Issue 1, 2018
Working paper #014

CENTRE OF EXCELLENCE
CHINA-PAKISTAN ECONOMIC CORRIDOR

Sustainable Urban Development and SEZs Considerations for China Pakistan Economic Corridor

Written by:

Dr. Saleem Janjua
Policy Head: Urban Development under CPEC
CoE CPEC

Adnan Khan
Research Associate: Urban Development under CPEC
CoE CPEC

Numra Asif
Research Assistant: Urban Development under CPEC
CoE CPEC

A PUBLICATION OF
CENTRE OF EXCELLENCE FOR CPEC
ISLAMABAD

Minitry of Planning,
Development & Reform

CENTRE OF EXCELLENCE
China-Pakistan Economic Corridor

Pakistan Institute
of Development Economics

Centre of Excellence for CPEC

Email: info@cpec-centre.pk

Website: https://cpec-centre.pk/

Sustainable Urban Development and Special Economic Zones-Considerations for China Pakistan Economic Corridor

Adnan Khan
Research Associate Urban Development Centre of Excellence (COE) for CPEC
Islamabad, Pakistan, adnan.khan@cpec-centre.pk
Numra Asif
Research Assistant Urban Development Centre of Excellence (COE) for CPEC
Islamabad, Pakistan, numra.asif@cpec-centre.pk
Dr. Saleem Janjua
Policy Head Urban Development Centre of Excellence (COE) for CPEC
Islamabad, Pakistan, Saleem.janjua@cpec-centre.pk

Abstract - The formation and advancement of special economic zones (SEZs) are considered as engines of economic growth, as they play their role of social-uplift through trade boost-up, widening export base, fast-track urbanization and other social privileges. Around the world, several examples of successful SEZs exist and many of them are in the Asian region. In the framework of China-Pakistan Economic Corridor (CPEC), nine SEZs are proposed for industrial up-gradation and cooperation between the two economies. This paper primarily highlights the potential for urban development in the proposed SEZs under CPEC for Pakistani economy and provides brief policy recommendations for sustainable SEZs development which are expected to rise-up the rural to urban migration in the country. The special focus of the paper is on success stories of Chinese and Indian SEZ, hence that the best practices for sustainable urbanization and urban development are identified at the formation stage of SEZs under CPEC. The paper finds that the appropriate policy interventions and regional planning for integration and management of SEZs are the key elements that can contribute to the success of SEZs in Pakistani context. Brief policy recommendations for the proposed Pakistani SEZs under CPEC are also presented in the last section of the paper.

Keywords **-** Urban Development, Special Economic Zones, China Pakistan Economic Corridor, Industrialization, Economic Growth.

I. INTRODUCTION

In the current global scenario, the industrial sector plays a vital role in the long run economic growth of an economy. From early-nineteen century, many economies have taken up the export-led economic development policies. For the purpose they constituted the hard and soft infrastructure development

policies, with an objective to strengthen industrialization in the economy, modernized export base, enhance innovations and value addition via attracting foreign direct investment (FDI) and technological transformation.

However to pursue these objectives, “hard infrastructure” is required to specify the areas for industrial development, such as business parks, export processing zones, industrial estates and special economic zones. Moreover, necessary “soft infrastructure” is also vital to design investment promotion policies through offering fiscal regime (fiscal and tax incentives) which are different from the rest of the economy. These hard and soft infrastructural provisions were provided globally for industrial development, but in the late 1980s with the inception and success of Chine’s SEZs policy, the concept of SEZs has become popular at international level. To date, China has built around 1750 SEZs at state and provincial levels (Karim, 2016). By the outset of these SEZs more than 30 million jobs have been added into the labour market of China. National statistics from China portray a positive picture of SEZs contribution to the chineese economy, as they contribute 60% to exports, 46% to FDI, and 22% to the GDP (Zeng, 2010).

In general, the basic model of SEZs includes several specific features: *it is a geographically delimited area, usually physically secured, it has a single management or administration, offers benefits for investors physically within the zone, has a separate customs area (duty-free benefits) and streamlined procedures* (World Bank, 2008; Farole, 2011). In addition, an SEZ normally functions under more liberal economic regimes than those typically prevailing in the economy. There is an immense variety of “special economic zones (SEZs)”. The term “SEZ” covers a wide variety of zones, such as free trade zones, export-processing zones, industrial parks, economic and technological development zones, high-tech zones, science and innovation parks, free ports, enterprise zones, and others (See appendix 01).

