

Chapter 3

Measuring the Competitiveness of Cambodia

In the context of globalization, competitiveness has become the main concern for all countries in order to achieve high growth and prosperity. The definitions and sources of competitiveness have been interpreted in different ways, depending on its many dimensions. The World Economic Forum thinks of competitiveness as a collection of factors, policies and institutions which determine the level of productivity of a country and that, therefore, determine the level of prosperity that can be attained by an economy⁴.

The most well-known and comprehensive tools for a cross-country competitiveness comparison have been the models developed by the World Economic Forum (WEF) and by Professor Michael E. Porter⁵. The former is known as the Growth Competitiveness Index (GCI) which puts emphasis on the ability of a nation to grow through its macroeconomic environment, public institutions and technology. The latter is recognized as the Business Competitiveness Index (BCI), which tries to assess national competitiveness from a country's business environment.

Cambodia was not included in the above two competitiveness indexes until this year for various reasons, with data collection being one of the major problems. This year is the first time that Cambodia has introduced both indexes - thanks to the partnership between the WEF and the Economic Institute of Cambodia (EIC). This chapter attempts to translate the ranking of Cambodia using the two competitiveness indexes. It also attempts to highlight Cambodia's competitive position vis-à-vis its partner countries.

The other five countries, Bangladesh, China, Indonesia, Thailand and Vietnam, were selected for the competitiveness benchmarking in this chapter, being Cambodia's main competitors. Vietnam and Thailand are Cambodia's neighboring countries as well as its main trading partners. Bangladesh and Indonesia have similar development profiles as Cambodia, while China was selected due to the size of its large economy and its vast influence on Cambodia's garment industry. The presentation of the competitiveness benchmarking follows the concepts proposed by the WEF and by Prof. Michael E. Porter.

⁴ Global Competitiveness Report 2005-2006, (page 3)

⁵ The author of 17 books and over 125 articles, Prof. Michael E. Porter has been recognised as the world's leading expert on strategies for competitiveness. He leads the Institute for Strategy and Competitiveness at Harvard Business School.

3.1. The Growth Competitiveness Indexes of the World Economic Forum

3.1.1. Ranking of Cambodia's Growth Competitiveness

Cambodia's average score of 2.82 places its competitiveness into the 112th position among the 117 countries assessed this year by the World Economic Forum. The country's poor performance is the result of the low scores given to the three components of the Growth Competitiveness Index, with particular note on its low quality of public institutions. In general, the three subcomponents of Cambodia's index were rated around 3, well below the average score which is 4 (1: the least competitive, 7: the most competitive).

With competitive disadvantages in almost all areas, Cambodia is, according to the assessment of the WEF, notably competitive for its stable inflation and real effective exchange rate in 2004. This is maybe largely due to the country's dollarized economy.

Table 3.1: Growth Competitiveness Index for 2005 (Selected Countries)

	GCI		Macroeconomic environment Index		Public Institutions Index		Technology Index	
Country	Rank	Score*	Rank	Score*	Rank	Score*	Rank	Score*
Finland	1	5.94	4	5.52	5	6.19	2	6.02
United States	2	5.81	23	5.07	18	5.77	1	6.19
Singapore	6	5.48	1	5.82	4	6.25	10	4.93
Japan	12	5.18	42	4.40	14	5.84	8	5.24
Thailand	36	4.50	26	4.94	41	4.88	43	3.69
China	49	4.07	33	4.61	56	4.41	64	3.18
Indonesia	74	3.53	64	3.89	89	3.58	66	3.13
Vietnam	81	3.37	60	3.96	97	3.43	92	2.72
Bangladesh	110	2.86	83	3.43	117	2.55	101	2.06
Cambodia	112	2.82	104	3.04	114	2.90	105	2.51
Paraguay	113	2.80	102	3.07	112	2.97	111	2.35
Benin	114	2.74	101	3.08	110	3.06	116	2.09
Guyana	115	2.73	113	2.77	109	3.01	112	2.34
Kyrgyz	116	2.62	115	2.62	115	2.89	113	2.34
Chad	117	2.37	114	2.67	116	2.64	117	1.80

Source: World Economic Forum, *Global Competitiveness Report 2005-2006*, September 2005

* 1: the least competitive, 7: the most competitive

Compared to its neighboring countries, Cambodia performs worse than Thailand, Vietnam and Bangladesh, which are ranked respectively 36th, 81st and 110th. The only five less competitive countries than Cambodia are Paraguay, Benin, Guyana, Kyrgyz Republic and Chad. Finland is ranked the most competitive country this year followed by the United State, according to the WEF.

Box 3.1: How the Growth Competitiveness Index is constructed?

The **Growth Competitiveness Index (GCI)** has been developed by the World Economic Forum in collaboration with Professors Jeffrey Sachs and John McArthur, and was first introduced in the Global Competitiveness Report 2001-2002.

The GCI is structured from three pillars, which are: the quality of macroeconomic environment, the quality of public institutions and the role of technology in the development process, all of which are considered as the main engines of a country's growth. The three pillars are brought together in the three subindexes of the GCI: the **"Macroeconomic Environment Index"**, the **"Public Institutions Index"** and the **"Technology Index"**. The assessment of the three sub-indexes is based on a combination of publicly available hard data and on data from the survey – which is conducted every year in February/ March by the WEF and their partner institutes in each respective country.

