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A Contribution of Small and Medium Enterprises (SMEs) International Joint Venture (IJV) to Sustain Thailand Economic Development

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Abstract—**Thailand's economic is driven dynamically through small and medium enterprises (SMEs) as apparently the number of SMEs is close to 3 million or above 99 percent of total national business. This is directly respond to 78 percent of total employment and generated over 37 percent of national GDP. International Joint Venture (IJV) represents a popular foreign entry mode used by Multinational Enterprises (MNEs) for overseas market expansion in ASEAN region. Particularly in Thailand, SME IJVs are represented as majority type in manufacturing sectors. Machinery and metal products are the major products that the IJV companies venture into. Thailand has seen an increasing in the number of IJV projects (298 IJV in 2010), an increasing of 45 companies from 2009. Countries like Japan, Europe ASEAN regions and US are the main IJV players. As of this standing point, SME IJVs are believed as an important part contributing of Thailand economic development. By analyzing of secondary data provided by Thailand government official and information related. This study has been attempted to identify the supportive reasons to confirm that *"foreign investors remain confident in Thailand"* and *"SME IJV could play an important role to sustain Thailand economic to its original glory and strength".***

Keywords— **FDI, IJV, SME, Thailand**

I. INTRODUCTION

Since the Small and Medium Enterprises (SMEs) are identified as an important part of Thailand economic development and strongly contributed to national GDP, employment generation by high used of labor, equitable distribution of income to develop the rural area, these are important factors to resolve the problem of national poverty. The role of SMEs has no sign to decrease and expectedly the number of SMEs will reach up to 5 million in the near coming year (The Nation Business, January 18, 2010). International Joint Venture (IJV) represents a popular foreign entry mode and it is becoming increasingly an accepted strategic mode for overseas market expansion in ASEAN region (Julion & O'Cuss, 2005). Particularly in Thailand, SME IJVs are represented as majority type in manufacturing sectors (Board of Thailand Investment, BOI: 2011). SME IJV in manufacturing sectors are mainly dominated by Japan and ASIAN countries (Pornlapas, Willians, Smith & Ibrahim, 2010; Wadeecharoen & Nik Mat, 2010). Since, IJV has been point out as the great strategic used by multinational enterprises (MNEs) from developed countries to enter developing countries (Pornlapas et al., 2010; Harrigan, 1998; Glaister & Buckley, 1998). This is because of the specific characteristic of IJV whereby cost minimize, strategic or organization advantaged is acquiring from parties involved (Kogut, 1998). Particularly, in Thailand the most attracting factors magnet foreign investment in the form of IJV are further market expectations in the region, lower labour cost, cheap raw materials, respectively (Pornlapas at al., 2010). Logically, IJV in Thailand manufacturing product tends to be more labor-intensive than items produced by those new industrial countries and such products tend to be provided by SMEs (Huang, 2003). This indicates that SME IJV can provide labor-intensive production techniques which in turn could generate employment, improve unskilled labour technique, enhance their income and finally boost up their standard of life by through the contribution of SME sectors. Thus, it could be identified that IJV is the appropriate mode used by SME in Thailand manufacturing sectors. The reason to explain this phenomenon is a rapid change in globalization and more intense competition from lowered labor cost countries, natural resources and so on. Up to this view, Thai government's vision attempts to create the dynamic and knowledge-based SMEs, as described in the current SME promotion plan (OSMEP, 2011).

As of those standing point discussing above, SME IJVs are believed as an important part contributing of Thailand economic development. By analyzing of secondary data provided by Thailand government official and relates information. This study has been able to identify the supportive reasons to confirm that ***"foreign investors remain confident in Thailand"*** **and** ***"SME IJV could play an important role to sustain Thailand economic to its original glory and strength".***

II. LITERATURE REVIEW

The Definition of SME

The first step to capture the concept of SME IJV is to defining the clear picture of SME definition accurately. Since SME definitions are diversifies into various concepts in difference countries (exhibited in table 1). Obviously, the core concept of SME is depended on *number of employees* and *fixed assets*. Additionally, *annual receipt* is used to defined SME in USA in those particular trade sectors such general & heavy construction, special trade contractor and agricultural industries (refers to table 1).

Country like Japan is the major investor in Thailand and they comprise the majority of SME IJV in Thailand manufacturing sector (Wadeecharoen & Nik Mat, 2010). At this point, contrasting between Japan* SME and Thailand SME are worthy to determines the appropriate concept of SME IJV in Thailand. Since Japan SMEs in manufacturing sector is defined as an enterprise which has employee less than 300 and fixed capital less than ¥ 300 million (equivalent to 124 million THB; see detail in Table 1). In contrast, Thailand SME in production sector is defined as an enterprise which has employee less than 200 and fixed capital less than THB 200 million. These two perspectives (employees/fixed capital assets) are generally used as the measurement standard to identify of SME in Japan and Thailand. Comparing between Japan and Thai SMEs, Thai SME has fixed capital asset more than Japan SME up to 76 million THB while the employment of Japan SME has 100 employees over than Thai SME. Additionally, USA SME in manufacturing sectors focus only employment dimension which has employee less than 500. In other view of SME definition, USA SME in general and heavy construction sectors has fixed annual receipt for 33.5 million USD (equivalent to 1,040 million THB; see detail in Table 1).

