

*Essay One ~ Monday*

In the first class session, we discussed how CLMV countries began cooperating with one another to enhance their economic development through the promotion of trade and investment throughout the globe. We examined a general overview of the impacts and comparisons of CLMV countries' trade with the world as well as trade with Thailand; we also discussed CLMV inward FDI and the outward FDI flow from Thai direct investment. Out of the four countries, Vietnam has the highest trade volume when it comes to trade with the whole world. Vietnam also has a better trade balance, whilst all the other countries have maintained a trade deficit. All the countries except for Laos mainly import to China, which demonstrates the expansion of Chinese foreign direct investment. On the other hand, all of the CLMV countries mostly export to China and the USA. Thailand has also played an important role in regards to trading in both the export and import market within CLMV countries. Myanmar is the only country that has a trade surplus with Thailand, while the rest have trade deficits. This is because Myanmar exports raw materials such as petroleum gas and then imports it back from Thailand once it is processed into oil. All of the CLMV countries mostly import large amounts of petroleum oil from Thailand and then specialize in other commodities to export to Thailand. In terms of FDI, Vietnam has the highest proportion of inward FDI and in return, has the highest GDP out of the CLMV countries. Thai FDI in CLMV, more specifically, has increased with the highest investment in Vietnam.

In the second half of the class, we discussed various marketing strategies that are used within CLMV, including an extensive discussion on the meaning of brands. Brands, essentially,

raise awareness, reputation, and prominence of a particular good or service within the market; nearly everything can have a brand. When it comes to marketing, it is important to understand the culture and technology of the consumer's market in order to predict and adjust to their behavior within the market. Brand building is also a vital component of promoting the goods and services of any company. This entails four steps: knowing the target, positioning, communicating and creating relationships. An example of a powerful brand that has also implemented these market strategies is the "Share a Coke" campaign which ignited a global initiative throughout the world. The social and global success of this market branding increased the consumption of coca-cola by nearly seven percent, which demonstrates the relevance of branding in any kind of market.

This general analysis and comparison of the impacts that trade has on CLMV countries is quite profound. The influence of investors on countries in CLMV is even more immense; it is interesting to see the influence China has on these countries due to the increase of outward flow of FDI. Nonetheless, trade and investment in these countries have appeared to only enhance their economic development rather than deter it. CLMV cooperation with one another as well as with the rest of the world has expanded their countries, economically and socially. In my opinion, this type of expansion was able to occur due to the branding CLMV countries used to truly represent the cultural and social aspects of their nation. It appears to me that this cultural understanding has led to more cooperation amongst countries, such as CLMV, and has benefited them in the long-run. While this association might be a bit of a reach, I feel as if branding has become an important component in trying to attract potential foreign direct investments, which then widens the doors to more economic opportunities.

*Essay Two ~ Tuesday*

On Tuesday, we discussed logistics and the supply chain development in ASEAN.

Logistics is essentially the process of managing how resources and commodities are acquired, stored, and transported. There are four main types of innovation: process, product, service, and business model. Process innovation refers to the means of production that produces and then delivers a good or service, such as enhancing the equipment and technology used for the production of the good. Product innovation, on the other hand, is when a company develops a new product by improving an older one. Service innovation focuses more on the consumer's satisfaction, which benefits both the service producer and the consumer. And lastly, there is business model innovation. This last type of innovation refers to a new product or service that essentially transforms the market and how businesses are run. A more specific example of this is how Amazon discovered a new way to attract the consumer market through technology by directly delivering to them rather than what was done previously. These types of innovation are methods that show the importance of logistic linkage in having the opportunity of sustainable growth and economic development.

We also discussed the cross border development within ASEAN, but more specifically the Thailand 4.0 initiative. This policy is an economic model whose objective was to eliminate economic challenges by placing an emphasis on past economic development models, such as agriculture (Thailand 1.0), light industry (Thailand 2.0), and heavy industry (Thailand 3.0). This initiative also brought the discussion of the various strategies that companies can implement to expand their market. For instance, there is red ocean strategy, which is when a company tries to

outperform their rivals despite their similarities in products to captivate the existing demand. Blue ocean is another strategy that describes when a company tries to differentiate themselves and opens up a new market space and new demand at a low cost with a lot of innovational methods. Lastly, there is white ocean strategy which depends entirely on the collaboration of companies or countries. By using these various strategies, the Thailand 4.0 policy has eventually redesigned the supply chain from business-to-business (B2B) to business-to-consumer (B2C), which has created a more demand-oriented market.

