TOWARDS SUSTAINABLE ASEAN DEVELOPMENT

Improved Business Environment is the Key to Foreign Direct Investment, not Tax and Land Incentive Competition

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TOWARDS SUSTAINABLE ASEAN DEVELOPMENT:

Improved Business Environment is the Key to Foreign Direct Investment, not Tax and Land Incentive Competition

It is high time for all ASEAN Member States to collaborate with one another to improve business environment and agree upon common minimum standards for corporate tax and non-tax incentives in the region. This will prevent harmful practices that drain essential public revenue and create unnecessary tax competition among members, and achieve a common goal of building a sustainable and resilient region.

POLICY BRIEF

FDI inflows into Asian developing countries are predicted to decrease by 30-40% as a consequence of the global economic downturn, leading to decreases in tax revenues collected from corporate income taxes.[1] In addition, the health and economic crisis emanating from COVID-19 has posed enormous challenges for sustainable development in the ASEAN region. With economic inequality already high, it is estimated that poverty and inequality will further worsen due to COVID-19. New analysis published by United Nations University World Institute for Development Economics Research (UNU-WIDER) estimates that with 20 percent contraction of income/consumption, the Asia Pacific region will add 214.1 million people into poverty at $ 5.50 a day.[2]

The rising demand for budget spending to tackle both poverty and inequality, plus the decrease in FDI inflows, has posed a serious challenge to the national budget of ASEAN. This context urges ASEAN to together agree on stopping the race to the bottom and improve its country members' business environment to attract long-term and sustainable FDI and provide fiscal resources to deal with the pandemic.

In June this year Oxfam and Partners published a research titled 'Towards Sustainable Tax Policies in ASEAN' and recently we have concluded a research paper on the flow of foreign direct investment, business environment and non-tax incentives in the ASEAN region. In both research reports we have found that:

1. UNCTAD (2020). Investment flows to developing Asian countries to fall 30% to 45% due to COVID-19, says UN report.
2. UNU-WIDER (2020). Precarity and the pandemic: COVID-19 and poverty incidence, intensity, and severity in developing countries. *WIDER Working Paper 2020/77.* https://www.wider.unu.edu/publication/precarity-and-pandemic.

1. ECONOMIC INEQUALITY WITH INSUFFICIENT SOCIAL SPENDING AND FISCAL STRETCH IN ASEAN

The ASEAN region is experiencing unprecedented economic inequality, as some countries still have the highest poverty levels in the world and most countries in the region are failing to invest sufficiently in essential public services.

Before the COVID-19, an estimated 73.6 million out of 653.9 million people (11.3%) in the ASEAN region were living in poverty in 2018.[3] As impacts of the pandemic, Myanmar, Indonesia, Vietnam, and the Philippines are among top 20 largest increases in poverty headcount ratios over the world.[4] ASEAN countries have high levels of economic inequality- the Philippines, Malaysia and Singapore having Gini index 0.45, 0.42 and 0.40 respectively in a 2010-2017 period while Indonesia with 0.39, Thailand with 0.38, Cambodia with 0.37, and Laos and Vietnam with 0.36. Wealth inequality is even alarming with 0.85 Gini index in Thailand and Laos, 0.84 in Philippines and Indonesia, 0.82 in Malaysia, 0.74 in Vietnam and 0.70 in Cambodia.[5] COVID-19 is expected to widen these already distressing inequalities due to the differences in the ability to secure jobs and in the levels of access to health care during the pandemic.[6] IMF's study on five major outbreaks, including SARS (2003), H1N1 (2009), MERS (2012), Ebola (2014) and Zika (2016), shows that Gini coefficients are estimated to increase by nearly 1.5% in five years after the pandemics.[7]

Progressive tax collection and social spending on essential public services such as healthcare, education, and social protection are the most effective ways to fight poverty and inequality.[8] However, most countries in the region fail to invest sufficiently in those services. For some countries (Cambodia, Laos, Vietnam, Malaysia, and Myanmar), the situation is so critical that the Asian Development Bank has already warned that if they do not mobilize significantly greater revenues in the coming years, the 2030 Sustainable Development Goals (SDGs) will not be met.

