WASEDA UNIVERSITY

GRADUATE SCHOOL OF ASIA PACIFIC STUDIES

EFFECT OF INVESTMENT PROMOTION ON FDI INFLOW AND DISTRIBUTION IN CAMBODIA –

Evidence from Mixed Methods Research

A dissertation submitted in partial fulfilment of the requirement for the degree of Doctor of Philosophy in International Studies

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ABSTRACT

Cambodia's economy has proliferated over the past two decades before Covid-19 by around 7% per annum. However, the economy continues to maintain a narrow base, heavily relying on four traditional sectors: agriculture, garments and footwear, construction, and tourism. The current narrow economic base will no longer ensure sustainable and resilient economic growth unless the following key challenges are addressed: (1) the narrow and less diversified base with a weak industrial and export structure, and (2) the simple structure of manufacturing with a low level of sophistication. Otherwise, it is easily affected by, and still mainly depends on, external factors. Based on the literature, many studies asserted that FDI is a key for industrial development and a determinant of economic growth, which effectively addresses the key challenges above to ensure sustainable and resilient growth. In this respect, it is essential to investigate how to attract FDI inflow and distribution in the country to diversify the economy, reduce the geographical concentration of enterprises, and promote local development and growth. Therefore, this study's main objective is to investigate the potential determinants of foreign direct investment (FDI) in Cambodia by evaluating the effect of investment promotion and other factors on FDI inflow and its distribution in Cambodia. A central research question is consequently posed: "What are the potential determinants of FDI inflow and distribution in Cambodia?" This primary question is followed by three specific research inquiries, which are explicitly raised as follows:

(1) Does the special economic zone (SEZ) mechanism statistically affect FDI inflow in Cambodian provinces?

(2) Do international investment agreements (IIAs), investment promotion agencies measured by the CDC's annual expenditure on promotion activities, and SEZ mechanism statistically influence FDI inflow into Cambodia?

(3) What are the potential factors influencing FDI inflow in Cambodia?

To provide a research-based and systematic answer for the above research inquiries, the explanatory sequential mixed methods are applied and performed in three approaches to produce both empirical and logical evidence shown in three substantial main chapters (3, 4, and 5) as follows:

Chapter 3: an empirical study uses the quantitative method by applying the generalized method of moments (GMM) to panel data constructed from 19 Cambodian provinces during 2015-2019 to address the specific question 1.

Chapter 4: an empirical study employs the quantitative method by applying GMM as the primary estimator to respond to the specific research inquiry 2. This chapter uses the panel data on FDI at the national level disaggregated FDI inflow from 42 source countries during 2003-2020.

Chapter 5: an explanatory study applies the qualitative method using primary data collected from an in-depth interview and focus group with a sample size of 27 cases/participants to answer the specific question 3.

It is a new individual country study investigating the effect of investment promotion in the least developed country (LDC) focusing on three main aspects: investment promotion agency measured by the CDC's annual expenditure on promotion activities, SEZ mechanism, and international investment agreements (IIAs) including treaties with investment provisions (TIP), free trade agreement (FTA), and bilateral investment treaty (BIT). LDC was mostly disregarded in the existing studies using disaggregated data by FDI home countries. Moreover, the study is the first investigation on the location decision of FDI in Cambodia employing a new dataset at the provincial level. The significance of the study is the development of theoretical extension vis à vis the determinants of FDI inflow across an LDC, which are paid less attention compared to the LDCs' cases put forward in previous studies by extending the scope and broadening the variable feature by economic determinants to promotion perspectives in investigating their effects on both FDI and diversified FDI. It responds to some overlooked discussions in the previous works on investment promotion in the three main aspects above. Based on the findings, the study suggests policy implications regarding expanding international investment agreements, preparing an efficient investment promotion, and upgrading SEZ mechanism in addressing weak industrial structure and geographical concentration of enterprises. It also provides possible policy recommendations and options for policymakers, investment promotion agencies (IPA), and concerned agencies about FDI determinants and investment promotion for future work and improvement.

The key findings from the empirical and logical analysis in each chapter are shown as follows:

Chapter 3: the empirical findings are as follows. The number of SEZs, key variables of the SEZ mechanism, has a positive and significant effect on both FDI and diversified FDI inflow into Cambodian provinces. This suggests that a unit increase in the number of SEZs brings a 70–120% increase in FDI and an 85% increase in diversified FDI, based on the results of system GMM estimation. A 1% increase in capital investment in SEZ development contributes to increasing the diversified FDI by around 0.80% when adding 1% of capital to developing SEZs. The presence of an SEZ and its age is positively associated with both total FDI inflow and diversified FDI, even if not statistically significant. Some provincial efforts and characteristics, including annual government expenditure, number of public relations, population density, population 18 years old and up, deep-sea ports, and international gates, likely significantly influence FDI inflow into the provinces of Cambodia. All in all, the SEZ mechanism attracts more diversified foreign investment activities, and it has a significant effect on the distribution of FDI in Cambodia

Chapter 4: the estimation found that TIP, FTA, and BIT are positively associated with FDI inflow in Cambodia, and the two latter variables (FTA and BIT) are statistically significant, while TIP is not notably important. Promotion expenditure (PEexp) has a negatively significant effect on FDI

inflow in general, but it creates a productive and statistically crucial influence on the Japanese FDI inflow in Cambodia. Accumulated capital invested for SEZ development (CapSEZs) showed an essential plus sign with inward FDI. In contrast, the accumulated number of SEZs (NbSEZs) revealed somewhat discrepant results with a substitute sign. However, it has a beneficial and vital effect on the Japanese FDI inflow in Cambodia. Moreover, the new sets of SEZ number (NbSEZ) and capital invested for developing SEZ (CapSEZ) are positively correlated with inward FDI, and they are statistically significant from all regression models (for NbSEZ) and some estimations (for CapSEZ). For the control variables, the GDP of the FDI home country (GDPit) and shared border (dBORci) have a positive and essential impact on FDI inflow, and the physical distance between Cambodia and source country i (lnDISci) has a significantly negative sign. Resident Mission (RM) has a plus sign but is only significant when using pooled OLS and random effect (RE) estimators. The ratio of labor cost in Cambodia to the source country, proxied by minimum wage (RLCcit) and average labor productivity (RLPcit), are always negatively associated with FDI inflow, in which one model showed significance for RLCcit. Finally, real trade value (TRADE) and years of crisis (dumCrisis) are not significantly detected.

Chapter 5: the descriptive study provided the results as follows: (1) promotion activities so far were limited and not sufficient/efficient, (2) economic determinants, in particular the abundance of unskilled labor and lower labor cost, are the leading significant factors in attracting FDI into Cambodia, (3) investment facilitation is important and needs to be improved, (4) SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia due to the provision of supporting infrastructure and special procedure, and (5) TIP seems to be less significant and not much cared about by the surveyed FDI firms compared to unilateral/one-side preferential trade treatment (PTA). Further, this descriptive chapter received the perspectives on the Cambodian investment policy that it is the most open, generous, and competitive incentive. No concern about the substance and friendliness of the policy, but the matter is the implementation of rule consistency.

The connected results on the key explanatory variables between/among the empirical studies in Chapters 3 and 4 and qualitative analysis in Chapter 5 are brevity discussed and shown in the following:

(1) The promotion effort measured by expenditure on promotion/ marketing activities likely provided different results with significant adverse effects for common FDI and positive statistically crucial for a specific source country (e.g., Japan). The negative effect of promotion expenditure on FDI inflow in general and its positive result on FDI inflow from a particular source country, e.g., Japanese investors found in chapter 4. These results are consistent with the information from the in-depth interview in chapter 5. Most surveyed cases explained that the primary source of information on the Cambodian investment environment for their decision basis is not the CDC. In contrast, in Cases 1 and 10, Japanese firms have partly received information about

investment opportunities in Cambodia through the CDC and its marketing activities. Compared to the past papers, it is likely in line with Ni et al. (2017) and Morisset (2003) but disagrees with Nachum (2000).

(2) The investment promotion through SEZ mechanism is harmoniously found to be positively significant in Chapters 3 and 5. The empirical study in Chapter 3 shows that both the accumulated number of SEZs (NbSEZs) and capital invested for developing SEZs (CapSEZs) create an essential productive sign with FDI inflow into Cambodian provinces. The logical investigation in Chapter 5 agreed that SEZ is a comfortable location for all the surveyed firms as it provides better infrastructure development and one-stop services for investors' business operations. Furthermore, these findings are, for the most part, consistent with Chapter 4. Both national and provincial empirical studies have robustly explained the significant beneficial effect of CapSEZs on FDI inflow and distribution in Cambodia. However, there are somewhat different results between the two-level analysis regarding the influence of NbSEZs on the general FDI inflow, which is valuable and vital for Japanese FDI. In addition, the extensive margin or newly set of SEZ numbers (NbSEZ) and investment capital for developing SEZ (CapSEZ) were also analyzed and showed their positive and significant relationship with inward FDI. In comparison with previous studies, the findings of SEZ's effectiveness found by Chakraborty et al. (2017), Song et al. (2020), Wakasugi (2005), Wang (2013), and Wang et al. (2021) are evidenced in this study. At the same time, this result is contradicted by Cieślik & Ryan (2005).

(3) Regarding the free trade agreement (FTA) and bilateral investment treaty (BIT), the estimation results in chapter 4 revealed that they create a productive and crucial association with inward FDI. In contrast, the treaty with investment provisions (TIP) has just positive signs but is insignificant. The qualitative analysis explains and supports the latter (Chapter 5). The significant effect of FTA is agreeable with Duong et al. (2021) and somewhat with Thangavelu & Narjoko (2014), but it is against Awad & Yussof (2018) and Cuyvers et al. (2011). The result for BIT is partly consistent with Bauerle Danzman (2016).

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LIST OF ABBREVIATION

AAZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ABT	Arellano-Bond Test
ACC	ASEAN-China Center
ACFTA	ASEAN-China Free Trade Agreement
ACIA	ASEAN Comprehensive Investment Agreement
AHFTA	ASEAN-Hong Kong SAR Free Trade Agreement
AIFTA	ASEAN-India Free Trade Agreement
AJC	ASEAN Japan Center
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
AKC	ASEAN-Korea Center
AKFTA	ASEAN-Korea Free Trade Agreement
AR	Autocorrelation
BIT	Bilateral Investment Treaty
BVI	British Virgin Island
CAVAC	Cambodia Agricultural Value Chain
CDC	The Council for the Development of Cambodia
CDC	Council for the Development of Cambodia
CIB	Cambodian Investment Board
CRDB	Cambodian Rehabilitation and Development Board
CSEZB	Cambodian Special Economic Zone Board
divFDI	The Diversified FDI
EBA	Everything But Arms
EIF	Entry Into Force
EPZ	Export Processing Zone
EU	European Union
FD	First-Difference
FD-2SLS	First-Difference Two-Stage Least Square
FDI	Foreign Direct Investment
FE	Fixed Effect
FTA	Free Trade Agreement
GDCE	General Department of Custom and Excise
GDP	Gross Domestic Product
GDT	General Department of Taxation
GERES	Longitudinal Study of Quality and Equity in Brazilian Elementary Education
GIZ	General Industrial Zones

GMAC	Garment Manufacturers Association in Cambodia
GMM	Generalized Methods of Moments
GMS	Great Mekong Subregion
GPSF	Government-Private Sector Forum
IDP	Industrial Development Policy 2015–2025
IIA	International Investment Agreement
ILO	International Labour Organization
IMF	International Monetary Fund
IPA	Investment Promotion Agency
IRI	Investment-Related Instruments
ISDS	Investor-State Dispute Settlement
ISIC	International Standard Industrial Classification
JBAC	Japanese Business Association of Cambodia
JETRO	Japan External Trade Organization
LDCs	Least Developed Countries
LSDV	Least-Square Dummy Variable
MAFIC	Ministry of Foreign Affairs and International Cooperation
MEF	Ministry of Economy and Finance
MERCOSUR	Southern Common Market (MERCOSUR for its Spanish initials)
MFN	Most Favored Nation treatment
MISTI	Ministry of Industry, Science, Technology & Innovation
MLVT	Ministry of Labour and Vocational Training
MME	Ministry of Mines and Energy
MNC	Multinational Corporation
MNE	Multinational Enterprise
MOC	Ministry of Commerce
NAFTA	North American Free Trade Agreement
Nb	Number
NIEs	Newly Industrialized Economies
NIS	National Institute of Statistics
NT	National Treatment
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OLS	Ordinary Least Square
PISAD	Private Investment Strategy Analysis Department
PTA	Preferential Trade Agreement

QIP	Qualified Investment Project
RCEP	Regional Comprehensive Economic Partnership
RE	Random Effect
RGC	Royal Government of Cambodia
RIA	Regional Integration Agreement
RS4	Rectangular Strategy phase 4
RTA	Regional Trade Agreement
SEZ	Special economic zone
TAFTAC	Textile, Apparel, Footwear & Travel Goods Association in Cambodia
TIP	Treaties with Investment Provisions
TRIMs	Trade-Related Investment Measures
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
VIF	Variance Inflation Factor

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

With a growth rate of around 7% per annum, Cambodia's economy has grown rapidly over the past two decades before COVID-19, enabling Cambodia to evolve into a lower-middle-income country and reduce its poverty rate to below 10% (RGC, 2018). However, the Cambodian economy continues to maintain a narrow base, heavily relying on four traditional sectors: agriculture, garments and footwear, construction, and tourism. Moreover, the country's current narrow economic base will no longer ensure sustainable and resilient economic growth unless the following key challenges are addressed: (1) the narrow and less diversified base with a weak industrial and export structure and (2) the simple structure of manufacturing with a low level of sophistication. Otherwise, it is easily affected by, and still mostly depends on, external factors. Another crucial matter is an urban-centered establishment. The large manufacturing enterprises are geographically concentrated: 68% are located in the capital, and 13% are in Kandal province, which surrounds the capital (RGC, 2015). The enterprises are concentrated in this region due to accessibility to infrastructure (transport and electricity network) and public services serving their production and exportation.

In this regard, it is necessary to understand how the fundamental challenges above can be addressed to ensure sustainable and resilient economic growth. Based on the literature review, FDI attraction is one of the most significant factors for industrial development and determination of economic growth (Balasubramanyam et al., 1996; De Mello, 1999; Loewandahl, 2001; Ocaya et al., 2013; Sothan & Zhang, 2017; Subramaniam, 2008; Velde, 2001a). FDI is also used for diversifying the economy, avoiding heavy reliance on a few sectors (Subramaniam, 2008). It has positively affected overall technical progress and can make inter and intra-industry spillovers on the productivity of domestic firms (Barrell & Pain, 1997; Blomstrom & Persson, 1983; Caves, 1974; Globerman, 1979; Globerman, 1979). In addition to these studies, a clear policy direction has been formulated, and it recognized that FDI attraction is a crucial strategy for industrial development as stipulated in the industrial development policy, which is a new economic growth strategy for Cambodia (RGC, 2015).

Foreign Direct Investment (FDI) plays a vital role in contributing to the development of the national economy and improving people's lives by providing both static and dynamic benefits. Static benefits include capital inflow, job creation, export growth, and government revenue. In contrast, dynamic benefits refer to technology transfer, skills upgrading, institutional and enterprise

reforms, export diversification, forming industrial clusters, strengthening the capacity of local enterprises, and promoting linkage and integration into the global value chains (Zeng, 2011a; Aggarwal, 2010).

FDI makes up a significant proportion of Cambodia's gross domestic product (GDP), from 2% in 1993 to 14% in 2020 (Source: World Bank). Long touted as an important driver of economic growth, FDI serves as an alternative source of financing and an opportunity for developing countries, like Cambodia, to build key infrastructure and respond to the need for socio-economic development, while the official development assistance (ODA) is being gradually reduced and will mostly finish after Cambodia graduates from LDC status.

Nonetheless, the above FDI ratio in Cambodia's GDP (14%) is relatively low. Even the contribution of expenditure of total investment to GDP is only 21% (RGC, 2015) which is smaller than the standard of developing countries. The trend of and relationship between FDI and GDP in Cambodia are shown in Figures 1.1 and 1.2. The contribution rate of investment is generally between 30% and 40% or possibly higher. This means that Cambodia's current economic growth has not relied much on investment, which signifies that there is still room for more investment. Hence, it is necessary and a good opportunity for Cambodia to promote both domestic and foreign investment and increase its proportion to boost the economy to jump to the next level of development. Furthermore, Cambodia's economic growth relies heavily on the garment, tourism, construction, and rice sectors, implying a need to invest more to prop up new economic growth.

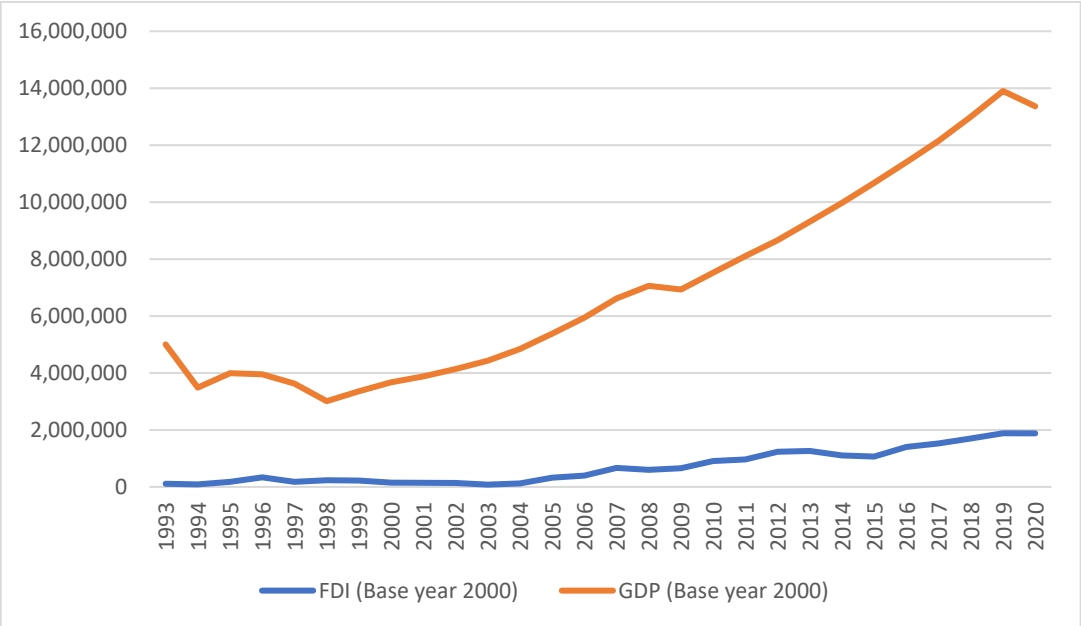

Figure 1.1. Trend of and relationship between actual FDI and GDP using base year 2000, from 1993 to 2020. Source: UNCTAD and NIS.

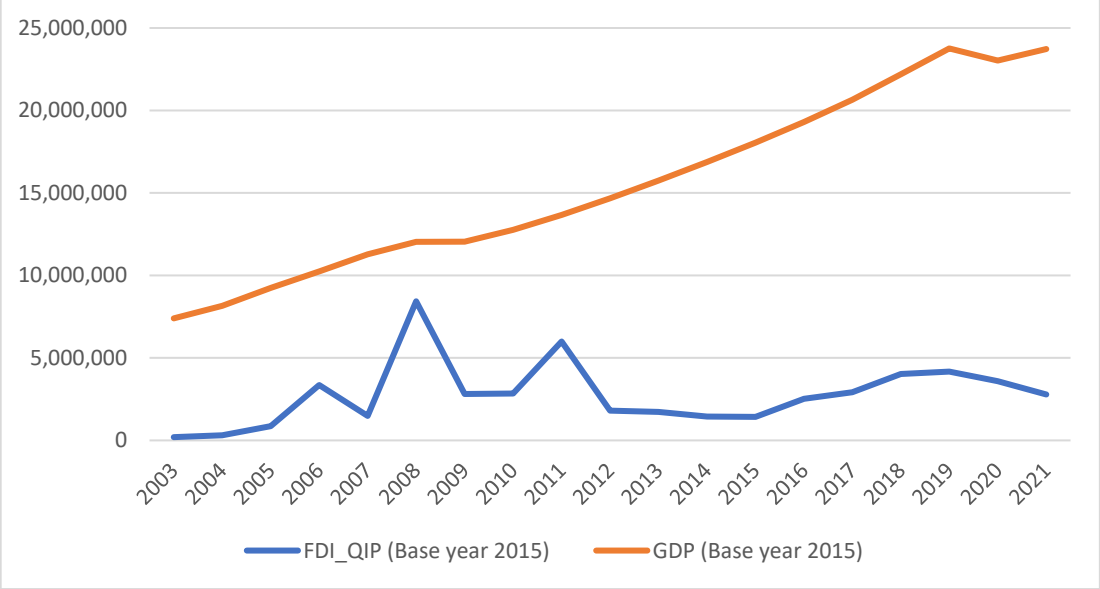

Figure 1.2. Trend of and relationship between FDI as qualified investment project (committed/approval FDI) and GDP using base year 2015, from 2003 to 2021. Source: CDC and WDI.

Therefore, what are the potential determinants of FDI inflow for the case of Cambodia? Of course, there are many studies on the factors of FDI attractions, including Dunning (2015), Daniel & Forneris (2010), Saini & Singhania (2018), and Rana et al. (2020). However, based to Saini & Singhania (2018), 31 studies have employed various determinants of FDI with more than 35 variables. Nevertheless, those studies still do not include investment promotion efforts (PE). Few and limited studies have investigated the role of promotion efforts on FDI; for instance, Morisset (2003) indicated that his study is only based on the data from cross-country at a specific time rather than the coverage period over time. Ni et al. (2017) focused only on the dummy and number of investment promotion agency (IPA), and their evaluation of the heterogeneous effect of IPA depends on having a website. Notably, there is no study using investment promotion efforts to examine its effect on FDI in the case of Cambodia. Cuyvers et al. (2011) examined the determinants of FDI in Cambodia, but the study mainly focused on macro indicators as determinants of FDI attraction. Hence, this study aims to identify the effect of investment promotion on the FDI inflow. To the best of my knowledge, this paper is the first study of Cambodia's case and complements the existing literature's knowledge gap. More importantly, according to some empirical evidence, such as between Wells & Wint (1990) and Morisset (2003), there still needs to be a debate on the relationship between investment promotion and FDI. Then it is imperative and beneficial to conduct this individual country study to examine the association between investment promotion and FDI

1.2 KEY TERMS AND FACT DATA ABOUT CAMBODIA

1.2.1 Key Terms and Chronology of Domestic Policy Development

Foreign direct investment (FDI) is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate). FDI implies that the investor exerts a significant degree of influence on the management. FDI has three components: equity capital, reinvested earnings, and intra-company loans (UNCTAD). FDI used in this study is the committed investment of a qualified investment project (QIP), recorded in the Council for the Development of Cambodia (CDC)'s database. FDI is calculated based on foreign ownership/share in a QIP, an investment project that has received a registration certificate from the CDC, or a Capital-Provincial Investment Subcommittee.

An investment promotion agency (IPA) is an organization that is part of a ministry, autonomous body, or joint private-public institution depending on each country. However, its prominent role is to promote investment. IPA in Cambodia refers to the Council for the Development of Cambodia (CDC). The Council for the Development of Cambodia (CDC), established in 1994, is the only One-Stop Service organization responsible for the rehabilitation, development, and oversight of investment activities. CDC is the Royal Government's "Etat-Major" responsible for evaluating and deciding all rehabilitation, development, and investment project activities (Law on investment, 1994). CDC comprises three boards. Two of them are responsible for private investment – Cambodian Investment Board (CIB) and Cambodian Special Economic Zone Board (CSEZB), which play as an investment promotion agency (IPA). Another one, Cambodian Rehabilitation and Development Board (CRDB), is also responsible for ODA and rehabilitation.

The **"investment promotion"** in this research refers to the promotion effort (PE) taken care of by the CDC through its promotion expenditure (PEexp), SEZ mechanism, and international investment agreements (IIAs). PEexp is the CDC's annual expenditure for investment promotion, public relations, and advertisement, including international reception events, meetings, workshops, conferences, campaigns, exhibitions, and shows locally and abroad in public media. SEZ mechanism is measured by the number of SEZ, capital invested for developing SEZ, and size and age of SEZ. SEZ mechanism is under the CDC's responsibility. Then, it is treated as an investment effort since it plays a significant role as a promotion agency through zone developers and zone administrations in developing infrastructure in the zone, advertising, marketing, and attracting investment into their zones. IIAs cover treaties with investment

provisions (TIP), free trade agreements (FTA), and bilateral investment treaties (BIT). They are part of investment promotion because the purpose of these agreements or frameworks is to liberalize and promote investment among insiders and to attract investment from outsiders as well.

The establishment of IPA in Cambodia (CDC) and the chronology of domestic policies relating to investment and free trade agreements are illustrated in Figures 1.3 and 1.4, respectively.

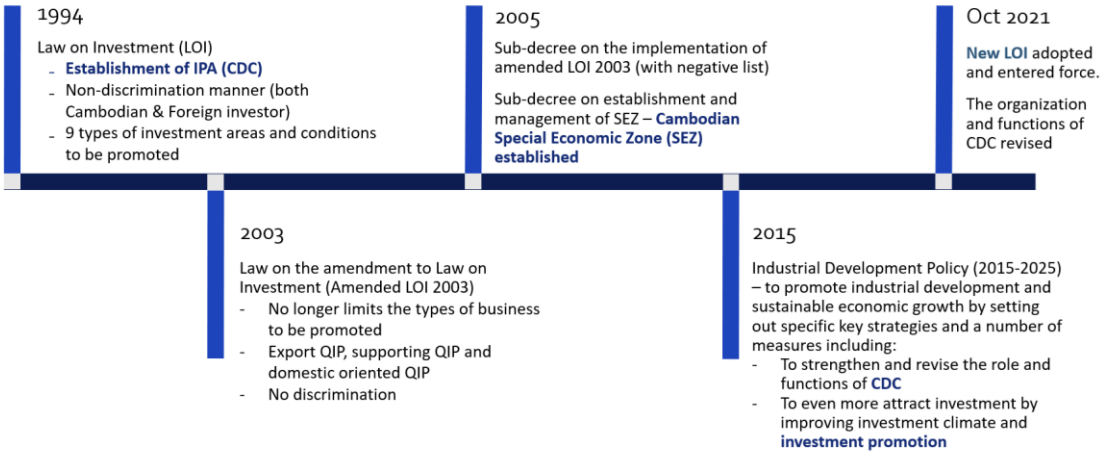

Figure 1.3. Chronology of domestic policies related to investment. Source: Author's own graphic illustration.

Figure 1.4. Chronology of free trade agreement. Source: Author's own graphic illustration using data from the CDC.

1.2.2 GDP growth and FDI inflow in Cambodia

Cambodia's growth for a decade before the economic crisis in 2008 was two digits, around 10 percent per annum. However, it declined to 0.1% in 2009 due to the negative impact of the economic crisis. Nevertheless, the growth rate was 6% in 2010 and continued to increase by around 7% on average for the next decade (2010-2019). Unfortunately, the COVID-19 pandemic and resulting economic fallout caused significant hardship for the world. Like other countries, Cambodia has been inevitable from the negative impact of COVID-19. As a result, its economic growth dropped to -3.1% in 2020. However, it rapidly recovered with an annual growth rate of 3.0% and 5.2% in 2021 and 2022, respectively. Figure 1.5 describes the growth rate of real GDP (in a line chart) and by sector (in a bar chart) within the period 2003-2023 (predicted for 2023).

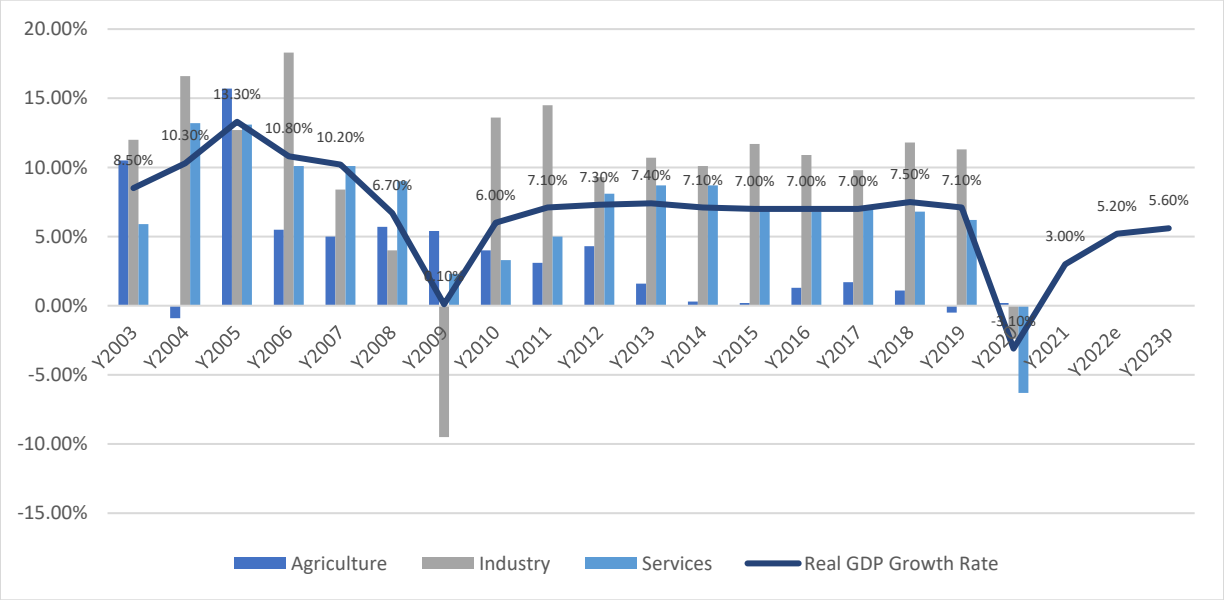

Figure 1.5. Real GDP growth rate from 2003 to 2023 (predicted for 2023). Source: Source: Author's own graphic illustration using data from the NIS and the MEF.

Figure 1.6 presents the FDI inflow in Cambodia from 2003 to 2021, a qualified investment project recorded by the CDC. The blue bar is the FDI from all 47 source countries, while the orange is the FDI from the sample countries (42). The x-axis is the year, and the y-axis is the value of the approved investment in 1000 USD.

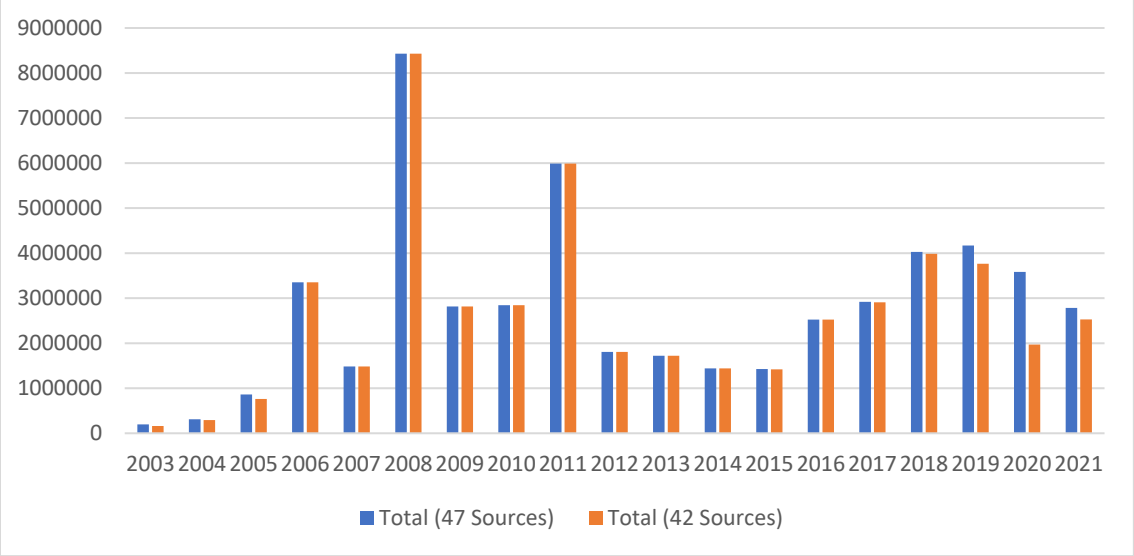

Figure 1.6. FDI inflow in Cambodia from 2003-2021 (in 1000 USD). Source: Author's own graphic illustration using data from the CDC.

1.2.3 Data on Cambodian SEZs and investment inside SEZs

Based on the data received from the Council for the Development of Cambodia (CDC) over the period 2006–2020, there are 28 SEZs with 444 foreign investment projects operating in those zones. All SEZs have been established by the private sector and are located in 11 provinces, including Preah Sihanouk, Phnom Penh (capital), Svay Rieng, Banteay Meanchey, Koh Kong, Kratie, Kampong Chhnang, Kampong Speu, Takeo, and Kampot. The geographic distribution of SEZ numbers in each province is shown in Figure 1.7.

Geographic distribution of SEZ number in each province: The majority of SEZs have been established in Svay Rieng province, bordering Vietnam, and Preah Sihanouk province (coastal area and deep-sea port), accumulating 14 of 28 SEZs (equal to 50% of the total operating SEZs). Another notable destination for SEZs is Banteay Meanchey province having 3 SEZs. This province shares a border with Thailand (Figures 1.7 and 1.8). The possible reason is that the majority of SEZs established in those provinces are in relation to their export destination or supplying some parts to base factories located in the adjacent countries since the said provinces have shared borders with neighboring countries and infrastructures (national roads or deep-sea ports) connecting to the regional and global markets. The other three provinces (Phnom Penh, Kandal, and Koh Kong) have two SEZs each, and the rest have only one SEZ in each province. The Phnom Penh Capital has not received a large number of SEZs due to some reasons such as a shortage of available land for establishing SEZs, land prices, logistic and transport costs from Phnom Penh to the deep-sea port and international land border to their export destination.

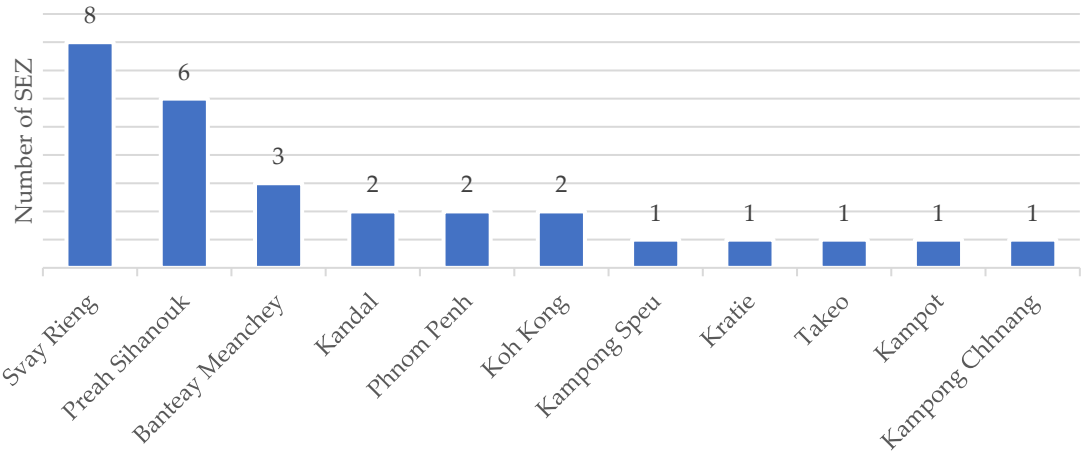

Figure 1.7. Geographic distribution of SEZ number in each province. Source: Author's own graphic illustration using data from CDC.

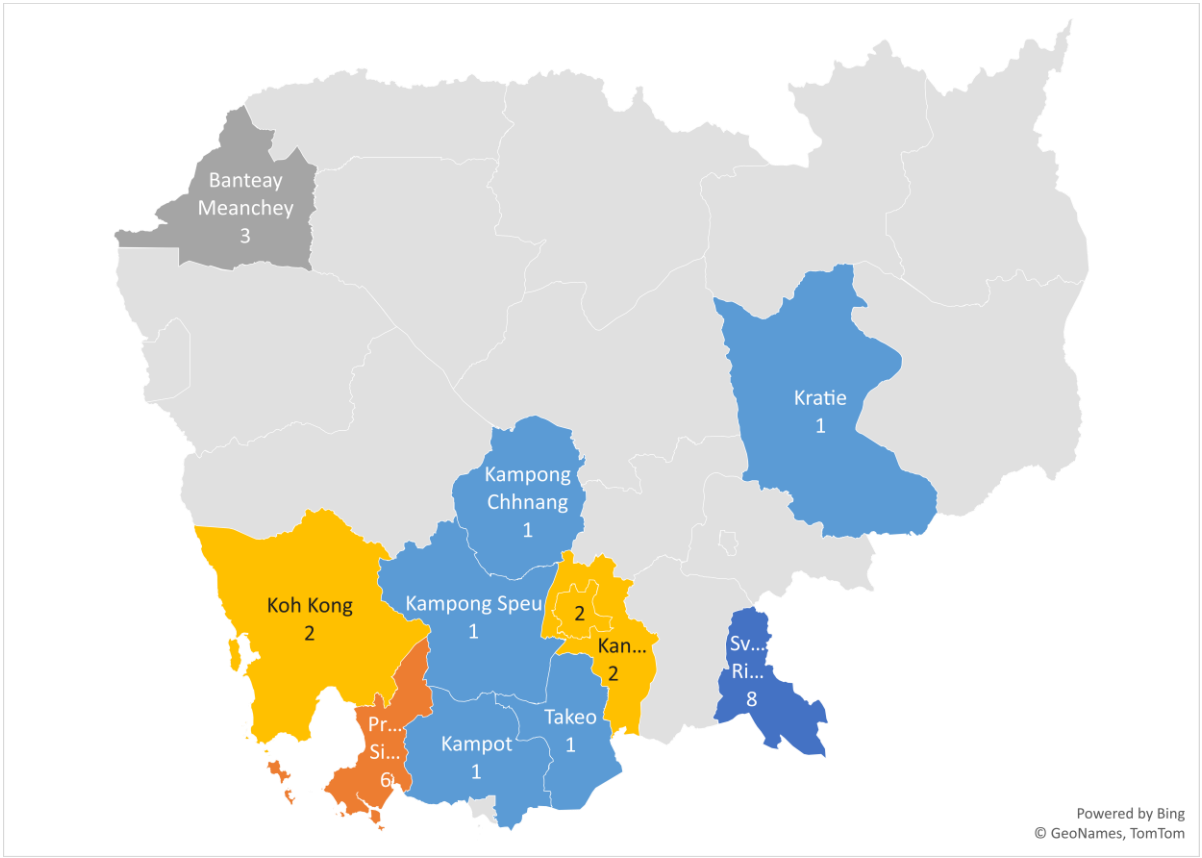

Figure 1.8. Geographic distribution of SEZ number in each province (map). Source: Data from the CDC and it is illustrated in map by using Microsoft Excel.

The characteristics of each SEZ including name, location, land size, capital for developing SEZ, year of establishment, the existence of SEZ administration or one-stop services, number of investment projects (firms inside the zone), and the total investment value of all projects within the zone, are illustrated in Table 1.1.

Table 1.1. The characteristics of each SEZ[1], as of March 2021

No	Name of SEZ	SEZ Location	Land Size (in hecta)	Capital for developing SEZ (in million USD)	Year of Establishment	SEZ Administration	Nb of investment projects	Investment capital of all projects (in million USD)	No specific purpose, but the majority of the existing investments
1	PHNOM PENH SEZ	Phnom Penh	353.0	68.3	2006	1	125	834.7	Beverage, small-size motor, auto parts, power plants, and other non-garment
2	KERRY WORLDBRIDGE SEZ	Phnom Penh	62.0	21.0	2015	1	1	21.0	Warehouse
3	GOLDFAME PAKSUN SEZ	Kandal	88.0	34.5	2007	0	2	525.6	Garment
4	SUVANNAPHUM SEZ	Kandal	204.6	55.8	2014	1	1	1.5	Paper tissue
5	Doung Chhiv Phnom Din SEZ	Takeo	79.0	28.0	2006	0	2	9.8	Electronic
6	MANHATTAN SVAY RIENG SEZ	Svay Rieng	157.0	30.0	2006	1	38	153.2	Pane panels, shoe, bicycle, decoration
7	TAI SENG BAVET SEZ	Svay Rieng	99.0	41.4	2007	1	45	217.7	Bicycle, window frame…

[1] Currently, Cambodia has no specialized SEZ for a specific sector or purpose and there are no different policy instruments used in the existing SEZs, meaning that the same policy formulated at the national level is applied to all SEZs. So, there should not exist heterogeneity from any specific purpose or treatment for particular industry in different zones or different incentives among existing zones. However, facilitation, administrative services (one-stop services), promotion activities, and supporting infrastructures conducted and developed by the zone developer would be different according to the level of effort or performance made by the zone owner (zone developer) as well as SEZ administration. It is noticeable that the Royal Government of Cambodia just started considering setting up specific SEZs for a particular sector/industry by the government or under the form of public-private partnership (PPP), such as SEZs for the electronic and auto part sector, agro-processing sector, and so forth. Even though, each SEZ has no special purpose or preferential treatment for any targeted sectors/industries, those existing SEZs have received different major activities of investments in their zones (see the last column in Table 1.1) according to the decision and perspective of investors themselves to invest in which location where they may get easier access and maximum benefits for their production.

8	DRAGON KING BAVET SEZ	Svay Rieng	106.5	40.5	2012	1	6	30.0	Watch parts
9	HI-PARK SEZ	Svay Rieng	263.1	62.8	2013	1	7	14.5	Souvenir, lamp
10	SHANDONG SUNSHELL SVAY RIENG SEZ	Svay Rieng	96.0	36.7	2013	1	12	41.0	Garment, lamp
11	QI LU JIAN PU JAY SEZ	Svay Rieng	179.8	51.0	2017	1	11	52.2	Garment
12	SVAY RIENG GIGA RESOURCE SEZ	Svay Rieng	121.5	56.8	2019	1	31	160.0	Lamp, decoration, wire, kitchen equipment
13	INTERVIA AUTOMOBILE INDUSTRY COMPLEX SEZ	Svay Rieng	111.0	75.0	2017	1	3	52.0	Motor & car assembly
14	KAMPOT SEZ	Kampot	145.0	15.0	2007	0	1	34.5	Steel
15	SIHANOUKVILLE 1ST SEZ	Preah Sihanouk	178.0	100.0	2006	0	3	998.3	Energy power
16	SIHANOUKVILLE SEZ	Preah Sihanouk	1113.0	245.4	2008	1	194	760.4	Plywood, household, and other non-garment product
17	SIHANOUKVILLE PORT SEZ	Preah Sihanouk	70.0	34.0	2008	1	4	23.3	Carton packaging
18	CAMBODIAN ZHEJIANG GUJI SEZ	Preah Sihanouk	128.0	75.0	2018	1	20	171.3	Furniture, animal feed
19	Stung Hav international Port SEZ	Preah Sihanouk	192.0	14.0	2012	0	1	34.8	Paper
20	Cambodian Sino Metallic Material SEZ	Preah Sihanouk	55.0	50.0	2018	0	1	74.6	-
21	NEANG KOK KOH KONG SEZ	Koh Kong	336.0	60.0	2007	1	7	11790.0	Electronic and car parts
22	KIRISAKOR KOH KONG SEZ	Koh Kong	1750.0	111.0	2008	0	1	40.0	White sand
23	POI PET ONEANG SEZ	Banteay Meanchey	467.0	15.0	2006	1	6	14.6	Garment
24	SANCO POI PET SEZ	Banteay Meanchey	67.0	38.6	2013	1	10	47.8	Electronic and auto parts
25	PP POI PET SEZ	Banteay Meanchey	53.0	10.5	2017	1	1	20.0	-
26	UBE Snoul SEZ	Kratie	817.8	200.0	2016	0	1	29.5	Cassava processing, and wire cable
27	ULTRAPOWER TECHNOLOGY SEZ	Kampong Speu	50.5	66.0	2019	0	2	46.6	Battery
28	ASIA SUNRISE TEUK HOT SEZ	Kampong Chhnang	101.7	200.0	2018	0	2	19.0	Plastic

Source: CDC.

Geographic distribution of investment capital and project in SEZ: In terms of investment capital as well as the number of projects investing in SEZ, they are concentrated in four provinces which are Preah Sihanouk, Phnom Penh (capital), Svay Rieng, Banteay Meanchey, and Koh Kong (coastal area and bordering to Thailand), accumulating of 3,723,564 thousand USD (97.4%) of total capital in SEZ and 432 projects (97.3%). Preah Sihanouk province is the most attractive destination, followed by Phnom Penh, Svay Rieng, Banteay Meanchey, and Koh Kong (Figures 1.9 and 1.10).

Based on the analysis of the geographic distribution, the establishment of SEZ, investment capital, and the number of projects mainly concentrated in a location having a shared border with accessible roads to neighboring countries and regional markets, and airport and deep seaport to global markets. Shortly, a province with an international gate will be exciting for FDI.

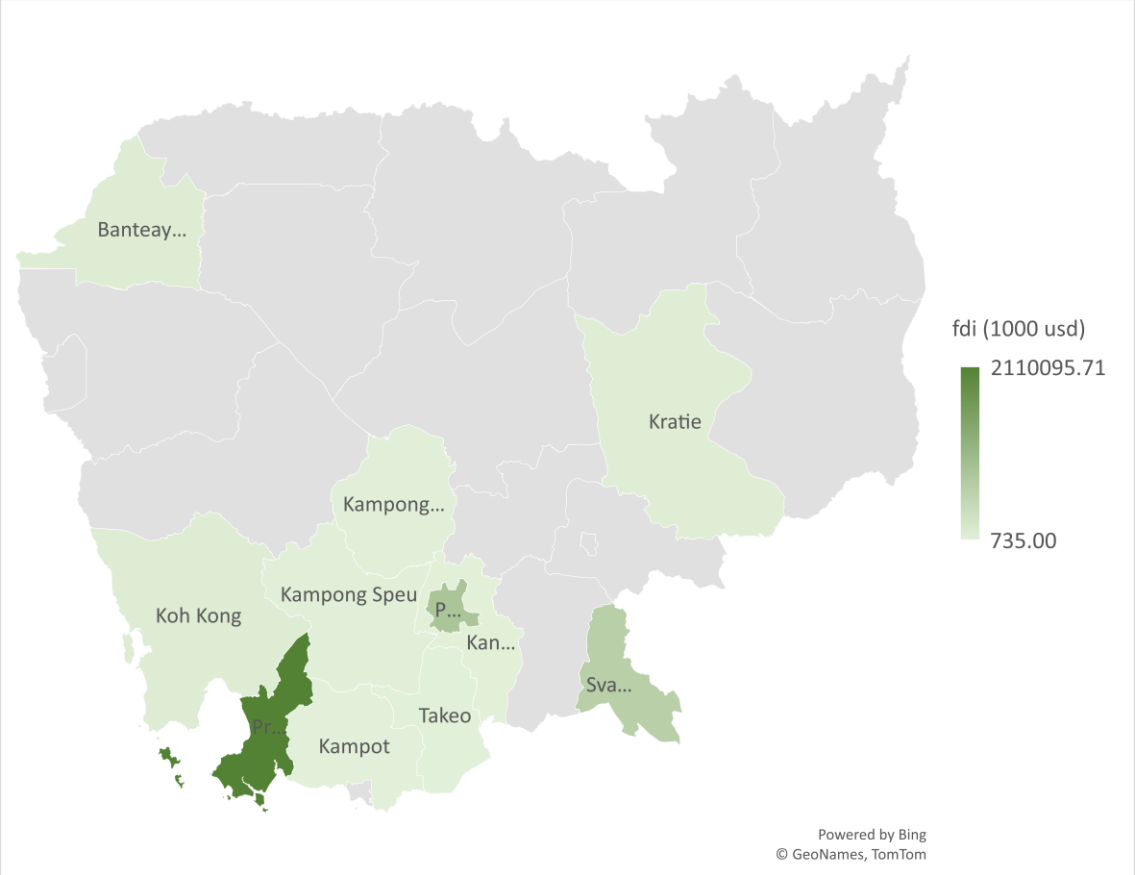

Figure 1.9. Foreign investment capital in SEZs by provinces, in 1000 USD. Source: Data from the CDC and it is illustrated in map by using Microsoft Excel.

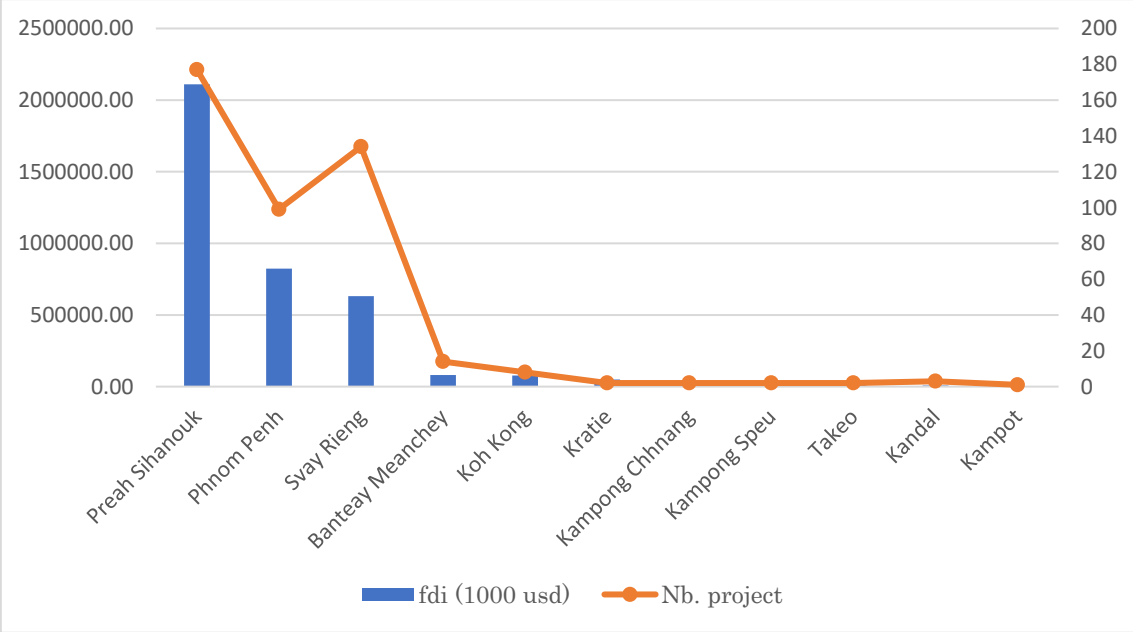

Figure 1.10. Foreign investment capital and number of projects in SEZs by province. Source: Author's own graphic illustration using data from CDC.

Investment activities and diversification: The investment activities in SEZs are illustrated in Figure 1.11 using the four-digit-code of ISIC rev. 4. Figure 1.11 shows that the foreign investment projects operating in SEZs, in terms of investment capital, focus on power, solar, warehouse, and telecom (30.13%), manufacture of wood, paper, packaging furniture, and related products (14.35%), manufacture of computer, electronic and optical products, and electrical equipment (10.74%), manufacture of wearing apparel (garment) and footwear (9.68%), manufacture of tobacco products (8.23%), manufacture of motor vehicles, trailers, semi-trailers, and transport equipment (auto parts, bicycles) (4.82%), and so on. The non-garment and footwear sector is dominant, with a share of 90.32% of the total capital invested in SEZ. The remaining investment activities are beverages (3.88%), textiles and leather, including luggage and handbags (3.76%), basic and fabricated metal products (2.98%), food (2.49%), rubber and plastic products (1.58%), chemical products (1.51%), pharmaceuticals, medicinal chemical, and botanical products (1.43%), machinery and equipment (0.59%), and other non-metallic mineral products (0.29%). The rest is other activities apart from those mentioned above (3.54%).

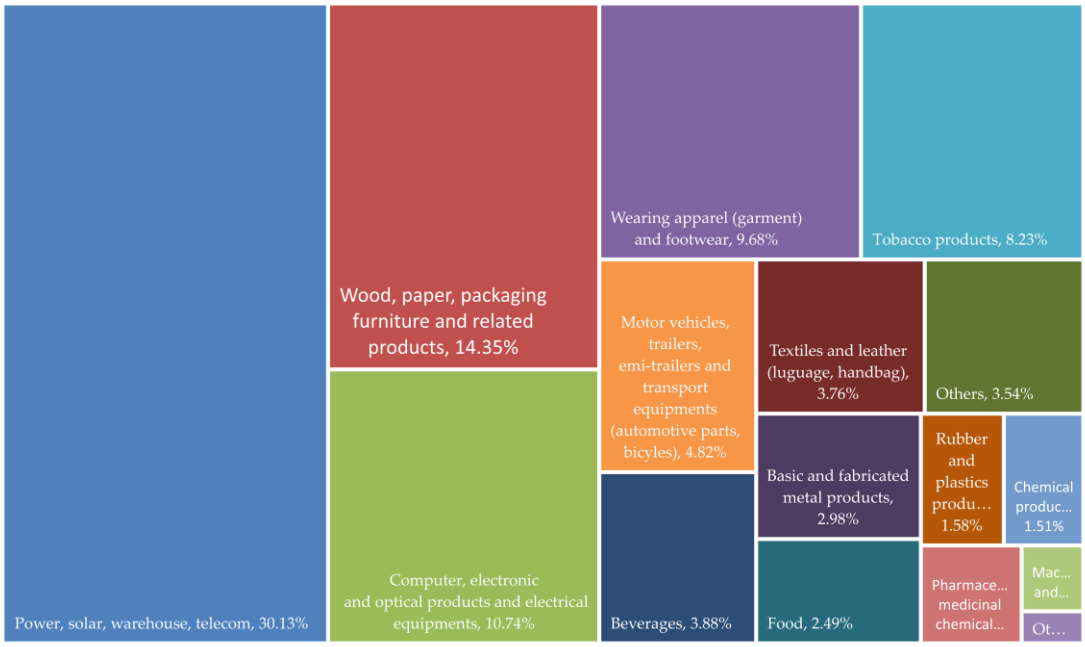

Figure 1.11. Foreign investment capital in SEZs by activities (2006–2020), %. Source: Author's own compilation and graphic illustration using data from CDC.

Figure 1.12 shows FDI and diversified FDI (divFDI) inflow into provinces of Cambodia within the studied period (2015–2019) in USD 1000s (stock value). FDIs are concentrated in Phnom Penh (capital), Preah Sihanouk (coastal area and deep-sea port), Kampong Speu, and Siem Reap, with the capital value of USD 5,059, 2,586, 1,902, and 1,168 million, respectively. All provinces have received FDI, and Pursat obtained the least amount of FDI (USD 2.3 million). Whereas the divFDI are mostly located in Preah Sihanouk (USD1,506 million), Phnom Penh (USD 647 million), and Svay Rieng (USD 337 million), six provinces have not attracted divFDI during the sample period: Preah Vihear, Ratanakiri, Kampong Thom, Kampong Cham, Mondulkiri, Stung Treng, Uddor Meanchey, Kep, and Prey Veng. It is noticeable that Phnom Penh and Preah Sihanouk are the most attractive locations for both FDI and divFDI. Remarkably, divFDI refers to investment in diversified manufacturing sectors other than garment and footwear, infrastructure, land economic concession, mining, and natural resources sectors.

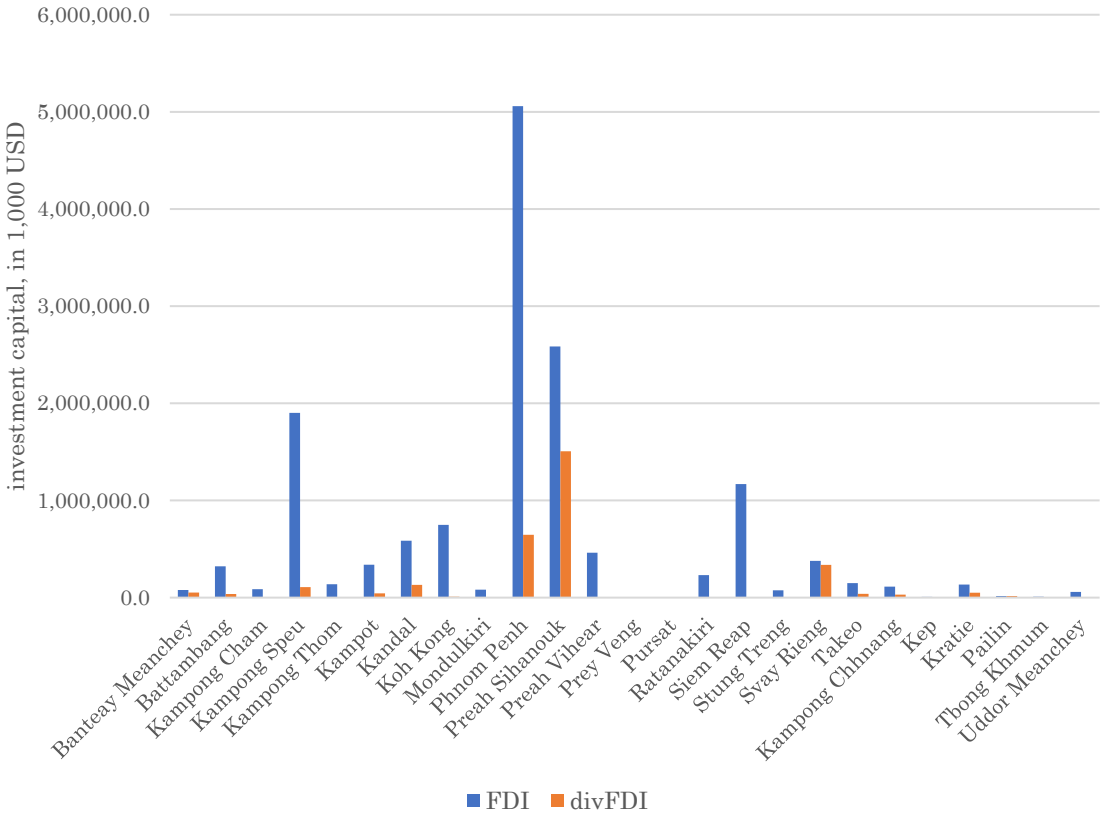

Figure 1.12. Distribution of FDI and divFDI in Cambodia (2015–2019). Source: Author's own compilation and graphic illustration based on data from CDC.

FDI source or FDI home countries: Figures 1.13 and 1.14 show that the most significant foreign investment in Cambodian SEZs is from China in terms of investment capital and the number of projects, accounting for 54.49% and 61.04%, respectively. Then, sources are followed by Malaysia, Japan, Taiwan, Singapore, BVI, America, Thailand, Korea, Vietnam, and so on with respect to investment capital. Japan is the third largest source of FDI inside the SEZ of Cambodia in terms of capital, and it is the second concerning the number of projects. However, it would be great to attract and increase FDI from other sources of countries, avoiding heavily depending on only one or few countries.

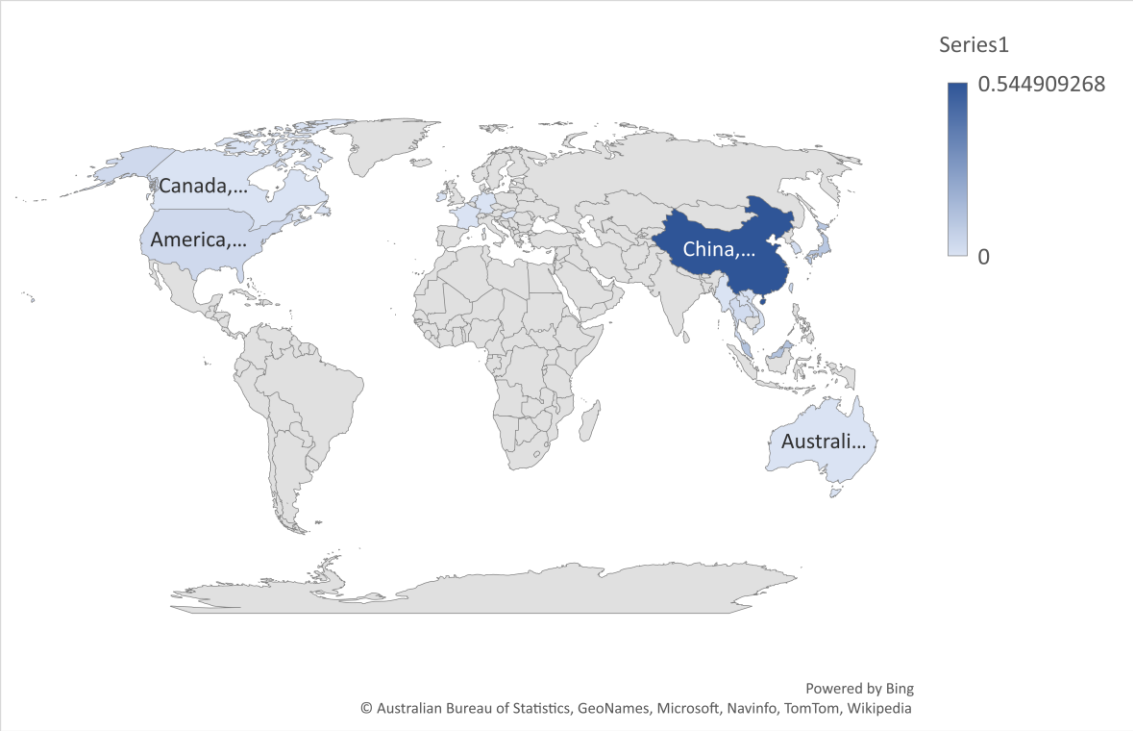

Figure 1.13. Foreign investment capital in SEZs by home countries, %. Source: Data from the CDC and it is illustrated in map using Microsoft Excel.

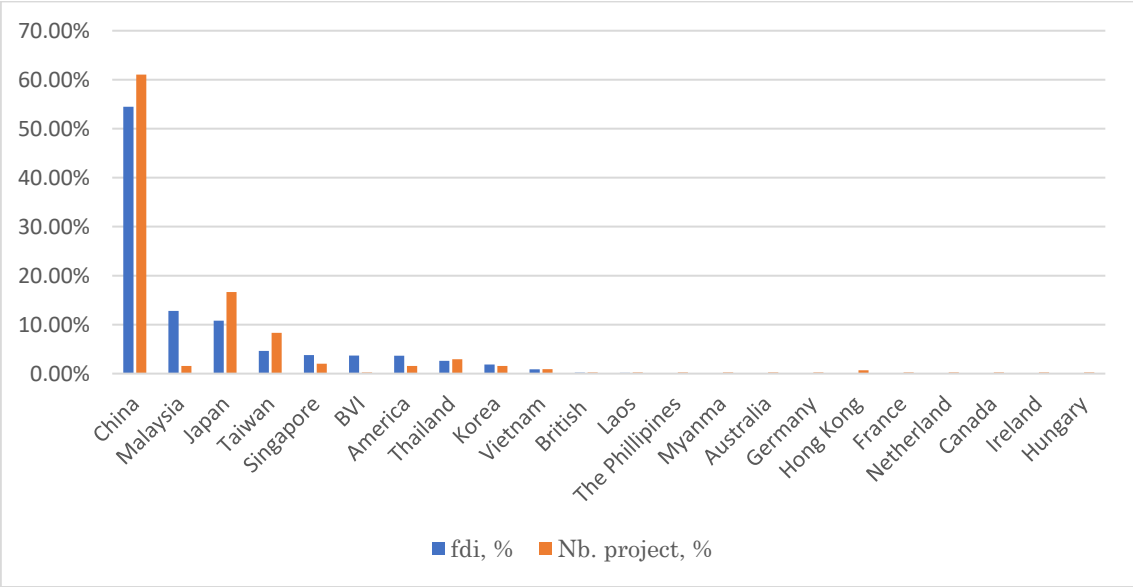

Figure 1.14. Foreign investment capital and number of projects in SEZs by home countries, %. Source: Author's own graphic illustration using data from the CDC.

