



The Prospects of Economic Cooperation between China and Thailand : Mutual Direct Investment Analysis

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Economic Cooperation = Connectivity

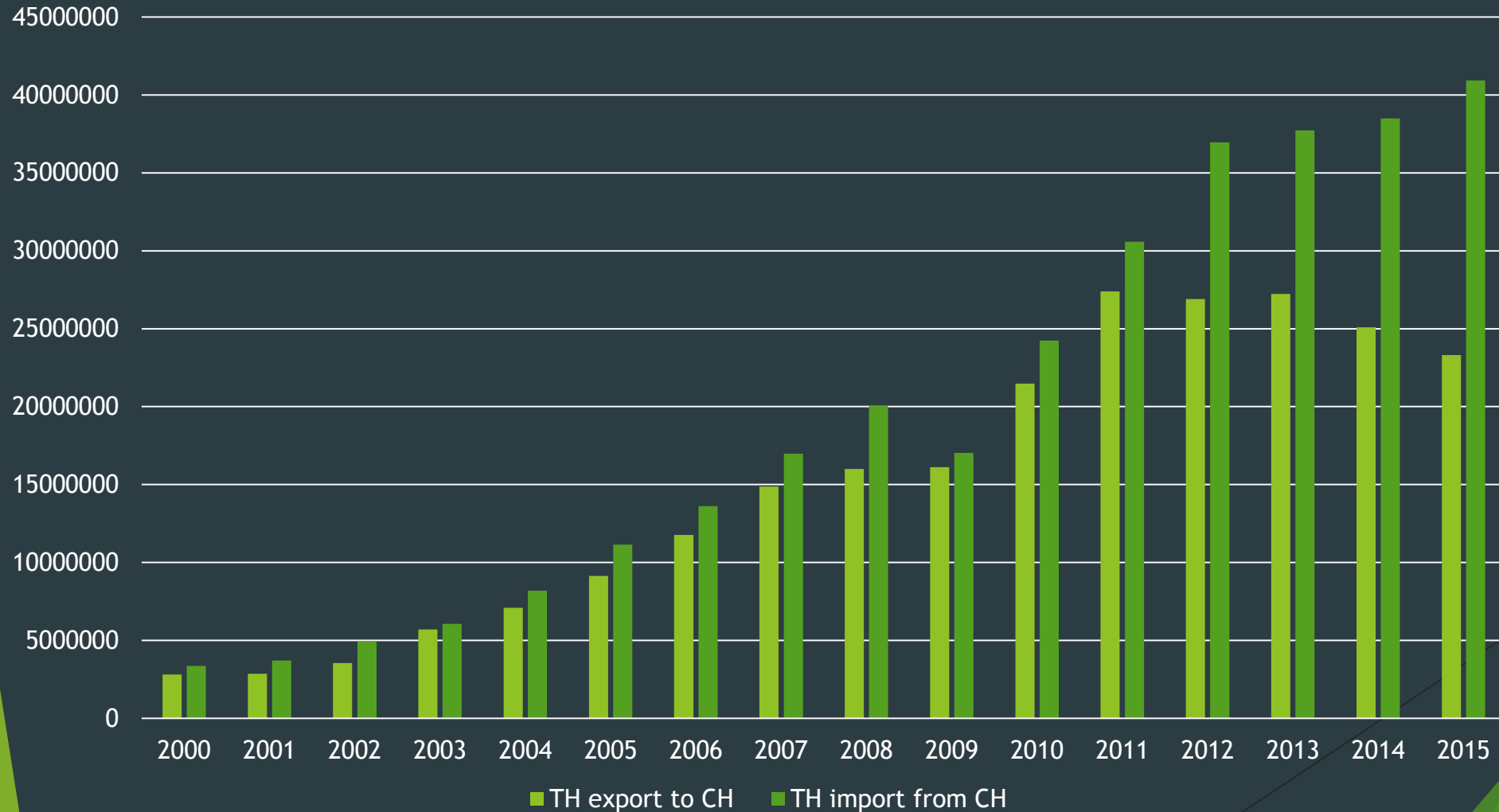
- ▶ China - ASEAN FTA : 10+1 signed on 2002 and effect on 1 Jan 2010. Aimed at economic integration within the region. In 2015 cooperation upgrade , allow more goods to be traded tariff free and normalize procedures for services, investment and customs.
- ▶ GMS : 5+1 (Yunnan province, China). The region is home to more than 300 million people and was designated with the launch of a development project formed in 1992 by ADB. In 2016 more integrated, prosperous and equitable. Focus on corridors security & infrastructure linkages.
- ▶ 21st century maritime silk road : is a China strategic initiative to increase investment and foster collaboration across the historic silk road. The 2015 “People’s Republic of China and ASEAN on the revision of ‘China-ASEAN Comprehensive Economic Cooperation Framework Agreement’” the 2016 “Joint Declaration of Implementation Plan of China-ASEAN Strategic Partnership for Peace and Prosperity,” and the “Joint Statement of Mekong-Lancang Countries Energy Cooperation” are the results of China and ASEAN jointly building one belt one road.



