

Reaction Essay (Week6)

#1: CLMVT Strategy (22/07/19)

CLMVT can be categorised as one of the fastest growing group of countries in the world. Today's lecture, by Khun Prewprae, was on their strategies to attract FDI, issues for cooperation and new trends and future challenges which focused on trade and investments.

The economic structure of CLMVT has been similar since 2007 where the main sector is the service sector which increased from 45% to 50% in 2017 and the second main sector is industry sector. The population contributes to 37.20% share in ASEAN where more than half is in the labour force and the intra-CLMVT share of export and import to the world is 8.2% and 7.6% respectively.

Even though CLMVT are similar in many aspects, the inflow of FDI in each country differ, for example, Vietnam, which attracts investment the most, has FDI mainly in the manufacturing sector mainly because of their labour cost and Laos mostly attracts FDI in the electric sector because they are rich of natural resources. There are also many new FDI trends which many firms are considering, for example, joint venture, M&A, preference for high tech HR, investing in country that the firm could set up the whole supply chain and countries with attractive government policies to support foreign investors.

To implement the strategies effectively and to fully integrate, it is necessary that all countries cooperate, however there may still be some issues, for instance, security issues when transporting goods or services along the border, economics issues which concerns trade facilitation and customer clearance, social issues which is related to education, healthcare and medicine and sustainable development. All of these problems cannot be done without budget. There is a great deal of challenge that countries need to be concerned about, many of them involves technology, for example, new business model and regional digital economy.

The next part of the lecture digs more deeply into Thailand and Vietnam individually. Thailand has five main strategies; strategic location which means the country is in the center surrounded by CLMV and is also nearby to China, politics is quite stable comparing to other countries, their economic policy is clear and has a direction, infrastructure is improving due to inflow of investments and labour is more skilled comparing to CLMV. Thailand builds its connectivity by acting as a springboard and link different countries together and also plays a part in China's One Belt One Road initiative, which if this project becomes successful, every country will gain huge benefits.

Vietnam is one of the main FDI destination for so many reasons. They do not face the problem of aging society because many of their populations are new generations who are willing to adapt to the world. Their rapid economic growth due to inflows of investment which is supported by laws and regulations that facilitate foreign investors. There are many state trading enterprise (STEs) which runs the operation differently and they also receive the privileges of having more flexibility to do things as they are backed up by the government.

In my opinion, this lecture is more like an overview on CLMVT which provided us with details on how the strategies could change with the coming of technology. Countries that are having trouble adapting to current situation will have to work harder in order to adapt to new technology in order to attract FDI. Despite the fact that CLMV still have their advantage of cheap labour and natural resources, if they still don't develop further, they will lose control of their own resources when foreign firms enter and use CLMV as a production hub.

#2: Introduction to Contemporary Myanmar (23/07/19)

Myanmar is one of the least developed country in the world and it has been through several periods of development. This lecture was given by Aj. Pinitbhand who provided us with details on the history of Myanmar in three areas; economics, politics and social.

Myanmar was under colonisation of the British army from 1824 to 1948 where they had full of control of Myanmar's natural resources and since 1840, there were three wars between British and Burmese so in order to weaken the unification of the locals, they tried to divide the country. Myanmar gained their independence back in 1948 when Thakin, a nationalist group, used Japanese hand to help eliminate the control of the British.

In 1962, under the constitution of Prime Minister Nu, communism became stronger where the military leader staged a coup to change the country from democracy to authoritarian government. During this period, the military gained most of the control over the country which has both positive and negative sides. Then in 1988, there was political turmoil when Aung San Suu Kyi became the leader of protests for democracy and was put under house arrest for nearly ten years. Some positive changes can be seen from 1990s afterward as there were massive reforms and in November 2010, Aung San Suu Kyi was released along with the event of the first election since 1990.

