

Research Article

The Influence of Regional Trade Agreements on the Development of Foreign Investment Legal Frameworks in China and Thailand

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Abstract: This study examines the impact of regional trade agreements on the governance of digital foreign direct investment (FDI) in two emerging markets, China and Thailand, both of which are signatories to the ASEAN-China Free Trade Area (ACFTA) and the Regional Comprehensive Economic Partnership (RCEP). The research highlights the disparities in economic governance, regulatory frameworks, and investment incentives between these nations. Employing a comparative case study approach, the study evaluates the factors influencing market entry, compliance challenges, and business adaptation of multinational enterprises (MNEs) in countries with advanced eCommerce, fintech, and cloud computing sectors. The regulatory environment in China is characterised by stringent controls on foreign firms, limiting technological expansion, whereas Thailand's more liberal policies foster greater FDI inflows. The study emphasises the significance of regulatory predictability, investment incentives, and the facilitation of cross-border digital trade in enhancing market competitiveness. Policy recommendations include increasing regulatory transparency in China and enhancing Thailand's promotion of digital FDI incentives within the RCEP framework. Further research should focus on quantitative analysis of digital investments across the broader ASEAN region to deepen the understanding of digital trade integration in other regions.

Keywords: FDI, ACFTA, RCEP, E-Business, Market Competitiveness, Digital Investment Policies and Trade Facilitation.

1. Introduction

1.1 Background & Significance

FDI plays a pivotal role in advancing economic development, enhancing competitiveness, and fostering technological progress within businesses. In the digital economy, FDI extends beyond traditional manufacturing and infrastructure to encompass eBusiness, eCommerce, fintech, and digital services, which are integral to the economies of the 21st century. Digital FDI serves as a source of capital, trade, technology transfer, and innovation, making countries that effectively attract and regulate it key drivers of growth. Investment governance has been identified as a significant factor influencing the stability of regulation, policy, and transparency in cross-border digital business operations, thereby enhancing digital FDI [7].

China and Thailand represent two of Asia's most dynamic economies and have emerged as key destinations for digital FDI in sectors such as e-commerce, cloud computing, AI & big data, fintech, and blockchain. China's highly regulated yet rapidly expanding digital market has attracted substantial FDI, particularly in AI, smart manufacturing, and digital trade instruments. The country employs state-led policies to regulate domestic digital firms, along with cyber security regulations and market access measures that limit the entry of foreign digital companies [1]. In contrast, Thailand aims to position itself as Southeast Asia's digital business hub, with a focus on expanding e-commerce, promoting fintech investment, and advancing e-government development [2]. Through the Thailand 4.0 policy and the Board of Investment (BOI), the country has introduced measures to encourage foreign companies to digitise sectors such as logistics tech, digital banking, and data-driven business models [3].

Regional trade agreements (RTAs) play a crucial role in shaping the development of the digital economy by providing a common framework for regulating cross-border investment and facilitating digital trade flows [4]. Two RTAs, in particular, have significantly impacted the investment governance of China and Thailand: the ASEAN-China Free Trade Agreement (ACFTA) and the Regional Comprehensive Economic Partnership (RCEP). ACFTA fosters trade and investment in digital infrastructure, IT services, and cross-border payment systems, while RCEP introduces standard regulatory measures for data governance,

digital trade liberalisation, and investor protection, encompassing 15 nations across Asia and the Pacific [5; 6]. Despite these developments, significant legal and institutional gaps remain in the digital investment sectors, including eBusiness, fintech, and eGovernment. This paper explores the relevant regulations and evaluates the extent to which China and Thailand's digital investment laws align with RTAs, either promoting or restricting digital FDI.

1.2 Research Gaps and Justification

The current governance of digital FDI remains fragmented between China and Thailand, posing challenges for investors in overcoming barriers related to FDI, digital trade frontiers, and broader regulatory frameworks. While both the ACFTA and the RCEP provide general legal standards and procedures for investment promotion, their application at the national level varies significantly, often proving unfavourable for cross-border digital enterprises [6; 7]. Key challenges include data localisation laws, which require certain data to be stored and processed within a country. For instance, China's Cybersecurity Law, enacted in 2017, imposes strict regulations on data localisation, thereby increasing control over cloud service providers and placing substantial compliance burdens on foreign eBusiness platforms [1]. In contrast, while Thailand has sectoral data protection laws, the Thailand 4.0 policy seeks to facilitate the cross-border transfer of data, offering a more liberal approach [8].

