

Chapter 4

Investment Climate Study of ASEAN Member Countries

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March 2010

This chapter should be cited as

Urata, S. and M. Ando (2010), 'Investment Climate Study of ASEAN Member Countries', in Urata, S. and M. Okabe (eds.), *Tracing the Progress toward the ASEAN Economic Community*, ERIA Research Project Report 2009-3, Jakarta: ERIA. pp.162-232.

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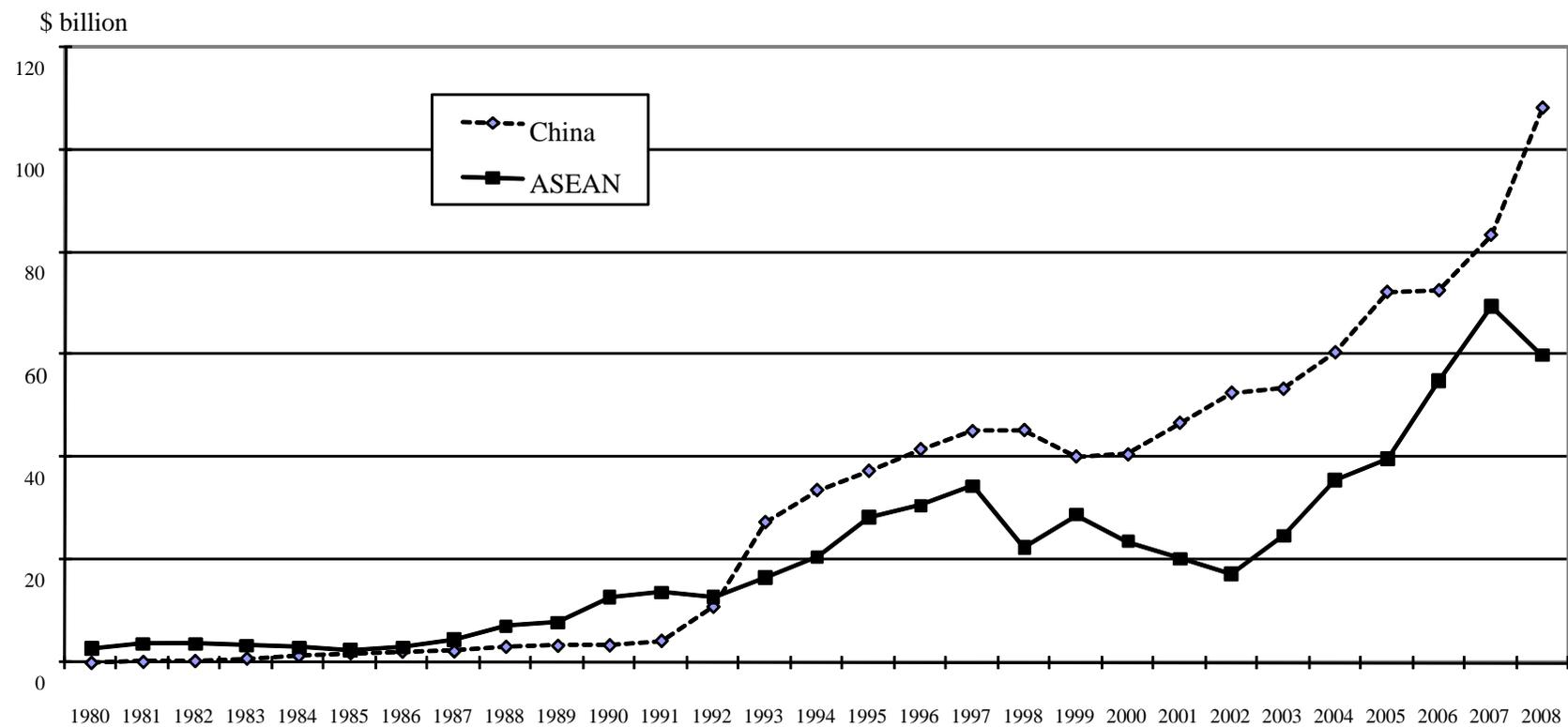
This paper analyzes the FDI environment of the ASEAN countries with a view that the identification of impediments to FDI would provide useful information to policy makers interested in attracting FDI. The coverage of impediments to FDI in this study includes not only the FDI policies but also the implementation and enforcement of these policies. As for the openness of FDI policies, we find wide variations among the ASEAN countries. Most serious impediments are found to be the lack of transparency and complicated/delayed processing in screening and appraisal procedures regarding FDI application. Our findings indicate the need for further liberalization of FDI policies and promotion of facilitation measures in order to successfully attract FDI. In order to achieve these goals, we make several suggestions. First, to promote FDI policy liberalization, the ASEAN countries should use various existing frameworks, such as WTO/GATT's TRIMs agreement, BITs, and FTAs. In particular, ASEAN should use the ASEAN Comprehensive Investment Agreement. Second, to overcome obstacles concerning FDI facilitation, the ASEAN countries should actively use various cooperation programs with developed countries to improve human resources engaged in the implementation and enforcement of FDI policies. Possible multilateral and regional sources of technical assistance in this area are the UNCTAD, OECD, and ERIA. Third, monitoring of the implementation of FDI liberalization and facilitation measures has to be emphasized to achieve a freer FDI environment. In this regard, a monitoring mechanism should be established in ASEAN or in ERIA.

1. Introduction

Many countries are eager to attract foreign direct investment (FDI), as FDI can contribute to economic development and growth in the FDI recipient countries. FDI has been proven to contribute to economic growth through various channels. FDI can bring not only financial resources for fixed investment but also technologies and managerial know-how, which play crucial roles in promoting economic growth for the recipient countries. Moreover, FDI enables the recipient countries to be engaged in various networks, such as the production, sales, procurement, and information networks of foreign multinational corporations (MNCs), major suppliers of FDI, resulting in an improvement of efficiency in production and marketing. Indeed, in East Asia FDI has helped enable East Asian countries to achieve high economic growth through these factors.

The members of the Association of Southeast Asian Nations (ASEAN) have been quite successful in attracting FDI in recent years (Figure 1.1). After reaching a trough in 2002, FDI inflows to ASEAN continued rising noticeably until 2007. In five years from 2002 to 2007 FDI inflows to ASEAN more than quadrupled from \$17 billion to \$69 billion (Table 1.1). In 2008 ASEAN as a whole experienced a substantial decline in FDI inflow by approximately \$10 billion or 13.8 percent from 2007. There are wide variations in the changes in FDI inflows in 2008 among the ASEAN members, all of which recorded a more or less steady increase prior to 2008. Indonesia achieved a notable increase while Singapore, the Philippines and many other countries saw a decline.

Figure 1.1 FDI Inflows to ASEAN and China: 1980-2008



Source: UNCTAD, Foreign Direct Investment Database

Table 1.1. Foreign Direct Investment Inflows to ASEAN and China by Country (million)

Countries	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1990-2008
Brunei	7	6	7	8	6	583	654	702	573	748	549	526	1,035	3,375	334	289	434	260	239	10,335
Cambodia	0	0	33	54	69	151	294	168	243	232	149	149	145	84	131	381	483	867	815	4,449
Indonesia	1,092	1,482	1,799	2,003	2,191	4,419	6,245	4,729	-207	-1,838	-4,495	-2,926	232	-507	1,896	8,336	4,914	6,928	7,919	44,212
Lao PDR	6	7	8	36	59	88	128	86	45	52	34	24	25	19	17	28	187	324	228	1,401
Malaysia	2,611	4,043	5,138	5,741	4,581	5,815	7,297	6,323	2,714	3,895	3,788	554	3,203	2,473	4,624	4,064	6,060	8,401	8,053	89,378
Myanmar	225	235	149	92	135	318	581	879	684	304	208	192	191	291	251	236	428	258	283	5,939
Philippines	550	556	776	1,238	1,591	1,459	1,520	1,249	1,752	1,247	2,240	195	1,542	491	688	1,854	2,921	2,916	1,520	26,305
Singapore	5,575	4,887	2,204	4,686	8,550	11,535	9,682	13,753	7,314	16,578	16,484	15,093	6,381	11,800	20,054	14,374	27,680	31,550	22,725	250,907
Thailand	2,575	2,049	2,151	1,807	1,369	2,070	2,338	3,882	7,492	6,091	3,349	5,061	3,335	5,235	5,862	8,048	9,460	11,238	10,091	93,502
Vietnam	180	375	474	926	1,945	1,780	1,803	2,587	1,700	1,484	1,289	1,300	1,200	1,450	1,610	2,021	2,400	6,739	8,050	39,314
ASEAN	12,821	13,640	12,739	16,591	20,496	28,218	30,542	34,358	22,310	28,793	23,595	20,169	17,291	24,712	35,468	39,630	54,967	69,481	59,922	656,741
China	3,487	4,366	11,008	27,515	33,767	37,521	41,729	45,257	45,463	40,319	40,715	46,878	52,743	53,505	60,630	72,406	72,715	83,521	108,312	881,851

Source: UNCTAD, Foreign Direct Investment Database

Although ASEAN members have been experiencing favorable performance in attracting FDI in recent years, except for 2008, their performance has been overshadowed by China. After being surpassed by China in the early 1990s in terms of FDI inflows, ASEAN has not been able to regain the commanding position it had in the 1980s. In 2008 China continued attracting FDI successfully, while FDI inflows to ASEAN declined.

Various factors influence the attractiveness of the host country for FDI inflows¹. Political and economic stability is found to play an important role in attracting FDI. Political and economic instability discourages MNCs from undertaking FDI as it increases the risk of losing invested assets. Large market size, favorable future economic prospects, availability of educated, well-disciplined, low-wage labor, well-developed soft and hard infrastructure are also attractive features of the host country for attracting FDI. Having discussed important elements in attracting FDI, one of the most important factors is a country's FDI policy regime. A country with many attractive features such as large market size cannot attract FDI if the country imposes restrictions on FDI inflows. Even if the FDI regime is open, a country has difficulty in attracting FDI if the FDI regime of the country lacks transparency or stability. These observations indicate the importance of the FDI policy regime as well as the FDI policy environment in determining the attractiveness of a country for FDI inflows.

In light of the observation that the FDI policy regime and FDI policy environment play important roles in determining FDI inflows, this study examines and evaluates the

¹ For example, see Urata (2006) for the determinants of FDI inflows in East Asian countries.

restrictiveness/openness of FDI policy regimes and environments for ASEAN countries. We adopt two approaches to achieve our objective. In order to evaluate an FDI policy regime, we examine FDI policies which are documented in legal documents, such as FDI Laws, from the following six aspects: market access or right of establishment, national treatment, screening and approval procedure, restrictions on boards of directors as well as foreign investors, and performance requirements. To shed more light on the FDI policy environment, we use the information on barriers to FDI available from the survey compiled by the Japan Machinery Center for Trade and Investment (JMC), (JMC survey hereinafter).² Use of the information provided by the companies would reveal the true impediments to FDI. It is indeed well known, especially in developing countries, that the presence of a law does not mean that the law is actually implemented and enforced. By conducting these two kinds of analysis, we should be able to discern the policy-related impediments to FDI in ASEAN countries.

It is hoped that our study would contribute to a deeper understanding of the FDI policy regimes and FDI policy environments of ASEAN countries and to help them formulate FDI policy. In particular, the results of this study may provide useful information to the ASEAN country governments, which have committed to creating an ASEAN economic community by 2015, where free flow of FDI would be realized.

The structure of the study is as follows. Section 2 reviews two comparative studies assessing the business environment of ASEAN and other countries, to set the stage for our analysis of FDI policy regimes and environments. This review is expected to

² See section 3 for a detailed explanation of the JMC survey.

discern the business environment in ASEAN from the global perspective. Sections 3 and 4 focus on ASEAN countries. Section 3 examines FDI policy regimes by assessing the contents of legal frameworks, while section 4 examines FDI policy environments by assessing the information collected from companies. Section 5 concludes the study by presenting policy recommendations.

2. ASEAN's Business Environment from a Global Perspective

An assessment of the business environment in ASEAN countries from a global perspective provides useful information for understanding the problems/barriers impeding foreign direct investment. With this in mind, this section reviews the results of two studies by international organizations and think-tanks that have analyzed the business environment of a large number of countries. Specifically, we take up the following studies: *Doing Business Database* compiled by the World Bank (World Bank, 2010) and *Global Competitiveness Report* 2006-2007, 2008-2009, and 2009-2010 published by the World Economic Forum (World Economic Forum, 2006, 2008, and 2009).

Table 2.1, constructed from the *Doing Business Database*, presents the latest ranking of the ease of doing business for the ASEAN10 economies in 2005, 2009, and 2010. It highlights cases with rankings lower than half of the number of sample countries. While the overall rankings in 2010 (Table 2.1 (a)) are high for Singapore (1st

out of 183), Thailand (12th), and Malaysia (23rd), they are particularly low for new ASEAN members and Indonesia and the Philippines: Laos (167th), the Philippines (166th), Cambodia (145th), Indonesia (122nd), and Viet Nam (93rd). When the overall rankings in 2010 are compared with those in 2009 (Table 2.1 (b)) and those in 2005 (Table 2.1 (c)), they are more or less similar to each other, except in the case of the Philippines; this country's ranking gradually dropped from 121st (out of 175) in 2005 to 140th (out of 181) in 2009 and 166th (out of 183) in 2010.

Table 2.1. Ranking of ease of doing business ofr ASEAN economies

	Brunei	Cambodia	Indonesia	Lao PDR	Malaysia	Philippines	Singapore	Thailand	Vietnam	Average (9)	Average (6)
(a) 2010											
Overall ranking (out of 183)	96	145	122	167	23	166	1	12	93	92	70
Ranking for 10 factors											
Starting a business	153	173	161	89	88	162	4	55	116	111	98
Dealing with licenses	75	145	61	115	109	111	2	13	69	78	61
Employing workers	4	134	149	107	61	115	1	52	103	81	80
Registering property	183	116	95	161	86	102	16	6	40	89	58
Getting credit	113	87	113	150	1	127	4	71	30	77	58
Protecting investors	119	73	41	182	4	132	2	12	172	82	61
Paying taxes	22	58	127	113	24	135	5	88	147	80	88
Trading across borders	48	127	45	168	35	68	1	12	74	64	39
Enforcing contracts	160	141	146	111	59	118	13	24	32	89	65
Closing a business	37	183	142	183	57	153	2	48	127	104	88
(b) 2009											
Overall ranking (out of 181)	88	135	129	165	20	140	1	13	92	87	66
Ranking for 10 factors											
Starting a business	130	169	171	92	75	155	10	44	108	106	94
Dealing with licenses	72	147	80	110	104	105	2	12	67	78	62
Employing workers	5	134	157	85	48	126	1	56	90	78	80
Registering property	177	108	107	159	81	97	16	5	37	87	57
Getting credit	109	68	109	145	1	123	5	68	43	75	58
Protecting investors	113	70	53	180	4	126	2	11	170	81	61
Paying taxes	35	24	116	113	21	129	5	82	140	74	82
Trading across borders	42	122	37	165	29	58	1	10	67	59	34
Enforcing contracts	157	136	140	111	59	114	14	25	42	89	66
Closing a business	35	181	139	181	54	151	2	46	124	101	86
(c) 2005											
Overall ranking (out of 175)	n.a.	n.a.	131	n.a.	25	121	2	19	98	n.a.	66
Ranking for 10 factors											
Starting a business	n.a.	n.a.	161	n.a.	66	99	11	23	89	n.a.	75
Dealing with licenses	n.a.	n.a.	129	n.a.	134	112	10	6	28	n.a.	70
Employing workers	n.a.	n.a.	141	n.a.	37	118	4	46	137	n.a.	81
Registering property	n.a.	n.a.	118	n.a.	68	91	12	16	30	n.a.	56
Getting credit	n.a.	n.a.	76	n.a.	3	96	7	41	76	n.a.	50
Protecting investors	n.a.	n.a.	58	n.a.	3	151	2	33	170	n.a.	70
Paying taxes	n.a.	n.a.	129	n.a.	49	96	8	54	116	n.a.	75
Trading across borders	n.a.	n.a.	55	n.a.	41	61	2	97	68	n.a.	54
Enforcing contracts	n.a.	n.a.	144	n.a.	78	50	23	43	90	n.a.	71
Closing a business	n.a.	n.a.	126	n.a.	47	143	2	36	105	n.a.	77

Data source: World Bank (2010)

Notes: average ranking is calculated for a comparison among 10 factors. Average (9) and average, (6) show average ranking for nine countries and six countries who appear in 2005, respectively.

The *Doing Business Database* evaluates the following 10 aspects of the business environment: i. starting a business, ii. dealing with licenses, iii. employing workers, iv. registering property, v. getting credit, vi. protecting investors, vii. paying taxes, ix. enforcing contracts, and x. closing a business. The problems that need to be solved vary among the ASEAN countries. For the ASEAN region as a whole, however, the most serious problems are in the areas of starting a business (111th/106th on average) and closing a business (104th/101st), for which their rankings are significantly lower than their overall average of 92nd/87th in 2010/2009. On the other hand, interestingly, the ranking for trading across borders is much higher than other items for ASEAN: 64th/59th on average for ASEAN9 and 39th/34th for ASEAN6 in 2010/2009. When the rankings in 2010 are compared with those in 2005, some items tend to improve while others worsen. In particular, relative evaluations for trading across borders drastically improved from 54th to 39th on average of ASEAN6 countries, while relative evaluations for starting a business significantly worsened from 75th to 98th. These relatively high and rapidly improving rankings for trade activities may reflect the recent efforts that ASEAN countries have made for trade liberalization and facilitation, particularly to create an ASEAN Economic Community (AEC) with a targeted year of 2015.³

The survey results in Table 2.2 reveal that the lengths of time required for starting a business and closing a business are too long; for instance, it takes 116 days for Brunei

³ See Ishikawa *et al.*(2009) for efforts made by ASEAN countries, as a part of movements toward AEC, to form national single windows (NSW) and ASEAN single windows (ASW), which are one-stop services for trade at the national and ASEAN-wide level, as well as other discussion on AEC.

and 100 days for Laos to start a business. Many procedures are necessary, particularly for starting a business and obtaining certain licenses, and the time requirement may be due to the complexity of and/or delays in procedures; more than 10 kinds of procedure are required to start a business in Brunei, the Philippines, and Vietnam, and more than 20 procedures are necessary to deal with licenses in Brunei, Malaysia, Lao PDR, the Philippines, and Cambodia. Costs expressed as percentage of income per capita to start a business/ dealing with licenses are also high in some countries; for example, Cambodia for starting a business and Vietnam, Indonesia, and Lao PDR for dealing with licenses. Moreover, high minimum capital levels discourage starting a business in countries such as Indonesia and Cambodia. Furthermore, the degree of difficulty in hiring and firing workers seem to be extremely high for Indonesia, and firing costs are particularly troublesome; firing costs expressed as the number of weeks wages are as high as 162 for Lao PDR, 108 for Indonesia, 91 for the Philippines, and 87 for Vietnam in extreme cases.

