

Essay 3 Class : CLMV Trade and Investment

This lecture is divided into four parts ; CLMV Trade with the rest of the world, CLMV Trade with Thailand, Inward FDI in CLMV and Thai direct investment in CLMV. From the CLMV Trade with the rest of the world topic, all CLMV countries have a positive growth for the trade volume. Cambodia, Laos PDR and Myanmar have a trade deficit while Vietnam has almost zero trade balance. Also, Vietnam has the highest trade volume. The main trade partners for CLMV are Asian countries such as Thailand, China and Japan. USA, UK and Germany also play a big role as a export market for Cambodia especially garment products since the main exported goods from Cambodia are mainly garments, apparel, and footwears. For Laos PDR, Laos has the lowest trade volume in CLMV, I think that it might be because Laos is a landlocked country so it will be hard for Laos to trade. The main export for Laos are natural resources ex. copper ores(mining) and agricultural product (bananas). Myanmar export a lot of Petroleum gas and import back Petroleum oil since they cannot transfer those gaseous into petroleum oil. Vietnam's exported products are telephone sets and those electronic integrated circuits. This is quite different from the other CLMV countries.

For CLMV Trade with Thailand, only Myanmar has a trade surplus with Thailand and the main exported products to Thailand are Petroleum gas and other gaseous, and also live fish (in Kanchanaburi). All of CLMV members import petroleum oil, and vehicles from Thailand. The trading product between Thailand and CLMV are similar to Trading between CLMV and the rest of the world.

For the Inward FDI to CLMV, most of the FDI flow to Vietnam, I think this is because the age structure of Vietnam is mainly teenage and workforce plus Vietnam minimum wage is quite low (this information from the 1st lecture). The main investor are China, S. Korea, Singapore and Thailand. Thailand used to be the main investor in Laos PDR but now it is China. However, Thai direct investment in CLMV still has a positive trend

(mainly to Vietnam) and the main sectors were wholesale and retail trade and industry ex. vehicle parts and assemble.

The thing that surprise me the most is that Thailand export petroleum oil to all CLMV countries since I never know this fact before. Another fact that quite interesting is that the cars price in Thailand are higher than Laos PDR, for the Toyota Camry in Thailand is more expensive than in Laos almost 2,000 US dollar. This means that Thailand has a vehicle tariff higher than Laos. Moreover, the tariff system in Laos PDR used to be benefit for those rich people since they were the one who set the rule, for example that lecturer give is that tariff on luxurious car is greater than the small car or a pick up.

For the foreign direct investment, there is no fact that surprise me that much since most fact can be guest and some I had heard from other class such as China become the major investor or Vietnam got the highest inward FDI and also Thai direct investment but this lecture make the picture clearer with supporting evidences and if linking this lecture with the others we can find that why it be like this. For example, the age structure and the inward FDI volume in Vietnam, since Vietnam has the a lot of working age population with a low wage so there will be a big inflow of FDI to Vietnam.

Essay 4 Class : Marketing strategies in CLMV

Brand is everything (which is known as brand element) that identify and differentiate things from each others. So, a country is also a brand. For example, Thailand as a brand, elephant (national animal), Tom-Yum-Goong or Smile are brand elements. To achieve or become top of mind, brand needs to advertising/ do IMC plan, as well as country, if a country want to be the top, that country has to promote itself. I think that culture and technology play a big role on this.

Culture and Technology also important for a brand. For culture, it is related with the consumer behavior, different countries/societies, so marketer will need different marketing strategies for each place. Therefore, to be succeed, marketer needs to understand the target group culture. Technology will play a big role on the communication part since nowadays, marketer can communicate the brand's message via the internet or social media/networks ex. Facebook. And if market want his/her brand to always be in the market or to life, marketer should think of doing brand activation. However, marketer still have to make sure that the campaign that he/she is going to do is suit with that society by understanding their culture.

