**Up or Down the Value Chain:**

**Emerging Multinationals in Globally Integrated Industries**

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Paper presented at the Third Copenhagen Conference on

“’Emerging Multinationals’: Outward Investment from Emerging Economies”, Copenhagen, Denmark, 25-26 October 2012

**ABSTRACT**

This paper presents an overview of findings from the newly created firm-level database on Thai multinationals. It shows the importance of outward FDI from Thailand in industries that are characterized by the global value chain integration. Thai multinationals with substantial OFDI activities mostly hail from industries whose value chains are globalized across countries, either through a producer- or buyer-driven mechanism. We argue that local suppliers in the globally integrated industries use international expansion in the direction of the dominant mechanism of the global value chain to increase their value and to counteract the control of global lead firms. These findings reinforce the need to integrate the broader context of the value chain structure to the explanation of the emergence of developing country multinationals.

**Keywords:** developing country MNEs; internationalization strategy; global value chains; emerging multinationals; small and medium-sized developing economies; Thailand

**Acknowledgement**

This paper is based on the ‘Competitive Strategies of Thai Multinationals’ research project sponsored by the Thailand Research Fund (RSA 5280032). The author wishes to thank the Thailand Research Fund for their financial support and Naunghathai Intakhantee for her excellent research assistance.

**INTRODUCTION**

The increasing significance of multinational enterprises (MNEs) from developing countries is now a major feature in the global economy. The aggressive expansion of firms from large developing economies like China and India, helps intensify and enrich research interests on the issue. From being a peripheral research topic, the rise of multinationals from emerging markets has become one of the key questions addressed in the mainstream international business research as well as policy debates. Yet, the current debate has been predominantly based on studies of big and successful emerging MNEs from a limited group of advanced developing economies, particularly those from the Newly Industrialised Countries (NICs) of East Asia (Narula 2010). This skewed representation of dominant players from large developing economies, which have become more like established MNEs from developed economies, may not fully represent the patterns followed by firms from smaller developing economies like those from Southeast Asia. Different from the like of Haier or Lenovo, whose global emergence largely depended on rapid and aggressive moves that allowed them to leapfrog into a more advanced technological sphere, latecomer firms from Southeast Asia generally emerge as suppliers to global MNEs in industries whose production networks are spread across the globe. The different home-country institutional context from which these firms emerge, along with the co-evolution of these firms and their institutional environment could influence their subsequent international expansion strategies and behavior (see Gammeltoft, Barnard and Madhok 2010). It is therefore theoretically valid to ask whether the early development as suppliers to global MNEs could lead to different patterns of international expansion for firms from smaller developing economies.

The splitting up and globalisation of production networks has been a key institutional factor that speeds up the development developing country firms. This phenomenon has been explained through the ‘global value chain’ (GVC) perspective (see Sturgeon & Gereffi 2009 and Bair 2009 for reviews of the development of this literature). The GVC approach has been widely accepted to help explain the growth trajectories of many export-led industries, including electronics, automotive, food, and apparels. This stream of research is however limited by the view that local firms only serve as subsidiaries or suppliers to established MNEs and that their operations are limited to the domestic market only. Rarely has the GVCs literature considered how local firms in host developing economies could one day engage in outward foreign investment, and how the international expansion of these firms could alter their position in the global value chains.

Whilst overlapping on their focus of firms from developing economies, these two streams of literature have yet to address a key feature of many of these firms—the co-evolution of these firms as suppliers to global lead firms and as emerging multinationals themselves. On the one end, the international business literature has hardly touched upon the experience of smaller developing country MNEs whose initial role was suppliers in many globally integrated industries and yet later undertook their own international expansion. On the other end, the GVC literature is short of explanations on what happen to local suppliers in developing countries once they start to expand internationally.

To fill the gap between these two streams of literature, this paper addresses the emergence of developing-country multinationals from the global value chain perspective. The paper looks at the international expansion of Thailand-listed firms from 1997 to 2009. Based on a newly created firm-level database of outward foreign direct investment (OFDI) of listed firms in the Stock Exchange of Thailand (SET), the paper explores how the prior positions of Thai firms in the global value chain affect their subsequent international expansion. Starting with a review of the literature on emerging multinationals and on global value chains, the paper then discusses the methodology before explaining the international expansion of listed firms. Case studies from the electronic and food industries are discussed before the conclusion.

**REVIEW OF THE LITERATURE**

**The rise of emerging multinationals**

Similar to studies of MNEs from developed economies, the research on emerging multinationals has been addressed from different levels of analysis. At the country-level analysis, research interests often focus on the aggregate outward FDI activities of emerging economies. The firm-level literature focuses more on what constitute competitive advantages for these firms. Gammeltoft, Pradhan and Goldstein (2010) suggested that there have been three ‘waves’ of OFDI flows from developing economies: the first wave took place up to the mid-1980s, the second from the mid-1980s to mid-1990s, and the third from the mid-1990s up to today.[[1]](#footnote-1) These three waves of OFDI from developing economies not only show quantitative differences in their directions and amount, but also display qualitative changes in their characteristics. During the first two waves, the key questions addressed in the literature concentrated around how the nature of competitive advantage of emerging multinationals differ from that of the more established MNEs from developed economies. More recently, however, questions are raised whether new explanations are needed for the rise of emerging multinationals.

The early literature on developing-country MNEs, those that emerged in the early 1980s, argued that developing-country multinationals derived their competitive advantage from their ability to reduce costs of imported technology through ‘descaling’ techniques like replacing imported inputs with cheaper local ones. These cost advantages could only be exploited in other developing countries, whose conditions are similar to the home country, and are unlikely to be sustained in the long run (see, for example, Lecraw 1977, 1981; Kumar 1982; Wells 1977, 1981, 1983). The implication is that the early emerging multinationals are likely to be restricted to ‘South-South’ FDI that targeted other developing countries only. The next wave of the literature, those emerged in the 1990s, appeared more optimistic about the long-term sustainability of developing-country multinationals. Scholars in this group argued that the competitive advantages of these firms were derived from technological accumulation undertaken through the ‘learning-by-doing’ process (see, for example, Cantwell and Tolentino 1990; Dunning, van Hoesel & Narula 1997; Lall 1983a, b; Lecraw 1993; Tolentino 1993). It is argued that through this process, emerging multinationals would become more similar and competitive to their predecessors from the more advanced economies.

With the sole emphasis on accumulating sufficient proprietary technological capabilities, the above literature was criticized on two counts. First, the precondition of having existing competitive advantages at the outset of internationalization process did not bode well with the emergence of developing-country multinationals which often relied on international expansion to augment their competitive advantages (see Mathews 2002, 2006). Second, the literature was criticized for offering an ‘under-socialized’ view, in which firms were perceived to be detached from other social institutions and their competitive advantages were therefore derived from within its own boundaries only. This view is contrary to empirical evidence of MNEs from latecomer developing countries, particularly those from Asia, which showed how network relationships and the ability to leverage from different types of networks were significant in their domestic and international expansion (Mathews 2002, 2006; Pananond and Zeithaml 1998; Pananond 2001, 2007; Peng 2003; Peng and Zhou 2005; UNCTAD 2006; Yeung 1998).