The SEZs contribute to two main kinds of paybacks and advantages. These benefits are the core objective of setting up of SEZs and their popularity around the word. The benefits can be broadly divided into two main categories. First kind is known as “static” economic benefits. These include employment generation, export boost-up, government tax incomes, and foreign exchange earnings; and the second kind is the “dynamic” economic benefits such as skill up gradation, technology flow, knowledge spill overs, innovation, value addition, economic diversification, productivity enhancement of local firms, and so on.

The concept of Special Economic Zones, as custom-free zones, has existed in international trade for about 2,500 years, first in ancient China, then Carthage, and in the Roman Empire (World Bank, 1992). Special Economic Zones are a modern adaptation for the development objectives that have existed historically in the form of free ports (FPs). Free ports served as "entrepôt"[1] and trade outpost among international merchants. The oldest Free Port was established in the Roman customs-free port of Delos to promote trade (Amado, 1989). FPs was also established along with international trade routes such as Gibraltar (1704), Singapore (1819), and Hong Kong (1848) (Amado, 1989).

The SEZs accelerate the economic growth, supported by quality infrastructure, conducive business environment and attractive fiscal incentive package with a single window clearance do have Constructive implications for the Urban Development as well. The experience in the last 70 years with the industrial clusters, have shown that large slums are formed in the neighborhood of these industrial zones/SEZs. Moreover, the assisting population creates pressure on the municipal service delivery system. The SEZ model recognizes the concerns associated to urbanization and focuses on developing the self-sustaining industrial settlements, so that the augmented economic activity does not create burden on the existing infrastructure, and the municipal service delivery remains efficient and effective.

Through the introduction of SEZs, Pakistan also aims to enhance its miserable infrastructural requirements, which once have been improved, will further invite more foreign direct investment (FDI). In other words, the main objectives of the SEZs described by Dohrmann (2008) are too:

- Entice FDI inflows
- Generate employment opportunities
- Introduction of country level transformations
- To work as a laboratory for the development of policies
- Create multiple economic activity
- Stimulate exports and substitute imports
- Encourage domestic investment and saving
- Advance infrastructure facilities

[1] An enterpot is a port, city or trading post where merchandise may be imported, stored and/or traded, typically to be exported agin. For the evolution of SEZs, see Aggarwal (2012)

The objective of this paper is to review the international best practices for urban development in the existing SEZs all over the world, with a special focus on the Shenzhen Special Economic Zone (SSEZ) of China, and India, and to examine the spatial land use planning, to explore the role of government in zone development and management policies; thus, to provide brief policy recommendations for the proposed Pakistani SEZs under CPEC.

Through this analysis, we encompass the anticipated urbanization potential, emergence of new urban centers, rural to urban migrations and environmental prospects of nine proposed SEZs under CPEC framework. The second section of this paper consists of a brief overview of the proposed Pakistani SEZs. This is followed by the section of successfully urbanized global SEZs examples (China and India). Fourth section comprises of best practices of urban development and finally in the light of successful international SEZs experiences, some recommendations for Pakistani SEZs under CPEC are provided.

Special Economic Zones under CPEC in Pakistan

China Pakistan Economic Corridor (CPEC) is an energy drawn infrastructure development project of Pak-China, worth around 59 billion dollars, project aims to modernize the infrastructure and to strengthen the economic and geopolitical linkages between Pakistan and China. CPEC promises positive benefits and aim to fulfill domestic needs of both countries. CPEC portfolio includes projects for regional connectivity, power generation for economic activities and industrial cooperation for infrastructure development and re-building of Pakistani manufacturing sector via the development of nine Special Economic Zones. Pakistan and China share a mutual history of friendship, and strong strategic relations stretching over six decades. Through CPEC portfolio the alliance is expected to grow strong and bring prosperity for both countries as well geopolitical stability in the region. Pakistan had a bilateral trade volume of $13.77 billion with China in 2015-2016. The CPEC portfolio will further enhance this cooperation. The completion of CPEC projects in short term will create 700,000new jobs and a 2.5% increase in Pakistan GDP (Dawn, 2017). The long term plans will further enhance growth and ensure economic stability.

