



CHAPTER V

CONCLUSION AND RECOMMENDATION

The objectives of this research, is to study the rational of Japanese FDI companies, which have directly invested in Thailand and to discover how to improve the investment environment in order to attract more Japanese investment to Thailand. All the analyzing procedures are processed. The results from the questionnaires are used to explain and illustrate by statistic of percentage, the mean value that we have submitted the results in chapter four. In this chapter we will conclude the results and recommend some essential matters.

5.1 Conclusion

5.1 Part A : General Information

The characteristic of the sample group in this study, it was found that almost half of the Japanese companies in this research are locate in Bangkok and the majority of them established their business during the period of 1991-2000, most of them are in the manufacturing & selling business. There are several ratios of the ownership structure that are between Thai : Japanese but the ratio, which is the main group in this study is 51:49. The majority of their fix asset value is more than 100 million Baht. Most of the consideration is on 100% activities and services for domestic customer affiliates and I've ignored the activities for oversea customer affiliates. 100% of all corporations are interested in external clients.

5.2 Part B : Perception Process of Competition and Investment Factor

The study shows that there are many factors that attract Japanese companies to invest in Thailand. However, the perception of these companies towards each

factor has changed over time after they settled their business here. From our concrete investigation, we can compare and conclude the results as follows.

5.2.1 Quality Factors

5.2.1.1 Material quality factor

The percentage of poor level of the perception toward material quality factor turned down from 33.3% (1951 to 1980) to 25.0% (at the present). Compared 1981 to 1990 and the present period went up from 7.4% to 25.0%. It went up 15.2 % (1981-1990) to 25.0 % (at the present period). We can conclude that the factor of 1951 to 1981 period did not have attractiveness to investment relatively.

5.2.1.2 Equipment quality factor

The percentage of poor level of the perception toward real equipment quality factor went up from 0% (1951 to 1980) to 23.6% (at the present). Compared 1981 to 1990 and the present period went up from 18.5% to 23.6%. It went up 21.2% (1981-1990) to 23.6% (at the present period). We can conclude that the present period had less attractiveness to investment of the factor relatively.

5.2.1.3 Skill labor level factor

The percentage of poor level of the perception toward skill labor level factor went up from 13.3% (1951 to 1980) to 18.1% (at the present). Compared 1981 to 1990 and the present period went up from 7.4% to 18.1%. It went up 12.1 % (1981-1990) to 18.1% (at the present period). We can conclude that the present period had less attractiveness to investment of the factor relatively.

5.2.1.4 Utility Reliability factor

The percentage of poor level of the perception toward real utility reliability factor went up from 6.7% (1951 to 1980) to 11.1% (at the present): Compared 1981 to 1990 and the present period went up from 7.4% to 11.1%. It went up 6.1%(1981-1990) to 11.1%(at the present period). We can conclude that the present period had less attractiveness to investment of the factor relatively.

5.2.2 Economic and Policy Factors

5.2.2.1 Corporation Tax factor

When Japanese FDI companies started to invest in Thailand, their perception to present time about corporation tax factor turned down in every period. We can consider that corporation tax factor in period 1951-1980, the poor level of corporation tax turned from 20.0% to 12.5%. In 1981-1990 turned from 11.1% to 12.5%. In 1991-2005, the poor level of corporation tax turned from 15.2% to 12.5% at present. So we can conclude that corporation tax in the vision of investor when they started investment and at present is downward all three periods. It means that the perception of investor to corporation tax is better in their visions.

5.2.2.2 Customs factor

The perception about customs turned down only the first period. In period of 1951-1980, the poor level of customs turned down from 20.0% to 13.9%. It means the customs in investors' perception is better and in 1981-1990, the poor level of customs is turned up from 7.4% to 13.9%. Especially, in 1991-2005, the poor level of customs turned up from 6.1% to 13.9% at present. So, the vision of customs in poor level is worst at present when compare between started investment and at present.