One of the most debated issues surrounding the rise of multinationals from developing countries is whether this emergence warrants new sets of theoretical explanations that could better explain the many differences these firms display in their internationalization process. On the one end stand those who regard current theories as inadequate as latecomers firms from developing countries have displayed significant differences in behavior, characteristics and strategies from their predecessors. Supporters of this view suggest that new theoretical concepts are needed to explain the rise of MNEs from developing economies. For example, Luo and Tung (2007) argued that ‘emerging market MNEs’ internationalize through the ‘springboarding’ process of aggressive and risk-taking measures to acquire critical assets from mature MNEs to compensate for their competitive weaknesses. Mathews (2006), in a more direct critique of the established OLI (ownership, location and internalization) framework, contended that the accelerated internationalization of periphery firms should be viewed from his newly coined ‘LLL’ (linkage, leverage and learning) perspective. According to Mathews (2006), latecomer MNEs do not depend on prior possession of resources, as was the case for most traditional MNEs from developed economies. Rather, international expansion is used as a mechanism to tap into resources that would further strengthen their competitiveness. Through leveraging linkages with external firms in the increasingly globalized economy, newcomer MNEs can speed up their internationalization and learning process and become international players. Disagreeing with this view, Dunning (2006) and, in particular, Narula (2010) argued that asset-augmenting international activities can improve a firm’s competitiveness only when the firm already possess some unique ownership advantages which can then be integrated with the newly acquired resources. Narula (2010) therefore argued that developing country MNEs are increasingly behaving like their ‘conventional’ predecessors from developed economies by deciding their FDI locations based on the comparative advantages of host countries.

Finding a definite answer to the above question would be problematic, as both groups of MNEs do not comprise homogenous members. Rather, Ramamurti (2008) suggested that studies of MNEs from developing countries should be used to enrich and extend established IB theories on key aspects of the internationalization process of firm. One particular area that research on developing country MNEs could do so is to highlight how the home-country context, the industry context and the macro international context affect the internationalization strategy of these firms. IB scholars have increasingly agreed that the institutional context of the home country plays a role in the growth trajectories and behaviors of emerging multinationals (see Gammeltoft, Barnard & Madhok 2010; Gammeltoft, Pradhan & Goldstein 2010). While these firms are grouped together as ‘emerging multinationals’, the institutional context from which they evolve varies substantially. For example, South Korea—home to many electronics multinationals, is known for strong government policy that provides support to vertically-integrated and export-oriented ‘national champions’ like Samsung, LG or Daewoo. On the contrary, India’s import substitution policy led to India’s slower growth of OFDI in manufacturing and diverted attention to the relatively faster and less-controlled service sectors (Pradhan 2011). Because the literature on developing country MNEs has long relied on a limited group of more advanced developing economies (Narula 2010), theoretical implications drawn from their experience may not fully represent the internationalization pattern followed by multinationals originating from smaller developing countries, like those from Southeast Asia.

Despite being the second most active outward investors following East Asia, Southeast Asia attracts little interest from scholars of emerging multinationals. From the institutional perspective, Southeast Asia provides an interesting case as their economic development has generally been led by positioning themselves as export platform for the world’s leading multinationals. As a consequence, inward FDI has played a major role in the region’s economic development. Many of Southeast Asia’s leading firms have developed in partnership with foreign MNEs, mostly as suppliers in the global production networks. Given this institutional context in which these firms initially emerged as part of the global networks, an interesting theoretical question is whether and how such a semi-dependent early development could influence their subsequent evolution and international expansion. Whereas the literature on emerging multinationals has addressed a variety of issues facing these firms *after* they have expanded abroad, not much has been said on the impacts of *pre-internationalization* development on *post-internationalization* behavior. This paper therefore focuses on this particular gap in the literature.

**Global value chains**

One stream of literature that concentrates on the development of local firms from developing countries adopts the global value chain concept to explain their integration into various globally integrated industries. The relationships established among firms from developed and developing countries were first described as *‘global commodity chains’*, and later as *‘global value chains’* (see Bair 2009 for a genealogy and review of the concepts). Led most prominently by Gary Gereffi and his colleagues, supporters of this view look at global commodity chains (GCC) as inter-firm networks that connect manufacturers, suppliers in global industries to each other, and ultimately to buyers in developed country markets. The ultimate goal of this approach is to explain how different types of powerful economic actors exude control over global commodity chains. The key concept used in explaining these relationships is ‘governance structure’, which is defined as the ‘authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain’ (Gereffi 1994: 97). Firms that control such authority and power are called ‘lead firms’. Two types of global commodity chains were identified depending on the nature of ‘lead firm’ in the governance of the chains. Producer-driven chains are typical of capital-intensive industries in which manufacturers ‘drive’ the chains forward through their control and ownership of suppliers’ activities. Tightly integrated vertical chains are prevalent in these industries. A notable example is motor vehicle production and electronics, in which manufacturers play a dominant role in determining how products and resources flow within the chain. On the contrary, buyer-driven chains, common in food, apparel and footwear, are more influenced by the role of buyers or brand-name marketers, which often manage these inter-firm linkages through non-equity ties. Put simply, producer-driven chains have more linkages between affiliates of MNEs, while buyer-driven chains present more linkages between legally independent firms in different countries.[[2]](#footnote-2)

The chain concept of global integration has attracted much interest but overlapping terminologies used in this stream of research disguised the common ideas shared among their proponents. In addition, the changing nature of governance structure in global industries, which sees producers becoming more buyer-like through outsourcing, has led proponents of the chain concept to search for explanations of the more complex governance structure of global industries. The term *‘global value chain’* was coined in 2000 as the most inclusive term that covers that full range of chain activities and end products (Gereffi, Humphrey, Kaplinsky & Sturgeon 2001: 3). Works under the newly created term continue to focus on ‘governance’ as the central concept of the GVC approach (Humphrey & Schmitz 2001: 20).

**Global value chains and emerging multinationals**

An important implication from the literature on global value chains is that success for local firms in developing countries depends on their ability to access these global value chains and production networks. Gereffi (2001: 32) clearly stated that ‘in order for countries and firms to succeed in today’s international economy, they need to position themselves strategically within these global networks and develop strategies for gaining access to the lead firms in order to improve their position’. Empirical research adopting the GVC perspective often highlight how global sourcing has allowed firms from developing countries to gain access to developed markets and to upgrade themselves as suppliers to multinational lead firms in both buyer- and producer-driven industries.

Humphrey and Schmitz (2002, 2004), however, argued that industrial upgrading for local producers is not an automatic result of participating in global value chains. Rather, chain governance largely determines the upgrading opportunities for developing country firms. The more ‘captive’ the relationships between lead firms and suppliers from developing economies, the less likely these local firms would be allowed to upgrade, lest the lead firms would lose their authority and control. In other words, entering into global value chains could be a double-edged move for local firms from developing economies. While the relationships with lead firms facilitated and enhanced local firms’ access to the global market, the captive relationship of the chain governance may prevent developing-country firms from further upgrading and leave them dependent on a small number of powerful customers. The view that upgrading does not come automatically from joining global value chains has increasingly received attention. Morrison, Pietrobelli and Rabellotti (2008) stressed the role played by local firms in accumulating their technological capabilities before upgrading can be achieved. The author called for more firm-level studies that are undertaken from the local firm perspective, as they found the GVC literature instinctively gravitated toward the position of global lead firms at the expense of that of local firms.