Table 1: The definitions of SME in selected Asian Pacific Economic Cooperation (APEC) member countries

Country	Sector	Employment	Other Measures
Australia	Manufacturing	Less than 100 employees	
	Service	Less than 20 employees	
Canada	Manufacturing	Less than 500 employees	
	Service	Less than 50 employees	
China	Varies with Industry	Usually less than 100 employees	
Indonesia		Less than 100 employees	
Japan*	Manufacturing	Less than 300 employees	¥ 300 million assets
	Wholesaling	Less than 100 employees	¥ 100 million assets
	Retailing-Service	Less than 50 employees	¥ 100 million assets
Korea	Manufacturing	Less than 300 employees	
	Service	Less than 20 employees	
Malaysia	Varies (for SMI)	Less than 75 employees (Different for Bumiputra Enterprises)	Less than RM 2.5 million
Thailand**	Production	Less than 200 employees	Less than THB 200 million
	Service	Less than 200 employees	Less than THB 200 million
	Wholesale	Less than 50 employees	Less than THB 100 million
	Retail	Less than 30 employees	Less than THB 60 million
Philippines		Less than 200 employees	P 40 million assets
Singapore	Manufacturing		Less than $12 million fixed assets
	Service	Less than 100 employees	
USA***	Manufacturing	Less than 500 employees	
	Wholesaling	Less than 100 employees	
	Retailing-Service		$ 7 million of annual receipts for most retail and service industries
	General & heavy construction		$ 33.5 million of annual receipts for most general & heavy construct industries
	Special trade contractor		$ 14 million of receipts for all special trade contractors
	Agricultural industries		$ 0.75 million of receipts for most Agricultural industries

Source: Japan* (Hall, (1995) cited in Small and Medium Enterprise Development Authority (http://www.smeda.org.pk)
Thailand**Small and Medium Enterprise (SMEs) Bank of Thailand (http://www.sme.go.th)
USA*** Small Business Administration (SBA) Size Standards Office (http://www.sba.gov/)

According to those points of view as discussion above, Thai SME is defined as an enterprise which has employee less than 200 and fixed capital less than 200 million baht, excluding land and properties (SME bank, 2008). The SME definition defined by Thailand SME Bank is universally recognized and applied in this study.

The Definition of IJV

IJV can be defined as the participation of two or more partners who join forces to establish a newly incorporated company in which each has an equity position; thereby each expects a proportional share of dividend as compensation and representation on the board of directors (Glaister, 1998). Nonetheless, the view of goal

accomplishment underlies most interpretations of IJV (Beamish, 1987; Hamel, 1991; Doz and Prahalad, 1989; Anderson, 1990; Beamish and Delios, 1997). Thus, defining IJV performance as the degree of accomplishment of IJV goals is the first step in capturing the meaning given to this concept by previous researchers, as supported by the following caption;

"International Joint Venture (IJVs) are legally and economically separate organizational entities created by two or more parent organizations that collectively invest financial as well as other resources to pursue certain objective" (Schuler & Tarique, 2005).

The Definition of SME IJV

Combining the meaning of SME IJVs is rather problematic due to uncertain data sources. Since, SME is defined as an enterprise which has employee less than 200 and fixed capital less than 200 million baht, excluding land and properties (SME bank, 2008). However, in the sources of publish press such as multinational companies directory may not reported the certain number of IJV involved in the venture. In doing so, those are likely record only major ventures which involve relatively middle and large size, which perhaps small ventures seem to be unreported in the press; this rational is similarly supported by (Hergert & Morris, 1988 and Glaister & Buckley, 1994).

Base on the reason as discussion above, this study defined the concept of SME IJV based on official information provided by Thailand Broad of Investment (BOI). We follow the information indicate by BOI whereby IJV projects refer to joint projects between Thai investors and foreign partners with foreign capital of at least 10 percent (International Affairs Bureau., BOI, 2011). Additional, the size of SME IJV classified into three level ranged by BOI such as (1) below 50 million Baht (2) 50 to 99 million Baht and (3) 100 to 499 million Baht.

Thus, the definition of SME IJV also differs in among different organization sources depending on their need. Therefore, in this study SME IJV refers to IJV project with required minimum 10 percent of foreign capital and totals investment size less than 500 million Bath, will be adopted conceptually.

SME IJV Performance

Drawing from the strategy literature, we may recognize three levels of performance that depend on the goals under consideration: financial performance, operational performance, and organizational effectiveness (Venkatraman, 1986). (1) Financial Performance is the relevant level of IJV performance in those cases in which profitability is an explicit goal of a JV. (2) Operational Performance "focuses on JV key operational success factors that might lead to financial performance (Venkatraman and Ramanujam, 1986) emphasis as in the original. Operational performance can be measured by indicators of such key success factors, and (3) Organization Effectiveness refers to the fulfillment of the organization goals, talking into account the interests of multiple constituencies. Its measurement is the subject of open debate in the literature (Steers, 1975; Cameron and Whetten, 1983). The existence of several parties to the IJV calls for a multiple-constituencies approach in evaluating organizational effectiveness.

Robson (2002) proposes that IJV performance depends on three main factors namely 1) Structural factors; 2) Strategic factors and 3) Procession factors. 'Structure factors' are further sub-divided into venture demographics, contracture elements, and managerial characteristic. 'Strategic Factors' are sub-divided into R&D and technology, production management, human resources, marketing. 'Procession Factors' are sub-divided into control & supervision, project-specific relational aspects, and organization learning. Under 'Control & Supervision' there are balance parent controls, foreign parent control, local dominant control, autonomy from parent. 'Project-specific Relational Aspects' related to communication within venture, trust with venture, conflict with venture, satisfaction with agreement, forbearance within venture, cooperation with venture, dependent within venture.

