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Dynamics Of Sezs A Comparative Analysis Of Incentive Packages For Special Economic Zones Of Pakistan, Bangladesh & Vietnam

[1]Urooj Aijaz , [2]Dr.Hassan Daud Butt , [3]Dr.Sofia Bano , [4] Anum Hayat , [5]Muhammad Bilal Raees , [6] Marium Mazhar

[1]*uroojaijaz.bukc@bahria.edu.pk Bahria University Karachi*
[2]*hdb4049@gmail.com KP BOIT, Peshawar*
[3]*sofia.bano@kiet.edu.pk Karachi Institute of Economics and Technology (KIET)*
[4]*Jinnah University for Women, hayatanum9@gmail.com*
[5]*raees.bilal1@gmail.com Indus University*
[6]*Mariummazhar01@gmail.com Jinnah University for Women*

Abstract:

The special economic zone is quite a familiar term these days used as a tool to attract local and foreign investment in any country. However, the success rate of each varies despite geographical and local endowments. This study is an attempt to evaluate the management structure of these SEZs in Pakistan and also identify the flaws that hinder required development and growth along with the comparative analysis of SEZs of Bangladesh and Vietnam with an objective to recommend suitable policies to promote SEZs as a suitable catalyst for economic development. We also focus on the SEZs under the CPEC as we consider this mega project to be the fate of Pakistan where we expect that, it will bring the change we desire for so, this study includes several policy recommendations that assist the authorities to bring efficiency and effectiveness in the policy frame of SEZs in Pakistan.

Keywords: Special Economic Zones (SEZs), China-Pak Economic Corridor (CPEC), GDP, economy, Incentives.

Introduction:

Special Economic Zone (SEZ) is a term quite often used in any contemporary research on the industry and has been identified as a geographically delimit ed area within which governments facilitate industr ial activity through fiscal and regulatory incentives and infrastructure support. Although the performan ce of many zones remains below expectations, faili ng either to attract significant investment or to gene rate economic impact beyond their confines, new z ones continue to be developed, as governments inc reasingly compete for internationally mobile indust rial activity. Governments face not only the traditio nal challenges of making SEZs succeed, yet on the basis of common factors & attributes attached to S EZs worldwide, and Thanks to globalization, expor t-oriented growth policies are important to promote urban economic development. Many countries hav e built economic zones and offered fiscal and finan cial incentives to attract foreign direct investment t hrough reduced land costs, subsidized infrastructur e, tax rebates and different fiscal measures and reg ulations in order to catch high jumps of investment in infrastructure development where these SEZs ar e meant to provide state-of-the-art infrastructure, ut ilities at the doorstep (even plug and Play), and ser vices required to support a wide range of manufact uring-related enterprises (reference). These Special zones are even built-in border areas to leverage the trade potential in the free zones (Dr.Chikati Srinu, 2013).It can also be analyzed from various angles a s to why the performance of a specific economic zo ne remains below expectations may be due to the G overnment’s failure to attract significant local or fo reign investment for the SEZ development, failure t o generate economic impact beyond a certain limit, use of obsolete technology, socio-political systemi c weaknesses, focusing on the wrong sector(s), non -conducive regulatory framework and/or failure to t hwart overt or covert hostile attempts by any press ure groups and state or non-state actors from within or outside an economy. In this regard, it is a notice able fact that the state is not only struggling in the d omain of successful development of SEZs bbut apa rt from this, the accomplishment of the strategic tar get, regulatory concerns, policy tools for investmen t, and governance are also the matter of concern for the state. In addition, the state is bound to achieve a ll its goals under the boundary of sustainable devel opment goals which are the new norm and practice of his globalized world.

SEZs go by many names and come in many varieties and sizes that normally apply in the broader national or subnational economy where they are established. In normal practices, SEZs are not restricted by their names and sizes but the distinguishing feature that differentiates SEZs from other industrial areas are some special regulatory options available in these zones. The most common type of SEZ is the free zone which is a differentiated custom protectorate. Moreover, Special fiscal packages are offered in these zones to have a business-friendly environment by facilitating relief in duties and tariffs, one-window operations for documents and licenses, and work permit processing which must be amalgamated by the support of administrative cooperation. All this support must be accompanied by infrastructure facilities in order to protect the businesses from a poor system outside the zones and after the provision of all the facilities state is expecting to have a better production environment, increased output, export enhancement, job creation, diversification of the economy and harmonized growth in the country. Moreover, state policies, territorial features and natural endowments are also the add-on characteristic of any successful SEZ featured by low-cost quality labor, size of the market and relevant infrastructure.

In addition to applying many traditional & modern economic development tools, Pakistan & other countries in South Asia & Far-eastern regions have focused on establishing Special Economic Zones. South Asia, being a former British colony as a whole, has more or less an adopted legacy of frameworks of governance, regulation, laws & development. Similarly, given the individual peculiar security paradigm & socio-economic conditions, each country in South & Far-east Asia has tried to work on special economic zones in its own way for inclusive and faster economic growth and pace of socio-economic development. In this process with spam of around two decades, the experience of Pakistan, Bangladesh & Vietnam has been entirely different and so is the outcome and current status of their SEZs and their contribution towards national development.

SEZs are used by more than 140 economies around the world, this research is an attempt to investigate the genesis of the success of SEZs of different countries, policies to address the challenges of developing SEZs in Pakistan along with the comparative analysis of SEZs of Pakistan (including SEZs under CPEC) with the zones of other countries to assess the role of incentives provided by the state to intensify, jack-up and speed up the outcomes associated with these zones. Yet developing countries that have made progress towards more attractive investment climates also continue to rely on SEZs. The purpose of selecting these nations for comparison lie in the resemblance of the economic profiles of these nations and past efforts. It is also observed that Bangladesh and Vietnam experience growth by investing in their SEZs as all economic activities revolve around industrial development which is only possible in strong innovative economies where state policies act as a catalyst in addition to a highly conducive regulatory & socio-political framework focusing inclusive development using SEZs & integrating the sectors of the economy with the same especially by providing the incentives associated with SEZs.

From the perspective of policy making, SEZs are utilized to intensify growth (Including) blue growth that improves the balance of payments, improves dollar reserves, increases the flow of local and foreign direct investment and is expected to change the economic dynamics of the country but on a broader scale, SEZs bring socio-economic prosperity which has a direct bearing on economic indicators, socio-economic outlook, political process, financial independence & security situation of a country. However, it is not mandatory that all SEZs play exceptionally well like Chinese SEZs which set a benchmark for the entire world but many countries like Bangladesh and Vietnam follow the prints of Chinese policies to attain the set targets.

It is important to note down the fact that, internationally SEZs produce almost 66 million jobs out of which 30 million are placed in China. Pakistan is also trying hard to transform its economy by following the models of China, Bangladesh and Vietnam that make the country suitable as an investment destination. In Pakistan, SEZs are mostly associated with CPEC (9 SEZS) with an objective to accelerate the speed of blue growth (as a part of growth) by following the policies of import substitution and export growth which is only possible through Greenfield and Brownfield priority investment policies. Our SEZ Law has also seen a couple of changes since its inception, a few to suit the CPEC projects specifically. However, on the whole, the state of development of SEZs in Pakistan needs a thorough analysis of its poor pace, especially in the backdrop of incentives and securities being provided to various layers and classes of investors & the business community.

Objectives of the Study:

1. To identify the current state of incentive packages provided by Bangladesh, Vietnam and Pakistan.
2. Comparative analysis of SEZs in the said countries.
3. To identify weak areas and recommend policies in light of the literature review that brings prosperity in Pakistan through blue growth.

Problem Statement:

There are numerous news, rumors, proposals, and facts on the current state and development of Special Economic Zones in Pakistan. The federal government of Pakistan, with a clear focus on SEZ development, not only promulgated a specific law with explicit mandate and specification of duties in addition to establishing the relevant regulatory & incentives regimes rather amended the same with time to attract more investments in general & for CPEC-linked SEZs both. However, the desired results including quantum of investment, infrastructure, and employment, transfer of technology, export growth & import substitution couldn't be achieved so far. In contrast, the states of Vietnam & Bangladesh have not only successfully established the relevant regulatory & incentives regime rather have made remarkable economic progress by making use of their SEZs. In order to identify the current state of incentive packages provided by Bangladesh, Vietnam and Pakistan, their comparative analysis and to identify weak areas and recommend policies for the state of Pakistan. In light of the available literature, it is imperative to conduct the instant study which may be of utility for further research & policy-making in this regard.