By doing the brand activation, this can increase the sale and more people will know the brand, for example, Coke do a campaign "Share a Coke", this campaign make coke sale become higher. There are four steps for brand building which are 1. Segmentation and Targeting, 2. Brand Positioning, 3. Communication via brand elements (which should be memorable, adaptive and meaningful) and 4. Customer loyalty/ Brand activation. These four steps will be different for every society therefore, marketer needs to understand their target culture so their plan will be effective.

Most of the information are similar to the basic marketing classes such as MK202. However, this lecture made me have a clearer picture of how culture is important in the marketing. Without understanding the target group's culture, marketer can

miscommunication with their target consumers about the brand. For example (from other marketing class), Darlie, a toothpaste brand, used to named “Darkie” with a black guy smiling. Darkie toothpaste used to be a Chinese company, and it was so successful in China that Colgate (US company) bought Darkie and tried to sell it in the world market. However, Darkie was not successful in worldwide as it was in China since many consumers thought that this was a racism. Therefore, Colgate had to changed the name from Darkie to Darlie and changed the image of a guy on the package too. I think this problem occurred because the company did not really understand about how sensitive on skin tone issue in the world market. In China was fine might be because Chinese culture does not concern that much about skin tone. Therefore, understanding the culture is one of successful key for marketing.



Essay 5 Class : Logistic and Supply Chain Development in ASEAN

There are 2 levels of logistic and supply chain which are Business level and Macro-level (country level). This lecture will focus on macro-level. For ASEAN logistic, most of trade volume are intra-ASEAN trade so, cross border trade is the main trade type (this trade help small farmers, firms to sell their products). There are four phases of International logistics cross border development ; Industry 1.0 (agricultural), Industry 2.0 (light industry), Industry 3.0 (heavy industry) and Industry 4.0 (more customer base). The first three phases use Red ocean strategy (cost oriented) so they will try to produce a huge amount to achieve EOS. Industry 4.0 use Blue Ocean strategy in order to be the first mover/ be different. Another strategy is White Ocean strategy which is collaboration strategy (being friend with competitors).

Since the world is change when time pass so the business model need to be re-designed (change). There are 3 flow of re-design. First one is People referring to the change in consumers. For example, Ex-rich (USA or European countries) and New-rich, there are more new rich demand which are from Asian countries such as China or Japan. The preference of both group are different so, if the business want to target the new-rich the business model has to change to suit with new-rich preferences. Second flow is Product. Since the world become more globalized and with lower tariff, there will be more trade. The third flow is Capital which relate with the opportunity of investment in each country. All of these can not be success if there is no well planed in logistic system.

Logistic and Supply Chain is a new topic for me. When mention about logistic, I will think of only transportation but actually logistic also include inventory management and warehouse management, etc. The interesting part is the redesign part that we have to adapt our business model with the changes of the world. For example, the shift of tourists from Ex-rich to New-rich in Thailand cause many Thai Airlines have to provide more flights from

those New-rich countries such as China and India. Also with this change, many signs in the shop have add Chinese or Indian to make it easy for tourists to understand.

For the four phases of International logistics cross border development is different from the 4 industrial revolution that I had learn from other class such as the Industry 1.0 are focusing of agricultural while the first industrial revolution is the phase that people using steam engine or the industry 2.0 is for light industry but the 2nd industrial revolution is when people start to use electricity and production is a assembly line production. I think that Thailand use the 4 industrial revolution as a guideline for Thailand 4.0.

