# CONTENTS

## CHAPTER I
### INTRODUCTION
1.1 BACKGROUND  
1.2 Trends in International Capital flows  
  1.2.1 The Historical Backdrop  
  1.2.2 FDI Flows To Developing Countries During 1980-97  
  1.2.3 FDI Outflows from Developing Countries  
  1.2.4 Post-Crisis Trends in FDI Flows  
1.3 FDI FLOWS AND INDUSTRIAL RESTRUCTURING IN THE EAST ASIAN REGION  
  1.3.1 The Japanese Experience  
  1.3.2 The Experience of The First-tier NICs  
1.4 STATEMENT OF THE PROBLEM  
1.5 RESEARCH METHODOLOGY  
1.6 LIMITATIONS OF THE PRESENT RESEARCH  
1.7 CHAPTER SCHEME

## CHAPTER II
### THEORETICAL BACKGROUND AND CONCEPTUAL FRAMEWORK
2.1 THEORETICAL BACKGROUND  
2.2 CONCEPTUAL FRAMEWORK  
2.3 COUNTRY-LEVEL REQUIREMENTS FOR SUSTAINABLE FDI-LED CATCHING-UP  
  2.3.1 Phase I- Domestic Production  
  2.3.2 Phase II- Import-substitution  
  2.3.3 Phase III- Exports  
  2.3.4 Phase IV- Mature Phase and Outward FDI  
  2.3.5 Phase V- Reverse Imports  
2.4 INDUSTRY-LEVEL REQUIREMENTS FOR SUSTAINABLE FDI-LED CATCHING-UP  
  2.4.1 Phase I- Introduction  
  2.4.2 Phase II- Import Substitution  
  2.4.3 Phase III- Exports  
  2.4.4 Phase IV- Mature Phase and Outward FDI  
  2.4.5 Phase V- Reverse Imports  
  2.4.6 Sustainable Catching-up of an industry with Export-Oriented FDI  
2.5 FIRM-LEVEL REQUIREMENTS FOR SUSTAINABLE FDI-LED CATCHING-UP  
  2.5.1 Phase I- Introduction  
  2.5.2 Phase II- Import Substitution  
  2.5.3 Phase III- Exports  
  2.5.4 Phase IV- Mature Phase and Outward FDI  
  2.5.5 Phase V- Reverse Imports  
2.6 COMMON CONDITIONS  
2.7 CONCLUSION
CHAPTER III
STRUCTURAL CHANGES IN THAILAND: AN OVERVIEW OF THE ECONOMIC POLICY REGIME

3.1 INTRODUCTION
3.1.1 FDI Inflows and Economic Conditions before 1955: A Historical Overview 67

3.2 ECONOMIC POLICY REGIME AND STRUCTURAL CHANGES SINCE THE 1960S 71
3.2.1 The Policy Shift from Import-Substitution Towards Export-Orientiation 77
3.2.2 Links Between Service Sector and Overall Structural Changes 85
3.2.3 Changing Political Economy in the Period of Export-led Growth 93

3.3 MACROECONOMIC POLICIES AFFECTING INDUSTRIAL RESTRUCTURING 99
3.3.1 Fiscal Policy, Trade Policy and Export Promotion 99
3.3.2 Other Export Promotion Policies 106
3.3.3 Monetary Policy and Exchange Rate Management 108
3.3.4 The Role of Financial Sector Evolution 112

3.4 PROMOTIONAL POLICIES ON FOREIGN DIRECT INVESTMENT 124
3.4.1 Operational Restrictions on Foreign-owned firms 125
3.4.2 BOI Investment Promotion Policies Under Different Plan Periods 128
3.4.3 BOI Policy Liberalisation Since 1997 133
3.4.4 Other Liberalisation Measures 136

3.5 CONCLUSION

CHAPTER IV
FDI FLOWS AND RESTRUCTURING IN THE THAI ECONOMY

4.1. INTRODUCTION

4.2. THE MACRO SIGNIFICANCE OF FDI INFLOWS IN THAILAND 139
4.2.1 Ratio of FDI to Capital Inflows 140
4.2.2 Contribution of FDI to Gross Domestic Capital Formation 140

4.3. FDI INFLOWS IN THAILAND 143
4.3.1 Domestic-Oriented FDI Inflows: 1960-86 143
4.3.2 Export-Oriented FDI Inflows: 1987-96 148
4.3.3 Trends in the Sectoral Allocation of FDI Inflows 156
4.3.4 Changes in Sectoral Allocation of FDI Inflows by Investing Country 160

4.4. ROLE OF FOREIGN FIRMS IN INDUSTRIAL RESTRUCTURING 166
4.4.1 BOI-Promoted Foreign Investment During 1960-86 167
4.4.2 BOI-Promoted Foreign Investment Since 1987 169
4.4.3 Change in Ownership Structure 172
4.4.4 Change in Market Orientation 176

4.5. FDI OUTFLOWS FROM THAILAND 180

4.6. POST-CRISIS TRENDS IN FDI INFLOWS 187
4.6.1 Pattern of FDI Inflows During 1997-99 189
4.6.2 Mergers and Acquisitions 190
4.6.3 BOI-Promoted Foreign Investment During 1997-99 191