Table-1: Fiscal stress in meeting the social protection agenda in ASEAN countries, 2018[9]

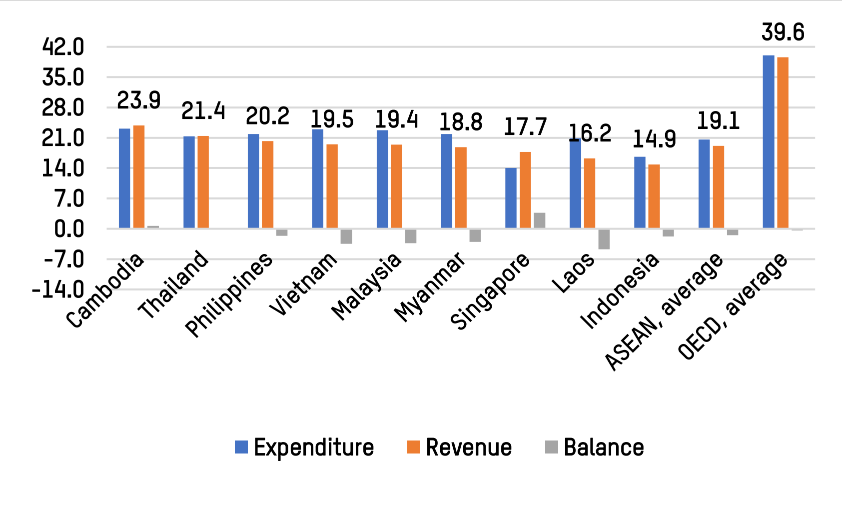
With no or with low levels of fiscal stress expected	With manageable levels of fiscal stress expected	With major levels of fiscal stress expected
= relative stress of <10%	= relative stress of 10–20%	= relative stress of >20%
Indonesia	Malaysia	Cambodia
Philippines	Vietnam	Laos
Thailand		Myanmar

Note: Singapore and Brunei not included.

3. VEPR, Oxfam in Vietnam, The PRAKARSA, & TAFJA. (2020). *Towards Sustainable Tax Policies in the ASEAN Region: The Case of Corporate Tax Incentives*. Hanoi, Vietnam.
4. UNU-WIDER (2020). Precarity and the pandemic.
5. VEPR et al. (2020). *Towards Sustainable Tax Policies in the ASEAN Region.*
7. Susantono, B., Sawada, Y., & Park, C. Y. (2020). Navigating COVID-19 in Asia and the Pacific.
8. Furceri, D., Loungani, P., & Ostry, J. D. (2020). How Pandemics Leave the Poor Even Farther Behind. *IMF Blog, May, 11.*
8. Oxfam. (2019). *Public good or private wealth.* https://www.oxfam.org/en/research/public-good-or-private-wealth
9. ADB (2018). Asia's Fiscal Challenge: Financing the Social Protection: Agenda of the Sustainable Development Goals. Asian Development Bank.

The most worrying aspect is that fiscal space is stretched for most ASEAN countries, at a time when social spending is most urgently needed. Most ASEAN countries have suffered persistent budget deficits for a long period. In 2018 alone, six ASEAN countries had significant budget deficits. On average, the ASEAN region saw a budget deficit of 1.5% of gross domestic product (GDP) in 2018. Budget deficits may go up due to increased expenditure requirement to overcome the current economic and the health crisis created by the COVID-19 pandemic. It is expected that nine ASEAN countries face budget deficits in 2020 with the average one at 4.2% of GDP.[10]

Figure-1: Estimated Budget Indicators in ASEAN Countries, 2018 (% GDP)[11]



In the ASEAN region, levels of revenue collection, measured as a proportion of GDP, remain very low. The average ratio across the region was 19.1% of GDP in 2018, lower than half on average of the OECD countries.[12] These low ratios mean that countries in the region have little budget capacity and are running public deficits, and this gap has consequences for the quality of public services, infrastructure, and levels of good governance.

Even before the COVID 19 pandemic, tax and social spending situation in ASEAN was already unsustainable. Now the situation is even more dire. Initial estimates from the OECD[13] predict that the pandemic will have significant negative impacts on tax revenues, while at the same time budget burdens will increase due to governments' efforts to introduce supportive packages to help cope with the disease. Singapore, for example, will spend a sum equivalent to about 13% of its GDP on extensive fiscal stimulus measures and Thailand 9%, while in the Philippines, Indonesia, and Vietnam the figure will be about 3% of GDP.[14]

