CHAPTER 1

Comparing Investment Climates among Major Cities in CLMV Countries

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CHAPTER 1

COMPARING INVESTMENT CLIMATES AMONG MAJOR CITIES IN CLMV COUNTRIES

Masami Ishida

INTRODUCTION

Cambodia, Lao PDR, Myanmar and Vietnam (CLMV countries) have been focused in terms of infrastructure development and investment, recently. The information on the investment climates in these countries, however, is still limited. This volume of BRC research report intends to complement such shortcomings. As a starting part of the report, this chapter presents a comparative analysis of the investment climates among major cities in CLMV countries.

The cities were chosen in accordance with Ishida (2009). The chosen cities belong to at least one of following categories: (1) metropolitan areas with large populations, (2) ports and harbors, (3) junctions and (4) border areas. In Cambodia, Phnom Penh, Sihanouk Ville and Bavet were chosen. Phnom Penh is a metropolitan area and the capital city of Cambodia. It has an international airport and a Mekong River port. Six national roads emanate from Phnom Penh and National Roads No. 1, No. 5 and No. 6 are parts of the Central Sub-Corridor of Southern Economic Corridor, and National Road No. 4 connects with Sihanouk Ville. Sihanouk Ville is the largest sea port in Cambodia, and several liners connect with Singapore, Hong Kong, Kelang of Malaysia,

Laem Chabang of Thailand and Ho Chi Minh City[1]. Bavet is a border area with Vietnam and is on the way of the Central Sub-Corridor of Southern Economic Corridor. In the Manhattan Special Economic Zone (SEZ) located in Bavet, six companies have already started operation. Manhattan SEZ is just 66 km away from Ho Chi Minh City while its distance from Phnom Penh is just 218 km[2].

In Lao PDR, Vientiane and Savannakhet were chosen. Vientiane, the capital of Lao PDR, is a metropolitan area and borders with Nongkhai Province of Thailand. Savannakhet is a border area with Mukdahan Province of Thailand and a junction of National Road 13, the major road of Lao PDR, and National Road No. 9, a part of the East-West Economic Corridor. In Savannakhet, the Savan-Seno area was designated as a SEZ by Prime Minister Decree No.2 dated January 21, 2002 (Keola, 2008, p.135).

In Myanmar, Yangon, Mandalay and Myeik were chosen. Yangon is a metropolitan area and has the largest population. It is also a harbor city of Yangon River. Mandalay is also a metropolitan area and has the second largest population. It is also an important point on the major import route from China and serves as a junction of National Road No. 1 and a road connecting China and India. Myeik is just a small town with a small harbor and has a border trade post that enables free on board (FOB) exports to Hong Kong, Malaysia and Singapore (Than, 2006, p.40). The major industry of Myeik is fresh fish processing. Other industries have not been developed yet.

In Vietnam, Ho Chi Minh City and Danang were chosen. Ho Chi Minh City is one of the metropolitan areas. It has the largest population and has several container terminals such as Saigon Port and Saigon New Port. The functions of freight ports in Ho Chi Minh City, however, are planned to be moved to Thivai and Caimep Port in

[1] Based on an interview with staffs of Sihanouk Ville Autonomous Port dated on September 10, 2009.
[2] Calculated in accordance with Ishida and Kudo (2007).

Baria-Vuntau Province in several years[3]. Many major roads emanate from Ho Chi Minh City. It is also a junction of National Road No. 1 and Central Sub-corridor of Southern Economic Corridor. Danang is the third largest city in Vietnam with a deep sea port and it is the starting point of the East-West Economic Corridor.

The number of respondent companies as samples by each city and country is shown in Table 1. Most of the questions were asked using a five-point scale: (1) very poor, (2) poor, (3) fair, (4) good and (5) excellent. There were a total of 71 five-point scale questions. Multiplied by 10 cities, there were approximately 710 values calculated. However, 12 questions and six questions were not answered in Lao PDR and Myanmar, respectively, and three questions in Myiek of Myanmar. Thus, the number of average values effectively calculated is 665 (710 – 12 × 2 – 6 × 3 – 3). The average value of these 665 responses is 3.15 and the standard deviation is 0.53. The interval of 1 σ is 2.62 – 3.68, that of 2 σ is 2.09 – 4.21 and 3 σ is 1.56 – 4.74. These values can be good benchmarks and we focus on values higher than 3.68. However, in terms of a benchmark of the lower value, we focus on values lower than 3.0. For average value of less than 3.0, this suggests that some respondent companies are not satisfied with the

Table 1: Number of Samples for Each City in CLMV Countries

Country	City	Number of Samples
Cambodia	Phnom Penh (PP)	62
	Sihanouk Ville (SHV)	6
	Bavet (BV)	8
Lao PDR	Vientiane (VT)	30
	Savannakhet (SVK)	30

		Number of Samples
Myanmar	Yangon (YG)	30
	Mandalay (MDL)	20
	Myeik (MYK)	10
Vietnam	Ho Chi Minh City (HCM)	35
	Danang (DN)	30

Source: Data file of surveys.

[3] Based on an interview with Saigon Port staff on December 8, 2009.

specified investment climate item.

The purpose of this paper is to compare the evaluation on each investment climate item with the mentioned benchmarks and to explain why each evaluation is lower or higher. The questions are divided into two parts: investment climates in general, and labor force and infrastructure, although the questionnaire has been designed with three parts, set-up cost, operation cost and service link cost (Kuroiwa, 2009, pp.139 - 140).

In the discussion below, the first section presents the results of the evaluation on the investment climates in general. The second section shows the results of labor force and infrastructure. However, the answers were given by companies which did not invest in all the CLMV countries. Therefore, these were evaluations made with respect to their perception of only one CLMV country and did not consider the others. Thus, the evaluations made by the respondent companies are somehow inconclusive. To address this weakness in objectivity, additional evaluations with objective facts also including Thailand and Indonesia are given to supplement the data and the results are discussed in the third section. In the concluding remarks, the challenges and policy recommendations for each CLMV country are presented.

1. INVEST CLIMATES IN GENERAL

The number of questions under investment climate in general is numerous. The questions for this category are therefore divided into macro economy and domestic market, land use and land ownership, financial matters, trade-related matters and governance and other investment climates.

1.1. Macro Economy and Domestic Market

The macro economy is an important factor for companies that operate in each country. The scale of the domestic market can be measured by the population and the purchasing power.

Table 2 shows the evaluations on macro economies and domestic markets. Macro economy is evaluated lower than 3.0 except in the three cities in Cambodia and in Myeik of Myanmar. In the case of Lao PDR, the exchange rate of Kip was depreciated from 720 Kip per US$ in the first half of 1990s to 3,298 Kip per US$ in 1998, then it continued to depreciate to 10,000 Kip in 2002 (Suzuki, 2009, p.75). This tremendous depreciation was caused by the failure of the Lao government's macroeconomic policy of increasing money supply in the midst of the economic crisis by (Koyama, 2005, pp.118-120). In the case of Myanmar, the riot of monks in Yangon in September 2007 was triggered by the sudden government announcement on August 15, 2007 to raise fuel prices (Kudo, 2008, p. 3). In the case of Vietnam, its economy suffered a 23-percent inflation rate and a problem of increasing trade deficits during the first half of 2008; nevertheless, the economy had been growing steadily (Teramoto and

Table 2: Evaluation on Macro Economy and Domestic Market

	Cambodia				Laos			Myanmar				Vietnam		
	PP	SHV	BVT	Total	VT	SVK	Total	YG	MDL	MYK	Total	HCM	DN	Total
Macro economy	3.2	3.5	3.3	3.3	2.9	2.7	2.8	2.5	2.6	3.0	2.6	3.0	2.9	2.9
Domestic market size	2.0	3.0	1.9	2.0	3.0	3.2	3.1	3.1	3.2	3.0	3.1	3.1	3.2	3.2
Local purchasing power	2.0	2.8	1.7	2.0	3.0	3.3	3.2	2.8	3.6	3.0	3.1	3.2	2.9	3.1

Notes: 1) The cities are abbreviated as follows: PP (Phnom Penh), HV (Sihanouk Ville), SVK (Savannakhet), YG (Yangon), MDL (Mandalay), MYK (Myeik), HCM (Ho Chi Minh City) and DN (Danang).

