

Reaction Essay (Week5)

#1: Doing Business in Vietnam (18/07/19)

From all the lectures I have taken so far and also from going on the Vietnam Trip, mostly only good sides of Vietnam were presented. Today Khun Chanchai, the manager of Siamgas in Vietnam, has broaden our point of view by discussing some drawbacks of investing in Vietnam. The first part of the lecture discusses about the general information of Vietnam and the differences in culture of the North and the South and the second part discusses about the benefits and drawbacks of investing in Vietnam.

Vietnam can be split into so many regions, for example, North, South, West, Centre North, Centre South and many more. This leads to differences in cultures and way of thinking which also affect businesses when making a decision of which part of Vietnam to invest in and identifying market segments. This is because the North absorbed Chinese culture and the South absorbed American culture, making companies invest more in the South as southern families tends to eat out more and southern people are more opened to new cultures.

There are many reasons to invest in Vietnam, mainly because it is a new open development country due to its high GDP growth of around 6.6% and many of the businesses are not at a matured stage yet so companies are willing to penetrate into a new market. The population is large comparing to CLMV and the population mostly consist of new generations so that can eliminate out the problem of aging society. Lastly, Vietnam still holds the advantage of low wage and cheap tax inducing more investment in the labor-intensive industry.

On the other hand, there are also many drawbacks which may make investment in Vietnam becomes unattractive. Firstly, the laws are unclear meaning that this will take time to explain everything to stakeholders which then during that time, the government could change the law again. The standards of living and quality of education of Vietnamese

population are also quite low due to the characteristics of the people themselves and also because not enough support from the government.

To conclude, there are two sides to every coin so investors should weigh the positives and negatives before deciding to invest in Vietnam. I believe that many drawbacks of Vietnam are something that could be solved, for example, the low quality of education could be improved if government just invest more in training and education.

#2: Fintech in ASEAN & ADB visit (19/07/19)

In the morning, we went to the Fintech fair at the Bank of Thailand where different interesting topics on how technology plays a role in finance are discussed. The first session that I attended was about ASEAN payment connectivity and there were many guest speakers in various field such as, bank, non-bank, tech firm and regulators.

The key initiatives of each field to deal with the upcoming trend are different, however, they all focuses on linkage and connection. Many banks in Thailand are trying to promote remittance or cross border money transfer between Thailand and countries in ASEAN, for example, using QR codes to facilitate making payments across countries and also to reduce problems with migrant workers. As for tech firms, they are trying to make it more convenient for customers to make payments by developing a system where customers can just do transactions with their local currencies as the application will calculate everything for them.

The rising trend in digital payment has resulted in a change in the way people do things, the key drivers of the change are the ultra-low cost of payment, global interoperability and security and cyber resilience. However, there still lies problems of disconnecting payment networks and blockchain could not solve this so companies must make it interoperable, for example, using stable coin settlement platform.

After spending some time at BOT, we visited Asian Development Bank (ADB) in Central World. The discussion was mainly to introduce us to ADB and provide some insights on their strategies for the future. ADB was established in 1966 with 49 member countries in Asia and the owners are the ministry of finance of that country. What they do is to provide financial assistance in terms of knowledge support and loans to both private and public sector.

The three main products they provide to borrowers in the private sector are debt, equity and guarantees. Debt includes direct loans and bonds; equity includes private equity and IPO and guarantees includes partial credit guarantee and political risk guarantee. To compete in the private sector, ADB has the advantage of being able to provide longer term loan with a fixed rate and lending in local currency which attracts a lot of investors who are interested in investing in a long-term project.

Their main strategy for 2030 is to focus on reducing poverty but they also focus on other aspects within SDG too, for example, tackling climate change and fostering regional cooperation and integration.

All things considered, this one-day study visit has shown me how technology could be an important factor in connecting the countries and increasing customer satisfaction. I believe that there are also many firms trying to compete by offering similar products but to make this work, firms should rely on each other by collaborating and find a standard way that every stakeholder will agree on. It also made me realised that there are so many institutions that are similar to ADB that will help drive the economy further. In my opinion, it would be beneficial to the economy if investors are more aware if the products these institutions provide, for example, the Green Bond, which helps to raise capital but also supports a cleaner environment!