10. Based on IMF's Fiscal Monitor Database (Accessed 6 May 2020), no available data in Brunei to calculate its budget deficits.
11. The Authors' calculations based on IMF's Fiscal Monitor Database (Accessed 6 May 2020). Data at a general government level and no available data for Brunei.
12. Based on IMF's Fiscal Monitor Database (Accessed 6 May 2020), no available data in Brunei to calculate its budget deficits.
13. OECD (2020), Tax and Fiscal Policy in Response to the Coronavirus Crisis: Strengthening Confidence and Resilience. https://read.oecd-ilibrary.org/view/?ref=128_128575-o6raktc0aa&title=Tax-and-Fiscal-Policy-in-Response-to-the-Coronavirus-Crisis.
14. Hayat, R. (2020), How COVID-19 will impact ASEAN: Deep recessions and a weak recovery. RaboResearch - Economic Research

Without even considering COVID impacts, there are several reasons of low tax revenue mobilizations despite robust economic growth and levels of foreign direct investment (FDI) in previous years. Among other, corporate income tax (CIT) is the major source of revenue in many members states; however, they are giving up huge amounts of revenue by offering large tax and non-tax incentives to both domestic and foreign investors, damaging the tax bases in the region.

2. THE RACE TO THE BOTTOM ON TAX AND NON-TAX INCENTIVES IN ASEAN

Tax competition among ASEAN State Members[15]

There has been a long history of tax competition between the Philippines, Vietnam, Thailand, and Indonesia, with the four countries vying with one another for manufacturing investments and using tax incentives as a tool to attract foreign direct investment.

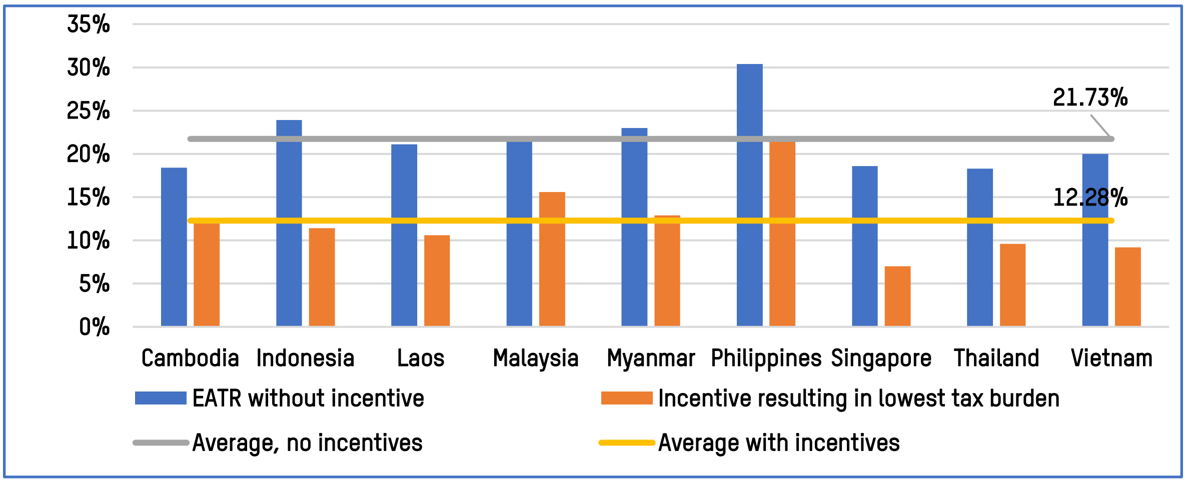
In 1996, competing to lure investment from the US firm General Motors, the Philippines offered a CIT exemption of eight years and Thailand offered a similar exemption, but with an additional amount equivalent to USD15 million. In 2001, hoping to win investment from Canon of Japan, Vietnam offered an exemption of 10 years, but was out-competed by the Philippines, which offered an exemption of 8-12 years. In 2014, in an attempt to entice investment from Samsung of South Korea, Indonesia offered a CIT exemption of 10 years while Vietnam offered one of 15 years.

Just like in many other regions in the world, countries in the ASEAN region are competing with one another in a race to the bottom by reducing their CIT rates and offering aggressive tax incentives to foreign multinational corporations. Across the region, the average CIT rate has fallen over the last ten years from 25.1% in 2010 to 21.7% in 2020.

In addition to CIT rate cuts, the use of other enormous profit-based incentives to attract FDI, like tax holidays, are prevalent in ASEAN countries. The average effective corporate tax rate in ASEAN is estimated to be reduced by 9.4 percentage points when considering the tax holidays of up to 20 years and other profit-based incentives (Fig-3). Singapore and Indonesia provide the most tremendous tax incentives in the region, with gaps between CIT rates with and without incentives of over 11 percentage points. Also because of that together with other aggressive policies, Singapore has become a tax haven,[16] attracting a huge amount of 'phantom' FDI from the multinationals who seek to reduce tax bills in the host economy[17].