Apart from this, SEZs are also very important for Pakistan as it is attached to the successful execution of CPEC which is the part and parcel of Blue growth so, huge progress we are expected in the number of SEZs planned or established on this corridor. As a game changer, Pakistan expects huge industrialization which definitely uses the sea medium and brings blue growth by developing a thick layer of economic prosperity.

Significance and Scope of the Study:

This research will explore the comparative analysis of incentive packages provided by Bangladesh, Vietnam and Pakistan in order to develop recommendations necessary to catalyze the outcomes of SEZs in Pakistan in order to acquire high jumps in blue growth which obviously contribute in the overall economic well-being of Pakistan. In the present globalized world of competition, where nations compete themselves through their economic power; Pakistan is also struggling hard to attain the goal of diversified sustainable development which can be achieved through the development and management of its SEZs which promise economic prosperity but unfortunately, despite being the blessed nation in terms of weather, manpower and natural endowment, Pakistan is struggling for setting and implementing appropriate policies to catch the high jumps of foreign and local investment. In this backdrop, an easily implementable policy is required to attract investors, particularly in the domains of SEZs which guarantee huge profits under CPEC.

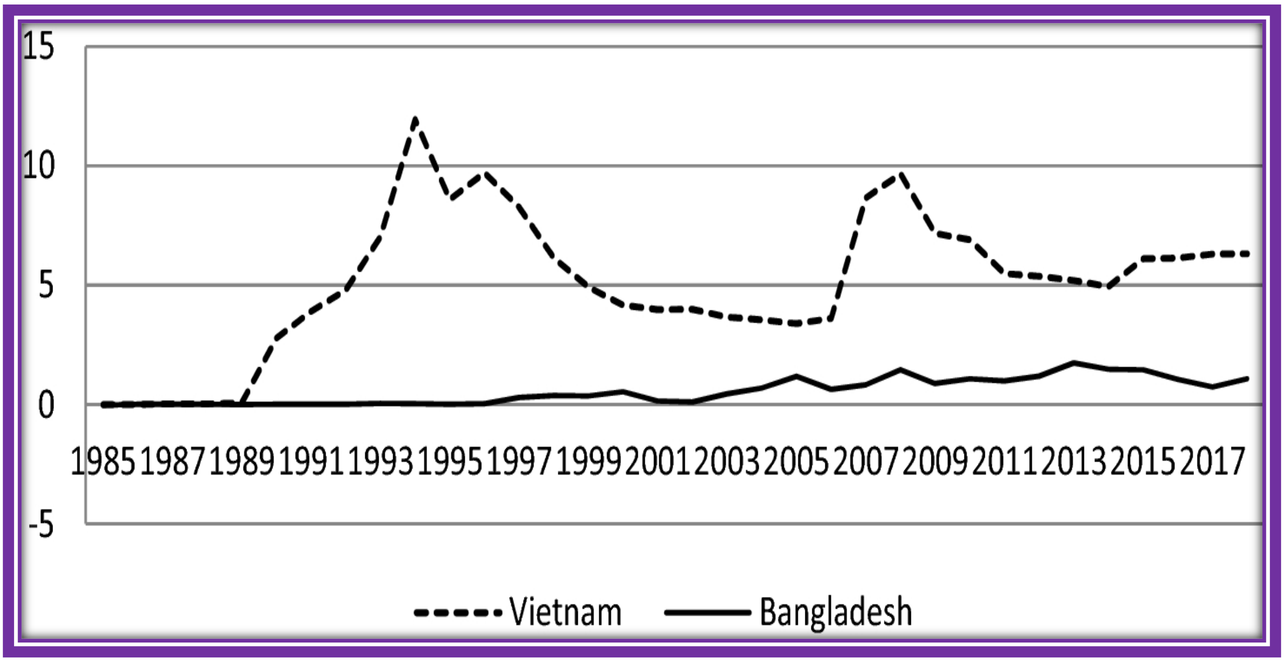
The scope of this study is limited to the comparative analysis of the incentives regime in SEZs of Pakistan, Bangladesh & Vietnam. However, the study shall attempt to dilate upon other relevant areas of these countries from SEZ perspective as well. These areas may include but aren't limited to geography, natural endowments, bordering partners, trade partners, demography, relevant economic policies, policy-making process, socio-economic outlook, political conditions, state focus, governance framework & economic history.

The rationale of the Study:

In the present Globalized world of competition, where nations compete themselves through their economic power; Pakistan is also struggling hard to attain the goal of diversified sustainable development which can be achieved through the development and management of its SEZs which promise economic prosperity but unfortunately instead of being the blessed nation in terms of weather, manpower and natural endowment, Pakistan is struggling for setting and implementing appropriate policies to catch the high jumps of foreign and local investment so, the strong policy is required to attract these investors. In order to achieve the desire for positive jerks of investment Government set SEZs. This study is developed not only to identify weak areas in SEZs of Pakistan but an attempt to make a comparative analysis between Bangladesh, Vietnam and Pakistan. This study also identifies the strength and weaknesses of each country.

Bangladesh is surrounded by the strength of its geographical position where it acts as a closer bridge between the two large markets of China and India while Vietnam also appears as a nation that successfully develops its SEZs to catch and attract FDI's.

FDI and productivity in Bangladesh and Vietnam (Source: The World Development Indicator / WDI) is,



Key Words:

AIIC	:	Allama Iqbal Industrial City
BBS	:	Bangladesh Bureau of Statistics
BEPZA	:	Bangladesh Export Processing Zones Authority
BEZA	:	Bangladesh Economic Zone Authority
BGEZ	:	Border Gate Economic Zones
BHTPA	:	Bangladesh Hi-Tech Park Authority
BIDA	:	Bangladesh Investment Development Authority
BOA	:	Board of Approvals
BOI	:	Board of Investment
BRF	:	Belt & Road Forum
CEZ	:	Coastal Economic Zones
COVID-19	:	Coronavirus Disease of 2019
CPEC	:	China-Pakistan Economic Corridor
EoL	:	End of Life
EoS	:	End of Support Stage
EPZ	:	Export Processing Zones
EPZ	:	Export-Procession Zones
EPZs	:	export processing zones
EZ	:	Economic Zones
FDI	:	Foreign Direct Investment
FTZ	:	Free Trade Zone

FY	:	Financial Year
GDP	:	Gross Domestic Product
GVCs	:	Growth of Global Value Chains
HTIZ	:	High-Tech Industrial Zones
IE	:	Industrial Estates
IZ	:	Industrial Zones
KEPZ	:	Karachi Export Processing Zone
KPK	:	Khyber Pakhtun Khwa
LDC	:	Least Developed Countries
PICIC	:	Pakistan Industrial Credit and Investment Corporation
PIDC	:	Pakistan Industrial Development Corporation
PIEDMC	:	Punjab Industrial Estates Development and Management Company
PIFC	:	Pakistan Industrial Finance Corporation
QAAP	:	Quaid-e-Azam Apparel Park
RMG	:	Ready Made Garment
SAEZ	:	Special Administrative and Economic Zones
SBP	:	The State Bank of Pakistan
SEZs	:	Special Economic Zones
UNCTAD	:	United Nations Conference on Trade and Development

Methodology:

During the research, various direct and indirect sources shall be consulted. While analyzing this research data, this paper shall attempt to dig the same deep with the purpose of focusing on SEZ incentive regime of Pakistan, Bangladesh & Vietnam among other impeding and facilitating factors for Pakistani SEZs and shall attempt to propose policy recommendations for the state of Pakistan based on the conclusions made after making a comparative situation analysis within the given timeframe, scope of study and the style of research. Thus in the process, relevant laws, rules & original documents shall also be consulted besides secondary resources like research articles, analytical papers and essays etc.

Organization of the Paper:

By going through the available sources of information & research, various sections of this paper shall, not necessarily in the order of priority, narrate the current status of SEZs in the 3 countries in the backdrop of a brief global & regional SEZ regime/ blue growth, analyze the legal & regulatory regime of these three countries, output comparison, comparative pace of development, integration of the SEZs with the individual economies, policy-integration in the three countries focusing on SEZs, investor-friendly environment and the integration into international market mentioning economic results & socio-economic indicators. The sections of this paper following the analysis referred in the preceding lines shall attempt to make some conclusions for the incentives regime being offered to the investors/business community for SEZ development. The conclusions would lead to doable policy recommendations and a way forward for the state of Pakistan focusing on incentives with the view to make the best use of the SEZ regime for speedy economic development and integration of all the economic sectors with SEZs including the CPEC regime and other sectors of the economy including agriculture, technical education, employment, agriculture, services, transport, mining, industry, exports, logistics, warehousing, retail, construction & tourism.

