

**ID 6004820012**

**Name Hongvichny Hor**

**Reaction essay**

**Part 1 Ajarn Anin : International trade and Environment**

There are lots of good effects by international trade that are getting bigger and bigger year over year to economic growth but at the same time we can see lots of bad effects on the world environment, and the one thing we can see clearly is climate change.

First of all in these recent years, we can see a big growth of the global exports from 1950 to 2000 looks likely increasing almost from 0 to 4000. Share of merchandise exports value by trading partner in Intra ASEAN also increased from 2015 to 2018. ASEAN is the top 5 FDI sources of the total shares, and we can see the manufacturing share of inward flows of FDI by activities is a big jump from 2012 to 2018 by 35.6% but the big issue is the growth of manufacturing was growing with pollution.

Within other views, some evidence showing that countries that are more open for trade adopt cleaner technologies more quickly, increasing real income is associated with increased demand for environmental quality, greater openness to trade also encourages cleaner manufacturing. Economists said free trade can improve economic welfare in case of no externalities.

The Heckscher Ohlin theorem implies that countries well endowed with the environmental resources should specialise on the production of environmentally damaging goods.

Secondly, the environmental Kuznets curve implies the early stages of industrialization that link to high pollution levels when growth is priority and the economic development leads to more concern for environmental quality and a strengthening of environmental regulation. Scale effects, the increasing of the scale of economic activity caused by the trade liberalisation that boots the market which create economic growth and things being equal to the scale effect will be environmentally damaging. Composition effect, the ambiguous of the environment of the overall effect. Technique effect, through the importation of innovations embodied in both intermediate goods and capital goods that is not a domestic product and the transfer of knowledge about new production methods and design from developed countries. The impact of trade liberalization, the expectation of the scale effect will increase emissions and technique effect will decrease emissions.

Moreover, the resource curse has a lack of democracy. Elements of the cause of resources curse also include the lack of democracy within natural resource wealth, large revenues from natural resources, secret resources and the unclear sense of the resource revenues. The inefficient spending and borrowing that is the amount of the government's revenue which can change drastically in goods price and production. The dutch disease which can hurt other sectors of the economy is also partly manufacturing export based.

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In conclusion, although there are a lot of impact by international trade to environment but we can still makes it to be less impact with the sustainable growth within the key assumption behind the free trade to increase the economic growth by trade adopt with cleaner technologies and within the more knowledge to promote people to understand about the its bad impact and join together to protect the environment by crate less activity relate to those factors.

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**Part 2 Ajarn Nessara : Economics of Multinational Enterprises**

There are lots of changes in the economic growth of developing countries by financial direct investment from foreign countries, and from neighboring countries who come to invest which leads to growth together that affect the economic growth.

First of all, regarding the motives of FDI. MNEs will choose a specific host country depending on the natural resource with the least spending on the relative cost which is associated with the transportation cost of export on those products. Market seeking FDI by MNEs will look for their new customers also new markets places for them to extend their and preserve their existing market. Efficiency seeking FDI by MNEs, mostly they operate and related to a specialization of various affiliates in its internal network. This is a main thing which can cause the increase of both intra firm knowledge and good flows. Strategic asset seeking FDI, it caused foreign's asset firms to utilize by creating synergies with the existing FSAs through common ownership.

Secondly, the determinants of FDI of its firm specific advantage can be brought back with firm's knowledge also managing capability and managerial capability. Country specific advantages which arise from the environment of the country which include natural market factor endowments, factor prices, government regulations, and market access.

Thirdly, the impact of FDI to host and home countries which include resource allocation, technology transfer, income distribution, trade, economic development in Lao PDR. From 1998 to 2015 FDI stock in Lao was increased over time by year over year starting from below 1000 to 5000 million US dollars. The comparison between actual FDI and approved FDI showing that the approved FDI was so increasing so high within 2006 to 2010 and approved FDI fell back a little bit but FDI flow getting high within 2011 to 2015 by we can see that the industry sector was so high far away from agriculture and services sector. Wood industry, mining and electricity generation are the main keys of the approved FDI by sector.

Moreover, for the motive of FDI in the Lao PDR on natural resources seeking FDI are focused on mining and electric city and agriculture, market seeking FDI are based on the domestic market which focus on service sectors and construction. Regional market based on electricity which is the big main of export goods to neighboring countries. Other regions market based on agricultural sectors. Efficiency seeking FDI caused to create low labor costs in domestic countries also in neighbouring countries and corporations in the region brings about efficient regional production supply chains. Strategic asset seeking FDI based on their experience of doing business and strategic assets of the local network.

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Lastly, determinants of FDIs in Lao PDR have both positive factors and negative factors in pull factors. For positive factors including rich natural resources, political stability, high level of economic growth, low labor cost, stability in exchange rate with US dollars, corporation in the region, and adjusted the country's trade and investment regulations. Negative factor has small market size, limited amount of labor force, investment regulation, lack of some necessary technology and infrastructure, problems of corruption and practices of informal factors, institution problems, and the problem of land in concession contracts.

In conclusion, multinational enterprises can create a lot of good effects on the world economy search as can help developing countries update their own income from low to middle income by giving them more ability to get more knowledge and also more jobs that can help them to reduce unemployment rate and create more outcomes.