Table 2.2. Components of Ease of Doing Business and Their Evaluation for ASEAN Economies, 2C

		2010								
		Brunei	Cambodia	Indonesia	Lao PDR	Malaysia	Philippines	Singapore	Thailand	Vietnam
Starting a Business	Procedures (number)	18	9	9	7	9	15	3	7	11
	Time (days)	116	85	60	100	11	52	3	32	50
	Cost (% of income per capita)	10	138	26	12	12	28	1	6	13
	Min. capital (% of income per capita)	0	37	60	0	0	6	0	0	0
Dealing with Licenses	Procedures (number)	32	23	14	24	25	24	11	11	13
	Time (days)	163	709	160	172	261	203	25	156	194
	Cost (% of income per capita)	5	54	195	144	7	82	20	12	248
Employing Workers	Difficulty of Hiring Index (0-100)	0	44	61	11	0	56	0	33	11
	Rigidity of Hours Index (0-100)	0	33	0	0	0	0	0	0	13
	Difficulty of Firing Index (0-100)	0	30	60	50	30	30	0	0	40
	Rigidity of Employment Index (0-100)	0	36	40	20	10	29	0	11	21
	Firing costs (weeks of wages)	4	39	108	162	75	91	4	54	87
Registering Property	Procedures (number)	..	7	6	9	5	8	3	2	4
	Time (days)	..	56	22	135	144	33	5	2	57
	Cost (% of property value)	..	4	11	4	3	4	3	1	1
Getting Credit	Legal Rights Index (0-10)	7	8	3	4	10	3	10	4	8
	Credit Information Index (0-6)	0	0	4	0	6	3	9	5	4
	Public registry coverage (% adults)	0	0	22	0	49	0	9	0	19
	Private bureau coverage (% adults)	0	0	0	0	82	6	9	33	0
Protecting Investors	Disclosure Index (0-10)	3	5	10	0	10	2	5	10	6
	Director Liability Index (0-10)	2	9	5	3	9	2	84	7	0
	Shareholder Suits Index (0-10)	8	2	3	2	7	8	7.9	6	2
	Investor Protection Index (0-10)	4	5	6	2	9	4	15	8	3
Paying Taxes	Payments (number)	15	39	51	34	12	47	5	23	32
	Time (hours)	144	173	266	362	145	195	84	264	1050
	Profit tax (%)	25	19	27	25	17	25	8	29	21
	Labor tax and contributions (%)	6	0	11	6	16	10	15	6	19
	Other taxes (%)	0	4	0	3	2	14	5	3	0
	Total tax rate (% profit)	30	23	38	34	34	49	28	37	40
Trading Across Borders	Documents for export (number)	6	11	5	9	7	8	4	4	6
	Time for export (days)	28	22	21	50	18	16	5	14	22
	Cost to export (US\$ per container)	630	732	704	1860	450	816	456	625	756
	Documents for import (number)	6	11	6	10	7	8	4	3	8
	Time for import (days)	19	30	27	50	14	16	3	13	21
	Cost to import (US\$ per container)	708	872	660	2040	450	819	439	795	940
Enforcing Contracts	Procedures (number)	58	44	39	42	30	37	21	35	34
	Time (days)	540	401	570	443	585	842	150	479	295
	Cost (% of debt)	37	103	123	32	28	26	26	12	29
Closing a Business	Time (years)	3	..	6	..	2	6	1	3	5
	Cost (% of estate)	4	..	18	..	15	38	1	36	15
	Recovery rate (cents on the dollar)	47	0	14	0	39	4	91	42	18

Data source: World Bank (2010)

Even for trading across borders with relatively high ranking, there remains room for further improvement in terms of the number of days and the costs required for export and import processes. For instance, reduction of costs for exports and imports is necessary particularly for Lao PDR, the Philippines, Vietnam, and Cambodia, and the reduction of time for export and import operations is needed mainly for Lao PDR, Cambodia, Indonesia, and Vietnam. To realize them requires the development of a logistics-related infrastructure such as ports and roads, and improved efficiency in customs clearance in addition to the reduction (and simplification) of tariffs and non-tariff measures (NTMs).

Table 2.3 presents a global competitiveness index (GCI) by country and by category, obtained from the *Global Competitiveness Report*, highlighting cases with rankings lower than half of the number of sample countries. The figures in the upper portion of Table 2.3 (a)/(b)/(c) indicate the ranking of a country among 133/134/125 countries for the items concerned (low figures indicate high rankings), while the figures in the lower portion of the table indicate the score (high numbers indicate high scores with 7 as the full score). The GCI evaluates the competitiveness of countries based on three broad categories with two to six sub-categories. The three broad categories are basic requirements, efficiency enhancers, and innovation and sophistication factors. The sub-categories are further broken down into the much more precise factors shown in Table A.2.1 in the Appendix.⁴ Although the degree of competitiveness of a specific country

⁴ Factors considered as disadvantages are those ranked below 10 for Singapore with an overall ranking in the top 10 economies, those ranked equal to or lower than the economy's overall ranking

may not directly influence the investment activities of firms, competitiveness would have a positive impact on investment decisions. Firms prefer competitive countries to less competitive ones for the location of their operations in the global market when considering investment decisions.

for Brunei, Malaysia, Thailand, and Indonesia with an overall ranking from 11 to 50, and those ranked lower than 50 for Cambodia, Indonesia, the Philippines, and Viet Nam with an overall ranking lower than 51.

Table 2.3. The Global Competitiveness Index (GCI) for ASEAN economies

	Brunei	Cambodia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Average (8)	Average (6)	Brunei	Cambodia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Average (8)	Average (6)
	(a) 2009-2010 (133 economies)										(b) 2008-2009 (134 economies)									
<i>Ranking (out of 133/134 economies)</i>																				
GCI	32	110	54	24	87	3	36	75	53	47	39	109	55	21	71	5	34	70	51	43
Basic requirements	19	112	70	33	95	2	43	92	58	56	29	107	76	25	85	3	43	79	56	52
Institutions	36	92	58	43	113	1	60	63	58	56	41	103	68	30	105	1	57	71	60	55
Infrastructure	41	95	84	26	98	4	40	94	60	58	39	97	86	23	92	4	29	93	58	55
Macroeconomy	1	122	52	42	76	35	22	112	58	57	2	105	72	38	53	21	41	70	50	49
Health and primary education	42	107	82	34	93	16	61	76	64	60	47	111	87	23	90	16	58	84	65	60
Efficiency enhancers	76	103	50	25	78	2	40	61	54	43	77	115	49	24	68	2	36	73	56	42
Higher education and training	62	122	69	41	68	5	54	92	64	55	69	127	71	35	60	8	51	98	65	54
Goods market efficiency	100	85	41	30	95	1	44	67	58	46	91	88	37	23	81	1	46	70	55	43
Labor market efficiency	10	52	75	31	113	1	25	38	43	47	16	33	43	19	101	2	13	47	34	38
Financial market sophistication	68	94	61	6	93	2	49	82	57	49	75	130	57	16	78	2	49	80	61	47
Technological readiness	60	113	88	37	84	6	63	73	66	59	54	123	88	34	70	7	66	79	65	57
Market size	115	92	16	28	35	39	21	38	48	30	116	95	17	28	34	41	21	40	49	30
Innovation and sophistication factors	81	107	40	24	74	10	47	55	55	42	87	112	45	23	67	11	46	71	58	44
Business sophistication	77	101	40	24	65	14	43	70	54	43	89	110	39	22	57	14	46	84	58	44
Innovation	75	107	39	24	99	8	57	44	57	45	91	112	47	22	76	11	54	57	59	45
<i>Score (out of 7)</i>																				
GCI	4.6	3.5	4.3	4.9	3.9	5.5	4.6	4.0	4.4	4.5	4.5	3.5	4.3	5.0	4.1	5.5	4.6	4.1	4.5	4.6
Basic Requirements	5.4	3.6	4.3	5.1	3.9	6.0	4.9	4.0	4.7	4.7	5.3	3.7	4.3	5.4	4.2	6.1	5.0	4.2	4.8	4.9
Institutions	4.8	3.5	4.0	4.5	3.2	6.1	4.0	3.9	4.3	4.3	4.7	3.4	3.9	4.9	3.4	6.2	4.2	3.9	4.3	4.4
Infrastructure	4.6	2.9	3.2	5.0	2.9	6.4	4.6	3.0	4.1	4.2	4.4	2.8	3.0	5.3	2.9	6.4	4.7	2.9	4.1	4.2
Macroeconomy	6.6	3.4	4.8	5.0	4.5	5.2	5.4	3.9	4.9	4.8	6.3	4.4	4.9	5.4	5.2	5.7	5.4	4.9	5.3	5.3
Health and primary education	5.8	4.4	5.2	5.9	5.1	6.2	5.5	5.3	5.4	5.5	5.8	4.3	5.3	6.1	5.2	6.2	5.6	5.3	5.5	5.6
Efficiency enhancers	3.9	3.5	4.2	4.8	3.9	5.6	4.5	4.1	4.3	4.5	3.8	3.3	4.3	4.8	4.0	5.5	4.5	3.9	4.3	4.5
Higher education and training	4.1	2.8	3.9	4.5	3.9	5.6	4.3	3.5	4.1	4.3	3.9	2.7	3.9	4.6	4.1	5.6	4.3	3.4	4.1	4.3
Goods market efficiency	3.9	4.0	4.5	4.8	3.9	5.8	4.5	4.2	4.5	4.6	3.9	4.0	4.7	5.0	4.1	5.8	4.5	4.2	4.5	4.7
Labor market efficiency	5.2	4.5	4.3	4.7	3.9	5.9	4.8	4.7	4.8	4.7	4.9	4.7	4.6	4.9	4.1	5.7	5.0	4.5	4.8	4.8
Financial market sophistication	4.2	3.8	4.3	5.4	3.8	5.9	4.5	4.1	4.5	4.7	4.1	3.0	4.5	5.4	4.1	5.9	4.6	4.1	4.5	4.8
Technological readiness	3.8	2.7	3.2	4.5	3.3	5.9	3.7	3.5	3.8	4.0	3.6	2.4	3.0	4.4	3.3	5.6	3.4	3.1	3.6	3.8
Market size	2.6	3.1	5.2	4.7	4.6	4.5	5.0	4.6	4.3	4.8	2.4	3.0	5.1	4.7	4.5	4.4	4.9	4.4	4.2	4.7
Innovation and sophistication factors	3.4	3.1	4.0	4.4	3.4	5.1	3.8	3.7	3.9	4.1	3.3	3.0	4.0	4.6	3.7	5.2	3.9	3.6	3.9	4.2
Business sophistication	3.8	3.4	4.5	4.8	4.1	5.2	4.4	4.0	4.3	4.5	3.8	3.4	4.5	5.0	4.3	5.3	4.4	3.8	4.3	4.6
Innovation	3.0	2.7	3.6	4.1	2.8	5.1	3.3	3.5	3.5	3.7	2.9	2.7	3.4	4.3	3.0	5.1	3.4	3.3	3.5	3.8

Data source: World Economic Forum (2006, 2008, 2009)

Notes: average is calculated for a comparison among factors.

(Continued)

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Average (6)
	(c) 2006-2007 (125 economies)						
<i>Ranking (out of 125 economies)</i>							
GCI	50	26	71	5	35	77	44
Basic requirements	68	24	84	2	38	71	48
Institutions	52	18	88	4	40	74	46
Infrastructure	89	23	88	6	38	83	55
Macroeconomy	57	31	62	8	28	53	40
Health and primary education	72	42	82	20	84	56	59
Efficiency enhancers	50	26	63	3	43	83	45
Higher education and training	53	32	63	10	42	90	48
Market efficiency	27	9	57	4	31	73	34
Technological readiness	72	28	61	2	48	85	49
Innovation factors	41	22	66	15	36	81	44
Business sophistication	42	20	59	23	40	86	45
Innovation	37	21	79	9	33	75	42
<i>Score (out of 7)</i>							
GCI 2006-2007	4.3	5.1	4.0	5.6	4.6	3.9	4.6
Basic Requirements	4.4	5.4	4.2	6.1	5.0	4.4	4.9
Institutions	4.0	5.1	3.4	5.9	4.4	3.6	4.4
Infrastructure	2.7	5.1	2.7	6.2	4.4	2.8	4.0
Macroeconomy	4.5	5.0	4.4	5.7	5.1	4.6	4.9
Health and primary education	6.4	6.6	6.2	6.8	6.1	6.4	6.4
Efficiency enhancers	4.1	4.9	3.9	5.6	4.3	3.4	4.4
Higher education and training	4.3	4.8	4.0	5.6	4.4	3.4	4.4
Market efficiency	4.9	5.2	4.2	5.6	4.8	4.1	4.8
Technological readiness	3.2	4.6	3.3	5.7	3.7	2.8	3.9
Innovation factors	4.1	4.9	3.6	5.1	4.2	3.3	4.2
Business sophistication	4.5	5.3	4.2	5.2	4.6	3.5	4.6
Innovation	3.6	4.5	3.1	5.0	3.7	3.1	3.8

Similarly to the rankings in *Doing Business*, the overall rankings in 2009-2010/2008-2009 are high for Singapore (3rd/5th out of 133/134), Malaysia (24th/21st), and Thailand (36th/34th), while they are particularly low for new ASEAN countries and the Philippines, indicating unfavorable business environments in these countries: Cambodia (110th/109^h), the Philippines (87th/71st), and Vietnam (75th/70th) (Table 2.3 (a)/(b)). When the overall rankings in 2009-2010/2008-2009 are compared with those in 2006-2007 (Table 2.3 (c)), they are more or less similar to each other, again except for the Philippines; the ranking worsened by more than 10 places, from 71st to 87th.

Based on the average figures shown in the right hand columns in Table 2.3, basic requirements such as institutions, infrastructure, and health and primary education are still not well developed at the sub-category level in ASEAN6 countries compared to the rest of the world. More precisely, the factors regarded as reducing competitiveness in many countries in Table A.2.1 involve various public institutions, such as judicial independence, efficiency of legal framework, infrastructure (particularly the quality of the electricity supply), and tuberculosis prevalence, various market distortions concerning such matters as tertiary education, number of procedures and time required for starting a business, financial market sophistication including soundness of banks, and technological readiness such as the availability of latest technologies and broadband internet subscribers. Improving these factors would make the countries in the region more competitive, increasing their attractiveness for investors.

Table 2.4, compiled from the *Global Competitiveness Report*, shows the problematic factors involved in doing business in the countries concerned. The figures

in the upper portion of the table indicate the percentage of respondents reporting the presence of the problem for the item concerned, while those in the lower portion indicate the ranking of the severity of the problem for the 15/14 items in each economy. In the upper portion of the table, the figures registering 10 percent or above are highlighted.⁵ When the results for 2009-2010 are compared with those for 2008-2009/2006-2007, corruption, inadequate supply of infrastructure, and inefficient government bureaucracy are still recognized as relatively serious problems in many ASEAN countries. Additionally, tax regulation is identified as a relatively serious problem in many countries in 2008-2009, though it is not regarded as such in 2009-2010. Combined with the fact that access to financing has worsened, which probably reflects the global financial crisis starting in mid 2009, tax regulation became less serious in comparison. These results suggest that in addition to corruption, inadequate supply of infrastructure, and inefficient government bureaucracy, other factors such as tax regulation and access to financing have also been regarded as serious problems requiring improvement to facilitate business.

⁵ To construct this table, respondents were asked to select the five most problematic factors for doing business in the economy, from 15/14 factors listed in the table, and to rank them from 1 (most problematic) to 5. The results were tabulated and weighted according to the ranking assigned by the respondents.