There are also many reforms that contributes to developing the country further. For political aspects; the government is working towards releasing prisoners who mostly are political rivals and signing a ceasefire agreement with the ethnic and minority groups. For economics aspect; the government is implementing new sustainable development plans in response to UN's goals and also taking actions against corruption. For social aspects; the government focuses on pushing laws about human rights ahead and start to open up the country more to the world.

To summarise, Myanmar has been developing and opening itself at a slower pace than other countries due to many internal issues and conflicts. In my opinion, they should reshape their political structure and try to handle the turmoil within the country first as these could be the push factors for tourists and investors.

#3: ASEAN Integration and Border Trade (25/07/19)

ASEAN Economic Community (AEC) from above and below was discussed in today's lecture which was given by Khun Pariwat. AEC from above represents how we imagined ASEAN to be like and from below represents how it is in reality.

ASEAN was established in 1967, initially as a political initiative and developed into an economic agreement in 1981 where members lowered tariff for some goods, it did not work well in the beginning as some countries lowered tariff for unnecessary products, such as skis etc. Later on, in 1992, ASEAN Free Trade Area was formed and followed by other economic integration which involves other fields like services and investments.

There are five areas that plays a role in ASEAN integration; goods, services, investment, labour and capital. From above, the goal is to eliminate tariff on majority of goods by 2015 but countries may still need to be concerned on non-tariff barriers, such as quotas and ASEAN members should also be concerned about logistics cost as some countries are on the mainland and some are on islands so the cost and the way to connect varies. Services and investments are more challenging to liberalise than goods as laws and regulation differs for each country, for example, Thailand and Philippines are not moving towards integration as much as Singapore as they still prohibit foreign investor from holding a share in a company of more than 49%.

As for labour, there are agreements and commitments such as MRAs which may seem good on the surface but in actuality, is filled with so many complicated issues. Furthermore,

most labour movement are non-skilled or semi-skilled as countries allow them to work without any agreements to meet their demands. Capital liberalisation is still far ahead as countries are at different stages which impose different restrictions, only Singapore is in the fifth stage which allows international loans.

When looking at the other side, AEC from below, it can be seen that there are still many issues. Some transaction may not be fully captured by statistics, for example, when people buy noodles on the street and also the final destination of the goods are hard to identify as it may be exported further to other country. Services and investments can be classified into three types, formal, informal (grey) and illegal (black). The grey shade represents services that are not illegal but are not captured in GDP which may actually contributes a lot, for example, casino at the border of Laos and Thailand.

Due to a weak law enforcement, movement of people across ASEAN borders can be chaotic as people tend to bribe corrupted officers which is one of the key barriers and people in rural areas may also receive special papers and requirements for them to cross the border to go to work. As stated, movement of capital is difficult for migrant workers, this makes them turn to informal services such as, Poy Guan which puts them in a state of quite high risk. Government and institutions are developing fintech for remittance in order to help workers transfer money across the border through a much safer system!

In my opinion, having visions and goals is a good start for ASEAN to become more developed but there is still a long path in order for them to become in the same level as other regions, for instance, the EU. This is because the huge difference in development gaps between countries such as, the ASEAN6 and CLMV. I also believe that becoming too connected could be problematic if the countries are not considerate of other countries, for example, the Greece Debt Crisis where the single currency reinforce the problem even more! So, countries should weigh the benefit and the cost of integration and find the right balance.

China (25/07/19)

In the afternoon session, P'Wan, a B.E. alumnus has given us a lecture on China aiming to change our perspectives toward China and make us understand how fast-growing China is. China has a command economic system which leads to two biggest events in their history; the Great Leap Forward and the Cultural Revolution. The Great Leap Forward lasted from 1958 to 1960 where President Mao wanted to make China become the best and jump head of other countries by demanding all workers to produce more steel and crops. According to the propagandas, he imagined China to have large farms and factories and long railways but in reality, Chinese population were starving because all the crops were sent back to the government and the steels are of low quality.

The Cultural Revolution was a period where the main population of China was labour so the government tried to wipe out all the rich people and cultural materials which led to a loss of human capital, putting it in a different way, all the educated people were wiped out.

