

EE551&EE561 : Daily reaction essay | July 22, 2019

Today's lecture is about strategy of CLMVT countries which are Cambodia, Lao PDR, Myanmar, Vietnam, and Thailand. Nowadays, there are a few countries that have 7-8 or double digit in growth rate in the world. Most of them are countries in Southeast Asia which are CLMV countries. Vietnam is the highest amount of foreign direct investment in CLMVT countries because it has high population that is in labor age and trade agreement with EU. The largest foreign investors are Japan, South Korea, and ASEAN countries. For Cambodia, ASEAN and China are the main investors which are accounted for 45% of total foreign direct investment. The major sectors of investment are in finance, insurance, real estate, and manufacture. In Lao PDR, China is major investor which is accounted for 78% of total FDI. Most of them are infrastructure and energy sector since Lao PDR is named "battery of Asia". For Myanmar, South Korea is the largest investor which is accounted for 48% of total FDI. The major investment are in mining, transportation and warehouse, and manufacture sector. Lastly, Japan is the largest investor in Thailand such as vehicle manufacture, spare parts, and electronics. The interesting point is they are coming with their finance, insurance, real estate, and manufacture companies as group to use their own country's brand.

Nowadays, there are new trends for FDI. Firstly, foreign investors choose joint venture model to invest with local companies to know the insight information in local, such as culture. (Note that : In Thailand, local companies must have majority share which is more than 51% share. But, in Vietnam, foreign companies have no need to joint venture because they can be 100% owner. On the other hand, Vietnam's government changes policies many times. For example, you are legal company in day 1 but, in day 10, you are illegal.) Secondly, companies will hire less employees because they have demand for high technology FDI with employees who has high capability to use

the technology. Thirdly, investors try to be whole supply chain to minimize the cost of production. The last one is government policy. Most of investors need investment protection for the government that they want to invest because they have to make sure that they can clearly invest without negative consequences. For example, government changes some policies to prevent the company's investment during the construction.

In addition, there are many future challenges to investment, such as geopolitical stability and regional relationships (the US-Thailand / BREXIT / EU-Vietnam free trade agreement), governance challenges for business, new business model, changing demographics (less consumers / less local workers from allowing foreign workers), inclusive growth and sustainable development which provide the same welfare for Thais and foreign workers, regional digital economy, and increasing proportion of urban area.

The interesting part is in the example of changing demographics in Japan that the lecturer provides to me. She said a lot of nurse in Japan are the Filipino people because the Philippine 's government establish one institution for nursing and learning Japanese language to reduce the language barrier since Japan confronts with aging society and low birth rate. Another fact in Japan is high female Japanese graduated. After that, they have a job. When they are married, they do not work anymore. This is the reason why Japanese has less workers.

LCDs that the lecturer said is the new word from the course. It is "Least Developed Countries" which are Cambodia, Lao PDR, and Myanmar. And, the top of developed countries in ASEAN are Singapore, Malaysia, and Thailand. Vietnam is the second level because of the flexibility of the government policies that I have mentioned above statement.

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Today's topic focuses on Myanmar. Beginning with briefly historical background of Myanmar, Myanmar was the British colony. After that, the country had parliamentary system under 1947 constitution prime minister Nu. Then, there was military intervention and interim government in 1958-1960. Myanmar turned to socialism by setting Burmese Socialist Program Party (BSPP) to control everything without competition. People upset to the government and economic crisis so they created political turmoil in 1988. The military gave a promise to have general election in 1990 but it did not happen. The first election to run the country and the only one election until today was in November 2010. After election, Aung San Suu Kyi is given a position in parliamentary to run the country since she married with British guy so she cannot be prime minister of the country. The regulation from the military government mentioned that situation is illegal. The interesting point is changing capital city of Myanmar from Yangon to Naypyidaw. The guest speaker said the area of new capital city of Myanmar is equal to London, the capital city of England but the population in Naypyidaw is only 7,000 people. Although the city has many roads for citizen, you can see many cows on the streets. Myanmar officially recognizes 135 ethnic groups but Rohingya have been rendered stateless and stripped of their citizenship. The major religion of Myanmar is Buddhist. On the other hands, people look Muslims as terrorists of the country especially for Rohingya group. Moreover, monks can protest or show political aspects in the country. So, one of monk is Buddhist fundamentalist against Rohingya because of belief that they are not pure. From the conflict, Rohingya cannot access to economic development such as education. One of consequences is they do not control the population that makes the worse situation in the region. Many soldiers come in the area and burn their houses to expel the group. Myanmar spends high military expenditure around 4% of GDP in 2013 that is 2 times more than China, Malaysia, and Thailand.

