Factors influencing the Foreign Direct Investmet inflow in tourism industry in Thailand

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ปัจจัยที่มีอิทธิพลต่อการไหลเข้าของการลงทุนโดยตรงจากต่างประเทศในอุตสาหกรรมการท่องเที่ยวในประเทศไทย

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พิชชาภา ทับทิมทอง : ปัจจัยที่มีอิทธิพลต่อการไหลเข้าของการลงทุนโดยตรงจากต่างประเทศในอุตสาหกรรมการท่องเที่ยวในประเทศไทย. (Factors influencing the Foreign Direct Investmet inflow in tourism industry in Thailand) อ.ที่ปรึกษาหลัก : รศ. ดร.ปิติ ศรีแสงนาม

อุตสาหกรรมการท่องเที่ยวมีบทบาทสำคัญต่อภาคเศรษฐกิจของไทยเนื่องจากการท่องเที่ยวช่วยส่งเสริมหลายๆธุรกิจที่เกี่ยวข้องและชดเชยรายได้ในอุตสาหกรรมอื่นในช่วงหลายปีที่ผ่านมา ซึ่งทำให้เกิดการสร้างรายได้มากขึ้นอย่างต่อเนื่องในประเทศไทย รายงานฉบับนี้ใช้สมการถดถอยพหุคูณโดยวิธีกำลังสองน้อยที่สุดเพื่อวิเคราะห์ปัจจัยที่มีอิทธิพลต่อการไหลเข้าของการลงทุนโดยตรงจากต่างประเทศในอุตสาหกรรมการท่องเที่ยวในประเทศไทยระหว่างปี 2000-2019 โดยเฉพาะอย่างยิ่งอิทธิพลของตัวแปรการท่องเที่ยวต่อการไหลเข้าของการลงทุนจากต่างประเทศ รวมถึงการเติบโตของอุตสาหกรรมการท่องเที่ยว ค่าใช้จ่ายเฉลี่ยในการท่องเที่ยว และอุปสงค์ในการท่องเที่ยว ข้อมูลรายไตรมาสที่ใช้ในรายงานฉบับนี้เป็นข้อมูลทุติยภูมิและอ้างอิงมาจากงานวิจัยในอดีต ผลการศึกษาระบุว่าอัตราดอกเบี้ย, การเติบโตของอุตสาหกรรมการท่องเที่ยว , รายได้จากการท่องเที่ยว, และจำนวนนักท่องเที่ยวต่างชาติมีอิทธิพลต่อการไหลเข้าของการลงทุนจากต่างชาติในอุตสาหกรรมอย่างมีนัยสำคัญ รายงานฉบับนี้ยังกล่าวถึงการพัฒนาการท่องเที่ยวแบบยั่งยืนในอนาคตเพื่อดึงดูดการลงทุนจากต่างชาติ เนื่องจากการท่องเที่ยวช่วยส่งเสริมการเจริญเติบโตในหลายๆภาคการผลิตที่เชื่อมโยงกับอุตสาหกรรมท่องเที่ยว ซึ่งเป็นองค์ประกอบสำคัญต่อภาพรวมของเศรษฐกิจในประเทศ

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Tourism industry has been considered as an important part of the Thai economy since tourism helps support many tourism businesses, increase employment, and compensate for other industries presenting weak growth, which will generate high income for Thailand continuously. This paper employs multiple regression by using Ordinary Least Squares (OLS) method to investigate factors influencing Foreign Direct Investment (FDI) inflows in tourism industry in Thailand over the period 2000 - 2019, especially the effect of tourism- induced factors on FDI inflows including growth of tourism industry, tourism average spending, and tourism demand volume. Quarterly data using in this paper is based on secondary sources and prior studies in order to identify the issue and analyze their importance. The obtained results indicate that interest rate, growth of tourism industry, tourism revenues, and number of international tourist arrivals significantly impact on FDI inflow in the industry. The paper also mentions about expansion of policies and measurements, and development of sustainable tourism in the future in order to attract FDI to the industry.

Field of Study:	International Economics and Finance	Student's Signature ....
Academic Year:	2020	Advisor's Signature ....

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Chapter 1: Introduction

In tourism aspect, Foreign Direct Investments (FDIs) have increased demand in goods and services in tourism industry by providing modern technologies and improving infrastructure such as accommodations and tourism facilities that are the foundations of tourism development. In addition, the increase demand in terms of transport, cuisine and hotels in tourism industry help attract foreign investors. FDI is significant to emerging-market economies in many developing, specifically in Thailand and other developing economies in the Association of Southeast Asian Nations (ASEAN) (Chotchuang 2014). A country needs to improve the economic performance to compete with other countries, and FDI is one of the tools that can support this task by creating more competitive business environment, helping human capital formation, and contribution to international trade integration (Zahonogo 2016). Many developing countries have sought for investments in tourism as it is sources of creating jobs, export income, and improving the potential of service sector. Lastly, FDI will profit to industries in the long run since it is a crucial source of expertise and technologies which can be transferred from foreign to domestic firms.(Walsh and Yu 2010). In the tourism industry, foreign companies have often showed positive effects in the host countries by expanding supply of tourism products, providing required capital, and developing service standard in the locals. Hence, many developing countries have increasingly searched for investments from aboard to supply capital and funds that would help improve the industry.

According to the data collected from ASEAN Secretariat, Thailand was ranked No.1 in terms of the most visited ASEAN travel destination in 2019. Most of visitors were attracted by low costs of living, beautiful attractions, cultural, and a unique cuisine while the major source of tourism revenues are leisure travel spending from international and domestic tourists. The number of visitors in Thailand has grown rapidly from 14.1 million in 2009 to 38.3 million in 2018. As a result, tourism has become more important as a driver of Thailand's GDP growth**.** Furthermore, World Travel & Tourism Council (WTCC) has reported that the total contribution of travel and tourism to GDP in Thailand is forecast to rise by 5.6% per year to 28.2% of GDP in 2028. Tourism industry has become a top Thailand's export and had significant on the economy in past recent years since tourism is a form of consumption that helps encourage a wide range of big and small firms as well as boost many related businesses such as accommodations, food and beverage, logistics, and wholesale and retail stores, and helping recompense for weak growth in other sectors. More importantly, tourism industry is considered as a main source of employment, with total contribution of travel and tourism to employment 15.5% of total employment in 2017 (5,834,000 jobs) (Adulwattana and Pitakard 2019).

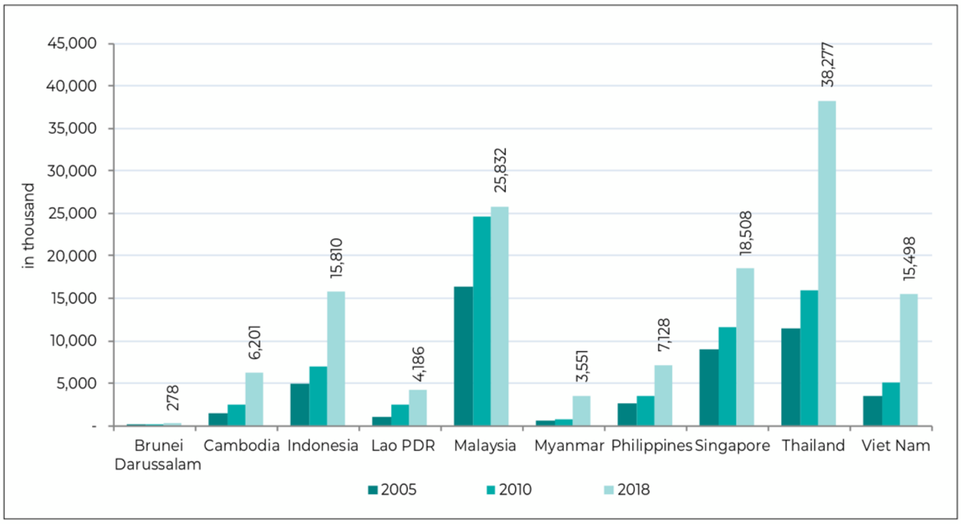

Figure 1.1 Number of tourist arrivals (000) by ASEAN Member States, 2005 – 2018

Source: ASEAN Secretariat, ASEANstats database.

Thailand is known of one of the largest tourism markets in ASEAN, and it has a clear competitive edge, medical and leisure tourism, which is in a good position for continued expansion. To better sustain growth in tourism, adaptation in coming changes of international market is necessary for businesses in the industry. For example, to maintain growth and increase number of international tourist arrivals, Thailand cannot rely on one market source; namely, China, and we should diversify to other markets, specially within Asian countries that presenting high tourism spending such as Indonesia and India. These countries are in the stage of middle-class expansion with progressive economic growth (Economic Intelligence Center 2017). In addition, the private sector and involved authorities should cooperate to develop major factors in supply side including improving human capital, sustaining tourism sites and public assets. Likewise, Thailand demands a high-quality, and convenient public transport infrastructure; thus, investing in transport systems is necessary in order to connect Thailand to worldwide destinations. In long term challenge, these issues should be addressed for ensuring sustainable competitiveness in tourism and promoting Thailand to draw international visitors continuously from existing and new markets.

As aforementioned, Thailand is regarded as a country that reliant on tourism; furthermore, contribution of tourism to GDP and employment is rather high compared to other countries in the region. Therefore, we are interested in which factors can enhance inflows of FDI in tourism industry in Thailand. These findings would help Thai government and policymakers to adopt appropriated strategies and policies to stimulate foreign investment in tourism industry in Thailand which lead to more sustainable tourism. There are several researches studied on determinants of FDI inflows in tourism both in developing and developed countries using number of visitors and tourism receipts as a proxy of FDI inflows, and most of them adopted a questionnaire survey method for analyzing. However, this paper is different from others since we focus on factors influencing FDI inflows in tourism, especially the effect of inbound tourism on FDI inflows in tourism industry in Thailand, including other interesting independent variables such as growth of tourism industry, tourism average spending, and tourism demand volume.

