# 21. Explaining the emergence of Thai multinationals

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The increasing participation of Asian firms in the global economy has been one of the key indications of the development of Asian business over the past few decades. Starting with the Japanese firms that emerged after the 1970s, but sharply increased their foreign direct investment (FDI) as a reaction to the rapid and steep appreciation of the yen in 1985 (see Itami, 1994), new players from the four Asian newly industrialized economies (NIEs) – Hong Kong, Singapore, South Korea and Taiwan – joined their Japanese predecessors in rapidly increasing their outward FDI during the 1980s (see Yeung, 1998). Household names, such as the Acer group of Taiwan and Samsung of South Korea, became renowned across the globe, not just in Asia. Later in the 1990s, a new generation of firms from smaller Southeast Asian economies began to venture beyond their borders, contributing favourably to the rise of outward FDI from Asian developing economies (see also Chapters 9 and 20 in this volume). Among the *World Investment Report* 2004' s top 50 non-financial multinational enterprises (MNEs) from developing economies,[2] 14 hailed from Southeast Asia, including the CP group of Thailand (UNCTAD, 2004: Table I.3.1).[3] Although the CP group was dropped from the list in 2005 (UNCTAD, 2005: Annex table A.1.10), partly owing to the rise of many MNEs from China (see Chapter 22 in this volume), its prominence remained high. The group's president, Dhanin Chearavanont, was included as one of Asia's top 25 most powerful business leaders in *Fortune*'s October 2005 ranking (Demos, 2005).

Although outward investment of Thai firms is a recent phenomenon that became discernable only in the 1990s, its significance has rapidly increased over the years, until the 1997 economic crisis put a halt to this trend. From a negligible amount of US$13 million in 1980, outward FDI stock from Thailand rose more than 200 times to exceed US$3 billion in 1996 (UNCTAD, 1999: 498). Although the 1997 crisis led to a sharp downturn of Thai outward FDI in the years following the crisis, Thai FDI outflows resurged in 2001, and reached a level that surpassed the pre-crisis years for the first time in 2003 (UNCTAD, 2004: Annex table B.2). The continuing growth of outward FDI from Thailand represents undeniable evidence of the growing emergence of Thai multinationals in the international business arena.

While attempts to explain Thailand's outward FDI were available (see Vatchratith, 1992; Intarak and Thanaekcharoen, 1995), studies that addressed the institutions conducting the outward investment – the Thai multinationals – have been scarce. The majority of information was popular press reports, celebrating the 'borderless' stage of Thai firms. Much less emphasis was placed on explaining why and how these firms expanded abroad. The lack of academic studies on the emergence of Thai multinationals was in stark contrast to the revived interest in multinationals from other East and Southeast Asian countries (see, for example, Lecraw, 1993; Tolentino, 1993; Hoesel, 1997; Yeung, 1998; Chapter 20 in this volume). Peng *et al.* (2001) clearly indicated that Thai firms had been historically underresearched and deserved more empirical attention.

Despite the limited interest in Thai firms and their international expansion, two strands of literature that addressed the emergence of Thai multinationals can be identified. The first line of work considers Thai firms as representatives of the 'overseas Chinese'[4] capitalism that has been dominant across Asia (cf. Chapter 18 in this volume). Proponents of this view suggest that the emergence of Thai multinationals is part of the overall internationalization process of the 'overseas Chinese' businesses in Asia. The key concepts underpinning this line of argument are usually drawn from the social, cultural and institutional theories.

The second line of research on the emergence of Thai multinationals is based on the economic theories of the multinational enterprises (MNEs), especially those that focused on the 'Third World MNEs',[5] sometimes referred to as developing country MNEs. Drawing on the theoretical concepts that have been used to explain the emergence of multinationals from other developing countries, this line of work attempted to explain the dynamics behind the emergence of Thai multinationals, with particular emphasis on their ownership advantage. This chapter is divided into four sections. The first two sections trace the arguments forwarded by the aforementioned two strands of research. The third section looks at the changing dynamics of the Thai multinationals, while the last section suggests directions for future research to broaden the understanding of the issue.

## THAI MULTINATIONALS AS PART OF THE 'OVERSEAS CHINESE' DIASPORA

Like their competitors elsewhere, Thai multinationals are usually firms that have already enjoyed a successful presence in the domestic market. These leading firms often share two main characteristics. First, they are generally large firms owned by either a single family or a group of families. Typically, these firms are organized as conglomerates or business groups, involved in a variety of related and unrelated business activities (Suehiro, 1992; see also Chapters 2 and 3 in this volume). Second, the majority of families that own these firms are founders or descendants of ethnic Chinese families who had migrated to Thailand (Phipatseritham, 1982; Phipatseritham and Yoshihara, 1983; Suehiro, 1989, 1992). Estimated to comprise only about 10 per cent of the total population, ethnic Chinese in Thailand controlled approximately 81 per cent of listed companies in the Stock Exchange of Thailand in the pre-crisis years (East Asia Analytical Unit, EAAU, 1995: 74). In a recent study of the post-crisis ownership structure of firms in Thailand, Suehiro (2004: 183) confirmed that the dominant role of ethnic Chinese in the Thai business community still continued, despite the transfer of ownership of some ethnic Chinese families to foreign multinationals following the 1997 economic crisis.

In his first extensive research on the capital accumulation of Thailand, Suehiro (1989: 275–77) concluded that the development of domestic capitalist groups was a product of the historical development of the 'tripod' relationships among these business groups, state and public enterprises, including military-related firms, and foreign multinationals. He