China - Thailand economic cooperation within large framework

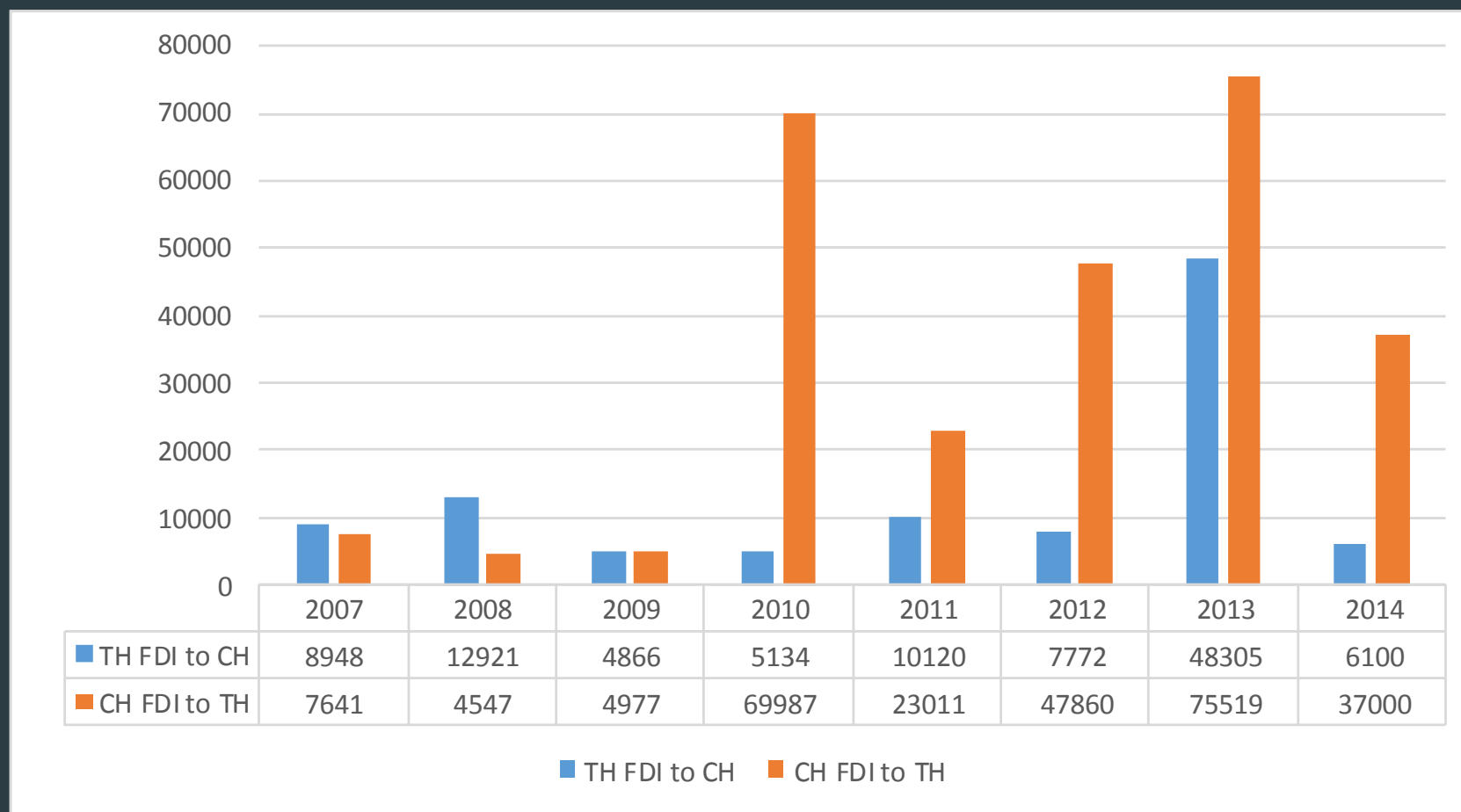
- ▶ Regional economic cooperation has a great contribution between China and Thailand.