Input sources and exporting market: As the data on export and import (production inputs) values of SEZ investment projects is currently unavailable, the number of investment projects is used for this descriptive analysis. Two hundred seventy-two investment projects inside SEZ have provided information on their input sources and export destinations. Figure 1.15 describes the statistics of production inputs that have been totally sourced from 37 countries, including Cambodia. The top five input sources are from Asia, in which China is the largest source for 231 projects (85.2%); Vietnam is the second biggest one supplying 90 projects (33.2%); Japan is the third huge country where the production inputs imported from for 79 projects (29.2%), followed by Thailand, Cambodia (local) and Taiwan. Only 32 SEZ investment projects, equal to 11.8%, have sourced local inputs for their productions. A great number of projects have imported production inputs from abroad. This shows that Cambodia depends heavily on input sources from abroad and still has low backward linkage. It is noticeable that if calculating by region and continent, Asia is the main and dominant source of production inputs for Cambodian SEZ investment projects in which 97.4% of total provided projects are imported from China (Hong Kong and Taiwan included), and 75.6% of projects sourced inputs from ASEAN countries (Cambodia excluded). Whereas only 30 projects (11.1%) imported inputs from Europe.

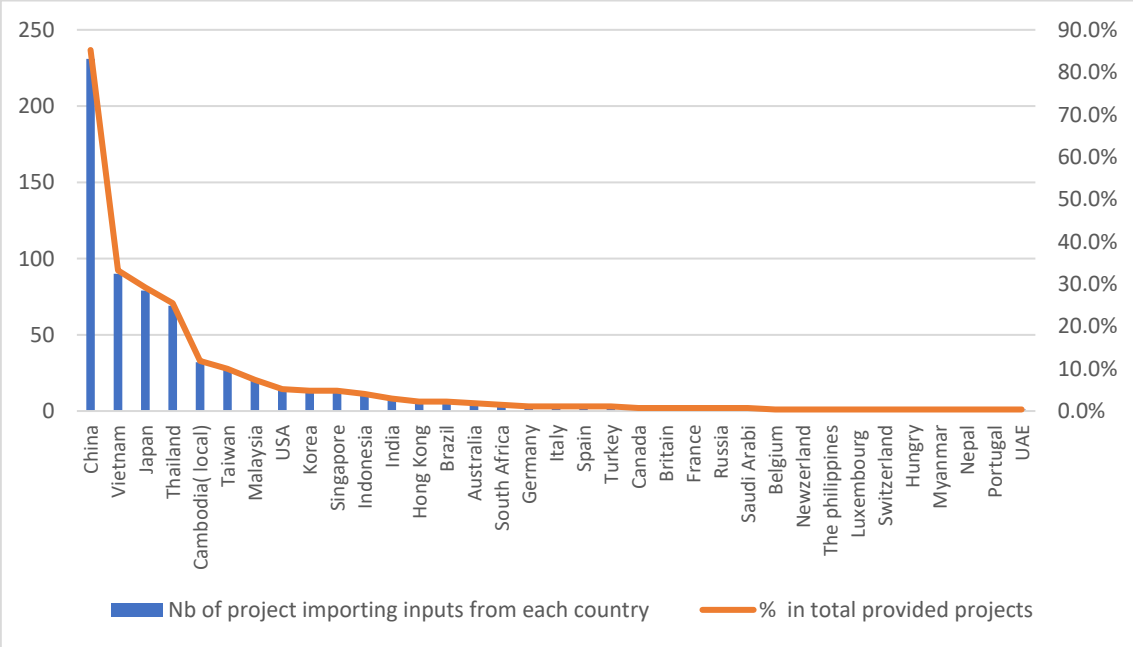

Figure 1.15. Sources of production inputs of investment project in SEZ. Source: Author's own compilation and graphic illustration using data from the CDC.

Figures 1.16 and 1.17 indicate the destination of product export of SEZ investment projects. Forty-nine destinations have been exported to by the provided projects (272). The top five export markets are the USA, Japan, Cambodia (local market), China, and Thailand, where 110 projects (40.6%), 94 projects (34.7%), 66 projects (24.4%), 44 projects (16.2%), and 30 projects (11.1%) have exported their products to [those five destinations], respectively. Even though SEZ investment projects have 49 markets that look at many destinations, it still intensively depends on a few countries. This suggests that Cambodia should further diversify the export market in the number of projects and the export value. Grouping by continent, Asia is the most prominent market (87.5% of provided projects), America is the second largest destination (50.2%), and Europe is the third one (38.7%). In comparison, ASEAN (Cambodia excluded) region is the fourth largest market (26.9%) for Cambodian SEZ investment projects.

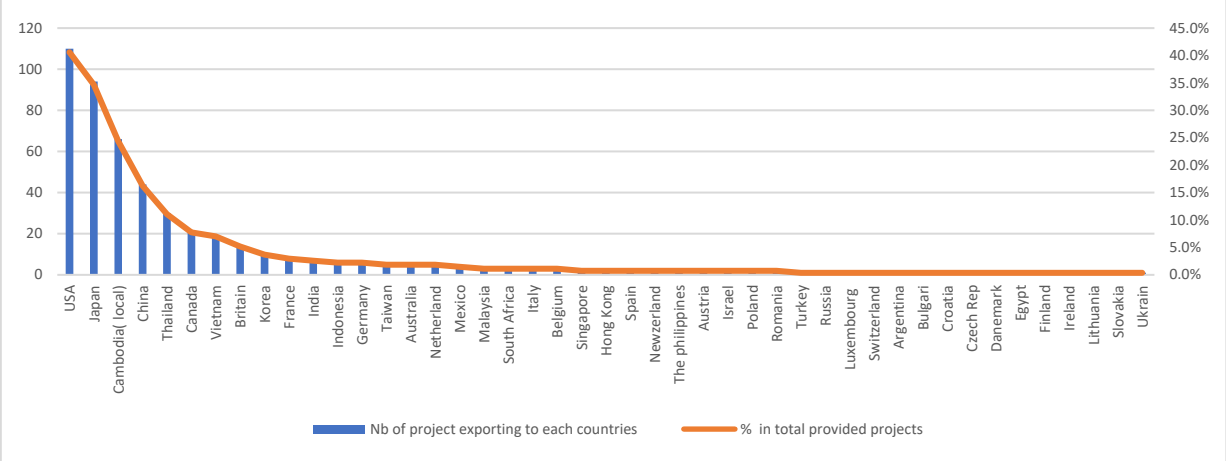

Figure 1.16 Exporting markets of investment project in SEZ. Source: Author's own calculation and graphic illustration using data from the CDC.

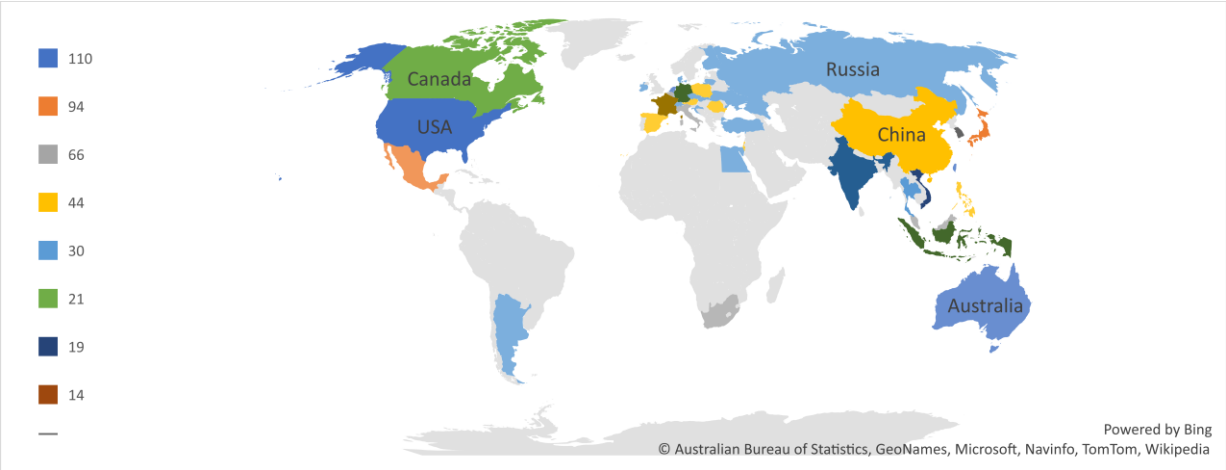

Figure 1.17. Export market map of investment project in SEZ. Source: Data from the CDC and it is illustrated in map using Microsoft Excel.

1.2.4. Data on International Investment Agreements (IIAs: TIP/FTA/BIT)

As of the end of 2022, Cambodia has 18 treaties with investment provisions (TIPs) by calculating based on the three types of TIPs. One TIP was terminated, one TIP was signed, and the other 18 TIPs are in force (the list of the TIPs is shown in Table 1.2). These 18 TIPs cover 44 partner countries, including the 9 ASEAN member countries, Japan, China, the Republic of Korea, India, the United States of America (USA), Australia, New Zealand, Hong Kong, and 27 European Community countries. Among those 44 partners under TIPs, only 22 countries have BIT with Cambodia (7 from the European Community countries: Austria, Croatia, Czech Republic, France, Germany, Hungary, Netherlands), while the USA, Hong Kong, and the other 20 countries from the European Community do not (Belgium, Bulgaria, Republic of Cyprus, Denmark, Estonia, Finland, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden).

Table 1.2. Cambodia' TIPs entering into force, as of the end of 2022

Title of agreement (18 TIPs)	Date of signature	Date of EIF	Status
Cooperation Agreement between Member Countries of ASEAN and European Community	07/03/1980	01/10/1980	In force
ASEAN Agreement for the Promotion and Protection of Investments	15/12/1987	02/08/1988	Terminated in 2012 (1)
Cooperation Agreement between the European Community and the Kingdom of Cambodia	29/04/1997	01/11/1999	In force
Framework Agreement on Comprehensive Economic Co-operation between ASEAN and China	04/11/2002	01/07/2003	In force
Framework Agreement between ASEAN and the Republic of India	08/10/2003	01/07/2004	In force
Framework Agreement between ASEAN and the Republic of Korea	13/12/2005	01/07/2006	In force
Trade and Investment Framework Agreement between the United States and Cambodia	14/07/2006	14/07/2006	In force
Trade and Investment Framework Agreement between the United States and ASEAN	25/08/2006	25/08/2006	In force
ASEAN-Japan Comprehensive Economic Partnership (AJCEP) (Free Trade Agreement between ASEAN and Japan)	28/03/2008	01/12/2008	In force (2)
The ASEAN-Republic of Korea Investment Agreement (3)	02/06/2009	01/09/2009	In force
ASEAN - China Investment Agreement (4)	15/08/2009	01/01/2010	In force

Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)	27/02/2009	10/01/2010	In force
ASEAN Comprehensive Investment Agreement (ACIA) (5)	26/02/2009	24/02/2012	In force (6)
Agreement on Investment under the Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and the Republic of India	12/11/2014	Not yet in force	Signed
Agreement on Investment among the Governments of the Hong Kong Special Administrative Region of the People's Republic of China and the Member States of the Association of Southeast Asian Nations (under ASEAN-Hong Kong FTA - AHKFTA)	12/11/2017	17/06/2019	In force
Regional Comprehensive Economic Partnership (RCEP) (7)	15/11/2020	01/01/2022	In force
Cambodia-China Free Trade Agreement (CCFTA)	12/10/2020	01/01/2022	In force
Cambodia-Republic of Korea Free Trade Agreement (CKFTA)	26/10/2021	01/12/2022	In force

Notes: (1) Replaced by new treaty (ACIA), which entered force in 2012. (2) Amendment protocol signed on 27/02/2019 and EIF on 27/02/2019. (3) In 2005, ASEAN and Korea signed the Framework Agreement that led to legal instruments establishing the ASEAN-Korea Free Trade Area (AKFTA). The three agreements: trade in goods (signed in 2006, EIF 2007), trade in services (signed in 2009), and investment (signed and EIF in 2009). are under AKFTA, but they are separated/independent agreements, not in the form of chapters under an FTA. This study is based on the EIF of an investment agreement (2009) as it represents a treaty with investment provisions, and a full FTA must contain substances of the three areas. (4) ASEAN-China investment agreement (signed in 2009 and entered force in 2010) and the two other agreements: trade in goods (concluded 2004) and trade in services (concluded 2007), are under ASEAN-China Free Trade Area (ACFTA). The framework for creating ACFTA was signed in 2002, and EIF in 2003. The ACFTA was upgraded in 2013 through amendment protocol. This study is based on the EIF of investment agreement data in 2010 because a full FTA has the substance of the three areas. The three agreements are under ACFTA, but they are separated/independent agreements, not in the form of chapters under an FTA. (5) ACIA is a second type of TIP used to replace the agreement for promoting and protecting investments in 1980. So, the value for TIP among AMS is set to 1 for the whole sample period. (6) Amendment protocol signed on 26/08/2014 and entered force on 26/08/2014. (7) Parties: ASEAN (Association of South-East Asian Nations), Australia, China, Japan, Republic of Korea, and New Zealand.
Source: CDC and UNCTAD.

Cambodia has 8 FTAs as of 2022, of which six are multilateral FTA, and the two other FTAs are bilateral. These first two bilateral FTAs (Cambodia-China FTA and Cambodia-Korea FTA) entered into force in 2022. Table 1.3 depicts Cambodia's FTAs entering into force.

Table 1.3. Cambodia's FTAs entering into force.

Title of agreement (8 FTAs)	Date of signature	Date of EIF	Status
ASEAN-Japan Comprehensive Economic Partnership (AJCEP)	28/03/2008	01/12/2008	In force (1)
ASEAN-Republic of Korea FTA (AKFTA) (2)	02/06/2009	01/09/2009	In force
ASEAN-China FTA (ACFTA) (3)	15/08/2009	01/01/2010	In force
Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)	27/02/2009	10/01/2010	In force
ASEAN-Hong Kong Free Trade Agreement (AHKFTA)	12/11/2017	17/06/2019	In force
Regional Comprehensive Economic Partnership (RCEP)	15/11/2020	01/01/2022	In force
Cambodia-China Free Trade Agreement (CCFTA)	12/10/2020	01/01/2022	In force
Cambodia-Republic of Korea Free Trade Agreement (CKFTA)	26/10/2021	01/12/2022	In force

Notes: (1) Amendment protocol was signed on 27/02/2019 and entered force on 27/02/2019. (2) Three agreements under AKFTA, including trade in goods, trade in services, and investment, entered into force in 2007, 2009, and 2009 respectively. So, in this study, the date in force in 2009 (based on the ASEAN-Republic of Korea Investment Agreement) is considered the date for AKFTA entirely. (3) The three agreements under ACFTA, including trade in goods, trade in services, and investment, entered into force in 2004, 2007, and 2010 respectively. So, in this study, the date in force in 2010 (based on the ASEAN - China Investment Agreement) is considered the date for AKFTA entirely.
The ACFTA was upgraded in 2013 through amendment protocol.
Source: CDC and UNCTAD.

By the end of 2022, Cambodia had 27 bilateral investment treaties (BITs) in which one BIT was terminated, 16 BITs were in force, and 10 BITs were signed. Among those 27 partners under BIT listed in the table below, 17 countries have TIP with Cambodia, while the other ten countries do not (Switzerland, Cuba, Pakistan, Korea, Dem. People's Rep., Kuwait, Belarus, Bangladesh, Russian Federation, United Arab Emirates, and Turkey).

Table 1.4. Cambodia's BITs entering into force

Title of agreement (27 BITs)	Date of signature	Date of EIF	Status
Cambodia - Malaysia BIT	17/08/1994	09/05/1997	In force
Cambodia - Thailand BIT	29/03/1995	18/04/1997	In force
Cambodia - China BIT	19/07/1996	01/02/2000	In force
Cambodia - Switzerland BIT	12/10/1996	28/03/2000	In force
Cambodia - Singapore BIT	04/11/1996	24/02/2000	In force
Cambodia - Korea, Republic of BIT (1997)	10/02/1997	12/03/1997	In force
Cambodia - Germany BIT	15/02/1999	14/04/2002	In force
Cambodia - Indonesia BIT	16/03/1999		Terminated(1)
Cambodia - France BIT	13/07/2000	24/07/2002	In force
Cambodia - Philippines BIT	16/08/2000		Signed
Cambodia - Croatia BIT*	18/05/2001	15/06/2002	In force
Cambodia - Viet Nam BIT	01/09/2001	24/10/2005	In force
Cambodia - Cuba BIT*	26/09/2001		Signed
Cambodia - Netherlands BIT	23/06/2003	01/03/2006	In force
Cambodia - Pakistan BIT	27/04/2004		Signed
Cambodia - Austria BIT	17/12/2004		Signed
Cambodia - Japan BIT	14/06/2007	31/07/2008	In force
Cambodia - Korea, Dem. People's Rep. of BIT*	01/11/2007		Signed
Cambodia - Czech Republic BIT*	12/05/2008	23/10/2009	In force
Cambodia - Kuwait BIT*	04/08/2008		Signed
Cambodia - Lao People's Democratic Republic BIT	24/11/2008		Signed
Cambodia - Belarus BIT	23/04/2014	14/04/2016	In force
Cambodia - Bangladesh BIT*	17/06/2014		Signed
Cambodia-Russian Federation BIT (2015)	03/03/2015	07/03/2016	In force
Cambodia - Hungary BIT*	14/01/2016	30/08/2017	In force
Cambodia - United Arab Emirates BIT (2017)	27/07/2017		Signed
Cambodia - Turkey BIT	21/10/2018		Signed

Notes: (1) Unilaterally terminated on 07/01/2016. * Those countries were not covered under this study since they have no FDI in Cambodia during the sample period.
Source: CDC and UNCTAD

The following are the line charts of the FDI inflow in Cambodia from source countries with and without TIP, FTA, and BIT shown in Figures 1.18, 1.19, and 1.20, respectively.

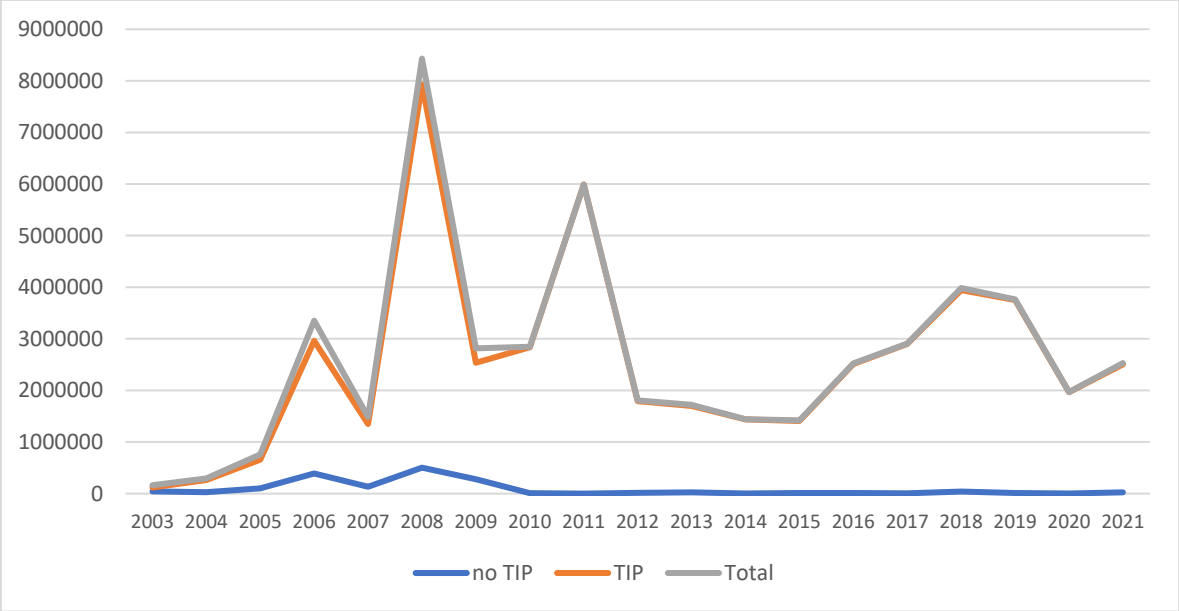

Figure 1.18. FDI inflow in Cambodia from source countries with and without TIP, and in total (in 1000 USD). Source: Author's own computation and graphic illustration using data from the CDC and UNCTAD.

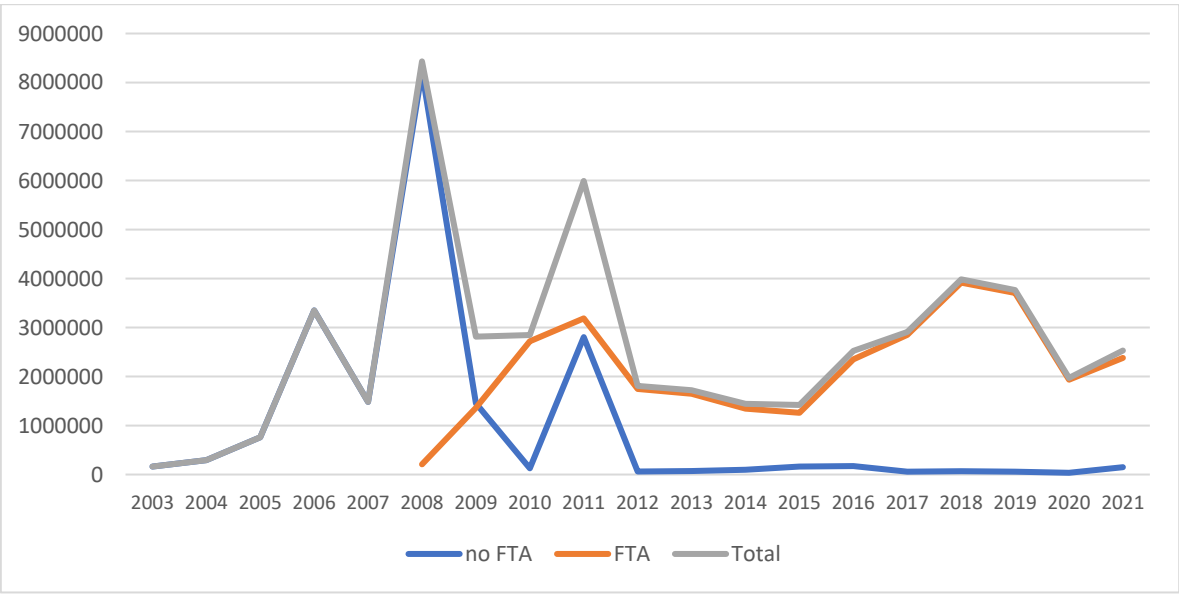

Figure 1.19. FDI inflow in Cambodia from source countries with and without FTA, and in total (in 1000 USD). Source: Author's own computation and graphic illustration using data from the CDC and UNCTAD.

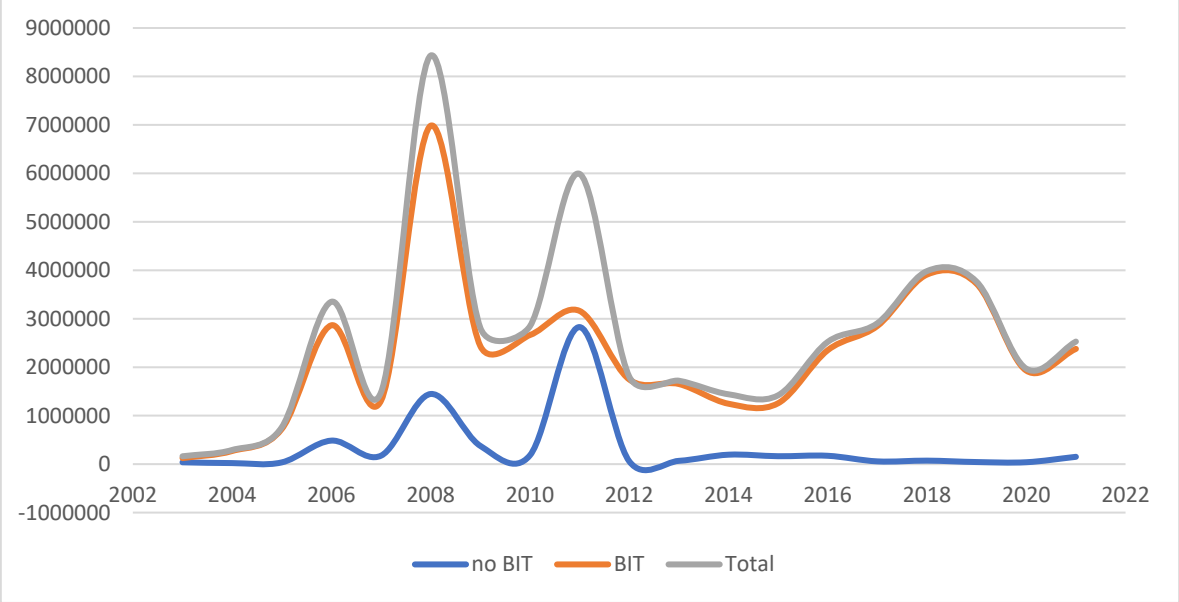

Figure 1.20. FDI inflow in Cambodia from source countries with and without BIT, and in total (in 1000 USD). Source: Author's own computation and graphic illustration using data from the CDC and UNCTAD.

During the period 2003-2021, 47 FDI source countries[2] have newly invested or expanded in Cambodia based on the committed FDI projects approved by the CDC. Among them, 5 source countries[3] have no data on labor cost (minimum wage, labor productivity), then the number of source countries included in the analysis is reduced to 42[4]. Remarkably, data from many of those home countries are equal to zero for some years, and only a small number group of countries have full data or just zero for only one to two years. For instance, in the top 9 FDI home countries[5] in Cambodia, almost all have newly invested or expanded every single year during the sample period, but this small group represents 96% of total approved FDI during 2003-2021. Other groups, e.g., top 10 or top 14

[2] Argentina, Australia, Austria, Belarus, Belgium, British Virgin Islands, Brunei, Canada, Cayman Islands, China, Denmark, France, Germany, Hong Kong, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Laos, Luxembourg, Malaysia, Marshall Islands, Mauritius Rep., Myanmar, Netherlands, New Zealand, Pakistan, Philippines, Portugal, Russia, Samoa, Seychelles, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkiye, U.K, U.S.A, United Arab Emirates (UAE), and Vietnam (order by alphabet).

[3] British Virgin Islands, Cayman Islands, Marshall Island, Seychelles, and Taiwan.

[4] China, Korea, U.K, Vietnam, Japan, Malaysia, Thailand, Singapore, U.S.A, Russia, Israel, Australia, France, India, Austria, Canada, Samoa, Portugal, Denmark, Netherlands, Hong Kong, Brunei, Sweden, Philippines, Luxembourg, Turkiye, U.A.E (United Arab Emirates), Indonesia, Belgium, Italy, South Africa, Germany, Spain, Belarus, Argentina, Laos, Myanmar, Mauritius Rep., Ireland, Switzerland, New Zealand, and Pakistan (sorted by the value of FDI from the largest to the smallest).

[5] China, Korea, U.K, Vietnam, Japan, Malaysia, Thailand, Singapore, U.S.A (sorted by the value of FDI from the largest to the smallest).

source countries account for more percentage, 97% or 99% respectively of the total committed FDI within that period. However, few countries among the top 10 or top 14 home countries have only some observations (data are equal to zero for several years). Hence, to see clearer labels on the chart, the stacked columns have been created with the top 9 and the rest of the source countries, as shown in Figures 1.21, 1.22, 1.21, and 1.23.

The following are the stacked columns of the FDI inflow in Cambodia from the top 9 of the rest of the source countries clustering into two groups: with and without TIP, FTA, and BIT shown in Figures 1.21, 1.22, and 1.23, respectively.

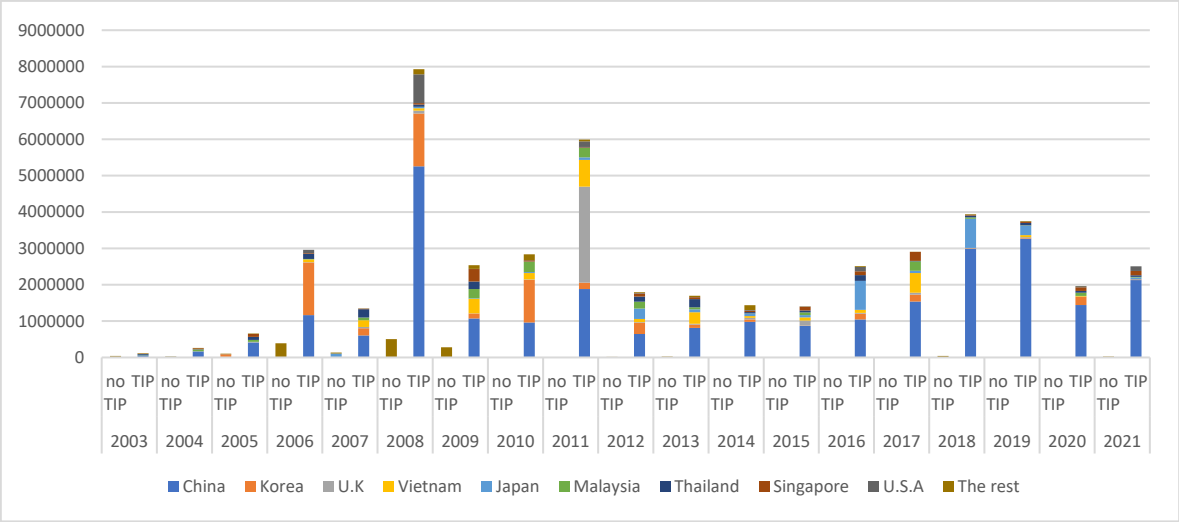

Figure 1.21. FDI inflow in Cambodia from the top 9 and the rest of the source countries (in 1000 USD), with and without TIP. Source: Author's own computation and graphic illustration using data from the CDC.

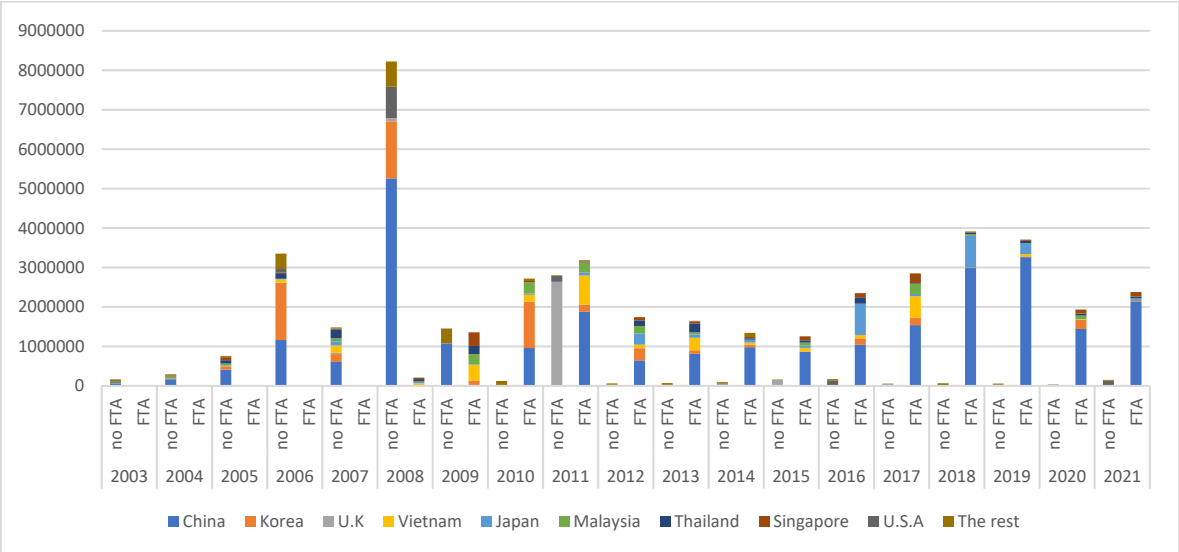

Figure 1.22. FDI inflow in Cambodia from the top 9 and the rest of the source countries (in 1000 USD), with and without FTA. Source: Author's own computation and graphic illustration using data from the CDC.

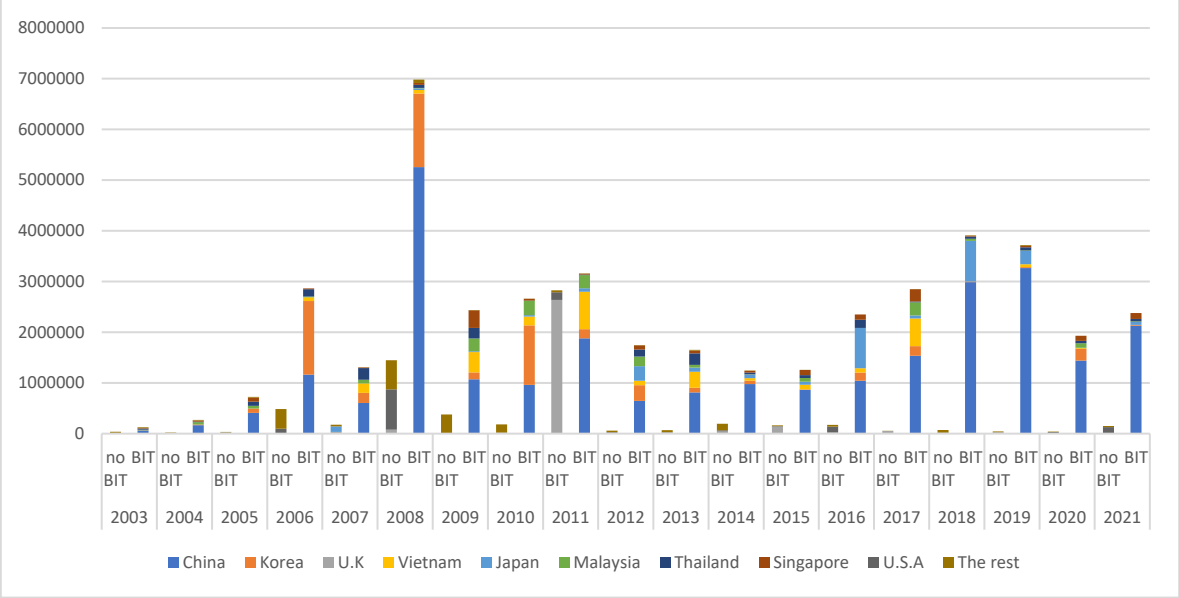

Figure 1.23. FDI inflow in Cambodia from the top 9 and the rest of the source countries (in 1000 USD), with and without BIT. Source: Author's own computation and graphic illustration using data from the CDC.

The FDI inflow in Cambodia by the top 9 and the rest of the source countries, but not divided into whether or not there is any agreement, indicated in Figure 1.24.

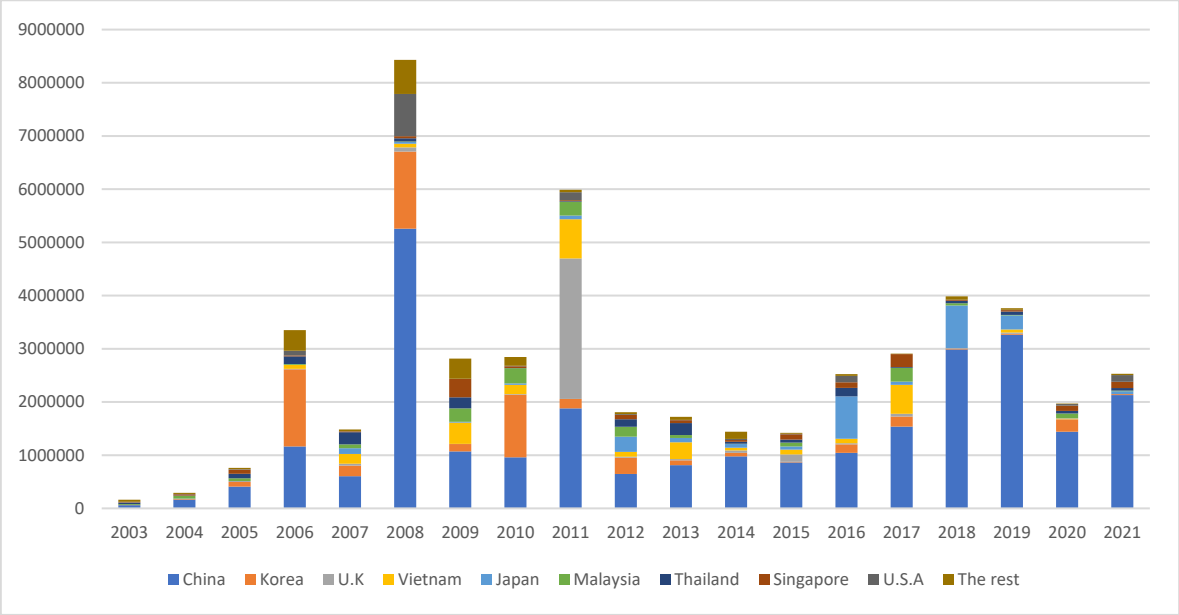

Figure 1.24. FDI inflow in Cambodia from the top 9 and the rest of the source countries (in 1000 USD). Source: Author's own computation and graphic illustration using data from the CDC.

Table 1.5 Cambodia's inward FDI by home countries (in % of the total FDI from the sample sources (42/47))

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Argentina	0.00	0.00	0.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.11	0.00
Australia	0.00	0.00	0.38	0.00	1.62	0.12	0.00	1.93[f]	0.45	0.21	0.59	7.04	0.00	0.00	0.00	0.05	0.00	0.00	0.00
Austria	0.00[t]	0.00	0.00	0.00	0.00	0.86	0.13	0.00	0.00	0.00	0.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Belarus	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.00	0.00[b]	0.00	0.00	0.00	0.00	0.00
Belgium	0.00[t]	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.00	0.21	0.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Brunei	0.00[t]	0.00	0.00	0.00	0.00	0.00[f]	0.00	0.00	0.08	0.06	0.00	0.16	0.32	0.00	0.00	0.06	0.00	0.00	0.00
Canada	0.00	1.67	0.76	0.01	0.00	0.16	0.09	0.26	0.00	0.34	0.78	0.21	0.62	0.22	0.00	0.04	0.14	0.00	0.00
China	**37.76**[tb]	57.14	53.93	34.73	40.75	62.36	38.10	33.76[f]	31.39	35.72	47.21	67.88	60.87	41.37	52.88	75.00	86.72	73.11	84.18
Denmark	0.00[t]	0.00	0.00	0.00	0.00	0.00	0.00	1.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
France	**8.27**[tb]	3.88	1.47	0.00	0.00	0.79	0.09	0.15	0.09	0.19	0.81	0.00	0.17	0.00	0.00	0.14	0.15	0.00	0.00
Germany	**0.00**[tb]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hong Kong	14.30	0.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00[f]	0.00	0.00
India	0.00	0.00[t]	0.00	0.00	0.00	0.00	3.03	0.00	0.11	0.17	0.00	0.24	0.00	0.77	0.00	0.00	0.00	0.00	0.00
Indonesia	0.00[tb]	0.00	0.37	0.00	0.00	0.00[f]	0.12	0.00	0.00	0.00	0.19	0.04	0.00	0.00[xb]	0.01	0.00	0.00	0.00	0.00
Ireland	0.00[t]	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Israel	0.00	0.00	0.00	0.00	0.15	4.15	0.00	0.08	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Italy	0.00[t]	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.12	0.00	0.24	0.00	0.00	0.00	0.00	0.00	0.09	0.00
Japan	0.17	1.14	0.00	0.09	7.23	**0.39**[fb]	0.51	1.01	1.18	15.80	4.79	4.78	4.19	31.50	2.04	20.10	6.98	0.32	2.13
Korea	2.41[b]	3.65	11.21	43.30[t]	13.49	17.21	4.86[f]	41.25	2.98	17.08	5.30	4.60	0.69	6.35	6.51	0.33	0.49	11.80	0.69
Laos	0.00[t]	0.00	0.00	0.00	0.00	0.00[f]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.00
Luxembourg	0.00[t]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Malaysia	8.73[tb]	17.06	6.89	0.46	4.99	0.10[f]	9.00	10.02	4.32	10.42	3.13	0.41	5.26	0.00	8.91	0.99	0.23	4.42	0.57
Mauritus Rep.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.00	0.00	0.00	0.00	0.00
Myanmar	0.00[t]	0.00	0.00	0.00	0.00	0.00[f]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.00	0.00
Netherlands	0.00[t]	0.00	0.00	0.00[b]	0.13	0.00	0.04	0.00	0.00	0.18	0.00	0.15	0.00	0.00	0.08	0.05	0.32	0.00	0.00
New Zealand	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00[f]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00
Pakistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.00	0.00	0.00

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Philippines	0.00[t]	0.00	0.00	0.00	0.00	0.00[f]	0.00	0.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.00	0.00
Portugal	0.00[t]	0.00	0.00	0.00	0.00	0.00	0.00	1.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Russia	0.00	1.03	0.00	11.57	0.00	1.45	9.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00[b]	0.00	0.00	0.00	0.00	0.00
Samoa	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.98	0.12	0.00	0.70
Singapore	6.00[tb]	8.24	10.54	0.51	1.01	0.45	12.29	1.20	0.29	4.47	3.11	2.46	7.13	4.19	8.39	0.40	0.71	5.08	4.65
South Africa	0.00	0.00	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Spain	0.00[t]	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sweden	0.00[t]	0.15	0.00	0.00	0.26	0.00	0.00	0.00	0.00	0.32	0.00	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.00
Switzerland	0.68[b]	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	12.73[tb]	2.67	10.91	4.32	15.37	0.72[f]	7.37	0.08	0.17	7.83	13.15	2.45	3.85	6.38	0.51	1.17	1.71	2.50	1.81
Turkiye	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.49	0.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
U.A.E	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.00	0.04	0.00	0.21
U.K	0.67	1.01[t]	2.46	0.23	2.26	0.93	0.08	0.43	44.04	0.88	1.28	3.13	9.82	0.82	1.79	0.33	0.61	0.09[xt]	0.00
U.S.A	8.28	2.06	0.96	2.59[t]	0.25	9.42	0.13	0.27	2.53	0.73	0.34	1.34	0.53	4.67	0.00	0.16	0.17	1.50	5.05
Vietnam	0.00[t]	0.00	0.00[b]	2.20	12.50	0.81[f]	14.24	6.15	12.32	4.99	18.37	3.50	6.29	3.38	18.73	0.00	1.54	0.76	0.00
Total (in 1000 USD)	162619	292600	760562	3350963	1483397	8431054	2814652	2845675	5989753	1808304	1721252	1441345	1420419	2522898	2907711	3983844	3764144	1970082	2529140

Notes:

…t …f …b denote that TIP (non-FTA TIP), FTA (or FTA-TIP), and BIT, between/among parties including Cambodia and home FDI country i, have been entered into force (before 2003) or was started entering into force (in any year within the period 2003-2021), respectively.

…tb denote that TIP and BIT between/among parties including Cambodia and home FDI country i, have been entered into force (before 2003) or was started entering into force (in any year within the period 2003-2021) in the same year.

…fb denote that FTA and BIT between/among parties including Cambodia and home FDI country i, was started entering into force in the same year (e.g., in 2008)

…xb or xt denote that BIT or TIP between/among parties including Cambodia and home FDI country i, was terminated.

Source: Author's own compilation using data from the CDC.

1.2.5. The relationship between FDI and key explanatory variables

The relationship between FDI and key explanatory variables at the provincial level are illustrated in Figures 1.25 to 1.28 through the scatter plot and fitted value. Figure 1.25 and Figure 1.26 explain the simple correlation between general FDI and accumulated number SEZs (NbSEZs) in each province, and FDI and accumulated capital invested for developing SEZs in a province (CapSEZ1s). Similarly, Figures 1.27 and 1.28 describe the relationship between the diversified FDI and those key explanatory variables. Illustrating the scale of the graphs, the x-axis is a horizontal line representing the number of operating SEZs for Figures 1.25 and 1.27, it represents the accumulated capital invested for developing SEZs for Figures 1.26 and 1.28. The y-axis is a vertical line showing the flow value of regular FDIs (in the form of the logarithm) for Figures 1.25 and 1.26, and it displays the flow value of the diversified FDIs (in the form of the logarithm) for Figure 1.27 and 1.28. For example, Figure 1.25 shows that the province (Svay Rieng) having 8 operating SEZs received regular FDI of around 12 units (in logarithm form, in 1000 USD). A province having no SEZ did not receive FDI, while some provinces (such as Battambang, Kampong Thom, Kampong Cham) could host a lot of FDIs even though they have no SEZ because the FDIs invested in those provinces are mostly resource-seeking FDIs (investments in agriculture, mining, natural resources, and garment sectors). Thus, those FDIs do not likely care if a location (province) exists SEZ or not. In contrast, the diversified FDIs are much more interested in and better associated with the existence and number of operating SEZs (see Figure 1.27).

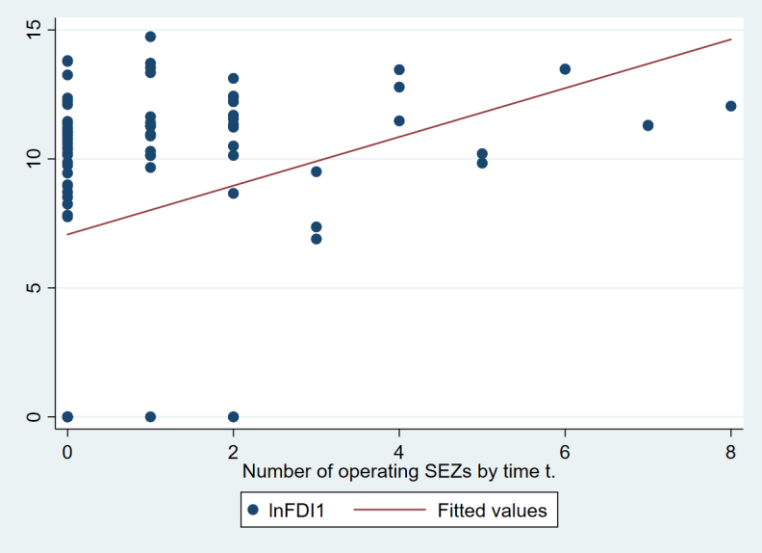

Figure 1.25. The relationship between FDI and NbSEZs at the provincial level. Source: Author's own computation.

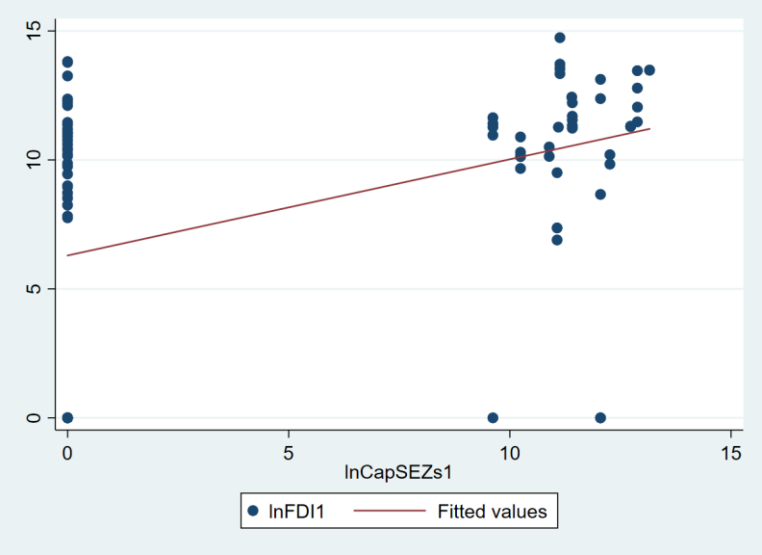

Figure 1.26. The relationship between FDI and CapSEZs at the provincial level. Source: Author's own computation.

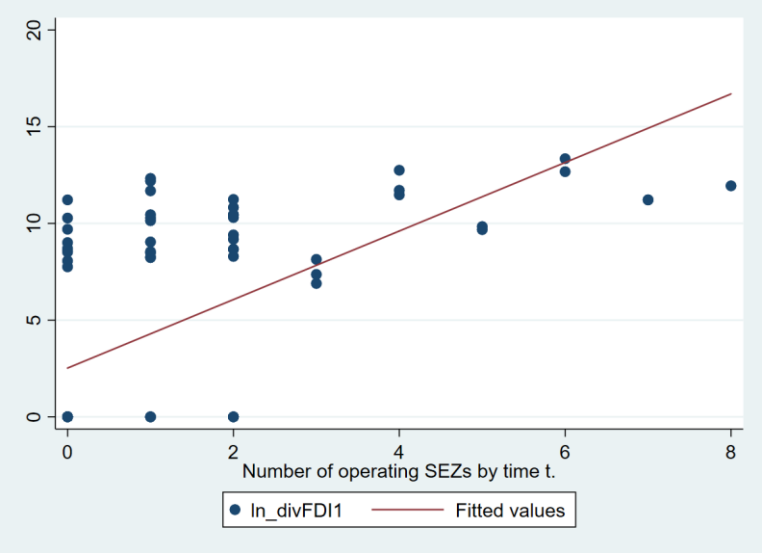

Figure 1.27. The relationship between the diversified FDI and NbSEZs at the provincial level. Source: Author's own computation.

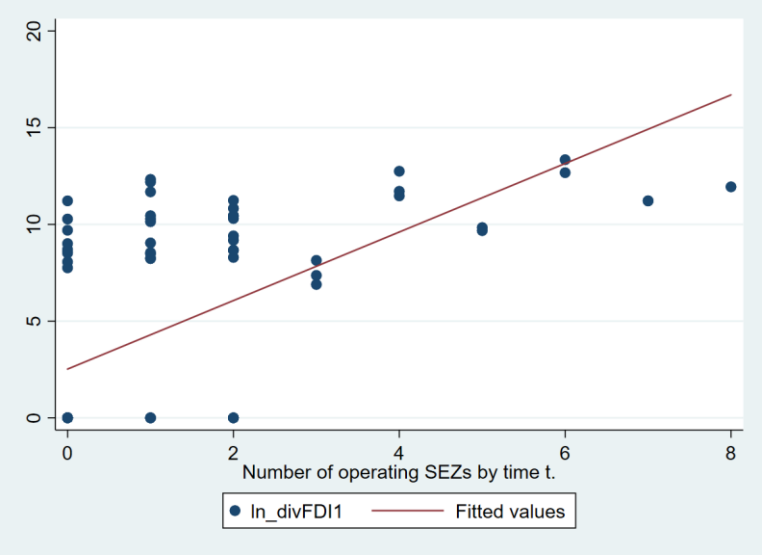

Figure 1.28. The relationship between the diversified FDI and CapSEZs at the provincial level. Source: Author's own computation.

Likewise, for the national-level data, the relationship between FDI and expenditure on promotion activities (PEexp), FDI and number of SEZs (NbSEZs), and FDI and capital for developing SEZs (CapSEZs) throughout 2003-2021 are depicted in Figures 1.29, 1.30, and 1.31, respectively.

Figure 1.29. The relationship between FDI and PEexp at the national level. Source: Author's own computation.

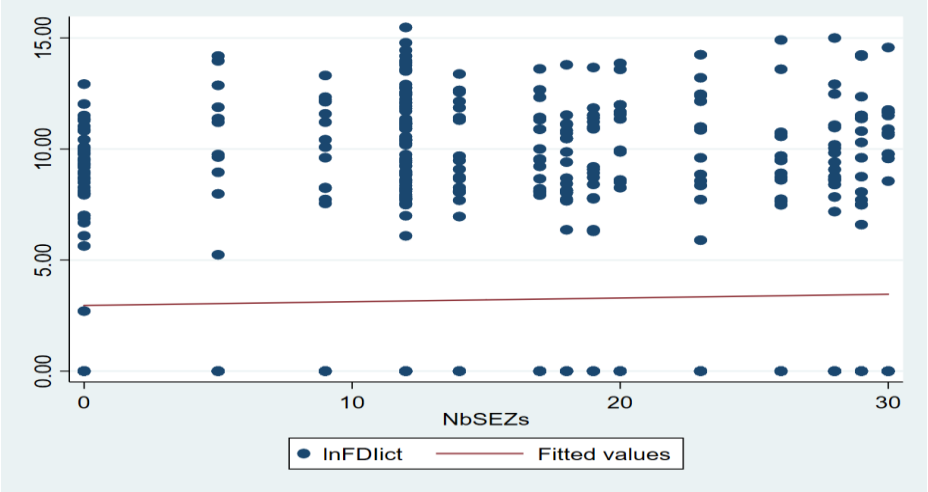

Figure 1.30. The relationship between FDI and NbSEZs at the national level. Source: Author's own computation.

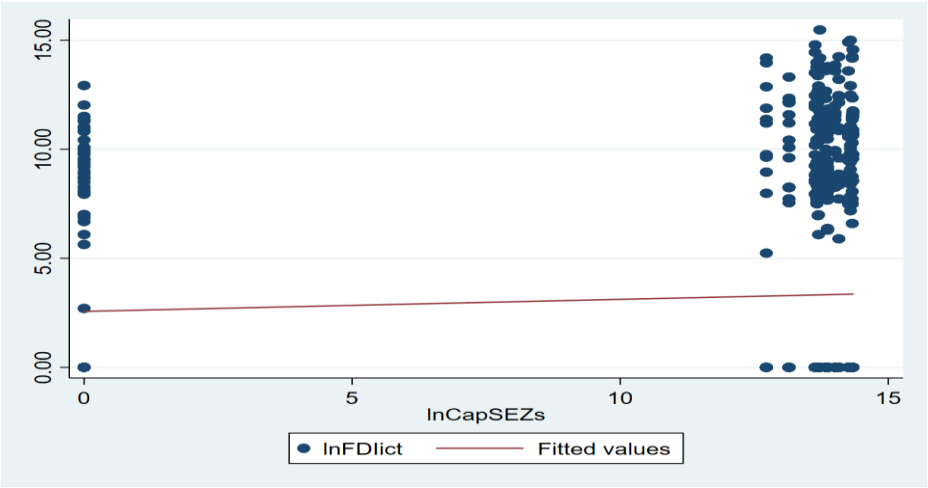

Figure 1.31. The relationship between FDI and CapSEZs at the national level. Source: Author's own computation.

1.3 PROBLEM STATEMENT AND ADDRESSING POLICIES

1.3.1 Problem Statement

Cambodia, as a developing country, has rapid economic growth, but it is hard to ensure sustainable and resilient economic growth due to facing the following key challenges. First, Cambodia has a narrow and less diversified base as its industrial structure is weak and majorly concentrates on textiles, wearing apparel and footwear, accounting for around 60% of total industrial sectors (excluding electricity, gas, water, and construction) (Figure 1.32). Similarly, the export structure also heavily relies on textiles, around 55% of total export (Figure 1.33).

Second, Cambodia has a simple structure of manufacturing and a low level of sophistication because low and moderately sophisticated products are the largest contribution to export growth with low complexity of diversification in new products (Figure 1.34). Third, manufacturing enterprises are

geographically concentrated: 68% in Phnom Penh, 13% in Kandal Province, 12% located in Kampong Cham, Kampong Speu, Preah Sihanouk, and Svay Rieng, and the rest in other provinces (RGC, 2015).

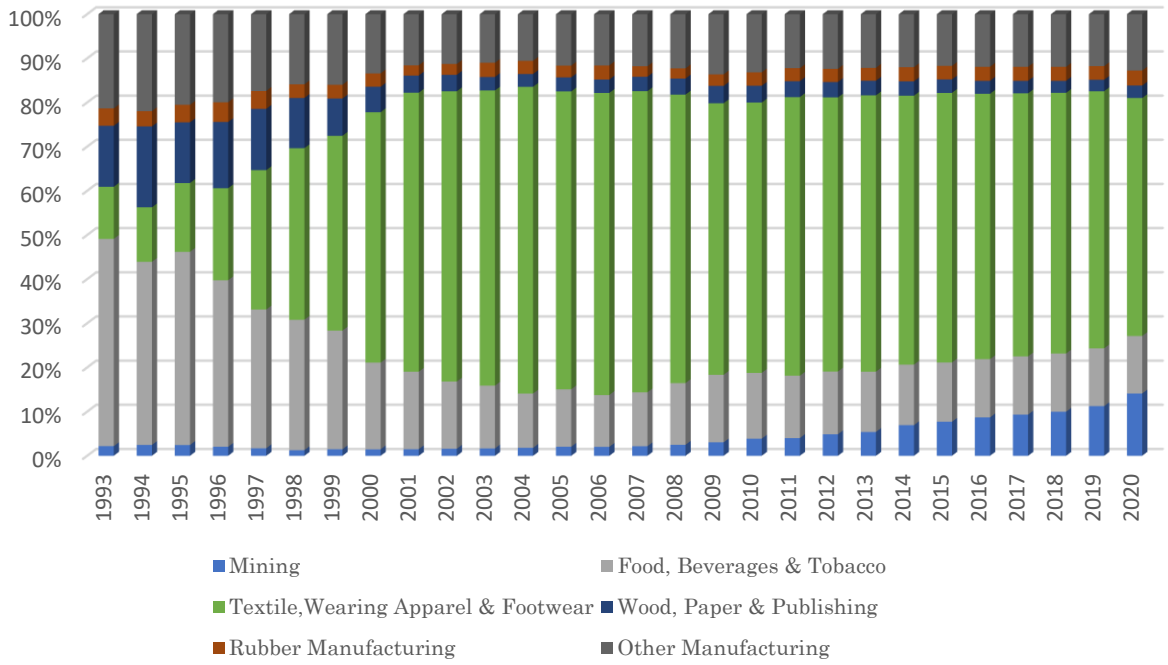

Figure 1.32. Cambodian industrial structure (1993–2020). Source: Author's own graphic illustration using data from the National Institute of Statistics (NIS), Cambodia.

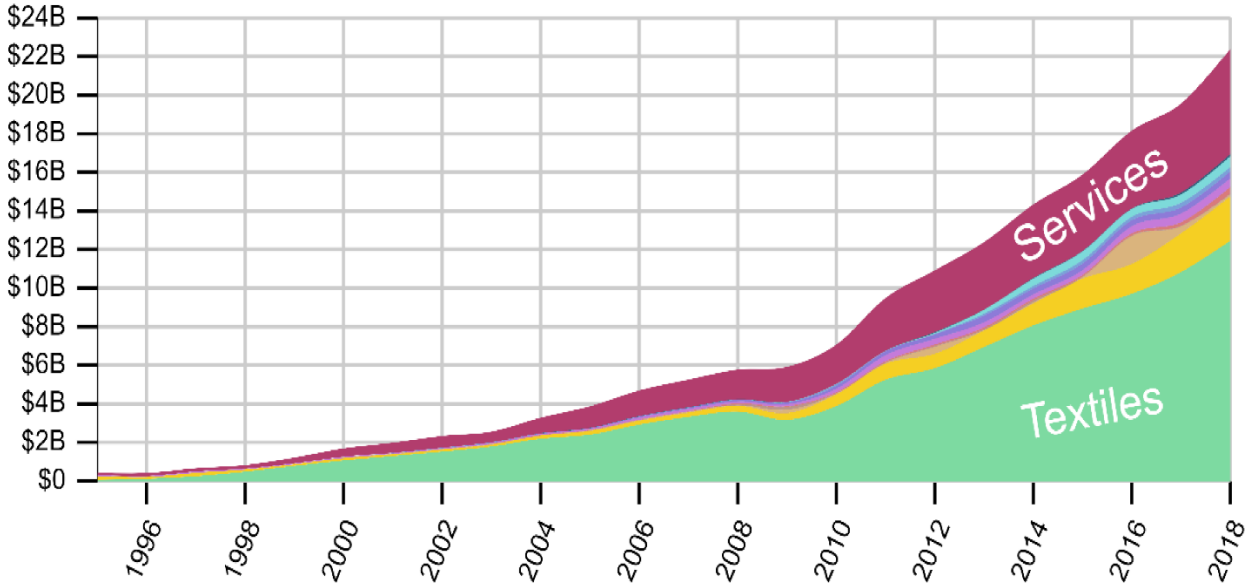

Figure 1.33. Cambodian export structure (1995–2018). Source: Atlas of Economic Complexity.

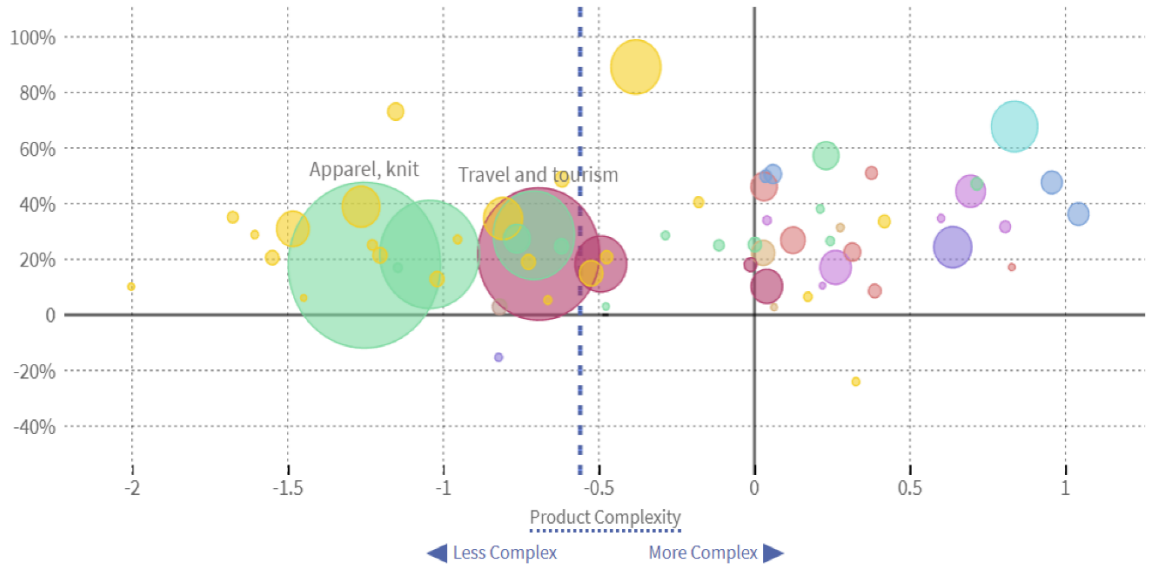

Figure 1.34. Cambodian product complexity (2008–2018). Source: Atlas of Economic Complexity

1.3.2 Addressing Policies

In this context, Cambodia has prepared and put forward policies and measures to address these challenges, including the Industrial Development Policy 2015–2025 (IDP), a new economic growth strategy for economic diversification in Cambodia, which was adopted in 2015 and is being actively implemented by relevant ministries and institutions, aiming at ensuring a favorable business environment and macroeconomic stability to promote investment and trade, accelerate diversification, and strengthen the competitiveness of the Cambodian economy in order to build a stronger economic and social system that is resilient to crises. The IDP sets out a number of measures for attracting more investment and points to reviewing the previous Law on Investment of the Kingdom of Cambodia, which had been used since 1994 (amended in 2003) to respond to the concrete needs for developing the industrial sector and create a more conducive climate to attract investment. Finally, the new Law on Investment, which is the most important legal document for promoting investment, was just adopted and entered into force in October 2021. The new law is designed to establish an open, transparent, predictable, and favorable legal framework to attract and promote quality, effective, and efficient investments by simplifying investment procedures, establishing a smart investment incentive regime, and providing comprehensive protection to investors' rights and legitimate interests. To attract diversified FDI, the new law and relevant regulations will provide more favorable support and incentives for investments in new industries and value-added activities, such as machinery assembly, mechanic/electronic/electric equipment assembly, and means of transport assembly, natural resource processing, and agro-industrial production, supporting industries for the agriculture, tourism, and textile sectors, industries serving regional production lines, and those of future strategic

importance. Implementing targeted investment promotion and providing additional incentives for specific priority industries are also measures to attract diversified investment activities in Cambodia (RGC, 2015).