Another significant concern is the regulation of fintech licensing and its compliance, which varies between the two nations. Thailand has promoted the use of digital banking, mobile payments, and internet lending, yet the complex approval processes for fintech licensing across borders present a barrier to market entry [3]. In China, strict measures regulate capital flows, particularly in the areas of blockchain payments and decentralized finance (DeFi) investments, reflecting the governance of financial technology by state authorities and regulatory bodies [5]. The lack of coherence in the regulation of digital trade and investment across China and Thailand further exacerbates legal uncertainties, negatively impacting investment decisions, business growth, and the integration of digital solutions within ASEAN markets. Institutional barriers also persist in both countries' e-government strategies, especially regarding the provision of regulatory clarity and investment dispute resolution mechanisms.

Although the use of AI in China's eGovernment framework strengthens national security agencies, it complicates market access for foreign digital companies [9]. In Thailand, while the eGovernment policies have been more adaptable for a country seeking to develop its digital economy, they remain vulnerable due to policy changes and inconsistencies in investment approvals [2; 10]. Given these challenges, the present study seeks to examine the digital FDI policy regime, assess the role of ACFTA and RCEP in regulating digital businesses, and propose governance solutions to enhance cross-border investment in China and Thailand. Addressing these regulatory gaps will contribute to improving digital trade integration, strengthening investor protection, and boosting competitiveness in eBusiness and fintech across the region.

1.3 Research Objectives

This paper aims to examine the roles of regional trade agreements (RTAs) in governing digital investment in China and Thailand, and to identify strategies that can be employed to promote the growth of eBusiness, the digitisation of trade, and investment. The research objectives of this study are as follows:

- To analyse how RTAs (ACFTA & RCEP) influence digital investment governance, eCommerce regulations, and e-business growth in China and Thailand.
- To compare China's and Thailand's eGovernment investment policies, digital trade restrictions, and foreign technology firm regulations.
- To examine the impact of digital FDI policies on knowledge management, digital business strategies, and regulatory transparency.
- To recommend policy solutions for harmonizing digital governance frameworks in post-RCEP Asia.

1.4 Research Questions

The study will seek to answer the following key questions:

- How have China's and Thailand's eGovernment policies under ACFTA and RCEP influenced digital investment governance?
- What are the key differences in digital FDI regulations, data governance laws, and eCommerce licensing frameworks?
- How do dispute resolution mechanisms affect cross-border digital business models and technology firms?
- What investment incentives and knowledge management strategies can enhance digital trade and governance alignment?

2. Literature Review

2.1 Theoretical Foundations: Digital Investment, RTAs, and Economic Governance

2.1.1 Institutional Theory and Economic Governance in Digital Investment

According to institutional theory, institutions such as regulatory agencies, policies, and governance structures significantly influence business decisions, investment risk assessments, and the broader economic environment [11]. In the context of digital investment, a robust institutional environment and effective governance help minimise risks and enhance investor confidence, particularly for cross-border transactions. China and Thailand represent contrasting models of economic governance in relation to digital investment. China maintains stringent regulations concerning cloud computing, AI, and big data, as it operates a state-controlled digital economy that restricts market entry and the involvement of foreign investors [12]. However, the institutional environment in China, along with government incentives to foster the development of digital industries, has enabled domestic companies such as Alibaba and Tencent to establish a strong global presence [13]. In contrast, Thailand has adopted a more flexible, pro-investment policy under the Thailand 4.0 initiative, attracting multinational fintech companies and e-commerce firms. This is due to the provision of tax reliefs, efficient business laws, and relatively low compliance costs [3; 14]. These perspectives highlight the critical role of economic governance in shaping digital investment strategies. Currently, investors operating in China must navigate joint ventures, localisation strategies, and legal compliance, whereas in Thailand, companies benefit from direct market access and face fewer regulatory barriers to their investments [8].