2) Underlined values are less than 3.0. Thus in terms of the value of 3.0, there are ones underlined ($\geqq 3.0$) and ones not underlined (< 3.0).

Source: Author's calculations based on survey results.

Sakata, 2009). The instability of macro economies in recent years is reflected in the evaluations made by the respondent companies.

The domestic market size and local purchasing power of Cambodia are given low evaluations by the respondent companies. The population of Cambodia is 14.7 million as of 2008. Most of the respondent companies are garment and footwear exporters. The scale of the domestic market is too small for them compared to the markets of foreign developed economies. In contrast to Cambodia, however, Lao PDR's smaller population of 5.8 million as of 2008[4] is not grimly evaluated. The higher evaluation may be connected to the fact that in Lao PDR, the number of domestic-market-oriented respondent companies is more and these companies get along well with one another.

1.2. Land Use and Land Ownership

In CLMV countries, land ownership is allowed only in Cambodia, especially for private companies where the domestic capital component is 51 percent or more (CDC, 2007, p.20). In Lao PDR, the longest land use term for a foreigner is 30 years in case he leases from a Lao national, 50 years in case he leases from the government and 75 years in case he leases a land in a special economic zone. Term extension is possible subject to the approval of the National Land Management Authority, the government and the parliament for each case (Suzuki, 2009, p.83). In Myanmar, people can lease land for 10 to 30 years and extension is possible up to a limit of 50 years[5]. In Vietnam, the land use term shall not exceed 50 years, according to Article 36 of the investment law in Vietnam (Law No.59/2005/QH11)[6]. In case of investing in a land situated in an industrial estate

[4] Referred to Website of ASEAN Secretariat, on January 19, 2010.
[5] Referred to Website of JETRO, on January 17, 2010.
[6] Referred to Website of Ministry of Planning and Investment, Vietnam on January 17, 2010.

in Vietnam, the land use term is the years left for the industrial estate. For example, if a company invests in an area of an industrial estate established in 2000, the land use term as of 2010 is 40 years for the company.

Table 3 shows the evaluations on land use and land ownership. Among the land use terms in CLMV countries, the degree of satisfaction is highest in Lao PDR followed by Cambodia and then Myanmar and Vietnam. The evaluation on land regulation by the companies in Vietnam, however, is the lowest (3.2) and that in Myanmar is the highest (3.6). This suggests that the satisfaction on the land use term is not reflected in the evaluation of land regulation.

In terms of land price, the evaluations among cities are not so different and only vary between 3.0 and 3.3 except for the companies in Savannakhet which gave a slightly higher evaluation (3.6). The evaluation of rent-free or subsidized land is also higher in Savannakhet. According to Article 30 of Decree on the Management Regulations and Incentive Policies Regarding the Savan-Seno Special Economic Zone, investors who lease land inside the SEZ for a period of 30 years are exempted from paying rental charges for 12 years. In contrast, many respondent companies in

Table 3: Evaluation on Land Use and Land Ownership

	Cambodia				Laos			Myanmar				Vietnam		
	PP	SHV	BVT	Total	VT	SVK	Total	YG	MDL	MYK	Total	HCM	DN	Total
Land regulation	3.3	3.5	3.9	3.4	3.4	3.6	3.5	3.7	3.6	3.0	3.6	3.1	3.2	3.2
Land price / office rentals	3.1	3.3	3.3	3.2	3.2	3.6	3.4	3.2	3.1	3.0	3.1	3.0	3.1	3.0
Rent-free or subsidized land	2.8	2.8	2.7	2.8	3.1	3.6	3.4	n.a.	n.a.	n.a.	n.a.	3.0	3.0	3.0

Notes: 1) The cities are abbreviated as follows: PP (Phnom Penh), HV (Sihanouk Ville), SVK (Savannakhet), YG (Yangon), MDL (Mandalay), MYK (Myeik), HCM (Ho Chi Minh City) and DN (Danang).

2) The underlined values are less than 3.0 and shaded values are larger than 3.68 (1 σ).

Source: Author's calculations based on survey results.

Cambodia said the government does not offer such kind of rent-free or subsidized land incentive.

1.3. Financial Matters

The financial regulations in CLMV countries are evaluated fairly: 3.4 in Cambodia, 3.5 in Lao PDR and 3.3 each in Myanmar and Vietnam (Table 4). On the other hand, access to loan is evaluated lower than 3.0 in Phnom Penh and in Sihanouk Ville in Cambodia. Institutionally, the Law on Banking and Financial Institutions was enacted in 1999 and overseas capital transfer, issuance of letter of credit and foreign exchange service are available in Cambodia. It is said, however, that capital borrowing in Cambodia is generally difficult. Loans are not secured by an immovable asset collateral, the term of lending is shorter and the lending rates are also higher than in other countries (CDC, 2007, p.17). Access to low-cost financing is evaluated lower not only in Cambodia but also in Vietnam, suggesting that such kinds of financing are not offered in these countries. In Lao PDR, these schemes are not also present in the Decree on the Management Regulations and Incentive Policies Regarding the Savan-Seno Special Economic Zone.

Table 4: Evaluation on Investment Climate Related to Financial Matters

	Cambodia				Laos			Myanmar				Vietnam		
	PP	SHV	BVT	Total	VT	SVK	Total	YG	MDL	MYK	Total	HCM	DN	Total
Finance Regulation	3.3	3.5	3.8	3.4	3.7	3.3	3.5	3.2	3.7	3.0	3.3	3.3	3.3	3.3
Finance- access to Loan	2.8	2.8	3.1	2.9	3.0	3.2	3.1	3.2	3.5	2.8	3.2	3.1	3.2	3.2
Access to low-cost financing	2.8	2.8	3.1	2.8	3.1	3.0	3.0	n.a.	n.a.	n.a.	n.a.	2.9	2.9	2.9
Remittance restriction	3.6	3.8	3.5	3.6	3.3	3.4	3.4	n.a.	n.a.	n.a.	n.a.	3.1	3.1	3.1
Foreign exchange regulation	3.4	3.5	3.3	3.4	3.5	3.2	3.4	3.3	3.4	2.9	3.3	3.0	3.2	3.1

Notes: Same as in Table 3.
Source: Same as in Table 2.

In terms of remittance restriction and foreign exchange regulation, Cambodia, especially Sihanouk Ville, which is evaluated lower on access to loan, gets a higher evaluation. Conducting business in US dollars is widely practiced in Cambodia while doing business in other foreign currencies is legally prohibited by a sub-decree passed in 1992. The Law on Foreign Exchange of September 1997 stipulates that there shall be no restriction on foreign exchange operations through authorized banks but they shall report to the National Bank of Cambodia the amount of each transfer that equal or exceed US$ 10,000. Investors can freely remit foreign currencies abroad in accordance with Article 11 of the amended Law on Investment of 2003 (CDC, 2007, pp.17-18). In Lao PDR, foreign investors can remit profit, dividend, capital and other income to a third country through local commercial banks on the condition that related financial obligations are fulfilled (Suzuki, 2009, pp.75-76). In Vietnam, depositing to and withdrawing from a bank account including remitting abroad is allowed but required forms should be filled up in advance[7]. Therefore, the procedure in Vietnam is more stringent than in Cambodia and Lao PDR. The difference of evaluation among the three countries is reflected by the complexities of formalities. The complexities of foreign exchange regulation in Myanmar, however, are well known. Foreign exchanges needed to import shall be earned by exporting, and bringing in and out of foreign exchanges over US$ 2,000 shall be reported[8]. The reason why the evaluation of foreign exchange regulation in Mandalay is higher than that of Bavet and Savannakhet seems to be connected to the difficulties of procuring foreign exchange in Bavet and Savannakhet because of the scale of these cities and their distances to the capital cities.