Furthermore, as stipulated in the IDP, SEZ is one of the key policy instruments used to attract FDI and promote diversification. The Government wishes to promote the establishment of SEZs as well as industrial clusters by preparing the law on SEZs to support zone development in response to international standards, including physical and soft infrastructures. It is noticeable that the SEZ mechanism is a place-based policy formulated for improving the investment climate, attracting FDI and promoting export diversification. The SEZ program has been adopted and applied in Cambodia by issuing sub-decree No 147 on the establishment and management of SEZ in 2005, which will be developed and upgraded as a Law on SEZs. Based on the current sub-decree, SEZ refers to the special area for the development of the economic sectors, which brings together all industrial and other related activities and may include General Industrial Zones (GIZ) and/or Export Processing Zones (EPZ). In the same framework, GIZ was defined as a zone established for industrial activities and other activities related to the production and transformation of goods for domestic use as well as for export, while EPZ was also defined similarly to GIZs but for export only. Investments in both GIZs and EPZs can enjoy almost the same benefits, except for value-added tax (VAT) exemption which is only provided to those invested in EPZs since they produce for the non-domestic market. However, this is just the definition written in the paper. The actual data shows that all foreign projects in Cambodian SEZs are export-oriented investments. In 2009, the Government decided to temporarily suspend VAT for all SEZ firms, which was a measure to support investors during the economic crisis upon the request of the private sector. As of now, all qualified investment projects located in SEZs are entitled to the same benefits and incentives, including VAT exemption, without distinction between GIZs and EPZs.

SEZ foreign firms can enjoy one-stop services, including fast-track application procedures, favorable custom procedures, and simplified administrative services from relevant government authorities on site. Both SEZ developers and investors are provided various incentives: either income tax exemption for 3 to 9 years or special depreciation, export tax exemption, and customs duty exemption for the import of construction material, construction equipment, production equipment, and/or production inputs. Remarkably, under the new Law on Investment of the Kingdom of Cambodia (October 2021), the investment incentives are more generous compared to the existing regime, including gradually paying income tax at a progressive rate (25%, 50%, and 75%) proportional to the total tax over 6 years after the expiration of income tax holiday, prepayment tax exemption, minimum tax exemption, deduction of 150% from the tax base for certain targeted activities, and special tax and value-added tax exemptions for the import of construction material, construction equipment, production equipment, and/or production inputs.

Currently, the policies toward SEZs are established by the national Government, while sub-national administrations can provide some facilitation relating to zone development and operation. The zone developers have duties and rights as follows: (1) to construct infrastructures in the zone, including electricity, water, road, and telecommunication networks, environment protection and management networks, and to build warehouses, fire-fighting stations, and other necessary facilities; (2) to lease the land, provide services, and specify the rent and service fees to the investors in the zone; (3) to arrange security personnel and ensure good public order in the zone at all times; (4) to adopt the rules pertaining to services in the zone, including internal rules of the zone, and general rules for the investors and determine the types of business, production, and services permitted to operate in the zone in accordance with the nature of the zone; (5) to promote and attract investments in the zone and provide detailed information on the formalities, procedures, and eligible benefits for investing in the zone; and (6) to maintain and repair infrastructures, ensure quality and cleanliness, and be fully responsible under the laws for all irregular activities and non-compliance with the instructions of the CDC.

There is no different treatment or regulation regarding the establishment of SEZs between national and provincial levels. All SEZs would be developed by the State, private sector, or joint venture, and shall be established through a sub-decree issued by the national government. They must follow the same procedure, are equally obliged with tax compliance, and enjoy the same benefits in terms of incentives. Facilitation, administrative services (one-stop services), promotion activities, and supporting infrastructures conducted and developed by the zone developer would be different according to the level of effort or performance made by the zone owner (zone developer) as well as SEZ administration.

1.4 RESEARCH OBJECTIVE AND QUESTIONS

1.4.1 Research objective and analytical framework

The main objective of this study is to investigate the potential determinants of FDI inflow in Cambodia by evaluating the effect of investment promotion and other factors on FDI inflow and its distribution in Cambodia.

My analytical framework will conduct in 3 ways: firstly, I will examine the effect of investment promotion (PE) through the special economic zone (SEZ) mechanism on FDI distribution in Cambodia using data at the provincial level. Secondly, I will analyze the impact of PE through CDC, SEZ mechanism, and TIP/FTA/BIT on FDI inflow in Cambodia, employing data at the national level disaggregated by FDI home countries. Lastly, I will study the key potential factors influencing the FDI inflow in Cambodia by applying a qualitative method. The two formers are empirical studies using secondary data, and the latter is a logical study based on primary data from in-depth interviews and focus groups.

Figure 1.35 illustrates the framework of analysis in these threefold, and the details for each way are described in chapters 3, 4, and 5, respectively.

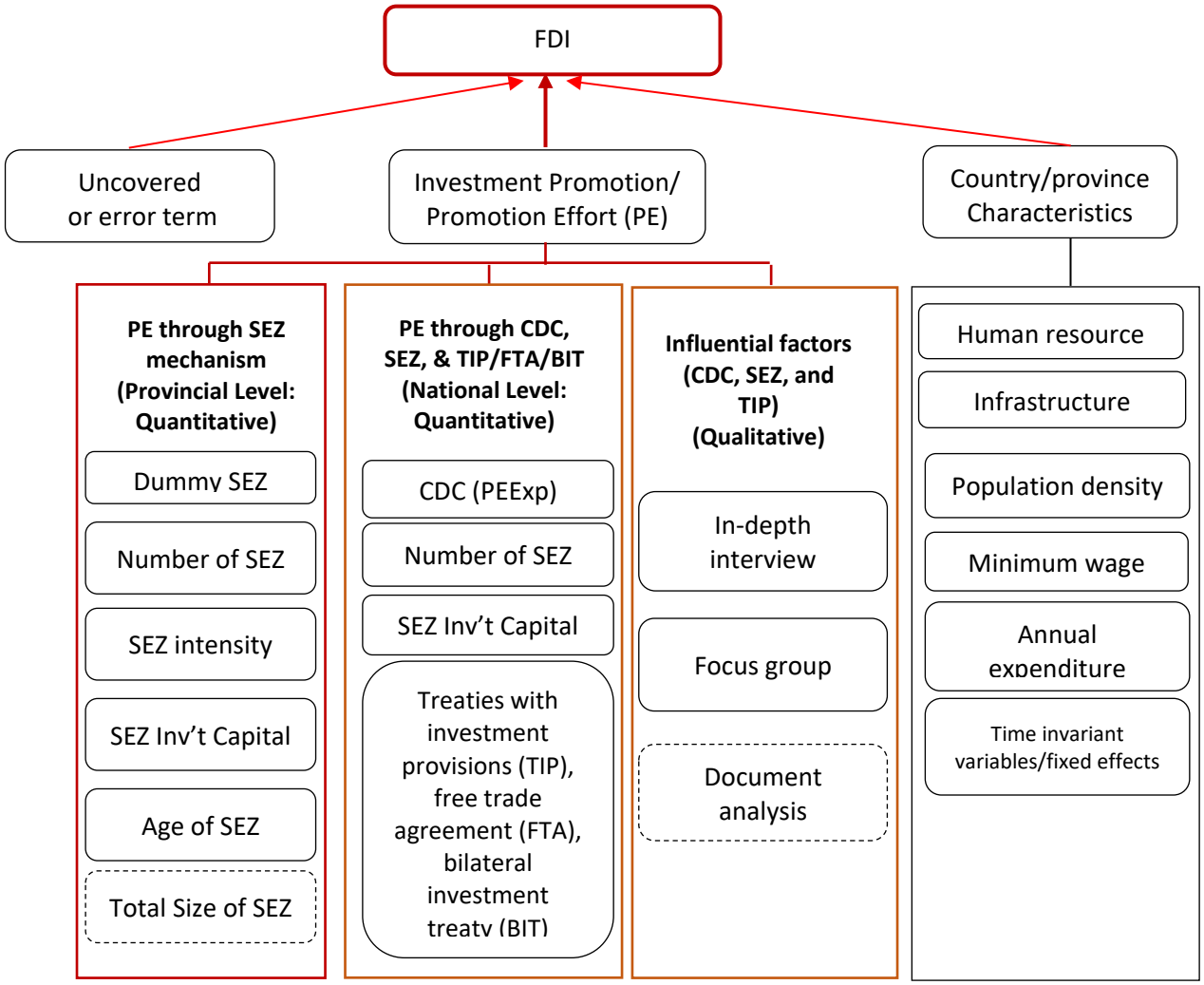

Figure 1.35. The analytical framework of the study. Source: Author.

1.4.2 Research questions and hypotheses

Simultaneously, in order to achieve the research objectives, the main and sub-research questions are posed as follows. One central research question: What are the potential determinants of FDI inflow and distribution in Cambodia? This is followed by three sub-research questions:

(1) Does SEZ mechanism have a statistical effect on FDI inflow across Cambodia/into Cambodian provinces? To address this question, the empirical study using the provincial-level data will be applied with the expected result as hypothesized below:

Hypothesis I: The SEZ mechanism significantly increases FDI inflow to Cambodian provinces.

(2) Does BIT/FTA/TIP, CDC, and SEZ mechanism statistically influence FDI inflow into Cambodia? To investigate the second sub-research question, the empirical study will also be applied using the national-level data. Then, we establish the hypotheses as follows:

Hypothesis II.1: The bilateral investment treaty (BIT)/free trade agreement (FTA)/treaties related investment provisions (TIP) has a statistically positive influence on FDI inflow into Cambodia.

Hypothesis II.2: The promotion agency (CDC), measured by its annual expenditure on investment promotion and public relations, has a statistically positive influence on FDI inflow into Cambodia.

Hypothesis II.3: The SEZ mechanism significantly increases the FDI inflow in Cambodia.

(3) What are the potential factors influencing FDI inflow in Cambodia? This question will be answered using qualitative methods through in-depth interviews and focus groups. Five hypotheses are formulated as follows:

Hypothesis III.1: CDC, through its marketing activities such as workshops, seminars, meetings, websites, social media, and other public relations concerning information dissemination and promotion of investment in Cambodia, is a source of information for foreign investors' decisions.

Hypothesis III.2: Economic determinants, in particular the abundance of unskilled labor and lower labor cost, are the leading significant factors in attracting FDI into Cambodia.

Hypothesis III.3: Investment facilitation, including government support, has played an essential supporting role in encouraging or discouraging FDI expansion and indirectly influencing new inward FDI as well.

Hypothesis III.4: SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia due to the provision of supporting infrastructure and special procedures.

Hypothesis III.5: Treaties with investment provisions have an association with FDI inflow in Cambodia.

1.5 SUMMARY OF THE APPLIED MIXED METHODS RESEARCH

The research applies the mixed methods referring to collecting, analyzing, and integrating both quantitative and qualitative data in a study which is a broadly accepted definition (Creswell and Plano Clark, 2007 cited by Tariq & Woodman, 2013). It principally focuses on producing empirical evidence by using quantitative data collection and analysis follow up with qualitative methodology as well as documentary analysis, so called the explanatory sequential mixed methods (Cresswell 2013, 220). The process of the two steps in this design is firstly collecting and analyzing the quantitative data and then working with qualitative data collection and analysis in the second phase. The latter method helps and gives a detailed explanation of the former results come by the first stage (Ivankova, Creswell & Stick, 2006).

The main rationales of employing mixed method research are: (1) it would provide response to research puzzles greater extensively than application of quantitative or qualitative method, singly (Tariq & Woodman, 2013), (2) it would be an efficient method to deal with the "small sample size (N)" problem (Bloemraad, 2012), as the qualitative part would complement the quantitative analysis by creating more evidence and value-added for a study having small number of observation, and (3) this design is more advantageous when an empirical study shows unexpected result (Morse, 1991). The quantitative approach furnishes a basic comprehension of the research question, while the qualitative one clarifies and elaborates the empirical results through seeking and understanding the experiences, views, and perspectives of participants (e.g., in my case, foreign investors, IPA officers) by using in-depth interview or survey (Rossman and Wilson 1985; Tashakkori and Teddlie 1998; Creswell 2003 cited by Ivankova, Creswell & Stick, 2006). In addition to this, Bloemraad (2012), based on her research conducting statistical analysis together with in-depth interviews and documentary analysis, also explained that "in my case, statistics described the generalized nature of the problem and helped cast doubt on alternative hypotheses. Qualitative interviews and documentary data uncovered the mechanisms linking the structuring forces of governmental policy to the individual actions, decisions, and understandings of immigrants and refugees. Without one or the other, the story would have been incomplete".

Parallelly, Lund (2012) illustrated four major benefits of this combined method application – (1) the integrated method is more helpful to address some complicated research problems, rather than employing either one (quantitative or qualitative) alone (2) it brings different perspectives or phenomena to generate a complete product from various angles of a study, (3) this approach would give more valid and stronger conclusion when the convergent results of both quantitative and qualitative methods exist, and (4) even if the results from the two methods are divergent, the mixed approaches may help for further elaboration, justifying the results, or appropriately directing more research.

Table 1.6 illustrates the summary of methods applied in the study to uncover a central research question and the sub-research questions.

Table 1.6. Summary of mixed methods applied in the study

One central question and three specific questions	**Explanatory sequential mixed methods**			
	Quantitative methods		Qualitative methods	
	Empirical study	Descriptive analysis	Literature review/ Documentary analysis	Logical study (in-depth interview & focus group)
Central research question: What are the potential determinants of FDI inflow and distribution in Cambodia?				
1. Does SEZ mechanism have a statistically significant effect on FDI inflow in Cambodian provinces? (Provincial level) (Provincial level data)	✓ (1)	✓	✓	-
2.1 Does BIT/FTA/TIP have a statistically significant influence on FDI inflow into Cambodia?	✓ (2)	✓	✓	-
2.2 Does CDC have a statistically significant influence on FDI inflow into Cambodia?	✓ (2)	✓	✓	-
2.3 Does SEZ mechanism have a statistically significant influence on FDI inflow into Cambodia? (National level data)	✓ (2)	✓	✓	-
3. What are the potential factors influencing FDI inflow in Cambodia?	-	-	✓	✓

Note: (1) Principal model GMM, additional method T-test. (2) Main method applied: GMM. Additional methods: OLS, FE, and RE. Source: Author.

1.6 STRUCTURE OF THE THESIS

The thesis comprises six chapters. The general information of this study, including background, fact data about economic growth, FDI, SEZ, international agreements, and so forth, research objectives, research questions, analytical framework, a summary of the applied mixed method research, and the organization of thesis, are described in chapter 1. Chapter 2 presents a literature review that is generally related to the role of FDI, determinants of FDI, the effect of investment promotion on FDI, and components of investment promotion. Following these two previous chapters, three main chapters apply the threefold analytical framework (chapters 3, 4, and 5). Each chapter is the same divided into 5 sections which are introduction, literature review and hypothesis development, methodology, results and discussion, and conclusion.

Table 1.7 illustrates the organization of this thesis, in particular the three key chapters.

Table 1.7. Structure of the thesis

Chapter	Research question	Methodology (Estimation models, data & source)
Chapter 1	General information	
Chapter 2	Literature review	
Chapter 3	Specific question 1	Empirical study at the provincial level – Main model: GMM. Additional: t-test – Panel data (Obs. 95, individuals 19, and period 2015-2019) – Sources: provincial administration, CDC and other national sources
Chapter 4	Specific question 2 (2.1, 2.2, and 2.3)	Empirical study at the national level – Primary model: GMM. Additional: Pooled OLS, FE, and RE. – Panel data (Obs. 756, 42 FDI home countries during 2003-2020) – Sources: both national source (CDC, NIS, MLVT, MME, MFAIC) and international sources (UNCTAD, WDI, ILO, IMF, CEPII)
Chapter 5	Specific question 3	Explanatory study using primary data – In-depth interview: 14 cases (foreign firms) and 5 key informants from CDC – Focus group: 8 participants
Chapter 6	Conclusion, policy implication, and future improvement	

Source: Author.

Chapter 3 examines the effect of investment promotion (PE) through SEZ mechanism, including SEZ number, investment capital for SEZ development, size and age of SEZ, on FDI inflow into Cambodian provinces. This chapter applies quantitative method using panel data collected from 19 provinces within the period 2015-2019 with the application of GMM estimator to solve specific question 1 as well as test the hypothesis I.

Chapter 4 analyzes the effect of investment promotion (PE) through international investment agreements, including treaties with investment provisions (TIP), free trade agreement (FTA), and bilateral investment treaty (BIT), CDC's annual promotion expenditure, and SEZ mechanism, on FDI inflow into Cambodia. Chapter 4 is an empirical study which also applies quantitative method based on the national-level data. Like chapter 3, the dynamic model (GMM) is also used as the primary estimation method, together with pooled OLS, and static panel methods (fixed effect and random effect). The panel data is constructed from FDI inflow in a host country (Cambodia) disaggregated by 42 source countries during 2003-2020. This chapter answers the specific question 2 (2.1, 2.2, and 2.3) and verify the hypothesis II (II.1, II.2, and III.3).

Chapter 5 investigates the potential factors influencing FDI using qualitative method. It is logical study based on primary data collected from in-depth interview and focus group with total sample size of 27 cases/participants. This chapter responds the specific question 3 and five hypotheses (III.1 to III.5).

Lastly, chapter 6 summarizes the key findings from the three main chapters, provides policy implication based on the findings, and suggests direction for future study and improvement.

CHAPTER 2

LITERATURE REVIEW

2.1 THE ROLE OF FDI

The literature review enables us to understand how these key challenges can be effectively addressed to ensure sustainable and resilient growth. Many studies asserted that FDI is key for industrial development and the determination of economic growth (Balasubramanyam et al., 1996; De Mello, 1999; Loewandahl, 2001; Ocaya et al., 2013; Subramaniam, 2008; Te Velde, 2001). Moreover, FDI is necessary for economic diversification and avoidance of heavy reliance on a few sectors (Subramaniam, 2008). Furthermore, it has positively affected overall technical progress and can create inter- and intra-industry spillovers on the productivity of domestic firms (Barrell & Pain, 1997; Blomström & Persson, 1983; Caves, 1974; Globerman, 1979).

Based on Demena & van Bergeijk (2017), the effect of FDI on productivity spillovers and the sign of the correlation between them mostly rely systematically on the independent and control variables applied in the studies if they are a specific or appropriate proxy for estimating the dependent variable (spillovers) – so-called "specification characteristics". Among 1545 estimates of spillover parameters, about 33% find a significantly positive effect, approximately 50% are insignificant, and around 17% show a significantly negative effect. The study also finds that the positive spillover effect occurs in cross-sections based on empirical studies in the 1980s. This positive result happens probably due to observation/aggregation bias if assuming that industrial-level aggregated data largely includes foreign companies with higher productivity and advanced technology in the regression, so this would definitely make an upward spillover effect. Another possible problem is the potential endogeneity of FDI if the foreign firms tend toward domestic production industries. Then, it would result in a positive spillover from the observed cross-sectional data. Therefore, it remains unclarity whether the spillover generated was because of the domestic firms' productivity or the existence of FDI. Later, contradictory evidence started emerging in the 1990s, explaining that there was insignificant productivity spillover with a conclusion that the previous studies reported a positive effect because of FDI's propensity toward productive industries. In the 2000s, findings of studies reported that the occurrence of spillovers might rely on the absorptive capabilities of the recipient country's enterprise, not automatically occurring. Until now, however, the findings remain contradictory on the effect of FDI on productivity spillover, as recent studies still report positive spillovers.

The impact of FDI on economic growth, also there is still debatable as some studies found contracted results for some specific countries during the investigated period; for instance, a recent study has shown that there is a notable negative significant effect of FDI inflow on GDP growth rate in the

short run, while no significant effect in the long run, for Bangladesh (Islam, 2020). In addition, Bilas (2020) also confirmed that FDI has no vital association with the economic growth rate in the case of Croatia during the last two decades.

Literately, a great number of empirical studies have been conducted to examine the relationship between FDI and economic growth. While such studies on Cambodia are minimal, there should be more research on the effect of FDI on this country by using a different dataset, period, and estimation model. The findings of previous studies, in particular, Islam (2020) for Bangladesh and Bilas (2020) for Croatia, might not apply to Cambodia because of employing different variables and methods that lead to different results to some extent. Islam (2020) used a very limited number of variables (FDI, GDP growth rate, and ready-made garment export earning), while Bilas (2020) employed only two variables (FDI and GDP growth rate).

2.2 THE DETERMINANTS OF FDI

Dunning (2015; 1998) formed the eclectic paradigm to determine the factors of FDI attraction based on the three sets of advantages consisting of ownership, location, and internalization (OLI) with the three main types of international production, which are market seeking, resource seeking and efficiency-seeking. The eclectic paradigm, also called the OLI model, is a three-set evaluation framework to determine if it is advantageous to conduct or operate expansion through FDI. Many previous studies have applied Dunning model instruments to develop their own formulation of FDI attractiveness. Rana et al. (2020a) studied the attractiveness of Oman's policy framework, facility provision, accessibility, and system structure.

Similarly, Lall (1997), as cited in Daniel & Forneris (2010), identified the determinants of investment by categorizing into three main factors – (1) economic conditions consisting of market access (size of market, levels of income, growth prospects, access to regional markets), resources, and competitiveness, (2) host-country policies which cover macro policies, private sector, trade and industry, and FDI policies, and (3) multinational enterprise strategies regarding risk perception, location, sourcing, and integration transfer.

Furthermore, UNCTAD (1998) and Saini & Singhania (2018) have compiled the determinants of foreign capital inflow by grouping them into three main components: (1) policy framework including economic, political, and social stability, regulations of investment entry and operation, international investment agreements, and trade policy, (2) economic determinants involving market-seeking, resource/asset-seeking, and efficiency-seeking, and (3) business facilitation referring to investment promotion, investment incentives, hassle cost, and investment aftercare services. Besides this, there are many works of literature about the determinants of FDI, as illustrated in Saini & Singhania (2018) with 31

studies that have employed varieties of determinants, including but not limited to trade openness, export growth, wage cost, GDP, per capita GDP, political stability, patents, labor, retail sales, railway, highway, number of engineers, domestic investment, FDI, consumption, exchange rate, interest rate, inflation, employment in manufacturing, electricity price, price energy, productivity, quality of infrastructure, trade agreement, road, political freedom, and so on. It is noticeable that among the factors described above, the determinant of investment promotion has yet to be used in these studies.

According to these previous studies, investment promotion is a group of elements of FDI determinants. For instance, it is a part of host-country policies in the second factor of FDI motivations identified by Daniel & Forneris (2010) and also shown as a main segment in the third component of FDI determinants classified by Saini & Singhania (2018). Investment promotion is a wide range of elements starting from the establishment of IPA to the operation of marketing activities. It would be defined as narrow if it only refers to implementation activities involving image building, marketing, facilitation, and policy advocacy (Wells & Wint, 1990; Harding & Javorcik, 2011), and it would be referred to as broad when strategy, organization, and policy related to investment are included in addition to the former elements (Loewandahl, 2001; Erliza et al., 2014). There are very few studies about the promotion's effect on FDI, while other factors rather than investment promotion were already examined their impacts by many previous studies.

Nevertheless, a recent study argued that the determinants of FDI inflow are also subject to the shocks arising globally, in particular in home and host FDI countries, which is a crucial endogeneity issue that numerous previous studies disregarded (Hou et al., 2021).

Cuyvers L. et al. (2011) examined the determinants of FDI in Cambodia. The study finds that the determinants that positively influent the FDI inflow into Cambodia are the GDP of the home country, the existence of bilateral trade between the FDI home country and the FDI recipient country, and the exchange rate. At the same time, the geographic distance has a negative effect on the inward FDI flow. It is noticeable that the above study mainly focused on macro indicators as determinants of FDI, not including promotion effort factors, and the estimated data is at the national level only.

Based on the theoretical literature above, the central determinants of FDI were synthesized into an integrated framework, mainly based on Dunning (1998), UNCTAD (1998), Singhania and Saini (2018), and Daniel and Forneris (2010), as shown in Table 1 below.

Table 2.1. Integrated determinants of FDI.

Determinants	Motives of FDI
1. Economic conditions	
	Resource-seeking (1)
	Market-seeking
	Efficiency seeking
	Strategic asset-seeking
2. Business facilitation/ investment promotion (2)	
3. Host country policy	
4. MNC strategy	

Source: Author's own compilation based on Dunning (1998), UNCTAD (1998), Singhania and Saini (2018), and Daniel and Forneris (2010). Note: (1) Resource-seeking FDIs include (i) physical and natural resources (raw materials, agriculture products, mining …), (ii) cheap and well-motivated unskilled and semi-skilled labor, and (iii) management skill/technology. (2) This is not limited to marketing activities but including investment facilitation, aftercare services, and policy advocacy. The SEZ mechanism is placed under the second determinant as it plays a role in most of these functions through zone administration/one-stop service and zone developers per se to promote and attract FDIs into their zones.

2.3 THE EFFECT OF INVESTMENT PROMOTION ON FDI

According to Wells and Wint (1990), investment promotion is crucial and positively related to inward FDI. Understandably, the critical success factor in attracting FDI is the investment promotion strategy. Similarly, Harding and Javorcik (2012) also explain that the promotion of investment can lessen the negative impact of the lack of information and reduce the burden of complicated processes or red tape. In this method, FDI inflows are encouraged. In contrast, Morisset (2003)'s empirical analysis demonstrates that the effectiveness of investment promotion (IPA) depends on the country's environment in which it operates; for instance, conducting the promotion in a poor investment climate is less effective at attracting investment. A recent study on "How effective are investment promotion agencies? Evidence from China" also found that IPA does not necessarily increase FDI but can promote re-investment (Ni et al., 2017). Anyhow, there are still very limited studies on the role of investment promotion in attracting FDI (Loewandahl, 2001).

The literature on the effect of investment promotion on FDI is briefly explained in this section, but it will be described in more detail in each relevant Chapters 3, 4, and 5.

2.4 THE COMPONENTS OF INVESTMENT PROMOTION

A wide range of elements, starting from the establishment of IPA to the operation of marketing activities, can be formulated as a framework for investment promotion by categorizing into four main areas: strategy and organization, lead generation, facilitation, and investment services (Loewandahl, 2001; P. Christodoulou, 1996; S. Young et al., 1994; P. Dicken, 1990). Parallelly, Harding & Javorcik (2011) explain that the activities of investment promotion are divided into four groups, including the building of national image, investment generation, investor servicing, and policy advocacy, while Erliza et al. (2014) illustrate that investment promotion framework consisting of six activities: strategy, organization, marketing, investor targeting, investment facilitation, and aftercare and policy advocacy. Furthermore, some of those elements have also been discussed and recognized as essential activities for promoting investment and attracting FDI (Akkemik, 2009; Lim, 2005; Reeder, 1995; Velde, 2001b; Zanatta, Costa, & Filippov, 2006). Wells & Wint (1990) have categorized the functions of IPA into four groups: image building, investor facilitation, investment generation, and policy advocacy.

According to this literature, investment promotion can be defined as broad meaning when strategy, organization, and policy related to investment are included, in addition to implementation activities involving marketing, facilitation, and aftercare services which would be called a narrow definition. Some elements of investment promotion, which are feasible and pertinent to the purpose of this study, have been selected. The study will focus on organizations referring to IPA, including SEZ mechanism and investment promotion policy. Aggregate activities or efforts implemented by IPA (CDC) would also be included as extent possible, at least for additional estimation or robustness check.

CHAPTER 3

EFFECT OF INVESTMENT PROMOTION (PE) THROUGH SEZ MECHANISM ON DISTRIBUTION FDI IN CAMBODIA – Empirical Analysis at the Provincial Level

3.1. INTRODUCTION

Literately, FDI is a key for industrial development and a determinant of economic growth, which may address the challenge of narrow economic base in developing countries, especially the least developed countries (LDCs) like Cambodia. Therefore, conducting this study to examine how to attract FDI inflow and distribution in the country to diversify the economy is essential. Another challenge of Cambodian economic and industrial development is geographical concentration of large manufacturing; hence, it is important to investigate if SEZ mechanism can attract FDI inflow across the country which would help to contribute to reducing urban-centered establishment and promoting local development and growth. A main question in this chapter is consequently posed: does the SEZ mechanism play a key role in attracting FDI inflow across Cambodia? In response to this, the factors that influence the distribution of FDI within Cambodia should be investigated. Indeed, there exist abundant studies on the factors of FDI attractions, including Dunning (2015, 1998), Daniel and Forneris (2010), Singhania and Saini (2018), and Rana et al. (2020). However, many of them do not focus on the location of FDI within the least-developed countries (LDCs) and may not reflect Cambodia's situation. Moreover, the case of FDI determinants and distribution in Cambodia (e.g., investment promotion through SEZ mechanism and its related variables) has not been studied using provincial data.

Investment promotion generally refers to an investment promotion agency (IPA) or a similar mechanism related to investment promotion (e.g., establishing SEZs and/or their efforts, including marketing activities and implementation of functions). SEZs, popularly implemented in both developed and developing countries, are key to investment promotion and marketability (Brussevich, 2020). In China, the SEZ program has a meaningful effect on the average increase in FDI and has created agglomeration economies in the municipalities with SEZs (Wang, 2013). Therefore, our study focuses on how the Cambodian SEZ mechanism can attract and influence FDI inflow across the country. The presence and number of SEZs, and other related SEZ mechanisms, reflect the efforts to attract and distribute FDI in the country.

The study mainly applies the generalized methods of moments (GMM) to panel data across 19 Cambodian provinces from 2015 to 2019. The GMM estimator controls for endogeneity owing to the lagged dependent variable, omitted variable bias, unobserved panel heterogeneity, and measurement errors. The empirical findings are as follows. The number of SEZs, which are key variables of the SEZ mechanism, has a positive and significant effect on

both FDI and diversified FDI inflow into Cambodian provinces. This suggests that a unit increase in the number of SEZs brings a 70–120% increase in FDI and an 85% increase in diversified FDI, based on the results of system GMM estimation. A 1% increase in capital investment in SEZ development contributes to increasing diversified FDI by around 0.80% when adding 1% of capital to developing SEZs. The presence of a SEZ and its age is positively associated with both total FDI inflow and diversified FDI, even if not statistically significant. This paper enables us to understand whether the SEZ mechanism has a significant effect on FDI inflow into the provinces of Cambodia so that the Government can allocate its limited resources to further promoting SEZs in its various provinces by preparing land management plan reserving sites for SEZ development and avoiding high increases in land price, constructing the necessary infrastructure connecting those targeted places, and considering the zone-based incentive policy. Therefore, the Government can set out an explicit policy to attract more FDI with a better distribution of FDI in the country, which leads to more job creation near labor resources and people's homes, better improvement of household livelihoods, and local economic development. This would also contribute to converging the development gap among the provinces and reducing the congestion and concentration in urban areas. So, the reasons to reduce urban-center establishment are (1) to reduce congestion in urban, in particular in Phnom Penh, so the logistic cost would be lower, and the transport of goods will also faster, (2) to create job in rural areas and decrease the current heavily domestic migration, and (3) to develop local economy and narrow the development gap between the rural and urban. This challenge was also mentioned in the Cambodia Industrial Development Policy 2015-2025 (IDP).

This paper's finding helps to identify the potential location/SEZs for establishing the specific-sector zones, for instance, agro-processing zones, auto and electronic cluster zones in response to industrial development policy, and auto and electronics roadmaps. Our findings provide valuable contributions to the Government and the private sector to further improve investment promotion through the SEZ mechanism and attract more value-added FDI in targeted sectors into potential locations of the country. Finally, it creates new as well as additional evidence for the factors affecting the location of FDI.

Following the introduction (3.1), Section 3.2 provides the background, literature, hypothesis, and significance of the study, Section 3.3 describes the methodology, estimation strategy, and data, Section 3.4 explains the results and discussion, and Section 3.5 presents the conclusion of the chapter.

3.2 LITERATURE REVIEW (SEZ AND FDI) AND HYPOTHESIS DEVELOPMENT

FDI policy, which is an essential component of investment promotion in favoring FDI, generally focuses on (1) investment entry covering restrictions in certain sectors, the requirement of local equity participation, or foreign ownership limitation, (2) investment promotion and facilitation, including approval procedures, (3) investment incentives, and (4) investment protection and retention including foreign exchange (Cooray et al., 2014; Hebous et al., 2020). The SEZ program is part of the first area, "investment entry". For instance, SEZs in China are more open to foreign investors compared to locations outside SEZs. This acceptance also includes the second area, "investment promotion and facilitation" (e.g., SEZ one-stop services in Cambodia), and/or the third and fourth areas as well, depending on the schemes provided through SEZs in each country.

Does the SEZ mechanism have a significant effect on FDI inflow across Cambodia? Previous studies have shown that investment promotion is crucial and positively related to inward FDI. Wells and Wint (1990) state that an investment promotion strategy is key in attracting FDI. Similarly, Harding and Javorcik (2011) also claim that investment promotion can lessen the negative impact of lack of information and reduce the burden of complicated processes or red tape, encouraging FDI inflows.

Specifically, regarding the SEZ mechanism, which is a significant element of investment promotion, a recent study empirically investigated the influence of the SEZ mechanism on FDI in China using the time-varying DID estimation method (Song et al., 2020). SEZ establishment attracts FDI, while improving institutional quality inside the SEZ is an important mechanism. Since the previous studies find it difficult to define and measure the term "institution", leading to difficulty in assessing its impact, Song et al. (2020) identified and employed three sets of variables to measure the quality of an institution: investment environment, government efficiency, and harmonious society. Based on this, they found the meaningful effect of SEZs as Chinese SEZs not only provide more favorable treatments but also better quality institutions for foreign companies within the zones than others in non-SEZs. The quality of institutions within SEZs was improved in three areas: (1) development of regulations favoring foreign investors and their growth, (2) simplifying approval procedures by establishing the Management Committee and Investment Services Center, and (3) providing an independent and higher administrative status in SEZs. Nonetheless, a recent study revealed that general institutional quality in a location has a positive influence on new firm establishment, not only referring to the quality of institutions inside the SEZ (Marks-Bielska et al., 2022). After all, reforming and improving institutional quality in a region starting from specific locations, such as inside the SEZ, may be easier and more applicable, especially in developing

countries, as it relates to resources, timing, institutional structure, and governance matters.

Wang (2013) examined the impact of SEZs using the Chinese municipal dataset over a long period (1978–2008). She found that the SEZ program increases FDI and generates agglomeration economies in the targeted municipality. However, her paper employed only a dummy of SEZs to examine the effect of the SEZ program. In contrast, this study uses a rich set of explanatory variables, including capital for developing SEZs, SEZ size, and age of SEZs in addition to a dummy number of SEZs. This paper also investigates the effect of diversified FDI.

Other studies have investigated the impact of SEZs on FDI; however, they have tended to target newly industrialized economies (NIEs) (e.g., Taiwan, South Korea, and the original ASEAN members) rather than LDCs such as Cambodia (Warr and Menon, 2016). Very few studies regarding Cambodia with respect to the SEZ program have been conducted, and none of them focused on the effect of SEZ on the distribution of FDI in the country. For instance, Warr and Menon (2016) focused more on SEZ contribution to job creation and only applied descriptive statistics and t-tests. Similarly, Brussevich (2020) empirically worked on the socio-economic impact of Cambodian SEZs with key explanatory variables limited to only the presence or entry of SEZs and targeting employment, income, and education, but not FDI and its diversification. A recent study analyzed the overall effect of China's overseas industrial parks, focusing on the Sihanoukville special economic zone (SSEZ) in Cambodia and found that the SSEZ created notable and beneficial geo-effects (Wang et al., 2021). However, this was qualitative research using field interviews and a single-case study approach. Current studies contain gaps in the application of research methods, estimation models, key explanatory variables related to the SEZ mechanism, and lack of provincial characteristics. This study aims to complement them by providing new or additional contributions, evidence, and advantages to fill the gap in the location-based policies and FDI flow across Cambodia. Therefore, the novelty of the study is that it is a new topic in examining investment promotion effects through SEZ mechanisms on FDI distribution in Cambodia. Furthermore, this study is the first to use a new dataset at Cambodia's provincial level to fill the gaps in the application of research methods related to the SEZ mechanism. New explanatory variables, such as the value of investment capital for SEZ development, together with other new control variables, are incorporated into the estimations using a dynamic panel model. The application of both new data and models in this study would create additional academic value to previous studies.

The main objectives for this chapter are (1) to analyze the effect of investment promotion efforts through the SEZ mechanism on FDI inflow into Cambodian provinces and (2) to produce possible inputs for policy development related to the SEZ and FDI promotion strategy. We expect our results can help develop effective investment promotion strategies for

attracting FDI inflow across Cambodia. Moreover, it contributes to the academic perspective as the findings of this study complement knowledge gaps in previous studies. Hence, we have developed the following hypothesis:

Hypothesis I: The SEZ mechanism significantly increases FDI inflow to Cambodian provinces.

This study provides additional contributions to develop theoretical extension vis à vis the determinants of FDI inflow across an LDC, such as Cambodia, by extending the scope to focus more on "investment promotion" through Special Economic Zone (SEZ) mechanisms which are paid less attention compared to the LDCs' cases put forward by previous studies. For instance, this study enables us to understand how the number of SEZs, capital value for developing SEZs, as well as annual government expenditure for a province which are mostly considered as parts of business facilitation/investment promotion, would affect the distribution of FDI within the country, the relationship between resources–seekers, the number of unskilled/semi-skilled labor forces proxied by population density and population age 18 years old or over, and the contribution of infrastructure measured by ports and international gates in attracting FDIs. Therefore, this study can extend the theoretical literature of FDI determinants in both aspects: case/context and variable/determinant. The case or context is extended by the existing theory of FDI attractive factors from developed/high-income countries, newly industrialized economies (NIEs)/upper-middle-income countries to LDCs/lower-middle-income countries; the variable feature is broadened by economic determinants to promotion and facilitation perspectives in investigating their effects on both FDI and diversified FDI.

3.3. METHODOLOGY, ESTIMATION STRATEGY, AND DATA

The research focuses on producing empirical evidence by employing quantitative methodology as it is scientific, objective, and focused on specific research questions and hypotheses. Multiple regression is employed by applying generalized methods of moments (GMM). GMM is a dynamic panel data estimator inserting the lagged dependent variable as an independent variable, and it can control for endogeneity and unobserved heterogeneity, which may come from provincial fixed effects correlating with exogenous variables or correlation between the idiosyncratic term and lagged FDI. Moreover, it is appropriate for a short panel when the period of time is short and smaller than the number of individuals (Roodman, 2009; Lillo and Torrecillas, 2018). This responds to the situation of our dataset and estimation equation. GMM has been applied in various areas by many previous studies, including the examination of FDI determinants, such as the studies of Singhania and Saini (2018) and Kapuria and Singh (2019). On this basis, GMM is applied for this study. In this method, Hansen's testing of overidentifying restrictions is used for testing the null hypotheses of the overall validity of the instruments used. The *p*-value of Hansen testing should

not be too high or too low (e.g., Roodman, 2009). The Arellano–Bond test for autocorrelation is employed for testing the null hypothesis that the differenced error term is first and second order serially correlated, called AR (1) and AR (2), respectively. AR (2) should be insignificant (p-value > 0.05), implying that no second-order serial correlation exists. The two post-estimation tests (Arellano-Bond test and Hansen test) abovementioned are sufficient to explain the validity of GMM estimation (Roodman 2009; Kapuria and Singh 2019), seemingly regardless of small panel data.

Based on its specification, GMM is the most appropriate and best estimator for this study compared to other methods, while:

- Ordinary least-square (OLS): it cannot control for endogeneity problems.
- Least-square dummy variable (LSDV): it can remove the endogeneity coming from the fixed effect that correlates with the exogenous variable, but it still cannot control for the endogeneity problem coming from an idiosyncratic term that correlates with the lagged dependent variable.
- Fixed-effect (FE) model: this method is similar to LSDV that can only address the fixed effect (individual heterogeneity) problem by subtracting the individual mean value of each variable from the respective variable. It is succinct.
- First-difference (FD): this model can control for only fixed effect issues like FE and LSDV, meaning that the dynamic panel bias (Nickell bias) still exists. FD is more appropriate rather than FE when a model includes lag (Roodman, 2009). It subtracts the individual value of a variable from its lag of variable.
- First-difference two-stage least square (FD-2SLS): it can solve the endogeneity coming from idiosyncratic shock (Anderson & Hsia, 1981), however, IV should be specified and defined.

Additionally, a t-test is also applied to understand the relationship between a quantitative variable (FDI or divFDI) and a qualitative variable with two response categories (non-SEZ and SEZ provinces).

The basic estimation equation is as follows:

$$\ln FDI_{it} = \gamma_0 + \gamma_1 \ln FDI_{it-1} + \gamma_2 PE\ (SEZ_{it-1}) + \gamma_3 PC_{it-1} + g_t + \varepsilon_{it} \quad (1)$$

Here, i and t refer to the province and time, respectively. FDI, PE (SEZ), and PC denote foreign direct investment, promotion efforts through SEZ mechanism (it is simply SEZ, not interaction term), and vector of provincial characteristics, respectively. Here, θ g and ε represent the year dummy effect and error term, respectively. Dependent variables here are measures of FDI and diversified FDI of qualified investment projects. Diversified FDI in this study refers to FDI investing in diversified manufacturing sectors, not infrastructure, land economic concession, mining, and natural resources sectors. The kinds of diversified manufacturing sectors focus on agricultural processing, electric and electronic, automotive parts and bicycles, and other

manufactures rather than garment and footwear, which Cambodia's current economy mostly depends on. Investment efforts, PE (SEZ), which are key explanatory variables in this research, are analyzed based on the SEZ mechanism, including dummy SEZ (dumSEZ), number of SEZs (NbSEZs), investment capital for SEZ development (CapSEZs), SEZ intensity (SEZd), and age of first established SEZ (AgeSEZ). Provincial effort and characteristics (PC) comprise a group of control variables to analyze their contribution to FDI, which includes annual expenditure of a province (AExp), number of public relations made by a province (PR), population density (PD), population 18 years old and up (Pop18), number of high school graduates (SucNb), time-invariant variables (e.g., distance to the capital (DisToCap)), and a dummy for international gate (IntGate). Appendix 3.1 provides detailed explanations of the construction of the variables.

The study uses balanced panel data, which is a newly constructed dataset over the period 2015–2019 across 19 provinces/capital among the 25 provinces in Cambodia (76% of the universal size), including Banteay Meanchey, Battambang, Kampong Cham, Kampong Speu, Kampong Thom, Kampot, Kandal, Koh Kong, Mondulkiri, Phnom Penh (capital), Preah Sihanouk, Preah Vihear, Prey Veng, Pursat, Ratanakiri, Siem Reap, Stung Treng, Svay Rieng, and Takeo. A further six provinces (Kampong Chhnang, Oddor Meanchey, Tbong Khmum, Kep, Kratie, and Pailin) could not be reached for data gathering; however, the missing data from these provinces would not affect/bias the estimation results since most of them have similar economic structures and characteristics (population, density, location) to the sample provinces, for instance, Kampong Chhnang, Oddor Meanchey, and Kratie are similar to and can be represented by Pursat, Preah Vihear, and Stung Treng, respectively. In contrast, Tbong Khmum is a newly established province, and Pailin and Kep are very small provinces and not really attractive destinations. In addition, except for Kampong Chhnang and Kratie hosting only one SEZ in each, the rest of the uncovered provinces are in the absence of SEZs. Therefore, the studied provinces are sufficient and widely represented countrywide, covering all four regions (Tonle Sap, plains, plateau/mountain, and coastal regions) as well as the three economic poles of the country. In addition, there is seemingly no explicit explanation of the specific number of individuals used to validate the application of GMM. Some existing works already applied GMM with a small number of groups, such as Ledhem & Mekidiche (2021), Kapuria & Singh (2019), and Saini & Singhania (2018). Besides, Soto (2007) and Perić (2019) explained that GMM has better properties to apply to a small number of individuals.

With respect to the sample period (2015–2019), it is moderately short due to data on control variables vis-a-vis the efforts taken at the provincial level along with characteristics of each province prior to 2015, and some data is unobtainable because the data recorded in the archive dates back only last five years as well as the unavailability of the archive system in digital form. Nonetheless, the data is still valid and reliable for estimation using the GMM,

which is a suitable method for a short panel (Roodman, 2009; Lillo and Torrecillas, 2018). Furthermore, such a short panel existed in past studies, such as Leone (2021), who employed GMM using the Longitudinal Study of Quality and Equity in Brazilian Elementary Education (GERES) database 2005–2008 for a robustness check, and Ni et al. (2017), who applied first-differenced two-stage least squares (FD-2SLS) estimations (similar to GMM) utilizing data from 2002 to 2007. Furthermore, this study uses data from 2015 as it is the starting year of the implementation of IDP, which is a new economic growth strategy setting out four key strategies for industrial development, including measures for FDI promotion and attraction. More reasonably, the study period from 2015 to 2019 is consistent with the mid-term review of IDP implementation, and it also seems good since there is no endogeneity issue arising from economic shock within the sample period. Hence, the time period of 2015-2019 can negate the effect of the crisis period on the results obtained to ascertain the effect of SEZ mechanism on FDI distribution in Cambodia without any biases of the crisis period.

Discussion the possibility of endogeneity from some specific unobservable factors:

The explanation of biasness/endogeneity which would possibly be arise or not occur from certain unobservable factors, are discussed in the following:

- **Provincial tax rate:** Cambodia has not decentralized the authority regarding formulating or setting up tax policy to the sub-national administration including the provincial level. This means that there is no provincial tax rate, all taxes are equally applied countrywide in all provinces. So, no endogeneity exists in relation to the tax rate at the provincial level.

- **GDP per capita:** Instead of Cambodia's GDP per capita relative to that of the FDI source country, the study employed the relative labor costs (minimum wage as well as average labor productivity which is measured by real GDP divided by labor force as it is more proxy or better than using relative GDP per capita) as proxies of wage to examine if the low labor cost is a key attraction factor for FDI inflow in Cambodia. For Cambodia's GDP or GDP per capita, I do not think it is currently the main motivation for FDI inflow to Cambodia because the existing FDIs in this country are not mainly serving the local market, but they mostly use Cambodia as an exporting platform to regional and global markets through the preferential scheme. In contrast, GDP or GDP per capita may sometime render some of the current unskilled and low-wage labor-seeking FDIs who already existed or are looking for investment destinations). Cuyvers et al. (2011) revealed that the relative GDP (ratio of Cambodia's real GDP to the home country's real GDP) has a negative and significant association with FDI inflow in

Cambodia. This would be interpreted that the bigger GDP of Cambodia (the host country) may negatively impact inward FDI as probably they are unskilled labor-seeking FDIs and do not serve the Cambodian market.

- **MNEs' lobby**: Finding instrument variables to control for endogeneity problems from MNEs' lobbies is challenging. However, the private sector decided to establish an SEZ in a location they found necessary and potential. All existing SEZs in Cambodia have been developed and owned by the private sector, except the Sihanouk Port SEZ which was established through a joint venture between the government and private sector. So far, it seems no MNEs' lobby the government to set up SEZ in a specific province where infrastructure exists because the private sector established and owned the SEZ.

Therefore, the above unobserved variables would not be the remarkable reason to draw more FDI into Cambodian provinces and they would not lead to an over-estimated coefficient of SEZs related variables. Then, no potential bias or endogeneity problems may arise from them. Moreover, GMM can control for and helps to solve endogeneity problem, if any. However, there remains possibilities that other unobservable factors could affect the estimation results.

Data for dependent and SEZ mechanism variables are gathered from CDC, while data on provincial efforts and characteristics are collected from each provincial administration

3.4. RESULTS AND DISCUSSION

3.4.1. Descriptive statistics

Table 3.1 presents the descriptive statistics for FDI and diversified FDI. Since explanatory variables related to the SEZ mechanism (dumSEZ, NbSEZs, SEZd, lnCapSEZs, and AgeSEZ) are highly correlated (see the correlation matrix shown in Appendix 3.2), they are separately included in the estimations. At the end of a variable name, the number 1 indicates that 1 is added to the original value of the variable before being transformed into a logarithm value. This is because when the value of the variable is 0, its logarithm value will become a missing value. These variables are lnFDI1 = ln (FDI + 1), ln_divFDI1 = ln(divFDI + 1), and lnAExp1 = ln (AExp + 1).

Table 3.1. Descriptive statistics.

Variable	Explanation	Obs	Mean	Std. Dev.	Min	Max
FDI	Foreign Direct Investment (in 1000 USD)	95	150,381.7	336,843.8	0	2,520,142
lnFDI1	FDI in logarithm form	95	8.13	5.09	0	14.74
divFDI	Diversified FDI (in 1000 USD)	95	30,719.87	86,615.17	0	623,797.5
ln_divFDI1	Diversified FDI in logarithm form	95	4.50	5.09	0	13.34
dumSEZ	Dummy if a province has an SEZ	95	0.43	0.50	0	1
NbSEZs	Accumulated number of SEZ	95	1.12	1.81	0	8
SEZd	SEZ density/dummy for multiple SEZs	95	0.27	0.45	0	1
CapSEZs	Accumulated capital for SEZ development (in 1000 USD)	95	62,718.95	119,467.1	0	518,400
lnCapSEZs1	Accumulated capital for SEZ development in logarithm form	95	4.91	5.71	0	13.16
AgeSEZ	Age of first established SEZ	95	4.47	5.36	0	13
AExp	Annual government expenditure (in 1000 USD)	95	12,742.92	35,361.32	577.90	252,424.6
lnAExp1	Annual government expenditure in logarithm form	95	9.17	0.79	8.20	10.12
PR	Number of public relations	95	3758.52	9300.28	23	65,784
PD	Population density	95	237.95	511.81	5	3136
Pop18	Number of population age 18 years old and over	95	457,343.8	290,637.3	37,604	972,286
SucNb	Number of high school graduates	95	2093.22	1717.45	72	7358
DisToCap	Distance to the capital	95	226.37	164.42	0	588
IntGate	Dummy for international gate	95	0.53	0.50	0	1
Ports	Dummy for ports (*)	95	0.63	0.88	0	3

Note: (*) In the dataset, a four-categorial variable, called 'Ports' was used. The value of the variable is set to 0 for no port, 1 for an inland port, 2 for a small seaport, and 3 for a deep seaport. In the estimation, the factor variable operator was put in front of this variable (i.Ports), then we can actually receive the results of individual dummies for the port from the estimation.

Source: Author's own computation. Notes: ln refers to the value in logarithm. See Appendix 3.1 for detailed explanation on each variable.

3.4.2. Estimation results of a t-test

First, a *t*-test is conducted to determine if there is a difference in FDIs between the two groups (SEZ and non-SEZ provinces). Table 3.2 shows that the mean of FDI (lnFDI1) between the non-SEZ and SEZ provinces at the 0.01 level (t (90) = −4.6336, $p < 0.001$) have significant differences, as such, the null hypothesis is rejected. Significant differences in the mean of diversified FDI (ln_divFDI1) between the two groups at the 0.01 level (t (93) = −8.8, $p < 0.001$) are also seen. Therefore, SEZ provinces can attract both lnFDI1 and ln_divFDI1 more than non-SEZ provinces.

Table 3.2. Two-sample *t*-test results: Comparing between non-SEZ and SEZ provinces.

Indicators (Dependent Variables)	Mean Values			Test of Significance of Mean Differences	
				Non-SEZ vs. SEZ Provinces	
	Non-SEZ Province	SEZ Province	Diff.	t-Statistic	*p*-Value
lnFDI1	6.31 (0.74)	10.52 (0.53)	−4.22	−4.63	0.00
ln_divFDI1	1.52 (0.47)	8.42 (0.65)	−6.91	−8.85	0.00
Observation	54	41			

Source: Author's own computation using two-sample *t*-test. Note: Standard errors are shown in parentheses.

3.4.3. Estimation results using GMM and discussion

Tables 3.3 and 3.4 describe the estimated results for FDI from columns (1)–(4) and diversified FDI from columns (5)–(8), using difference and system GMM, respectively. Key explanatory variables of the SEZ mechanism (dumSEZ, NbSEZs, CapSEZs, SEZd, and AgeSEZ) are separately and collectively included in the estimations. However, only the regression results of NbSEZs and CapSEZs are indicated in the tables, as the others are not significant. Each variable is run twice: the first and second regressions use and exclude, respectively, year dummies. Column (1) shows the estimation of the effect of NbSEZs on FDI using year dummies, while column (2) uses the same regression but no year dummies. The estimation of the effect of CapSEZs on FDI is shown in columns (3) and (4), running regression with and without year dummies, respectively. This also applies to divFDI from columns (5) to (8).

Columns (1)–(4) of Table 3.3, based on difference GMM, show that Arellano–Bond tests for autocorrelation (AR (2)) are insignificant at all levels. This implies

no second-order serial correlation, while AR (1) is significant. For Hansen testing of overidentifying restrictions, most regressions are insignificant, which implies that the instruments used are valid in this respect. The number of SEZs has a positive significant effect on FDI inflow into Cambodian provinces, with coefficients of 2.974 and 2.099 (under the semi-log function using lnFDI), at the 5% and 10% significance levels when regressing with and without year dummies, respectively. This finding suggests that a unit change in the number of SEZs is associated with a 200–300% increase in foreign direct investment. While capital invested in SEZ development (CapSEZs) is positively correlated with FDI inflow, the estimated coefficient is not statistically significant. Government annual expenditure for each province (a proxy of provincial effort) and population density (a vital characteristic of a province) produce a significant effect on foreign direct investment.

Based on the difference in GMM, the Arellano–Bond tests (AR (2)) are significant at the 5% level, while the Hansen tests of overidentification are not significant at all levels (Columns (5)–(8) of Table 3.3). Furthermore, the estimation results of columns (5)–(8) should be treated with caution. However, they are still relevant and applicable as the *p*-value for AR (2) is greater than 0.025, implying that there is no second-order serial correlation at the significant level of 2.5% or 1%. Such cases also existed in previous studies where the *p*-value for AR (2) was less than 0.05, e.g., Leone (2021) and Santos (2013). The results show the productive impact of NbSEZs on diversified FDI. Coefficient values are 1.195 and 1.022 at the 1% and 10% significance levels using year dummies and no year dummies, respectively, suggesting that 1 unit increase in NbSEZs brings about a 100% increase in divFDI. This can be interpreted as the SEZ contributing to diversifying investment in Cambodia. Remarkably, investment in economic land concessions and infrastructure sectors, including roads, bridges, hotels, resorts, and shopping malls, is not targeted by the SEZ program and does not exist in the zone. Therefore, estimating diversified FDI (divFDI) is more appropriate for understanding the impact of the SEZ mechanism. Furthermore, investment capital for developing SEZs also positively affects divFDI inflow. Moreover, a significance level of 10% is found if year dummies are included, indicating that a 1% increase in CapSEZs brings a 10.51% increase in divFDI. Our results also show that the number of public relations and population over 18 years has a remarkable influence on divFDI.

Table 3.4 lists the estimation results of the one-step system GMM. Both the Arellano–Bond test (AR (2)) and Hansen test mostly display good results. The number of SEZs has a positive and significant relationship with both FDI and divFDI. However, the latter is more significant at 1%, both with and without year dummies. Conversely, the former is significant at 10% and 5%. A unit increase in NbSEZ brings a 70–120% increase in FDI and an 85% increase in divFDI. Combined, investment capital for SEZ development is effectively

associated with divFDI, suggesting that a 1% change in CapSEZs brings about 0.80% changes in divFDI. Other key explanatory variables, dumSEZ, SEZd, and AgeSEZ, present a positive association with divFDI, even though they are insignificant. The system GMM estimator also presents time-invariant variables or provincial heterogeneity, wherein a deep-sea port positively impacts both FDI and divFDI; however, it is even more significant for the latter since the existence of a deep-sea port only has an influence on the FDI since the influence of deep-sea ports on FDI only exists when regressing with the NbSEZ and excluding year dummies. The international gate is also significant for divFDI when regressing with the NbSEZ. Generally, international gates and deep-sea ports are more significant for divFDI but have no or less effect on FDI.

Table 3.3. Difference GMM: Effect of investment promotion.

	FDI (lnFDI1)				**Diversified FDI (ln_divFDI1)**			
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**
Lagged dependent variable								
l.lnFDI1	0.01	−0.04	−0.03	−0.08				
	(0.29)	(0.30)	(0.30)	(0.30)				
l.ln_divFDI1					−0.09	−0.11	−0.06	−0.09
					(0.31)	(0.31)	(0.27)	(0.29)
Key explanatory variables: Promotion efforts (SEZ mechanism)								
l.NbSEZs	2.974 **	2.099 *			1.195 ***	1.022 *		
	(1.095)	(1.023)			(0.403)	(0.554)		
l.lnCapSEZs1			19.01	12.02			10.51 *	9.16
			(12.55)	(11.04)			(6.043)	(5.94)
Control variables								
l.lnAExp1		−1.783 **		−1.842 *		−0.31		−0.45
		(0.802)		(0.931)		(0.34)		(0.37)
l.PR	0.00	0.00	0.00	0.00	−0.00	−8.3e-05 *	−0.00	−8.3e-05 *
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(4.6e-05)	(0.00)	(4.2e-05)
l.PD	0.0937 *	0.103 **	0.103 *	0.111 **	−0.06	−0.06	−0.05	−0.05
	(0.0521)	(0.0454)	(0.0548)	(0.0448)	(0.09)	(0.08)	(0.09)	(0.09)
l.Pop18	0.00	0.00	0.00	0.00	4.4e-05 **	4.3e-05 **	4.5e-05 **	4.5e-05 **
	(0.00)	(0.00)	(0.00)	(0.00)	(1.6e-05)	(1.6e-05)	(1.7e-05)	(1.6e-05)
l.SucNb	0.00	0.00	0.00	−0.0010 *	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	(0.0006)	0.00	0.00	0.00	0.00
Observations	57	57	57	57	57	57	57	57
Nb. of group	19	19	19	19	19	19	19	19
Year dummy	Yes	No	Yes	No	Yes	No	Yes	No
Nb. of instruments	13	11	13	11	13	11	13	11
ABT, AR (1)	0.03	0.01	0.02	0.01	0.85	0.79	0.76	0.71
ABT, AR (2)	0.77	0.26	0.78	0.30	0.05	0.05	0.05	0.05
Hansen test of overid. restrict.	0.23	0.04	0.38	0.05	0.32	0.38	0.25	0.30

Source: Author's own computation using different GMM. Notes: Robust standard errors are shown in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. ABT denotes Arellano-Bond Test.

Table 3.4. System GMM: Effect of investment promotion.

	FDI (lnFDI1)				Diversified FDI (ln_divFDI1)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Lagged dependent variable								
l.lnFDI1	0.21	0.13	0.24	0.16				
	(0.34)	(0.33)	(0.34)	(0.34)				
l.ln_divFDI1					0.04	0.04	0.02	0.02
					(0.12)	(0.15)	(0.10)	(0.11)
Key explanatory variables: Promotion efforts (SEZ mechanism)								
l.NbSEZs	1.217 *	0.742 **			0.858 ***	0.850 ***		
	(0.642)	(0.328)			(0.225)	(0.187)		
l.lnCapSEZs1			0.56	0.13			0.777 *	0.846 **
			(0.61)	(0.50)			(0.386)	(0.349)
Control variables								
l.lnAExp1		−1.400 *		−1.166 *		−0.08		0.03
		(0.679)		(0.625)		(0.35)		(0.36)
l.PR	−0.00	−0.00	−0.00	−0.00	−0.00	−0.00	−0.00	−0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
l.PD	0.00	0.0037 *	−0.00	0.00	0.0038 ***	0.0038 ***	0.00	0.00
	(0.00)	(0.0018)	(0.00)	(0.00)	(0.0008)	(0.0010)	(0.00)	(0.00)
l.Pop18	0.00	0.00	0.00	0.00	4.55e-06 *	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(2.55e-06)	(0.00)	(0.00)	(0.00)
l.SucNb	0.00	−0.00	0.00	−0.00	−0.00	−0.00	−0.00	−0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
DisToCap	0.00	0.00	0.00	0.00	−0.00	−0.00	−0.00	−0.00
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
IntGate	−1.43	−0.48	−2.99	0.06	1.664 *	1.674 *	−2.21	−2.70
	(1.45)	(1.25)	(4.48)	(3.59)	(0.896)	(0.880)	(2.96)	(2.93)
Inland ports	−2.07	−2.96	0.05	−3.17	−4.233 ***	−4.239 ***	−0.10	0.38
	(1.80)	(1.90)	(4.24)	(3.37)	(1.137)	(1.218)	(3.27)	(3.26)
Small sea ports	0.93	0.87	−2.49	0.04	−0.19	−0.20	−4.985 **	−5.424 ***
	(2.04)	(1.52)	(3.64)	(2.93)	(1.14)	(1.14)	(2.022)	(1.744)
Deep see ports	2.67	3.782 *	2.08	4.39	4.790 ***	4.807 ***	2.809 *	2.511 **
	(2.57)	(2.027)	(2.89)	(2.80)	(0.691)	(0.801)	(1.409)	(1.020)
Observations	76	76	76	76	76	76	76	76
Nb. of group	19	19	19	19	19	19	19	19
Year dummy	Yes	No	Yes	No	Yes	No	Yes	No
Nb. of instruments	21	19	21	19	21	19	21	19
ABT, AR (1)	0.02	0.01	0.03	0.01	0.53	0.54	0.51	0.51
ABT, AR (2)	0.71	0.25	0.70	0.29	0.05	0.06	0.05	0.06
Hansen test of overid. restrict.	0.10	0.11	0.77	0.06	0.52	0.55	0.35	0.32

Source: Author's own computation using system GMM. Notes: Robust standard errors are shown in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. ABT denotes Arellano-Bond Test.