Pakistan's current focus under CPEC is to develop its SEZs. In 1952, Pakistan Industrial Development Corporation (PIDC) was formed to enhance industrial development in the economy, which improved the industrial growth significantly around 11.9% by the 1960s. In the late 1970s, the government focused on the clustering of industries and established more than 100 industrial clusters around various locations in Pakistan (Karim, 2016). In line with the globally changing economic environment, government of Pakistan

has recently introduced the SEZs regimes through promulgating the Special Economic Zones Act, 2012 (SEZ Act 2012, amended in October 2016); thus, aiming at modernization of the industrial sector in Pakistan.

Under CPEC framework presented in the 6th JCC (Joint Cooperation Committee) meeting, the government of Pakistan has proposed nine SEZs to be developed in different areas across Pakistan under the industrial cooperation framework between Pakistan and China. These SEZs are located in different regions all over the country, including Punjab, Sindh, Balochistan, Khyber Pakhtunkhwa (KPK), Azad Jammu and Kashmir (AJK), Federal Administrative Tribal Area (FATA) and Gilgit Baltistan (GB). In CPEC portfolio, the framework of industrial cooperation aims to relocate Chinese industries to the above-mentioned Pakistani SEZs through different business models such as joint ventures, and others. Thus, to contribute up-grade and advancement of the industrial sector and taking part in the technological transformation, innovation and value addition to the Pakistani manufacturing sector, numerous joint ventures and public private partnerships for zone development are required. Aggarwal (2010) also points out that in the developing world; almost 65% of the zones are developed and operated by the private sector. To attract the investor and particularly the privet sector and FDI the BOI offer a comprehensive package of financial incentive to the investors' across the world (see appendix 02).

Through Pakistani SEZs development by 2018-19, turnover of PKR 1 trillion is expected with the creation of 2,000,000 jobs (Dawn, 2016). Below is the list of nine proposed SEZs under CPEC (Table 1).

TABLE 1: SPECIAL ECONOMIC ZONES UNDER CPEC

S.No	Name of Zone	Location
1	ICT Model Industrial Zone	Islamabad-Federal Government
2	Industrial Park- Port Qasim	Karachi- Federal Government
3	Mohmand Marble City	Federal Administrative Tribal Area (FATA)
4	China Economic Zone/Quaid-e-Azam Apparel Park (QAAP)	M-2-District Sheikhupura-Punjab
5	Rashakai, Economic Zone (REZ)	M-1-Khyber Pakhtunkhwa (KPK)
6	China Special Economic Zone	Dhabeji-Thatta-Sindh
7	Boston Industrial Zone	Boston- Baluchistan
8	Moqpondass Special Economic Zone	Gilgit Baltistan (GB)
9	Bhimber Industrial Zone	Azad-Jammu and Kashmir (AJK)

Sources: Ministry of Planning, Development and Reforms

II. HISTORIC PERSPECTIVE OF SEZS AROUND THE GLOBE

Special Economic Zones (SEZs) have been used as a prominent policy tool for sustainability and long run economic growth all over the world. Various countries have developed, modernized their existing SEZs, and established new SEZs to rapidly attract the FDI, promote trade through liberalization, and boost up their economies. The numbers of SEZs were increased from 79 across 29 countries in 1975 to 3,500 across 130 countries in 2006 (Table 2). During this time the employment in SEZs was almost tripled, from 22.5 million to 66 million, China alone employed 40 million people in SEZs in 2006 (Aggarwal. 2010). Till date, almost more than 5,000 SEZs have been developed in 135 countries all over the world. Below are the examples of few successful SEZs in term of sustainable urban development and spatial land use planning.

