

# Special Economic Zones, Cluster and Economic Corridor Development

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- The study reviews the performance of Cambodia's SEZs.  
In particular,
  - 1 Are they successful in bringing benefits to local economy?
  - 2 Which factors hinder SEZ performance from firms' perspectives?
  - 3 What changes should be made to enhance the SEZ effectiveness?
- Methodologically, the authors have conducted field trips, firm interviews and surveys of SEZ firms.
  - provide novel micro-level evidence on the SEZs.

- The main benefit to cambodian economy is employment creation.
  - Despite the fact that there is a weak linkage of SEZ firms to domestic economy, the potential for labor-intensive manufacturing employment is vast.
- SEZ firms consider the following factors as the main business constraints
  - government institutions (corruption, zone management)
  - labor skill; stable labor supply
  - utility costs
- To enhance the zone effectiveness, policy measures should be taken to alleviate corruption, improve labor quality and supply, and reduce utility costs.

- The volume vs. efficiency debate:
  - workers and firms may move from other regions to the targeted areas and arbitrage away the benefits associated with the program without improving the welfare (Kline, 2010; Hanson and Rohlin, 2013).
  - policies that encourage new investment in a specific area may foster agglomeration economies (Kline and Moretti, 2014).
- The study so far focuses on newly created employment (the number of firms) as the main outcomes.
  - implying no relocation
- It would be interesting to examine the impact of cambodian SEZs on local productivity and wages, which have been the main focus of agglomeration (Combes and Gobillon, 2015).

- Having accounted for the benefits, it would be also informative to have an estimate of the program costs.
- The study examines the total effect of SEZs. Is there any heterogeneity in terms of SEZ effects?
- Possible extensions by exploring the richness of the data (firm surveys and interviews)
  - regional variation: institutional quality differences across zones
  - time variation: 10 cambodian SEZs were established in different years.
  - a cross-zone comparison may shed light on the role of various factors in determining zone success.

- The study investigates the SEZs, industrial clusters and economic corridors of countries in the Mekong Region - Cambodia, Laos, Myanmar (CLM), Thailand, and Vietnam (TV).
  - First, it compares SEZs across countries along the dimension of rules, areas, locations, and major players.
  - Second, it highlights the interplay between industry clusters and local characteristics of SEZs.
  - Third, in the context of economic corridors, it emphasizes the advantage of border economic zones.
  - Finally, to evaluate the SEZ performance, it conducts case studies for each country.

# Highlights of Findings

shida: SEZs, Cluster and Economic Corridors in the Mekong Region

- CLM and VT differ in choosing SEZ locations: metropolitan cities vs remote areas; as well as major players.
- The type of industrial clusters formed largely depends on the SEZ locations (market access, infrastructure, worker pools).
- Economic Corridors provide vital conditions for fostering border economic zones.
- Based on the case studies, policy suggestions are provided.
  - Wage increases can deteriorate the export competitiveness in LDCs.
  - In Vietnam, there are many ports that compete among each other to attract firms. This points to the necessary coordination in designing SEZ programs nationwide.

- CLM or VT: Efficiency-equity tradeoffs, which generates better outcomes?
- Does subsidizing a region divert resources from other areas?
- For GMS SEZs, is there any evidence of spillover to the domestic economy?
- The comprehensive data of case studies can potentially be utilized for cross-zone analyses.
  - port, airport and road accessibility;
  - market access (to major metropolitan cities)
  - input costs such as electricity, wage;
  - performance measured by the number of SEZ firms (tenants).
- The analytical framework is closely related to the literature on zone programs of developed countries (NEG).
  - Geographic factors matters: zone impacts are more significant for locations with high market access and infrastructure accessibility (Briant et al., 2015; Griffith and Simpson, 2007).

# Summary

## Kathuria: Economic Corridors, SEZs and Clusters Development: Engines of Industrial Growth

- What is the status of Indian manufacturing?
  - low integration into the global value chain; slow growth
- What is the current situation of Indian Economic Corridor, SEZs and Industrial Cluster Schemes?
  - Indian Economic Corridor in progress;
  - SEZs' lacklustre performance
  - Unsuccessful Industrial cluster schemes.
- What initiatives are/should be taken to promote the industrial development in India?
  - Made In India
  - Infrastructure, labor reform, land reforms, governance, tax incentives.

# Comments

## Kathuria: Economic Corridors, SEZs and Clusters Development: Engines of Industrial Growth

- What are the incentive schemes for stakeholders in India's zone management?
- Local conditions and industry characteristics interact to determine clustering in India (Fernandes and Sharma, 2012). Are there differences across five corridors in the following?
  - skilled labor forces
  - distance to foreign markets
  - cost of accessing domestic suppliers
  - cost of doing business including infrastructure, government, ...
- Policy implications can be enriched on the incentive design, the corridor/SEZ site selection and industrial clusters formed.

# Summary

Yang: Building Collaborative Advantage for Border Regions

- Border Economic Cooperation Zones (BECZs) are in a unique position to explore collaborative advantages of the border regions.
  - Dongxing BECZ in Guangxi Province of China adjacent to Vietnam is used as an illustration example.
- In light of ASEAN-China FTA (2010) as well as China's silk road strategy, GMS has huge potential in collaboration.
- Border economic cooperation zones and border E-business are likely to play important roles in boosting trade integration.

- How to achieve efficient collaboration in light of institutional differences?
  - involving two countries' administrations in foreign affairs, customs, taxation, inspection and quarantine, trade, transportation, and so on.
- BECZs' challenge facing matters related to sovereignty, which is beyond the authority of local governments.
- How to coordinate development strategy in the Chinese and Vietnamese border region?
  - to address the competition of similar industrial compositions
  - to enhance complementarity.

- The session focuses on the Asian SEZs in Cambodia, Laos, Myanmar, Thailand, Vietnam, India and China.
- It incorporates the analyses of SEZs, Industrial clusters and Economic Corridors.
- More comprehensive evaluation can be extend to
  - explore policy objective measures capturing efficiency such productivity, TFP, technology spillover.
  - investigate possible displacement effects due to SEZs.
  - uncover the link between SEZ effectiveness, and location/industry characteristics.
  - examine the coordination mechanism at the national level on the design of optimal SEZ policies (number, sites, clusters).

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