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Two lectures on different topics were presented in class today. The first part of class taught by Ajarn Nessara focused on CLMV trade and investment. I enjoyed the interactive nature of the class in that we began with group work in trying to analyze the graphs in the PowerPoint. Some major points brought up about CLMV trade with the rest of the world included the fact that Vietnam is the only country out of the four that has had trade balance in past few years. Another trend that can be seen through the graphs is that Cambodia, Lao PDR, and Myanmar have had trade deficits, meaning that the countries have been importing more than exporting. We also talked about CLMV trade with Thailand, and one main observation we made was that only Myanmar has had a trade surplus with Thailand. The next topic was inward FDIs in CLMV, and we learned that Vietnam has the highest proportion of inward FDI. Lastly, we looked at Thai direct investment abroad, which has increased in CLMV, especially in Vietnam.

Something that was shocking to learn about was the differences in automobile costs between Thailand and the USA. As I was talking to other group members, they shared that the tariff on automobiles could be up to 300%. One car that can be purchased in the States for \$25,000 could go for almost twice the amount in Thailand. The tariff is meant to protect domestic production of cars in Thailand, which helps me make sense of large difference in price, and reveals a difference in priorities for the two countries. I wonder also if the car tariff is also something that has been set in place to combat the growing pollution issue in Thailand. By

setting high tariffs on foreign cars, it not only could support domestic production of cars, but also discourage people to buy cars in the first place because of the expensive prices.

The second lecture was about marketing strategies in CLMV presented by Ajarn Suwalya. The lecture aimed to teach us about basic marketing skills, used especially in branding something. She stressed this idea that a country in itself is a brand, and each has its own appeal and lure, which is a key component in building a brand. Aj. Suwalya brought up the importance of culture and technology – culture in understanding the target audience, and technology as a means of rapidly spreading awareness of your product. This led into an explanation of brand activation, which consists of four distinct steps: segmenting and targeting your audience, positioning your brand, communicating, and handling relations with customers. It is also important to take into account adaptability of a product in the world market. Is a product able to be changed easily in order to be received well in more than one country?

The case study of the “Share a Coke” campaign was really intriguing to me. In my opinion, one thing that matters a lot in marketing is focusing on bringing association to a product that utilize a common essence of humanity. For example, personalization (like writing someone’s name on a Coke bottle) makes people feel special and noticed. Bringing this intimacy from a worldwide corporation to the everyday people is a main part of the reason that the “Share a Coke” campaign was so successful.

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Today's lecture was about logistics and supply chain development in ASEAN. Ajarn Suthep emphasized that there are four main types of innovation: process, product, service, and business model. Process innovation involves the means of production and the efforts that go into producing or delivering a product or service. An example of process innovation would be the bettering of the transportation of materials needed for production of a good, and it can also include advancements in equipment and technology. Product innovation can come in the form of development of a new product or improvement of an already existing product. Next, service innovation is about increasing customer satisfaction, creating mutual benefit between both the producers and the consumers. Lastly, business model innovation involves changes involved in the way that a product is brought to the market. For example, instead of keeping the target audience of Facebook restricted to only college students, by lowering the user age, Facebook was able to expand and become one of the largest companies on the world. It is often much riskier to try to push for business model innovation because it demands the transformation of how the business is run. It is about making much larger changes as opposed to the other types of innovation which creates more uncertainty about how effective or beneficial the innovation will be for the business.

The lecturer also emphasized the existence of three different types of market strategies: red ocean, blue ocean, and white ocean. Red ocean strategy is a model in which firms are producing a homogenous product and must outperform their competition to attract a greater proportion of the existing demand. Blue ocean strategy consists of accessing untapped market space, essentially creating a market a demand for the product or service that your firm has to offer. This type of strategy generally requires service and business model innovation in order to

create unique appeal and differentiation from other pre-existing markets. Finally, white ocean strategy, which is still a relatively new concept, proposes moving away from “big fish eat smaller fish” ideals. It encourages cooperation and collaboration - partnership rather than competition. In addition to these strategies, Ajarn Suthep touched upon the great importance of information flow along the supply chain. This directly relates to effectiveness in understanding the customer, which in turn increases consumer happiness.

Learning about supply chain development was very interesting for me because I had never heard this information before. I did not have much previous knowledge about this topic, so essentially all the material we covered was new to me. I am curious to see how ASEAN will take advantage of the relatively new concept of promoting white ocean markets. Because the countries are so integrated with each other and are very devoted to cooperating with one another, I can see a promising future for white ocean companies in ASEAN. With easy cross border trade and similarities in culture, partnership in ASEAN will be more seamless as opposed to trade with other outside countries.

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The lecture today was a continuation of the previous lecture started on Monday by Ajarn Nessara. The focus was directed towards foreign direct investment (FDI). The definition of a direct investment is a category of cross-border investment with the objective of establishing a lasting interest. There are two types of FDI: horizontal and vertical. Horizontal FDI is where multi-plant firms duplicate roughly the same activities in multiple countries, and vertical FDI is where multinational corporations fragment the production process internationally, locating each stage of production in the country where things can be done at the lowest cost. Ajarn Nessara stressed the importance of looking at the pros and cons of your home country (where you are investing from) and the host country (where you are investing to). For example, when investing in a certain country, let's say Laos, there is the added benefit of that country being a part of the generalized system of preference (GSP). GSP is a system in which tariffs for trade are lowered for certain developing countries in order to give them an extra edge in economic development. In this case, exporting some kind of product from Laos actually costs less than exporting the same good from Thailand.