5.2.2.3 Non-Customs Barrier factor

The perception about non-customs barrier in poor level turned down only the first period. In period of 1951-1980, the poor level of non-customs barrier turned down from 20.0% to 11.1%. It means that non-customs barrier is erasing at present. In 1981-1990, the poor level of non-customs barrier is turned up from 3.7% to 11.1%. In 1991-2005, the poor level of customs turned up from 6.1% to 13.9% at present. So, the vision of non-customs barrier in poor level is worst at present when compare between started investment and at present.

5.2.2.4 Regulation Investment factor

In period of 1951-1980, the poor level of regulation investment turned up from 6.7% to 20.8% at present and in 1981-1990, it turned up from 7.4 to 20.8% at present. While in 1991-2005 the poor level of regulation investment turned up from 9.1% to 20.8%. It means that the regulation investment in vision of Japanese FDI investors at present is worst.

5.2.2.5 Incentive factor

In period of 1951-1980, the poor level of incentive factor turned down from 26.7% to 13.9% at present and in 1981-1990, it turned down from 14.8% to 13.9% at present. While in 1991-2005 the poor level of incentive factor also turned down from 24.2% to 13.9%. It means that incentive in vision of Japanese FDI investors at present is better in every period between started investments to present.

5.2.2.6 Labor Law factor

In period of 1951-1980, the poor level of incentive factor turned down from 13.3% to 9.7% at present and in 1981-1990, it turned down from 14.8% to 9.7% at present. It means that in these two periods, the labor law is better in vision of investors. While in 1991-2005 the poor level of labor law turned up from 6.1% to

9.7%. It means that the labor law in vision of Japanese FDI investors at present is worst between started investments to present.

5.2.2.7 Infrastructure factor

In period of 1951-1980, the poor level of infrastructure turned up from 6.7% to 29.6% at present and in 1981-1990, it turned up from 7.4% to 29.6% at present. While in 1991-2005 the poor level of infrastructure turned up from 12.1% to 29.6%. It means that the infrastructure in vision of Japanese FDI investors at present is worst between started investments to present.

5.2.3 Availability Factors

5.2.3.1 Material availability factor

The percentage of poor level of the perception toward material availability factor went up from 20.0% (1951 to 1980) to 25 % (at the present). Compared 1981 to 1990 and the present period went up from 14.8% to 20.0%. It went up 15.2 % (1981-1990) to 20.0 % (at the present period). We can conclude that the attractiveness of the factor at the present period was reduced.

5.2.3.2 Labor availability factor

The percentage of poor level of the perception toward labor availability factor went up from 33.3% (1951 to 1980) to 40.3% (at the present). Compared 1981 to 1990 and the present period turn down from 55.2% to 40.3%. It went up 39.4 % (1981-1990) to 40.3 % (at the present period). We can conclude that the attractiveness to investment of the factor at the present period became higher.

5.2.3.3 Capital availability factor

The percentage of poor level of the perception toward capital availability factor went up from 20.0% (1951 to 1980) to 22.2% (at the present). Compared 1981 to 1990 and the present period turn down from 18.5% to 22.2%. It went up 9.1 % (1981-1990) to 22.2 % (at the present period). We can conclude that the attractiveness of the factor at the present period became lower.

5.2.3.4 Real estate factor

The percentage of poor level of the perception toward real estate availability factor turned down from 33.3% (1951 to 1980) to 18.3% (at the present). Compared 1981 to 1990 and the present period turned down from 18.5% to 18.3%. It turned down 24.2 % (1981-1990) to 18.3% (at the present period). We can conclude that the factor of the attractiveness became fair level.

5.2.3.5 Utility availability factor

The percentage of poor level of the perception toward utility availability factor turned down from 20.0% (1951 to 1980) to 19.4% (at the present). Compared 1981 to 1990 and the present period went up from 7.4% to 19.4%. It went up 18.2 % (1981-1990) to 19.4 % (at the present period). We can conclude that the factor of 1951 to 1980 period and 1981 to 1991 periods had the attractiveness to investment relatively.