Table 2.4. The Most Problematic Factors for Doing Business and Their Ranking for ASEAN

	(a) 2009-2010										(b) 2008-2009										(c) 2006-2007									
	Brunei	Cambodia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Average (8)	Average (6)	Brunei	Cambodia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Average (8)	Average (6)	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	Average (6)			
<i>Percent of responses</i>																														
Access to financing	15.1	6.6	7.3	12.8	5.2	12.6	7.2	13.2	10.0	9.7	14.7	8.9	4.4	6.2	1.8	14.7	7.4	10.6	8.6	7.5	4.7	6.0	4.1	9.6	7.1	8.4	6.6			
Corruption	1.6	23.9	8.7	10.4	24.3	0.8	11.0	5.1	10.7	10.1	0.9	0.7	3.9	4.5	1.5	1.3	4.6	3.1	2.6	3.2	4.6	8.0	21.5	0.3	14.7	18.8	11.3			
Crime and theft	1.4	3.2	0.4	5.9	3.3	0.3	1.4	1.4	2.2	2.1	2.1	3.6	1.3	5.5	5.9	9.4	3.5	3.9	4.4	4.9	4.6	5.4	3.8	1.4	0.2	2.0	2.9			
Foreign currency regulations	2.1	1.2	5.2	3.0	0.0	4.8	1.8	3.1	2.7	3.0	0.0	2.8	0.1	0.0	0.1	0.6	0.6	0.6	0.6	0.3	4.9	8.1	0.3	2.4	2.0	3.3	3.5			
Government instability/coups	0.9	0.4	3.6	3.1	2.8	0.0	23.7	1.1	4.5	5.7	19.1	2.2	9.7	5.9	2.4	10.3	1.2	1.9	6.6	5.2	1.9	1.1	13.6	0.5	7.7	2.2	4.5			
Inadequate supply of infrastructure	7.4	8.3	14.8	5.5	15.0	6.2	2.8	16.1	9.5	10.1	2.1	24.5	10.7	14.5	23.9	0.1	10.3	9.0	11.9	11.4	20.2	5.8	15.2	6.9	6.0	13.5	11.3			
Inadequately educated workforce	10.7	9.6	4.7	8.0	0.7	11.9	6.7	13.1	8.2	7.5	0.7	2.6	0.1	8.3	1.9	0.2	0.8	0.9	1.9	2.0	8.1	6.7	0.8	15.9	10.2	9.5	8.5			
Inefficient government bureaucracy	15.3	17.4	20.2	11.3	20.6	3.4	13.3	2.9	13.1	12.0	2.4	5.0	5.0	6.5	8.7	0.8	13.0	8.2	6.2	7.0	14.1	15.4	11.8	6.4	17.8	19.0	14.1			
Inflation	1.9	5.9	6.1	4.4	0.6	20.3	2.0	11.5	6.6	7.5	13.7	4.9	7.5	4.7	3.8	5.2	4.1	7.7	6.5	5.5	6.0	7.5	2.1	8.0	4.3	2.2	5.0			
Policy instability	2.3	6.4	9.0	8.5	12.6	1.1	15.4	7.6	7.9	9.0	1.7	1.8	3.7	1.8	7.0	0.0	21.5	1.4	4.9	5.9	14.0	6.4	15.3	3.4	13.9	0.9	9.0			
Poor public health	0.0	2.4	0.5	1.0	2.4	0.4	0.2	2.0	1.1	1.1	0.7	4.6	6.7	6.1	6.4	7.6	5.1	6.4	5.5	6.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Poor work ethic in national labor force	17.9	4.8	3.7	7.9	2.0	5.7	3.5	6.8	6.5	4.9	4.5	8.9	16.4	5.4	13.1	5.9	5.2	16.5	9.5	10.4	1.6	6.0	1.1	8.8	2.8	6.9	4.5			
Restrictive labor regulations	20.5	2.2	7.1	6.4	2.4	15.1	1.9	2.8	7.3	6.0	20.1	4.0	3.5	5.5	0.1	6.4	2.2	8.1	6.2	4.3	6.0	8.3	2.5	15.7	2.6	2.0	6.2			
Tax rates	1.1	2.4	1.9	6.9	3.3	7.9	2.9	5.0	3.9	4.7	1.7	7.3	7.8	8.3	3.5	35.4	8.5	17.9	11.3	13.6	2.7	7.0	4.5	8.8	2.5	3.8	4.9			
Tax regulations	1.9	5.3	6.8	4.9	4.8	9.4	6.3	8.2	6.0	6.7	15.6	18.3	19.3	16.7	19.7	2.2	12.1	3.7	13.5	12.3	10.5	8.3	3.7	11.9	8.2	7.7	8.4			
<i>Ranking in each economy</i>																														
Access to financing	12	11	11	15	11	13	11	14	12	13	5	7	6	12	8	8	10	7	8	9	9	11	7	4	7	5	7			
Corruption	5	15	12	13	15	4	12	8	11	11	8	1	3	2	1	14	4	4	5	5	11	5	1	14	2	2	6			
Crime and theft	4	6	1	7	9	2	2	2	4	4	13	12	14	3	11	13	14	14	12	12	10	13	8	12	14	12	12			
Foreign currency regulations	8	2	7	2	1	7	3	6	5	4	12	15	10	13	13	10	9	11	12	11	8	4	14	11	13	9	10			
Government instability/coups	2	1	4	3	7	1	15	1	4	5	10	14	11	14	5	15	1	13	10	10	13	14	4	13	6	10	10			
Inadequate supply of infrastructure	10	12	14	6	13	9	6	15	11	11	6	3	2	11	3	7	7	2	5	5	1	12	3	8	8	3	6			
Inadequately educated workforce	11	13	6	11	3	12	10	13	10	9	4	4	9	6	12	2	6	3	6	6	5	8	13	1	4	4	6			
Inefficient government bureaucracy	13	14	15	14	14	6	13	5	12	11	3	2	1	1	2	9	3	10	4	4	2	1	5	9	1	1	3			
Inflation	7	9	8	4	2	15	5	12	8	8	11	5	5	4	9	1	5	1	5	4	7	6	11	7	9	10	8			
Policy instability	9	10	13	12	12	5	14	10	11	11	7	6	8	5	4	11	2	5	6	6	3	9	2	10	3	14	7			
Poor public health	1	5	2	1	6	3	1	3	3	3	15	11	15	15	15	12	15	15	14	15	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Poor work ethic in national labor force	14	7	5	10	4	8	8	9	8	7	1	9	12	9	14	6	12	6	9	10	14	10	12	6	10	7	10			
Restrictive labor regulations	15	3	10	8	6	14	4	4	8	8	2	13	4	8	10	3	13	12	8	8	6	2	10	2	11	12	7			
Tax rates	3	5	3	9	9	10	7	7	7	8	9	10	13	10	7	4	11	9	9	9	12	7	6	5	12	8	8			
Tax regulations	7	8	9	5	10	11	9	11	9	9	14	8	7	7	6	5	8	8	8	7	4	2	9	3	5	6	5			

Data source: World Economic Forum (2006, 2008, 2009)

Note: From a list of the above 15/14 factors, respondents were asked to select the five most problematic for doing business in their economy and to rank them from 1 (most problematic) to 5. The results were tabulated and weighted according to the ranking assigned by the respondents. The weighted percentage of firms identified the factor as a problematic is expressed in the upper part of this table "percent of responses". Average is calculated for a comparison among factors. Average (8) and average (6) show average of eight countries and six countries who appear in (a) and (b), respectively.

The evaluation of the business environment and competitiveness of the ASEAN countries in this section suggests that reducing the complexity and time required for institutional procedures, increasing labor market flexibility (reducing the burden of labor regulations), and developing infrastructure are particularly important for improving the investment environment.

3. Assessment of FDI Policy Regimes, based on Legal Documents

This section assesses the FDI policy regimes in ASEAN countries using the information obtained from legal documents such as FDI Laws. In some cases supplementary information sources, such as FDI guides, are used. The first section describes the methodology used for the analysis and then the following section discusses the results of the analysis.

3.1. Methodology

Several studies have assessed the restrictiveness of FDI policies. Golub (2003) examined the restrictiveness of FDI for OECD countries in 1998/2000 by examining rules on foreign equity, screening and approval procedure, and other restrictions including those on boards of directors, movement of people, and input and operational restrictions. Golub found the United Kingdom the most open country and Iceland the least open country among 28 OECD member countries.

PECC (2002) evaluated FDI regimes of APEC economies by examining wide-ranging FDI rules on market access, examination procedures, most-favored-nation (MFN) treatment, profit repatriation, work permits, performance requirements, dispute settlement, investment incentives, and capital exports. PECC found Hong Kong to be the most open and Brunei the least open among 19 APEC sample economies. The PECC study shows that the FDI regimes of developing members are more restrictive compared to developed members.

We used a modified methodology adopted by Golub (2003). Our evaluation method is shown in Table 3.1. We evaluated the restrictiveness of FDI rules in six areas: foreign ownership or market access, national treatment, screening and approval procedure, board of directors and management composition, movement of investors, and performance requirement. Low scores indicate open FDI rules⁶. Different areas are given different weights. In most FTAs, restrictions are imposed on ownership and control of a local enterprise through a cap on foreign-owned equity. It is given a weight of 0.4 while restriction on national treatment is given a weight of 0.2 for the computation of the overall score. Meanwhile, other restrictions such as screening procedures, composition of management, entry of investors, and performance requirements are given 0.1 each. In this manner, this study avoided the limitations of Golub's analysis wherein some sectors received a score above 1, which is the highest

⁶ We evaluated FDI rules by sectors, then aggregated them to obtain an overall score by giving equal weight. We used an 88 ISIC two-digit industry classification to analyze FDI rules, then aggregated these detailed results using equal weights

possible score for the degree of restrictiveness in his study. Our method has its own limitations. It can be subjected to random and arbitrary weight. However, this is assuaged by using standards on all restrictions and by careful analysis, in addition to comparison of the results of one country with another.

All in all, 21 sectors that include 88 ISIC two-digit subsectors were evaluated in this study.

Table 3.1. Assessment of FDI Restrictions

(Fully liberalized = 0)	
Restriction on Ownership and Market Access (weight = 0.4)	
No foreign equity is allowed	1
1-19 percent is allowed	0.9
Reservation on ownership and market access	0.75
20-34 percent is allowed	0.6
35-49 percent is allowed	0.5
50-74 percent is allowed	0.3
75-99 percent is allowed	0.2
No restriction but bound	0.1
Commercial presence is required	0.1
No restrictions	0
National Treatment (weight = 0.2)	
No national treatment	1
Reservation on national treatment	0.75
No restrictions	0
Screening and Approval (weight = 0.1)	
Objections in case the investment is contrary to national interest	1
Investment is required to show economic benefits before approval	0.9
Reservations for future limitations	0.75
Objections based on the size of investment	0.5
Prior or post notification	0.1
No restrictions	0
Board of Directors and Management Composition (weight = 0.1)	
All members of the management should be local	1
Reservations for future restrictions	0.75
Majority should be local	0.5
At least one is local	0.25
Should be locally license	0.1
No restrictions	0
Movement of investors (weight = 0.1)	
No entry	1
Less than one year	0.9
Reservations for further measures on entry	0.75
One to two years	0.6
Three to four years	0.5
More than four years but less than 10	0.2
No restrictions	0
Performance requirements (weight = 0.1)	
Local contents	0.25
Others	0.1

3.2. The Results

The results of our assessment are shown in Table 3.2. Overall scores for ASEAN9 countries range between 0.175 (Singapore) and 0.463 (Myanmar) with a simple average of 0.337. Other countries register the following scores in ascending order (from more open to more closed environment); the Philippines (0.237), Cambodia (0.242), Thailand (0.300), Vietnam (0.315), Indonesia (0.375), Brunei (0.394), Lao, PDR (0.428), Malaysia (0.438). As the scoring is undertaken in such a way that the low score indicates an open FDI policy regime, our results show that FDI policy regimes in Singapore, the Philippines, and Cambodia are relatively open, while those in Myanmar, Malaysia and Lao PDR are relatively closed.

Table 3.2. Assessment of FDI Policy Regimes of ASEAN Countries

	Total score	Market access	National treatment	Screening & appraisal	Board of directors	Movement of investors	Performance requirement
weight	1	0.4	0.2	0.1	0.1	0.1	0.1
Brunei	0.394	0.243	0.795	0.434	0.590	0.180	0.180
Cambodia	0.242	0.140	0.183	0.622	0.000	0.750	0.117
Indonesia	0.375	0.364	0.198	0.789	0.308	0.546	0.255
Lao, PDR	0.428	0.392	0.410	0.608	0.250	0.793	0.245
Malaysia	0.438	0.320	0.833	0.250	0.397	0.562	0.227
Myanmar	0.463	0.378	0.401	0.921	0.399	0.714	0.284
Philippines	0.237	0.257	0.279	0.112	0.519	0.043	0.107
Singapore	0.175	0.197	0.143	0.154	0.356	0.074	0.091
Thailand	0.300	0.423	0.000	0.500	0.000	0.805	0.000
Vietnam	0.315	0.338	0.262	0.364	0.286	0.469	0.152
Average	0.339	0.305	0.350	0.475	0.310	0.494	0.194
Standard deviation	0.100	0.092	0.272	0.266	0.193	0.296	0.113

Note: See the main text for the explanation of the scoring system

Source: Authors' computation

Examining the average scores for the ASEAN countries by issue areas, one finds that ASEAN countries have restrictive FDI regimes in the areas of the movement of investors and the screening and appraisal procedures for FDI applications, as their average scores are similarly high at 0.494 and 0.475, respectively, compared to an overall average of 0.339. Having pointed out the problems with the movement of investors and screening and appraisal procedures for FDI applications in the ASEAN countries, it should be noted that there are wide variations in these scores among the ASEAN countries, reflecting a diversity in the seriousness of those problems among them, as shown by high standard deviations. Movement of investors is particularly restrictive in Thailand, Cambodia, and Myanmar, while screening and appraisal procedures are particularly restrictive in Myanmar, Indonesia, Cambodia and Lao, PDR. The lack of national treatment is a serious problem in Malaysia and Brunei. In Malaysia there are a number of cases where foreign companies are not treated equally with local companies. For example, foreign companies are only allowed to acquire land up to a certain amount. In several industrial sectors foreign companies are required to form joint ventures with local companies. In Brunei the government reserves the right to impose any restrictions with respect to national treatment. Restrictions on boards of directors and management composition are rather severe in Brunei and the Philippines, where the majority of board directors have to be local.

Let us examine the restriction on the right of establishment, or market access, which is considered to be the most important policy regarding inward FDI. Table 3.3 shows the results of our assessment of market access for the ASEAN countries by sector.

Before analyzing the restrictions on market access by country, we first look at restrictions on market access by sectors for ASEAN as a whole. The sector with the most restrictive market access regulation is found to be public administration and defense. Electricity, gas, steam and air conditioning supply, information and communications, and arts, entertainment, and recreation have quite restrictive regulation of market access. By contrast, market access regulation is rather relaxed in manufacturing and accommodation and food service activities. Turning to the market access restrictions by country, we find that tight restrictions are imposed in Thailand, Lao PDR, Myanmar, and Indonesia. In Thailand many sectors, except for manufacturing, set an upper limit to foreign equity ownership, while in Lao PDR, Myanmar and Indonesia, FDI is not allowed in several sectors. In Lao PDR, market access is not allowed in information and communication, and public administration, while in Myanmar market access is not allowed in the following sectors, information and communication, financial and insurance businesses, and public administration. In Indonesia, market access is very limited in real estate activities and public administration.

Table 3.3. Assessment of Market Access in FDI Policies of ASEAN Countries

	Average	Brunei	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
All sectors	0.305	0.243	0.140	0.364	0.392	0.320	0.378	0.257	0.197	0.423	0.338
A - Agriculture, forestry and fishing	0.270	0.10	0.10	0.40	0.50	0.10	0.45	0.35	0.00	0.50	0.20
B - Mining and quarrying	0.205	0.02	0.20	0.04	0.30	0.20	0.55	0.30	0.00	0.34	0.10
C - Manufacturing	0.116	0.05	0.10	0.21	0.27	0.13	0.09	0.10	0.00	0.16	0.05
D - Electricity, gas, steam and air conditioning supply	0.575	1.00	0.10	0.20	0.75	0.60	0.90	0.30	0.90	0.50	0.50
E - Water supply; sewerage, waste management and remediation activities	0.330	1.00	0.10	0.05	0.10	0.70	0.10	0.30	0.25	0.50	0.20
F - Construction	0.286	0.28	0.10	0.29	0.84	0.00	0.10	0.15	0.00	0.50	0.60
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.238	0.00	0.10	0.23	0.20	0.30	0.10	0.05	0.10	0.50	0.80
H - Transportation and storage	0.418	0.20	0.10	0.60	0.42	0.36	0.80	0.50	0.20	0.50	0.50
I - Accommodation and food service activities	0.163	0.00	0.10	0.30	0.10	0.38	0.10	0.05	0.00	0.50	0.10
J - Information and communication	0.445	0.00	0.20	0.53	0.47	0.60	1.00	0.40	0.25	0.50	0.50
K - Financial and insurance activities	0.315	0.00	0.10	0.53	0.10	0.43	1.00	0.20	0.14	0.50	0.15
L - Real estate activities	0.380	0.00	0.75	1.00	0.10	0.75	0.10	0.50	0.10	0.50	0.00
M - Professional, scientific and technical activities	0.266	0.11	0.10	0.24	0.10	0.23	0.49	0.55	0.14	0.50	0.20
N - Administrative and support service activities	0.260	0.00	0.10	0.60	0.28	0.10	0.55	0.35	0.02	0.50	0.10
O - Public administration and defence; compulsory social security	0.770	1.00	0.10	1.00	1.00	0.60	1.00	0.50	1.00	0.50	1.00
P - Education	0.325	0.00	0.10	0.25	0.10	0.60	0.10	0.50	1.00	0.50	0.10
Q - Human health and social work activities	0.227	0.00	0.10	0.62	0.10	0.00	0.10	0.15	0.00	0.50	0.70
R - Arts, entertainment and recreation	0.419	0.25	0.10	0.56	1.00	0.65	0.10	0.15	0.00	0.38	1.00
S - Other service activities	0.177	0.33	0.10	0.00	0.40	0.00	0.10	0.00	0.03	0.50	0.30
T - Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.120	0.00	0.10	0.00	1.00	0.00	0.10	0.00	0.00	0.00	0.00
U - Activities of extraterritorial organizations and bodies	0.105	0.75	0.10	0.00	0.10	0.00	0.10	0.00	0.00	0.00	0.00

Note: See the main text for the explanation of the scoring system

Source: Authors' computation

Concerning performance requirements, Thailand does not impose any such restrictions. Singapore imposes a minimum scale on ships owned by foreign investors. In Cambodia, foreign investors are required to provide adequate training to Cambodian employees, and to promote Cambodian staff to senior positions over time. In Lao PDR, local content requirements are imposed in several manufacturing sectors such as leather products and wood products. In Malaysia export targets, technology transfer and local content requirements are imposed in the manufacturing sector. In the Philippines export requirements are imposed for obtaining incentives, while preferences have to be given to local employees in the electricity sector. In Vietnam foreign firms have to comply with environment protection requirements.

Our analysis of FDI policy regimes for ASEAN revealed wide variations in the openness/restrictiveness of the regimes among them. The movement of investors, screening and appraisal are found to be serious impediments in several countries. As for the policy on market access, it is worth noting that services sectors such as information and communication are quite restrictive. Recognizing that service sectors occupy a large and important part of economic activity in ASEAN countries, provision of greater market access to foreign companies can contribute to an improvement of allocative and technical efficiency of these countries. A justified fear of market domination by competitive foreign companies should be dealt with appropriate competition policy.

4. Assessment of FDI Environments based on a Survey of Firms

This section analyzes the FDI environments of ASEAN countries by using the information obtained from a survey conducted on Japanese firms. First, we discuss the methodology used for the analysis and then undertake the analysis.

4.1. The Methodology and the Data used for the Analysis

We classify the problems and obstacles faced by Japanese firms operating in ASEAN countries into ten categories (Table 4.1). The ten categories are divided into two groups, one consisting of four categories of problems related to FDI liberalization and six categories of problems related to FDI facilitation. This classification, which has been proposed by Urata *et al.*(2007), is based on a literature survey and discussions among the members of a committee including representatives of APEC Business Advisory Council (ABAC) Japan, the Japan Machinery Center for Trade and Investment (JMC), the Ministry of Trade, Investment, and Industry (METI) Japan, and university professors (APEC Study Committee with JMC as the secretariat in 2007).