2000 - 2015 China & Thailand trade (US Thousand)



In recent years, Thailand exports to China is reducing, but imports from China continue to increase

China - Thailand Mutual Investment : Drive by regional cooperation



Bilateral investment lags behind bilateral trade

2007 - 2014 China - Thailand FDI (Million US)

Source : MOFCOM

China FDI to Thailand : Empirical analysis

- ▶ Thailand BOI has 7 support industries and FDI from China are distribution in all industries.
- ▶ Data collection 2003 - 2014 , poisson and panel model.
- ▶ Model :

(1) $CHnopro_{it} = \alpha_{it} + Insectorex_{it} + Inoutput_{it} + InExtoCH_{it} + InImfCH_{it} + MPI_{it} + Treaty_{it} + \mu$ (Panel)

(2) $LnTotalFDI_{it} = \alpha_{it} + Insectorex_{it} + Inoutput_{it} + InExtoCH_{it} + InImfCH_{it} + MPI_{it} + Trraty_{it} + \mu$

(3) $CHnopro_{it} = \alpha_{it} + Insectorex_{it} + Inoutput_{it} + InExtoCH_{it} + InImfCH_{it} + MPI_{it} + Trraty_{it} + \mu$ (Poisson)

| Variable | Variable definition | Data Source |
|---------------|---|-----------------------------------|
| CHnopro(Y) | Number of China company investment to Thailand supported industries | BOI |
| Insectorex(X) | Total export of Thailand supported investment industries | Ministry of commercial (Thailand) |
| InExTCH(X) | Thailand supported investment industries export to China | Customs of Thailand |
| InlmFCH(X) | Thailand supported investment industries import from China | Customs of Thailand |
| InOutput(X) | Total output of Thailand supported investment industries | Thailand central bank |
| MPI(X) | Growth rate of supported industries | Thailand central bank |
| Treaty(X) | TH – CH Industries cooperation (Dummy) | Chamber of commerce |

Empirical evidence

- 1) Supported industry's total export is a significant factor to push china FDI to Thailand, Comparative advantage industries.
- 2) Supported industry's import from China is significant correlation factor cause of Thailand supported investment industries can enjoy preferential and duty-free to import of equipment and raw materials.
- 3) China and Thailand industry cooperation has a great positive effect to China investment in Thailand. So far both sides industrial's cooperation has included Agricultural and Service sectors.

