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EE551&EE561 : Daily reaction essay | June 24, 2019

In the morning class, lecture is about international trade and foreign direct investment (FDI) for CLMV countries which are Cambodia, Laos, Myanmar, Vietnam. From the lecture, it shows that Vietnam is the highest trade value and trend to increase in every year. In year 2010 to 2016, all CLMV countries are almost trade deficit (balance of payment is negative; BOP<0) that it means a country's imports exceed its exports. It infers that the country is outflow of domestic currency to foreign markets. The important trading partners of CLMV are China, United States of America, Thailand, Japan, and so on. Most of important exporting commodities of CLMV are raw materials and most of important importing commodities of CLMV are finished goods. For example, Myanmar exports petroleum gas and other gaseous hydrocarbons (crude) to Thailand to process into petroleum oils and oils from bituminous minerals that are ready to use and import back to the country. For inward foreign direct investment to CLMV countries, Vietnam has the highest proportion, followed by Myanmar, Cambodia, and Laos respectively. The main investors are China, South Korea, Singapore and Thailand. For Thailand direct investment in CLMV, it normally increases with the highest investment in Vietnam, excepting the highest investment was Laos in 2010. The important investment sector of Thailand is wholesale and retail trade and industry.

In my point of view, Vietnam will be one of the main competitors that Thailand has to focus on because it has high foreign direct investment since Vietnam has lower minimum wages than Thailand. Moreover, I think that Vietnam can produce some uncomplicated products in lower cost than Thailand. For example, Uniqlo, brandname clothes from Japan, chooses Vietnam to be a factory that produces and exports the products to Thailand.

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In the afternoon class, lecture is about marketing strategies in CLMV. The most important thing is brand. Brand is a combination of name, term, sign, symbol, and design to identify the goods and services and to differentiate them from competitors to gain awareness, reputation, and prominence from the customers. In this case, a country also means one of brand. The brand essence is culture and technology. These days, culture and technology plays an important role of consumer behavior in the market as digital economy since the amount of internet users in Southeast Asia was around 339.2 million users that are 53 percent of total population in 2017. Many producers and sellers adapt their strategies from offline channel (leaflets, billboards, and posters) to online channel (social media). They create brand activation that activity brings brand to life and encourages positive participation with customers and use two-ways communication (producers can reply on comments that customers mentioned) to increase traffic and customer relationship. For example, Central group launches Snoopy snap and share with the theme of "Universe of Happiness" starting from Christmas to attract people to share happiness around the world. When people share photos and check-in, their friends will know the place where they took photos. Central group will be more well-known.

In my opinion, I agree with the lecturer that world has changed to the online era. Every information are in internet or social media that people can easily search them by using mobile phone and computer. When we want something, we just search, click, and pay the money. But, the first thing that makes us known them is the brand. For example, when we look for foods, we think to Grab application to pick up the meals to you with a little bit of fee. Moreover, Grab is easy to say and it has multiple layers of meaning to attract customers (Grab&Go). Therefore, the brand is the same as country. If the country is well-known in this kind of products, other countries will contract to order and import the products to their countries.

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EE551&EE561 : Daily reaction essay | June 25, 2019

The lecture of this whole day is logistic in ASEAN. There are four types of transportation which is by truck, by train, by ship, and by flight. Each types has differences of limitation in capacity and time. Service providers will use innovation to improve the process. Firstly, products can be reduced weight or allocated position to maximize amount of products to carry and transport to the customers. Secondly, it is process innovation to improve the methods of transportation. For example, if a company wants to send products to India, the company will choose air transportation to reduce leading time. These days, logistic cost for shipping from Thailand to India by air is 50 Thai Baht per 1 kilometer that is cheaper than the past. Thirdly, it is service innovation to reduce cost and risk. Lastly, it is business model to change or reorganize the process of the whole company. For example, China imported some agricultural products such as rubber tree and rice from Thailand in the past. For now, China changes the model that China invests in lands in Thailand. Then, China produces the products by itself and export them back to the country. In this topic, I agree with the lecturer that China is both important and dangerous because it is one of main investor and competitor in ASEAN.

One project that is the most interesting part is “One Belt One Road (OBOR)” which it is a global development strategy that adopted by China to improves connectivity and cooperation with multiple countries across the continents of Asia, Africa, Europe, and America. Belt infers to the land routes for road and railway and road infers to the sea routes. The first freight train from Yiuw (China) to London (United Kingdom) in January 2017. The leading time is around 15 days. Although, lead time of transportation is high, the amount of carried products is also high if we compare with air transportation. In my opinion, this is going to be the most impactful logistic in the world. The OBOR project shows that China is changing its position to become a major foreign investor in the country. In addition to seeing the direction of China's investment in transportation structures in various countries, it will also see the investment of Chinese companies in various countries that they located along the OBOR route.