Objectives

1. To identify key factors that influence FDI inflow in tourism industry in Thailand.
2. To find policy implication for attracting FDI inflow into tourism industry in Thailand as well as promoting sustainable tourism in the future.

Scope

This paper examines factors influencing FDI inflows in tourism industry in Thailand using quarterly data over the period 2000 – 2019. Generally, travel and tourism compose of tourist and tourist-related services and facilities, which some of them are in areas of tourism industry such as logistic, accommodations, food and beverage service, retail and wholesale shops, recreation, other tourism facilities that available for tourist (WTO). However, according to availability of the data on Bank of Thailand's website, inflows of FDI in tourism industry will be defined as flow of FDI in accommodation & food and service activities.

The remain of this paper is managed as follows. The next section provides conceptual framework that help in understanding factors influencing inflows of FDI in tourism industry. Section 3 explains backgrounds of tourism, investment in tourism, FDI in Thailand, and review of previous studies that examined determinants of inward FDI in tourism industry which also include all services in tourism field. Section 4 mentions to sustainable tourism and tourism measurement and policies before and during the occurrence of Coronavirus disease (Covid-19) in Thailand. Section 5 exhibits the model, variables, data sources, and hypothesis. Section 6 reports results of the study. Section 7 is conclusion and recommendations.

Chapter 2: Conceptual framework

In this part, we discuss theories that are helpful in explaining the enhancement of international tourism and determinants toward FDI inflows.

Trade in services

General Agreement on Trade in Services (GATS) is a multilaterally agreed on legal scheme for trade in service sector, including tourism and travel related services. It has provided a credible system and obligations of international trade rules for members of the World Trade Organization (WTO). The GATS determines trade in services through four modes of supply. (i) Cross border supply is trade across border which services are processed in one territory and consumed by consumer in any other countries. It can be operated through electronic channel. (ii) Consumption abroad happens when consumers consume services in the country where they are processed. The consumers are abroad when the service is supplied such as people who go aboard as a tourists, students, or patients who consume the services in foreign countries. (iii) Commercial presence is when providers establish oversea businesses or expand subsidiaries for providing services to consumers at the certain destination. Lastly, (iv) Presence of natural persons is raised when a person or group of people who are representative of the organizations present aboard for operating and providing services. Generally, FDI inflow in tourism falls under mode (ii) and (iii) of the GATS. Since tourists go to travel aboard and purchase goods and services in destination countries, which is mode (ii), it increases tourism demand in that country and this would attract foreign investment into the country, which is mode (iii). For example, international hotel groups or restaurants that widely establish in tourist attractions in many countries because they found it as a growing source of revenue.

Eclectic theory

According to the Dunning paradigm (Dunning 1979), ownership (O), location (L), and internalization (I), factors that define inflow of FDI, are the features of host countries which offer foreign investors with the advantages by ownership. This theory aims to explain companies' decision in cross-border investment as follows,

The ownership advantage (O) can be in the forms of products or production process that other companies cannot access to, firm size which can lead to economies of scale, branding, or reputation that provides the company a market power or cost advantage of doing cross-border investment. When the companies invest in foreign markets, they may have higher costs compared to existing companies since the companies may not have enough knowledge in the market and it might be more costly to communicate across countries. In addition, the difference in institutions, regulation, culture, and language between countries would increase the cost as well. As a result, the companies need to have their own ownership advantage at home country before investing aboard in order to be able to transfer these advantages abroad and use them to reduce higher costs and uncertainty from investing aboard.

The location advantage (L) refers to country-specific advantages that help the countries attract foreign investment from abroad. Foreign market can provide the companies a location advantage which will increase profit when they produce the products oversea. It could be geographical advantages; for example, natural resources may be needed to produce and extract where they are located. Some capital or labor inputs may be less costly in foreign countries or local production may be favored by the host country's government (e.g., if the companies decide to produce domestically and export the products to foreign markets, the companies may face high transportation costs for the product or barrier to entry from foreign countries such as quota or tariff.), as well as net transportation costs may be lower if (part of) the production is done in host countries.

"The internalization advantage (I) is more beneficial for firms to use internal assets than to contract with other firms in the host country" (Dunning 2001). The benefits of internalization are that firms can manage and control their activities and strategies, together with keeping their knowledges, technologies, and patents within the firms. Even if the production is more profitable at a location in host country, but it does not mean that firms have to own the facility there. They can license domestic firms to use their technologies and create products that would carry their name.

"FDI in tourism industry is mostly linked to the location advantage whereby on-site provision of services is part of the company's business" (Markusen 1995). The growing number of tourist arrivals at the destination country would create a more require for tourism and tourist- related businesses, which demands a greater investment from aboard (Tang, Selvanathan et al. 2007). This theory also emphasizes that the ownership and internalization advantage determine whether FDI is an attractive method for the firm's aspect in the first place. The location advantage also has a significant effect on which countries will be chosen by foreign investors (UNCTAD 2010).

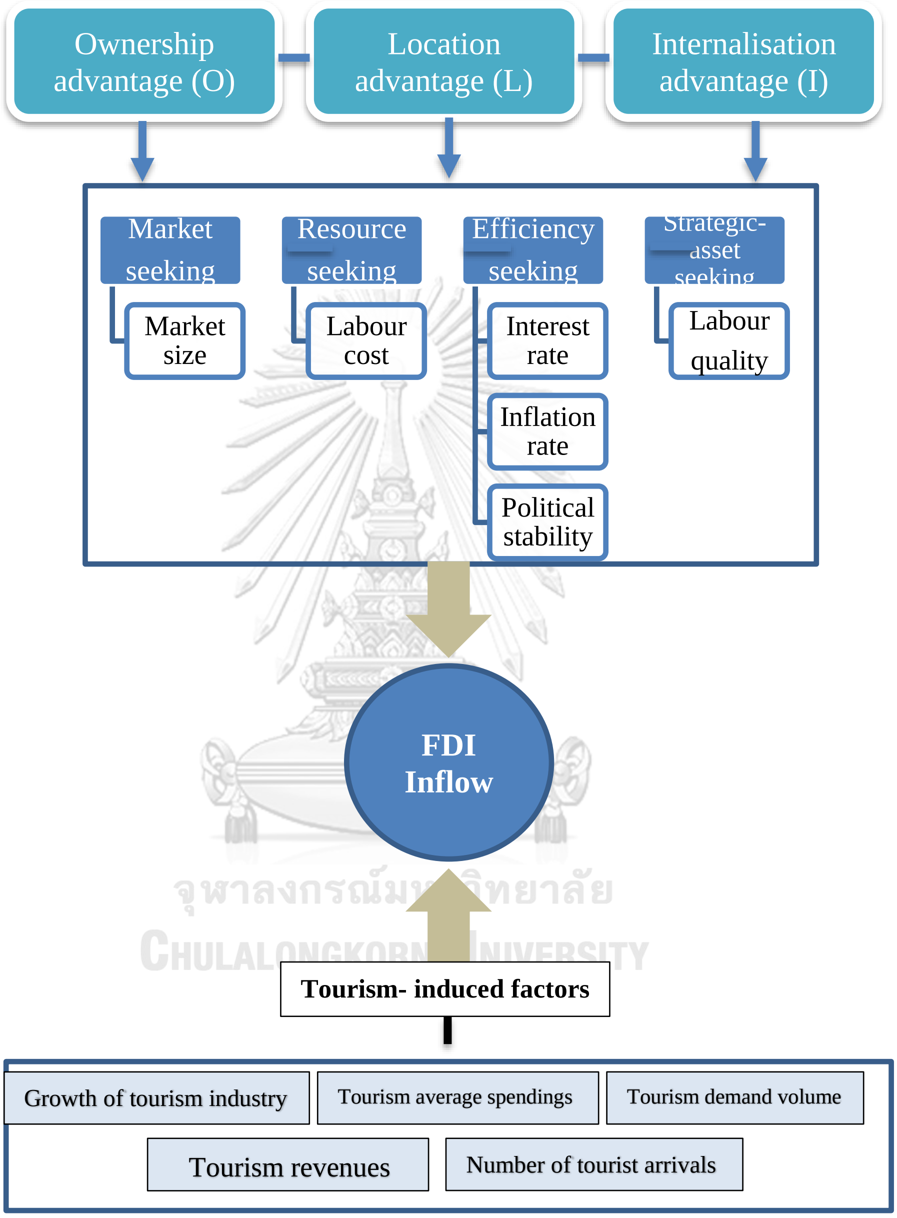

Figure 2.1 Conceptual framework

Source: Own Construct

FDI motivation

(Dunning 1993) introduced a model of motives for FDI which explain that different investors might have different motives underlying FDI. The motives can be categorized into 4 types as follows:

Market seeking

Market-seeking investment is drawn by several factors such as growth and size of market in host country, or income per capita. From firms' perspective, new markets usually offer chances to grow and stay competitive within the industry, and gain economies of scale. When the home market is high competitive and consumers are less than providers, domestic firms have to search for a new market in host countries with a large market size and high growth rate, many potential consumers with high income and may be forced to go investing abroad; thus, a high demand of host economies would attract this type of FDI.

Resource seeking

FDI attempts to acquire particular resource at a lower cost than obtaining from the home country. When companies go abroad to obtain resources that cannot be found at home or at lower cost, this behavior is driven by resource-seeking motive. The resources can be in the form of physical resources, such as minerals and agricultural products, cheap and specialized labor, technological capacity, and better infrastructure, these resources promote resource-seeking activities. Countries with abundant resources would attract resource-seeking FDI, especially if the material composes of important parts of the production.

Efficiency seeking

Efficiency-seeking refers to the situation when firms invest abroad in order to gain benefit of different factor endowments, market structure, policies, special tax incentives, and economic systems in order to achieve cooperation and economies of scale which will increase overall operation of the firms. Furthermore, host countries with good transportation and infrastructure systems, and investment-friendly environment can conduce to higher efficiency-seeking FDI inflow. To illustrated, production processes with capital intensive are usually placed in developed countries. In contrast, productions with labor intensive are often placed in developing countries where wage rates are lower.

