

Wachiraporn Bhugate 2014: Determinants of Japanese Direct Investment in Transportation Equipment Industry: A Comparison between Thailand and Indonesia. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Miss Piyaphan Changwatchai, Ph.D. 108 pages.

The first objective of this research is to study general status of Thailand and Indonesia, as well as Japanese Direct Investment (JDI) in transportation equipment industry of Thailand and Indonesia. The findings reveal that Thailand's economy relies on international trade more than Indonesia. Thailand has good infrastructure ready for foreign investors. Thailand's labor productivity is higher than Indonesia. In addition, Thailand and Indonesia have been promoting automotive manufacturing. Moreover, the study finds that JDI in transportation equipment industry of Thailand is higher than Indonesia from 2005 to 2011. On the other hand, JDI in transportation equipment industry of Thailand is lower than Indonesia in 2012.

The second objective of this research uses the Pooled OLS estimation to analyze the determinants of JDI in transportation equipment industry of Thailand and Indonesia. The secondary data from 1989 to 2012 were analyzed. The empirical results show that real Gross Domestic Product (real GDP) of Japan, real GDP of the host country in the past, and degree of openness in transportation equipment industry of the host country have positive effect on JDI in transportation equipment industry of Thailand and Indonesia. On the other hand, real wage of the host country has negative effect on JDI in transportation equipment industry of Thailand and Indonesia. The study also finds real wage has more effect on JDI to Thailand. Moreover, the results show that degree of openness in transportation equipment industry has more effect on JDI to Indonesia.

Therefore, the government should increase wage by considering labor productivity. The policy maker should encourage skill enhancement of workers. In addition, the government should support the entrepreneurs to improve the quality of the product in order to meet the international standard.

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Thesis Advisor's signature