Macroeconomic stability, the country's credit risk and government waste are considered when assembling the Macroeconomic Environment Index. The Public Institutions Index is composed of 2 subindexes: Contract and Law Subindex and Corruption Subindex. It incorporates private concern for accountability, transparency, efficiency and the rule of law.

The roles of technology innovation, technology transfer and national information, communication and technology (ICT) are considered in the Technology Index. The index tries to capture the aspect of growth from the importance given to technology in different countries. Technological innovation might be relatively more important in developed countries than in developing countries, which rely mainly on technology transfer from abroad. The WEF has, therefore, grouped those studied countries into two different groups: the core economies (those for which technological innovation is critical for growth), and non-core economies (countries which can still grow by adopting technologies developed abroad). The separation between the two groups is made by taking into account the number of registered US utility patents (patents for innovations) each country has per capita in recent years.

Source: *Compiled from the Global Competitiveness Report 2005-2006, WEF*

3.1.2. Macroeconomic Environment

Cambodia's macroeconomic environment ranks 104th, with a score of 3.04. Cambodia still lags behind in establishing a sound, predictable and sustainable macroeconomic environment which contributes to business and investor confidence.

Cambodia's macroeconomic environment is perceived to be among the least stable. Hard data reveals that the average interest rate spread between typical lending and deposit rates in Cambodia was as high as 15.8 percent, while the government deficit reached 6.1 percent of GDP in 2004. In addition, the country's trade deficit has become an important challenge that the Cambodian government must pay attention to. It has been increasingly significant within the last few years, reaching almost 16 percent of GDP in 2004. However, it should be noted that the general perception of the

country's economy for the forthcoming year (2005-2006) is more or less optimistic, receiving an average score of 4.1 (1: will likely be in a recession, 7: will have strong growth). In the mean time, the Economic Institute of Cambodia projects a 5 percent GDP growth rate for 2005, indicating a similar modest optimism.

Besides the country's macroeconomic uncertainty, Cambodia is still considered one of the world's riskier countries to invest in. Cambodia's country credit rating in 2004 ranked 107th out of 117 countries. Investors to this day prefer investing in less precarious countries and if investment is made, a high rate of return is required.

Furthermore, Cambodia's government waste, ranked 70th, is seen as more or less wasteful by a large proportion of the sampled firms. Though there is no quantitative assessment of the usefulness of Cambodia's public spending the assessment of the WEF would, however, provide an insight into the effectiveness of public spending from the business people's view point.

Table 3.2: Macroeconomic Environment Benchmarking

	Macroeconomic Environment Index		Macroeconomic Stability Subindex		Government Waste		Country Credit Rating	
Country	Rank	Score*	Rank	Score*	Rank	Score*	Rank	Score*
Thailand	26	4.94	9	5.37	17	4.32	42	4.7
China	33	4.61	27	5.02	44	3.45	37	4.96
Vietnam	60	3.96	34	4.8	52	3.24	73	3.01
Indonesia	64	3.89	56	4.51	40	3.58	75	2.94
Bangladesh	83	3.43	67	4.36	85	2.68	86	2.3
Cambodia	104	3.04	100	3.78	70	2.94	107	1.68

Source: World Economic Forum, *Global Competitiveness Report 2005-2006*, September 2005

* 1: the least competitive, 7: the most competitive

Out of the 6 benchmark countries, Cambodia has the least favorable macroeconomic environment, although the business community is somewhat optimistic about the country's economy in the short-term. The country's relative weakness focuses on the high government deficit, high lending-borrowing interest rate spread, low country credit rating and difficulty in acquiring business credit. Despite

small amounts, the business community has noted that government spending in Cambodia remains more useful than government spending in Bangladesh.

The government's objective to reduce the poverty rate to 19.5 percent by 2015⁶ is unlikely to be met, although the Cambodian government has declared war against poverty. The Executive Opinion Survey 2005 shows that the government effort to reduce poverty and address income inequality is perceived insufficient while Vietnam is believed to be the fastest mover in this area among the 6 benchmarking countries, followed by Thailand and China.

3.1.3. Public Institutions

The quality of Cambodian public institutions is ranked 114th out of the 117 countries covered in the assessment of the WEF.

Table 3.3: Public Institutions Benchmarking

	Public Institution Index		Contract and law Subindex		Corruption Subindex	
Country	Rank	Score*	Rank	Score*	Rank	Score*
Thailand	41	4.88	42	4.48	46	5.28
China	56	4.41	62	3.74	50	5.08
Indonesia	89	3.58	66	3.66	103	3.49
Vietnam	97	3.43	64	3.71	111	3.16
Cambodia	114	2.90	102	2.91	115	2.89
Bangladesh	117	2.55	104	2.88	117	2.22

Source: World Economic Forum, *Global Competitiveness Report 2005-2006*, September 2005

* 1: the least competitive, 7: the most competitive

Cambodia's public institutions are no doubt among the world's worst and again, are comparable only with Bangladesh, which occupies the bottom position of the Public Institution Index. It is relatively weak in two areas: contract and law enforcement and governance/transparency, which are believed to negatively affect the country's business operations.