Strategic asset seeking

Strategic assets are intangible resources dealing with the technology and essential expertise of the company (Dunning 1993). The goals of strategic asset-seeking are to build a basis for business in host countries, to acquire a reputed brand, to gain oversea organizational skills such as management skill, marketing expertise. To achieve the goals, it could be done by acquiring the assets of other companies; for example, gaining additional technology, knowledge, skills of the labors or human capitals, brands, distribution networks, or experience in some specific areas. Companies can increase their competitiveness, management abilities, and operate more efficiently by gaining these assets in both domestic and overseas.

Chapter 3: Literature review

What is tourism?

Tourism is a composition of activities, services, and industries that provide a range of services to tourists. It contains all providers of tourist and tourist-related services, which some of them are in areas of tourism industry such as logistic, accommodations, restaurants, retail and wholesale shops, recreations, and other tourism facilities available for tourists. This travel could be for a variety of reasons including for pleasure, visiting friends or relatives, working, or other specific reasons (Foster 1999). Tourism raises an important of economic development by providing a series of forward and backward linkages. For example, forward linkages are emerged when services are provided to other industries, such as entertainment industries, events management, and tour operations. Backward linkages take place when; for example, hotels require supplies from building, food and beverage companies, and communication and utility companies such as electricity, water, and sewerage. The impact of investment in tourism contribute a demand for these services (Marvell 2011).

Investment in tourism

Various tourism activities have generated tourism income into the country. Tourism spending occur both direct and indirect way in other related- sectors; for example, spending at the destination and places during the trip such as spending at airports and at attractions. The definition of tourism investment is that “any investment that expands and upgrades the supply of domestic and international tourism product, services and experiences related tourism industry”. For instance, the investment involved with products or services which cover accommodations, food and beverage establishment, transportation, and sightseeing attraction. Several organizations have categorized the composition of investment in tourism. However, to serve the purpose of this study, tourism industry will be defined as all services, facilities, and goods toward satisfying the demands of a tourists. However, according to availability of data on Bank of Thailand's website, inflows of FDI in tourism industry will be defined as flow of FDI in accommodation & food and service activities as follows:

Accommodations

Accommodations facilities and associated services are necessary for tourists who travel away from their home to other destinations since this facility would provide places where tourists stay over during the trips. Accommodations costs have represented a large portion of the tourists' spending in most destination, the amount of costs relies on quality and standard of accommodation and its area, and trip's purpose. There are various kind of accommodations that meet the requires of budgets such as bed and breakfast (B&B), homestays, resorts, hostels, hotel, campgrounds, short term rental properties, and boutique lodging; however, the most popular kind of accommodation is hotel.

Food and Service activities

Restaurants, bars & cafés, catering, Nightclubs and other types of eating and drinking places in food and beverage category are demanded by tourists. It is another large important source of tourist spending. In the case of Thailand and many more destinations have been known as culinary centers, and the cuisine has been one of the major attractions that draw numbers of international tourist to the country. Some tourists are likely to choose the destination where providing cuisines which are familiar to their home taste. On the other hand, some tourist might want to experience new tastes from the local; therefore, a range of food and beverage providing have to be accessible with various price levels in various destination.

FDI in Thailand

Thailand is ranked in 21st ranking of countries for ease of doing business (World Bank 2020). Foreign investment has been an important component of economic development in Thailand, and the country was one of the main FDI targets in its region. The largest portion of investors are from Japan and China accounted for more than a half of FDI inflows followed by Switzerland. The strengths of Thai's economy have located primarily on its diversity; namely, electronics, automotive, digital, agriculture food processing, and tourism and services which are greatly developed industries. Thailand locates in the important area of Asia which is a gateway to Southeast Asia and the Mekong Basin region, where new emerging markets have highly economic performance. However, shortage in efficiency of technology and infrastructure as well as politic uncertainty may discourage investors' incentive to do business in Thailand. To face this issue, FDI policies were imposed by the government and Board of Investment (BOI) of Thailand. Authorities have planned to extend the business license waiver to more service industries, and eased limitations of foreign entrants in several industries lately such as commercial banking and insurance. Thailand is considered as one of the preferred choices destination in hospitality investment for both domestic and foreign investors, and it has been one of major destinations for FDI among the ASEAN region. The main drivers for growth of

FDI are the investment promotion by the BOI, currency devaluation, and relatively cheap skilled labor costs, which allow businesses to access cheaper factors of production (Tambunlertchai 2009). As Thailand takes over the ASEAN chair for 2019, various opportunities are also opened up for all of the industries related to tourism such as hospitality, food & services, and recreational activities to attract tourists from ASEAN countries (Kasikorn Research Center 2019) including opportunity to promote tourism-related products and services, and collaborate with neighbor countries specially for enhance connecting routes between destination in order to facilitate international tourists and also be prime targets for potential investors from other regions eventually.

Factors influencing FDI inflow in tourism industry

Even though, the importance FDI and its effects on tourism industry were found in a low level compared to studies of FDI in other industries, there are some papers analyzed the relationship between inward FDI and tourism industry in host countries. (Tisdell and Wen 1991) investigated investment in tourism industry in China between the period 1979 and 1988, but inflow of FDI in tourism industry was mentioned from the policy perspective. The authors suggested that high growth rate of tourism in China is the main driving of FDI in the industry. Yet, the research is a qualitative study and did not mention the relationship between tourism and FDI inflows in China. (Contractor and Kundu 1995), (Kundu and Contractor 1999) and (Dunning and Kundu 1995) investigated the relationship between tourism and FDI, and reported that growth rate of tourism were a significant determinant of FDI in international hotel business. However, the authors only concentrated on hotel business and did not mention the link between overall FDI and tourism. Several past papers studied impact of tourism on FDI using different variables and tourism- induced factors to explain the relation toward FDI inflow. (Alam, Malik et al. 2015) examined impact of tourism on FDI in Malaysia over the period 1995 and 2011 using simple bivariate regression analysis. The research aims to identify main factors influencing FDI in Malaysia tourism business by investigating relationships of tourism and FDI whether tourism play an important role to enhance FDI in tourism sector. Empirical results suggested that the relationship between and FDI is significant. It implied that when the number of tourist arrivals increase, it generates more income to the destination and creates more FDI. For tourism revenues, it is directly linked and positively affected on FDI; thus, international tourists spending positively impact foreign investments in Malaysia. Another research on tourism FDI in Asia examined the links between inbound international tourism enhancement and inward FDI in Japan by using dynamic panel models over the period 1996–2011. (Tomohara 2016) defined inward FDI as a function of number of international tourist arrivals to Japan, and control variables are real GDP, immigration, geographical distances, economic partnership agreement (EPA), corruption, fair competition, and corporate tax rates. Empirical results suggested that rise in number of international tourists in Japan increases FDI inflow into the country, and the effects of tourism on FDI in non-tourism industries were found to be significant. In addition, increasing in number of international tourists would encourage the effectiveness of FDI promotion. Author also mentioned that FDI in other sectors must be incorporated when discussing the influences of tourism improvement.

Besides tourism-induced factors, foreign investors would also consider other general determinants of FDI which can influence cost of production or investment risk before they decide to invest aboard. There are a number of papers examined factors influencing FDI inflow, and each of them provided vary results in different host countries. (Jie 2018) examined firm internal and external factors that impact Chinese FDI inflows as well as the motive of Chinese firm to invest in Thailand over the period 1979 – 2017. This paper mainly adopted questionnaires as a tool to collect data and the data was collected from 113 Chinese firms which had experience in investment in Thailand. The paper indicated that most of investment inflows went to manufacture, agriculture and mining, and building sector. Potential market, market expansion, cost of raw material and resource, labor cost, management experiences, favorable policy, high competition in china, and risk diversification were external factors for pulling Chinese investment while exchange rate fluctuation, competition in the same industry, political stability, language and culture, restriction on foreign investment, education level of labor force, and institute quality were internal factors. The results suggested that lack of effective management and high competition are the most important factor affected Chinese investors' decision; however, for the external factor, market expansion is the main factor affected inward FDI, followed by risk diversification and favorable policy while reducing labor cost is the least important factors. For the internal factor, the study revealed that high competition in the same industry had the largest impact on inward FDI followed by exchange rate fluctuation, and restriction on foreign investment. The objective of the next paper is to investigate determinants of FDI in Thailand in the post 1997 crisis which was in the period between 1998 and 2008, and authors applied OLS to study this paper. (Daly and Tosompark 2011) selected market size, labor cost, borrowing cost, exchange rate, and trade openness in the host country as factors influencing foreign investors' decision. Dependent variable was FDI which refer to annual flow of real FDI inflow Thailand. The results suggested that market size and labor cost positively impacted on FDI inflow. For trade variables which are Thailand's exports and imports show a positive and negative effects on FDI inflow into Thailand respectively. The exchange rate negatively impacted on FDI inflow but is not highly significant. To illustrate, the appreciation in the currency in the period of study did not significantly reduce FDI inflows. Lastly, the borrowing cost in terms of interest rate showed ambiguous results in this study. Another similar study by (Ho and Rashid 2011)**,** which aimed to provide an empirical assessment of factors influenced FDI inflows in five ASEAN countries; namely, Indonesia, Malaysia, Philippines, Singapore and Thailand over the period 1975 - 2009. The study focuses on two separate models of macroeconomic fundamentals and country specific determinants of FDI. Macroeconomic variables are economic growth, manufacturing output, exchange rate, inflation, and degree of openness. Consumer income, infrastructure, telecommunication, employment, tourism, and skills & knowledge are country specific factor. The findings show that economic growth and degree of openness significantly impact on FDI in most example countries. Degree of openness positively impact on FDI inflows in Indonesia, the Philippines, Singapore and Thailand; moreover, economic growth is found to have negative effects on attracting FDI inflows in Indonesia, Malaysia and the Philippines. For Thailand, inflation rate drives FDI into the country while exchange rate in Malaysia plays an important role to attract FDI inflows as well as manufacturing output is the main driver of FDI in the