The view that the onus is on local firms to increase their capabilities in order to benefit from global value chain integration provides a link between the two previously discussed streams of literature. Buckley and Ghauri (2004) stated that the increasingly sophisticated slicing up of firm activities and finding optimum locations for each closely defined activity is an area where the international business (IB) and the GVC literature can benefit from each other. Despite many powerful insights from both streams of literature, there is a gap that both have yet to fully explore. As discussed earlier, the IB literature on emerging multinationals needs to look back at how the home-country institutional context, especially the *pre-internationalization* development as part of the global value chains, affects the international expansion strategy and behaviors of these firms. The GVC literature, on the other hand, should look at how the international expansion of local firms in global industries changes their positions and dynamics within the chain structure. By considering local firms merely as suppliers to MNEs from other countries, the GVC literature inevitably conveys a dependency implication that local firms would remain under the control of global producers and buyers. Morrison, Pietrobelli & Rabellotti (2008) are similarly critical of the innate bias of the literature on the global actors at the expense of local firms. More studies that look at this issue from the local firm perspective are therefore necessitated.

In addition, both streams of literature can benefit more from a broader empirical representation of emerging market firms. The previous part already addresses how the literature on emerging multinationals is drawn mainly from a limited group of the better-known developing economies, especially East Asia and now China and India, leaving many others under-represented. The GVC literature similarly experiences empirical limitations. Sturgeon and Gereffi (2009) succinctly stated that the picture of global integration based on current official trade statistics is incomplete and new thinking is required to come up with statistics that could better reflect the integration of national economies. The authors called for new kinds of data that could shed light on the position of domestic firms, establishments and workers in global value chains, especially the business function level. Answering the call for these theoretical and empirical investigations, this paper explores the international expansion of Thai firms from the newly created firm-level database of Thailand’s listed firms’ international activities. The objectives of the paper are twofold. First, the overview of the international activities of these firms is described to detect notable patterns of their internationalization process. Second, the paper looks closer at two selected industries, i.e. electronics and food, to explore whether and how international expansion activities of local firms affect their positions within the global value chain. The next part explains more on the research methodology.

**RESEARCH METHODOLOGY**

Thailand is chosen as the main research context for various reasons. First, the country has long been one of the leading foreign direct investment recipients in Southeast Asia since the mid-1980s thanks to the liberalization policy in trade and investment. With the increased splitting up of production networks in many global industries, Thailand and Southeast Asia has been the preferred choice for setting up production networks in many industries, particularly textiles & clothing, electronics, and automotive (Kuroiwa & Heng 2008). Many of the leading Thai multinationals started off as part of these globally integrated industries, making it fitting to explore their international expansion from the GVC perspective. Second, a study on Thai multinationals should be a welcome addition to the literature that has been dominated by empirical evidence from a limited group of large developing economies, particularly the Asian Newly Industrialized Countries (NICs)—Hong Kong, Singapore, South Korea and Taiwan, particularly the latter two. Despite being the second most active outward investor following East Asia, Southeast Asia attracts little interest as home countries to the region’s emerging multinationals. The empirical overemphasis on large emerging multinationals from the more advanced developing economies may lead to recent debates that developing country MNEs reply on rapid, high-risk-high-return internationalization. This pattern may not, however, apply to all emerging multinationals, especially smaller ones from medium and small emerging economies like those in Southeast Asia.

The empirical evidence of this paper is based on the newly created firm-level database of outward FDI activities of publicly listed firms in the Stock Exchange of Thailand (SET). The main source of information for this database is the Annual Registration Statement (Form 56-1) submitted by all listed firms to the SET from 1997-2009. To promote the conduct of good governance, the Securities and Exchange Commission (SEC)—the main supervisory agency—has required that all listed firms submit Form 56-1 since 1997.[[3]](#footnote-3) The 56-1 reports of listed firms are available from the SET data base, SET Market Analysis and Reporting Tools or SETSMART. Form 56-1 requires listed firms to report thirteen categories[[4]](#footnote-4) of information and this study draws mainly from four parts: description of business activities; assets used in business activities; capital structure; and other relevant information. Because overseas activities are not among the mandatory items to be reported, we have to piece together information from these different parts. Data inputs are then checked against notes to financial statements of the financial year 2009.

For this study, we collected four main categories of statistics: investment value; ownership structure; geographical destinations; and business activities. We calculate outward FDI value of each firm from the percentage of ownership to the paid-up capital of each overseas subsidiary. Subsidiaries that receive higher than 10 per cent of equity ownership are included as overseas subsidiaries. The 10-per cent level is based on the IMF’s definition of ‘foreign direct investment’ (IMF Balance of Payment Manual 6th Edition, 2010: 101).

To denote ownership in Thailand-based firms, we use the 20 per cent ownership level.[[5]](#footnote-5) We divide the ownership of firms into three main categories: a) Thailand-based; b) overseas-based; and c) widely-held. Under the ‘Thailand-based’ category, listed firms are further divided into two sub-categories: family-owned and state-owned. A firm is considered ‘family-owned’ if top ten shareholders share the same family name and/or their combined shareholding exceeds 20 per cent. State ownership is recorded when any individual state agency controls more than 20 per cent of a listed firm. For overseas-based owners, we differentiate between foreign MNEs and financial institutions/individuals. We record foreign MNEs as owners when the parent company operates in the same industry as their subsidiary in Thailand. While we agree that subsidiaries of foreign MNEs are not ‘Thai’ firms, we do not exclude them from this study because these firms are based in Thailand and their outward FDI is included as part of the country’s OFDI in the central bank’s statistics. In the last category, a firm is ‘widely-held’ when no single investor controls up to 20 per cent of the firm. Of the total 128 firms that reported overseas investment as of the end of 2009, 11 cases were registered in more than one category of ownership. Double counting occurred when more than one type of owners owned more than 20 per cent in listed firms. All the 11 firms had joint foreign and Thai family ownership, with each exceeding 20 per cent.

Geographical destinations are divided into 6 major groups: Southeast Asia; Asia excluding Southeast Asia; North America; Europe; Tax havens; and others. Southeast Asia is further divided into Asean-6, the six more developed economies within the Association of Southeast Asian Nations (Asean), namely Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand. The ‘CLMV’ group refers to Cambodia, Laos, Myanmar and Vietnam. Europe is further divided into EU and non-EU countries, whereas tax haven destinations cover the British Virgin Islands, Cayman Islands, and Mauritius.

For data on business activities, we followed the list of 12 generic business functions proposed by Sturgeon and Gereffi (2009). The authors called for researchers to use business functions in global value chain studies in addition to the typical and widely used trade statistics. Arguing that trade statistics contain very partial information about the location of value adding activities and how these increasingly complex systems are coordinated, Sturgeon and Gereffi (2009) proposed that data collected according to business function can provide researchers and policymakers with a rough map of the value chain; reveal the roles that domestic firms and industries play within global value chains. In addition to the 12 functions proposed by Sturgeon and Gereffit (2009), we added two other categories that are often reported by listed firms, namely investment companies and unrelated business. We then categorised these 14 activities into 5 groups: upstream; same operations; downstream; management; and unrelated business. Table 1 provides details and definitions of these business functions.

(Table 1 goes about here)

Although the database based only on listed firms may not cover all Thai multinationals, as many that undertake international expansion remain under private ownership, this is the first time that a firm-level database on Thai multinationals is created. This set of data should be a good starting point to systematically explore overseas investment activities of emerging Thai multinationals. The database also makes public, for the first time, details on various management aspects of these multinationals, including the nature of ownership and the purpose for overseas subsidiaries. Due to the different industrial categorization used and the inclusion of non-listed firms in the statistics of the Bank of Thailand (BOT), our OFDI value is not completely comparable to the OFDI stock reported in the central bank’s International Investment Position (IIP). When compared with the total OFDI stock value reported by the BOT, our figure of OFDI amounted to 43.3 per cent of Thailand’s OFDI stock from all firms in 2009. If we consider only the OFDI from listed non-bank firms from the two sources, however, our figure of (US$4387.39m) is almost the same as that of the BOT (US$4685.3m). This small discrepancy confirms the robustness of our database, which could be further used to explore different aspects of overseas expansion of listed firms from Thailand.

