

Essay Week 2

JUNE 24: MORNING SECTION

CLMV trade and investment

From the global trading data provided in the lecture, Cambodia, Lao, and Myanmar tend to have a deficit. On the other hand, Vietnam is only the country that has nearly the same proportion of imported and exported value. Important partner of an imported product of CLMV countries is China except for Lao that has Thailand as their main partner. Each country has its own export and import goods. For Cambodia, there is clothing industry and import a lot of fabric which is a resource of their cloth production. Move to Laos, copper is the main export product. Myanmar is also base on a natural resource like petroleum and vegetables. However, they are also importing a lot of petroleum. The last country that had mentioned is Vietnam. Vietnam exports most electrical part, such as telephone set and electronic circuits.

For trading between CLVM and Thailand, Vietnam becomes a more important export partner for Thailand. In contrast, Myanmar which is Thailand exporting partner, concerning only in CLMV, has a decreasing trend. On the other hand, Vietnam still is the main partner of importing Thai product (2010-2015). Focusing more on each CLMV countries, gold becomes main Cambodia export good with 40.3 percent (2015). For Myanmar, around 80 percent of export good is petroleum which shows us that Thailand energy really depends on neighbor countries like Myanmar. Vietnam export telephone sets the most as same as in global trend which shows us that Vietnam is one of the important electronic production.

However, one significantly topic that still have to consider is the imported tax. We can see that some product has a large different gap in price between the countries and tend to have

a varies concept to calculate. One of the example in lectures is small car tax in Lao that is higher than a luxury car tax which was really surprised to me. So, the company that wants to invest in other countries does not only have to concern the tax they will pay but also put more focus on tax in the same or near product line to be able to compete with other.

JUNE 24: AFTERNOON SECTION

Marketing Strategies in CLMV

According to the American Marketing Association (AMA), a brand is a name, term, sign, symbol, or design that can identify the goods and services of one particular or group and differentiate them from their of a competitor by using the brand elements to create awareness, reputation, and prominence.

On the other hand, a product is both physical and nonphysical goods or services which are offered to the market to satisfy people needs. We can see that each customer has their top list of almost product which I believe that this is one of the important challenges of each brand to differentiate their product to other and become a top of consumer mind.

Culture Technology has become more important in each day as culture referred to a shared pattern of behaviors and interactions and technology is a bridge to connect with others without a border. Marketers can use social media as one of the tools because there is an increasing trend of social media usage and still have a low-cost operation. However, I believe that social media marketing cost would be higher in each year as they are more competitors that want to come in the market and old popular social media channel wants more income to develop and differentiate themselves from new social media.

Brand activation is to stimulate the participation of the customer to use the brand in their life. One interesting example is “Snoopy Snap and Share” campaign of Central Group

which encourage people to create their happiness with a warming Christmas environment with the purpose to increase more traffic in their department store.

Another example is Coca Cola. As Thai people are like to express their feeling especially with special excitement, Coca Cola use “Share a Coke” to let customer fill their name or other one name and share a happiness which I believe that this campaign can create a good impact of belonging to specific product which further can lead to customer purchasing behavior change. In the Vietnam market, Coca Cola also adds an emoticon to reach more teenager customer by allowing them to choose emoticon that fit with their at-that-time-feeling.

There are four steps to build a brand. First is segmenting which referred to market division and targeting which referred to a group of the buyer that the company decided to target. Second is brand positioning which is the heart of marketing as position indicates the position that product occupied in consumer’s mind relative to other product. We can use “5S” from Saduak (สะดวก), Sabai (สบาย), Sanuk (สนุก), Sa-Thu (สาธุ), and Smile (ยิ้ม). In brand positioning, we can also use perceptual map which can indicate where the brand is compared to other brands in chosen categories. In the lecture, Mcdonald is an example of good brand positioning which I totally agree with the lecture as they add variety in each country by providing mixed menu between local taste and Mcdonald global menu. With my own experience, Mcdonald local menu is not only targeted local people but also encourage tourist to try these special menus that they could not have a chance to try them at home country. Third is communications via brand elements. Brand elements can use to create awareness of the brand, for example, logos, slogan, and packaging. The brand name is one of the most important factors for the brand as a customer can create feeling toward the name of the brand. Hence, the brand name should be ease, sound good, have distinctiveness, and can reflect the

position of the brand. Moreover, the brand can use a slogan as their brand representative phrase or sentence which can lead the customer to the same understanding toward the brand. For packaging, there are four main functions that talked in the lecture, preserve, protect, inform and transport. In my opinion, informing clear information about the product become more and more important this day as people care more about their health and tend to look at the description the brand provided. If the brand has an unclear description, the customer might not trust in the product and not buy it. The last stage is to create brand loyalty by providing a promotion to create consumer surplus or add some special product to fit with a specific region, for example, a Vegetarian menu of Mcdonald in India.