Literature Review:

A lot of literature is available on the SEZs of the three countries referred to above in the problem statement to develop the hypothesis, highlight its significance & limit the scope of the study. However, no direct reference has been found so far on the policy recommendations based on the comparative incentives regimes to attract and retain quantum investments by converting the same into a win-win both for the economy & the investor. The various global indicators including World Development Indicators, World Governance Indicators, Global Competitiveness Index & doing Business Climate have been consulted so far to identify gaps. Various writers on the three economies have been the focus of research and many will be included while advancing toward the core theme of the research. Similarly, a couple of articles have also been thoroughly perused as per the working bibliography given the end of this research proposal. Based on the analysis of various readings, graphs, indices & charts, it can be safely said at this juncture that in the current global scenario, the development of industrial capabilities to target better growth is the real challenge for the policy makers (James X. Zhan, and Bruno Casella, 2020). While in the present time of the pandemic, we as a growing nation require a big push to accelerate the pace of development so, there is a need to set targets for the development and prosperity of those particular sectors that promote the business environment in Pakistan through catchy policies set by the mutual dialogues of both state and the business community where policies for the development of SEZs must align with overall socio-economic policies where the state is responsible not only to meet all the basic infrastructure requirements but special incentive policy is also made & implemented at every stage for all the SEZs. In the present era of modernization, technology will change the shape of every domain of life so, survival requires acceptance and adaptation of change (Chen -Xueyi, & Anna Katharina Meyer, 2011) which enables us to catch and fit in the puzzle of 4th Industrial revolution and CPEC being the part of this revolution will be the light in the darkness of economic downfall.

In global practices, SEZs is the driver which gives diversity to any economy through technological advancement, transfer of knowledge, innovation, employment generation, and industrialization. .various studies are conducted to evaluate the successful outcomes of SEZs via CPEC where Khan and Anwar (2016) highlights the issues of political rent-seeking attribute accompanied by incentives in Pakistan. If challenges and opportunities are evaluated than it is clear that Pakistan needs to replicate the SEZs practices of successful African nations instead of following China to acquire the desired outcome of development in the domain of socio-economic transformation (Hussain, M, & Mehmood, 2018), (Zia, M., Malik, 2018), as the success of any SEZ rely on its proper planning which looks missing in Pakistan. Planning requires the removal of political biases along with the differential policies for each zone depending upon its geographical location (Naeem, et al. (2020).

Special Economic Zones – A General Outlook:

The idea of free ports is quite old where nations facilitate traders through least interventions to attain economic gains but after 1960's the concept of modern SEZs usually moves around either sea ports/ airports/ country's borders. This will further enhance in 1980's where countries follow the industrial revolution to boost exports by minimizing cost. Cost reduction require minimum transportation which eventually promote sea trade and trade with border nations so, most of Asian nations being the global manufacturer(least cost) of the entire world trade via sea or roads. So, trade by sea is an important medium that contributes not only in blue growth but in overall growth.

The expedition of global production between 1990s-2000's and high jerks in Global supply/ value chains generate a new wave of SMEs and MSMEs where many struggling developing nations try to replicate the success stories of developed nations in the context of SEZs which abolish all the limitations of global trade which negatively impact imports. Adoption of this new trend is obviously not easy and takes time due to its new regulatory system but will benefit investors by the provision of a business-friendly environment. Globally, there are almost 5400 SEZs and MSMEs out of which more than 1000 are entrenched in last 5-6 years. Development of these zones not only benefits in more investment options, employment creation and export promotion but generates many associated profits in terms of linking local suppliers to international markets that's why countries develop their SEZs to accelerate the pace of industrialization that generate blue growth and contributes in the economic wellbeing of the country. Policymakers of developing nations prefer to develop SEZs because 1st- their governance system is poor and reforms in the existing system is difficult to incorporate so adoption and development of SEZs is a relatively an easy option to bring change. Many developing nations successfully manage their SEZs to acquire better investments in their countries. 2nd- least perceived cost of development of SEZs. Although the cost of development is not low, but when we compare the cost of industrialization other than the medium of SEZs than it is much higher than the cost of SEZs while the additional costs are usually outsourced and not create any pressure on local economy so, it's a "no cure no pay" path towards industrial growth.

Development of SEZs in many nations are the test beds of liberal economic system subject to economic tools of acceptability and credibility of the policies announced for the transformation of industrial push up. Through promoting innovation, value addition and competitiveness these zones make high contribution in export orientation, import substitution, correction of BoP and many areas. UNCTAD's world investment report 2019, highlighted the fact that 4000 zones are reported since 2015 which increased to 5400 SEZs are established in 150 nations in 2019 which represents 35% growth in development of SEZs where different nations attract investors by different incentive packages and it is observed that, nations that historically struggled to fascinate foreign investors are showing higher interests in development of SEZs to compete in the region.

Incentives Offered by a Special Economic Zone:

Various countries offer different incentives to the businesses for investment in a special economic zone. These incentives may be broadly divided into Fiscal & Non-fiscal Incentives. Fiscal incentives are given in the shape of tax holidays & concessions of various types while non-fiscal incentives include all other types of preferential treatment to attract investment & facilitate the process of establishment of a business or development of an SEZ. We can also term fiscal and non-fiscal incentives as financial & non-financial as well. The fiscal incentives include but are not limited to tax concessions, tax breaks, tax & duty holidays & concessions on import duty for a certain period of time to establish an industry/ business within a special economic zone. While other incentives include exemptions through accelerated depreciation, subsidies & grants as part of fiscal and financial incentives[1]. The non-fiscal incentives may include but are not limited to preferential allotment or acquisition of land, priority access to the land & property, availability of skilled labor & their trainings in certain technical areas, incentives related to a specific location, infrastructure & utilities incentives & credit incentives. Sometimes incentives are also linked to a performance by certain enterprises as well.

1. Special Economic Zones in Pakistan:

1.1 Historical Background of Industrial Clusters & SEZs in Pakistan:

Since its beginning, Pakistan is struggling to strengthen its industrial sector. To achieve the target different Governments focus on different initiatives like the development of the Pakistan Industrial finance corporation (PIFC), Pakistan Industrial Credit and Investment Corporation (PICIC) in 1948 and later the development of Pakistan Industrial development corporation (PIDC) in 1952. In the era of Ayub Khan (1958–1969), these policies evolved and organized in the form of meaningful Industrial policy based on ingredients of classical and ancient methodology where the upper classes are incentivized at the expense of poor to enhance their savings that returns back in the form of reinvestment in society. This era is based on the policies of import substitution and export promotion where private sector is encouraged to invest where they receive benefits through differentiated tariff structure, over-valued exchange rates and import rationing policy. The result of such policies achieved in the form of high growth where the contribution of industries to GDP rise by 6.9% in 1950 to 11.9% in 1965 but the impact of prioritizing upper classes results in the development of interest groups in the form of industrial elites which widens thr gaps between the classes. In the Bhutto regime, Governmental policy focus diverted from Industries to Agriculture that resulted a decline in industrial growth. SEZs are also one of the new names of this cluster where this cluster is the group of interconnected and related industries localized at a single destination to boost the socio-economic development of that particular area (like today in Sialkot, Faisalabad and at KPK).

From the view point of different economists in Pakistan, a mutual framework must be designed to accelerate the pace of growth, which transform Pakistan from developing to developed nation. To achieve the target various policies are used to expand exports but the most successful policy used worldwide is the development of SEZs which is a duty free area deemed to foreign territory to enhance trade through either free sea ports, Industrial estates (IE) and export processing and free trade zones (EPZs, FTZ).

Pakistan adopt the policy of SEZ by special economic zones Act 2012 to cope up the challenges globalization. This Act envisages SEZs to attract local and foreign investors for the development of infrastructure focusing export orientation and import substitution, deals with technology transfer for advancement and for the creation of employment opportunities. Section-4 of this act permits provincial and central Governments to establish SEZs by their own in coordination with private entities through the frame work of public private partnerships or allow private sector to develop their exclusive SEZ where the act support these SEZs through incentive packages by fiscal and other measures. Through this policy tool Government achieves growth via industrialization. The approving body of such zones (BOA) headed by PM, CM and other relevant federal or Provincial Ministers along with the representation of Private Sector representatives. Separate policy think tanks are developed having the responsibility to establish SEZs at the lowest tier approval structure and this committee is chartered by BOA under section 23 of this Act.