[7] referred to Website of JETRO, on January 19, 2010.
[8] Culled from JETRO website of JETRO on January 19, 2010.

1.4. Trade-Related Matters

Table 5 shows the evaluation on investment climates related to trade matters. In terms of trade regulation and exemption from trade restrictions, the evaluations for Sihanouk Ville, Phnom Penh, Vientiane and Savannakeht are relatively higher. In Sihanouk Ville, the Automatic System for Customs Data (ASYCUDA) was introduced in 2008 and this kind of special treatment is assumed to have raised the evaluation. The evaluation on trade regulation in Ho Chi Minh City and the evaluation on trade restrictions in Danang is lower than 3.0. In addition, the evaluation of trade regulation in Myeik is 2.7, but it is remarkable that all the trade-related items of Myeik except for tariff and non-tariff barrier are lower than 3.0. As for tariff and non-tariff barrier, the evaluation for Ho Chi Minh City for both items is lower than 3.0 and the evaluation on non-tariff barrier in

Table 5: Evaluation on Investment Climate Related to Trade Matters

	Cambodia				Laos			Myanmar				Vietnam		
	PP	SHV	BVT	Total	VT	SVK	Total	YG	MDL	MYK	Total	HCM	DN	
Trade regulation	3.3	3.3	3.5	3.3	3.6	3.6	3.6	3.0	3.5	2.7	3.1	2.9	3.3	3.1
Exemption from trade restrictions	3.6	3.8	3.4	3.6	3.7	3.7	3.7	n.a.	n.a.	n.a.	n.a.	3.0	3.0	3.0
Tariff barrier	3.3	3.3	3.3	3.3	3.5	3.5	3.5	3.1	3.7	3.0	3.3	3.0	3.3	3.1
Non-tariff barrier	3.1	3.2	2.8	3.1	3.4	3.1	3.2	3.5	3.4	3.0	3.4	3.0	3.2	3.1
Export procedure	3.4	3.3	4.0	3.4	3.7	3.2	3.5	3.2	3.1	2.8	3.1	3.2	3.5	3.3
Export tax	3.5	3.2	4.5	3.5	3.8	3.5	3.6	3.0	3.1	2.0	2.9	3.1	3.1	3.1
Customs Cliarance	3.3	3.3	3.7	3.3	3.6	3.5	3.5	3.5	3.4	2.9	3.4	3.1	3.4	3.2
Smuggling Control	3.2	3.0	2.3	3.1	2.7	2.6	2.6	3.1	3.2	2.6	3.1	2.7	3.1	2.9
GSP	3.4	3.8	4.2	3.5	3.8	3.4	3.7	2.6	2.9	2.8	2.7	3.2	3.4	3.2
Uncertainty of GSP	3.0	3.5	3.8	3.1	3.4	3.1	3.3	2.7	3.3	2.8	2.9	3.0	3.0	3.0
Inf. Local Suppliers	2.8	3.0	2.0	2.8	3.3	2.9	3.1	3.3	3.9	2.7	3.4	3.1	3.2	3.2
Quality of L Suppliers	2.8	3.2	1.8	2.7	3.4	3.1	3.2	3.3	3.5	2.8	3.3	3.0	3.2	3.1
Access to Foreign Supplier	3.4	3.3	3.7	3.4	3.6	3.8	3.7	3.3	3.6	2.9	3.3	3.2	3.1	3.2
Foreign Procurement	3.5	3.7	4.2	3.5	3.6	3.6	3.6	3.0	3.4	2.8	3.1	3.0	3.5	3.3

Notes: Same as in Table 3.
Source: Same as in Table 2.

Bavet is lower than 3.0. Actually, most of the raw materials and intermediate goods of Bavet are imported through the Saigon port or from Ho Chi Minh City. These results suggest that there are some difficulties on tariff and non-tariff barriers for the companies in Ho Chi Minh City, while such kinds of barriers have been reduced when Vietnam became a member of the World Trade Organization (WTO) in 2007.

On export procedure and export tax, Bavet and Vientiane got a higher evaluation than the other cities. They are located near the border of Vietnam and of Thailand, respectively. To export to third countries from these two cities, transit transport is necessary. In Vientiane, trucks from Thailand can transport to Laem Chabang Port or Khlong Toey Port directly after containers are sealed at Thanalane in Lao PDR (Suzuki, 2009, pp. 86-87). At Bavet, the truck can go to Saigon port directly after going through customs clearance in Manhattan SEZ (Shiraishi, 2010). These cities get higher evaluations in customs clearance. On the other hand, the evaluation on smuggling control in Savannakhet and Ho Chi Minh City are lower than 3.0.

Cambodia, Lao PDR and Myanmar belong to the group of least developed countries (LDC). Firms in Cambodia can benefit from the Generalized System of Preference (GSP) of the United States, European Union (EU) and Japan. Lao PDR can benefit from the GSP of EU and Japan and Myanmar can benefit from Japan's. The higher values of GSP and uncertainty of GSP in Sihanouk Ville, Bavet and Vientiane are reflected by the completeness of GSP. In particular, the procedures for GSP can be done at the local administrative office in Bavet[9], while firms in Savannakhet have to go to Vientiane for the procedures[10]. In addition, the benefits of GSP can be suspended for a

[9] In Cambodia, a one-stop service for various procedures like GSP is available for each SEZ by issuing decree for each SEZ (based on an interview with Phnom Penh SEZ dated on February 10, 2010).
[10] Based on an interview with a staff of a garment factory in Savannakhet on August 5, 2006.

country with serious labor issues. The relatively lower evaluation for Phnom Penh on the uncertainty of GSP is reflected by the seriousness of labor issues there.

The information on local suppliers and quality of local suppliers in Phnom Penh and Bavet has a low evaluation. This result may be attributed to the fact that many companies in Cambodia are “enclave companies” in garment and footwear industries which import raw materials and intermediate goods and export the products after processing. These “enclave companies” do not have to search for local suppliers thus the number of local suppliers has not grown much. In Lao PDR and Myanmar, the evaluations are more moderate except for Savannakhet because the share of export-oriented companies is smaller as compared to Cambodia. In terms of access to foreign supplier and foreign procurement, the evaluations for Bavet, Vientiane and Savannakhet are relatively higher as these cities are border areas. Accessibility to companies in Vietnam and in Thailand is easier for the companies at border areas.

1.5. Governance

Investment climate items related to governance are enumerated in Table 6. Remarkably, the evaluations on corruption are lower than 3.0 in eight cities except in Myeik and Danang. This means that corruption is still one of the biggest problems in CLMV countries. On the other hand, legal system and tax administration are evaluated better than 3.0 in all the cities. “Governance,” regulation of license and permit, and customs clearance are evaluated relatively higher, especially in Bavet, while the evaluations in Myeik are lower. Quality of policy formation and implementation is evaluated lower in Yangon and Myeik. This shows that governance items other than corruption are not felt seriously by respondents except in Myanmar.

Table 6: Evaluation on Investment Climate Related to Governance

	Cambodia				Laos			Myanmar				Vietnam		
	PP	SHV	BVT	Total	VT	SVK	Total	YG	MDL	MYK	Total	HCM	DN	Total
Governance	3.2	3.5	4.0	3.3	3.4	3.7	3.6	3.6	3.6	3.0	3.5	3.5	3.4	3.4
Quality of policy	3.4	3.2	3.9	3.4	3.6	3.3	3.4	2.8	3.2	2.9	3.0	3.3	3.3	3.3
Quality of government service	3.0	3.2	3.3	3.1	3.3	3.2	3.2	3.3	3.5	2.6	3.3	3.1	3.2	3.2
Legal system	3.0	3.2	3.5	3.1	3.6	3.5	3.5	3.2	3.6	3.0	3.3	3.2	3.3	3.2
Corruption	2.6	2.8	2.9	2.7	2.9	2.9	2.9	2.9	2.7	3.0	2.9	2.9	3.0	2.9
Regulation of license & permit	3.5	3.3	3.9	3.6	3.4	3.6	3.5	3.5	3.7	2.9	3.4	3.3	3.6	3.4
Tax administration	3.3	3.3	3.5	3.3	3.1	3.2	3.2	3.3	3.3	3.0	3.3	3.3	3.3	3.3
Customs clearance	3.3	3.3	3.7	3.3	3.6	3.5	3.5	3.5	3.4	2.9	3.4	3.1	3.4	3.2

Notes: Same as in Table 3.
Source: Same as in Table 2.

