

Week 6 Essay

CLMVT strategy (22 July 2019)

CLMV experiences continuous GDP growth around 6 to 7 percent. These countries gradually shift toward service sector each year. According to export and import, the trade in intra-ASEAN is mostly involved with value-added supply chain as intermediate goods are exported from CLMV and then imported back as final goods. Investment in Cambodia is mainly about insurance and finance service which is similar in Thailand. Being natural resources-rich countries, Laos and Myanmar attract a lot of FDI in electricity and mining, respectively. Lastly, Vietnam remains the best destination for manufacturing hub. Definitely, China plays a key role in investment in Cambodia and Laos while South Korea is a major investor in the Myanmar and Vietnam. In Thailand, Japan is a key investor.

FDI has various kinds of strategy. For Japan, they will come together with the whole supply chain such as insurance, banking sector, logistics, consult, and factory. To manage risk, Japanese investors prefer to establish factory in Thailand due to lower cost. As Japan remains top investor in Thailand for a long time, South Korea faces difficulty to run business in Thailand because they cannot compete with Japan as they lack of supply chain in Thailand. Also, Thai market is saturated. As a result, they instead shift production toward Vietnam where Japan influence is rarely observed and the domestic market is dramatically expanding. Additionally, Joint venture as well as merge and acquisition are another strategy to attract FDI. But, these two need to be controlled by government so as to protect the local.

To sustain growth, regional cooperation is required to be supported by government such as GMS and ACMECS since this will help boost economy with growing market and more facilitation. However, a lot of budget is needed for ASEAN integration as well because

many basic relevant infrastructures involving transportation, finance, and technology are required to connect across countries.

CLMVT are facing some challenges to boost growth, particularly technology disruption and aging society implying low value-added products and decreasing number of labor force. Equivalently, Japan also suffers from these problem. They implement two interesting policies that are migrant import and female workforce support.

First, with an increase number of elderly, Japan import a lot of workforce from ASEAN such as nursing sector, especially Philippines. However, Japan is renowned for high standard so that Philippines establishes the institute to train their labor to meet Japanese standard and then export to Japan. Likewise, based on Japanese culture, female will quit their job after marriage that directly further lower the number of workforce. So, government plan to build kid center in the office so as to encourage female workforce to continue working.

In my opinion, regional cooperation is essential since the rich countries can invest leading to development. To boost CLMVT economy, technology is the most important strategy. Nowadays, this region are middle income countries. Using innovation to upgrade the product will definitely increase GDP and also eliminate middle income trap. Not only does technology increase productivity, but also improves livelihood. For instance, Fintech that helps facilitate digital payment between countries, technology that provides nursing services to old generation, and also the connectivity between businesses that facilitate people's lives such as e-commerce. Also, technology will improve inclusive growth that both big and small companies can access more to development and grow together.

However, technology requires a lot of budget that somehow exceeds CLMVT capability. Also, it leads to higher unemployment and environmental issue such as air pollution. So, growth under sustainability is a key strategy for these developing countries.

Contemporary Myanmar (23 July 2019)

During colonialism, Myanmar was under British control because of abundance of natural resources. To weaken local cohesion, British adopted Divide and Rule that was a method to treat them differently so that every ethnic groups will have incentive to compete among themselves to get better welfare. Also, British brought Indians into Burma as labors which is a root of Rohingya issue in the present time.

British role was completely eliminated by Japanese government intervention supported by Thakin group during the world war II. After that, Myanmar moved toward democracy but turmoil emerged due to ethnic diversity. So, Military took place as a dictator so as to stabilize the situation and then run the country. As a result, Myanmar was under absolute military using “the Burmese way to socialism” until 2011. Nowadays, Myanmar is under democracy. However, military still plays a key role of governance as more than half of the the member of parliament are appointed by the powerful group. Compared to other countries, the expenditure on military in Myanmar remains high accounted for 4% of GDP.