In examining prior empirical research studies that report IJV performances, Geringer and Herbert (1991) categorized extant studies into three groups depending on a variety of criteria used to access IJV performance: (a) early studies relying on variety of traditional financial indicators such as profitability, growth and cost position (Dang, 1977; Lecraw, 1983; Tomlinson, 1970); (b) other studies using objective measures of performance such as the survival of IJV (Franko, 1971; Geringer, 1990; Killing, 1983; Stopford, 1972), its duration (Harrigan, 1986; Kogut, 1988; Park, 1996), instability of its ownership (Franko, 1971; Gomes-Casseres, 1987), renegotiation of the IJV contract (Blodgett, 1992), and dissolution (Park, 1997; Ring, 1994); (c) subjective assessment of a parent's satisfaction with IJV performance (Beamish, 1985; Killing, 1983; Schaan, 1983)

In order to capture the concept of SME IJV performance, the definition of SME IJV needs to be examined practically. In the business practice, the principle criteria of SME is an independence enterprise whereby SME capital should be owned by one large or many large companies but not more than 25 percent of total capital. At present, there are many multinational companies in the form of franchise companies and joint-venture between Thai and overseas companies. Some of these companies should not be classified as Thai SMEs, in other view this should be classified as SME IJV for more appropriate with its organization characteristic. Thus, to measure the performance of SME IJV, subjective assessment is the most qualified technique to indicate of IJV parent's satisfaction.

III. METHODOLOGY

This study utilizes secondary data to examine the situation of IJV in Thailand. These secondary sources are as follows:

1. Statistics Data provided by Bank of Thailand (BOT)
2. Statistics Data provided by Board of Investment (BOI) Thailand

3. The office of Small and Medium Enterprises Promotion (OSMEP)
4. Business news www.bangkokpost.com

IV. RESULTS

A. *Contribution of SME IJV to the Thai economy*

Thailand has been a major recipient of foreign direct investment (FDI) in among ASEAN region, an accounting for about half of the total FDI inflow to ASEAN (UNCTAD, 2007). Particularly, nearly half of FDI flows to Thailand are mainly in the form of International Joint Venture (IJV) (BOI: 2010). Thus, IJV in Thailand remains an attractive entry mode of (FDI) used by multinational enterprise (Julian & O' Cuss, 2005). Table 1 shows the IJV projects approved by BOI had jumped to 357 in 2007 from 347 projects in 2006. This involves USD 8,452 million of total joint venture investment in 2007, an increase of about USD 3,956 million from 2006. During 2008 and 2009, the numbers of IJVs tend to decline from 342 in 2008 to 253 projects in 2009, a decrease of 26 percent from 2008, with shrink of USD 4,328 million from 2008. Recently, in 2010 the number to IJV tends to booth up to 298, an increase of 16 percent from years 2009.

Table 1 : International Joint Venture Investment Project Approved by BOI

	2005	2006	2007	2008	2009	2010
Joint Venture No. of project	368	347	357	342	253	298
Joint Venture total of investment (Mil. Baht)	186,656	142,352	267,608	191,371	54,341	95,684
Joint Venture total of investment (Mil USD)	5,895	4,496	8,452	6,044	1,716	3,022

Source: Board of Investment (BOI) Thailand

Based on the data provided by BOI, foreign investment projects refer to projects with foreign capital at least 10 percent and their investment size are classified as exhibited in table 2. According to data provided by BOI, the sizes of SMEs are classified in to three partial such less than 50 million Baht, between 50 to 90 million Baht and more than 90 but less than 500 million Baht (refers to table 2). Table 2 exhibited the number of foreign investment project with its capital investment, in 2005 there are 696 foreign projects, 673 in 2006, 703 in 2007, and 744 in 2008 and those are the foreign project which has capital investment less than 500 million.

Apparently, the number of FDI projects continuously increase from 696 in 2005 reach to 744 projects in 2008 while in contrast the total investment are decrease from 82,706 million Baht in 2005 to 72,568 million Baht or approximately 12 percent changed. In 2009 the number of FDI projects has decrease to 562 from 744 projects in 2008; a 24 percent has decrease contrast to year 2008. Recently, the number of FDI is recovery again and jumps to 762 in the 2010 or 63 percent boost up contrast from previous year in 2009, and the investment capital has changed up to 56 percent.

Comprising with the total FDI projects and its investment capital, the SME projects are estimate 88 percent of total FDI projects in 2005, 89 percent in 2006, 82 percent in 2007, 88 percent in 2008, 91 percent in 2009 and 88 percent in 2010, respectively, the total foreign capital from SME projects are involve 25 percent out of total investment in 2005, 28 percent in 2006, 14 percent in 2007, 21 percent in 2008, 32 percent in 2008 and 26 percent in 2010, correspondingly.

Contrasting the foreign SME investment projects with their investment capital, we justified that SME is the majority number foreign investment as high as 82 percent in 2007 and peaked to 91 percent in 2009. Although, SME is involve a large number of FDI projects but the investment capital is still very small compare to FDI from large project size or >500 million Baht. In disparity, in 2007 the number of SME was highly reach to 82 percent while the capital investment just only 71,954 million Baht or 14 percent involved out of total foreign investment (550,612 million baht). And also in 2009, the number of SME peaked to 91 percent or simply could say that almost all the FDI projects in 2009 came from SME but the total investment is still low compare to FDI from large projects size (refer to table 2).