However, the ranks as of 2010 of *Doing Business* on "paying tax" in Cambodia, Lao PDR and Vietnam are 58, 113 and 147, out of 183 economies, respectively. Cambodia's ranking is better but the time used for tax payment per year in Vietnam is 1,050 hours and the sum of related tax rates is 40.1 percent. For Cambodia and Lao PDR, the time durations for tax payment are 173 and 362 hours, respectively, and the sums of tax rates are 22.7 percent and 33.7 percent, respectively. On the other hand, the evaluation on tax administration in Vietnam is moderate and the same as that of Cambodia and is slightly higher than Lao PDR's as can be seen in Table 6.

1.6. Other Investment Climates

Five questions on collecting business information, collecting information regulation, obtaining licenses and permits, one-stop service and investment regulation were asked to represent set up costs when establishing an office or factory at the current location (Table 7). The questions on intellectual property right and tax rate were asked in

business operation. Tax incentives, subsidies, (exemption from) foreign ownership restriction and prioritized supply of utility services such as electricity and telecommunication were asked as investment incentives. Drawback of import duty and value added tax were asked in relation to procurement of foreign intermediate goods. Accommodation for foreigners was asked as part of infrastructure.

The evaluations by the respondent companies on collecting information about business information and regulation, and obtaining licenses and permits are generally higher than 3.0 (fair). In particular, the evaluation by the respondent companies in Bavet and Mandalay is higher. The evaluation on one-stop service is higher than 3.0 except in Sihanouk Ville and in three cities in Myanmar. The evaluation is highest in Bavet. Investment regulation is evaluated lower in Yangon and Myeik. As for the questions on business operation, intellectual property right is evaluated lower than 3.0 in

Table 7: Evaluation on Other Investment Climates

	Cambodia				Laos			Myanmar				Vietnam		
	PP	SHV	BVT	Total	VT	SVK	Total	YG	MDL	MYK	Total	HCM	DN	Total
Collecting business information	3.5	3.2	3.8	3.5	3.5	3.1	3.3	3.5	3.6	3.0	3.5	3.3	3.3	3.3
Collecting information on regulation	3.3	3.2	3.9	3.4	3.3	3.4	3.4	3.5	3.9	3.0	3.6	3.3	3.5	3.4
Obtaining licenses and permits	3.7	3.8	3.8	3.7	3.3	3.4	3.3	3.3	3.9	3.1	3.5	3.4	3.7	3.5
One stop service	3.3	3.0	3.9	3.3	3.1	3.5	3.2	2.3	2.8	2.5	2.5	3.4	3.3	3.4
Investment regulation	3.7	3.2	3.8	3.6	3.5	3.4	3.5	2.8	3.2	2.4	2.9	3.2	3.4	3.3
Intellectual property right	3.2	3.2	3.8	3.3	3.4	2.9	3.2	3.4	3.3	3.0	3.3	3.0	3.2	3.1
Tax rate	3.2	3.5	3.6	3.3	3.1	2.9	3.0	2.5	2.7	2.3	2.6	3.2	3.3	3.2
Tax incentives	3.7	3.5	4.0	3.7	3.5	3.8	3.6	1.7	1.6	1.8	1.7	3.3	3.3	3.3
Subsidies	2.7	3.0	2.6	2.7	2.6	3.3	3.0	n.a.	n.a.	n.a.	n.a.	2.9	2.8	2.9
Foreign ownership restriction	3.3	3.5	2.9	3.3	3.0	3.5	3.3	n.a.	n.a.	n.a.	n.a.	3.1	3.1	3.1
Prioritized supply of utility services	3.1	3.0	3.4	3.1	3.5	3.8	3.6	n.a.	n.a.	n.a.	n.a.	2.9	3.0	3.0
Drawback of import duty & VAT	3.2	3.2	3.2	3.2	2.8	3.6	3.2	2.3	3.0	2.3	2.5	2.9	3.3	3.1
Accommodation for foreigners	3.7	4.0	4.0	3.7	3.3	3.6	3.5	3.0	3.8	2.7	3.2	3.1	3.0	3.1

Notes: Same as in Table 3.
Source: Same as in Table 2.

Savannakhet and tax rate is evaluated also lower in Savannakhet and in three cities in Myanmar.

The evaluations on tax incentives like tax holidays are higher than 3.0 except in the three cities in Myanmar. The tax holiday system in Cambodia guarantees three years after the trigger period and is granted to an investment project than has been declared or evaluated as Qualified Investment Project (QIP). The trigger period is equal to three years or the years before a QIP earns profit in three years. In addition to the trigger period plus three years, a priority period with a maximum of six years can be added as another incentive. The priority period is determined by the financial management law in accordance with the content of the project (CDC, 2007, p.31-32). The tax holiday period in Lao PDR is divided into three categories according to the level of infrastructure development in the investment area: seven years for the first category (lower development area), five years for the second category (medium level development area) and two years for the third category (the most developed area). Three years and two years of tax reduction are given to the second category (7.5%) and the third category (10%), respectively, after the exemption period. After the reduction or exemption (the first category), the tax rates become 10 percent for the first category, 15 percent for second category and 20 percent for third category (Suzuki, 2009, pp. 41-42). In Myanmar, a tax holiday of three years is given to the companies established in accordance with the requirements determined by the foreign investment law[11]. The corporate income tax rates and the exemption and reduction periods are different in Vietnam as shown in Table 8. The standard tax rate is 28 percent and is applied after the years given for incentive tax rates. The exemption period begins after the investor

[11] Based on the website of JETRO.

begins to earn profits. Thus, the period when the incentive tax rate is imposed without exemption and the period when the investor qualifies for a tax rate reduction differ in accordance with the period before the investor begins to earn profits.

Foreign ownership restriction is evaluated higher than 3.0 except in Bavet. It is said, however, that the restriction for foreign companies to set up in Cambodia is not so strict, thus the reason for the lower evaluation is not clear.

On the other hand, subsidies as investment incentives are evaluated lower than 3.0 in Phnom Penh, Bavet, Vientiane, Ho Chi Minh City and in Danang. Prioritized utility services such as electricity and telecommunication are evaluated fairly between 3.0 and 4.0 except in Ho Chi Minh City. In particular, the evaluation in Lao PDR is 3.6 and higher than in other cities, which is somehow surprising[12]. As for supply of electricity, industrial estates in Vietnam are given a higher priority. This may explain why the evaluations of all six companies located in industrial estates in Ho Chi Minh

Table 8: Conditions of the Tax Rates, Exemption and Reduction in Vietnam

	Incentive Tax Rate	Exemption Period	Conditions for 50% Reduction
Investment in Promoted Sector	20% (10 years)	2 years	3 years (10%)
Investment in Promoted Area	20% (10 years)	2 years	6 years (10%)
Investment in Promoted Sector and Promoted Area[3)]	15% (12 years)	3 years	7 years (7.5%)
Investment in Specially Promoted Sector	10% (15 years)	4 years	7 years (5%)
Investment in Specially Promoted Area	10% (15 years)	4 years	9 years (5%)

Notes: 1) Standard tax rate (28%) is imposed after the years given for incentive tax rates,.
2) Exemption period begins after the investment project begins to earn profits.
3) According to Ms. Dinh Hien Minh, the author of Chapter 5, the 15-percent incentive tax rate has already been abolished.

Source: JETRO website.

12 Based on the author's experience, he had difficulty connecting to the phone numbers in Lao PDR and Myanmar when he rented a mobile phone while in Narita Airport in August 2008. Someone from Lao PDR told him people can get specific phone numbers to be connected easily by paying a premium price.

