



An Analysis of Determinants Influencing Thailand's Outward Foreign Direct Investment in BRICS Countries

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Abstract

This study aims to analyze the factors influencing Thailand's outward foreign direct investment (OFDI) in BRICS countries by examining both pull and push factors. A quantitative research approach was employed using Panel Regression for pull factors and a Vector Autoregressive (VAR) model for push factors, based on data from 2005 to 2022 obtained from secondary sources, including the World Bank, the Bank of Thailand, and the World Development Indicators (WDI). The findings indicate that among the pull factors, the Rule of Law Index (RL) and Gross Domestic Product (GDP) in host countries have positive and statistically significant influences on Thailand's OFDI, suggesting that legal stability and market size are primary determinants for investment decisions. Trade openness (OPEN) showed a positive but not statistically significant effect. For the push factors, none of the domestic variables were statistically significant, but lagged OFDI values in the VAR model consistently demonstrated positive and significant impacts, highlighting strong path dependency in Thailand's outward investment. These results suggest that Thai firms prioritize host-country institutional quality and economic conditions, while domestic economic and political factors play a lesser role in shaping OFDI flows in the short term.

Keywords: 1) Foreign Direct Investment (FDI) 2) Emerging Markets 3) BRICS 4) Pull Factors 5) Push Factors

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Introduction

Outward foreign direct investment (OFDI) plays a significant and necessary role in national development, as it contributes to the rapid expansion of the global economy (Faeth, 2009, pp. 165-166). It enables countries to restructure their economic systems to become more competitive and resilient, promotes the stability of financial systems and exchange rates, and generates a variety of trade - related benefits. These benefits include: Market expansion - through the pursuit of new markets or the preservation of existing market shares; Access to cheaper raw materials and labor-which are essential for driving economic systems and allow firms to shift employment to lower-wage countries through FDI (Chemsripong, 2021, pp. 1-3; Emako, et al., 2022, pp. 72-73); Financial risk diversification - international investment helps balance capital inflows and outflows, which in turn fosters the rapid development of domestic financial markets; Mitigation of political risk - as political conditions and institutional quality in host countries significantly influence investment decisions (Jadhav and Katti, 2012, pp. 50-51; (Shah and Afridi, 2015), pp. 31-33; Bouchoucha and Benammou, 2018, pp.2-4; Sabir, et al. 2019, pp. 1-3; Aloui, 2019, pp. 3-4). Countries with weak institutions and poor investor protection are less likely to attract foreign capital, whereas those with strong institutions and effective legal safeguards are more likely to do so. Technology transfer and knowledge dissemination-outward FDI serves as a vehicle for acquiring advanced technologies and innovations from host countries, which can then be adapted domestically to

support national economic development. (Chanphen, 2014, p. 2).

At the national level, outward foreign direct investment (FDI) offers several critical benefits. First, it facilitates the restructuring of a country's economy to enhance its competitiveness and adaptability in the context of a globalized world economy. Second, it promotes balanced capital mobility, which contributes to greater exchange rate stability and a more resilient financial system, thereby supporting long - term sustainable growth. Third, outward FDI generates additional advantages such as trade opportunities and the development of domestic financial markets (Bank of Thailand, 2023). In this regard, FDI plays a strategic role in global resource allocation, production expansion, market integration, and the diffusion of technology. Emerging markets, in particular, have become key targets for investment due to their unique structural characteristics. As noted by Poonsathienrat (2022, p. 38), these countries exhibit: Higher economic growth rates (GDP) than developed markets-typically exceeding 3%, compared to 2% in the United States and 1 – 1.4% in Japan (World Bank, 2023, p. 5). For example, China recorded a 3% GDP growth rate in 2022, while India achieved growth between 7% and 9% (World Bank, 2023, p. 6). These higher growth rates are often supported by larger market sizes and population bases, particularly in the working-age demographic, which drives purchasing power and consumption. The rising demand for upward mobility among these populations further stimulates economic momentum beyond that of developed countries.



Stronger development fundamentals, such as lower public debt-to-GDP ratios and higher foreign currency reserves, provide additional economic stability. This contrasts with many developed countries, which typically face higher debt burdens (Poonsathienrat, 2022, p. 52).

