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9B18M196

SUNTON MANUFACTURING IN CAMBODIA: EXIT OR REMAIN?

Professors Zhangfeng Fei and Paul W. Beamish wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In January 2017, Tony Wu, the founder and president of Sunton Manufacturing (Sunton) in Wuxi, Jiangsu Province, China, boarded a flight to Cambodia. He had to tackle the performance issue of the company’s garment manufacturing joint venture (JV) in Cambodia—after two years in operation, it had run out of cash. Soon after meeting with his partner, Wu concluded that the existing JV in Sihanoukville was beyond repair. He now needed to decide whether to exit Cambodia or to remain there, albeit in a different city and with a new partner. A new factory there would require more investment. If he quit Cambodia, how could his company survive and develop in the future? Over the past decade, with ever-increasing labour costs and difficulties in recruiting staff, Chinese garment export enterprises had been facing more and more challenges.

**The history of Sunton Manufacturing**

**The First Development Stage: Start-up (March 2000–July 2006)**

Wu founded Sunton in Wuxi New District[[1]](#footnote-1) (WND) in 2000. Before establishing the company, he had worked as an export sales representative within a stable and comfortable environment in a state-owned foreign trade company in Nancang, the capital city of Jiangxi Province. In 1999, Wu learned by chance that a friend had opened a foreign trade company in the WND. Inspired by his friend, Wu moved to Wuxi, rented an office in the WND, and founded Sunton. Wu said, “The creation of Sunton in 2000 was due to my courage of not fearing to fail, as well as the trend towards reform in China’s foreign trade system.” Indeed, the existence of the WND presented a great opportunity for Wu to start Sunton.

In addition to the convenience and preferential treatment offered by the WND, China’s entry into the World Trade Organization (WTO) and the implementation of China’s import and export registration system also accelerated the establishment and development of Sunton. On December 11, 2001, China officially joined the WTO. After July 2004, China cancelled all of the examination and approval procedures for the establishment of foreign trade companies and accordingly had these companies use the same registration system as all other foreign business entities.

On January 1, 2005, the abolition of the global textile quota system and termination of the WTO Agreement on Textiles and Clothing (ATC) created a great opportunity for Chinese small and medium-sized enterprises (SMEs) like Sunton. On the other hand, the new exchange rate system presented new challenges to the company. Since July 21, 2005, China had implemented a managed floating exchange rate system (see Exhibit 1), which brought increased financial risk to the company’s operation.

These events could be seen as the “contributors” during Sunton’s first development stage. After six years of operation, Sunton had a firm foothold with stable customers and products. The company had developed additional products besides t-shirts. The first development stage laid a solid foundation for Sunton’s further internationalization.

Having experienced the difficulty of the start-up, Wu asked himself: “Is dealing with factories and customers every day for the rest of my life all I want?” The answer was a big *no*. He desired something different, which led him to the idea to study abroad. Wu joined a master of business administration (MBA) program at an Australian university from July 2004 to July 2006, while still actively participating in the company’s operations and management.

**The Second Development Stage: Standardizing Management and Developing New Business (August 2006–August 2012)**

After finishing his MBA, Wu decided to explore new business instead of continuing the existing one. At that time, e-commerce was just emerging in China. The Chinese online shopping website Taobao was established in May 2003 and by 2006, it had become the largest e-commerce platform in Asia. Meanwhile, the number of netizens was also significantly increasing.

Wu’s consideration and development of new business was also affected by the global environment. After the outbreak of the global financial crisis in 2008, international sales shrank drastically. China’s foreign trade enterprises were confronted with unprecedented difficulties: orders plummeted, capital availability dried up, and many SMEs went bankrupt. Sunton was also a victim of the financial crisis. Many of its clients in Europe and other areas did not survive the crisis, including several well-known companies with decades of history. Sunton lost many customers.

Eventually, Sunton chose to create its own branding. It built a domestic sales team and hired designers to create brands for the domestic market. Over the next four years, Wu pursued three different directions in the domestic market but failed in each. He came to three conclusions: first, that foreign trade companies lacked an understanding of the domestic market; second, that Sunton did not have an overall cost advantage; and, last, that branding was difficult.