City is 3 while the evaluation of the four out of 19 companies located outside the industrial estates and SEZ is 2. The lower evaluation is therefore also a reflection of the perception of the companies located outside of industrial estates and SEZ.

Drawback of import tariff and value added tax (VAT) is evaluated less than 3.0 in Vientiane, Yangon, Myeik and Ho Chi Minh City.

2. LABOR FORCE AND INFRASTRUCTURE

2. 1. Labor Force

The educational level of workers, middle managers and engineers of respondent companies are introduced first followed by the evaluations on quality of workers, middle managers and engineers.

2.1.1. Educational Level of Labor Force

Table 9 shows the education level of workers, middle managers and engineers. Majority of workers in Cambodia either have no schooling (Phnom Penh) or reached middle high school (Sihanouk Ville). The education level of workers is a little bit higher in Bavet; those who have reached middle high school and high school vary between 25 percent and 29 percent. This composition is similar to that of Vientiane in Lao PDR. In Savannakhet, the share of workers increases as the level of education goes up: the number of workers who reached elementary school level is small but it continues to rise from middle high school through to high school. In Myanmar, nearly half of the workers have middle high school education while the share of workers with university level education is higher than 10 percent in Yangon and Mandalay. In Vietnam, the

Table 9: Educational Level of Workers, Middle Managers and Engineers

<Workers>
(Unit: %)

	Cambodia				Lao PDR			Myanmar				Vietnam		
	PP	SHV	BVT	Total	VT	SK	Total	YG	ML	MYK	Total	HCM	DN	Total
No Schooling	21.3	25.0	16.7	21.0	6.7	4.6	5.7	0.8	0.0	0.0	0.4	1.1	0.2	0.7
Elementary School	27.3	25.0	25.0	27.0	32.3	15.3	23.8	19.7	18.0	34.5	21.6	8.7	4.7	6.8
Middle High-school	27.8	25.0	29.2	27.8	20.3	27.6	24.0	45.1	46.3	51.0	46.5	34.2	32.4	33.4
High School	17.1	16.7	25.0	17.9	27.1	31.4	29.2	18.9	22.8	11.5	18.9	43.5	46.7	45.1
Vocational School	5.6	8.3	4.2	5.6	11.1	18.2	14.7	2.0	2.3	0.0	1.8	11.6	12.4	12.0
College/ university	0.9	0.0	0.0	0.8	2.4	2.9	2.7	13.6	10.8	3.0	10.9	0.7	3.9	2.2
Graduate School	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<Middle Managers>
(Unit: %)

	Cambodia				Lao PDR			Myanmar				Vietnam		
	PP	SHV	BVT	Total	VT	SK	Total	YG	ML	MYK	Total	HCM	DN	Total
No Schooling	1.7	0.0	0.0	1.6	0.0	0.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Elementary School	4.0	0.0	0.0	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Middle High-school	13.2	20.0	9.1	13.2	2.0	0.5	1.3	0.0	0.0	0.0	0.0	2.7	4.3	3.6
High School	27.6	60.0	54.5	30.0	5.9	17.0	11.4	0.0	8.3	33.0	8.3	20.2	7.0	13.0
Vocational School	18.4	0.0	18.2	17.9	53.5	34.7	44.1	6.7	0.0	0.0	3.4	19.2	28.0	24.0
College/ university	27.6	20.0	18.2	26.8	33.5	42.3	37.9	90.0	91.7	67.0	86.5	56.4	59.1	57.8
Graduate School	7.5	0.0	0.0	6.8	5.1	4.8	4.9	3.4	0.0	0.0	1.7	1.5	1.5	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<Engineers>
(Unit: %)

	Cambodia				Lao PDR			Myanmar				Vietnam		
	PP	SHV	BVT	Total	VT	SK	Total	YG	ML	MYK	Total	HCM	DN	Total
No Schooling	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Elementary School	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Middle High-school	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.3	0.0	0.0	0.0
High School	0.0	0.0	0.0	0.0	0.0	12.6	6.0	5.3	0.0	0.0	2.6	0.0	0.0	0.0
Vocational School	50.0	0.0	0.0	48.4	60.5	45.5	53.4	70.5	74.5	98.8	77.6	15.3	3.5	9.4
College/ university	40.0	0.0	100.0	41.9	38.6	34.3	36.5	24.2	25.5	0.0	19.5	81.5	90.6	86.0
Graduate School	10.0	0.0	0.0	9.7	1.0	7.6	4.1	0.0	0.0	0.0	0.0	3.2	5.9	4.5
Total	100.0	0.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Author's calculations based on survey data (Lao PDR, Myanmar and Vietnam) and Sisovanna (2009).

educational level is further higher; more than 40 percent of workers have high school education.

In terms of the educational level of middle managers and engineers, majority of

middle managers in Sihanouk Ville and Bavet reached high school level and those in Phnom Penh attained either high school level or college/university level. The educational level of engineers is relatively higher than that of middle managers while there is no employee categorized to be an engineer in the respondent companies in Sihanouk Ville. Majority of the engineers in Phnom Penh reached either vocational school or college/university and all the engineers in Bavet attained college/university level. In Savannakhet, most middle managers and engineers have either vocational school or college/university education. In Myanmar, majority of the middle managers reached college/university level while majority of the engineers attained vocational school level. In Vietnam, college/university level education is dominant among both middle managers and engineers.

2.1.2. Quality of Labor Force

The evaluations on the quality of workers are relatively higher in Mandalay and Bavet (Table 10). This can be attributed to the fact that the share of workers with high school and middle high school levels of education in Mandalay are larger than in Yangon and the share of workers with no schooling and elementary school education in Mandalay are slightly lower than in Yangon while that with college/university level is higher in Yangon. This kind of trend is also apparent in Bavet and Phnom Penh. On the other hand, the evaluation on the quality of workers is lower than 3.0 in Sihanouk Ville. This may be due to the fact that the share of workers with no schooling is largest in Sihanouk Ville. However, the evaluation on the quality of worker in Vietnam does not show higher value despite the fact the educational level of workers in Vietnam is the highest among the CLMV countries.

Table 10: Evaluation on Labor Related Matters

	Cambodia				Laos			Myanmar				Vietnam		
	PP	SHV	BVT	Total	VT	SVK	Total	YG	MDL	MYK	Total	HCM	DN	Total
Quality of worker	3.2	2.8	3.5	3.2	3.2	3.2	3.2	3.2	3.7	3.0	3.3	3.1	3.3	3.2
Quality of middle management	3.3	3.3	3.5	3.4	3.6	3.5	3.6	3.4	3.7	3.0	3.4	3.5	3.4	3.5
Quality of engineers	3.3	3.5	3.4	3.3	3.6	3.6	3.6	3.4	3.5	3.0	3.4	3.4	3.4	3.4
Labor cost	3.3	3.2	3.3	3.3	3.5	3.5	3.5	3.1	3.2	3.0	3.1	3.1	3.1	3.1
Recruitment of workers	3.2	3.7	3.5	3.3	3.1	3.0	3.1	3.3	4.0	3.0	3.5	2.9	3.1	3.0
Labor turnover	3.0	3.2	3.3	3.1	3.1	3.2	3.1	3.2	3.9	3.2	3.4	2.9	2.9	2.9
Labor relation (strike, etc.)	3.0	3.5	3.6	3.1	4.0	4.3	4.2	3.5	4.1	3.2	3.6	3.4	3.5	3.4

Notes: Same as in Table 3.
Source: Same as in Table 2.

The evaluations of the quality of middle managers and engineers show a similar trend in Mandalay and in Bavet. The evaluation of middle managers and engineers in Shianouk Ville is higher than the evaluation of workers. The value of the evaluation of engineers in Sihanouk Ville, however, is not a credible one because there are no companies that answered the item on the level of education of engineers. In Lao PDR and in Vietnam, the evaluations on the quality of middle managers and engineers are higher than the evaluation on the quality of workers.