TABLE 2: GROWTH OF ZONES WORLDWIDE: 1995-2006

	1995	1997	2002	2006
No. of Countries with Zones	73	93	116	130
No. of Zones	500	845	3000	3500
Total employment (Million)	Na	22.5	43	66
China	Na	18	30	40
Rest of the World	Na	4.5	13	26

Source: ILO 2003, 2007- Aggrawal 2010

Shannon: The First Special Economic Zone

From the 1930s to the end of the 1950s, Shannon airport in Ireland was used as a stopover for commercial Trans-Atlantic flights from Europe to North America. With the introduction of the commercial jetliners in the 1950s, airlines were able to fly from Europe to North America without making any stopover. The year 1959 witnessed the formation of the first modern SEZ at Shannon (Farole, 2011). It had the objective to boost the depressed economic fabric from the loss of revenues. In 1959, Shannon Free Airport Development Company (SFAD-Co) which was the managing company in-charge of the redevelopment of the zone into an SEZ was created. The SEZ was conveniently placed to offer investors secure access to European markets and this SEZ was focused on providing the airport-linked inspection and repairs. Shannon SEZ development was guaranteed by a highly integrated approach to development a focus on learning, direct training programs were provided by SFAD-Co a pragmatic approach and an innovative

social environment. Today, there are 120 companies employing over 7,500 individuals within the Shannon SEZ.

Before the inception of SEZ model, the Shannon was a tiny town with a population of just 9,673 in the middle of rural country, but now it is a metropolitan city of Ireland. To benefit the local economy, the central factor for Shannon SEZ was the building of the second zone "Smiths Town" especially for local Irish SMEs that became the sub-suppliers to the larger businesses at the SEZ. Moreover, such practices kept the business patterns, dynamic and update the manufacturing process. Shannon is now moving to a post-industrial society. One of the dominant businesses in Shannon is tourism. So far the Shannon development authorities have designed the heritage-based tourism attractions, which involve the wider Shannon region and a Regional Development Agency (RDA) has been formed to look after the regional planning, development, and rural development. A new economic environment has been formed in the region, characterized by a remarkable entrepreneurial dynamism. This boosts up not only the "technology" and "industry", but also helps in the renovating the towns and development of the cultural activities (World Bank, 2008)

China's Special Economic Zones

Historically China has been a closed economy, however by 1970's the ruling communist party decided a policy shift, and moved towards Industrial Opening-up Policy. By July 1979, China started developing the SEZs to experiment "special policies and flexible measures". China launched four state-owned SEZs in Shenzhen, Zhuhai, Xiamen and Shantou and in 2010 they launched fifth SEZs at Kashgar. The first four SEZs shared two common features. Firstly, they were located near the coast of South China and secondly Shenzhen and Zhuhai shared borders with Hong Kong and Macau; thus benefiting from the urban markets of these two states. Hong Kong provided additional locational benefits in terms of better transportation and communication services. It must be remembered that though all of the four SEZs were located near ports, the natural conditions of these ports differed; thus impacting the development of SEZs. Shenzhen enjoyed the relative advantage in China, because it was located near Hong Kong, and thus developed at a rapid pace (Victor, 1985).Overtime the contribution of SEZs to the economic growth of China has been phenomenal, as SEZs contribute substantially to exports, FDI, and foreign exchange earnings.

China has also emerged as one of the most populous countries of the world with the largest number of urban dwellers. This urbanization has been facilitated by three major factors:

- Firstly, the strict control over the urban growth was relaxed, and migration between the cities was very well managed by the Chinese authorities. From 1980 to 2000, 260 million Chinese were migrated from rural to urban regions.
- Secondly, coastal areas and SEZs received favourable treatment and were viewed as "centres of national development" and "areas of growth", and were benefitted from preferential fiscal and administrative policies.
- Thirdly, for coastal areas, the inflow of FDI has played a pivotal role (Hald, 2009).

From 1978 to 2000, USA was the largest recipient of FDI inflow and the second on list was China. Chinese government pursed an active policy of encouraging urbanization and development of urban centres with an objective of attaining economic growth and reducing inequality and poverty in the country.(Rover, 2007).

Shenzhen: From Tabula Rasa to Economic Miracle

The four SEZs that China developed were cautiously developed away from the capital city of Beijing. This was done to ensure that SEZs don't face social or political unrest.Among the four initial SEZs, Shenzhen was the most "special", with the greater freedom to experiment policy innovations. Before the creation of SEZ at Shenzhen, the area was a fishing village of 30,000 inhabitants a 'Tabula rasa' strategically located across a river from Hong Kong.

The policies specific to Shenzhen included, for instance, the exemption from submitting the tax revenues to the central and provincial governments in its first 10 years of operation, labour and social protections. From 1980 to 1984, China national average annual GDP grew at a rate of 10 percent per year, and in comparison the Shenzhen area grew up at an exceptional 58 percent average annual rate.