Philippines. Authors suggested that different factors in the model for country specific factors is important for counties in differing stages of development. Consumer income and employment are found to be important factors to attract FDI inflows into Indonesia, Malaysia, and the Philippines. Furthermore, empirical results revealed that employment had a negative effect to FDI inflows in Indonesia and Philippines, while tourism positively impacted on inflows of FDI in the Philippines and Malaysia. For consumer income and employment, they were found to be the major determinants of FDI flows into Indonesia, Malaysia, and the Philippines, while telecommunication and skill & knowledge are found to have a negative effect on FDI inflows in Malaysia. Another paper studied on FDI in ASEAN was collected by (Xaypanya, Rangkakulnuwat et al. 2015). They examined significant determinants of FDI in ASEAN3 (Cambodia, Laos, and Vietnam) and ASEAN5 (Indonesia, Malaysia, the Philippines, Thailand, and Singapore) using first differencing technique to estimate the parameters between the period 2000 and 2011. This study adopted the panel annual data model, and since the stage of economic development between countries in ASEAN3 and ASEAN5 is different; thus, the determinants of FDI are different. The determinants are comprised of macroeconomic stability (measured by inflation), market size, infrastructure facility, level of openness, and official development assistance (ODA). Authors separated the estimations of ASEAN3 and ASEAN5, in which ODA was not included in the ASEAN5 model due to these countries are not in the Development Assistance Committee list of ODA recipients as defined by World Bank. The empirical results for ASEAN3 reported that inflation, telephone lines, and trade ratio are important determinants of FDI inflows. Moreover, infrastructure and level of openness show positive impact on inward FDI while inflation shows negative impact, and real exchange rate, market size, and net ODA have no impact on FDI inflow. This can be implied that these countries have shown a great potential to draw FDI though they are least developed countries in ASEAN. The governments of these countries should create strong economic situation, such as invest more in basic infrastructure and keep inflation rate in a low level. For the result in ASEAN5 model, authors suggested that market size and infrastructure are significant determinants influencing FDI inflow. Nevertheless, impact of inflation rate and degree of trade openness on FDI inflows in these countries presented different results from the hypothesis. With increasing in inflation rate and decreasing in level of trade openness, countries in ASEAN5 are still attractive to foreign investors. (Cuyvers, Soeng et al. 2011) analyzed the determinants of FDI inflow in Cambodia by referring to its political characteristics, geographic, and economic between the period 1995–2005. FDI is the annual inflows of real FDI and panel data sets were applied for both approved and realized FDI. The difference between these FDI is that approved FDI is the qualified investment project that was authorized by the Cambodian Investment Board (CIB). Realized FDI represents the direct investment projects that have started their operations after having received approval from the Cambodia investment authorities. Several factors influencing FDI in Cambodia were in interest such as market size, bilateral trade, labor costs, interest rate, exchange rate, inflation, political risk, regional integration, and geographic distance. Additionally, the period that Cambodia was a member of ASEAN (1999–2005), effect of Asian crisis (1997–1998), and effect of China's entering to the WTO in 2001 on the Cambodia's capacity to draw foreign investment inflow were used as a dummy variable. In this paper, random effects estimation and pooled OLS model were applied as these methods were suitable to estimate approved FDI and realized FDI, respectively. One-year lagged explanatory variables were adopted to evaluate impact on FDI inflows. The empirical results revealed that factors of approved FDI and realized FDI were not different. Market size in home country, bilateral trade, political risk, and the exchange rate have a positively affected on the level of FDI inflows while distance and China’s membership of the WTO negatively affected on FDI inflow into Cambodia. This can be implied that the major share of inward FDI under the considering period attained from developing neighbor countries in Asia. Another two papers studied in the case of China. (Liu, Daly et al. 2012) assessed determinants of FDI inflows across the four regions: coastal region, northeast region, central region, and western regions of China during the period 2001-2009. Authors identified several important determinants of FDI inflows in China based on location theory and past existing papers; namely, market size, labor cost, skilled labor, infrastructure, and telecommunication, trade openness and government incentives to draw foreign investment. A panel data analysis was employed to examine which determinants are the main driver for each area, multiple regression model was used for each region as well as compared the results across four regions. The findings are rather mixed and suggested that the location determinants in coastal and northeast regions are quite similar. The empirical results further indicated that market size plays an important role to attract FDI inflows into these two regions, and they also found that labor quality and government incentives have a positive impact on FDI inflows, which can be implied that FDI inflow in these regions were impacted by the favorable policies introduced in the special zones, yet high labor cost decrease the attractiveness of an area and showed a negative impact of FDI inflows. Labor quality was found insignificant in central and western region due to giving priority to labor intensive products, and most of foreign investment inflows in these areas were from newly- industrialized economies in Asia. However, labor quality positively affected on FDI inflows into coastal and northeast regions. The labor cost showed a negative effect on FDI inflows in coastal, northeast, and central regions since higher labor costs will lead to higher production cost which directly impact on profits. While the degree of openness is the most important factor influenced FDI inflows in central region, the physical infrastructure is a significant factor for attracting FDI inflows into central region as well. (Kang and Jiang 2012) investigates determinants of FDI location choices of Chinese multinational firms in economic and institutional perspective. Fixed effects panel data regression was applied, pooling together the cross-section data of eight countries in East and Southeast Asia over the period 1995 – 2007. FDI stock from Chinese firms in eight host Asian countries was used as the dependent variable. Empirical results reported that market size, availability of natural resources, availability of strategic assets of the host economy, degree of differences in economic regimes, degree of difference in FDI restriction, and *bilateral trade between China and host countries positively impacted on* choice of a Chinese firm's FDI location. On the other hands, labor cost in the host economy, degree of differences in political and legal regimes between China and the host countries, inflation, and cultural distance have negative impacts. They also suggested that institutional factors have a higher level of significance in determining FDI location choice compared to economic factors; however, both types of factors impact the FDI location choice of Chinese multinational firms.

Above studies investigated determinants of FDI in Thailand and neighboring countries; however, the paper also concludes studies examined factors influencing foreign investment decisions in other regions, and each variable in the papers provided various results. (ÇEviŞ and Camurdan 2007) examined determinants of FDI inflows in developing countries using panel data for 17 countries over the period 1989-2004 and adopted fixed effect model. The paper investigated a direct relationship among GDP growth, openness in the economy, interest rate and FDI. These variables showed positives effect on FDI, but the relationship between wage rate and FDI showed a negative one. On the contrary, (Culem 1988) found that the difference between the interest rate in the host and home country had a negative impact on FDI inflows. Similarly, (Beer and Cory 1996) found that the difference in interest rates between the two countries has a negative relationship with FDI inflows of U.S. to Europe. (Sanford Jr and Dong 2000) examined the influence of tourism on new FDI in the U.S. using data from 17 developed countries and 13 industries between the period 1988 and 1997. The analysis is based on TOBIT model, and results revealed a positive and significant relationship between tourism and new foreign direct investment in the U.S. suggesting that tourism remains a broad influence and has a similar effect in all industries. Tourism flow which is the main independent variable showed a positive and significant relationship on new FDI in the U.S., and tourism is strongly connected to an increasing in the investment in capital-intensive, and service industries. Existing stocks of foreign investment, trade balance, and currency strength positively affected to new FDI inflow in the U.S. while distance between countries showed a negative effect. Additionally, authors stated that tourism is strongly connected to an increasing in the investment in capital-intensive, and service industries. Moreover, (Nikšić Radić 2018) evaluated whether terrorism is one of the factors influencing foreign investors' investment decisions in tourism industry in 50 countries between 2000 and 2016. The paper applied system-GMM estimator for dynamic panel data models. The main variables which consider as factors affected FDI inflow are previous level of FDI, international terrorism, GDP growth rate, the number of international tourist arrivals, political stability, Corruption, and starting a business index. Evidence revealed that international tourist arrivals and the convenience of starting a business have a positive impact as well as international tourist arrivals found to have the most significant impact on the FDI inflow. Insignificant impact was found in international terrorism, the GDP growth, political stability, and corruption; however, GDP growth and political stability showed positive effects on inward FDI in tourism, yet international terrorism and corruption showed negative effects. Author also disclosed that the most important thing to enhance FDI inflow in tourism in the future is to increase the growth rate of number of international tourist arrivals, facilitate business conditions in the country, and focus on the security, preventive counter- terrorism, which will ensure that potential destinations reflect confidence. (Bobenič, Bruothová et al. 2018) and (Kristjánsdóttir 2016) applied Ordinary Least Squares (OLS) estimation in their studies. (Kristjánsdóttir 2016) analyzed factors influencing FDI in the hospitality industry in Iceland and Norway compared to the other Nordic countries, and a group of OECD countries. Economic size, population, skilled labor, and VAT are main focusing factors. The data were collected from 23 countries between 2000 and 2012. Inward FDI stock is used as a proxy of FDI inflows in hospitality industry. The results indicated that economic size positively affected on investment in Norway, Iceland, and the Nordic countries, but negatively affected on investment in the OECD countries. In Nordic countries, foreign investors from countries with larger economies are likely to invest more than others from countries with smaller economies. Moreover, foreign investors from countries with less population are more willing to invest in the industry. In conclusion, impacts of wealth and population imply that foreign investors from countries with high income per capita are more willing to invest in host countries. Different from Iceland and Norway, it holds that investors are willing to invest in the industry; nevertheless, they are from wealthy countries or not, and they are more likely to invest if they come from countries with high population. The VAT in Iceland and Norway does not find to influence foreign investors' decision due to foreign investors are not bothered by the level of VAT in these countries. Furthermore, investors coming from more skilled labors of home countries are likely to be more willing to invest in the industry. Evidence from the OECD countries suggested the same results. (Bobenič, Bruothová et al. 2018) examined determinants of inward FDI in Poland, Hungary, the Czech Republic, and the Slovak Republic (Visegrad countries) using OLS and fixed-effect model over the period 1989 and 2016. The paper primarily focused on selected nine potential determinants of FDI inflow: namely, market size, labor costs, quality of labor, trade openness, economic stability, inflation, unemployment rate, expenditures on R&D and corporate income tax rate. In this paper, they identified labor costs and the quality of labor proxied by share of labor force with achieved at least secondary school as the most significant factors influenced FDI inflows with a positive sign. This suggested that foreign investors in these countries aim to invest in knowledge intensive sectors that are linked to higher wages and higher qualification of the human force. Additionally, economic stability also shows a positive effect on inward FDI across Visegrad countries. In contrast, corporate income tax rate and trade openness negatively impacted on FDI inflow. The macroeconomic indicators that were mentioned earlier: market size, inflation rate, unemployment rate and expenditures on R&D, were not considered as statistically significant determinants of FDI in the case of the Visegrad countries due to the fact that these countries have attempted to draw foreign investment from other governmental instruments, such as an investment aid in the form of tax reliefs or the other investment incentives. And the last study using OLS estimation is from (Kumari and Sharma 2019) conducted a similar study on the determinants of FDI inflows in the post liberalization period in India using annual data between 1991 and 2010, and the results reported that market size, trade openness, interest rate and inflation are the major determinants of FDI inflows. Another interesting paper studied in the case of OECD countries, (Awan, Uz Zaman et al. 2010) evaluated and compared countries specific determinants that attract FDI in services and manufacturing industry over the period 1980 – 2003 using generalized method of moments (GMM) estimators. The results of estimation were reported for two models, model 1 for FDI in manufacturing and model 2 for FDI in services as dependent variables, respectively. Independent variables are risk index consisted of political, economic and financial risks, trade openness, market size and growth, cost of labor, labor quality, levels of infrastructure, and interest rates. Empirical results showed that market size and growth positively impacted on inward FDI both in manufacturing and services industry. For FDI in manufacturing, size of market is the most significant factor compared to other determinants. The risk index is negative and significant in both services and manufacturing FDI models pointing that increasing in risk levels would raise the cost of doing business and deter FDI in a country. This factor is ranked in a low level on the list for both FDI since OECD countries are known for their political and economic stability. Labor costs suggested a negative sign with significant meaning that higher wages are less attractive to foreign investors, but countries where offering amount of skilled labor are likely to draw more FDI. This finding appears in both manufacturing and services industry. In both models, the labor quality is ranked higher than labor cost; hence, an important of education and training will attract greater FDI inflow compared to promotion based on low wages. The cost of capital and borrowings showed negative and significant results for both manufacturing and services FDI models. Furthermore, the results disclosed that countries with effective infrastructure tend to attract greater amounts of FDI both in services and manufacturing since the efficient system of transportation and communication is a necessary condition to attract services FDI. Lastly, degree of openness found to be positive and significant for both manufacturing and services FDI.

