

Thai Multinationals after the Crisis

Trends and Prospects

Pavida Pananond

This paper sets out to examine what has happened to the multinational enterprises from Thailand after the crisis. The paper sets the context by discussing the three distinct phases of Thai outward investment: early development (1977–88), rapid rise (1989–97), and post-crisis decline (1998 – present). It then points out the four different trends of Thai multinationals' post-crisis behaviours: decline, replication of pre-crisis behaviour, reform and refocus, and new emergence. While the first trend involves Thai multinationals that reduced or withdrew from international activities, the second group looks set to repeat its pre-crisis hasty and opportunistic international expansion. The third pattern observed among Thai multinationals shows firms that became more focused in their international expansion strategy, and the fourth trend introduces a new set of Thai multinationals that enjoyed their growth after the crisis. Theoretical explanations of the four trends are then discussed.

I. Introduction

The emergence of Thai multinational enterprises (MNEs)¹ in the years before the 1997 economic crisis was undeniable evidence of the rising significance of Thai business entrepreneurs in the international arena. Although the phenomenon of Thai firms investing overseas only became significant in the early 1980s, the amount of Thai direct investment outflows has been rising rapidly. Based on the United Nations Conference on Trade and Development's 2003 *World Investment Report*, the accumulative stock of Thai outward foreign direct investment (FDI) rose more than 200 times in two decades, from US\$13 million in 1980 to US\$2.7 billion in 2002. Although the 1997 crisis led to a sharp downturn of Thai outward FDI

in the following two years, the slowly rising amount of Thai investment outflows since 2000 signifies the continuation of these outflows.

While theories have emerged on the cause of the crisis, little is known on whether and how the crisis has led to changes in behaviour among Thai firms. Even less has been discussed on the impact of the crisis on the few Thai multinationals that were beginning to expand their activities overseas in the years before 1997. This paper therefore attempts to examine the post-crisis international activities of Thai MNEs in order to provide an up-to-date assessment of the adjustment and prospects of Thai multinationals. More importantly, the paper seeks to discuss key trends of reactions among Thai multinationals that can be observed in