

# CHAPTER I

## INTRODUCTION



### 1.1 Rational and Problems

After World War II during the 1970s, international trade grew more rapidly than FDI (Foreign Direct Investment), and was considered one of the most important international economic activities. The situation changed during the middle of the 1980s, when FDI started to increase sharply. For the period from the early 1980s through the mid-1990s, the rate of FDI growth was significantly higher when compared to international trade. Attracting FDI has been one of the most important policy goals of both developing and developed countries since the 1980s. To achieve the objective, a number of countries have not only liberalized restrictions on FDI but also provided incentives to attract FDI.

Japanese economy, after the booming period since 1990 has suffered from recession. Japan was not able to find ways of recovery. Japanese outflow of FDI also reduced. Japan has spent much of the 1990s in recession. But since 1993 Japanese FDI has begun to recover, spurred by the appreciation of the yen again.

Many sources of FDI coming to Thailand such as Japan, The United States, and NIES, have played a key role to developing the Thai economy. In the economic aspect, Japan is one of the most important trading partners and the largest investor in Thailand. Today there are approximately 1,200 Japanese-owned businesses operating in Thailand.

Attractiveness for FDI is important for not only the host but also source countries. FDI recipients do not only obtain the funds for investment but also efficient technologies and know-how from investing countries. Furthermore, FDI recipients can enjoy the benefits by gaining an access to various networks such as sales and procurement networks being developed by investing firms.

From above, the pattern of Japanese FDI has changed over the years and there must be several reasons to invest in Thailand. I would like to investigate the characteristics and attitudes of Japanese firms directly investing in Thailand by using the survey method in order to know what attracts Japanese firms to invest directly in Thailand. I will interview Japanese companies in Thailand and analyze them respectively. It will help discover how to improve the investment environment of Thailand for Japanese firms.

## **1.2 Objectives**

The objectives of this paper are

1. To investigate the characteristics and attitude of Japanese FDI firms directly investing in Thailand.
2. To discover how to improve the investment environment in order to attract more Japanese investment in Thailand.

## **1.3. Scope of the study**

The target group of the survey is Japanese companies that invest directly in Thailand and still exist today.

## **1.4 Methodology**

1. Survey instrument:

Primary data will be collected from a set of questionnaires, send to Japanese firms, which have invested in Thailand, listed with the Japanese Chamber of Commerce Bangkok. The questionnaire will be divided into two parts. The first part is to survey the characteristic of the answering firm. And the other part is to examine what really affected the firm's decision in investing directly in Thailand.

## 2. Analytical method: Reliability and variability analysis

The analytical study, after getting the questionnaires back from the selected Japanese companies, which describes what really affected the firm's decision in investing directly in Thailand. Also, I will discover how to improve the investment environment in order to attract more Japanese investment in Thailand.

### **1.5 Data**

Primary data will be collected from a set of questionnaires, sent to Japanese firms, which have invested in Thailand and still exist, listed with the Japanese Chamber of Commerce Bangkok. The amount of Japanese companies sampled will be based on statistics.

### **1.6 Organization of the study**

This study will be divided into 5 chapters. Chapter 1 describes the statement of the problem, the objectives, the scopes and the organization of the study. The overviews of related literature will be discussed in Chapter 2. Chapter 3 will be about the questionnaires to understand the objective for direct investment in Thailand. While in chapter 4, the results of the questionnaires will be discussed. Chapter 5 will describe the conclusions and recommendation found. Chapters 6 will be the appendixes.