5.2.3.6 Raising funds factor

The percentage of poor level of the perception toward raising funds factor turned down from 26.7% (1951 to 1980) to 27.8% (at the present). Compared 1981 to 1990 and the present period went up from 11.1% to 27.8%. It went up 12.1 % (1981-1990) to 27.8% (at the present period). However, we forced on good

level in 1991 to 2003. We can conclude that the factor of 1991 to 2003 had higher attractiveness to investment relatively.

5.2.4 Market Factors

5.2.4.1 Marketing Scale factor

In period of 1951-1980, the poor level of marketing scale turned up from 20.0%% to 36.1% at present and in 1981-1990, it turned up from 0% to 36.1% at present. While in 1991-2005 the poor level of marketing scale turned up from 15.2% to 36.1% at present. It means that the marketing scale in vision of Japanese FDI investors at present is worst between started investments to present.

5.2.4.2 Marketing Potential factor

In period of 1951-1980, the poor level of marketing potential turned down from 53.3%% to 48.6% at present. It means that in the first period, the investors' vision to marketing potential in Thailand is better. In 1981-1990, it turned up from 18.5% to 48.6% at present. While in 1991-2005 the poor level of marketing potential turned up from 21.2% to 48.6% at present. It means that the marketing potential in vision of Japanese FDI investors at present in after two periods are worst at present.

5.2.5 Other Factors

5.2.5.1 Social Stability factor

In period of 1951-1980, the poor level of social stability turned up from 26.7% to 50.0% at present. In 1981-1990, it turned up from 33.3% to 50.0% at present. While in 1991-2005 the poor level turned up from 36.4% to 50.0% at present. It means that the social stability in vision of Japanese FDI investors at present in all periods are worst at present.

5.2.5.2 Political Stability factor

In period of 1951-1980, the poor level of political stability turned up from 13.3% to 58.3% at present. In 1981-1990, it turned up from 33.3% to 58.3% at present. While in 1991-2005 the poor level turned up from 48.5% to 58.3% at present. It means that the political stability in vision of Japanese FDI investors at present in all periods are worst at present.

5.2.5.3 Language Problem factor

In period of 1951-1980, the poor level of language problem turned up from 6.7% to 13.9% at present. In 1981-1990, it turned up from 7.4% to 13.9% at present. While in 1991-2005 the poor level turned up from 3.0% to 13.9% at present. It means that the language problem in vision of Japanese FDI investors at present in all periods are worst at present.

5.2.6 Cost Factors

5.2.6.1 Material cost factor

The percentage of poor level of the perception toward material cost factor turned down from 40% (1951 to 1980) to 22 % (at the present). Compared 1981 to 1990 and the present period turns down from 37% to 22%. Between 1991-2003 and at the present period turn down 27.3% to 22%. These 3 started investment periods turn down against to present period. We can conclude that the factor is improved the environment gradually.

5.2.6.2 Labor cost factor

The percentage of poor level of the perception toward labor cost factor turned down from 46.7% (1951 to 1980) to 40.3 % (at the present). Compared 1981 to 1990 and the present period turns down from 63.0% to 40.3%. it is reduced 51.5 % (1981-1990) to 40.3% (at the present period). 1981 to 1990 periods

increased the percentage however it is because too bad level was reduced. We can conclude that the factor is improved the environment.

5.2.6.3 Capital cost factor

The percentage of poor level of the perception toward capital cost factor went up from 13.3% (1951 to 1980) to 13.9 % (at the present). Compared 1981 to 1990 and the present period turns down from 7.4% to 13.9%. it is reduced 3.0%(1981-1990) to 13.9%(at the present period). We can conclude that the attractiveness of the factor was reduced.