There is a lot to be considered when responding to these lectures and discussions that are about the logistics and supply chain development in ASEAN. In actuality, logistics has never been something that I really ever considered before, which has made this particular lesson interesting because logistics are pretty fundamental when it comes to trade and economic development. It appears to me that there is a recurring theme with the influence of China in ASEAN countries. In these lectures, we discussed the “one belt, one road” initiative which was created by China and refers to the development strategy of building a trade route - a route that leads all the way to China - throughout a number of countries. This correlates with the Chinese investment of the banana farming industry in Thailand where China is able to manipulate the market to align with their own needs, especially since there are several outlets and countries China can invest in and turn to within ASEAN. In my opinion, the influence and manipulation China can exert over the entirety of all Southeast Asian countries is quite frightening. This continuous theme of Chinese influence makes one begin to consider the possibility that China might be exerting “soft colonization”, especially when it comes to investing in Southeast Asian countries.

*Essay Three ~ Wednesday*

After an overview and slight brainstorming exercise about the project presentations, we had a lecture about the economics of multinational enterprises (MNEs). MNEs are hard to define, but according to the OECD guidelines, they essentially consist of “companies or other entities established in more than one country and are so linked that they may coordinate their operations in various ways”. This relates to foreign direct investment (FDI) in that the direct investor, which could also be an MNE, is creating a strategic long-term relationship with those that they are investing in. There are various forms of FDI, such as inward, outward, horizontal, vertical, and so on. There are also many types of FDI that are based on specific motives that best represent their objectives in investing, such as natural resource-seeking, market-seeking, efficiency-seeking, and strategic asset-seeking. Other determinants of FDI might include location advantages which would include government controls and regulations, cultural values, cheaper prices, lower transportation costs, and so on. Another determinant includes internalization advantage which is essentially when a country prefers to invest rather than import and export due to the internalization advantage. There are also firm-specific advantages (FSAs) and country-specific advantages (CSAs). FSA’s focus more specifically on the firms’ knowledge and managing capability, while CSAs are more inclusive of government regulations and market access. The most significant investments go into the industrial sector, but the biggest, approved investments have gone to the mining and electricity sectors.

While this lecture was a little more confusing due to the extent and quantity of the economic terms, it was interesting to work as a group and do a deep dive into what it would be

like to actually invest in a country like Laos from a firm in Thailand. From much of my experience in the economic courses that I have taken, it has always been a one-dimensional learning mechanism. Therefore, by considering investing in the zipline tourist activity business in Laos, my understanding of the material became multidimensional, because I was able to think first-hand how a firm would consider investing based on the advantages and disadvantages of the home and host country as well as the firm specific advantages. That being said, it was also interesting to see how different sectors would handle investment differently depending on the various FDI motives and determinants in the country they consider investing in. For instance, when it comes to the product sector, such as garments, the Generalized System of Preferences (GSP) regulation allows investment to become attractive because it also attracts the international market more so due to the cheaper tariffs in Laos. I found it compelling the different methods and considerations that are taken into account when certain firms and countries are hoping to invest in another country and industry.

*Essay Four ~ Thursday*

In the first session of class, we had a lecture on international trade and investment and its effects on the environment. While the positives of FDI are extensive, the negatives of FDI include potential negative implications on the environment. In comparison, the relationship between free trade and the environment is contentious. Proponents argue that Free Trade Agreements (FTAs) have a positive impact on the environment, because trade liberalization ultimately leads to more environmentally-aware technologies. Environmentalists, however, argue that trade liberalization is more detrimental due to the expansion of environmentally-unaware industries and a lack of proper universal environmental regulations. That being said, despite the common concerns of trade and the environmental consequences such as “pollution havens”, the “race to the bottom”, and “environmental tariffs”, the evidence seems to argue otherwise. It appears that when countries allow for more trade liberalization, they also adopt cleaner, more environmentally-aware technologies. This evidence refers to the international trade theory, in which economists believe that with more free trade there will also be an improvement of economic welfare. The Environmental Kuznets Curve (EKC), for instance, demonstrates the relationship between economic growth and pollution. This curve essentially signifies that at higher levels of economic development there is a decrease of pollution and a more desired preference of environment friendly methods.