Interestingly, the lecturer explained about financial crisis solution implemented by military in Burma. Unbelievably, the government threw out all currency from economy and then created a new banknote and new system so as to lower purchasing power and also eradicate black market power. For me, this solution is somehow challenging and require a lot of budget. This is a first time that I heard about this kind of inflation solution.

Currently, Myanmar is one of rapid growing market since the country has the largest middle class as well as young generation. The emergence of the domestic market attracts a lot of foreign investors, particularly China and Japan.

According to China mega project “One belt, one road”, the investment in infrastructure and special economic zones dramatically are implemented. First, Dawei is the

important deep sea port and now infrastructure is officially on progress in order to connect Myanmar and Ho Chi Minh or Southern Economic Corridor. Likewise, East-west economic corridor that connects Mawlamyaing and Danang.

Secondly, Thilawa that is special economic zones located close to Yangon by Japanese investors. From my point of view, this SEZ has highly potential to stimulate Myanmar economy because of strategic location. Thilawa is closed to Yangon so that the products can easily distributed to the domestic market. Despite not having a deep sea port, this zone is closed to Yangon seaport ensuring the ease of transportation globally. Moreover, GSP is another privilege to shift production into Myanmar. As Myanmar remains essential gas exporters. So, the inventors can easily find the source of energy.

Thirdly, Kyaukpadaung that is mainly invested by China through gas pipeline and railway connected with China. This special economic zone is involved with natural resourced transport. To access more economic opportunity in Myanmar, particularly natural resources, FDI and financial assistance are significantly rising in which directly lead to continuous economic growth. So, the government is looking forward to developing these SEZs.

Even though Myanmar has better potentials in many aspects, but instability, reprisal, and trust remain the big challenges for investors. As Myanmar still faces minor ethnic issue which is the main difficulty for harmony, the crisis can easily emerge. Based on lecturer's explanation, stability remains priority in CLMV regardless of governance system. So, the ethnic and religion diversity could possibly lead to a change of political system that eventually affect the trust and investment in Myanmar. To urge development, Myanmar government should stabilize the current issues so that the country can sustain their growth.

ASEAN integration & China in CLMV (25 July 2019)

ASEAN Economic Community aims to integrate trade, services, investment, labor, and capital in the region. The agreement between 10 countries stimulates economy. But, in reality, some difficulties impede opportunity fostering further economic growth.

Tariff reduction is a crucial achievement inducing intra-ASEAN trade, particularly The cross-border trade between Thailand and Laos as well as the transit export headed to Vietnam. However, non-tariff barrier including quota and corruption, fee collected at the border, remain major obstacles due to weak law enforcement. Besides, some countries are islands and some have poor road condition so that the current connectivity does not facilitate trade efficiently contributing to the higher cost of transportation across countries.

To integrate service, foreign ownership becomes more liberalized in Malaysia and Singapore as opposed to other countries because of law restriction regarding land acquisition. As a result, casino businesses emerge around border area in Laos and Cambodia. Also, foreigners can buy shares up to 51% in which is prohibited in Thailand. Likewise, shadow economy is rising around border that negatively affects the countries.

Due to law restriction, movement of labors is not free as expect. Most migrants are unskilled and semi-skilled labor while some professional labors are required to have license in which the examination are conducted in local language.

As the AEC model differs from European Union in terms of currency and regulation, movement of capital becomes more liberalized but not free in case of international loans flow. In my opinion, AEC model is somehow better because establishing both fiscal and monetary union could possibly lead to conflict as some countries that mismanage their economy need financial assistance from members. With inefficiency, the countries could

generate more severe financial impact that eventually affects all members. Furthermore, ASEAN are so diverse in terms of economy that single currency could cause problem.

With regard to remittance system, informal channel is widely used because the cost of transferring is expensive. Nowadays, the collaboration between banks and Fintech plays key role so as to encourage migrant workers to access more on formal channel ensuring security, convenience, and lower cost. The financial innovation will totally improve their livelihood.

