

CLMV reaction essay week 2: Essay 1 (June 24) 2 lectures FDI & Marketing in CLMV

This is a reaction essay of two lectures in topics of CLMV trade and investment, Economics of Multinational Enterprises by Ajarn Nessara in the morning session, and marketing strategies in CLMV by Ajarn Suwalya in the afternoon session.

Ajarn Nessara started a little bit about CLMV trade and investment with the world graph tables before letting us brainstorm in class to explain the trade balance from CLMV's information and graphs. I and my group members have discussed that Myanmar's import volumes increased extremely after 2012 because Myanmar open door policy was used to support the FDI inflows after Aung San Suu kyι won the by-election in 2012.

I have learned about important trading partners of CLMV which the main one is China, and also details about CLMV trade with Thailand.

The next issue I have known from class made me quite surprised. That is the price of imported cars in Thailand is far more expensive than in the US. Toyota Camry Starting price in Thailand, US, and Laos are distinctly different. This is because tariffs and regulations of each country and the difference of interest rate in Laos Thai and US

Then Ajarn lectured more about Thai FDI in CLMV, economics of multinational enterprises, types of FDI especially on motives and determinant, case study of doing business in Lao PDR, and finally ended with CLMV labor force.

In topic of marketing strategies in CLMV, Ajarn Suwalya began her lecture by asking fun quizzes about animals symbol of each ASEAN country with the surprising rewards for students answering questions. Those questions related to the topic in brands as symbolic of each country's culture and uniqueness. So in marketing, brand is very important as it refers to the position, and also raise awareness in the minds of people.

Ajarn told more about culture and technology. Since numerous number of Facebook users are in ASEAN countries, so I think the strong brands needs to use technology as an advantage to track with consumer behavior so that they would know what users or consumers really want in a digital economy.

More overver, brand activation or activity that brings positive participation from consumers is also important. For example, the department store uses Snoopy as a symbolic of happiness during Christmas festival t build an increase in consumers' flow of interests.

Ajarn also reminded my opinion that the cultural and traditional differences between each country is the key roles as well. We can see from big chain brand of food launching unique campaign or menu in each ASEAN country such as 'Share a Coke' campaign in Vietnam that gain participation a lot from Vitnamese people. Another example for KFC menu in Cambodia, it uses potatoes in various menu. And KFC use cucumber in almost every dish in Vietnam as well. These come from different favorite menu from each nation.

The most interesting part for me is to discover KFC just opened its first U.S. fast food chain in Myanmar recently in 2015. The reasons come from the difficulties of strict procedures from the government and turmoil of political problems for a long time in Myanmar. I have never thought before that doing big or foreign business in our neighboring country like Myanmar would be hard like this.

To sum up from 2 lectures, I have gained many new things about FDI concept and FDI in CLMV especially in Lao PDR. And I have got to know about using different marketing strategies such as participative campaigns or brand activation for brands in ASEAN countries.

And in my opinion, I think marketing is the key importance of the business of FDI to stay stable among different cultures and perspectives of people in each country.

Essay 2 (June 25) Logistics and Supply Chain Development in ASEAN

This is a reaction essay by Ajarn Suthep from College of Management Mahidol University in a topic of Logistics and Supply chain development in ASEAN.

He narrated many issues which mostly are from his own opinions in logistics. So I will choose only some parts of his lecture.

He began his lecture with the discussion about comparing logistics in Thai, Laos, and China. The things he reminded about China is the mega project called ‘The Belt and Road Initiative (BRI)’ which aims to connect the global routes via train. China’s project has impacts to the rest of the world not only in logistics, but also in almost every sector of the economy.

Let’s look into agricultural and logistics intervention from China in ASEAN countries. We can see distinctly from durian market in Thailand. Chinese wholesalers control durian market by being the supply chain, and buy the huge volumes of durian at higher price for the first year. For the next year, they want to buy only big or extra size of durians. But in another year they want the small size. So this creates big problems in reduction in price of Thai durian since durian farmers cannot plant or have the proper enough size of durian for Chinese wholesalers. Then they will not buy durian, or just buy them at a very cheap price.

The lecturer went further with cross border case example between Thailand and Laos. I agree with him that it is not illegal, but like a grey business. It is a brotherhood system to reduce the border-pass fee for small batch of sellers at the border between Thailand and Laos.