This set of data is not without shortcomings, however. Because the SET does not provide any common requirement on how firms report their overseas activities, there is some inconsistency in the extent listed firms provide details of international investment in their financial disclosure. Although the SET requires that listed firms provide the overall report on business activities of their subsidiaries and associates,[[6]](#footnote-6) there is no requirement on the types of information listed firms need to provide on these companies. For example, firm A may include only names of overseas subsidiaries and associates without revealing the size and details of their activities, whereas firm B provide details and values of all their overseas investment. Such discrepancy may undermine the accuracy of the actual value of OFDI.[[7]](#footnote-7)

The next part presents an overview of the findings from the database on the sectoral distribution, the geographical spread, and the ownership patterns of publicly listed firms from Thailand. While presenting an overall picture of international investment by firms in the top ten sectors, the discussion in the next part pays particular attention to the comparison of producer-driven sector of electronics and the buyer-driven industries of food & beverage and agribusiness in order to draw specific implications on the internationalization strategy of local firms in the global value chains. Case studies drawn from the electronics and food industries are also discussed to compare and contrast their internationalization experience.

**OUTWARD FDI ACTIVITIES BY THAILAND-LISTED FIRMS, 1997-2009**

**Sectoral distribution**

(Table 2 goes about here)

Table 2 shows the sectoral distribution of top 10 outward FDI investors in different periods, 1998-2001, 2002-2005, and 2006-2009. Unlike the manufacturing-driven and electronic-led pattern of the Asian NICs, emerging MNEs from Thailand do not originate from any particularly dominant industry. The seven sectors that have been in the top ten industries throughout the 1997-2009 period are: energy, property, fashion, electronic components, agribusiness, food and commerce (retail). With the exception of the resource-intensive sector of energy and the service sectors of property and commerce, the majority of Thai firms that have been actively expanding abroad stem from the light manufacturing sectors of food, agribusiness, fashion (textile) and electronic components. Apart from being the mid-tech and mature industries, known to be the strategic spot occupied by many MNEs from developing countries (Ramamurti 2008), what should be noted most is that these are the industries whose value chains are spread across the globe and in which Thailand has long served as major suppliers and production bases. In other words, Thai multinationals emerge out of the very sectors they previously engaged as low-cost suppliers of these globally integrated value chains. It should be emphasized further that these sectors are conventional representatives of the producer- and buyer-driven chains discussed earlier. Electronics represents the producer-driven type, in which large multinationals play a leading role in driving the chains forward through their control and ownership of suppliers’ activities. Food, agribusiness and fashion are, on the other hand, representative of buyer-driven industries, in which ‘lead firms’ are typically global retailers or brand-name marketers who exert their control through outsourcing their production networks to a variety of exporting developing countries (see Gereffi 1994).

Value chain control has been one of the more recent strategic drivers that lead emerging MNEs to expand abroad (see Rasiah, Gammeltoft and Jiang 2010). The prominence of OFDI among listed Thai firms in sectors typical of producer-driven chains (e.g. electronics) as well as buyer-driven ones (e.g. fashion, food, and agribusiness) underscores the need to explore the dynamics of Thai firms in these globally integrated industries. What should be of particular interest are whether and how these firms use international expansion to alter their position within the value chain of their respective industries. To explore this aspect further, the paper now looks at the geographical spread of OFDI from the SET-listed firms.

**Geographical distribution**

(Figures 1 and 1a go about here)

Figures 1 and 1a presents the geographical destinations of Thai firms in the top ten sectors with highest outward investment. It is clear that Asia, particularly China and Southeast Asia, accounted for the majority of OFDI of these firms (65.4 per cent of total OFDI). Investment in more developed economies of Europe and North America is relatively uncommon, with firms from only five sectors populating those destinations. These five sectors are agribusiness, food & beverage, electronic components, petrochemicals and fashion. These findings may come as no surprise as the literature on emerging multinationals has previously indicated that MNEs from developing countries tend to concentrate their investment in other developing economies within the region during their early stage of international expansion and expand further once they gain more experience and confidence. What should be noted, however, is that with the only exception of petrochemicals, the other four sectors with outward investment extending to more developed economies in Europe and North America are those characterized by their globally integrated value chains. Thai firms in agribusiness and food & beverage, two typical examples of buyer-driven industries, are the ones with the most noticeable investment in Europe and North America. As of the end of 2009, OFDI value of these sectors in the more developed economies of Europe and North America stood at US$ 157.52m, almost equal to their OFDI value in Asia (US$ 186.31m). On the other hand, firms in producer-driven sectors, like electronics, appear to be more focused in the region, with only limited investment (US$ 47.25m) in Europe. The more diversified reach of firms in sectors representative of producer- and buyer-driven industries reinforces the need to explore how Thai firms integrate international expansion in their overall strategy as part of the global value chains. To find out more about firm-level characteristics of the emerging MNEs from Thailand, the paper now looks at their ownership pattern and business activities.

**Ownership of Thai MNEs**

(Figure 2 goes about here)

Figure 2 presents an overall picture of ownership types among the top ten outward investing sectors. Thai family ownership is the most dominant form that spread across industries, whereas state ownership is predominantly concentrated in natural resources sectors, particularly energy and petrochemicals. While the pattern of state ownership in resource-intensive sectors is similar to other developing countries, for example, Malaysia and China, the prevalent MNE ownership in producer-driven sectors, electronics in particular, is noteworthy. Compared to Thai family ownership in most other sectors, and especially in buyer-driven ones of food and agribusiness, this is an indication that international expansion activities of firms in electronics has been undertaken by local subsidiaries of foreign MNEs. This is an indication that the Thai subsidiaries of foreign MNEs also engaged in international expansion. A question that follows is why and how the international expansion from these Thai subsidiaries of foreign MNEs feature in the overall global value chain of the industry. State ownership of MNEs from developing economies has already been emphasized in the IB literature, particularly in resource-intensive sectors. Foreign ownership of these MNEs has yet to receive much interest. It is clear from this database that local subsidiaries of foreign MNEs in developing countries is another group of firms that have engaged in outward FDI. The fact that this is more widespread in producer-driven sectors than in buyer-driven ones reinforces the need to explore international expansion of developing country MNEs from the GVC perspective. The next part looks closer at the business activities undertaken by these Thai MNEs.

**Business activities of Thai MNEs**

(Figures 3 and 3a go about here)

To get a better picture of what these Thai multinationals do when they go abroad, we look at business activities of their overseas subsidiaries. Figure 3 shows the overall business activities of the top 10 outward investing sectors in 2009, while figure 3a presents where these activities are located. Figure 3 shows that the majority of overseas activities for Thai MNEs are concentrated in same operations and downstream activities, with upstream activities being the least common. Figure 3a reveals further that Thai MNEs locate the operations similar to what they do in Thailand to Asia, while investment in the more developed economies are more geared toward downstream activities. Over 50 per cent of the overall number of subsidiaries in North America was registered in downstream activities, while the similar figure for Europe stood at 63 per cent (see Figure 3a). What should be noted is that the sectors that show the full spectrum of involvement from upstream to downstream activities are those most representatives of the global value chain structure, namely electronics, fashion, agribusiness, and food & beverage (see Figure 3).