Referring to the results shown in Table 3.4, we can discuss and compare the models (FDI and divFDI) as follows: since the general FDI (FDI) covering investment in infrastructure (e.g., hydropower plant), land economic concession (e.g., rubber plantation) and other physical resource-seeking FDIs or FDIs aiming at consuming local raw material, agricultural products, mining, and other natural resources, are motivated to invest in the locations where they can obtain specific resources needed for their production, then they do not care whether international gates or deep-sea ports exist in that location. These two variables may also not be necessary for local market-seeking FDIs as they do not need to export their products to regional/international markets. Meanwhile, since divFDI are mostly export-oriented investment projects and produce diversified manufacturing products, the above variables (IntGate and Deep-sea port) are important for divFDI. Hence, they are motivated to invest in locations or SEZs located in the provinces with international gates or deep-sea ports to easily export their products and import raw materials and/or inputs for their productions. Regarding the discussion within the models for divFDI, the results seem better to develop international gate or deep seaport rather than establishing SEZs as coefficients for IntGate and Deep seaport are greater than that of NbSEZs. This would lead to the interpretation that even without the establishment or non-existence of SEZs, Cambodia can still attract divFDI into locations with the presence and development of international gates or deep-sea ports. However, we should be reminded about the background and development process of the country to understand what the decisive factors are. Investors found it difficult to operate a business in Cambodia due to the lack of infrastructure and electricity supply, even in the border areas with international gates, as well as Sihanoukville, the only province with deep-sea ports in the country. Since the introduction of the SEZ program in 2005, SEZs have been gradually established by the private sector; they have constructed and provided the necessary infrastructure for business operation in these zones, including the supply of electricity by importing from neighboring countries. Consequently, foreign investors have decided to invest in SEZs because SEZs could provide better infrastructure and investment facilitation services than outside the zones. With this justification, both establishing SEZs and developing international gates or deep-sea ports are decisive co-factors (but not mean every location having an international gate is interesting or attracting the establishment of SEZ there. It was also evidenced by checking the interaction term, NbSEZs*IntGate, which revealed no significant). It is noticeable that constructing deep-sea ports needs large investment, and it is not easy to attract the private sector alone to invest in such a mega project; therefore, it may be better to develop under a public–private partnership (PPP) project, which requires preparing comprehensive regulations and procedures for implementation. To develop international gates, it is fully under the

responsibility of public sectors using public resources, especially as it needs agreement and cooperation from the shared border countries. Therefore, establishing SEZs is an efficient and feasible way to attract and distribute FDI across the country. Regarding small seaports and inland ports, logically, there should be no link between them and FDI as currently, no FDI uses small seaports or inland ports in Cambodia.

The finding on the positive and significant of SEZ mechanism (number of SEZs) on the FDI as well as divFDI is consistent with previous studies. For instance, Chakraborty et al. (2017) found that a state (in India) establishing a greater number of operational SEZs can attract more FDI, but the effect of SEZs in India is smaller than in Cambodia. Their estimation using a model corrected for panel-specific autocorrelation showed that a unit increase in the number of operational SEZs brings a 10% increase in FDI, which is around eight times lower than the estimation results in this study.

Deliberating about the mechanism of SEZ addressing domestic constraints and impacting the FDI. Generally, compared to developed countries, developing countries or emerging markets, especially the LDCs like Cambodia, have always poor infrastructure, and weak institutional quality, which obstruct the inflow of FDI. Theoretically and empirically, as discussed by Kawai (2009), policy on investment incentives influences the locational decision of FDI as it can compensate for the constraints above. However, some works were indicating that incentives are not necessarily attractive for foreign firms, while the institutionalization of FDI policy was also found to be effective in the spatial distribution of foreign enterprises, in which SEZs are viewed as an essential program with low economic, political, and institutional risks. In another paper, Song et al. (2020) explained that in the case of China, SEZs furnish more preferential treatment policies, better infrastructure, and higher institutional quality for foreign firms than non-SEZ areas. In the aspect of policy development, SEZs in China are relatively autonomous with a higher level of administration than local government in formulating more favorable and suitable policies, regulations, and laws for foreign firms invested in their zones, including but not limited to preferential tax rate and reasonable price of land. SEZ infrastructure is much better than other areas due to the continuous improvement of utilities, communications, warehouses, transportation, and other infrastructures for investment and business operations in the zone. Regarding institution and governance, Chinese SEZs create high-quality institutions with comfortable approval processes and administrative services, labor recruitment, information gathering, and so forth. Moreover, SEZ generates agglomeration providing an opportunity to share transportation and information and leading to create technology spillover. For the case of Cambodia, based on the insights from the in-depth interview in chapter 5 of this study and the actual situation, the current mechanisms and attributes of SEZ influencing the FDI inflow into Cambodia are

the provision of supporting infrastructure, and the presence of one-stop services which is part of institutional quality, but not incentive policies yet because currently there are no different policy instruments used in the existing SEZs, meaning that the same policy formulated at the national level is applied to all SEZs. Most SEZs provide necessary infrastructures with a better electricity supply, and fewer power outages than outside SEZs which can to some extent solve the issue of poor infrastructure in a specific geographic area, even though the rest areas are needed for further improvement. Simultaneously, Cambodian SEZs always provide one-window services implemented and coordinated by zone administration (SEZA) consisting of representatives of relevant government agencies. It is an important part of institutional quality improvement which may geographically address the Cambodian domestic constraint of weak institutions, governance, and bureaucracy. The results of the discussion about the potential mechanism of SEZ impacting FDI are very consistent with the previous studies, including Kawai (2009) and Song et al. (2020), except for incentive policies. However, it cannot judge and does not mean that investment incentives are inefficient policy tools to attract FDI because there are no different incentive policies among the existing SEZs yet and no exact variable of incentives is included in this study to examine its effect. Besides the potential mechanism of SEZ discussed above (supporting infrastructure and one-stop services), there exist many other advantages and attributes of Cambodian SEZs attracting FDI, which are orderly described as follows:

- More safety and security
- Reducing the firm's exposure to corruption and having a collective voice
- Business in SEZ is much more stable than outside SEZ
- A better place to their respective destination markets, e.g., for those who have export markets to Vietnam, China, Japan, or the USA, they would prefer locating in Bavet, Svay Rieng province (shared border with Vietnam). For the destination markets to the EU, the better place would be in Phnom Penh capital and Preah Sihanouk provinces. If the market is the base factory in Thailand, then Phnom Penh capital and Poi Pet, Banteay Meanchey province, are the most suitable location.
- Better to locate in a group with other FDI rather than staying alone, such as to reduce logistic costs by using a package service.
- Near the labor resources (for physical and natural resource-seeking FDIs generally prefer locating near those resources (raw material, agricultural products, land, mining rather than SEZ).
- Foreign investors have the same nationality as the zone developer.

Discussing the correlation ratio among some concerned variables: PD & SucNb, and DisToCap & SucNb are around 0.6. This ratio is not considered a high correlation based on Hinkle, Wiersma & Jurs (2003). It is just a moderate correlation, not indicative of problematic collinearity. Thus, it should be fine unless the correlation coefficients are greater than 0.8, there may be red flags. For DistoCap & Pop18, even though the correlation coefficient is around 0.7, it is still not very high. Furthermore, both variables are naturally not interrelated. Even so, the variance inflation factor (VIF) has been tested. All VIF values of each variable including mean VIF are less than 10 meaning that there is no collinearity problem (see Appendix 3.3 to 3.7).

Verifying the issue by separately including them (between PD and SucNb) into the estimation, the regressions mostly showed the same results (PD is still significant at a 10% level in model 1 (column 1) and model 3 (column 3), but it is no longer significant in model 2 and 4. SucNb remains insignificant in the first 3 models and also changes to be insignificant in model 4). This could be simply explained that PD has a significant effect to some extent, while SucNb is insignificant for all cases. This possibly reflects that the existing FDIs in Cambodia are labor resource-seeker, not efficiency-seeking FDIs.

Therefore, it is reliable and robust result receiving from the current version of including those variables together into the estimation since (1) the correlation ratios among some concerned variables are not high based on Hinkle, Wiersma & Jurs (2003), (2) VIF values are less than 10 showing no indicative of problematic collinearity, and (3) the regression results with separated inclusion of those relevant variables almost remain the same.

3.5. CONCLUSION

3.5.1 Key findings

This study examines how the SEZ mechanism as a component of investment promotion policy affects the distribution of FDI in Cambodia. Panel data from 19 selected provinces within the country over 2015–2019 were used for both FDI and diversified FDI (divFDI). GMMs have been mainly applied for estimation together with a t-test. Based on the main empirical findings, investment promotion by establishing and increasing SEZs has a positive and significant effect on both FDI and diversified FDI. This is consistent with Chakraborty et al. (2017). Combined, more investment in developing SEZs may increase diversified FDI within the SEZ. Other explanatory variables, including the presence of SEZ, its intensity, and the age of the first established SEZ, were found to be positively associated with general and diversified FDI, despite being not notably significant. This is strongly supported by *t*-test results explaining that a significantly different FDI and diversified FDI exists between the two groups, "the SEZ province can attract more FDI than the non-SEZ province."

Provincial effort proxied by annual government expenditure and public relations, population density, and population 18 years old and up in each province may also exert significant influence on FDI. Other provincial characteristics include deep-sea ports and international gates, which are individual fixed effects and are significant for FDI, especially for diversified FDI.

In conclusion, promoting investment through the establishment and expansion of SEZ mechanisms has attracted foreign investment, in particular diversified investment activities, and influences the distribution of FDI within the country. The potential mechanism of SEZs impacting FDI is the provision of necessary infrastructures and one-stop services inside the zone, which is a part of institutional quality. SEZ establishment and FDI are concentrated in provinces with international gates (deep-sea ports, airports, and/or accessible roads to international land borders and markets).

3.5.2. Policy implication

Our empirical findings show that the SEZ mechanism is a meaningful factor influencing the distribution of FDI in the country and that the SEZ province can attract more FDI than non-SEZ provinces. Based on the above findings, it reveals that the SEZ mechanism has a better and more significant effect on foreign investments in the non-garment and footwear manufacturing sectors (diversified FDI). This illustrates that promoting the SEZ program can expand the narrow and less diversified industrial base. Furthermore, since the estimation results show a positive significant effect of SEZ, and most SEZs are not in urban areas (rather, they are mostly located where the land is available at a low price or where exists international gate), this might be indirect evidence and explainable that the SEZ program would contribute to reducing the issue of the geographical concentration of manufacturing enterprises which are mostly located in urban areas.

Hence, the Government should continue strengthening the SEZ mechanism by:

(1) further developing infrastructure in establishing more SEZs (accessibility of electricity and stable supply, logistics, transport, water, and sewage systems). Further, the estimation result showed that deep seaport has a significant coefficient which explains that it also plays an important role in attracting FDI, especially export-oriented FDI, as it is an international gate accessing international markets. Therefore, it should be the priority for the Cambodian government to identify a suitable location having a deep seaport for infrastructure construction and development, including the establishment of SEZ.,

(2) focusing on creating industrial cluster areas in some targeted provinces away from the capital and urban areas, starting from identifying industrial priority to invite a cluster into existence, pointing out the potential locations/provinces for establishing specific-sector zones (e.g.,

the agro-processing zones, auto and electronic clusters) to promote backward or forward linkages and technology transfer to the local economy, and

(3) using SEZ which is a place-based policy to further improve the quality of institution within specific geographic areas, whereas the overall institutional quality is low and need a longer time to tackle it. So, it is important to improve the institutional quality inside SEZs as well as decentralize public services to be closer to the production base in providing better support and facilitation to the investment operation located in those targeted provinces. Additionally, Cambodia should use SEZs to test new and innovative policies for consideration or before implementing them across national frameworks, such as providing preferential treatment for investment in SEZs than those invested outside the zones, such as providing more favorable tax incentives, more effective investment facilitation measures, and greater support for target industries. These suggestions are consistent with Song et al. (2020), Wang (2013), Warr and Menon (2016), and Farole and Akinci (2011).

However, it would be difficult to tackle the problem of some urban-centered establishments only through applying and expanding SEZ mechanisms because regional disparity may have arisen from the matter of selection for locations/provinces having hard infrastructure (road, port, airport, electricity, water supply, telecommunication, international gate), public services (business related services, administrative and security services), and an abundance of resources (labor availability, raw materials…). Similar points were indicated by Nazarczuk and Umiński (2019). The SEZ mechanism is more feasible and applicable as some challenges mentioned above could be addressed by establishing and developing SEZs, such as some necessary infrastructures for business operation inside the zones and services needed for business, including customs services provided through zone administration/on site one-stop service. Hence, the SEZ is still a relevant mechanism that plays a significant role in addressing geographical concentration problems.

Therefore, the weak industrial structure and challenges which are identified in the introduction section will be effectively addressed. Better distribution of FDI in the country would contribute to a better improvement of locals' livelihood and equitable socio-economic development. This would also contribute to narrowing the development gap among the provinces and reducing the congestion and concentration in urban areas.

CHAPTER 4

EFFECT OF INVESTMENT PROMOTION (PE) THROUGH INTERNATIONAL INVESTMENT AGREEMENTS (TIP/FTA/BIT), PROMOTOIN AGENCY (CDC), AND SEZ MECHANISMS ON FDI INFLOW IN CAMBODIA – Empirical Analysis at the National Level

4.1 INTRODUCTION

Recognizing the importance of regional integration, the role of the investment promotion agency (IPA), and the location-based policy for investment and trade promotion, Cambodia has been joining many free trade agreements, investment and trade cooperation framework, establishing bilateral investment treaties with its partners, strengthening and modernizing the role of the Council for the Development of Cambodia, and introduced SEZ program and approving private-owned-established SEZs within the country. Looking at bilateral and multilateral integration and cooperation, now, Cambodia has 18 treaties with investment provisions (TIP), eight free trade agreements (FTA), and 26 valid bilateral investment treaties (BIT) after Cambodia-Indonesia was unilaterally terminated. As a promotion agency, the CDC was provided a full mandate and delegated necessary functions in policy decision-making, designing and implementing plans, and addressing challenges in investment matters and the industrial development sector. Regarding the SEZ, Cambodia has 28 operating SEZs as of March 2021.

Based on the literature survey, some studies found that FTA is positively and significantly associated with FDI inflow, e.g., Thangavelu & Narjoko (2014), and Duong et al. (2021), whereas Awad & Yussof (2018) revealed a negative effect of FTA on the intra-FDI flows and it may have different influences depending on the types of FDI. Similarly, Cuyvers et al. (2011) suggested that the integration of Cambodia into ASEAN could have been more significantly detected. The mixed results of FTA's influence were found in other papers, such as Blomstrom & Kokko (1997) and Balasubramanyam et al. (2002). With respect to investment promotion agency, Nachum (2000) showed that investment promotion expenditure has a positive and significant effect on professional service FDI in the USA, while Ni et al. (2017) explained that IPA has no significant effect on both new FDI and re-investment, based on city-level analysis in China. Concerning SEZ mechanism, major existing works indicated the positive significance of SEZ or its related variables on FDI (Kawai, 2009; Chakraborty et al., 2017; Dorożyński, 2018). However, there is no study on the individual country in the context of LDCs like Cambodia regarding the discussed matters. Moreover, those previous papers still found mixed results.

Therefore, it is necessary to investigate Cambodia. This chapter is designed to examine the effect of investment promotion (PE) through TIP/FTA/BIT, CDC, and SEZ mechanism on FDI inflow in Cambodia. It is a new study, significant, and complements previous works by (1) giving an individual country study on the effect of investment promotion focusing on three main aspects (TIP/FTA/BIT, CDC, and SEZ mechanism) in an LDC which is mostly disregarded in the existing studies using disaggregated data by FDI home countries; (2) responding to some overlooked discussions in the previous works on investment promotion in the three main aspects above, and (3) providing some policy implications for the discussed areas regarding expanding international investment agreements, preparing an efficient investment promotion, and upgrading SEZ mechanism. Then, three sub-specific questions are posed in this chapter: (2.1) Does BIT/FTA/TIP have a statistically significant influence on FDI inflow into Cambodia? (2.2) Does the CDC's promotion expenditure have a statistically significant influence on FDI inflow into Cambodia? And (2.3) Does SEZ mechanism statistically influence FDI inflow into Cambodia?

To answer the above inquiries, the GMM is applied to the panel data constructed from FDI inflow from 42 source countries during 2003-2020. The key findings are as follows: (1) TIP, FTA, and BIT are positive associated with FDI inflow in Cambodia, and the two latter variables (FTA and BIT) are statistically significant, while TIP is not notably important; (2) the CDC's promotion expenditure (PEexp) has a negatively significant effect on FDI inflow in general, but it creates a productive and statistically crucial influence on Japanese FDI inflow in Cambodia; and (3) Accumulated capital invested for SEZ development (CapSEZs) showed an essential plus sign with inward FDI, whereas the accumulated number of SEZs (NbSEZs) revealed somewhat discrepant results with a substitute sign, but it has a beneficial and important effect on Japanese FDI inflow in Cambodia. Moreover, the new sets of SEZ number (NbSEZ) and capital invested for developing SEZ (CapSEZ) are positively correlated with inward FDI, and they are statistically significant from all regression models (for NbSEZ) and some estimations (for CapSEZ). For the control variables, the GDP of the FDI home country (GDPit) and shared border (dBORci) have a positive and essential impact on FDI inflow, and the physical distance between Cambodia and source country i (lnDISci) has a significantly negative sign. Resident Mission (RM) has a plus sign but is only significant when using pooled OLS and random effect (RE) estimators. The ratio of labor cost in Cambodia to the source country, proxied by minimum wage (RLCcit) and average labor productivity (RLPcit), are always negatively associated with FDI inflow, in which one model showed significance for RLCcit. Finally, real trade value (TRADE) and years of crisis (dumCrisis) are not significantly detected.

This chapter is organized into five sections. Following this introduction (Section 4.1), Section 4.2 discusses the literature and hypothesis formulation, Section 4.3 explains the methodology, estimation strategy, and data, Section 4.4 shows the results and provides discussion, and Section 4.5 makes the conclusion of the chapter.

4.2 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

4.2.1 BIT/FTA/TIP and FDI

Before discussing the works of literature, it is better to understand terminologies and concepts regarding international investment agreements (IIAs) as there exist many kinds of IIAs. According to UNCTAD, IIAs are divided into two main categories as follows:

(1) Bilateral investment treaties (BIT) – a bilateral agreement (between two countries) to promote and protect investments made by investors from respective countries in each other's territory. The great majority of IIAs are BITs.

(2) Treaties with investment provisions (TIPs) – this refers to various types of investment treaties other than BITs, consisting of three main types: (i) broad economic treaties that include both trade and investment obligations. Provisions commonly found in BITs are included. For instant, free trade agreement with an investment chapter (e.g., ASEAN-Korea FTA), (ii) treaties containing limited provisions regarding investment obligations (e.g., treaties or agreements focusing on only investments establishment or free transfer of investment-related funds), and (iii) treaties with an only framework for cooperation in investment and/or direction for investment negotiation in the future. Broad economic treaties, the first type of TIPs, are used for economic integration in bilateral or multilateral, or regional integrations. Economic integration generally intends to reduce or eliminate trade barriers and investment restrictions (referring to trade and investment liberalization) between two or more countries or regions. Various names of agreements for economic integration have been used so far, such as free trade agreements (FTAs, for instant NAFTA, AKFTA, CCFTA), economic partnership agreements (EPAs, e.g., RCEP, AJEP), regional integration agreements (RIAs), regional trade agreements (RTAs), preferential trade agreements (PTAs)[6]. [7]

[6] WTO defined PTAs as one-sided trade agreements based on a preferential trade treaty among countries that decrease tariffs for certain goods of the country with which they have undergone these types of agreements, whereas RTAs refer to reciprocal trade agreements between two or more neighboring nations that mainly coordinate with each other in all trade-related activities, e.g., a free trade area like North American Free Trade Agreement (NAFTA) and customs unions such as European Union (Shah & Khan, 2016).

[7] Apart from IIAs (BITs and TIPs), there also exists an open-ended type of investment-related instruments (IRIs). IRIs contain both binding and non-binding instruments and may include

Regarding the literature survey, there exists a large literature on the relationship between economic integration and FDI. Different impacts of trade and investment liberalization have been found among those previous studies with positive, negative, or both signs of its relationship with FDI, and sometimes it was not even significant.

Certain papers were positively evidenced. Being a member of a regional trade agreement is an important asset for the country in attracting FDI as evidenced by some studies, such as Altomonte (2007), and Donnenfeld (2003). With the application of the gravity model, Thangavelu & Narjoko (2014) showed that free trade agreements (FTAs) have a positive and significant effect on FDI inflows into the ASEAN region, but it is conditional on domestic capacity and economy regarding infrastructure, human capital, and technology. A recent study conducted by Duong et al. (2021) applied the gravity model with panel data of a host country's inward FDI disaggregated by 17 and 23 home countries during the period 1997-2016 and 2005-2016, respectively, to investigate the link between FTAs and inward FDI in Vietnam. They found that FTAs have an impact on the increased FDI inflows in Vietnam, in which vertical FDI was prevalent. Shah & Khan (2016) assessed the impact of trade liberalization on the FDI inflows into six emerging countries from 1996 to 2014 using the panel random effect (RE) model. Trade liberalization is proxied by the number of preferential trade agreements (PTAs) and regional trade agreements (RTAs). The results revealed that RTA has no important influence, while PTAs have a positive and significant association with FDI suggesting that an increase in PTAs leads to an increase in FDI.

Contrarily, Awad & Yussof (2018) examined the relationship between bilateral FTA (dummy variable) and intra-ASEAN+3+3 FDI flows within the period 2001 – 2012 using an extended gravity model. The first 3 refer to China, Japan, and Korea, and the second 3 are Australia, New Zealand, and India. The results showed that bilateral FTA has a negative effect on the intra-FDI flows, while bilateral trade increases. However, the authors explained that FTA may have different influences depending on the types of FDI (e.g., horizontal or vertical FDI). Also, Cuyvers et al. (2011) analyzed the determinants of FDI inflow in Cambodia using unbalanced panel data of FDI from 17 source countries over the period 1995-2005 with the application of the fixed effect estimation model. The authors included the binary variable for Cambodia's ASEAN membership in their estimation and the findings suggested the integration of Cambodia into ASEAN was not significantly detected.

model agreements, draft instruments, documents adopted by international organizations, and so on.

Despite the findings above, the ambiguous impact of regional integration has been also found. Blomstrom & Kokko (1997) examined the effects on FDI of regional integration agreements (RIAs). They concluded from the discussion on the theoretical and empirical literature that the effects vary between different agreements depending on the substance, level of integration, and degree of liberalization, between outward and inward FDI countries, between developed and developing countries, and between countries at different levels of development. Two views from the theoretical discussion regarding the motives for FDI by regional integration are intra-regional and inter-regional FDI flows. Within the integrating region, the RIA would decrease the tariff-jumping FDI as trade liberalization enables exporting from home countries more profitable than production in foreign countries. Moreover, foreign investment may be interested in an RIA's location/country having the most favorable investment environment for creating clusters; this would reduce FDI from some countries. However, the regional integration would be unencouraged to repatriate capital for FDI that is mainly intangible asset-seeking, such as technological and marketing expertise. After all, RIA can stimulate overall FDI. Based on this, with its regional integration, such as Regional Comprehensive Economic Partnership (RCEP), Cambodia, since almost all FDIs in this country are export-oriented projects (not import-substituting FDI/tariff-jumping FDI), is expected to remain its existing FDIs who are majority insiders (e.g., Chinese and Japanese investors), and be an attractive place in the region to further attract the intra-regional FDI. With respect to inter-regional FDI flows, the RIA may increase inward FDIs including tariff-jumping investment from outside the region depending on the level of protection (or investor-state dispute settlement – ISDS), reduction or removal of investment restriction, whether the national treatment (NT), the most-favor treatment (MFN), and trade-related investment measures (TRIMs) provisions were included. Nevertheless, the integrated market may not create even distribution but rather stimulate FDIs to the geographical concentration in the most advantageous location. In addition to the theoretical literature, the empirical work evidenced some support for the effect on FDIs varying cross-countries of different RIAs: Canada-United States Free Trade Agreement (CUSFTA), North American Free Trade Agreement (NAFTA), and South-South integration (MERCOSUR). To sum up, it is not simple to generalize the relationship between RIAs and FDI as not all types of FDIs have been affected the same by regional integration. The most significant effect of RIAs on FDI arises when the level of integration of RIAs is strongly changed (to the most open for trade and investment) and in a country having the most favorable location advantages in the region. Furthermore, Kreinin & Plummer (2008) investigated the impact of regionalism (binary variables for RIA) on FDI flows in 4 regional groups (EU, NAFTA, MERCOSUR, and ASEAN) using an augmented gravity model. Their estimation results indicated that regionalism creates both effects

on an increase inward FDI in a country in the region and outward FDI from RIA's member countries. Regional integration stimulates FDI to substitute trade in major cases, and also complement trade in some cases. It is likely indistinct as both positive and negative effects occur. In addition, Balasubramanyam et al. (2002) examined the effect of RIAs on FDI inflows employing 381 bilateral FDI flows in 1995. Their initial results using semi-gravitational nature found that the presence of RIAs increases the autonomous FDI inflows among the regions. However, the full gravity model suggested that RIAs do not determine the direction of FDI flows, but rather the economic condition of both home and host countries.

With this together, besides the RTA, some research has also focused on the impact of BIT on FDI inflow. For instance, Bauerle Danzman (2016) used the number of BIT to assess the roles of BIT in attracting FDI. The results suggested that there exists a positive association between BITs and FDI in infrastructure, but not total investment inflows. The significance of BIT depends on its level of investment liberalization – the more open (e.g., the inclusion of national treatment provision), the higher promote bilateral FDI (Berger et al., 2013).

Table 4.1. Summary of literature on FTA/BIT and FDI

Positively evidenced (+)	Negative impact (-)	Mixed/ambiguous results (+/-)
▪ **Thangavelu & Narjoko (2014):** The authors used bilateral FDI data from 2000-2009 with the application of the gravity model to examine whether membership of a bilateral or RTA has an impact on FDI flows. The results showed that FTAs have a positive and significant effect on FDI inflows into the ASEAN region, but it is conditional on domestic capacity and economy. ▪ **Duong et al. (2021):** The study also applied the gravity model but used panel data of a host country's inward FDI disaggregated by 17 and 23 home countries	▪ **Awad & Yussof (2018):** Employing the extended gravity model on data of bilateral FDI flow among ASEAN+3+3 countries from 2001–2012, the authors examined the impact of bilateral FTA on the intra-FDI inflows among those countries and they found the negative effect on the intra-FDI flows, while the bilateral trade increases. However, FTA may have different influences depending on the types of FDI (e.g., horizontal or vertical FDI). ▪ **Cuyvers et al. (2011):** The authors analyzed the factors influencing FDI inflow in Cambodia using unbalanced panel	▪ **Blomstrom & Kokko (1997):** The paper conducted a theoretical discussion and empirical study focusing on CUSFTA, NAFTA, and MERCOSUR), to analyze the investment effect of RIA. The authors explained that the effects vary between different agreements depending on the substance, level of integration, and degree of liberalization, between outward and inward FDI countries, between developed and developing countries, and between countries at different levels of development. It is not simple to generalize the relationship between RIAs and FDI as not all types of FDIs have been affected the same by regional integration. ▪ **Kreinin & Plummer (2008):** The study assessed the effect of RIA

during the period 1997-2016 and 2005-2016, respectively, to investigate the link between FTAs and inward FDI in Vietnam. FTAs have an impact on the increased FDI inflows. They also explained the impact on the vertical FDI was prevalent.	data of FDI from 17 source countries during 1995-2005. The findings suggested integration of Cambodia into ASEAN was not significantly detected.	on FDI flows in 4 regional groups (EU, NAFTA, MERCOSUR, and ASEAN) using an augmented gravity model. The results revealed that regionalism creates both effects on increased inward FDI in a country in the region and outward FDI from RIA's member countries. ▪ **Balasubramanyam et al. (2002):** The paper examined the effect of RIAs on FDI inflows employing 381 bilateral FDI flows in 1995. Their initial results using semi-gravitational nature found that the presence of RIAs increases the autonomous FDI inflows among the region. However, the full gravity model suggested that RIAs do not determine the direction of FDI flows, but rather the economic condition of both home and host countries

Gaps and limitations of the previous studies

• There exist abundant papers working on the relationship between RTAs/FTAs and FDI. However, the findings showed mixed results. Some of those studies found that economic integration is still an ambiguous association with FDI inflow in cross-country differences leading to difficulty in generalizing its impact. Moreover, it is rare to see existing studies empirically investigating the effect of RTA on FDI inflow in an individual country, and seemly, none in the case of LDCs.

• To my best knowledge and literature survey, there were relatively few studies using disaggregated data on FDI inflow from many FDI home countries to one host country. The limitation of studies using such data was also emphasized by recent work (Doung et al., 2021). In particular, no such study focused on Cambodia as well as other LDCs.

• Furthermore, as previous studies have so far evaluated the impacts of BIT or RTA/FTA (but not TIPs), this chapter includes all these types (BIT, FTA, and TIP). TIP is utilized because it is not just a new variable but also a broader one that captures all types of treaties with investment provisions. For example, just establishing an investment/trade cooperation framework (a type of TIP) may lead to attracting more investment from partners because it shows the commitment between/among the TIP countries to liberalize, protect, and

promote investment/trade in the future. This would be said that it is a value-added by including a new variable (TIPs) in the study to understand its effect on FDI. It is also expected that TIPs have a positive and significant influence on FDI inflows, like RTA/FTA, as evidenced in many existing papers.

So, it is necessary to examine the effect of economic integration on inward FDI in a particular country, like Cambodia as an LDC. The hypothesis, therefore, is formulated below.

Hypothesis II.1: Treaties with investment provisions, free trade agreements, and/or bilateral investment treaties (TIPs/FTAs/BITs) have individually and/or collectively significant associations with FDI inflow in Cambodia.

4.2.2 IPA or CDC and FDI

Investment promotion through the IPA's function/marketing activities has a positively significant relationship with FDI inflow (Wells & Wint, 1990). They wrote a comprehensive promotion tool for attracting foreign investment, including promotion agencies and their functions. While there are various definitions of investment promotion, Wells and Wint defined it as certain marketing activities made by the government to attract FDI, excluding incentives, the screening of investment, and negotiating with investors. Their study's marketing activities under the scope of investment promotion include advertisement, direct mailing, seminars, trade shows, exhibitions, investment matching, and other related services during and post-establishment.

Nachum (2000) examined the effect of location advantages and agglomeration on financial and professional service FDI to the USA. An element of location advantages was the role of local government measured by the expenditure on investment promotion. It was used as an independent variable with positively expected results. The estimation result obtained from the location model showed that investment promotion expenditure positively and significantly affects professional service FDI. The explained variable in the above paper is neither general FDI nor manufacturing FDI.

A small analytical model was applied to 58 countries conducted by Morisset (2003) to address the question "Does a country need a promotion agency to attract FDI?" using IPA budget, IPA staff, investment climate, and GDP per capita as explanatory variables. The estimation results showed that the IPA budget has a positive association with cross-country variations in FDI inflows with a coefficient of elasticity of 0.25. However, the effectiveness of investment promotion (IPA) depends on the country's environment in which it operates; for instance, conducting the promotion in a poor investment climate is less effective at attracting investment.

Ni et al. (2017) studied if investment promotion agencies (IPAs) influence FDI's decision in selecting China by using both firm-level and city-level data. The city-level analysis indicated that IPA has no significant effect on new FDI

and re-investment. At the same time, IPA has encouraged the large FDIs existing in China to expand their investment, but it fails to promote small and medium FDIs, based on the results of the firm-level analysis. The paper concluded that the information dissemination taken care of by IPA has effectively reached only large FDIs investing in the city of China. At the same time, there is no effect on the existing small-size FDIs or foreign firms abroad. However, the examination of IPA's effectiveness in the said study was only measured by the dummy and number of IPA, but not the IPA's efforts through its marketing activities or promotion expenditure. Furthermore, it was not explainable if Chinese IPA targeted the studied firms (size and sector). If the IPA focused only on large foreign enterprises, then it would be logical that IPA does not affect small FDIs.

Gaps and limitations of the previous studies

However, specific gaps and limitations also exist in the previous studies. For instant, the paper worked by Wells & Wint (1990) was a qualitative study. It did not capture an expenditure perspective on promotion efforts, and Nachum (2000) only investigated the effect on FDI in the professional service sector, neither general nor manufacturing FDI. Moreover, a cross-sectional study showed that the effectiveness of investment promotion (IPA) varies across countries, suggesting that the IPA's effect would depend on each country's environment in which it operates (Morisset, 2003). Hence, an investigation into an individual country is needed.

Similarly, Ni et al. (2017) examined the IPA's effectiveness measured by the dummy and number of IPA, but not the IPA's efforts through its marketing activities or promotion expenditure. Furthermore, it could have been more explainable if Chinese IPA targeted the studied firms (size and sector). If the IPA focused only on large foreign enterprises, then it would be logical that IPA does not affect small FDIs.

This study is, therefore, an additional/extensional/complemental work. The study focuses on promotion expenditure in a specific country, particularly an LDC country, which is less taken care of by the previous studies, and (2) it uses CDC's promotion expenditure as an explanatory variable that fully corresponds to the dependent variable. Foreign qualified investment projects, which the CDC targets, are used as the dependent variable in this study to examine the effect of the promotion agency (CDC)'s expenditure on FDI targeted by the CDC (qualified investment project – QIP[8]).

[8] "Qualified Investment Project", abbreviated as "QIP", refers to an investment project that has received a registration certificate from the Council for the Development of Cambodia or a Municipal-Provincial Investment Subcommittee. To receive QIP status and obtain the benefits (incentives and guarantees) as stipulated in the investment law, the proposed investment activity shall not be in the negative list established in the sub-decree on the implementation of

In this regard, it is necessary to conduct this study and expect that the expenditure on marketing activities has an important impact on inward FDI. Hence, the hypothesis is possible to present as follows:

Hypothesis II.2: The promotion agency (CDC), measured by its annual expenditure on investment promotion and public relations, significantly influences FDI inflow into Cambodia.

4.2.3 SEZ mechanism and FDI

There are many studies assessing the role of SEZ and its relationship with FDI, such as Song et al. (2020), Marks-Bielska et al. (2022), Wang (2013), Warr and Menon (2016), Brussevich (2020), Wang et al. (2021), Kawai (2009), Meyer and Jensen (2005), Wakasugi (2005), and Chakraborty et al. (2017). The most common results among those papers explained that SEZ influences inward FDI. The literature review concerning this subject is discussed chiefly in Chapter 3 above. Nonetheless, almost all papers have investigated the NIEs and focused on only the dummy and number of SEZs as independent variables to explain FDI inflow in a city or within a country. Few or no previous studies have targeted LDCs and included investment capital for SEZ development and size in their works.

Kawai (2009) studied the locational selection of Japanese manufacturing FDIs in China, employing provincial-level data from 1998 to 2006. The aggregated number of SEZs was used to explain its association with Japanese manufacturing firms. The results proved that SEZ is positively significant for the location decision of Japanese investors, which is under the evidence presented by Meyer and Jensen (2005), Wakasugi (2005), and Deichmann and Karidis (2005). However, it is not possible that all previous studies supportably found the same significant result, e.g., Cieślik & Ryan (2005) reported that SEZ policy was not statistically crucial for Japanese investors' decision in selecting Poland while other characteristics of this country's locations were included as control variables. Most literature supports SEZ's significance for location choice and stimulating FDI. Apart from the dummy and number of SEZs, Dorożyński (2018) included SEZ size as an explanatory variable in their studies, expecting that the larger the zone's area, the more availability of land supply and the more investors it may host. The finding showed that FDI inflows positively correlated with the size of the zone.

Regarding capital for developing SEZ, to my best knowledge, this is the first paper that has worked on this variable. Therefore, this study incorporates all these determinants as a vector/group of variables (number of SEZ, investment

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the investment law. Our negative list defines investment activities that are not eligible for incentives and investment activities with specific characteristics that are eligible for custom duties exemption but are not eligible for profit tax exemption. Most service sectors are on the negative list.

capital for SEZ development in both flow and stock data) to measure the effect of SEZ mechanism on FDI. SEZ provides various advantages and favorable treatments for investors, which may include better infrastructures, special procedures, incentives, and institutional quality. For these reasons, the formulation of the hypothesis has appeared below:

Hypothesis II.3: The SEZ mechanism significantly increases the FDI inflow in Cambodia.

Table 4.2. Summary of research questions and hypotheses in Chapter 4

Research questions	Hypotheses
2.1 Does BIT/FTA/TIP have a statistically significant influence on FDI inflow into Cambodia?	**Hypothesis II.1** The bilateral investment treaty (BIT)/free trade agreement (FTA)/treaties related investment provisions (TIP) has a statistically positive influence on FDI inflow into Cambodia.
2.2 Does the CDC have a statistically significant effect on FDI inflow into Cambodia?	**Hypothesis II.2** The promotion agency (CDC) measured by its annual expenditure on investment promotion and public relations has a statistically positive influence on FDI inflow into Cambodia.
2.3 Does SEZ mechanism have a statistically significant effect on FDI inflow into Cambodia?	**Hypothesis II.3** The SEZ mechanism significantly increases the FDI inflow in Cambodia.

Source: Author.

4.3 METHODOLOGY, ESTIMATION STRATEGY, AND DATA

Section 4.3 provides deliberation about model specification of FDI determinants, data and variables (including sample source countries and period, data sources, variable explanation, unit selection, formula and construction of variable, supported studies), and estimation methods.

4.3.1 Model of FDI determinants

For dynamic panel data (including lagged FDI):

This study aims to examine the effect of investment promotion through TIP/FTA/BIT, PEexp, CapSEZs, and NbSEZs, and investigate the potential factors which have an important influence on FDI inflow in Cambodia. As per discussion in Section 4.2, the basic model for dynamic panel data (including the

lagged FDI) for estimating the association between FDI and investment promotion, as well as other influential factors, is as follows.

$$\text{FDI} = \text{f}(\text{the lagged FDI}, PE, \text{CC}) \quad (2)$$

- Where, FDI is foreign direct investment using as dependent variable. It is FDI inflow in Cambodia segregated by source countries.
- PE refers to promotion effort, which is a vector of key explanatory variables, including a dummy for a treaty with investment provisions (TIP), a dummy for free trade agreement (FTA), a dummy for a bilateral investment treaty (BIT), the CDC's annual expenditure on investment promotion and public relations (PEexp), the accumulated or new investment capital for SEZ development within the country (CapSEZs or CapSEZ), and the accumulated or newly number of SEZ (NbSEZ or NbSEZs)[9].
- CC denotes for country characteristics and performance (CC) and other pull and push factors. It is a group of control variables, namely the gross domestic product of the source country (GDP), the distance between the capital of Cambodia and that of the source country (DIS), the real trade value that Cambodia exports to and imports from source country (TRADE), the ratio of labor cost proxied by minimum wage and average labor productivity (measured by GDP divided by labor force) in Cambodia to the home country (RLC), Cambodian human resource development measured by rate of primary school completion in Cambodia (CPriRate), infrastructure development of Cambodia proxied by access to electricity (% population) (CElecPop), a dummy for the number of years during the crisis (dumCRIS), the dummy variable for a shared border between Cambodia and source country (dBOR), a dummy for mission resident in both Cambodia and FDI home country (RM), and length (number of years) of diplomatic relation between Cambodia and source country (LDR).

Since FTA is a subset of TIP and there coexists among TIP, FTA, and BIT, they are included in the estimation individually and collectively for robustness check. Furthermore, the correlation ratio between NbSEZs and CapSEZs, and NbSEZs and PEexp, are considered moderate, and high correlation at around 0.7 and 0.8, respectively (Table 4.6. Correlation matrix), then the variable (NbSEZs) is segregated from the two other variables. Therefore, eight different models using a dynamic panel data approach with FDI as the dependent variable and a set of different explanatory variables are considered. The functional forms of each model of FDI determinants are written below:

[9] Apart from investigating the effect of the accumulated number of SEZs (NbSEZs) and accumulated capital for developing SEZs (lnCapSEZs), the extensive margin or new data for both variables (NbSEZ and lnCapSEZ) were also examined their association with FDI inflow.

PE: TIP/FTA/BIT, PEexp, and CapSEZs

Model 2.1 (TIP) : FDI = f(lagged FDI, $TIP, PEexp, CapSEZs, CC$)
Model 2.2 (FTA) : FDI = f(lagged FDI, $FTA, PEexp, CapSEZs, CC$)
Model 2.3 (BIT) : FDI = f(lagged FDI, $BIT, PEexp, CapSEZs, CC$)
Model 2.4 (All) : FDI = f(lagged FDI, $TIP, FTA, BIT, PEexp, CapSEZs, CC$)

PE: TIP/FTA/BIT, and NbSEZs

Model 2.5 (TIP) : FDI = f(lagged FDI, $TIP, NbSEZs$, CC)
Model 2.6 (FTA) : FDI = f(lagged FDI, $FTA, NbSEZs$, CC)
Model 2.7 (BIT) : FDI = f(lagged FDI, $BIT, NbSEZs$, CC)
Model 2.8 (All) : FDI = f(lagged FDI, $TIP, FTA, BIT, NbSEZs$, CC)

Where, CC is a vector of control variables that include GDP, DIS, TRADE, RLC, CElecPop, CPriRate, dumCRIS, dBOR, RM, and LDR.

The link between the explained variable and the explanatory variables in these models can be explicitly rewritten in mixed log linear form (log and semi-log linear), e.g., model 2.1, as follows:

Model 2.1 (TIP):

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\, ln\,FDI_{ict-1} + \alpha_{2.1} TIP + \alpha_3 \mathrm{lnPEexp}_{ct-1} + \alpha_4 ln\mathrm{CapSEZs}_{ct-1} + \alpha_5 \mathrm{CC} + \varepsilon_{it} \quad (2.1)$$

Where, i and c denote FDI home country and Cambodia, respectively. $\varepsilon_{it} = u_i + v_{it}$ denotes disturbance term which has two orthogonal components: individual heterogeneity or fixed effects (u_i) and idiosyncratic shocks (v_{it}).

The same formulation of the transformation abovementioned is applied to explicitly specify the equations for conducting estimation for seven other equation models, models 2.2 to 2.8, then they will become equations (2.2) to (2.8), respectively.

Model 2.2 (FTA):

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\, ln\,FDI_{ict-1} + \alpha_{2.2} FTA + \alpha_3 \mathrm{lnPEexp}_{ct-1} + \alpha_4 ln\mathrm{CapSEZs}_{ct-1} + \alpha_5 \mathrm{CC} + \varepsilon_{it} \quad (2.2)$$

Model 2.3 (BIT):

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\, ln\,FDI_{ict-1} + \alpha_{2.3} BIT + \alpha_3 \mathrm{lnPEexp}_{ct-1} + \alpha_4 ln\mathrm{CapSEZs}_{ct-1} + \alpha_5 \mathrm{CC} + \varepsilon_{it} \quad (2.3)$$

Model 2.4 (TIP, FTA, BIT):

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\,ln\,FDI_{ict-1} + \alpha_{2.1}TIP + \alpha_{2.2}FTA + \alpha_{2.3}BIT + \alpha_3 \mathrm{lnPEexp}_{ct-1} + \alpha_4 ln\mathrm{CapSEZs}_{ct-1} + \alpha_5 \mathrm{CC} + \varepsilon_{it} \quad (2.4)$$

Model 2.5 (TIP) with NbSEZs:

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\,ln\,FDI_{ict-1} + \alpha_{2.1}TIP + \alpha_{3-4}NbSEZs + \alpha_5 \mathrm{CC} + \varepsilon_{it} \quad (2.5)$$

Model 2.6 (FTA) with NbSEZs:

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\,ln\,FDI_{ict-1} + \alpha_{2.2}FTA + \alpha_{3-4}NbSEZs + \alpha_5 \mathrm{CC} + \varepsilon_{it} \quad (2.6)$$

Model 2.7 (BIT) with NbSEZs:

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\,ln\,FDI_{ict-1} + \alpha_{2.3}BIT + \alpha_{3-4}NbSEZs + \alpha_5 \mathrm{CC} + \varepsilon_{it} \quad (2.7)$$

Model 2.8 (TIP, FTA, BIT) with NbSEZs:

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\,ln\,FDI_{ict-1} + \alpha_{2.1}TIP + \alpha_{2.2}FTA + \alpha_{2.3}BIT + \alpha_{3-4}NbSEZs + \alpha_5 \mathrm{CC} + \varepsilon_{it} \quad (2.8)$$

4.3.2 Sample FDI source countries, data, and variables

This study uses panel data from 2003-2020, comprising thirty-three and forty-two FDI source countries, when applying minimum wage and average labor productivity, respectively, as a proxy for labor cost. Within the sample period, Cambodia has received new and expanded FDIs from forty-seven [10] source countries based on the committed FDI projects approved by the CDC. Out of them, five source countries[11] have no available data to calculate their average labor productivity, and 14 countries[12] have no data on minimum wage. The sample countries using average labor productivity and minimum wage as proxies for labor costs are reduced to 42 and 33, respectively. The 42 source countries are China, Korea, the UK, Vietnam, Japan, Malaysia, Thailand, Singapore, USA, Russia, Israel, Australia, France, India, Austria, Canada, Samoa, Portugal, Denmark, Netherlands, Hong Kong, Brunei, Sweden, Philippines, Luxembourg, Turkiye, UAE (United Arab Emirates), Indonesia, Belgium, Italy, South Africa, Germany, Spain, Belarus, Argentina, Laos, Myanmar, Mauritius Rep., Ireland,

[10] Argentina, Australia, Austria, Belarus, Belgium, British Virgin Islands (BVI), Brunei, Canada, Cayman Islands, China, Denmark, France, Germany, Hong Kong, India, Indonesia, Ireland, Israel, Italy, Japan, Korea, Laos, Luxembourg, Malaysia, Marshall Islands, Mauritius Rep., Myanmar, Netherlands, New Zealand, Pakistan, Philippines, Portugal, Russia, Samoa, Seychelles, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkiye, U.K, U.S.A, United Arab Emirates (UAE), and Vietnam (order by alphabet).

[11] British Virgin Islands, Cayman Islands, Marshall Island, Seychelles, and Tawain.

[12] Austria, BVI, Brunei, Cayman Islands, Denmark, Italy, Myanmar, Marshall Islands, Seychelles, Samoa, Singapore, Sweden, Taiwan, and UAE.

Switzerland, New Zealand, and Pakistan. The value of FDI sorts this from the largest to the smallest.

Data on FDI inflow in Cambodia disaggregated by source countries, promotion expenditure (PEexp), investment capital for developing SEZs (CapSEZs), and number of SEZs are unpublished and gathered from the Cambodian Investment Board (CIB) and the Cambodian Special Economic Zone Board (CSEZB) of the Council for the Development of Cambodia (CDC). The dependent variable (FDI) and a key explanatory variable, namely CapSEZs, are committed investments of the Qualified Investment Projects (QIPs) registered in and approved by the CDC. "Qualified Investment Project", abbreviated as "QIP", refers to an investment project that has received a registration certificate from the Council for the Development of Cambodia or a Municipal-Provincial Investment Subcommittee.

To receive QIP status and the benefits (incentives and guarantees) as stipulated in the investment law, the proposed investment activity shall not be in the negative list established in the sub-decree on the implementation of the investment law. Our negative list defines investment activities that are not eligible for incentives and investment activities with specific characteristics that are eligible for custom duties exemption but are not eligible for profit tax exemption. Most service sectors are on the negative list. Data on mission residents and the number of years of diplomatic relations between Cambodia and FDI source countries are received from the Ministry of Foreign Affairs and International Cooperation (MFAIC) of the Kingdom of Cambodia. The rest are collected from the international institutions described as follows. Treaty with investment provisions (TIP), free trade agreement (FTA), and bilateral investment treaty (BIT) are sourced from the United Nations Conference on Trade and Development (UNCTAD); GDP of host and home countries, number of the labor force for calculating average labor productivity, primary school completion rate, and access to electricity (CElecPop) are from World Development Indicators (WDI); real trade value that Cambodia exports to and imports from the source country are from the Direction of Trade Statistics (DOTS)/the International Monetary Fund (IMF); minimum wage is from the International Labour Organization (ILO); and distance between the capital of Cambodia and that of the country are from the Centre d'études prospectives et d'informations internationals (CEPII).

All monetary data, including FDI, promotion expenditure, trade value, capital for developing SEZs, and minimum wage, are deflated to negate the effect of price changes over time. Each country's GDP deflator deflates a nominal value by applying a formula: real value equal to nominal value divided by each country's GDP deflator and multiplied by 100. Most GDP deflators have the same base year (2015), while a few have different base years. For this, they are revised to the same base year (2015) by using the formula: GDP deflator at time t divided by GDP deflator in 2015. This formula has been appropriately verified by

comparing GDP growth using the GDP with different base years and using 2015 as the base year, and the results remain the same. Trade value (import plus export) between Cambodia and country partners is deflated by dividing them by Cambodia's GDP deflator (the base year 2015) and multiplying by 100. Real GDP (constant at the 2015 price) is used for all sample countries, so there is no need to deflate them.

Before deciding to invest in a particular destination, foreign investors will generally consider and compare the economic, FDI policy framework, and business facilitation factors between their home countries and certain host countries, which are on the list of their potential destinations. So, it is also essential to include relevant independent variables in relative terms between host and source countries to analyze this study. The explanatory variables used should be captured in each block of the FDI determinants abovementioned, which were identified by Dunning (1977, 1979, 1998), UNCTAD (1998), Saini & Singhania (2018), and Daniel & Forneris (2010). Both "Push" and "Pull" factors are considered and added to the estimation. Therefore, the following variables are selected and constructed for this study, as explained in Table 4.3 below. All explanatory variables, except for time-invariant and dummy variables, lagged one year because MNEs may rely on previous information to make investment decisions.

Table 4.3. Explanation of variables in Chapter 5

Variables	Description	Supported Studies	Sources
Dependent variable			
$ln\,FDI_{ict}$	FDI flows from FDI home country i to Cambodia, in form of logarithm (in 1,000 USD)	- Duong et al. (2021) - Balasubramanyam et al. (2002) - Cuyvers et al. (2011) - Thangavelu & Narjoko (2014).	CDC
The lagged dependent variable			
$ln\,FDI_{ict-1}$	The past investment may influence the current FDI. This is in form of logarithm.	- Thangavelu & Narjoko (2014). - Saini & Singhania (2018); - Ni et al. (2017); - Nazima (2011); - Ogunjimi & Amune (2017)	

Variables	Description	Supported Studies	Sources
Independent variables			
Key explanatory variables:			
TIP	TIP, treaties with investment provision, is dummy variables equal to unity if Cambodia and country i have TIP at time t.		UNCTAD
FTA	FTA, free trade agreement, is dummy variable equal to unity if Cambodia and country i have a free trade agreement at time t.	- Duong et al. (2021) - Thangavelu & Narjoko (2014).	UNCTAD
BIT	BIT, bilateral investment treaty, is dummy variable equal to unity if Cambodia and country i have a BIT at time t.	- Bauerle Danzman (2016)	UNCTAD
$lnPEexp_{\mathrm{ct}}$	CDC's annual expenditure for investment promotion, public relation and advertisement including international reception events, meetings, workshops conferences, campaigns, exhibitions and shows locally and abroad, public media. It is flowing number and its value is in the form of its logarithm in 1,000 USD.	- Morisset (2003) - Nachum (2000)	CDC
$NbSEZs_{\mathrm{ct-1}}$	Accumulated number of SEZ established and operating in Cambodia (non-operating or inactive SEZ are excluded) by time t-1 (stock). This is to verify the estimation result at provincial level using accumulated number of SEZs.	- Chakraborty et al. (2017) - Kawai (2009)	CDC

Variables	Description	Supported Studies	Sources
	It is also robustly checked with its flow number (NbSEZ).		
$lnCapSEZs_{ct-1}$	Accumulated investment capital for SEZs development within the country, by the time t-1. It is in the form of its logarithm in 1,000 USD. This is to verify the estimation results at the provincial level. In addition, the extensive margin or new capital for SEZ development (lnCapSEZ) is also used for analysis (flow data).		CDC
Control variables			
$lnGDP_{it-1}$	Real GDP of FDI home country i, in form of logarithm (in 1000 USD). It is an important push factor.	- Duong et al. (2021) - Thangavelu & Narjoko (2014).	WDI
$lnDIS_{ci}$	Distance between the capital of Cambodia and that of country i, in km. This is in form of logarithm.	- Duong et al. (2021) - Balasubramanyam et al. (2002) - Cuyvers et al. (2011) - Thangavelu & Narjoko (2014).	CEPII
$lnTRADE_{ict-1}$	Real trade value that Cambodia exports to and imports from the home country i. This is in form of logarithm (in 1000 USD).	- Cuyvers et al. (2011)	DOTS/ IMF
$lnRLC_{cit-1}$	Ratio of labor cost (proxy by minimum wage[13]) in Cambodia	- (Alam & Shah, 2013; - Bilgili et al., 2012;	ILO

[13] The minimum wage is important in Cambodia. Currently, labor stability and security (no demonstration) also significantly depend on minimum wage raising mechanisms under

Variables	Description	Supported Studies	Sources
	to the home country i. This is in form of logarithm.	- Chan et al., 2014; - Dees, 1998; - Ni et al., 2017; - Yang et al., 2000)	
$lnRLP_{\mathrm{cit-1}}$	Ratio of average labor productivity (measured by GDP divided by labor force) in Cambodia to the home country i. This is in form of logarithm. It is alternatively used for $lnRLC_{\mathrm{cit-1}}$. The number of observation will be increased from 511 to 753.	- Cuyvers et al. (2011) - (Alam & Shah, 2013; - Bilgili et al., 2012; - Chan et al., 2014; - Dees, 1998; - Ni et al., 2017; - Yang et al., 2000)	WDI
$INF_{\mathrm{ct-1}}$	Infrastructure development of Cambodia is proxied by access to electricity (% population) ($CElecPop_{\mathrm{ct-1}}$).	- Duong et al. (2021)	
$HR_{\mathrm{ct-1}}$	Human resource development of **Cambodia** measured by primary completion rate (% of relevant age group) (CPriRate).	- Duong et al. (2021) - Thangavelu & Narjoko (2014). - Tanaka & Tsubota (2013).	WDI
$dCRIS$	Dummy for the number of years during the crisis (e.g., economic crisis in 2008, it is equal to 1 for 2008 and 2009,	- Duong et al. (2021) - Cuyvers et al. (2011)	

Tripartite Negotiation Meetings (Government, employer, and union representative for employees/workers). Some investors also raised their concerns about the annual increase in minimum wages while productivity remains the same (unbalance between labor productivity and the increase in the minimum wage). The minimum wage in Cambodia can be a good measurement since the general wage and minimum wage are not so different (only a 5 to 11 US$ difference, around 8% of minimum wage on average within 1997-2022). In addition, the study also used average labor productivity (measured by real GDP divided by labor force) for a robust check. It was also applied as a proxy for the real wage rate in previous studies such as Cuyvers et al. (2011), and Ioannatos (2001). It is understandable that the average wage of all the firms would be better, however, the data on it is insufficient and unavailable (both in Cambodia and some FDI source countries, for some years). Therefore, the minimum wage and average labor productivity are good proxies for labor cost/wage, while the general labor cost/wage rates are insufficient in Cambodia and the home countries.

Variables	Description	Supported Studies	Sources
	and 0 otherwise; Covid-19 pandemic, the value is 1 for 2020 (studied period by 2020), and 0 otherwise)		
$dBOR_{ci}$	Dummy variable that takes the value of 1 if Cambodia and country i share a common border	- Duong et al. (2021) - Thangavelu & Narjoko (2014).	
MR	Dummy variable that takes the value of 1 if Cambodia and country i have mission resident in each country		MFAIC
LDR	Length (years) of diplomatic relation between Cambodia and country i.		MFAIC

Source: Author.

4.3.3 Estimation methodology

The application of dynamic model estimation is more advance and is the best method to address endogeneity and biasness, which can occur in the static model, as explained in chapter 3. Based on the literature, endogeneity arises from two sources: (1) when the fixed-effect (time-invariant variable) or individual heterogeneity (u_i) correlates with exogenous variable (X_{it}), corr(u_i, X_i) ≠ 0, and (2) idiosyncratic term or error term (v_{it}) correlates with the lagged dependent variable (e.g., $lnFDI_{ict-1}$). The first source of endogeneity, probably called heterogeneity bias/problem, can be solved by using static model estimation, namely fixed-effects (FE) and random-effects (RE) models, because they allow for unobservable country/individual heterogeneity. FE employs a demeaning process to remove time-invariant variables by subtracting the individual's mean value of the dependent variable (typically FDI or Y) and each explanatory variable (X) from the respective variables. In contrast, RE will incorporate these individual effects into the error term. Even though the two models use different approaches, they both can deal with the heterogeneity problem. As FE will drop all time-invariant variables, e.g., DIS, and dBOR, which are expected to be significant influence factors on FDI, this would make FE less efficient than RE. Based on Baltagi (2008), FE is appropriate when the research focuses on entities

specifically provided, while the RE model is more suitable when sample entities are randomly selected from a large sample size. We can apply the Hausman specification, a post-estimation test, to check which model is preferable. These static or traditional estimations (FE and RE) would be appropriate and efficient if the current observations of the regressor, such as NbSEZs, GDP, TRADE, RLC, CPriRate, CElecPop, and LDR, are totally uncorrelated with the lagged value of the explained variable (FDI inflow). However, such an assumption would be unrealistic as explanatory variables may not be completely independent of the past values of explained variables, notably macroeconomic variables like FDI. It is a new endogeneity problem arising from the dependent variable's past value. This second source of endogeneity, the so-called "Nickell bias" or "dynamic panel bias," was always overlooked in previous studies, which may cause serious inferences due to neglecting possible correlations between the demeaned value of the dependent variable (e.g., FDI or other macro-economic variables which would be selected) and the error term.

To address this concern, Anderson and Hsiao (1981) introduced the first-difference (FD) transformation model to remove the individual (u_i) time-invariant effect and to employ $\Delta Y_{it-2}=Y_{it-2}-Y_{it-3}$ (for this study, Y is FDI) as an instrument for $\Delta Y_{it-1}=Y_{it-1}-Y_{it-2}$, because it correlates with the differenced idiosyncratic term $\Delta v_{it}=v_{it}-v_{it-1}$. This model is more appropriate rather than FE when lagged dependent variable is inserted (Roodman, 2009). It subtracts the individual value of a variable from its lag of variable. Nevertheless, the FD model can control for only the problem of individual heterogeneity effects like FE and LSDV, whereas the dynamic panel bias still exists. Recognizing this remaining endogeneity issue, Anderson and Hsiao (1981) suggested another approach by integrating first-difference and two-stage least squares into one method, called first-difference two-stage least squares (FD-2SLS) estimation. Thus, FD-2SLS can deal with Nickell bias rising from idiosyncratic shock. Nonetheless, Arellano and Bond (1991) criticized that FD-2SLS requires defining, specifying, and distinguishing instrument variables (IV) from other variables; this would be difficult and not efficient to do so since IV does not exploit all available moment conditions. Then, they came up with the generalized method of moments (GMM), which is a dynamic panel data estimator to address the problem of endogeneity occurring from both potential sources as mentioned above (unobserved heterogeneity and idiosyncratic term).

In such a discussion and backdrop, the dynamic panel data is suited the most. Therefore, the GMM estimator is applied as the main model in this study to take care of the unobservable heterogeneity and the simultaneity to identify the link between FDI inflow in Cambodia from source country i at current time t and its lag as well as the past values of other macroeconomic variables. It is better to use the one-step GMM rather than the two-step procedure. In the case of sample size is not so large, the one-step GMM is the most efficient method, while the

estimation using the two-step GMM appearing downward biases and inferences would lead to inaccurate results (Arellano & Bond, 1991). As explained in Chapter 3, however, a challenge for GMM is related to the insertion of lags to control the dynamic of empirical association. Thus, AR (1) and AR (2) are tested to check the first-order and second-order serial correlation. There may be correlated in the first difference (AR(1)), yet it should not exist any serial correlation in the second difference (AR(2)); otherwise, the results will be inconsistent. Further, since GMM allows using many past values as instrument variables, other specifications, like the Hansen or Sargan test, are also applied for over-identification to check if all instruments are valid.

Though the GMM is advanced and used as the primary method for this study, some earlier estimations employing pooled OLS and traditional/static panel data specifications (FE and RE) would also be conducted to compare their analyzed results with those from the GMM because the application of static panel models would be efficient and sufficient if the explanatory variables were uncorrelated with the past value of the dependent variable (FDI), and the pooled OLS which is the most simple method would also consistent and efficient if the unobservable country-specific effects are not very different. As well, conducting those additional methods by pooled OLS and FE is to obtain the coefficients of the lagged dependent variables considered as upper- and lower-bound estimates, respectively, to compare those coefficients and decide whether the difference GMM or system GMM is preferable, based on the Bond (2001) or rule-of-thumb 2. The results received from the main models are comprehensively explained in the body of the thesis, while those from other estimators are placed in the appendix.

Dummy for Japanese FDI and its interaction with promotion expenditure:

Since the PEexp is not possible to disaggregate to each source country, and promotion activities so far have been regularly conducted only with Japanese investors, it is expected that Japan is so important for the promotion effort for Cambodia. Considering this reason, the dummy variable for Japanese FDI (dumJPN) and an interaction term between promotion expenditure and this dummy (lnPEexp*dumJPN) are included in the estimation for robustness check and to see if the sum of coefficient of the coefficient of this interaction term and lnPEexp's is positive and significant or not. Hence, equation (2.1) is transformed or rewritten as follows:

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\, ln\,FDI_{ict-1} + \alpha_{2.1} TIP + \alpha_3 \mathrm{lnPEexp}_{ct-1} + \alpha_4 ln\mathrm{CapSEZs}_{ct-1} + \alpha_5 \mathrm{CC} + \alpha_6 \mathrm{dumJPN} + \alpha_7 (\mathrm{lnPEexp}_{ct-1} * \mathrm{dumJPN}) + \varepsilon_{it} \quad (2.1bi)$$

The same approach is used to explicitly express the equations for performing the GMM estimation for seven other equation models (models 2.2 to 2.8 or

equations 2.2 to 2.8). We will have new equations (2.2bi) to (2.8bi), correspondingly.

The purpose is to get the effect of PEexp on Japanese investors (FDI inflow in Cambodia from Japanese investors). There is no one effect for PEexp. Including an interaction term that tells us the effect of PEexp will differ by whether FDI is from Japan or not. So, we can plug in different values of dumJPN to get different values of PEexp.