I found the relationship between international trade, investment and the environment to be extremely compelling. As the environment becomes a more significant problem on a local, regional, and global scale, I find it fundamental to understand such relationships in order to come

up with solutions to reduce conflicts within them. The question becomes how can it be done. In my opinion, we need to make environmental problems top priority, which means we would need to consider options that would take the negative externalities and make them positive. I honestly do not fully understand how that would happen or if it is even possible, but I think to solve such conflicts would be to make the environmental attractive and profitable even to economies that are lesser developed.

In the second half of the class, we dove into a deeper analysis of development economics. In terms of economic growth, ASEAN tends to increase and decrease together with little variation in actual percentage growth rates of real GDP. This led to the discussion of the Asian Miracle, which describes a period when several Southeast Asian countries were maintaining high economic growth rates between the 1960s and the 1990s. Krugman argues that this economic growth within Eastern Asia was due to an increase of capital investment; however, he also argues that without growth in total factor productivity there could be no long-term prosperity economically due to the total factor productivity (TFP). Now-a-days, it appears that there is a new miracle with the high growth rate of China and the rising economy of Vietnam after the Doi Moi policy that has embraced trade liberalization.

This new miracle is interesting amongst Asian countries, because this economic development appears to defy a lot of economic theories and beliefs that associate economic growth with democracy. That being said, there are a lot of other development thinking paths to consider and questions to ask. Personally, I would like to gain a more intense understanding of the benefits and consequences of high economic growth as well as consider solutions that would aid countries that are stuck in the middle-income trap.

*Essay Five ~ Friday*

On Friday, we had a lesson on industrial policy and the CLMV economy. The strategic industrial policy is essentially “forward-looking packages of policies aimed at steering economic activity in a particular direction”, which means that it hopes to achieve better economic means in the industrial sector by improving productivity and technology as well as enhancing competitiveness. Based off evidence, it appears that countries are able to develop faster once they transform their agricultural and manufacturing economies into industrial ones. This is due to the idea that the industrial sector can easily increase in capital and technology, which is not as easy for the agricultural or service sector. That being said, the matter of the fact is that the industrial sector is not enough, because if one wants an increase in welfare and productivity then there also needs to be industrial diversification, deepening, and upgrading. Diversification essentially relates to the idea that “you become what you export”, which would also include diversifying the new industrial capacity. Deepening entails creating local linkages and promoting the importance of internal integration. And lastly, upgrading would involve enhancing the product to a higher economic value, such as how the iPhone is continuously being upgraded and improved over time. After considering all that, it becomes important to note that the strategic industrial policy (SIP) is an important component of the overall development strategy. Therefore, it is important to SIP, because otherwise developing economies could suffer from market failure or systematic failures. Higher economies of scale can be achieved when the local markets are able to learn and compete with the international market, which can be achieved by the SIP.

After reflecting on the lecture about the strategic industrial policy, there was one particular question that I would like to consider. Ajarn Peera mentioned that the industrial sector has and will result in higher economic development, which makes me question what that would mean for agricultural or service sectors. As lesser developed economies aim for a more improved industrial sector, there would be less focus on other extremely prominent sectors like agricultural, which could lead to another series of complications. Another topic I found entirely worth highlighting is the idea that ASEAN will be the driving power in the future, because the arguments are valid. ASEAN is in a neutral position with a lot of powerful countries, such as the United States and China, and is also equipped with a high bargaining power due to the production basis of lower labor costs, abundances of natural resources, and the smooth flow of goods and services. This makes me want to consider what exactly that would mean for not only ASEAN but the world as well. Learning about the potential of ASEAN and their ability to eventually one day be the driving power in the world was incredibly eye-opening to me, because it is an important thing for me to consider and be knowledgeable on due to my field of study.