The main focus in the literature is the relationship between foreign investments in tourism and tourism- related FDI such as inflows of FDI into a setting up tourism infrastructures i.e. accommodation, restaurants, and transportation. Moreover, attracting FDI needs attention on the basic factors of foreign investment decisions and the underlying of relative micro and macroeconomic expectations. Thus, after assessing factor influencing FDI inflows in tourism industry, we have found that market size, inflation rate, labor cost, labor quality, interest rate, political stability, growth of tourism industry, tourism average spending, tourism demand volume, number of international tourist arrivals, and tourism revenues are popular and reasonable determinants that affect foreign investors' decision to invest in host countries. Comparing effects of these variables on FDI in tourism industry, the result indicated that some variables had similar effect. For instance, market size, political stability, labor quality, growth of tourism industry, tourism average spending, tourism demand volume, number of international tourist arrivals, and tourism revenues show positive effect on inward FDI in tourism industry. In other words, these factors help increase inflows of foreign investment in host countries. In contrast, inflation rate and labor costs showed negative effect, which lead to a decrease in flows of FDI.

Chapter 4: Sustainable tourism

Several studies relative in the area of tourism have reported that sustainability is conceptually significant, but it is rather complicated to implement because of its unspecified definition. (Butler 1999) interpreted the idea of sustainable tourism development in three dimensions: environmental, socio-cultural, and economic while (Archer, Cooper et al. 2005) focused on the correlation between environment and economics. Besides, (Lane 2005) indicated that sustainable tourism should focus on reducing environmental and cultural damage, and enhance economic growth of the country in long run. However, the most frequently used concept is from the World Travel and Tourism Council referring to sustainable tourism as "Tourism which meets the needs of the present tourists and host regions while protecting and enhancing opportunity for the future. It is envisaged as leading to management of all resources in such a way that economic, social, and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity, and life support systems" (WTTC 1995). This definition was adopted by the (WTO 1998) later on, and there is an evidence showing that tourism literature broadly accepts environmental, economic, and socio-cultural dimensions (Allenby and Richards 1999), as well as key concerns of governments and tourism organizations (Lu and Nepal 2009).

Since the 1990s, governments in many countries including Thailand have increasingly paid attention on sustainable tourism development, and has applied it as a policies and measurements (Pigram and Wahab 1997). Due to the fact that, tourism is often hindered by negative impacts that decrease the life's quality in the local together with the contentment of visitors (Mowforth and Munt 2015), Thailand has acknowledged the interest in sustainable tourism development concepts. To ease these problems, emerging markets may consider drawing FDI as it is one of the possible funding sources in the industry and can transfer new technologies and knowledge which enable country to enhance sustainability in the industry in the future.

FDI and sustainable tourism

In developing economies, drawing FDI is increasingly more important since FDI is considered as one of the potential sources of funding capital and infrastructure in tourism industry as well as the tool for accessing to worldwide market; therefore, many developing economies attempt to draw foreign investments in order to encourage development in the countries. Moreover, many developing countries have been relied on FDI to develop the tourism; thus, the tourism industry, more than any other industries, has to set up its growth on the concepts of sustainability (Peric and Niksic Radic 2011). In recent years, impact of FDI on sustainable tourism has become more acknowledged in the context of the contribution to the country's economic growth. On top of that, there is a rise in motivation of investors in tourism industry which makes the investments more sustainable.

According to World Association of Investment Promotion Agencies (WAIPA) (WAIPA 2010), FDI can be involved in sustainability of tourism sector in four dimensions: economic development, environmental development, socio-cultural development and good governance.

1.) Economic development dimension

Developing countries obtain two forms of economic development from FDI: economic growth and productive potentiality. Improvement on economic growth can be in forms of development in income distribution by increase local employment and overall income. Transferring of new technologies and skills to the host country would help stimulate domestic investment and increase domestic firms' potential (WWF 2003). The influence of foreign investment on economic development in host countries can be explained in three groups as follows:

Employment

Human resource is an important part of economic development, especially local workforces. Tourism industry can increase employment by hiring local labors in accommodation and restaurants businesses, and tourism- related services. In some developing countries, foreign companies are considered as a main source of employment, and they also support and complete the overall employment outlook (UNCTAD 2007). However, creating a job in tourism may displace some traditional jobs in the area such as farmers, fishermen or other productively employed individuals; thus, the involved policy need to be adjusted.

Technology transfer

FDI can transfer technologies including managerial skill and demonstration effect. (UNCTAD 2007) stated that some foreign companies also provide education for the operators, for example formal instruction courses, arranging seminars on various topics such as new techniques on hotel management including sales and marketing as well as hotel operations. More importantly, (Dwyer, Forsyth et al. 2010) stated that management in catering has been considered as an important skill to meet the demand of international visitors, and to maintain competitiveness of the local markets.

In conclusion, the dimension of economic development focuses on finding new sources of income, stimulating the local economy, enhancing inflows of investment in infrastructures, creating local jobs, and increasing market for local producers.

2.) Socio-cultural development dimension

FDI has been growing continuously worldwide, and it is a one of the major tools for driving the world economy, yet it also raises social concerns. FDI in tourism can create positive impacts on society related to local cultures by supporting for community events, increase local or regional pride, and preservation of historic properties (Dwyer, Forsyth et al. 2010). Moreover, foreign firms which has a well-done reputation with high standard quality of services can promote a positive image of destinations in host countries as well. But, study from (Kusluvan and Karamustafa 2001) indicated that foreign organizations may transform westernization in value systems, beliefs, lifestyles and consumption behaviors to developing host countries which lead to a degradation of local values and cultures. In the long-term, this degradation may cause unfavorable consequences to the communities in host countries.

3.) Environmental development dimension

Impacts of foreign investments on the environment can be positive, negative or show no effect on quality of environment. FDI inflow can probably worsen or improve environment (UNCTAD 2007). (Peric and Niksic Radic 2011) reported that there are conditions which foreign firms have to take action when their business processes impact on environmental performance in host countries. They must consider whether to invest in new and clean technologies, or old and dirty ones, and will the parent company support environment management system of affiliate aboard. However, environmental performance of foreign firms also relies on the force of local rules and regulation. Without proper rules and regulations, the expansion of economic growth may cause an environmental degeneration though foreign firms have a well performance of management. Since raising in growth rate has caused worsening on environmental impacts, nevertheless some researchers have argued that growth in businesses and industries also creates environmental developments; for example, reform in the industries' structure, imposing stronger environmental regulations, and replacement of less pollution products. To sustain environmental development in long-term, foreign firms from developed countries can help enhance environmental management standards and quality in developing host countries throughout transferring better environmental management practices and clean technologies in order to moderate negative effects from the businesses in the industry.