2.1.2 Regulatory Convergence Theory and Market Competitiveness in Digital Trade

According to regulatory convergence theory, RTAs help reduce market fragmentation and uncertainty, improving investment strategies, business plans, and overall economic development [15]. The standardisation of rules on cross-border data transfer, digital trade, and fintech licensing creates environments conducive to foreign investment. Through regional regulatory integration under ACFTA and RCEP, Thailand has attracted higher levels of digital FDI, particularly in fintech, blockchain tech, and AI-based analytics [9]. Companies like Ant Financial and PayPal have expanded their regional operations in Thailand, benefiting from RCEP's harmonised fintech policies [7]. In contrast, selective regulation in China restricts foreign access to certain sectors, giving domestic companies a competitive edge in emerging fields like AI, digital banking, and e-commerce [16]. This comparison underscores how varying levels of digital investment governance require distinct market strategies. While Thailand's predictable regulatory environment facilitates easier foreign market access, China presents challenges that necessitate compliance-focused localisation for firms seeking market entry.

2.1.3 eGovernment and Investment Facilitation in the Digital Economy

According to eGovernment and Digital Governance Theory, digital public administration enhances investment efficiency, business openness, and economic integration [10]. The tools of digital public administration remove business barriers, optimise financial transactions, and establish stable rules for digital businesses. Thailand has implemented advanced digital governance policies, such as automating investment approvals and using blockchain technology in trade facilitation, which make the market more attractive to international fintech firms [2]. In contrast, China's eGovernment tools, driven by AI, improve tax, compliance, and licensing processes. However, its restrictive data-sharing policies pose challenges for foreign investors seeking transparency in market regulations [11].

2.2 RTAs and Digital Investment: Business and Financial Implications

2.2.1 ACFTA and Business Expansion in Digital Trade

Trade liberalisation under the ACFTA fosters cross-border investments by reducing tariffs and barriers to e-commerce while strengthening financial cooperation [12]. Thailand has effectively leveraged the investment incentives provided by ACFTA to position itself as a destination for fintech and e-commerce businesses, attracting key firms such as Alibaba, Sea Group, and Stripe [9]. These companies have expanded their operations in Thailand due to the liberalisation of digital trade policies, tax holidays for investors, and the ease of digitally approved payment systems. In contrast, China's capital control policies have restricted the full operation of foreign fintech companies within its digital banking sector. For example, PayPal operates under joint venture restrictions in China, whereas domestic players such as WeChat Pay and Alipay dominate the digital payments market, benefiting from government protection [16]. This highlights how RTAs provide growth opportunities for businesses, particularly in open economies like Thailand, but offer fewer benefits in protectionist economies like China, which remains less aligned with ASEAN's market-driven approach [17].

2.2.2 RCEP and Investment Strategies in eCommerce

RCEP has introduced regional investment protections and standardised norms for digital taxation and data management, facilitating easier market access for digital businesses across various ASEAN countries [7; 10]. Thailand has adhered to RCEP's investment policies, particularly in the fintech sector, resulting in a significant increase in FDI in digital payment systems [8]. China, as a member of RCEP, continues to impose barriers on foreign e-commerce companies, restricting international platforms from directly operating within the country and competing with domestic players such as JD.com and Pinduoduo [12]. This underscores how the institutions of economic governance can influence the strategic decisions of business organisations in countries participating in a specific trade agreement.

2.3 Comparative Analysis of China and Thailand's Digital Investment Laws

2.3.1 China: Digital Economy and Foreign Investment Regulations

China's regulations on digital investment remain restrictive, with foreign ownership being tightly controlled and certain sectors banned due to national security concerns. The most recent Negative List on Foreign Investment, issued in 2021, restricts foreign control over key sectors such as cloud computing services, online media, and artificial intelligence applications for platforms, limiting the ability of international technology companies to enter the Chinese market [12]. Additionally, while China's FIL consolidates its legal framework, it still maintains selective restrictions on investments in digital infrastructure [18]. Despite these barriers, foreign investment in China's AI, smart logistics, and industrial automation sectors is increasing, as the Chinese government provides financial support to high-tech firms [15]. However, compared to global counterparts, potential investors in China's digital consumer markets face significant legal risks, compliance challenges, high costs, and limited access to open platforms.