Concerning contract and law enforcement, the judiciary is seen as hardly independent from external influences. Receiving a favorable judicial decision usually requires unofficial extra payments (a form of corrupt practice), according

⁶ Cambodian Millennium Development Goals

to a large proportion of the top business executive survey. In addition, the legal framework is reported inefficient for private businesses to settle disputes or challenge the legality of the government's actions, unlike Thailand, China, Vietnam and Indonesia, whose legal frameworks have been improving and contributing to the country's competitive edge. Government decision making, particularly in connection with awarding public contracts, is not seen as neutral, but one which significantly favors a small group of connected powerful people. Property rights protection is another weak area, which requires durable efforts to be reinforced.

Corruption has been judged pervasive in Cambodia. It has currently become a serious and sensitive issue. Both the Investment Climate of the World Bank (released in August 2004) and the Executive Opinion Survey 2005 suggest that corruption is the most problematic factor for businesses in Cambodia. The corruption index by the WEF assesses Cambodia as the third most corrupt country (among the 117 countries) before Chad and Bangladesh – the only bottom countries in the list of the Corruption Index. Unofficial payment is very common in order to receive satisfactory public services. In other words corruption is believed most pervasive in connection with import and export permits, tax collection, awarding of public contracts and obtaining favorable judicial decisions.

3.1.4. Technology

In terms of technology, Cambodia is ranked 105th out of 117 countries, with a score of 2.51. This low score is connected particularly to the country's inability for innovation and the government's failure in promoting the use of ICT for higher productivity.

As a non-core economy, innovation is not an important source of technology in Cambodia, with technology transfer coming through FDI. Usually, companies in Cambodia do not spend heavily on research and development. Neither do they have good business collaboration in R&D with local universities, which causes Cambodia's level of technological readiness to lag far behind other countries.

It must be noted that the government of Cambodia understands the importance of ICT in accelerating the economic growth but fails to promote it. Indeed, the National Information Communication Technology Development (NIDA) has been established with the objective to improve and strengthen the country's ICT system but due to limited resources, it is not likely to play a significant role in promoting the use of ICT in Cambodia. As a result, only a small proportion of the population has access to the internet or telecommunication services. According to data for 2003, the internet user rate is 25 per 10,000 inhabitants, while the telephone line user rate is 0.3 per 100 inhabitants. Moreover, laws relating to the use of ICT are practically non-existent in Cambodia.

Cambodia is ranked last compared to the other benchmark countries. Thailand moves pretty fast in the area due to its strong ability in absorbing new technology. Not surprisingly, Cambodia's most negative assessment is its innovation capacity and the use of ICT to increase productivity.

Table 3.4: Technology Benchmarking

	Technology Index		Innovation Subindex		Technology Transfer Subindex		ICT Subindex	
Country	Rank	Score*	Rank	Score*	Rank	Score*	Rank	Score*
Thailand	43	3.69	43	2.72	5	5.33	51	2.7
China	64	3.18	75	2.15	43	4.47	60	2.48
Indonesia	66	3.13	80	2.05	23	4.95	85	2.04
Vietnam	92	2.72	88	1.87	69	3.92	86	2.04
Bangladesh	101	2.60	105	1.61	59	4.01	112	1.73
Cambodia	105	2.51	110	1.49	68	3.97	113	1.67

Source: World Economic Forum, *Global Competitiveness Report 2005-2006*, September 2005

* 1: the least competitive, 7: the most competitive

Companies in Cambodia are observed to lack aggressiveness in absorbing new technology. The level of the country's technological readiness is, more or less, behind the other countries, including Bangladesh. The lack of companies spending on research and development (R&D) and business collaboration with universities are seen as the other two significant weakness, preventing Cambodia from higher productivity growth.

The use of ICT has been marked as another comparative disadvantage for Cambodia. Internet access at school seems to be very limited compared to the other partner countries, except Bangladesh. The law related to the use of ICT is arguably neither well-developed nor enforced, while competition among internet service providers is seen as not sufficiently intense to ensure high quality, infrequent interruptions and low prices.

Beside the remarkable disadvantages in innovation capacity and the use of ICT, technology transfer through foreign direct investment (FDI) is perceived to be one of Cambodia's lesser disadvantages. Cambodia's technology transfer index is one rank better than Vietnam but lagging behind the other benchmarking countries. At this point, the question remains that "to what extent technology can be transferred to Cambodia through new FDI?" as recent data presents the

decrease in FDI inflow at the mature stage of the boom in the garment and hotel industries in Cambodia.

3.2. The Business Competitiveness Index of Prof. Michael E. Porter

3.2.1. Ranking of Cambodia's Business Competitiveness

When considering business competitiveness, the United States is the most competitive country, gaining first position in the Business Competitiveness Index by Prof. Michael E. Porter. It is followed by Finland, which is more competitive in terms of growth ability, according to the WEF.