When dumJPN is equal to zero:

We want to know the value of PEexp's effect on FDI who are not from Japan by setting the dummy variable for Japan equal to zero (dumJPN=0). Just plugging in a value of zero (replacing dumJPN with zero), then the dummy variable, dumJPN, and the interaction term (PEexp*dumJPN) will drop out because of the zero value of dumJPN; and the coefficients, alphas 6 and 7, also go away from the equation model. Thus, it is clear that the effect of PEexp is alpha 3. The equation (2.1bi) is rewritten as follows:

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\,ln\,FDI_{ict-1} + \alpha_{2.1}TIP + \alpha_3 \ln PEexp_{ct-1} + \alpha_4 ln CapSEZs_{ct-1} + \alpha_5 CC + \alpha_6 * 0 + \alpha_7(\ln PEexp_{ct-1} * 0) + \varepsilon_{it}$$

$$+\varepsilon_{it}$$

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\,ln\,FDI_{ict-1} + \alpha_{2.1}TIP + \alpha_3 \ln PEexp_{ct-1} + \alpha_4 ln CapSEZs_{ct-1} + \alpha_5 CC + \varepsilon_{it}$$

(2.1bi: non-Japanese FDI)

Hence, the effect of the CDC's promotion expenditure (lnPEexp) on FDIs inflow in Cambodia from all source countries other than Japan is alpha 3 (α_3).

When dumJPN is equal to one:

What about the value of PEexp for Japanese investors? Setting dumJPN equal to one, we receive the equation (2.1bi: Japanese FDI) showing that alpha 6 becomes constant, and alphas 3 and alpha 7 are both the coefficient of PEexp. This explains that the effect of PEexp on FDI inflow in Cambodia from Japan is alpha 3 plus alpha 7. The equation (2.1bi) is transformed into equation (2.1bi: Japanese FDI) below:

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\,ln\,FDI_{ict-1} + \alpha_{2.1}TIP + \alpha_3 \ln PEexp_{ct-1} + \alpha_4 ln CapSEZs_{ct-1} + \alpha_5 CC + \alpha_6 * 1 + \alpha_7(\ln PEexp_{ct-1} * 1) + \varepsilon_{it}$$

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\,ln\,FDI_{ict-1} + \alpha_{2.1}TIP + \alpha_3 \ln PEexp_{ct-1} + \alpha_4 ln CapSEZs_{ct-1} + \alpha_5 CC + \alpha_6 + \alpha_7 \ln PEexp_{ct-1} + \varepsilon_{it}$$

$$ln\,FDI_{ict} = \alpha_0 + \alpha_1\,ln\,FDI_{ict-1} + \alpha_{2.1}TIP + \alpha_4 ln CapSEZs_{ct-1} + \alpha_5 CC + \alpha_6 + (\alpha_3 + \alpha_7)\ln PEexp_{ct-1} + \varepsilon_{it}$$

(2.1bi: Japanese FDI)

So, the effect of the CDC's promotion expenditure (lnPEexp) on FDIs inflow in Cambodia from Japan is alpha 3 plus alpha 7 (α_3+α_7).

4.4 RESULTS AND DISCUSSION

4.4.1 Descriptive statistics

Table 4.4 presents the descriptive statistics of the dependent variable (FDI) and all explanatory variables, including a dummy for a treaty with investment provisions (TIP), a dummy for free trade agreement (FTA), a dummy for a bilateral investment treaty (BIT), the CDC's annual expenditure on investment promotion and public relations (PEexp), both the accumulated and new investment capital for SEZ development within the country (CapSEZs and CapSEZ), both the accumulated and newly number of SEZ (NbSEZ and NbSEZs), the gross domestic product of the source country (GDP), the distance between the capital of Cambodia and that of the source country (DIS), the real trade value that Cambodia exports to and imports from source country (TRADE), the ratio of labor cost proxied by minimum wage and average labor productivity in Cambodia to the home country (RLC), rate of primary school completion in Cambodia (CPriRate), access to electricity (CElecPop), a dummy for the number of years during the crisis (dumCRIS), the dummy variable for a shared border between Cambodia and source country (dBOR), a dummy for mission resident in both Cambodia and FDI home country (RM), length (number of years) of diplomatic relation between Cambodia and source country (LDR), and dummy for FDI from Japan (dumJPN). The descriptive statistics shown in this table are number of observations, mean, standard deviation, minimum, and maximum. Both original and logarithm values are described. The real trade value (TRADE) is on average around three time of standard deviation in logarithm scale (mean divided by standard deviation). The mean logarithm of relative labor cost (RLC) and relative labor productivity (RLP) are -1.88 and -2.91, indicating that on average Cambodia's labor cost and labor productivity are around two and three time less than those of the source country, respectively. These are just given for example of interpretation for other variables.

Table 4.4. Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FDIict	893	59002.94	307821.4	0	5257518
lnFDIict	893	3.209222	4.840259	0	15.47517
GDPit	850	1.30E+09	2.95E+09	164272.5	2.03E+10
lnGDPit	850	19.36938	2.354645	12.00928	23.73578
DISci	893	7167.925	4420.634	535.9692	16965
lnDISci	893	8.573444	0.908453	6.284077	9.738908
TRADEict	852	381349.2	891213.2	0	9747718
lnTRADEict	852	10.22409	3.585794	0	16.09254
TIP	893	0.5879059	0.492488	0	1
FTA	893	0.2150056	0.411056	0	1
BIT	893	0.2508399	0.433739	0	1
lnRLCcit	527	-1.883558	1.253838	-3.90284	2.49401
lnRLPcit	797	-2.911067	1.22886	-5.2641	0.225689
CElecPop	846	51.49987	23.03289	19.3	89.07
CPriRate	846	88.09418	6.888068	66.6234	96.64279
dumCrisis	893	0.2105263	0.407911	0	1
dBORci	893	0.0638298	0.244587	0	1
RM	893	0.5319149	0.49926	0	1
LDR	893	35.90482	22.27314	0	71
PEexp	893	197.9843	82.95584	121.8113	379.985
lnPEexp	893	5.21496	0.384896	4.810649	5.94276
CapSEZs	893	916327.5	532429.1	0	1689177
lnCapSEZs	893	11.64085	5.058046	0	14.33975
CapSEZ	893	109456.1	129069.5	0	455544.9
lnCapSEZ	893	7.954117	5.457335	0	13.02925
NbSEZs	893	15.05263	9.399965	0	30
NbSEZ	893	1.578947	1.49876	0	5
dumJPN	893	0.0212766	0.144386	0	1

Notes: ln refers to value in logarithm. Those with an original value equal to zero add one value to all their observations before being transformed into a logarithm scale. The reason is that when the variable's value is 0, its logarithm value will become a missing value, e.g., lnFDI = ln (FDI + 1). Source: Author's computation.

4.4.2 Correlation analysis

The correlation among various variables using in this chapter are shown in Table 4.6. The correlation ratio among those variables must be low or moderate which should be in between -0.7 and 0.7 (neither less than -0.7 nor higher than 0.7). The rule of thumb for the Sizes of a Correlation Coefficient explained by Hinkle et al. (2003) depicted in Table 4.5. At the same time, some explanation expressed that there may be just a red flag only when any of the correlation size is greater than 0.8.

The correlation matrix in table 4.6 showed there exists correlation size (ratio) with higher than 0.7 among a few variables, including lnGDP and lnTRADE, CElecPop and lnPEexp, CElecPop and NbSEZs, lnCapSEZs and CPriRate, NbSEZs and lnPEexp, NbSEZs and lnCapSEZs, and NbSEZ and lnCapSEZs. Nevertheless, most of them are not indicative of multicollinearity (lnGDP, lnTRADE, lnPEexp, lnCapSEZs, and NbSEZ). Only CElecPop and NbSEZs are in concern of multicollinearity problem because they have a high correlation with two other variables. It should be reminded that multicollinearity refers to situation in which two or more regressors in a multiple regression model are high correlated with one another. Multicollinearity is a problem as it causes the statistical inferences to be less reliable. Hence, multicollinearity check is important when conducting multiple regression. Even though, there is no universally agreed standard tool to detect the multicollinearity issue, we can use some approaches to check for multicollinearity, in which tolerance values ($1 - R^2$) and variance inflation factor (the inverse of the tolerance value, 1/VIF=tolerance value) are frequently used. This study uses VIF to measure multicollinearity. VIF is computed to support correlation test for pooled/multiple regression model. The general rule is to avoid VIF more than 5 for any variable in the model. Sometimes, the value 10 is selected as the threshold to determine if multicollinearity exists or not (Wooldridge, 2015). It means if VIF is lower than or equal to 10, then we can conclude that no presence of multicollinearity, otherwise, it will be indicative of problematic multicollinearity.

The variance inflation factor (VIF) has been tested for all regression models. All results showed that the mean VIF is less than 10 which is seemly no multicollinearity problem, but the individual VIF for CElecPop and NbSEZs are bigger than 10. Then, it should be cautious for the inclusion of these two variables (CElecPop and NbSEZs) in the estimation. Therefore, to be 100% sure and totally compliance with the statistic/econometric rule, we can keep investigating the effect of NbSEZs as it is key explanatory variable but include it separately into the estimation. As NbSEZs is high correlated with both lnPEexp and lnCapSEZs, the regression is segregated into two ways among the three concerned variables (lnPEexp, lnCapSEZs, and NbSEZs): (1) the multiple regression includes lnPEex, lnCapSEZs and other independent variables (no

NbSEZs), and (2) the multiple regression with NbSEZs and other rest of predictors (no lnPEexp and lnCapSEZs). The regression remains lnPEexp and lnCapSEZs together since their correlation ratio is only 0.3. At the same time, the variable CElecPop was removed from the estimation because it has a high correlation ratio of 0.89 and 0.94 with lnPEexp and NbSEZs, respectively, and its individual VIF value is greater than 10, suggesting that CElecPop is indicative of problematic multicollinearity with the two key regressors (lnPEexp and NbSEZs). Furthermore, CElecPop is just a control variable, not a key predictor for this study.

With the separation of including NbSEZs in the estimation as well as dropping CElecPop from the regression, we receive good values of VIF with the indication of no multicollinearity for each regression model. The mean VIF is even smaller than 5 and the individual VIF for each variable are smaller than 10 (almost all of them are lower than 5), and then, the results showed more reliability and positively significant. All the results of VIF tests for each regression model are depicted in the Appendix 4.1 to 4.5.

Table 4.5. Rule of Thumb for the Sizes of a Correlation Coefficient

Size of correlation	Interpretation
0.90 to 1.00	Very high positive correlation
0.70 to 0.90	High positive correlation
0.50 to 0.70	Moderate positive correlation
0.30 to 0.50	Low positive correlation
0.00 to 0.30	Little if any correlation
0.00 to -0.30	Little if any correlation
-0.30 to -0.50	Low negative correlation
-0.50 to -0.70	Moderate negative correlation
-0.70 to -0.90	High negative correlation
-0.90 to -1.00	Very high negative correlation

Source: Hinkle et al. (2003)

Table 4.6. Correlation matrix

	lnFDIict	lnGDPit	lnDISci	lnTRAD~t	TIP	FTA	BIT	lnRLCcit	LnRLPcit	CElecPop	CPriRate	dumCri~s	dBORci	RM	LDR	lnPEexp	lnCapS~s	lnCapSEZ	NbSEZs	NbSEZ	dumJPN
lnFDIict	1.00																				
lnGDPit	0.35	1.00																			
lnDISci	-0.26	0.14	1.00																		
lnTRADEict	0.43	0.82	-0.14	1.00																	
TIP	0.26	0.35	-0.30	0.41	1.00																
FTA	0.35	0.05	-0.61	0.23	0.44	1.00															
BIT	0.48	0.32	-0.33	0.42	0.31	0.34	1.00														
lnRLCcit	0.00	-0.22	-0.63	-0.02	-0.04	0.28	0.16	1.00													
lnRLPcit	0.00	-0.28	-0.57	-0.17	-0.03	0.31	0.05	0.89	1.00												
CElecPop	0.02	0.05	0.00	0.23	0.07	0.24	0.05	0.22	0.11	1.00											
CPriRate	0.05	0.04	0.00	0.18	0.07	0.18	0.04	0.05	0.08	0.58	1.00										
dumCrisis	0.02	0.01	0.00	0.04	0.01	0.07	0.02	-0.04	0.03	0.01	-0.07	1.00									
dBORci	0.18	-0.12	-0.56	0.14	0.22	0.33	0.23	0.44	0.43	0.00	0.00	0.00	1.00								
RM	0.41	0.45	-0.43	0.42	0.36	0.41	0.43	0.28	0.28	0.00	0.00	0.00	0.24	1.00							
LDR	0.25	0.60	-0.19	0.45	0.47	0.35	0.26	0.25	0.23	0.20	0.13	0.05	0.22	0.63	1.00						
lnPEexp	0.00	0.05	0.00	0.20	0.05	0.19	0.04	0.25	0.10	0.89	0.36	0.06	0.00	0.00	0.18	1.00					
lnCapSEZs	0.06	0.04	0.00	0.19	0.08	0.24	0.05	0.04	0.09	0.62	0.72	0.24	0.00	0.00	0.15	0.39	1.00				
lnCapSEZ	0.01	0.03	0.00	0.16	0.05	0.11	0.04	0.10	0.08	0.57	0.67	0.06	0.00	0.00	0.12	0.45	0.64	1.00			
NbSEZs	0.03	0.06	0.00	0.24	0.08	0.27	0.06	0.18	0.12	0.94	0.62	0.31	0.00	0.00	0.21	0.79	0.74	0.61	1.00		
NbSEZ	0.00	0.00	0.00	0.05	0.02	-0.03	0.01	0.02	0.03	0.20	0.39	-0.11	0.00	0.00	0.02	0.01	0.42	0.78	0.16	1.00	
dumJPN	0.21	0.18	-0.03	0.12	0.04	0.19	0.17	-0.11	-0.08	0.00	0.00	0.00	-0.04	0.14	0.15	0.00	0.00	0.00	0.00	0.00	1.00

Source: Author's computation using pairwise correlation (pwcorr).

4.4.3 Main estimation results from GMM and discussion

As intensively discussed in section 4.3.3 (estimation methodology), the GMM is chosen as the main estimation method for this study. However, there are two types of GMM which are difference GMM and system GMM. So, among these two estimators, which one should be preferable?

Based on the Bond (2001) or rule-of-thumb 2, there are four steps to be taken in deciding whether the difference GMM or system GMM is preferable.

(1) Conducting estimation by pooled OLS. The coefficient of lag of dependent variable obtained from the pooled OLS should be considered an upper-bound estimate ($\emptyset_{ols}$).

(2) Conducting estimation by fixed effect (FE). The coefficient of lag of dependent variables obtained from FE should be considered a lower-bound estimate ($\emptyset_{fe}$).

(3) Conducting estimation by difference GMM (diff. GMM). The coefficient of lag of dependent variables obtained from diff. GMM ($\emptyset_{diff.GMM}$) should be recorded to be compared with the upper-bound and lower-bond estimate.

(4) Observing the three outcomes above and deciding. If the diff. GMM estimate ($\emptyset_{diff.GMM}$) is in between the upper-bond estimate ($\emptyset_{ols}$) and the lower-bond estimate (($\emptyset_{fe}$).), this means that it is not downward or upward bias because of weak instrumentation and suggests using different GMM. Otherwise, a system GMM estimator should be preferred instead.

The comparison between the three outcomes is described in Table 4.7. The results shows that all the coefficients of the lagged lnFDIict obtained from difference GMM estimate are not in between the lower-bound estimate (FE) and the upper-bound estimate (pooled OLS), therefore, a system GMM estimator should be preferable.

Table 4.7. Comparison between difference GMM and system GMM

Coefficients of the lagged dependent variable (l.lnFDIict)								
Estimator	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(7)
OLS	0.408***	0.524***	0.382***	0.504***	0.388***	0.490***	0.362***	0.473***
FE	0.00526	0.0136	0.00740	0.0126	0.00769	0.0126	0.000207	0.00807
Diff. GMM	-0.0336	-0.0308	-0.0294	-0.0253	-0.0418	-0.0383	-0.0343	-0.0305
Preferred estimator	Sys. GMM	Sys. GMM	Sys. GMM	Sys. GMM	Sys. GMM	Sys. GMM	Sys. GMM	Sys. GMM

Source: Author's computation

The detailed results obtained from the system GMM estimation are shown and explained as follows.

Table 4.8 describes the system GMM estimation results for models 2.1 to 2.4. All key explanatory variables (the dummy for a treaty with investment provisions (TIP), the dummy for free trade agreement (FTA), the dummy for a bilateral investment treaty (BIT), the CDC's annual expenditure on investment promotion and public relations (PEexp), and the accumulated investment capital for SEZ development (CapSEZs)), except for the number of SEZs, are included in the four models above. TIP, FTA, BIT, and all these three types of variables are added to the estimations separately and collectively, as represented in models 2.1, 2.2, 2.3, and 2.4, respectively. Each model is regressed twice with relative labor cost proxied by minimum wage and relative labor productivity, one at a time. As the results, columns (2.1.1) and (2.1.2) of model 2.1 shows the estimation results of the effect on FDI inflow in Cambodia when using relative labor cost (RLC) and labor productivity (RLP), respectively. Such a twice regression for each model also applied to other models, which are columns (2.2.1) and (2.2.2) of model 2.2, columns (2.3.1) and (2.3.2) of model 2.3, columns (2.4.1) and (2.4.2) of model 2.4, for robustness check between using RLC and RLP.

All columns from 2.1.1 to 2.4.2 of Table 4 show that Arellano–Bond tests for autocorrelation (AR (2)) are insignificant at all levels, meaning no second-order serial correlation, while AR (1) is significant. The Hansen testing of overidentifying restrictions is insignificant for all regression models, which implies that the instruments used are valid in all aspects. In addition, the number of instruments is generally smaller than the number of individuals. These tests display good results, which suggest that there is no serial correlation in error terms, and the instruments used are enough to explain these models. The estimation provided very robust results among almost all regression models. Columns (2.2.1), (2.2.2), (2.3.1), (2.3.2), (2.4.1), and (2.4.2) consistently revealed the positive effects of FTA and BIT on FDI inflow at the significant level of 1% and 10%, respectively. The findings suggest that the existence of FTA is associated with a 250-300% increase in FDI inflow, while the presence of BIT brings around a 200-300% increase in inward FDI in Cambodia, which are interpreted based on the semi-log function using lnFDI. Whereas TIP is just a positive link with FDI inflow, but not notably significant as indicated in columns (2.1.1) and (2.1.2). The positive and significant effect of FTA in this chapter is consistent with Duong et al. (2021). It is partly concorded with Thangavelu &Narjoko (2014) because the latter paper found that bilateral and multilateral FTA between the partner countries (countries i and j) have a positive significance, but ASEAN FTA is negatively important. This contradiction is seemly supported by Awad & Yussof (2018) and Cuyvers et al. (2011). For BIT, the statistical significance of BIT seems to be somewhat agreeable with Bauerle Danzman (2016) as the author found that BITs are crucially associated with increases in infrastructure investment, an industry particularly reliant on the sanctity of government contracts, but not with total FDI inflows. It is not always harmonious among numerous studies, and this would be not simple to generalize the association between FTA/BIT and FDI inflow as already evident in Blomstrom & Kokko (1997), Kreinin &Plummer (2008), and Balasubramanyam et al. (2002).

The results for the capital invested for developing SEZs (CapSEZs) are mostly statistically crucial at a 1% or 10% significant level and have a positive coefficient from all estimations. They suggest that a 1% increase in CapSEZs brings around 0.05% to 0.10% rise in FDI inflow (interpretation based on the double-log function). The significant productive influence of CapSEZs obtained from this national-level analysis (Chapter 4) is consistent with the results received from the provincial-level investigation (Chapter 3). It is logical because more capital invested will lead to more development of infrastructure, then more FDI would be attracted to SEZ.

In contrast to the vital explanatory variables above, the promotion expenditure (PEexp) is negatively significant at 1% or 5%, with a coefficient relation around -1.5% to -3%. Robust results from all models illustrate that expenditure for promotion activities (lnPEexp) has a statistically negative significant effect on FDI inflow. The negative and significant result for lnPEexp in this study is partly consistent with some previous works, e.g., Morisset (2003) explained that an investment promotion agency (IPA)'s effectiveness differs among various countries depending on an individual country's environment and Ni. et al. (2017) found that IPA has no significant effect on both new FDI, and re-investment based on the city-level analysis, while the firm-level analysis showed that IPA had encouraged the large FDIs existing in China to expand their investment. The possible reasons of this controversial results are as follows: (1) data on promotion expenditure (lnPEexp) was impossible to disaggregate to each source country, while the promotion activities so far have been made with only some of the home FDI countries (such as Japan, China, Korea, some ASEAN countries...), not all the 42 sources countries covered by this study, (2) promotion expenditure has been almost used for domestic promotion activities with majority of local investors and/or some existing FDI. So, it (lnPEexp) would possibly affect domestic investment or both domestic and foreign investment rather than the FDI alone, (3) the promotion activities implemented so far were not targeted, and most of the expenses could cover only for operation/current activities (travel, food, accommodation, and administration to just support the promotion activities) rather than for substance and upgradation of promotion performance/materials, and (4) international/ outside promotion activities have been conducted only in Japan regularly (before Covid), rarely in Korea, mostly just trade exhibition in China, and occasionally in Thailand and few more countries. Most of the expenses for outside activities supported by partners (e.g., through the ASEAN Japan Center (AJC), ASEAN Korea Center (AKC), ASEAN China Center (ACC)) and not included in PEexp for this study due to no available data on those expenses. However, based on the 4th reason, a dummy for Japan (dumJPN) and an interaction term (lnPEexp*dumJPN) are included in the estimation, to robust check and confirm this justification, which is shown in Tables 4.10 and 4.11.

Besides, we can see the results for control variables. All regression models display the positive effect of the source country's GDP in which, most of which are very significant at a 1% level, as appeared in columns (2.1.1), (2.2.1), (2.3.1), and (2.4.1) when regressing with RLC. The findings suggest that 1% change in GDP of home country leads to about 2% change in FDI inflow in host country. It is a potential push factor encouraging people in high GDP home countries to seek investment opportunities in other countries. This implies that when a source

country has strong GDP, it has more rich people or investors who are more likely to invest abroad, e.g., in Cambodia. The result is fully in line with sig consistent with Duong et al. (2021) and Thangavelu & Narjoko (2014). For the physical distance are measured by two variables: the distance between the capital of Cambodia and that of source country i (DISci), and dummy for the existence of common border between the two countries (dBORci). All results indicated that the distance between host and home countries (DISci) is negative associated with inward FDI and has a significant effect referring to columns (2.1.1) and (2.3.1) with a coefficient of around -1% to -2 %. This finding is consistent with Duong et al. (2021), Thangavelu & Narjoko (2014), and Cuyvers et al. (2011). It suggested that a greater distance decreases FDI inflow as it increases the transport cost of importing raw material or production inputs from FDI home countries to Cambodia for assembly or production because most of the inputs are imported. The cost of import is more likely in considered rather than exporting cost to the market destination. Another physical distance is the existence of a common border between Cambodia and FDI home countries as neighbors (dBORci). Each estimation result showed that dBORci has a positive influence on FDI inflow with statistical significance from columns (2.1.1), (2.2.1), (2.3.1), and (2.4.1). The findings are logical as Vietnamese and Thai investors are interested in Cambodia, which is situated between Bangkok and Ho Chi Minh, an adjacent location with less cost of transport in supplying input products to Cambodia and exporting the produced parts (labor-intensive products/parts) to their parent company in Vietnam or Thailand. This would be called a part of Vietnam plus one and Thailand plus one. Compared to the existing work, the positive influence of shared border proved in this study is consistent with Thangavelu & Narjoko (2014) but contradicted by Duong et al. (2021) who investigated the case of Vietnam. It is logical since Cambodia and Laos who are neighbors of Vietnam almost have no investment in this country. This would conclude whether the existence of a common border has an influence or not, depending on the economy and characteristics of those neighboring countries. Other control variables are insignificant but most of them have sign of relationship with FDI inflow in Cambodia as expected. For instance, the ratio of labor cost in Cambodia to home country and the relative labor productivity are negatively associated with FDI suggesting that low labor wage is an important attractive factor in Cambodia. The ratio of labor cost is lower, and the FDI inflow in Cambodia increases meaning that when the wage is rising in the home country and low in the host country (Cambodia), then FDIs are more likely to expand or move their investments to Cambodia.

Table 4.8. System GMM estimation results for model 2.1 to 2.4 (lnPEexp and lnCapSEZs)

	Dependent variable: lnFDI							
	Model 2.1 (TIP)		Model 2.2 (FTA)		Model 2.3 (BIT)		Model 2.4 (All)	
	(2.1.1)	(2.1.2)	(2.2.1)	(2.2.2)	(2.3.1)	(2.3.2)	(2.4.1)	(2.4.2)
VARIABLES	lnRLC	lnRLP	LnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP
L.lnFDIict	0.0367	-0.00457	0.0284	0.0134	0.0216	-0.00676	0.0138	0.00687
	(0.0436)	(0.0415)	(0.0451)	(0.0438)	(0.0455)	(0.0427)	(0.0449)	(0.0425)
L.lnGDPit	2.158***	0.897	1.996***	0.764	1.877***	0.744	1.753***	0.648
	(0.462)	(0.603)	(0.422)	(0.545)	(0.467)	(0.510)	(0.432)	(0.480)
lnDISci	-1.818**	-1.555	-0.739	-0.537	-1.364*	-1.257	-0.270	-0.362
	(0.870)	(1.011)	(0.738)	(0.946)	(0.749)	(0.856)	(0.638)	(0.805)
L.lnTRADEict	0.0994	0.136	0.214	0.229	0.123	0.0637	0.208	0.145
	(0.232)	(0.233)	(0.234)	(0.210)	(0.231)	(0.198)	(0.210)	(0.185)
TIP	0.476	0.422					-0.115	-0.109
	(0.705)	(0.899)					(0.669)	(0.870)
L.lnRLCcit	-0.370		-0.170		-0.347		-0.114	
	(0.423)		(0.397)		(0.387)		(0.398)	
L.CPriRate	-0.0263	-0.0186	-0.0308	-0.0221	-0.0296	-0.0192	-0.0327	-0.0221
	(0.0299)	(0.0222)	(0.0308)	(0.0224)	(0.0294)	(0.0210)	(0.0305)	(0.0214)
dumCrisis	0.0741	-0.118	0.107	-0.106	0.00760	-0.135	0.0435	-0.120
	(0.439)	(0.327)	(0.448)	(0.330)	(0.437)	(0.325)	(0.443)	(0.330)
dBORci	4.162**	2.018	4.530**	2.110	3.868**	1.528	4.271**	1.657
	(1.978)	(2.309)	(1.906)	(2.266)	(1.870)	(1.831)	(1.839)	(1.873)
RM	0.256	1.965	0.325	1.792	0.334	1.418	0.455	1.345
	(1.200)	(1.305)	(1.092)	(1.189)	(1.154)	(1.191)	(1.035)	(1.111)
L.LDR	-0.0381	-0.0311	-0.0441	-0.0364	-0.0267	-0.0167	-0.0350	-0.0246
	(0.0280)	(0.0294)	(0.0271)	(0.0278)	(0.0268)	(0.0243)	(0.0241)	(0.0244)
L.lnCapSEZs	0.0921*	0.103***	0.0460	0.0438	0.0908*	0.1000***	0.0467	0.0488
	(0.0511)	(0.0344)	(0.0555)	(0.0400)	(0.0499)	(0.0316)	(0.0516)	(0.0366)
L.lnPEexp	-1.934**	-1.259**	-2.465***	-1.557**	-2.224**	-1.328**	-2.736***	-1.571**
	(0.798)	(0.595)	(0.801)	(0.594)	(0.814)	(0.593)	(0.855)	(0.604)
L.lnRLPcit		-0.483		-0.333		-0.454		-0.304
		(0.516)		(0.472)		(0.425)		(0.485)
FTA			2.527***	2.805***			2.453***	2.433***
			(0.839)	(0.941)			(0.818)	(0.812)
BIT					1.822*	2.810*	1.710*	2.532*
					(1.067)	(1.466)	(0.932)	(1.358)
Constant	-13.73	2.888	-17.11*	-1.356	-11.06	3.947	-15.30	-0.279
	(10.36)	(10.44)	(9.603)	(9.526)	(10.49)	(8.727)	(9.885)	(8.536)
Observations	511	753	511	753	511	753	511	753
Number of id	33	42	33	42	33	42	33	42
Nb. of instruments	31	31	31	31	31	31	33	33
Arellano-Bond Test (AR (1))	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Arellano-Bond Test (AR (2))	0.395	0.380	0.362	0.550	0.340	0.398	0.299	0.498
Hansen test of overid. restrict.	0.218	0.161	0.258	0.185	0.271	0.221	0.294	0.216

Source: Author's own computation using system GMM. Notes: Robust standard errors are shown in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. The notion ln and l. refer to value in logarithm and lagged value, respectively.

Table 4.9 presents the system GMM estimation results for models 2.5 to 2.8 when regressing with aggregated number of SEZs (NbSEZs) replacing the promotion expenditure (PEexp) and the capital invested for developing SEZs (CapSEZs) due to multicollinearity among them. All estimations provided good results for both the Arellano–Bond test (AR (2)) and Hansen test, which displays insignificant p-values, implying that each regression model has no second-order serial correlation and uses valid instruments. All key regressors (TIP, FTA, BIT) and control variables used in previous models (models 2.1 to 2.4) showed very similar or almost the same results in both aspects of significant level and coefficient. Solid and robust results are evidenced in these various estimations. Unexpectedly, the new inclusion of a key explanatory variable, namely the accumulated number of SEZs (NbSEZs), is negatively significant, referring to two regression models (2.6.1 and 2.8.1), while most models showed insignificance. Such an unexpected result is inconsistent with the result received from the provincial-level analysis in chapter 3. It could be due to (1) data on the number of SEZs is not segregable to each source country and (2) datasets used in the national- and provincial-level analysis being different. The empirical analysis at the national level applied disaggregated FDI by source countries, while the analysis at the provincial level used aggregated FDI inflow into separated provinces. This would suggest that NbSEZs has a significant impact on FDI distribution or location decision in a country, as evidenced in the provincial-level analysis, which follows many previous studies, including Kawai (2009), Chakraborty et al. (2017), Song et al. (2020), Wakasugi (2005), Wang (2013), and Wang et al. (2021). However, it may not affect FDI inflow, as confirmed in the national-level study.

To capture both aspects of intensive and extensive margins, the flow data on capital invested for SEZ development (CapSEZ) and the new number of SEZ (NbSEZ) are estimated using regression models 2.1bii to 2.4bii and models 2.5bii to 2.8bii; and the results described in Appendix 4.6 and 4.7, respectively. These extensive margin effects on targeted FDI from Japan are also investigated together with the above regression models. Appendix 4.6 listing the results for models 2.1bii to 2.4bii are very similar to those of previous models (2.1 to 2.4, and 2.1bi to 2.4bi). FTA, BIT, interaction term (lnPEexp*dumJPN), GDP of the source country, and dBOR play positive and significant roles in attracting FDI inflow in Cambodia. Whereas the new set of CapSEZ has a productive sign with FDI the same as its intensive margin (CapSEZs), but only significant for model 2.2bi in column 2.2.2bi. DIS is still negatively correlated with inward FDI. Other variables, including TIP, remain insignificantly.

Appendix 4.7 describing the results for models 2.5bii to 2.8bii, displays a slight change in relative labor cost in Cambodia to the source country (RLC), the number of years of diplomatic relation between Cambodia and the source country (LDR), and a new finding for the set of the newly established number of SEZ (NbSEZ). RLC is still negatively linked with FDI inflow through all models, and notably, it also becomes significant in column 2.7.1bi, as expected. This explains that a 1% increase in RLC leads to a 0.6% decrease in FDI inflow (negative correlation under double-log function), implying that the lower the minimum wage in Cambodia compared to the source country, the more FDI attracted. The labor factor (availability of a low-wage workforce) is attractive for Cambodia. Surprisingly,

LDR has a significant substitute sign relationship with FDI appearing in columns 2.6.1bi and 2.8.1bi. Another finding, the extensive margin or flow number of SEZ (NbSEZ) is, unlike NbSEZs, positively associated with FDI inflow for every model, in which most models show that NbSEZ has a significant beneficial effect on the general inward FDI in Cambodia (columns 2.6.1bi to 2.8.2bi). The effective coefficient is around 0.1 to 0.2 under the semi-log function using lnFDI and NbSEZ, meaning that a 1 number increase in NbSEZ will bring a 10%-20% increase in FDI inflow. The effect of NbSEZ is even bigger for Japanese FDIs ranging from 0.55 to 0.65 (sum coefficient of that of NbSEZ and NbSEZ*dumJPN) at a more significant level of 1% for each regression model. It suggests that a 1 unit increase in NbSEZ brings around a 55%-60% increase in Japanese FDI inflow in Cambodia. It should be noticed that both Appendixes 4.6 and 4.7 also have comfortable results for Arellano–Bond test (AR (2)) and Hansen test.

Table 4.9. System GMM estimation results for model 2.5 to 2.8 (NbSEZs)

	Dependent variable: lnFDI							
	Model 2.5 (TIP)		Model 2.6 (FTA)		Model 2.7 (BIT)		Model 2.8 (All)	
VARIABLES	(2.5.1) lnRLC	(2.5.2) lnRLP	(2.6.1) lnRLC	(2.6.2) lnRLP	(2.7.1) lnRLC	(2.7.2) lnRLP	(2.8.1) lnRLC	(2.8.2) lnRLP
L.lnFDIict	0.0782	0.0291	0.0659	0.0350	0.0673	0.0282	0.0554	0.0307
	(0.0474)	(0.0439)	(0.0485)	(0.0457)	(0.0483)	(0.0450)	(0.0484)	(0.0449)
L.lnGDPit	2.125***	0.932	1.955***	0.767	1.875***	0.782	1.733***	0.658
	(0.450)	(0.586)	(0.412)	(0.533)	(0.454)	(0.493)	(0.423)	(0.467)
lnDISci	-1.988**	-1.548	-0.885	-0.473	-1.598**	-1.269	-0.489	-0.305
	(0.814)	(0.974)	(0.685)	(0.916)	(0.719)	(0.823)	(0.592)	(0.773)
L.lnTRADEict	0.0341	0.0901	0.160	0.213	0.0512	0.0218	0.156	0.129
	(0.223)	(0.226)	(0.228)	(0.209)	(0.222)	(0.193)	(0.202)	(0.182)
TIP	0.415	0.462					-0.167	-0.0991
	(0.680)	(0.860)					(0.647)	(0.840)
L.lnRLCcit	-0.543		-0.318		-0.534		-0.287	
	(0.388)		(0.372)		(0.350)		(0.370)	
L.CPriRate	0.0243	0.0277	0.0179	0.0143	0.0249	0.0273	0.0195	0.0154
	(0.0279)	(0.0206)	(0.0272)	(0.0204)	(0.0266)	(0.0193)	(0.0255)	(0.0195)
dumCrisis	0.342	0.0543	0.458	0.119	0.319	0.0453	0.434	0.105
	(0.408)	(0.326)	(0.432)	(0.336)	(0.418)	(0.330)	(0.439)	(0.339)
dBORci	4.028**	2.090	4.368**	2.134	3.757**	1.616	4.125**	1.701
	(1.863)	(2.231)	(1.824)	(2.227)	(1.758)	(1.763)	(1.754)	(1.843)
RM	0.261	1.943	0.324	1.765	0.330	1.408	0.428	1.332
	(1.149)	(1.268)	(1.048)	(1.168)	(1.111)	(1.154)	(0.993)	(1.087)
L.LDR	-0.0384	-0.0334	-0.0439	-0.0377	-0.0283	-0.0190	-0.0356	-0.0264
	(0.0271)	(0.0288)	(0.0263)	(0.0274)	(0.0261)	(0.0240)	(0.0234)	(0.0239)
L.NbSEZs	-0.0436	-0.0183	-0.0886*	-0.0592	-0.0550	-0.0222	-0.0987**	-0.0572
	(0.0391)	(0.0316)	(0.0436)	(0.0353)	(0.0390)	(0.0309)	(0.0445)	(0.0344)
L.lnRLPcit		-0.492		-0.327		-0.470		-0.298
		(0.499)		(0.462)		(0.410)		(0.475)
FTA			2.509***	2.944***			2.463***	2.577***
			(0.804)	(0.916)			(0.790)	(0.797)
BIT					1.605	2.714*	1.513	2.452*
					(1.032)	(1.425)	(0.907)	(1.326)
Constant	-24.22**	-6.684	-30.26***	-11.85	-23.20***	-5.909	-29.78***	-10.97
	(8.963)	(9.364)	(7.956)	(8.820)	(8.276)	(7.697)	(7.696)	(7.743)
Observations	511	753	511	753	511	753	511	753
Number of id	33	42	33	42	33	42	33	42
Nb. of instruments	30	30	30	30	30	30	32	32
Arellano-Bond Test (AR (1))	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Arellano-Bond Test (AR (2))	0.568	0.568	0.473	0.644	0.505	0.587	0.413	0.608
Hansen test of overid. restrict.	0.210	0.168	0.215	0.127	0.234	0.191	0.273	0.173

Source: Author's own computation using system GMM. Notes: Robust standard errors are shown in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. The notion ln and l. refer to value in logarithm and lagged value, respectively.

Table 4.10 lists the results of the system GMM estimation for models 2.1bi to 2.4bi when the inclusion of dumJPN and the interaction term (lnPEExp*dumJPN) to models 2.1 to 2.4, correspondingly to understand if promotion effort is vital for Japanese FDI as well as to check the robustness among those models. The p-values of the Arellano-Bond test for AR (2) and Hansen test are insignificant at all levels falling in a comfortable condition of the basic assumption for GMM for all regression models (2.1bi to 2.4bi). This means that no second-order serial correlation exists, and the number of instruments is valid. The results for all variables obtained from models 2.1bi to 2.4bi are mostly the same as those from models 2.1 to 2.4, respectively, in terms of significant level. Also, each variable's coefficient value is very similar between these corresponding models. For instance, FTA and BIT are still positively and important correlated with FDI inflow, while TIP has a plus sign but is not notably significant. The capital value invested for developing SEZs (CapSEZs), the source country's GDP, and the shared border dummy remain positive and significantly attract inward FDI in Cambodia.

What is new to discuss and interpret the results in Table 4.10 (models 2.1bi to 2.4bi) is about interaction term, which is the new element of the regression models. Though promotion expenditure stays negatively critical, its interaction with the dummy for Japan shows a productive and significant level of 1% from columns 2.1.1bi to 2.4.1bi and 5% from column 2.4.2bi. The total coefficient (α_{13}+α_{16}) of the coefficient of lnPEexp and lnPEexp*dumJPN is always positive for each regression model. For example, column 2.1.1bi displays α_{13}+α_{16} = $-2.170 + 4.289 = 2.119$. It suggests that a 1% increase in promotion expenditure (PEexp) brings a 2.1% increase in FDI inflow in Cambodia from Japanese investors. Generally, a one percent change in PEexp will lead to a one to two percent change in FDI from Japan, in a positive correlation trend. It is explainable that the CDC's promotion expenditure (PEexp) is negatively and significantly associated with general FDI entirely. However, PEexp has a productive and essential influence on the Japanese FDI inflow in Cambodia. For other control variables other than those mentioned above, they have no statistically significant, but they have a sign of a relationship with FDI inflow, as expected.

Similarly, Table 4.11 describes the GMM estimation results for models 2.5bi to 2.8 bi when regressing with the accumulated number of SEZs and inclusion of interaction term (NbSEZs*dumJPN). The Arellano-Bond test for AR (2) and the Hansen test of overridden restriction present excellent results for all regression models, as their p-values are insignificant at all levels. The results for each variable in models 2.5bi to 2.8bi are identical in terms of statistical significance and similar coefficient with those in models 2.5 to 2.8, correspondingly, and they are also robust with the estimation results received from models 2.1 to 2.4 as well as 2.1bi to 2.4bi. For NbSEZs, it keeps displaying a negative sign with general FDI, but this variable shows a positive significance for Japanese FDI inflow into Cambodia for all regression models. For instance, columns (2.5.1bi) and (2.6.1bi) indicate the sum coefficient of the coefficients of NbSEZs and the interaction term (NbSEZs*dumJPN) being significantly positive, which are -0.0546+0.206=0.151 and -0.093+ 0.169=0.076, respectively. These sum coefficients explain that one unit addition to the number of SEZs makes a 15% and 7.6% increase in Japanese FDI inflow in Cambodia, referring to columns 2.5.1bi and 2.6.1bi, respectively.

Table 4.10. System GMM estimation results for model 2.1bi – 2.4bi (lnPEexp & lnCapSEZs)
Robustness check with inclusion of interaction term (lnPEexp*dumJPN)

	Dependent variable: lnFDI							
	Model 2.1bi (TIP)		Model 2.2bi (FTA)		Model 2.3bi (BIT)		Model 2.4bi (All)	
	(2.1.1bi)	(2.1.2bi)	(2.2.1bi)	(2.2.2bi)	(2.3.1bi)	(2.3.2bi)	(2.4.1bi)	(2.4.2bi)
VARIABLES	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP
L.lnFDIict	0.0422	0.00143	0.0365	0.0178	0.0270	-0.00193	0.0213	0.0101
	(0.0424)	(0.0411)	(0.0444)	(0.0441)	(0.0434)	(0.0423)	(0.0432)	(0.0423)
L.lnGDPit	2.049***	0.736	1.933***	0.659	1.807***	0.624	1.717***	0.568
	(0.477)	(0.612)	(0.434)	(0.563)	(0.477)	(0.521)	(0.439)	(0.494)
lnDISci	-1.591*	-1.319	-0.680	-0.499	-1.219	-1.103	-0.250	-0.329
	(0.937)	(1.023)	(0.784)	(0.953)	(0.782)	(0.842)	(0.677)	(0.816)
L.lnTRADEict	0.130	0.201	0.225	0.268	0.150	0.123	0.215	0.179
	(0.223)	(0.223)	(0.229)	(0.206)	(0.225)	(0.194)	(0.208)	(0.184)
TIP	0.487	0.482					-0.0850	-0.0203
	(0.690)	(0.884)					(0.660)	(0.860)
L.lnRLCcit	-0.273		-0.126		-0.274		-0.0805	
	(0.433)		(0.404)		(0.395)		(0.404)	
L.CPriRate	-0.0276	-0.0215	-0.0313	-0.0239	-0.0305	-0.0216	-0.0329	-0.0235
	(0.0297)	(0.0220)	(0.0307)	(0.0222)	(0.0293)	(0.0210)	(0.0304)	(0.0213)
dumCrisis	0.0559	-0.118	0.0907	-0.109	-0.00336	-0.135	0.0336	-0.120
	(0.440)	(0.326)	(0.450)	(0.330)	(0.437)	(0.325)	(0.444)	(0.329)
dBORci	4.255**	2.002	4.551**	2.086	3.966**	1.547	4.304**	1.655
	(1.977)	(2.353)	(1.904)	(2.296)	(1.888)	(1.900)	(1.851)	(1.923)
RM	0.315	1.977	0.349	1.808	0.370	1.457	0.470	1.388
	(1.189)	(1.269)	(1.087)	(1.173)	(1.142)	(1.167)	(1.034)	(1.103)
L.LDR	-0.0391	-0.0326	-0.0440	-0.0361	-0.0280	-0.0182	-0.0356	-0.0255
	(0.0276)	(0.0293)	(0.0270)	(0.0279)	(0.0265)	(0.0243)	(0.0241)	(0.0246)
L.lnCapSEZs	0.0930*	0.100***	0.0498	0.0489	0.0916*	0.0983***	0.0500	0.0530
	(0.0509)	(0.0335)	(0.0564)	(0.0413)	(0.0500)	(0.0314)	(0.0524)	(0.0372)
L.lnPEexp	-2.170***	-1.391**	-2.605***	-1.629***	-2.410***	-1.428**	-2.842***	-1.616**
	(0.787)	(0.575)	(0.797)	(0.582)	(0.807)	(0.582)	(0.845)	(0.599)
dumJPN	-20.38***	-13.74***	-19.00***	-11.77***	-18.80***	-9.818**	-16.80***	-7.619
	(3.502)	(3.912)	(3.154)	(3.388)	(4.014)	(4.426)	(3.895)	(4.560)
dumJPN*	4.289***	3.411***	3.892***	2.832***	3.920***	2.501***	3.425***	1.929**
L.lnPEexp	(0.640)	(0.624)	(0.587)	(0.565)	(0.793)	(0.849)	(0.761)	(0.848)
L.lnRLPcit		-0.370		-0.278		-0.375		-0.251
		(0.513)		(0.471)		(0.427)		(0.488)
FTA			2.331***	2.477***			2.286***	2.162***
			(0.821)	(0.916)			(0.804)	(0.777)
BIT					1.695	2.628*	1.613*	2.419*
					(1.056)	(1.465)	(0.937)	(1.365)
Constant	-12.41	4.585	-15.69*	0.612	-10.01	5.368	-14.25	1.110
	(9.945)	(10.43)	(9.194)	(9.611)	(10.21)	(8.884)	(9.609)	(8.721)
Observations	511	753	511	753	511	753	511	753
Number of id	33	42	33	42	33	42	33	42
Nb. instruments	33	33	33	33	33	33	35	35
Arellano-Bond Test (AR (1))	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Arellano-Bond Test (AR (2))	0.410	0.417	0.391	0.581	0.353	0.427	0.320	0.515
Hansen test of overid. restrict.	0.312	0.331	0.293	0.357	0.303	0.363	0.404	0.402

Source: Author's own computation using system GMM. Notes: Robust standard errors are shown in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. The notion ln and l. refer to value in logarithm and lagged value, respectively.

Table 4.11. System GMM estimation results for model 2.5bi to 2.8bi (NbSEZs) Robustness check with inclusion of interaction term (lnPEexp*dumJPN)

	Dependent variable: lnFDI							
	Model 2.5bi (TIP)		Model 2.6bi (FTA)		Model 2.7bi (BIT)		Model 2.8bi (All)	
	(2.5.1bi)	(2.5.2bi)	(2.6.1bi)	(2.6.2bi)	(2.7.1bi)	(2.7.2bi)	(2.8.1bi)	(2.8.2bi)
VARIABLES	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP
L.lnFDIict	0.0870*	0.0371	0.0756	0.0410	0.0752	0.0329	0.0640	0.0335
	(0.0464)	(0.0439)	(0.0475)	(0.0458)	(0.0466)	(0.0451)	(0.0467)	(0.0450)
L.lnGDPit	2.015***	0.771	1.897***	0.667	1.814***	0.664	1.705***	0.582
	(0.465)	(0.592)	(0.424)	(0.549)	(0.465)	(0.504)	(0.432)	(0.480)
lnDISci	-1.802**	-1.324	-0.865	-0.448	-1.489*	-1.122	-0.509	-0.275
	(0.869)	(0.985)	(0.720)	(0.923)	(0.746)	(0.811)	(0.629)	(0.789)
L.lnTRADEict	0.0703	0.156	0.170	0.249	0.0789	0.0821	0.166	0.161
	(0.213)	(0.214)	(0.221)	(0.204)	(0.215)	(0.188)	(0.199)	(0.181)
TIP	0.351	0.478					-0.173	-0.0195
	(0.664)	(0.854)					(0.639)	(0.836)
L.lnRLCcit	-0.465		-0.288		-0.470		-0.268	
	(0.392)		(0.375)		(0.353)		(0.372)	
L.CPriRate	0.0242	0.0251	0.0184	0.0140	0.0247	0.0254	0.0196	0.0151
	(0.0277)	(0.0202)	(0.0271)	(0.0204)	(0.0266)	(0.0192)	(0.0255)	(0.0195)
dumCrisis	0.340	0.0622	0.444	0.117	0.319	0.0519	0.426	0.105
	(0.407)	(0.324)	(0.432)	(0.335)	(0.415)	(0.329)	(0.438)	(0.338)
dBORci	4.071**	2.063	4.354**	2.109	3.827**	1.630	4.131**	1.700
	(1.847)	(2.264)	(1.814)	(2.249)	(1.771)	(1.833)	(1.761)	(1.893)
RM	0.292	1.945	0.336	1.780	0.349	1.448	0.425	1.376
	(1.132)	(1.232)	(1.043)	(1.151)	(1.099)	(1.130)	(0.992)	(1.080)
L.LDR	-0.0386	-0.0344	-0.0435	-0.0374	-0.0297	-0.0205	-0.0359	-0.0273
	(0.0266)	(0.0287)	(0.0262)	(0.0274)	(0.0258)	(0.0240)	(0.0234)	(0.0241)
L.NbSEZs	-0.0546	-0.0264	-0.0926**	-0.0604*	-0.0629	-0.0277	-0.101**	-0.0572
	(0.0370)	(0.0294)	(0.0429)	(0.0347)	(0.0379)	(0.0300)	(0.0439)	(0.0342)
dumJPN	-1.257	1.307	-1.341	0.953	-1.080	1.546	-1.063	1.458
	(1.117)	(1.513)	(1.066)	(1.384)	(1.070)	(1.342)	(0.978)	(1.392)
dumJPN*	0.206***	0.180***	0.169***	0.133***	0.174***	0.108*	0.132***	0.0591
NbSEZs	(0.0306)	(0.0350)	(0.0266)	(0.0309)	(0.0468)	(0.0563)	(0.0447)	(0.0557)
L.lnRLPcit		-0.386		-0.276		-0.393		-0.249
		(0.495)		(0.461)		(0.412)		(0.479)
FTA			2.269***	2.595***			2.288***	2.319***
			(0.792)	(0.897)			(0.782)	(0.767)
BIT					1.421	2.515*	1.388	2.338*
					(1.032)	(1.441)	(0.923)	(1.346)
Constant	-23.76**	-5.558	-29.33***	-10.29	-22.97***	-4.996	-29.06***	-9.900
	(8.795)	(9.390)	(7.804)	(8.975)	(8.208)	(7.902)	(7.627)	(7.989)
Observations	511	753	511	753	511	753	511	753
Number of id	33	42	33	42	33	42	33	42
Nb. instruments	32	32	32	32	32	32	34	34
Arellano-Bond Test (AR (1))	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Arellano-Bond Test (AR (2))	0.596	0.617	0.507	0.679	0.526	0.611	0.441	0.620
Hansen test of overid. restrict.	0.261	0.352	0.337	0.362	0.255	0.260	0.485	0.000

Source: Author's own computation using system GMM. Notes: Robust standard errors are shown in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. The notion ln and l. refer to value in logarithm and lagged value, respectively.

Compared to other estimators, the results from OLS and RE (Appendix 4.8 and 4.10) are harmonious with all system GMM's estimation results for each variable. The only variable on the resident mission (RM) has switched from insignificant to a significant effect on FDI inflow in Cambodia. Nonetheless, FE and difference GMM (Appendix 4.9 and 4.11) reveal inconsistent results for some variables compared to those from system GMM due to the different specifications of each estimation method. However, as discussed in section 4.3.3 (estimation methodology), FE [14] may have an endogeneity problem arising from an idiosyncratic term that correlates with the lagged FDI. Moreover, based on Bond (2001) or rule-of-thumb 2 analysis in the early part of this section (4.4.3), the different GMM is not suggested. In short, the system GMM's estimation results are preferable and should prevail/be dominant.

Discussion about the potential mechanism of TIP/FTA/BIT to solve some domestic challenges in attracting FDI inflow into Cambodia. This study found that FTA and BIT are positive and significant factors influencing FDI. The main logical reasons, as discussed in the literature review, are as follows. FTAs create a greater market allowing investors to access the bigger market in the region, while Cambodia is just a small country with a population of around 16 million. In particular, FTAs reduce or eliminate trade barriers among the member countries, e.g., ASEAN, ASEAN plus 1, ASEAN plus 3, ASEAN plus 5, or RCEP, which help force Cambodia to accelerate its reform regarding customs and trade facilitation. By alleviating or removing trade barriers, FTAs facilitate and increase the movement of goods and services, and the flow of investment between countries. Beyond this, other several constraints would be addressed by free trade agreements as well as bilateral investment treaties, such as investment guarantee and protection including intellectual property rights and dispute settlement. These agreements/treaties open market access or expand investment liberalization since FTA and BIT may

- Apply a negative list approach for closing or restricting some sectors or sub-sectors, which is very clear for investors to understand what sectors/sub-sectors are limited or not allowed for foreign investors
- Reduce or eliminate limitations or restrictions on foreign investment ownership (or just limited to a few specific sectors)
- Introduce less or no screening and approval requirement for non-strategic sectors by applying liberalized modalities of entry such as simple registration of an investment project, or minimal examination to ensure that the proposed project is not outside relevant legislation and/or policy requirements.
- Include the provisions of prohibited performance requirements (PPR).

Further, FTA and BIT can provide investment guarantee and protection by ensuring a degree of competitive equality between national and foreign investors (national treatment – NT), establishing equality of competitive opportunities between investors from different foreign countries (most-favored nation treatment – MFN), protecting investors against discriminatory measures (fair and equitable treatment – FET), guaranteeing against expropriation, ensuring the free and prompt transfer of funds in a freely convertible currency of the investor's choice, and providing alternative methods for settlement of disputes including negotiation,

[14] It should be noted that between FE and RE, based on Hausman test, FE is preferable.

consultation, mediation, conciliation, host state's court, or international arbitration. However, the effect of FTA and BIT varies between different agreements subject to their substances (e.g., integration level, degree of liberalization, and dispute solution mechanism), between outward and inward FDI countries, between developed and developing countries, and between countries at different levels of development (Blomstrom & Kokko, 1997). Also, it should be noticed that both FTA and BIT may possibly be the result of a lot of investment and trading activities, so there might be reverse causality whereby the increase in FDI and/or trade have led to these investment agreements (Liu et al., 2021). This is agreeable with the qualitative part of this study with a view that some BITs/FTAs have been prepared and signed after many of their investors already existed. Looking at TIP, it shows a plus sign with FDI, but not statistically significant. This would be due to most of the TIPs in which Cambodia is a signatory member are just commitments between/among countries to liberalize, protect, and promote investment/trade in the future. In addition, some TIPs were just established for political purposes with its partners, based on insights from the in-depth interview in Chapter 5.

With respect to the investment promotion agency, as deliberated above (e.g., Tables 4.8 and 4.10, the CDC's promotion expenditure (PEexp) has a negative and vital influence on the common FDI, but it positively and significantly affects the FDI from Japan. This would justify that the targeted marketing activity is an important work of IPA affecting FDI inflow from those focused countries, whereas the broad promotion is wasted and not efficient. For the SEZ mechanism, it is already deliberated in Chapter 3, section "3.4. Results and discussion", in which better institutional quality and supporting infrastructure in SEZs are the most factors attracting FDI.

4.5 CONCLUSION

Key explanatory variables: Promotion Efforts

The system GMM's estimation results revealed that FTA and BIT have a statistically positive significant influence on FDI inflow, evidently in all regression models. BIT's statistical significance is somewhat agreeable with Bauerle Danzman (2016). The critical effect of FTA is consistent with Duong et al. (2021) and partly with Thangavelu & Narjoko (2014) for bilateral and multilateral FTA (but not ASEAN FTA). At the same time, this result is contradicted by Awad & Yussof (2018) and Cuyvers et al. (2011). For TIP, this variable has a positive sign with FDI inflow, but not notably significant. In conclusion, TIP, FTA, and BIT have a productive relationship with FDI inflow in Cambodia, and the two latter variables are statistically significant. Based on the discussion, the key elements of FTA/BIT influencing FDI inflow into Cambodia would be the creation of bigger markets as Cambodia has a small population, reduction/elimination of trade barriers, and investment protection. This study's findings are in line with certain existing studies and also inconsistent with some others, which would be not simple to generalize the association between TIP/FTA/BIT and FDI inflow as already evident in Blomstrom & Kokko (1997), Kreinin & Plummer (2008), and Balasubramanyam et al. (2002). The results vary in different countries and degrees of agreements' liberalization. Therefore, a specific examination of an individual country, like this study, should be more reliable.

The estimation result from each regression model illustrates that expenditure for promotion activities (lnPEexp) has a statistically negative significant effect on FDI inflow. This study's negative and significant result for lnPEexp is partly consistent with previous works (Morisset, 2003; Ni. et al., 2017). The possible reasons are: (1) data on promotion expenditure (lnPEexp) was impossible to disaggregate to each source country. The promotion activities have been so far made with only some of the 42 source countries covered by this study, such as Japan, China, Korea, and some ASEAN countries. (2) promotion expenditure has been almost used for domestic promotion activities with most local investors and/or some existing FDI. So, PEexp could affect domestic investment or both domestic and foreign investment rather than the FDI alone. (3) the promotion activities implemented so far were not targeted. Most of the expenses could cover only operation/current activities (travel, food, accommodation, and administration to support the promotion activities) rather than for substance and upgradation of promotion performance/materials. Lastly, (4) international/ outside promotion activities have been conducted only in Japan regularly (before Covid), rarely in Korea, mainly just trade exhibitions in China, and occasionally in Thailand and a few more countries. Most of the expenses for outside activities are supported by partners (e.g., through AJC, AKC, ACC) and are not included in PEexp for this study due to no available data on those expenses. However, based on the fourth reason, a dummy for Japan (dumJPN) and an interaction term (lnPEexp*dumJPN) was included in the estimation, and the result revealed a positive and significant of the sum of the coefficient of this interaction term and lnPEexp. It suggested that promotion effort has a productive and statistically significant effect on Japanese FDI inflow in Cambodia.

For accumulated capital invested for developing SEZs (CapSEZs), we receive consistent results for national-level and provincial-level analysis showing that lnCapSEZs have a significant positive effect on FDI inflow. Meanwhile, there exists a somewhat different result of NbSEZs' effect on entire inward FDIs. Nevertheless, NbSEZs is positive and significant for Japanese FDI inflow in Cambodia. For instance, Phnom Penh SEZ has the largest number of Japanese projects (45 projects, around 37 % of the total projects in this zone). Regarding partially different results of NbSEZs' influence at the national and provincial levels, the possible justification would be: (1) data on the number of SEZs was impossible to disaggregate to the source country, and (2) using different datasets. The empirical analysis at the national level applied disaggregated FDI by source countries, while the analysis at the provincial level used aggregated FDI inflow into separated provinces. This would suggest that NbSEZs has a significant impact on FDI distribution or location decision in a country, as evidenced in the provincial-level analysis, which follows many previous studies, including Kawai (2009), Chakraborty et al. (2017), Song et al. (2020), Wakasugi (2005), Wang (2013), and Wang et al. (2021). However, it may not affect FDI inflow, as confirmed in the national-level study. SEZs may positively and significantly impact FDI inflow from particular countries in conditions with the nature and nationality of FDI, e.g., Japanese investors, who care much about the quality of services, governance, and security. They are interested in locating inside SEZ, which means an increasing number of SEZs would attract Japanese investment more.

Apart from investigating the effect of the accumulated number of SEZs (NbSEZs) and accumulated capital for developing SEZs (lnCapSEZs), the extensive margin (flow data) for both variables (NbSEZ and lnCapSEZ) were also examined their association with FDI inflow. The results showed that the new number of SEZ (NbSEZ) has a statistically positive significant effect for almost all regression models. This would suggest that the new SEZ may attract newer FDI. In contrast, the existing SEZ, where many FDIs already located, may not attract or just a few more received new FDI, probably due to its full capacity or no more available land for setting up a new factory. At the same time, the extensive margin (flow/new) capital for SEZ development (lnCapSEZ) is a positive link with inward FDI; it is also significantly referring to some estimations.

Control variables

GDP of the FDI home country (GDPit) has a positive significant effect on FDI inflow into Cambodia for almost all cases. This implies that when a source country has strong GDP, it has more rich people or investors who are more likely to invest abroad, e.g., in Cambodia. The result is fully in line with Duong et al. (2021) and Thangavelu & Narjoko (2014).

The physical distance between Cambodia and source country i (lnDISci) has a significantly negative sign which is consistent with Duong et al. (2021), Thangavelu & Narjoko (2014), and Cuyvers et al. (2011). It suggested that a greater distance decreases FDI inflow as it increases the transport cost of importing raw material or production inputs from FDI home countries to Cambodia for assembly or production because most of the inputs are imported. The cost of import is more likely in considered rather than exporting cost to the market destination. Another physical distance, the existence of a common border between Cambodia and FDI home countries as neighbors (dBORci), has a beneficially positive association with inward FDI from about every single model. The findings are logical. Vietnamese and Thai investors are interested in Cambodia, where located between Bangkok and Ho Chi Minh, an adjacent location with less transport cost in supplying production inputs to Cambodia and exporting the produced parts (labor-intensive products/parts) to their parent company in Vietnam or Thailand. This would be part of Vietnam plus one and Thailand plus one. Compared to the existing work, the positive influence of shared borders proved in this study is consistent with Thangavelu & Narjoko (2014) but contradicted by Duong et al. (2021), who investigated the case of Vietnam. It is sensible since Cambodia and Laos, neighbors of Vietnam, almost have no investment in this country. It is concluded that whether a common border has an influence depends on the economy and characteristics of those neighboring countries.

Besides the physical and geographical distances, relationship or diplomatic distance are also included in the estimation measured by the existence of mission residents. It is a dummy variable that takes the value of 1 if Cambodia and the source country i have a mission resident in each country (RM), and the number of years of diplomatic relation between Cambodia and country i (LDR). RM has a positive association for each regression model based on the system GMM's estimation results. This variable becomes a beneficial and significant element when estimating with OLS and RE models. In contrast, LDR has a minus sign, while a few cases display significance. A possible reason is probably because of

multiple regime changes in Cambodia's history, which led to diplomatic relations re-establishment many times during those periods. The number of years of relation would be better to recalculate starting from the year of re-establishment or to subtract the disconnected/inactive period. However, due to time constraints, gathering the discussed data is impossible. From another perspective, the negative sign of LDR would be interpreted that Cambodian diplomatic works still need to focus on economic diplomacy. In short, just having a long diplomatic relationship is not enough, but maintaining and strengthening the relationship would contribute to the encouragement of FDI flow, e.g., the establishment of mission resident (MR), the official visit of leaders, and upgrading the level of relationship between the two countries (Wang et al., 2021) and expanding diplomatic affair to more focus on the economy, trade, and investment (economic diplomacy),

Deliberating on the labor factor, the ratio of labor cost in Cambodia to the source country, proxied by minimum wage (RLCcit), and average labor productivity (RLPcit) are always negatively associated with FDI inflow, in which one model showed significance for RLCcit. This result would suggest that low labor wage is a crucial attractive factor in Cambodia. The labor cost ratio is low, and the FDI inflow in Cambodia increases, meaning that when the wage is rising in the home country and low in the host country (Cambodia), then FDIs are more likely to expand or move their investments to Cambodia. In addition, the primary school completion rate in Cambodia (CPriRate) is insignificant, which would likely imply that the current FDIs seek unskilled laborers. It is evident that the resource-seeking (unskilled labor) factor is a key determinant of FDI in Cambodia[15]. The rest (TRADE, dumCrisis) has no statistically significant influence from any regression model.

The policy implication is provided in Chapter 6.