Table 2 : Foreign Investment through BOI Classified by Investment Size

Investment Size	2005		2006		2007		2008		2009		2010	
	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht
<50	310	6,427	314	6,557	335	5,687	403	6,875	315	5,236	387	6,885
50-90	110	8,063	120	8,580	133	9,524	117	8,580	109	7,850	155	11,025
100-499	276	68,216	239	58,810	235	56,743	224	57,113	138	32,893	220	54,021
500-900	37	25,443	36	25,585	54	35,699	43	28,324	29	20,423	44	30,996
1,000-9,999	44	121,835	39	89,847	70	246,196	47	158,905	22	55,546	46	113,509
>=10,000	5	95,856	3	77,264	9	151,763	4	91,345	1	20,130	4	62,797
Total FDI	782	325,828	751	266,644	836	505,612	838	351,142	614	142,077	856	279,233
Total FDI <500	696	82,706	673	73,647	703	71,954	744	72,568	562	45,979	762	71931
% of SME/FDI	88%	(25%)	89%	(28%)	82%	(14%)	88%	(21%)	91%	(32%)	88%	(26%)

Source: Author's calculation based on data provided by Board of Investment (BOI) Thailand
Note: 1) Foreign investment projects refer to projects with foreign capital at least 10%
2) JV projects refer to joint projects between local Thai investors and foreign partners with foreign capital of at least 10%
3) Other investment projects refer to JV between Thai investors and foreign partners with foreign capital of less than 10%

In contrasting between the number of IJV and FDI projects with their investment capital, we can point out that the number of IJVs were engaged in FDI approximately 47 percent in 2005, 46 in 2006, 57 in 2007, 61 in 2008, 42 in 2009, and 35 percent in 2010, respectively. In term of capital investment, IJVs were involved up to 42 percent in 2005, 47 in 2006 and 2007, 45 in 2008, and 39 in 2009 and declined to 34 percent in 2010 (refers to table 3).

Similarity, the number of SME IJV projects with their investment capital is represented in table 3. Based on the statistics data provided by BOI indicates the number of IJVs are engaged in foreign SME projects approximately 52 percent worth 103,950 million Baht in 2005. Similarly, in 2006, foreign SME projects are involved by 48 percent of IJVs projects, 50 in 2007, 46 in 2008 and reach to 63 percent in 2009 and reversely decrease to 40 percent in 2010.

Table 3: Foreign Investment through BOI Classified by Mode of Internationalization

Investment Size	2005		2006		2007		2008		2009		2010	
	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht
Total IJV	368	186,656	347	142,352	357	267,608	342	191,371	253	54,341	298	95,684
Total FDI	782	325,828	751	266,644	836	505,612	838	351,142	614	142,077	856	279,233
% of IJV/ Total FDI	47%	139,172 (42%)	46%	124,292 (47%)	57%	238,004 (47%)	61%	159,771 (45%)	42%	87,736 (39%)	35%	183,549 (34%)
SME FDI <500	696	82,706	673	73,647	703	71,954	744	72,568	562	45,979	762	71,931
% of SME IJV	52%	103,950 (44%)	48%	68,705 (51%)	50%	195,654 (27%)	46%	118,803 (38%)	63%	(8,362) 15%	40%	23,753 (75%)

Source: Author's calculation based on data provided by Board of Investment (BOI) Thailand
Note: 1) Foreign investment projects refer to projects with foreign capital at least 10%
2) JV projects refer to joint projects between local Thai investors and foreign partners with foreign capital of at least 10%
3) Other investment projects refer to JV between Thai investors and foreign partners with foreign capital of less than 10%

Table 4 shows seven industrial sectors of IJV project classified by BOI. The majority number of IJVs are engaged in metal & machinery sector approximately 30 percent of total investment project and brought of 141,029 million Baht or about 44 percent of total foreign capital in 2005. In 2009 the number of metal & machinery projects peaked down to 157 or 28 percent decrease from 2005, and also in 2009, the investment capital involved 44,424 million Baht, a decrease about 32 percent from 2005. In 2010 this sector got recovery by increase 38 percent number of project, an increase of 10 percent investment compared to 2009. The second large industry is electric & electronics sector, it showed steady increase the number of project from 162 in 2005, 175 in 2007, then decreased to 141 in 2008 until 108 projects in 2009 and again jumped to 189 or boosted up to 42 percent from 2009, the increase of 68,494 million Baht or 36 percent raise from 2009. In contrast, the minorities of IJV came from agriculture and mineral & ceramics sectors which their projects were steady raise up year by year from 2006 to 2010 (refers to table 4).

Table 4 : Foreign Investment Projects Approved by BOI classified by Sector

Sector	2005		2006		2007		2008		2009		2010	
	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht
Agriculture	45	11,430	39	11,152	43	23,415	54	9,674	60	16,171	72	17,534
Mineral& Ceramics	18	8,701	21	2,544	28	32,379	33	25,071	13	3,284	18	33,449
Light Industrial/Textile	76	9,644	75	9,3001	58	9,442	67	10,371	48	5,612	65	9,324
Metal & Machinery	227	141,029	232	54,239	212	122,020	220	87,141	157	44,424	217	49,258
Electric & Electronic	162	85,820	166	57,938	175	100,300	141	60,133	108	37,624	189	106,118
Chemicals & Paper	129	35,705	81	100,696	114	96,451	117	41,737	63	15,438	107	19,114
Services	125	33,497	137	30,773	206	121,606	206	117,015	165	19,525	188	44,435
Total	782	325,828	751	266,644	836	505,612	838	351,142	614	142,077	856	279,233

Source: Board of Investment (BOI) Thailand
Note: 1) Foreign investment projects refer to projects with foreign capital at least 10%
2) JV projects refer to joint projects between local Thai investors and foreign partners with foreign capital of at least 10%
3) Other investment projects refer to JV between Thai investors and foreign partners with foreign capital of less than 10%

Table 5 exhibited the foreign investment projects based on export-orientation or produces for export not less than 80 percent of total productivity which have been approved by BOI. In 2005, there were 327 projects or 42 percent of total number of investment approved by BOI and this involved 170,194 million Baht. In 2006 the number of foreign export orientation tended to decline continuously from 295 downed to 263 in 2007, 267 in 2008, and peaked down to 213 projects in 2009, a shrink of 25 percent from 2008. In 2010 foreign export had

growth to 305 projects or rose up to 30 percent from 2009. This involved 166,817 million Baht, an increase to 81,662 or 49 percent compared to year 2009.