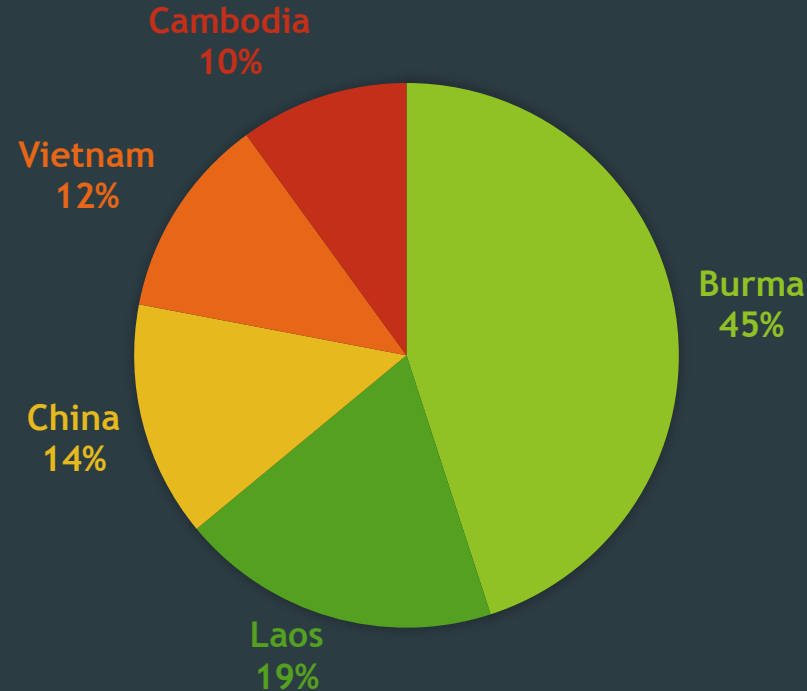
| | | Full sample | | Before 2010 | | After 2010 | |
|-------------|------------|-------------|----------|-------------|----------|------------|----------|
| Variable | lnTotalFDI | CHnopro | CHnopro | CHnopro | CHnopro | CHnopro | CHnopro |
| | (2) | (1) | (3) | (3) | (1) | (3) | (1) |
| Insectorex | 0.400*** | 0.858** | 0.146* | 0.246* | 0.923** | 0.206* | 1.629* |
| | (-0.116) | (-0.417) | (-0.077) | (-0.143) | (-0.444) | (-0.11) | (-0.856) |
| lnOutput | 0.00671* | 0.829 | 0.175 | 0.566 | 1.861 | 0.111 | 0.595 |
| | (-0.178) | (-0.638) | (-0.125) | (-0.319) | (-0.897) | (-0.142) | (-1.164) |
| lnExTCH | 0.229*** | -0.11 | -0.0298 | -0.0919 | -0.274 | -0.0202 | -0.117 |
| | (-0.058) | (-0.208) | (-0.044) | (-0.070) | (-0.194) | (-0.074) | (-0.513) |
| lnImFCH | 0.0887 | 1.788*** | 0.498*** | 0.603*** | 1.884*** | 0.526*** | 2.068** |
| | (-0.145) | (-0.519) | (-0.101) | (-0.174) | (-0.516) | (-0.171) | (-1.263) |
| MPI | -0.00257* | -0.00126 | -0.00023 | -0.00237 | -0.00639 | -0.00127 | -0.00955 |
| | (-0.0013) | (-0.004) | (-0.008) | (-0.002) | (-0.008) | (-0.001) | (-0.009) |
| Treaty | 1.210 | 3.825*** | 1.108*** | 1.680*** | 5.286*** | 1.034** | 3.493** |
| | (-0.396) | (-1.42) | (-0.278) | (-0.523) | (-1.492) | (-0.439) | (-3.137) |
| Constant | 3.789*** | -10.08** | -1.992** | -0.491 | -2.76 | -3.77*** | -24.28** |
| | (-1.285) | (-4.607) | (-0.853) | (-1.117) | (-3.589) | (-1.44) | (-11.2) |
| Observation | 72 | 72 | 72 | 48 | 48 | 30 | 30 |

****, *** and * were on the 1%, 5% and 10% level significantly. The regression coefficient of T value is in brackets

Thailand FDI to China : Early invest in China but slow growth & small ratio

- ▶ According to statistics of Thailand central bank, 2005 - 2014 year Thailand large investment in neighboring countries especially CLMV , large investment proportion in Burma.