15. Budiantoro, S. (2015), Anticipating Tax War in the ASEAN Economic Integration Era*. PRAKARSA Policy Review*, 2–4.
16. Berkhout, E. (2016). *Tax Battles: the dangerous global race to the bottom on corporate tax.* Oxfam Policy Brief.
17. Damgaard, J. and T. Elkjaer. (2017). The Global FDI Network: Searching for ultimate investors. IMF Working Papers No. 17/258.

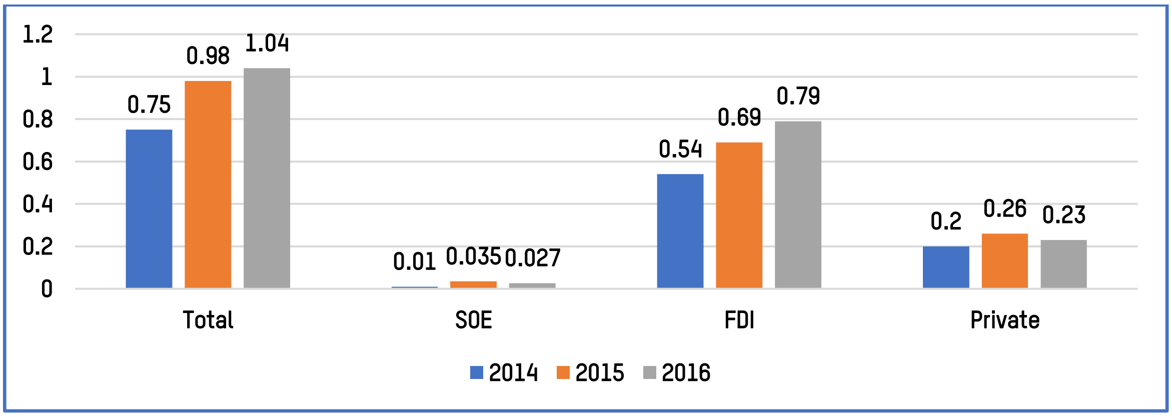
Figure-2: Average effective tax rates with and without incentives in ASEAN countries, 2015 (%)[18]



Note: EATR: effective average tax rate

Furthermore, the costs of redundant fiscal incentives can possibly exceed the benefits of additional FDI. Offering excessive CIT cuts poses a threat to national budget revenues in terms of tax expenditure. Lost budget revenue due to corporate tax incentives was estimated to be 6% GDP in Cambodia and 1% GDP in Vietnam and the Philippines[19]. Philippines gave away an estimated PHP1.12 trillion (equivalent to USD22.17 billion) due to tax incentives and exemptions to a select group of 3,150 companies from 2015 to 2017. In Vietnam, the total revenue impact of tax incentives given to corporate taxpayers in 2016 was VND 46.83 trillion (equivalent to approximately $2.06 billion), of which 75.5% was shared by foreign investors.

Figure-3: Incentives on the CIT/GDP in Vietnam, 2014-6 (%)[20]



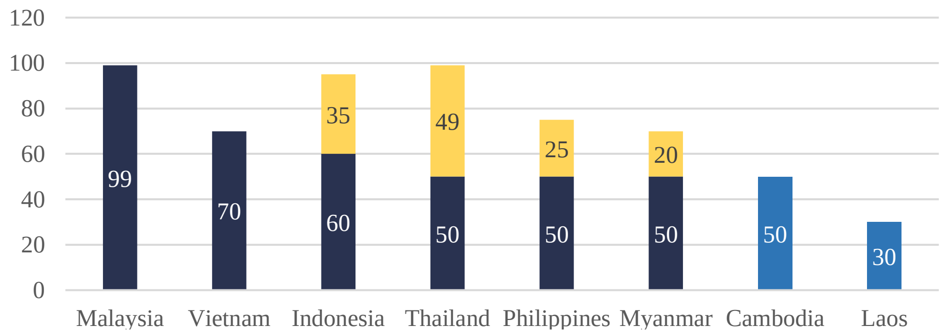
Offering tax incentives can produce negative externalities that are detrimental to economic efficiency. The existence of tax incentives is likely to shift the focus of companies from