5.2.6.4 Communication cost factor

The percentage of poor level of the perception toward communication cost factor turned down from 46.7% (1951 to 1980) to 40.3 % (at the present). Compared 1981 to 1990 and the present period turns down from 63.0% to 40.3%. It is reduced 51.5 % (1981-1990) to 40.3 % (at the present period). 1981 to 1990 periods increased the percentage however it is the too bad level was reduced. Thus we can conclude that the factor is improved the environment.

5.2.6.5 Transportation cost factor

The percentage of poor level of the perception toward transportation cost factor turned down in 26.7% (1951 to 1980) to 25.4 % (at the present). Compared 1981 to 1990 and the present period goes up from 18.5% to 25.4%. It is reduced 36.4 % (1981-1990) to 25.4 % (at the present period). 1981 to 1990 periods increased in the percentage. We can conclude that the environment factor of 1981 to 1990 periods had attractiveness for Japanese companies.

5.2.6.6 Real estate cost factor

The percentage of poor level of the perception toward real estate cost factor turned down in 40.0% (1951 to 1980) to 25.0 % (at the present). Compared 1981 to 1990 and the present period turns down from 44.4% to 25.0%. It is reduced 39.4%(1981-1990) to 25.0 %(at the present period). the present periods was less than other periods. It is because fair and good levels are increased in these percentages. We can conclude that the attractiveness of the factor became higher.

5.2.6.7 Utility cost factor

The percentage of poor level of the perception toward utility cost factor turned down in 26.7% (1951 to 1980) to 19.4 % (at the present). Compared 1981 to 1990 and the present period turned down from 22.2% to 19.4%. It goes up 18.2 %(1981-1990) to 19.4 %(at the present period). Many companies chose the factor is fair level. We can conclude that the most of the perception toward the factor is fair level.

5.2.6.8 Exchange rate cost factor

The percentage of poor level of the perception toward exchange rate cost factor went up from 13.3% (1951 to 1980) to 18.3 % (at the present). Compared 1981 to 1990 and the present period went up from 11.1% to 18.3%. It went up 15.2 %(1981-1990) to 18.3 %(at the present period). The percentage of present period is more than other 3 periods. But when we force on the excellence level , we know 1991 to 2003 periods has the most attractiveness.

5.2.6.9 Interest rate factor

The percentage of poor level of the perception toward interest rate factor went up from 13.3% (1951 to 1980) to 26.8 % (at the present). Compared 1981 to 1990 and the present period went up from 14.8% to 26.8%. It went up 6.1 %(1981-1990) to 26.8 %(at the present period). The percentage of present period is more

than other 3 periods. the factor at the present period was reduced the attractiveness to invest to Thailand.

5.1.3 Part C Site selection countries for investment.

Before Japanese FDI companies decided to invest in Thailand most of them considered to investment in many countries that we can conclude as follow:

South East Asia is the first zone that they were interested in. Most of them choose to invest in Indonesia as the first country follows by Malaysia and any countries.

The second zone, they were interesting to invest in East Asia, that are Taiwan was the first country and Hong Kong follow by South Korea.

The third zone, they were interested to invest in was North America, which they were interested to invest in America more than Canada.

The fourth zone composed of Latin America, Ocean and Europe, which they were interested to choose to be their locations of business. In Latin America, they considered to invest only in two countries Mexico and Brazil. In the Ocean zone, they were interested in Australia and ignored to invest in New Zealand. When they looked to Europe, there were only two countries that they considered. England and German.

The countries that were not selected are Panama, Keiman, New Zealand, Sri Lanka, Pakistan, Nepal, Bangladesh, Israel, Kuwait, The United Arab-Emirates, Liberia, and the last country is South Africa.

South East Asia was the first interesting zone for Japanese companies. It means that Japanese companies are interested in countries that have similar investment environments to Thailand such as Malaysia, Singapore, and Indonesia have been considered to locate manufacturing. It may be their internal characteristics. Most importantly, there had been similar politics and

macroeconomic stability in these countries during the last three decades. Together the countries also formed a large potential market for import-substitution investment. All types of investors were attracted by the relatively liberal investment regimes and literate, productive and because of geographical proximity and cultural similarity, as well as the fact that Japanese companies had past successful investment experiences.

