

Reaction essay 16 July 2018 (morning)

The topic that we learn today is ASEAN financial integration about freer flows of capital. 5 elements of economic integration or AEC Blueprint are free flows of goods, free flows of services, free flows of investment, free flows of skilled labor and “freer flows of capital”. Freer flow of capital has 2 main issues there are orderly capital liberalization and allowing adequate safeguard against potential economic instability. Capital account liberalization is in balance of payment and in the balance of payment have current account which is the transaction of goods, services, income and transfers such as for the transaction of goods and services are trade payment, import and export and the transaction of income transfers such as cross border income that is to send income back to the home country or transfer money when you donate to other countries. For the capital account, it consist of 2 keys of investment which are Foreign direct investment (FDI) and the Portfolio investment (FPI). The different is that foreign direct investment is like you build money up but for portfolio investment is when you buy a share. Direct investment is mostly positive almost all the time, bank loan and portfolio investment can be negative in the capital flows in Asia. Every time when we have a crisis we will sell the stock and the loan are converted back so FDI is something stable. The most riskiest flows is loans and the second riskiest is portfolio and the flows that you really want is direct investment. When you liberalize state you open up the current account first you have to do it because you have to allow flows from the sell of goods and services or even import and export. You liberalize the inflow before outflows means that it could be easier for foreigner to buy your own stock than for your own citizen to buy stock from another country for example foreigner can buy Thai stock but we cannot buy foreigner stock as an individual. We can only buy through mutual funds and also we can not

borrow foreign bank as an individual too. The IMF capital account has done a board liberalization plan. In 1997, Thailand has a crisis so they measures designed to limit outflows by imposition of limits on forward transactions and introduction of export surrender requirement also restricts foreign exchange transactions to limit capital outflows. In 2010, Thailand has measure designed to limit inflows by restoration of a 15 percent withholding tax on nonresidents interest earnings and capital gains on new purchases of state bonds also increased the tax rate for foreign investors with the stated intention of reducing capital inflows. FTA for goods is to help lower or eliminate tariffs, for services is to reduce or eliminate restrictions cross-border services and for the investment is to liberalize and protect foreign investments.

All in all, I think the main purpose of ASEAN is to provide three important benefits like increasing capital, creating more jobs, and improving economic development. The economic integration could lead ASEAN to become a highly developed region that plays important role in the world economic.

Reaction essay 16 July 2018 (afternoon)

When we think about China, the first thing that will come to our mind is dirty toilet, chao, synthetic product, no discipline and never be on que. So today we will study more about Chinese economy and globalization which will change our perspective toward China.

China has 2 bigs economic activities that almost destroy the whole economy and society in China that is “The great leap forward” and “The cultural revolution”. This make most of Chinese people move to other countries because the condition in China is too harsh to them and that’s why some of our grandparents move to Thailand. Mao Zedong fight Japan through Japanese war and after that the government setting up the system as the command economic system or we called “communism”. The idea of chairman Mao is to let China become together and let everyone include farmer has the same thing, own the same land and have the same amount of food. This is the idea of communism. The government at that time are allocate all the resources it’s like a central planning system so they also set up the target to produce, separate people to urban and rural and set the relative price all the goods in China. The great leap forward, centralized production planning and during that time it’s a rising of Europe so the chairman Mao wants the government to catching up with the western world. At that time the central government of China wants to encourage the economic growth and promote government power that’s why they come up with the idea of industrialize the country. People at that time follow government everything because they believe very much in the government. So the investment change in China during that time increase significantly and it drop after the crisis. In reality all the farmers are suffering and it happen to be a wasted investment and this is the worst manmade famine in history. After that the cultural revolution is happen. There are no cultural, no rich and no education.

Modern China is a great step toward economics success. Deng Xiao Ping leads China toward the economic reformation. He reform by decentralize the government power. He allow more private company and open up the country. After the economic reformation, China experience the demographic change in labor market.

China economic success can seen from the increasing in online payment. Nowadays, China is a cashless society and booming in e-commerce industry. E-commerce is very convenient but not only the quality of the goods but also logistic and service are how they compete. They have urbanization and development goes along the way such as high-speed railway and also one belt one road which will lead to new economic path to link China and the new world. China is the biggest trade partner for ASEAN region and CLMV countries is less develop in Infrastructure so it is a great opportunity to develop infrastructure in CLMV.

In conclusion, China in nowadays has step up to top economy of the world so we should remove some negative idea toward china because they are now coming to our part of economy and also Thailand is a central of the ASEAN so we must be prepare and ready to the new world. I think it is an opportunity for us to do business with China in the future as china become the world's largest economy and they continued pursuit of wealth and power.