

Daily reaction essay

Kicking start the second week of EE551 and EE561 with the topic of FDI, foreign direct investment, and CLMV Trade and Investment. I found many useful information about FDI in a 2 hours lecture. For example, my favorite part was the FDI type based on motives of FDI because it was the answer for the question like why the companies went investing in foreign countries. Furthermore, it raised my awareness about the drawbacks of FDI to a country. Market-seeking FDI was easy to understand that it could destroy the domestic products, but this problem would be solved in the long run by technology transfer. However, Natural resource-seeking FDI and Efficiency-seeking FDI were, in my point of view, dangerous because the investors came with all possibility of profit maximization. It could create the long run problem such that the country's resources were legally stolen by the investors, so the country remained unchanged in economic health when the investors left the country. Strategic asset-seeking FDI also could also be exploited when the government ignored the asset acquisition of the investors. The certain group of investors could indirectly control the whole country if they held a large portion of businesses' asset through FDI. For example, nowadays I saw a threat of the Chinese acquiring property around the world. Without the case study of Lao PDR, I might only imagine that the FDI would go as planned. The case study told me that the government always had a positively overconfident aspect towards FDI. For trade and investment, I saw the identical trend in the CLMV that they hold trade deficit. Their big trading partners were China and USA except Lao PDR which did not trade with USA. The low industry sectors such as garment and textile and agricultural products still combined to large portion of export goods. However, they still had each signature export: goods, Myanmar for petroleum gas, Lao PDR for copper, and Vietnam for telephone set.

For the afternoon section, it gave me a chance to step out of my usual study, finance class, to marketing class. This section was about brand creation. I learned from this section that brand was not just an image for advertisement. It was a combination of name, term, sign, symbol, or design intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition. I was able to distinguish between products and brands such that a product was anything we could offer to a market for attention, acquisition, use, or consumption that might satisfy a need or want. The lecturer gave the class a video about the global shift in most valuable brands from the early 2000 to 2018. From the video, I could conclude that the services technology, Google and Facebook, and tech companies, Apple and Microsoft, were the most valuable throughout the world. Next, the following topic was culture technology. The statistics of internet user in South East Asia was presented and the number was 47%. However, Thailand, Indonesia, Malaysia, Philippines, Singapore, and Vietnam had internet users more than 50% of total population. The digital industry in SEA region also kept increasing. For example, the internet users, active social media users, and active mobile social users grew more than 30% since 2016. Not being surprised, Bangkok had the largest number of active Facebook users. The last topic of today is brand activation which was about activity that brought brands to life and encourages positive participation. There were 3 case studies, Central Plaza, Coke, and Axe excite. Share a Coke Campaign was very interesting for how it was done differently in Thailand and Vietnam. In Thailand, Coke played with only traditional words and message, while it introduced new emoticons for Vietnam market. The reason behind the use of emoticons was very impressive. It transcends language barriers and has pretty much become a part of popular culture across most ASEAN markets. The Axe excite could be the good case about contrast of European market and Asian market towards sex appeal advertisement.

This Tuesday had a guest lecturer from College of Management, Mahidol University. The topic was Logistics and Supply Chain development. The class began with the differences across industry development from industry 1.0 to industry 4.0 such that the trend shifted from B2B, business to business, to B2C, business to customers. The lecturer reminded me about ASEAN development in many aspects such as urbanization, infrastructure, trade facilitation, institution, and human resource. Logistics, Big DATA, and Internet of Things were three main factors to create border smart city. Next, I learned about 3 FLOWS Re-design which were People, product, and capital. The first re-design, people, was about tourists. Using Thailand as a case study, the tourists visiting Thailand were mainly from China, Malaysia, Japan, Russia, Korea, and India. In addition, the growth of Laos, Vietnam, Cambodia people visiting Thailand was increasing. The concept of Ex-Rich and New Rich were presented. Ex-Rich referred the European countries, Australia, New Zealand, and USA, while New Rich was the new emerging countries like India and China. Passengers from Ex-Rich and New Rich had significant difference in taste and preference. Ex-Rich passengers preferred Sea-Sun-Sand, Five Star Hotel, and First/Business Class for traveling, but the New rich passengers preferred indoor activities, budget hotel, and low-cost Airline. There were movies in China promoting tourist in Thailand such as Lost in Thailand. The re-design of products was not that much significant since it was still around agricultural products. Capital, the last re-design, was about industrial zones around Thailand. Still, many industrial zones which were central, west, east, and Bangkok and vicinity, located around central area. Only north and south zones located far from center. ICBT or Informal Cross-Border Trade was the next topic. This topic showed how ASEAN looked like. ICBT was a large proportion of cross-ASEAN border trade since formal trade had many constraints. I also learned about the factors which the country needed to keep or pushed away and the factors of destination countries which pulled or pushed the interest