Indonesia was the first ranked country, which Japanese were interested in to investment before choosing Thailand. It may be Indonesia investments were generally resource-based and gas, chemicals and paper. Investment in Indonesia was quite diversified especially the electronics sector was growing. However, the political turmoil in Indonesia following the crisis was negatively affecting the investment in Indonesia as well as the investor image of region as a whole. While Singapore's advantage in advanced public education and professional training programs. In the supply side, the increase in the supply of local skilled labor and managerial and executive staff meant the foreign companies voluntarily sought out local employees to take advantage of assets such as language and cultural familiarity. Other created assets that attracted FDI to Singapore are competent, non-corrupt government agencies, a transparent and well-established legal framework, sound macroeconomic management, excellent physical and financial infrastructure and liberal trade and investment policy. However, the main point is that the net result of the mixture that companies consider when deciding where to locate manufacturing.

Although many countries in South East Asia were considered, Thailand was chosen to be the location of their investment. When Japanese FDI started to invest in Thailand, there were many factors that may be related to their consideration about location countries. From evaluation of competitiveness factors, the outstanding factors that Japanese FDI considered that may be higher potential than other countries in South East Asia, may be because of quality factors, economic & policy factors, and material including marketing factors. All of these factors, we will mention on the item (5.2.1) measurement of foreign direct investment in Thailand, which may affect to located selection.

5.1.4 Part D Future plans and other issues

5.1.4.1 Future plans

The mean value of all competitive factors is still at almost fair level. It means Japanese companies have no reason to consider reducing the investment in Thailand. With the question about investment plans over the next 2-3 years of Japanese FDI companies in Thailand, the majority of them may slightly expand for investment and in the next 3 years they do not have relocated plans in Thailand.

5.1.4.2 Suggestion

Look at Japanese FDI companies which gave some advice on how to improve the investment environment in order to attract more Japanese investment in Thailand. And these are almost to suggest or request Thai government.

1. The Government should have more efficiency over the counter.
2. The Government should relax regulations for investment in order to get more transferred technology and abolish the foreign capital regulations. It will be better if the regulations and laws are transparency and clear.
3. It should have more incentives and improve investment environment especially the export promotion need to take the policy of production base because Thailand takes a risk to unify production bases in China.
4. Tariff barrier should be reduced to support export and import product for lower price and competitiveness.
5. Exchange rate should be stabile
6. VAT should be lower, quick returns and the Revenue officers should have good quality and be moral.
7. It should improve workers in skills, techniques and the lack of management skills. The Government should encourage the education system.

8. They suggest that the wage of Thai labor should be cheaper than China for competitiveness and cut down some labor laws.
9. Infrastructures should be made more and improved for the base and investment as high technology will be increased.
10. It should not consider only the price in the international market because it will lose the position in the international market.
11. Working permits should not be complicated to obtain because there are many steps.
12. It should be fair in society for foreigner because there are some wrong and unfairness behavior in the society.

Most of the above advices are suggested to the Thai government. Japanese companies suggest about improving law restrictions related to trade. Moreover, Most of these suggestions tell that government does not work efficiently. Government office trends to follow complicated forms and slow together with they have no moral.

5.2 Recommendation

Attracting foreign direct investment is at the top of the interest to many countries. There are some discussions about which factors are most influenced to their investment decision of Japanese FDI companies in Thailand.

5.2.1 Measurement of Foreign Direct Investment in Thailand

Ranking the world's fourth most attractive nation for foreign investment in a survey by UN commission for Trade and Development and perfect destination for investment.