Table 4.1. Ten Major Categories of issues to be solved for FDI liberalization and facilitation

<u>FDI liberalization</u>	
i	Restrictions on foreign entry
ii	Performance requirements
iii	Restrictions on overseas remittances and controls on foreign currency transactions
iv	Restrictions on the movement of people and employment requirements
<u>FDI facilitation</u>	
v	Lack of transparency in policies and regulations concerning investment (institutional problems)
vi	Complicated and/or delayed procedures with respect to investment-related regulations (implementation problems)
vii	Insufficient protection of intellectual property rights
viii	Labor regulations and related practices excessively favorable to workers
ix	Underdeveloped infrastructure, shortages human resources, and insufficient investment incentives
x	Restricted competition and price controls

Source: Urata, *et al.* (2007)

The four categories of impediments concerning FDI liberalization are i) restrictions on foreign entry, ii) performance requirements, iii) restrictions on overseas remittances and controls on foreign exchange, and iv) restrictions on the movement of people and employment requirements.⁷

Category i) “restrictions on foreign entry”, for instance, includes prohibited or restricted foreign entry into specific sectors, regulations on maximum foreign ownership ratios (foreign equity participation), joint venture requirements, minimum capital requirements, restricted forms of commercial presence (regulations on the forms of establishments), restrictions on land ownership by foreign-owned firms. Category ii) “performance requirements” includes local content requirements and export requirements/ technology transfer requirements linked with various FDI incentives. Category iii) “restrictions on overseas remittances and controls on foreign currency transactions” includes restrictions or difficulties in making overseas remittances, restrictions on the possession and use of foreign currencies, difficulties in access to/exchange of local currencies. The last category among impediments concerning FDI liberalization is iv) “restrictions on the movement of people and employment requirements”, which includes difficulties in obtaining and/or renewing necessary visas for foreign representatives, and requirements on the employment of local people (or

⁷ Category i) corresponds to 1.restrictions on foreign entry and 21.restrictions on foreign ownership of land in the JMC survey. Similarly, category ii) corresponds to 2.local content requirements, 3.export requirements, and 18.technology transfer requirements: category iii) 11.foreign remittances, 12.control of foreign exchange, and category iv) 16.employment in the JMC survey.

specific types of local people). All of these problems can certainly be impediments to new foreign entry or expansion of investment by existing foreign firms.

The six categories of impediments related to FDI facilitations are as follows: v) “lack of transparency in policies and regulations concerning investment (institutional problems)”, vi) “complicated and/or delayed procedures with respect to investment-related regulations (implementation problems)”, vii) “insufficient protection of intellectual property rights (IPRs)”, viii) “labor regulations and related practices excessively favorable to workers”, ix) “underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives”, and x) “restricted competition and price controls”.⁸

Categories v) “lack of transparency in policies and regulations concerning investment” and vi) “complicated and/or delayed procedures with respect to investment-related regulations” cover issues concerning various investment-related regulations in

⁸ Category v) corresponds to 5. regulations on policies of supporting industries, 7. implementing procedure for Foreign Capital Act, 8.issues of FDI hosting agencies, 9.regulations on export/import activities and customs clearance, 10.restrictions on activities in free trade zones (FTZs)/special economic zones (SEZs), 14.taxiation, 19.(industrial) standards and conformity, 22.issues of environmental pollution and waste disposal, 24.lack of legal regulations/sudden changes in regulations, and 26.others in the JMC survey. Note that some of the issues in these categories in the JMC survey are classified as those in category vi) when they are the issue of implementation. In addition, category vi) includes 4.regulations on withdrawal of operations and 23.inefficient administrative procedures of various regulations, in the JMC survey. Category vii) is composed of 17.problems of IPRs, category viii) consists of a part of 16.labor, the category ix) includes 6.diminished incentives for FDI, 13.finance, 16.labor (human capital-related), and 26.others (infrastructure-related), and category x) takes in 15.price control and 20.monopoly.

terms of institutional problems and implementation problems, respectively. Category v) “lack of transparency in policies and regulations concerning investment” is specifically concerned with sudden and/or frequent changes (without notification in advance), non-transparency, ambiguity in various investment-related regulations and lack of certain regulations, while category vi) “complicated and/or delayed procedures with respect to investment-related regulations” covers problems in implementing regulations on establishments, approval of foreign entry, taxation, customs clearance, withdrawal/reorganization of operations, arbitrary and/or inconsistent interpretation and implementation of various regulations, and other such matters. Examples of problems in categories vii) “insufficient protection of IPRs”, viii) “labor regulations and related practices excessively favorable to workers”, ix) “underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives”, and x) “restricted competition and price controls” include the following: insufficient protection of IPRs and issues involving patents for category vii), non-modern labor regulations that are excessively favorable to workers, such as difficulty in firing workers, drastic/frequent changes in minimum wage levels, never decreasing wages, and restrictions on temporary workers for category viii), underdeveloped physical infrastructure and logistics, shortages of human resources such as management staff and engineers, and high turnover ratios for category ix), and oligopolistic market structure and monopolistic pricing for category x).

Most of the problems classified into categories iv) to x) are not necessarily discriminatory measures aimed at foreigners but are, rather, domestic problems inside

the borders. These impediments could, however, directly and indirectly prevent potential investment from entering the economy. In other words, if a country solves these problems and improves the investment climate, it would receive a larger amount of investment than without such an improvement. Out of 10 major categories for FDI liberalization and facilitation, six are those concerning FDI facilitation. We emphasize the importance of implementing FDI facilitation measures, in addition to FDI liberalization measures, as will be discussed in the following section.

We conduct the analysis based on the methodology discussed above by using information obtained from the survey conducted by the Japan Machinery Center (JMC) for Trade and Investment. The JMC has annually collected and compiled the detailed survey, “Issues and Requests for Trade and Investment Activities by Country/Region”. This survey is based on responses to the “questionnaire on the problems in trade, investment, and production activities abroad,” conducted by the Japan Business Council for Trade and Investment Facilitation (JBCTIF). The JBCTIF has approximately 150 industry associations as members. The respondents to the questionnaire are its members involved in trade and FDI activities. We employ the 2009 version of the JMC survey (JMC survey 2009 hereafter), which was conducted from December 2008 to January 2009, with responses from 38 industry associations (in the case of ASEAN10). For a comparison, we also employ the results in Urata *et al.* (2007) , based on the 2005 version of this survey (JMC survey 2005 hereafter) and Urata and Ando (2009) based on the 2008 version (JMC survey 2008).

4.2. The Results

Table 4.2 summarizes the results of our analysis of the investment climate in 2009 in the ASEN10 countries, showing the number of incidents by category and country. Since the JMC survey deals with precisely the problems raised by firms in many industry associations which are members of the BCTIF, we first collect all the information on the countries concerned and identify the problems by country. We then classify these problems into 10 categories and collate them for all the countries, as shown in Table A.4.1 in the Appendix. Table 4.2 is constructed based on Table A.4.1. For a comparison, Table 4.3 presents the results of a similar analysis of the investment climate in 2008 and 2005.

Table 4.2. Investment Climate in ASEAN 10 Economies in 2009: The Number of Incidents by Category and Country

	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total	Share by category
(a) The number of Japanese affiliates in each country	1	10	659	6	759	10	419	991	1,577	332	4,764	
(b) Issues to be solved for FDI liberalization and facilitation												
<u>FDI liberalization</u>	0	0	17	0	11	8	10	1	19	8	74	20%
i) Restrictions on foreign entry	0	0	10	0	5	2	7	0	8	3	35	10%
ii) Performance requirements	0	0	3	0	3	0	0	0	3	2	11	3%
iii) Restrictions on overseas remittances and controls on foreign currency transactions	0	0	2	0	1	6	2	0	5	2	18	5%
iv) Restrictions on the movement of people and employment requirements	0	0	2	0	2	0	1	1	3	1	10	3%
<u>FDI facilitation</u>	0	14	51	4	44	20	42	6	50	58	289	80%
v) Lack of transparency in policies and regulations concerning investment (institutional problems)	0	5	13	0	13	8	7	0	12	18	76	21%
vi) Complicated and/or delayed procedures with respect to investment-related regulations (implementation problems)	0	3	23	1	14	7	16	0	24	19	107	29%
vii) Insufficient protection of intellectual property rights	0	0	1	0	2	0	3	0	1	1	8	2%
viii) Labor regulations and related practices excessively favorable to workers	0	0	2	0	5	0	10	3	3	4	27	7%
ix) Underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives	0	6	9	3	8	5	6	3	9	13	62	17%
x) Restricted competition and price controls	0	0	3	0	2	0	0	0	1	3	9	2%
Total	0	14	68	4	55	28	52	7	69	66	363	100%

Data source: authors' calculation, based on Toyo Keizai (2008) for (a) the number of Japanese affiliates abroad and JMC (2009) for (b) the issues to be solved for FDI.

Note: Japanese affiliates abroad are here defined as those with Japanese ownership of no less than 10%.

Table 4.3. Investment Climate in ASEAN 10 Economies in 2008 and 2005 : The Number of Incidents by Category and Country

	ASEAN10 in 2008											Share by category (%)	ASEAN7									
	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total		2005									
													Brunei	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam	Total (2005)	Total (2008)	Total (2009)
FDI liberalization	0	0	14	0	11	7	9	1	15	9	66	21%	0	10	17	11	3	16	16	73	59	66
i) Restrictions on foreign entry	0	0	10	0	5	2	6	0	8	4	35	11%	0	5	4	6	1	6	5	27	33	33
ii) Performance requirements	0	0	2	0	3	0	0	0	2	2	9	3%	0	2	5	2	0	1	5	15	9	11
iii) Restrictions on overseas remittances and controls on foreign currency transactions	0	0	0	0	1	5	2	0	3	2	13	4%	0	1	4	1	0	3	4	13	8	12
iv) Restrictions on the movement of people and employment requirements	0	0	2	0	2	0	1	1	2	1	9	3%	0	2	4	2	2	6	2	18	9	10
FDI facilitation	0	16	28	4	33	21	48	6	45	49	250	79%	1	52	36	37	6	53	34	219	209	251
v) Lack of transparency in policies and regulations concerning investment (institutional problems)	0	5	5	1	8	8	11	0	14	12	64	20%	1	14	10	10	1	14	6	56	50	63
vi) Complicated and/or delayed procedures with respect to investment-related regulations (implementation problems)	0	5	11	1	10	7	16	0	20	18	88	28%	0	21	14	12	0	24	14	85	75	96
vii) Insufficient protection of intellectual property rights	0	0	2	0	3	0	3	0	2	1	11	3%	0	4	3	1	0	2	2	12	11	8
viii) Labor regulations and related practices excessively favorable to workers	0	0	2	0	5	0	10	3	3	4	27	9%	0	3	5	6	3	3	2	22	27	27
ix) Underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives	0	6	6	2	7	5	8	3	5	11	53	17%	0	8	4	8	2	9	8	39	40	48
x) Restricted competition and price controls	0	0	2	0	0	1	0	0	1	3	7	2%	0	2	0	0	0	1	2	5	6	9
Total	0	16	42	4	44	28	57	7	60	58	316	100%	1	62	53	48	9	69	50	292	268	317

Data source: Urata, Ando, and Ito (2007), Urata and Ando (2009), and Table 4.1.

Four points should be kept in mind in interpreting these results. First, some problems can be classified into different categories from those in Table A.4.1. Some may be classified into two or more categories. In constructing Table A.4.1, such problems are classified into the most relevant categories in our classification.

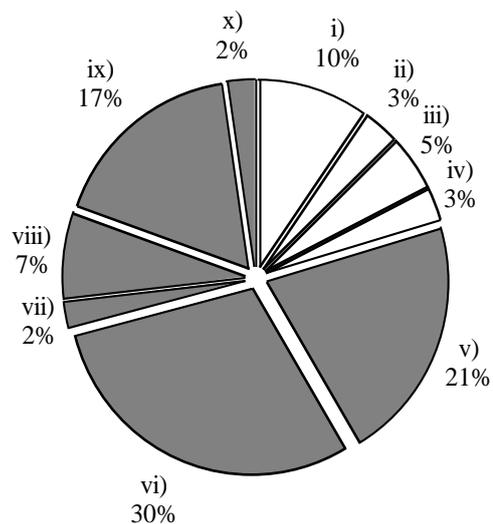
Second, the number of incidents in the tables indicates the presence of direct and indirect barriers to FDI (at least those identified). It does not, however, directly imply the degree of seriousness of the barriers distorting investment decisions.

Third, there is a possible bias in the identification of the problems in that the number of incidents tends to be high in countries where a large number of FDI projects are undertaken. As mentioned above, the respondents to the questionnaire on which JMC survey is based are those having trade with and/or investment in the countries concerned. Therefore, the countries in which Japanese firms are more active in trade and investment or those to which Japanese firms pay considerable attention as new investment locations, may tend to have a larger number of incidents since they are more likely to face various problems through their operations (Table 4.2). At the same time, the countries with fewer problems identified here do not necessarily receive a large amount of investment. The countries with a smaller number of Japanese firms involved may have a larger number of issues, in practice, than those identified here if firms were not able to enter those countries due to impediments, and the actual investment climate was not known. We will consider this point in interpreting the results for the individual countries below.

Fourth, most problems identified are those related to manufacturing activities. Since the major activity of most respondents is manufacturing, impediments to FDI in non-manufacturing sectors might be underestimated.

Table 4.2 and Figure 4.1 give an overall picture of direct and indirect impediments to investment in ASEAN10. Various sorts of indirect barriers to FDI exist in the region: 80 percent of the total problems identified (287 out of 362) are concerned with FDI facilitation. This finding indicates that there is plenty of room to improve FDI facilitation in order to promote FDI in ASEAN. In particular, more than half the problems fall into two categories v) institutional problems (lack of transparency in policies and regulations on investment) and vi) implementation problems (complicated and/or delayed procedures with respect to investment-related regulations; these account for 21 percent and 30 percent of the total incidents, respectively. Although neither institutional nor implementation problems are necessarily discriminatory against foreign firms, as discussed above, they need to be resolved to promote investment activity in the region.

Figure 4.1. Decomposition of the incidents into 10 categories: ASEAN 10 in 2009



Data source: Table 4.2.

Note: i) to iv) indicates four categories for FDI liberalization and v) to x) indicates six categories for FDI facilitation. Figures express shares of each category. See Table 4.1. for 10 categories.

The major problems identified in many countries for category v) are underdevelopment, lack of transparency, ambiguity, sudden changes, frequent changes, and uncertainty of various legal regulations and institutions, particularly those concerning taxation, investment incentives, safety and environmental standards and conformity, and financial markets, including exchange rates. The major problems for category vi) are complexity, delay, difficulty, and inefficiency of various administrative procedures, arbitrary interpretation in implementing regulations, corruption, smuggling, particularly complicated customs clearance procedures, delayed, difficult, inefficient, and complicated procedures for visa application and renewal, import tariff reimbursement/exemption, value-added tax exemption (including non-implementation) procedures, taxation, and withdrawal of business, arbitrary and/or inconsistent interpretation and implementation of safety certification, customs clearance, and arbitrary tax collection.⁹

Categories v) and vi) are followed by another category classified under FDI facilitation, category ix) underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives (17 percent of total incidents). It suggests that an access to necessary infrastructure, human resources, and investment incentives is also an important factor for firms in making the decision to entering a new country or expand operations in the host country. Major problems in category ix) are as follows: difficulty in hiring and securing human resources due to shortages of management staff and engineers, high turnover ratios, underdevelopment of industrial

⁹ Delays in procedures are sometimes a result of their complicated nature.

infrastructure such as electric power, paved roads and transportation, and ports, insufficient investment incentives for the development of supporting industries, and immaturity of financial markets.

Categories other than v), vi), and ix) are arranged in descending order in terms of the percentage of the total number of incidents: category i) restrictions on foreign entry (10 percent), category viii) labor regulations and related practices excessively favorable to workers (7 percent), category iii) restrictions on overseas remittances and controls on foreign currency transactions (5 percent), category ii) performance requirements (3 percent) category iv) restrictions on the movement of people and employment requirement (3 percent), category vii) insufficient protection of IPRs (2 percent) and category x) restricted competition and price controls (2 percent). Although relatively low percentages for the categories for FDI liberalization imply that issues involving direct barriers to FDI (problems preventing FDI liberalization) are not so serious as those involving indirect barriers to FDI (problems preventing FDI facilitation) in the region, they are critical impediments in some low-income countries.

Major problems for category i) include prohibition of or restrictions on foreign entry (for specific sectors), restrictions on foreign ownership ratios, joint venture requirements (with specified business partners), and restrictions on foreign ownership of land. The problems for category viii) include difficulty in firing workers, wage-related issues such as rapidly rising wage levels, dramatic increases in minimum wage levels, and no allowance for lowering wage levels, and labor regulations and related practices that are excessively favorable to workers. The problems for category iv)

include a nationality requirement for directors, restrictions on hiring foreigners including requirements of hiring local people (or specific types of local people), and difficulty and tightened issuance conditions in obtaining and/or renewing visas. The problems for category vii) include widespread counterfeiting of goods and pirated copying due to insufficient protection of IPRs, lack of intellectual property rights treaties, and infringements of trademark rights and patents. Those for category ii) include local content requirements and their strengthening, and investment incentives linked with export requirements, technological transfer requirements, and hiring local people. Those for category iii) include restrictions on overseas remittances and restrictions on the amounts, payment by, and use of foreign currencies. Those for category x) include monopolistic energy supply and discriminatory raising of its prices, and discriminatory pricing for loads at ports.