Table 3.5: Business Competitiveness Index for 2005 (Selected Countries)

Country	BCI	Company Operation & Strategy	Quality of National Business Environment	2004 GDP Per capita (PPP-adjusted)
United States	1	1	2	39,498
Finland	2	9	1	29,305
Singapore	5	14	5	26,799
Japan	8	3	10	29,906
Thailand	37	35	37	28,172
Indonesia	59	50	59	9,666
China	57	53	58	5,642
Vietnam	80	81	77	2,570
Bangladesh	100	99	101	1,875
Cambodia	109	103	107	2,074
Chad	116	116	116	1,555

Source: World Economic Forum, *Global Competitiveness Report 2005-2006*, September 2005

Cambodia is ranked 109th out of the 116 countries in the Business Competitiveness Index (BCI) by Prof. Michael E. Porter. This rank implies that Cambodia's microeconomic foundation is too weak to yield competitive companies in the international markets. There is a link between the way a company operates in Cambodia and the quality of the country's national business environment. Unfavorable business conditions make Cambodia noncompetitive to Bangladesh, Vietnam, China, Indonesia and China.

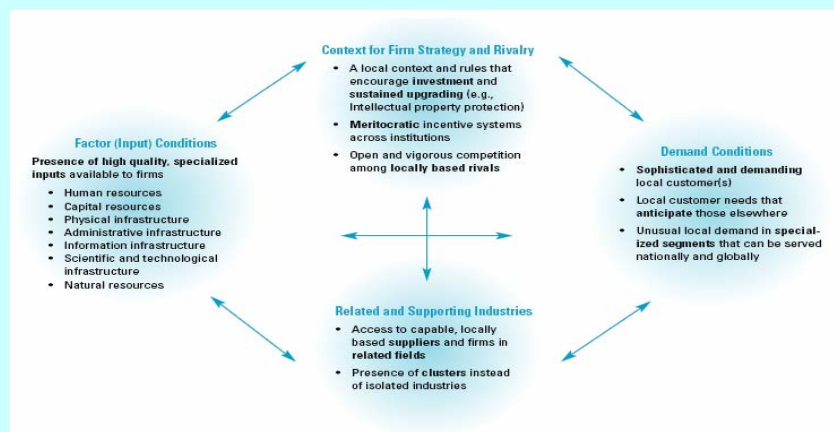
Notable competitive advantages from the BCI are: degree of customer orientation, extent of staff training, foreign ownership restriction and centralization of economic policymaking. In contrast, weaknesses remain due to foreign control of international distribution and marketing, unsophisticated production processes, poor quality of local supplier quantity and the lack of scientists and engineers.

Box 3.2: The Microeconomic Foundations of Prosperity

According to Prof. Michael E. Porter, competitiveness is measured by productivity, which is believed to be the source of prosperity. The productivity of a country is ultimately set by the productivity of its companies, meaning that a country is competitive, only when its companies are competitive. Based on this idea, Prof. Michael E. Porter has given the importance to the microeconomic foundations for productivity.



The microeconomic foundations for productivity rest on two interrelated areas, which are the sophistication with which companies operating in the country compete and the quality of the microeconomic business environment in which they operate. According to Prof. Michael E. Porter, the first refers to the fact that companies in a nation must upgrade their ways of competing if successful economic development is to occur, while the second can be understood in terms of four interrelated areas: the quality of factor (input) conditions, the context for firm strategy and rivalry, the quality of local demand conditions and the presence of the related and supporting industries. The four areas are very well-known as the diamond theory of national competitive advantage.



Due to the complexity of the competitiveness notion, measuring competitiveness is challenging. The **Business Competitiveness Index (BCI)** has been proposed and used by Prof. Michel E. Porter to evaluate the competitiveness performance. The index is released every year in the Global Competitiveness Report of the WEF and it is constructed from measures drawn primarily from the Executive Opinion Survey. Several factors, grouped into the two main areas, are taken into account when structuring the index.

Source: Compiled from the Global Competitiveness Report 2005-2006, WEF

3.2.2. Company Operation and Strategy

Cambodia's company operations and strategies is globally ranked 103rd. Competitiveness of Cambodian firms is derived primarily from natural resources, while about 70 percent of the surveyed companies believed that exporting companies in Cambodia are, most likely, involved in resource extraction. One should note that, there has been to an alarming degree, the deterioration of national natural resources due to over resource extraction within the past decade. Without proper natural resource management and reforms, Cambodia's natural resources risk being diminished and unable to serve as a source of long-term competitiveness.

A large proportion of the sample companies feel that access of exported Cambodian products to the international market is limited to only a small number of foreign markets and usually international distributions and marketing takes place through foreign companies. Marketing is another weak area for companies operating in Cambodia.

At the company level, production process is perceived by as many as 83 percent of the surveyed companies to use labor-intensive methods rather than advanced technology for efficiency. Yet, management professionalism and incentive compensation seem to receive a higher score than the other criteria considered in this section.

Taking into account indicators related to company operations and strategies, companies in Cambodia seem to perform slightly better than in Bangladesh. Both countries have comparably relative strengths and weaknesses in certain areas, while Thailand seems to be the superior out of the 6. Vietnam, China and Indonesia are moving forward in one way or another.

Although companies in Cambodia are believed not able to pursue the best strategy to be competitive on the international market, they would be inclined to upgrade their strategies if an opportunity was available or in other words, when the quality of the national business environment is improved.

3.2.3. Quality of National Business Environment

According to the Business Competitiveness Index of Prof. Michael E. Porter, the quality of Cambodian Business Environment ranks 107th out of 116 countries, which is linked largely to the unavailability or poor quality of its infrastructures and supporting industries.