China is currently an economic phenomenon since the balance of power has gradually shifted from The US toward China. During late 1950s, Mao implemented the great leap forward under centralized planning so as to promote industrialization through steel manufacture instead of agriculture. Unfortunately, the result became failure as many people were dead from starving. Also, wasted steels caused a shrink in GDP resulted from misallocation of resources. With opposition, the cultural revolution is ignited leading to loss of huge population. After the disaster, China under Deng Xiao Ping is reformed through privatization, decentralization, and FDI openness that successfully drives China economy.

The growing economy is resulted from strong government power. With an increase in expenditure on R&D, China leads in technology innovation such as E-commerce, Fintech, and especially 5G development. Additionally, China strictly control population through Hukou household registration system and social credit system that government provides different welfare in each cities and each individual.

China will be more powerful due to One Belt One road initiative under Xi Jin Ping. Nowadays, China is a key investor in CLMV. From my view, the logistics will boost economy. But, environmental and inequality issue are big concerns since natural resources will be used up along with the rise of chemical usage causing lower quality of life and widen the income gap. All government should take sustainability concept into their consideration.

Urbanization in CLMV (26 July 2019)

With continuously high GDP growth, CLMV are fast-growing countries in ASEAN that comes up with more job opportunity, more access to education as well as healthcare, and better standard of living in cities inducing influx of rural migrants. Correspondingly, the prosperity leads to a rapid rise in urbanization under the influence of government policy, infrastructure, foreign investment, regional cooperation, and rural-urban migration.

Cambodia economy is better because of low middle income country achievement. Also, the poverty rate fell by half from 50% to 20% within 10 years. From my perspective, an increase in foreign investment, especially China, is a key driver for urbanization in Cambodia since the infrastructure projects invested by Chinese help connect between urban and rural areas. Furthermore, this facilitation attracts more investment and boost trades leading to more job available in the major cities such as garment industry. Based on the lecture, the density in Cambodia becomes more evident as 90% of people live in 40% of total land.

With the lowest number of population, Laos has the smallest economy. However, the performance is outstanding resulted from foreign investment due to an abundance in natural resources such as hydropower and mining. As a result, more infrastructure is implemented contributing to a rise in other industry businesses. For example, beauty clinic, department store, and tourism that encourage labors from countryside to move into the cities.

Similarly, Myanmar is rich in natural resources together with the transition from military to democracy that trigger inward foreign investment. So, the urbanization is positively correlated with an increase in infrastructure and investment, particularly Nay Pyi Taw and other important port cities such as Mandalay, Yangon, and Mawlamyine.

Vietnam experiences the most rapidly advanced growth among CLMV due to Doi Moi policy. The reform has led Vietnam toward urbanization under the infrastructure construction and various investment that increase employment.

CLMV are currently facing urbanization. For me, government policy and regulation is the most important driver as it is a basis of urban development. Without government support and openness, investment and infrastructure cannot be widely implemented. Secondly, infrastructure is also a key driver since this factor connects both domestic and international areas through regional cooperation. The linkage does not only enhance transportation for the population but also facilitate the logistics which eventually leads to an increase in investment.

Because of the improved infrastructure and wide variety of businesses, more rural people move into cities to seek for jobs and live with higher quality of life. However, urban density is a major problem in this region as the growth is mostly located in the important cities. Evidently, urbanization is good in terms of better welfare but it also leads to lower standard of living in case of the number of household exceeds the capacity. In my opinion, government should expand prosperity to the surrounding suburb and rural areas through infrastructure that encourages more investment in other areas. Meaning that, more jobs and facilities are available outside the cities that increase incentive for people to move out.

I totally agree with the lecturer that climate change is the crucial challenge for CLMV. High sea level and drought are considered to be the most important cause affecting agriculture and living areas because the number of fertile land will be lower that force farmers to become labors in the cities instead and directly increase the density.

Urban planning should include inclusive growth and sustainability as key criteria so as to ensure that no one is left behind. The countries can grow sustainably without any economic, environmental, and social issues.