For economic part, Myanmar has high growth rate. The highest proportion of export in fiscal year 2013-2014 is gas which is 3,299.2 million US dollars. Mostly, Myanmar exports raw materials and imports finished goods. Although Myanmar has low labor cost which is around 120 THB/day, workers do not have much skilled due to accessing to the education. Myanmar also set up Special Economic Zone (SEZ) at Thilawa to do light industry and assembly industry and at Dawei where is located near Yangon to be gateway from Thailand to Indian ocean and connect to Southern Economic Corridor (SEC) to do heavy and chemical industry. One problem that affects to FDI is Burmese have several cultures that are hard to manage in each minorities. From the information in the slide, trend of international tourist arrival in Myanmar increases a lot from year 2012 at 1.05 million people to year 2014 at 3.08 million people.

The new things that I learn from the lecture are the pronunciation of Myanmar's language which is similar to Sanskrit language that I have learnt from high school. Another one is although Myanmar has lower minimum wages, Burmese have abilities to hire helpers to take care their kids. It is surprise to me because not everybody in Thailand can hire the helpers; even though, Thailand has higher wages than Myanmar. Women in Myanmar have to wait 36 months after they married to pregnant and have a baby. The last interesting thing is more than 1,000 died and 69,000 Rohingya Muslims fled during the crackdown in Arakan state. So, I have a question to the situation that "Why other Muslims in Myanmar do not have any violences". The answer from the lecturer is "because Rohingya group are not counted to be Myanmar's citizen". This answer influence me to find more story about Rohingya more on the internet.

EE551&EE561 : Daily reaction essay | July 25, 2019

Starting topic of ASEAN integration and border trade with imagined ASEAN Economic Community (AEC), we imagine it to be like bridge to connect every members' countries. In fact, it is under construction. AEC began with ASEAN free trade area that focus on goods in 1992. After that, AEC provided ASEAN framework agreement on services in 1995. ASEAN is the most diverse economic grouping, for example, the gap between richest country and poorest country is 60 times which is the highest. Population and markets of Brunei is 0.4 million but Indonesia is 237 million.

Five areas of ASEAN integration are goods, services, investment, labor, and capital. Firstly, goods tariffs are eliminated for ASEAN6 and CLMV countries. On the other hands, non-tariff barriers remain important. For example, quota is the measure which restrict trade. If the local countries set the limited quota to import products that are no collect tax, the rest of quota will be collected and cost of products will be increased. Secondly, services in each countries will be different equity participation in services business. (Note that : to be majority shareholders, you must be more 51% share) Some countries limited percentage of the foreign share in the business. This limitation will be less interested to invest from foreign investors in the country. Thirdly, investment which is FDI and portfolio comes from abroad but it has the extent its domestic laws. Fourthly, in labor area, the eligibility to work in a host country will be subjected to prevailing domestic laws and regulations of the host country. Fifthly, ASEAN countries are freer flows because members are at different stages of liberalization without plans for a single currency. The most freer flows country is Singapore.

The interesting point of this class is GDP growth of ASEAN6 and CLMV countries from 1990 until 2011. The Asia crisis in 1997 has synchronized impacts to all ASEAN6 that the GDP of

all countries dramatically decline below zero percent. On the other hands, GDP of CLMV countries is non-synchronized to the impacts. The growth is normal positive rate.