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[15] Primary School completion rate, total (% of relevant age group), CPriRate could be used as a proxy to demonstrate a trainable labor force for supplying FDI's demand. The primary school completion rate may not mean a skilled labor force, but it would be semi-skilled. Primary school completion is a kind of human resource development in Cambodia. It represents the trainability and quality of the labor force in Cambodia to serve FDIs who need and are looking for semi-skilled laborers. The primary school completion rate is proxied for literacy, showing that Cambodia has trainable people for recruiting and working in investors' enterprises. Those people they can read and calculate simple problems or topics relating to the working area as semi-skilled workers or even toward skilled employees through on-job training as well as their continuous capacity development. A large number of the labor force in Cambodia were from the rural area who had worked in agriculture sectors without or just with very low literacy, so they could only work as unskilled or low-skilled workers. Those who completed primary school are literate and trainable and can work for semi-skilled places and skilled positions in the future. Therefore, primary school completion can be used as a proxy for the skilled labor force in the context of Cambodia. Hence, it is likely explained that the rate of primary school completion in Cambodia (CPriRate) is insignificant, which implies that the current FDIs are seeking unskilled laborers. It is evident that the resource-seeking (unskilled labor) factor is a crucial determinant of FDI in Cambodia. The result in chapter 4 regarding this matter is entirely consistent with that in chapter 3, which found that the number of successful candidates of grade 12 (SucNb) is insignificant. In contrast, the population density (PD) and the number of the population aged 18 and over (Pop18) have a significant effect to some extent. This reflects that the existing FDIs in Cambodia are labor resource-seeker. Some past studies seemingly support the above argument. Tanaka & Tsubota (2013) defined and calculated the number of low-skilled and semi-skilled workers by approximately the population that has completed primary and/or secondary education. Duong et al. (2021) measured human capital by completing secondary education.

CHAPTER 5

FACTORS INFLUENCING FDI INFLOW IN CAMBODIA: INSIGHT FROM IN-DEPTH INTERVIEW AND FOCUS GROUP

5.1 INTRODUCTION

FDI plays a crucial role in economic development and in improving people's living conditions. It is an essential driver of economic growth in Cambodia, with a significant proportion of this country's GDP, starting from 2% in 1993 up to 14% in 2020 (Source: World Bank). Hence, it would be important to assess the potential influencers on FDI inflow into a particular country in a specific context through various methods. A large number of studies have worked on FDI determinants. The findings of the previous papers would classify into four main groups, which are economic conditions, business facilitation, host FDI policies, and MNC strategies, based on Dunning (1977, 1979, 1998), UNCTAD (1998), Saini & Singhania (2018), and Daniel & Forneris (2010). However, the weight of importance for each determinant is different from various countries depending on each location's characteristics, motives of FDI (resource-seeking, market-seeking, efficiency-seeking and strategic asset-seeking), and type of FDIs (horizontal and vertical FDIs).

For this reason, a descriptive study is conducted in this chapter to investigate the potential factors influencing the FDI inflow into Cambodia. Chapter 5 applies the qualitative method using primary data from in-depth interviews and focus groups with 27 FDI firms/respondents to explain, verify and complement the empirical results in Chapters 3 and 4, and make a comprehensive/inclusive conclusion based on both empirical and logical analysis.

This study is significant as it is a new logical study on the aspects of FDI determinants for the case of an LDC, and it can fill in the gap in the previous empirical works and earlier parts of this study as well, with respect to FDI influential factors by examining the order of significant elements using an integrated framework. Based on the findings, it also suggests possible policy recommendations and options for policymakers, IPA, and concerned agencies about FDI determinants and investment promotion for future work and improvement.

A research question posed in this chapter is "What are the potential factors influencing FDI inflow in Cambodia?" Five hypotheses are established, which expectedly respond to this inquiry. These hypotheses are as follows. (III.1) CDC, through its marketing activities such as workshops, seminars, meetings, websites, social media, and other public relations concerning information dissemination and promotion of investment in Cambodia, is a source of information for foreign investors' decisions. (III.2) Economic determinants, in particular the abundance of unskilled labor and lower labor cost, are the leading significant factors in attracting FDI into Cambodia. (III.3) Investment facilitation, including government support, has played an essential supporting role in encouraging or discouraging FDI expansion and indirectly influencing new inward FDI as well. (III.4) SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia

due to the provision of supporting infrastructure and special procedures. (III.5) Treaties with investment provisions have an association with FDI inflow in Cambodia.

The results for each hypothesis are concluded as follows: (1) promotion activities so far were limited and not sufficient/efficient, (2) economic determinants, in particular the abundance of unskilled labor and lower labor cost, are the leading significant factors in attracting FDI into Cambodia, (3) investment facilitation is important and needs to be improved, (4) SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia due to the provision of supporting infrastructure and special procedure, and (5) TIP seems to be less significant and not much cared about by the surveyed FDI firms compared to unilateral/one-side preferential trade treatment (PTA).

Like the previous two chapters (3 and 4), chapter 5 also has five parts, including introduction (5.1), literature review and hypothesis establishment (5.2), methodology (5.3), results and discussion (5.4), and lastly, conclusion (5.5).

5.2 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Based on the theoretical literature, in particular Dunning (1998), UNCTAD (1998), Singhania and Saini (2018), and Daniel and Forneris (2010), the central determinants of FDI would be synthesized into an integrated framework as shown in Table 5.1 below.

Table 5.1. Integrated determinants of FDI.

Determinants	Motives of FDI
1. Economic conditions	
	Resource-seeking
	Market-seeking
	Efficiency seeking
	Strategic asset-seeking
2. Business facilitation/ investment promotion	
3. Host country policy	
4. MNC strategy[16]	

Source: Author's own compilation based on Dunning (1998), UNCTAD (1998), Singhania and Saini (2018), and Daniel and Forneris (2010).

[16] MNC strategy refers to (1) the company's perception of country risk based on political factors, macro management, labor markets, and policy stability, and (2) company strategies on location, sourcing of products /inputs, integration of affiliates, strategic alliances, training, technology (Daniel & Forneris, 2010). The authors separated this determinant from the economic condition. Sometimes, it is difficult to separate them exclusively; however, MNC strategy is not actually referring to economic conditions, e.g., the strategy of an MNC has no plan to expand their investment abroad for some years, so even though a destination country has good economic conditions to attract them, they still will not go.

Under this integrated FDI determinants, the resource-seeking FDIs include (i) physical and natural resources (raw materials, agriculture products, mining …), (ii) cheap and well-motivated unskilled and semi-skilled labor, and (iii) management skill/technology. Natural resource including fuel was inconsistently classified among some studies, e.g., Kamal et al. (2019) grouped it into the resource-seeking factor contrasted with Kishor et al. (2020) that treated it as efficiency-seeking one. For this study, a firm looking for natural resource was considered resource-seeking FDI. In respect to business facilitation and investment promotion, it is not limited to marketing activities but including investment facilitation, aftercare services, and policy advocacy. The SEZ mechanism is placed under the second determinant as it plays a role in most of these functions through zone administration/one-stop service and zone developers per se to promote and attract FDIs into their zones.

Using the framework above, the survey of literature in relation to the factors influencing FDI inflow, in particular in the case of Cambodia, are shown as follows.

(1) Image building is a component of investment promotion identified by previous studies (Wells & Wint, 1990; Harding & Javorcik, 2011; Erliza et al., 2014). The information on investment environment and opportunity provided by an IPA is classified in marketing activity/national image building. The IPA's expenditure on marketing, public relation and advertisement is also an appropriate measure of promotion effort. It is expected that the greater expenditure, the better promotion activities conducted, and the more investors received investment information, and finally the investment increases. Therefore, the hypotheses are formulated below:

Hypothesis III.1. CDC, through its marketing activities such as workshops, seminars, meetings, websites, social media, and other public relations concerning information dissemination and promotion of investment in Cambodia, is a source of information for foreign investors' decisions.

(2) Resource-seeking and market access motives are the crucial economic determinant for FDI in Cambodia. Firstly, young labor and low wage are the key pull factors that affect FDI's decision to invest in Cambodia as evidenced by (Warr and Menon, 2016; Emi[17], 2021). Similarly, Nishihara (2021)[18] also explained that "Cambodians are more hardworking than Chinese or Thais and are able to emphasize teamwork in general. Cambodia's labor costs are also lower…". The labor shortage and rising cost of labor in source or neighboring countries have pushed foreign investment to relocate or expand their investment in Cambodia, which are mostly labor-intensive FDI (Warr and Menon, 2016; Emi, 2021; Nishihara, 2021). Declining birthrate and aging society in home FDI countries are also other notable push factors (Emi, 2021; Nishihara, 2021). Secondly, market access factors were found as an important reason for FDI to choose Cambodia. For instance, Wang et al. (2021) revealed that a general advantage to investing in Cambodia is the generalized system of preferences (GSP) that enables Cambodia

[17] Mr. Emi of DENSO (CAMBODIA) said in panel discussion on November 11, 2021, during the webinar on Cambodian new investment law.

[18] Mr. Nishihara of MINEBEA (CAMBODIA) expressed in panel discussion on November 11, 2021, during the webinar on Cambodian new investment law.

to enjoy duty-free quota-free access to the EU market as well as to the US. Moreover, Cambodia is a strategic location in the Great Mekong Subregion (GMS) situated in the middle of the Southern Economic Corridor and has good access to the two big cities in the region – Bangkok of Thailand and Hochi Minh of Vietnam (Emi, 2021)[19]. In addition to this, Nishihara (2021)[20] said that "Cambodia is the closest to our main plant in Thailand as compared to the other countries (Laos, Myanmar, and Vietnam)". This strategic location/exporting to adjacent markets (base factories in neighboring countries) is also considered as market seeking element, based on Dunning (1998) and Wadhwa & Reddy (2011) as it is relevant to both adjacent regional markets and the transport cost. Based on the above reasons, it can be said that the FDIs in Cambodia are resource- and market access seekers and most of them are labor intensive industries. Therefore, we can establish the hypothesis as follows:

Hypothesis III.2. Economic determinants, in particular the abundance of unskilled labor and lower labor cost, are the leading significant factors in attracting FDI into Cambodia.

(3) Deliberating on the aspect of business facilitation and investment promotion, activities related to investment promotion and services provision were investigated and found that they contributed positive attribution in the geo-effects such as establishments of government coordination mechanism, administrative service window (Wang et al, 2021; Emi, 2021). These are administrative efficiency and after-care services for investors during the registration and post-establishment (business operation) (UNCTAD, 1998 and Saini & Singhania, 2018) in encouraging the existing FDI to expand their investments and indirectly attract new FDI into the country. Then, the next hypothesis is presented:

Hypothesis III.3. Investment facilitation including government support has played an important supporting role in encouraging or discouraging FDI expansion and indirectly influencing new inward FDI as well.

(4) In respect to SEZ mechanism, SEZ is a comfortable location for investors in respect to security and labor related matter (e.g., labor relation and freedom from strikes), and SEZ is more reliability or at least less concern about infrastructures within the SEZ including water, electricity and logistics of import and export without costly delays (Warr, Peter and Jayant Menon, 2016; Emi, 2021). Beside this, SEZ is seen as the favorable place to create firm clusters from the same home FDI countries and agglomerate similar industrial production within the SEZ (Nishihara 2021) and it is an effective way for them to communicate and negotiate with the Governmental institutions (Warr and Menon, 2016). A recent study using in-depth interview and a case study of Sihanoukville Special Economic Zone (SSEZ) indicates that SSEZ has created the significant and beneficial geo-effects which consists of geopolitics, geo-economics, geo-society, and geo-culture (Wang et al, 2021). In addition, the SEZ mechanism in other countries has also been

[19] Mr. Emi of DENSO (CAMBODIA) said in panel discussion on November 11, 2021, during the webinar on Cambodian new investment law.

[20] Mr. Nishihara of MINEBEA (CAMBODIA) expressed in panel discussion on November 11, 2021, during the webinar on Cambodian new investment law.

examined and found positive relationship with inward FDI by many previous studies, such as Chakraborty et al., (2017), Kawai (2009), Dorożyński et al. (2018), Song et al. (2020), and Brussevich (2020). Hence, we can hypothesize a significant association between SEZ mechanism and inward FDI, as follows:
Hypothesis III.4. SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia due to the provision of supporting infrastructure and special procedures.

(5) As discussed in the chapter 4, there are mixed results from the previous studies on the effect of FTA which is a type of TIP. For TIP as a whole, so far it seems no study investigating the effect of TIP. However, as we know TIP is designed to liberalize, promote, and/or facilitate trade and investment between/among participating countries (in form of FTA) or commitment between/among the TIP countries to liberalize, protect, promote investment/trade in the future (in form of cooperation framework). Then, all types of IIAs (TIP, FTA, BIT) are assumed to make an influence on the flow of FDI and plays as an effective element of FDI determinants. Therefore, presence of any type of IIA is expected to attract more FDI to Cambodia.
Hypothesis III.5. Treaties with investment provisions have an association with FDI inflow in Cambodia.

In addition to the hypotheses above, it is also important to discuss about host FDI policy. An existing work explained that Cambodian policy is most flexible for the private sector to choose if to privately, publicly, or jointly private and public invest, which is a crucial feature to attract FDI (Warr, Peter and Jayant Menon, 2016). A better institutional quality, including grants and tax and other policy reform, of the FDI recipient country can attract further investment (Song et al., 2020). Moreover, Cambodian investment policy provides favorable tax incentives for investment such as exemptions on corporate tax, free duties for importing production inputs, and other preferential tax regimes (Emi, 2021; Nishihara, 2021). The host country policy framework is a main component of FDI attractive factors (Daniel & Forneris, 2010; Saini & Singhania, 2018). So, this study may also seek views from foreign investors' perspective on the Cambodian investment policies focusing on the Law on Investment of the Kingdom of Cambodia and other relevant regulation and policies including IDP.

Table 5.2. Summary of hypotheses in chapter 5

Research question	Hypotheses
3. What are the potential factors influencing FDI inflow in Cambodia?	**Hypothesis III.1.** CDC, through its marketing activities such as workshops, seminars, meetings, websites, social media, and other public relations concerning information dissemination and promotion of investment in Cambodia, is a source of information for foreign investors' decisions. **Hypothesis III.2.** Economic determinants, in particular the abundance of unskilled labor and lower labor cost, are the leading significant factors in attracting FDI into Cambodia. **Hypothesis III.3.** Investment facilitation including government support has played an important supporting role in encouraging or discouraging FDI expansion and indirectly influencing new inward FDI as well. **Hypothesis III.4.** SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia due to the provision of supporting infrastructure and special procedures. **Hypothesis III.5.** Treaties with investment provisions have an association with FDI inflow in Cambodia.

5.3 METHODOLOGY

5.3.1 Structure of research design

This chapter focuses principally on producing logical evidence by employing qualitative methodology through conducting in-depth interview and documentary analysis. Such mixed different qualitative method, called triangulation, is applied to carry out an investigation that can reduce deficiencies of a one method approach and would be a strategy to strengthen the research design. This approach also allows for a deeper understanding of the issues which are being studied since different sources of data including documents and interview data are combined by using different methods of collecting data such as conducting literature review, collecting and examining relevant **documents, in-depth interviews, and focus groups**. The primary data gathering from in-depth interview and focus groups is the main ones for this part of research.

The in-depth interview design provides extensive descriptions of certain complex phenomena as it helps tracking, exploring, explaining and interpreting the participants (e.g., foreign investors, CDC officers)' views, experiences and perspectives, for instance, regarding factors influencing their decisions in choosing Cambodia as their investment destination.

5.3.2 Data collection methods

In-depth interview is employed with foreign investors and key CDC officials focusing on the individuals which responses to the research questions that seek to understand their (investors and IPA officials') feelings, experiences, and

perspectives relating to investment promotion works (IPA officials') and decisive factors of selecting Cambodia as their investment destination (investors'). In-depth interviews facilitate the comprehensive exploration of multifaceted issues, allowing researcher to connect these to personal circumstances (Ritchie and Lewis, 2003). The form of semi-structured interviews is used to directs the content to be discussed while allowing participants to shift ideas in new but related directions.

Focus groups will be separately conducted with young strategic officers[21] from the CDC and a few academicians in order to discuss and debate on the research question and probably to provide possible suggestion for improvement the investment environment in Cambodia. This method is useful in a situation where a "one-shot collection" is necessary responding to the need of my data collection from the strategic and academic groups above and it enables me to save much time.

5.3.3 Sampling, sample size and scope of the survey

Sampling (or respondent selection technique and criteria) is an essential feature in selecting sample for our research design. The purposive sampling of nonprobability sampling techniques is applied for this chapter. Utility of this sampling method is not only convenient in approaching foreign companies for conducting interview, but it is more efficient and targeted in selecting different sources of FDI (nationality of foreign company), in various investment sectors/activities, and from certain locations within the country. This enables to explore and understand comprehensive views and full images from numerous investors and their sorts of investment in order to appropriately identify the potential influencing factors on FDI inflow in Cambodia.

The sample size for in-depth interviews is 14 cases (see Table 5.3) of foreign investment projects/firms (Japanese, Chinese, Taiwan, Thailand, USA, British Virgin Island) invested in different locations of the country (Phnom Penh, Banteay Meanchey, Svay Rieng, Sihanoukville), and 5 key informants (see Table 5.4) from the CDC in various level (top management, middle management, strategic, and operational levels). All selected foreign companies are investing in various manufacturing activities including electronic and electric equipment, auto parts, bicycle, garment and footwear, food, and plywood and furniture. Therefore, the surveyed foreign investment enterprises represented FDI firms within the country located in the four economic poles of Cambodia: Capital (Phnom Penh), northwest (Poi Pet, Banteay Meanchey, Battambang), southeast (Bavet-Svay Rieng) and southwest (Preah Sihanouk) regions and they covered a quite broad spectrum of manufacturing industry, ranging from agro-processing to garment and footwear, to automotive and electronic manufactures.

The sample size for focus groups is 8 participants including 5 young strategic officers from the CDC and 3 academicians (see Table 5.5).

The total sample size for the qualitative research is, therefore, 27 participants: in-depth interview with 14 cases/firms and 5 respondents from the CDC and focus

[21] Strategic officers (or CDC strategists) refer to those who are working for the private investment strategy analysis department (PISAD), the Council for the Development of Cambodia. They are mainly responsible for researching, preparing and monitoring the implementation of policy, strategy, speech, promotional material, aid memoire, and other documents related to investment and industrial development.

groups with 8 participants (5 strategists from CDC and 3 academicians). The respondents' characteristics for the qualitative part of this study is representative from different sources and sorts of FDIs and key informants, and the sample size is more sufficient than some previous studies, such as Gorynia et al (2007) and Tatariyanto (2020) using only 7 cases/samples and 12 respondents, respectively. However, the survey still has limitation since it is not possible to access to non-SEZ firms because of time and resource constraint, and uncontactable/ unapproachable to those foreign companies located outside the zone. Nevertheless, for the purpose of consistency between quantitative data and qualitative data gathered from the in-depth interview with SEZ-firms, the empirical analysis at national level would also use foreign QIP (FDIQIP) located in SEZs as dependent variable for robust estimation.

Sometimes, it would be said that to some extent it is difficult to generalize the results from the in-depth interview in chapter 5 since there were a quite limited number of FDI nationality that have been covered in this chapter (Japanese, American, Chinese, Thai, Taiwan and BVI investors) compared to chapter 4 where have a lot of FDI source countries (42 countries).

Table 5.3. Foreign investment projects/firms (Cases) for in-depth interview

ID	Nationality	Investment activities	Year (FRC)	Investment Capital ($)	Land size (m^2)	Work force	Location
FDI-1	Japan	Automobile Parts	2013	9,402,584	100,000	324	
FDI-2	Japan	Auto-Wire harness	2011	18,000,135	29,385	1,544	
FDI-3	USA	Diamond Polishing	2013	11,000,000	40,524	1,507	
FDI-4	Japan	Small-Size Motor	2011	54,885,417	200,000	8,265	Royal Group Phnom Penh
FDI-5	USA	Candy	2015	1,000,000	7,674	79	SEZ, Phnom Penh
FDI-6	British* Virgin Island	Garment	2019	140,350,588	413,067	11,036	
FDI-7	Japan	Automobile Seat Parts	2015	8,153,182		327	Sanco Poi Pet SEZ, BMC
FDI-8	Thailand	Garment	2012	6,110,190		4,318	Poi Pet Oneang SEZ, BMC
FDI-9	Japan	Shoe	2014	1,810,724	6,900	119	Tai Seng Bavet SEZ, SVR
FDI-10	Japan	Garment	2017	2,724,677	5,000	1,602	Tai Seng Bavet SEZ, SVR
FDI-11	Japan	Electric Wire harness	2012	3,000,000	15,000	249	Tai Seng Bavet SEZ, SVR
FDI-12	Taiwan	Bicycle	2011	2,325,800	7,000	1,776	Manhattan SEZ, SVR
FDI-13	China	Lamp, Cable & Carton Box	2018	2,000,000	30,000	1,892	Giga Resource SEZ, SVR
FDI-14	China	Plywood	2016	9,500,000	45,093	671	Sihanoukville SEZ, SHV

Note: * It is not officially aware of the actual nationality of the company from BVI since the system just registered the subsidiary in Cambodia with the record of where its parent company come from (e.g., BVI). Nevertheless, we may identify the originality of that parent firm by requiring and checking the information of parent company including its sources. By doing so, and based on actual experiences, some BVI firm originated from China (e.g., Case 6), Taiwan, and Hong Kong. The reason is possibly to hide their originality in order to easily access to the global markets (such as USA, EU) without any restriction or political barrier. Also, it would be due to their money were deposited in BVI.
Source: Author.

Table 5.4. The CDC officials (Respondents) for in-depth interview

ID	Role	Level
IPA-1	Deputy Secretary General	Top management
IPA-2	Assistant to Minister attached to the Prime Minister, and deputy director of public relation and private investment promotion	Strategic and operational level
IPA-3	Director of Department	Middle management
IPA-4	Director of Department	Middle management
IPA-5	Official from Private Investment Strategy Analysis Department	Strategic level

Source: Author.

Table 5.5. Participants (CDC strategist and academician) for focus group

ID	Role	Qualification
S-gist-1	Deputy Director of Department, CDC Strategist	Master's Degree
S-gist-2	CDC Strategist	Master's Degree
S-gist-3	CDC Strategist	Bachelor's Degree
S-gist-4	CDC Strategist	Master's Degree
S-gist-5	CDC Strategist	Bachelor's Degree
A-cian-1	Academician	Doctoral Degree
A-cian-2	Academician	Doctoral Degree
A-cian-3	Academician	Master's Degree

Source: Author.

5.3.4 Structure, schedule, and content of in-depth interview

The face-to-face in-depth interview is conducted with key informants: foreign investors and government officers working for investment promotion agency (the CDC officials). On site-visits and in-depth interviews were held from 4 to 27 April 2022 with 14 foreign companies in 7 SEZs located in Phnom Penh capital, Banteay Meanchey, Svay Rieng and Preah Sihanouk provinces, and with CDC officials in Phnom Penh.

The interview is a most important part of the study. It helps me to understand foreign investors' perspectives on the investment environment and opportunity in Cambodia, and their investment experiences in Cambodia.

This semi-structure in-depth interview schedule is divided into three sections starting from an introductory, the main section, and ending with a closing remark, using open-ended questions together with certain probes or elaborated/follow up questions for stimulating discussion with the respondents. The main section includes warm-up question, transition statement, and central questions covering the following

subject matters: 1) sources and kind of information about investment opportunity in Cambodia (Ci.1, C1), 2) investment motivation/influencing factors (Ci.2, C2), 3) investment application, procedure and facilitation (Ci.3, C3), 4) investors' attitude about SEZ mechanism (Ci.4, C4), and 5) treaties with investment provisions (Ci.5, C5). Besides, investors' attitude toward investment policy was additionally included (Ci.6, C6).

The first area of the central question enables us to understand source and kind of information which is most useful as well as difficult for foreign firms to obtain in selecting Cambodia for their investment destination, and number of investors who know the CDC (CIB/CSEZB) before they started operation in Cambodia. It falls in the group of image building which a component of investment promotion identified by previous studies (Wells & Wint, 1990; Harding & Javorcik, 2011; Erliza et al., 2014). This area may explain the results obtaining from the empirical analysis regarding the variable on the CDC's annual expenditure for investment promotion, public relation, and advertisement (lnPEexp).

The second subject of the interview question provides the information to answer the central research question in this chapter: what are the potential factors influencing FDI inflow in Cambodia? The respondents from foreign firms have been posed a very simple question: why did you choose to enter Cambodia? Or what motivated you to invest in Cambodia? It is an open question allowing investors to explain the reasons they decided to invest in Cambodia by encouraging them to start talking, to say what they think and what they want to say about Cambodia, and to provide general information including their business experiences in Cambodia. We can direct the interview to the specific and relevant points of the research objective, and motivate investors to further describe about decisive factors by asking the probes or follow up questions, such as could you tell me a bit more about the reason or factor "…" that you have just mentioned? Are you able to provide some examples regarding to that reason? What else do you think that are also potential elements in attracting FDI? Similar question has been posed the CDC officials: what factors/reasons do you think that have attracted FDI into Cambodia? Why foreign investors have decided to invest in Cambodia? We can receive comprehensive information from both sides (CDC officers and investors) to verify and identify the proper influent factors that motivates FDI to invest in Cambodia.

Thirdly, the questions focus on the investment application and facilitation including the support from the promotion agency and government. This is considered as elements of business facilitation including improving administrative efficiency and after-care services for investors during the registration and post-establishment (business operation) which would also play a promoting effort in encouraging the existing FDI to expand their investments and indirectly attract new FDI into the country.

The fourth subject is to inquiry about the SEZ mechanism as it is an effective promotion agency, inducive program and favorable location providing both of physical and soft infrastructures for investments and included as a part of investment promotion. The information received from this interview question would be used to

robust explain the empirical results for the variables on SEZ mechanism in quantitative part (NbSEZs, lnCapSEZs…).

Fifthly, it is deliberated about the treaties with investment provisions (TIP/TIPs) and its relationship with FDI inflow. Based on UNCTAD database, the TIP in this chapter covers free trade agreement (FTA), framework agreement for trade and investment, both bilaterally and multilaterally, multilateral international agreement (IIA) such as ASEAN comprehensive investment agreement (ACIA), but not include bilateral investment treaty (BIT). The interview posed if foreign firm take benefit TIP which Cambodia is a part of that TIP?

The last part of the central question is to seek participants' view on the legal provision and policy perspective regarding investment entry and liberalization, investment incentives, investment promotion and facilitation mechanism, and investment protection and retention.

The interview would take around 45-60 minutes.

The in-depth interview schedule is prepared and shown in Appendix 5.1 and 5.2 as attached. The interview schedule is separated into two different sets: (1) foreign investors and (2) the CDC officials.

5.3.5 Data analysis

The analysis methods and software applied for the qualitative part are shown in Table 5.6 below.

Table 5.6. Data analysis for qualitative part.

Software applied	Excel and NVivo
Analysis Methods	Data
▪ **Within-Case Analysis:** to analyze in detail for each firm because they have different characteristics and motives.	From in-depth interview with FDI firms (the results placed in appendix)
▪ **Cross-Case Analysis:** to compare crossing FDI firms.	From in-depth interview with FDI firms (the results placed in main body)
▪ **Cross-Respondent Analysis:** to summarize the various perspectives from different levels of the same organization (CDC).	From in-depth interview with CDC officers (the results placed in main body)
▪ **Cross-Participant Analysis/Focus Group Analysis:** to conclude the views from strategists and academicians.	From focus group discussion (the results placed in main body)

Notes: The result of analysis is organized by hypotheses (1 to 5) and presented in the main text of thesis. The detailed information of each Case/FDI and the within-case analysis is placed in the appendix. Source: Author.

In brevity, the research design for this chapter is summarized in the Table 5.7 below.

Table 5.7. Summary of research design.

Structure of Research Design	Data Collection Method: Semi-structured interview	Sample Size: 27 and Scope of Survey	Sampling Technique	Structure and Schedule of In-Depth Interview
In-Depth Interview	FDI Firms/ Cases	14 Cases from various nationality, manufacturing activities and locations	Purposive Sampling of Non-Probability Sampling Techniques **Rationales:** (1) the most convenient, and (2) more efficient and targeted in selecting different sources of FDIs in various activities and located in certain locations	▪ 4 – 27 April 2022 ▪ 7 SEZs in 4 locations (Phnom Penh, Banteay Meanchey, Svay Rieng, and Sihanoukville) ▪ The semi-structured interview/discussion has 3 sections: introduction, body/main section, and closing remarks) ▪ The main section covers 5 subject matters: 1) sources and kind of information about investment opportunity in Cambodia (Ci.1, C1), 2) investment motivation /influencing factors (Ci.2, C2), 3) investment application, procedure and facilitation (Ci.3, C3), 4) investors' attitude about SEZ mechanism (Ci.4, C4), and 5) treaties with investment provisions (Ci.5, C5). Besides, investors' attitude toward investment policy was additionally included (Ci.6, C6)
	CDC Officers	5 key informants (1 top management, 2 middle managements, 1 strategic and 1 operational levels)		
Focus Group	CDC Strategists(*)	5 Strategist participants (Officers handle strategic works for CDC)		
	Academicians	3 Academician participants		
Documentary Analysis				

Note: (*) Strategic officers (or CDC strategists) refer to those who are working for the private investment strategy analysis department (PISAD), the Council for the Development of Cambodia. They are mainly responsible for researching, preparing, and monitoring the implementation of policy, strategy, speech, promotional material, aid memoir, and other documents related to investment and industrial development. Source: Author.

Table 5.8. compares the variables applied in quantitative and qualitative methods using the integrated FDI determinants.

Table 5.8. Integration of this research into the literature theories UNCTAD (1998), Saini & Singhania (2018), and Daniel & Forneris (2010)

Determinants		Quantitative Method	Qualitative Method
		Variables	Variables/interview questions
Economic conditions	Resource-seeking FDI	(1) Physical resources: infrastructures (IntGate$^{(p)}$, Ports$^{(p)}$, ElecPopf$^{(n)}$, Wadhwa & Reddy, 2011) (2) Unskilled & semi-skilled labor forces (Pop18$^{(p)}$), labor cost or average labor productivity (RLC$^{(n)}$ or RLP$^{(n)}$),	(Ci.2, C2): influential factors or motives of FDI
	Market access and market-seeking FDI	GDP$^{(n)}$, population$^{(p)}$, DIS$^{(n)}$, dBOR$^{(n)}$	
	Efficiency/ Strategy-seeking FDI	Human Capital/literacy (SucNb$^{(p)}$, PriRate$^{(n)}$)	
Business facilitation/ investment promotion	Marketing activities/ Image building	CDC, SEZ mechanism, and treaties with investment provisions (dumSEZ^{p}, NbSEZ/NbSEZs$^{(pn)}$, lnCapSEZs$^{(pn)}$, lnPEexp$^{(n)}$, TIP/FTA/BIT$^{(n)}$) Resident mission, and diplomatic relation (RM$^{(n)}$, LDR$^{(n)}$)	(Ci.1, C1): main source of information. (Ci.3, C3): Process of Investment application and facilitation (Ci.4, C4): Reasons for entering SEZ (Ci.5, C5): Treaties with investment provisions
	Investment support, facilitation, and aftercare (servicing)		
	Hassle cost		
	Policy advocacy		
Host country policies	Macro policy		(Ci.6, C6): Views on the substances of investment policy
	Trade policy	TRADE	
	FDI policy		

Note: $^{(p)}$, $^{(n)}$, and $^{(pn)}$ refer to the variables used at provincial level, national level, and both levels analysis, respectively. Source: Author.

5.4 RESULTS AND DISCUSSION

The results are analyzed, organized, and presented by hypotheses from 1 to 5, based on information received from

(i) the in-depth interview with foreign firms investing in Cambodia,
(ii) the in-depth interview with the CDC's officials, and
(iii) the focus group with the CDC's strategists and academicians.

5.4.1. The results for hypothesis III.1

Hypothesis III.1 is assumed that the CDC, through its marketing activities such as workshops, seminars, meetings, websites, social media, and other public relations concerning information dissemination and promotion of investment in Cambodia, is a source of information for foreign investors' decisions.

(i) Cross-Case Analysis: based on data from the in-depth interview with FDI firms

This hypothesis is partly agreed by two foreign companies but rejected by twelve other FDI enterprises.

The in-depth interview with foreign firms informed that two cases (Case 1 and 10) have partially received information about investment opportunities in Cambodia through the CDC and its marketing activities. For Case 1, the primary source of information was provided by the consultant and business development department of its Group (parent company), together with an investment dissemination seminar conducted in Japan by Cambodian Government (CDC) delegates. Based on Case 10, three main sources of information the company depended on for their decision are

- the Japanese owners operating businesses in China, Indonesia, and Vietnam,
- its Japanese friends are investing in Cambodia, and
- a top management official of the CDC who was fully helpful, friendly, and supportive.

Contrarily, the rest (12 cases) have obtained from other sources such as their friends, the Garment Manufacturers Association in Cambodia (GMAC)[22], the Japanese Business Association of Cambodia (JBAC), Japan External Trade Organization (JETRO), law firm, and their research. Cases 2, 3, 4, and 8 have conducted their own research/survey on investment environment and opportunity in some relevant countries focusing on labor cost and availability, infrastructure conditions, and other factors and making comparative analysis as a basis of their decision. They compared that information in some countries, e.g., Cambodia, Laos, India, Indonesia, Thailand, and Vietnam. For instance, Case 4 explained that "the company has formed a team to study investment environments and opportunities in three countries including Cambodia, Laos, and Vietnam. The team spent three years studying and visiting Cambodia". The second potential sources are investors' friends/partners investing in Cambodia and encouraging them to visit Cambodia to

[22] In 2022, GMAC was changed to the Textile, Apparel, Footwear & Travel Goods Association in Cambodia (TAFTAC)

receive comprehensive and actual information (Cases 6, 7, 13, and 14). In an illustration of Case 13, she informed that her friend, a shoe-making company's owner, is her first primary source of information about Cambodia. She was told about the country's investment opportunities regarding the Generalized System of Preferences (GSP) and labor and tax policy. Then, she visited Cambodia four times in 2011 to check the labor cost, supply chain, and other conditions. She had conducted a site visit at GIGA and other SEZs to see what services those SEZs could provide her. Other notable sources are law firms, business associations, and research organizations, e.g., Cases 5, 9, and 11 got information about Cambodia's investment opportunity from Leopard Capital company, GMAC/JBAC/JETRO, and JBAC, respectively. Finally, Case 12 reported that the company first received information from the Cambodian Ministry of Commerce (commercial councilor) representative in Ho Chi Minh and entered Cambodia through former high government officials.

The results of the analysis, based on data collected from the in-depth interview with FDI firms, reveal that the sources of information on the investment environment and opportunity in Cambodia that the surveyed foreign enterprises mainly received from would be classified into five key sources per the rank order as follows:

(1) Their own survey/research (Cases 1, 2, 3, 4, 8, 10).

(2) Their friends/FDI partners (customer or supplier) who are investing in Cambodia (Cases 6, 7, 10, 13, and 14).

(3) Business associations (such as JBAC and GMAC), research institutes (e.g., JETRO), and law firms (Cases 5, 9, and 11).

(4) CDC management and its promotion activities and supports (Cases 1 and 10).

(5) Other relevant institutions, e.g., the Ministry of Commerce, Cambodian commercial councilor to source country (Case 12).

The result indicated that only 2 out of 14 cases (around 14%) are based on the CDC and are just partly sources for them. It is explainable that the CDC's marketing activities still need to be improved in providing information for foreign investors. It means that this promotion agency has to make more efforts with an efficient way to target and comprehensively promote investment in the country and build the national image even better. However, the sources from GMAC, JBAC, and JETRO may primarily receive important information from the CDC. So, investors would indirectly obtain information from the CDC.

(ii) Cross-Respondent Analysis: based on data from the in-depth interview with the CDC's officials

Similarly, the officers from the CDC itself also recognized that so far, there have been limited promotional activities made by the CDC. Before Covid, the seminar on investment opportunities was conducted regularly once a year in Japan, organized and supported by ASEAN-Japan Center (AJC). It rarely happened with ASEAN Korean Center (AKC), and only trade exhibitions have been organized with China. Investment promotion events were also made in Thailand, with participants from Cambodia, Laos, Myanmar, Thailand, and Vietnam. Apart from this, the investment workshops were only arranged domestically.

Furthermore, promotion through public media and websites could have been more active, and promotional materials needed to be more efficient and updated, e.g., an investment guidebook was prepared and has been used since 2013, supported by JICA. It is recognized that the budget is a constraint, but it is the second thing while the human resource is the critical challenge. Notably, receiving investors was just a passive role, and only 1% of those investors (who came to visit and asked for information at the CDC) were interested and further proceeded with the CDC.

Therefore, the investment promotion activities made by the CDC so far almost no or less affect investors' decisions.

(iii) Cross-Participant Analysis: based on data from focus group discussion

In addition to the in-depth interview with the FDI firm and the CDC's officials, the focus group was conducted and deliberated in a good manner and free way of discussion among the participants from both sides (CDC's strategy department and academicians). Regarding hypothesis III.1, the group discussion parallelly explained that investment promotion or marketing activities had been conducted through a very general/broad approach. The current budget is just for operation, not for improving performance/promotion efforts, producing promotional materials, or strengthening institutional arrangement/quality. This may not be an efficient way to promote and attract FDIs into the country. Cambodia should identify specific priority sectors to implement targeted promotion/door-to-door strategy and focus on vertical FDI rather than horizontal ones, as the latter is primarily total capacity. Customer relationship management should be taken into account for the new promotion strategy. To assist in this challenging post-approval period, some investment promotion agencies adopt a 'Customer Relationship Management' approach – with a dedicated agency officer regularly speaking with investors and providing connections, guidance, and assistance with other Government agencies. Many agencies also 'map' the post-approval processes, which provides more certainty on timeframes and requirements. These process maps are most helpful when specific to sectors such as Agrifood (CAVAC,2021).

The findings suggest improving investment promotion performance by applying a practical cross-governmental institution approach and focusing more on targeted strategy. The results are totally consistent with the information obtained from FDI companies, the CDC's officials, and the group focus group with the CDC's strategists and academicians. Compared to previous studies, the result seems to be in accordance with Ni et al. (2017) but also refutes Nachum (2000). This would conclude that the efficiency level (less or high effect) of promotion activities may also be related to the Cambodian investment environment. It is not solely depending on the CDC or its promotion activities or the number of budget expenditures, which likely confirms the previous research conducted by Morisset (2003).

Table 5.9. Summary of analysis results for Hypothesis III.1

Hypothesis	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis III.1. CDC, through its marketing activities such as workshops, seminars, meetings, websites, social media, and other public relations concerning information dissemination and promotion of investment in Cambodia, is a source of information for foreign investors' decisions.		2 cases (Case 1 and 10)	12 cases (Case 2-9 and Case 11-14)	
Foreign firms	Two cases (Case 1 and 10) have partly received information about investment opportunities in Cambodia through the CDC and its marketing activities, while the rest (12 cases) have obtained from other sources: their own research (Cases 1-4, 8, 10), their friends/partners (Cases 6, 7, 10, 13, 14), business associations (such as JBAC, GMAC), research institutions (e.g., JETRO) and law firm (Cases 5, 9, 11), and other relevant institutions (Case 12). It is explainable that the CDC's marketing activities are still limited in providing information for foreign investors, meaning that this promotion agency has to make more effort with an efficient way to target and comprehensively promote investment in the country and build the national image even better.			
CDC Officers	There are not many promotional activities made by the CDC. ▪ Before Covid, the seminar on investment opportunities was conducted regularly once a year in Japan organized and supported by ASEAN-Japan Center (AJC). It rarely happened with ASEAN Korean Center (AKC), and only trade exhibitions have been organized with China. Investment promotion events have also been made in Thailand. ▪ Investment workshops were only arranged domestically. ▪ Promoting through public media (guidebook, website…) was not very active. Therefore, the investment promotion activities made by the CDC so far almost no, or less affect investors' decisions.			
Focus Group	▪ The CDC has so far conducted investment promotion or marketing activities through a very general/broad approach. ▪ The current budget is just for operation, not for improving performance/promotion efforts. ▪ Cambodia should identify specific priority sectors to implement targeted promotion/door-to-door strategy. ▪ Customer relationship management should be taken into account for the new promotion strategy.			

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. Source: Author.

5.4.2. The results for hypothesis III.2

This hypothesis is expected that economic determinants, in particular the abundance of unskilled labor and lower labor cost, are the leading significant factors in attracting FDI into Cambodia.

(i) Cross-Case Analysis: based on data from the in-depth interview with FDI firms

All the surveyed firms decided to invest in Cambodia by mainly considering the availability of unskilled and semi-skilled labor and low wages, which is a resource-seeking factor. Twelve cases (Cases 1-4, 6-12, 14) fully agreed the hypothesis, and two cases (Cases 5 and 13) partly agreed with the above assumption. The second main motivation is market access (Cases 1, 3-5, 6-8, 11-13). For instance, **Case 1** explained that Cambodia has an abundance of low-cost laborers while increasing labor costs in Thailand. Cambodia is situated between Bangkok (Thailand) and Ho Chi Minh (Vietnam), which is easy to import materials from and export parts to those countries, especially the base factory in Thailand. **Case 2** reported the main reason for choosing Cambodia. It is because the country has a cheaper and more competitive labor cost. At the same time, the company is a labor-intensive industry employing many workforces, starting from 1,544 persons in 2011 to 4,500 persons in 2022 (a triple increase). **Case 3:** The young workforce is an important rationale for this labor-intensive firm as it operates in diamond manufacturing. Cambodia is a good location proxy for Vietnam. For **Case 5,** the firm wanted to be somewhere with an economy rapidly growing, where the people seem open to learning and growing. Looking at **Case 13**, the principal motivation to invest in Cambodia is that this country received the generalized system of preferences (GSP). She said that "their customers can have GSP preferential tariff duties if they import their product from Cambodia". This does not explicitly focus on labor factors, but it refers to economic determinants.

Likewise, the nine other cases have agreed with hypothesis III.2. **Case 4** expressed that Cambodia has a shared border with Thailand, where the main company is. Myanmar has no friendly laws and regulations, and Laos has no seaport, which is difficult to export. Therefore, the company did not choose, even though the two countries also share a border with Thailand. Vietnam, the company found it hard to compete with similar companies in Vietnam, and it seems to be a currency risk as this country requires investors to exchange currency for Vietnamese dong. At the same time, Cambodia is a dollarization country using and accepting investment capital in the US dollar. The availability of a workforce with low labor costs, wages in Laos and Myanmar are relatively lower than in Cambodia. However, they are not a preferred destination given the reasons provided above. **Case 6** viewed that the low labor cost in Cambodia is most suitable for this garment-industry FDI, which needs many labor forces. Another advantage is the global market and duty-free for exporting products from Cambodia to Canada, the EU, and other ASEAN countries.

Regarding **Case 7,** there are two principal reasons this investor decided to invest in Cambodia: the richness of unskilled laborers with low cost and the location on the Cambodia-Thailand border, which is easy to transport to the base factory in Thailand. **Case 8:** Cambodia was selected upon discussion and agreement with their

primary customer based on specific criteria, including large labor force and low wages, ease of importing production inputs, and exporting products to market with preferential tariffs. Looking at **Case 9**, this enterprise was operated in China, but due to the price increase (wage, food, house, and other services), the FDI-9 decided to move out, and Cambodia was chosen as it has a young labor supply with lower cost. Next, **Case 10** found that Cambodia is a low-labor-cost country compared to Indonesia and neighboring countries. **Case 11** shows two main reasons for entering Cambodia: (1) an abundant young labor force and low wages and (2) transportation to neighboring countries. **Case 12** decided to expand to Cambodia because this country has a shared border with Vietnam, low labor wage, and preferential treatment from the EU through everything but the arm (EBA) scheme as its main exporting destination is the EU. Lastly, **Case 14**: Low labor cost is a vital motive of this FDI.

According to the information from each case, cheap and well-motivated unskilled labor is the most attractive factor confirmed by all cases (twelve obvious cases and two inferred cases), followed by market access motivation explicitly and implicitly informed by 10 cases. Cases 6, 8, 12, and 13 clearly explained that they are market-accessing FDIs who are intensely interested in regional and global markets through Cambodia as a potential exporting platform because this country received preferential treatment, namely GSP and EBA schemes. The six other cases (Cases 1, 3, 4, 5, 7, and 11) found the location advantage of Cambodia and could export their products to the adjacent markets. Based on Dunning (1998), and Wadhwa & Reddy (2011), the strategic location and adjacent markets (base factories in neighboring countries: Thailand and Vietnam) should be classified as market-seeking factors as it is relevant to both adjacent regional markets and transport cost. Moreover, FDIs in Cambodian SEZs are generally export-oriented FDIs. In doing so, market-access is the second main motive of FDI in Cambodia (10 cases total).

In summary, the results based on the in-depth interview with foreign investment projects implies that Cambodia effectively attracted labor-intensive industries, which need many workforces with low labor cost and an exporting platform to the regional and global market. Thus, the economic determinants, particularly the labor factor, are the main reasons for all studied FDIs entering Cambodia. The key motives are (labor) resource-seeking and marketing access, as per the rank order.

(ii) Cross-Respondent Analysis: based on data from the in-depth interview with the CDC's officials

It is consistently evidenced, between foreign firms and CDC officials' responses, that resource-seeking is the main leading factor, followed by market access and efficiency-seeking features. The resource-seeking focuses on the labor supply and low cost rather than physical and natural resources since those FDIs are labor-intensive industries. The demographic change (decrease in young labor force and increase in older people) and rising wages in home countries or central factory-based countries lead to relocation and expansion of FDIs to the low labor cost countries in the region or adjacent destination. Market access is the second leading factor, largely concentrating on international and global markets where Cambodia has benefited

through GSP, MFN, and EBA schemes. The remaining factors are political stability since late 1998, no risk of currency exchange due to dollarization, SEZ providing seamless route and better infrastructure, and good relationship between home and host countries (e.g., Cambodia-China). Apart from these factors, other external influencers have also pushed FDI outflow to other FDI recipient countries, including Cambodia, e.g., wage increases in Thailand and China, flood/disaster in Thailand, USA-China trade tension, Etc. However, the top leaders at the political level put significant weight on political and macroeconomic stability and orderly prioritized as follows: political and macroeconomic stability, strategic location, market access, and labor cost, but it would be no longer attractive.

At the same time, the respondents recognized the weak points, including electricity cost, lack of skilled labor, and trade/investment facilitation, that Cambodia has to tackle and improve. They also shared their views on the unfavorable condition for investment in Cambodia. West and Japanese investors are mostly concerned about regulation, governance, and transparency, while some investors from east Asia (e.g., Chinese investors) do not consider this so much about this matter. Another essential factor keeping away foreign investors from investing in Cambodia is that it is not a competitive destination.

(iii) Cross-Participant Analysis: based on data from focus group discussion

The discussion provided various views on the influential factors on FDI inflow into Cambodia. They have various ideas, less contrasted but very complimentary. The results are listed in descending order from the most common view/importance as follows: labor factors, benefits of preferential markets, political stability, macroeconomic stability, geographical determinants/strategic location, some external factors (e.g., natural disaster), Government-Private Sector Forum (G-PSF), and international relation.

The labor factor in both aspects of quantity and low cost is the most extensive view from the focus group. They believed that the labor cost growth in China and Thailand is the primary reason for FDI outflow from those countries to other low-wage countries, like Cambodia. It is crucial to push FDI outflow from a country lacking and rising labor costs. At the same time, labor is also a pull factor to attract FDI inflow into a host country with abundant labor supply with low wages. It is a potential source of FDI motive to move from a home country to a host destination. The participants further explained that Cambodian labor productivity is increasable. The people are willing to learn and are more adaptable. Comparably, the market benefits through unilateral preferential treatment, such as GSP, MFN, and other trade negotiations (FTAs), is another focal factor. It is considered the second important reason that Cambodia can attract FDIs.

Further, political stability is viewed as the prerequisite and inevitable condition. Few participants think it is the most significant factor and should be placed on the top. Also, the group discussion recognized the importance of macroeconomic stability to stimulate FDI inflow. One in the group has considered macroeconomic stability as the preeminent determinant. They fully agreed with a low and manageable inflation

rate stable and low risk of currency exchange/dollarization economy as positive influencing elements on inward FDI. However, there is a divergent view on economic growth (GDP per capita) as it may have a different effect depending on context by illustrating that this variable is not vital for FDIs who are not serving the host country market. The focus group has discussed geographic determinants and strategic locations, including Thailand plus one and Vietnam plus one. The discussion explained that investors could receive more benefits by expanding their investment or moving some parts of production lines using a lot of labor forces or semi-automated lines to neighboring countries with abundant labor and low wages. This could be considered as a part of regional and global market advantages. Besides, the participants have also deliberated on some external and push factors, e.g., trade tension and natural disaster, the advantage of Cambodia's open regime as this country is most liberal, allowing 100% foreign ownership for all sectors, except for land, an effective policy advocacy mechanism through the government-private sector forum (GPSF) which is an after-care service at a strategic level allowing private sector and investors to raise their concerns to the government, and lastly, they drew attention about international relation which should not be an underestimated factor, while friend-shoring investment strategy is initiated in a new global trend.

Simultaneously, there are some grounds that Cambodia was not considered and chosen as an investment destination for foreign investors. For example, the history of civil war, internal conflict and unstable country, inefficient trade facilitation, corruption, low productivity, and so on may create a bad perception of FDI in Cambodia until today. This may cause Cambodia to fall from the investors' shortlist to visit/study investment opportunities in this country. In fact, 100% changed from conflict and unstable to a complete peace and stable country. Some conditions have been reformed and much improved, including the business/investment environment. Still, some countries' negative images of Cambodia and their investors' perceptions remain. This is due to the need for more dissemination of factual information about Cambodia. Therefore, it is necessary to build a national image, promote Cambodia's branding, and focus on a targeted investment promotion strategy, including door-to-door promotion, providing special treatment or brilliant conditions for some specific priority sectors. For example, the successful case of Minebea in Cambodia, Samsung in Vietnam, and other similar international best practices like Singapore and Australia have been doing. Moreover, sharpened and practical measures should be taken to promote fast-track investment applications and actual one-stop mechanisms. The coordination failure among government agencies is a crucial challenge for retaining the existing FDIs, encouraging expansion, and attracting new FDIs as well.

In conclusion, hypothesis III.2 is agreed by all 14 cases. The surveyed firms decided to invest in Cambodia by considering the availability of labor supply with low wages, followed by market access reasons. It is consistently evidenced among the three sources of qualitative method (firms' and CDC officers' responses through in-depth interviews and discussion with the CDC's strategists and academicians). Resource-seeking is the primary influence, particularly unskilled- and low-skilled labor supply with a cheaper cost than physical and natural resources. The focus group provided

various views on the factors influencing FDI inflow into Cambodia. The labor factor was commonly found in the top order, followed by many other reasons. The findings are consistent with the existing works (Warr & Menon, 2016; Wang et al., 2021) and in conformity with the investment development path (IDP) observed by Dunning (1993) starting from initial FDIs (resource-seeking) and will gradually move to efficiency- and strategy-seeking ones. The summary of analysis results for Hypothesis III.2 is shown in Table 5.10.

5.4.3. The results for hypothesis III.3

It is hypothesized that investment facilitation, including government support, has played an important supporting role in encouraging or discouraging FDI expansion and indirectly influencing new inward FDI as well.

(i) Cross-Case Analysis: based on data from the in-depth interview with FDI firms

Eleven cases have agreed with hypothesis III. 3 that "investment facilitation including government's supports has played an important supporting role in encouraging or discouraging FDI expansion and indirectly influencing new inward FDI as well". Among these 11 cases, they have various experiences:

First, Cases 1, 4, and 10 showed a positively significant relationship, e.g., in Case 1, this firm has received good facilitation and has already expanded its business three times. Case 4 expressed that we have satisfied and appreciated the government's facilitation during the pre-and post-establishment by providing exceptional treatment and allowing the company to establish its own electricity substation in complement power supplied by the PPSEZ because this project uses much electricity. The government provides excellent cooperation and special treatment for the company with the privilege to operate a monopoly business in our investment activities within a specific period by setting a sunset clause and the right to transport across Cambodia-Thailand without changing trucks which enables us to save time around 3 to 4 hours. This clearly explains that good facilitation encourages investment expansion.

Second, most investors from Japan and the two FDIs from the USA care much about investment facilitation and are concerned about governance/transparency matters. For instance, Cases **3 and 9** could be more satisfying. This discourages the expansion of existing FDI. **Case 3** feels inconvenient with the application processes of some government agencies in providing services to investors, and their current facilitation still needs further improvement. For instance, the process still consumes much time without a proper tracking system. It requires dealing with many connections and has much backwardness during the process of an application. Sometimes even a tiny thing, but it takes much time. The above inactivity may refer to some relevant government agencies rather than the CDC. The interviewee was impressed that the overall process under the CDC's responsibilities is smooth and acceptable. However, it is sometimes challenging to approach the right person. Positively remark, the project has been growing and expanding, an almost three-time increase compared to the beginning.

Table 5.10. Summary of analysis results for Hypothesis III.2

Hypothesis	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis III.2. Economic determinants, in particular the abundance of unskilled labor and lower labor cost, are the leading significant factors in attracting FDI into Cambodia.	12 cases (Case 1-4, 6-12 & 14)	2 cases (Case 5 and 13)		

Foreign firms	All the surveyed firms decided to invest in Cambodia by mainly considering the availability of unskilled and semi-skilled labor and low wages which is a sort of resource-seeking factors (Case 1-4, 5, 6-12, 13, 14) followed by market access reason (Case 1, 3-5, 6-8, 11-13). This implies that Cambodia effectively attracted labor-intensive industries which need a lot of workforces with low labor cost and an exporting platform to the regional and global market. Thus, the economic determinants are, in particular the labor factor, the main reasons for all studied FDIs to enter Cambodia. The key motives are (labor) resource-seeking and market access as per the rank order.
CDC Officers	It is consistently evidenced, between foreign firms' and CDC officials' responses, that resource-seeking is the main leading factor followed by market access factors. The resource-seeking focuses on the labor supply and low cost rather than physical and natural resources since those FDIs are labor-intensive industries. The demographic change (decrease in young labor force and increase in old people) and rising wages in home countries or main factory-based countries lead to relocation and expansion of FDIs to the low labor cost countries in the region or adjacent destination. Market access is the second leading factor largely concentrating on international and global markets where Cambodia has benefited through GSP, MFN, and EBA schemes.
Focus Group	The discussion provided various views on the influential factors on FDIs inflow into Cambodia. They have various ideas, less contrasted but very complimentary. The results are listed in descending order from the most common view/importance as follows: labor factors, benefits of preferential markets, political stability, macroeconomic stability, geographical determinants/strategic location, some external factors (e.g., natural disaster), Government-Private Sector Forum (G-PSF), and international relation.

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. Source: Author.

Third, Cases 2, 5, 6, and 8 showed positive experiences to some extent of investment application process and facilitation (one-stop service) and also impressed inconvenient with some services/matters, viz. coordination with relevant government agencies, governance issues, which need more improvement. For instance, Case 5 found that the investment application and process are uncomplicated and desirable, while some challenges concerning transparency should be addressed. They said: "The application process is easy, but it was very concerned about the corruption and bribery. Therefore, the company did the extra homework to ensure it does not affect them". Another company statement: "Generally, it is good and acceptable. However, if the process and duration are faster and shorter, that would be an excellence". It is expected to receive the benefits of implementing the new Law on Investment effectively.

Forth, Cases 11 and 12 were likely uncared of investment application and facilitation, but they were satisfied to use services provided by SEZ administration/one-stop services. For example, Case 12 did not care much about the investment application process; they just left it to the CDC official to prepare and process its application for investment registration. Later, for any application related to their business operation, they use the SEZ Administration, an excellent one-stop service and an effective facilitation mechanism consisting of representatives from almost all government agencies.

The two other cases (Cases 13 and 14) disagreed with Hypothesis III. 3, meaning that investment facilitation does not significantly influence FDI inflow or expansion. Chinese firms likely do not consider governance or institutional quality issues. For instance, in Case 13, she explained that her company needs to understand and care about the process of investment application and investment facilitation. They do not even know the CDC. Filing and processing applications have been made through GIGA SEZ.

Lastly, an FDI was not indicative of hypothesis III.3, Case 7: "I was not the local manager at that time, so I am not sure about the process of investment application, and I do not know much about the current activities connecting to investment facilitation".

In short, most cases are explainable that investment application process and facilitation may encourage or discourage investors in continuing or expanding their investments based on past experiences from their business operation in the host country. The experiences of the existing FDI would also indirectly influence new FDI, as evident in Cases 7, 10, 13, and 14. They have heard information about investment opportunities in Cambodia and followed advice from their friends who have been operating in Cambodia to come and invest in this country. This means that the existing FDIs have experiences with good facilitation and operation in Cambodia, then they can suggest to their friends to choose Cambodia. Therefore, if a country can provide effective investment facilitation to investors, it would encourage both FDI expansion and new inward FDI and reversely.

(ii) Cross-Respondent Analysis: based on data from the in-depth interview with the CDC's officials

It took quite a long talking with the CDC's officials about investment application and facilitation, but the substantial content in this area is concretely summarized as follows. The time for processing an application is spent with the respective Ministries and government agencies based on investment sectors. Compared to the time stipulated in the law and relevant regulations, the number of projects which have proceeded on time is from 60% to 70% on average, and the rest of around 30% were delayed. However, the process is shorter and always on time for the routine project or project invested in the garment sector. For the required documents, the feasibility study is a struggle for the investor as there needs to be a format or template. A business plan should replace it by including some elements needed from investors. Nevertheless, it is expectedly to be even better because the online application is available, and the new Law on Investment is recently entered into force.

(iii) Cross-Participant Analysis: based on data from focus group discussion

Similarly, the focus group has discussed a relatively long matter. However, the relevant primary content is relatively short. Business/investment facilitation is an essential and foremost task to retain and attract more FDIs, especially the qualified/diversified investments with more value-added from other countries, e.g., Japan, EU, USA, and Australia. They consider efficiency, rule consistency, governance, and transparency a lot. Cambodia needs to make more efforts to improve business facilitation. It is not only CDC's responsibility but a whole government approach as it is cross-cutting issues among the respective government agencies.

In summary, hypothesis III.3 is accepted in most cases. Only 2 cases were disagreed. This implies that investment facilitation is essential to encourage or discourage FDI. The firms in Cambodia have various experiences with positive, negative, and mixed. Some of them impressed inconvenient with some matters concerning coordination, governance, and transparency that need more improvement. At the same time, the CDC officers explained that processing an application takes much time with some government agencies. Except for the routine project, the number of projects that proceeded on time is around 60%-70%, and the rest were delayed. Further, the feasibility study is a struggle for investors. Similarly, the focus group is of the view that the qualified and diversified investments from Japan, the EU, and the USA mainly consider governance and rule consistency. The findings confirmed the earlier works (UNCTAD, 1998; Saini & Singhania, 2018; Wells & Wint, 1990; Harding & Javorcik, 2011; Erliza et al., 2014) that facilitation is an important task of investment servicing during and post-establishment. It positively or negatively affects the investment expansion and/or inflow according to the level of performance. Foreign investors are satisfied with the facilitation under the one-stop-service mechanism (in SEZ) as it has representatives from almost all relevant ministries. This result is in accordance with a recent study (Wang et al., 2021). The brevity results for Hypothesis III.3 is depicted in Table 5.11.

Table 5.11. Summary of analysis results for Hypothesis III.3

Hypothesis	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis III. 3. Investment facilitation including government support has played an important supporting role in encouraging or discouraging FDI expansion and indirectly influencing new inward FDI as well.	5 cases (Case 1, 3, 4, 9 & 10)	6 cases (Case 2, 5, 6, 8, 11 & 12)	2 cases (Case 13 and 14)	1 case (Case 7)

Foreign firms	Only two cases disagreed with the Hypothesis III. 3 meaning that investment facilitation is not significant influent on FDI inflow or expansion, while 11 cases has agreed with the Hypothesis III. 3 that "investment facilitation including government's supports has played an important supporting role in encouraging or discouraging FDI expansion and indirectly influencing new inward FDI as well". Among the 11 cases proving this Hypothesis III., they have various experiences. For instance, Case 1, 4 and 10 showed positively significant relationship, Case 3 and 9 have substitute sign effect, and Case 2, 5, 6, 8 showed positive experiences to some extent of investment application process and facilitation (one-stop service) and also impressed inconvenient with some services/matters viz. coordination with relevant government agencies, governance issue, which need more improvement.
CDC Officers	With regard to investment application, the time for processing an application spend much time with Ministry of Commerce, General Department of Taxation and respective governmental ministries based on investment sectors. Compared to the time stipulated in the law and relevant regulations, the number of projects which have been proceeded on-time is from 60% to 70% in average, the rest of around 30% were delayed. However, the process is shorter and always on-time for the routine project or project invested in garment sector. For the required documents, the feasibility study is struggle for investor as there is no format or template. It should be replaced by business plan by including some elements needed from investors. Nevertheless, it is expectedly even better due to online application is available and new Law on Investment is recently entered into force.
Focus Group	Business/investment facilitation is an important and a main task to retain and attract more FDIs, especially the qualified/diversified investments with more value added from other various countries, e.g., Japan, EU, USA, Australia, as they consider a lot about the efficiency, rule consistency, governance, and transparency. Cambodia needs to make more efforts to improve business facilitation and it is not only for CDC's responsibility, but a whole government approach as it is cross-cutting issues among the respective government agencies.

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. Source: Author.

5.4.4. The results for hypothesis III.4

Hypothesis III.4 is formulated as "SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia due to the provision of supporting infrastructure and special procedures".

(i) Cross-Case Analysis: based on data from the in-depth interview with FDI firms

Twelve cases out of fourteen (Cases 1-6 and 9-14) agreed that the development of infrastructures to support business operations in the SEZ and the presence of one-stop service/special custom procedure in the zone are the most influential factors for attracting FDI to locate in the SEZ. For example, Case 1 found that SEZ is a good location for their investment since SEZ provides necessary infrastructures and one-window services consisting of representatives of government agencies (e.g., customs officers stand by in SEZ and work on-site). Directly reported from Case 2: "SEZ has a one-stop office service where we can request various applications with a fast process". For Case 3, the SEZ is attractive for this FDI since the infrastructure needed for investment has been developed and provided in SEZ. It is a safe location as the security system and guard are fully guaranteed in the zone; while the company is dealing with a high-value product (diamond), the company can get all support from the zone administration (one-stop service). From Case 4, this FDI-4 located inside SEZ dues to the provision of supporting infrastructures in the zone, e.g., the electricity supply is better, the power outage is lower than outside SEZ, and the existence of one-stop-services implemented and coordinated by the zone administration (SEZA). SEZA plays an efficient role in tackling some matters of investors in the zone (such as when an application was delayed) because some government agencies seem not to be carrying and listening to the private sector. Likewise, the explanation and evidence from Cases 5 and 9-14 can be seen in the appendix "Within-Case Analysis".

