Week 3 Essay

BOT and CLMV Connectivity (1 July 2019)

Due to increase in tourism, border trade, labor, and investment, financial connectivity is ignited among CLMVT countries so as to facilitate all kinds of transaction and services.

Financial connectivity would enhance financial transaction service and boost economic activity. This development contributes to more opportunity for many Thai investors to do more businesses in ASEAN since transaction cost is lower and payment method is more convenient. Not only do investors gain benefits, but also merchants and payers between countries since cross-border payment will be more convenient.

To enhance efficiency, Bank of Thailand relaxes some regulation, adopts technology to ensure transaction safety, and lowers transaction cost. Currently, QR payment in Laos and Cambodia is implemented along border through Thanachat bank and BCEL collaboration. Furthermore, the collaboration between True money and AGD bank helps facilitate remittance transfer from Thailand to Myanmar as well since there are a lot of Burmese workers in Thailand. The bank also lends more loan to investors to invest in CLMV projects. In terms of security, block chain is adopted. These encourage people to use formal channel more often so that the bank can collect the data and develop the system effectively.

With the help from the central bank, Thai commercial banks have launched some branches in CLMV in order to facilitate investors. Moreover, the central bank progressively negotiates for bank license in Vietnam to open branches since the existing branches are just representative in which provides only consulting service.

The central bank also promotes local currency usage. In the past, doing business in Myanmar, every transaction needs to convert in to USD, SGD, and Euro. Now, the negotiation is on progress with the aim to facilitate investment, prevent volatility of major currency, and reduce conversion cost.

Apart from financial connectivity, the central bank also focuses on people connectivity emphasizing on skill and knowledge through supervise both financial institution and staff. They also give scholarship for CLMV people to study in Thailand and work at central bank so that they can help improve financial system in their countries that will eventually help integrate financial system in the region easily.

In my opinion, financial connectivity and integration are crucial because these are the basic factor for business decision. What the bank of Thailand trying to promote helps enhance financial infrastructure paving the way for financial connectivity in the future.

So, this development would facilitate investment in the region and the ease of payment will also induce consumption across countries. People can enjoy more on diversification of goods while businesses can capture wide range of clients. A lot of sectors gain from this integration.

Introduction to Sustainable Development Goals (3 July 2019)

The concept of sustainability is about present and future, to have better quality of life but also last long for younger generation. Local sustainability issue involves with poverty, food safety, gender inequality, pollution, and education. Some local issue is related to global sustainability issue such as pollution from burning in Myanmar that affects throughout the world because of increase in greenhouse gas contributing to global warming.

Sustainability can be classified into two groups, weak and strong sustainability. In case weak sustainability, they believe that there is substitute for natural resources such as technology and financial capital. In Norway, they invest a lot in petroleum so as to increase money. When the oil is used up, the remaining money can be spent in terms of welfare. While in case of strong sustainability, they believe that negative externality elimination is needed. For me, these two concepts are slightly different. The mix between these two can lead to a better consequence. We can find new substitute for natural resources since population is increasing, the resources available might not meet all need. Moreover, being concern on negative externality would solve some environmental issues as well. For instance, people concern more on plastic usage that is a cause of global warming. So, they will continuously stop using plastic that help eliminate the problem both in short run and long run.

Sustainability involves with three pillars that are Society, economy, and environment. In class, we discuss about how Thailand will be in the next 10 years. For my perspective, all issues listed are relevant. For example, government support more on mass transportation. In society pillar, people have better quality of life with more convenience since they can access more to public transportation. In terms of environment, public transportation helps reduce traffic congestion that lower greenhouse gas efficiently. In economy aspect, people can save more money since transportation cost is lower so that they can spend the remaining money in other goods and services.

Globally, sustainability leads to SDG goals that is the set of indicators to review state of sustainability by the UN that has 14 goals. Among CLMV, Vietnam has the highest ranking, 54th from 162 countries. The country achieves in poverty, clean energy, and sustainable cities and communities goals. Ideally, SDGs would be the objective for any policy implemented by every government. These collaborations between countries would improve people livelihood under three pillars of sustainability.

The most interesting part from this class is about food security. The lecturer mentioned that the security here is not only about chemical and nutrition but also quantity. Food cannot meet the need of the growing number of population due to less land. In my opinion, this problem involves with SDG goal 2, zero hunger. To solve this problem, technology-driven development is necessary to increase agriculture productivity. For instance, I used to a book about data technology, using data to help measure the land productivity, temperature, and calculate the appropriate proportion of fertilizer for each plant can help boost the agricultural products dramatically with lower cost.

From my point of view, SDGs is an excellent long term goal. All of these goals can help improve stakeholders' lives. However, government support is a key factor that is necessary for achievement since the goals mostly involve with policy. Government should take SDGs into consideration whenever they implement policy.