Essay 6 Class : Economic of Multinational Enterprise (26/06/19)

Multinational Enterprise is a company that set up in more than one country for example Coca-cola, KFC or Toyota. The ownership can private, state or even both. For foreign direct investment (FDI), it is when country called home country invests in another country (host country) with a lasting interest. FDI is different from portfolio investment in the sense that portfolio investment has no power on management while FDI has. There are 4 motives of FDI which are Natural resource-seeking (seeking for natural resources ex. gas, land or water) , Marketing-seeking (expanding market size) , Efficiency-seeking (ex. low minimum wage) and strategic asset-seeking

There are 2 frameworks for determinants of FDI. First one is Dunning's OLI framework which looking at ownership advantages, location advantages and internalization advantages. Second framework is FSAs and CSAs. Firm-specific advantages (FSAs) refers to resources or abilities of firm to generate competitive advantage. Country-specific advantages is similar to FSAs but CSAs is for a country instead of a firm. There are many impact of FDI to both home and host country such as create a new job, resource allocation or income distribution.

FDI in Laos used to be very low but at around 2005, Laos started to promote FDI so FDI in Laos increased. However, there are not many project had been done even if there are many projects had been approved. I think that this might be because the internal management in Laos does not stable. Moreover, Laos has a low population, this may lead to not enough labour so there is a few project be done. Most of FDI inflow in mining and electricity generation. In the past, Thailand used to be the main investor in Laos but now it is become China and Vietnam. I think one of the reason the many investors invest in Laos is because Laos has lots of natural resources for example Laos has many rivers which can be used for use for build a dam that why there are many hydropower projects invested in Laos.

From the discussion in the class, I had known that Thailand invest many hydropower in Laos and re-export to Thailand, and this is quite interested me that we export electricity from Laos. The interesting thing is that even though Laos has a low labourforce comparing with CLMV countries, many countries still invest in Laos. I think that this might not be only because investors want natural resources in Laos but they can also seeking low wage labour from countries nears Laos as well. Moreover, even if Laos is landlocked country but Laos has many border with many country such as Thailand, Cambodia, Vietnam or even China, so ,in my opinion, investor might also seeking for market around Laos as well. Therefore, I think that Laos has potential to be a center linkage country of ASEAN. And if there are more investment on hydropower plants in Laos, Laos could become a battery of ASEAN, providing electricity to ASEAN countries. Since water is a renewable resource, this could means that this sector could create sustainable in economic growth to Laos.

Essay 7 Class : International Trade&Investment VS Environment/Development Economics

The total trade of CLMV increases every years and the share of trade is about 50% of GDP, so CLMV countries are relied a lot on trading. Vietnam, Singapore and Thailand mostly trade with extra ASEAN while other ASEAN countries are trading with each other. There are two sides of Free trade and FDI impacts on environment. For the positive side, they believe that trade and FDI can create mor access of environment friendly technologies to the countries that not have. Country' production base on comparative advantage so, they will use less resources. Also, people will have higher income so they will concern more about environment (Environmental quality). On the other hand, free trade and FDI also create pollution as well. However, I believe in the positive externality of FTA and FDI on environment since there are some evidences support.

For the international trade theory that can be applied with environment such as the Heckscher-Ohlin (with specialization, resources will be effectively used), Kuznets Curve (more environment concern when economy is at advanced stage) and Scale, composition and technique effects. Even if country has lots of natural resources but its institution is bad, that resources won't generate any growth. This situation called Resource Curse. The example is jade industry in Myanmar and in opinion, this sector does not grow is because there are corruption and too much power on military.

Private sectors can also create negative externalities to society, therefore government has to set some regulations to solve this problem. There are 3 regulations : Command and Control, Tax and Information. I think that these regulation will be easy to implement if it is at local/domestic level but for the region or global it is hard to do or monitor. Since pollution in one country can affect the whole world, so I agree with Ajarn that we need cooperation from every countries to solve the environmental problem by every countries have the same

environmental policy. This can reduce the opportunity seeking on the country that has a lack environment regulation.

For the Development Economics class. The Asian Miracle was when Thailand, South Korea, Hong Kong, Singapore and Taiwan had a high growth rate(8-12%). In recent years, the new miracle are China and Vietnam. However, I think that we should not focus only the monetary index but we should look into the TFP as well since the high growth doesn't mean that it will benefit the local citizens. This high may give benefit to the foreign investors. So, we should at other index such as HDI and Development index too. For the HDI, it includes indicators that not only about economy such as life expectancy index or the education index.