The key implication here is that Thai firms in these globally integrated sectors use their international expansion activities to increase their involvement in their value chains. Although this is not new, as IB scholars have pointed out before that firms controlling activities in the middle of value chains have strong incentives to increase their control of higher value activities through acquisition of R&D and marketing knowledge. Mudambi (2007, 2008) argued that value-added activities are becoming increasingly concentrated at the upstream and downstream ends of the value chains, with R&D knowledge concentrated toward the upstream and marketing knowledge toward the opposite end. The evidence here shows that Thai firms that started off as manufacturer and suppliers in these global value chains are using international expansion as a strategy to upgrade their value-added activities along their global value chains.

To understand the dynamics of how Thai firms in these sectors integrate international expansion into their overall strategy, we select case studies from the two sectors that are known as representatives of the most globally integrated industries, electronics and food. The globalization of these two sectors takes place through both productions as well as trading of intermediate products. Sturgeon and Memedovic (2011) pinpointed electronics as one of the most globally integrated industries at the forefront of global economic integration. With the rapid globalization of the retail industry, agribusiness and food are the other two sectors that have witnessed rapid global expansion in production and trade (see Humphrey 2006). Within the global value chain of these industries, Thailand has long played a major role as producer and supplier. In electronics, Thailand ranked among the top 50 countries with the highest percentage of international trade in intermediate products (Sturgeon and Memedovic 2011). The country is also one of the world’s largest producers and exporters of food and agribusiness products, especially for rice, processed chicken, processed shrimps and canned tuna (Kingkaew 2011). Our database confirms that firms from these two sectors ranked among the most internationalized firms from Thailand. On top of that, electronics and food also represent two major types of the global value chains. While electronics is a clear representative of the producer-driven industries, in which manufacturing MNEs play the lead role in driving the industry forward via their overseas subsidiaries, food represents a globally integrated sector that is increasingly dominated by the strong and powerful buyers and retailers. A closer analysis of the international expansion of firms in these two sectors should therefore reveal more dynamism of how internationalization strategy has been integrated into their positioning within the global value chains.

**International expansion of firms in producer- and buyer-driven sectors**

The electronics industry has long been characterized by the fragmentation of production activities and the relocation of assembly operations to lower cost countries, starting with Hong Kong, Taiwan, Korea, Singapore and Malaysia since the late 1960s and early 1970s. When production costs in these countries began to rise and investment incentives expired in the late 1980s, electronics multinationals started to relocate to other countries in Southeast Asia, particularly Thailand (see Rasiah, 2004). The fragmentation of the industry allows electronics MNEs to locate their manufacturing activities in lower-cost developing countries, while at the same time, spread their downstream activities to key markets and their upstream functions, particularly R&D, in the more developed economies.

(Figure 4 goes about here)

(Table 3 goes about here)

Figure 4 and Table 3 provide more information on the 7 firms listed under the electronics sector of the SET. Figure 4 presents a summary of their key characteristics, namely nature of ownership, outward FDI value, total assets, proportion of OFDI value to total assets, number of overseas affiliates and number of host countries invested. From Figure 4, it is clear that the three firms with the largest OFDI in this sector are all subsidiaries of foreign MNEs, particularly Taiwanese ones. They are Delta Electronics (Thailand)—DET, Cal-Comp Electronics (Thailand)—CCET, and Hana Microelectronics. DET and CCET are both owned by Taiwanese MNEs, DET by the Delta group, and CCET by the New Kinpo group. Of the three, Delta proves to be the most internationalized firm in this sector, with OFDI accounting for more than 45 per cent of its total assets and 34 overseas subsidiaries in 23 countries. Table 3 shows that Delta’s international activities cover a broader spectrum from upstream to downstream activities when compared with other firms in the same sector.

Starting in 1988 as manufacturer and exporter of computer power supply, DET listed in the Stock Exchange of Thailand in 1994 and has since grown by leaps and bounds. The group’s international activities began with the 2003 acquisition of the Switzerland-based Ascom Energy System. Since then, DET’s international investment extended to 23 countries, covering Asia, Europe and North America. While the other listed firms in electronics focus their international activities mainly on manufacturing in other Asian countries and sales and marketing activities in the US, Table 3 shows that Delta’s international reach spreads further and even include several investment in product and service development in European countries. Another major acquisition of another Swiss company in 2010 also allowed the group to expand its coverage to the renewable energy sector (*Krungthep Turakij*, 16 January 2011).

(Figure 5 goes about here)

Adapting from Mudambi (2008, 2007)’s smile of value creation, Delta’s value chain disaggregation, as shown in Figure 5, covers activities throughout the entire value chain of the electronics power system sector. Figure 5 also highlights Delta’s attempt in expanding into higher value-added activities in R&D through investment in developed markets, including the US and Europe. Whereas other firms in the electronic sector invest abroad mainly to set up operation and marketing & sales activities, Delta stands out as the only firm with relatively high investment in product and service development. Delta presents an interesting case study of how a Thai subsidiary of a Taiwanese multinational attempts to improve its position within the established global industry through international expansion. In addition, the case also highlights how a local subsidiary tries to improve its importance within the MNE network by undertaking key responsibilities that could differentiate itself from subsidiaries in other countries.

(Table 4 goes about here)

(Figure 7 goes about here)

Table 4 and Figure 7 provide a summary of listed firms in the food and beverage sector. Unlike the electronics industry in which subsidiaries of foreign MNEs play the most active role in overseas expansion, firms that are most actively expanding abroad from this sector are owned by Thai nationals,[[8]](#footnote-8) making them more typical representatives of Thai multinationals. With an OFDI value of nearly US$49 million, Thai Union Frozen Products (TUF) is the largest Thai multinational in food & beverage.[[9]](#footnote-9) The company is also the country’s largest canned tuna producer and exporter and the world’s largest tuna packer in terms of production volume (TUF Investor Presentation, May 2010).

(Figure 8 goes about here)

Figure 8 shows TUF’s value chain disaggregation in the form of the smile of value creation (Mudambi 2007, 2008). It is clear from both Table 4 and Figure 8 that TUF focuses its international expansion toward the downstream end of the global value chain. Although the firm also uses international expansion to expand into upstream activities such as procurement, TUF’s main focus for international expansion is to increase value through establishment of sales and distribution activities in key markets such as the US and Europe. TUF presents a case study of supplier firm that uses international expansion to enhance its value toward the downstream end of the value chain, in which global retailers increasingly control the leading role of the global industry.

**DISCUSSION AND CONCLUSION**

This paper presents an overview of findings from the newly created firm-level database on Thai multinationals. Based on financial statements of listed firms in Thailand’s stock market, this dataset is the first and most comprehensive collection of firm-level data on overseas activities of Thai MNEs. Although the database does not provide full coverage of all Thai firms with outward FDI, it nonetheless identifies key players among the emerging Thai MNEs across sectors. Previous studies on MNEs from developing economies in general, and Thai multinationals in particular, have been drawn mainly from a limited collection of case studies. The central contribution of this paper is therefore its empirical originality of its database. Although the analysis presented in this paper may still be preliminary, the richness of its firm-level characteristics of Thai multinationals can be further explored to expand our understanding of Thai multinationals in particular and on developing country MNEs in general.

The above parts highlight the importance of outward FDI from Thailand in industries that are characterized by the global value chain integration. Thai multinationals with substantial OFDI activities mostly hail from industries whose value chains are globalized across countries, either through a producer- or buyer-driven mechanism. This paper shows that there are qualitatively different characteristics in the ways Thai multinationals from these groups expand abroad. These different patterns lend support to our call that the IB literature on emerging multinationals takes into account the global value chain perspective and integrate how early development within global value chains could affect the subsequent internationalization of firms from smaller developing economies.