East-West Economic Corridor (4 July 2019)

This lecture focuses more on Laos and Vietnam. There are many incentives to investing in this two countries such as lower cost of labor, natural resource abundance, GSP, connected logistic, and higher GDP growth. As a result, many basic businesses in Laos emerges such as construction, tourism, healthcare, and energy. Moreover, retail business is on demand because of the rise of middle class and behavioral change. The population and tourists are increasing along with higher purchasing power and they also prefer modern trade in which help trigger Laos consumption. Similarly, due to Thai entertainment influence, beauty business can also capture wide range of customers in Laos.

In case of Vietnam, most investment are involved with electronic parts manufacture especially phone parts. Particularly, the country produces for Samsung and Hitachi. Surprisingly, Vietnam has the highest number of Economic Zones in ASEAN around 313 zones all over the country. Since Vietnam is the led-export among this region, the country now tries to upgrade their innovation so as to add more value to the products.

Border trade is the most significant mean for trade between Thailand and Laos, Cambodia, and Myanmar. Jewelry from gold is the main export to Cambodia, refine fuel has the largest proportion of overall export to Laos and Myanmar. While polymer of ethylene and propylene is the key export to Vietnam as an input for production.

Moreover, consumers' perception toward Thai product is positively premium after Japan. Meaning that, consumer goods, beverage, and food are widely purchased. Especially, Ka-Ting-Dang or energy drink is very popular among CLMV. In the same way, Laos also prefers Yum-Yum, Thai instant noodle.

Nowadays, a lot of Thai businesses have their production in CLMV such as CP, Bangkok Bank, SCG, and PTT. Shortage of labor and higher minimum wage encourage many investors including Thais to shift their production into CLMV instead of Thailand. Thailand outward FDI increases over the past 5 years especially Vietnam. Vietnam is the most desirable destination since there are a large number of young workforce. Also, infrastructure is efficiently improved. With an increase in skilled labor, productivity of Vietnamese labor is relatively high compared to the remaining members.

Despite advantages from investing in CLMV, there is also difficulty as well. For example, regulation changes frequently in Myanmar due to political instability that can directly affects businesses.

Obviously, labor is one of the most factors for investment. In 2050, Singapore and Thailand are going to face aging population problem. This can lead to labor scarcity. The investor has to choose whether they will find new labor market or adopt new innovation to increase productivity and GDP growth. Unfortunately, technology will gradually replace labor causing higher unemployment. Optimistically, this issue can also be opportunity for some businesses such as technology tools facilitating elderly.

In my opinion, this lecture is the most memorable class ever from all lectures I've learnt since the lecturer told many interesting details apart from the handout. I agreed with his lecture particularly the aging population problem. I think that this is the key obstacle for Thai economy. People will lose their productivity and contribute less product to the company. So as to boost GDP in the future generation, government should emphasize on R&D and human development in order to create new innovation and increase value to the product so that we could possibly move out from middle income Trap. However, the government should concern about unemployment as well since it is going to be a consequence from using technology. Unemployment could lead to lower quality of life. Therefore, economic growth and well-being should go in the same direction so that all sectors gain benefit.

Field trip to Chonburi and Rayong (5 July 2019)

Thai-German institute (TGI) aims to train workers with technology skills that help increase productivity of each labor. This is an essential human investment for all multinational enterprises and big Thai company.

TGI focuses on three fields that are mould, automation, and maintenance. Since a lot of industry involve with car assembly, mould plays role in automobile sector in Thailand. Labors will be trained on how to design and create mould. In automation aspects, they train people about robot, technology, and data so that the production will be more efficient, the trained labor can control production system through machine connectivity instead of huge amount of labor. While maintenance will relate to machinery reparation.

The institute has 180 staffs including engineer, technician, and other management sectors. These group of people lead to a significant change in Thai industrial sectors. From now on, Thailand emphasizes more on industry 4.0 so as to increase competitiveness by increase value to products through upgrade innovation and lower the cost of production. However, Thailand still remains at industry 2.0 and 3.0. So, there are some difficulties for the development such as specialized worker, innovation, and government support.

Apart from training worker, TGI also provides other services. For example, consulting, rent machinery, and R&D.

VISTEC is a research institute in science and technology founded by PTT. The main purpose is to develop human capital to have more knowledge and create cutting-edge innovation. There are many facilities available for students in the institute enhancing work quality. During visiting, I’ve listened to student’s presentation about AI and brainwave. This is an useful innovation in medical field which is about AI helps analyze brainwave. Doctor can diagnose easily.

Another innovation is about censor set at home and can detect an unusual action. For example, the sensor can detect elderly fall and then immediately alert others' smartphones for help. So, this is suitable for aging society in the future.

In my opinion, TGI and VISTEC are the great institute for training labors since human capital is the root of innovation. To push Thailand up toward industry 4.0, high technology is a key. To compete with the rest of the world, value-added product and lower cost are important. Obviously, Vietnam is an outstanding example from CLMV for skilled labor because they manufacture electronic parts which require specific skills. However, with skilled labors, the productivity increases, export then rise causing Vietnam to become middle income country instead of low income country. As a result, human development is considered to be the essential factor especially technology and science so as to create innovation that helps boost economy and improve quality of life.