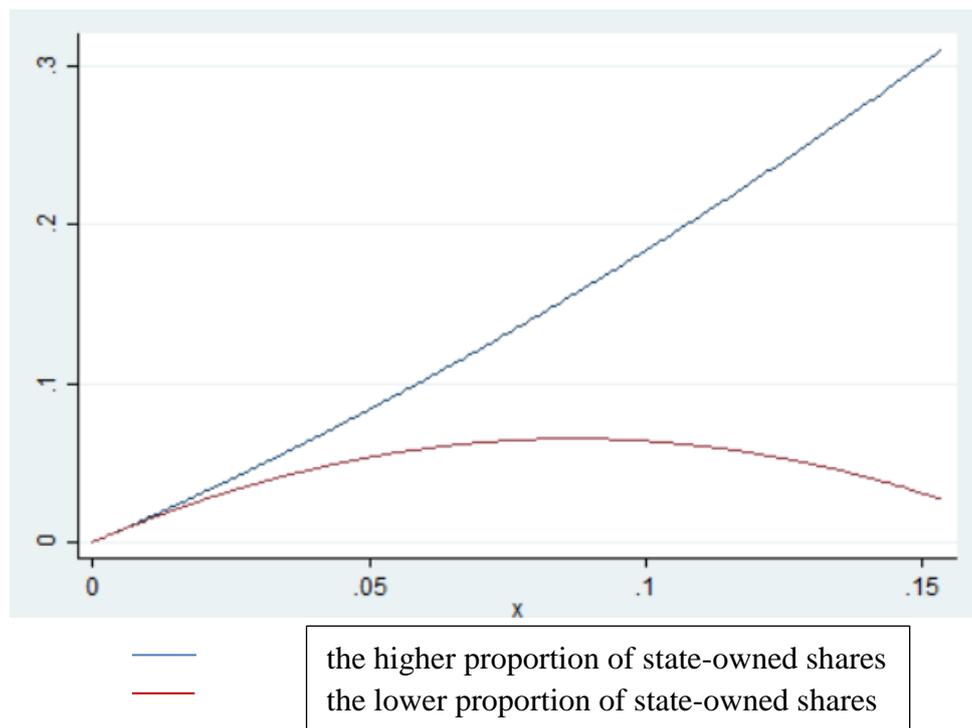


Figure 4: Chart of Moderating effect

Figure 4 shows the adjustment effect of proportion of state-owned shares on the relationship between ownership concentration and direct investment in Thailand. It can be seen that the inverse "U" relationship between ownership concentration of multinational enterprises and the amount of Chinese enterprises' direct investment in Thailand is regulated by the proportion of state-owned shares, that is the proportion of

state-owned shares weakens the inverse "U" type relationship between ownership concentration and the amount of Chinese enterprises' direct investment in Thailand. The degree of ownership concentration and Chinese enterprises' direct investment in Thailand shows an inverted U-shaped relationship. Before ownership concentration reaches the inflection point, the higher the ownership concentration, the more Chinese companies tend to increase their direct investment in Thailand; when ownership concentration reaches to a certain extent, the higher the ownership concentration, the more unfavorable Chinese companies are to expand direct investment in Thailand. It can be seen from Figure 4 that the proportion of state-owned shares has affected the effect of ownership concentration on the level of Chinese enterprises' direct investment in Thailand. Before ownership concentration reached an inflection point, the proportion of state-owned shares had a positive effect on the relationship between ownership concentration and the level of direct investment by Chinese companies in Thailand. In other words, when the ownership concentration does not reach a certain level, the increase of the ownership concentration is more conducive to Chinese enterprises to expand direct investment in Thailand with the increase in the proportion of state-owned shares. After the ownership concentration reached the inflection point, the increase in the proportion of state-owned shares significantly weakened the negative effect of ownership concentration on the level of Chinese enterprises' direct investment in Thailand. In other words, the proportion of state-owned shares weakens the inverted U-shaped relationship between ownership concentration and Chinese enterprises' direct investment in Thailand.

5. Conclusions and Countermeasures

This article is based on the situation in Thailand, and innovatively incorporates corporate governance, corporate equity structure, etc., into corporate foreign direct investment research from a micro-perspective. It explores the relationship between ownership concentration and Chinese enterprises' direct investment in Thailand and the adjustment effect of the proportion of state-owned shares between the two variables. Using the OLS method, the following conclusions are drawn empirically: (1) Ownership concentration is one of the important factors affecting enterprises' direct investment decisions in Thailand. Specifically, there is an inverted U-shaped relationship between ownership concentration and the decision of the company's direct investment in Thailand; (2) Proportion of state-owned shares of the company will weaken the inverted U-shaped relationship between ownership concentration and the company's decision to invest directly in Thailand.

Based on the above conclusions, this paper proposes the following countermeasures:

First, here are the suggestions from the national level. (1) Although state-owned enterprises are still the main force for direct investment in ASEAN countries, especially Thailand, private enterprises have a great advantage in the international market in ASEAN countries, that is, non-state-owned enterprises have access to a broad network of relationships and information. The channels make it easier to obtain knowledge and information related to the internationalization of enterprises, which is

more conducive to the further investment and expansion of multinational enterprises. Therefore, on the one hand, our country should vigorously promote the private enterprises' direct investment in Thailand. On the other hand, our country should encourage state-owned enterprises to expand the scope of investment and improve the efficiency of the transformation, response and decision making of the internal information so that they can better respond to the local environment of politics and economy in Thailand. (2) In order to further implement the "Go Global" policy and the "One Belt and One Road" initiative and strengthen the economic and trade exchanges between China and Thailand, the government should not only actively encourages and guides Chinese enterprises to "Go Global" and directly invest into Thailand but also attach importance to the implementation of bilateral cooperation agreements. In addition, our government should improve the system of trade and economic exchanges between the two countries, give multinational enterprises a strong institutional support for OFDI, create a favorable investment environment, and protect the interests of transnational corporations overseas. The government should also actively adjust the country's investment strategy to Thailand in accordance with Thailand's economic development status. While making full use of Thailand's local effective resources, it should promote Thailand's labor employment and economic development and strengthen the "One Belt and One Road" initiative to connect with Thailand's national development strategy. Both two should promote bilateral and multilateral cooperation and promote a deeper development of China-Thailand comprehensive strategic partnership so as to achieve the goal of "win-win".

Second, here are the suggestions from the corporate level. (1) Multinational enterprises should pay attention to the degree of ownership concentration, adjust the structure of the company's capital stock, prevent the decision-making mistakes caused by excessive ownership concentration or excessive dispersion of shares, keep them at a moderate level, reduce the risk of corporate investment, conduct more effective direct investment in Thailand and increase the amount of direct investment in Thailand to the utmost extent. (2) Multinational enterprises should focus on the differences in investment environment between China and Thailand in the process of OFDI implementation in Thailand, they should summarize the past experience of direct investment in ASEAN countries, draw on the experience of developed countries in ASEAN region, strengthen direct investment project research in Thailand, adjust strategy of investment to make scientific OFDI decisions. At the same time, multinational enterprises should attach importance to Thailand's cultural customs, social morality and beliefs and other values, respect and integrate into Thailand's local social culture. And they can operate through overseas localization, seize market share and increase the amount of Chinese enterprises' direct investment in Thailand.

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