Given the aforementioned characteristics, the BRICS group has emerged as one of the most prominent and influential clusters of emerging markets. BRICS-comprising Brazil, Russia, India, China, and South Africa-is a coalition of five major developing economies that exert considerable influence in both regional and global economic and political spheres (International Institute for Trade and Development, 2017, p. 43). These countries have demonstrated rapid economic growth, technological advancement, and increasing geopolitical importance, positioning BRICS as a critical bloc in the global economy. O'Neill (2001, pp. 1-3) and Singh (2013, pp. 205-206) predicted that the BRICS countries would become key players in the future global economic order. In a similar forecast, Wilson and Purushothaman (2003, pp. 1-3) projected that by the year 2050, the BRICS nations would evolve into major industrialized and advanced economies, shaping the structure of global trade and investment. Originally formed in 2001 as "BRIC," the group included Brazil, Russia, India, and China. The first six joint summits were held among these four countries. In December 2010, South Africa was officially invited to join the group, and since then, the coalition has been recognized as "BRICS" (International Institute for Trade and Development, 2017, p. 74).

Together, the BRICS countries repre-

sent a combined population of approximately 3.6 billion people, or 42% of the world's population, and account for around USD 16.6 trillion, or 22% of global GDP. With their massive market size and high growth potential, BRICS economies have become increasingly attractive destinations for countries seeking to expand their trade balance and outward foreign direct investment (FDI). Thailand's outward FDI into BRICS is not evenly distributed but concentrated in key industries such as energy, petrochemicals, agribusiness, automotive, and financial services. These industries are particularly sensitive to political determinants (e.g., rule of law, control of corruption, political stability), economic determinants (e.g., cost of production, GDP, exchange rate, labor force, inflation), and trade-related determinants (e.g., infrastructure, trade openness). For instance, investments by Thai agribusiness firms in China and India are heavily influenced by market size and labor force availability, whereas investments in Brazil's ethanol and Russia's energy sector are shaped by both natural resource endowments and institutional quality (Suporn and Bunyavejchewin, 2025, pp. 7-9). This industry-level evidence underscores the need to examine determinants of Thailand's OFDI through the lens of both sectoral and macro-economic contexts in BRICS economies.

These developments raise a key research question: What are the critical factors that determine Thailand's decision to invest directly in BRICS countries. Accordingly, the objective of this study is to examine the pull and push factors that influence Thailand's outward FDI into these emerging economies. The next

sections will present a comprehensive review of relevant theories and literature, outline the research methodology, and discuss the empirical findings, analysis, and policy recommendations derived from the study. Despite extensive research on the determinants of FDI (Blonigen, 2005, pp. 383-384; Buckley, et al., 2007, pp. 499-500; Jadhav and Katti, 2012, pp. 49-50), few studies have specifically analyzed Thailand's outward FDI in BRICS economies by systematically integrating political, economic, and trade factors as both push and pull determinants. Existing literature has often focused either on macro-level variables or on case-specific industry studies, but has rarely combined these perspectives. This creates a significant research gap, particularly in understanding how determinants such as governance quality, cost structures, and infrastructure jointly shape Thailand's outward FDI decisions in emerging markets. By addressing this gap, the present study contributes to the academic discourse by providing an integrated framework that captures both macroeconomic and industry-specific dynamics. In doing so, it advances theoretical understanding of South-South investment flows and offers practical implications for Thai policymakers and firms seeking to optimize FDI strategies in BRICS countries.

Literature Review

Foreign direct investment (FDI) is characterized by a long - term relationship that reflects the investor's lasting interest and significant influence in a foreign entity (United Nations Conference on Trade and Development (UNCTAD), 2000, pp. 297-298). FDI is

widely recognized as essential for national development, playing a pivotal role in accelerating global economic growth (Faeth, 2009, pp. 165-166). Equally important are the factors that determine outward FDI, which have been extensively examined in the literature. For instance, Liu (2020, pp. 1063-1064), in a study titled Outward Foreign Direct Investment from China to ASEAN, analyzed the key determinants of Chinese FDI in ASEAN countries. The study found that market size, inflation, labor force, infrastructure, and trade openness significantly influenced China's decision to invest in the region. In contrast, exchange rates and interest rates were found to have no significant effect. Liu's findings are consistent with those of Kamal, et al. (2014, pp. 110-111), who studied Trends and Determinants of China's OFDI in Asia. Kamal identified GDP growth, moderate inflation, natural resources, financial development, internet access, political stability, and corruption perception as influential factors in determining China's FDI across Asia. These findings underscore the multidimensional nature of FDI determinants, which encompass not only economic indicators but also institutional and political factors. In particular, political risk has been highlighted as a critical consideration for investors. Kim (2010, pp. 59-60), in a study entitled Political Stability and Foreign Direct Investment, found that higher scores on corruption indices (i.e., lower levels of perceived corruption) significantly enhance a country's attractiveness to foreign investors. Taken together, the literature suggests that FDI is influenced by a combination of political, economic, and trade-related factors, and that



host country institutional quality - especially in terms of governance, transparency, and macroeconomic conditions - plays a central role in shaping investment flows.