The Chinese had their lesson learnt and now the new generations are climbing the ladder to become one of the world's largest economy. After the economic reform, it can be said that China had been successful in restoring their economy and developing it further, shifting the balance of power. Many of the projects that China is planning has a great potential, for example, pushing the country to become a cashless society, supporting the e-commerce industry, implementing the high-speed railway project etc.

However, China still faces many challenges when comparing with the U.S. so they have to increase the competitiveness of Chinese firms and also expand their international value chain in order to catch up. Their labour are also not as skilled American labour and there are still unbalanced regional development where people tend to migrate from the east to the west coast. Another concern is that even though China is becoming more open as a

country, the government still holds too much power over the firms, the population and the media.

In my opinion, China has definitely done an amazing job in reforming their economy. A few years back, when talking about China, what I imagine would be the Chinese tourists and all other stereotypes. But nowadays, I perceive China as one of the fastest growing economy which plays a huge role in my daily life, for example, when deciding which phone to buy, my option now would also include Huawei. I believe that China can certainly use its location advantage of being close to CLMV to enhance connectivity which will benefit both sides.

#4: Urbanisation in CLMV (26/07/19)

Urbanisation refers to the growth of urban areas in a country where the infrastructure tends to be more advanced. This lecture can be divided into two parts; the first part discusses about the historical and socio-economic context and drivers of urban growth and the second part discusses about challenges and opportunities in CLMV.

The Great Mekong Subregion (GMS), which compose of Thailand, Myanmar, Cambodia, Lao PDR, Vietnam and some provinces in China, is one of the least urbanised area in the world. The percentage of urban areas in each CLMV country is less 40% while Thailand has 51% urban areas and their income per capita is still categorised as low.

These four countries have been through similar eras and have similar socio-economic features. Firstly, colonial exploitation during 1800s-1950s which was a period of resource extraction and many people migrate to cities along the coast. Then during 1950s-1980s, there were a massive change in the region as there were many wars and conflict, causing a rapid decrease in urban population and sluggish development. After that, the situation has flipped from 1990s until now where population has risen at a fast pace and economy are reforming

leading to stability and more investments. The regional trend or the trend within GMS aims to enhance connectivity, cooperation and community.

There are five factors that contributes to urban growth; government policies and strategies, regional cooperation, infrastructure, foreign investment and rural-urban migration. Government policies and strategies should convey their visions for the future and what they want to achieve. Regional cooperation represents the need for collaboration which will boost trade flows and tourism. Infrastructure enhances economic growth and investment flows. Rural-urban migration means that the urban areas are attractive in terms of wages and living standards which pulls more rural population in, however, there could be negative effects from this as density increases, the living standard could decrease if the infrastructure could not support the population inflows.

Due to differences in geographic location and how the country is managed, CLMV faces different challenges. Cambodia relies too much on its main sectors which are garment and tourism, this makes Cambodia vulnerable to external shocks. Laos is rich of natural resources especially for electricity, however, there are not enough investment to support this and also their workers still requires a lot of training. Myanmar challenges are mainly internal, for example, conflicts between minority groups and undeveloped infrastructure. Vietnam has had huge inflows of investment after their economic reform widening the socio-economic gaps, this means that the rich becomes richer and the poor becomes poorer especially in the cities.

To overcome these challenges, the countries must realise that they are developing at a different pace so growth strategies must be carefully planned to ensure that it will be sustainable and able to synchronise. Physical infrastructure development is essential, but countries should not neglect social infrastructure and environmental management too.

Overall, this lecture has shown me that many countries are competing on becoming more urbanised which is a good thing but there are also many aspects that they need to be concerned about. The part that interests me most is the rural-urban migration part because I feel like it can happen due to both positive and negative reasons, for example, people might migrate to the urban areas more because of the pull factors from the city or the push factors from the rural area so in order to implement the right strategy, government should analyse the roots of the occurrence first.