The next issue is international logistics cross border development. It is like the mega trends changing from industry 1.0 to industry 4.0. They have shifted from 'cost oriented' - manufacturing base which is competitive in 'red ocean' (selling the same kinds of products using pricing strategy and economies of scale) to 'customer oriented' - industry of innovation and business analytics which is competitive in 'white ocean' (small competition but instead, in a group of cooperation).

The most interesting part for me is the topic of 3 flows Re-design including people, product, and capital. People is tourist or passenger. I would conclude only people. We can see the shiftment from ex-rich to new rich passenger traveling to Thailand. New rich that most are chinese tourists, prefer low cost airlines, budget hotel, and indoor activity. Unlike ex-rich, they prefer something more luxury. So in myview, this is a great chance for low-cost airlines that fly through Thailand to develop their travel options or packages to satisfy this new rich group.

Apart from that, Chinese tourists travel to Thailand not only via planes, but also via land route which is R3 - R3A route from Kunming in southern China via Laos to border in Chiang Rai Thailand. From this logistics linkage benefit, it can create the growth in tourism in the northern provinces of Thailand like Chiang Mai, Chiang Rai to be the destination for Chinese tourists.

In conclusion as seen from the lecture, logistics development is very important to the cross border and trade development in ASEAN since our main trade partner and supply chain is China. We cannot refuse that China is gradually controlling the market and logistics in ASEAN countries. So it is good for ASEAN economy to focus on logistics and business re-design to maintain the advantage and competitiveness in the period of innovation industry.

Essay 3 (June 26): FDI motives and determinants in Lao PDR and Group Presentation

This is a reaction essay in the lecture by Ajarn Nessara. The lecture was a little extension of her first lecture about FDI in Laos on June 24. Apart from the lecture, there were group discussions and presentations about some interesting business in Lao PDR which I will mention in this essay.

For my group, we presented about beauty clinics in Laos. The reasons we chose this business because there are still chances to do this kind of business in Laos due to an increasing trend in beauty and health, and the growth in purchasing power from growing economy in Lao PDR which can be classified as specific advantage of host country.

To classify the type of FDI based on motives, beauty clinic is in market-seeking type. Because we want to expand the market in Laos in accordance with an increase in demand from Lao consumers.

From my research, there are some of Thai famous beauty clinics that are already located in Laos market such as Wuttisak, Khongkwan, and Siam Laser clinic. This can be seen that Lao people are used to and interested in beauty care from Thai clinics. However, Laos are still lack of the high standards hospital that includes beauty clinic like the one stop service hospital. That is why we chose Yanhee Hospital which is like the top of mind of consumers when thinking about beauty service. The medical technology and service of Thai leading hospitals also have high quality and international standard which can be distinguished as the specific advantage of home country.

To conclude, this lecture and presentation session made me understand more about the chances of variety of business in Laos and get to know more about types of FDI and the specific advantages in Lao PDR.

Essay4(June 27)international trade and investment vs environment, economic development

This is a reaction essay in the lecture by Ajarn Anin in the topic of international trade and investment vs environment. Ajarn narrated some of international trade of CLMV and ASEAN, FDI in ASEAN and focused more trade and environmental impacts issues which I would mention about this issue in the essay.

From the class, ajarn has summarizes briefly 3 effects of pollution from trade on environments by Grossman and Krueger. The first one is scale effects. Although trade liberalisation boosts market and economic growth, it increases the scale effect, and will be environmentally damaging. The second effect is composition effects. The overall effect is ambiguous since it depends on each country's view. The last one is technique effects. This effect gives positive view on trade liberalization since high-income people from developed countries would adopt new and cleaner technology to their countries.

Let's see the next issue about resource curse. Resource curse can happen normally in the countries that are rich in natural resources. But it does not happen to all of those countries. Mostly it occurs when the country mostly rely on resource sector. From my point of view, resource curse remarkably come from the bad and corrupted institution. The great example of this case is jade mining in Myanmar which miner were oppressed heavily under the military control of jade mine in Myanmar in the past.

In my opinion, I support the combination effects because I think trade liberalization can help to improve the industry and other sectors in the economy. But for the environmental effect, I think it depends on the limitation and the management of the government of each country in terms of transparency of the institution, policy, and regulations.