2.3.2 Thailand: Digital Trade Regulations and BOI Incentives

Thailand has adopted a strategic plan positioning itself as the regional hub for digital investment within ASEAN by offering incentives for digital start-ups, tax exemptions for the digital marketplace, and simplified licensing procedures for fintech companies. Unlike China, where foreign investment in these sectors is restricted, Thailand imposes no such restrictions on fintech, cloud computing, or blockchain-based firms, making it a gateway to Southeast Asia for multinational digital companies [8]. The Thai Personal Data Protection Act (PDPA) is aligned with RCEP, facilitating cross-border e-commerce and financial transactions [19]. This regulatory alignment has created opportunities for international e-business companies such as Alibaba, Amazon Web Services, and PayPal, which have established regional offices in Thailand to serve the ASEAN market [20].

3. Methodology

3.1 Research Approach

This paper employs a comparative case study to investigate the impact of the ACFTA and the RCEP on economic governance and investment dynamics in China and Thailand. Through comparative analysis, the study evaluates the effects of digital investment governance structures on market competitiveness, investment facilitation, and the development of regulatory adaptation policies for foreign companies [21]. By contrasting China's state-controlled investment model with Thailand's market-oriented regulatory approach, the study provides a comprehensive understanding of how various economic regulations influence digital FDI, eCommerce growth, and fintech industries. The research also examines the managerial strategies and actions taken by MNEs in addressing the challenges posed by investment constraints and policy prospects. In China's digital economy, firms face challenges such as stringent cybersecurity laws, data localisation requirements, and rigid fintech licensing, all controlled by the state. These conditions compel firms to operate via joint ventures and meet various compliance demands [1; 22]. In contrast, firms expanding in Thailand benefit from greater digital investment openness, regulatory certainty, and easier cross-border transactions within the framework of RCEP [23]. Additionally, the study includes an economic and financial analysis, focusing on FDI inflows, compliance costs, and business competition in both nations. It examines how investment environments influence market entry and expansion strategies, as well as capital investments in eBusiness, fintech, and AI-driven industries [23]. This analysis will be instrumental in understanding how firms mitigate regulatory risks and leverage economic governance to gain a competitive edge.

3.2 Data Collection and Sources

Consequently, this study is based exclusively on secondary data collection, utilizing policy reports, trade agreements, firms' financial statements, and case studies of the affected companies. Published sources provide empirical evidence that aids in understanding investment behaviours, compliance challenges, and business development in both China and Thailand [24]. The case selection for this paper focuses on three major industries significantly impacted by digital investment policies:

- E-Commerce Trading Firms – Companies such as Alibaba, Amazon, and Shopee operate across various legal systems within the ACFTA and RCEP member states.

- Fintech Companies – Major players including PayPal, WeChat Pay, and Grab Financial, which navigate different licensing frameworks and regulatory structures across China and Thailand.
- Cloud Computing & AI – Firms like AWS, Microsoft Azure, and Google Cloud encounter regulatory challenges related to cybersecurity laws, cross-border data transfer policies, and AI governance regulations.

This paper also examines investment policies under ACFTA and RCEP, focusing on key regulatory sectors, including:

- Market Access and Liberalisation: While ACFTA and RCEP encourage Thailand to open its market to foreign investment and digital business integration, they continue to impose restrictions on FDI in China [25].
- A comparison of China's Stringent Data Localisation Laws with Thailand's More Flexible Policy on cross-border data flows.
- Barriers to Cross-Border Investment and Market Access: Analysing how eCommerce platforms, fintech firms, and AI-based businesses navigate investment barriers and licensing constraints.

This multi-source data collection approach allows for a detailed comparison of investment conditions, regulatory risks, and opportunities for business expansion in both China and Thailand.

3.3 Data Analysis Method

Using a thematic content analysis approach, policy documents, trade agreements, investment reports, and case studies are examined. This method facilitates the identification of patterns and trends regarding economic governance, investment competitiveness, and regulatory challenges that affect multinational digital firms [26]. The classification of investment conditions and business strategies aids in determining the factors contributing to the expansion of digital trade, the growth of the fintech market, and the attractiveness of investing in artificial intelligence in China and Thailand. Additionally, a comparative financial analysis is conducted to assess how investment regulations influence business growth, e-commerce trade, and market access. This analysis includes a comparison of balance sheets, industry performance, and government investment trends, focusing on how firms allocate capital, manage risks, and adapt economic policies to enhance competitiveness [27].