These committees include the representation of each BOI (Board of investment of each province and central BOI), the district government and the developer of the respective zone responsible for advancing approvals to the eligible zone on the basis of their pitched business proposals for setting the SEZ. In Pakistan, the policy objectives and the type of SEZ framework provided through the SEZ Act 2012 but unfortunately, not aligned with the real economic conditions as the SEZs from 2012-2015 were placed outside the customs territory of Pakistan limiting their appeal for the investors that wanted to capitalize on the budding domestic consumer market. Resultantly, in order to broaden the path of SEZs and to increase the pace of industrialization, BOI proposed amendments in the Act in 2015 to bring the SEZs within the customs territory of Pakistan that definitely attract investors, and by the end of 2016, seven SEZs got notified across Pakistan.

Special economic zones (SEZs) have been adopted by many countries, particularly in the Asia region, as a popular means by which to foster and stimulate economic development (Wong and Chu 1985; Oborne 1986). Encouraged by the success of SEZs in other Asian regions and countries in the 1960s and 1970s, China set up four SEZs in 1979, including one in Shenzhen. During the 1990s, six special economic zones were established, including the zone of Shanghai Pudong, the pioneer of attracting foreign investment. As a result of its extraordinary growth and success, Shenzhen SEZ has itself become a positive example and impetus for the rest of the world. Although a large number of SEZs are already in operation around the globe (approximately 400), it is likely that a growing number of SEZs will continue to appear, both in Asia and worldwide. This is because SEZs have generally proved to be a successful means of fostering economic growth and prosperity. However, despite their general effectiveness, there do exist variations in the relative success of SEZs both within China, and between China and other countries. For example, within China, Guangdong's other two SEZs lag far behind Shenzhen SEZ (Liao 1999). Indeed, Shenzhen SEZ is perhaps the most successful example of a SEZ in the world, having enjoyed explosive growth (Kasliwal 1998). Shenzhen also stands in stark contrast with some rather unsuccessful SEZs in other countries, including those near Bombay and the Kandla SEZ in Pakistan.

China's SEZs In the early 1990s and 2000s, series of of SEZ expansion were developed to built on the previous successes. As economic growth took hold in the coastal regions, the geographical focus of new SEZs shifted inland and to the west of China. With their five categories of 552 State-level zones and 1,991 provincial zones, together accounting for over half of all SEZs in the world , China has been experimenting with new types of wide-area zones. After 2010, the original four SEZs were expanded to include their entire city administrative areas. These new-generation wide-area zones are expected to test institutional innovations in tackling specific development issues, before being replicated at the State or regional level. Instead of traditional fiscal incentives, Special Economic Zones acquire support from the central government to these zones focuses on economic liberalization, including investment policy experimentation under a national policy

1.2 SEZs under China-Pakistan Economic Corridor (CPEC) & Blue Growth:

Special Economic Zone is a geographical region that has economic laws that are more liberal than a country's typical economic laws. An SEZ is a trade capacity development tool, with the goal to promote rapid economic growth by using tax and business incentives to attract foreign investment and technology (world bank report, 2018). Today, there are over 3,300 SEZs operating in 120 countries (Dr.Chikati Srinu, 2013). In China, the first economic reform in the late 1970s and early 1980s consisted of opening trade to the outside world, later by the end of the 1980s China established special economic zones which are Shenzhen, Pudong, Zhuhai, Shantou, Hainan and Xiamen. The most successful Special Economic Zone in China is Shenzhen, which has developed from a small village into a city with a population of over 10 million within 20 years. The government crafted favorable policies for these Special Economic Zones, to lead the economic growth.. The third step was to attract foreign investment inflows. This combined incremental effort made SEZs as an important economic instrument that are being further transformed into economic entities backed b technologies supporting urbanization making these SEZs fairly autonomous to make their own decisions and be held responsible for their own profits or losses (Yan He, 2008). Today the SEZs are fast converting into centers of excellence for innovation, collaboration, and technology growth. The data flow and smart infrastructure is being developed as part of the vision 2030 of the Government of China and as part of the Digital Silk road. This is a model that needs to be emulated in developing countries.

The Chinese experience offers a valuable lesson fo r Pakistan. Neither the international nor the Pakista n experience with SEZs has been particularly happ y. Globally, only a handful of SEZs, of the hundred s that exist, have generated substantial exports, alo ng with significant domestic spin-offs in demand o r technology upgradation. For each successful Shan non (Ireland) or Shenzhen (China), there are severa l failed ones also. Recently, several models of SEZ development are being practiced including the Publ ic-private partnership as well as by a single private sector entity. These SEZ's help contributes towards balanced economic growth leading to the tapping o f local talent and contributing to increased economi c activity in the area. Developing countries are face d with a myriad of issues where private investment and FDI lacks due to weak institutional framework , policy instability, energy scarcity, and poor planni ng challenges, inconsistent tax treatment, lengthy a nd cumbersome procedures for obtaining utilities, a n inflexible visa regime, and security challenges. D espite these challenges, countries continue to attrac t foreign investment in SEZs mainly because some of the SEZs were planned and developed and built hurriedly without economic analysis and under a p olitical agenda, their development lacked proper im plementation of construction standards or environm ental and safety regulations. Some of them lacked i mportant utilities, business support services, or eve n trained HR. Resultantly, the SEZs function simp ly as pockets of factories without environmental co nsideration and without having the desire to innova te (**world bank report on SEZs**).

Special Economic Zone Act was announced by the Government of Pakistan on 13th- September 2012 according to which Federal and Provincial Governments are authorized to develop SEZs in different modes of public-private joint collaboration where the private sector are prioritized to lay its role. Initially, the Government of Pakistan (GoP) develop five industrial estates (SEZs) as Multan Industrial Estate Phase-II, Bhawal Industrial Estate, Mainwali, Rahim Yar Industrial Estate, Dera Ghazi Khan and Rawalpindi Industrial Estate under the CPEC with an objective to create employment up to 150,000 where Board of Investment (BoI) approve to develop three more SEZs in Punjab with the names, Quaid-e-Azam Apparel Park (QAAP) at M2 Interchange, Industrial City located on Trade corridor and M3 near Sahiwal interchange and 225 acres Value Addition City near Faisalabad on Expressway with the high aims to generate Rs.1 trillion with employment creation of 2,000,000 further jobs at its completion. Planning commissions aims to set 27 SEZs under CPEC through the development of a model zone at Gwadar on 3000 acres in collaboration with China. In addition, BoI highlighted 46 potential sites to develop as an SEZ with the priority to develop on nine sites under CPEC.

These SEZs are the roots that built pillars to provide strong base to CPEC and that guarantee economic prosperity. To speed up the pace of mutual industrial collaboration four SEZs are constructed including ICT Model Industrial Zone (Islamabad), Allama Iqbal Industrial City (Punjab), Rashakai Economic Zone (KP) and Dhabeji (Sindh). Most recently, former Prime Minister Imran Khan, has signed many MoUs with his Chinese counterparts. Including the agreement to develop Rashakai special Economic Zone on priority while the feasibility work of other zones are in process as per the CPEC second phase which definitely bring more opportunities for both nations.