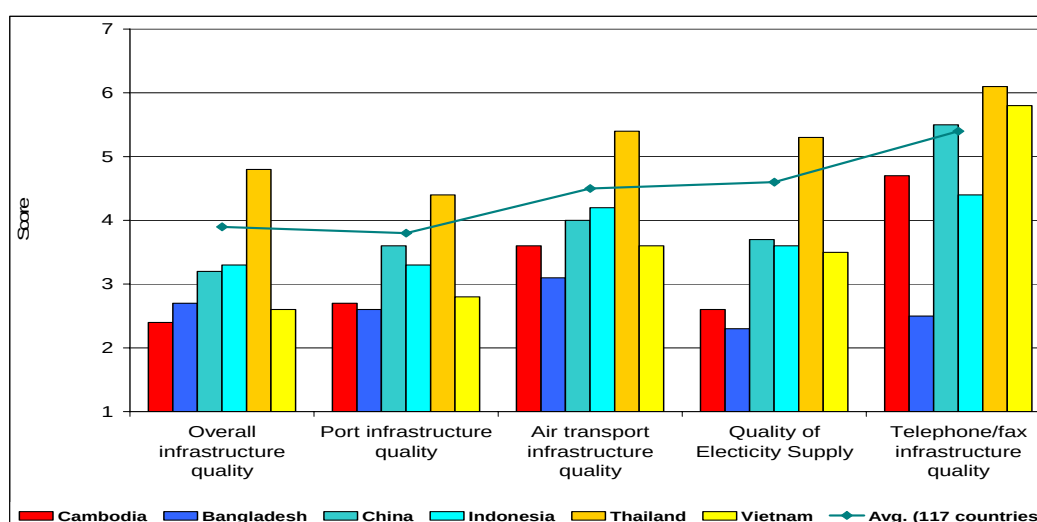
The quality of the Cambodian business environment is viewed to be worse than that of Thailand, Indonesia, China, Vietnam and Bangladesh. Doing business in 2006 of the World Bank indicates that the cost of starting a business in Cambodia is approximately 276% of income per capita. The definite disadvantage of Cambodia's

business environment results from the poor performances in the areas related to Porter's four components for the national competitive advantage, which are input conditions, demand conditions, related and supporting industry and context for firm strategy and rivalry. It has been observed that input conditions and supporting industry are relatively weak among the four components.

Factor (input) Conditions

Unarguably, Cambodia has a poor physical infrastructure. The majority of companies are not satisfied with the quality of the country's physical infrastructure, which forces them to increase their input costs. In general, business people do not trust the country's postal system nor the national railroad system. In addition, the country's electricity supply is seen to be of poor quality causing it to be an extra burden on business competitiveness.

Figure 3.1: Physical Infrastructure Benchmarking

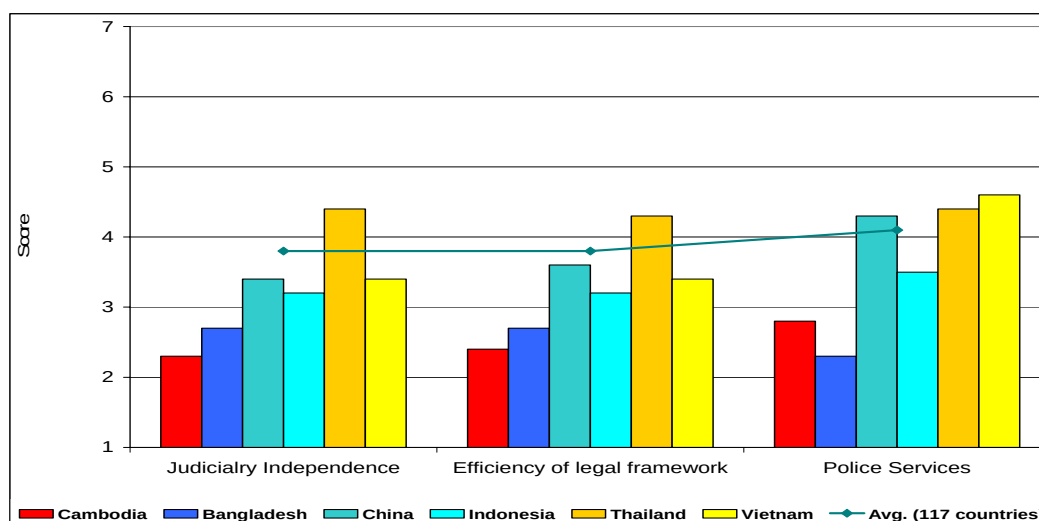


Source: World Economic Forum, *Global Competitiveness Report 2005-2006*, September 2005

Port facilities and inland waterways are relatively underdeveloped; mobile telecommunication technology is widely considered as comparable to the world's most developed.

In general, Cambodia's physical infrastructure is considered the worse of the perceived average for all the studied countries (117). Port facilities and inland waterways are relatively underdeveloped but telecommunication technology is considered acceptable. Thailand possesses the best physical infrastructure among the 6 countries followed by China. Cambodia's physical infrastructure is somewhat comparable with Bangladesh but improvements need to be made to equal Vietnam.