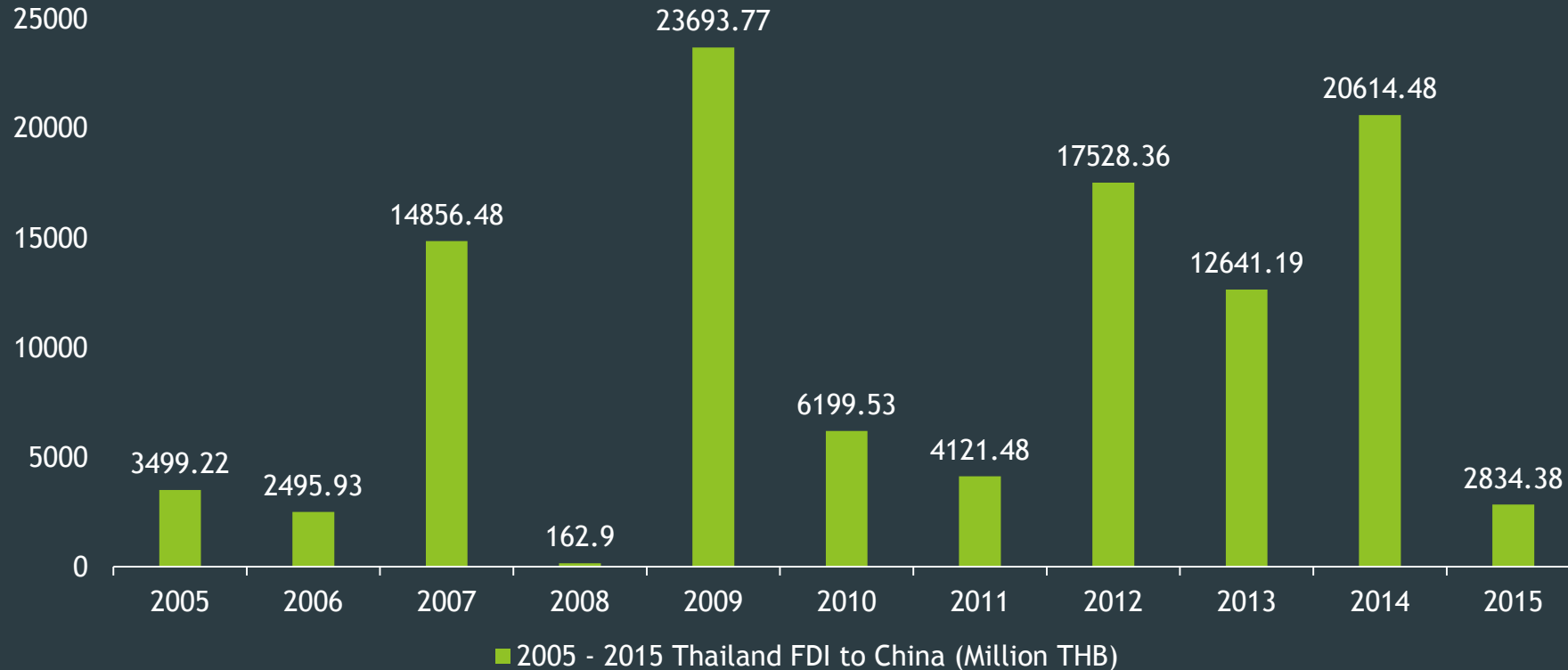
2005 - 2014 THAILAND FDI TO CLMV+CHINA



- ▶ From OFDI strategy, Thai Government very support Thai enterprises to OFDI to ASEAN members and China is “Second priority market” .
- ▶ The development of regional economic cooperation has push Thai enterprises to OFDI. BOI has set up TOISC (Thailand overseas investment promotion division) to promoted Thai enterprises OFDI and implement the 5 years plan.

Thailand FDI to China is less than 1% of China's total FDI

2005 - 2015 Thailand FDI to China (Million THB)



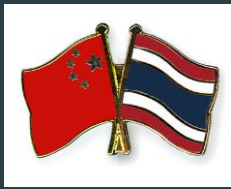
- Thailand political crisis factor has a big effect to Thailand OFDI. According to author's previous empirical analysis political factor has negative impact on Thailand OFDI.
- Most of Thailand OFDI come from "Private sector".

Thailand OFDI by sector

Thailand's largest OFDI sector is manufacturing, followed by mining, retail and Chemical. Finance and Insurance are mainly "holding company"