By 1989, more than one million workers had been residing in Shenzhen. Shenzhen's leaders recognized that the tax-breaks and policy measures applied to firms in the SEZ conferred only a provisionally benefit and that over the long term, structural transformation and technological learning was the key elements in order to transform Shenzhen into a prosperous city. Shenzhen's main objective was on "learning-by-doing approach" and creating forward and backward linkages with a multitude of local suppliers. As of 1998, the high-tech industries on average contributed 40 percent of the industrial output within the Shenzhen SEZ. In 2008, Shenzhen had registered more patents than any other city in China, with 2,480 new patents.

Between 1978 and 2014, Shenzhen's GDP per capita grew from RMB 606 to RMB 149,500 (around $24,000 USD). The population in turn also grew up from a mere 30,000 to a world city of more than 10,000,000 inhabitants (Litwack and Qian, 1998; Wong, 1987; Yeung, Lee, and Kee, 2009).

Shenzhen as an SEZ was the policy focus of all five-year plans that were tailored from time to time to meet the needs of the local area and community. At the administrative level in 1989, "Shenzhen Urban Planning and Land Administration Bureau" was formed. As the name represents, the Bureau was responsible for land development, planning, and housing activities. Shenzhen was made financially independent, as land developers could use 5% of the land revenue for planning and development (Wang and Li, 2000). Development over time focused on converting Shenzhen into a world class city with the best environment and creating it as a hub of investment, production and high-tech development. Controlling population growth and improving the human resource remained a policy focus in Shenzhen by the Chinese authorities.

Environmental protection and conservation had always been on the agenda of Shenzhen. In year 2000, Shenzhen was called as the "World Garden City". In year 2001, it also became the champion amongst the top 10 cities recognized by China's central government for its efforts in protecting and cleaning the environment. Moreover, in June 2002, Shenzhen hosted the Global-500 Environmental Forum during the World Environment Day celebrations and was awarded the UNEP's Global-500 Roll of Honor for the environmental achievement (Ng, 2002). Despites these awards and efforts, the economic activities has affected the environment of the area. For example, the Futian Mangrove and Birds (only state nature reserve located on the urban fringe) have decreased and are threatened by the quantity and variety of the bird species (Wang, 1998).

Special Economic Zones in India

India launched its first Export Processing Zone in 1965 at Kandla, Gujrat. Over the next 40 years, India moved from a restrictive to an open policy for special economic zones; thus establishing numerous zones across the country. The establishment of zones was facilitated by simplifying administrative procedure, public-private partnerships and fiscal and non-fiscal incentives. The first SEZ policy was launched in 2000 that primarily targeted an increase in exports and offered lucrative benefits to both the investors and SEZs developers (Shah, 2009).

According to Aggarwal (2005), the experience of India w.r.t SEZ can be divided into four phases. These phases are initial phase (1964-1982); expansionary phase (1982-1990); consolidating phase (1991-2000); and emergence phase (2000-present).A thorough analysis of these phases show the shift in India's policy from conservative growth policies (marked by import substitution regimes, domestic market protection, and biases against export promotion) to 1991's financial reforms when SEZs emerged as a key feature in the country's economic growth strategy marked by the heavy intra-zone infrastructure investments and liberalization of growing domestic markets, despite serious general infrastructure gaps between zones and domestic markets, and the resultant drag it placed on investments (Shah, 2008).

Vaidya (2009) in his book reported that the major factors of urbanization in India drove the success of SEZs. Policy reforms, structural and institutional arrangements and urban transport frameworks played significant role in the growth of urbanization around SEZs. Furthermore, constitutional amendments, adoption of good governance practices, urban planning, and supply of basic public services contributed to the success of SEZs in India.

III. BEST PRACTICES OF URBAN DEVELOPMENT FOR SUSTAINABILITY OF SEZS.

Review and evaluation of literature regarding worldwide successful SEZs suggest that one of the important components of the SEZs success and fruitfulness is primarily their "location". Indeed, an SEZ located next to an urban center and population dense area, will constitute a competitive labour market, have easier access to firms, capital, and skilled labor and thus can integrate itself with local firms more easily (White, 2011). One of the key factors in Shenzhen as a successful SEZ was its "location". Shenzhen is a coastal city located nearby Hong Kong, became a well-established industrial state with the passage of time. Hence, being a coastal city and nearby to a well-established urban place Shenzhen developed itself as a successful SEZ.