Middle income trap is also one of the problems that many countries have faced. Thailand is also one of them. This is when a country has higher wage so they cannot compete in the labour-intensive sectors in the world market and also does not have enough technology to produce high value product so that country is trapped in the middle income. But, in my opinion, Thailand or other countries may not face the middle income trap since Thailand has export many products that have higher value than before such as car part or electronic parts. Therefore, I think these countries are in the transition stage to become high income country. If Thailand is in the middle income trap, the product that require high technology like car parts should not be export from Thailand.

To have a sustained high growth, countries must have a high saving, good institution and capable government and stable macroeconomy. FDI is one of the factors that make countries industrialize since there are technology spillover from FDI to locals. It can be Horizontal spillover and Vertical spillover (backward and forward linkage). However, I think that FDI does not always create spillover effect, for example, the home country may invest in the host country for assemble and no skill required in this part so there is no spillover effect to the host country. Therefore, country also need to develop itself by itself as well.

Essay 8 Class : Industrial Policy & CLMV Economy (28/06/19)

The Industrial Policy (IP) from Laurids S. is a policy package that aimed to improve productivity and shift domestic economy to higher technology and value added sector. To achieve this, he suggest that IP should include Industrial diversification (creating many variety of industrial sector, the more variety, the higher social welfare), Industrial deeping (making sure that the value added on export are generated by local contents) and Industrial Upgrading (fostering more advanced and competitive industrial structure to create more value added). But before setting industrial policy, government should decide which sector that they want to focus. IP should be flexible with the trend change and government can get information about the trend from the private sectors.

There are two reasons that strategic industril policy is needed. First reason is because of the market failure such as non-efficient resource allocation, imperfect competition in the market or asymmetric information. The second reason is because of the systemic failure which is about management things. These problem needs government intervention via the strategic industril policy.

World bank states that many Asian countries are in the middle income trap. One of the reason is that those country what to transfer from low income country to middle income country by promote FDI policy. However, those countries did not thinking of industrial upgrading or innovative policy. Therefore when their wage increase, foreign investors shift the production base to the lower wage country and they cannot compete in the higher value market since they do not have enough technology and end up in the middle income trap.

From Ha-Joon Chang, he said that government should choose a target industry and make IP be specific to that industry (selective industrial policy). This strategy started in Japan. Many countries (Korea, Taiwan abd China) followed this and they became high income country. Chang believed that to be industrialize, country need a support from state

sector. The sector that politician favour will have more chance to be successful. So, he believed that country need government intervention on the trading and FDI.

In the 4th industrial revolution, there are many new disruptive technologies such as IOTs, AI, AR or the 3D printer. In this stage, it can creates problems such as create less job and create inequality in society. Wage will not be the main factor that investors concern since labour cost is less than 10% of production cost. Investors focus more on skills of labour, with this I think that policymakers should thinking about create industrial policy improve human capital ,also need some policy that support R&D so country will have a new technology to compete in the world market.

For me, lecture about the industrial policy is very interesting. I really agree with Laurids S. about Industrial diversification , Industrial deeping and Industrial Upgrading are the main keys that country should focusing on so that country will have a sustain growth and not be in the middle income trap. I believe that FDI will give benefit such as technology/knowledge spillover to host country instead of being a factor of middle income trap. Fo example (from the course), Japan used to invest a train sector in China,then China got that technology from Japan and be able to build a train with the same speed to Japan train. And if the country still afraid of FDI causing middle income trap, they can do the joint-venture so that country have power on managing and will not be exploited.

Moreover, I also agree with Chang that state and private sectors should cooperate in order to make country become industrialized since some of information about business thing or business trends, private sector will know more than the government. And the main objective of the state is to generate welfare to society so they will thinking of social benefit first while private sector won't. Therefore. these are reasons why I believe in Chang argument.