Wu elaborated,

The export enterprises shifted to selling products in the domestic market. Not only was the market different, [but] it was [also] hard to change from international trading to brand-based selling in the domestic market. Such a fundamental transition from industrial marketing (2B) to consumer branding (2C) can also incur unpredictable and substantial risks. The experience of branding our own products in the domestic market was a long-term process which required huge continuous investments in people and money. It would never be an easy thing for small and medium-sized enterprises.

**The Third Development Stage: Deepening Internationalization (September 2012–On)**

Wu considered that internationalization might be the only path for his company. Internationalization would encourage Chinese businesses to move from only selling products to finding opportunities throughout the entire industry chain where there might be a much higher value proposition.

In 2012, Wu decided to establish a sales office in Italy. He did so for two reasons. First, Europe was the largest market for Sunton. Second, Italy was the largest producer of clothing in the European Union, with a highly developed and convenient transportation system.

With Sunton’s own China-based factory shut down in 2010, Wu faced a decision. At the same time, there was a trend in the Chinese textile industry of moving factories abroad. Chinese factories in the textile industry had been getting smaller and smaller. Foreseeing future limitations, Wu decided to keep pace with the trend and go abroad to sustain his company’s development.

Wu was unsure about where in the world to move his factory, as many locations were unfamiliar to him. A friend of Wu’s recommended the economic zone in Sihanoukville, Cambodia. Prior to his friend’s suggestion, Wu had never visited any Southeast Asian countries to investigate business opportunities as he worried about the corruption and poor infrastructure in the region. He had heard that there was some corruption in Vietnam, but his impression of Cambodia was that it was not that bad.

Wu visited the economic zone in October 2013. The Sihanoukville Special Economic Zone was not run by the government but by a large Chinese enterprise called Hong Dou Group. The economic zone was open not just to Chinese companies but to all companies; however, because it was run by a Chinese enterprise, most companies in the zone were from China. Although the information provided about running a company in the zone was limited, Wu decided to establish a factory in Sihanoukville.

**Sunton MANufacturing operation status**

Since its establishment in 2000 in Wuxi, Sunton had positioned itself as a supplier of casual wear and sportswear brands sold in specialty stores and hypermarkets. Sunton dedicated itself to being “a useful company as long as possible.” Over the past decade, Sunton had always focused on its original positioning, and it gained many advantages, especially in the knitwear sector, by partnering with multiple knitwear factories. Sunton provided good services in four sectors of the garment supply chain—namely, orders management, fabric sourcing and procurement, manufacturing and quality control, and warehousing and shipping. Sunton differentiated itself by consolidating its strengths in these four segments to serve the different needs of its clients in different parts of the world. Sunton’s target clients were retailers, importers, and wholesalers, as well as garment supermarkets.

In 2017, there were around 30 Sunton staff members grouped into three departments in Wuxi: the International Business Department, the Domestic Business Department, and the Production Department (see Exhibit 2). The sales office in Italy consisted of four local staff who were in charge of market exploration and customer service. Sunton’s Cambodian factory had around 350 local workers. Sunton was planning to set up an office in the United States in the future in order to create a broader value chain.

Counted by pieces, t-shirts made up the largest proportion of the products sold by Sunton, whose biggest supplier was located in Nantong, Jiangsu Province. For the fashion products, Sunton deemed its designs to be an advantage, with the designers hailing from Italy and other countries. Sunton fully owned a factory in China, which had not been in operation since 2010. Sunton worked with 15 to 20 partner factories in China but had never invested in nor owned any of them. Sunton’s partner factories were mainly located near Wuxi, in the provinces of Jiangsu, Jiangxi, and Anhui. The productivity and products of these partners varied significantly. Many, but not all, of their suppliers of t-shirts and other knitwear produced solely for Sunton.

