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10 (24/06/19): CLMV TRADE AND FDIs

Among the CLMV countries, all of them import more than they export with the rest of the world except Vietnam, which has a balanced trade record. In addition, Vietnam has the highest trade volume among CLMV, at nearly 10 times more trade value than the rest. It is also the only country that has experienced steadily increasing and stable growth since 2010 to 2016. With respect to inward FDIs to CLMV countries, Vietnam has had the highest proportion.

A brand is a name or symbol used to identify goods and helps differentiate it from competitors. An important point is “think global, act local.” This means a brand must want to have a global scope but must be executed with the perspective of the local people in mind, in other words, using relativity. Different things appeal to different areas of the world, because the ideals, norms, or laws are not the same so, the brand must localize in context of the country to fit their certain market. One of the most important aspects of building a strong brand is activation, getting the consumer to share and interact with the brand. Having things like check-ins for discounts or encouraging the use of hashtags are examples of brand activation. Coca-Cola recently had an enormously successful brand campaign featuring putting people’s names of bottles. After the initial announcement of the campaign, Coca-Cola could actually step back because their consumers were their best advertisers, by sharing and buying Cokes because the novelty of having your name on a drink. Successful brand activation reinforces customer loyalty.

I learned today the extensiveness of Vietnam’s influence. It is trading much more than any other of the CLMV countries, which I figured because it definitely seemed more developed, but I did not expect expect to this degree. Before this class, I only knew that Vietnam was a successful exporter of manufactured clothing, because coming from America, I noticed that a significant amount of my clothing and shoes had “Made in Vietnam” on the tag, especially clothing from ‘fast fashion’ stores like Forever 21, H&M, and Zara. It was a surprise to me that 25% percent of their export goods include electronics like telephones sets and electronic integrated circuits. This is the first time I have ever actively analyzed graphs, so I felt like I learned a lot from my group. I knew the concept of trade deficit and trade surplus, but had only every evaluated those concepts with numbers not graphically. I appreciated how my group tried to find outside information to try to explain abrupt changes in the graphs. I feel like this class has already been much more applicable than all the economic classes I have previously taken. I like how much more ‘hands-on’ it is, whereas the courses I have taken have been much more theoretical.

I found the afternoon class on marketing significantly more engaging. Although I am familiar with basic marketing strategies, this is my first time learning about marketing. I really enjoyed the example Ajarn Suwalya used of Coca-Cola, because I remember when their campaign was in America. I actually never drank Coke until the campaign came out. I preferred lemon-lime sodas like Sprite, 7UP, and Mountain Dew, when I did drink soda, which was rare. During that campaign, I recall actively trying to find my name whenever I went into convenience stores. Funnily, now I love Coke and can’t believe I ever disliked it; I think that speaks to the success of the “Share a Coke” campaign. I also thought the part about ‘localization’ was interesting. I have noticed more now how the same companies we have in America advertise differently and distribute very different products in Thailand. For instance, all of Nivea’s products here in Thailand have whitening ingredients and advertisements with pale celebrities, because people here tend to idolize pale skin in contrast to in America.

<u>(25/06/19): LOGISTICS AND SUPPLY CHAIN DEVELOPMENT IN ASEAN</u>

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If you want to penetrate a market, there must be something that sets you apart from other competitors, in other words, you must be innovative. There are four types of innovation: product, service, process, and business model innovation. Currently, Thailand's objective to reach "Industry 4.0," which is a business model that uses automation and technology to become a powerhouse in the industry. It would use computers to analyze customer behavior and push advertisements based on cookies collected from your web browser. This is a significant reason for growth in e-commerce. As opposed to Industry 1.0, 2.0, and 3.0, which are cost-oriented, Industry 4.0 is completely customer oriented. In Industry 1.0, 2.0 and 3.0, the concept of "big fish eat small fish" would apply, because the key to being the top seller in a homogenous market simply required being able to produce at the least cost (producing at economies of scale). However, now, people care more about "fast fish," being convenient like Amazon or Alibaba, or "unique fish," products with novelty like boutique hotels. In addition, there is a rise in B2C, or business-to-customer, relationships instead of B2B relationship. Customers have more power and there has been a change in certain business models to adapt to the smaller supply chain. This is an example of the aforementioned service innovation, because people value speed and convenience, which is likely a result of changes in how busy people are. To have an advantage, firms may consider whether they want to implement a blue ocean, red ocean, or white ocean strategy. Blue ocean calls for innovation because the firm wants to tap into an uncontested market space where the competition becomes irrelevant. Red ocean calls for a competitive advantage because the firm must compete in an existing market space, therefore it must find a way segment its existing customers.