4.) Good governance dimension

It is important for government in host countries to pay attention on how sustainable tourism can contribute to expanding economic benefits in the local areas and decrease a negative impacts caused by businesses in the industry (UNCTAD 2010). Cooperation between public and private organization in the industry is needed if the country plan to benefit on FDI. Government in host country are an important part to improve sustainable tourism, they can cooperate to increase the connections among foreign investors and local business in the industry. This business connections would support economic growth in local areas and help transfer knowledges and technologies into the communities resulting in better working environments for labors.

Sustainable tourism in Thailand

To better sustain growth of tourism in Thailand, private sectors must adjust coming changes to stay competitive. Tourists from growing markets such as Myanmar, Indonesia, and India present high growth potential especially in sectors which Thailand has a competitive edge, such as medical and leisure tourism (MOTS 2019). Moreover, to sustain growth in arrivals in the long run, businesses must diversify to various markets and should not depend on only one source of tourist such as China. Thailand should draw more tourists from Asian countries where providing possibility to draw first-time visitors and for group of tourists that prefer travelling in the region. Another benefit of Asian visitors is the positive income view since tourists with more money tend to travel more abroad. Asia's middle class is expected to spend more through 2020, replacing tourists from Europe and North America as the world's main driver of consumption by 2030 (Economic Intelligence Center 2017). Thus, countries that present a strong economic growth and expanding middle classes will become a new important tourism market in the future.

Thailand is known of Southeast Asia's leading hub for international healthcare services, with the 9% growth in number of foreign patients projected per year and declares a 30% share of the Asia-Pacific medical tourism market (MOTS 2019). These reflect a powerful comparative advantage over other markets in the same region. Medical tourists have become more important for the tourism industry since treatment processes often require longer period of staying than other kinds of tourism. Factors attracted medical tourists to Thailand are cheap healthcare costs compared to home countries, famous and high service quality and internationally healthcare standards. For this reason, businesses in the medical tourism sector should draw tourists from countries that present high healthcare fees, or countries that show low quality of medical service. In order to do that, it will require support from both the public and private sectors. The government and private sector should cooperate to enhance main supply-side factors such as improving transportation and infrastructure to facilitate visitors and businesses in the industry. Necessary infrastructures for the improvement of new tourist areas may also be considered; for instance, quality and convenient public transport systems that connect between destinations Thus, investment in transportation should be prioritized to develop linkage and convenience including clear details about routes, and online simple booking systems.

Beyond business management skills and basic knowledge, tourism workers should improve ability in IT skills, innovation, and creativity because the heart of the service sector is human resources. Other categories of operators should also be included such as more security workers must be granted as increase in number of tourists, and safety is a main consideration for tourists. Besides, government have to provide service and safety standards in all tourism activities, and tourist attractions must be well regulated; for instance, avoid crowded situation by limiting number of tourists during peak times. Accordingly, laws and regulations need to be improved and enforced to ensure public safety.

As mentioned previously, several tourism areas still lack necessary protective measurements such as in famous tourist attractions in southern provinces that have emerged crowded conditions. As the number of tourists visiting famous attractions have been grown increasingly, overcapacity may harm the sites and travel experience, and recovery process can take a long time. To eliminate the issue and develop a tourism connectivity plan, authorities may introduce new tourist attractions that would spread out tourists among attractions throughout the country. This will increase income distribution, employment, and investment in new locations. Lacking in new tourist attractions, Thailand may lose its appeal in the long run ultimately. Shortly, to maintain sustainability in tourism, Thailand should pay attention on long-term advantages rather than short-term revenue, and to ensure well-timed supply-side development. In other words, the industry will continue expanding by relying on existing markets in the short term, however in the long term, various developments are needed to be supported by collaboration from all sectors including developing human capital, safety, historic conservation, maintaining tourism areas and public properties, environmental protection and investing in efficient transport infrastructures between the attractions.

Tourism policies and measurements before and during Coronavirus disease (Covid-19) pandemic

In past recent years, several tourism policies and projects have been imposed by the Tourism Authority of Thailand (TAT) and involved authorities. The main objectives are to attract tourists and investors, both international and domestic, and to support facilities in the industry. Since tourism industry in Thailand is heavily relied on international tourism, government have announced various tourism- related projects to draw the number of international arrivals, for example, Thailand Riviera project. This project had been being developed some years ago and was brought on again after the cabinet approved a high-speed railway linking Bangkok and Hua Hin. The plan is to link existing coastal tourist attractions in the Southern Economic Corridor, and second-tier tourism provinces: Phetchaburi, Prachuap Khiri Khan, Chumphon, and Ranong. These provinces will be transformed into a hub for high-end tourism and introduced more unseen places to visitors; therefore, generating more tourism income in less known destinations and local communities. Moreover, development in transportation and logistics is necessary because the project has planned to support tourism sustainability based on travelling by car and train will draw high-end tourists to various attractions in the areas. More importantly, the Thai Riviera will be advertised as international health tourism center, and this raise chances for high-end medical tourism, along with sporting events.

As prior mentioned, there is another project which aim to enhance sustainable tourism specially in terms of medical tourism named the first S-curve industry. In 2018, the Thai government launched the first Thailand National Strategy (2018-2037) which is a new engine of growth in Eastern Economic Corridor (EEC), the three-province advanced development zone near Bangkok: Chachoengsao, Chon Buri and Rayong. The concept of First S-curve bases on five existing industries; smart electronics, agricultural and biotechnology, next-generation automobiles, affluent medical and wellness tourism, and food for the future, that already have strong foundations, and it will be served as a showcase for Thailand 4.0. In the light of this paper, author would like to focus on affluent medical and wellness tourism since medical tourism in Thailand has been expanding gradually for years. It has benefited from facilities of the hospitals in Thailand that rank up among the world's best medical facilities (Economic Intelligence Center 2017). This capacity has encouraged Thailand being seen as a new destination for world-class medical care.

Furthermore, at the end of 2018, Thai government waived Visa on Arrival (VOA) fees for the first time to attract international tourists to Thailand. This campaign has been proven to increase numbers of tourist arrivals, according to the

Ministerial Regulation of the Ministry of Interior of Thailand. The waiver has costed the government in lost revenue from the visa collection fees, however it is expected to generate increasing in international tourism revenues after the scheme has been implemented for a couple of time. Current Thailand Visa on Arrival fees are 2000-Bath per person; therefore, the reduction or exemption of the visa fees was attractive to a large number of Chinese, Taiwanese and other international tourists specially tourist from India which shown a substantial rise in number of arrival and spending (MOTS 2020). However, after the occurrence of Covid-19, government has restrained VOA from several countries in order to prevent the spread of virus.

The above schemes are based on information before the occurrence of Covid-19 pandemic, but due to the fact that tourism has been among the sectors hit hardest by the pandemic, involved authorities have proposed policies that would build confidence for both investor and tourist in order to attract them to Thailand again. Currently, Thailand is open to international tourists, but the complicated requirements together with a mandatory 7, 10, or 15 nights quarantine on arrival are deterring the vast majority of tourist. As a result of the Thailand travel restriction, the normally booming areas such as Phuket, Koh Samui, and Pattaya are completely empty. Hence, to start the first stage in reopening the country, government has offered a reduction in the quarantine period for tourists who can prove that they have been vaccinated against the virus. Thai government has planned for a concept referred to area quarantine for areas such as Phuket and Koh Samui. Yet, the plan to reopen the country comes with conditions, a major requirement is that the certain provinces must vaccinate 70% of their population and 100% of workers in the service sector, according to a Centre for Covid-19 Situation Administration (CCSA) meeting.

The first level of reopening project in Thailand has begun with Phuket on Thailand's Andaman Coast. Since Phuket province generates several hundreds of billions of baht of income for the country per year and Thailand relies heavily on international tourism income. On 1st July 2021, Phuket has accepted international tourists with fully vaccinated from low-medium risk countries. The Phuket Sandbox model was proposed by the Tourism Authority of Thailand (TAT) to reopen the country for international tourists with intention to be quarantine-free. Tourists who attend the program do not have to self-isolate in hotel room and are instead free to enjoy the hotel's facilities as well as able to travel freely around the island. However, to take part in the Phuket Sandbox, tourists must be fully vaccinated with a vaccine that has been approved by the World Health Organization (WHO) or registered with the Thai Ministry of Public Health. The proposal states that the tourists arriving to Phuket must completed 14 nights in an SHA approved hotel (a hotel that has been certified by the Thai Health and Safety Association) and have to complete several Covid-19 RT-PCR tests before moving to other parts of Thailand. The Phuket pilot scheme is the first of its kind in the country, and if everything goes to plan, it will be the model for other provinces to follow in the coming months, with the island of Koh Samui next in line on 15th July 2021.

The Samui Plus model covered Koh Samui, Koh Phangan and Koh Tao was first proposed by the TAT on 18th June 2021 and launched the program on 15th July 2021. The program welcomes fully vaccinated international tourists who are subject to travel on sealed routes and mandatory Covid-19 tests. However, unlike the Phuket Sandbox, tourists are required to spend their first 7 nights in Samui Extra Plus hotels and will be allowed to move to SHA approved hotel afterward. After seven days, they will be allowed to travel across the islands of Koh Samui, Koh Tao and Koh Phangan for tours or transfer to other hotels which must also be listed under the SHA Plus system.

A success in the two islands model carries hope similar schemes which will be replicated in other provinces and reverse a drop of more than a year in tourism. In addition, following the reopening of Phuket, Koh Samui, Koh Phangan and Koh Tao, Thai government has planned to propose similar models in other tourism destinations in August 2021, for instance, the Island Approach. This will be another extension of Phuket Sandbox model, and the program will be called the Krabi Even More Amazing. The reopening areas are included Phi Phi island, Ngai island, and Railay beach. The program will continue with the Phang Nga Prompt program covering Khao Lak and Yao island. Moving away from the South of Thailand, the Sealed Approach targets to the reopening of numbers of famous tourism areas in Central and Northern Thailand. The major areas set for reopening in September 2021 will be Chiang Mai (Mae Rim, Mae Tang and Doi Tao), Chonburi (Pattaya,

Banglamung and Sattahip) and Buriram (Mueang and Chang Arena). By the fourth

quarter of the year 2021, the reopening of Bangkok, Cha-Am and Hua Hin will be considered, as well as other destinations that are regarded to be ready by the Thai Ministry of Health. However, the mentioned programs and measurements may be deterred if the cases of Covid-19 mount on the following areas.