Many Chinese SMEs in the garment export field averaged sales of around US$15 million. The profitability varied. Generally, the gross margin ranged from 10 per cent to 30 per cent.

Wu believed that internationalization would greatly benefit the company, feeling it could (1) bring the company more flexibility to sell the products made in either China or Cambodia; (2) optimize the flow of the supply chain, as the company would be more likely to meet and seize opportunities; and (3) occupy more links in the supply chain and enhance the company’s competitiveness.

**China’s foreign investment in THE garment industry**

The world textile and apparel industry had undergone several production migrations since the 1950s. The first was from North America and Western Europe to Japan in the 1950s and early 1960s, when Western textile and clothing production was displaced by a sharp rise in imports from Japan. The second shift was from Japan to Hong Kong, Taiwan, and the Republic of Korea. In the late 1980s and the 1990s, there was a third migration. Starting in the 1980s, production moved principally to mainland China, several Southeast Asian countries, and Sri Lanka. In the 1990s, new suppliers included South Asian and Latin American apparel exporters.[[2]](#footnote-2)

In recent years, the major garment exporters had been China, the European Union, the United States, and Asian countries. The top 10 exporters of the garment industry in 2015 were China, the European Union, Bangladesh, Vietnam, Hong Kong, India, Turkey, Indonesia, Cambodia, and the United States—of these exporters, seven were in Asia. According to statistics published by the WTO, from 2014 to 2016, most countries experienced an output decline. In contrast, Southeast Asian countries such as Vietnam, Bangladesh, and Cambodia had witnessed continuous growth, reflecting the great advantage in export competitiveness among Southeast Asian countries (see Exhibit 3).

Asia was widely regarded as the centre of the global garment supply because of China’s role in building production capacity along with other Asian countries. The partnership between China and Southeast Asian countries had two sides. On one hand, the bilateral trade volume had been rising. On the other hand, China and Southeast Asian countries were strong competitors with each other when doing business in developed countries. To utilize the advantages in Southeast Asian countries of costs, tariff benefits, and low prices for raw material (such as cotton), many Chinese companies had successfully implemented a strategy of shifting production capacity, thus turning the competitive relationship with Southeast Asian countries into win–win co-operation.[[3]](#footnote-3)

**SUNTON’s investment in Cambodia: October 2013 on**

**The First Joint Venture in Cambodia (October 2013–January 2017)**

Sunton’s JV in Cambodia was located in the Sihanoukville economic zone. Though Wu thought it would be convenient to operate a factory in the zone, progress had not been easy because of the lack of development in the country (see Exhibits 4 and 5).

The establishment of the factory took much longer than expected, with the registration process spanning almost a year. In January 2015, Sunton was finally granted a license from the Cambodian government. The idea of having a partner in Cambodia occurred to Wu right after the registration of the new company in Sihanoukville. At the outset, he had tried but was ultimately unable to find a partner from within his list of suppliers. Through a friend’s recommendation, Wu found a partner—Xiao Ma, and Ma’s close friend Ping Yu.

Ma was a factory owner in China and was interested in also setting up a factory in Cambodia. Ma’s friend, Yu, had invested in Cambodia and was a shareholder of a garment bag factory in Cambodia. He had little experience in management but at least had been living in Cambodia for several years. In contrast to Sunton’s wide coverage in terms of product offerings, Ma’s factory produced only a single product: men’s tennis shirts. Sunton dealt with a wide range of products and aimed to make its own manufacturing base in Cambodia a multi-product one.

The partner negotiations took several months, and the preparations for and construction of the factory took half a year. Recognizing his lack of familiarity with Cambodia and its operational environment, Wu entrusted the daily management of factory operations to his JV partner. Ma and Yu handled the operation and management of the factory.

From the beginning, Ma had claimed he would need six months for decoration and recruiting, and six months to train workers. He also requested that Wu wire money to his account, so that his people could procure all machinery. At the end of the training period, Ma told Wu that things had not gone smoothly, as the workers were still too slow. It took an additional six months to complete the training. Operations began in January 2016 upon completion of the factory’s construction.