To capture changes in the investment climate in ASEAN countries, let us compare the patterns of pervasiveness of the identified problems in 2009, with those in 2005 provided by Urata *et al.*(2007) and those in 2008 provided by Urata and Ando (2009). ASEAN countries available for a comparison between 2009/2008 and 2005 are composed of seven countries that are the members both of ASEAN and APEC. Table 4.3 presents the results for the investment climate in 2008 in ASEAN10 and that in 2005 in ASEAN7: it shows the number of incidents by category and country. As the figure suggests, ASEAN7 as a whole saw a decline in the number of the issues directly preventing FDI, while it saw an increase in the number of issues indirectly preventing FDI: the number of incidents drops from 73 to 66 for FDI liberalization, though the

number of incidents rises from 219 to 251 for FDI facilitation. In particular, issues due to complicated and/or delayed procedures with respect to investment-related regulations (implementation problems) increase from 85 to 96. This suggests that ASEAN countries explicitly improved their investment climate, but at the same time, more and more indirect barriers to FDI emerged, partly reflecting more active and deepening operations by Japanese firms in ASEAN countries than before, who are therefore more likely to face various problems through their operations.

Wide variations among the ASEAN countries, however, do exist. Although we cannot strictly conduct a comparative analysis among the countries due to the nature of the survey, the tables provide several interesting findings. First, various problems have prevailed in Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. Second, among those five countries, Indonesia (from 62 to 67), the Philippines (from 48 to 53), and Vietnam (from 50 to 66) have increased in the total number of issues by five or above. In particular, in the Philippines and Vietnam, countries recently attracting new FDI, the number of incidents increased substantially in categories for institutional problems, and implementation problems for investment-related policies and regulations and labor regulations, and practices excessively favorable to workers. Third, Indonesia and Thailand have increased in the number of issues identified in categories for FDI liberalization and decreased in the number for FDI facilitation, while the opposite is true for Malaysia. The Philippines and Vietnam are unchanged or have increased in both categories for FDI liberalization and facilitation.

To sum up, ASEAN economies as a whole tend to have improved the explicit investment climate as the number of the incidents revealing problems preventing FDI directly declined in so far as FDI liberalization is concerned. Direct barriers to FDI, however, still remain. Further efforts to reduce them by ASEAN countries are necessary, if they want to attract FDI. At the same time, the reduction of indirect barriers to FDI or the promotion of FDI facilitation is also indispensable, as the increasing number of issues identified in categories for FDI facilitation suggests. Particularly important areas for improvement include institutional problems, complicated and delayed procedures, underdeveloped infrastructure, inflexible labor market conditions (such as difficulty in hiring and firing workers and burdensome labor regulations and wage-related issues), and problems involving taxation regulations (including double taxation problems due to lack of double taxation treaties). As mentioned above, further indirect barriers to FDI have tended to emerge, partly reflecting more active and deepening operations by Japanese firms in ASEAN countries than before, who are therefore more likely to face various problems because of their operations. Thus the increasing number does not necessarily indicate the implementation of new barriers. However, such a growing number clearly implies that further efforts to improve the investment climate through various facilitation measures are expected.

Discussion by country

In the following, we briefly discuss major problems by country.

Brunei (0 incident, 1 Japanese affiliate)

For Brunei, no problems are identified in JMC Survey 2009, though one problem was identified in JMC Survey 2005 in category v) lack of transparency in policies and regulations concerning investment: ambiguity of government procurement procedures. It should be noted that few Japanese affiliates operate in Brunei, leading to low probability of incidents.¹⁰

Cambodia (14 incidents, 10 Japanese affiliates)

The categories with issues identified are v) lack of transparency in policies and regulations concerning investment (5),¹¹ vi) complicated and/or delayed procedures with respect to investment-related regulations (3), and ix) underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives (6). The examples include underdevelopment, ambiguity, and lack of transparency of various legal regulations and institutions for category v), complexity of administrative

¹⁰ In Brunei, some non tariff measures (NTMs) are applied to many tariff lines, including technical measures for food industries, automatic licensing measures and import quotas for machinery industries, and automatic and non-automatic licensing measures for chemical and wooden industries. These measures may influence the investment climate indirectly. See Ando (2009) and Ando and Obashi (2009) for an analysis of NTMs, using frequency ratios of NTMs by type and industry.

¹¹ The number of incidents is shown in parenthesis.

procedures of customs clearance, arbitrary interpretation in implementing customs and taxations, and corruption for category vi), inadequate infrastructure such as electricity supply, road and traffic, and telecommunication, and underdevelopment of financial markets for category ix).

Indonesia (68 incidents, 659 Japanese affiliates)

Major categories are vi) complicated and/or delayed procedures with respect to investment-related regulations (23), v) lack of transparency in policies and regulations concerning investment (13), i) restrictions on foreign entry (10), and ix) underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives (9). While the number of incidents slightly declined in the categories concerning FDI facilitation from 52 in 2005 to 50 in 2009, the number of issues increased in those relating to FDI liberalization from 10 in 2005 to 14 in 2008 and 17 in 2009. As a result, the total number of incidents slightly increased from 62 in 2005 to 67 in 2009. One should note that the number of incidents of restrictions on foreign entry, which is one of the categories for FDI liberalization, increased from 5 to 10. Such a change seems to have been caused by the introduction of a more restrictive “new negative list” (in effect since July 2007) which specifies the sectors in which no foreign entry is allowed, as well as sectors subject to certain conditions for foreign equity participation, particularly in the service sectors. Examples include complexity, delay, and inefficiency of various administrative procedures, arbitrary interpretation in implementing regulations, and corruption under category vi), underdevelopment,

ambiguity, and sudden and frequent changes of various legal regulations and institutions under category v), restrictions on foreign ownership ratios in specific sectors mainly in services sectors and joint venture requirements under category i), and insufficient infrastructure under category ix).

Lao PDR (4 incidents, 6 Japanese affiliates)

The categories with issues identified are vi) complicated and/or delayed procedures with respect to investment-related regulations (1) and ix) underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives (3). Examples include delayed procedures for customs clearance under category vi) and inadequate infrastructure such as road and traffic, and underdevelopment of financial markets under category ix).

Malaysia (55 incidents, 759 Japanese affiliates)

The number of incidents increased in categories for FDI facilitation, mainly in categories covering institutional and implementation problems for investment-related regulations. As a result, the total number of incidents slightly increased from 53 to 55 without change in the number of issues in categories for FDI liberalization. The major categories are vi) complicated and/or delayed procedures with respect to investment-related regulations (14), v) lack of transparency in policies and regulations concerning investment (13), and ix) underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives (8). Examples include complexity, delays, and

difficulty of administrative procedures and arbitrary interpretation in implementing regulations under category vi), lack of transparency and instability of regulations and taxation issues under category v), and difficulty in hiring and securing human resources due to shortages of management staff and engineers, high turnover ratios, and issues involving investment incentives, and inadequate infrastructure such as electricity supply and road and traffic under category viii).

Myanmar (28 incidents, 10 Japanese affiliates)

The total number of incidents did not change from 2008 to 2009. The major categories are v) lack of transparency in policies and regulations concerning investment (8), vi) complicated and/or delayed procedures with respect to investment-related regulations (7), iii) restrictions on overseas remittances and controls on foreign currency transactions (6), and ix) underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives (5). The examples are underdevelopment and ambiguity of legal systems, and regulations such as the double exchange rates regime, double taxation due to lack of tax treaties, and taxation under category v), complexity and delay of administrative procedures such as customs clearance and overseas remittances under category vi), ambiguity and strengthened regulations on overseas remittances and various controls on foreign currency

transactions under category iii), and underdevelopment or lack of infrastructure such as electricity supply, ports, and airports under category ix).¹²

The Philippines (53 incidents, 419 Japanese affiliates)

The number of incidents in the Philippines increased in categories for FDI facilitation from 37 to 42, particularly due to a growing number of issues related to implementation problems for investment-related policies and regulations and labor regulations and practices excessively favorable to workers. Consequently, the total number of incidents increased from 48 to 53, though the number of incidents did not change in categories for FDI liberalization as a whole. The major categories are vi) complicated and/or delayed procedures with respect to investment-related regulations (16), viii) labor regulations and related practices excessively favorable to workers (10), i) restrictions on foreign entry (8), v) lack of transparency in policies and regulations concerning investment (7), and ix) underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives (6). The issues in the Philippines are spread widely across many categories: complexity, delays, and inefficiency of administrative procedures, arbitrary interpretation in implementing regulations, and corruption under category vi), various labor restrictions under category viii), a restrictions on foreign entry into specific sectors under category i), ambiguity, sudden and frequent changes of regulations and standards and conformity issues under category v), and high turnover ratios, underdeveloped infrastructure such as electricity

¹² See Ando (2009) for multiple exchange rate regimes in Myanmar.

and road and traffic, and insufficient incentives for foreign investment and supporting industries under category ix).

Singapore (7 incidents, 991 Japanese affiliates)

The categories with the largest number of incidents, although they are very few, for Singapore are viii) labor regulations and related practices excessively favorable to workers (3) and ix) underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives (3). The issues reflect rapid increases in wage levels, the increasingly heavy burden of employee pensions, the burden of educational funding, and difficulty in hiring and securing human resources due to shortages of management staff and engineers, and high turnover ratios.

Thailand (68 incidents, 1577 Japanese affiliates)

Thailand is the country where the number of reporting Japanese affiliates is the largest among ASEAN countries, and thus it potentially receives many requests to improve its investment climate. The total number of incidents slightly dropped from 69 to 68. While the number of incidents declined in categories for FDI facilitation from 53 to 49, the number increased in categories for FDI liberalization from 16 to 19. As a result, the total number of incidents is more or less the same for 2005 and 2009. The major categories recording the incidents are vi) complicated and/or delayed procedures with respect to investment-related regulations (24), v) lack of transparency in policies and regulations concerning investment (12), i) restrictions on foreign entry

(8), and ix) underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives (8). Examples include complexity and delays in administrative procedures and arbitrary interpretation in implementing regulations under category vi), underdevelopment and lack of transparency of various regulations and taxation issues under category v), restrictions on foreign entry under category i), and high turnover ratios and inadequate infrastructure under category ix).

Vietnam (66 incidents, 332 Japanese affiliates)

Vietnam has been active in hosting FDI in recent years, and thus an increasingly large number of issues are likely to be reported; the total number of incidents gradually increased from 50 in 2005 to 58 in 2008 and 66 in 2009. The number of incidents noticeably increased in categories for FDI facilitation from 34 to 58, particularly due to a growing number of issues in terms of institutional problems and implementation problems for investment-related policies and regulations, and underdeveloped infrastructure and shortage of human resources. Consequently, the total number of incidents increased, though the number declined in categories for FDI liberalization as a whole from 16 to 8. Major categories registering incidents are vi) complicated and/or delayed procedures with respect to investment-related regulations (19), v) lack of transparency in policies and regulations concerning investment (18), and ix) underdeveloped infrastructure, shortages of human resources, and insufficient investment incentives (13). The examples are complexity and delay of administrative procedures and arbitrary implementation of customs clearance under category vi),

underdevelopment, ambiguity, and sudden changes in various regulations under category v), and underdeveloped infrastructure and difficulty in hiring and securing human resources due to shortages of management staff and engineers under category ix).

5. Concluding Remarks and Policy Recommendations

Our analysis of the FDI climates of the ASEAN countries revealed that impediments to FDI are found not only in the policies but also in their implementation and enforcement. As for the openness/restrictiveness of FDI policies, we found wide variations among the countries and sectors. One of the most important findings of our study is the importance of impediments concerning movement of investors, and the screening and appraisal procedures related to FDI applications. The impediments concerning screening and appraisal concern not only the rules or policies but also the practices in the forms of lack of transparency and complicated/delayed processing.

Our findings indicate the need for further liberalization of FDI policies and promotion of facilitation measures for ASEAN countries in order to successfully attract FDI. In order to achieve these goals, we would like to make several policy recommendations. First, in order to promote FDI policy liberalization, the ASEAN countries should use various existing frameworks, such as WTO/GATT's TRIMs agreement, BITs, FTAs, and other legal frameworks. In particular, ASEAN should use the ASEAN Comprehensive Investment Agreement (ACIA). Second, to overcome

obstacles concerning FDI facilitation, the ASEAN countries should actively use various cooperation programs with developed countries to improve human resources engaged in the implementation and enforcement of FDI policies. Possible multilateral and regional sources of technical assistance in this area may be UNCTAD, the OECD, and ERIA. Third, monitoring of the achievement of FDI liberalization and facilitation has to be emphasized, in order to achieve a freer FDI environment. In this regard, a monitoring mechanism should be established in ASEAN, if it has not been established yet, or in ERIA. Finally, firm surveys on foreign companies from various countries, in addition to those from Japan which are utilized in our study, should be conducted to identify FDI impediments.

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Table A2.1 GCI components and notable competitive disadvantages

	2009-2010								2008-2009								
	Brunei	Cambodia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam	Brunei	Cambodia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam	
Overall GCI ranking	32	110	54	24	87	3	36	75	39	109	55	21	71	5	34	70	
Basic requirements																	
1. Institutions																	
<i>Public institutions</i>																	
Property rights																	
1.01	Property rights	49	108	81	40	97	73	66	62	118	117	38	92	61	75		
1.02	Intellectual property protection	51	103	67	37	98	77	93	52	110	102	33	89	55	94		
Ethics and corruption																	
1.03	Diversion of public funds		98	59	48	122	63	82		92	68	39	117	56	84		
1.04	Public trust and politicians		59	52	33	130	71			70	59		123	64			
Undue influence																	
1.05	Judicial independence	46	111	66	53	94	19	54	68	54	118	80	47	83	15	53	75
1.06	Favoritism in decisions of government officials	32	71		37	128		66	57		87		28	117	49	70	
Government inefficiency (red tape, bureaucracy and waste)																	
1.07	Wastefulness of government spending		57			119	43	76			81		120	34	83		
1.08	Burden of government regulation	39	72			113	50	106		58	87		109	47	105		
1.09	Efficiency of legal framework in setting disoutes	32	72	59	36	123	42		47	91	66	21	104	49	56		
	Efficiency of legal framework in challenging regs	55	65	52	40	109	50										
1.10	Transparency of government policymaking	46	106	87	30	104	60	53		76	121		85	60	58		
Security																	
1.11	Business costs of terrorism		94	89	97	124	79	107	99		98	81	82	125	76	107	99
1.12	Business costs of crime and violence		77	62	95	96	10	61	72		79	74	93	50	58		
1.13	Organized crime		84	81	83	102	73	85		83	61	75	92	63	85		
1.14	Reliability of police services	38	113	79	48	101	88			42	115	85	37	98	71		
<i>Private institutions</i>																	
Corporate ethics																	
1.15	Ethical behaviour of firms	37	90	102	44	116	64	63		50	99	97	30	102	69	73	
Accountability																	
1.16	Strength of auditing and accounting standards	51	113	76	43	61	52	108		63	126	75	33		58	106	
1.17	Efficacy of corporate boards	42	89		25	62	73	78		43	72		25	53	66	85	
1.18	Protection of minority shareholders' interests	61	101			77	43	66		93	106		25	54	46	75	
2. Infrastructure																	
2.01	Quality of overall infrastructure	37	82	96	27	98	41	111		39	82	96		94	35	97	
2.02	Quality of roads		77	94	24	104		102			80	105		94		102	
2.03	Quality of railroad infrastructure	n.a.	94	60		92	52	58	n.a.	97	58		85	48	66		
2.04	Quality of port infrastructure	42	89	95		112	47	99		91	104		100	48	112		
2.05	Quality of air transport infrastructure	47	88	68	27	100		84		87	75		89		92		
2.06	Available seat kilometres	90	91				17			86	91		22	17			
2.07	Quality of electricity supply	47	121	96	39	87	12	41	103	45	117	92	31	82	13	43	104
2.08	Telephone lines	64	127	79	72	102	27	84		61	132	100	71	105	30	86	
3. Macroeconomy																	
3.01	Government surplus/deficit		72	74	110	60	18		110		71	84	109	64		96	86
3.02	National savings rate		98			83	10				93		84				
3.03	Inflation		120	80	40	79	51	41	126		74	79	25		24		103
3.04	Interest rate spread	52	119	60		47	57	51		52	122	74	31	64	59	48	
3.05	Government debt	..		56	74	101	126	66	81		52	63	74	96	121	66	76
4. Health and primary education																	
<i>Health</i>																	
4.01	Business impact of malaria	85	108	97	86	101		79	91	89	105	93	76	87	56	60	79
4.02	Malaria incidence	75	107	105	84	90		95	86	74	109	96	84	91		93	90
4.03	Business impact of tuberculosis	86	106	92	80	109	35	66	88	85	109	86	65	102	29	57	88
4.04	Tuberculosis incidence	71	127	108	89	113	48	97	100	80	127	109	88	115	46	96	100
4.05	Business impacts of HIV/AIDS	72	109	88	81	69	26	104	82	69	109	78	67	61	19	97	75
4.06	HIV prevalence		93	54	78		54	107	78		95		79		50	108	79
4.07	Infant mortality	41	110	85	50	82			63	39	125	88	47	83		70	64
4.08	Life expectancy	38	106	92	69	80		87	69		108	89	66	89	12	66	66
<i>Primary education</i>																	
4.09	Quality of primary education		114	58	31	78		69	80		122	51	23	72		64	96
4.10	Primary enrolment	74	90	56	28	81	36	53	71	64	87		76	38	61	55	
4.11	Education expenditure	82	124	127	24	118	109	44	103	101	121	126		113	110	46	100
Efficiency enhancers																	
5. Higher education and training																	
<i>Quantity of education</i>																	
5.01	Secondary enrolment	37	114	93	98	83	17	82	100		115	102	95	79	21	85	100
5.02	Tertiary enrolment	95	114	90	71	74	29	43	107	94	117	91	71	72	31	44	106
<i>Quality of education</i>																	
5.03	Quality of the educational system	39	101			50		67	85	48	112					53	120
5.04	Quality of math and science education	40	115	50	34	94		62	53	53	122		21	100		55	72
5.05	Quality of management schools	74	120	51	34			59	111	88	123		23		49	120	
5.06	Internet access in schools	37	105	59	40	66		41	58		107	58	40	56		42	62
5.07	Local availability of specialized research and training services	108	106		26	83	14	61	89	105	115		27	51	13	58	76
5.08	Extent of staff training	54	86					62		61	107					51	72

(Continue)