Key areas of analysis include:

- Investment facilitation and foreign market penetration – Comparing Thailand's open investment climate for fintech and AI-driven services with China's selective market entry requirements.
- The cost of compliance for digital firms – Investigating how Chinese cybersecurity laws and fintech licensing fees hinder foreign businesses, in contrast to Thailand's comparatively simple registration process.
- Investor confidence and regulatory predictability – Evaluating the stability of investment laws in both countries and their impact on long-term business growth strategies.

This approach to analysing qualitative data ensures the relevance of the study in understanding the economic and business implications of digital investment policies in China and Thailand.

3.4 Research Scope and Limitations

This research primarily relies on secondary data sources and does not involve primary interviews with investors or the use of firms' revenue performance records. To address this limitation, the study utilises government investment reports, corporate case studies, and financial statements to provide insights into business adaptation and the implications of investment policies in China and Thailand [28]. Another limitation is the dynamic nature of political and market digital investment policies, particularly in China. The findings may be influenced by changes in laws and policies, as well as government interference in sectors such as fintech and artificial intelligence. For example, the crackdown on fintech firms in China in 2021, particularly targeting companies like Ant Group, raised concerns among foreign investors. To further support the findings, future research could include quantitative analysis, investor questionnaires, and studies on the financial implications of investment in the digital economy.

4. Findings & Discussion

4.1 Economic Governance and Market Competitiveness in Digital Investment

Table 1 provides an overview of the key policy differences between the two countries, including foreign ownership, cybersecurity,

eCommerce, fintech, and cloud computing. China has various rules and regulations that restrict foreign investors from fully operating their digital firms in the country. These include requirements to partner with local companies and government policies regarding cybersecurity and data localisation laws [1]. Such policies hinder business expansion by limiting access to foreign markets and increasing operational costs. In contrast, Thailand allows 100% FDI in most digital sectors, with relatively flexible data policies and streamlined license approval processes under the BOI [14]. These disparities suggest that while China focuses on protecting domestic firms, Thailand actively encourages foreign digital investment, creating a more conducive environment for business [13]. The differences in investment climates directly influence market entry strategies, operational structures, and the regional expansion opportunities for MNEs within ASEAN's digital economy.

Table 1: Comparative Overview of Digital Investment Policies in China and Thailand

Policy Factor	China	Thailand
Foreign Ownership in Digital Sectors	Restricted in key industries (e.g., fintech, cloud computing, eCommerce). Requires local partnerships.	100% foreign ownership allowed in most digital sectors under BOI promotion schemes.
Cybersecurity & Data Localization	Strict cybersecurity laws requiring local data storage and government compliance.	More flexible data governance policies, allowing cross-border data transfers.
Digital Trade & eCommerce Regulations	Protectionist policies favouring domestic platforms like Alibaba and Tencent.	Open-market policies allowing foreign platforms like Shopee, Amazon, and Lazada to thrive.
Fintech Market Access	Requires foreign firms to form partnerships with Chinese banks or tech firms. High regulatory hurdles.	Foreign fintech firms can directly acquire licenses under BOI incentives.
Cloud Computing Market Entry	Requires joint ventures for AWS, Microsoft Azure, and Google Cloud.	No ownership restrictions; foreign cloud providers can operate independently.

4.1.1 China's State-Controlled Digital Economy vs. Thailand's Open-Market Approach

China adopts a state-controlled approach to digital investment, with market entry controlled through licensing, joint ventures, and restrictions on foreign ownership in sectors like eCommerce, fintech, and AI [21]. Foreign firms must operate through local entities or joint partnerships due to the Negative List for Foreign Investment, limiting their presence in cloud computing, digital payments, and cybersecurity [27]. Data localisation and cybersecurity rules further hinder competition with domestic giants like Alibaba and Tencent [22]. In contrast, Thailand has positioned itself as a regional digital hub, with open-market investment policies that promote FDI in eCommerce, fintech, and digital connectivity. The government supports digital MSMEs through incentives, regulation, and trade platforms, similar to Indonesia's approach [29]. Thailand's BOI offers tax holidays, investment incentives, and streamlined licensing, attracting multinationals [25]. Additionally, Thailand's participation in RCEP enhances its appeal by reducing trade barriers for tech industries seeking to enter the Southeast Asian market [24].

