

THE INFLUENCE OF CHINA'S FOREIGN DIRECT INVESTMENT ON THE ECONOMIC DEVELOPMENT OF THAILAND

CHAPTER ONE INTRODUCTION

1.1 Research background

The economic and trade cooperation between China and Thailand dates back to ancient times. After the Second World War ended, China and Thailand signed a friendship treaty, and there was a mutual exchange between the first diplomatic representative and the consular exchange. After the founding of New China, the trade between China and Thailand was not interrupted by ideological differences. Then the outbreak of the Korean War led Thailand to stop the economic and trade exchanges with China in accordance with UN resolutions. Until 1975, when China and Thailand established diplomatic relations again, the number of trade between the two countries continued to increase. At present, China is Thailand's second largest trading partner. The economic and trade cooperation between the two countries has shown a trend of diversification in recent years.

After nearly 40 years of reform and opening up, China's economic construction has made great achievements. However, because of the rising labor cost in China in recent years, the rising prices of various production factors and the "go out strategy" proposed by the Chinese government actively encourage and support the further expansion of the investment in Thailand by the powerful Chinese enterprises on the basis of equality and mutual benefit. For example, due to the settlement of Thailand's infrastructure and frequent natural disasters in recent years, Chinese enterprises have taken an active part in Thailand's post disaster reconstruction and renovation of water conservancy system. Therefore, more Chinese enterprises choose to invest in Thailand. According to the statistics of the 2007 world financial crisis, the bilateral cooperation between China and the ASEAN free trade area is closer. The investment of Chinese enterprises to Thailand is very significant, and it is of great significance to the stable development of Thailand.

In addition, in 2014 the Chinese government advocated "One Belt and One Road", which also put Thailand into the Chinese "Belt and Road Construction", Chinese government organized to found the Asian infrastructure investment bank,

which is of great significance for Thailand's infrastructure construction, agriculture, manufacturing, processing and many other fields. In order to better attract Chinese enterprises to invest in Thailand, the Thailand Investment Promotion Committee attracts more and more Chinese enterprises to invest in Thailand through equity acquisition and green field investment.

1.2 Research purpose

As is known to many people that the economic development of a certain country is influenced by many factors, including the labor input, the capital input etc. It is believed by the academic field that the increase of savings rate or the foreign direct investment (abbr. FDI) will have a positive impact on the economic development of a country. The paper therefore wants to use the data and the related theories to explore whether the FDI of China has such positive impact on the economic development of Thailand.

1.3 Research significance

The theory of economic growth holds that capital is an important factor affecting the economic growth of a country and region, and attracting foreign direct investment is a direct driving force for the economic growth of developing countries. In the process of economic globalization in twenty-first Century, the flow of international capital is faster. Both developed and developing countries have taken foreign investment as an important factor affecting the employment and economic growth. For the middle and low income developing countries such as Thailand, it is necessary to actively attract foreign investment to promote economic development. With the impetus of economic globalization and economic integration, the economic ties of all countries in the world are constantly strengthening, and the international competitiveness and opening to the outside world of a country have become an important symbol of the level of economic development, and actively attracting FDI has become an important way to actively integrate into the global economic activities.

After the international financial crisis in 2007, Thailand's economic and society encountered some difficulties, such as military coup, frequent natural disasters and so on, which, to some extent, affected the social and economic development of Thailand. For Thailand, there is a short time to attract a large amount of FDI inflow, to solve the shortage of economic development funds, to fill the shortage of domestic investment, to improve the economic development level of Thailand in a short time, on the other

hand, to provide a large number of jobs in direct foreign investment, to reduce the unemployment rate in Thailand and to make the situation in Thailand more difficult. More importantly, through foreign direct investment, Thailand may transform from an agricultural country to an industrial country and realize the miracle of China's reform and opening up. Therefore, the analysis of the current situation of China's direct investment in Thailand and the impact of China's direct investment in Thailand has a theoretical and practical significance for continuing to attract and promote the investment of Chinese enterprises in Thailand.

1.4 Research framework

The first chapter is introduction. Through the relevant background and knowledge introduction, the background and significance of the research chosen in this paper are derived, the content and methods are studied, the framework of the paper, as well as the innovations and deficiencies.

The second chapter is the literature review, which includes the relevant theory of foreign direct investment and the theoretical review of foreign direct investment on economic growth.

The third chapter is a description of the investment that China has in Thailand, which also includes the characteristics of the industries.

The fourth chapter is an empirical analysis of China's economic growth in Thailand. Through the causality test, this chapter finds that China's FDI has a significant impact on Thai economic growth. After the empirical analysis, the paper finds that China's economic growth in Thailand has a lagged effect, which is in line with the economic laws.

Chapter five concludes the conclusion and policy recommendations through the results of this study.