Therefore, comprehensive feasibility studies need to be carried out by the management boards/authorities of the country where the SEZs are located. Such feasibility studies should determine the best-suited location of SEZs in terms of connectivity, local comparative advantage, endowments, and market-surveys analysis.

Past literature of the world's successful SEZs has also shown one major element that has been found in almost all SEZs. This element is the "conversion of a particular area from rural community to the urban community". Such up-graded area (as evident in the history of Shenzhen SEZ) merely was not consisted

of geographic expansion rather it included widened scope, increased urban facilities, environmental protection, and densification of the area to attract people as employees as well as investors (Shen, Wong and Feng, 2013).

Secondly, before the establishment of economic corporation, the SEZ management and the industries need to develop bondage of trust and mutual understanding. Additionally, community participation in the SEZs early planning process is critical to avoid misunderstandings, share responsibilities for ongoing development and build trust and community support. Past experience of Indian SEZs depicts a sound regional planning as an essential element for the success of SEZs (Shah, 2008). Regional planning by state-level and local level authorities includes how to improve public services and delivery of services. In the above-mentioned countries, SEZs development focused on the development of modern transportation networks to facilitate the local population around SEZs.

Thirdly, better plans for urbanization, electricity supply, commercialization and recreational opportunities helped expedite the urbanization in the existing economies through the channel of SEZs development (Aggarwal, 2005). Moreover, the role of government (federal, state, and local) is important in the area of environmental licensing (umbrella licensing), disseminating the SEZs concept and principles, and providing the necessary legal support. Government incentives can help industries to continuously improve their environmental and social performances.

Lastly, the most common and significant success factor found in the existing SEZs is “urban governance”. This particular aspect includes how plans are executed and government policies are implemented within and around the SEZs. Moreover, management capacity of the government also plays the necessary role in connectivity of SEZs with other regions.

IV. CONCLUSION AND POLICY GUIDELINES FOR SUSTAINABILITY OF SEZS UNDER CPEC

The development of SEZs is a global phenomenon and there contribution to economic growth remains an accepted reality. What would an SEZ contribute to an economy depends on the salient features of the area/country it is developed for. Global experiences show that successful SEZs have some common underpinning characteristics. Successful SEZs have strategically selected location, sound infrastructure,

connectivity with the nearest urban centers, upgraded transportation networks, Global experience show that China and India have made huge investments in metropolitan transport network. An SEZ will be called successful once it has created agglomeration economies, and has led to increasing returns to scale.

Keeping in view the available historical facts mentioned above, and to maximize the economic benefits from SEZs under CPEC, collaborative behavior and a mutual understanding among the actors/stakeholders involved is a pre requisite to the CPEC-SEZs development. All stakeholders – Pakistani governments, public agencies, private institutions, industries, communities and academia - need to coordinate and cooperate with each other so that the SEZs overcome the environmental and social distress caused by the un-planned urban and industrial developments around the SEZs. After the 18th amendment, development of special economic zones have become a provincial domain, however CPEC being a multi-million dollar project, Pakistani government authorities (federal/provincial) should reach a policy consensus for SEZs development under CPEC. Immediate steps by considering the following guidelines are required.

Policies

One of the key elements of successful SEZs development is the selection of the "location" of the SEZs. A SEZ should be located within the reach of a large market where the necessary infrastructure such as highways/roads have already developed or easier to be developed. Moreover, foreign investors generally invest in SEZs that have the "abundant" and "low-cost work force" available (Amir Ahmadi and Wu, 1995). Hence, Pakistani CPEC SEZs should be located where they have maximum "latent competitive advantage" and "labour at low cost". These factors must be considered before the selection of location of any SEZ. Additionally, the following key factors regarding the urban development around SEZs should also be considered:

- Rural-urban policies around the SEZs
- Densification and inner-city redevelopment policies

While SEZs are aimed at attracting the investment and creating employment, the major contribution of successful SEZ is the transformation of the economic activity from low value addition to the high value added activities; thus moving from an agrarian economy to a high-tech industrial economy. However, such transformation is bound to the careful strategic planning (Aggarwal, 2010). The SEZs linked with the economic corridors will also lead to agglomeration economies. One example for Pakistani CPEC SEZs is the Delhi-Mumbai industrial corridor - the corridor links together industrial towns, logistics hubs, and

urban nodes. Each hub carries the world class infrastructure, business centers, transport facilities, and good urban connectivity. SEZs are thus a part of the agglomeration. They are expected to be benefited from these industrial nodes and are expected to reinforce themselves further and thus contribute to economic growth.