As for the labor cost, the evaluation in Lao PDR is higher than in other countries. That of Vietnam is lower. The minimum wage in Lao PDR is Kip 384,000, equivalent to US$ 45 (Suzuki, 2009, p.29) and is lower than Cambodia's (US$ 56). The minimum wage in Vietnam differs in accordance with the investment area as shown in Table 11 and is mostly higher than that in Cambodia. On the other hand, the minimum wage in Myanmar is not announced. The level of minimum wage is reflected in the results of evaluation on the labor cost. The evaluation on the ease of recruitment of workers is relatively higher in Mandalay and Sihanouk Ville. On the other hand, the evaluation for

Table 11: Minimum Wages in Vietnam

Time of Implementation	Jan. 2006	Jan. 2008	Jan.2009	Jan.2010
First Area	US$ 54.4 (VND 870,000)	US$ 61.3 (VND 1,000,000)	US$ 68.6 (VND 1,200,000)	US$ 74.4 (VND 1,340,000)
Second Area	US$ 49.4 (VND 790,000)	US$ 55.2 (VND 900,000)	US$ 61.7 (VND 1,080,000)	US$ 66.1 (VND 1,190,000)
Third Area	US$ 44.4 (VND 710,000)	US$ 49.1 (VND 800,000)	US$ 54.3 (VND 950,000)	US$ 57.8 (VND 1,040,000)
Fourth Area			US$ 52.6 (VND 920,000)	US$ 55.6 (VND 1,000,000)

Note: 1) The first areas are Ho Chi Minh City and Hanoi, the second areas are suburban areas of Ho Chi Minh and Hanoi, the third areas are other cities and the fourth areas are remote areas.
2) Assumed are the following exchange rates for Vietnam Dong: 15,994 in 2006, 16,302 in 2008, 17,500 in 2009 and 18,000 in 2010.

Source: Newspapers and brochures of industrial estates.

Ho Chi Minh City is lower than 3.0. It is reported that the recruitment of workers has been difficult since 2006 after the boom of foreign direct investments into Vietnam under the concept of "China plus one." In relation to this, the evaluation of labor turnover in Ho Chi Minh City and Danang is also lower than 3.0. As for labor relation, the higher value in Lao PDR and Mandalay shows the stable relationship between employers and employees. On the other hand, in Phnom Penh, the value is relatively lower and it is said that several trade unions exist in a company in Cambodia.

2.2. Infrastructure

Respondent companies were asked to evaluate electricity, water, gas/fuel, transportation, telecommunication and industrial estate as well as the cost, efficiency and reliability of land transport, sea transport, air transport and communication. The survey results on infrastructure are shown in Table 12.

2.2.1. Utilities and Industrial Estates

Table 12 shows the evaluation of respondent companies on infrastructure. Supply of electricity is a big problem in Cambodia, Myanmar and Vietnam, while it is not a serious issue in Lao PDR being a net electricity exporter. In particular, the evaluation is extremely low in Myanmar. The most serious electricity problem in Myanmar is the rampant blackouts. However, the price of electricity for manufacturing industries in Myanmar is 5 cents per kwh, which is lower than the price of electricity in other ASEAN countries. Based on interviews with staff of several companies in Yangon, factories operate on power generators at least for four or five hours in a day[13].

Table 12: Evaluation on Infrastructure

	Cambodia				Laos			Myanmar				Vietnam		
	PP	SHV	BVT	Total	VT	SVK	Total	YG	MDL	MYK	Total	HCM	DN	Total
Electricity	3.0	2.8	3.8	3.0	3.4	3.8	3.6	2.2	2.2	2.0	2.2	2.9	3.1	3.0
Water	3.4	3.0	3.4	3.3	3.4	3.5	3.4	3.7	3.8	2.0	3.5	3.0	3.4	3.2
Gas/fuel	3.3	3.5	3.4	3.3	3.3	3.7	3.5	3.5	3.1	2.2	3.2	3.2	3.2	3.2
Transportation	3.3	3.3	3.9	3.4	3.2	3.4	3.3	3.2	3.8	2.3	3.3	2.5	3.1	2.8
Telecommunication	3.5	2.8	3.4	3.4	3.6	3.8	3.7	2.8	3.7	3.0	3.1	3.4	3.5	3.4
Industrial estate	3.5	3.7	4.1	3.5	3.2	3.5	3.4	2.7	3.1	2.3	2.8	3.1	3.3	3.2
Cost of land transport	2.9	2.6	3.5	2.9	n.a.	n.a.	n.a.	2.8	2.9	2.2	2.8	2.8	3.0	2.9
Efficiency of land transport	3.3	2.8	3.8	3.3	n.a.	n.a.	n.a.	3.0	3.3	2.2	3.0	2.8	3.1	3.0
Reliability of land transport	3.5	2.8	3.8	3.5	n.a.	n.a.	n.a.	3.2	3.1	2.2	3.0	2.9	3.2	3.1
Cost of sea transport	3.2	3.0	3.5	3.2	n.a.	n.a.	n.a.	3.3	3.8	2.8	3.3	3.1	3.2	3.1
Efficiency of sea transport	3.5	3.5	3.3	3.4	n.a.	n.a.	n.a.	3.3	3.7	2.6	3.3	3.3	3.3	3.3
Reliability of sea transport	3.6	3.5	3.7	3.6	n.a.	n.a.	n.a.	3.7	3.8	2.7	3.5	3.4	3.4	3.4
Cost of air transport	2.6	2.3	2.8	2.6	n.a.	n.a.	n.a.	1.9	n.a.	2.3	2.0	3.1	3.0	3.1
Efficiency of air transport	3.3	2.3	2.7	3.2	n.a.	n.a.	n.a.	3.0	n.a.	2.3	2.9	3.3	3.1	3.2
Reliability of Air Transport	3.6	2.3	2.5	3.4	n.a.	n.a.	n.a.	3.9	n.a.	2.3	3.6	3.4	3.6	3.5
Cost of communication	2.9	3.0	3.2	2.9	n.a.	n.a.	n.a.	2.5	3.4	2.9	2.9	3.2	3.4	3.3
Efficiency of communication	3.1	3.0	3.3	3.2	n.a.	n.a.	n.a.	3.0	3.3	2.9	3.1	3.2	3.4	3.3
Reliability of Communication	3.3	3.0	3.0	3.3	n.a.	n.a.	n.a.	3.1	3.6	3.0	3.3	3.3	3.4	3.3

Notes: Same as in Table 3.
Source: Same as in Table 2.

[13] Based on interviews on October 21-22, 2009.

The evaluations on electricity in Phnom Penh and Sihanouk Ville are lower than 3.0. In Cambodia, the price of electricity is very high—19.3 cents and 18 cents per kwh in Phnom Penh SEZ (PPSEZ) and Sihanouk Ville Port SEZ, respectively[14]. The reason for the higher evaluation in Bavet is its lower electricity price. Cross-border electricity in Vietnam is easily supplied in the border area although the price is not really low at 12.65 cents per kwh. After this survey was completed, rampant blackouts have been reported although the frequency has decreased[15] after the transmission line was extended to Phnom Penh from Takeo Province, in accordance with a signed contract between Vietnam Electricity Group and Electricite du Cambodge on May 26, 2009[16].

In Ho Chi Minh City, the evaluation on electricity is lower than 3.0. However, the evaluations are divided between the companies inside the industrial estates and special economic zones and those outside of these. The average evaluation of the former is 3.4

Table 13: Price of Electricity in Vietnam

		Low Point	Normal Point	Peak Point
Bien Hoa	Time	22:00 - 6:00	6:00-9:30 11:30-17:00 20:30-22:00	9:30-11:30 17:00-20:30
	Price	¢ 3.0 (VND 530)	¢ 5.3 (VND 920)	¢ 10.5 (VND 1,830)
Danang	Time	22:00 - 4:00	4:00-9:30 11:30-17:00 20:00-22:00	9:30-11:30 17:00-20:00
	Price	¢ 2.6 (VND 455)	¢ 4.7 (VND 835)	¢ 9.7 (VND 1,690)

Sources: Interview with a staff of an industrial estate at Bien Hoa and brochure of Saigon Danang Investment Corporation.