Table 5 : Foreign Export-Orientation Investment Projects through BOI

Sector	2005		2006		2007		2008		2009		2010	
	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht	No.	Million Baht
Net Application Export>= 80%	277	121,101	277	129,426	256	185,028	254	113,360	237	159,159	120	45,174
Total	849	498,862	823	307,670	845	502,432	832	297,462	281	49,980	375	98,333
Application Approach Export>=80%	327	170,194	295	123,625	263	203,508	267	139,539	213	85,153	305	166,817
Total	782	325,828	751	266,644	836	505,612	838	351,142	614	142,077	856	279,233

Source: Board of Investment (BOI) Thailand
Note: 1) Foreign investment projects refer to products with foreign capital of at least 10%
International Affairs Bureau, BOI As of January 27, 2011

The total number of investment is 1,254 consisted with 431 Thai and 782 foreign projects approved in 2005. The number of investment was steady and not much changed until 2009, the number of total investment decreased to 1,003 or 25 percent from 2008. In 2009, the total number had jumped to 1,566 or 563 projects increased from 2009. These projects consisted with 856 or 54 percent from foreign and 629 or 46 percent from Thai projects, an increase of 209,893 million Baht in 2010 or increase 42 percent from 2009, this investment mainly 57 percent came from foreign investment while the rest were from other investment (refers to table 6).

Table 6 : Total Investment Project Approved by BOI

	2005	2006	2007	2008	2009	2010
Total investment (no. of projects)	1,254	1,220	1,342	1,253	1,003	1,566
Total investment (Mil. Baht)	571,243	373,508	744,491	499,727	281,385	491,279
Total Foreign Investment (no. of projects)1	782	751	836	838	614	856
Total Foreign Investment Value (Mil. Baht)	325,827	266,643	505,612	351,142	142,077	279,233
❖ 100% Foreign (no. of projects)	414	404	479	496	361	558
❖ 100% Foreign (Mil. Baht)	139.171	124,291	238,004	159,771	87,736	183,551
❖ Joint-Venture (no. of projects)2	368	347	357	**342**	**253**	298
❖ Joint-Venture (Mil. Baht)	186,656	142,352	267,608	191,371	54,341	95,682
100% Thai (no. of projects)	431	436	452	400	344	629
100% Thai (Mil. Baht)	228,430	91.160	220,369	133,408	73,697	156,741
Other Investment (no. of projects)3	41	33	54	15	45	81
Other Investment (Mil. Baht)	16,986	15,704	18,510	15,177	65,611	55,305

Source: Board of Investment (BOI) Thailand
Note: 1) Foreign investment projects refer to projects with foreign capital at least 10%
2) JV projects refer to joint projects between local Thai investors and foreign partners with foreign capital of at least 10%
3) Other investment projects refer to JV between Thai investors and foreign partners with foreign capital of less than 10%

B. Contribution of FDI according to country

Most of the foreign direct investment that has in flowed into Thailand was mainly from Japan (USD3415) in 2007 and minor changed to USD 3,195 in 2008. Until 2009, FDI from Japan had strappingly shrunk to USD 1,362, a decrease of 57 percent from 2008. In 2010 Japan FDI had strappingly turn to USD 3,573, booted up to 61 percent from year 2009. The second biggest foreign investors in FDI were the neighboring ASEAN countries which contributed in total of about USD 1,205 million in 2010. US and EU are the third and fourth largest investor next after Japan and ASEAN region, FDI from those countries (US & EU) contribute of USD748 and USD1519 in 2010, respectively.

C. Contribution of FDI according to industry

Based on table 8, the main industry contributed to FDI were in manufacturing sectors which involved USD 3,500 million in 2005, USD 5,161 million in 2006, USD 4,495 million in 2008. In 2009 FDI declined to USD 2,412 million, decreased of 50 percent from 2008. Reversely, in 2010 the volume of FDI had turned to USD 5,074 million, an increase of 48 percent compared to year 2009. In manufacturing sectors consisted with several industries which majority were from manufacturing of

motor vehicles, trailers and semi-trailers followed by manufacture of computer, electronic and optical products and manufacture of computer, electronic and optical products (exhibited in table 8).

The second largest FDI flows were in financial and insurance activities such financial institutions played an important role in FDI contributions to USD 2,332 million in 2010. There was a marked increase in financial and insurance institutions FDI in 2010 (USD 2058 million or 88%) as compared to year 2009. The banks were Hong Kong Bank, Bank of America, European Bank such as Germany Bank and etc. Additionally, real estate and services contributed to FDI of USD 768 in 2010 and USD 802 million, respectively. There was minor increase in foreign real estate FDI in 2010 as compared to previous years.