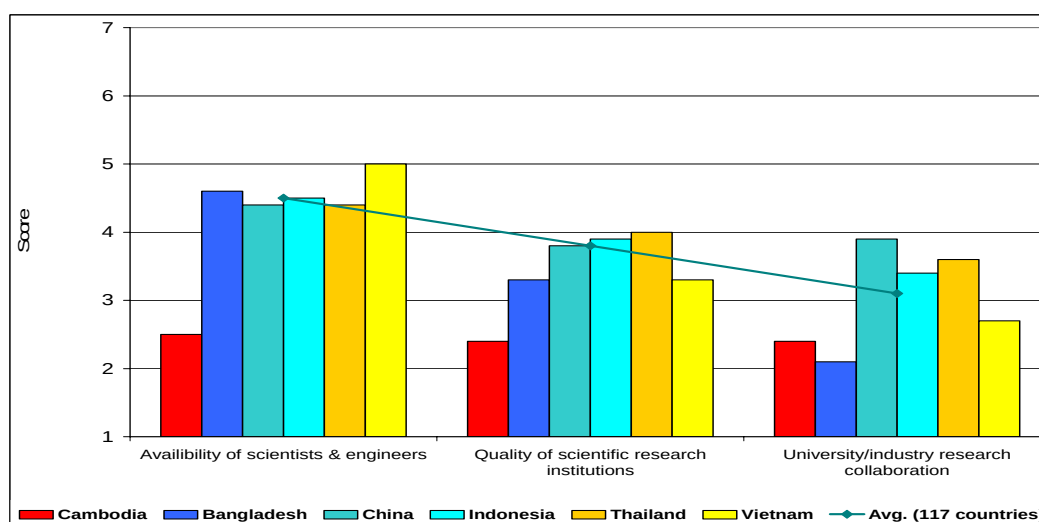
Figure 3.2.: Administrative Infrastructure Benchmarking



Source: World Economic Forum, Global Competitiveness Report 2005-2006, September 2005

Cambodia's administrative infrastructure is in a more serious situation. The country's administrative infrastructure is rated very poor with the average score being lower than many other countries in the study. Business people feel that the Cambodian judiciary is not sufficiently independent from undue influence, while the legal framework and police services are too weak to provide protection. These two areas score well below Bangladesh. Cambodia's police service is considered somewhat more reliable than that of Bangladesh.

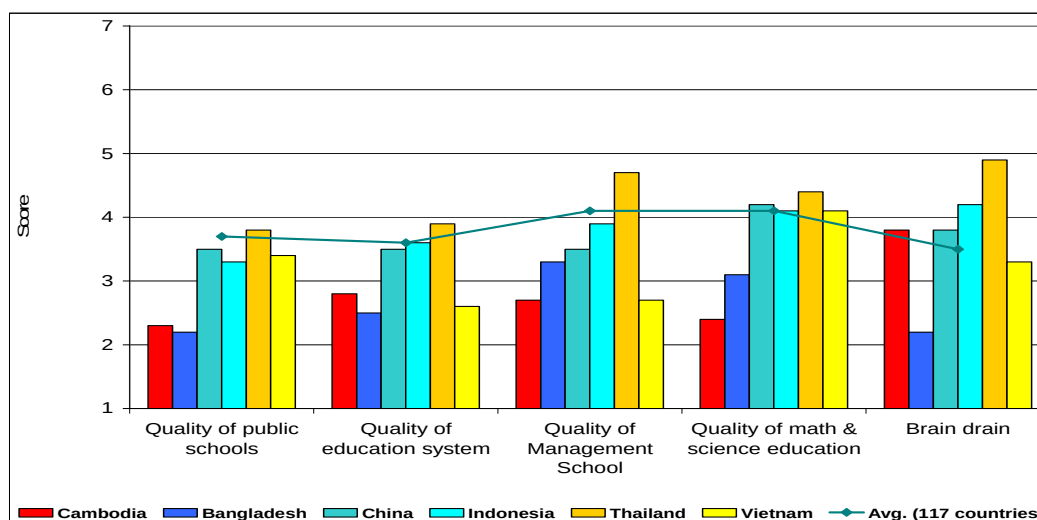
Figure 3.3: Technology Infrastructure Benchmarking



Source: World Economic Forum, Global Competitiveness Report 2005-2006, September 2005

Consistently with the findings in the Growth Competitiveness Index of the WEF, one of Cambodia's competitive weaknesses is its technological infrastructure. With the perceived limited number of scientists and engineers within the country, Cambodia does not seem to have a good foundation for its technology infrastructure. The quality of scientific research institutions is far behind the other 5 partner countries, while university/ industry research collaboration in Cambodia scores slightly higher than Bangladesh.