Stimulating foreign investors decision to invest in any countries it up to the preferred location advantage that may be included in many factors like market size,

access to raw material and the availability to labor. Second, it concerns with the incentives offered by the host country and their fiscal policies. Those policies attract the investment considerations investors.

Making Thailand an attractive country for investment has been done. According to the Government have many attractive policies to foreign investment. From the economic out look, Thailand is attractive due to the investment policy of governments with no export requirement, no local content requirements, and no foreign equity restrictions in the manufacturing sector. The government still offers investors an attractive range of tax incentives, including exemption or reduction of import duties on imported machinery or materials and components, and a corporate income tax holiday of up to eight years, as well as no-tax incentives, such as permission to own land.

Thailand has made its investment environment even more attractive by removing barriers to investment and by strengthening its legal and regulatory framework. In addition, the Board of Investment has adopted measures to make its investment promotion schemes even more attractive by liberalizing policy with the objective of facilitating the flow of investment into Thailand.

The Board of Investment is one of several government agencies that support and facilitate the efforts of investors. The Thai government has always welcomed foreign investors and valued the fundamental contributions made by the foreign business community to our economy in terms of finance, technology, management skills, and more. Thailand's main lure is the freedom that enables entrepreneurs to seize opportunities.

Although the government has many measurements for investors, it still has many weakness factors that have not been as strong as we would like. Considering in this study, the means values of perception in every factors were reduced when compared between before and after investment. Then, the measurements of solving many factors to make business environment to be better in vision of foreign direct investment has been suggested.

I will adapt some measures of other countries such as Japan, Indonesia and Singapore, which were successful as an attractive foreign investment to be some ideas in our recommendations included of the suggestions of Japanese FDI companies in this case also add in. It is hopeful to brighten business environments and adjust Japanese FDI companies' visions to be better by this way.

5.2.2 Making Better Attractiveness to Foreign Direct Investment

1. Administrative procedure

In order to make administrative procedure we have identified some that majority of Japanese FDI companies blamed about the procedures together with the officials. In Thailand, the view has been expressed by complex, difficult to understand, administrative procedures existing in practice and unnecessarily legislations. Even though regulation reform has been produced and improved but a negative impression has itself already become an obstruction to investment. All public officers who are involved in regulatory procedures, including those answering must be recognizing the need to provide public services in clear, simple, and fast manners, which are not surpassed by other countries. The officers should put themselves in the position of the user including the investors.

2. Business Environment

For business environment, in order to further encourage FDI in Thailand, it is necessary to improve systems to make combination & acquisitions to be smoother and faster. The largest structural problem in the Thai economy is that existing financial and human resources are not effectively utilized. In order to solve this issue, corporate management needs to be improved.

One key to effective utilization of management resources is corporations that support business managers who utilize resources effectively. Improving board

of directors meetings should be positively examined continuously, including examination of the systems of other countries.

Important points in order to build investor trust that is securing transparency in corporate information.

It has been pointed out that one very important element for companies when choosing investment sites is the tax system. Investment environments including taxation should be examined as necessary.

3. Cost Factor

Because of low cost factors such as material, labor, capital, transportation, exchange rate, and interest rate, which increased the attention of foreign investors should be initiated by government.

4. Information

Some negative views of FDI are still sometimes in Thailand. It is important to positively promote FDI to Thailand. The role and the importance of FDI in Thailand should be shown to Thai people. At the same time, such information needs to be disseminated outward to display the welcoming attitude that is taking toward FDI and Thailand's attractiveness as a destination for investment.

5. Human Resources

Human resources plays a substantial role as a driving force in industrial growth. Being able to provide a secure supply of excellent personnel is essential for the development of business. In addition, it is essential to develop human resources that meet international standards and can be used by foreign investors developing businesses, and improve labor marketong systems to enable the securing of such

personnel.

6. Promotional Policies

Government creative and ideas, is necessary to promote competition of creative ideas among local governments, and encouraged them to demonstrate the maximum potential of their particular regions in a bid to expand FDI.