Table 8 : Foreign Direct Investment Classified by Business (USD)

	2005	2006	2007	2008	2009	2010
A Agriculture, forestry and fishing	13	-3	3	9	7	-0.30
B Mining and quarrying	-111	257	1,307	-2	641	806
C Manufacturing	3,500	5,161	4,495	4,891	2,412	5,076
Of which :						
10 Manufacture of food products	76	104	191	137	140	159
11 Manufacture of beverages	-101	48	41	34	54	64
17 Manufacture of paper and paper products	-9	-43	14	389	24	35
19 Manufacture of coke and refined petroleum products	-73	365	1,238	-438	182	-10
20 Manufacture of chemicals and chemical products	500	198	-122	616	507	990
21 Manufacture of basic pharmaceutical products	0.00	0.00	0.00	0.00	0.00	0.00
22 Manufacture of rubber and plastics products	468	494	313	390	305	196
26 Manufacture of computer, electronic and optical products	319	792	485	341	36	1,139
27 Manufacture of electrical equipment	692	939	376	1,302	290	276
28 Manufacture of machinery and equipment n.e.c.	87	138	145	119	191	206
29 Manufacture of motor vehicles, trailers and semi-trailers	1,162	1,536	1,080	914	384	1,356
31 Manufacture of furniture	4	-5	0.06	-0.77	-3	8
D Electricity, gas, steam and air conditioning supply	-88	354	33	200	222	-107
F Construction	30	-94	30	-34	1	21
G Wholesale and retail trade; vehicles and motorcycles	260	845	-263	132	345	30
H Transportation and storage	155	81	-43	450	118	-190
I Accommodation and food service activities	-30	125	167	-51	46	-32
K Financial and insurance activities	3,269	692	2,815	1,766	274	2,332
L Real estate activities	73	1,419	1,103	1,203	768	802
Others	976	623	1,683	-17	19	953
Total	8,048	9,460	11,331	8,547	4,853	9,690

Source: Bank of Thailand

D. Thailand Trade Balance

The volume of Thailand export from 2005 to 2010 were continuous surplus contrast with import volume in the same year (refers to table 9). Similarly, this is indicated that Thailand economic is still well-built and secure as it remain surplus by year after year. Although Thailand trade balance seemed to steady decline from 2006 to 2010. Thus, there is marked decrease in Thailand trade balance in 2010 as compared to previous years.

Table 9: Balance of Payments (USD)

	2005	2006	2007	2008	2009	2010
1. Exports (f.o.b.)	193,656	150,743	175,234	151,258	127,941	109,362
2. Imports (f.o.b.)	161,444	118,143	157,885	124,618	114,272	105,960
3. Trade balance	32,212	32,600	17,348	26,640	13,670	3,402
4. Net services, primary & secondary income	-18,551	-10,724	-15,191	-10,958	-11,354	-11,044
5. Current account balance	13,661	21,877	2,157	15,682	2,315	-7,642
6. Capital account	245	68	n.a.	n.a.	n.a.	n.a.
7. Financial account	23,992	-2,601	12,633	-1,649	8,106	6,974
8. Central Bank	2,709	1,481	61	-619	416	225
9. General government	3,563	588	-433	-2,226	-567	-952
10. Other depository corporations	10,320	8,342	839	-8,605	-7,642	96
11. Other sectors	7,399	-13,012	12,166	9,801	15,900	7,605
12. Other financial corporations	1,386	-25,569	-17,835	-23,805	17,580	-4,552
13. Nonfinancial corporations, households, NPISHs	6,012	12,557	30,000	33,607	-1,680	12,156
14. Net errors & omissions	-6,573	4,783	9,902	3,070	2,320	6,090
15. Overall balance	31,324	24,127	24,693	17,102	12,742	5,422

Source: Bank of Thailand (BOT)

E. Thailand Investment Position

Thailand has been able to maintain its investment position since 2005 in areas such as portfolio investment and debt securities. Overall, Table 10 indicates that Thailand was still in the black up to 2010. The direct investment in Thailand steady raises year to year. The investment opportunities stands at USD 36,315 million indicating strong sentiment of foreign investors.

Table 10: Thailand Investment Position (USD)

	2005	2006	2007	2008	2009	2010
1 Assets	92,192	120,930	163,605	179,730	218,938	264,618
2 Direct investment abroad	5,069	6,398	9,991	13,364	18,214	24,169
3 Equity capital and reinvested earnings	4,447	6,326	10,417	13,380	17,168	23,191
4 Other capital	622	72	-426	-16	1,046	977
5 Portfolio investment	3,478	4,782	15,187	13,421	23,380	22,978
6 Equity securities	1,017	1,774	3,300	2,184	3,299	5,035
7 Debt securities	2,461	3,007	11,887	11,237	20,081	17,942
8 Financial derivatives	470	711	1,571	4,595	3,357	4,058
9 Other investment	31,109	42,054	49,400	37,342	35,570	41,285
10 Trade credits 1/	16,255	18,369	23,226	21,308	20,907	26,533
11 Loans	2,179	2,213	2,529	3,095	3,593	4,218
12 Currency and deposits	11,693	20,012	21,716	11,052	9,109	8,071
13 Other assets	982	1,461	1,929	1,888	1,960	2,463
14 Reserve assets	52,066	66,985	87,455	111,008	138,418	172,129
15 Monetary gold	1,374	1,693	2,234	2,347	2,935	4,599
16 Special drawing rights	1.71	0.88	0.19	131	1,523	1,497
17 Reserve position in the Fund	188	143	111	213	361	377
18 Foreign exchange	50,149	64,761	84,696	107,917	133,143	165,156
19 Other claims	353	386	414	401	456	500
20 Liabilities	146,074	177,095	216,795	189,793	220,813	300,933
21 Direct investment in Thailand	60,408	76,949	94,112	93,500	106,154	137,191
22 Equity capital and reinvested earnings	54,611	70,234	85,858	85,865	98,773	131,306
23 Other capital	5,797	6,715	8,254	7,635	7,382	5,886
24 Portfolio investment	40,337	47,567	64,028	34,103	54,529	84,673
25 Equity securities	32,983	38,504	56,937	25,838	45,323	69,405
26 Banks	10,134	11,993	15,427	6,900	14,837	20,776
27 Other sectors 2/	22,849	26,510	41,510	18,938	30,486	48,628
28 Debt securities	7,354	9,063	7,091	8,265	9,206	15,268
29 General government	452	965	394	412	526	3,382
30 Banks	1,739	1,792	696	1,710	2,828	6,693
31 Other sectors	93	143	90	90	90	312
32 Monetary authorities 2/	5,069	6,164	5,910	6,053	5,762	4,881
33 Financial derivatives	601	567	1,153	4,095	3,191	3,229
34 Other investment	44,728	52,012	57,502	58,095	56,940	75,840
35 Trade credits 1/	15,019	18,107	22,581	21,221	17,352	24,017
36 Loans	28,071	31,491	31,678	33,815	34,743	45,511
37 Monetary authorities	0.00	0.00	0.00	0.00	0.00	0.00
38 General government	2,779	2,348.00	1,574.23	1,161.68	1,055.31	1,090.25
39 Banks	4,462	4,568.38	3,430.96	4,446.93	7,316.54	15,777.29
40 Other sectors 2/	20,829	24,574.67	26,672.38	28,206.80	26,371.23	28,643.42
41 Currency and deposits	876	1,133.23	1,231.24	1,327.03	1,539.21	2,295.03
42 Monetary authorities	0.00	0.00	0.00	0.00	0.00	0.00
43 Banks	868	1,117.00	1,217.54	1,305.31	1,521.65	2,271.33
44 Other sectors 2/	7.73	16.23	13.70	21.72	17.56	23.70
45 Other liabilities 3/	762	1,280.04	2,012.39	1,732.14	3,305.48	4,017.41
46 Net International Investment Position	-53,882	-56,165.95	-53,189.86	-10,063.10	-1,875.51	-36,315.10