of capital flows. The last topic was Chiang Rai Border City to ASEAN Economic Community. Chiang Rai shared the border with Lao PDR and Myanmar, so border trade was possible. The important borders are Mae Sai, attaching to Myanmar, Chiang Sean, and Chiang Khong, attaching to Lao PDR. The border trade still kept increasing over time. Moreover, Chiang Rai had transit trade with Southern China. Chiang Rai mainly exported to Lao PDR and Myanmar, but more than 75% of imports came from Southern China. There was a Special Economic Zone Plan for Chiang Rai borders, Mae Sai for Trading City, Emphasis on trading consumer goods tourism, and Rely on modern international financial services, Chiang Sean for GMS tourism and Port City, water transportation, trading and tourism, cultural heritage and Lanna civilization tour history, and Chiang Khong for Transshipment and distribution center in many forms (Logistics City), The site of bridge on the NSEC, and Tourism city and the way through to Luang Prabang, Laos PDR.

This section impacted me in many aspects. The concept of Ex-Rich versus New Rich changed my views towards the western world and the eastern world such that I had overestimated the wealth of the Ex-Rich and its passengers visiting Thailand. At this moment, I felt like Thailand should impress and support more of the New Rich, especially China and India. Chiang Rai borders topic was very informative. I had never had any idea about the trade with Southern China in Chiang Rai. Moreover, the plan of Special Economic Zone in Chiang Rai was very interesting. The plan was not only for trade creation, but also for tourism business. Therefore, local people would also get benefits from tourism business as much as business men. If this project did not fail, it would transform Chiang Rai to be as competitive as Chiang Mai in Northern area. The well-being of northern people would be better.

I was still with FDI in this Wednesday, but this class was going more deeply about FDI in Lao PDR. The lecture started by assigning my group to do a group work about the topic of investment in Thai restaurant and/or coffee shop in Lao PDR. The lecturer still reviewed the motives and determinants of FDI. Home country specific advantages and disadvantages and host country specific advantages and disadvantages were the new information since the last FDI class. Motives of FDI in Lao PDR could be divided to 4 categories. Natural resource-seeking FDI in Lao PDR focused in mining, electricity generation, and agriculture. Market-seeking FDI in Lao PDR had 3 sub categories. FDI for domestic market was in services sectors and construction. FDI for regional market was electricity since electricity produced in Lao PDR was exported to nearby countries including Thailand. There was the FDI for other regions market which was the investment in agricultural sectors in Lao PDR to get generalized systems of preference or GSP from USA or European countries. Efficiency-seeking FDI was about the unchanged in cheap labor cost in Lao PDR while other nearby countries increased their labor cost. For Strategic-assets seeking FDI, many companies did joint venture with Lao PDR government or Laotian companies to gain access to intangible assets regarding their experience of doing business in the Lao PDR and strategic asset in terms of local networking. Next, the topic was about the pull factors of FDI into Lao PDR. The positive pull factors were political stability, high economic growth, rich natural resources, and stable exchange rate. Lao PDR also had negative pull factors which were small market size, low labor productivity, corruption, and bad infrastructure. China, Vietnam, and Thailand were major FDI in Lao PDR. Each country had its own push factors to do FDI. China was the major investor in Lao PDR in various sectors but important sectors are investment in energy and infrastructure, especially hydropower generation, electricity transmission and trade, road and railway construction projects. Moreover, Chinese government set up various institutions to support foreign

investment of Chinese firms. Outward FDI of Vietnam are mostly state-owned enterprises and concentrated in resource incentive countries and in a few industries, such as rubber and oil and gas, and Vietnamese government also played a key role to support outward FDI of Vietnamese MNEs such as investment by SOEs and financial support. Moreover, More Vietnamese banks had expanded to the Lao PDR. Those banks could support Vietnamese MNEs in terms of financial facilitation. Thailand also had a similar strategy like Vietnam. For example, Thai banks also expanded their branches to the Lao PDR and these banks could help Thai MNEs in terms of financial facilitation. However, Thailand's push factors were the scarcity of land for agricultural plantation and higher wage in Thailand and the policy supporting FDI was not as strong as China.

I was stunned when I saw the picture of Wuttisak Clinic and Black Canyon in Vientiane, the capital city of Lao PDR because the two were common in Thailand. Despite the small market size, Laotian people might have a purchasing power, not significantly different to Thai people, from those kind of common products in Thailand. This lecture is the continuity of Monday section with the case study in Lao PDR. Everything presented here was interesting because they were like the revelation for the use of FDI theories from Monday section in practice. The pull factors of Lao PDR and push factors of China, Vietnam, and Thailand were the clear picture of what FDI looked like. This section gave me an idea that the success in FDI required many supports, especially from government and the banks. Moreover, I found more information while working in the group with the topic of investment in Thai restaurant and/or coffee shop in Lao PDR such as the popularity of Beer Lao in Lao PDR and the traditional drinking culture of Laotian. Furthermore, this section raised my awareness towards the competitiveness of Lao PDR such that Thailand might be overcome someday if it was still full of corruption and inequality like we saw in the news daily.