For ASEAN, one way of logistics is cross border. In Thailand, it is also used to carry the products to neighbor countries or pass through third country. For example, company wants to transport products to Singapore by truck so this shipment has to pass Malaysia before arriving at Singapore which is the third country. The interesting thing of this part is the lecture said "In Thailand, we sometimes use brother system at cross border to avoid paying tax. For example, company A has to send steel to Laos for 100 tons. But, company A deals with agents at cross border to reduce amount of weight from 100 tons to 10 tons. At last, company A pays tax at 10 tons rate. It is unofficial and illegal.

Moreover, I knew only red ocean and blue ocean strategy in the past from marketing course. Red ocean is strategy that it competes with existing competitors in original market by using existing demand. Mostly, producers use price to attract customers so price war is occurred in the market. Blue ocean is strategy that it looks for new market without competition. It can create a new thing to attract customers. But, in this class, the lecturer shows white ocean strategy that it mixes between red ocean and blue ocean together. It does not depend on market anymore. It uses both original and new demand to generate benefits to whole society by creating profit and sustainability to the company.

Wachirawit Sittiyarnuruk 5904640728

EE551&EE561 : Daily reaction essay | June 26, 2019

This class continued from the previous class on June 24, 2019. Beginning with multinational enterprises (MNEs) or multinational corporations (MNCs), they are an enterprise that produces goods or delivers services in more than one country and they may co-ordinate their operations in various ways. Ownership can be private, state, or mixed. MNEs from one country are the main factor to increase foreign direct investment or FDI in other countries (host countries) and send the profit back to the source country (original country). Mostly, investors will invest for cheaper labor cost, expanding market, using resources, using land, and so on. Types of FDI based on 5 things : direction of investment, types of activity, modes of entry, nationality of investors, and motives of FDI.

Firstly, direction of investment shows the way of investment flow which is inward and outward FDI. Inward FDI is foreign investor invest in country. Outward FDI is our country plans to invest to other countries.

Secondly, there are two kinds of types of activities. The first one is horizontal FDI that investors invest in other countries to sell their products to new customers in new market where they can reduce transportation cost and invest in capital as fixed cost. Another one is vertical FDI that investors invest in their own country or other countries to be production base. For this type, costs of production and trade costs have to be less than producing domestically costs. There are two methods. Forward vertical FDI is doing forward activities. For example, you are fabric factory that does OEM to other brands. One day, you decide to do the products and sell the products by yourself. Backward vertical FDI is doing the before process. For example, you are production factory that has to buy raw materials from others. One day, you decide to do raw materials by yourself.

Thirdly, it is modes of entry which is owned subsidiaries, merger and acquisition that take over local company to become part of yours, and joint venture that is joint investment with partners.

Fourthly, nationality of investors separate into two types which are whole foreign owned and joint venture between foreign firm and local firm.

Lastly, it is 4 motives of FDI. Natural resources-seeking FDI is selection of a specific host country based on sources of natural resources at the lowest relative cost. Market-seeking FDI is exporting or setting company in that area and selling to new customers in new markets. Efficiency-seeking FDI is searching benefits of production factors that enable company to compete in international market, such as lower labor cost. Strategic asset-seeking FDI is foreign firms find local partners to know insightful information and create firm-specific advantages (FSAs).

In my opinion, there is impact of FDI to host and home country. When foreign company invests in host country, they have to hire local employees and use new technologies from their own. Employment and income distribution of the country will be increased. It occurs technology transfer from home country to host country. Moreover, if the company use host country to be production base, it has to export the products to other countries. Government will receive more tax from the trade. Economy in the country is also better. On the other hands, foreign company of home country will use resources from the host country to produce the products or run the business. This situation, it seems to be trade-off between money and resources of two countries.

Wachirawit Sittiyarnuruk 5904640728

EE551&EE561 : Daily reaction essay | June 27, 2019

In the morning class, class starts with free trade area. It is a trade area that member countries have signed a free trade agreement or FTA. The agreement will involve cooperation at least two countries to increase trade of goods and services with each other and to reduce trade barriers, import quotas and tariffs so the cost of products will be cheaper. It attracts foreign direct investors to produce goods with environmental friendly technology in which they have a competitive advantage. On the other hands, FTA creates more competitive in domestic so local companies will be affected from the situation. For example, Nissan Leaf, electric car, has to produce in Japan and ship the whole car to Thailand by paying high amount of tax. Cost of Nissan Leaf is so high. Trend of friendly environmental car increases. One day, Thailand’s government signs the FTA with Japan to reduce trade barrier. The cost will be lower so Nissan Leaf can be set the lower price to attract the customers and compete with MG ZS, electric car that is produced in Thailand.