Source: Bank of Thailand (BOT)

F. Thailand Current Economic Situation

The population of Thailand of about 64 million makes Thailand a lucrative market, as well as a source of cheaper labour for most foreign direct investment and IJV Company. In export market, IJV contributed to USD109 billion in 2005 and continuous increased until reached to USD194 billion in 2010. The positive trade balance (USD32 billion) seems to be good indicator to supporting the country as a whole.

Table 11: Thailand Investment Position (USD)

	2005	2006	2007	2008	2009	2010
1. Population (Million persons)	62	63	63	63	64	64
2. GDP						
2.1 GDP at constant 1988 price (Billions of Baht)	3,858	4,055	4,259	4,365	4,263	4,596
(% change)	5	5	5	3	-2	8
2.1.1 Agriculture (Billions of Baht) 2/	348	365	370	385	390	381
(% change)	-2	5	1	4	1	-2
2.1.2 Non-agriculture (Billions of Baht) 2/	3,510	3,689	3,889	3,980	3,873	4,215
(% change)	5	5	5	2	-3	9
2.2 GDP at current price (Billions of Baht)	7,093	7,845	8,525	9,080	9,042	10,105
(% change)	9	11	9	7	-0.4	12
2.3 GNP per capita (Baht : Person)	103,671	114,804	124,377	131,718	129,875	143,655
3. Inflation						
3.1 Headline Consumer Price Index (2007=100)	93	98	100	105	105	108
(% change)	5	5	2	6	-1	3
3.2 Core Consumer Price Index (2007=100) 3/	97	99	100	102	103	104
(% change)	2	2	1	2	0.30	1
4. External Account						
4.1 Export (BOP basis) (Billions of USD)	109	128	151	175	151	194
(% change)	15	17	18	16	-14	28
4.2 Import (BOP basis) (Billions of USD)	106	114	124	158	118	161
(% change)	26	8	9	27	-25	37
4.3 Trade balance (Billions of USD)	3	14	27	17	33	32
4.4 Current account balance (Billions of USD)	-8	2	16	2	22	14
(as % of GDP)	-4	1	6	0.7	8	5
4.5 Net capital movement (Billions of USD)	7	8	-2	13	-3	24
4.5.1 Private 4/	8	8	1	13	-5	18
4.5.2 Public	-1	-0.5	-2	-0.4	0.5	4
4.5.3 BOT	0.2	0.4	-0.6	0	1	3
4.6 Balance of payments (Billions of USD)	5	13	17	25	24	31
4.7 International reserves (Billions of USD)	52	67	87	111	138	172
4.8 Swap Obligation (Billions of USD)	-4	-7	-19	-7	-16	-20
4.9 Total debt outstanding (Billions of USD)	59	70	74	76	75	101
of which : Public debt 5/	15	15	15	15	15	26
4.10 Total debt service ratio (%)	11	11	12	9	8	5
of which : Public (included BOT since 1997)	1	1	0.9	0.6	0.7	0.6
5. Government Finance (fiscal year)						
5.1 Overall cash balances (Billions of Baht)	17	5	-95	-24	-420	-200
(as % of GDP)	0.2	0.1	-1	-0.2	-5	-2
5.2 Total public debt outstanding (Billions of Baht)	2,778	2,893	2,948	3,119	3,661	3,917
6/	2,127	2,331	2,483	2,693	3,248	3,539
Domestic debt						
6. Monetary Statistics 7/	890.2	911.5	1,000.0	1,041	1,175	1,302
6.1 Narrow Money (Billions of Baht)	7.3	2.4	9.7	4	13	11
(% change)	7,926.9	8,573.4	9,109.0	9,944	10,617	11,779
6.2 Broad Money (Billions of Baht)	6.1	8.2	6.3	9	7	11
(% change)	4.6	1.1	3.9	8	5	10
6.3 Domestic Claims : Included investment (% change)	6.0	3.0	3.3	8	3	12
Claims on Other Nonfinancial Corp., Other Resident Sector & Other financial Corp. (% change)	5.8	7.3	2.3	9	6	9
6.4 Other Depository Corporations deposits (% change) 8/	6.50	7.50	6.85	7	6	6
	6.75	8.00	7.13	7	6	7
6.5 Interest rate (year end) 9/	2.50	4.00	2.25	2	0.7	1
6.5.1 Prime rate : Min	3.50	5.00	2.38	2	1	2
Prime rate : Max						
6.5.2 Fixed deposits (1 yr.) : Min	40.27	37.93	34.56	33	34	32
Fixed deposits (1 yr.) : Max						
7. Exchange rate 10/						
Baht : US$ (Reference rate) average (Baht : 1 USD)						