To sum up this lecture, we have to understand our customer that have multinational culture and try to differentiate the brand because old strategies like “same regional,same strategies” can not use anymore. People can easier access to other culture and become more independent.

JUNE 25 :

Logistics and Supply Chain Development in ASEAN

As we have innovation change, many businesses turn themselves from B2B or Business-to-business to B2C or Business-to-customer as they want to capture more customer and can organize customer by themselves.

To redesign the logistics, we have to concern three flows, people, product, and capital. For people, we have to understand the customer lifestyle and characteristic, for example, newly rich from China tend to still use low-cost airline instead of first class booking like ex-rich from Europe. Product is something to consume and we as the firm can choose to produce to fit with the people in the first flow. The last flow is capital which can be referred

to one of the large investment to concern. It can affect a lot as there is a transaction cost along with transportation cost. So, if we choose a good location at initial, it will give an advantage of us in the cost minimization and can also attract others to trade with us.

Informal Cross-Border Trade (ICBT) have occurred a lot in ASEAN border trade area. In the case study, we concern two main factors for immigrants, push and pull. Push factor came from source country like poverty, low wage, unemployment. On the other hand, pull factor referred to good opportunities in the destination country, such as higher wage, economic freedom, and lower taxes. Moreover, there is a cost of moving like transport cost, lost income of a while, in other words, an unstable income gain. Hence, people have to understand both push and pull factors before shifted to be another country labor.

JUNE 26: AFTERNOON SECTION

Getting to know “Lao PDR”

Foreign direct investment is an investment made in another country but not his or her own country. We can separate types of FDI by using five different characteristics. First is based on the direction of investment, inward and outward FDI. Second is types of activity, horizontal and vertical. Next is modes of entry which consists of owned subsidiaries, merger, and joint venture. Forth is based on national investors, wholly foreign-owned and joint venture between a foreign and local firm. Last is based on motives of FDI which I found that this category is the best to understand for foreign direct investment. There are four motives in FDI, natural resource-seeking, market-seeking, efficiency-seeking (especially labor specialization), and strategic asset-seeking. There are many impacts of FDI to host country, for example, resource allocation, technology transfer, income distribution along with

employment and economic development which I believe that the advantage still outweigh the disadvantage.

According to the lecture and World Bank data, we found that there is an increasing trend of FDI stock which tends to also increase in the future. There are three main sectors for approved FDI, agriculture, industry, and service. Lao is based on the industry sector which amount of 8,108.63 million US dollar investment and if we look deeper in this sector, we will found that mining has become the most investment that occurred. In my opinion, Lao should be more aware of high foreign direct investment on mining as some natural resource is exhaustible natural resources which Lao could not long term depended on this income. One interesting fact is three main FDI country consist of China, Vietnam, and Thailand invests less after 2010. On the other hand, new coming and small existing FDI countries tend to invest more but with only small size compare to the overall.

For group discussion, I found out that most FDI base on only both natural and human resources-seeking as Lao labor cost is low and the country still has a natural resource. However, as Ajarn had said that the productivity of Lao labor is also low. The investors have to rethink again and weight the benefit of this investment. In my opinion, the Lao government should take action to boost labor productivity to compete with other countries and other CLVM countries are also have a productive labor force.

JUNE 27: MORNING SECTION

International trade and investment VS environment

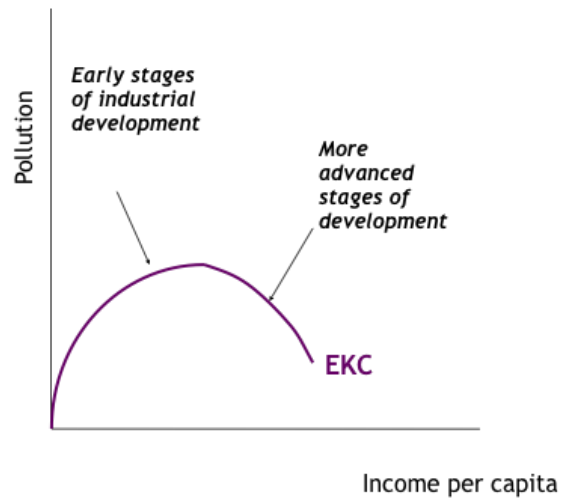
From the statistical provided in the lecture, we can that CLMV countries still have a small size of the deficit in each year. Top three of extra-ASEAN exports and imports of goods share to ASEAN by country are the Philippines, Singapore, and Thailand. ASEAN main

markets of exports of goods (2016) are ASEAN itself, China and the United States. On the other hand of import, ASEAN is also the number one in the marketplace.