Based on the literature review, this study employs the Eclectic Theory of International Production, commonly known as the OLI Paradigm, proposed by Dunning (1993, pp. 79-81), as the core theoretical framework for analyzing the determinants of outward foreign direct investment (FDI). This theory explains a country's motivation for international investment based on three key advantages: Ownership-specific advantages (O) – These include proprietary capabilities such as technology, management expertise, and access to global markets, which provide firms with competitive advantages when investing abroad. Location-specific advantages (L) – These refer to the benefits of investing in specific host countries, such as the availability of natural resources, larger market size, and higher purchasing power due to consumer demand. Internalization advantages (I) – These are the benefits of internalizing operations rather than outsourcing or licensing, particularly when firms seek to maintain control over resources and production processes in foreign markets (Chemsriping, 2021, pp. 2-3).

Dunning (2001, pp. 176-178) later extended the theory by identifying three categories of pull factors that attract FDI: government policy and investment incentives, economic conditions, and ease of doing business. The OLI paradigm has been widely applied in empirical research. A review of 20 relevant studies - including Dash (2021, pp. 73-74), Soussane et al.

(2022, pp. 1-2), Kamga, et al. (2022, pp. 1-2), Kwablah (2022, pp. 127-128), Aloui (2023, pp. 131-132), Gopalan (2021, pp. 111-112), Xue et al. (2022, pp. 473-474), Bouchoucha (2023, pp. 193-194), Bhasin and Kapoor (2021, pp. 1533-1534), Parakkal, et al. (2023, pp. 193-194), Emako, et al. (2022, pp. 72-73), Nguyen, et al. (2022, pp. 2-3), Chemsriping (2021, pp. 2-3), Kamal, et al. (2014, pp. 113-114), Panthamit and Chaiboonsri (2020, pp. 134-135), Verma and Brennan (2009, pp. 75-77), and Rasiah, et al. (2010, pp. 336-337) - confirms that the OLI paradigm remains a foundational theory for analyzing FDI determinants. In addition, the Monopolistic Advantage Theory proposed by Hymer (1960, pp. 27-28) and Kindleberger (1969, pp. 40-41) is often used in conjunction with the OLI paradigm. This theory posits that firms invest abroad to exploit competitive advantages over local firms, rather than limiting the use of such advantages to domestic operations. Several studies (Soussane, et al., 2022, pp. 2-3; Xue, 2022, pp. 474-475; Bhasin and Kapoor, 2021, pp. 1533-1534; Emako, et al. (2022, pp. 72-73); Rasiah, et al. (2010, pp. 336-337) highlight the importance of monopolistic advantages and economies of scale as key drivers of international investment decisions. Furthermore, push factors from home countries also play a significant role in shaping outward FDI behavior. The Push Factor Theory for Developing Countries, proposed by Banga (2004, pp. 196-197, 203-204) and supported by Nguyen, et al. (2022, pp. 2-3), identifies three primary push dimensions: Trade-related push factors – firms seek access to important markets for local production and distribution;

Capability-driven push factors – investments abroad allow firms to acquire new technologies and knowledge; Domestic structural constraints – such as weak infrastructure, rigid labor regulations, high capital costs, and small domestic markets, which drive firms to seek opportunities abroad. Together, these theoretical frameworks provide a comprehensive basis for analyzing both pull factors in host countries and push factors from the home country that influence Thailand's outward FDI, particularly in the context of emerging markets such as the BRICS nations.

Several studies conducted in the Thai context have examined the determinants of outward foreign direct investment (OFDI). Panthamit and Chaiboonsri (2020, pp. 129–131, 136–137) investigated the factors influencing China's OFDI to five countries in the Greater Mekong Subregion. The study identified economic factors (e.g., GDP, exchange rates) and political factors (e.g., political stability, domestic legal frameworks) as significant determinants of investment decisions. Applying the OLI Paradigm (Dunning, 2001, pp. 176-178), the study found that internal factors included ownership-specific advantages, such as strong and well-recognized branding, and internalization advantages, such as effective internal management and operational control. External factors, or location - specific advantages, were categorized into three subdimensions: FDI-promoting policy frameworks in the host country, favorable macroeconomic conditions, and ease of doing business.

These studies affirm that the OLI Paradigm remains relevant for explaining Thai firms'

outward investment behavior and highlight the importance of both firm-level capabilities and institutional conditions in host countries.

Research Methodology

This study employs a quantitative research approach to investigate the pull and push factors that influence Thailand's outward foreign direct investment (FDI) in BRICS countries. The selection of variables is based on an extensive review of relevant literature and theoretical frameworks. The analysis utilizes secondary data in the form of panel data, covering a 18-year period from 2005 to 2022, to assess the determinants of Thailand's FDI in the BRICS bloc. The empirical estimation applies either the Pooled Ordinary Least Squares (Pooled OLS) regression model or the Panel OLS regression model, depending on which is more appropriate based on the results of Hausman test. This test is used to identify the optimal model specification for analyzing panel data. The data were collected from internationally recognized and reliable sources, including the Bank of Thailand (BOT), World Bank, Worldwide Governance Indicators (WGI), and World Development Indicators (WDI). The selected time frame from 2005 to 2022 ensures sufficient variation across time and countries, allowing for a robust and comprehensive analysis of the factors affecting Thailand's outward FDI in BRICS economies.