1.3 Guidelines & Incentives for Developers & Enterprises in SEZs in Pakistan:

According to the incentive package announced by Government of Pakistan is as under,

1. Exemption from income tax for ten years for Zone Developers, Co-developers and Zone Enterprises, under clause (126E) of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001 which is reproduced as below:

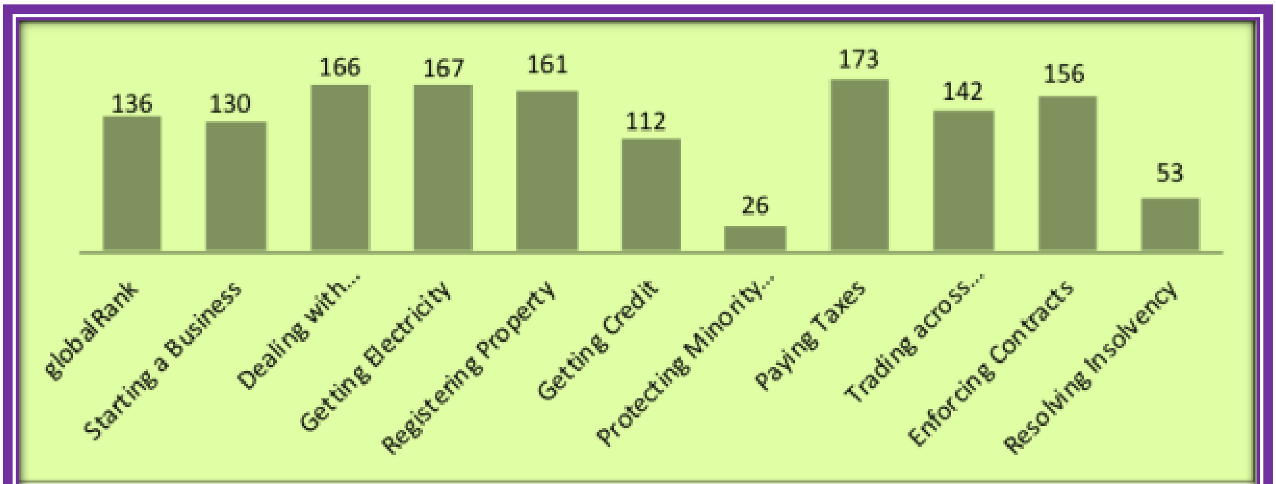
"Income derived by a zone enterprise as defined in the Special Economic Zones Act, 2012 (XX of 2012) for a period of ten years starting from the date the developer certifies that the zone enterprise has commenced commercial operation and for a period of ten years to a developer of zone starting from the date of signing of the development agreement in the special economic zone as announced by the Federal Government: Provided that this clause shall also apply to a co-developer as defined in Special Economic Zone Rules, 2013 subject to the condition that a certificate has been furnished (a) by the developer that he has not claimed exemption under this clause and has relinquished his claim in favor of the co-developer; and (b) by the Special Economic Zone Authority validating that the developer has not claimed exemption under this clause and has relinquished claim in favor of the co-developer."

2. One-time exemption from all custom-duties and taxes on import of capital goods to Zone Developers, Co-developers and Zone Enterprises, vide PCT 9917(2) under Chapter 99, sub-chapter V of the First Schedule to the Customs Act 1969 which is reproduced as below:

"Capital goods, as defined in the preamble of Part-I of the Fifth Schedule to the Customs Act, and firefighting equipment, except the items listed under Chapter 87 of the Pakistan Customs Tariff, imported for setting up of a Special Economic Zone (SEZ) by zone developers and for installation in that zone by Zone Enterprises, on a one-time basis as prescribed in the SEZ Act, 2012 and rules thereunder subject to such conditions, limitations and restrictions as the Federal Board of Revenue may impose from time to time. Co-developer as defined in Special Economic Zone Rules, 2013, shall also be entitled to avail the same incentives and exemptions for the same period as available to the Developer under the SEZ Act 2012, subject to the condition that the Developer of the SEZ relinquishes its rights to the incentives and exemptions in favor of the Co-developer; provided further that the respective Special Economic Zone Authority duly endorses such reassignment, and ensures that such reassignment shall not be misused."

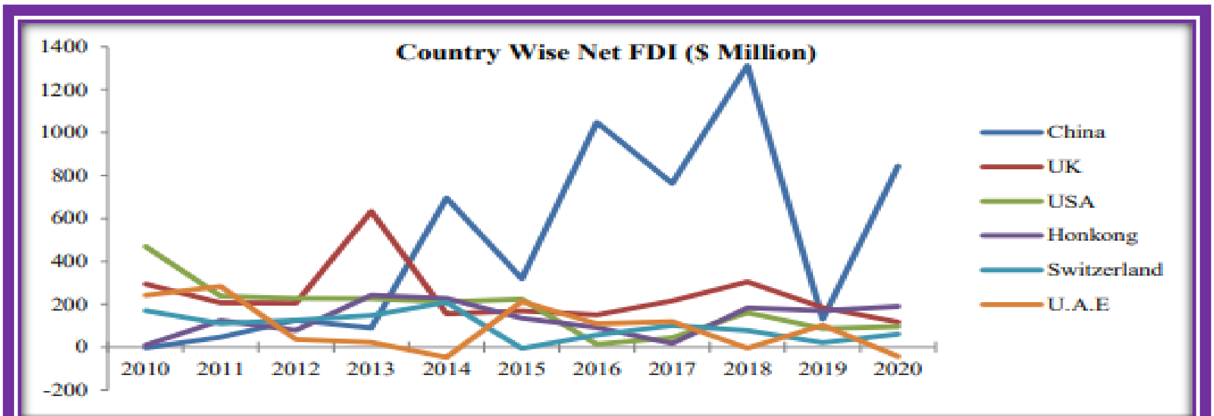
1.4 Economic Impact of the SEZ Incentives in Pakistan:

In global practices, SEZs is the driver which gives diversity to any economy through technological advancement transfer of knowledge, innovation, employment generation and industrialization. Various studies are conducted to evaluate the successful outcomes of SEZs via CPEC where Khan and Anwar (2016) highlights the issues of political rent-seeking attribute accompanied by the Incentives in Pakistan. Instead of many researches, the missing factor which I noticed is the overall condition of Pakistan's economy. Pakistan is a developing nation ranked 115 out of 137 nations in the global competitive index (2019) with low productivity performance.

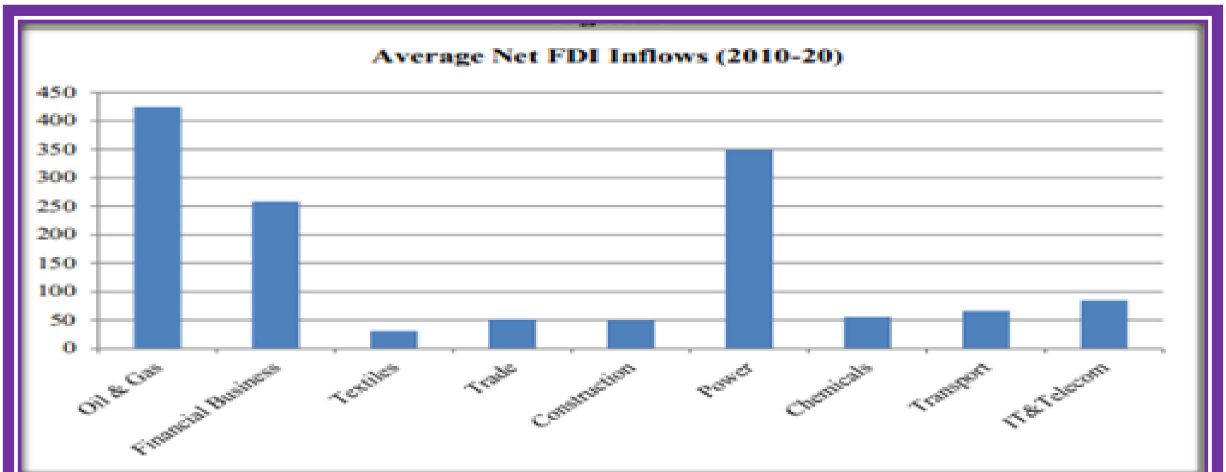


Source: Global Competitiveness Report, 2019

The data reveals the fact that Pakistan has very narrow set of goods for exports based on primary and intermediate goods where market trends required diversification. Pakistan experience. Comparative advantage in textiles where 60% of our exports based on textiles (with a combination of low production capacity and high cost of doing) in the competitive market like markets of Bangladesh and Vietnam which definitely require policies to improve production capacity for Survival.



Source: Board of Investment Pakistan.