4.1.2 Foreign Investor Sentiment and Market Entry Strategies

In the digital economy, regulatory stability, investor protection, and competition have become key factors influencing foreign investor sentiment. China's stringent regulatory environment has led to a more cautious market approach, where firms must either partner with local players like AWS-China or avoid certain markets due to high compliance risks [26]. In contrast, Thailand's more transparent regulatory framework, coupled with strong government incentives, has fostered the growth of digital FDI in sectors such as fintech, cloud computing, and AI-driven business models [23].

4.2 Business Adaptation Strategies in Response to Investment Policies

4.2.1 eCommerce Business Strategies

China's domestic e-commerce market is marked by state preferences, where platforms like Alibaba, JD.com, and Pinduoduo

benefit from protectionist measures [27]. Licensing costs, the need for local partnerships, and the government's restrictive policies on cross-border information flow pose significant challenges for foreign players like Amazon. As a result, Amazon exited the Chinese domestic market in 2019, shifting its focus to cloud computing and cross-border e-commerce [20]. In contrast, Shopee has successfully expanded its e-commerce operations in Southeast Asia under ACFTA and RCEP agreements. Thailand's progressive deregulation of e-commerce has facilitated entry for foreign firms, boosting cross-border digital trade and positioning the country as a key logistics and e-commerce hub in the region [25].

4.2.2 Fintech & Digital Banking Expansion Strategies

The regulatory environment for digital finance in China is stringent, with numerous barriers to foreign investment, including strict cybersecurity regulations [1]. The digital payment market is dominated by local players, WeChat Pay and Alipay, limiting opportunities for foreign fintech firms such as PayPal [30]. PayPal operates through a local partnership model in China, but its market share remains small due to protectionist measures [21]. In contrast, Thailand is relatively more open, with the BOI actively promoting foreign investment in digital banking, blockchain payment, and peer-to-peer lending services [24]. Grab Financial has experienced significant growth in Thailand, aided by the liberalisation of investment policies under RCEP and favourable government support for fintech solutions [22].

4.2.3 Cloud Computing & AI Business Models

China enforces strict cybersecurity laws and places significant restrictions on cloud computing services, requiring foreign firms to partner with local companies rather than operate independently [26]. For instance, AWS and Microsoft Azure maintain a presence in China but face high compliance costs and regulatory oversight [27]. In contrast, Thailand offers free market access for foreign cloud service providers and has actively encouraged investments from companies such as AWS, Google Cloud, and Microsoft Azure [25]. The country's liberal investment policies for AI and relaxed data management regulations have also fostered the growth of AI start-ups and global firms, positioning Thailand as a hub for AI development in the Asia-Pacific region [23].

4.3 Financial & Investment Implications for Foreign Firms

The differences in FDI for the digital economy between China and Thailand stem from variations in investment governance, regulation, and market openness. Thailand has become one of the fastest-growing digital markets for investments in eCommerce, fintech, and AI technologies due to its legal and investment-friendly environment [21]. Thanks to the Thailand BOI and RCEP, foreign investment access to cross-border financing, fintech licensing, AI, and cloud computing infrastructure has increased, strengthening Thailand's position as a digital investment destination [25]. In contrast, China remains relatively restrictive, with stringent cybersecurity laws, data localization requirements, and sectoral restrictions that make it costly and challenging for foreign companies to enter the market [27; 30].

Despite being an innovation hub, China's state-centred economic model hampers foreign investment in digital industries, forcing companies to adapt to complex regulatory frameworks or partner with domestic firms [22]. As a result, Thailand attracts more foreign investment in cloud computing, AI, and fintech services, as MNEs favour predictable legal environments and investment incentives over uncertain markets [28]. A significant constraint for foreign firms in China is the high cost of compliance with regulations, including cybersecurity, data management, and financial licenses, increasing operational costs compared to Thailand [27]. In contrast, Thailand offers simplified procedures for registering digital businesses, clear investment laws, and lower regulatory compliance costs, making it easier for foreign firms to gain market access and achieve higher returns on investment [23; 31]. These differences highlight how economic governance impacts business strategies and FDI distribution within the Asia-Pacific digital economy.