Unpaid medical bills have been another issue that Thai government has concerned. Since the Nation reported that there was evidence indicating every year Thai hospitals in several tourism areas must bear this cost because some tourists do not have travel insurance and are not able to afford the medical treatments fee. As aforementioned, the National Tourism Policy Committee introduced the collection of a 300-Baht tourism fee from all international tourist arriving in the country from the start of 2021. The proposal to introduce a tourist fee was first raised in 2019, but it was postponed due to the Covid-19 pandemic which shut down Thailand's border. The Tourism and Sports Ministry expects the fee to be used for the management of local tourist destinations and developing supply chains. In detail, the money will contribute to a tourism development fund that will help the tourism industry deal with other unpredicted problems or difficulties in the future. The idea behind the fee was that all the money generated would be used for the management of tourist attractions and to provide tourists with insurance benefits while in the country.

Chapter 5: Research methodology

This paper examines factors influencing FDI inflow in tourism industry in Thailand using multiple regression analysis. Quarterly data used in this paper is based on secondary sources over the period 2000 - 2019. From testing problem of Multicollinearity by simple correlation coefficients, we found that none of the double variables has a correlation coefficient greater than 0.70; hence, we can use all independent variables for analysis of complex regression equation with Ordinary Least square (OLS) method. The methodology adopted in this study is followed in (Daly and Tosompark 2011); (Kristjánsdóttir 2016); (Kumari and Sharma 2019) paper which examined impact of tourism on FDI inflow in different countries. The dependent variable is inflow of Foreign Direct Investment (IFDI) in tourism industry in Thailand in million USD. However, in this study, flows of FDI in tourism industry will be defined as inflow of FDI in accommodation & food and service activities according to availability of the data on Bank of Thailand's website. The independent variables expected to determine FDI inflow are selected based on past existing studies and availability of data for the chosen period. Thus, the relationship can be specified as the equation below:

$$\ln IFDI_{it} = \beta_0 + \beta_1 MKT_{it} + \beta_2 IFLA_{it} + \beta_3 LC_{it} + \beta_4 LQ_{it} + \beta_5 IR_{it} + \beta_6 POL_{it} + \beta_7 GROWTH_{it} + \beta_8 AVGSPEN_{it} + \beta_9 TOURD_{it} + \beta_{10} TOURNUM_{it} + \beta_{11} TOURREV_{it} + \varepsilon_{it}$$

where i stands for the individual countries in the case (Thailand), and t stands for the time

Table 5.1 Measurement, expected relationship, and data sources

Independent Variables	**Measurement**	**Expected sign**	**Data source**
Market size (MKT)	GDP growth rate (%)	+	-THE WORLD BANK
Inflation rate (IFLA)	Consumer Price Index (CPI)	-	-IMF
Labor costs (LC)	Average monthly wage (USD)	-	-International labor organization
Labor quality (LQ)	School enrollment, secondary (%gross)	+	-THE WORLD BANK
Interest rate (IR)	The policy rate of Bank of Thailand	+	-IMF
Political stability (POL)	Index of corruption in government (on a scale from 0 to 10)	+	-International Country Risk Guide (ICRG)
Growth of tourism industry (GROWTH)	Tourism contributed to the economy in percentage of GDP	+	-World Travel & Tourism Council
Tourism average spending (AVGSPEN)	Average spending (USD/ person/ day)	+	-CEIC data
Tourism demand volume (TOURD)	Length of stay of international tourist (days)	+	-World Travel & Tourism Council
Number of tourist arrivals (TOURNUM)	Number of international tourist arrival (persons)	+	-World Tourism Organization
Tourism revenues (TOURREV)	Tourism revenue (million USD)	+	-World Tourism Organization

Hypothesis

Market size

Hypothesis 1: FDI may be attracted by size of market, which will allow investors to take advantage of sales in the host country, thus the higher of GDP or larger market size in host country helps firms to expand and develop their business. Therefore, they are ready for investment from aboard which lead to more FDI inflows (+).

Inflation rate

Hypothesis 2: High inflation could lead to foreign investment risks, and it is a sign of economic instability. Moreover, high inflation rate indicates the internal economic tension, which explains the inefficiency of the central bank and government to balance budget and restrict money supply. Thus, the higher and more fluctuated in inflation rate in the host country, the less attractive for foreign investors and may discourage FDI inflows to host country (-).

Labor costs

Hypothesis 3: Lower labor costs make host countries more attractive and tend to increase FDI inflow (Jun and Singh 1996). Business that mainly processes with labor intensively, production abroad in low-labor cost host countries would provide cost advantages compared to competitors at home. Thus, host countries with a low wage rate tend to attract more inward FDI (-).

Labor quality

Hypothesis 4: The labor quality is measured by school enrollment, secondary (% gross). Better labor quality indicates a high level of ability to process and understand information as well as deal with tasks and procedures (Liu, Daly et al. 2012). Therefore, host country with higher labor quality is likely to attract more investment from aboard (+).

Interest rate

Hypothesis 5: Interest rate reflects return on investment or cost of capital which is the entry costs of production activities and business. Normally, when policy rate is decreased, foreign investors will move fund to other countries where provide a higher rate. Thus, decreasing in interest rates may deter foreign investment (+).

Political stability

Hypothesis 6: "Political risk is linked to seizure or damage to property, production disruption, threats to personnel including operational restrictions that impede the investors' ability in undertaking certain actions, and changes in regulatory environment or the macroeconomic management" (Daniels, Radebaugh et al. 2002). The lower the level of corruption in government (0 high corrupt;10 very clean), the less confidential host country will gain from foreign investors resulting in decline of FDI inflow (+) since foreign investors will not invest and risk their capitals and funds in risky environment.

Growth of tourism industry

Hypothesis 7: To ensure that they will make a profit, foreign investors would search for host countries that tend to have a high growth rate in tourism industry. Since a large share of tourism activities to GDP means tourism play an important role in the economy, increase in growth of tourism will stimulate FDI inflow (Jayaraman, Chen et al. 2014). Thus, the higher of growth rate in tourism in host country, the more attractive to foreign investors (+).

Tourism average spending

Hypothesis 8: Most of tourists spend their money during the trips on food, staying, and other tourism-related services. The higher the tourism average spending in host country, the more attractive to investors, and they would prefer to invest in these services since they find it as a source of income, therefore generating FDI inflow in the industry (Alam, Malik et al. 2015) (+).

Tourism demand volume

Hypothesis 9: it refers to number of nights spent annually calculated from all international tourists. Investors would prefer to invest at destinations where show a high number of nights spent since it reflects more demand, not only for accommodation but also other tourism- related services (Jayaraman, Chen et al. 2014) (+).

Number of international tourist arrivals

Hypothesis 10: The increasing in number of international tourist in host countries leads to a rise in demand of hotels, restaurants, and tourism facilities (Alam, Malik et al. 2015, Chen 2017) Thus, it would be more attractive to foreign investors to invest in that host country (+). For example, an increasing in number of Chinese tourists may encourage investment from China in tourist place in Thailand.

Tourism revenues

Hypothesis 11: The large amount of tourism revenues in host country presents a high spending in the industry due to many reasons such as promotion campaigns or supported policies by the government. This would draw foreign investments since investors will find it as a potential market to expand their businesses (Mustafa 2017) (+).

Chapter 6: Result

Table 6.1 OLS results Impact of international tourism on FDI inflows in tourism industry in Thailand

Variable	Model0	Model1	Model2	Model3	Model4	Model5
(Constant)	-71.116	-15.012	-14.718	-20.156	-0.269	-24.178
	(-1.413)	(-0.307)	(-3.424)	(-0.413)	(-0.840)	(-0.487)
MKT	0.021	0.512	0.521	0.480	0.064	0.549
	(0.028)	(0.658)	(0.669)	(0.620)	(0.083)	(0.697)
IFLA	-22.770	-18.242	-18.435	-18.313	-13.847	-16.549
	(-1.340)	(-1.139)	(-1.150)	(-1.091)	(-0.908)	(-1.056)
LC	-3.227	-8.507	-8.261	-11.061	-16.388	-8.170
	(-0.406)	(-1.199)	(-1.152)	(-19.34)	(-1.867)	(-1.098)
LQ	-4.333	-1.644	-1.599	-1.501	-2.980	-2.671
	(-0.937)	(-0.424)	(-0.413)	(-0.385)	(-0.693)	(-0.604)
IR	-8.354*	-1.936*	-1.926*	-1.879*	-3.758*	-1.597*
	(-2.089)	(-2.557)	(-2.454)	(-2.741)	(-2.581)	(-2.456)
POL	-0.442	-0.286	-0.279	-0.226	-0.609	-0.211
	(-0.500)	(-0.323)	(-0.315)	(-0.245)	(-0.699)	(-0.233)
GROWTH	11.917*	4.574*				
	(2.034)	(2.488)				
AVGSPEN	1.302		5.258			
	(0.121)		(0.529)			
TOURD	1.616			1.459		
	(0.320)			(0.281)		
TOURNUM	10.767**				6.949**	
	(3.371)				(3.278)	
TOURREV	17.287**					4.540**
	(2.733)					(3.504)
Observations	80	80	80	80	80	80
R-Squared	0.367	0.373	0.388	0.390	0.393	0.368
D.W.	2.012	1.929	2.001	2.109	1.989	2.103

*Indicates significance at the 5% levels.
**Indicates significance at the 1% levels.