	2009-2010								2008-2009								
	Brunei	Cambodia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam	Brunei	Cambodia	Indonesia	Malaysia	Philippines	Singapore	Thailand	Viet Nam	
6. Goods Market efficiency																	
6.01	Intensity of local competition	75	112		42	81	21	41	62	81	118	31	74	30	45	56	
6.02	Extent of market dominance	72	88		32	108	11	59		61	88	24	104	11	60		
6.03	Effectiveness of anti-monopoly policy	71	105		47	87		53	56	83	118	40	77	20	66	91	
6.04	Extent and effect of taxation		50		30	68		40					65		53		
6.05	Total tax rate	55		54	41	93	18	56	61	47		40	99		49	61	
6.06	Number of procedures required to start a business	126	78	99	75	120		60	99	125	75	103	58	120	44	91	
6.07	Time required to start a business	126	124	121	33	113		89	111	125	120	123	51	107	77	105	
6.08	Agricultural policy costs					97		70					76		52		
6.09	Prevalence of trade barriers	40	96		83	98		80	103	80	105	70	95	101	110		
6.10	Trade-weighted tariff rate	45	107	71	68	50		78	126	70	107	66	72	52	81	126	
6.11	Prevalence of foreign ownership	108	77		68	102		80	107	121	75	67	98	89	104		
6.12	Business impact of rules on FDI	78			43	97		44		81	70	47	97	68			
6.13	Burden of customs procedures	36	102	83	28	117		60	91	110	95	27	105	52	91		
6.14	Degree of customer orientation	60	69	54	26		10		80	62	85	22			91		
6.15	Buyer sophistication	101	58		25	73		46		99	65	23			44		
7. Labor Market efficiency																	
7.01	Cooperation in labor-employer relations		105			65					113		71			91	
7.02	Flexibility of wage determination	33	75	92	54	96		89	79		84	79	42	108	91	101	
7.03	Non-wage labor costs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			60		46		69	
7.04	Rigidity of employment		92	82		68					90	87		61			
7.05	Hiring and firing practices	78			46	110				79		42	101		39		
7.06	Firing costs		71	119	96	109		84	104		70	117	95	108	84	103	
7.07	Pay and productivity		50			74		38			64		57		43		
7.08	Reliance on professional management	65	109	55	29			61	82	82	121	22			59	95	
7.09	Brain drain	33	51		31	104			76		55	29	116	13	88		
7.10	Female participation in labor force	69		104	107	99	84	53		109		102	107	86	83	38	
8. Financial markets sophistication																	
8.01	Financial market sophistication	64	120	56	31	71			98		68	114	72	31	57	37	106
8.02	Financing through local equity market	117	130			54				126	134		54	18			
8.03	Ease of access to loans	42	95			88			69	62	107	65	89	11	44	91	
8.04	Venture capital availability	62	78			87		49	50	78	95		77	12	53	59	
8.05	Restriction on capital flows	56	85		60	68		89	80	71	62		67	75	104	84	
8.06	Strength of investor protection	90	55			100			126	86			107		123		
8.07	Soundness of banks	39	114	96	38	58		43	111	61	125	121	50	72	13	75	113
8.08	Regulation of securities exchanges	101	126		30	77			90	101	130		32	66	36	81	
8.09	Legal rights index	36		98		98		83			128	52		93	52		
9. Technological readiness																	
9.01	Availability of latest technologies	51	100	72	36	57	14	53	81	59	109	61	29	52	14	50	71
9.02	Firm-level technology absorption	57	93	65	37	54	13	61	51	53	106	65	21		13	61	54
9.03	Laws relating to ICT	72	118	65	26	71		68	70	85	122	71		60	61	72	
9.04	FDI and technology transfer	92	56			72		50		82	94				48	57	
9.05	Mobile telephone subscribers	65	118	94	51	83	10		79	53	120	100	56	84	15	72	114
9.06	Internet users	39	129	87		106	15	75	76	130	107		101	15	78	70	
9.07	Personal computers	68	125	103	41	71		78	62	67	128	105	38	70	72	63	
9.08	Broadband Internet subscribers	67	106	101	55	89	22	78	77	57	108	100	51	96	22	94	79
10. Market size																	
10.01	Domestic market size	121	92		36		49			123	96	35		53			
10.02	Foreign market size	91	85				11			92	79			11			
Innovation and sophistication factors																	
11. Business sophistication																	
Networks and supporting industries																	
11.01	Local supplier quantity	63	125	50	27	75	44		74	63	126		77	44		79	
11.02	Local supplier quality	78	114	58	42	77	28	40	92	82	117	57	32	64	22	40	97
Sophistication of firms' operations and strategy																	
11.03	State of cluster development	72	55			59				78	60			56			
11.04	Nature of competitive advantage	50	73		31	59	13	63	105	39	86	29		16	67	126	
11.05	Value-chain breadth	126	101			61	12	42	77	128	88	26		14	54	91	
11.06	Control of international distribution	78	123		31	64	60	62	89	127	123			67	57	83	119
11.07	Production process sophistication	91	111	60	33	83	13	66	73	87	107	72	27	77	14	68	94
11.08	Extent of marketing	93	114	56	35	58	14	47	76	106	117	55	29		17	47	98
11.09	Willingness to delegate authority	68	111				19	76	79	104	120			15	67	96	
12. Innovation																	
12.01	Capacity for innovation	91	92		25	70	18	59		103	107	53	21	63	19	64	
12.02	Quality of scientific research institutions	97	107		28	102	12	60	64	93	120			86	13	57	85
12.03	Company spending on research and development	70	81			61		47		92	75				54		
12.04	University-industry research collaboration	75	109			89		44	59	76	106	54		63	38	70	
12.05	Government procurement of advanced technology products	32	76			119		58		45	85	87		110	48		
12.06	Availability of scientists and engineers	110	113		33	95	14	54	62	117	126		24	92	22	56	51
12.07	Utility patents	90	90	87	29	78	11	68	90	88	88	84	29	68	11	69	88

Data source: World Economic Forum (2008, 2009)

Note: variables considered as disadvantages are those ranked below 10 for Singapore with an overall ranking in the top 10 economies, those ranked equal to or lower than the economy's overall ranking for Brunei, Malaysia, Thailand, with an overall ranking from 11 to 50, and those ranked lower than 50 for Cambodia, Indonesia, the Philippines and Viet Nam with an overall ranking lower than 51.

Table A3.1 Assessment of FDI Policy Regimes by Country

Brunei Darussalam	Total	Market access	NT	Screening	Directors	People	Performance
All sectors	0.394	0.243	0.795	0.434	0.590	0.180	0.180
A - Agriculture, forestry and fishing	0.240	0.10	0.75	0.00	0.50	0.00	0.00
B - Mining and quarrying	0.226	0.02	0.75	0.18	0.50	0.00	0.00
C - Manufacturing	0.239	0.05	0.75	0.19	0.50	0.00	0.00
D - Electricity, gas, steam and air conditioning supply	1.000	1.00	1.00	1.00	1.00	1.00	1.00
E - Water supply; sewerage, waste management and remediation activities	1.000	1.00	1.00	1.00	1.00	1.00	1.00
F - Construction	0.343	0.28	0.75	0.30	0.50	0.00	0.00
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.200	0.00	0.75	0.00	0.50	0.00	0.00
H - Transportation and storage	0.360	0.20	0.80	0.20	0.60	0.20	0.20
I - Accommodation and food service activities	0.200	0.00	0.75	0.00	0.50	0.00	0.00
J - Information and communication	0.245	0.00	0.75	0.45	0.50	0.00	0.00
K - Financial and insurance activities	0.290	0.00	0.75	0.90	0.50	0.00	0.00
L - Real estate activities	0.200	0.00	0.75	0.00	0.50	0.00	0.00
M - Professional, scientific and technical activities	0.281	0.11	0.75	0.39	0.50	0.00	0.00
N - Administrative and support service activities	0.200	0.00	0.75	0.00	0.50	0.00	0.00
O - Public administration and defence; compulsory social security	1.000	1.00	1.00	1.00	1.00	1.00	1.00
P - Education	0.290	0.00	0.75	0.90	0.50	0.00	0.00
Q - Human health and social work activities	0.290	0.00	0.75	0.90	0.50	0.00	0.00
R - Arts, entertainment and recreation	0.468	0.25	0.81	0.93	0.63	0.25	0.25
S - Other service activities	0.467	0.33	0.83	0.33	0.67	0.33	0.33
T - Activities of households as employers; undifferentiated goods- and services-pr	0.245	0.00	0.75	0.45	0.50	0.00	0.00
U - Activities of extraterritorial organizations and bodies	0.500	0.75	0.75	0.00	0.50	0.00	0.00

Cambodia	Total	Market access	NT	Screening	Directors	People	Performance
All sectors	0.242	0.140	0.183	0.622	0.000	0.750	0.117
A - Agriculture, forestry and fishing	0.200	0.10	0.00	0.75	0.00	0.75	0.10
B - Mining and quarrying	0.340	0.20	0.75	0.10	0.00	0.75	0.25
C - Manufacturing	0.135	0.10	0.00	0.10	0.00	0.75	0.10
D - Electricity, gas, steam and air conditioning supply	0.200	0.10	0.00	0.75	0.00	0.75	0.10
E - Water supply; sewerage, waste management and remediation activities	0.205	0.10	0.00	0.75	0.00	0.75	0.15
F - Construction	0.200	0.10	0.00	0.75	0.00	0.75	0.10
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.285	0.10	0.75	0.10	0.00	0.75	0.10
H - Transportation and storage	0.200	0.10	0.00	0.75	0.00	0.75	0.10
I - Accommodation and food service activities	0.200	0.10	0.00	0.75	0.00	0.75	0.10
J - Information and communication	0.267	0.20	0.35	0.32	0.00	0.75	0.10
K - Financial and insurance activities	0.170	0.10	0.00	0.45	0.00	0.75	0.10
L - Real estate activities	0.625	0.75	0.75	0.75	0.00	0.75	0.25
M - Professional, scientific and technical activities	0.280	0.10	0.40	0.75	0.00	0.75	0.10
N - Administrative and support service activities	0.220	0.10	0.10	0.75	0.00	0.75	0.10
O - Public administration and defence; compulsory social security	0.350	0.10	0.75	0.75	0.00	0.75	0.10
P - Education	0.200	0.10	0.00	0.75	0.00	0.75	0.10
Q - Human health and social work activities	0.200	0.10	0.00	0.75	0.00	0.75	0.10
R - Arts, entertainment and recreation	0.200	0.10	0.00	0.75	0.00	0.75	0.10
S - Other service activities	0.200	0.10	0.00	0.75	0.00	0.75	0.10
T - Activities of households as employers; undifferentiated goods- and services-pr	0.200	0.10	0.00	0.75	0.00	0.75	0.10
U - Activities of extraterritorial organizations and bodies	0.200	0.10	0.00	0.75	0.00	0.75	0.10

Indonesia	Total	Market access	NT	Screening	Directors	People	Performance
All sectors	0.375	0.364	0.198	0.789	0.308	0.546	0.255
A - Agriculture, forestry and fishing	0.320	0.40	0.00	0.75	0.25	0.50	0.10
B - Mining and quarrying	0.156	0.04	0.00	0.75	0.05	0.50	0.10
C - Manufacturing	0.265	0.21	0.14	0.75	0.14	0.50	0.14
D - Electricity, gas, steam and air conditioning supply	0.221	0.20	0.00	0.75	0.06	0.50	0.10
E - Water supply; sewerage, waste management and remediation activities	0.180	0.05	0.00	0.75	0.25	0.50	0.10
F - Construction	0.276	0.29	0.00	0.75	0.25	0.50	0.10
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.252	0.23	0.00	0.75	0.25	0.50	0.10
H - Transportation and storage	0.478	0.60	0.20	0.80	0.40	0.50	0.28
I - Accommodation and Food service activities	0.280	0.30	0.00	0.75	0.25	0.50	0.10
J - Information and communication	0.496	0.53	0.46	0.79	0.38	0.50	0.25
K - Financial and insurance activities	0.372	0.53	0.00	0.75	0.25	0.50	0.10
L - Real estate activities	0.950	1.00	1.00	1.00	1.00	0.50	1.00
M - Professional, scientific and technical activities	0.256	0.24	0.00	0.75	0.25	0.50	0.10
N - Administrative and support service activities	0.596	0.60	0.58	0.83	0.50	0.67	0.40
O - Public administration and defence; compulsory social security	1.000	1.00	1.00	1.00	1.00	1.00	1.00
P - Education	0.275	0.25	0.00	0.75	0.25	0.50	0.25
Q - Human health and social work activities	0.564	0.62	0.33	0.83	0.50	0.67	0.50
R - Arts, entertainment and recreation	0.533	0.56	0.44	0.81	0.44	0.63	0.33
S - Other service activities	0.135	0.00	0.00	0.75	0.00	0.50	0.10
T - Activities of households as employers; undifferentiated goods- and services-pr	0.135	0.00	0.00	0.75	0.00	0.50	0.10
U - Activities of extraterritorial organizations and bodies	0.135	0.00	0.00	0.75	0.00	0.50	0.10

Lao PDR	Total	Market access	NT	Screening	Directors	People	Performance
All sectors	0.428	0.392	0.410	0.608	0.250	0.793	0.245
A - Agriculture, forestry and fishing	0.475	0.50	0.75	0.50	0.00	0.75	0.00
B - Mining and quarrying	0.245	0.30	0.00	0.50	0.00	0.75	0.00
C - Manufacturing	0.243	0.27	0.00	0.50	0.00	0.75	0.10
D - Electricity, gas, steam and air conditioning supply	0.650	0.75	0.75	0.50	0.75	0.75	0.00
E - Water supply; sewerage, waste management and remediation activities	0.165	0.10	0.00	0.50	0.00	0.75	0.00
F - Construction	0.813	0.84	0.92	0.84	0.67	0.75	0.67
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.230	0.20	0.00	0.50	0.00	0.75	0.25
H - Transportation and storage	0.318	0.42	0.00	0.50	0.00	0.75	0.25
I - Accommodation and Food service activities	0.165	0.10	0.00	0.50	0.00	0.75	0.00
J - Information and communication	0.475	0.47	0.33	0.67	0.33	0.83	0.38
K - Financial and insurance activities	0.315	0.10	0.75	0.50	0.00	0.75	0.00
L - Real estate activities	0.315	0.10	0.75	0.50	0.00	0.75	0.00
M - Professional, scientific and technical activities	0.315	0.10	0.75	0.50	0.00	0.75	0.00
N - Administrative and support service activities	0.337	0.28	0.29	0.58	0.17	0.75	0.17
O - Public administration and defence; compulsory social security	1.000	1.00	1.00	1.00	1.00	1.00	1.00
P - Education	0.165	0.10	0.00	0.50	0.00	0.75	0.00
Q - Human health and social work activities	0.165	0.10	0.00	0.50	0.00	0.75	0.00
R - Arts, entertainment and recreation	1.000	1.00	1.00	1.00	1.00	1.00	1.00
S - Other service activities	0.442	0.40	0.33	0.67	0.33	0.83	0.33
T - Activities of households as employers; undifferentiated goods- and services-pr	1.000	1.00	1.00	1.00	1.00	1.00	1.00
U - Activities of extraterritorial organizations and bodies	0.165	0.10	0.00	0.50	0.00	0.75	0.00

Malaysia	Total	Market access	NT	Screening	Directors	People	Performance
All sectors	0.438	0.320	0.833	0.250	0.397	0.562	0.227
A - Agriculture, forestry and fishing	0.345	0.10	1.00	0.10	0.10	0.60	0.25
B - Mining and quarrying	0.460	0.20	1.00	1.00	0.10	0.60	0.10
C - Manufacturing	0.314	0.13	0.78	0.21	0.21	0.30	0.34
D - Electricity, gas, steam and air conditioning supply	0.660	0.60	1.00	0.75	0.75	0.60	0.10
E - Water supply; sewerage, waste management and remediation activities	0.745	0.70	1.00	0.81	0.81	0.70	0.33
F - Construction	0.355	0.00	1.00	0.10	0.75	0.60	0.10
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.530	0.30	1.00	0.10	0.25	0.75	1.00
H - Transportation and storage	0.509	0.36	1.00	0.10	0.70	0.60	0.25
I - Accommodation and food service activities	0.562	0.38	1.00	0.50	0.75	0.60	0.25
J - Information and communication	0.610	0.60	1.00	0.10	0.75	0.60	0.25
K - Financial and insurance activities	0.527	0.43	1.00	0.10	0.75	0.60	0.10
L - Real estate activities	0.620	0.75	1.00	0.10	0.25	0.75	0.10
M - Professional, scientific and technical activities	0.331	0.23	0.39	0.29	0.36	0.71	0.25
N - Administrative and support service activities	0.196	0.10	0.33	0.03	0.17	0.60	0.10
O - Public administration and defence; compulsory social security	0.560	0.60	1.00	0.10	0.25	0.60	0.25
P - Education	0.560	0.60	1.00	0.10	0.25	0.60	0.25
Q - Human health and social work activities	0.305	0.00	1.00	0.10	0.25	0.60	0.10
R - Arts, entertainment and recreation	0.713	0.65	1.00	0.55	0.63	0.80	0.55
S - Other service activities	0.305	0.00	1.00	0.10	0.25	0.60	0.10
T - Activities of households as employers; undifferentiated goods- and services-pr	0.000	0.00	0.00	0.00	0.00	0.00	0.00
U - Activities of extraterritorial organizations and bodies	0.000	0.00	0.00	0.00	0.00	0.00	0.00

Myanmar	Total	Market access	NT	Screening	Directors	People	Performance
All sectors	0.463	0.378	0.401	0.921	0.399	0.714	0.284
A - Agriculture, forestry and fishing	0.490	0.45	0.75	0.90	0.10	0.60	0.00
B - Mining and quarrying	0.559	0.55	0.40	0.97	0.46	0.76	0.40
C - Manufacturing	0.214	0.09	0.04	0.90	0.14	0.62	0.04
D - Electricity, gas, steam and air conditioning supply	0.950	0.90	1.00	0.90	1.00	1.00	1.00
E - Water supply; sewerage, waste management and remediation activities	0.200	0.10	0.00	0.90	0.10	0.60	0.00
F - Construction	0.200	0.10	0.00	0.90	0.10	0.60	0.00
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.200	0.10	0.00	0.90	0.10	0.60	0.00
H - Transportation and storage	0.784	0.80	0.80	0.96	0.64	0.84	0.60
I - Accommodation and Food service activities	0.440	0.10	0.75	0.90	1.00	0.60	0.00
J - Information and communication	1.000	1.00	1.00	1.00	1.00	1.00	1.00
K - Financial and insurance activities	1.000	1.00	1.00	1.00	1.00	1.00	1.00
L - Real estate activities	0.350	0.10	0.75	0.90	0.10	0.60	0.00
M - Professional, scientific and technical activities	0.537	0.49	0.43	0.86	0.49	0.77	0.43
N - Administrative and support service activities	0.600	0.55	0.50	0.95	0.55	0.80	0.50
O - Public administration and defence; compulsory social security	1.000	1.00	1.00	1.00	1.00	1.00	1.00
P - Education	0.200	0.10	0.00	0.90	0.10	0.60	0.00
Q - Human health and social work activities	0.200	0.10	0.00	0.90	0.10	0.60	0.00
R - Arts, entertainment and recreation	0.200	0.10	0.00	0.90	0.10	0.60	0.00
S - Other service activities	0.200	0.10	0.00	0.90	0.10	0.60	0.00
T - Activities of households as employers; undifferentiated goods- and services-pr	0.200	0.10	0.00	0.90	0.10	0.60	0.00
U - Activities of extraterritorial organizations and bodies	0.200	0.10	0.00	0.90	0.10	0.60	0.00

