16 July, 2018

Today lecture is a further talk from imagine ASEAN that was held before in previous lesson. As we known before, free flow of capital is very hard to be done. But try to be freer flow aiming at orderly capital account liberalization and allowing adequate safeguard against potential economic instability.

For capital flows concept, capital account liberalization is aiming for freer flows of capital. Moreover, FDI is positive most of the time where bank loan and portfolio can be negative. The question has been rise that during crisis in 1997 why didn't FDI go negative? Mr. Pariwat told us that it is because FDI is more stable than FPI. This is because when there is foreign direct investment, they can buy land and factory but with portfolio investment, during the crisis investor would tend to sell stock making FPI become negative.

For freer flow of capital account liberalization, there is degree of risk from low risk like current account, direct, investment, portfolio inflows, portfolio outflow to highest risk of other flows. This makes foreigner can buy stock easier than us buying foreign stock. We can only give out big funds or if individual want to invest, they can only go through mutual funds. The selected capital outflow measures show methods to limit outflows and selected capital inflow is vice versa. For example, inflow can be stop by telling that a foreigner can bring in capital but capital need to stay in Thailand for a year. If investor get it out before time, 30% tax will be collected. Even now Thai Baht is appreciated, but if it stays, it will depreciate later. The speaker used a catchy word to compare the situation, 'if storm comes to your house, you would close the window' as comparing window to economy that can be open and close, but not completely.

Freer flows of capital in international investment agreements, there are many agreements that would help. IIAs, BITs, FTA and BTAs. Deeper into details on basic framework of IIAs, it needs scope which defines what is in the agreement, obligations which tells what the host country needs to do, dispute settlement which specifies resources to remedies if obligations are breached and exceptions to carves out what is excluded from the obligations. Note that if your dispute is investor to state, no one actually go to jail but investor get money.

Last part of the class is what I like the most of today lesson. We were divided into two teams as Korean and ASEAN. The situation being held is we are having free trade agreement and we are negotiating to have better agreement between us. For sure, Korean want ASEAN to be free trade in order to exports to ASEAN and ASEAN want to close country because want to protect domestic. This activity let us see a clearer picture of how negotiation has been done which is better learning than just listen to lecturer. We got to do the thinking among group, got to negotiate with other group and try to finish the negotiation, just like the real situation. And surprisingly, result from our negotiation is actually very close to what Korea-ASEAN have done in reality.

16 July, 2018 (afternoon)

In the afternoon, the lesson was taught by BE alumni about China economy and how it effects CLMV countries. I am quite impressed about how in the past people so believe into Mao Zedong, the chairman. She said that the reason is because they do not have education and have high expectation believing him that everything going to be very good like what is shown in his propaganda even the reality suffers more than that like people are starving or not enough crop to produced and want to produce steel. The failure is about wasted investment. That everybody wanted to produce steel. People may burn resource just to get little amount of steel believing it will give a lot of benefit back but result in low quality of steel.

What I felt bad about is consequences after the revolution as huge loss of human capital, schools were shut down and traditional culture were challenged as trust among family and friends was broken. If someone in family seem to be against the chairman, they will report the police.

For now, China has become modernize from the economic reformation since 1978 by Deng Xiao Ping. Starting from reformation, decentralization, openness then privatization. And china is very developed now as they are cashless society. Shopping or going on a bus, they use Alipay. What I surprise the most is beggar have QR code for people to send them money. Another clear example of success is Alibaba. China has a booming of e-commerce industry. This make me think that if ones keep developing in the right track and know what is wrong, do not cover the problem like in chairman Mao, things will turn out very well.

Another interesting point is about one belt one road initiative. China will use this to have a larger market with full use of international and domestic markets and having cultural exchange and integration with innovation pattern and capital inflows. This is done in order to reduce the infrastructure gap.

Why China choose CLMV countries? Because there is great opportunity to develop infrastructure. And there are some interesting points in each country. For example, in Cambodia, the cost for factor of production is very low. There is no capital and financial control and free mobility. Cambodia is very open toward FDI and mainly develop its basic infrastructure by Chinese. Real estate in Phnom Penh is very attractive for Chinese investor. And this part she raise up saying about condominium in Bangkok is quite a lot. Who are the target group? It is not Bangkok people, but it is for foreigner. It made me think that maybe in the future, we may life in a city where we are minority. With Laos, China has good relationship with. Furthermore, is about rich in natural resources, cheap factor of production and supportive investment policy for instance tax allowance for many industries. China FDI is put on infrastructure and electricity.

What China is concerning is education, human capital and technology. There are many challenges such as low support from the local government, migrants were not covered by city's social security, healthcare, unemployment insurance and low education access. Also, the thought of 'let a part of population get rich first' results as imbalanced economic development and special economic zone.

She point out at last that if anyone want to go study or work in China or even work with China firm in Thailand, Chinese language is very important. With the same skill, if you can speak Chinese, your wage will be dramatically higher. This make me think that if China is spread and gain more influence to the world, not knowing Chinese in the next generation would probably be the same as not knowing English in this period.