Date : 16 July 2018 (Morning) THANAPORN SUMIPHAN 5904641411

# ASEAN Financial Integration : Freer flows of capital

The lecturer shown us the picture that illustrate many trade agreements in the Pacific Rim area. In our AEC blueprint, we want free flow of 5 areas which are goods, service, investment, skilled labor and capital. But in this class we had focus on free flow of Capital which are orderly capital account liberalization and allowing adequate safeguard against potential economics instability. Capital account liberalization is aim for freer flow of capital. In the balance of payment, it divided into 2 accounts; current account and capital account. For current account comprise of goods, service, income and transfers, in the other hand, Capital account consist of foreign direct investment, portfolio investment and other investments like loans, deposit and cash etc.

The ASEAN Capital account liberalization Framework have 5 stage depend on degree of risk. The first step is current account, no restrictions on trade related payments in this stage. Next stage is Direct investment, free direct investment both inflow and outflow. The 3$^{rd}$ stage is portfolio inflows, issue securities abroad and repatriate proceeds back to home country for residents. For non-resident allow to purchase domestic debt securities. Forth stage is portfolio outflows, allow to purchase equity and debt securities abroad for resident and allow non-resident to issue securities in the domestic market. The last stage is other flow, this stage substantial liberalization to allow resident to undertake external borrowing and lending.

The international investment agreements (IIAs) are legally legally binding treaties between countries to provide foreign investors from the “home state” with rights and remedies to protect the investment into the “host state”.

Main forms of investment agreements are first, Bilateral Investment Treaties (BITs) which is investment protection (as well as promotion and facilitation). The next one is Investment Chapters of FTAs and Separate Investment Agreements - investment liberalization and protection

The basic framework of IIAs are having Scope to defines what is in the agreement, having Obligations to tells what the host need to do, Dispute set to specifies recourse to remedies if obligations are breached and the last one is having the exceptions or safeguards to carves out what is excluded from the obligations.

He taught us how to modifies the agreement like obligation transfers which concern on ability to prevent transfers when needed, such as to prevent crises or to ensure stability. And specifies safeguards on capital flows which concern on limitations of measures.

We did mock negotiations in the half of the class, the topic for negotiate is Korea-ASEAN FTA investment chapter on capital flows safeguards. Then, we separated into 2 teams which are Korea and ASEAN. First negotiation step is reading the given text and think are there any text or word that we want to add or reduce from text given or not. The text given is the agreement that use in real situation. After we modified the agreement, the lecturer selected 2 persons from each team to run the negotiated session. My team as Korea start negotiate by tell what we want to add and what we want to reduce. Then, the opposite team will said that he agree or disagree with what we offer them and then they will tell that they want to add and clear from the agreement.

After finished one round, if we could make a deal, we have to come back and rethink about the offers and what we want again then start the next round. When we want to do negotiation, we need to offer them something that they interested in order to make a deal faster. Some agreement took a long time to finished. Luckily, Our team Korea win in this negotiation.  The lecturer said that things that we added or deducted in this mock negotiation is only small part in the agreement, in the real negotiation not easy like this. There are many requirements to stated in the agreement and take time to make a deal. For me, today mock negotiation was very fun, I got a lot of experience from it, Date : 16 July 2018 (Afternoon) THANAPORN SUMIPHAN 5904641411

## China's economy and ASEAN

Today in the afternoon class we learned about China's economy which taught by our BE alumni. I kind of like the way she taught, it seems like storytelling of Chinese economy history. We start from the period after SINO-JAPANESE war and civil war end. The communist party got the victory from this civil, so, it made Mao Zedong who is the leader of communist party to became the first president of china since he changed from democracy regime to communism regime instead. At that time, he started doing economics centralization which government had the ownership of everything, all resource allocated by government command only and government also set the relative price. From all of these, it is 100 percent state–owned.

Due to economics fluctuation in that period, chairman Mao had come up with the new policy which called "The Great Leap Forward policy". The policy aims for making China become more socialize and more modern, in order to achieved, China should reach the same industrialization level as England and US. In that time, chairman Mao use a lot of propaganda to make people think that China is the best, chairman Mao is the god and he also make everything grand. Chinese people believed in him believed in what ever he said. Government want country to become more industrial so, they encourage people to join in steel production. Thus, large number of people had move from agriculture sector to industrial sector. Unfortunately, industrialization did not go well as they thought since people lack of knowledge how to make steel, lag of technology and lag of expertise to direct the efficient production, everyone can make steel. Then, the result is 80 percent of steel produced are wasted and people already shift to industrial sector, so, agriculture products and food are not enough for everyone to consume. All food had sent into the city. Farmer were starving to death. Moreover, there is natural disaster, so, people have died in this period around 30 million people.

After that China government try very hard to made situation become better by adjusted some policy. They not allowed people to export and increase import level of food and agricultural products to help their people. Every thing adjusted to become normal situation. However, A few years later, there are the cultural revolution. A lot of people died in this period also, most of those who died were very well educated people. So, in that time no more culture, rich and education: school were shutdown, they only cherished the chairman Mao. People who against chairman will got caught and killed. The trust among family, relatives and friend was broken. No one can trust each other.

After chairman Mao pass away, here come the next period of China which we called Modern China. This period was ruling by Deng Xiao Ping. He came up with economics reform. He reformed the system, open country for FDI. He did the government decentralization and privatization. He had rebuilt education system after the revolution. He implemented many well known policies like one-child policy and household registration system.

For household registration system or Hukou policy, it supports the china economics to become successful. But it increased institutionalized discrimination since people have to live, student and use hospital in their own birth place. So, people who originally born in the city would have higher and better social welfare.

China in nowadays become more cashless society, people like to buy stuff online platform more than before. So, e-commerce in china is very booming now.