| Thailand OFDI by sector (Million US) | 2005-2009 | 2010-2014 | Total |
|--|------------------|------------------|------------------|
| Agriculture | 16.46 | 22.65 | 39.11 |
| Mining | 3,667.46 | 14,063.83 | 17,731.29 |
| Manufacturing | 41,716.33 | 12,525.66 | 16,701.99 |
| Food processing | 2,079.71 | 4,643.08 | 6,722.79 |
| Software | 162.81 | 1,726.92 | 1,889.73 |
| Textile | 282.63 | 366.20 | 648.83 |
| Chemical | 458.15 | 1,680.65 | 2,138.80 |
| Computer and spare part | 431.16 | 2,867.31 | 3,298.47 |
| Electronic product | 357.84 | 127.85 | 485.69 |
| Others electronic parts and equipment without classified | 23.27 | 461.65 | 484.92 |
| Power Station, Natural gas | 535.29 | 216.46 | 751.75 |
| Construction | 187.64 | 199.03 | 386.67 |
| Retail , Auto repair | 1,486.1 | 4,973.26 | 6,459.36 |
| Logistic , warehouse | 448.41 | 208.71 | 697.12 |
| Hotel , restaurant | 193.24 | 214.13 | 407.37 |
| Financial , Insurance | 6,269.18 | 5,311.85 | 11,581.03 |
| Real estate | 682.16 | 631.39 | 1,313.55 |
| Others | 1,593.92 | 9,381.72 | 10,975.64 |
| Total | 23,091.76 | 59,622.35 | 82,714.11 |

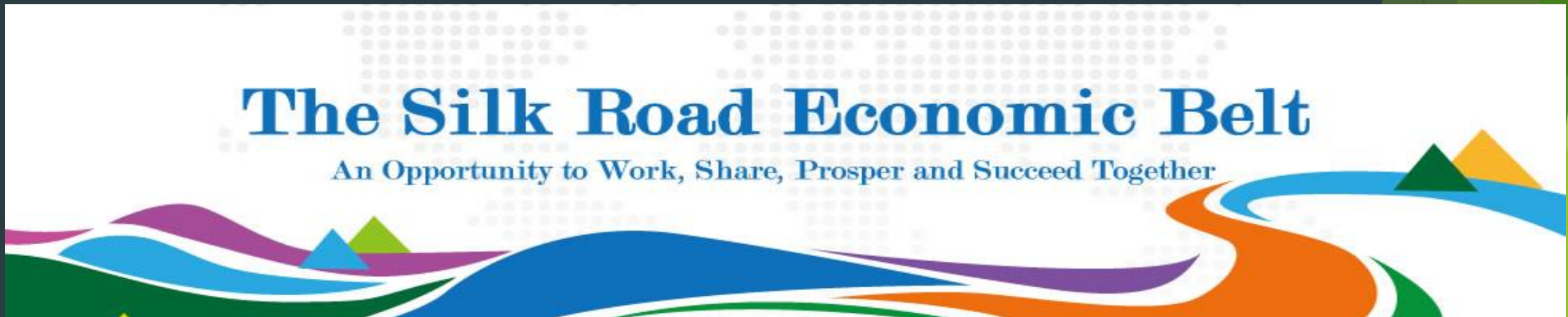


21st century maritime silk road and China - Thailand mutual investment

- One belt one road, Thailand has a great potential to be “Hub of ASEAN”, Thailand is under developing infrastructure construction, improve domestic railway, increase air transportation, improving inter-connectivity. China and Thailand “Railway cooperation” is the one of important project of OBOR.
- Economic exchanges will be more closely, more cooperation opportunities for both sides.
- To sustainable development of service industries, especially tourism industry.
- Industrial cooperation will expand, Technology and know-how exchange. Promoted mutual investment between both sides.

The Silk Road Economic Belt

An Opportunity to Work, Share, Prosper and Succeed Together



Conclusion

- ▶ It is necessary for all countries to participate the regional economic cooperation. Trade has “Stimulus effect” to investment.
- ▶ on the industry level empirical analysis, I found that; (1) industrial cooperation between Thailand and China has promoting effect to FDI (2) Thailand supported industries import from China has a positive correlation with China FDI to Thailand, thus there is a complementary.
- ▶ Thailand internal factor (Political crisis) has a big impact on all aspects of Thailand's economy, including out going investment.
- ▶ Service sector will be the new trend of Thailand enterprises to investment in China.
- ▶ In the prospect of Regional economic cooperation and Chinese government supported , Chinese enterprises will increase investment in Thailand and other ASEAN countries.
- ▶ Regional cooperation in all framework will further development.





Thank you !!

ขอบคุณค่ะ !!

谢谢 !!