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Third World Mnes and Its Spillover Effect: Evidence of Thai Manufacturing

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Abstract

The paper examines the technology spillovers of multinational enterprises (MNEs) using the Thai manufacturing as a case study with a view to inform prudential policies for host countries' governments to maximize the benefit from their presence. The four latest industrial censuses of Thailand (i.e., 2006, 2011, 2016, and 2021) are used in our inter-plant panel data regression analysis. The key finding is that the horizontal technology spillovers from MNE affiliates to indigenous firms within a given industry do not always take place, but conditioned by the trade policy regime and the firms' absorptive capabilities. In the restrictive trade policy regime, presence of MNE affiliates could adversely affect indigenous firms' productivity. The spillover from MNEs from developing countries (i.e. Third World MNEs) is likely to be higher than those from developed countries as the technology gap with the former is expected to be narrower than the latter. The vertical technology spillover from MNE affiliates is negative as the restrictive trade policy regime discourages the conducive engagement between MNE affiliates and indigenous firms. The key policy inference points to the important role of trade policy regime in determining the technology spillovers.

Keywords: Mnes; Twmnes; Emmnes; Thai Manufacturing; Fdi Technology Spillovers