18. Wiedemann, V. and K. Finke. (2015). Taxing investments in the Asia- Pacific region: The importance of cross-border taxation and tax incentives. Discussion Paper No. 15-014.
19. OECD (2019), *OECD Investment Policy Reviews: Southeast Asia*. www.oecd.org/investment/oecd-investment-policy-review-southeast-asia.htm (Accessed 6 May 2020).
20. Data from General Statistics Office of Vietnam (Accessed 6 October 2020).

expanding production to minimizing tax bills. An unfair investment environment can also be a consequence of preferential tax policies from which only foreign investors can benefit. In countries with generous tax incentives, there are warning signs of tax avoidance through profit shifting[21]. It is estimated that profit shifting results in losses of at least 6-9 percentage points of potential corporate tax revenues in Thailand, Indonesia, and Malaysia[22]. In Singapore, the use of special purpose vehicles (SPV) is growing, reducing the usefulness of FDI as a measure of real economic activity. These entities open investment opportunities for multinationals, but they can also be utilized for the purpose of tax avoidance through tax treaties that often include excessive tax incentives.

Besides tax incentives, the use of non-tax incentives has been widespread among ASEAN countries and exacerbated the race to the bottom in the region. The competition in providing non-tax incentives is reflected by land incentives.[23] Foreign-invested enterprises in all ASEAN countries are eligible for long-term land lease. Malaysia, Thailand and Indonesia offer long leasehold periods, nearly 100 years (Figure 4). In addition, rent exemption and reduction are also available in specific areas of some ASEAN countries. In Vietnam and Laos, rents can be exempted up to 15 years as from the start of the project, applied for the projects in promoted sectors and hardship areas. This competition in land incentives among ASEAN countries is subsequently enlarging the socio-economic inequality, and the non-transparent mechanism of granting land incentives in Cambodia, Laos, and Myanmar is opening opportunities for corruption and rent seeking.[24] It should be noted that land grants rank 17th, training subsidies rank 13th, and financial rank 10th among 20 available incentives in the rankings of attractiveness to foreign investors.[25]

Figure-4: Maximum length of land lease (including extension) in ASEAN countries (years)[26]



Note: Extension of expiring land lease in Cambodia and Laos is approved on a case-by-case basis.

3. BUSINESS ENVIRONMENT IS THE KEY DETERMINANT OF FDI LOCATION DECISIONS

21. VEPR et al. (2020). *Towards Sustainable Tax Policies in the ASEAN Region.*
22. See more at: https://missingprofits.world/ (Accessed 6 May 2020).
23. See detail at VEPR and the PRAKARSA (forthcoming). Towards Sustainable FDI Attraction in ASEAN: Business Environment as the Key Driver.
24. OECD. (2019). *OECD Investment Policy Review of Southeast Asia.*
25. Rolfe, R., Ricks, D., Pointer, M., & McCarthy, M. (1993). Determinants of FDI Incentive Preferences of MNEs. *Journal of International Business Studies, 24*(2), 335-355.
26. Authors' review and classification.

The increasing appeal of ASEAN as a dynamic and competitive location for FDI has recently become more pronounced. During the period of 2014-2016, ASEAN experienced a fall of 12.5% in FDI flows, suggesting the region's gradual loss of attraction to foreign investors. However, from 2016, FDI inflows into ASEAN rose again with an annual growth rate of 13.65% and ended up at $116 billion in 2019. Notably enough, the share of ASEAN's inflows in the global value has tripled in just three years since 2016[27].

Figure-5.1: FDI flows in ASEAN, 2013-9[28]

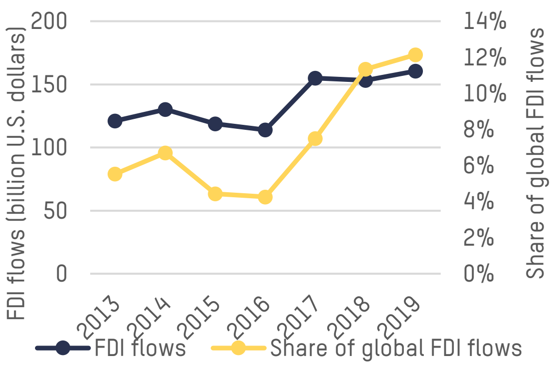
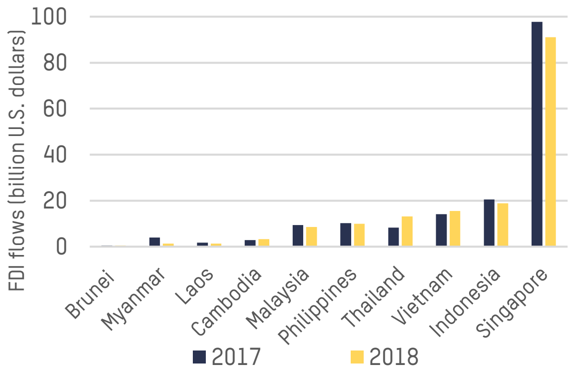