The variables used in this study are classified into two categories: pull factors (positively influencing outward FDI into BRICS countries) and push factors (negatively influencing outward FDI into BRICS countries),,



which influence Thailand's outward foreign direct investment (FDI) to BRICS countries.

1. Pull Factors (Factors in BRICS countries), these are host country attributes that attract Thai investment, categorized into three dimensions: Political Factors, Rule of Law Index (RL) – reflects the legal framework, justice, and regulatory fairness. Control of Corruption (CC) – indicates the level of transparency and anti-corruption effectiveness. Political Stability Index (PS) – measures the stability of the political environment. Economic Factors, Production Costs – represented by the minimum wage (CS) in BRICS countries. Gross Domestic Product (GDP) – economic growth of BRICS countries. Exchange Rate (EX) – currency exchange rates of BRICS countries. Labor Force (LF) – size of the workforce in BRICS countries. Inflation (INF) – measured by the Consumer Price Index (CPI). Trade-Related Factors, Infra-structure (INFAC) – such as internet access and connectivity. Trade Openness (OPEN) – measured by the ratio of exports and imports to GDP. 2. Push Factors (Factors in Thailand), these are home country conditions that may push Thai investors to seek opportunities abroad, also grouped into three dimensions: Political Factors, Rule of Law Index (RL) – legal structure and regulatory fairness in Thailand. Control of Corruption (CC) – governance transparency in Thailand. Political Stability Index (PS) – domestic political stability. Economic Factors, – Minimum wage (CS) in Thailand. Gross Domestic Product (GDP) – economic growth of Thailand. Exchange Rate (EX) – Thailand's currency exchange rate. Inflation (INF) – measured by CPI in Thailand. Trade-Related Factors, Infrastructure (INFAC)

– reflecting Thailand's capacity for trade and logistics.

Model 1: Pull Factors Affecting Thailand's Outward FDI to BRICS Countries.

$$\ln OFDI = \alpha + \beta_1 RL_{it} + \beta_2 CC_{it} + \beta_3 PS_{it} + \beta_4 CS_{it} + \beta_5 GDP_{it} + \beta_6 EX_{it} + \beta_7 LF_{it} + \beta_8 I_{it} + \beta_9 INFAC_{it} + \beta_{10} OPEN_{it} + \epsilon_{it}$$

OFDI: The value of Thailand's outward foreign direct investment to BRICS countries. α (alpha): Constant term in the regression model. Rule of Law Index (RL): An index measuring the degree to which legal frameworks, regulations, and fairness are upheld in BRICS countries. Control of Corruption (CC): An index reflecting the level of transparency and the extent to which public power is exercised for private gain in BRICS countries. Political Stability (PS): An index indicating the political stability and absence of violence or terrorism in BRICS countries. Minimum Wage (CS): Annual minimum wage in each BRICS country, representing production costs. Gross Domestic Product (GDP): The total market value of all goods and services produced in BRICS countries, used as a measure of economic growth. Exchange Rate (EX): The foreign exchange rate of each BRICS country's currency relative to the US dollar. Labor Force (LF): The percentage of the population aged 15 and older that is part of the labor force in BRICS countries. Inflation Rate (INF): Measured using the Consumer Price Index (CPI), indicating the rate of price changes in BRICS countries. Infrastructure (INFAC): Proxy variable for infrastructure development, measured by the internet penetration rate in BRICS countries. Trade Openness (OPEN): The sum of exports and imports as a percentage of GDP in

BRICS countries. Epsilon (ϵ): Error term capturing unexplained variation in the regression. i : Cross-sectional index indicating the individual country. t : Time index referring to the year of observation.

Model 2: Push Factors Determining Thailand's Outward FDI to BRICS Countries.