We argue that local firms that started first as suppliers in the globally integrated industries use international expansion as a way to increase their value along the value chain of their industries. Because these industries are driven by ‘global lead firms’, which are typically established MNEs from developed economies, developing-country firms have to rely on international expansion to exert more control of their value chains as a central strategy for future growth. Insertion into the global value chains as suppliers may provide an initial step into expanding their global market coverage. Remaining as suppliers, however, would render these local firms from developing economies captive under the control of the global lead firms. International expansion in the direction of the dominant mechanism of the global value chain is therefore necessitated to counteract the control of global lead firms.

The outward investment in electronics and in food from Thailand-listed firms is used as case studies for this paper. Typically known to be low-cost suppliers in both sectors, Thailand has now emerged as home country for OFDI in both electronics and food. How the Thai firms that once served as suppliers alter their position within the global value chains through international expansion is the key focus of this paper. Electronics and food represent two different types of governance structure in the global value chain analysis. Electronics represent the producer-driven sectors, in which the most dominant players are branded manufacturers and platform leaders with advanced technology. The governance of the chain structure for food, on the other hand, is driven by global buyers. The increased globalization and consolidation of the retail industry is believed to strengthen the power of these global buyers in the food sectors. These global lead firms, which are often established MNEs from developed economies, generally capture the bulk of the profit, leaving developing country suppliers squeezed at the lower end of the global value chains.

International expansion toward the direction of the lead firm has been a way that Thai firms undertake to increase its value-added activities. For Delta, international expansion has been used to secure innovation that can allow the Thai subsidiary to improve its position vis-à-vis the firm’s headquarter and lead firm. Likewise, to gain more bargaining power from its main buyers, TUF uses international expansion toward the downstream end of the industry to strengthen its position within the global value chain. Foreign acquisitions have been undertaken to develop more distribution channels and to acquire established brands in the territory previously under the dominant control of their global buyers.

Using international expansion to acquire strategic resources for future development is not new in the literature on MNEs from developing countries. The findings from this paper, however, present an opportunity for a conceptual contribution on the internationalization strategy of developing country MNEs that began their development as low-cost suppliers in globally integrated industries. These emerging multinationals undertake internationalization along the value chain in the direction of the global lead firms. In buyer-driven sectors, international expansion aims to develop more distribution channels and strengthen brand building. On the other hand, attempts toward product development appear to be an important goal for emerging MNEs in producer-driven chains. This paper’s findings reinforce the need to integrate the home-country institutional context to the explanation of the rise of MNEs from developing countries. There is sufficient evidence from this paper that the emergence of these multinationals cannot be understood independently of its broader context of the value chain structure.

From the GVC perspective, this paper points out that insertion into the global value chains do not automatically benefit local firms from developing economies. Although there seems to be a common agreement in the literature that insertion into global value chains, added by the development of local absorptive capacities, would allow firms from developing economies to upgrade themselves. It has also been discussed however that insertion into global value chains can be a two-edged sword. On the one hand, it helps developing-country firms to expand their market coverage through the established networks of global lead firms. On the contrary, this type of relationship can render developing country firms captive and locked-in under the control of the more dominant global lead firms. International expansion in the direction of the dominant firm in its global value chain should therefore be considered as a way to promote further development of firms from developing countries and to counteract the control of global lead firms.

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Table 1: Definitions of business functions

|  |  |  |  |
| --- | --- | --- | --- |
| **Business Function** | | | **Definitions** |
| **Upstream** | |  |  |
|  | 2 | Product or service development | Activities associated with bringing a new product or service to market, including research, marketing analysis, design and engineering. |
|  | 4 | Intermediate input and materials production | The fabrication or transformation of materials and codification of information to render them suitable for use in operations. |
|  | 5 | Procurement | Activities associated with choosing and acquiring purchased inputs. |
|  | 10 | Technology and process development | Activities related to maintenance, automation, design/redesign of equipment, hardware, software, procedures and technical knowledge. |
| **Same operation** | | |  |
|  | 6 | Operations | Activities that transform inputs into final outputs, either goods or services. This includes the detailed management of such operations. (In most cases, operations will equate with the industry code of the establishment or the activity most directly associated with the industry code) |
| **Downstream** | | |  |
|  | 3 | Marketing, sales and account management | Activities to inform buyers, including promotion, advertising, telemarketing, selling, retail management. |
|  | 7 | Transportation, logistics and distribution | Activities associated with transporting and storing inputs, and storing and transporting finished products to customers. |
|  | 12 | Customer and after-sales service | Support services to customers after purchase of good or service, including training, helpdesks, customer support for guarantees and warranties. |
| **Management** | | |  |
|  | 1 | Strategic management | Activities that support the setting of product strategy(i.e. deciding what 'new product development' works on), choosing when and where to make new investments and acquisitions, or sales of parts of the business, and choosing key business partners(e.g. suppliers and service providers) |
|  | 8 | General management and corporate governance | Activities associated with the administration of the organization, including legal, finance, public affairs, government relations, accounting, and general management. |
|  | 9 | Human resource management | Activities associated with the recruiting, hiring, training, compensating and dismissing of personnel. |
|  | 11 | Firm infrastructure | Activities related to building maintenance and ITC systems. |
|  | Investment Company | | Investment company or Holding company. |
| **Unrelated Business** | | | Unrelated business |

Source: adapted from Sturgeon and Gereffi (2009)

Table 2: Top ten OFDI sectors in different periods

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **1998-2001** | | **2002-2005** | | **2006-2009** | |
| **Sector** | **(US$ Mill.)** | **Sector** | **(US$ Mill.)** | **Sector** | **(US$ Mill.)** |
| 1. Energy | 686.47 (34.20%) | 1. Energy | 429.88 (22.37%) | 1. Energy | 1,341.98 (26.61%) |
| 2. Property | 362.78 (18.07%) | 2. Fashion | 269.24 (14.01%) | 2. Construction Material | 839.11 (16.64%) |
| 3. Fashion | 220.22 (10.97%) | 3. Agribusiness | 254.29 (13.23%) | 3. Electronic component | 589.82 (11.70%) |
| 4. Information technology | 175.66 (8.75%) | 4. Electronic component | 237.75(12.37%) | 4. Fashion | 393.72 (7.81%) |
| 5. Electronic component | 160.81 (8.01%) | 5. Property | 199.71 (0.08%) | 5. Petrochem | 361.49 (7.17%) |
| 6. Agribusiness | 126.45 (6.30%) | 6. Information technology | 117.62 (6.12%) | 6. Agribusiness | 320.90 (6.36%) |
| 7. Tourism | 71.81 (3.58%) | 7. Tourism | 79.12(4.12%) | 7. Transport | 275.29 (5.46%) |
| 8. Food | 55.55 (2.77%) | 8. Food | 66.42(3.46%) | 8. Property | 189.82 (3.76%) |
| 9. Commerce | 48.83 (2.43%) | 9. Commerce | 64.55(3.36%) | 9. Commerce | 150.54 (2.99%) |
| 10. Transport | 37.63 (1.87%) | 10. Petrochem | 60.89(3.17%) | 10. Food | 133.78 (2.65%) |

Source: Author’s database

Note: Highlighted parts denote common sectors across periods.