After one year of operation, Ma suddenly called a meeting and told Wu that all the investment money was lost and that if they wanted to continue, Sunton needed to invest more money. Ma’s message came as a complete surprise to Wu. Wu knew that he no longer wanted to do business with Ma and that he would have to dissolve the JV.

Reflecting on the co-operation with Ma, Wu perceived that Ma had never planned to operate a multi-product factory in Cambodia. It seemed that what he really wanted from this co-operation was to use the business licence and money from Sunton to do his own test, because even as an experienced factory owner he could not guarantee that a new factory in Cambodia would be a success. Furthermore, because Ma was aggressive in wanting total control of the daily management of the JV, Wu did not insist on auditing the bank accounts and books every month. Consequently, he did not follow up properly nor did he effectively control the financial situation of the factory. As a result, Wu acknowledged that although he was the legal owner of the company, he had never had total control of it.

**A Second Investment in Cambodia? (January 2017)**

Once Wu received the disappointing news from his JV partner, he realized he might need to visit Cambodia multiple times in the coming months to meet with lawyers, accountants, and government departments in order dissolve the JV. While Wu was getting more and more familiar with the Cambodian business context as well as its system of “corruption,” his feelings towards this country were becoming quite complicated. Although Wu still recognized the huge advantages of operating in Cambodia, including its duty-free status for exporting to developed countries and lower labour costs, he felt less comfortable about its investment climate.

A major concern for Wu was the efficiency of workers in Cambodia. Wu believed that while further progress was possible, the upper limit of Cambodia’s labour productivity seemed to be about 80 per cent of the level of Chinese labour productivity. Wu cited a number of reasons for this view. First, Cambodian workers did not seem to be as eager to make money, so they were unwilling to work overtime. Furthermore, they did not seem to strive to do their best while working. Second, Cambodian labour law imposed strict restrictions on factories to limit workers’ work hours. Third, in China’s garment industry, the wages of workers were usually calculated by their performance, namely, on a piecework basis, a system which most workers in Cambodia did not like. Instead, they preferred to be paid according to the number of hours they worked. One Chinese manager in Cambodia observed, “Yes, you pay the Khmer [Cambodian] workers 30 per cent [of] the Chinese level, but their productivity is less than 20 per cent of the Chinese level. And there are a lot of defects.”

Wu had taken advantage of the opportunity presented by the low-cost labour in Cambodia but had still witnessed an increase in the minimum wage from US$83 per month in 2013 to US$156 per month in 2017.[[4]](#footnote-4) Wu perceived that there would be a window of five to eight years in Cambodia relative to other regional locales for factories that were labour-intensive and cost-sensitive. The two years he had seen wasted by the first JV had left him feeling severely frustrated.

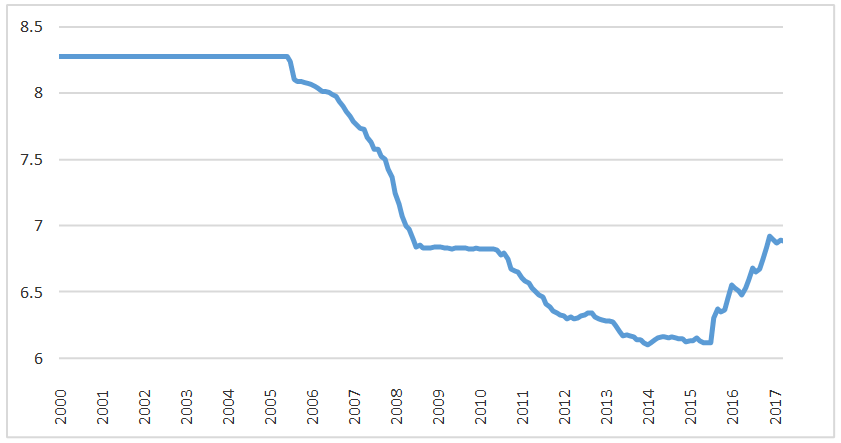
Sunton’s Italian sales department staff claimed that, with the establishment of the Cambodian factory, the mixture of Chinese and Cambodian culture had convinced some European clients that Sunton was an attractive international corporation. And, when invited to the biggest show in the garment fashion supply industry, Sunton was urged to use its Cambodian trademark and local language because it was the only company present with activities in Cambodia.

