Reaction essay on Aj. Anin Aroonruengsawat's lecture

Overall, the lecture explains about interaction and connection between international trade and environmental damage. There are consequences from every actions. In the past 20 years, the value of global exports has risen exponentially which can be implied that there are more transportation and interactions between countries occurred. In a way, it is a good sign in term of economically term but there are also negative side of the actions as well. There are negative externalities occurred for example, pollution, garbage overflowing which we need to ponder that is it worthy to sacrifice our world's life for a better of each individual country.

From the lecture, there is a slide shows the emission of CO_2 from each country over the past 2 centuries. USA has been in the top 3 rank of the most emission CO_2 countries in the world as it emits 5819 Mt CO_2 in 2007 as well as the most CO_2 emitter country is China at 6994.7 Mt CO_2 in 2007. As from the report, the CO_2 emission also increases every year exponentially along with the total global export. There comes a question that can the negative externalities be solved while the total global export is still increasing. Can we solve the problems in the future? In the lecture, there are graphs demonstrate about merchandise imported value from each trading partners and ASEAN FDI sources. FDI chart shows that investment in intra-ASEAN is very low compare to foreigners who come to invest in ASEAN which mainly in financial activities and manufacturing. He also gives lecture about the cause after FTA occurred; countries will have access to others' technologies, will have a greater income for both of the interaction side. However, it comes with a cause of more pollution. There is a theory about the international trade which says "Country A produces product A which country B can't vice versa so that they should trade their products with each other" (assume no externalities) or so called "Heckscher-Ohlin theorem". There is a curve called Environmental Kuznets Curve which implies that when people have enough income, they will care more about the environment and others. Simply explanation is that he/she would do anything no matter what to be rich enough and when he/she attains the goal, that is when he/she will realize what damages have been done and try to repair it. There are ways to solve the problem, which is so called “Technique Effect”. It is when we use technology in trade liberalization to increase income per capita to lower the pollution alike the concept from EKC curve.

Resource curse refers to a country that has abundant of resources but the economic growth is quite low and the outcome is far behind other countries. What causes resource curse? It is the government right to use the resources but government don’t tell citizens what is going on and they still collect taxes as much as possible (kind of communist). Government is not transparent in their activities and citizens don’t have right to come against them.

Overall, I mostly agree that it is good to have a higher export and overall GDP rises as long as we can maintain the pollution to be lower if we can’t lower the pollution then we should lower the transportation because it is our world that is being killed slowly and maybe we can gain a better GDP from other ways. In my opinion, when a country shows a sign of developing or they are developed, they should care more about the world and try to lower the negative externalities for the others which couldn’t. To solve the negative externalities, we can impose a law about the pollution, government can put tax on pollution activities.

About the individual problem in the country, resource curse, must not be tolerated. Government have to be transparent and embezzlement must be eliminated or else there would be no goods for the country.

Reaction essay on Aj. Nessara Sukpanich's lecture

The lecture mainly explains about types of foreign direct investment (FDI), and impacts that it would cost to both home and host country. What is FDI? FDI is a kind of investment made by a resident in one economy where there are 2 types of investment which are direct investment, with the objective of lasting interest, and portfolio investment. Direct investment is that he/she becomes part of the company, he/she can play part in the vote, lasting interest implies the direct investor owns at least 10% of the voting power of the direct investment enterprise but portfolio investment is that only he/she will only come for the benefit that could be achieved.

There are various types of FDI which can be categorized by direction of investment; Inward FDI and Outward FDI. Inward FDI is that when foreign firms come invest in our country but when we go invest in other country, that is outward FDI. Categorized by types of activity; Horizontal FDI and Vertical FDI. Horizontal FDI is that you treat the investment in both domestic and abroad equally and Vertical FDI is the you invest in supply chain of the company, by trying to do a backward or forward integration. Categorized by modes of entry; Owned subsidiaries, Merger & Acquisition and Joint Venture. Owned Subsidiaries is kind of investing in our company but in abroad. Merger & Acquisition is that you interest in the company abroad and you buy the company or buy part of it and merge your company into 1 company and play role of major authority. Joint Venture is that we join with another firm and share the same target. Categorized by nationality of investors; Wholly foreign owned and Joint venture between local and foreign firm. Wholly foreign owned is that the company is totally being controlled by foreigners but Joint venture is that there are shares in domestic and foreign. Based on motives of FDI; Natural resource-seeking FDI, they invest abroad because they can't find resources in their own country and maybe resources in host country is relative lower in price. Market-seeking FDI, they could seek for the market in the host country or host being part of market. Efficiency-seeking FDI, they try to lower their cost by invest in various kind of activities where it works best (put the right man in the right job). Strategic-seeking FDI, the company invests with local company to maximize the utilities and use local's knowledge.

There are Dunning's OLI framework (ownership, location and internalization advantages), O implies the firm owns the asset where others don't have. L implies the firm invest abroad because they might be able to take advantages from domestic's government, laws. I implies whether the firm should build a factory in host country or just export out products to lower their cost. There are also FSAs/CSAs framework, FSAs is similar to ownership advantages and CFAs is similar to location advantages which can be both host and home country. There impacts of FDI to country as well such as trading, technology transfer and income distribution.

Aj. Nessara also talks about case study of FDI in Laos, FDI keeps increasing over time. FDI stocks rise every year (FDI stocks is when you accumulate the whole investment). FDI flows also increases (FDI flows determined by FDI each year). There are also approved FDI (amount of investment that Laos approved for foreigners to come invest in their country) that is quite volatile and the FDI flows in each year in quite lower than the approved FDI. Mostly, firm invests in industry sector in Laos.

In my opinion, most of this lecture is about theory of FDI and I couldn't agree more because it all makes sense and very reasonable. To understand about FDI would help to have a wider aspect in ASEAN economy and I would suggest others to learn more about the FDI and adapt the knowledges to our current situations.