Philippines	Total	Market access	NT	Screening	Directors	People	Performance
All sectors	0.237	0.257	0.279	0.112	0.519	0.043	0.107
A - Agriculture, forestry and fishing	0.375	0.35	0.75	0.10	0.50	0.00	0.25
B - Mining and quarrying	0.355	0.30	0.75	0.10	0.50	0.00	0.25
C - Manufacturing	0.115	0.10	0.00	0.00	0.50	0.00	0.25
D - Electricity, gas, steam and air conditioning supply	0.195	0.30	0.00	0.00	0.50	0.00	0.25
E - Water supply; sewerage, waste management and remediation activities	0.220	0.30	0.20	0.10	0.50	0.00	0.00
F - Construction	0.110	0.15	0.00	0.00	0.50	0.00	0.00
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.130	0.05	0.25	0.00	0.50	0.00	0.10
H - Transportation and storage	0.375	0.50	0.55	0.00	0.50	0.00	0.15
I - Accommodation and food service activities	0.095	0.05	0.00	0.25	0.50	0.00	0.00
J - Information and communication	0.230	0.40	0.00	0.10	0.50	0.00	0.10
K - Financial and insurance activities	0.145	0.20	0.00	0.15	0.40	0.00	0.10
L - Real estate activities	0.400	0.50	0.75	0.00	0.50	0.00	0.00
M - Professional, scientific and technical activities	0.475	0.55	0.50	0.20	0.50	0.75	0.10
N - Administrative and support service activities	0.250	0.35	0.10	0.20	0.50	0.15	0.05
O - Public administration and defence; compulsory social security	0.260	0.50	0.00	0.00	0.50	0.00	0.10
P - Education	0.400	0.50	0.00	0.75	1.00	0.00	0.25
Q - Human health and social work activities	0.150	0.15	0.00	0.15	0.50	0.00	0.25
R - Arts, entertainment and recreation	0.140	0.15	0.00	0.25	0.50	0.00	0.05
S - Other service activities	0.250	0.00	1.00	0.00	0.50	0.00	0.00
T - Activities of households as employers; undifferentiated goods- and services-pr	0.250	0.00	1.00	0.00	0.50	0.00	0.00
U - Activities of extraterritorial organizations and bodies	0.050	0.00	0.00	0.00	0.50	0.00	0.00

Singapore	Total	Market access	NT	Screening	Directors	People	Performance
All sectors	0.175	0.197	0.143	0.154	0.356	0.074	0.091
A - Agriculture, forestry and fishing	0.025	0.00	0.00	0.00	0.25	0.00	0.00
B - Mining and quarrying	0.025	0.00	0.00	0.00	0.25	0.00	0.00
C - Manufacturing	0.032	0.00	0.03	0.01	0.25	0.00	0.00
D - Electricity, gas, steam and air conditioning supply	0.685	0.90	1.00	0.75	0.25	0.00	0.25
E - Water supply; sewerage, waste management and remediation activities	0.270	0.25	0.25	0.25	0.45	0.25	0.25
F - Construction	0.025	0.00	0.00	0.00	0.25	0.00	0.00
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.065	0.10	0.00	0.00	0.25	0.00	0.00
H - Transportation and storage	0.170	0.20	0.15	0.25	0.25	0.00	0.10
I - Accommodation and Food service activities	0.025	0.00	0.00	0.00	0.25	0.00	0.00
J - Information and communication	0.246	0.25	0.30	0.27	0.46	0.00	0.13
K - Financial and insurance activities	0.106	0.14	0.00	0.25	0.25	0.00	0.00
L - Real estate activities	0.075	0.10	0.00	0.10	0.25	0.00	0.00
M - Professional, scientific and technical activities	0.169	0.14	0.14	0.17	0.40	0.14	0.14
N - Administrative and support service activities	0.087	0.02	0.13	0.08	0.25	0.17	0.04
O - Public administration and defence; compulsory social security	0.800	1.00	0.00	1.00	1.00	1.00	1.00
P - Education	0.700	1.00	1.00	0.00	1.00	0.00	0.00
Q - Human health and social work activities	0.028	0.00	0.00	0.03	0.25	0.00	0.00
R - Arts, entertainment and recreation	0.025	0.00	0.00	0.00	0.25	0.00	0.00
S - Other service activities	0.063	0.03	0.00	0.08	0.42	0.00	0.00
T - Activities of households as employers; undifferentiated goods- and services-pr	0.025	0.00	0.00	0.00	0.25	0.00	0.00
U - Activities of extraterritorial organizations and bodies	0.025	0.00	0.00	0.00	0.25	0.00	0.00

Thailand	Total	Market access	NT	Screening	Directors	People	Performance
All sectors	0.300	0.423	0.000	0.500	0.000	0.805	0.000
A - Agriculture, forestry and fishing	0.350	0.50	0.00	0.50	0.00	1.00	0.00
B - Mining and quarrying	0.281	0.34	0.00	0.50	0.00	0.95	0.00
C - Manufacturing	0.193	0.16	0.00	0.50	0.00	0.79	0.00
D - Electricity, gas, steam and air conditioning supply	0.325	0.50	0.00	0.50	0.00	0.75	0.00
E - Water supply; sewerage, waste management and remediation activities	0.325	0.50	0.00	0.50	0.00	0.75	0.00
F - Construction	0.350	0.50	0.00	0.50	0.00	1.00	0.00
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.325	0.50	0.00	0.50	0.00	0.75	0.00
H - Transportation and storage	0.335	0.50	0.00	0.50	0.00	0.85	0.00
I - Accommodation and food service activities	0.325	0.50	0.00	0.50	0.00	0.75	0.00
J - Information and communication	0.325	0.50	0.00	0.50	0.00	0.75	0.00
K - Financial and insurance activities	0.342	0.50	0.00	0.50	0.00	0.92	0.00
L - Real estate activities	0.325	0.50	0.00	0.50	0.00	0.75	0.00
M - Professional, scientific and technical activities	0.332	0.50	0.00	0.50	0.00	0.82	0.00
N - Administrative and support service activities	0.333	0.50	0.00	0.50	0.00	0.83	0.00
O - Public administration and defence; compulsory social security	0.325	0.50	0.00	0.50	0.00	0.75	0.00
P - Education	0.325	0.50	0.00	0.50	0.00	0.75	0.00
Q - Human health and social work activities	0.325	0.50	0.00	0.50	0.00	0.75	0.00
R - Arts, entertainment and recreation	0.275	0.38	0.00	0.50	0.00	0.75	0.00
S - Other service activities	0.325	0.50	0.00	0.50	0.00	0.75	0.00
T - Activities of households as employers; undifferentiated goods- and services-pr	0.125	0.00	0.00	0.50	0.00	0.75	0.00
U - Activities of extraterritorial organizations and bodies	0.125	0.00	0.00	0.50	0.00	0.75	0.00

Vietnam	Total	Market access	NT	Screening	Directors	People	Performance
All sectors	0.315	0.338	0.262	0.364	0.286	0.469	0.152
A - Agriculture, forestry and fishing	0.190	0.20	0.00	0.35	0.25	0.40	0.10
B - Mining and quarrying	0.175	0.10	0.15	0.70	0.05	0.25	0.05
C - Manufacturing	0.070	0.05	0.05	0.15	0.00	0.20	0.05
D - Electricity, gas, steam and air conditioning supply	0.375	0.50	0.00	0.90	0.25	0.50	0.10
E - Water supply; sewerage, waste management and remediation activities	0.135	0.20	0.00	0.10	0.10	0.35	0.00
F - Construction	0.495	0.60	0.75	0.30	0.25	0.50	0.00
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0.615	0.80	0.80	0.60	0.25	0.50	0.00
H - Transportation and storage	0.340	0.50	0.15	0.35	0.25	0.50	0.00
I - Accommodation and food service activities	0.085	0.10	0.00	0.00	0.10	0.35	0.00
J - Information and communication	0.450	0.50	0.40	0.50	0.50	0.40	0.30
K - Financial and insurance activities	0.160	0.15	0.00	0.20	0.25	0.50	0.05
L - Real estate activities	0.085	0.00	0.00	0.10	0.25	0.50	0.00
M - Professional, scientific and technical activities	0.260	0.20	0.30	0.20	0.30	0.50	0.20
N - Administrative and support service activities	0.130	0.10	0.25	0.00	0.10	0.30	0.00
O - Public administration and defence; compulsory social security	1.000	1.00	1.00	1.00	1.00	1.00	1.00
P - Education	0.190	0.10	0.00	0.50	0.25	0.50	0.25
Q - Human health and social work activities	0.630	0.70	0.65	0.70	0.70	0.80	0.00
R - Arts, entertainment and recreation	1.000	1.00	1.00	1.00	1.00	1.00	1.00
S - Other service activities	0.185	0.30	0.00	0.00	0.15	0.40	0.10
T - Activities of households as employers; undifferentiated goods- and services-pr	0.020	0.00	0.00	0.00	0.00	0.20	0.00
U - Activities of extraterritorial organizations and bodies	0.020	0.00	0.00	0.00	0.00	0.20	0.00

Table A.4.1 Investment issues in ASEAN Countries

Category	2009							2008							2005										
	Indonesia	Malaysia	Philippines	Singapore	Thailand	Cambodia	Laos	Myanmar	VietNam	Indonesia	Malaysia	Philippines	Singapore	Thailand	Cambodia	Laos	Myanmar	VietNam	Brunei	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Issues																									
i) Restrictions on foreign entry																									
Existence of prohibition and restriction on foreign entry																									
Restriction on foreign entry for specific sector: distribution service sector																									
Restriction on foreign entry for specific sector: coal mining industry																									
Restriction on foreign entry for specific sector: retail trade																									
Restriction on foreign entry for specific sector: no allowance of establishment of branches of general																									
Restriction on entry for specific sector: license requirement in the construction industry (license required only for foreign firms; no issuance of licenses for foreign-owned firms with more than 40%																									
Restriction on foreign entry for specific sector: license requirement for integration, closing down, and movement of services centers																									
Restriction on foreign entry for specific sector: stop of registration and renewal of licenses for trade																									
Restriction on entry for specific sector: licensing of transport business allowed only to a single company (monopoly with a company run by the former prime minister's family, in exclusion of foreign and																									
Restriction on entry for specific sector: limited approval of license for domestic sea freight distributor (discriminatory against foreign companies; exclusive approval of Filipino and Filipino wholly-owned																									
Prohibition on foreign entry for specific sector: bid on government procurement																									
Restriction on foreign ownership ratio for specific sector: non-manufacturing sector (restrictions on various types of services such as distribution and marketing)																									
Restriction on foreign ownership ratio for specific sector: service sector (restrictions on the majority-owned foreign firms)																									
Restriction on foreign ownership ratio for specific sector: linked with export ratio																									
Joint venture issue: restrictions on foreign ownership ratios and joint venture requirement (including reduction in maximum foreign ownership ratios)																									
Joint venture issue: joint venture requirement with a state enterprise politically																									
Minimum foreign capital requirement																									
Land ownership and use: restrictions on (prohibition of) land ownership by foreign-owned firms																									
Land ownership and use: a lump-sum payment of land-use fee, implemented only for foreign-owned																									
Restrictions on the form of establishment of offices to support branches and affiliates																									
Discriminatory treatment on Japanese firms vis-à-vis U.S. firms																									
ii) Performance requirements																									
Home country insurance principle (obligation)																									
Local content requirement: link between local content ratio and tariff rate																									
Local content requirement: exclusion of foreign-owned firms from domestic procurement																									
Local content requirement: requirement to use local firms (Bumiputra firms)																									
Local content requirement: planning of local content requirement policy for automobiles																									
Local content requirement: requirement for increasing local content ratios																									
Local content requirement: insufficient ability of indigenous firms to satisfy local content requirement																									
Local content requirement: difficulty in satisfying the requirement for EPZ firms to obtain import duty exemption for parts																									
Performance requirements such as the amount of investment, export, production, etc. (including export																									
High percentage of direct exporting obligation																									
Link with preferential treatment: requirement to hire local labors																									
Link with preferential treatment: export ratio (export requirement)																									
Link with preferential treatment: technological transfer requirement																									
Government licensing requirement for royalty, brand-use fee, etc																									
Enforcement of obligation to conduct continuing exploration and survey for coal mine rights ownership																									
iii) Restrictions on overseas remittances and controls on foreign currency transactions																									
Restriction on overseas remittances: difficulty in remittances of compensation for intangible assets and services in foreign currencies																									
Restriction on overseas remittances: reinforcement and lack of transparency in restrictions on remittances in foreign currencies																									
Restriction on overseas remittances: restrictions on upper bound of in-advance payment																									
Restriction on overseas remittances: difficulty in overseas remittance of the payment for foreign																									
Restriction on overseas remittances: partly																									
Restriction on overseas remittances: prohibitive tax imposed on remittances (including tax on profit																									
Control related to local currency: control on local currency transactions in offshore market																									
Control related to local currency: restricted financing in Baht for non-residents																									
Sudden introduction and modification of foreign exchange transaction controls																									
Double exchange rates																									
Foreign currency transactions: restrictions on having foreign currencies																									
Foreign currency transactions: restrictions on having and using foreign currencies in the domestic																									
Foreign currency transactions: requirement to obtain foreign currencies from exports to get import																									
Foreign currency transactions: difficulty in foreign exchange settlement and foreign payment																									
Foreign currency transactions: restriction on the way of using foreign currency deposits																									
Foreign currency transactions: restriction on the withdrawal through foreign currency accounts																									
Difficulty in currency hedging (including forward exchange contracts of PE status)																									
Restriction on "netting"																									
Royalty payment: restrictions on royalty and strict method of calculating royalty																									
Royalty payment: exclusion of imported parts, etc. from royalty calculation																									

(Continue)

Category	2009								2008						2005											
	Indonesia	Malaysia	Philippines	Singapore	Thailand	Cambodia	Laos	Myanmar	VietNam	Indonesia	Malaysia	Philippines	Singapore	Thailand	Cambodia	Laos	Myanmar	VietNam	Brunei	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam	
Issues																										
iv) Restrictions on the movement of people and employment requirements																										
Mandatory employment of local labor: general																										
Mandatory employment of local labor: employment of Malaysians with a priority (including request for handover of managing directorship)																										
Mandatory employment of local labor: nationality requirement of directors (including president and board members in investment trust companies)																										
Restriction on hiring foreigners: employment quota for foreigners or restriction on foreign employment																										
Restriction on hiring foreigners: modification and tightening of policies regarding foreign workers																										
Restriction on hiring foreigners: restriction on hiring and visa issuance to mainland Chinese workers																										
Visa issue: discontinued issuance of multiple-entry visa																										
Visa issue: application fee for re-entry																										
Visa issue: difficulty in obtaining working visa, tightening of issuance condition (including cases of certain engineering or investors only), restriction on visa issuance																										
Visa issue: tightening of visa renewal (difficulty in renewal of multiple-entry visa; including suspension of renewal procedures in US)																										
Visa issue: restricted entry by SMEs due to prerequisite conditions for working visa issuance																										
Visa issue: no work permit under foreign temporary workers for construction engineering																										
Visa issue: introduction of obligation to obtain entry visa																										
Visa issue: inconsistent procedures for visa application among embassy and consulates																										
Discriminate period of residency permit between those with and without university degree																										
v) Lack of transparency in policies and regulations concerning investment (institutional problems)																										
Underdevelopment, lack of transparency, and delay of implementation of regulations (inadequate implementing regulations and prolonged delays in their issuance): general																										
Underdevelopment of legal system: implementation rules of EPA																										
Underdevelopment of legal system: stock market and credit market																										
Underdevelopment of legal system: regulations on mortgage, lien, and hypothec																										
Underdevelopment of legal system: financial system such as credit transactions																										
Underdevelopment of legal system: foreign exchange system (double exchange rates)																										
Underdevelopment of legal system: exchange contract																										
Underdevelopment of legal system: temporary system of opening governments' windows responsive to emergency imports																										
Underdevelopment of legal system: insufficient economic system based on domestic currencies																										
Underdevelopment of legal system: re-organization of operations																										
Underdevelopment of legal system: unreasonable requirement of signature for imported products under																										
Underdevelopment of legal system: delay in issuing domestic regulations for ASEAN Cosmetic																										
Underdevelopment of legal system (insufficiency): Corporate Separation Law and merger law																										
Underdevelopment of legal system (insufficiency): Building Law, and Fire Defence Law, and related																										
Underdevelopment of legal system (insufficiency): legislation about handling of chemicals and																										
Underdevelopment of legal system (insufficiency): regulations on dishonor																										
Underdevelopment of legal system (insufficiency): inadequate ax-related dispute settlement by the third																										
Underdevelopment of legal system (insufficiency): double taxation due to lack of tax treaty																										
Underdevelopment of legal system (inadequacy): inadequate protection of depositors																										
Underdevelopment of legal system (inadequacy): obligation of issuing official receipts																										
Underdevelopment and inconsistent implementation of legal system (insufficiency): foreign exchange law and taxation system																										
Lack of transparency in legal system: disapproval criteria of tax investigation																										
Lack of transparency in legal system: complicated labor law																										
Lack of transparency in legal system: ownership of land and its utilization system																										
Lack of transparency in legal system: restrictions on equity transfer for joint venture companies																										
Lack of transparency in legal system: regulations on tax laws																										
Lack of transparency in legal system: investment incentives																										
Lack of transparency in legal system: withdrawal rules																										
Lack of transparency in legal system: conditions of employment																										
Lack of transparency in legal system: licenses and approvals for construction																										
Lack of transparency in legal system: an introduction of international practices																										
Lack of transparency in legal system: disclosure of information on changes in regulations																										
Lack of transparency in legal system: conditions on application for contract of technical assistance																										
Ambiguity of legal system: the date to start digital broadcasting																										
Ambiguity of legal system: disparity of tariff rates among similar products																										
Ambiguity of legal system: introduction of emission control regulations (including unrealistic policies)																										
Ambiguity of legal system: foreign exchange laws																										
Ambiguity of legal system: export restrictions																										
Ambiguity of legal system: detailed information on market research in expanding business																										
Ambiguity of legal system: inconsistency between country's tariff classification and ASEAN's																										
Ambiguity of legal system: definition of tariff classification (items)																										
Ambiguity of legal system: treatment of reinvoice under the third-country FTA																										
Ambiguity of legal system: method to calculate tax																										
Ambiguity of legal system: government procurement procedures																										
Ambiguity of legal system: approval and license procedures by administrative institutions																										
Ambiguity of legal system: approval and license criterion of investment-related regulations																										
Ambiguity of legal system: partnership requirement																										
Ambiguity of legal system: criteria and details of approval for divestment obligation																										
Ambiguity of legal system (insufficiency): regulations on disposal of industry wastes																										
Ambiguity of legal system (insufficiency): tariff classification for parts and components																										
Lack of implementation of legal system: environmental control																										
Sudden modification of legal system: general (including absence of legal stability)																										
Sudden modification of legal system: capital control and other controls																										
Sudden modification of legal system: incentives for foreign investors																										
Sudden modification of legal system: raising of import tariffs																										
Sudden modification of legal system (introduction): new tax (value-added tax for export processing)																										
Sudden modification of legal system: custom clearance (e-custom clearance)																										
Sudden modification of legal system (setting): sudden setting of holidays																										
Sudden modification of legal system: issues of laws and regulations without sufficient period for																										
Sudden modification of legal system: reduction of export incentives																										
Sudden modification of legal system: criteria to prepare financial statements																										
Sudden and frequent modification of legal system: laws and notices (general)																										
Modification and publicity of legal system: difficulty in accessing information on regulations and																										
Instability of legal system: instable foreign capital law and definition of foreigners																										
Instability of legal system: possible changes in investment incentives																										
Instability of legal system: automobile-related taxation system																										
Instability of legal system: tax holiday regime																										
Instability of legal system: possible tightening regulations on market access to the retail firms																										
Instability of legal system: regulations on foreign workers																										
Instability of legal system: possible regulations inconsistent with WTO (requirements on investment																										