Figure-5.2: ASEAN's FDI flows by country, 2017-8[29]



Intra-regional investments had the largest share in the total FDI inflows into ASEAN in 2018, which was around 15.90%. In 2018, more than $15.5 billion of $24 billion of intra-ASEAN investments came from Singapore[30]. By the end of 2018, Indonesia was the largest recipient of FDI from Singapore in ASEAN with a stock of more than $48 billion, followed by Malaysia with $35.4 billion and Thailand with nearly $20 billion. More interestingly, Singapore also possessed both the largest FDI inflows and the highest ratio of FDI to GDP in the region, accounting for more than half of total flows to ASEAN.

However, *a large proportion of FDI into Singapore was 'phantom' FDI, or 'investments that pass through empty corporate shells'* [31] *which was soon reinvested in other countries so that the businesses could enjoy enormous tax incentives offered by Singapore.* In the period of 2010-2018, on average, about 60% of the FDI inflows into Singapore were reinvested in other countries, in which Mainland China was the largest recipient with the share of more than 21% in Singapore's outward direct investment and followed by Indonesia with the share of 10%. *Singapore's function as an intermediary investor can be damaging to the tax bases of other countries since it gives investors opportunities for profit shifting and to minimize paying taxes in the host countries*[32].

27. The authors' calculations based on World Bank's World Development Indicators (Accessed 6 October 2020).
28. Data from ASEANStatsDataPortal and the World Bank (Accessed 6 October 2020).
29. Authors' calculations from World Development Indicators of the World Bank (Accessed 6 October 2020).
30. Based on ASEANStatsDataPortal (Accessed 6 October 2020).
31. See this definition in Damgaard, J., T. Elkjaer, and N. Johannesen. (2019). *The Rise of Phantom Investments. Finance & Development*, 56(3), page 12.
32. Damgaard, Elkjaer, and Johannesen. (2019). *The Rise of Phantom Investments.*

Figure-6.1: Singapore's FDI and OFDI, 2010-8[33]

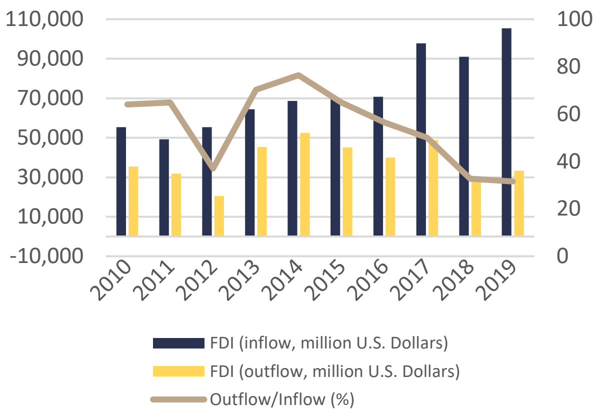
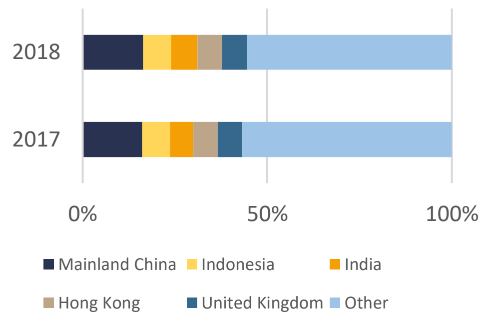


Figure-6.2: Top 5 Singapore's FDI outflow by country, 2017-8[34]



Note: No available data on FDI outflow by country in Singapore.