Model 2 specifies the push factors determining Thailand's outward foreign direct investment (OFDI) to BRICS countries within a vector autoregressive (VAR) framework in first differences. The general form of the model is expressed as

$$\Delta Y_{it} = \alpha + \sum_{p=1}^p A_p \Delta Y_{it-p} + \epsilon_{it}$$

$$\Delta Y_{it}^{political} = \begin{bmatrix} \Delta RL_{it} \\ \Delta CC_{it} \\ \Delta PS_{it} \end{bmatrix} \text{ for political factors}$$

$$\Delta Y_{it}^{economic} = \begin{bmatrix} \Delta CS_{it} \\ \Delta EX_{it} \\ \Delta INF_{it} \\ \Delta GDP_{it} \end{bmatrix} \text{ for economic factors}$$

$$\Delta Y_{it}^{commercial} = [\Delta INFAC_{it}] \text{ for commercial factors}$$

where ΔY_{it} is the vector of first-differenced variables, α denotes the constant term, A_p represents the coefficient matrix of lag p , and ϵ_{it} is the error term. The index i refers to the BRICS host country and t denotes the year of observation. The dependent variable is the natural logarithm of Thailand's outward FDI (lnOFDI), while the explanatory variables are grouped into political, economic, and commercial factors in line with the push factor framework.

Political factors are represented by the rule of law (RL), control of corruption (CC), and political stability (PS). The rule of law index captures the degree of confidence in and adherence to the legal system, including

contract enforcement and property rights. The control of corruption index reflects the extent to which public power is exercised for private gain, including both petty and grand corruption. Political stability is measured by an index that assesses the likelihood of political unrest or politically motivated violence. Economic factors are proxied by gross domestic product (GDP), the exchange rate (EX), and the inflation rate (INF). GDP measures the total market value of all goods and services produced in Thailand and is commonly used as an indicator of economic growth. The exchange rate is defined as the bilateral exchange rate between the Thai baht and the US dollar, while inflation is measured using the Consumer Price Index (CPI), reflecting changes in the general price level. The specification of Model 2 follows a vector autoregressive (VAR) framework in first differences, which is inherently a time series model as it captures the dynamic interrelationships among variables over time. The model incorporates lagged values of the endogenous variables, thereby reflecting temporal dependence and allowing the analysis of short-run dynamics across political, economic, and commercial push factors influencing Thailand's outward FDI to BRICS countries.

The outward foreign direct investment (OFDI) variable is transformed into its natural logarithmic form (lnOFDI) for both methodological and interpretative purposes. First, OFDI data are typically highly skewed, with considerable variation across countries and over time. The logarithmic transformation reduces skewness and brings the distribution closer to normality, which is preferable for econometric



estimation. Second, it stabilizes the variance of the series and mitigates potential heteroskedasticity, thereby improving the robustness of the regression results. Third, the use of the natural logarithm facilitates interpretation of the estimated coefficients in terms of percentage changes rather than absolute levels, enhancing the economic relevance of the findings. Finally, the log transformation minimizes the influence of extreme values or outliers, which are common in FDI data, ensuring that the results are not disproportionately driven by unusually large observations.

The variables Rule of Law Index (RL), Control of Corruption (CC), and Political Stability (PS) are obtained from the World Development Indicators (WDI) published by the World Bank. These indices are widely used proxies for institutional quality and governance effectiveness. Higher scores indicate stronger governance—such as more effective law enforcement, lower corruption, and greater political stability—while lower scores reflect weaker institutions and higher governance-related risks.

The stationarity of the dataset was first assessed using standard unit root tests. The stationarity of the independent and dependent variables was examined using the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests. Based on the p-values compared with the 0.05 and 0.10 significance levels, most pull-factor variables were found to be non-stationary in their level form, including rule of law index (RL), control of corruption (CC), political stability (PS), minimum wage (CS), gross domestic product (GDP), exchange rate (EX),

inflation rate (INF), and infrastructure (INFAC). These variables retained unit roots across both tests. In contrast, inflation (INF) was stationary under both methods (ADF $p = 0.0000$; PP $p = 0.0001$), while trade openness (OPEN) exhibited stationarity with slight differences across tests (ADF $p = 0.0328$; PP $p = 0.0722$).

For the push factors, most variables were initially non-stationary in their level form, including the rule of law index (RL), control of corruption (CC), political stability (PS), minimum wage (CS), gross domestic product (GDP), infrastructure (INFAC), exchange rate (EX), and inflation rate (INF). Some variables exhibited mixed results, being stationary under either the ADF test ($p < 0.05$) or the PP test ($p < 0.05$), indicating sensitivity to the choice of unit root test. To ensure the validity of the VAR model, all non-stationary variables were transformed into stationary series through first differencing prior to estimation. Subsequently, the independent variables were examined for multicollinearity. The results of the analysis indicated that the correlations among all independent variables (both pull factors and push factors) were all ≤ 0.90 , which is below the commonly accepted critical threshold (Hair, et al., 2019, pp. 15-16), indicating that multicollinearity is not a serious concern.