The naming convention of Industry 1.0/2.0/3.0/4.0 is new to me, but it was helpful putting a name to concepts I have previously learned but instead on a chronological/historical basis. I think I have been able to see the gradual transition from Industry 3.0 to Industry 4.0, especially considering how much I use my phone and computer. Considering how 4.0 utilizes computers for data analytics and marketing, I have undoubtedly became a "victim" of this type of marketing. When I search or shop online, I will get advertisements for that product for weeks. I used to not notice because I used an ad-blocker application on my web browser, but once I started using my phone, which doesn't have ad-blocking capabilities, to shop as well, I noticed how many unrelenting ads I would get. For instance, if I have been contemplating buying a pair of shoes, I would sometimes succumb to the advertisements, because certain stores' ads even tell you if they had price reduction from a sale. The worrying side of this is how I get advertisements when I haven't even searched them up. This situation applies specifically to the phone. I know my iPhone is always listening to me, because my Siri is always on. I will talk about needing to buy a new pair of earphones and the next thing I see when I'm scrolling through Twitter, is an advertisement for Beats. I know that Facebook, Google, and Microsoft all do it as well, but I don't know how comfortable I am with this, but I don't want to ever regret turning off my Siri in case there is ever an emergency that calls for me needing to use my phone hands-free. I guess this is the negative side of capitalism.

Shouldn't this lecture talk about logistic more? 8

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9.5

<u>(26/06/19): MOTIVES FOR FDIs IN LAOS</u>

______Nowadays, countries want more than just dividends from their investments. Having a stake in the management capabilities, preferably at least 10% voting power, is now the goal, because investors want not only returns but influence as well. Investors can widen their scope through vertical FDIs. Vertical FDI is investing in the steps before or even after the finished product. For instance, in the case of clothing, backward vertical FDI would be investing the fabric, shipping, and skilled labor, whereas forward vertical FDI would be investing in the marketing and distribution of the clothes. Looking at a country's advantages is key to deciding where and how to invest outward FDIs. Certain countries have certain advantages like favorable government regulations, tariffs, similar or beneficial cultural values, cheaper factor costs, transportation costs, access to a particular market, and/or local opportunities. The motives for outward FDIs are resource-seeking, market-seeking, efficiency-seeking, or strategic asset seeking. Resource seeking refers to a country that is rich in a natural resource like precious stones, agriculture, or fossil fuel. Market seeking can mean catering to a certain market or investing in a sector because another market prefers their products to come from a certain place. A good example of efficiency seeking is investing in low labor costs in Laos or the fact that cooperation in the region brings about efficient production in the supply chain. Lastly, many multinational enterprises (MNEs) see joint FDIs as an opportunity to gain access to invaluable knowledge about the region in terms of local networking and experience of doing business, which is why it's called strategic-asset seeking investments.

In the other half of the lecture, we gave short presentations on businesses we, as Thai investors (could be in the private or public sector), would potentially start up in Laos. Ours was hydropower, which is a huge resource in Laos due to the Mekong River that runs through it.

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Installing hydropower stations along the river could make Laos the “battery of Asia.” We analyzed the Laos’ country-specific advantages, Thailand’s CSAs and firm-specific advantage. We found that the Laos government could also see the irrefutable potential of hydropower and is making plans to ensure they can fulfill the role as the “battery of Asia.” Laos’ country-specific advantages includes not only the country’s mountains and precipitation, which provide an excellent source of waterflow (and thus renewable power), but also Laos’ connections to surrounding countries, which means plenty of places to export. Even though we were assigned this topic, we found it so interesting that we decided to make our final project on this as well. Our plan is to prove how renewable energy can be promising in ensuring economic stability.

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(27/06/19): INTERNATIONAL TRADE AND ENVIRONMENT & DEVELOPMENT ECON

______There is controversy over free trade's contribution to the degradation of the environment. Free trade proponents say that free trade agreements have a positive impact on the environment, because after liberalization, countries will have access to environmentally friendly technologies, produce at a competitive advantage (because they will use less resources and have greener technology), and have greater income due to more exports. The evidence shows that countries with more income care more about the environment. Environmentalists argue that liberalization is detrimental for the earth, because it allows expansion of more polluting industries and incentivizes those industries to relocate in countries with lax environmental regulations, which is called the "pollution havens" hypothesis. This is relevant in the "race to the bottom" dilemma, where trade liberalization may directly affect the environment because countries compete to lower their environmental standards in an attempt to make themselves look more attractive for FDIs. The resource curse or paradox of plenty refers to how countries with an abundance of natural resources tend to have less economic growth, less democracy, and worse development outcomes than countries with fewer resources. Often times, the cause of this curse is a lack of democracy (government is more likely to be authoritarian, less tied to citizens' demands since less dependent on taxes), conflict as groups fight for dominance, inefficient spending, and hurting other sectors by focusing too much on natural resources (Dutch disease). Approaches to solve externality problems include command and control, taxing, and informing the masses.