The two other cases (Case 7 and 8) were also interested in SEZ even though those SEZs (Sanco Poi Pet and O' Neang Poi Pet SEZs) have not provided some infrastructures (e.g., water treatment plant) as well as on-site one-stop service yet. For illustration, Case 7 decided to enter SEZ as the zone developer helps facilitate connecting the electricity and prepare documents for export which would be less complicated than investing outside the zone. However, the water treatment plant was built by the company itself. For Case 8, locating in SEZ is to stay in a group, share information among the FDIs in the zone, and process for export and transport the products in a package together with others to reduce the cost of transportation and logistics. The SEZ, where the firm is located, is easy to recruit workers and export the products.

Many other reasons for SEZ's attractiveness are orderly described as follows:

- More safety and security (Cases 3, 5, 6, 10, and 13).
- Reducing the firm's exposure to corruption and having a collective voice (Cases 4, 5, and 8).
- Business in SEZ is much more stable than outside SEZ (Cases 5, 6, and 7).
- A better place to their respective destination markets, e.g., for those who have export markets to Vietnam, China, Japan, or the USA, they would prefer locating in Bavet, Svay Rieng province (shared border with Vietnam) like Cases 9, 10, 11. For the destination markets to the EU, the better place would be in Phnom Penh capital and Preah Sihanouk provinces (e.g., Case 1, 2, 14). If the market is the base factory in Thailand, then Phnom Penh capital and Poi Pet, Banteay Meanchey province, are the most suitable location (e.g., Case 4, 7, 8).
- Better to locate in a group with other FDI rather than staying alone, such as to reduce logistic costs by using a package service (Case 8).
- Near the labor resources (Case 13) (for physical and natural resource-seeking FDIs generally prefer locating near those resources (raw material, agricultural products, land, mining rather than SEZ).
- Foreign investors have the same nationality as the zone developer (Case 14).

Therefore, hypothesis 4 is agreed, implying that the SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia.

(ii) Cross-Respondent Analysis: based on data from the in-depth interview with the CDC's officials

With respect to SEZ mechanism, the CDC's officials consistently proved that infrastructure development and provision (e.g., electricity, water treatment, road, warehouse, factory) and the existence of one-stop service through Zone Administration (seamless procedure, special custom procedure, facilitator…) as well as zone developer are the key attractive factors of SEZ. The size of SEZ is irrelevant, while the capital invested for developing SEZ is viewed as affecting the FDI inflow in that particular SEZ. Despite that, some FDIs were more interested in outside SEZ since land outside the zone is cheaper, and they can buy land (up to 49%) for foreign owned. Unlike in SEZ, only leasing is allowed because the land inside the zone is owned by the zone developer based on the sub-decree establishing each SEZ. Furthermore, outside the zone is more unrestricted (not under profound control), and there is no need to pay for some administrative (including security), infrastructure, or rental services. Some FDIs are natural resource-seekers, so they need to invest in or near their required resources (e.g., mining, agriculture product, land concession, hydropower, and other infrastructure projects).

(iii) Cross-Participant Analysis: based on data from the focus group

The focus group provided almost the same views as the in-depth interview with the CDC officials (top management, middle management, operational officers) on the characteristics and attractiveness of SEZ mechanism. Besides recognizing the advantages of infrastructure development and on-site one-stop service provision in the SEZs, some participants also found that the current Cambodian SEZs are just simple agglomeration and varied industries collection. It is yet to be real industrial clusters and sophisticated locations for specific sectors, vertical, and complex activities, including supporting services for specific industries. The backward or forward linkage is almost absent.

As expected, for hypothesis III.4, the SEZ mechanism is effective and influences FDI. The development of infrastructures to support business operations in the SEZ and the presence of one-stop service in the zone are the most influential factors [for attracting FDI to locate in the SEZ]. Twelve cases have fully agreed with this evidence, and the two other cases partly agreed as other beneficial reasons exist to operate in SEZ. The views are consistent among FDI firms, CDC officers, and focus groups. The positively significant of SEZ on the location decision of FDI in Cambodia evident in this chapter is entirely consistent with past studies, including Chakraborty et al. (2017) in India, Song et al. (2020) in China, Wakasugi (2005) in China, Wang (2013) in China, Wang et al. (2021) in Cambodia, and this study itself in empirical part. Nonetheless, it is constated with Cieślik & Ryan (2005). The summary results for Hypothesis III.4 are described in Table 5.12.

Table 5.12. Summary of analysis results for Hypothesis III.4

Hypothesis		Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis III. 4. SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia due to the provision of supporting infrastructure and special procedures.		12 cases (Case 1-6, & 9-14)	2 cases (Case 7 and 8)		
Foreign firms	The development of infrastructures to support business operation in the SEZ and the presence of one-stop service/special custom procedure in the zone are the most influential factors for attracting FDI to locate in the SEZ. Twelve cases have agreed with this evidence, meanwhile, the two other cases (Case 7 and 8) were also interested in SEZ even though those SEZs (Sanco Poi Pet and O' Neang Poi Pet SEZs) have not provided some infrastructures (e.g., water treatment plant) as well as on site one-stop service yet. Therefore, the Hypothesis III. 4 is accepted implying that the SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia.				
CDC Officers	It is concordant agreed that infrastructure development and provision (e.g., electricity, water treatment, road, warehouse, factory), and existence of one-stop service through Zone Administration (seamless procedure, special custom procedure, facilitator…) as well as zone developer are the key attractive factors of SEZ.				
Focus Group	The focus group provided almost the same views as the CDC officials on the characteristics and attractiveness of SEZ mechanism. Beside recognizing the advantages of infrastructure development and on site one-stop service provision in the SEZs, some participants also found that the current Cambodian SEZs are just simple agglomeration and mix industries collection, not yet real industrial clusters and sophisticated locations for specific sectors, vertical, and complex activities including supporting services for specific industries. The backward or forward linkage is almost absence.				

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. Source: Author.

5.4.5. The results for hypothesis III.5

Hypothesis III.5 predicts that treaties with investment provisions are associated with FDI inflow in Cambodia.

(i) Cross-Case Analysis: based on data from the in-depth interview with FDI firms

Two FDIs (Cases 6 and 13) affirmed that treaties with investment provisions (TIP) are essential, while six cases (Cases 4, 5, 8, 11, 12, and 14) distinctly failure to prove the hypothesis. In contrast, the six other cases (Cases 1, 2, 3, 7, 9, and 10) did not provide sufficient data on this matter. The possible justifications would be as follows: i) most FDIs focus more on resource-seeking. Even if they are the market-seekers, they look at the regional and international markets through the GSP and EBA scheme, not the TIP entirely. Furthermore, ii) promotion materials made by the CDC and Ministry of Commerce (MoC) were just recently updated to include Cambodia's attractiveness and benefits of having TIP. That is why only the two recently established cases (Case 6 in 2019 and Case 13 in 2018) were aware of and found the significance of TIP Cambodia. For the FDI firms that confirmed the above assumption: Case 6 indicated that the treaties with investment provisions would provide more benefits for them in addition to the existing preferential markets that Cambodia has received (GSP, EBA), and Case 13, she just simply viewed that the international investment agreements (IIA) can provide benefits for investors by saying that "IIA can reduce production cost due to no or lower import/export tariff duties". This refers to FTA and PTA rather than IIA in general since the statement focused on tariff duties. Regarding the FDI companies rejecting the hypothesis, e.g., Case 5: "we did not get any advantage from investment agreements", Case 8 expressed that the existence of TIP or IIAs is advantageous. However, it would not affect this firm without these agreements. Similarly, Case 11 said, "we have not yet benefited from the investment agreements", and Case 14 explicitly explained that the firm did not know or strongly care about any international agreements of which Cambodia is a part. At the same time, some surveyed FDIs have not provided sufficient data for analyzing and evaluating the hypothesis. For example, Case 1: "we do not have a comment on this area", and Case 9 informed that their firm has no significant views on the existence of treaties with investment provisions. The main reason for insufficient data is that six firms were not able to provide sufficient data with respect to this matter due to the respondents' background is not much relevant/familiar, while there was little time left for an in-depth discussion on this topic

(ii) Cross-Respondent Analysis: based on data from the in-depth interview with the CDC's officials

From the top-level perspective, it is believed that international investment agreements (IIAs), especially FTA, are vital and beneficial for Cambodia in expanding and diversifying markets for FDI investing in Cambodia to export their products to those partners' markets. Having more agreements, Cambodia can enjoy new and more varied markets in addition to the current ones, rather than concentratedly

depending on the existing few markets and unilaterally preferential schemes. At the same time, the technical views from the middle-management level understand that IIAs are probably crucial for Western and Japanese investors because there is nothing more in those agreements except for protection. So, it can be seen if it is important or not depending on the nationality of investors. Some agreements are just for the political image. Some BITs/FTAs have been prepared and signed after many of their investors already existed.

(iii) Cross-Participant Analysis: based on data from the focus group

Some participants have no background and no comment with respect to international investment agreements. Some view that it is vital in promoting and attracting FDI since it provides confidence for investors and protects intellectual property right, which is an important element of ownership advantages (O) of the OLI paradigm. FTAs create more open trade and significant markets, promoting FDIs from member and non-member countries. However, suppose a BIT or bilateral FTA partner is a poor country or has no economic growth. In that case, that partner definitely has no investors seeking to invest abroad, including in its partner country.

In conclusion, it is not harmonious among the FDIs under the scope of this study because two cases partly confirm that international investment agreements are significant, and six cases were clearly disagreed. The rest could not furnish enough information regarding this hypothesis III.5. From the IPA perspective, IIA is generally viewed as important. Notably, there is a slight discrepancy between the top-level and technical views. From the focus group, even though some of them had no comments, others explained a mixed view of IIA by saying that the international agreement is essential. However, if the partner country is poor, it has no investors seeking to invest abroad (no FDI outflow from that partner).

In comparison with previous studies, the positive association of TIP confirmed by Cases 6 and 13 is presumably consistent with Thangavelu & Narjoko (2014) and Duong et al. (2021). The six cases that disagreed the significance of TIP are agreeable with Awad & Yussof (2018) and Cuyvers et al. (2011). TIP is less significant and not much cared about by the surveyed FDI firms compared to unilateral/one-side preferential trade treatment (PTA). Therefore, through this qualitative examination, it is challenging to judge whether TIP's presence positively affects FDI inflow. Like FTA or RTA, such ambiguous results in previous studies (Blomstrom & Kokko, 1997; Kreinin & Plummer, 2008; Balasubramanyam et al., 2002) are likely evident in this study. The brevity results for hypothesis III.5 are indicated in Table 5.13.

Table 5.13. Summary of analysis results for Hypothesis III.5

Hypothesis		Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis III. 5. Treaties with investment provisions have an association with FDI inflow in Cambodia.			2 cases (Case 6 and 13)	6 cases (Case 4, 5, 8, 11, 12 & 14)	6 cases (Case 1, 2, 3, 7, 9, and 10)
Foreign firms	Two cases partly confirmed that international investment agreements are significant, while six cases clearly disagreed, and the six other cases did not provide sufficient data on this matter. The possible justifications would be as follows: i) most FDIs more focus on resource-seeking. Even the market-seekers, they look at the regional and international markets through the GSP and EBA scheme, not via the IIAs entirely, and ii) promotion materials made by CDC and Ministry of Commerce (MoC) were just recently updated in including the Cambodia's attractiveness and benefits of having IIAs, that is why only the two recent established cases (Case 6 in 2019 and Case 13 in 2018) were aware of and found the significance of IIAs that Cambodia has.				
CDC Officers	From the top-level perspective, it is believed that international investment agreements (IIAs), especially FTA, are vital and beneficial for Cambodia in expanding and diversifying markets for FDI investing in Cambodia to export their products to those partners' markets. Having more agreements, Cambodia can enjoy new and more various markets in addition to the current ones, rather than concentratedly depending on the existing few markets and unilaterally preferential schemes. At the same time, the technical views from the middle-management level understand that IIAs is probably important for Western and Japanese investors because there is nothing more in those agreements except for protection. So, it can be seen if it is important or not depending on the nationality of investors. Some agreements are just for political image. Some BITs/FTAs have been prepared and signed after many of their investors already existed.				
Focus Group	Some participants have no background and no comment in respect to international investment agreements, some viewed that it is important in promoting and attracting FDI since it provides confident for investors and protects intellectual property right, which is an important element of ownership advantages (O) of OLI paradigm. FTAs create more open trade and bigger markets, then this would promote FDIs from both members and non-member countries. However, if a BIT or bilateral FTA partner is a poor country or no economic growth, that partner definitely has no investors seeking to invest abroad including in its partner country.				

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. Source: Author.

Beside the results of the hypotheses above, this study also provides additional information of foreign investors' views and CDC officials' perspective on the Cambodian investment policy, receiving from the in-depth interview and the focus group as follows.

(i) Cross-Case Analysis: based on data from the in-depth interview with FDI firms

Most FDIs (9 cases) viewed and confirmed that the Cambodian investment policy is good enough for them. Five out of nine (Cases 2, 3, 4, 6, and 13) obviously agreed. For instance, Case 2 showed that the country has a sound investment policy, especially the tax incentives (tax holiday and import exemption). However, the incentive for investment expansion is complex for them to apply and distinguish between plans 1, 2, and 3. For Case 3, this company explicitly expressed that the Cambodian policy framework and regulations for FDI are friendly and good enough. The important thing is that the implementation must be consistent in rules. Case 6 informed that the investment policy, including liberalization, incentive, facilitation, and protection is a good substance/written for encouraging investment. The four other surveyed firms just partly enjoy with the Cambodian investment policy. The illustration is as follows: Case 5 said, "the FDI policy is nice and sufficient, but the matter is implementation to be consistent in rules and coordination among various government agencies to be faster and more effective; Case 8, this FDI is interested in investment incentives rather than other provisions of Cambodian investment policy and regulations; Case 1 reported that "we have not much idea regarding investment policy other than the benefit from tax incentive"; lastly, Case 7 found that incentive policy is helpful for investors, but they do not have a strong view on other matters of investment policy.

The rest (Cases 9, 10, 11, 12, and 14) needed to better understand or had no comments on this matter. Such responses would have resulted from limiting promotion, dissemination, or marketing activities. Cases 9, 12, and 14 have no strong perspectives on Cambodian investment policies. For Case 10, no substantial discussion about the investment treaties and policy. Case 11 did not like to clearly express their view on the investment policy regarding investment liberalization, incentive, facilitation, and protection. Instead, they just mentioned that "the company is being deprived of its strength due to rising wages and expenses associated with Cambodia's economic growth. I think it will be difficult to attract other industries without expanding tax cuts other than the garment industry". However, no Case explicitly expressed view of unsatisfactory with the FDI policy of Cambodia.

(ii) Cross-Respondent Analysis: based on data from the in-depth interview with the CDC's officials

The respondents from the CDC argued that the Cambodian investment policy is very conducive. In terms of liberalization, it is the most open. Investment incentive is more generous, in particular, the new incentive regime is very competitive. Such incentives can compensate for some costs arising from logistic and infrastructure issues. In investment facilitation, even though there remain some challenges, it has

much improved compared to earlier since the online and digital platforms were introduced and took place. However, some areas seem more complicated for investors to comply with, such as requirements and procedures for conducting environmental impact assessments and obtaining construction licenses. Lastly, the provision of investment protection is also good enough. Western investors, including the EU, USA, and Japanese investors, may care much about this matter. Contractedly, the Chinese do not consider it a key constraint for their investment.

(iii) Cross-Participant Analysis: based on data from the focus group

Regarding investment policy, most focus group participants are familiar with investment law and policy research in their daily work. They commonly and brevity expressed that Cambodia has an open regime, competitive incentive, and provide conducive condition and equal treatment for both domestic and foreign investors.

To sum up, the major cases viewed and confirmed that the Cambodian investment policy is good enough for them, while other cases needed to better understand or had no comments on this matter. The latter responses would have resulted from the limitation of promotion, dissemination, or marketing activities. Another reason for insufficient data is probably that they (the respondents from 5 FDI firms) could not provide sufficient data with respect to this matter because the respondents' backgrounds are not much relevant/familiar with liberalization and protection provisions. At the same time, little time was left for an in-depth discussion on this topic. Nonetheless, no Case explicitly disagreed with the Cambodian FDI policy. The CDC officers and group discussion concordantly asserted that Cambodia has an open regime and competitive incentive and provide conducive condition and equal treatment for both domestic and foreign investors. The summary results are also established and indicated in Table 5.14.

Table 5.14. Summary of views on Cambodian investment policy

Foreign firms	The majority of cases viewed and confirmed that the Cambodian investment policy is good enough for them, while other cases did not well understand or had no comments on this matter. The latter responses would be resulted from the limitation of promotion, dissemination, or marketing activities. No Case is explicitly of view with unsatisfactory with the FDI policy of Cambodia.
CDC Officers	Cambodian investment policy is very conducive. In term of liberalization, it is the most open. Investment incentive is more generous, in particular new incentive regime is very competitive. Such kind of incentives can compensate some costs arising from logistic and infrastructure issues. However, some areas seem more complicated and difficult for investors in compliance with such as requirement and procedure for conducting environment impact assessment and obtaining construction license. Lastly, the provision on investment protection is also good enough. Western investors including EU and USA) and Japanese investors may care much about this matter. Contractedly, Chinese does not seriously consider it as a key constraint for their investment.
Focus Group	The focus group concordantly realizes that Cambodia has open regime, competitive incentive, and provide conducive condition and equal treatment for both domestic and foreign investors.

Source: Author.

All in all, the analysis results for all five hypotheses based on information received from the in-depth interview with the fourteen surveyed FDI firms are summarized in Tables 5.15 and 5.16. Table 5.15 displays the results as crosstab by each hypothesis (in rows) and their respective confirmation (in columns). Table 5.16 describes the results of influential factors (in rows) for each case (in columns) based on literature theories, e.g., Dunning (1977, 1979, 1998), UNCTAD (1998), Saini & Singhania (2018), and Daniel & Forneris (2010), hereafter referred to as "the integrated framework of FDI determinants".

Each determinant and motive are also coded in column "Code" counting from D1 through D14, for explanation purposes.

D1 is economic conditions which are a key FDI determinant consisting of three motives of FDI, namely resource-seeking factors (D2 to D4), market-seekers (D5), and efficiency/strategic asset-seeking motives (D6). The resource-seeking FDIs include physical and natural resources (D2), such as raw materials, agriculture products, mining, cheap and well-motivated unskilled and semi-skilled labor (D3), and management skill/technology (D4). Illustration for D2 in relation to natural resources was inconsistently classified among some studies, e.g., Kamal et al. (2019) grouped it into the resource-seeking factor contrasted with Kishor et al. (2020), which treated it as an efficiency-seeking one. For this study, a firm looking for the natural resource was considered resource-seeking FDI. The Explanation for D5, though only four explicit cases (Case 6, 8, 12, and 13) responded as market-seekers, almost all FDIs in SEZs are export-oriented investments. Furthermore, the strategic location/exporting to adjacent markets (base factories in neighboring countries) should be classified in the market access factors based on Dunning (1998) and Wadhwa & Reddy (2011) as it is relevant to both adjacent regional markets and the transport cost. By doing so, market access is the second main motive of FDI in Cambodia (10 cases in total after adding Cases 1, 3, 4, 5, 7, and 11 in addition to the four explicit market-accessing FDI mentioned earlier). This logically reflects Cambodia's actual investment situation, which is generally export-oriented FDIs. In D6, efficiency- and strategic asset-seeking were merged into one category for this study due to the difficulty in distinguishing between them and to reduce the risk of being blurred. Such merging was also applied by Gorynia et al. (2007). Macroeconomic elements were also included in this category (dollarization: Case 5, low risk of currency exchange: Case 8). Kamal et al. (2019) used inflation to measure macroeconomic stability and placed it under efficiency-seeking. Efficiency factors may also include governance, corruption control, availability of human capital/skilled labor force, and low wage (unskilled and semi-skilled labor fall in resource-seeking) proxied by various measures, such as school enrolment ratios and literacy rate.

D7 is the second FDI determinant. With respect to business facilitation and investment promotion, it is not limited to marking activities, as mentioned in hypothesis 1. However, it covers four elements: marketing activities (CDC), investment application and facilitation (CDC and relevant government agencies), SEZ mechanism, and TIP, appearing as D8, D9, D10, and D11, respectively. The SEZ mechanism (D10) is placed under the second determinant as it plays a role in most of

these functions through zone administration/one-stop service and zone developers per se to promote and attract FDIs into their zones. SEZ is a program and also an organization to promote investment consistent with the literature. SEZ mechanism is usefully influencing the 14 cases because all the surveyed firms are from the SEZs. Elaborating on D11 about TIP, the purpose of agreements or frameworks is to liberalize and promote investment among insiders and to attract investment from outsiders as well. In negotiation, developing countries and LDCs, like Cambodia, are in the recipient country position, while some partners (developed and upper-middle-income countries) are in the standing of investing countries (FDI home countries). An investment agreement is not placed under host country policy (D12) as it is an agreement between or among partners, not formulated by a country alone. Therefore, TIP is placed under the business facilitation/ investment promotion category.

Host country policy (D12) is the domestic instrument and regulation setting the specific provision for investment in the particular investment application procedure, promoting sectors, and incentives regime. D12 is another influencing factor in attracting FDI.

D13 is an MNC strategy that is spitted up from the economic factors, based on (Daniel & Forneris, 2010). This determinant refers to (1) the company's perception of country risk based on political factors, macro management, labor markets, and policy stability, and (2) company strategies on location, sourcing of products/inputs, integration of affiliates, strategic alliances, training, and technology. Sometimes, it is difficult to separate them exclusively; however, MNC strategy is not actually referring to economic conditions, e.g., the strategy of an MNC has no plan to expand their investment abroad for some years, so even though a destination country has good economic conditions to attract them, they still will not go.

D14 is also crucial while the world's leading country initiates a friend-shoring investment strategy. The empirical part also investigated this element proxied by the presence of resident mission and duration of diplomatic relation to robust check with this qualitative section.

Table 5.15. Summary results of hypotheses tests for all cases

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1		2 cases (Case 1 and 10)	12 cases (Case 2-9 and Case 11-14)	
Hypothesis 2	12 cases (Case 1-4, 6-12 and 14)	2 cases (Case 5 and 13)		
Hypothesis 3	5 cases (1) (Case 1, 3, 4, 9 and 10)	6 cases (2) (Case 2, 5, 6, 8, 11 and 12)	2 cases (Case 13 and 14)	1 case (Case 7)
Hypothesis 4	12 cases (Case 1-6, and 9-14)	2 cases (Case 7 and 8)		
Hypothesis 5		2 cases (Case 6 and 13)	6 cases (Case 4, 5, 8, 11, 12 & 14)	6 cases (Case 1, 2, 3, 7, 9, and 10)

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. (1) Case 1, 4 and 10 showed positively significant relationship, but Case 3 and 9 have substitute sign effect. (2) The cases showed positive experiences to some extent of investment application process and facilitation (one-stop service) and also impressed inconvenient with some services/matters viz. coordination with relevant government agencies, governance issue, which need more improvement. Source: Author.

Table 5.16. Summary results of influential factors for each case based on the integrated framework[23] of FDI determinants

Determinant	**Motives of FDI**		*Code*	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9	Case 10	Case 11	Case 12	Case 13	Case 14	Total
Economic determinants			*D1*															
	Resource-seeker	Physical and natural resources (raw materials, agriculture product, mining…)	*D2*															0
		Cheap and well-motivated unskilled & semi-skilled labor	*D3*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
		Management skill/technology	*D4*															0
	Market access		*D5*	✓		✓	✓	✓	✓	✓	✓			✓	✓	✓		10
	Efficiency/strategic asset-seeker		*D6*				✓	✓			✓	✓					✓	5
Business facilitation/ investment promotion			*D7*															
	Marketing activities (CDC)		*D8*	✓									✓					2
	Investment application process and facilitation		*D9*	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓			11
	SEZ mechanism		*D10*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
	TIP		*D11*						✓							✓		2
Host country policy			*D12*			✓	✓											2
MNC/FDI strategy			*D13*	✓	✓													2
Social situation and relationship between the home and host countries			*D14*						✓								✓	2

Notes: The black tick (✓) refers to the explicit/full factors, the yellow tick (✓) means implicit/partial factors, and the red tick (✓) is the explicit/full factors with negative sign and requires reforming. Source: Author.

[23] An established framework based on literature theories through integrating various factors/components from Dunning (1977, 1979, 1998), UNCTAD (1998), Saini & Singhania (2018), and Daniel & Forneris (2010).

5.5 CONCLUSION

This explanatory study investigates the motives for FDI inflow in Cambodia using qualitative methods through a semi-structured in-depth interview and focus group with FDI firms, management and officials from the promotion agencies (CDC), strategists or policy officers, and academicians, in a total of 27 cases/participants. Based literature survey, an integrated framework of FDI determinants and five hypotheses have been established and tested. These hypotheses are as follows. (III.1) CDC, through its marketing activities such as workshops, seminars, meetings, websites, social media, and other public relations concerning information dissemination and promotion of investment in Cambodia, is a source of information for foreign investors' decisions. (III.2) Economic determinants, in particular the abundance of unskilled labor and lower labor cost, are the leading significant factors in attracting FDI into Cambodia. (III.3) Investment facilitation, including government support, has played an essential supporting role in encouraging or discouraging FDI expansion and indirectly influencing new inward FDI as well. (III.4) SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia due to the provision of supporting infrastructure and special procedures. (III.5) Treaties with investment provisions have an association with FDI inflow in Cambodia. (III.6) Cambodian investment policy is good enough and satisfactory for investors. The results for each hypothesis are concluded as follows:

(1) Promotion activities so far need more improvement. At the same time, the efficiency level (less or high effect) of promotion activities would also be related to the Cambodian investment environment, not solely depending on the number of activities or amount of budget expenditures, which likely confirms the previous research conducted by Morisset (2003). This result seems to be consistent with Ni et al. (2017) but also refutes Nachum (2000). Considering another perspective, there are some grounds for Cambodia. The country was not considered and chosen as an investment destination for some foreign investors. A possible reason is due to unfavorable/poor conditions in the past, which may create a wrong perception of those FDIs in Cambodia until today, even though the fact of 100% positively changed and much better-improved business/investment environment. Then, the need to disseminate information about Cambodia causes this country to fall from the investors' shortlist to visit/study investment opportunities in Cambodia. Such rationales are fully consistent with many previous studies about the importance of building a national image and conducting investment generation to attract FDI (Wells & Wint, 1990; Harding & Javorcik, 2011; Erliza et al., 2014).

(2) Economic determinant is the significant leading factor in attracting FDI into Cambodia. The two most attractive factors are (1) availability of unskilled labor forces and low wages – attract labor resource-seeker (all cases), and (2) Market through GSP/MFN/EBA schemes – attract market-accessing FDI (Case 1-8 & Case 11-13). The findings support the existing works (Warr & Menon, 2016; Wang et al., 2021). However, the current potential factors based on the abundance of low-skilled and low-cost labor would be no longer attractive, and Cambodia could not further enjoy the

existing preferential market under unilateral treatment once graduating from the LDC status. In conformity with the investment development path (IDP) observed by Dunning (1993), Cambodia, as a developing country (LDC, low-middle income), starts from initial FDIs (resource-seeking & market access) and will gradually move to efficiency- and strategy-seeking in the future. They are sequential FDIs. Notably, such shifting from the initial to sequential FDIs was not evident in all previous studies, for instance, Gorynia et al. (2007), which is probably cross-country variation.

(3) Investment facilitation is important and needs to be improved. Most cases confirmed the earlier works (UNCTAD, 1998; Saini & Singhania, 2018; Wells & Wint, 1990; Harding & Javorcik, 2011; Erliza et al., 2014). They showed that facilitation is an essential task of investment servicing during and post-establishment, which positively or negatively affects the investment expansion and/or inflow according to the level of performance. Foreign investors are satisfied with the facilitation under the one-stop-service mechanism (in SEZ) as it has representatives from almost all relevant ministries. This result is agreeable with a recent study (Wang et al., 2021). Some investors appreciated the government support and facilitation for their special requests and in particular circumstances. However, there are still more concerns about logistic and transport costs, delays, and issues regarding governance/transparency, such as time-consuming and lack of a proper tracking system for application and required to deal with many connections/government officials.

(4) SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia due to the provision of supporting infrastructure and special procedures. This chapter found that SEZ is positively significant for the location decision of FDI in Cambodia, which is entirely consistent with past studies, including Chakraborty et al. (2017) in India, Song et al. (2020) in China, Wakasugi (2005) in China, Wang (2013) in China, Wang et al. (2021) in Cambodia, and this study itself in empirical part at the provincial level. Nonetheless, it is constated with Cieślik & Ryan (2005), who examined the locational determinants of Japanese MNCs in Poland and found that SEZ policy was not statistically crucial for Japanese investors' decision to select Poland. This would explain that SEZ's effect on location decisions varies across FDI host and home countries. It also differs from the level of SEZ program (liberalization, incentive…). As explained by most cases, discussion about the characteristics of SEZ, the special procedure through one-stop services, and supporting infrastructure in SEZ are the key elements. This is just partly harmonious with Warr and Menon (2016), who found that, in general experiences, one-stop administrative services can reduce the cost of regulatory compliance. However, it was not sufficiently satisfied by a few managers since it did not fully act as a single stop yet (seemly to one-extra-stop). For infrastructure, Warr and Menon (2016) also showed it is just less concerned than outside SEZ. Other attractive characteristics of SEZs from the experiences of foreign investors in Cambodia are as follows: more safety and security, reducing the firm's exposure to corruption, more stability and certainty than outside SEZ, better located in a group with other FDI rather than staying alone (having a big voice and reducing logistic cost by using a package service), foreign investors have the same

nationality of the zone developer and better place to their respective destination markets. However, besides the advantages above, the current Cambodian SEZs are just simple agglomeration and diverse industries collection.

(5) Regarding the effect of TIP, it is difficult to judge whether the presence of TIP has a positive association with FDI inflow through this qualitative examination. Similar to FTA or RTA, such ambiguous results in previous studies (Blomstrom & Kokko, 1997; Kreinin & Plummer, 2008; Balasubramanyam et al., 2002) are likely evident in this study. The main reason for this paper is that some cases (6 firms) could not provide sufficient data for this matter due to the respondents' backgrounds needing to be more relevant/familiar. At the same time, little time was left for an in-depth discussion on this topic. In a few cases (2 firms) were informed that TIP partly benefits their investments. This positive association is presumably consistent with Thangavelu & Narjoko (2014) and Duong et al. (2021). Major cases (6 firms) disagreed with the significance of TIP, which is agreeable with Awad & Yussof (2018) and Cuyvers et al. (2011). TIP seems less significant, and not much cared about by the surveyed FDI firms compared to unilateral/one-side preferential trade treatment (PTA).

Additionally, this descriptive study also reported that Cambodian investment policy is the most open, generous, and competitive incentive. There is no concern about the policy's substance and friendliness but the implementation of rule consistency. Awareness and understanding of the investment policy and law are still limited among investors and private sectors. The previous law was not targeted at potential sectors/activities.

In conclusion, four out of five hypotheses are evidenced in this study showing their important role and contribution in attracting and retaining FDI in Cambodia (III.2 to III.5), while one assumption (III.1) failed to be agreed and needs more improvement.

CHAPTER 6

CONCLUSION AND POLICY IMPLICATION

6.1 CONCLUSION

The thesis investigates the potential determinants of FDI in Cambodia by evaluating the effect of investment promotion and other factors on FDI inflow and its distribution in Cambodia. This study draws to address a central question: "What are the potential determinants of FDI inflow and distribution in Cambodia?". The primary inquiry is followed by three elaborated, and specific research questions: (1) Does SEZ mechanism have a statistically significant effect on FDI inflow in Cambodian provinces? (2) Do TIP/FTA/BIT, CDC, and SEZ mechanism statistically influence FDI inflow into Cambodia? And (3) What are the potential factors influencing FDI inflow in Cambodia? To scientifically answer these inquiries, mixed methods research, called the explanatory sequential mixed methods, is applied and conducted in three ways as follows:

1) The quantitative method for an empirical study (Chapter 3) uses the provincial-level data and GMM estimator to solve specific question 1. Panel data from 19 selected provinces within the country over 2015–2019 is used.
2) The quantitative method for an empirical study (Chapter 4) employs the national-level data and GMM as the primary method to address the specific question 2. Panel data on disaggregated FDI inflow from 42 source countries during 2003-2020 is employed.
3) The qualitative method for an explanatory study (Chapter 5) uses data collected from an in-depth interview and focus group with a sample size of 27 cases/participants to answer the specific question 3.

The findings on the critical explanatory variables from the empirical investigation in Chapters 3 and 4 and the logical analysis in Chapter 5 are connectedly discussed and summarized below:

(1) The promotion effort measured by expenditure on promotion/ marketing activities likely provided various results with significant adverse effects for common FDI and positive statistically crucial for a specific source country (e.g., Japan). The negative effect of promotion expenditure on FDI inflow in general and its positive result on FDI inflow from a particular source country, e.g., Japanese investors found in chapter 4. These results are consistent with the information from the in-depth interview in chapter 5. Most surveyed cases explained that the primary source of information on the Cambodian investment environment for their decision basis is not the CDC. In contrast, Cases 1 and 10, which are Japanese firms, have partly received information about investment opportunities in Cambodia through the CDC and its marketing activities. Compared to the past papers, it is likely in line with Ni et al. (2017) and Morisset (2003) but disagrees with Nachum (2000).

(2) The investment promotion through SEZ mechanism is harmoniously found to be positively significant in Chapters 3 and 5. The empirical study in Chapter 3 shows

that both the accumulated number of SEZs (NbSEZs) and capital invested for developing SEZs (CapSEZs) create an essential productive sign with FDI inflow into Cambodian provinces. The logical investigation in Chapter 5 proved that SEZ is a comfortable location for all the surveyed firms as it provides better infrastructure development and one-stop services for investors' business operations. Furthermore, these findings are, for the most part, consistent with Chapter 4. Both national and provincial empirical studies have robustly explained the significant beneficial effect of CapSEZs on FDI inflow and distribution in Cambodia. However, there are somewhat different results between the two-level analysis regarding the influence of NbSEZs on the general FDI inflow, which is valuable and vital for Japanese FDI. In addition, the extensive margin or newly set of SEZ numbers (NbSEZ) and investment capital for developing SEZ (CapSEZ) were also analyzed and showed their positive and significant relationship with inward FDI. In comparison with previous studies, the findings of SEZ's effectiveness found by Chakraborty et al. (2017), Song et al. (2020), Wakasugi (2005), Wang (2013), and Wang et al. (2021) are evidenced in this study. At the same time, this result is contradicted by Cieślik & Ryan (2005).

(3) Regarding the free trade agreement (FTA) and bilateral investment treaty (BIT), the estimation results in chapter 4 revealed that they create a productive and crucial association with inward FDI. In contrast, the treaty with investment provisions (TIP) has just positive signs but is insignificant. The qualitative analysis explains and supports the latter (Chapter 5). The significant effect of FTA is agreeable with Duong et al. (2021) and somewhat with Thangavelu & Narjoko (2014), but it is against Awad & Yussof (2018) and Cuyvers et al. (2011). The result for BIT is partly consistent with Bauerle Danzman (2016).

Simultaneously, the explanatory study draws attention to investment promotion and related aspects. (1) promotion activities need furtherance. (2) Two economic determinants, the abundance of unskilled labor supply with low wages and the benefits of serving Cambodia as an exporting platform to regional and global markets, are the most potential influence factors in attracting FDI into Cambodia. However, these two factors would no longer be attractive as wages continuously increase yearly. At the same time, labor productivity generally remains the same. Graduating from LDC status will make Cambodia no longer enjoy the preferential market under unilateral treatment. (3) Investment facilitation is important and needs enhancement. (4) SEZ mechanism is an effective and suitable way to attract, distribute, and diversify FDI in Cambodia, and (5) TIP is not much cared about by the studied FDI firms compared to unilateral/one-side preferential trade treatment (PTA). This is a warning signal if PTA is withdrawn after Cambodia graduates from LDC status. Besides, Cambodia's investment law and policy are good enough in substance and friendliness. Nevertheless, implementing rule consistency and raising awareness should be considered and taken care of.

6.2 POLICY IMPLICATION

Based on the empirical and logical findings above, some policy suggestions would be introduced as follows:

(1) Cambodia should more focus on effective and targeted promotion because the empirical results and discussion in Chapter 4 revealed that the CDC's expenditure on marketing activities has a controversial sign with general FDI, while it creates a positive and significant effect on Japanese FDIs which would be resulted from the regular promotion activities only conducted in Japan as they are the potential targeted investors for Cambodia. It is supported by the results from the descriptive study in Chapter 5 to strengthen and sharpen promotion activities through expertizing CDC's officials in marketing and promotion skills, increasing the budget for promotional activities' performance rather than just for operation, regularly updating and digitizing promotion materials (Case 3 and CDC officials), formulating and implementing image building and targeted promotion strategies. Vertical FDI should be more focused on complementing and supplying the existing FDI (suggested by Case 2 and consistent with the IDP midterm review report).

(2) To be an attractive destination for FDI in the region, Cambodia should not expectedly continue receiving and heavily depending on labor resource-seeking FDIs due to the trend of increasing wages, and labor shortage. The empirical results in Chapters 3 showed that the variables (number of populations aging 18 years old and over, population density) proxied for labor intensive factor mostly have a positive and significant influence on FDI inflow. Simultaneously, the finding from quantitative study in Chapter 4 revealed that the ratio of labor cost (proxy by minimum wage) and the ratio of labor productivity (measured by GDP divided by labor force) in Cambodia to the FDI source country are negatively associated with FDI inflow, and notably significant from a few models. The two empirical studies provided complement and robust results, which would sufficiently suggest that labor intensive factors (number of labor supply with low cost) have been the key attractive determinants in Cambodia. However, this would no longer competitive since the wage has been increasing every year (e.g., the minimum wage has risen from only 40 USD in 1997 to 200 USD in 2023, particularly, it was remarkably increased in most recent years), the population annual growth rate in average has decreased from 1.5% (1998-2008) to 1.2% (2008-2019), average birth rate also declined, and the number of migrants working abroad further increased. Moreover, based on the investment development path, it is suggested to promote and attract sequential FDI by transforming from a labor-intensive to skill base industry. The approach is to enhance labor productivity, technology transfer, and human capital to replace the less competitive or low-cost unskilled/semi-skilled labor, while Cambodian laborers are trainable and can increase the productivity and quality of work after training. The infrastructures need to be further improved and developed to reduce the costs of transport, logistic and electricity. The suggestion is also supported by logical study in Chapter 5 (e.g., Case 2, Case 5). For market-accessing FDI, it is still more relevant and vital for Cambodia. However, not continuing to rely on preferential treatment under GSP/EBA schemes as it is a unilateral and political provision that would be withdrawn any time after

Cambodia graduates from LDC status. Hence, more FTAs negotiation, bilaterally and multilaterally, is a crucial strategy for Cambodia. In doing so, Cambodia can benefit and gain regional and international market advantages. However, expanding the market through FTAs requires Cambodia to work harder, smarter, and more efficiently since the competition for market expansion/penetration/retention is not only among LDCs like under GSP/EBA schemes.

(3) Referring to the results and discussion on the SEZ mechanism received from empirical analysis in chapters 3 and 4, SEZs (number of SEZs and capital invested for developing SEZs) mostly have a productive and significant effect on FDI. One-stop services and special procedures, which are important parts of the institutional quality, were discussed and found to be potential mechanisms of SEZ impacting FDI because the domestic constraint of weak institutions can be solved in the zone. Therefore, improving the investment application process and facilitation is needed to strengthen the quality of institutions both inside and outside SEZs. In addition, the insights from the in-depth interview and focus group in Chapter 5 provide supportive information with some suggestions regarding the improvement of investment application and facilitation, as follows: (i) the Government and the CDC should further care for the private sector and strengthen transparency, including administrative services (time and follow-up mechanism), reducing, or eliminating rule-inconsistency payment, and other inactive matters (e.g., Case 1), (ii) CDC should consider faster coordinating and pushing for more effective One Stop Services, including e-payments and digital submission for public services toward faster approval of those services (Case 5), and (iii) the Government should minimize unnecessary audits by unrelated government personnel (Case 13). For the required documents, since the feasibility study is a struggle for the investor, it should be replaced by a business plan by including some elements needed from investors (perspective from CDC officials). Nevertheless, it is expectedly to be even better due to the online application being available and the new Law on Investment being recently entered into force. In short, Cambodia needs to make more efforts to improve business facilitation. It is not only CDC's responsibility but a whole government approach as it is cross-cutting issues among the respective government agencies.

(4) Specifically, in SEZ, the Government should continue strengthening the SEZ mechanism by focusing on creating a real industrial cluster and sophisticated locations for specific sectors, vertical, and complex activities, including supporting services for specific industries (promoting linkages inside the zones). The establishment of SEZs should also be in some targeted provinces and if possible, away from the capital and urban areas. Infrastructure and institutional quality inside the SEZ should be even better improved. This means that Cambodia can use SEZ which is a place-based policy to further improve the quality of institution within specific geographic areas, whereas the overall institutional quality is low and need a longer time to tackle it. So, it is more feasible and a low hanging-fruit to start improving the institutional quality inside SEZs as well as decentralizing public services to be closer to the production base in providing better support and facilitation to the investment operation located in those targeted provinces. It would be more helpful if a

representative from the General Department of Taxation could permanently work at SEZ like other government agencies. Further, Cambodia should use SEZs to test new and innovative policies for consideration or before implementing them across national frameworks, such as providing preferential treatment for investment in SEZs than those invested outside the zones, such as providing more favorable tax incentives, more effective investment facilitation measures, and greater support for target industries. It would be more innovative and efficient if the policy is flexible in providing better preferential treatment for potential and prioritized sectors and promoting linkage and local supplies. These suggestions are provided based on both empirical and logical analysis of this study founding the significant role of SEZ in attracting FDI, and diversifying investment activities in Cambodia, which are consistent with Song et al. (2020), Wang (2013), Warr and Menon (2016), and Farole and Akinci (2011).

(5) Since FTA and BIT are positively and significantly associated with FDI inflow evidenced in Chapter 4 and market access reason is the second key determinant of FDI demonstrated in Chapter 5, Cambodia should increase FTAs with other potential parts to diversify export markets and focus on its resilient products in addition to current ones. As discussed in Chapter 4, the potential mechanism of FTA affecting FDI is access to a bigger market and more liberalized investment, which can address the domestic challenges of small population and trade facilitation issues in Cambodia as well as trade barriers in the region. Further, accelerating the commencement of negotiation with bilateral or multilateral European countries under the ASEAN framework so that the risk of the preferential trade agreement (PTA) absence will be lower. Also, Cambodia should start reviewing inactive or unbeneficial existing agreements to reduce resources and efforts spent on the preparation and implementation of those undesired agreements and transfer those resources and efforts to focus on the potential agreements with targeted partners.

Besides the suggestions above, it is also important to raise awareness of investment policy among stakeholders by providing regular dissemination and explanation about the substance, benefit, and attractiveness of the investment laws and related regulations to investors, the private sector, and relevant players.

6.3 LIMITATION AND FUTURE IMPROVEMENT

Even though both data and estimation methods used in this study are suited and valid, it is only sometimes perfect, which is commonly found and recognized in all other studies. In the next studies, therefore, we would take into consideration some suggestions for future improvement as follows:

(1) Empirical study at the provincial level in Chapter 3: While this study is practically suitable for use with panel data, the period is quite short, and the group number is relatively small. For future studies, the sample period should be extended, and data at the district level should be employed so that the sample period and size can be increased accordingly. This study uses the approved FDI of qualified investment projects (QIP) because the actual FDI of QIP at the provincial level is

unavailable. Therefore, future research should gather and robustly use the actual FDI from all sectors, including services.

(2) Empirical study at the national level in Chapter 4: The study has yet to investigate the dynamic effect of TIP/FTA/BIT to capture some agreements/ frameworks continuously upgraded by amendment protocols. The promotion effort (PE) variables regarding PEexp and SEZ mechanism were not possibly disaggregated to each source country. The analysis was conducted based on the committed/approved FDI of QIP rather than the actual ones, as it was unavailable.

(3) Empirical study at both levels in Chapters 3 and 4: Since Cambodia currently has no specialized SEZ for a specific sector or purpose and there are no different policy instruments used in the existing SEZs (the same policy from the national level is applied to all SEZs), this study examines the effect of the existence and the number of SEZ on FDI inflow is the most suitable and reliable. Nevertheless, in the future, Cambodia may establish specialized SEZs with different or favorable policies, hence it would be better to take a look at the individual characteristics of the SEZs and their impact on FDI inflow. Furthermore, if continuing the research on FDI in the future, it would be more value added to differentiate new FDI (greenfield FDI) and FDI expansion (brownfield FDI), as well as the behaviors of FDI by nationality of the source country and to see whether any policy, promotion activity or mechanism (IIAs, CDC/IPA, SEZ…) affects either of them.

(4) Logical study in Chapter 5: It would be better to further conduct in-depth interviews with FDI outside SEZ in addition to those inside SEZ.

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APPENDIX FOR CHAPTER 3

Appendix 3.1. Variable explanation and data sources.

	Dependent Variables	Sources
$lnFDI_{it}$ (1000 USD)	Foreign direct investment (FDI) inflow (or refers to general FDI) into province i, at time t, measured by the absolute value of foreign capital in the form of its logarithm. $ln\,FDI_{it-1}$ is the lag of $ln\,FDI_{it}$. FDI for the provincial level used the committed investment of a qualified investment project (QIP), recorded in CDC's database. FDI is calculated based on foreign ownership/share in a QIP.	CDC
ln_divFDI_{it} (1000 USD)	divFDI refers to FDI investing in diversified manufacturing sectors, not infrastructure, land economic concession, mining, and natural resources sectors. These kinds of diversified manufacturing sectors focus on agricultural processing, electric and electronic, automotive parts and bicycles, and other manufacturing rather than garments and footwear, e.g. what Cambodia's current economy mostly depends on. Its unit and form of measurement are the same as FDI's.	CDC
Key explanatory variables: promotion efforts (PE: SEZ_{it-1})		
$dumSEZ_{it-1}$	Dummy variable specifying whether the province has an SEZ by time $t-1$. Its value is 1 if a province has SEZ, and if not, the value is 0.	CDC
$NbSEZs_{it-1}$	Accumulated number of operating SEZs in province i by time $t-1$ (non-operating or inactive SEZs are excluded).	CDC
$SEZd_{it-1}$	SEZd denotes SEZ intensity, and it is the dummy for multiple SEZs. The indicator variable, SEZd, is equal to 1 if, by the time $t-1$, a province has more than 1 SEZ, and otherwise, it becomes 0.	CDC
$lnCapSEZs_{it-1}$ (1000 USD)	Accumulated investment capital for SEZ development in province i, by the time $t-1$. It is in the form of its logarithm in USD 1000s.	CDC
$AgeSEZ_{it-1}$	This refers to the age of the first established SEZ in a province. AgeSEZ is defined as the difference between the year $t-1$ and the year of establishment of the first SEZ in province i. The longer the entry time of SEZ, the more information they have disseminated and provided to investors. Similar to $dumSEZ_{t-1}$, the first lag of AgeSEZ is also used to incorporate possible time lags between information dissemination from SEZ and decisions about FDI. Similarly, Ni et al. (2017) also used lag of firm age as a variable of firm characteristics.	CDC
Control variables		
$lnAExp_{it-1}$	The annual government expenditure for province i at time $t-1$ in USD 1000s in the form of its logarithm. This is a proxy for provincial effort.	Province
PR_{it-1}	The number of public relations that a province has received the public guests, including foreign investors,	Province

	at time $t-1$. Moreover, it is a proxy of provincial effort. PR is broad as the public guests who have been received are not solely foreigners.	
PC_{it-1}	The vector of provincial characteristics, a group of control variables including population density (PD), number of the population aged 18 years old and over (Pop18), number of high school graduates (SucNb), and time-invariant control variables including distance to the capital (DisToCap), a dummy for international gates (IntGate), and a dummy for sea and inland ports (Ports). SucNb could be used as a proxy to demonstrate the labor force or skill availability and trainability in a province. IntGate refers to international gates, including international airports, international ports, and international border gates.	Province
The year effect and error term:		
θ_t, ε_{it}	The year dummy effect and error term, respectively.	

Source: Author's own description.

Appendix 3.2. Correlation matrix of variables.

	lnFDI1	ln_div FDI1	Dum SEZ	Nb SEZs	SEZd	lnCap SEZs1	Age SEZ	Ln AExp1	PR	PD	Pop 18	Suc Nb	Dis ToCap	Int Gate	Ports
lnFDI1	1.00														
ln_divFDI1	0.59	1.00													
dumSEZ	0.41	0.68	1.00												
NbSEZs	0.34	0.63	0.71	1.00											
SEZd	0.27	0.55	0.71	0.81	1.00										
lnCapSEZs1	0.42	0.70	0.99	0.77	0.77	1.00									
AgeSEZ	0.40	0.68	0.96	0.74	0.72	0.96	1.00								
lnAExp1	−0.20	0.01	0.03	0.09	0.03	0.03	0.11	1.00							
PR	−0.13	−0.04	−0.05	0.21	0.05	−0.03	−0.01	0.20	1.00						
PD	0.29	0.39	0.34	0.07	0.05	0.33	0.37	0.03	−0.08	1.00					
Pop18	0.22	0.28	0.14	−0.09	−0.08	0.10	0.13	0.04	−0.08	0.49	1.00				
SucNb	0.18	0.30	0.23	−0.03	−0.11	0.19	0.26	0.32	−0.05	0.62	0.82	1.00			
DisToCap	−0.25	−0.45	−0.41	−0.21	−0.13	−0.39	−0.38	0.00	−0.05	−0.46	−0.71	−0.64	1.00		
IntGate	0.13	0.42	0.57	0.52	0.58	0.60	0.60	0.00	−0.07	0.29	0.18	0.25	−0.22	1.00	
Ports	0.08	0.13	0.34	0.28	0.26	0.37	0.34	0.00	−0.08	0.08	−0.16	−0.06	−0.08	0.33	1.00

Source: Author's own computation.

Appendix 3.3. VIF for Model 1

Variable	VIF	1/VIF
NbSEZs	2.97	0.336406
PR	1.25	0.798901
lnAExp1	1.59	0.628746
PD	1.97	0.507079
Pop18	5.07	0.197202
SucNb	5.77	0.173231
DisToCap	2.93	0.340844
IntGate	2.31	0.432238
Ports		
1	2.08	0.480614
2	1.23	0.814104
3	1.56	0.642727
Mean VIF	2.61	

Appendix 3.4.VIF for Model 3

Variable	VIF	1/VIF
lnCapSEZs1	7.5	0.133342
PR	1.14	0.879332
lnAExp1	1.56	0.639962
PD	2.87	0.348496
Pop18	5.13	0.194857
SucNb	5.67	0.176426
DisToCap	2.94	0.340249
IntGate	4.19	0.238881
Ports		
1	3.9	0.256275
2	1.98	0.50558
3	1.59	0.629787
Mean VIF	3.5	

Appendix 3.6. VIF for Model 5

Variable	VIF	1/VIF
NbSEZs	2.97	0.336406
PR	1.25	0.798901
lnAExp1	1.59	0.628746
PD	1.97	0.507079
Pop18	5.07	0.197202
SucNb	5.77	0.173231
DisToCap	2.93	0.340844
IntGate	2.31	0.432238
Ports		
1	2.08	0.480614
2	1.23	0.814104
3	1.56	0.642727
Mean VIF	2.61	

Appendix 3.7. VIF for Model 7

Variable	VIF	1/VIF
lnCapSEZs1	7.5	0.133342
PR	1.14	0.879332
lnAExp1	1.56	0.639962
PD	2.87	0.348496
Pop18	5.13	0.194857
SucNb	5.67	0.176426
DisToCap	2.94	0.340249
IntGate	4.19	0.238881
Ports		
1	3.9	0.256275
2	1.98	0.50558
3	1.59	0.629787
Mean VIF	3.5	

APPENDIX FOR CHAPTER 4

Appendix 4.1. Results of VIF test with all explanatory variables (NbSEZs and CElecPop included)

Variable	VIF	1/VIF
L1.NbSEZs	25.47	0.039261
L1.CElecPop	16.61	0.060192
L1.lnPEexp	7.88	0.12692
L1.lnGDPit	7.34	0.136233
lnDISci	7.3	0.136979
L1.lnCapSEZs	5.41	0.184785
L1.lnTRADEict	5.15	0.19436
dBORci	3.07	0.325368
L1.lnRLCcit	2.72	0.367636
FTA	2.58	0.38715
L1.CPriRate	2.36	0.423154
RM	2.35	0.426149
L1.LDR	2.17	0.460431
L1.lnFDIict	2.13	0.468532
BIT	1.7	0.586552
TIP	1.58	0.631247
dumCrisis	1.48	0.675854
dumJPN	1.22	0.818102
Mean VIF	5.47	

Appendix 4.2. Results of VIF test for model 2.1 (TIP) when NbSEZs separated and CElecPop dropped)

Variable	VIF	1/VIF
L1.lnGDPit	6.9	0.144878
lnDISci	5.27	0.189585
L1.lnTRADEict	4.85	0.206324
dBORci	3.01	0.332666
L1.lnRLCcit	2.61	0.383632
RM	2.33	0.429321
L1.lnCapSEZs	2.3	0.43385
L1.CPriRate	2.23	0.448811
L1.LDR	2.04	0.489721
L1.lnFDIict	1.95	0.511546
L1.lnPEexp	1.68	0.595587
TIP	1.46	0.682638
dumJPN	1.18	0.844578
dumCrisis	1.07	0.935601
Mean VIF	2.78	

Appendix 4.3. Results of VIF test for model 2.2 (FTA) when NbSEZs separated and CElecPop dropped)

Variable	VIF	1/VIF
L1.lnGDPit	6.88	0.145294
lnDISci	6.71	0.148956
L1.lnTRADEict	4.68	0.213874
dBORci	3.05	0.328226
L1.lnRLCcit	2.57	0.389271
L1.lnCapSEZs	2.39	0.417594
FTA	2.38	0.421004
RM	2.29	0.437529
L1.CPriRate	2.23	0.44934
L1.lnFDIict	2.04	0.489958
L1.LDR	2.02	0.494266
L1.lnPEexp	1.78	0.562695
dumJPN	1.2	0.833411
dumCrisis	1.07	0.935275
Mean VIF	2.95	

Appendix 4.4. Results of VIF test for model 2.3 (BIT) when NbSEZs separated and CElecPop dropped)

Variable	VIF	1/VIF
L1.lnGDPit	7.13	0.140179
lnDISci	5.44	0.183907
L1.lnTRADEict	4.61	0.216762
dBORci	3.01	0.332479
L1.lnRLCcit	2.43	0.411287
L1.lnCapSEZs	2.3	0.433992
RM	2.29	0.436519
L1.CPriRate	2.23	0.449392
L1.lnFDIict	2.02	0.493908
L1.LDR	2.02	0.495831
L1.lnPEexp	1.71	0.583191
BIT	1.69	0.592866
dumJPN	1.18	0.846342
dumCrisis	1.07	0.934178
Mean VIF	2.8	

Appendix 4.5. Results of VIF test for model 2.4 (TIP, FTA, BIT) when NbSEZs separated and CElecPop dropped)

Variable	VIF	1/VIF
LnDISci	7.2	0.138861
L1.lnGDPit	7.19	0.138985
L1.lnTRADEict	5	0.199999
DBORci	3.06	0.327213
L1.lnRLCcit	2.7	0.370758
FTA	2.54	0.394467
L1.lnCapSEZs	2.41	0.41557
RM	2.34	0.427175
L1.CPriRate	2.23	0.4484
L1.LDR	2.15	0.464846
L1.lnFDIict	2.11	0.473339
L1.lnPEexp	1.82	0.550815
BIT	1.7	0.58678
TIP	1.58	0.633342
DumJPN	1.22	0.818288
DumCrisis	1.07	0.933814
Mean VIF	2.89	

Appendix 4.6. System GMM estimation results for model 2.1bii – 2.4bii (lnPEexp & lnCapSEZ). Robustness check using new capital for developing SEZ (flow) & interaction term

	Dependent variable: lnFDI							
	Model 2.1bii (TIP)		Model 2.2bii (FTA)		Model 2.3bii (BIT)		Model 2.4bii (All)	
	(2.1.1bii)	(2.1.2bii)	(2.2.1bii)	(2.2.2bii)	(2.3.1bii)	(2.3.2bii)	(2.4.1bii)	(2.4.2bii)
VARIABLES	lnRLC	lnRLP	lnRLC	LnRLP	lnRLC	lnRLP	lnRLC	lnRLP
L.lnFDIict	0.0448	0.00263	0.0359	0.0177	0.0290	-0.000271	0.0202	0.0102
	(0.0435)	(0.0414)	(0.0460)	(0.0447)	(0.0448)	(0.0428)	(0.0445)	(0.0427)
L.lnGDPit	2.001***	0.682	1.903***	0.627	1.759***	0.570	1.685***	0.534
	(0.477)	(0.614)	(0.433)	(0.565)	(0.475)	(0.523)	(0.439)	(0.496)
lnDISci	-1.595*	-1.266	-0.613	-0.414	-1.219	-1.054	-0.183	-0.241
	(0.937)	(1.023)	(0.787)	(0.947)	(0.783)	(0.841)	(0.676)	(0.810)
L.lnTRADEict	0.156	0.235	0.244	0.290	0.175	0.157	0.236	0.203
	(0.220)	(0.222)	(0.224)	(0.204)	(0.220)	(0.194)	(0.205)	(0.182)
TIP	0.478	0.502					-0.118	-0.0417
	(0.692)	(0.882)					(0.668)	(0.859)
L.lnRLCcit	-0.288		-0.120		-0.288		-0.0776	
	(0.431)		(0.404)		(0.393)		(0.403)	
L.CPriRate	0.00161	0.0133	-0.0297	-0.0204	-0.00279	0.0120	-0.0325	-0.0181
	(0.0300)	(0.0225)	(0.0306)	(0.0245)	(0.0287)	(0.0211)	(0.0295)	(0.0230)
dumCrisis	0.0899	-0.0501	-0.00185	-0.178	0.0210	-0.0743	-0.0682	-0.182
	(0.426)	(0.306)	(0.427)	(0.315)	(0.425)	(0.309)	(0.428)	(0.318)
dBORci	4.132**	1.887	4.514**	2.035	3.846**	1.431	4.266**	1.603
	(1.958)	(2.345)	(1.898)	(2.290)	(1.875)	(1.893)	(1.849)	(1.921)
RM	0.282	1.954	0.341	1.792	0.340	1.429	0.458	1.370
	(1.187)	(1.267)	(1.082)	(1.168)	(1.140)	(1.163)	(1.028)	(1.098)
L.LDR	-0.0369	-0.0308	-0.0434	-0.0357	-0.0260	-0.0162	-0.0349	-0.0249
	(0.0272)	(0.0291)	(0.0268)	(0.0277)	(0.0261)	(0.0240)	(0.0239)	(0.0245)
L.lnCapSEZ	0.0316	0.0258	0.0449	0.0387*	0.0335	0.0269	0.0473	0.0384
	(0.0307)	(0.0229)	(0.0304)	(0.0225)	(0.0312)	(0.0234)	(0.0310)	(0.0231)
L.lnPEexp	-2.133***	-1.355**	-2.712***	-1.713***	-2.383***	-1.399**	-2.959***	-1.696***
	(0.768)	(0.576)	(0.790)	(0.593)	(0.782)	(0.584)	(0.838)	(0.609)
dumJPN	-20.26***	-13.48***	-18.83***	-11.49***	-18.66***	-9.591**	-16.68***	-7.366
	(3.508)	(3.920)	(3.148)	(3.373)	(4.021)	(4.425)	(3.885)	(4.528)
dumJPN*	4.261***	3.368***	3.851***	2.769***	3.890***	2.462***	3.391***	1.871**
L.lnPEexp	(0.641)	(0.624)	(0.580)	(0.553)	(0.793)	(0.846)	(0.755)	(0.837)
L.lnRLPcit		-0.340		-0.256		-0.348		-0.229
		(0.510)		(0.465)		(0.426)		(0.483)
FTA			2.487***	2.643***			2.456***	2.347***
			(0.774)	(0.846)			(0.776)	(0.725)
BIT					1.703	2.636*	1.623*	2.411*
					(1.054)	(1.462)	(0.929)	(1.357)
Constant	-13.72	2.519	-15.25*	0.707	-11.22	3.453	-13.64	1.071
	(9.597)	(10.26)	(8.940)	(9.383)	(9.899)	(8.798)	(9.450)	(8.612)
Observations	511	753	511	753	511	753	511	753
Number of id	33	42	33	42	33	42	33	42
Nb. instruments	33	33	33	33	33	33	35	35
Arellano-Bond Test (AR (1))	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Arellano-Bond Test (AR (2))	0.475	0.464	0.475	0.659	0.414	0.475	0.398	0.591
Hansen test of overid. restrict.	0.319	0.351	0.319	0.352	0.319	0.380	0.414	0.392

Source: Author's own computation using system GMM. Notes: Robust standard errors are shown in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. The notion ln and l. refer to value in logarithm and lagged value, respectively.