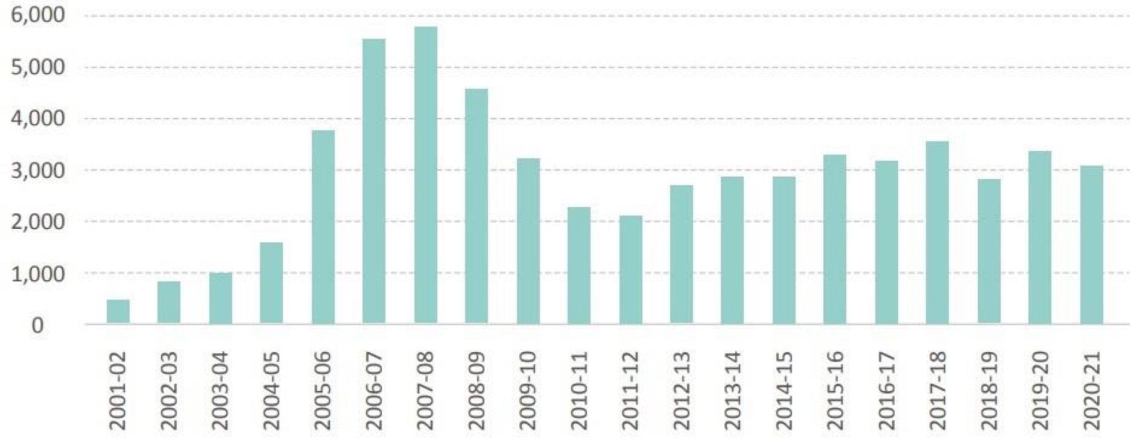


Source: Board of Investment Pakistan

In the Post COVID-19 environment, governments of different countries are now setting aggressive policies for boosting investment, including foreign investment, to support economic growth goals, and have embarked on an Ease of doing business drive through the" One Stop Shop' concept to reduce bureaucratic barriers to investment, including announcing the creation of a **"one-stop-shop"** for reducing time in acquiring permits and licenses. However, legal and political uncertainty, economic nationalism, and powerful nationalist interests create a complex investment climate. Further bottlenecks to FDI in these zones include poor coordination, slow land acquisition, poor enforcement of contracts, the capacity of bureaucracy, inconsistent policies including Tax exemptions, and lack of transparency in the development of laws and regulations. Energy and mining investments still face several foreign investment barriers.

Figure 4: FDI inflows into Pakistan

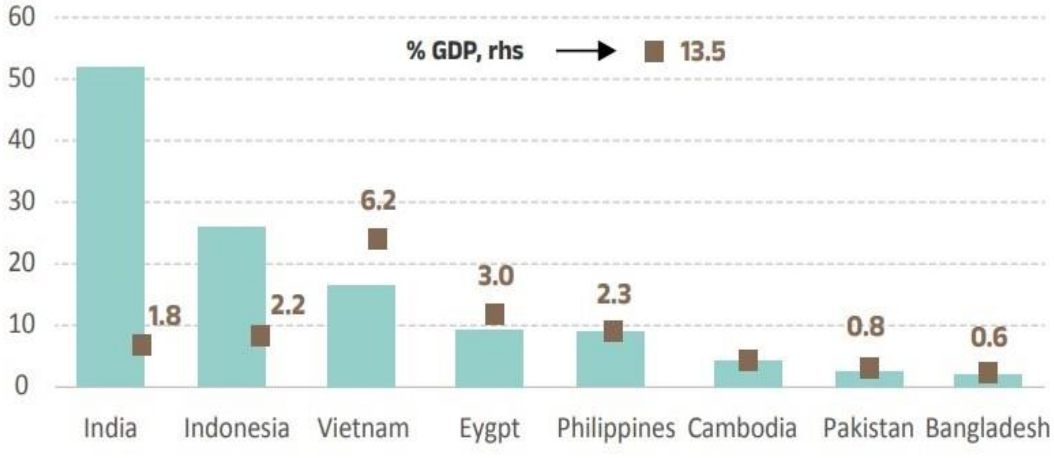
US$ million, gross



Source: SBP data

Figure 5: FDI inflows in selected EM economies

US$ billion + % GDP, gross, 2019



Source: World Bank data; author

2. SEZs Regime in Bangladesh:

In 1980, an act was introduced in Bangladesh the name Export Processing Zone Act with an objective to increase the pace of trade through industrialization which in turn open the doors of employment. This act creates a semi-autonomous Special export processing zone in Bangladesh (BEPZA) in which Government provide land on leasing to facilitate industrial tenants in which most of the tenants are the manufacturers of readymade garments (RMG). In BEPZA state facilitates the investor through tax reduction and holidays, tax exempted dividends and duty free imports supported by local bureaucracy. It is observed that, till 2017 this zone successfully attract investment of $4.3 billion which contribute $59.4 billion to exports which is almost 19% of total export revenue in 2017 in Bangladesh. After having such a great return from BEPZA, the Bangladeshi Government is planning to acquire more private participation. For this said purpose Government introduce Bangladesh economic zone act accompanied by the hi-tech act of 2010 (BEZA) and (BHTPA). Both organizations work under the umbrella of BEPZA with an objective to develop 100 such zones till 2025 to enhance production which targets local and international markets. The structure of ownership of both BEZA and BEPZA are different as they depend on the private sector to invest in zones while EPZs are owned by the state.

In 2010, BEZA was established under the Bangladesh Economic Zones Act.18 BEZA is led by the Office of the Prime Minister and is mandated to establish, license, operate, manage and control economic zones in Bangladesh.19 Its stated aim is to establish EZs in all potential areas of the country, including underdeveloped regions, in order to encourage rapid economic development by proliferation and diversification of industry, employment, production and export.[2] Potential areas include those that have lower agricultural productivity and do not require substantial relocation of existing residents and land users. In concrete terms, it has the stated intention to develop 100 EZs across the country and create employment for 10 million people in the next 15 years. BEZA is just one regulator among several in the creation of a broad class of special zones in Bangladesh. In the same year as the founding of BEZA, the Government also created the Hi-Tech Park Authority. These two authorities were preceded by the Bangladesh Small and Cottage Industries Corporation (BSCIC), operating under the Ministry of Industries in 1957 in order to support the small and cottage industries. Subsequently, during the initial phase of Bangladesh's export promotion policy effort, the Bangladesh Export Processing Zones Authority (BEPZA) was created under the 1980 BEPZA Act to attract foreign investment and technical know-how and thereby boost exports. The main responsibility of BEPZA has been establishing and managing EPZs, of which there are currently eight. In accordance with the different bodies responsible for their administration, four main types of special zones are legally permitted in Bangladesh: industrial estates under the direction of BSCIC, EPZs under the direction of BEPZA, EZs under the direction of BEZA, and hi-tech parks under the direction of the Bangladesh Hi-Tech Park Authority (BHTPA). Each institution is responsible for providing one-stop-shop (OSS) services to investors in its respective sphere of authority. In addition, a fifth OSS for investors was established in 2016 namely the Bangladesh Investment Development Authority (BIDA). All these are fully dedicated to a single type of zone. BIDA is not a zone manager; rather, it is meant for general FDI promotion and facilitation. It also provides administrative and business development support to foreign investments in the rest of the country, including in some areas earmarked for the industry by city authorities in charge of urban planning. It is worth mentioning that an approved zone does not imply that any construction has taken place at the site or that the zone will become operational.

2.1 SEZ Incentives in Bangladesh:

BEZA is the leading agency in Bangladesh which develop and facilitate SEZs. BEZA provides multiple incentives to the developers as well as manufacturers of SEZs including tax waivers, special offers on custom duties and excise taxes accompanied with other non-fiscal incentives of FDI Ceilings, licenses and work permits etc. in addition Government of Bangladesh offers resident ship and citizenship to investors as well. Moreover, incentives offered by the Government of

Bangladesh in its SEZs are categorized in two that is incentives for developers and for investors.

Incentives for Developers

S.No	INCENTIVES	EXPLANATION
01	Varied Income tax exemption up to 12 years including 100% tax waver for initial 10 years.	1-10 years…..100% 11th Year……70% 12th Year……30%
02	Dividends income tax exemption for 10 Years	100% Exempted
03	Capital gains from transfer (Income tax) of shares are exempted 10 Years.	100% Exempted
04	Income tax on Royalties and technical Assistance fee are exempted for the period of 10 Years.	100% Exempted
05	In order to develop SEZs imports are exempted from the import duties except MS-Bars, Cement, Pre-fabricated Building materials and iron /steel sheets.	100% Exempted
06	In order to develop the land of SEZs all development taxes are exempted.	100% Exempted
07	As per section-65 of Local Government/ Union, Parishad Act, 2009 all sub-taxes, rate, toll and fees are exempted for zones.	100% Exempted
08	All taxes applicable on transference of immovable properties are exempted under the section-44 of Upazilla Parishad Act, 1998	100% Exempted
09	Stamp duties applicable on the registration of loan document at any Scheduled Bank are exempted.	100% Exempted
10	Stamp duties applicable at the time of transference of land to the Consortium or any joint venture like Private EZ developer are exempted for the purpose to build the zones.	100% Exempted
11	Under section-53H of income tax Ordinance 1984, income tax are deducted from source but to develop the zone this tax is exempted at the time of transference of land in favor of the Consortium, Joint Venture/Private EZ developers.	100% Exempted
12	In order to build the required SEZs, registration fee applicable as per Registration-Act 1908 are exempted at the time of transference of land in favor of the Consortium, Joint Venture/ Private EZ developers.	100% Exempted
13	Land lease agreements among BEZA and developers are exempted from all stamp duties.	100% Exempted
14	Stamp duties are also exempted to some extent on the registration of lease.	50 % Exempted
15	EZ investors are completely exempted from the BoI Investment Act-1989.	Completely Exempted