Figure 3.4: Education Quality Benchmarking

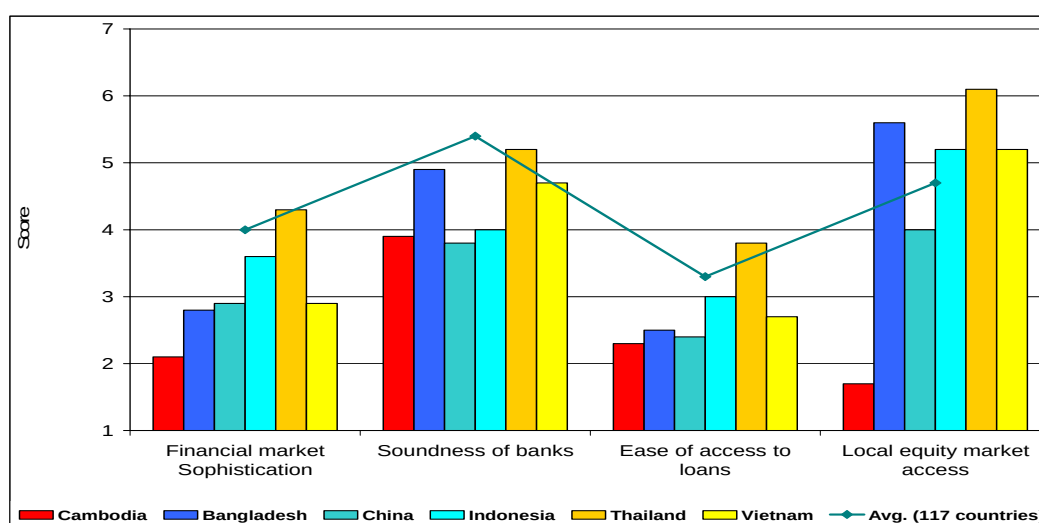


Source: World Economic Forum, *Global Competitiveness Report 2005-2006*, September 2005

Concerning the quality of Cambodian human resources, Cambodia is considered equipped with an education system whose quality is well below the average of all the 117 studied countries. The quality of Cambodian public schools is so low, lagging to a great extent behind Thailand, Vietnam, China and Indonesia. Of particular note, the country's most significant competitive disadvantage is its poor quality of business schools and math and science education, constraining business innovations in Cambodia.

Yet, the country's leading talents are willing to pursue opportunities within the country, an encouraging sign for the country's future development. In view of these constraints, it is crucial for Cambodia to reinforce the quality of its education system, as well as its local business schools to meet business requirements.

Figure 3.5: Financial Markets Benchmarking



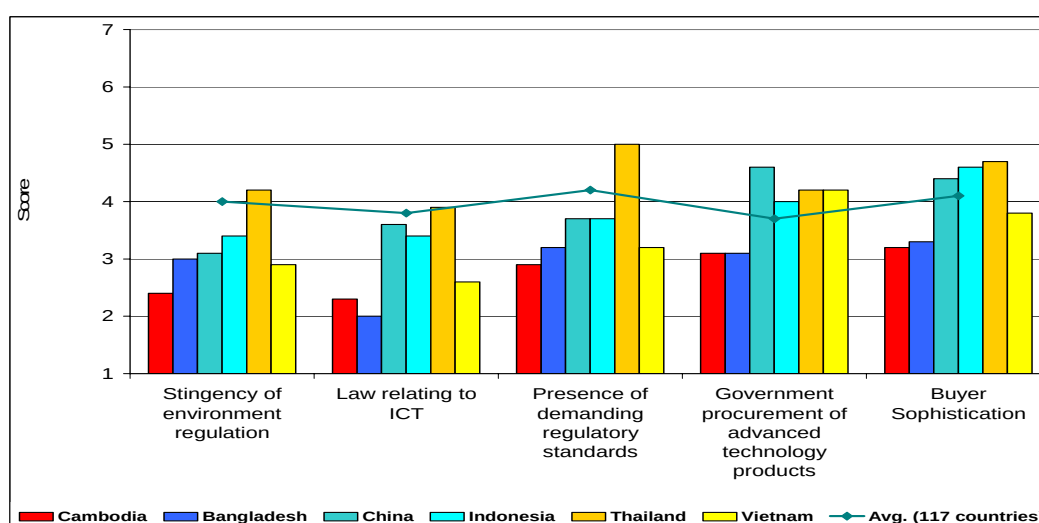
Source: World Economic Forum, *Global Competitiveness Report 2005-2006*, September 2005

Finally, Cambodia's financial market is not sophisticated enough to support the country's business environment. Access to loans remains challenging in Cambodia, Bangladesh and China. The lack of sophistication of Cambodia's financial market means it does not meet international norms.

Demand Condition

Cambodia's demand condition is rated, in general, below the average score, with particular weaknesses in the areas related to laws and regulations. Much improvement can be made in this area to protect consumer as well as business interests which in turn will ensure long-term competitiveness. Cambodian buyers are somewhat or largely unsophisticated and make choices based on low pricing rather than on the attribution of superior performances.