In Wu’s view, it would take time for companies like his to establish and make a profit in an unfamiliar market. Despite the failure of the first JV, Wu was considering setting up another new factory in Cambodia. In order to take full control of the company, Wu refused to co-operate with the existing companies, even when doing so might make operations easier. Any partner he would consider would have to be an insider in Cambodia with a strong network and a rich knowledge of the manufacturing industry.

One potential new partner Wu met was also Chinese and had been in Phnom Penh for over 14 years. This person had been in Cambodia to help his Singaporean boss to operate a company that had ultimately gone bankrupt. He aspired to open his own factory.

Besides having a new partner, Wu believed that if Sunton was to remain in Cambodia he would have to relocate the factory. Sihanoukville was not suitable for a factory, as almost all the infrastructure was too expensive, and the workers were not skilled enough. Various potential new partners had suggested he set up in Phnom Penh. But should he even stay in Cambodia? And if not, were there more suitable locales?

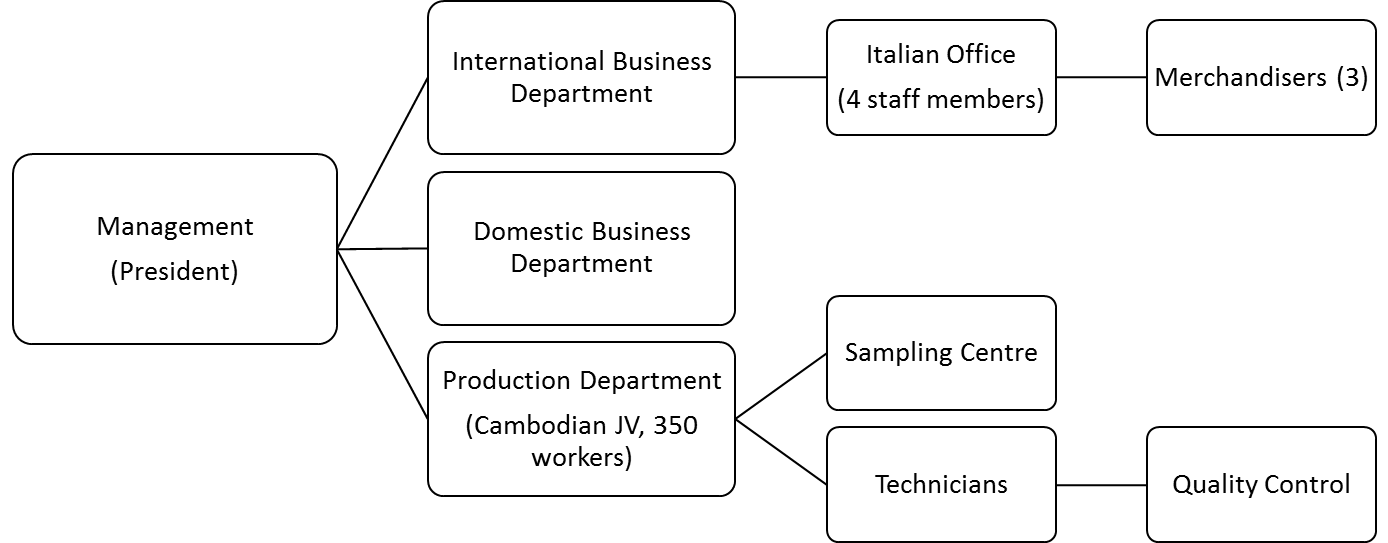
**EXHIBIT 1: CNY–USD EXCHANGE RATE (JANUARY 2000–JANUARY 2017)**

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Note: CNY = Chinese yuan; USD = US dollar.