Incentives for Investors

S.No	INCENTIVES	EXPLANATION
01	Except edible oil, flour, sugar, cement, iron & its by-products income tax exemptions are granted for 10 years.	1-3 Years …100% while 10% decline in every next year i-e 100-20% in 10th year.
02	Dividends are exempted from income tax for the period of 10 years.	100% Exempted for 10 years.
03	Capital gains generated from the transfer of shares are exempted for income tax for 10 years.	100% Exempted for 10 years

04	Royalties and fee of technical assistance are exempted from Income tax for the period of 10 Years.	100% Exempted for 10 years
05	Incomes of expatriates are exempted from income tax for 3 Years.	Granted exemption is 50%.
06	As per double taxation agreement double taxes are applicable on few goods which are exempted from double tax depending on the type of agreement.	As per agreement signed.
07	Except for MS Rod/Bar, Cement, Pre-fabricated Building, Iron/Steel Sheets, Import of Capital goods and Construction materials are exempted from tax.	100% Exemption granted.
08	Stations of Warehouses.	EZ as a whole declared to be the station of warehouses.
09	Warehouse operators are facilitated for home consumption & other bond facilities.	Unit Investors of EZs (all) are entitled to take benefit from this facility.
10	Dedicated Customs Procedure(Economic Zone)	All the industries in EZs are eligible.
11	DTA allowed sub-contracting.	100% Allowed
12	Custom & regulatory duties, VAT and other supplementary duties are exempted on the imports of vehicles up to 2000 cc on one sedan car and one microbus/pick up van/ double cabin pick up.	100% Allowed
13	Exports are exempted from all duties.	100% Exempted.
14	Utility services related to production are exempted from VAT.	100% Exempted.
15	In order to develop EZ land development are exempted from taxes.	100% Exempted.
16	Stamp duties on lease registration are exempted to some extent.	50 % Exempted.
17	Tax sub tax, rate, toll, fees etc imposed under section-65 of Local Government & Union Parishad Act, 2009 are eliminated.	100% Elimination.
18	Taxes imposed under section-44 of Upazilla-Parishad Act, 1998 on immovable properties are exempted.	100% Exempted
19	Investors of EZ are totally waived from Board of Investment Act, 1989.	Complete Waiver.
20	The regulatory framework for foreign exchange transactions of enterprises operating under EZs are relaxed.	Complete relaxation.
21	FDI's in Bangladesh including EZs	Other than few sectors no restrictions.
22	FDI ceiling.	No ceiling
23	Refurbishment of dividend collected from the investment.	100% wavier
24	Reinstatement of sales proceeds captured from investment.	100% waiver
25	Loan from external sources	100% allowed
26	Repatriation of Royalty, Technical Know-how& Technical Assistance Fees	For new project, maximum 6% of cost of imported machinery & for ongoing concerns, maximum 6% of the previous year's sales as declared in the income tax returns.
27	Telephonic Transfer (TT)	No limit
28	Foreign Currency Accounts for EZ enterprises	No limitations
29	Foreign Currency Accounts for foreign nationals working in EZ enterprises	No limitations
30	Remitting income of foreigners working in EZs	No limitations
31	Market exploration assistance for Type C industries operating in EZs against export of - Sandals and bags made of synthetic & fabrics - Agro processing goods	4% Cash Incentive subject to minimum value addition of 30%

32	Backward Linkages of raw materials to sell for export-oriented industries	100% waiver
33	Efflux of work permit to foreigners.	Up to 5% of total officers / employees of an industrial unit
34	Resident visa	For investors of US$75000 or above
35	Citizenship	For investors of US$ 1,000,000 or above

2.2 Economic Impact of the SEZ Incentives in Bangladesh:

Since its origin, Bangladesh has remarkable performance history and is counted as one of the fastest growing economies in the entire world through the abutment of its manufacturing units (exports) of RMGs and certain and supportive macroeconomic conditions. Increasing exports creates a noticeable increase in growth to 6.4% in fiscal year 2021-22. Bangladesh is an iconic nation for nations who are struggling to reduce poverty for achieving development. In 1971 Bangladesh emerged as one of the poorest nations with 10th lowest per capita GDP in the entire globe and expected to graduate from the list of United nations least developed nations in 2026 as the country successfully reduce its poverty from 43.5% in 1991 to 14.3% in 2016 (based on PPP exchange rate 2011) with a steady growth rate of 6% on average in last decade. Bangladesh experienced GDP of 7.28% to 8.15% in FY 2016 to FY2019. Instead of the crisis of COVID-19, Bangladesh stands at a growth of 3.51%.

Similarly, the export returns are US$ 38,758.31 million in FY 2020-21, which is 15.10% higher than the export returns in the last fiscal year. In this FY, product led the growth of almost all products increased as compared to the previous year due to the inflow of FDIs accompanied with net inflows of small, medium and long-term loans with surplus financial accounts. Therefore, the overall record shows a surplus of $9,274 million in FY 2020-21 as compared to $ 3,169 million in surpluses in the preceding year. The achievement of this economic outlook and its recognition would not have been possible without governmental focus on the establishment & sustainable development of SEZs through partnering with private & multilateral sectors.

3. SEZs Regime in Vietnam:

Vietnam experienced its development through SEZs in phases after the pursuit of economic reforms in the year 1986. But this was a journey full of challenges. Initially government introduce policies that focus on FDI (mid 80's) in order to enter in the globalized market. The model they adopt was the model of Tan Thuan to develop an export processing zone (EPZ) in 1991, in the second phase (1994-1997) of growth and development, Vietnam intuited an Industrial zone (IZ) following the successful path of its southeast Asian neighbor and transform its EPZ into IZ to boost small export-oriented manufacturing units later country targets to introduce high-tech industrial zones (HTIZ) for which Vietnam pilot some zones in MONG Cai in the province of Quang Ninh whose borders are connected with China at that time. After piloting the HTIZ, Government establishes its first HTIZ in 1998in Hoa Lac near to its capital and as per the Government's plan of 2008, the state targets to develop 30 SEZs near 15 borders of its provinces for which initially central bank provide funding. The next phase of developing SEZ targets the coastal belt through the development of a coastal economic zone (CEZ) that targets high-tech industries. The objective of developing CEZ is to tap the blue economy in addition to the traditional one through the development of ports to capture blue growth.

In the recent phase, the Government of Vietnam piloted three SPZs targeting to build the pillars of the economic prosperity of the nation. The National Assembly approved the idea of the development of such SEZs in 2018 because the development of such zones require special administrative measures so these zones are called to be specially administered economic zone (SAEZ). The success of such models are based on the roots of special investment incentive packages, tax holidays and rental duration offered to foreign investors. Overall, there are two main types of SEZs in Vietnam, including border gate economic zones (BGEZ) and Coastal EZ. Government initiate the law of EZ in 2018 along with the detailed format of its development where infrastructure development is the core responsibility of state while other areas to be developed on the format of build, operate and transfer (BOT), build and transfer (BT) and public-private partnerships (PPP). The decision of developing of BGEZ based on specific conditions like the embodiment of international borders of neighboring countries which are geographically remoter from their country's economic and political centers as capturing these kinds of markets are comparatively easy as they need to be part of the economic cycle that they already lack and due to connected borders they are socially, culturally and environmentally connected with other. The major objective of BGEZ is to connect borders through infrastructure to promote border trade to improve the living standard of locals on both sides of borders while CEZ is the add-on attempt to facilitate trade through sea borders.

2.1 SEZ Incentives in Vietnam:

The zoning policy of Vietnam is a policy mix of different industrial policies which mark employment, FDI and exports as a target. The incentive package offered by the Government includes a favorable and supportive income tax system for the corporate sector, compatible infrastructure and ease of doing business through simplification of procedures and one-window operations. The incentive package is not restricted to the federal government but local governments are also incentivizing investors through the local infrastructure of roads, energy, telecom services and other modes to attract investment in their province. Zoning policy provide preferential treatment to prioritized industries where they segregate SEZs as export processing zones (EPZ), auxiliary industrial zones and economic zones which include financial zones and serve the investor for the socio-economic development of the country and these economic zones environ CEZ and BGEZ that contributes conventional and blue growth.