The results of the study have shown that R-Squared in each model does not differ by descending order as follows: Model4, Model3, Model2, Model1, Model5, Model0, respectively. The problem test results Heteroskedasticity found that F-statistic was greater than the statistical significance level of 0.05, and the H0 hypothesis was accepted, meaning there was no Heteroskedasticity problem. In addition, there was no autocorrelation problems in any models due to the Durbin Watson values were between 1.8 and 2.2, which is in the non-problematic range. Considering each model, the results have indicated that each of them has main factors which significantly impact on FDI inflow in tourism industry in Thailand; namely, interest rate, growth of tourism industry, tourism revenue, and number of international tourist arrivals.

As shown in the table 2, interest rate suggests a slightly ambiguous result since we expect a positive sign on this variable. The sign appears to be negative related to FDI inflow in tourism industry in Thailand with a significant at 5%. However, the result is consistent with (Daly and Tosompark 2011) which examined determinants of FDI inflow in Thailand and other studies by (Beer and Cory 1996); (Onyeiwu and Shrestha 2004). (Grosse and Trevino 1996) mentioned that a high interest rate in host country has a positive effect on FDI inflow. Nevertheless, direction of the sign can be opposite if the foreign investors rely on host countries capital market for financing the investment. In Thailand’s experience, an increasing interest rate shows increased risk in the credit markets which has placed a negative effect on borrowing from the host country market by foreign investors (Daly and Tosompark 2011); hence, government may consider a policy or regulation that will build a confidence among foreign investors in order to promote flows of FDI to Thailand. According to data over the past years, trend of FDI inflow in tourism and interest rate has represented in the same way as shown in our result; however, there are also some external factors that can influence foreign investments decision.

Growth of tourism industry measured in share of tourism to GDP positively impact on FDI inflow in tourism industry with a significant at 5%. Our finding is similar to the papers by (Assaf, Josiassen et al. 2015); (Puciato, Gawlik et al. 2016). In deeper details, foreign investors would search for host countries that are likely to have a high growth rate in the industry which they are interested in. Larger proportion of tourism activities to GDP means tourism plays an important role in the economy, it is a source of income, employment and will attract investments from both international and domestic firms. This is consistent with the data collected from World Travel & Tourism Council and Bank of Thailand which has identified that change in FDI inflows and share of tourism to GDP is in the same direction.

Unsurprisingly, the result indicates that number of international tourist arrival and international tourism revenues are statistically significant at 1% level and positively impact on FDI inflows in tourism in Thailand. Generally, the increasing in number of tourist arrival in a country will attract and stimulate FDI inflows since it generates more demand in hotels, restaurants, and tourism facilities businesses, this link is similar to what (Alam, Malik et al. 2015); (Tomohara 2016); (Chen 2017) reported. Specific counties such as China and Japan, investors see the opportunities to make more profit from the rise in number of international tourists including tourists from their country in Thailand; hence, investments in tourism activities may be an option for investors from the referred countries. Some evidence suggest that China is one of the main sources of FDI inflows to Thailand and this is conformed to the fact that Chinese tourist is in the first of international tourist arrivals ranking over past several years. For the same reasons, tourism revenues show a positive relation to FDI inflow in tourism. The larger the amount of tourism revenue in host country, the more attractive to inward FDI since investors find it as a source of income, this positive relationship also have been found by (Jayaraman, Chen et al. 2014); (Mustafa 2017); (Satrovic and Muslija 2018). In the case of Thailand, the rise in number of international tourists and revenues which caused increased FDI inflows has proved that tourism industry is one of the main drivers of the economic development in a country.

As for the market size variable, we found that GDP growth rate has a positive effect on FDI inflow with insignificant. The finding is consistent with the hypothesis and similar to the papers by (Awan, Uz Zaman et al. 2010) and (Bobenič, Bruothová et al. 2018). Large market size and high growth rate encourage inflow of FDI to tourism industry in Thailand since foreign firms will seek for market that can provide them a location advantage which make it more profitable to produce the products in the host country. On the other hand, labor cost and labor quality show a negative impact on FDI inflow in tourism. This can be explained by FDI seeking motives which stated that foreign firms tend to search for resources at a lower cost than obtaining from the home country. The lower labor cost in Thailand will attract foreign investment. The result confirms the paper from (Daly and Tosompark 2011) and (Jie 2018). The coefficient of labor quality shows the opposite direction from what we expected. The sigh appears to be negative with insignificant toward FDI inflow. The reason is tourism industry in Thailand requires low skilled labor and technology adoption in most activities according to Bank of Thailand's website, and businesses do not need labor with high skilled for operating since it would create more cost. Moreover, the test result on inflation rate variable tells us that Thailand's CPI has a negative effect on foreign investment inflow. CPI does not only represent changes in prices of goods and services but also use to determine wage and salary. Hence, investors would consider about this cost when they decide to do FDI. The coefficient of political stability is insignificant and negative which contradicts the expectation of positive sign. The result is similar to paper by (Kim 2010) which indicated that host country with high corruption of government and low level of democracy is likely to attract more FDI inflow.

Chapter 7: Conclusion and Recommendations

This study has investigated the relationship of international tourism on FDI inflows in tourism industry in Thailand. The paper has aimed to identify factors that influencing inflow of FDI in tourism and find policy implication for drawing foreign investment as well as promoting sustainable tourism in the future. We have employed multiple regression by using Ordinary Least Squares (OLS) based on quarterly time series data and examined for the period 2000 – 2019. Tourism- induced factors and general factors influencing FDI are incorporated to create the equation. The main findings are that interest rate, growth of tourism industry, number of international tourist arrivals, and tourism revenues significantly impact on FDI inflows in tourism industry in Thailand. This suggested that increasing of interest rate may deter inflows of FDI to the country while the rise in share of tourism in GDP, number of international tourists, and tourism revenue would encourage FDI inflows into the industry. Other variables are found to be insignificant and show the relationships toward FDI inflow as we expect in the hypothesis such as market size, inflation rate, labor cost, tourism average spending, and tourism demand volume. However, labor quality and political stability show an unexpected sign.

To serve the objective of the study, we also include sustainable tourism aspect in the policy implication. As mention in review, the major of FDI inflow in tourism industry fall under mode 2; consumption abroad, and mode 3; commercial presence, of the GATS. Since tourists go to travel aboard and purchase goods and services at destination countries, mode 2, it increases tourism demand in that country which is attractive to foreign investors and can draw more investments, mode 3. Therefore, appropriate policies to develop existing and new tourist facilities have to be applied in order to draw foreign investment, international tourists and build up income in tourism industry. Based on the results, government and involved authorities should pay attention on policies or projects that aim to enhance and sustain growth of tourism in the long- term. For instance, cooperating with local communities to develop local tourist attractions, and introducing more unseen places to visitors as well as tourism activities relied on value-added services and unique experiences rooted in local culture. This will enhance communities to create their own unique attractions and generate more tourism revenue in less known areas and local communities such as Thailand Riviera development project for provinces in the

Southern Economic Corridor, and second-tier tourism provinces. This project will encourage new domestic and international investments in tourism and related industries as well. Furthermore, to increase tourism revenue and draw number of international tourists, government may target countries that present high spending by waiver or reducing visa on arrival (VOA) fees. In 2019, the reduction of VOA showed a substantial rise in number of arrival and spending of tourists from China, Taiwan, and India (MOTS 2020). This tourism policy may be applied for the short term since it might cause immigration issues. In addition, to sustain growth in number of tourists, businesses in the industry should adjust with changes and trends. (Economic Intelligence Center 2017) reported that the rise in numbers of senior tourists accounted for a large share of international trips and travel spending. Businesses should prioritize the senior population which is fast growing segment by creating packages for this group of tourists such as affluent medical and wellness tourism. Moreover, operators must cooperate with businesses in other industries, for instance, by adapting accommodations to serve as treatment centers, but funding and expertise will be required. Thus, government must provide the required foundations for raise potential in the industry. The following scheme may be employed in the long- run because the world is experiencing an aging demographic shift.

The shutdown measures, because of the Covid-19 pandemic, have plunged worldwide production and oversea investment. However, after full reopening the country, government should focus on boosting international arrivals and tourists' spending and promoting tourism-related investments. Establishing experiment provinces as model to restart the inbound tourism industry is an interesting option for

Thailand. It should be the areas where heavily rely on international tourism income, and easy to be managed. Thai government and TAT introduced Phuket sandbox and similar programs locating in the south of Thailand to draw international tourists to the country during pandemic. The program has been well processing, yet the number of tourist arrivals have not reached the goal. Therefore, to build a confidence among tourists under social distancing and new normal life, businesses should adjust services by reducing the risk of physical contact and increase the use of technology in their services in order to remain competitive. Beyond this, it is important for the businesses to prioritize high safety and hygiene standards such as working with insurers or issuing clear policies by the government to prevent the emerge of Covid-19 new clusters. These measurements are not only for raising number of international tourists during this pandemic but also for creating a strong development plan in sustainable manner to make preparation for uncertainty impact on the industry in the future.

In long term challenge, while tourism industry in Thailand has benefited vastly from drawing international tourists, the author believes that many issues including preservation of the natural resources and historic sites, remaining of Thailand’s well-known service quality and increasing the facility of transportation need to be mentioned to assure competitiveness in sustainable tourism. This will encourage Thailand to continually attract international arrivals from both existing and new markets in the future.

Limitations

One of the limitations is data on FDI inflow in tourism industry in Thailand. In this study, flows of FDI in tourism industry is defined as inflow of FDI in accommodation & food and service activities due to availability of the data on Bank of Thailand's website. However, tourism industry composes of numbers of businesses such as transportation and merchandising, but these businesses may be overlap with other industries if we include in the analysis. The second limitation is there are a large number of possible factors that could impact inflow of FDI in tourism in Thailand, but because of the period of study as well as other factors beyond the control of the author, the paper only examines factors in the light of availability of data for the chosen period as well as ease of measurement processes. For the further studies, researchers may expand from here by considering other factors that may better explained the variability of FDI inflow in tourism in Thailand or other emerging markets.

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