[14] Based on an interview with a staff of Phnom Penh SEZ on September 11 and a staff of Port Authority of Sihanouk Ville on September 10. At Phnom Penh SEZ, stable electricity supply is guaranteed by an electricity-generating company, Golden Energy PPSEZ Ltd., which generates electricity of 15 MW/h.
[15] Based on an interview with a manager of a garment factory in Phnom Penh.
[16] An article dated May 27, 2009 on the website of NASDAQ News Letter (referred on January 21, 2010).

and there are no answers of “poor (2)” and “very poor (1),” while that of the latter is 2.7. The price of electricity in Vietnam changes in a day (Table 13). In Lao PDR, the price of electricity for industrial use is 516 Kip (6.1 cents) or 607 Kip (7.1 cents) as of 2009.

Compared with electricity, complaints on gas/fuel do not seem to be serious except in Myeik. As for industrial estates, the evaluations in Yangon and Myeik are lower than 3.0.

2.2.2. Transport and Communication

The evaluations on transportation in general are lower than 3.0 in Myeik and Ho Chi Minh City. The reason for the lower value in Myeik is underdevelopment of infrastructure. For the evaluations on the more detailed items, extremely lower values are obtained. The evaluations on cost, efficiency and reliability of land transport are 2.2 on the average and those for air transport are 2.3 on the average. On the other hand, the reason for the lower value in Ho Chi Minh City is bad condition of land transport. For cost, efficiency and reliability of land transport in Ho Chi Minh City, the evaluations are 2.8, 2.8 and 2.9, respectively. The lower values can be attributed to traffic jam in the city which is heavily populated and where there is heavy concentration of the major ports and business activities. In short, the development of road infrastructure cannot respond to the increased demand of the regional economies. In the future, most of the function of ports and harbors will be moved to Thivai and Caimep area in Baria-Vuntau Province. This will ease the flow of people and vehicles, but the traffic jams in National Road of No. 51 to Baria Vuntau are estimated to increase.

The evaluations on transportation in general are 3.2 in Yangon and 3.8 in Mandalay, respectively. Seeing the evaluations of Mandalay in detail, the evaluations on

the cost, efficiency and reliability of sea transport are 3.8, 3.7 and 3.8, respectively, although Mandalay is 833 km away from Yangon. In Cambodia, the values obtained for land transport and air transport are lower than 3.0 in terms of cost, efficiency and reliability in Sihanouk Ville. In Phnom Penh International Airport, landing fee is US$ 25, which is higher than the fee charged in international airports in other countries.

For communication, evaluation on telecommunication is 2.8 in Sihanouk Ville and cost of communication in Phnom Penh is lower than 2.9. In Cambodia, several mobile phone companies compete in the market, but the communication fees between different companies is said to be higher; as a result, many people own two or three mobile phones.

In Myanmar, the evaluation of telecommunication in Yangon is 2.8 and the evaluations on the cost, efficiency and reliability of communication are lower than 2.0 in Yangon and in Myeik. In Myanmar, the cost of telecommunication is very expensive and the connectivity of internet is not good. The initial cost of installation for mobile phone and fixed phone is US$ 1,500. An international phone call to Japan, for example, takes US$ 8.1 for only three minutes[17].

3. OBJECTIVE DATA COMPARED WITH THAILAND AND INDONESIA

The foregoing discussion shows the results of the survey done in 2008. The survey reflects the perceptions of foreign companies and domestic companies on the investment climates in CLMV countries. However, the respondent companies that participated in the survey did not invest in all the CLMV countries. In other words, in

[17] Based on the website of JETRO.

most cases, the answers came from companies that do not know well the situation in other CLMV countries. Thus the evaluations among cities cannot be considered conclusive. In addition, the conditions in other CLMV countries are still not very clear as compared with other ASEAN countries where data are more available.

To complement this shortcoming, we supplement the discussion with some data on the investment climate in Indonesia and Thailand. Table 14 shows the collected facts on investment climate of three industrial estates in Cambodia, Lao PDR, Myanmar, three cities in Vietnam, two cities in Indonesia and one city in Thailand. Poipet is a border area of Cambodia with Thailand and is on the Central Sub-corridor of Southern Economic Corridor. Several casinos have been established in Poipet. Recently Poipet O'Neang SEZ has started operation[18]. Bekasi is located 35 km east of Jakarta[19] and on the highway which connects Jakarta and Bandong. Karawang is located 50 km east[20] and on the same high way. Karawang is the prefecture next to Bekasi for Jakarta. Chonburi of Thailand is a province which is situated 57 km east of Bangkok[21], and Laem Chabang Port is located in the province.

Wage level can be considered a big advantage for CLMV countries. Looking at the minimum wages across the countries in Table 14, an increasing trend is apparent in the following order: Lao PDR, Cambodia, Vietnam, Indonesia and Thailand. The minimum wage level of Thailand is about three times as that of Lao PDR. In Myanmar, the average wage of workers is US$ 16.3 according to JETRO (2009, p.68), but the wage rate has becomes higher because the exchange rate of Kyat has become stable at

[18] One or two factories had been under construction as of September 10, 2009.
[19] Based on a brochure of Jababeka Industrial Estate.
[20] Based on a brochure of Karawang International Industrial City (KIIC).
[21] Based on the website of AMATA.

Table 14 Basic Information on Investment Climate in CLMV Countries

	Cambodia[1]			Laos	Myanmar	Vietnam		
	Poipet	Phnom Penh	Bavet	Vientiane	Yangon	Hanoi[2]	HCMC	Danang
Land Ownership (US$ per m^2 per Month)	US$ 30	US$ 50	US$ 25 - 33	-	-	-	-	-
Land Use (US$ per m^2)	US$ 30	US$ 50		US$ 0.5 - 1.0[3]	US$0.15 - 0.26	US$ 50-55	US$ 70[4]	US$ 16
Water Supply Charges (Cent per m^3)	¢ 35	¢ 33	¢ 15	US$ 4.8 or ¢ 60[5]	¢ 88	¢ 29.2	¢ 42[4]	¢ 16.3
Electricity Charges (Cent per KWh)	¢ 12	¢ 19.3	¢ 12.65	¢ 6.1	¢ 5.0[6]	¢ 2.8-10.3	¢ 3.0-10.5	¢ 2.6-9.7
Minimum wage (US$ per Month)	US$ 56	US$ 56	US$ 56	US$ 45	-	US$ 74.4	US$ 66.1	US$ 74.4
Distance to ports and harbors (km)	n.a.	20km or 210km[7]	70km	720km	24km or 50km[8]	114km	30km	19km
Average wage for workers	n.a.	US$ 80	US$ 80	US$ 30-40	US$ 16.3	US$ 95.8	US$ 95.8	US$ 95.8
Population (Thousand Persons)	14,356			5,763	58,510	86,160		
GDP per Capita (US$)	US$ 756.1			US$ 917.8	US$ 464.6	US$ 1052.7		
Corporate Tax Ratio [9]	9%, **20%**			7.5 - **20%**	40%	10%, 15%, 20%, **25%**		
Tax Holiday Periords (Years)	3-9 years			2 Years	2-7 Years	2 - 4 Years		

	Indonesia[10]		Thailand
	Bekasi	Karawang	Chonburi[11]
Land Ownership (US$ per m^2 per Month)			US$ 80.57
Land Use (US$ per m^2)		US$ 50	US$ 6.02 /month
Water Supply Charges (Cent per m^3)	¢ 35-82.5[12]	¢ 95[13]	¢ 27-45
Electricity Charges (Cent per KWh)		¢ 8.14[14]	¢ 10.0
Minimum wage (US$ per Month)	118.6[16]	118.59[15]	136.4[16]
Distance to ports and harbors (km)	55km	60km	46km
Average wage for workers	131.3[17]		
Population (Thousand Persons)	228,523		66,482
GDP per Capita (US$)	US$ 2,236.9		US$ 4,117.3
Corporate Tax Ratio [9]	28%		30%
Tax Holiday Periors (Years)	not been implemented		0 - 8 years

(Notes) 1) In Cambodia, data on Poipet, Phnom Penh and Bavet are based on Poipet O'neang SEZ, Phnom Penh SEZ and Manhattan SEZ, respectively.