Empirical evidence suggests that business environment indicators are key determinants of FDI location decisions. Economic stability, political stability, cost of raw materials, local markets, transparency of legal framework, and availability of skilled labor play the most decisive roles in the investment location decisions of multinationals.[35] Reducing regulatory restrictions on FDI is also a crucial step to increase FDI flows into the region. Human capital, labor quality, and labor productivity in the host country are judged by foreign investors to be relatively important, especially when compared to cheap labor costs[36]. Countries with effective intellectual property rights (IPR) enforcement are more likely to succeed in encouraging FDI, especially FDI that involves knowledge-based assets[37]. Governments, however, should stimulate domestic innovation to fill the technological gaps at the same time as tightening IPR protection so as not to discourage domestic technological diffusion[38]. The quality of infrastructure, particularly the density of high-quality roads, is also among the key factors of FDI decisions[39].

Results from analyses of correlation between business environment and FDI attraction also indicate positive associations between FDI location decisions and drivers of macroeconomic environment, institutional quality, and market development.

33. Data from Singapore Department of Statistics (Accessed 6 October 2020).
34. Data from Singapore Department of Statistics (Accessed 6 October 2020).
35. United Nations Industrial Development Organization (UNIDO) (2011a). "Africa Investor Report: Towards evidence-based investment promotion strategies". Available from https://www.unido.org/fileadmin/user_media/Publications/Pub_free/AIS_Report_A4.pdf
36. Hoang, H. H. (2012). Foreign direct investment in South-East Asia.
37. Adams, S. (2010). Intellectual property rights, investment climate and FDI in developing countries. *International Business Research*, *3*(3), 201.
38. Yi, X., & Naghavi, A. (2017). Intellectual property rights, FDI, and technological development. *The Journal of International Trade & Economic Development*, *26*(4), 410-424. doi:10.1080/09638199.2016.1266380
39. Goodspeed, T., Martinez-Vazquez, J., & Zhang, L. (2011). Public policies and FDI location: Differences between developing and developed countries. *FinanzArchiv: Public Finance Analysis*, *67*(2), 171-191. doi:10.1628/001522111X588736

Table-2: Selected business environment factors and their correlation with FDI flows[40]

Factors	Linear correlation with FDI flows		Factors	Linear correlation with FDI flows	
	Strong, positive	Moderate, positive		Strong, positive	Moderate, positive
Macroeconomic environment			Market development		
Macroeconomic and Investment environment		✓	*Market size*	✓	
Economic freedom		✓	Other factors		
Economic openness	✓		Infrastructure		✓
Institutional quality			Technological readiness		✓
Governance*		✓	*Human development*	✓	
Ease of doing business	✓		Higher education and training		✓

Note: * Three dimensions, which are tested separately: Government effectiveness, Corruption perceptions, and Regulatory quality. The correlation is strong and positive if the Pearson correlation coefficient is at least 0.65, is moderate and positive if the correlation coefficient ranges from 0.3 to 0.65.

In ASEAN, conditions of the business environment varied widely among the Member States. Except for Singapore and Brunei, business environment in ASEAN is comparably inconducive. Given that many business environment factors are major determinants of FDI locations, considerable improvements in those factors are needed for ASEAN countries to attract FDI. Cambodia, Laos and Myanmar often score the lowest in terms of business environment factors, especially institutional quality. These countries receive negative scores for both government effectiveness and regulatory quality and rank among the world's most corrupt countries, with Cambodia ranking 161st among 180 countries assessed in the world rankings of corruption perceptions.[41]

Other countries in the region, including Indonesia, Malaysia, Thailand, the Philippines, and Vietnam offer relatively conducive environments when compared to Cambodia, Laos, and Myanmar, but they still have a long way to catch up. The major share of manufacturing FDI in the total flows into these five countries is attributable to their success in developing skilled and educated workforce.

4. CONCLUSION AND RECOMMENDATIONS

FDI inflows into Asian developing countries are predicted to decrease by 30-40% as a consequence of the global economic downturn, leading to decreases in tax revenues

40. Authors' calculations and classification.
41. Based on World Bank's Worldwide Governance Indicators and Transparency International's Corruption Perceptions Index.

collected from corporate income taxes. In addition, the health and economic crisis emanating from COVID-19 has posed enormous challenges for sustainable development in the ASEAN region. The rising demand for budget spending to tackle both poverty and inequality, plus the decrease in FDI inflows, has posed a serious challenge to the national budget of ASEAN.