2.2 Economic Impact of the SEZ Incentives in Vietnam:

Vietnam has emerged as a nation where they achieve development through its SEZs but this success story is backed by the policies they adopt in 1986 to bring economic change where they adapt the global trends and technology. This adoption and acceptance of change enable Vietnam to transform its country from a world's poorest nation to middle-income country where GDP per capita rise to 2.7 times from 2002-2020, poverty falls from 32% to 2%. Even in the COVID crisis, Vietnam is one of the nations which experience GDP growth in 2020. Life expectancy rate at Vietnam increases from 70.5 to 76.3 years showing a better health system, and access to energy and power reached to 99% of its population (2016). There is no doubt in the fact that Vietnam has emerged as the fastest-growing economy in the ASEAN.

Comparison of SEZs of Pakistan, Bangladesh, and Vietnam:

If we compare the SEZs of Pakistan, Bangladesh and Vietnam than according to SBP annual economic review 2021 (referencing World Bank's report of 2017) Pakistan must not lag behind in generating foreign revenues. If we compare the tax holidays package in all the discussed countries then Pakistan is providing holidays for 10 years; Vietnam for 4 years and Bangladesh for only 2 years but unfortunately on average Pakistan only generates less than $10 billion from all its seven operational SEZs (right from its origin) which only generate 34,100 employment options till June 2021, in 310 companies of all seven zones out of which 30,000 employed in 266 companies operating in KEPZ (Karachi export processing zone). The reasons behind these shocking numbers include inconsistent policies. There is no doubt in the fact that the fiscal incentive package offered by the host nation is attractive for the investor but this is not the only thing that catches jumps in FDI's as this fiscal package is the necessary condition not a sufficient condition that encourages the investor to relocate its industry to the SEZ. It is proved from the literature (study of Farole's study of 77 nations) that improved and attractive infrastructure along with trade facilitation (ease of doing business) has a significant impact on trade (via SEZ) which is supported by the financial mechanism of tax breaks. Therefore, other than the incentives investment successful SEZ is only possible through a good investment climate which requires a basic infrastructure of roads, energy and one-window clearance services for the companies operating in the SEZs. Bangladesh has a much focused policy in this regard. They are improving their SEZ policy to improve the business climate which results from more foreign investments. They are very keen to catch investment in their labor-intensive sectors to utilize their abundant labor. Till 2021, Bangladesh's SEZs attract almost $12 billion in investment by more than 400 firms with annual exports of about $5 billion which contributes 16% in total exports of Bangladesh which simply indicate that improved infrastructure and trade environment gains the attention of investor to invest in the zone. While looking at the structure of SEZs in Bangladesh and Vietnam, it is observed that local Governments are working as a partner to attract investment in SEZs but after the 18th Amendment addressing the issues at SEZs is very difficult due to the overlapping responsibilities of the federal and provincial government to develop its infrastructure. Similarly, strong legislation is also required to develop contract disputes. Our coastal SEZs require special attention and uninterrupted focused policy for their development as its success decides the success of CPEC as SEZs currently being developed under CPEC can be expected to operate (after becoming functional) under a closer watch of CPEC Authority, the slow pace and dismal state in most cases of already operational old SEZs still remains a large question for different state entities dealing with establishment, development & maintenance of industrial zones meant to raise employment, growth rate & exports.

Conclusion:

The development and maintenance of prosperous and lucrative SEZs like Bangladesh and Vietnam will not be a delusion if the conducive approach is used to develop a flexible ecosystem of legal and institutional management is assimilated along with the catalytic tools of innovative skills and efficient infrastructure. Chinese companies are hitchhiking venues for possible relocation of industries abroad that offer the best set of incentives for them which is definitely a great option and hope for developing countries like Pakistan to catch a relocation of 85 million jobs, and billions of investment (James Zhan, 2017). Countries vying for this investment need to identify pillar industries, especially in manufacturing sectors and align the requirements of the investors and also explore joint ventures of public & private partnerships (JVs) with third-country participation by adopting a partnership approach especially to attract new technologies. Technology parks and Industrial zones are the focal points of any country where drivers of competitiveness are integrated to bring better production possibilities that's why act as catalysts to boost industrialization through the higher inflow of FDIs and link the domestic economy to international productive units (Zeng 2010). This is the only path by which investments are captured by these industrial excellence units in Pakistan, and will jump-start harmonized and diversified growth of the entire economy and earn higher revenues for Pakistan. There exists a great potential for agro-based SEZs in Pakistan as well, as we already have a successful example of these kinds of zones in China, India and Mauritius but successful delivery of these kinds of zones in Pakistan under CPEC require safe and secure foreign investment, enabling environment and the environment of entire region. Hence, the development of SEZs is crucial for tapping growth so, there is a dire need to incorporate an appropriate and targeted strategy to incentivize these zones that require substantial institutional capacity.

Pakistan's recent policies regarding SEZs under CPEC have the potential to amplify production capability, assimilate Pakistan with international value chains, and arouse long-run manufacturing. At present Pakistan is suffered from a less efficient manufacturing sector which discourages investors to invest in the region, companies are not engaged in global competition so there is a dire need to test the policies of similar nations for fostering economic development and there is no doubt in the fact that planned development will benefit the entire economy of Pakistan. Keeping in mind the fact that these SEZs are not the confined enclave with the economy, but the test beds for experimenting policies to cultivate economic development.

From the point of view of investment, SEZs must be a compulsory part of every industrial policy with clustering effort. It is suggested that the scope of development of any SEZ must be based on the following:

Recommendations:

The new approach to zone development varies with e the models, incentives, the design of zones and the sector of industrial cluster development. Many new types of zones are being developed that focus on industries such as high-tech, financial services, tourism, and environmental performance. It is noticeable fact that SEZs generate the spill-over effect by creating externalities not only within the zones but outside the zones as well. SEZs cannot generate employment unless the Government designs an improved labor policy compatible to the zones. Success stories of Bangladesh and Vietnam highlight the policy focus of countries towards the development of a business environment that not only creates jobs but earns huge profits for the nation. SEZs in Bangladesh generate almost 400,000 employment opportunities which is 0.5% of the total employment of Bangladesh. Fundamental to the development of SEZ programmes is their integration into the country's industrial development strategy. SEZs are not a static policy tool; the development model that emerged from the empirical analysis shows that different stages of development require different forms of SEZs. Also, an attractive business environment, good infrastructure, skilled labor force and better management of SEZs, creates a positive impact outside the zones through the adoption of better policy practices outside the zones. Therefore, it is recommended to bring policy reforms in the domains of:

i. Development of better infrastructure and facilities.
ii. Establishment of vocational and training institutions that work under the guidance of industries to acquire knowledge of skills in demand.
iii. Learning the overall dynamics of SEZs to bring change on large scale.
iv. Reduce the involvement of BoI at every stage (starts from approval for an investor to approval to avail incentive in SEZs especially work under CPEC)
v. Simplification of the procedure of profit and capital repatriation for foreigners.
vi. Extension of the time period of work permits.
vii. Exemption of withholding and advance income tax (section-113/ income tax ordinance) for the companies investing in SEZs.
viii. SEZ Act 2012 allows one-time custom duty exemption on imports of plants and equipment but as we mostly import these plants and equipment from China these machineries are already exempted due to CPFTA so, these exemptions are meaning less until the removal of 17% of sales tax and withholding tax to minimize the cost of capital while the development of any manufacturing unit.
ix. Simplification in the procedure of land transfers.

x. Government must initiate an investment guideline mechanism prioritizes the industries having a minimum dependency on imports.
xi. Local abundant factor must be utilized instead of expensive scarce factor.

Today's globalized world now deviates from the land allocation model to plug and play model where nations compete with excellence, better infrastructure, technology, price mechanism, industries and individuality so, development requires strong effort in all the domains and ignorance means self-defeat. Strongly developed nations believe in harmonized growth where we are actually lacking so, need to develop a strong national economic policy reform to bring economic change not only through successful SEZs or Coastal EZ but the entire economy where SEZs will act as a driver and tool to bring that change that guarantees Pakistan's economic wellbeing through the conventional and blue economy (SEZs under CPEC).

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