2) Data on Hanoi are mainly based on JETRO (2009).

3) The land use price is the average price of land around Vientiane, and the land concession price is US$ 30-50 in the same area.

4) The land price is based on the prices of industrial estates around Longbinh Techno Park. According to JETRO (2009), that of Amata Vietnam is US$ 85. Water supply charge is the case of Longbinh Techno Park.

5) US$ 4.8 is the case (consumption $\geqq$10 m^3) and ¢ 60 is the case (consumption <10 m^3). Both cases are for non-residents.

6) The electricity price of Myanmar is lower, but it is often heard from investors that blackouts are frequent and electric generators are often needed.

7) 20 km is the case from Phnom Penh SEZ to Phnom Penh River Port and 210 km is the case to Sihanoukville Port.

8) 24 km is the case from Mingaladon Industrial Park to Yangon Port and 50 km is the case to Thilawa Port.

9) Corporate tax ratio does not include the cases during tax holiday period and the bold and underlined ratio means the tax ratio without tax incentives.

10) The cases of Bekasi and Karawang are based on the information of JABABEKA Industrial Estate and Karawang International Industrial City (KIIC), respectively.

11) The case of Chonburi is based on JETRO (2009) and website of Amata Nakhon.

12) US$ 50 -150 has to be paid every month as basic charge.

13) The cost includes the treatment of waste water and US$ 200 has to be paid every month as basic charge.

14) The industrial estate has contracted the National Electricity Company (PLN) to be supplied with priority in case of a blackout and US$ 4.3667/KVA has to be paid as basic charge. The electricity charges and the basic charge change every month in accordance with the fluctuation of the exchange rate and the natural gas price while the price will never exceed that of IPP.

15) The exchange rate is assumed to be Rp. 10,000/US$ and the wage is specific for automotive, machine, electric and electronics, chemical and other industries.

16) The minimum wage of Chonburi (Baht 180/day in Website of BOI) is multiplied and then is changed to US$ (Baht 34.3 / $US).

17) This average wage is based on JETRO survey in October 2008 in Indonesia; the wage for managers is 705.5 and that for engineers is 257.4.

(Source) JETRO, ASEAN Secretariat, ASEAN-Japan Center, brochures of industrial estates and other information sources.

higher values. Thus the wage level in Myanmar is considered to be the same as that of Lao PDR or even cheaper. The price of land or land use also shows an increasing trend in the following order: Myanmar, Lao PDR, Cambodia, Danang of Vietnam, Indonesia, Vietnam and Thailand. As for corporate tax rate, Cambodia and Lao PDR are competitive while the tax rate of Myanmar is the highest. The benefits of GSP are enjoyed by Cambodia, Lao PDR and Myanmar as noted earlier. However, the disadvantages of economic sanctions by the United States pose more negative effects on Myanmar even though the benefits of GSP are given by Japan.

In terms of electricity, the price of electricity in Lao PDR is cheaper and the problem of blackout is not so serious when compared to Myanmar, Indonesia and Vietnam. In the case of Vietnam and Indonesia[22], the problem is not so serious for the companies located in industrial estates. Two independent power producers (IPP), Bekasi Power, Co., Ltd. and Cikarang Listrindo, Co., Ltd, supply power to JABABEKA Industrial Estate. Karawang International Industrial City (KIIC) has also contracted the National Electricity Company (PLN) to supply power with priority in the event of blackouts in larger areas. Actually, Indonesia has been experiencing an electricity crisis in recent years. In Vietnam, electricity-related problems are not serious for companies in industrial estates as discussed previously. Longbinh Techno Park located at Bien Hoa in Vietnam sells the electricity bought from Vietnam Electricity (EVN) to companies in the estates at 8.2 cents per kwh after stabilizing the electricity voltages[23].

The distances to the ports and harbors are disadvantageous for Lao PDR and Cambodia. The distance from Hani to Hai Phong Port is 114 km which is significant.

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[22] Indonesia is said to be experiencing a 'crisis of electricity,' as written in *Kompas* on December 24, 2009.

[23] Longbinh Techno Park also supplies water bought from Dong Nai Water Supply Company after stabilizing water pressure.

The surrounding industrial areas of Hanoi, however, are larger; the additional distance is 20 to 30 km in the case of Bac Ninh, the North-Eastern neighboring province of Hanoi; the distance to the port is only 18 km in the case of Nomura Hai-Phong Industrial Zone. For other industrial cities, it is not easy to evaluate the accessibility to the ports. The time spent for transport to the port and harbor depends on road and traffic, the availability of expressway and the time period. For example, the distance between Bien Hoa and Saigon Port is just 18 km, but travel time can take three or four hours if the truck leaves Bien Hoa after 4 pm. For many people commuting from Ho Chi Minh City to Bien Hoa, most of them go home in the evening to prevent the heavy traffic; in addition, there are two rivers, Dong Nai River and Saigon River, between the two cities, and the number of bridges of each river is only three or four.

In terms of population and GDP per capita, the scale of domestic market of Cambodia and Lao PDR is small. A boom in foreign investments can result in increased wages for workers. Considering the lower level of education of workers in these countries as previously discussed and as shown in Table 9, a gradual increase in foreign investment would be favorable to upgrade the level of education of the people and improve living standards.

As for tax holidays, there is not such a system in Indonesia although the need for it has already been discussed for more than 10 years. In contrast, Thailand has an existing tax incentive system which is more beneficial and transparent. For instance, a firm investing in Zone C (the most remote area) is exempted from paying corporate income tax for eight years and can get a 50-percent reduction for five years. In general, the tax holiday system in Thailand is more beneficial to investors than that of the CLMV countries.

CONCLUDING REMARKS

This paper has reviewed the survey results on the investment climates in major cities in CLMV countries and provided explanations for the resulting evaluations. Sometimes, the explanatory facts are suitable for the survey results, but in other cases, they are not reflected in the results. This is partly because the respondent companies that answered the questions do not invest in all the CLMV countries and partly because the explanatory facts collected have not been enough. The efforts of searching for other relevant facts should therefore be continued.

In Cambodia, the evaluations for Bavet are remarkably higher. Utilizing the benefits of better infrastructure like electricity and ports of Vietnam and of lower wages and GSP in Cambodia makes this border area more attractive. This business model can be applied to Poipet, another border area with Thailand. However, it is important to note that one of the factors that contribute to the competitive investment climates in Bavet is the good trade facilitation system. In Phnom Penh and Sihanouk Ville, challenges like access to loan, corruption, educational level of labor force, electricity price, air and land transport and telecommunication stand out significantly and warrant urgent attention. Eradicating these challenges and making positive improvements are required.

In Lao PDR, challenges like policy of macro economy, corruption, smuggling control, education and road infrastructure require serious attention. Nevertheless, the exemption of land lease fee in Savannakhet SEZ, the stable labor relation and electricity are highly evaluated. Capitalizing on these strong points, among others, and addressing the weak points should be seriously considered.

In Myanmar, the evaluations of Myeik in many items are lower. However, in Yangon and Mandalay, many challenges are apparent. Considering the scale of economies, the improvement in Yangon and Mandalay should be prioritized. Challenges pertaining to macro economy, electricity, quality of policy, corruption, one-stop service, tax rate, tax incentives, electricity and telecommunication should be improved. Increasing the dialogue between the business community and the government should also be realized.

In Vietnam, the problems in Ho Chi Minh City appear to be more serious than those in Danang. Trade facilitation by decreasing tariff and non-tariff barriers should be worked on. Improving land transport especially in the city and on the way to Thivai Caimep port is necessary. In addition, increasing the supply of electricity not only to industrial estates but also to companies located outside of these is also needed.

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