This context urges ASEAN to together agree on stopping the race to the bottom and improve its country members' business environment to attract long-term and sustainable FDI and provide fiscal resources to deal with the pandemic. *ASEAN member states must work together and put a stop to the race to the bottom. No evidence suggests that tax incentives and non-tax incentives especially land incentives are seen by foreign investors as a key factor in their decision-making process. Indeed, tax incentives can even become obstacles in certain cases.*[42]

In view of the above facts, this policy brief makes the following recommendations:

RECOMMENDATION 1: DRAW UP A WHITELIST AND A BLACKLIST OF TAX INCENTIVES

The ASEAN should put all tax incentives that should not be allowed on a blacklist, provide a plan to phase them out in the region by a certain date. In parallel with this, the ASEAN should agree on a whitelist in which tax incentives could be allowed and eligible in the region. The blacklist should include foremost profit-based tax incentives, meaning those incentives that offer a low tax rate for profits made, like tax holidays, large tax exemptions, loss carry-backs, and preferential rates. Academics and international organisations including the OECD have already called on ASEAN countries to stop offering these kinds of incentives due to their harmful nature and marginal positive effects. The white list should include investment-based tax incentives, meaning those incentives focusing on the investment made by the investor. These incentives are proven to be much more productive than profit-based incentives. These incentives should be monitored for their effectiveness and abuses such as super deductions, or super tax credits should be avoided .

There should be a mechanism in place at the regional level to monitor tax policy developments and decide which incentives should be blacklisted or whitelisted. This mechanism should be transparent and inclusive, meaning that both political representatives and technical experts from administrations, civil society and academia are involved.

RECOMMENDATION 2: STOP THE COMPETITION IN PROVIDING LAND INCENTIVES

ASEAN countries need to stop competing in providing land incentives as a means of attracting FDI because of their harm to the local society under the form of land conflict and

42. James, S. (2014). *Tax and non-tax incentives and investments: Evidence and Policy Implications*. Investment Climate Advisory Services. World Bank Group.

income disparities.[43] Rent exemption should be phased out from the site incentive packages. Member States should also adopt a regional approach to the economic land concession standards, particularly agreeing on a maximum length of 50-year leasehold period for the region. The governments should authorize rent price adjustment on a quinquennial basis instead of fixing rent prices for the whole lease period.

Instead of offering land incentives, ASEAN countries need to coordinate efforts and budget to develop infrastructure components such as roads and utilities, especially in the industrial and economic zones, for the purpose of FDI attraction.

RECOMMENDATION 3: AGREE ON A MINIMUM TAX STANDARD ACROSS THE ASEAN REGION

To stop the race to the bottom, ASEAN countries need to set a minimum corporate tax rate and ensure not to offer corporate tax incentives below the level of the minimum rate. The appropriate rate is suggested to range between 12.5% and 20%. This would protect countries' domestic tax revenues and stop the existing beggar-thy-neighbour approach to policy making.

RECOMMENDATION 4: ESTABLISH RULES FOR THE GOOD GOVERNANCE OF INVESTMENT INCENTIVES

The ASEAN countries should agree on a rulebook for incentives with clear timeline and recipient selection criteria for each incentive instead of giving incentives to companies arbitrarily. The Member States should also develop a transparent and accountable mechanism for reporting granted incentives to ensure cooperation across the region. They need to incorporate all tax incentives into the relevant corporate tax code and publish annual tax expenditure reports along with their annual budget documents. For the purposes of transparency and good governance, the governments should carry out a cost-benefit analysis before the approval of any tax or non-tax incentive and a mid-term evaluation when incentives have been granted.

RECOMMENDATION 5: AGREE UPON IMPROVING BUSINESS ENVIRONMENT, FOCUSING ON THE KEY FACTORS

The ASEAN Member States should agree on a list of business environment factors that are key to attracting FDI. They should also rank or classify the factors according to their comparative level of significance. The suggested top priorities are (i) economic openness, (ii) decreases in administrative burden in doing business, and (iii) human capital.
In parallel with this, ASEAN countries should make efforts to enhance other indicators of macroeconomic environment and institutional quality such as economic freedom, government effectiveness, regulatory quality, infrastructure quality, and technological readiness.

43. Prachvuthy, M. (2011). Land acquisition by non-local actors and consequences for local development: Impacts of economic land concessions on the livelihoods of indigenous communities in Northeast provinces of Cambodia.

Oxfam commissioned VEPR and the PRAKARSA to produce this policy brief. The brief is part of a series written to inform public debate on development and humanitarian policy issues. For further information on the issues raised in this paper please email: thai.nguyenquang@oxfam.org. For copying in any other circumstances, or for reuse in other publications, or for translation or adaptation, permission must be secured, and a fee may be charged, please e-mail: huong.nguyenthu@oxfam.org.