Figure 1: Destinations of top ten outward investing sectors, scaled by percentage of investment value (2009)

Source: Author’s database

Figure 1a: Destinations of top ten outward investing sectors, scaled by investment value (2009)

Source: Author’s database

Figure 2: Ownership structure of top ten outward investing sectors, as of 2009

Source: Author’s database

Figure 3: Activities of top ten outward investing sectors, scaled by percentage of overseas subsidiaries (2009)

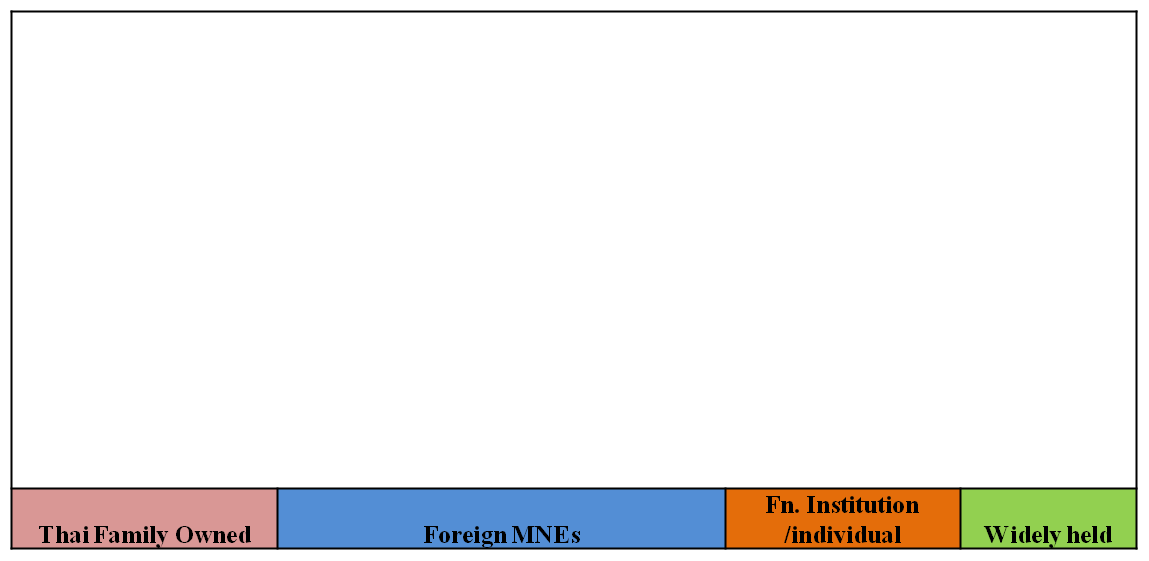
Source: Author’s database

Figure 3a: Activities of Thai firms in different geographical locations, scaled by percentage of overseas subsidiaries (2009)

Source: Author’s database

Figure 4: Ownership, investment value and number of foreign affiliates of electronic MNE

Source: Author’s database



DELTA  
 359.19M.;23

CCET  
133.75M.;5

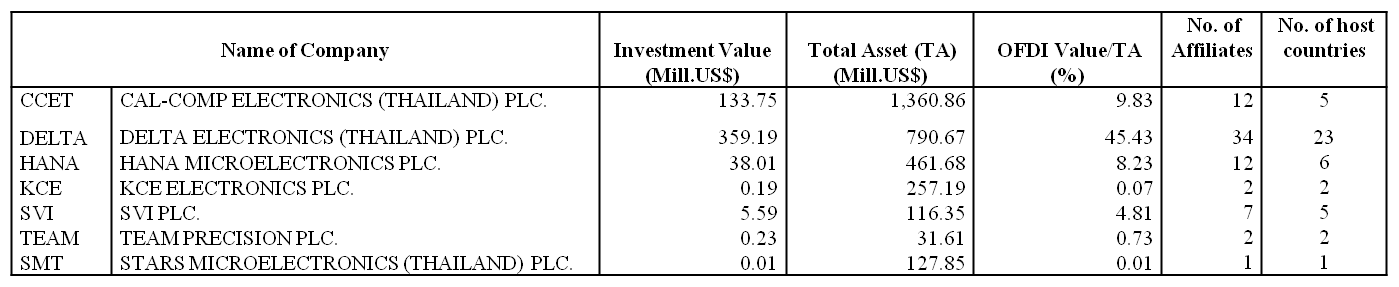
HANA  
38.01M.;6

SVI  
5.59M.;5

TEAM  
0.23M.;2

KCE  
0.19M.;2

SMT  
0.01M.;1



**Table 3: Activities and geographical destinations of electronic firms**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | |  |  |  |
|  |  |  |  |  |
| **Firm/Activities** | **Upstream** | **Same operation** | **Downstream** | **Management** |
|  | **(2+4+5+10)** | **(6)** | **(3+7+12)** | **(1+8+9+11+inv.)** |
| **CCET** | **2(S.Korea1, Taiwan1)** | **4(China4)** | **6(China2, Japan1, Taiwan1, S.Korea1, BVI1)** | **3(Taiwan1, BVI2)** |
| **DELTA** | **9(N.America1, EU6, Non EU1, Brazil1)** | **17(China2,India3,N.America2,EU8, Non Eu1, Brazil1)** | **23(Asean1, China1,HK1,India3,N.America2, EU10,Non Eu2, BVI1, Brazil1, Russia1** | **7(Asean1, EU3, Cayman2, BVI1)** |
| **HANA** | **1(HK)** | **2(Asean, N.Am)** | **3(Macao1, N.America1, BVI1)** | **6(BVI6)** |
| **KCE** |  |  | **2(Asean1, N.America1)** |  |
| **SVI** | **2(China1, HK1)** | **1(China)** | **1(EU1)** | **2(HK1,Tax BVI1)** |
| **TEAM** |  |  | **2(Asean1, EU1)** |  |
| **SMT** |  |  | **1(N.America1)** |  |

Figure 6: Delta’s value chain disaggregation

Value Added

R&D  
Knowledge

Marketing  
Knowledge

Input

Market

**R&D**

* **Power system, Board Mounted Power &other electronics Products (Czech, Spain, Sweden)**
* **Power system, Power supply &Other Electronic Products (Germany, UK)**
* **Power Module(Switzerland)**
* **Power system(USA)**
* **Board Mounted Power(Romania)**

**Manufacturing& OEM   
--Power System (Slovakia, China)**

**--Power System &UPS (Brazil)**

**--Power System, Board Mounted Power & other electronic Products(Czech, Spain, Sweden)**

**Manufacturing  
--Power System (India, Finland, Italy, Poland)  
--Telecom Power System &UPS (USA, India)  
--Electronic Part-Radio Wave (China)**

**--Electronic Products(India)**

**Marketing and Distribution  
--Power System, Power supply & other electronic products (Germany, UK)**

**--Power System, Board Mounted Power & other electronic products (Czech, Spain, Sweden)  
--Telecom Power System& UPS (Brazil)  
--Power System (India, Finland, France, Italy, Poland, Russia, China)  
--Telecom Power System (Slovakia)  
--Power Module (Switzerland)   
--Electronic Products (India)**

**Distribution  
--Telecom Power System &UPS (Turkey, India)  
--Telecom Power System & other electronic Products (Hong Kong)**