4.4 Policy Recommendations for Digital Investment Growth

4.4.1 Enhancing RCEP and ACFTA Implementation for Digital Trade

China must enhance the investment attractiveness of its digital sector and associated regulatory framework by clearly defining its stance on foreign companies in fintech, cloud computing, and AI services [23]. A further challenge is the policy instability stemming from frequent regulatory changes and unpredictable government actions, which pose

significant risks for MNCs contemplating investment in China [22]. The establishment of transparent legal systems that facilitate the independent operation of foreign firms—without the necessity of joint ventures or excessive compliance costs—would bolster investor confidence and subsequently encourage sustained digital FDI inflows [27; 32]. Furthermore, China must reconsider its stringent cybersecurity compliance requirements and reduce data localisation measures, as these policies discourage foreign investment and impede the country's integration into global digital supply chains [26].

In contrast, Thailand should consider expanding its digital investment incentives under RCEP while ensuring foreign investors benefit from long-term legal protections, favourable taxation policies, and access to the country's digitised economic opportunities [25]. While Thailand maintains a relatively liberal policy for FDI in e-business and fintech, the country must focus on enhancing cross-border digital transaction capabilities and reducing bureaucratic delays to strengthen its position as a leading hub for e-business and fintech innovation in the region [24]. By facilitating efficient cross-border data transfer and integrating RCEP's digital trade provisions into domestic legislation, Thailand could attract further foreign investment in high-tech and digital service sectors in the future [23].

4.4.2 Business Strategy Recommendations for Foreign Firms

For large global firms seeking opportunities in China's tightly regulated digital economy, compliance models must be implemented. Companies should strategically partner with domestic firms, form joint ventures when necessary, and adopt operational practices aligned with China's cybersecurity and data regulation standards [26; 31]. Furthermore, foreign investors should engage in policy advocacy to support and pursue regulatory reforms that foster sustainable long-term business operations [22]. Given the challenges associated with market access in China, technology firms should focus on high-growth sectors aligned with government priorities, such as artificial intelligence-based automation, environmental protection technologies, and smart city development, as these industries are more likely to receive policy support and potential exemptions [27].

Foreign businesses can leverage the incentives offered by Thailand's BOI and the trade liberalisation policies under RCEP to inform their market entry strategies [25]. Targeting sectors such as cross-border eCommerce logistics, AI-driven fintech solutions, and cloud computing infrastructure will allow firms to capitalise on Thailand's open-market approach to digital investment [27]. While China's regulatory environment is compliance-heavy, Thailand's more liberal policies present greater opportunities for foreign investors, enabling firms to enter the rapidly expanding digital markets without the need for joint ventures [23]. This approach would allow foreign firms to expand into ASEAN markets, integrating digital supply chains and generating investment returns, thanks to Thailand's investment-friendly climate [24].

5. Conclusion

5.1 Summary of Key Findings

The findings of this study indicate that economic governance plays a crucial role in shaping decision-making related to digital investment, business expansion, and market entry strategies in China and Thailand. The two countries present different investment policies, regulatory frameworks, and economic incentives, which influence the competitiveness of their markets, investor attraction, and future economic growth. Although both countries are involved in ACFTA and RCEP, their differing approaches to digital investment significantly impact FDI. Thailand has established itself as a prominent digital investment hub, driven by liberalised investment policies, business-friendly regulations in fintech, and eased cross-border trade restrictions under RCEP. The Thai government's supportive stance through the BOI, low taxes for foreign investors, and open market access have attracted global information technology firms. As a result, Thailand has become a preferred destination for FDI in digital industries, particularly in e-commerce, fintech, and AI, thus playing a strategic role in supporting the ASEAN digital economy.

