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Week 5 Essay

Doing Business in ASEAN (Vietnam), 18 July 2019

First, the lecturer mentioned that South Vietnam culture is more similar to Thailand compared to North Vietnam. For example, people in Ho Chi Minh City are familiar with spicy and sweet food so that most Thai restaurants open their branches in this area. However, some businesses like Toyota and Honda are likely to run their businesses in the North because government sectors are located around in the upper area or Hanoi. Having close relationship with government, the companies can do businesses easily. Moreover, people in the North will get more familiar with different culture, then accept their products and services later in which helps gradually capture the new market.

In terms of currency, government prefers VND depreciation against USD and Euro so as to increase competitiveness of the domestic products in the world market. With cheaper price, Vietnam export will continuously grow. Furthermore, depreciation will attract more inward foreign direct investment (FDI). The rise of investment will boost the economy as well as enhance population livelihood with an increase in employment, better education, improved infrastructure, and higher quality of life.

The information above is some relevant factors influencing Thai investors. On the other hand, this lecture also provided different perspective toward doing business in Vietnam by providing experiences involving what actually happens while investing there.

Importantly, regulation is the main difficulty in doing business in Vietnam because the government changes their regulation frequently causing uncertainty and confusion. For example, with SABECO acquisition, Thai Beverage becomes a major beer company in Vietnam. Due to some unclear law violation regarding tax, they were fined.

Standard of living is another aspect since the bank guarantee in Vietnam is completely different from Thailand. The bank does not provide money to the investors but helps force the debtor to pay back. Obviously, the bank does not give credit to all leading to financial uncertainty. For instance, Heineken suffered from loss because of this issue. They then no longer accept credit but instead change to accept cash first to ensure partners' payment.

As I learnt from other lectures, I believe that Vietnamese become more educated and skilled. Unfortunately, the lecturer told that bachelor cannot guarantee ability of the workers since education system still lack of quality. Most labors bought certificate so as to increase chance of employment. Moreover, literacy rate is somehow lower among workforce. These contribute to a big problem in investment. From my point of view, this issue could be resolved by both the government and the company. Firstly, the government should improve the quality of education through increasing the literacy rate and developing education system. Similarly, the company has to strictly screen the labor in order to eliminate this adverse selection. Regarding skill improvement, they have to train labors so that they can work efficiently. Also, investing in human capital by sending some workers to specific training center could have positive consequence such as TGI in Thailand.

Corruption is an eminent trouble. Apparently, paying commission is common in Vietnam. As a result, having good relationship with government is necessary. In addition, if you are SME company, you somehow cannot survive in this market due to the price cut resulted from fierce competition. Differentiated product and innovation are solution for SME.

The lecturer suggested that labor-intensive is a better choice in Vietnam. I agree with him that selling consumer products is good because I cannot observe much diversification of products while visiting Vietnam. With few competitors, selling new varieties of products with higher quality can capture this new market and increase market share in Vietnam.

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Fintech in ASEAN, 19 July 2019

In the present time, financial connectivity is ignited throughout ASEAN. Due to explosion in smartphone usage and new developed infrastructure from central bank and policy makers, financial technology then plays a key role on financial innovation from now on causing the emergence of fintech startups and collaboration between banks and fintech companies in order to connect between networks both domestic and international market.

Because of a large number of migrants as well as an increase of tourists from neighboring countries, Krungsri bank observed an importance of cross border transaction so as to enhance financial inclusion by reducing friction and lowering the cost. Now the bank promotes QR payment which starts from Japan to help facilitate Thai and Japan tourists on shopping. In terms of remittance, a lot of migrants benefits from this development since they can easily send back their money to home countries such as Laos. Currently, the collaboration between Thailand and Singapore is on progress in order to improve remittance system as well. Seeking for sponsoring banks, Cambodia also promotes QR payment through API so as to improve free mobility for goods and services together with human resources.

Not only does Thailand try to connect the ASEAN market, but also Singapore does. Mobile wallet on VIA under Singtel company or simply the network of wallet that is similar to Prompt pay system in Thailand, is currently expanding in Singapore through scanning QR code and then the system will convert into local currency. The speaker also mentioned that Philippines and Indonesia people use prepaid account and rarely spend through credit card. As a result, this kind of behavior is an opportunity driving Mobile wallet in these two countries. This will benefit both consumers and merchants due to the ease of payment.

Everex is a Fintech startup trying to promote Stable coin, a Cryptocurrency connected by blockchain. Unlike bitcoin, the main reason for this digital currency is to hedge variation

in currency. Everex believes that stable coin will help solve remained problems from cross border transaction and currency exchange. Eventually, all customers will gain from easily efficient payment and lower currency risk.

From my view, financial connectivity will boost the economy due to an increase in volume and value. As the cross-border payment become cheap and fast, this will encourage both consumers and investors to spend more. Moreover, I totally agree with all speakers that “to connect the network, partnership is key” since it does not only facilitate payment access across border but also provides variety of services from partner companies along with efficient payment to clients like Grabfood and also strengthens financial inclusion that possibly reduces poverty and inequality. Somehow, this upcoming innovation will affect some companies in the future such as currency exchange business and possibly bankers.

ADB visit (Asian Development Bank), 19 July 2019

Unlike IMF and World bank, ADB aims to assist mainly Asian countries especially developing and under-developed countries on many projects. For instance, infrastructure projects in GMS region to support east-west corridor to enhance logistic. Also, green projects supporting sustainable energy efficiency through solar power. All the projects must enhance the livelihood among population and eliminate poverty that is the main goal for ADB.

In terms of assistance for partners, ADB lends direct long-term loans with fixed and low interest rate as well as provides in local currency in which some countries' currency are scarce. Moreover, ADB sometimes directly invests through equity and provides some guarantees for the member countries. These helps will foster both government and private investment which will lead to higher growth and better development in the countries. Apart from financial assistance, ADB also emphasizes on knowledge support which is a root for innovation and strong development.