For my question, if ASEAN uses one currency during the crisis, what the consequences of impacts are going to happen. And, If ASEAN uses one currency, whose face of important people in each countries will be on coins and banknote. In my opinion, I can guess only the first question. The consequences will be more impactful since all countries will be depended on one currency.

In the afternoon class, the lecturer wants to provide new aspects of Chinese to our class. So, many stories are interesting facts to me. In the past, Chinese leader expected massive propaganda, for example, pig has very big size but, in reality, people are very starving. Some locations in China, rural farmers farmed very hard to get very little food for themselves. The government also provided rice coupon to receive the real rice. Moreover, many Chinese tried to have more son to get more the coupon. In China (past), there is no culture, no rich people, and no education. Rich citizen are arrested by government because they are too rich and clever. China has only the chairman and labor. Nowadays, China has changed the education in new generation to globalize the country. So, labors in China will have more skilled in the production industry. Labor cost will be increased so some investors move to invest in CLMV countries instead. The most interesting point and I agree with Chinese policy is cashless society. Chinese can use Alipay to pay for restroom. Moreover, beggar beside the road or street also use QR code for asking payment. But, I disagree with household registration system of China. For example, parents work in big cities to receive higher wages and they are not that city's citizen. Their kids have to study at their hometown or at private school that set very high tuition fee. Parents also have welfare only in their hometown such as using public medicine. Therefore, they should go back to their hometown after they retired and new generation of labor will replace in the big cities. This loop affect to the quality of citizen to access the education.

EE551&EE561 : Daily reaction essay | July 26, 2019

Topic is urbanization in CLMV countries with challenges and opportunities. (Many parts of the slide are in previous classes) Beginning with the Greater Mekong Subregion where a geographical location is in Cambodia, Lao PDR, Myanmar, Thailand, Vietnam, Yunnan province and Guangxi special autonomous region of China to provide the framework for connectivity, cooperation, and community. Trade, transport, tourism, infrastructure linkages and cross-border movements have been greatly developed. It is one of the least urbanized areas in the world; even though rate of urbanization is accelerating. With global trends, division of labor movement towards high value production. Finance is followed by movement of global capital. Production shift from agricultural to industry and services. Technology is intensified use of information. For regional trends, connectivity is more infrastructure development. Cooperation is more improved security and cross-border movement. Community focuses on harmonized policies and tourism. There are five urban growth drivers which are government policies and strategies to control easements and restrictions, regional cooperation to improve connectivity and to increase trade flows and tourism, infrastructure to increase economic growth and influence investment, foreign investment to create employment opportunities, and rural-urban migration to increase urban population growth.

In Southeast Asia region, CLMV countries are moving towards development at different paces and stages. Vietnam is the most advanced and has heavily invested in infrastructure and human resources for the foreign direct investment. Cambodia is catching up with increased foreign investments. Myanmar is the least developed after 40 years of isolation. Lastly, Lao PDR has the smallest economy because it has the least population. In addition, CLMV countries are abundant resources and have huge tourism potentials. Environmental management and inclusive

development, particularly engaging ethnic minorities and vulnerable groups remains a challenge of CLMV countries.

In my point of view, when I hear GMS or Greater Mekong Subregion for the first time, I think the countries in GMS use Mekong river to transport products for trade along the river from China until Vietnam. In fact, it cannot use the river for logistic because some locations of the river are shallow. Big ships cannot pass the area. (Note that : information from visiting at Lao PDR from the trip)

I agree with the lecturer that CLMV countries will be more urban since there are a lot of foreign direct investment in their countries. The government will be more invest in infrastructure to support the FDI. For example, the government has to provide electricity and water which are the basic things of the production process to the area. People in that area can access to the urbanization form the development. Employment will be increased from hiring labor in the local area.