In contrast, digital investment in China remains largely state-dominated, with policies that favour domestic players and impose significant barriers on international companies, particularly in emerging sectors such as e-commerce, fintech, and cloud services. China's Negative List for Foreign Investment, cybersecurity regulations, and data localisation requirements make compliance costly, deterring many investors. These regulatory measures, however, have bolstered the dominance of Chinese companies in domestic digital markets and allowed the government to maintain control over critical sectors such as

AI, payment systems, and cloud computing. A key conclusion from this study is that MNCs must carefully choose their market entry modes based on the investment policies, regulatory environments, and incentives of the host country. In China, firms are compelled to adopt compliance-intensive models, joint ventures, or other approved investment structures due to the country's stringent regulations. Conversely, Thailand's clear and open market policies offer foreign companies easier access, making it a more attractive destination for digital FDI.

The comparison also highlights that Thailand has benefited more from RCEP's digital trade commitments, resulting in higher FDI inflows and regional market expansion compared to China. Although China remains one of the largest digital markets for foreign investors, its restrictive policies make Thailand a more viable option for multinational companies aiming to invest in the Southeast Asian region. These findings suggest that regulatory frameworks, economic policies, and investment incentives are vital factors in shaping investment strategies in Asia-Pacific countries.

5.2 Implications for Investors and Policymakers

5.2.1 For Investors

Certainty in regulatory frameworks, legal systems, and policy consistency are crucial factors for multinational and foreign investors considering establishing ventures in the ASEAN digital economy. In contrast, China's unstable digital investment policies, regulatory volatility, and compliance challenges present significant risks for firms planning to invest. These issues necessitate the adoption of aggregate compliance models and strategic alliances with local firms, as investors must also account for additional regional compliance costs, such as licensing fees, cybersecurity measures, and data regulations, all of which increase operational expenses. In comparison, Thailand offers an attractive investment environment, bolstered by its RCEP investment policies and BOI incentives. These factors, alongside its relatively open market and liberalised approach to fintech and cross-border e-commerce, position Thailand as a prime destination for digital investment in Southeast Asia. To capitalise on these opportunities, investors should focus on simplified business registration, access to cross-border digital trade, and the liberalisation of fintech industries. Additionally, foreign firms expanding in Thailand can benefit from lower taxes, streamlined licensing processes, and enhanced regional connectivity, supporting sustainable growth and expansion.

5.2.2 For Policymakers

Chinese and Thai policymakers must develop financial structures that balance long-term investment security with foreign participation to enhance the potential of their digital markets. For China, increasing the clarity of investment policies and refining legal regulatory mechanisms are essential to boosting foreign investor confidence. By reducing cybersecurity compliance hurdles, updating the Negative List for Foreign Investment, and improving data governance standards, China can attract more foreign investment in fintech, cloud-based services, and AI-driven industries. Strengthening policy certainty and investment stability will also enhance China's competitiveness in cross-border digital trade, particularly under RCEP. In Thailand, policymakers should refine the investment provisions under RCEP for digital activities to ensure that foreign investors receive adequate legal protection and clear regulations, coupled with tax incentives. Moreover, enhancing infrastructure in the digital sector, facilitating cross-border data sharing, and improving the integration of the financial sector within ASEAN will further solidify Thailand's position as a leading destination for digital investment. To achieve this, Thailand must strike a balance between regulation and market openness, ultimately fostering a more robust digital economy within the region.

6. Future Research Directions

Future research should explore the quantitative impacts of RCEP's implementation on digital FDI levels across ASEAN economies, particularly as policies on digital investments and economic governance continue to evolve. While this study provides a qualitative analysis of China and Thailand's financial investments in digital sectors, future research could adopt a quantitative approach, examining cross-border digital trade, FDI into digital sectors, or financial metrics of established foreign entrants in these markets. A comparative, quantitative investigation of digital investment governance systems across all ASEAN member states would offer valuable insights into regional trends and the adaptations made by different businesses. With the rapid development

of digital economies in countries such as Vietnam, Malaysia, and Indonesia, these nations present opportunities for further research into the impact of digital FDI policies on business expansion across Southeast Asia. Additionally, future studies should assess whether the investment policies in China and Thailand are effectively responding to advancements in emerging technologies like blockchain, AI, machine learning, and decentralized finance (DeFi). Investigating how digital investment regulation evolves in the face of technological changes will help identify potential trends in the future development of digital FDI across the Asia-Pacific region.

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