Figure 3.6: Sophistication of Domestic Demands Benchmarking



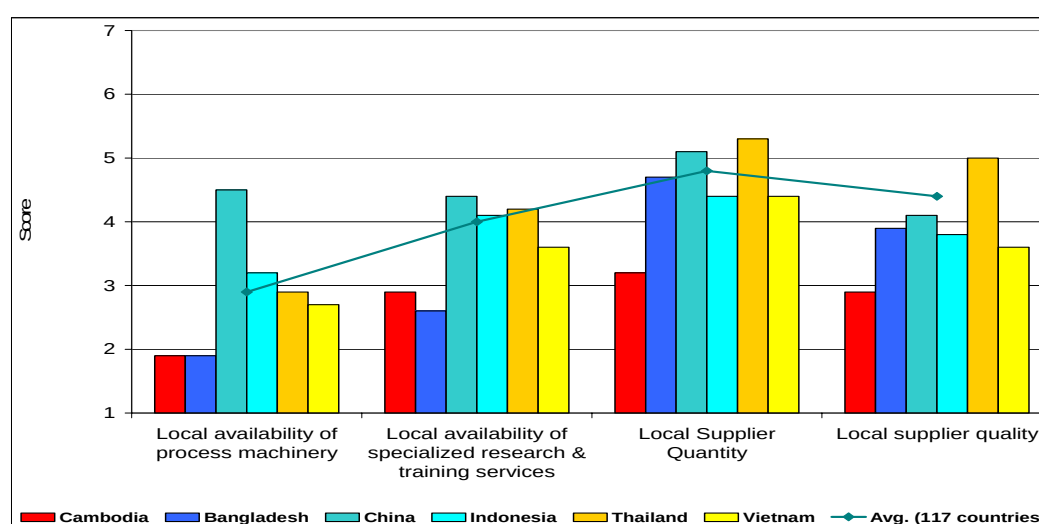
Source: World Economic Forum, *Global Competitiveness Report 2005-2006*, September 2005

In this regard, Cambodia's performance is rated, most likely, as low as Bangladesh and Vietnam. Parallel to this, Thailand, Indonesia and China scored approximately as high as the global average of all the countries. Cambodia's notable weaknesses are in the areas related to law and regulations, more particularly the law relating to ICT, regulatory standards and stringency of environment regulations.

Related and Supporting Industries

It is argued that Cambodia is extremely weak in building up a supporting industry for its local businesses. The role of related and supporting industries in improving competitiveness is largely inexistent in Cambodia. Local supplies are perceived as very limited in terms of quantity and quality. More than 85 percent of firms acknowledge that processing equipment and machinery for their business are almost always imported, while 63 percent of firms argue that specialized research and training services are somewhat unavailable in Cambodia.

Figure 3.7: Related and Supporting Industries Benchmarking



Source: World Economic Forum, Global Competitiveness Report 2005-2006, September 2005

Some would still argue that local supplier quality and quantity are the most comparative disadvantages of Cambodia compared to the other 5 benchmarking countries.

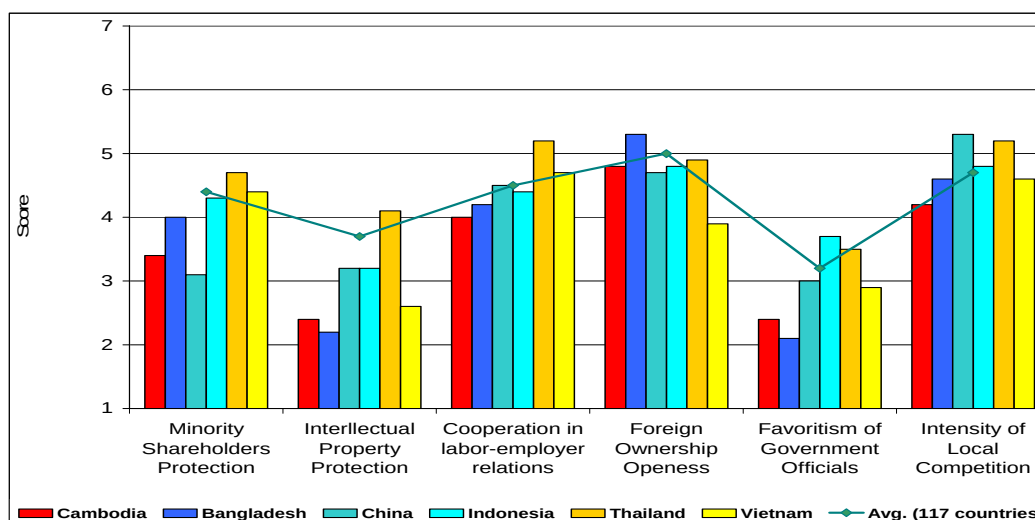
Context for Firm Strategy and Rivalry

To a certain extent, competition in Cambodia's local market is seen as being intense in most industries, which is healthy for consumers. Weaknesses remain, however, due to the perceived high business costs caused by corruption and favoritism

of government officials. 77 percent of firms emphasize that other firms' illegal payments negatively affect their firms and thus distort competition on the local market. Yet, Cambodia is believed to be more open to foreign ownership.

Moreover, results from the Executive Opinion Survey 2005 in Cambodia show that intellectual property and the interests of minority shareholders are not well protected, while the efficiency of corporate boards and labor-employer relations are comparatively rated higher.

Figure 3.8: Context for Firm Strategy and Rivalry Benchmarking



Source: World Economic Forum, *Global Competitiveness Report 2005-2006*, September 2005

Noticeably, Cambodia seems to be more open to foreign ownership, which is probably the result of its investment policy to attract foreign investors. Local competition is perceived to be slightly less intense in Cambodia compared to Bangladesh, China, Indonesia, Thailand and Vietnam. To put it in a nutshell, the comparative weakness of Cambodia's context for firm strategy and rivalry is due partly from the favoritism of government officials, the high cost of corruption on business, the weak protection for minority share holders and weak intellectual property protection. The later is perceived as weak similar to Vietnam and Bangladesh.