The panel data analysis employed three estimation approaches: the Pooled Regression Model, the Fixed Effects Model, and the Random Effects Model. The Intra-class Correlation Coefficient (ICC; ρ) was calculated based on the Random Effects specification to assess the proportion of variance attributable to between-entity heterogeneity relative to

the total variance. The ICC is used as an indicator of whether the panel structure is meaningful, thereby justifying the application of Fixed or Random Effects models over the Pooled Regression. In general, an ICC close to zero indicates little variation across entities, suggesting that a pooled model may be sufficient. Values above 0.05 typically suggest non-negligible between-entity variation, supporting the use of panel estimators, while higher values (e.g., above 0.10 or 0.20) indicate stronger clustering

effects that further justify multilevel or panel modeling.

Research Results

The results of the Pooled Regression analysis examining Thailand's outward foreign direct investment (OFDI) to BRICS countries - Brazil, Russia, India, China, and South Africa - over the study period from 2005 to 2022 are presented as follows:

Table 1 Analysis of Pull Factors Influencing Thailand's Outward Foreign Direct Investment in BRICS Countries

	Pooled Regression Model	Fixed Effects Panel Regression Model	Random Effects Panel Regression Model
InOFDI	Coefficient	Coefficient	Coefficient
RL	7.899243* ($p > t = 0.004$)	-2.3955 ($P > t = 0.285$)	6.9891*** ($P > z = 0.0060$)
CC	-5.158559 ($p > t = 0.056$)	-5.7790** ($P > t = 0.0270$)	-4.4064* ($P > z = 0.0800$)
PS	-2.574509 ($p > t = 0.135$)	-0.2346 ($P > t = 0.8720$)	-2.6081 ($P > z = 0.1040$)
CS	-0.0005856 ($p > t = 0.493$)	0.0029*** ($P > t < 0.001$)	-0.0002 ($P > z = 0.8020$)
GDP	3.04e-07* ($p > t = 0.010$)	-5.52e-07* ($P > t = 0.0550$)	2.98e-07*** ($P > z = 0.0060$)
EX	-0.0413551 ($p > t = 0.188$)	-0.0408 ($P > t = 0.3250$)	-0.0355 ($P > z = 0.2270$)
LF	0.0036644 ($p > t = 0.979$)	-0.2762 ($P > t = 0.1990$)	-0.0105 ($P > z = 0.9350$)
INF	-0.3490467* ($p > t = 0.010$)	0.0989 ($P > t = 0.4170$)	-0.3284 ($P > z = 0.0090$)
INFAC	0.033731 ($p > t = 0.151$)	0.0589** ($P > t = 0.0440$)	0.0193 ($P > z = 0.3890$)
OPEN	0.0252598 ($p > t = 0.427$)	-0.0633 ($P > t = 0.2760$)	0.0273 ($P > z = 0.3590$)
CONS	3.437209 ($p > t = 0.725$)	14.9520 ($P > t = 0.2780$)	3.9569 ($P > z = 0.6670$)



	Pooled Regression Model	Fixed Effects Panel Regression Model	Random Effects Panel Regression Model
R^2	0.4641	0.5332	0.2152
Adjusted R^2	0.3864	F-statistic p-value < 0.001	

* p-value < 0.1, ** p-value < 0.05, *** p-value < 0.01

Source: Author

The Pooled Regression Model explains 46.41% of the variation in Thailand's outward FDI to BRICS countries ($R^2 = 0.4641$), while the Adjusted R^2 indicates that about 38.64% of the variation is explained after accounting for the number of predictors. This considers a set of independent variables, including: Rule of Law Index (RL), Control of Corruption (CC), Political Stability (PS), Minimum Wage (CS), Gross Domestic Product (GDP), Exchange Rate (EX), Labor Force (LF), Inflation (INF), Infrastructure (InFac), and Trade Openness (OPEN). The model's F-statistic p-value < 0.001, indicating that the regression is statistically significant at the 99% confidence level, and the explanatory variables jointly influence the dependent variable (lnOFDI) in a statistically significant way. Notably: Rule of Law Index (RL) has a coefficient of 7.899243 and is statistically significant at the 5% level. Gross Domestic Product (GDP) has a coefficient of 0.000074, also significant at the 5% level. Inflation (INF) shows a negative coefficient of -0.3490467, which is statistically significant at the 5% level. Other variables in the model do not show statistically significant relationships with the dependent variable. Fixed Effects Panel Regression Model reveals: Control of Corruption (CC) has a coefficient of -5.7790, significant at the 5% level. Minimum Wage (CS) has a positive coefficient of 0.0029, significant at the 1% level. Gross Domestic

Product (GDP) has a negative coefficient of -5.52e-07, significant at the 10% level. Infrastructure (InFac) has a coefficient of 0.0589, also significant at the 5% level. Other variables are not statistically significant in this model. Random Effects Panel Regression Model confirms: Rule of Law Index (RL) remains a strong predictor, with a coefficient of 2.98e-07, statistically significant at the 1% level. Control of Corruption (CC) has a negative coefficient of -4.4064, significant at the 10% level. Gross Domestic Product (GDP) has a coefficient of 2.98e-07, significant at the 1% level. Other explanatory variables do not demonstrate statistically significant effects in this model. Accepting results that are statistically significant at the 10% level also allows the analysis to be more inclusive, in the sense that it does not overlook factors that may have a real influence but are not yet strongly evident due to the small sample size or the short time period under study. This interpretation is consistent with applied econometrics, which emphasizes that the 10% level can be regarded as weak evidence of a relationship and may serve as a basis for further data collection or deeper investigation.