4.7. CONCLUSION

CHAPTER V
PRODUCTION AND TRADE RESTRUCTURING IN THAILAND'S MANUFACTURING SECTOR

5.1. INTRODUCTION 196
CHAPTER VIII
THAI ELECTRONICS INDUSTRY TRADE RESTRUCTURING

8.1 INTRODUCTION
8.2 THAILAND'S ELECTRONICS EXPORTS: OVERALL TRENDS
8.3 STRUCTURE OF THAI ELECTRONICS INDUSTRY EXPORTS
  8.3.1 Product Composition of Electronics Exports During 1980-87
  8.3.2 Changing Composition of Electronics Exports Since 1987
  8.3.3 Geographic Composition of Electronics Export Markets
8.4 THAI ELECTRONICS INDUSTRY IMPORTS: TRENDS
  8.4.1 Import Dependence of Thai Electronics Industry
  8.4.2 Product Composition of Thai Electronics Imports During 1980-87
  8.4.3 Product Composition of Thai Electronics Imports Since 1987
  8.4.4 An Analysis of Unit Import Prices and Quantities
  8.4.5 Changes in Thailand's Supplier Position in the Major Electronics Markets
  8.4.6 Geographic Composition of Thai Electronics Imports
  8.4.7 Intra-Industry Trade in Thai Electronics Industry
8.5 CONCLUSION

CHAPTER IX
FDI AND TECHNOLOGICAL UPGRADE IN THAI ELECTRONICS INDUSTRY

9.1 INTRODUCTION
9.2 AN OVERVIEW OF THE SAMPLE FIRMS
9.3 SOURCING ARRANGEMENTS AND SCOPE FOR TECHNOLOGY TRANSFER
9.4 FIRMS WITH VERTICAL INTEGRATION STRATEGIES
  9.4.1 JVC Manufacturing Co. Ltd.
  9.4.2 Seagate Technology (Thailand) Ltd.
  9.4.3 Fujitsu (Thailand) Co. Ltd.
  9.4.4 Melco Manufacturing (Thailand) Co. Ltd.
  9.4.5 Samsung Electro-Mechanics Co. Ltd.
  9.4.6 Tatung (Thailand) Co. Ltd.
  9.4.7 Toshiba Display Devices (Thailand) Co. Ltd. (TDDT)
9.5 FIRMS SOURCING FROM UN-AFFILIATED FOREIGN FIRMS
  9.5.1 Thomson Television (Thailand) Co. Ltd.
  9.5.2 KangYong Electric Public Co. Ltd. (KYE)
9.6 SUB-CONTRACTING COMPONENT FIRMS
  9.6.1 Delta Electronics (Thailand) Public Co. Ltd.
  9.6.2 Electronics Industry (USA) Co. Ltd. (EIC)
  9.6.3 GSS ARRAY Technology Public Co. Ltd.
  9.6.4 Intrinsics Co. Ltd.
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.6.5 KCE Electronics Public Co. Ltd.</td>
<td>418</td>
</tr>
<tr>
<td>9.6.6 Technology Applications Computer Systems Ltd. (TACS)</td>
<td>420</td>
</tr>
<tr>
<td>9.7 STRUCTURAL WEAKNESSES IN THAI ELECTRONICS INDUSTRY</td>
<td>425</td>
</tr>
<tr>
<td>9.8 POLICY-RELATED EXPLANATIONS OF THE DICHOTOMISED STRUCTURE</td>
<td>428</td>
</tr>
<tr>
<td>9.8.1 Tax Policies and the Emergence of an Assembly Production Base</td>
<td>430</td>
</tr>
<tr>
<td>9.8.2 Export-Oriented Incentive Structure and the Persistence of Lack of Linkages</td>
<td>433</td>
</tr>
<tr>
<td>9.8.3 Insufficiencies in the Linkage Development Program</td>
<td>438</td>
</tr>
<tr>
<td>9.8.4 National Perspective on Technology Capability Development</td>
<td>440</td>
</tr>
<tr>
<td>9.9 ACCESS TO INTERNATIONAL PRODUCTION AND TECHNOLOGY NETWORKS: INCREASING COMPETITION</td>
<td>444</td>
</tr>
<tr>
<td>9.10 CONCLUSION</td>
<td>446</td>
</tr>
</tbody>
</table>

**CHAPTER X**

**SUMMARY AND CONCLUSION**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1 INTRODUCTION</td>
<td>449</td>
</tr>
<tr>
<td>10.2 FDI AND THAILAND'S INDUSTRIAL RESTRUCTURING, 1987-98</td>
<td>452</td>
</tr>
<tr>
<td>10.3 CONCLUSION AND POLICY SUGGESTIONS</td>
<td>456</td>
</tr>
<tr>
<td>10.3.1 Conclusions</td>
<td>456</td>
</tr>
<tr>
<td>10.3.2 Recent Policy Initiatives</td>
<td>458</td>
</tr>
<tr>
<td>10.3.3 Policy Suggestions</td>
<td>463</td>
</tr>
</tbody>
</table>

**ANNEXE**

**APPENDIX TABLES**

**BIBLIOGRAPHY**

vii