A common approach to developing an economy is emphasizing tariffs to develop one's own country. This protects domestic employment, infant industries, and even customers by taxing products considered harmful. Some developing countries are in the "middle-income trap," where they successfully moved from low- to middle-income but can't move from middle- to high. The reason is likely attributed to the fact that the people are stuck in labor-intensive jobs since they are unable to compete with low-income, low-wage economies in manufactured exports and with advanced countries with high-skilled workers and innovations. On the other hand, latecomers to the market in terms of innovation have a faster learning curve because they can adopt(copy) already existing technologies and simply improve them without out the need to go through the process of trial and error

I found the paradox of the plenty particular interesting, not only because it was so sad and disheartening but also because it shined a light on a common characteristic of lesser developed countries that I never noticed. In fact, embarrassingly enough, I have never heard of Brunei before and hadn't known that Myanmar was the new name of Burma. Both of those countries are still developing and being "exploited" (depending on perspective) for their natural resources. It shows how humankind can sometimes be its own worst enemy: a country that is wealthy in a natural resource is poor in livelihood. It is people's greed for power, influence, and money that keeps their fellow people oppressed and poverty-stricken. I think that looking at economics from an environmental perspective or, at least, considering the environmental impact is an important shift, because at the end of the day, nothing matters if we don't have a livable earth or healthy people. This is making think harder about my purchasing choices (since what you spend your money is a reflection of what you value) and how I should try even harder to reduce my carbon footprint, the importance of encouraging environmentalist conscientious projects, and even my college major.

Christine Ly

10 interesting opinion

(28/06/19): STRATEGIC INDUSTRIAL POLICY

Sometimes, the government has to intervene with policy to foster new industrial capacity and shift economic activity toward higher technology but will usually let the invisible hand do its work. This aspect is important because, often, a country has to switch from an agricultural economy to an industry economy to be prosperous. The fundamental goal should be to improve welfare, or social surplus, and to do that there must be an increase in goods and services - either through an increase in output or productivity. You must raise GDP/income per capita so people can increase their utility. Compared with the agricultural and service sectors, the industrial sector is the easiest to improve upon because you can add or improve technology easily. Agriculture relies on land and the weather, and there is a limit on how 'serviceable' one can be. Three important aspects include industrial diversification, deepening, and upgrading. Diversification means options. Deepening refers to creating local linkages which is vital for sustainable economic growth, backward linkages when it uses input of other industries and forward linkages when outputs serve as input to other industries. Upgrading is self-explanatory and necessary to staying competitive. There are many reasons strategic industrial policy might be necessary. First and foremost is market failure; there may be inefficient allocation of resources, a need for tariffs so infant industries have a fighting chance, and more. Another reason is system failure, where supply isn't meeting the demand. For instance, in the Silicon Valley, local government promotes engineering and computer science since there will almost always be a demand for innovation and productivity.

I think today's lecture reinforces many points. First, I got a clearer idea of what the middle-income trap is and why it happens. The initial change from low- to middle-income is always easy because of FDIs and technological absorption. The reasons for the glass ceiling is mainly because of competition: on the one hand, some countries are too developed and efficient or they are hard to compete with because their wages are too low, which makes their costs lower. In addition, today reinforced the motives behind FDIs. I think the previously lecture of FDIs was too specific to Laos, so I didn't get a clear enough idea of what was meant by market-seeking, resource-seeking, or efficiency-seeking, in relation to the bigger picture. Market seeking can also mean seeking a wealthier market, a more well-connected market, country-specific consumer preferences, or preferably market structure. Resource seeking doesn't only have to mean natural resources but can also refer to low-cost unskilled labour, technological resources, and useful physical infrastructure like ports, roads, and telecommunication. Lastly, efficiency-seeking means looking for convenient transport costs or using a certain country's membership in a regional integration agreement (like CLMV) conducive to the establishment of regional corporate networks. Singapore is a good example, it would be the best place for business facilitation because so many companies already set up their headquarters there. Overall, I liked how many examples this ajarn used like the aforementioned Singapore and Silicon Valley, but also examples of concepts like automation (you can't make a robot take bones out of fish or cut hair) and scarcity (Thailand lacks iron/steel which is why there's so much cement). He brought to light an interesting point: the more we have, the more industrial products we consume. People used to only need a computer, but now we need that plus a phone and a tablet (guilty of bringing all three to class). We might even be eating less, because the elite seem to care a lot about their figure.