Source: Recreated by authors based on 2000–2010 Statistics, The People’s Bank of China: Statistics and Analysis Department, accessed January 9, 2018, [www.pbc.gov.cn/diaochatongjisi/116219/index.html](http://www.pbc.gov.cn/diaochatongjisi/116219/index.html).

**EXHIBIT 2: SUNTON ORGANIZATIONAL STRUCTURE**



Note: JV = joint venture.

Source: Created by the case authors.

**EXHIBIT 3: TOP 10 GARMENT EXPORTERS IN THE WORLD, 2015 AND 2016 (US$ BILLIONS)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2015** | | **2016** | | |
| **Nation/Area** | **Export** | **Growth Rate**\* **(%)** | **Nation/Area** | **Export** | **Growth Rate**\* **(%)** |
| China | 175 | −6 | China | 161.4 | −7 |
| European Union | 112 | −11 | European Union | 117 | 4 |
| Bangladesh | 26 | 6 | Bangladesh | 28.2 | 6 |
| Vietnam | 22 | 10 | Vietnam | 24.6 | 5 |
| Hong Kong | 18 | −10 | India | 17.9 | −2 |
| India | 18 | 2 | Hong Kong | 15.7 | −15 |
| Turkey | 15 | −9 | Turkey | 15.1 | 0 |
| Indonesia | 7 | −10 | Indonesia | 7.4 | −2 |
| Cambodia | 6 | 8 | Cambodia | 6.3 | 6 |
| United States | 6 | 0 | United States | 5.7 | −6 |

Note: \*Growth rate on a year-on-year basis.

Source: “Merchandise Trade and Trade in Commercial Services,” World Trade Organization, accessed January 8, 2018, <https://www.wto.org/english/res_e/statis_e/wts2016_e/wts16_chap4_e.htm>; “World Trade Statistical Review 2017,” World Trade Organization, accessed January 8, 2018, <https://www.wto.org/english/res_e/statis_e/wts2017_e/wts17_toc_e.htm>.

**EXHIBIT 4: CAMBODIA: BACKGROUND INFORMATION**

The Kingdom of Cambodia is located at the southern end of the Indochina Peninsula in Southeast Asia. It is 181,035 square kilometres, bordered by Laos to the northeast, Vietnam to the east, and Thailand to the northwest and southwest.

Cambodia has a population of over 15 million. The official religion is Theravada Buddhism, practised by approximately 93 per cent of the population. The three biggest cities are Phnom Penh, Siem Reap, and Battambang. The capital and largest city is Phnom Penh.

From 1975–1979, Cambodia was under the leadership of Pol Pot, part of the Khmer Rouge regime. During this period, 2 million people were killed, considered one of the worst mass killings of the twentieth century. Among those killed were individuals wearing glasses or knowing a foreign language, or anyone thought to be intellectual. Special centres were used to torture and execute hundreds of thousands of individuals in the educated middle class.

The head of the government is Hun Sen, currently the prime minister, a non-royal leader. He has ruled Cambodia for over 30 years.

While its per capita income is the second lowest among Southeast Asian countries, Cambodia has one of the fastest growing economies in Asia, averaging 6 per cent over the last decade. Agriculture remains the largest economic sector. There has been strong growth in textiles, construction, garments, and tourism, leading to increased foreign investment and international trade. Cambodia scored dismally in an annual index (2015) ranking of the rule of law in 102 countries, placing 99th overall and the worst in the region.

Phnom Penh is located on the banks of the Tonlé Sap lake and Mekong River. It has been the national capital since French colonization and is the nation’s economic, industrial, and cultural centre. Phnom Penh accounts for a large portion of the Cambodian economy. Double-digit economic growth rates in recent years triggered an economic boom in Phnom Penh, with new hotels, restaurants, bars, high-rises, and residential buildings springing up around the city.

Sihanoukville is a coastal city in Cambodia. Its beaches and nearby islands make it Cambodia’s premier seaside resort, with steadily rising numbers of tourists, yet its infrastructure problems persist, in particular those related to the supply of water and power. International-standard health facilities remain limited. Sihanoukville also faces major challenges related to crime, security, and safety.