**Logistic Service (USA)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Table 4: Details of food and beverage firms** | |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Name of Company** | | **Investment Value** | **Total Asset(TA)** | **Inv. Value/TA** | **No.of Affiliates** | **No.of host countries** |
|  |  | **(Mill.US$)** | **(Mill.US$)** | **(%)** |  |  |
| KSL | KHON KAEN SUGAR INDUSTRY PUBLIC COMPANY LIMITED | 30.69 | 600.41 | 5.11 | 4 | 3 |
| MALEE | MALEE SAMPRAN PUBLIC COMPANY LIMITED | 0.05 | 62.82 | 0.08 | 1 | 1 |
| MINT | MINOR INTERNATIONAL PUBLIC COMPANY LIMITED | 34.72 (10.25)\* | 825.51 | 4.21 | 56 | 14 |
| S&P | S & P SYNDICATE PUBLIC COMPANY LIMITED | 0.61 | 80.42 | 0.76 | 8 | 5 |
| SORKON | S.KHONKAEN FOOD INDUSTRY PUBLIC COMPANY LIMITED | 0.18 | 29.20 | 0.60 | 1 | 1 |
| TF | THAI PRESIDENT FOODS PUBLIC COMPANY LIMITED | 3.79 | 248.39 | 1.53 | 4 | 2 |
| TIPCO | TIPCO FOODS (THAILAND) PUBLIC COMPANY LIMITED | 0.03 | 136.38 | 0.02 | 1 | 1 |
| TUF | THAI UNION FROZEN PRODUCTS PUBLIC COMPANY LIMITED | 48.67 | 1,047.40 | 4.65 | 14 | 7 |
| TVO | THAI VEGETABLE OIL PUBLIC COMPANY LIMITED | 10.94 | 268.05 | 4.08 | 2 | 2 |
| TWFP | THAI WAH FOOD PRODUCTS PUBLIC COMPANY LIMITED | 3.50 | 28.32 | 12.36 | 1 | 1 |

\* value of international investment in restaurant business of MINT

Figure 7: Ownership, investment value and number of affiliates of food MNEs

|  |  |  |  |
| --- | --- | --- | --- |
| MINT  34.72M.;56  TUF  48.679M.;14  KSL  30.699M.;4  TVO  10.94M.;2  TF  3.79M.;4  SORKON 0.18M.;1  TIPCO 0.03M.;1  S&P  0.61M.;8 |  |  |  |
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|  |  |  |  |
|  |  | TWFP 3.50M.;1 |  |
|  |  | MALEE 0.05M.;1 |
|  |  |
|  |  |
|  |  |  |  |
| **Thai Family Owned** | **Foreign MNEs** | **Fn.Institution/individual** | **Widely held** |

Table 5: Activities and geographical destinations of Thai food multinationals

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Firm/Activities** | **Upstream** | **Same operation** | **Downstream** | **Management** |
|  | **(2+4+5+10)** | **(6)** | **(3+7+12)** | **(1+8+9+11+inv.)** |
| KSL | 2(Laos, Cambodia) | 2(Laos, Cambodia) | 1(Mauritius) | 1(Mauritius) |
| MALEE |  |  | 1(USA) |  |
| MINT |  | 19(Vietnam, Indonesia, Malaysia, Hongkong, China, Sri Lanka, Maldives, UAE, BVI, Mauritius, Australia, Tanzania) |  | 23(Singapore, Malaysia, BVI, Mauritius, Australia) |
| MINT(Restaurant) |  | 14(Cambodia, Malaysia, Singapore, China, Australia) |  |  |
| S&P |  | 8(Singapore, China, Taiwan, UK, Switzerland) |  |  |
| SORKON |  |  | 1(Poland) |  |
| TF | 3(China) | 1(Cambodia) |  |  |
| TIPCO |  |  | 1(USA) |  |
| TUF\* | 5(India,USA,Ghana,Papua New Guinea) | 9(Indonesia, India, USA,Vietnam,France, Seychelles, Portugal, Ghana) | 21(Vietnam, Singapore, Indonesia, China, India, USA, France,Seychelles, Portugal, Italy, UK, Netherland) | 10(USA, Papua New Guinea, France, Mauritius, Luxembourg, UK) |
| TVO |  | 1(China) | 1(China) | 1(Mauritius) |
| TWFP |  | 1(Vietnam) | 1(Vietnam) |  |

\* based on 2010 data

Figure 8: TUF’s value chain disaggregation

Value Added

R&D  
Knowledge

Marketing  
Knowledge

Input

Market

**Distribution**

**--Canned Tuna/Canned Seafood(US, Vietnam, Seychelles x2, France, Italy, UKx2, Netherland)**

**--Frozen Seafood (Indiax2, US, Indonesia, US, China)**

**--Feed Mills (India x2, US)**

**Wholesales, Import &Export (Singapore, UK)**

**Manufacturing  
--Canned Tuna/ Canned Seafood (US, Vietnam, France, Portugal, Indonesia, Ghana, Seychelles)**

**--Frozen shrimp (Indiax2)**

**--Feed Mills (Indiax2, US)**

**Fishing (Papua New Guinea, Ghana)**

1. Although debates still continue whether the ‘third wave’ is actually an ‘advanced version of the second wave’ (see Narula 2010), this paper uses the ‘wave’ explanation as a chronological order that describes the emergence of OFDI from developing economies. [↑](#footnote-ref-1)
2. Proponents of this view have established an official website that explains key concepts of the global value chain perspective, as well as provides information on research work undertaken on the theme. See [www.globalvaluechains.org](http://www.globalvaluechains.org). [↑](#footnote-ref-2)
3. SEC Announcement Number Kor Chor 40/2540 on Financial Statements and Operation Disclosure of listed firms, see <http://capital.sec.or.th/webapp/nrs/data/2533s.pdf>. [↑](#footnote-ref-3)
4. The thirteen categories are: risk factors; description of business activities; description of lines of business activities; research and development; assets used for business activities; future projects; legal disputes; capital structure; management; internal control measures; intra-firm transactions; financial and operational statements; and other relevant information. [↑](#footnote-ref-4)
5. The 20 per cent cut-off rate is based on the Thai Accounting Standard no. 45, which states that an investor holds a ‘significance influence’ in an investee when the investor controls more than 20 per cent of the voting power (see details at www.fap.or.th). [↑](#footnote-ref-5)
6. The Thai Accounting Standard No. 44 (revised in 2007) refers to a *‘subsidiary’* as an entity ‘that is controlled by another entity (known as the dominant or parent). It is presumed that there is control when the parent owns, directly or indirectly through other subsidiaries, more than half the voting power of another entity.’ An ‘*associate’* is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. It is presumed that an investor has significant influence when the investor holds, directly or indirectly (e.g. through subsidiaries), 20 per cent or more of the voting power of investee. All Thai Accounting Standards are available from the website of Thailand’s Federation of Accounting Professions at [www.fap.or.th](http://www.fap.or.th). [↑](#footnote-ref-6)
7. To ensure the dataset accuracy, we check names of overseas subsidiaries and associates obtained from part two of the 56-1 form against notes to consolidated financial statements, which are submitted separately to the SET. Although listed firms are required to include financial statements of their subsidiaries and associates in their consolidated accounts, there is no requirement to separate the information of overseas subsidiaries and associates from domestic ones. This may hinder the accuracy of the overseas investment value. [↑](#footnote-ref-7)
8. One exception is Minor International (MINT), which was founded by William E. Heinecke, an American who has lived in Thailand since 1963. In 1991, he became a Thai citizen and therefore MINT is considered to be under Thai family ownership. [↑](#footnote-ref-8)
9. Although the Minor Group also ranks high in terms of OFDI, MINT groups together three types of businesses: food; hotel; and retail trading (see [www.minornet.com](http://www.minornet.com)). The majority of their overseas investment is from their hotel operations. Although their overall overseas investment ranked the highest in the food & beverage category, investment in their food (restaurant) business along was estimated at US$ 10.25m. [↑](#footnote-ref-9)