If they don't care about their people and natural resources in their country, 'resource curse' would definitely happen sooner or later.

The next lecture is in a topic of economic development by Ajarn Chayanee. Ajarn talked into many minor topics such as economic growth in SEA, the ASEAN miracle, the economic development, the middle-income trap, and roles of FDI in industrialization. I would focus and summarize only the parts of middle-income trap and FDI.

Countries that are in the middle income trap, they are unable to compete with low-income economy in low-wage manufacturing economy. And also they cannot compete with the high income country based on innovation industry as well.

Thailand is a great example of an middle-income trap country. In my opinion, this is because our country relies too much on inflows of FDI mostly in automotive parts assembling industry. We don't have enough R&D, innovations, new advanced technology to support to be high-income economy depending on domestic industry. We just depend on the technology of FDI. Even if , there are inflows of technology spillovers from FDI, we do not have enough potential to create leading technology for the industry sector. We still have some problems with labor-intensive industry, and lack of value-added manufacturing.

Essay 5 (June 28): Industrial Policy & CLMV Economy

This is a reaction essay of the last lecture of the second week in topics of Industrial Policy & CLMV Economy by Ajarn Peera. The lecture covered strategic industrial policy and why using it, middle income trap and others in the part of Laurids S., many issues from Ha-Joon Chang side, and ended with CLMV economy.

I would like to choose some parts of the lecture from my understanding. Firstly is why strategic industry policy is needed. Since the failures in market mechanism happen, the government needs to intervene market by using industrial policy. The strategic industrial approach can be used under the national innovation system via the process of economic policy formulation. The process combines structure from both supply side (power elites, political parties, technocrats, etc.) and demand side (interest groups, mass media, NGOs, etc.) together.

The next issue is middle income trap which can be linked with Ajarn Chayanee's lecture in economic development. Most ASEAN countries including Thailand are depending much on FDI, and stuck in the middle income trap. The government has the main roles to help, and push the country out of low income to middle income economy by using industrial policy. In my opinion, to move from middle income stage to high income stage, it needs a lot of new innovations and technology research and development from the strong industrial policy with the support from intermediaries such as research institutes and the cooperation with technology developed countries to focus more on high value-added productions.

From Ha-Joon Chang's discussion about picking winners, I agree with his argument that the state can beat the market by picking winners or supporting SOEs or state-owned enterprises. The government needs to pick winners or chooses which industries to help since they cannot

help every sector due to scarce resources. For example, in the Japanese state has chosen steel industry to be the main industry, so they promoted the mega constructions using steels such as train and bridge building. Or in a case of the very successful SOEs in Singapore is Temasek. Temasek is a global investment company headquartered in Singapore investing in financial portfolios most in technological sectors aiming to support the next generation populations sustainably.

And the last issue I would conclude is about CLMV economy and FDI. This issue can link with Ajarn Nessara's previous lecture. The structure of CLMV and ASEAN mostly depend on FDI. The important things that FDI consider are host country determinants including policy framework for FDI, Economic determinants (by type of FDI based on motives), and business facilitation. For example, Korea has motive for FDI in Vietnam in a type of efficiency-seeking because Vietnam is not led by Japan in FDI and also because Korea want to expand the electrical manufacturing base in Vietnam due to skilled and low labor cost there. From his lecture, I disagree that Vietnam is not led by Japan. Because from my research from 'TheKoreaTimes' and 'Vietnam investment review' websites says Japan still upbeats and overtakes Korea in FDI in Vietnam. And I think Japan and Korea need to compete intensively with China as well.

However, I agree with an example of business facilitation as Ajarn has mentioned in class. Singapore has the best business facilitation in ASEAN. Because Singapore has the same standards of law and regulations in business as in England, many global headquarters are located there. So it is easier for FDI to operate business in Singapore than other ASEAN countries.

In conclusion, I have discovered many useful things about industrial policy by the government support in developed countries such as Japan, Singapore, and CLMV situations. I strongly believe that industrial policy plays the main role in growing the economy of the country. And I think FDI is good for CLMV in the beginning, but it would be better jumping into R&D and innovations to develop the country out of poverty or through middle income in long term.

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