Thursday, 18th July 2019

We discussed the different dimensions of doing business in Vietnam, from the perspective of our speaker, Mr. Chanchai Ochapong, from Siam Gas. With a complex company structure and many branches in ASEAN, Siam gas' shareholding structure is 61.2% management and 38.8% public, founded in 1976 in Thailand and growing into Malaysia, Singapore, cities in China etc. They hold an efficient and structured business model, how gas is transferred and refined and provided to household users, industry, and transport/automotive industry.

Then, the speaker talked about Vietnam's geography and demography, its 95.5 million population, tropical climate in the North and two seasons in the South (dry and rainy). Economic-wise, it is the 2nd largest rice exporter, and one of the fastest growing economies (around 6-7%) in the world. GDP is currently at 266.24 billion of USD. In terms of macroeconomic objectives, unemployment rate is at 2.2% and inflation at 4.0%. With a heavy, abundant history that contributed to the largely differing culture it has today between the North and South, as well as Vietnam's relation with neighbouring countries, the speaker discusses why Vietnam is a growing attraction for FDI and other forms of investment. He talks about the new openness of a developing country, new market opportunities, a new generation of individuals, cheap tax and cost of wage, and quality but cheap infrastructure. FDI in Vietnam is given strong levels of transaction transparency and high proportion of shareholder power, both factors that led to Vietnam's FDI Inward flow to increase from 11,800 million USD in 2015 to 14,100 million USD in 2017. He also discussed future challenges in investing in Vietnam – the law is still unclear, government rules are not under the law but can utilise the law, standard of living is still a challenge with ~2,200 GDP per capita, education quality of individuals has potential for improvement, and hiding tax and fee.

It was also interesting to see that the main consumers of Vietnam trade are from the United States in 2015 (20.7%), but main suppliers are China (29.8%) in 2015. I think this shows why the US-China trade war is beneficial for Vietnamese markets. Whilst Chinese and Vietnamese relations are still stable, unaffecting to Chinese supply into Vietnam, the US-Chinese trade war will mean less demand for Chinese goods from US consumers – and since US consumers would look for substitutes, Vietnamese markets can thrive as US is one of the strongest demanders for Vietnamese exports. This can lead to higher demand for Vietnamese products, especially when it comes to electronics, textile and footwear. Actually, another point that the speaker mentioned was related to the number of obese individuals in Vietnam. My friends and I actually observed when we were in Vietnam – how so many either seem fit or perhaps even unhealthily skinny. The speaker said that it was part of culture, that Vietnamese individuals were hardworking to the core, and when it comes to eating oftentimes, they ate the simplest of foods as it wasn't a priority for them.

I thought another compelling point I never considered that the speaker mentioned briefly was the religiosity of Vietnam – that many were not religious because their "religion" was the Communist Party. I never looked at it from that perspective – and I realise now that I can say the same for China. Growing up, my mother is Buddhist, and my grandfather, born and raised in Vietnam, was quite heavily anti-religion. I never thought about the reason behind it, but I realise now that it was because of his patriotism and his love for Vietnam and China and the political party at that time. It made me reflect on the history of China (and Vietnam), how in order to utilise and gain complete authoritarian control, followers must hold complete faith in the system and the political party's values and beliefs. Sometimes, even religion can act as a distraction and faith in something else. I thought this point brought up by the speaker was very insightful, something I myself never considered before.

Friday, 19th July 2019

On Friday, we went to the Bank of Thailand FinTech Fair and Asian Development Bank lecture. I found both to be very compelling. During the first event, we attended a talk related to the future of FinTech and Asian Connectivity, as well as roamed the fair which hosted a multitude of start-up firms, banks, and other larger businesses and corporations. From the talk, there were many cryptocurrency-related speakers, including representatives from Ripple, Everex and Libra. I found the talk from Everex the most interesting, as Alexi, the speaker, talked about a “stablecoin” digital currency issued on blockchain, integrated with banks. Cryptocurrencies tend to be extremely volatile, changing in value 10-15% each day – however, the way Alexi described stablecoin was that its volatility rate was only 1-2%, like the US Dollar or other fiat currencies. After the talk, we approached the Everex stand in the fair to ask him more questions related to the mechanisms behind this – but his reply simply stated that it was part of the blockchain connectivity, with secure wallets. We were not so convinced considering most cryptocurrencies (such as Ethereum, Bitcoin, etc.) are all secured by blockchain – yet equally volatile. I also asked him what his ideal society would look like in 30 years, whether everyone would have shifted to using blockchain technology. We enjoyed his answer, saying that though all ideas begin in the mind, we must have the environment and physical space to implement it – first we must deal with climate crisis and saving our society, then we can implement all the ideas that we have stored in our head.

Another interesting aspect of today was the QR code payment discussion. Back in Hong Kong and China, consumers in a lot of larger cities (Beijing, Shanghai, Shenzhen etc) no longer use credit card or physical cash in order to make transactions – rather, they use WeChat pay or Alipay. It is interesting to perceive Thailand, and more broadly, ASEAN’s attempt in shifting towards an integrated and interoperable ASEAN payment system, with enhanced financial inclusion, improved cost effectiveness and convenience, and increased volume of trade. There are a few options for cross-border QR code payment, the most viable being the "sponsoring bank model", linking correspondent banks of each country, allowing for standardised QR codes and convenient remittances. Other methods such as the "distributed ledger technology" are not fully developed yet, and "hub-to-hub" and "closed loop payment" may be too ambitious for our current technological space. I think, if this standardised QR payment strategy is successfully implemented, it would definitely increase and facilitate more trade between countries. A completely digitalised spending sphere will undoubtedly change the consuming atmosphere – but in ASEAN, there is still quite a long way to go, considering the heavy use and reliance on cash.

At the talk of Asian Development Bank, we learnt about its structure and goals. Owned by 68 governments' finance ministries, and a rating of AAA (meaning greater reliability and easier ability to loan), ADB aims to promote economic development and social wellbeing. They talked about an "one ADB" vision for 2030, as well as complete poverty eradication by then. With 7 main goals shaped after Sustainable Development Goals, they hope to improve gender equality, avoid climate change, rural development, strengthen government and more. ADB conducts a lot of projects as well, such as the "land value capture project", financing infrastructure in Asia's cities. Whilst finding a connecting between mass transit accessibility and land value, ADB decided to find infrastructure projects such as rail links and roads in order to raise value of land. The most interesting part of the talk, I think, was the idea of "green bonds" – something I've once encountered but never really researched deeply into. I really like the concept of green bonds considering our current climate scope – tying capital from bond issuance to environmentally-friendly investments can encourage the achievement of SDGs.