Waking up in the Thursday morning and listening to news about the environment issue, the morning section was Trade and Environment. The lecture began with the statistics showing the increasing trend in CLMV total exports and imports of goods between the year 2007 and 2016. The trade shared about 50% to 70% of their GDP. Despite being CLMV, only the V, Vietnam, had a large portion of trading in both exports and imports of goods. Vietnam's exports goods were about 20 billion us dollar in 2007, but it rose to 150 billion us dollar in 2016. Its imports goods also had the same trend, 60 billion us dollar in 2004 and close to 180 billion us dollar in 2014. However, the other three countries had exports goods and imports goods less than 20 billion us dollar over time. The next statistics was about the extra and intra trade in ASEAN. The more developed countries in ASEAN, like Vietnam, Thailand, Singapore, and Philippines, only had a very little portion of intra trade, while Myanmar, Cambodia, and Indonesia relied on intra trade. After this, I learned about the conflict of trade and environment. On the one hand, Free trade proponents argued that FTAs had a positive impact on the environment because after liberalization countries would have access to environmentally friendly technologies. On the other hand, environmentalists argued that trade liberalization was detrimental for the environment because it would expand more polluting industries. There was an existence of resource curse or paradox of plenty which was the problem that many countries failed to reach their full potential of their natural resource wealth. Resource curse came from many causes such as the lack of democracy, conflict, and inefficient spending and borrowing. The clear example of resource curse is the Jade industry in Myanmar. Environmental problem mainly came from negative externalities which could be solved or alleviated by tax, command and control, and information. I totally agree with many information provided in this section, especially Jade conflict in Myanmar, since sustainable development required a very good foundation in environmental development.

The topic for afternoon section was Economic Development. I studied economic development in South East Asian region. All countries had similar trend in the real GDP growth. For example, their GDP growth sharply dropped in 1997 Asian Financial Crisis. The next topic was Asian Miracle which referred to the high growth rate of 8% to 12% from Thailand, South Korea, Hong Kong, Singapore, Taiwan, Malaysia, and Indonesia. The reasons that these countries were called Asian miracle were high interest rates to attract foreign investments, rapid industrialization, industrial policies supporting exports, and high exports. However, the miracle was vanished due to 1997 Asian Financial Crisis. Nowadays, there was a hope of new miracle from China and Vietnam from the 3 factors which were Embracing trade liberalization, complementing external liberalization with domestic reforms through deregulation and lowering the cost of doing business, and investing heavily in human and physical capital. Next, I learned about development thinking path. There were two waves of development thinking. The first wave was to build up modern industries similar to high income countries with the full interventions of government through import substitution, but the first wave was not successful. The second wave adapt neoliberalism school of thought which supported free trade, so it leads to export-oriented industrialization. Only a few countries moved up to high income status. Many of them struggling in the middle-income trap. Common characteristics of the sustained high growth cases were the exploitation of comparative advantages which the certain country had, macroeconomic stability, free market allocation of resources, high rates of saving and investment, and good governments and institutions. Industrial policies were a tool, but most failed because the government targeted industries that were not its comparative advantages. This lecture made me see how hard to move the country to high income level that there were obstacles for all levels, from abstract idea to government policies, in the journey.

The weekend was on the way. This Friday had only one topic, Industrial Policy & CLMV Economy, in the morning section. I studied SIP or Strategic Industrial Policy. This policy had three factors to look at. The first factor was Industrial Diversification which was about Creation of new industrial capacity and sectoral diversification. The country would become what it exported which meant that more advanced export products leads to more rapidly growth of economy. The second factor was Industrial Deepening which was about Creation of local linkages and complementarities. Supporting the local suppliers and providers of other specialized inputs are vital for sustainable economic growth. The last factor was Industrial Upgrading which aimed at fostering more advanced and competitive industrial structure. SIP was just a part of overall development strategy, so it was flexible and adjusted to shift circumstances. Furthermore, there was the two changes in global environment. The first was the changes in global business environment which increased the importance of FDI and increased industrial concentration. The second changes were the changes in global rules of trade and investment such as WTO and Bilateral trade and investment agreements. The rest was the statistics showing the growth of investment in CLMV countries, non-surprised that it was in the increasing trend.

I firmly agree with the information provided in the lecture. It was some interesting facts that I could use for further study. Moreover, this class began with the basic definition and debate about industrial policies and ended with many statistics, so it was not hard to follow up. The whole statistics showed the outcome of industrial policies. The most interesting statistics were the change in manufacturing that wage rate was not the important factor.