(Continue)

Category	2009								2008								2005								
	Indonesia	Malaysia	Philippines	Singapore	Thailand	Cambodia	Laos	Myanmar	VietNam	Indonesia	Malaysia	Philippines	Singapore	Thailand	Cambodia	Laos	Myanmar	VietNam	Brunei	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Issues																									
Unsatisfactory quality of local parts and components due to insufficient regulations and standards																									
Taxation issue: extremely high value-added taxes																									
Taxation issue: elimination of tax exemption for imported equipments and imposition of corporate tax																									
Taxation issue: tax withholding for PE and inter-branch transactions																									
Taxation issue: tax exemption discriminatory between national and non-national cars																									
Taxation issue: contradictory interpretation of definition of residents under revised income tax law																									
Taxation issue: high commodity tax, registration fee, owner fee and for automobiles																									
Taxation issue: conformity requirement on accounting and tax service																									
Taxation issue: inadequate reserve criteria for taxation regulations																									
Taxation issue: persisting system of corporate tax withholding from supporting industry firms																									
Taxation issue: tax on surplus remittances																									
Taxation issue: commercial and export tax (local production and exports and imports)																									
Taxation issue: rent tax (real estates)																									
Taxation issue: no application of preferential treatment of tax treaties (exemption of corporate tax at the source for subcontractors)																									
Taxation issue: conditions on application of excise tax linked with incentive measures (eco-car policy)																									
Taxation issue: tax on adverse spread																									
Taxation issue: no application of reimbursement of commodity tax for imported parts																									
Taxation issue: long-term retroactive period for tax investigation																									
Safety and environmental standards and certification issue: inadequate safety evaluation standards																									
Safety and environmental standards and certification issue: insufficient regulations on anti-air pollution																									
Safety and environmental standards and certification issue: unique technical standard and safety certification (iron and steel, plug etc)																									
Safety and environmental standards and certification issue: inconsistency with the International																									
Safety and environmental standards and certification issue: unreasonable standard of waste water treatment and waste water quality management																									
Safety and environmental standards and certification issue: unreasonable tightening of regulations for																									
Depreciation issue: long depreciation period																									
Depreciation issue: lack of exemplification of designated products (ambiguity)																									
Import restriction: import restriction by import quota and import licensing (build-up car, steel, and color																									
Import restriction: difficulty in obtaining import licenses																									
Import restriction: import restriction on final products by manufacturing firms																									
Export restriction																									
Unilateral abrogation of international commitments																									
Long-term procedures for labor dispute																									
Limited tariff exemption for companies in the Special Economic Zones																									
Unreasonable regulations and regulations without considering technological development trend																									
Cap on surplus reserve																									
Unilateral review of PPA																									
vi) Complicated and/or delayed procedures with respect to investment-related regulations (implementation problems)																									
Complicated procedures: regimes general																									
Complicated procedures: procedures for transactions of bonded goods between trade-processing firms																									
Complicated procedures: procedures for equipment lease and rental certification																									
Complicated procedures: procedures for overseas remittances																									
Complicated procedures: purchasing procedures of foreign currencies																									
Complicated procedures: approval and license procedures for merge, dissolution, or relocation of the																									
Complicated procedures: renewal of import licensing (short period in effective)																									
Complicated procedures: preparation of invoices of imported materials for each incentives																									
Complicated procedures: obligation of pre-registration of import quota for parts that can not be																									
Complicated procedures: pre-shipment inspection																									
Complicated procedures: bidding rules for joint venture with state owned enterprises (application of																									
Complicated procedures: signature requirements to documents submitted to government agencies and																									
Complicated procedures: procedures for exception of import tariffs																									
Complicated procedures (too-detailed): BOI approval and reporting procedures																									
Complicated procedures (too-detailed): procedures for BOI tax exemption for reexports																									
Complicated procedures (too-detailed): import licensing procedures																									
Complicated procedures (too-detailed): tax payment procedures for taxation at the source																									
Complicated procedures (too-detailed): obtaining export and import licensing																									
Complicated procedures: tax payment registration for foreign individuals																									
Complicated procedures (including uniqueness): state customs clearance procedures																									
Complicated and delayed procedures: customs clearance (including clearance certificate requirement,																									
Complicated and delayed procedures: conformity and assessment																									
Complicated and delayed procedures: procedures to apply for working visa and its renewal (including																									
Complicated and delayed procedures: tax regulations-related procedures																									
Complicated and delayed procedures: EFTA procedures																									
Complicated and delayed procedures: import tariff reimbursement and tax exemption procedures																									
Complicated and delayed procedures: export bounty coupon issuance procedures																									
Complicated and delayed procedures: government approval procedures for withdrawal																									
Complicated and delayed procedures: BOI export and import approval and reporting procedures for																									
products, materials, equipments, defective products and rejected materials																									
Complicated and delayed procedures: patent registration application procedures																									
Delayed procedures: import custom clearance and cargo inspection (including uncertainty)																									
Delayed procedures: AICO approval procedures																									
Delayed procedures: procedures to obtain permissions (general)																									
Delayed procedures: delayed procedures to transfer licensing permit from central government to																									
Delayed procedures: stock reshuffle procedure																									
Delayed procedures: certificate procedures for CEPT																									
Delayed procedures: oversea payment																									
Delayed procedures: permission of oversea remittance																									
Delayed procedures: renewal of import licensing and automatic import licensing																									
Delayed procedures: safety standard and assessment																									
Delayed procedures: judgement of non-application of PE																									
Delayed procedures: issuing final settlement of tax																									
Delayed procedures: approval procedures for technology transfer																									
Delayed procedures: production license issuance (partial)																									
Delayed procedures: examination of safety qualification																									
Delayed procedures: civil execution procedures																									
Delayed procedures (including difficulty): procedures for waste disposal (and its renewal)																									
Delayed procedures (including difficulty): procedures for prepayment of corporate tax reimbursement																									
Delayed procedures (including difficulty): difficulty in obtaining AICO approval																									
Delayed procedures (including difficulty): renewal of business license																									
Delayed procedures (including non-refunding and difficulty): value-added tax reimbursement																									
Delayed procedures (including non-refunding): corporate withholding tax reimbursement																									

(Continue)

Category	2009							2008							2005										
	Indonesia	Malaysia	Philippines	Singapore	Thailand	Cambodia	Laos	Myanmar	VietNam	Indonesia	Malaysia	Philippines	Singapore	Thailand	Cambodia	Laos	Myanmar	VietNam	Brunei	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Issues																									
Difficulty in procedures: corporate tax advance declaration and payment procedures																									
Inefficiency of procedures (including corruption): investment approval procedures																									
Inefficiency of procedures (including corruption): obtaining licenses for operations in the construction																									
Disunity of procedures: inconsistent procedures and interpretation among administrative officials																									
Complicated corporate tax prepayment system																									
Complicated banking business resulting from the regulations requiring banking transactions in rupiah																									
Complicated offsetting of debtors and creditors account in foreign trade transactions																									
Complicated handling of BOI incentives																									
Complicated approval and licensing for automobile price																									
Complicated L/C import system (iron and steel products)																									
Insufficient enforcement of environmental protection																									
Security and environment standard, standard recognition issue: regorousness of marking systems																									
Security and environment standard, standard recognition issue: obligation to acquisition the Philippines																									
Ambiguous implementation of antitrust law																									
Arbitrary application of system: disunity of legal interpretation and implementation (including disunity and inconsistency of implementation of product safety certification system, excessive power of local																									
Arbitrary application of system: diversity of implementation and interpretation by customs (including arbitrary tariff classification and tariff evaluation, difference with international rules, inequity of tariff																									
Arbitrary application of system: arbitrary corporate tax examination																									
Arbitrary application of system: arbitrary and corrupt tax collection (including back taxes and tax on business corporations)																									
Arbitrary application of system: extension of valid period of license for air forwarder																									
Inflexible application of systems: judgement of application fees imposed by customs																									
Disunity of legal interpretation for application of system: rules of origin																									
Inconsistent interpretation of legal system: inconsistent requirements among customs in accepting ASEAN's Certificate of Origin																									
Disunity of legal interpretation for application of system: acquisition of indigenous rights for land-use																									
Disunity of regulations, controls, and legal interpretation for application among relevant ministries and																									
Disunity of legal interpretation for application of system: discriminately application for foreigners of a																									
Insufficient notification and understanding of changes in legal systems and procedures among																									
Inconsistent interpretation of regulations and laws among related officials																									
Insufficient legal enforcement (insufficient announcement of EPA Certification of Origin procedure)																									
Inconvenience of centralized authorization rights (including disapproval of PROSEC licensing																									
Special personal connection and political bribery and corruption of public savants (including collusion and corruption in customs)																									
Unanimous voting at the board meeting of joint ventures																									
Prohibitive port charge and departure tax																									
Introduction of value-added tax to free trade zones																									
Heavy burden of value-added tax																									
Prohibitive individual income tax																									
Income tax at the source for expensive expenses of the use																									
High luxury tax imposed on imported or domestically produced goods																									
Collection of technology promotion funds																									
Inconsistent tax collection																									
Irrational traffic regulation																									
Business tax																									
Difficulties in the process of reimbursement of prepaid tax and so on																									
Irrational payment due for public utility charges																									
Irrationality of listed company provision																									
Existence of excessive regulations such as X-ray controls																									
Heavy burden of individual income tax																									
Restricted transfer of the equity share																									
Difficulty in obtaining plans of governments																									
Excessively strict foreign exchange control																									
Signature requirement for document submitted to government and other public offices																									
Discrimination against foreign firms provided by the Board of Investment																									
Rampant smuggling																									
Rampant illegal import of used cars																									
Deemed tax valuation system																									
vii) Insufficient protection of intellectual property rights (IPRs)																									
IPRs: widespread counterfeit goods and pirated copy goods due to insufficient protection of IPRs																									
IPRs: insufficient crackdown on counterfeit goods at the border (including Hong Kong customs case of watches), delayed appraisal during suspension of imports and uncertainty of disposal of seized articles																									
Trademark right: underdeveloped and insufficient trademark right protection system																									
viii) Labor regulations and related practices excessively favorable to workers																									
Difficulty in firing workers: retirement and firing regulations excessively protective for workers																									
Difficulty in firing workers: judgment of a labor court																									
Wage: absence of minimum wage system (no minimum wage system and high labor cost)																									
Wage: substantial raising, frequent and arbitrary revision and disparity control of minimum wage																									
Wage: rapid increase in wage level (raising of labor cost)																									
Wage: disapproval of and difficulty in demotion and salary cut																									
Strike: easy implementation of strike and long-term strike practices																									
Illegal strike																									
Payment of costs for labor-related court																									
Labor union issues: moderation of authorization to organize labor union																									
Restrictions on the period to hire temporary workers																									
Irrational regulations on ages of young workers																									
Labor-management agreement and practices excessively favorable to workers; difficulty in revision of conservative labor regulations and vested conditions of employment																									
Misuse of medical leave																									
Excessive holidays and/or work absence																									
Abuse of family and medical leave system																									
Specificity of working time																									
Unreasonably high wage rates for working on holidays																									
Prohibition of employing contract workers																									
Restriction on transfer of insurance officials among companies																									
Greater burden of employees' pension																									
Burden of educational fund																									
Heavy burden of obligation to distribute taxable profits and profit sharing dividends to employees																									

(Continue)

Category	2009							2008							2005										
	Indonesia	Malaysia	Philippines	Singapore	Thailand	Cambodia	Laos	Myanmar	VietNam	Indonesia	Malaysia	Philippines	Singapore	Thailand	Cambodia	Laos	Myanmar	VietNam	Brunei	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Issues																									
ix) Underdeveloped infrastructure, shortage of human resources, and insufficient investment incentives																									
Difficulty in hiring and securing human resources due to shortage of management staff and engineers (including brain drain of IT engineers)	○	○	○							○	○								○		○	○	○	○	
High turnover ratio and job hopping practices	○	○	○								○	○	○										○	○	
Infrastructure issue: underdeveloped (industrial) infrastructure (general)																				○		○		○	○
Infrastructure issue: increased risk of power shortages and electrical power supply (instability)	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○			○				
Infrastructure issue: underdeveloped road and traffic	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○							
Infrastructure issue: underdevelopment and lack of seaport infrastructure	○							○	○	○															
Infrastructure issue: inadequate spaces for railway and underdeveloped containerized railway					○							○													
Infrastructure issue: creaky existing infrastructure																				○					
Infrastructure issue: poor public physical distribution services																				○					
Infrastructure issue: underdeveloped intermediate distribution																								○	
Infrastructure issue: inadequate public sanitation	○	○								○	○														
Infrastructure issue: runaway cost of public utilities (instability)																				○					
Infrastructure issue: insufficiency and underdevelopment of waste disposals									○												○				○
Infrastructure issue: delayed delivery due to traffic jam in cities									○												○				
Infrastructure issue: underdeveloped telecommunication infrastructure/roadband internet network access	○			○				○			○														
Infrastructure issue: insufficient air transport infrastructure				○				○					○												
Infrastructure issue: remarkable difference between a plan to develop logistics and the progress of								○																	
Incentives issue: disparity of incentives in the same zone due to project-by-project grant of BOI																								○	
Incentives issue: shrinking of incentives for foreign investors according to the change of investment				○																					
Incentives issue: absence of investment incentives for the construction industry																								○	
Incentives issue: insufficient incentives for existing foreign-owned firms																								○	
Incentives issue: insufficiency, shrinking and ambiguity of incentives for foreign investors (high-tech industry: petroleum gas, oil refinery, petrochemistry)	○									○											○	○		○	
Incentives issue: insufficient exemption of import tariffs imposed on capital goods within economic			○									○													
Incentives issue: elimination of tax incentives for industrial park								○																	
Incentive issues: review of tax exemption for parts used in producing exports, which are subject to anti-				○																					
Incentive issues: application of investment allowance and reinvestment allowance only for		○																							
Incentives issue: absence of incentives for parts manufacturer								○											○						○
Incentives issue: insufficient incentives for foreign finished car maker																								○	○
Incentives issue: insufficient BOI tax incentives				○																				○	
Incentives issue: insufficient tax incentives other than BOI incentives (corporate tax and withholding				○																				○	
Incentives issue: discriminatory favorable incentives for national cars	○									○												○			
Insufficient incentive for nurture of supporting industries (including local industrial development	○	○						○	○	○	○								○			○		○	
Issues of local suppliers in terms of delivery time and quality																									○
High tax rate: corporate tax																									○
High tax rate: individual income tax									○													○			○
Financial market: immature financial market																									○
Financial market: underdeveloped foreign currency exchange system						○	○	○								○	○	○					○		○
Financial market: underdeveloped capital market						○										○								○	
Insufficiency of medical institutions											○	○											○		
Public security: frequent occurrence of theft			○								○	○													
Political instability				○																					
Undeveloped system to prevent disasters: Strength of Buildings, Bird flu, Dengue fever	○																								
x) Restricted competition and price controls																									
Monopoly / unilateral increase in price of energy supply											○													○	
Discriminatory high pricing for electricity, water, diesel for industrial use		○																							
Discriminatory rise in fuel price for industrial use	○										○														
Excessive government intervention for pricing systems: standard export pricing and obligation of domestic supply for coal	○																								
Ministrial regulation to allow price cap settings for electricity provided by state-owned power company	○																								
High price due to monopoly by the government: industrial waste disposal	○																								
Price reporting requirement to the Department of Commerce				○								○												○	
Government-designated trading company system																								○	○
Monopolistic pricing											○												○		○
Discriminate pricing for loads at ports											○												○		○
Double pricing between domestic and foreign investment																							○		○

Data source: authors' preparation, based on JMC survey 2008 and Urata, Ando, and Ito (2007).