Regional planning, integration and linkage with the other urban nodes

Review of literature for past successful SEZs strengthens the role of urban connectivity for the success of any SEZ. Planning includes, but not limited to, the transportation policies and strategies, urban energy system, and development and planning of other industrial and commercial sectors around the SEZs. Countries like China and India made significant changes in their infrastructure for regional connectivity and local integration of the SEZs regions with other territories. In both countries, networks for the metropolitan transport systems were designed and implemented for linking the regions with each other's.

In addition to that, another important success factor is the implementation of the "land use planning" and "zoning" efforts in defining the areas for residential, industrial, and commercial development, and implementation of regulations to ensure that the private zones are conveniently located around the SEZs (Akinci and Crittle, 2008). Spatial planning and land use of SEZs hold significant importance. Traditional SEZs have been found as the "port SEZs"; however, due to the updated infrastructure, urbanization, and improved regional connectivity, the modern SEZs can be located anywhere in the country. Nevertheless, geographical clustering of firms in SEZs is encouraged as it results in technological spill overs, knowledge sharing, and agglomeration economies.

Management

The successful urbanization of the SEZs also depends on the efficient and responsive management structures in placed by the government. The concerned authorities (managing the SEZs under CPEC) must provide guidance and support in this regard. The high numbers of SEZs, around 5,000 in the world, means that the competition amongst them is fierce. The concerned authorities, therefore, must continuously implement the policies supporting the urbanization around the SEZs.

The concerned authorities must also develop links with other urban nodes and build networks of coordination and cooperation. The authorities should not only limit themselves to the maintenance of the urban facilities, but also play a dynamic role promoting the services among local entrepreneurs, suppliers,

and companies in order to create backward linkages that can potentially yield urban innovations. Moreover, authorities should implement policies related to the following:

- Linkage with the locality
- Provision of the basic services (housing, water, health, sanitation)
- Creating entertainment and commercial enclaves
- Expanding the boundaries of local councils for extending urban services

SEZs can serve as an effective tool for inserting domestic economy into the global economy, if planned, developed, and managed carefully. They can be homes to urban knowledge spill-overs if elements of the urbanization are carefully identified and managed. SEZs can contribute positively to the urban economic growth and productivity; however, this needs careful planning and strategic designing according to the local needs and requirements. Authorities in Pakistan (federal/provincial) should develop a mutually agreed framework for CPEC SEZs. The planning of nodal cities, and metropolitan transport networks should remain the main focus. Successful operation of SEZ can boost to economic growth in Pakistan.

REFERENCES

Akinci, G., & Crittle, J. (2008). Special economic zones: Performance, lessons learned, and implications for zone development. *Washington DC: The World Bank*, E3.

Aggarwal, A. (2005). Performance of export processing zones: a comparative analysis of India, Sri Lanka and Bangladesh. *Indian Council for Research on International Economic Relations*, *155*, 10-13.

Amado, J. D. (1989). Free Industrial Zones: Law and Industrial Development in the New International Division of Labour. *U. Pa. J. Int'l Bus. L.*, *11*, 81.

Anderson, C. S., Huang, Y., Wang, J. G., Arima, H., Neal, B., Peng, B., & Tao, Q. L. (2008). *Intensive blood pressure reduction in acute cerebral hemorrhage trial (INTERACT): a randomised pilot trial.* The Lancet Neurology, 7(5), 391-399.

Amirahmadi, H., & Wu, W. (1995). Export processing zones in Asia. *Asian Survey*, *35*(9), 828-849.

Dohrmann, J. A. (2008). Special Economic Zones in India–An Introduction. *Asien*, *106*, 60-80.

Esty, D. C. (1996). *Revitalizing environmental federalism*. Michigan Law Review, 95(3), 570-653.

Farole, T. (2011). *Special economic zones in Africa: comparing performance and learning from global experiences.* World Bank Publications.