Appendix 4.7. System GMM estimation results for model 2.5bii to 2.8bii (NbSEZ). Robustness check by using new number of SEZ (flow) and interaction term

	Dependent variable: lnFDI							
	Model 2.5bi (TIP)		Model 2.6bi (FTA)		Model 2.7bi (BIT)		Model 2.8bi (All)	
	(2.5.1bi)	(2.5.2bi)	(2.6.1bi)	(2.6.2bi)	(2.7.1bi)	(2.7.2bi)	(2.8.1bi)	(2.8.2bi)
VARIABLES	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP
L.lnFDIict	0.0812	0.0181	0.0911	0.0471	0.0778	0.0207	0.0873	0.0425
	(0.0582)	(0.0528)	(0.0616)	(0.0570)	(0.0584)	(0.0528)	(0.0602)	(0.0544)
L.lnGDPit	2.128***	0.827	2.065***	0.807	1.928***	0.724	1.902***	0.719
	(0.471)	(0.612)	(0.434)	(0.563)	(0.467)	(0.523)	(0.438)	(0.497)
lnDISci	-1.940**	-1.371	-1.271*	-0.635	-1.662**	-1.180	-0.975	-0.462
	(0.858)	(1.014)	(0.716)	(0.938)	(0.758)	(0.839)	(0.635)	(0.802)
L.lnTRADEict	-0.0157	0.129	0.0161	0.151	-0.0193	0.0454	-0.0174	0.0614
	(0.193)	(0.198)	(0.188)	(0.180)	(0.184)	(0.168)	(0.165)	(0.156)
TIP	0.452	0.558					-0.0228	0.0594
	(0.665)	(0.855)					(0.647)	(0.838)
L.lnRLCcit	-0.566		-0.504		-0.601*		-0.494	
	(0.366)		(0.338)		(0.333)		(0.331)	
L.CPriRate	-0.0145	0.00293	-0.0419	-0.0302	-0.0202	0.00116	-0.0442	-0.0271
	(0.0312)	(0.0241)	(0.0314)	(0.0257)	(0.0300)	(0.0219)	(0.0297)	(0.0238)
dumCrisis	-0.00858	-0.155	-0.103	-0.303	-0.0758	-0.184	-0.159	-0.300
	(0.433)	(0.314)	(0.424)	(0.318)	(0.428)	(0.312)	(0.422)	(0.318)
dBORci	4.289**	2.198	4.578**	2.395	4.042**	1.765	4.369**	1.968
	(1.829)	(2.287)	(1.738)	(2.188)	(1.698)	(1.818)	(1.646)	(1.819)
RM	0.380	2.024	0.427	1.859	0.430	1.496	0.537	1.452
	(1.108)	(1.245)	(1.014)	(1.143)	(1.068)	(1.138)	(0.960)	(1.064)
L.LDR	-0.0432	-0.0375	-0.0490*	-0.0422	-0.0344	-0.0228	-0.0427*	-0.0324
	(0.0258)	(0.0279)	(0.0261)	(0.0269)	(0.0249)	(0.0234)	(0.0238)	(0.0239)
L.NbSEZ	0.146	0.107	0.195**	0.164**	0.153*	0.113*	0.201**	0.161**
	(0.0881)	(0.0661)	(0.0874)	(0.0656)	(0.0841)	(0.0646)	(0.0869)	(0.0669)
dumJPN	0.826	3.065**	0.266	2.057	0.523	2.324*	0.110	1.647
	(1.050)	(1.375)	(1.017)	(1.307)	(1.065)	(1.346)	(0.920)	(1.249)
dumJPN*	0.483***	0.537***	0.431***	0.465***	0.459***	0.466***	0.397***	0.397***
L.NbSEZ	(0.0783)	(0.0754)	(0.0782)	(0.0757)	(0.0734)	(0.0760)	(0.0761)	(0.0793)
L.lnRLPcit		-0.410		-0.361		-0.429		-0.325
		(0.507)		(0.453)		(0.418)		(0.466)
FTA			1.898***	2.405***			1.778**	2.065***
			(0.666)	(0.779)			(0.652)	(0.655)
BIT					1.444	2.589*	1.307	2.347*
					(1.041)	(1.448)	(0.943)	(1.338)
Constant	-21.53**	-4.515	-23.95***	-7.661	-19.92**	-3.727	-23.28***	-7.334
	(8.967)	(9.596)	(8.224)	(8.941)	(8.532)	(8.036)	(8.083)	(7.932)
Observations	511	753	511	753	511	753	511	753
Number of id	33	42	33	42	33	42	33	42
Nb. instruments	32	32	32	32	32	32	34	34
Arellano-Bond Test (AR (1))	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Arellano-Bond Test (AR (2))	0.759	0.584	0.853	0.884	0.758	0.642	0.824	0.836
Hansen test of overid. restrict.	0.251	0.260	0.293	0.209	0.302	0.317	0.300	0.224

Source: Author's own computation using system GMM. Notes: Robust standard errors are shown in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. The notion ln and l. refer to value in logarithm and lagged value, respectively.

Appendix 4.8. Pooled OLS estimation results for model 2.1 to 2.4 (lnPEexp, lnCapSEZs)

	Dependent variable: lnFDI							
	Model 2.1 (TIP)		Model 2.2 (FTA)		Model 2.3 (BIT)		Model 2.4 (All)	
	(2.1.1)	(2.1.2)	(2.2.1)	(2.2.2)	(2.3.1)	(2.3.2)	(2.4.1)	(2.4.2)
VARIABLES	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP
L.lnFDIict	0.408***	0.524***	0.382***	0.504***	0.388***	0.490***	0.362***	0.473***
	(0.0408)	(0.0319)	(0.0415)	(0.0325)	(0.0414)	(0.0327)	(0.0421)	(0.0331)
L.lnGDPit	1.382***	0.493**	1.323***	0.449**	1.232***	0.438**	1.196***	0.406**
	(0.247)	(0.193)	(0.245)	(0.192)	(0.251)	(0.191)	(0.251)	(0.191)
lnDISci	-1.204***	-0.775***	-0.587	-0.339	-0.966**	-0.685**	-0.295	-0.250
	(0.375)	(0.280)	(0.430)	(0.316)	(0.382)	(0.272)	(0.444)	(0.315)
L.lnTRADEict	0.0391	0.0147	0.118	0.0688	0.0605	-0.0126	0.111	0.0297
	(0.127)	(0.107)	(0.124)	(0.107)	(0.123)	(0.106)	(0.128)	(0.107)
TIP	0.350	0.275					-0.00345	0.0213
	(0.383)	(0.322)					(0.391)	(0.327)
L.lnRLCcit	-0.218		-0.108		-0.218		-0.0691	
	(0.188)		(0.187)		(0.181)		(0.191)	
L.CPriRate	-0.0246	-0.0188	-0.0276	-0.0206	-0.0268	-0.0192	-0.0286	-0.0206
	(0.0330)	(0.0277)	(0.0327)	(0.0276)	(0.0328)	(0.0274)	(0.0326)	(0.0273)
dumCrisis	0.0675	-0.0445	0.0862	-0.0440	0.0285	-0.0588	0.0480	-0.0536
	(0.381)	(0.321)	(0.378)	(0.319)	(0.379)	(0.317)	(0.376)	(0.316)
dBORci	2.577***	1.076	2.887***	1.172*	2.440***	0.884	2.777***	0.979
	(0.879)	(0.691)	(0.878)	(0.688)	(0.874)	(0.685)	(0.876)	(0.684)
RM	0.113	0.932**	0.151	0.897**	0.152	0.710*	0.248	0.714*
	(0.478)	(0.389)	(0.471)	(0.386)	(0.472)	(0.387)	(0.474)	(0.387)
L.LDR	-0.0261**	-0.0174*	-0.0301***	-0.0201**	-0.0192*	-0.0103	-0.0252**	-0.0152
	(0.0113)	(0.00999)	(0.0111)	(0.00971)	(0.0111)	(0.0096)	(0.0114)	(0.01000)
L.lnPEexp	-1.313***	-0.762**	-1.677***	-0.938**	-1.500***	-0.832**	-1.866***	-0.973**
	(0.496)	(0.386)	(0.508)	(0.388)	(0.499)	(0.382)	(0.512)	(0.385)
L.lnCapSEZs	0.0559	0.0599	0.0295	0.0339	0.0560	0.0614	0.0309	0.0375
	(0.0447)	(0.0378)	(0.0452)	(0.0386)	(0.0444)	(0.0374)	(0.0451)	(0.0383)
L.lnRLPcit		-0.226		-0.177		-0.235		-0.162
		(0.157)		(0.154)		(0.151)		(0.156)
FTA			1.563***	1.363***			1.525***	1.216***
			(0.523)	(0.451)			(0.536)	(0.461)
BIT					1.091**	1.437***	1.055**	1.360***
					(0.422)	(0.350)	(0.421)	(0.350)
Constant	-7.030	2.556	-9.329*	0.674	-5.455	3.261	-8.569*	1.023
	(5.164)	(3.946)	(5.144)	(3.952)	(5.051)	(3.849)	(5.185)	(3.948)
Observations	511	753	511	753	511	753	511	753
R-squared	0.577	0.503	0.584	0.509	0.582	0.514	0.589	0.519

Source: Author's own computation using pooled OLS. Notes: Standard errors are shown in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. The notion ln and l. refer to value in logarithm and lagged value, respectively.

Appendix 4.9. FE estimation results for model 2.1 to 2.4 (lnPEexp, lnCapSEZs)

	Dependent variable: lnFDI							
	Model 2.1 (TIP)		Model 2.2 (FTA)		Model 2.3 (BIT)		Model 2.4 (All)	
	(2.1.1)	(2.1.2)	(2.2.1)	(2.2.2)	(2.3.1)	(2.3.2)	(2.4.1)	(2.4.2)
VARIABLES	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP
L.lnFDIict	0.00526	0.0136	0.00740	0.0126	0.00769	0.0126	0.00021	0.00807
	(0.0469)	(0.0377)	(0.0472)	(0.0378)	(0.0471)	(0.0377)	(0.0471)	(0.0378)
L.lnGDPit	2.464*	3.169**	1.433	2.700*	2.481*	3.766***	2.718*	3.416**
	(1.255)	(1.424)	(1.304)	(1.462)	(1.275)	(1.455)	(1.394)	(1.499)
o.lnDISci	-	-	-	-	-	-	-	-
L.lnTRADEict	0.0164	0.171	0.0292	0.185	0.00792	0.164	0.0389	0.192
	(0.169)	(0.133)	(0.172)	(0.135)	(0.170)	(0.133)	(0.172)	(0.134)
TIP	2.025**	1.363*					1.786*	0.932
	(0.797)	(0.704)					(0.932)	(0.813)
L.lnRLCcit	0.589		0.595		0.469		0.579	
	(0.398)		(0.404)		(0.398)		(0.403)	
L.CPriRate	-0.0259	-0.0372	-0.0190	-0.0333	-0.0251	-0.0402	-0.0278	-0.0395
	(0.0315)	(0.0261)	(0.0316)	(0.0262)	(0.0316)	(0.0262)	(0.0317)	(0.0263)
dumCrisis	0.000811	-0.184	-0.0479	-0.208	-0.103	-0.233	-0.0241	-0.205
	(0.337)	(0.270)	(0.338)	(0.270)	(0.337)	(0.270)	(0.337)	(0.270)
o.dBORci	-	-	-	-	-	-	-	-
o.RM	-	-	-	-	-	-	-	-
L.LDR	-0.0351	-0.163**	-0.0196	-0.173**	-0.0194	-0.184**	-0.0509	-0.185**
	(0.102)	(0.0755)	(0.102)	(0.0758)	(0.102)	(0.0762)	(0.102)	(0.0765)
L.lnPEexp	-2.877***	-1.552**	-2.836***	-1.440**	-2.876***	-1.619**	-2.872***	-1.587**
	(1.014)	(0.680)	(1.019)	(0.682)	(1.018)	(0.682)	(1.015)	(0.685)
L.lnCapSEZs	0.0977**	0.0863**	0.0983**	0.0835**	0.102**	0.0875**	0.0936*	0.0784**
	(0.0493)	(0.0378)	(0.0497)	(0.0382)	(0.0494)	(0.0377)	(0.0495)	(0.0382)
L.lnRLPcit		2.926**		3.101**		3.427**		3.283**
		(1.391)		(1.390)		(1.401)		(1.405)
FTA			1.001	0.801			0.158	0.409
			(0.660)	(0.519)			(0.766)	(0.595)
BIT					1.399*	1.355*	1.178	1.189
					(0.785)	(0.721)	(0.788)	(0.727)
Constant	-28.48	-36.47*	-8.249	-26.61	-28.83	-44.74**	-33.23	-39.30*
	(23.30)	(21.66)	(24.37)	(22.50)	(23.67)	(22.17)	(26.20)	(23.24)
Observations	511	753	511	753	511	753	511	753
R-squared	0.079	0.053	0.071	0.051	0.072	0.053	0.083	0.058
Number of id	33	42	33	42	33	42	33	42

Source: Author's own computation using FE. Notes: Standard errors are shown in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. The notion ln and l. refer to value in logarithm and lagged value, respectively.

Appendix 4.10. RE estimation results for model 2.1 to 2.4 (lnPEexp, lnCapSEZs)

	Dependent variable: lnFDI							
	Model 2.1 (TIP)		Model 2.2 (FTA)		Model 2.3 (BIT)		Model 2.4 (All)	
	(2.1.1)	(2.1.2)	(2.2.1)	(2.2.2)	(2.3.1)	(2.3.2)	(2.4.1)	(2.4.2)
VARIABLES	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP
L.lnFDIict	0.408***	0.524***	0.382***	0.504***	0.388***	0.490***	0.362***	0.473***
	(0.0408)	(0.0319)	(0.0415)	(0.0325)	(0.0414)	(0.0327)	(0.0421)	(0.0331)
L.lnGDPit	1.382***	0.493**	1.323***	0.449**	1.232***	0.438**	1.196***	0.406**
	(0.247)	(0.193)	(0.245)	(0.192)	(0.251)	(0.191)	(0.251)	(0.191)
lnDISci	-1.204***	-0.775***	-0.587	-0.339	-0.966**	-0.685**	-0.295	-0.250
	(0.375)	(0.280)	(0.430)	(0.316)	(0.382)	(0.272)	(0.444)	(0.315)
L.lnTRADEict	0.0391	0.0147	0.118	0.0688	0.0605	-0.0126	0.111	0.0297
	(0.127)	(0.107)	(0.124)	(0.107)	(0.123)	(0.106)	(0.128)	(0.107)
TIP	0.350	0.275					-0.00345	0.0213
	(0.383)	(0.322)					(0.391)	(0.327)
L.lnRLCcit	-0.218		-0.108		-0.218		-0.0691	
	(0.188)		(0.187)		(0.181)		(0.191)	
L.CPriRate	-0.0246	-0.0188	-0.0276	-0.0206	-0.0268	-0.0192	-0.0286	-0.0206
	(0.0330)	(0.0277)	(0.0327)	(0.0276)	(0.0328)	(0.0274)	(0.0326)	(0.0273)
dumCrisis	0.0675	-0.0445	0.0862	-0.0440	0.0285	-0.0588	0.0480	-0.0536
	(0.381)	(0.321)	(0.378)	(0.319)	(0.379)	(0.317)	(0.376)	(0.316)
dBORci	2.577***	1.076	2.887***	1.172*	2.440***	0.884	2.777***	0.979
	(0.879)	(0.691)	(0.878)	(0.688)	(0.874)	(0.685)	(0.876)	(0.684)
RM	0.113	0.932**	0.151	0.897**	0.152	0.710*	0.248	0.714*
	(0.478)	(0.389)	(0.471)	(0.386)	(0.472)	(0.387)	(0.474)	(0.387)
L.LDR	-0.026**	-0.0174*	-0.030***	-0.0201**	-0.0192*	-0.0103	-0.0252**	-0.0152
	(0.0113)	(0.00999)	(0.0111)	(0.00971)	(0.0111)	(0.0096)	(0.0114)	(0.01000)
L.lnPEexp	-1.313***	-0.762**	-1.677***	-0.938**	-1.500***	-0.832**	-1.866***	-0.973**
	(0.496)	(0.386)	(0.508)	(0.388)	(0.499)	(0.382)	(0.512)	(0.385)
L.lnCapSEZs	0.0559	0.0599	0.0295	0.0339	0.0560	0.0614	0.0309	0.0375
	(0.0447)	(0.0378)	(0.0452)	(0.0386)	(0.0444)	(0.0374)	(0.0451)	(0.0383)
L.lnRLPcit		-0.226		-0.177		-0.235		-0.162
		(0.157)		(0.154)		(0.151)		(0.156)
FTA			1.563***	1.363***			1.525***	1.216***
			(0.523)	(0.451)			(0.536)	(0.461)
BIT					1.091***	1.437***	1.055**	1.360***
					(0.422)	(0.350)	(0.421)	(0.350)
Constant	-7.030	2.556	-9.329*	0.674	-5.455	3.261	-8.569*	1.023
	(5.164)	(3.946)	(5.144)	(3.952)	(5.051)	(3.849)	(5.185)	(3.948)
Observations	511	753	511	753	511	753	511	753
Number of id	33	42	33	42	33	42	33	42

Source: Author's own computation using RE. Notes: Standard errors are shown in parentheses. * $p <$ 0.1; ** $p < 0.05$; *** $p < 0.01$. The notion ln and l. refer to value in logarithm and lagged value, respectively.

Appendix 4.11. Difference GMM estimation results for model 2.1 to 2.4

(lnPEexp, lnCapSEZs)

	Dependent variable: lnFDI							
	Model 2.1 (TIP)		Model 2.2 (FTA)		Model 2.3 (BIT)		Model 2.4 (All)	
	(2.1.1)	(2.1.2)	(2.2.1)	(2.2.2)	(2.3.1)	(2.3.2)	(2.4.1)	(2.4.2)
VARIABLES	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP	lnRLC	lnRLP
L.lnFDIict	-0.0336	-0.0308	-0.0294	-0.0253	-0.0418	-0.0383	-0.0343	-0.0305
	(0.0517)	(0.0467)	(0.0515)	(0.0466)	(0.0543)	(0.0479)	(0.0512)	(0.0461)
L.lnGDPit	2.521*	3.252*	1.450	2.744	2.560**	3.890**	2.755**	3.482**
	(1.264)	(1.746)	(1.514)	(1.741)	(1.102)	(1.640)	(1.316)	(1.627)
L.lnTRADEict	0.0191	0.182	0.0331	0.195	0.0114	0.176	0.0429	0.203*
	(0.146)	(0.120)	(0.145)	(0.122)	(0.145)	(0.118)	(0.139)	(0.120)
TIP	2.072**	1.407					1.803*	0.936
	(0.899)	(0.851)					(1.014)	(0.968)
L.lnRLCcit	0.598		0.606		0.476		0.588	
	(0.369)		(0.394)		(0.383)		(0.409)	
L.CPriRate	-0.0266	-0.0382*	-0.0193	-0.0339	-0.0259	-0.0415*	-0.0283	-0.0404*
	(0.0312)	(0.0212)	(0.0331)	(0.0221)	(0.0318)	(0.0214)	(0.0329)	(0.0215)
dumCrisis	-0.00175	-0.192	-0.0507	-0.215	-0.110	-0.243	-0.0269	-0.212
	(0.412)	(0.314)	(0.421)	(0.317)	(0.431)	(0.326)	(0.432)	(0.324)
L.LDR	-0.0303	-0.163	-0.0151	-0.174	-0.0130	-0.185	-0.0474	-0.186
	(0.0817)	(0.141)	(0.0851)	(0.136)	(0.0781)	(0.134)	(0.0817)	(0.140)
L.lnCapSEZs	0.100*	0.0883**	0.100**	0.0848**	0.105**	0.0898**	0.0954*	0.0796*
	(0.0502)	(0.0418)	(0.0486)	(0.0412)	(0.0478)	(0.0396)	(0.0476)	(0.0399)
L.lnPEexp	-3.005***	-1.639*	-2.955***	-1.509	-3.039***	-1.721*	-2.983***	-1.660*
	(0.877)	(0.909)	(0.896)	(0.899)	(0.901)	(0.898)	(0.873)	(0.900)
L.lnRLPcit		2.991*		3.161**		3.525**		3.356**
		(1.600)		(1.548)		(1.582)		(1.585)
FTA			1.046	0.844			0.190	0.450
			(0.823)	(0.533)			(0.896)	(0.621)
BIT					1.458	1.422	1.213	1.235
					(1.222)	(1.117)	(1.101)	(1.011)
Observations	478	711	478	711	478	711	478	711
Number of id	33	42	33	42	33	42	33	42

Source: Author's own computation using difference GMM. Notes: Standard errors are shown in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$. The notion ln and l. refer to value in logarithm and lagged value, respectively.

APPENDIX FOR CHAPTER 5

Appendix 5.1. Interview schedule for foreign investors

	Question	Probes	Others
Section one: Introductory remarks			
A1	My name is CHUOP Theot Therith, a PhD student at Waseda university. I have worked for investment promotion agency (IPA) in Cambodia.		Self-introduction
A2	I would like to express my sincere thanks for your time for this interview.		Acknowledge-ment (Thanks) the interviewee.
A3	I am interested in studying the factors of FDI attractiveness in Cambodia.		Purpose of study
A4	The interview is the most important of the study. It helps me to understand the interviewee's perspectives on the investment environment and opportunity in Cambodia, or their investment experiences in Cambodia. The finding will be shared with the university, academician, and relevant government officers which they would make use of this paper for the works or policy consideration.		The usage of Information and finding.
A5	The interview will take around an hour.		Administrativ e Information
Section two: The body			
	Warm-up question		
B1	How long have you invested/operated your business in Cambodia?		
B2	What is your investment characteristic/profile? Please briefly provide your business information.		Cue: company name, nationality, investment activities, year of registration, investment capital, land

			size, work force
	Transition statement		
	Central questions		
Ci.1$_{i}$	Which source of information is most useful and what kind of information is difficult for firms to obtain? [How do you know about information regarding investment opportunity in Cambodia?]	When did your first know or hear about investment opportunity in Cambodia? From whom? Where? Did you think the information you received is enough and/or reliable? Why? If not, what did you do to have more information you need for making investment decision?	
Ci.1$_{ii}$	How do you think about the investment promotion made by CDC in attracting FDI?	Do you think the information provided by CDC is useful and/or sufficient for your decision? Do you think the CDC affects the investment decision? Why and why not?	
Hypothesis1: CDC, through its marketing activities such as workshop, seminar, meeting, web site, social media, and other public relation concerning information dissemination and promotion of investment in Cambodia, is a source of information for foreign investors' decision.			
Ci.2	Why did you choose to enter Cambodia? What motivated you to invest in Cambodia?	Are there any other reasons or push and pull factors?	Cue: abundance of labor force, labor cost, location, preferential trade scheme,

			low incidence of natural disaster, +1 strategy, diversify risks, investment promotion agency…
Hypothesis2: Economic determinants, in particular the abundance of unskilled labor and lower labor cost, are the leading significant factors in attracting FDI into Cambodia.			
$Ci.3_i$	Did anyone help you file for registration/investment application?	Who? Was this person affiliated with any organization? Did anyone else help? In what way?	
$Ci.3_{ii}$	What was the process of investment application like (how do you think about the process of investment application in Cambodia)?	- How was the process of your investment application (well/smoothly/ timely, meet expectation/ satisfaction)? - What do you think about time, required documents, approval mechanism for an investment application?	Cue: the clarity of information provision on procedure, time, required documents, unusual payment, inconsistency in rules, any other barriers.
$Ci.3_{iii}$	How do you feel about the investment facilitation provided/coordinated by CDC?		
$Ci.3_{iv}$	What did the CDC as well as the Royal Government of Cambodia provide your company that you found particularly helpful?	What are the challenges and opportunities of investing in Cambodia? How did the government help	- Cue: financial or non-financial incentives, aftercare services,

		you in that journey?	investment guarantee, government-private sector forum…
Hypothesis3: Investment facilitation including promotion effort and government's supports has played an important supporting role in encouraging or discouraging FDI expansion and indirectly influencing new inward FDI as well.			
Ci.4$_{i}$	Why did you choose to locate inside SEZ?		C6 cue: address your key constraints, one-stop service, special custom procedures, cluster effects, readily available supporting infrastruc-tures…
Ci.4$_{ii}$	How do you compare between investment inside and outside SEZ?	What are the advantages and disadvantages between SEZ and non-SEZ locations	
Hypothesis4: SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia due to provision of supporting infrastructure and special procedure.			
Ci.5	What benefit did you take from the treaties related to investment provision (TIP) which Cambodia is a part of those TIPs?		
Hypothesis5: Treaties with investment provisions has association with FDI inflow in Cambodia.			
Ci.6	What do you think about Cambodia investment policy including (1) investment entry and liberalization, (2) investment incentives, (3) investment promotion and facilitation	- How is investment entry and liberalization (prohibited/ope	

	mechanism, and (4) investment protection and retention?	n sectors, equity participation, ownership)? - What about investment incentives (CIT rate, tax holiday, tax reduction…)? - What do you think about investment promotion and facilitation mechanism such as investment procedure, approval mechanism, one-stop service, after care services (administrative services, operational services and strategic services)? - How is the investment protection and retention regulations and actual practices (expropriation, transfer, dispute settlement…)?	
Additional questions toward Cambodian investment policy perspective.			
Ci.7$_i$	What was your impression of Cambodia when you decided to invest		

	in Cambodia? Compared to then, what is your impression of Cambodia now?		
Ci.7ii	How has your operations grown in Cambodia over the years?		Cue: production capacity, employees, exports, investments, expansion plan…
Ci.7iii	Overall, is your company satisfied with operating in Cambodia?	If yes, what factors are your company particularly impressed with?	Cue: generous incentive packages, labor productivity, willingness to work hard, strong government's commitment to reform…
	Transition statement		
	Cool-down questions		
D1	What would you propose for better improvement?		
D2	Thank you so much for speaking to me about the investment environment and opportunity, and your experience in Cambodia. My impression is that you feel X, Y, and Z is the key potential determinant of FDI in Cambodia for x, y, and z reasons. Am I on the right track?		
	Transition statement		
Section three: Closing remarks			
E1	Finally, I would like to say thank you again for agreeing to speak to me today. If you have any other questions or comments or further information, please feel free to contact me.		

Appendix 5.2. Interview schedule for foreign investors

	Question	Probes	Others
Section one: Introductory remarks			
A1	My name is CHUOP Theot Therith, a PhD student at Waseda university. I have worked for investment promotion agency (IPA) in Cambodia.		Self-introduction
A2	I would like to express my sincere thanks for your time for this interview.		Acknowledge-ment the interviewee.
A3	I am interested in studying the factors of FDI attractiveness in Cambodia.		Purpose of study
A4	The interview is the most important of the study. It helps me to understand the interviewee's perspectives on the investment environment and opportunity in Cambodia, or their investment experiences in Cambodia. The finding will be shared with the university, academician, and relevant government officers which they would make use of this paper for the works or policy consideration.		The usage of Information and finding.
A5	The interview will take around an hour…		Administrativ e Information
Section two: The body			
	Warm-up question		
B1	How long have you worked for your organization?		
B2	What kind of foreign investors you have been working with?	- Did you find any common characteristics among investors - What are those common characteristics?	Cue: their nationality, investment activity, their nature and interesting (motive: resource-seeker, market-seeker

			or efficiency seeker)
	Transition statement		
	Central questions		
$C1_i$	How do you think about the investment promotion made by CDC in attracting FDI?	Do you think the information provided by CDC is useful and/or sufficient for your decision? Do you think the CDC affects the investment decision? Why and why not?	
$C1_{ii}$	What do you think about the expense on investment promotion activities/public relation [in attracting FDI into Cambodia]?		
	Hypothesis1: CDC, through its marketing activities such as workshop, seminar, meeting, web site, social media, and other public relation concerning information dissemination and promotion of investment in Cambodia, is a source of information for foreign investors' decision.		
$C2_i$	What factors/reasons do you think that have attracted FDI into Cambodia? Why foreign investors have decided to invest in Cambodia?	- Could you tell me a bit more about the reason or factor "…" that you have just mentioned? - Are you able to provide some examples regarding to that reason? - What else do you think that are also potential elements in attracting FDI?	Cue: - Abundance of labor force, labor cost, location, preferential trade scheme, low incidence of natural disaster, +1 strategy, diversify risks, investment promotion agency… - Economic condition, Business

			facilitation, Policy framework for FDI, MNE strategies - O, L, I
$C2_{ii}$	What factors keep away foreign enterprises from investing in Cambodia.		Cue: Inefficiency of governance, Lack of national image building to change bad perception of FDI to Cambodia
Hypothesis2: Economic determinants, in particular the abundance of unskilled labor and lower labor cost, are the leading significant factors in attracting FDI into Cambodia.			
$C3_{i}$	What is the process of investment application like (how do you think about the process of investment application in Cambodia)?	- In practice, how was the actual process of an investment application (well/smoothly/ timely, response to investors' expectation/ satisfaction)? - What do you think about time, required documents, approval mechanism for an investment application?	Cue: the clarity of information provision on procedure, time, required documents, unusual payment, inconsistency in rules, any other barriers.
$C3_{ii}$	How do you feel about the investment facilitation provided/coordinated by CDC?		
$C3_{iii}$	What did the CDC as well as the Royal Government of Cambodia provide foreign investors that you		- Cue: financial or non-

	found particularly helpful for them?		financial incentives, aftercare services, investment guarantee, government-private sector forum…
Hypothesis3: Investment facilitation including promotion effort and government's supports has played an important supporting role in encouraging or discouraging FDI expansion and indirectly influencing new inward FDI as well.			
$C4_i$	What do you think about SEZ?	- Why foreign investors decided to locate in SEZ, not outside? - What impact does SEZ have on the investment decision? - What did you find between SEZs having different land size? - How do you compare between SEZ development using different capital value?	
$C4_{ii}$	How do you compare between investment inside and outside SEZ?	What are the advantages and disadvantages between SEZ and non-SEZ locations (why some FDIs located inside SEZs and some	

		not)?	
Hypothesis4: SEZ mechanism has a crucial effect on FDI inflow into and across Cambodia due to provision of supporting infrastructure and special procedure.			
C5	What do you think about treaties with investment provisions (TIP) for Cambodia?		
Hypothesis5: Treaties with investment provisions has association with FDI inflow in Cambodia.			
C6	What do you think about Cambodia investment policy including (1) investment entry and liberalization, (2) investment incentives, (3) investment promotion and facilitation mechanism, and (4) investment protection and retention?	- How is investment entry and liberalization (prohibited/open sectors, equity participation, ownership)? - What about investment incentives (CIT rate, tax holiday, tax reduction…)? - What do you think about investment promotion and facilitation mechanism such as investment procedure, approval mechanism, one-stop service, after care services (administrative services, operational services and strategic services)?	

		- How is the investment protection and retention regulations and actual practices (expropriation, transfer, dispute settlement…)?	
Additional questions toward Cambodian investment policy perspective			
	Transition statement		
	Cool-down questions		
D1	What ideal measure/future action should be taken for improving Cambodia's investment environment?		
D2	Thank you so much for speaking to me about the investment environment and opportunity, and your experience in Cambodia. My impression is that you feel X, Y, and Z is the key potential determinant of FDI in Cambodia for x, y, and z reasons. Am I on the right track?		
	Transition statement		
Section three: Closing remarks			
E1	Finally, I would like to say thank you again for agreeing to speak to me today. If you have any other questions or comments or further information, please feel free to contact me.		

Appendix 5.3. Within case analysis (in-depth interview with foreign investment firms)

Case 1/FDI-1. This project was approved and received the final registration certificate (FRC) as a qualified investment project (QIP) in 2013. It is a Japanese firm operating in the manufacturing of automobile parts. It is a subsidiary of its group, which was established in Japan in 1949. The investment capital is 9.4 million USD employing 324 workforces and using a land size of 100,000 square meters located in the Royal Group Phnom Penh SEZ (RGPP-SEZ).

(1) The primary source of information was provided by the consultant and business development department of its group (parent company), together with an investment dissemination seminar conducted in Japan by Cambodian Government (CDC) delegates.

(2) The essential factors that led to selecting Cambodia for their investment destination are as follows:

- The base factory in Thailand has reached its full production capacity. It is to receive a new production line from Japan, so the company must expand and transfer some of its production lines, especially semi-automated production lines, to neighboring countries with low labor costs (e.g., Cambodia). This would be said of the "Thailand plus one" strategies, which was initially made a push factor looking at MNC strategies' perspective and followed by a pull factor referring to location and labor cost advantages of the host country.
- Cambodia is situated between Bangkok (Thailand) and Ho Chi Minh (Vietnam), which is easy to import materials from and export parts to those countries, especially the base factory in Thailand.
- Cambodia has an abundance of low-cost laborers while increasing labor costs in Thailand.

(3) For applications to use public services of relevant Ministries, the company always applies through the Zone Administration, which has representatives from almost all those relevant Ministries. There is no direct response to the question in relation to investment application and facilitation matters; however, the company explained that its business operation in Cambodia has started from the first stage and is currently growing to the third stage. 2013-2015 was just a start-up period, and the project started with a small labor force (only 45 persons), using small machinery, and renting a factory/building. Then, it expanded production and established its own factory during 2016-2018. From 2019 to the present, the project has become self-reliant by processing parts, not just import-assemble-export, as it did during the first two stages. Such growth is likely due to the better facilitation of the CDC and relevant agencies providing trust for this foreign firm.

(4) The company found that SEZ is a good location for their investment since SEZ provides necessary infrastructures and one-window services consisting of representatives of government agencies (e.g., customs officers stand by in SEZ and work on site)

The company did not provide substantial information to reflect the expected hypotheses for subjects (5) and (6). *They just said that "we do not have a comment on this area" and "we have not much idea regarding investment policy other than the benefit from tax incentive"* in response to the subject (5) and (6), respectively.

For future improvement, the firm said that it would be more helpful if a representative from the general department of taxation could permanently work at SEZ like other government agencies. They encourage the government to take further care of the private sector and strengthen transparency, including administrative services (time and follow-up mechanism).

Appendix 5.3.1. Summary results of hypotheses tests for Case 1

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1		✓		
Hypothesis 2	✓			
Hypothesis 3	✓			
Hypothesis 4	✓			
Hypothesis 5				✓

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant.

Case 2/FDI-2. The project was officially established as QIP in 2011 and is owned by a Japanese investor operating in the manufacturing of auto-wire harnesses. It is in the exact location as the FDI-1 above on a land area of 29,385 square meters with an investment capital of 18 million USD.

(1) To receive comprehensive information about investment opportunities in a destination country, the company has conducted its own research focusing on labor cost and availability, infrastructure condition, and other factors and making a comparative analysis as a basis of its decision.

(2) The main reason for choosing Cambodia is the cheaper and competitive labor cost since it is a labor-intensive industry employing many workforces, starting from 1,544 persons in 2011 to 4,500 persons in 2022 (triple increase). Before coming to Cambodia, the company was established in Thailand for 20 years and expanded to Vietnam and the Philippines, where the labor cost was cheap, but later it increased sequentially. That is the motivation of FDI-2 to invest in Cambodia. The minimum wage in Cambodia is increasing, and it will still be competitive if the increase is reasonable and keeps lower than that of neighboring countries. Otherwise, Cambodia will no longer be attractive in terms of labor costs. In addition to this favorable factor, the presence of SEZ is another influencer encouraging the company to select Cambodia.

(3) Discussing application procedure and facilitation for investment. This enterprise is satisfied with the one-stop-service mechanism. However, they are not

comfortable with the logistics and transport delays. It costs and wastes their time and production due to the shipment of the material component from suppliers in Vietnam to Cambodia, and exporting products to the market through Ho Chi Minh port is allowed only once a week, given the lack of available space and logistics. This is considered an inefficiency in trade facilitation and cooperation between the two countries. Other facilitation performances still need higher progress, seemingly not much change. However, the company has been positively impressed with its business operation in Cambodia. It has been growing from plan 1 (just a pilot investment as they needed more confidence with low education of labor) to plan 3 already (with a threefold increase of workforce) because the laborers are trainable and can increase the productivity and quality of work after training.

(4) SEZ is attractive for this company as they can enjoy the special procedure and services: *"SEZ has one-stop office service where we can request various applications with the fast process*."

(5) The fifth subject, there is no specific view on the treaties with investment provisions.

(6) Regarding the investment policy, it is good, especially the tax incentives (tax holiday and import exemption). However, the incentive for investment expansion is complex for them to apply and distinguish between plans 1, 2, and 3.

Finally, the FDI-2 suggests promoting clusters by inviting and encouraging suppliers abroad that supply materials/components (vertical FDI) to the existing FDI in Cambodia to invest/expand their business to Cambodia.

Appendix 5.3.2. Summary results of hypotheses tests for Case 2

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2	✓			
Hypothesis 3		✓ (1)		
Hypothesis 4	✓			
Hypothesis 5				✓

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. (1) Some provisions of services/facilitation were viewed positively, while some need improvement.

Case 3/FDI-3. This case is an American company set up in Cambodia in 2013 in RGPP-SEZ. Its activity is diamond polishing employing 1,507 workforces with a capital value of 11 million USD. The factory was built on a land area of 40,524 square meters. The project is expanding its land size, investment capital, and workforce.

(1) The principal source of information is based on the company's own survey in some countries, including Laos, Indonesia, Cambodia, and India.

(2) The motives for undertaking the FDI in Cambodia are the following (both pull and push factors).

Pull factors:

- The young workforce is an important rationale for this labor-intensive firm as it operates in diamond manufacturing. The cost of labor is another thing, but it is not a serious consideration (higher than some of Vietnam's locations but lower than Thailand's).
- Ideal location and proxy to Vietnam.
- Friendly regulations
- One-stop service and PPSEZ (currently RGPP-SEZ)

Push factors: reduce the geographical risk, avoid putting all money in one basket, and prevent any storm by establishing multiple locations. This is the company's strategy in response to external factors.

(3) The FDI-3 feels inconvenient with the application processes of some government agencies in providing services to investors, and their current facilitation still needs further improvement. For instance, the process still consumes much time without a proper tracking system; it requires dealing with many connections and has much backwardness during the process of an application. Sometimes even a tiny thing, but it takes much time. The above inactivity may refer to some relevant government agencies rather than the CDC, as the interviewee was impressed that the overall process under the CDC's responsibilities is smooth and acceptable. However, it is sometimes challenging to approach the right person. Positively remark, the project has been growing and expanding, an almost three-time increase compared to the beginning.

(4) The SEZ is attractive for this FDI since the infrastructure needed for investment has been developed and provided in SEZ. It is a safe location as the security system and the guard is fully guaranteed in the zone while the company is dealing with the high-value product (diamond), the company can get all support from the zone administration (one-stop-service), and PPSEZ is just situated in 10 km distance from the Phnom Penh International Airport (PPIA) because its light products are more comfortable to transport by airway, rather than seaport/maritime.

(5) The respondents have a weak view of the investment agreement and related international provisions.

(6) The policy framework and regulations for FDI are friendly and good enough. The important thing is that the implementation must be consistent in rules.

The FDI-3 has suggested that the CDC update its website by uploading the most recent and comprehensive information related to investment from the CDC and all relevant Ministries (MISTI, MoC, MLVT, MME, MoE, MEF, GDT, GDCE). At least linking to the targeted pages of those Ministries' websites. The CDC should benchmark the best practice of procedures for investment application and administrative services of other countries around Cambodia and prepare a regular schedule and precise content of policies and regulations related to investment to share with all investors through conducting onsite presentations by CDC experts.

Appendix 5.3.3. Summary results of hypotheses tests for Case 3

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2	✓			
Hypothesis 3	✓ (1)			
Hypothesis 4	✓			
Hypothesis 5				✓

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. (1) Investment application process and facilitation is inconvenient and negatively significant. This needs more improvement.

Case 4/FDI-4. This is another Japanese investor and a big foreign company in Cambodia producing small-size motors. It was established in 2011 in the RGPP-SEZ on a land size of 200,000 square meters. The company employed 8,265 workers. The investment capital for the first stage is 54.9 million USD, which is currently expanded to the third stage.

(1) The source of information of the company toward the final decision was mainly based on their own study conducted by a research team. The firm's representative said, *"The company has formed a team to study investment environments and opportunities in three countries including Cambodia, Laos, and Vietnam. The team spent three years studying and visiting Cambodia"*. In addition to the technical team's research, the Management of the company has built good connections with government officials and had the honor to meet the Prime Minister to introduce the company and seek strategic guidance.

(2) Finally, the company has decided to invest in Cambodia, not Laos or Vietnam. The reasons for choosing Cambodia are:

- Cambodia has a shared border with Thailand where the main company locates. Myanmar had no friendly laws and regulations, and Laos had no Seaport, which is difficult to export; therefore, the companies did not choose, even though the two countries share a border with Thailand. For Vietnam, the company found it hard to compete with similar companies in Vietnam, and it seems to be a currency risk as this country requires investors to exchange currency for Vietnamese dong. At the same time, Cambodia is a dollarization country using and accepting investment capital in the US dollar.
- The availability of manpower with low labor cost. Wages in Laos and Myanmar are relatively lower than that in Cambodia, but they are not preferable destinations given the reasons provided above.
- Cambodian people are generally honest, and the workers are trainable.
- The government provides excellent cooperation and special treatment for the company. For example, the government provided a privilege to the company to operate a monopoly business in its applied investment activities

within a specific period by setting a sunset clause and the right to transport across Cambodia-Thailand without changing trucks, which saves time around 3 to 4 hours. Such special treatment is in addition to the incentives stipulated in the law.

(3) Investment application requires quite a lot of documents and a bit of a long process with many phases crossing relevant government agencies. So far, paperless and online applications have yet to be available. Hence, the company always asks the agency to proceed with all applications, except for the master list, including production expansion, board of directors changing, and so forth, as it is more efficient, more accessible, and the work habits of Japanese firms in using the agency. Meanwhile, the FDI-4 has satisfied and appreciated the government facilitation both during the pre-establishment and post-establishment by providing special treatment as above mentioned and allowing the company to establish its own electricity sub-station in complementing power supplied by the PPSEZ because this project uses much electricity.

(4) The FDI-4 inside SEZ dues to the provision of supporting infrastructures in the zone, e.g., the electricity supply is better than outside SEZ, the power outage is also lower than outside ones, and the existence of one-stop-services implemented and coordinated by the zone administration (SEZA). For instance, SEZA plays an efficient role in tackling some matters of investors in the zone (such as application delays) because some government agencies seem not to care and listen to the private sector.

(5) and (6) The domestic investment policies and international agreements that Cambodia has and is part of are currently not in concern and much consideration for the company. At the same time, the FDI-4 suggested that Cambodia should focus more on policy promoting linkage and local suppliers as currently, most of the materials are imported, consuming much time and cost.

Appendix 5.3.4. Summary results of hypotheses tests for Case 4

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2	✓			
Hypothesis 3	✓			
Hypothesis 4	✓			
Hypothesis 5			✓	

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant.

Case 5/FDI-5. The firm is originally from the USA. It received the QIP status in 2015 producing the international standard candy (Mocati with 3 popular flavors, Caramel, Mocha Mint, and Espresso). The value of investment capital is 1 million USD using an area of 7,674 square meter in RGPP-SEZ. Number of employees is 79 persons.

(1) The firm knew of the investment opportunity in Cambodia when senior Management of its parent company in the USA attended a seminar with Leopard capital about frontier markets.

(2) The reasons in choosing to enter Cambodia are as follows:

- The firm wanted to be somewhere with less development with fewer competitors.
- The firm wanted to be somewhere that allowed for 100% foreign direct investment.
- The firm wanted to be somewhere with an economy rapidly growing and like the people seem open to learning and growing.
- The firm wanted to expand the business in ASEAN, India and China, Cambodia is in the middle.

(3) Regarding the investment application and process, it was found as uncomplicated and desirable, while some challenges in relation to transparency should be addressed. For instance, the company expressed that *"the process of the application is easy, but it was very concerned about the corruption and bribery, therefore the company did the extra homework to ensure it does not affect them".* When filing for registration, the firm used American lawyer, Brad Gordon, Edenbridge Asia Law firm, and Khmer local staff of FDI-5.

Discussing about the investment promotion and facilitation, the CDC should consider faster coordinating and pushing for more effective of the One Window Service includes e-payments and digital submission for the public services toward faster approval of those services such as issuing investment license, master list of items requested by the company, and so on. A statement of the company: *"Generally, it is good and acceptable. However, if the process and duration are faster and shorter that would be excellence"*. It is expected to receive the benefits offered by an effective implementation of the new Law on Investment.

(4) SEZ is the best location for their investment due to the following reasons:

- Safety and Security
- Some services in package are available includes infrastructures
- Long-term lease
- Status of the land/properties e.g., hard title
- It reduces the firm's exposure to the corruption.
- There is significantly more uncertainty outside the SEZ (e.g., property rights, electricity, infrastructure.)
- Business in SEZ is much more stable than business outside of the SEZ.

(5) The company does not care about the international investment agreements (IIAs) by saying that *"we did not get any advantage from investment agreements"*.

(6) The FDI policy is good, but the matter is implementation to be consistent in rules and coordination among various government agencies to be faster and more effective.

Overall, the company was satisfied for the most part with its operation in Cambodia. The company has developed new products and they are increasingly successful. However, Cambodia should further reduce the cost of electricity as it is

still higher than other countries, improve governance, clarify tax law, and law on investment and make labor law to be more business friendly.

Appendix 5.3.5. Summary results of hypotheses tests for Case 5

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2		✓ (1)		
Hypothesis 3		✓ (2)		
Hypothesis 4	✓			
Hypothesis 5			✓	

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. (1) The economic determinants are the main reasons but mainly focus labor wage since the company seems more care about trainability and willingness to learn of the people. (2) It is generally acceptable but remains some concern about governance.

Case 6/FDI-6. The source of this FDI is from the British Virgin Island with a large value of capital, 140.4 million USD operating in the garment sector. It is a quite recent project established in 2019 located in RGPP-SEZ using a big space of 413,067 square meters. The employed staff and workers are 11,036 in total.

(1) Simple information was received through news in public media such as the open market of Cambodia. To obtain the detailed and actual information, the top management team has visited Cambodia to meet and check with the government agencies about the investment opportunity, situation, and process, especially the economic and social determinants including labor cost, infrastructure and transportation, local situation, and safety. Some people have introduced friends in Cambodia and the team has also discussed and received additional information from them.

(2) Case 6 has had three base factories in China and Hong Kong for more than ten years with a total capital of 1.5 billion USD. The company wanted to expand more business in other countries by conducting site visits and research in Vietnam, Myanmar, Bangladesh, Cambodia, and Indonesia. Among these surveyed locations, Cambodia was the one among the selected three countries, based on the following decisive factors:

- The low labor cost in Cambodia is most suitable for this garment-industry FDI which needs a lot of labor forces. However, the minimum wage in Cambodia has been increasing for the last several years leading to increased cost of business and decreased competitiveness. Facing this situation, the company has tried to reduce costs from other operations and find more effective solutions to save costs such as upgrading the machines.

- Reliability and the existence of close relationships between host and home (base) FDI countries.
- Social situation and safety for foreign investors.
- Global market and duty free for exporting to Canada, EU, as well as other ASEAN countries. Currently, it has a bit of a challenge to the EU market because of EBA matters, but it remains good for the UK market.
- Transportation is near.

(3) The process of investment application is better compared to the previous time using high cost and time consuming. The company employed some local people/friends to help in filing the application because the company has no power and does not know the detailed policy and procedures, then if the firm applies directly to the CDC/relevant Ministries, it will waste a lot of time. For the investment facilitation, it seems to be easy to communicate with the government officers if they know each other, then they will provide flexible way to support the company, e.g., approval of the master list. In receiving the updated information related to investment policy and business operation, the FDI-6 has been aware of or contacted the Garment Manufacturers Association in Cambodia (GMAC), public media and sometimes, the CDC.

(4) The FDI-6 has operated inside SEZ since the zone developer can provide a big land as needed while it is difficult to find such big land with a long lease contract even though it is a bit more expensive than outside SEZ. Provisions of special procedure, security control, and infrastructure, including electricity and water treatment, are the important reasons for investing inside SEZ.

(5) The treaties with investment provisions would provide more benefits for this FDI in addition to the existing preferential markets that Cambodia has received (GSP, EBA).

(6) The investment policy including liberalization, incentive, facilitation, and protection is good substance/written for encouraging investment.

In short, the company feels 90% satisfied in operating business in Cambodia, especially working with CDC, however, it remains costly and difficult to talk with some government agencies (custom officers).

Appendix 5.3.6. Summary results of hypotheses tests for Case 6

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2	✓			
Hypothesis 3		✓ (1)		
Hypothesis 4	✓			
Hypothesis 5		✓		

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. (1) The company is satisfied with the most parts in operating business in Cambodia, especially working with CDC, however, it remains some challenges regarding investment facilitation which needs to be improved.

Case 7/FDI-7. This case was approved as a qualified investment project in 2015 operating in the manufacturing of automobile seat parts located in Sanco PoiPet SEZ, Banteay Meanchey province. Its owner is Japanese investing with a capital value of 8 million USD employing 328 workers.

(1) The enterprise knew about Cambodia through its Japanese partner /friends operating similar/cluster products and was already established in Cambodia.

(2) There are two principal reasons this investor decided to invest here: richness of unskilled laborers with low cost and location in Cambodia-Thailand border which is easy for transporting to the base factory in Thailand.

(3) The respondents were not able to share much information regarding investment application, promotion, and facilitation. The respondent just informed that *"I was not the local manager at that time, so I'm not sure about the process of investment application and I don't know much about the current activities connecting to investment facilitation"*.

(4) The company decided to enter SEZ as the zone developer helps facilitate connecting the electricity and prepare documents for export which would be less difficult than investing outside the zone. However, the water treatment plant was built by the company itself.

(5) and (6) The company found that incentive policy is helpful for investors, but they don't have a strong view on other matters of investment policy as well as the benefit from the investment agreements.

The company is growing and satisfying with its business operation in Cambodia as the export is increasing and the number of employments has been increased from 60 to 200, and to 300 workers as of April 2022. The growth would be significantly happened from the increase of order or demand driven, rather than because of the government effort/performance. The firm wished to see the presence of SEZ Administration like other SEZs and more support from the zone developer.

Appendix 5.3.7. Summary results of hypotheses tests for Case 7

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2	✓			
Hypothesis 3				✓
Hypothesis 4		✓ (1)		
Hypothesis 5				✓

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. (1) SEZ developer just helps facilitating but there is no zone administration yet.

Case 8/FDI-8. This is a Thai firm established in Cambodia in 2012 operating in the garment sector. Its investment capital is 6 million USD generating 4318 employments. The case is located in Poi Pet O' Neang SEZ, Banteay Meanchey.

(1) To understand well about Cambodia, the firm has firstly contacted Thai Industry Ministry and then the relevant Cambodian Ministries as well as agency and zone developer. A team has formulated to do research and collect information through its representatives in Laos, Vietnam, and Thai and visiting Cambodia.

(2) This foreign firm has decided a location for their investment destination upon discussion and agreement with their main customer based on some specific criteria including abundance of labor force and low wage, ease of importing production inputs and exporting products to market with preferential tariffs. The manager of this subsidiary (Cambodia) explained that *"Our parent company in Thailand wanted to expand business to other countries by discussing with Nikkei who is our main buyer whether it will be profitable to invest in Cambodia by considering the potential factors of this country including* ***labor supply and cost*** *as Thai people do not want to continue working for low wage in low value-added industry,* ***low risk of currency exchange, sufficiency and regular import of materials*** *from suppliers in Thailand to Cambodia, and export condition* ***with preferential treatment (GSP, EBA) and at border location*** *with on-time export distance. Based on the above cost and benefit analysis, if the main buyer agrees to make an order contract for a reasonable period (e.g., five years or longer), then our parent firm has finally decided to expand investment in Cambodia".*

(3) The process of investment application was not difficult, but it took much time, required a lot of documents for many different Ministries, and sometimes needed unofficial payment. Thus, when filing for registration, the firm used agencies and asked for support from the zone developer. Anyway, it is expectedly much better as the new law on investment entered into force and online application is currently taking place. In respect to investment facilitation, the firm found it is useful as the government through the national employment agency (NEA) has supported in providing training and selecting employees as well as workers for the company.

Additionally, GMAC has been fully supported and provided good cooperation from the government.

(4) The purpose of locating in SEZ are to be in a group rather than staying alone, sharing information among the FDIs in the zone, process for export and transport the products in package together with others to reduce the cost of transportation and logistics, and the SEZ where the firm located in is easy to recruit workers and export the products.

(5) Existence of TIP or IIAs is advantageous, but it would not affect this firm in the absence of these agreements.

(6) This FDI is interested in investment incentives rather than other provisions of Cambodian investment policy and regulations.

Lastly, the firm rated its satisfaction in operating business in Cambodia 4 over 5 (or 80%). If needed, they will recommend their foreign friends to consider Cambodia, but be prepared with a lot of homework as well as facing some challenges.

Appendix 5.3.8. Summary results of hypotheses tests for Case 8

Hypotheses	Fully agreed**	Partly agreed	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2	✓			
Hypothesis 3		✓ (1)		
Hypothesis 4		✓ (2)		
Hypothesis 5			✓	

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. (1) the government has some supports and facilitations for investors, but it still needs further reform in respect to governance matters. (2) Poi Pet O' Neang SEZ does not provide some infrastructures (e.g., water treatment plant) and has no one-stop service yet but it is still an attractive place for this FDI due to other reasons.

Case 9/FDI-9. The enterprise was established as QIP in 2014. It is a Japanese investor producing shoes using investment capital of 1.8 million USD and generating 119 employments. The factory was built on the land size of 6,900 square meters in Tai Seng Bavet SEZ, Svay Rieng province.

(1) Case 9 received information about Cambodia and the detailed investment opportunity in this country through the Garment Manufacturers Association in Cambodia (GMAC), the Japanese Business Association of Cambodia (JBAC), and the Japan External Trade Organization (JETRO).

(2) The enterprise was operated in China, but due to the price increase (wage, food, house, and other services), the FDI-9 decided to move out and Cambodia was chosen as it has young labor supply with lower cost. However, it is challenging with the annual increase of minimum wage within several years and the non-compliance with

working contracts from workers (they immediately quit at any time they want, so, the firm must spend time and money on recruiting and training new workers. Such a problem has happened more frequently). Compared to China, the workers are more productive, and the cost can be reduced by using technology instead. Moreover, location distance and transportation cost to the market are also important influencing factors. In fact, the cost of importing materials and production inputs from China to Cambodia is high and the cost of exporting the products from the Cambodia location to Japan market is more expensive than that from its previous location in China to the same market. This may lead to reconsideration for relocation of this company. Therefore, it would be the key effective solution to promote local supply and properly manage the future increase of minimum wage as well as labor disciplines based on balancing between labor costs and their productivity.

(3) The process of investment as well as promotion activities were not substantially informed by the firm, but they wanted the government and the CDC to take care of investment facilitation and governance including reducing or eliminating rule-inconsistency payment and other inactive matters.

(4) On site one-stop services is the advantageous asset of SEZ to attract this foreign firm and other FDIs as well to locate inside the zone rather than outside location. Furthermore, this SEZ (Tai Seng Bavet SEZ) is at the border to Vietnam which is easy for transporting from/to Japan through Ho Chi Minh port.

(5) and (6) The firm has no significant views on the existence of treaties with investment provisions and perspectives towards Cambodian investment policies.

Appendix 5.3.9. Summary results of hypotheses tests for Case 9

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2	✓			
Hypothesis 3	✓ (1)			
Hypothesis 4	✓			
Hypothesis 5				✓

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. (1) Poor facilitation leading to discourage investment expansion or continuation. It is most significant and has a substitute sign of association.

Case 10/FDI-10. This is also a Japanese firm entitled the QIP status in 2017 and located in the same location of FDI-9. Its investment capital is around 3 million USD operating in the garment sector and generating 1,602 places of employment. It uses a land area of 5,000 square meters.

(1) Three main sources of information the company depended on for their decision: i) the Japanese owners operating business in China, Indonesia, and Vietnam, ii) its Japanese friends investing in Cambodia, and iii) a top management official of the CDC who was fully helpful, friendly, and supported.

(2) The key important reasons to invest in Cambodia are low labor cost compared to Indonesia and neighboring countries, and trust in the CDC with a full support from its top official that made this foreign investor feel warm and safe.

(3) Looking at the process of investment application, it is acceptable in terms of time and required documents. The firm received good facilitation services from the CDC, including preparing and filing for registration, and recently the great effort from the government in providing full sets of vaccinations for Covid-19 to the workers. This allows the company to still operate its production safely without concern.

(4) SEZ is the most convenient location for the company since it provides one-stop-service under the zone administration, security control, infrastructures (water, electricity…), and the support from zone developers. If investing outside the zone, the firm may spend more money for those services and infrastructures. Additionally, the zone is at the border to Vietnam together with suggestions from the CDC that the firm totally believes in.

(5) and (6) No substantial discussion about the investment treaties and policy.

Remarkably, the firm was impressed that it was the right decision to enter Cambodia. For instance, recently, because of the effective measure and action of the government against Covid-19 and the crisis in Myanmar, the buyers in Japan have ordered more products from Cambodia. It is noticeable that the attractive factor of young and low labor cost would be no longer competitive due to three situations: i) Cambodia towards labor shortage – the firm has previously recruited only workers over 20 years old, but now even workers over 40 years old the company could not find just for additional 300 workers, ii) continuously increase of annual minimum wage – to get more workers the firm has to spend more higher than before while the productivity of labor remains the same compared to the last 8 years and stays lower than that in Vietnam. The attitude of workers needs to be positively changed, not working just for month-ending to get the salary without willing to improve capacity and increase productivity.

Appendix 5.3.10. Summary results of hypotheses tests for Case 10

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1		✓		
Hypothesis 2	✓			
Hypothesis 3	✓			
Hypothesis 4	✓			
Hypothesis 5				✓

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant.

Case 11/FDI-11. It is another Japanese FDI producing electric wire harness. It was established in 2012 and is also located in Tay Seng SEZ, Svay Rieng province using 15,000 square meters of land size. The investment capital is 3 million USD, and the number of employees/workers is 249.

(1) The firm mainly got information from the JBAC.

(2) Two main reasons for entering Cambodia: abundant young labor force and low wage, and transportation to neighboring countries. However, as of now, the minimum wage has tripled, making it difficult to secure a labor force. Thus, it has become less attractive in terms of investment.

(3) For the first filing for registration, the company used a consultant company called FOVAL. Zone administration is the important focal point for facilitating investor's applications and requests.

(4) SEZ was chosen because processing including various applications can be requested within the zone (one-stop-service) and infrastructure was better developed.

(5) The company has not been considered about the international investment agreements (IIAs). They said that *"we have not yet benefited from the investment agreements"*.

(6) The Case 11 seemly did not like to clearly express their view on the investment policy regarding investment liberalization, incentive, facilitation and protection. However, they just mentioned that *"the company is being deprived of its strength due to rising wages and expenses associated with Cambodia's economic growth, I think it will be difficult to attract other industries without expanding tax cuts other than the garment industry"*. This could be explained that it would be better that Cambodia should have favorable policy for other targeted sectors, e.g., electric manufacturing, which is a potential sub-sector for Cambodia, and it is an investment activity that his company is operating in through providing tax preferential treatment. However, the response is not explicitly enough to justify their assessment on Cambodian investment policy.

Currently, it is challenges for the company due to rising of wage (expense on workers' salary has been up 10% every year while the sale price remains stable), increase of logistic cost (traffic congestion, shipment to Vietnam was delayed one to

two weeks every time), and rapidly economic growth leading to increase salary and inflation. This has made the profit margin lower and lower from year to year.

Appendix 5.3.11. Summary results of hypotheses tests for Case 11

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2	✓			
Hypothesis 3		✓		
Hypothesis 4	✓			
Hypothesis 5			✓	

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant.

Case 12/FDI-12. This FDI was firstly established in 2006 in Manhattan SEZ (Svay Rieng province) under two different names from 2006-2011 and 2011-present. It is Taiwanese firm producing bicycles. The number of employees/workers is 1,776 persons and investment amount is around 2.5 million USD. The factory was built on a land area of 7,000 square meters.

(1) The company first received information from the representative of the Cambodian Ministry of Commerce (commercial councilor) to Ho Chi Minh and entered Cambodia through a former high government officer.

(2) Before entering Cambodia, the firm had already operated in Taiwan and Vietnam. Subsequently, it decided to expand to Cambodia because Cambodia has a shared border with Vietnam, low labor wage and preferential treatment from the EU through everything but the arm (EBA) scheme as its main exporting destination is the EU.

(3) The company did not seem to care much about the process of investment application as they just left it to the CDC official in preparing and processing its application for investment registration. Later, for any application related to their business operation, they use the SEZ Administration which is a good one-stop service as well as an effective facilitation mechanism consisting of representatives from almost all government agencies.

(4) The existence of onsite one-stop services is the main reason for this company to invest in SEZ.

(5) and (6) The respondents seem to have no significant views on the investment policy, while they pointed out the importance of the EBA scheme for their company rather than TIP or IIA. The partially withdrawing the EBA scheme from Cambodia does not affect bicycle products.

Appendix 5.3.12. Summary results of hypotheses tests for Case 12

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2	✓			
Hypothesis 3		✓		
Hypothesis 4	✓			
Hypothesis 5			✓	

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant.

Case 13/FDI-13. The thirteenth FDI was quite recently established in 2018 in GIGA Resource SEZ, Svay Rieng province. It is a Chinese firm operating in manufacturing of lamp, cable, and carton box with the investment capital of 2 million USD and generation of 1,892 employments. Its land size is 30,000 square meters.

(1) Her friend who is a shoe making company's owner is her first main source of information about Cambodia. She was told about the investment opportunities of the country regarding the Generalized System of Preferences (GSP), labor and tax policy. Then, she visited Cambodia four time in 2011 to check the labor cost, supply chain and other conditions here. She had conducted a site visit at GIGA and other SEZs to see what services those SEZs can provide her.

(2) The principal motivation to invest in Cambodia is due to this country received the generalized system of preferences (GSP). She said that *"their customers can have GSP preferential tariff duties if they import their product from Cambodia".*

(3) The company does not really understand the process of investment application and has no comment on investment promotion and facilitation, while they do not even know the CDC. The required documents are a bit complicated. Filing and processing applications have been made through GIGA SEZ as it is very new for the company. However, it was a fast process for their document registration.

(4) SEZ is the most attractive location for the company due to the existence of one-stop-services, special custom procedures, and more safety for factory security. In particular, the GIGA was chosen as it locates in Bavet where a better place is to export to US market rather than from Phnom Penh, it situates near the labor resources than other SEZs in Bavet, and it is a big and well-known company in Thailand.

(5) She just simply viewed that the international investment agreements (IIA) can provide benefits for investors by saying that *"IIA can reduce production cost due to no or lower import/export tariff duties".* This refers to FTA and PTA rather than IIA in general since the statement focused on tariff duties.

(6) Cambodian investment policy in her point of view is good enough.

Overall, she is satisfied with the business operation in Cambodia as it is in good growth of production and export while increasing demand and order from the US.

With this satisfaction, the firm also requested the government to minimize unnecessary audits by unrelated government personnel, provide high-quality labor, especially production middle-level management, ensure a permanent solution regarding union problems because so far there were many strikes, and strengthen governance.

Appendix 5.3.13. Summary results of hypotheses tests for Case 13

Hypotheses	Fully agreed**	Partly agreed*	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2		✓ (1)		
Hypothesis 3			✓	
Hypothesis 4	✓			
Hypothesis 5		✓		

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant. (1) GSP scheme is the main reason, but not leading by labor factor.

Case 14/FDI-14. The last FDI was set up in 2016 in Sihanoukville SEZ, Preah Sihanouk province, using a land area of 45,093 square meters. Chinese is the owner operating in manufacturing of plywood with an investment amount of around 10 million USD. It generates 671 numbers of employment.

(1) The first and main source of information is based on a friend's advice.

(2) Low labor cost is also a key motive of this FDI. Other reasons are the friendliness of Cambodian people, the close relationship between the two countries, and a country with less development and fewer competitors.

(3) No strong view and comment about investment application, promotion, and facilitation.

(4) This case is in SEZ because of the existence of one-stop services, and Sihanoukville SEZ was chosen as it is near the deep seaport and zone developer is Chinese.

(5) and (6) The firm did not know or strongly care about investment policy as well as any international agreements which Cambodia is a part of.

Shortly, the firm is happy with its business operation in Cambodia and the quantity of export has been increasing as the market demands.

Appendix 5.3.14. Summary results of hypotheses tests for Case 14

Hypotheses	Fully agreed**	Partly agreed	Disagreed	No sufficient data to prove
Hypothesis 1			✓	
Hypothesis 2	✓			
Hypothesis 3			✓	
Hypothesis 4	✓			
Hypothesis 5			✓	

Notes: ** Fully agreed means that it is most significant. * Partly agreed refers to moderately significant.