Source: Bank of Thailand (BOT)

V. DISCUSSION AND CONCLUSION

From the result of the study, SME IJV seems to be a major contributor to the Thailand economy development as a whole. Countries like Japan, ASEAN regions, US and EU are the main players in IJV companies. Machinery and metal products are the major products follow by electric and electronics products and service industry the IJV companies venture into.

In 2010 BOI reported that the number of SME IJV in metal and machinery sector had increased 60 projects from 2009 (217 in 2010). This cause by the expansion of FDI in manufacturing of motor vehicles, trailers and semi-trailers (refers to table 8). A large number of automotive manufactures are dominated by Japan and used Thailand location advantage to form an offshore production site in ASEAN region (Gossack, 2004). Japanese automotive firms selected Thailand as a host country to form an IJV because of its location advantage for the future market expectation in the ASEAN region (Pornlapas et al, 2010). This is because a large Thailand population of about 64 million makes Thailand a lucrative market, as well as a source of cheaper labor for most FDI and IJV company. Thus, Thailand could attract FDI inflows from Japanese firms which mainly want to expand their sales volume in such a host market like Thailand. This is truly back up by the fact that Thailand is currently the world's second largest pick-up truck after US and the largest automotive market and producer (Runckel, 2005). This could be a sufficient reasonable to explain the steady boom of FDI inflows from 2005 to 2010 (refers to table 10). As of this point we can justify that foreign investor remain wanted to expand their business affiliate in the form of SME IJV in Thailand. In addition, those investors from developed countries like Japan, USA, EU have used host country SME IJV's network in penetrate the global market and improve their competitiveness. From this point of view, "*we could conduct that the role of SME IJVs are contributing and sustaining of Thailand economic and its strength".*

The overall results of the study confirm that Thailand still remains an attractive of foreign investment as well as the foreign investors are confident on Thailand's economic situation. The country has the potential to expand into SME IJV sector, whereby foreign investment opportunity shows a credible position. This standing points back up by the new investment applications 444 projects submit to BOI in first 10 month of 2011, value at 136.93 billion Baht, or account 54 percent of total foreign investment projects. With these words, evidently support by the statement below;

"Higher application shows that foreign investors remain confident in Thailand", said BOI secretary general Atchaka ibunruang.*"The flood situation may slight defer investments, but we still believe the country's overall investment climate remains on course for growth."*

Sources: www.bangkokpost.com: retrieved 2 Dec 2011

Since Thailand regained a 20 position of global destinations for foreign direct investment in 2011 However, foreign investors are slightly down, due to impact of Thailand flooding crisis (Bangkokpost: 26 Dec 2011). In order to recuperate of foreign investor confidence, Thailand government require to address the flooding crisis problematically for defend of future repeat situation. Particularly, SME IJV industrial sector should be taking more attention whereby most of foreign companies are engaged.

As of these words are concerned of Thailand economic situation and the following speech is confirm that foreign investor still confident toward Thailand economic situation as a whole. *"Foreign investors still have confidence in maintaining their plants in Thailand and have studies measures for a long-term flood prevention plan."*

Sources :www.mcot.net: retrieved 17 Dec 2011

Suggestion of Further Research

Since the SMEs are identified as an important part of Thailand economic development and strongly contribute to national GDP, employment generation, these are important factors to resolve the problem of national poverty. Particularly, SME IJV is represented as majority type in Thailand manufacturing sectors (Wadeecharoen & Nik Mat, 2010). Commonly recognizes that the use of SME IJV acquires of tactic management and proving of upgrading technology from its partner. Empirically, the study in East Asian region shows that *"the total factor productivity was found to be highest in SMEs, especially among medium size firm"* (Snodgrass & Biggs, 1996). Similarly, Huang, (2003) argues that SMEs are relatively lower productivity relative to large enterprise (LEs), an overemphasis on the promotion of potential of SMEs that enhances growth in Thailand's industrial sectors is worthy to take an action. Consequently, promoting of SME IJV in manufacturing sectors is one of possible way to increase national productivity through acquire of technology knowledge and organization management from foreign partner, this helps local firms gain better access to technology, marketing knowledge and moving up quality ladder (Mohamad, Ramayah & Hathaivaseawong, 2010). This evident supports the argument on SME that can contribute to national productivity growth which is a major source of economic development. At this point, SME IJV is assumed to be actively strategic mode in acquiring and upgrading innovative technologies and sustaining their competitiveness in international market which finally could contribute to Thailand economic development. As of these words seem that the significant role of SME IJV has no sing to decline, although the flooding crisis may affect on business in Thailand holistically but the foreign investor still remain confidante in Thailand as an attractive investment country. Contrasting the significant role of SME IJV before and after Thailand flooding disaster through statistics data provided by Thailand government office is one way to justify of foreign investors' remain confident in Thailand. At this point of view is worthy for the further research investigated empirically.

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