For foreign direct investment or FDI, it creates more employment in the country. Labors will have more skill from working in foreign companies. New technology will transfer to the host country where is the base of production. On the other hands, foreign direct investment can harm to the environment of host country by generating pollution and using natural resources. For example, China hires lands and labors in north province in Thailand to plant banana. The abundance of resources in that area will be decreased.

In my opinion, the countries have to trade-off between trade and environment. Trade and investment are good for achievement in economic growth since FTAs have a positive impact on economy but they are bad for environmental quality since they can expand more polluting industries. So, if the countries want to success in both two parts, the countries will be more open to trade and adapt cleaner technologies more quickly to increase demand for environmental quality.

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In the afternoon class, the lecturer shows diagram of evolution of global and per capita GDP in the last 2,000 years. It shows increasing trend of GDP level, following by population growth. In 1960s to 1990s, Thailand, South Korea, Hong Kong, Singapore, Taiwan, Malaysia, and Indonesia can maintain very high growth rates that are 8 to 12 percent. The main reasons are high interest rates to attract foreign direct investments, rapid industrialization, industrial policies supporting exports, and high exports. (Note : the interesting part is we called 4 countries which are South Korea, Hong Kong, Singapore, and Taiwan as 4 tigers.) Then, we have presentation related to institutions and economic development. The topics are corruption perception index, doing business index, global competitive index, index of economic freedom, rule of law index, and the index of political stability. In my point of view, the interesting topic is doing business index because it covers 11 areas of establishing and running business. The index helps investors to compare business environment across countries and time by ranking their score. For CLMV countries, the ranking of the index in this year is Vietnam(69), Cambodia(138), Laos(154), and Myanmar(171) respectively. It shows that Vietnam is the easiest to do business in CLMV countries. And I agree with the representative of presentation that Thailand should be careful to Vietnam as competitor country; although, Thailand's ranking is at 27th.

Wachirawit Sittiyarnuruk 5904640728

EE551&EE561 : Daily reaction essay | June 28, 2019

The lecturer begins with question “Why some countries have economic growth more than another countries?”. The answer is development. It increases productivity and GDP per capita. After that, when people have more income, they will consume more. So, they will have more utilities. There are three types of economy : agricultural economy, industrial economy, and services economy. If we want to invest and develop in agricultural economy, we need lands to invest. For industrial economy, we are easy to invest in technology and capital. For services economy, this economy needs a lot of potential to run economy because it has less natural resources. It is not suitable to invest in capital in some countries. For example, Singapore, the smallest country in ASEAN, does not have enough area to do the industry sector since it has only 697 square kilometers for 5.61 million of population.

These days, the development from agricultural economy to industrial economy has to use industrial policy to improve economy. Strategic industrial policy or SIP divides into three steps.

Firstly, industrial diversification is creation of new industrial capacity and sectoral diversification to make new activities and increase role of manufacturing in production. It will make the country grown more rapidly.

Secondly, industrial deepening is creation of local linkages and complementaries. It will use more local partners to know insightful information to be more competitive. This method will increase GDP per capita to the local. At this point, the lecturer mentions that many people think that 1st GDP exporting products in Thailand will be food industry. Actually, it is electronic industry, such as Thailand is production base of hard disk.

Thirdly, industrial upgrading is more advanced and competitive industrial structure. It enhances the capacity for value creation by moving to higher value economic activities product upgrading. Then, local value added can move toward international level.

In my point of view, Cambodia, Laos, Myanmar, and Vietnam or CLMV countries are the example countries that try to adapt the economy from agriculture economy to industrial economy. We can look at GDP of CLMV countries that is rapidly growth from high foreign direct investment since these countries open countries to welcome foreign companies. One of successful country is Vietnam. In the past, Vietnam is low income country which focuses on monoculture, subsistence agriculture, and aid dependency. Now, it rises up to middle income country that focuses on simple manufacturing under foreign guidance from FDIs. One foreign clothes brands that invest in Vietnam is Uniqlo from Japan. The Japan company makes GDP per capita of local people increasingly by hiring local employees. Moreover, they set Vietnam to be production base and export the products to Thailand since labor costs in Vietnam are cheaper than Thailand. Therefore, I agree with the lecturer that the industrial policy is very important to improve the economy of the country from agricultural economy to industrial economy.