Next, we gave presentations of trying to give reasons for investing in a certain industry in a certain country. Our group was given the task to explain the advantages and disadvantages of being a Thai company investing in zip line tourism in Lao PDR. In my group's opinion, some of the advantages of being a Thai investor included the absence of language barrier and similar knowledge of the natural landscape. Some disadvantages of investing in the host country of Laos could be the difference in skill of laborers. Although labor is cheaper in Laos, productivity might actually go down because the skill level of each individual worker is less than that of a Thai worker. That to me is very interesting because it emphasizes the fact that an economist should

not just look at numbers alone. There are many factors that go into consideration when deciding upon investing or not, and just because a statistic may look promising, that does not mean that the result will always be what you expect.

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Ajarn Anin taught about the topic of international trade and investment versus the environment. He went over the pros of free trade, which includes more variety of products, an increase in social welfare of countries, a decrease in production costs, and specialization. The idea of specialization is that if one country has the comparative advantage in producing good A (they can produce this good the most cost and labor efficiently), then that country should allocate all its resources into producing that good. At the same time, if another country has the comparative advantage in producing good B, they should do the same. With free trade, these countries can now allocate resources most efficiently, while still having access to both good A and B. One major con of free trade is that domestic industries suffer. Some pros of FDI is that they stimulate the economy, increase employment, foster economic growth, and improve skills of laborers. The major con of FDI is that they have a negative impact on the environment, which brings us to the common concerns that have arisen due to industrialization: “pollution havens”, biased environmental standards, and

The Environmental Kuznets Curve was very interesting to learn about. The intention of the curve is to research whether or not there is a relationship between economic growth and pollution. The curve is an inverted “U” shape, with environmental degradation on the y-axis and income per capita on the x-axis. This shape shows that during the development of a country, there is an increase in pollution at first. Then, once the country reaches a certain point of development, people will start to be able to care about the environment, leading to a decrease in environmental degradation. I think in theory, this curve makes sense, and it has been supported by patterns observed in many already developed countries, but I wonder about the point in which

the shift downward in degradation begins. What defines this point in which people start caring about the environment? Is there a way to predict this in developing countries?

The second lecture was about development economics. The Asian Miracle was a phenomenon of high economic growth for various Asian countries. The Tiger4, consisting of Hong Kong, South Korea, Taiwan, and Singapore, were part of the first wave of the Asian miracle. Their high economic growth can be attributed to high interest rates that attracted foreign investments, industrial policies that supported exports, high exports, and rapid industrialization. According to Krugman, east Asian economic growth had been the result of increasing capital investment. Some tools that measure economic growth include GDP growth, income per capita, human development index, and inclusive development index. A combination of these things gives a more holistic view of how the economy is doing, as opposed to just looking at one of these factors.

The most interesting part of this lecture to me was learning about the middle-income trap. Essentially, this occurs when there is not enough high economic growth for a middle-income country to become a high-income country. A main reason that a country would get “trapped” in this kind of state is that they are unable to compete with both low income, low wage economies and high-skill innovation, advanced economies. Is there any way to get past this middle-income trap? In my opinion, a country trapped in this situation would have to do either one of two things, receive some kind of outside push, such as FDI, or reallocate resources to focus on research and development. These countries need to improve their technology in order to move from middle-income to high-income.

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The topic today was industrial policy and the CLMV economy. Ajarn Peera began the lecture by bringing up the fact that the world has a limited amount of resources, and economists need to work with this limitation in mind when trying to achieve a goal. He also said that a major pattern observed in the economic development of well developed countries is that there is a shift from focusing on the agriculture sector to focusing on the industrial sector. Therefore, it is important to look at strategic economic policy, which consists of three components: industrial diversification, industrial deepening, industrial upgrading. Industrial diversification is focusing on improving the quality and technology of the products, industrial deepening is creating local linkages, and industrial upgrading is mastering more complex technology. Next, he talked about the differences between import substitution industrial strategies versus exported oriented industrial strategies. The former intends to protect domestic markets, but it also faces failures when the markets are too small and cannot reach economies of scale. On the other hand, the latter is able to easily achieve economies of scale, but is very dependent on market mechanisms.

After explaining what strategic industrial policy entails, he went into bringing up points of *why* we need to pay attention to this kind of policy. The first rationale behind desiring to enforce SIPs is that they can be beneficial when there is market failure as a result from non-efficient allocation of resources, imperfect competition, externalities, and insufficient information. The second rationale is that there can be micro-issues on the firm level, meaning that even if a firm has all the components for success, there still needs to be intermediaries, such as investors. Like most policies, SIPs are dependent on government intervention. Without help from the government in enacting economic policies, the dynamic nature of the world market is hard to navigate.

Something that stood out to me was when he talked about Abenomic and ASEAN economy. He brought up the point that Japan currently has an aging society, which is causing a shift to using outside labor. This switch consists of depending on artificial intelligence and robotics to carry out tasks that the aging workforce can no longer do/will not do because of retirement. The problem with this tactic is that with replacing jobs with robots, there is an increase in economic growth and a simultaneous increase in unemployment. Technology has been replacing human labor, and this is a big issue that ASEAN will face soon as well. Especially in the case of Thailand, where the newer generations would prefer the comfort of working in the service industry rather than taking over the manufacturing jobs of their predecessors, it is likely that production will be moved to CLMV. With this in mind, I wonder what can be done to combat the rising unemployment due to technological advances. I am not sure if there is a way to reverse the negative effects technology has had on employment, but there may be ways to move forward and create new jobs that revolve around technological advances. After all, why fight it when you can join it?