Farole, T., & Akinci, G. (Eds.). (2011). *Special economic zones: progress, emerging challenges, and future directions.* World Bank Publications.

Litwack, J. M., & Qian, Y. (1998). *Balanced or unbalanced development: special economic zones as catalysts for transition.* Journal of Comparative Economics, 26(1), 117-141.

Litwack, J. M., & Qian, Y. (1998). Balanced or unbalanced development: special economic zones as catalysts for transition. *Journal of Comparative Economics*, *26*(1), 117-141.

Shah, S. (2008). *Special economic zones in South Asia: A comparative analysis of Bangladesh, Sri Lanka, and India*. John F. Kennedy School of Government.

Vaidya, C. (2009). *Urban Issues, Reforms, and Way Forward in India*. Department of Economic Affairs, Ministry of Finance.

White, J. (2011). Fostering innovation in developing economies through SEZs. *Special Economic Zones*, 183.

World Bank (2008), *"Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development".*

Wang, F. and G. Li, *"Some Points about the Characteristics of Planning in Shenzhen and its Future Development: 20th Anniversary of SSEZ,"* City Planning Review, 24, 8:24-27, 2000

Wang, F.*, "The Implementation of Shenzhen Master Layout Plan in Economic Transition,"* in Collection of Essays by the Urban Planning and Design Institute of Shenzhen. Shenzhen, China: Urban Planning and Design Institute of Shenzhen, 1998, 140-143

Wong, K. Y. (1987). China's special economic zone experiment: an appraisal. *Geografiska Annaler. Series B. Human Geography*, 27-40.

Wang, J. (2009). *The Economic Impact of Special Economic Zones; Evidence from Chinese Municipalities.* London School of Economics.

Yeung, Y. M., Lee, J., & Kee, G. (2009). China's special economic zones at 30. *Eurasian Geography and Economics*, *50*(2), 222-240.

Yeung, Y. M., Lee, J., & Kee, G. (2009). *China's special economic zones at 30*. Eurasian Geography and Economics, 50(2), 222-240.

APPENDIX:

Appendix 01: Types of Special Economic Zones:

1	Economic Zone	A geographically defined and enclosed area which has been notified and approved for economic, industrial and commercial activities
2	Extra-territorial Zone	Economic zone of a type that is to be deemed to be outside the customs territory of Pakistan
3	Free- Trade Zone	Economic zone that shall be thought to be outside the customs territory of Pakistan with respect to which the BOA shall approve special facilities for trade, transshipment and re-export operations in accordance with applicable legislation as for the time being imposed in Pakistan
4	Hybrid Export Processing Zone	Economic zone that shall be deemed to be outside the customs territory of Pakistan in which goods are manufactured and from which services are provided, both for exportation to countries other than Pakistan as well for export into Pakistan
5	Multilateral Economic Zone	Economic zone in which all zone enterprises are required to be beneficially owned by nationals, residents or corporate entities of one or more particular countries
6	Regional Development Zone	Economic zone wherein economic activities are promoted so as to develop particular regions and industries
7	Sector Development Zone	A regional development zone in which permissible economic activity shall be limited to one or more sectors as notified by the Board Of Investment (BOI)
8	Special Economic Zone (SEZ)	A geographically defined and delimited area which has been approved and notified by the BOI

Appendix02: Types of Inventive for SEZs under SEZs Act 2012**Types of Incentives**	**Incentives for Zone Developer**	**Incentives for Zone Enterprises**
Custom-Duties	One time exemption from all custom-duties and taxes on plant and machinery imported into Pakistan except the items listed under Chapter 87 of the Pakistan Customs Tariff, for the setting up of an SEZ subject to verification by the BOI	One time exemption from custom-duties and taxes on import of plant and machinery into SEZ except items listed under Chapter 87 of the Pakistan Customs Tariff, for installation in that zone enterprise subject to verification by the BOI
Income Tax	Exemption from all taxes on income accruable in relation to the development and operation of the SEZ for a period of 5 years, starting from the date of signing of the development agreement	Exemption from all taxes on income for enterprises commencing commercial production by the 30th June, 2020, in the SEZs for the next 10 years
Tariff Rate	N/A	N/A
Commercial and VAT	N/A	N/A

Source: SEZs Rules 2013, BOI