The vector autoregressive (VAR) estimations were employed to examine the push factors influencing Thailand's outward foreign direct investment (OFDI) to BRICS countries.



insignificant, implying that political governance indicators do not exert direct short-run effects on Thailand's outward FDI to BRICS economies within the examined period. The overall explanatory power of the model is relatively strong, with an adjusted R-squared of 0.5555, and the F-statistic indicates joint significance of the regressors at the 1 percent level.

The economic factor model incorporated $\ln_OFDI$, minimum wage (CS), GDP, exchange rate (EX), and inflation (INF) as endogenous variables. Similar to the political model, the lagged $\ln_OFDI$ variable remains positively significant, reinforcing the dynamic persistence of Thailand's outward investment. Among the economic variables, inflation emerges as a robust determinant of OFDI. Specifically, the coefficient of $INF.l1$ is positive and highly significant at the 1 percent level (0.2328, $p = 0.00681$), indicating that higher inflation in Thailand is associated with greater outward investment to BRICS countries. This result can be interpreted as evidence that inflationary pressures at home encourage firms to diversify and reallocate capital abroad. Other economic variables, including GDP, exchange rate, and minimum wage, do not show statistically significant effects. The model demonstrates a high explanatory capacity, with an adjusted R-squared of 0.7402, and the F-statistic confirms overall significance at the 1 percent level.

The commercial factor model, consisting of $\ln_OFDI$ and infrastructure (INFAC), reveals a relatively weaker explanatory power compared to the political and economic models. The lagged $\ln_OFDI$ variable remains statistically significant at the 1 percent level,

again underscoring the importance of past investment in shaping current flows. However, the coefficient for infrastructure is negative and statistically insignificant, suggesting that the proxy measure of internet penetration does not directly drive Thailand's OFDI to BRICS destinations in the short run. The model's adjusted R-squared of 0.4733 indicates a moderate fit, while the F-statistic confirms the joint significance of the included regressors at the 1 percent level.

Taken together, the results consistently highlight the dynamic persistence of Thailand's outward FDI, as past values of investment strongly influence current flows across all models. While political and commercial factors do not display statistically significant short-run effects, economic conditions, particularly inflation, emerge as a critical determinant of Thailand's investment behavior toward BRICS economies. These findings suggest that macroeconomic pressures at home, rather than governance or infrastructure factors, are more influential in shaping Thailand's outward investment decisions in the short term.

Discussion of Research Findings

The analysis of pull factors influencing Thailand's outward foreign direct investment (OFDI) in BRICS countries highlights three statistically significant determinants: rule of law Index (RL), gross domestic product (GDP), and control of corruption (CC). Among these, rule of law index (RL) emerged as the most influential variable, underscoring that strong legal systems and effective institutional enforcement in host countries directly attract Thai investment. This finding resonates with the observed strate-

gies of Thai firms in sectors such as energy and automotive, where long-term capital commitments require legal predictability and reliable enforcement mechanisms. It also aligns with recent studies emphasizing the importance of institutional quality in driving FDI into emerging markets (Soussane, 2022, pp. 3-4; Kwablah, 2022, pp. 128-130). Gross domestic product (GDP) was also found to positively influence Thailand's OFDI, reaffirming the role of market size and economic growth in shaping investment destinations. In practice, this explains why Thai multinationals have expanded aggressively into large BRICS economies such as China and India, particularly in manufacturing, agribusiness, and consumer goods, where market scale ensures demand stability. This outcome supports earlier literature stressing that host-country economic growth acts as a central pull factor for OFDI (Dash, 2021, pp. 73-74; Bouchoucha, 2023, pp. 195-196).

In contrast, the negative relationship between control of corruption (CC) and Thailand's OFDI challenges much of the prior literature, which generally reports a positive association between corruption control and investment inflows. For Thai investors, however, this result may reflect adaptive strategies in high-risk environments. For example, Thai agribusiness firms investing in certain BRICS economies might tolerate weaker anti-corruption enforcement if the host market offers compensating advantages such as natural resource availability or lower entry barriers. This nuanced finding suggests that, unlike firms from developed economies, emerging market investors may perceive higher tolerance for

institutional risks in exchange for market or resource opportunities (Emako, et al., 2022, pp. 72-73).