The city of Phnom Penh has a population of approximately 1.7 million. The city’s airport managed 3.48 million passengers in 2016. Sihanoukville had a population of just over 250,000, and in 2016 its airport handled 0.15 million passengers.

Source: “Cambodia,” accessed January 15, 2018, Encyclopædia Britannica, <https://www.britannica.com/place/Cambodia>; “Cambodia,” UN Data, accessed January 15, 2018, <http://data.un.org/CountryProfile.aspx?crName=cambodia>; “Hun Sen,” Encyclopædia Britannica, accessed January 15, 2018, <https://www.britannica.com/biography/Hun-Sen>; Alice Cuddy, “Rule of Law Rank Near Bottom,” *The Phnom Penh Post*, June 2, 2015, accessed January 15, 2018, [www.phnompenhpost.com/national/rule-law-rank-near-bottom](http://www.phnompenhpost.com/national/rule-law-rank-near-bottom); “Phnom Penh City: Facts,” Phnom Penh Capital Hall, accessed January 15, 2018, <http://phnompenh.gov.kh/en/phnom-penh-city/facts/>; “The World Bank in Cambodia,” The World Bank, accessed January 15, 2018, [www.worldbank.org/en/country/cambodia/overview](http://www.worldbank.org/en/country/cambodia/overview); “Urban Development in Phnom Penh,” The World Bank, accessed January 15, 2018, <http://documents.worldbank.org/curated/en/286991511862455372/pdf/121692-REVISED-Phnom-Penh-Urban-report-V8-V-low.pdf>; Simon Griffiths, “The Rise of Sihanoukville,” *The Phnom Penh Post*, March 21, 2013, accessed January 15, 2018, [www.phnompenhpost.com/real-estate/rise-sihanoukville](http://www.phnompenhpost.com/real-estate/rise-sihanoukville); World Bank Group, *Cambodia Economic Update: Cambodia Climbing up the Manufacturing Value Chains*, October 2017, accessed January 15, 2018, <http://documents.worldbank.org/curated/en/628341511277852360/pdf/121519-WP-PUBLIC-NOV21-7PM-October-2017-Cambodia-Economic-Update-Final.pdf>; “Khmer Rouge: Cambodia’s Years of Brutality,” BBC News, November 16, 2018, accessed February 13, 2018, [www.bbc.com/news/world-asia-pacific-10684399](http://www.bbc.com/news/world-asia-pacific-10684399).

**EXHIBIT 5: ANALYSIS OF SOUTHEAST ASIAN COUNTRIES’ INVESTMENT ENVIRONMENT**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | China | Cambodia | Vietnam | Lao PDR | Thailand | Myanmar | Malaysia | Indonesia | Philippines |
| Population (million) | 1,378.7 | 15.8 | 92.7 | 6.8 | 68.9 | 52.9 | 31.2 | 261.1 | 103.3 |
| Urbanization (% of total population) | 57 | 21 | 34 | 40 | 52 | 35 | 75 | 54 | 44 |
| Ease of doing business (rank) (a) | 78 | 131 | 82 | 139 | 46 | 170 | 23 | 91 | 99 |
| GDP (US$ billions) | 11,199.1 | 20.0 | 205.3 | 15.9 | 407.0 | 63.2 | 296.5 | 932.3 | 304.9 |
| GDP per capita (US$) | 8,123 | 1,270 | 2,214 | 2,353 | 5,911 | 1,196 | 9,508 | 3,570 | 2,951 |
| Market openness (%) (b) | 53.09 | 48.85 | 47.42 | 41.87 | 51.33 | 43.73 | 51.83 | 50.26 | 44.31 |
| Industry structure (% of GDP) (c) | 9/40/51 | 27/32/41 | 18/36/46 | 20/32/49 | 8/36/56 | 25/35/40 | 9/38/53 | 14/41/45 | 10/31/60 |
| Control of corruption (d) | 49 | 8 | 42 | 15 | 41 | 31 | 62 | 43 | 34 |
| Government’s effectiveness (e) | 68 | 25 | 53 | 39 | 66 | 16 | 76 | 53 | 52 |
| Political stability (f) | 27 | 52 | 51 | 62 | 16 | 23 | 50 | 33 | 10 |
| Legislation (g) | 46 | 13 | 57 | 24 | 55 | 17 | 71 | 39 | 37 |
| Literacy rate (%) (h) | 94 | 74 | 93 | 73 | 94 | 92 | 93 | 93 | 95 |

