



Regional Knowledge  
Sharing Initiative

## Special Economic Zones (SEZs) as Catalysts for Economic Corridors, Value Chains and Production Networks Training

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### Introduction

- Special Economic Zones (SEZs)<sup>1</sup> are being recognized as instruments for advancing regional cooperation and integration (RCI). SEZs as demonstration areas are expected to spur competitiveness and structural transformation by expanding the scope of scale economies, improving comparative advantage coverage, and exploiting economic complementarities across borders. Well-designed SEZs are a viable option for developing countries which require longer time in dismantling trade barriers, creating robust investment climates, and developing stronger institutions, among others.
- The policy and strategic challenge for development planners and policy makers from Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA); Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); and Greater Mekong Subregion (GMS), is the need to ensure effective design, implementation, and management of SEZs taking into account changing development trends brought about by RCI.
- The SEZ training improved awareness and enhanced knowledge and skills of 26 participants from 8 ASEAN countries (except Brunei and Singapore) and People's Republic of China (PRC). Participants were from ministries of planning, trade, industry and commerce, finance, economy, and foreign affairs, public works, and from SEZs authorities. Majority were director positions or higher (19, 73%), more than one-third women (10, 38%), and more than half were managers and practitioners working in SEZ institutions.

### Highlights

- The training discussed concepts, and case studies in SEZ policy design, strategy development, planning, governance, and monitoring and evaluation with a focus on Asia and PRC. The training also helped government officials generate common concepts and strategies to guide SEZs cooperation in their respective subregions.
- Case studies on SEZs in border crossings located in economic corridors in BIMP-EAGA, IMT-GT, and GMS, and as bilateral projects between Singapore and PRC featured.
- Participants learned from the PRC experience and conducted technical visits to the Shanghai Pilot Free Trade Zone including the logistics center and bonded area. They observed the one-stop-shop services given most of the countries are establishing similar mechanisms.
- Multiple learning methods were used to help participants apply what they learned (i.e. country analysis and integration exercises). Participants provided recommendations to improve national policies and use SEZs as a development approach in industrialization. They also proposed strategies and actions to pursue SEZ development and cooperation in BIMP-EAGA, IMT-GT, and the GMS, and proposed projects.
- Key lessons and takeaways include:
  - Over the years, the variety and typology of SEZs have proliferated with countries “experimenting” on the different characteristics and objectives. SEZs have evolved from: (i) trade-oriented to development-oriented; (ii) economic tool to a social and political tool; (iii) carrying out structural reform within a country to international regional cooperation, and (iv) labor-intensive to skill and

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<sup>1</sup>SEZs take a variety of forms including free zones, free trade zones, export processing zones, free ports, foreign trade zones, free export zones, trade and economic cooperation zones. The ADB SEZ training will adopt the definition of SEZs as “clearly defined geography, with a single management or administration and separate customs (are often duty free), where streamlined business procedures are applied, and where physically located firms qualify for more liberated and effective rules than those in the national territory (covering, for example, investment conditions, international trade and customs, tariffs, and taxation).”

technology oriented processing. Most countries have more than one variety of zones, adopt multiple objectives, and design SEZs as more comprehensive types of zones.

- SEZs are not merely tools for development but are strategic approaches which need to be linked and aligned with country policies and overall development strategies.
  - There is no one-size-fits-all approach to SEZ design and implementation. Customized approaches are needed to ensure effectiveness in design and implementation at the national level. The type of SEZs to be promoted depends on the country's macro-economic context, overall development strategies and long-term objectives.
  - Strong institutional regimes are needed in SEZ design, implementation, and monitoring and evaluation (e.g. legal regime like an act or law to establish; SEZ authority, regulator, developer, and operators).
  - SEZ monitoring and evaluation critical to assess performance at different levels. Monitoring and evaluation of SEZs should include assessment of inputs, processes, outputs, outcomes, and impacts of the policy to ensure that it produces intended outcomes. The main objective is to evaluate the progress of the SEZ including its actions, investments, nuances, ownership and hence sustainability.
- The training provided valuable opportunities to feature ADB knowledge work, analytical studies, and operational experience in SEZs specifically: (i) health impact assessment in SEZs in border areas in the GMS; (ii) SEZs and industrial parks development in Kazakhstan and Kyrgyz Republic in Central Asia; (iii) Guangxi Regional Investment Program and development of cross-border zones between PRC and Viet Nam; (iv) Special Border Economic Zones scoping study in IMT-GT; and (v) border area development in BIMP-EAGA (North Kalimantan-Sabah and West Kalimantan-Sarawak). Participants appreciated sharing of ADB experience and lessons which can guide them in designing SEZ initiatives in their respective countries and subregions.
  - The overall quality of the training was rated 4.72 (with 5 highest and 1 lowest). Participants assessed the training objectives as effective and clear as it obtained the highest rating of 4.76. The evaluation areas with high ratings include use of participatory learning methods (4.68), expertise and experience of resource persons (4.64), and new knowledge obtained and developing skills working in teams (4.52). All evaluation ratings were 4.00 and above.

### Next Steps

- Participants acknowledged relevance of content, usefulness of what they learned in their workplaces, and requested continued capacity development on SEZs (and border economic zones) and other relevant themes given no other institutions are offering similar customized and demand-based trainings. ADB has the significant expertise and experience to implement such unique trainings on RCI.
- ADB intends to continue conducting capacity building activities (trainings and knowledge events) on RCI in general and on SEZs in particular.
- Discussions and key takeaways at the training served as useful inputs to the proposed Study on Collaborative Approach to SEZ Development and Cooperation in BIMP-EAGA and IMT-GT to be conducted from June 2019 to April 2020. The Study serves as main deliverables to the subregional programs 2019 Ministerial Meetings and 2020 Summits.

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