For push factors, the findings of this study reveal that Thailand's outward foreign direct investment (OFDI) to BRICS economies during 2005-2022 is strongly characterized by path dependency, as past investment flows consistently exert a significant positive effect on current investment across all models. This suggests that Thai multinational enterprises (MNEs) tend to build upon their prior internationalization experiences when expanding into emerging markets. Similar evidence of cumulative investment behavior has been noted in recent studies emphasizing the dynamic persistence of OFDI (Joshi, 2024, p. 72). Among the tested push factors, macroeconomic conditions, particularly domestic inflation (inflation rate: INF), emerge as the most robust determinant of OFDI. The results show that higher inflation in Thailand significantly increases outward investment, indicating that firms respond to rising domestic cost pressures by reallocating capital abroad. This aligns with the diversification motive of emerging market MNEs, which often pursue international investment as a hedge against domestic uncertainty (Mensah, et al., 2024, pp. 2-3). However, previous evidence suggests that the relationship between inflation and investment may not be linear; inflation below a certain threshold may stimulate OFDI, while excessive inflation could deter it (Mensah, et al., 2024, pp. 9-11). This highlights the importance of considering potential non-linear or threshold effects in future research.



By contrast, political governance factors—rule of law index (RL), control of corruption (CC), and political stability (PS)—do not exhibit significant short-run effects. This outcome suggests that, in the short term, Thai investors may be less sensitive to governance indicators, possibly due to the relative stability of BRICS political environments or because firms prioritize economic rather than institutional factors when making outward investment decisions. Nonetheless, existing literature has stressed that political and institutional quality may matter more in the long run (Yasuda and Kotabe, 2021, pp. 156-161). The commercial factor model (Infrastructure: INFAC), proxied by internet penetration as a measure of infrastructure, also failed to show significant effects. This could indicate that the chosen proxy does not adequately capture commercial or trade-related push factors. Prior research suggests that broader measures of infrastructure, including logistics and cross-border trade efficiency, may better explain FDI flows (Liu, et al., 2022, pp. 6–8, 16–17).

By comparison, political stability, trade openness, and inflation did not produce significant results in the econometric models. While these factors may influence FDI flows in general, their role in Thailand's OFDI to BRICS appears limited within the period studied. Importantly, model diagnostics confirmed the stability of the VAR specifications, with the economic model offering the best overall explanatory power. This reinforces the interpretation that host-country institutional quality and economic scale are the primary pull factors shaping Thailand's outward investment. Taken

together, these results suggest that Thai firms prioritize institutional reliability and market growth potential when selecting BRICS destinations, while also displaying a degree of flexibility in adapting to environments with weaker corruption controls. For policymakers, this highlights the importance of supporting Thai multinationals with risk management tools and legal advisory services when operating in complex emerging markets.

Recommendations

Policy Level

Based on the study's findings, the Rule of Law (RL) in host countries emerged as the most influential pull factor for Thailand's outward FDI to BRICS economies. It is recommended that the Thai government develop strategic policies and agreements to support legal protection and investor rights abroad, particularly in sectors with long-term capital commitments such as energy, automotive, and agribusiness. Policy measures could include negotiating bilateral investment treaties, establishing international dispute resolution mechanisms, and providing governmental advisory services for Thai firms entering BRICS markets. Strengthening Thailand's institutional support for outbound investors enhances confidence and reduces legal and regulatory risks.

Practice Level

The Control of Corruption (CC) index in host countries was found to negatively affect Thai outward FDI. To mitigate risks associated with weaker corruption controls, Thai enterprises should implement robust compliance systems, anti-bribery programs, and risk man-

agement frameworks. For example:

Energy firms can ensure contractual clarity and monitor regulatory compliance when investing in resource-rich BRICS markets. Automotive companies can adopt structured supplier audits and ethical sourcing standards. Agribusiness firms can establish clear operational guidelines to navigate local governance challenges.

These practices allow Thai companies to maintain competitiveness and operational resilience, even in higher-risk environments, without relying on host-country reforms.

Future Research

Future studies could explore: Indus-

try-level OFDI patterns to determine how pull factors vary across sectors such as energy, automotive, and agribusiness. Long-term effects of institutional quality and economic conditions using VECM or panel data approaches to capture dynamic relationships beyond short-term VAR models. Use of GDP per capita instead of total GDP in future analyses, as it may better reflect market demand and purchasing power in host countries, providing more meaningful interpretations of investment behavior. Non-linear or threshold effects of corruption and inflation in host countries, to understand at what level these factors become critical for investment decisions.

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