\*Figures (e), (f), and (g) are from 2014; (h) is from 2007–2011; other figures are from 2016.

1. Ease of doing business ranks economies from 1 to 190, with first place being the best. A high ranking (a low numerical rank) means that the regulatory environment is conducive to business operation. The index averages the country’s percentile rankings on 10 topics covered in the World Bank’s Doing Business.
2. A measure of market openness of specific countries is calculated by export volume divided by foreign trade volume.
3. Industry structure is the proportion of agriculture, industry, and service output in the GDP of each country.
4. Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests. Percentile rank indicates the country’s rank among all countries covered by the aggregate indicator, with 0 corresponding to the lowest rank (i.e., low control of corruption) and 100 to the highest rank.
5. Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies. Percentile rank indicates the country’s rank among all countries covered by the aggregate indicator, with 0 corresponding to the lowest rank and 100 to the highest rank.
6. Political stability measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism. Percentile rank indicates the country’s rank among all countries covered by the aggregate indicator, with 0 corresponding to the lowest rank and 100 to the highest rank.
7. Legislation captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. Percentile rank indicates the country’s rank among all countries covered by the aggregate indicator, with 0 corresponding to the lowest rank and 100 to the highest rank.
8. Literacy rate refers to individuals aged 15 and over, from 2007–2011.

Note: PDR = People’s Democratic Republic; GDP = gross domestic product.

Source: “World Bank Open Data,” The World Bank, accessed January 9, 2018, <https://data.worldbank.org>; “Trade Profiles: Cambodia,” World Trade Organization, accessed January 9, 2018, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=KH%2cCN%2cID%2cLA%2cMY%2cMM%2cPH%2cVN%2cTH>; and “Adult Literacy Rate,” UN Data, accessed February 14, 2018, <http://data.un.org/Data.aspx?d=SOWC&f=inID%3A74>.

1. In 1992, the State Council approved the establishment of Wuxi National High-tech Industrial Development Zone. With the approval of Jiangsu Provincial People’s Government, Wuxi Singapore Industrial Park was set up in 1993. Based on Wuxi National High-tech Industrial Development Zone and Wuxi Singapore Industrial Park, Wuxi New District was founded in 1995, which included the Wuxi National High-tech Industrial Development Zone, Wuxi Export Processing Zones, and other professional science and technology parks; “Wuxi New District,” Baidu, accessed October 6, 2018, <https://baike.baidu.com/item/%E6%97%A0%E9%94%A1%E6%96%B0%E5%8C%BA>. [↑](#footnote-ref-1)
2. Raphael Kaplinsky, “Export Processing Zones in the Dominican Republic: Transforming Manufactures into Commodities,” *World Development* 21, no. 11 (1993): 1855–1856; Gary Gereffi, “Commodity Chains and Regional Divisions of Labor in East Asia,” in Eun Mee Kim (ed.), *The Four Asian Tigers: Economic Development and the Global Political Economy* (San Diego, CA: Academic Press, 1998): 93–124. [↑](#footnote-ref-2)
3. China Chamber of Commerce for Import and Export of Textile and Apparel, *2016 Annual Report on China’s International Trade Development in Apparel and Home Textiles*, 2017, 8–13. [↑](#footnote-ref-3)
4. The US dollar was commonly used in Cambodia. The Cambodian riel (the currency of Cambodia) was used only for small items. [↑](#footnote-ref-4)