According to the discussion of free trade, the advantages are it can add more variety to the product given in the country and allow the country to produce what they are specific in and natural resource is given. On the other hand, it can create negative to local as domestic products cannot compete with imported commodities. For FDI, it can stimulate the economy, increase employment and transfer technology to host countries. However, there is a huge concern on environmental issues whether this investment destroys too many local resources.

Next, we will deeper consider and weight the benefit of trading over the environment. Starting from the free trade agreement that allows the firm to use clean technologies and create more competition. However, a firm pollutes pollution and even move their plant to the lower strict environment regulation to lower its cost. This also leads some countries to change their law to draw the company in investing in their countries.

Resource Curse or the paradox of plenty refers to the lack of natural resources in the country, such as oil and mineral. The causes of resource curse are the lack of democracy that leads to efficient resource allocation and conflicts between the group that wants to own the resources. One interesting tool to consider is the Environmental Kuznets Curve (EKC) which referred to a graph that demonstrates when the economy had developed and the environment suffered but eventually improves to both environment and society.



Environmental Kuznets Curve (EKC)

In the class, Ajarn had asked the question about what should do first or right away to cope with an environmental problem. My answer is transportation. As transportation is long term investment, we should develop this infrastructure first. Moreover, the cost of production today is less than in the future due to inflation. Another issue is the tote fabric bag that is not always better than plastic bag as we have to use at least 327 times to be worth to produce one bag.

JUNE 27: AFTERNOON SECTION

Development Economics

The Asian Miracle is a period when the growth rate of Thailand, South Korea, Hong Kong, Singapore, Taiwan, Malaysia, Indonesia increase. The main reason for this miracle came from four important factors. One is a high-interest rate among these countries which attract foreigner to invest. Second is rapid industrialization. The third is some policies like tariff which lead to an increase in exportation. Last is a high export with stimulating the growth of the economy. One interesting information from Krugman's perspective is even East

Asia can grow from the increase of capital investment, the total factor productivity which referred to how effective the input can do in the production process increases only marginally.

From the video “Vietnam Rising” of IMF, we can see that an economic reform “Doi Moi” in 1986 which is a plan that government wants to move to a socialist-oriented market economy by using an internal institutional reform and open for trading strategies. This lead to a large change due to government legislation of allowing agriculture sector and stated enterprise to operate on a commercial basis. which can eliminate at-that-time food shortage problem of Vietnam and interested foreign to invest. The evident result from this successful economic reform is to decrease poverty people that was around 60 percent of the population to under 14 percent by 2014. This makes Vietnam became a strong competitor for Thailand and I believe that Vietnam will overcome Thailand with its increasing trend of productivity.

Productivity is also one of the important because it referred to the effectiveness of output we put in which leads to a higher income or profit. Productivity is also allowing people to access the better utility. According to the graph from the ILO database, China increases its productivity and had beat Thailand last year. Moreover, China still has an increasing trend over Thailand which I found out that it is the bad situation of Thailand if we still have a larger gap from China like this. So, Thailand should increase productivity by creating a good competition to stimulate labor and firm or provide a fund in interesting R&D.

JUNE 28 :

Industrial policy and CLMVT economy

Strategic industrial policy(SIP) is a package of policies that aimed to boost the economy and foster new industrial capacity, diversify production, create inter-sectoral and

inter-industry linkages, promote learning, and the most important develop like productivity improvement. Strategic industrial policy has three main parts, Industrial Diversification, Industrial Deepening, and Industrial Upgrading. For industrial diversification, we have to create new industrial capacity and sectoral diversification. Moreover, expanding the range of products that are produced and exported is also important as it can diversify the product with the same production and technology into a different product line. On the other hand, industrial deepening is to link a local and become more link with industrial structure. The industry might use backward or forward linkage which referred to self input production and self advance production to capture more income and lead to an increase in GDP per capita to local. Last is industrial upgrading which added more value to shift into international level.

The reason that we should choose a strategic industrial policy can separate into two rationales. The first rationale is a market failure from lack of resources allocation efficiency, imperfect competition and externalities like education and pollution. The second rationale focuses on comparative advantages and public support for company level and strategic industrial approach in innovation and skill.

One issue to concern for me is the evolution of ASEAN countries through the industrial development process. As the graph from the lecture demonstrates us that Thailand is now facing a decreasing trend of manufacturing value added as a percent of GDP after had passed the peak. However, Indonesia, the Philippines, and Vietnam are staying in the growth path. This challenge is the thing that Thailand should be more aware of.

The industrial revolution is also an important topic to look at. Starting from water and stream power (1.0) to the electrical energy and division of labor (2.0) and automate production (3.0) in 1969, nowadays many countries are trying to be an industry 4.0 country by using the more cyber-physical system and AI to lower the time spending in production.