Drivers and Barriers for Successful Special Economic Zones (SEZs): Case of SEZs under China Pakistan Economic Corridor

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Abstract: Over the last three decades, special economic zones (SEZs) have given new impetus to the ever-growing export-oriented industrialization in developing countries. Where various economies have benefited from SEZs, many zones have ended up becoming enclaves with trifling advantage. The SEZs in Pakistan have experienced the same fate and have failed to contribute to exports, employment, and creating linkages with the domestic economy. Recently under the China Pakistan Economic Corridor (CPEC), SEZs are proposed to be set up in Pakistan, with a hope to fuel the stuttering economy. However, it is pertinent first to understand the local context and device policies considering stakeholders' perspectives. This study aims to identify the factors for the successful implementation of SEZs derived from the regional context of Pakistan. In-depth interviews are conducted from the most relevant stakeholders, who have been involved in the development of SEZs. The results pointed towards the removal of political influence over zones and government taking the lead role in deciding the types of industry to be invited in these zones. Each zone should have a clear vision of development based on its locational advantage. The zone promotions should be based on competitiveness rather than fiscal incentives. Joint ventures and PPP should be encouraged inside the zones for sustainable operations.

Keywords: special economic zones; small medium enterprises; joint ventures; export lead industrialization; developing economies; industrial clusters

1. Introduction

At the time of the Second World War, multiple present-day countries were under colonial rule. Britain, France, Germany, and Russia were the large empires controlling massive areas of South Africa, Asia, Europe, and South America. At the end of the Second World War, owing to the economic conditions of the empires and the dynamically changing world views, these colonies were gradually declared independent. With this surfaced a new problem for the neo developed entities. Hundreds of years of colonial rule over these countries had stagnated their economic development as the conditions under which an economy flourishes were severely lacking [1]. These countries experimented with different economic growth models like import substitution and export-led industrialization to change the structure of the economy from agrarian to industrial to move up the economic growth ladder. Countries like Brazil, Argentina, Bolivia, Pakistan, India, Philippines, Indonesia, Kenya, etc. adopted import substitution. In contrast, Singapore, Taiwan, Hong Kong, and South Korea (the current Asian tigers) adopted the export-oriented approach [2].
Import substitution was given up for export-oriented approach in the late 1960s to early 1970s, as it failed to produce the desired outcomes and created an environment that discouraged learning, innovation, and growth [2,3]. Meanwhile, the four countries that adopted the export-oriented approach of development experienced a tremendous boom in the economy through industrialization and export of manufactured goods [3]. Special economic zones (SEZs) gained popularity among countries opting for export-oriented development as a tool for attracting foreign capital and advanced technology to its industrial sector by providing in return land, raw material, and labour along with industrial infrastructure in a limited geographical area [4–6]. Since inside these zones, policies of the state are not applicable, and a healthy business environment is provided to the foreign industries by protecting them from the structural weaknesses of the host countries [7]. The host country directly benefits from foreign direct investment (FDI), employment opportunities, and increased trade and exports. Indirect benefits which are more crucial for the success of SEZ and the economy are imparted through the strengthening of forwarding and backward linkages between the zones and the domestic economy, capacity building of the local workforce, and the transfer of technology and managerial know-how to indigenous firms [7–10]. SEZs are viewed as an engine of industrial and economic growth worldwide as it has played a critical role in the regional development of various economies.

Over time these enclaves have evolved, and the purpose of establishing them has differed depending upon the need of the host economy. The first modern-day like zone was established in 1959 in Shannon, Ireland. Following its success, the model was replicated in various economies such as India, Singapore, Taiwan, and Iceland [11]. The success of these zones in promoting exports and bring industrial transformation in developing countries led other developing countries to follow the same path. Soon the number of zones increased from 79 in 1975 to 845 in 1997 [12], and by 2019 there were 5400 functioning SEZs in 147 economies of the world, and 500 were in the pipeline [13]. Of these SEZs, many have been successful, such as in the Republic of Korea, Taiwan, China, Vietnam, Bangladesh, Mauritius, the Dominican Republic, and El Salvador, and have paved their way towards industrialization, economic development, and growth [14]. At the same time, many zones have ended up being a “white elephant” for the host economy as the substantial investment in the infrastructure of SEZ was used by industries for taking benefits of tax breaks without producing any export earning or creating employment, like in the case of India, Pakistan, and African countries [15–18]. Such zones have either remained underdeveloped or underutilized for decades. Some zones that were able to attract investment and produce export and employment have fallen short of extending benefits to the broader economy by failing to create linkages with the local markets and clusters.

In Pakistan, seven SEZs were established between the period 1983–2005 to move its economy away from import substitution industrialization and to adopt the export-oriented approach. Unfortunately, however, the impact of these zones on the wider economy had been negligible owing to the lack of infrastructural facilities, structural deficiencies, and incompetent policies of the government [17]. Now under the China-Pakistan Economic Corridor (CPEC), nine new SEZs are proposed to be set up at different locations in Pakistan. This study aims to identify the drivers and barriers for successful implementation of SEZs in Pakistan by assessing current policies and practices adopted for CPEC and matching them with successful SEZs across the world. Secondly, this paper aims to understand the perspective of different stakeholders involved directly or indirectly in the development of SEZs and understand their vision/perspective of development and strategies for overcoming the constraint of development on these SEZs. This will identify the gap, if any, between the vision of the government and key stakeholders and would help in selecting the appropriate implementation mechanism for the design of upcoming SEZs.

2. Literature Review

Economic zones have played a pivotal role in boosting economies of developing countries across the globe. These zones are concentrated in Central Asia, Latin America, Africa, and Eastern and Central Europe [14]. Economic zones are set up as a catalyst to trigger industrial activities
in a region and to attract foreign direct investment (FDI), mainly in the manufacturing sector to increase exports and generate employment [10]. The objectives for the zone development include different motives such as SME development, foreign exchange, economic diversification, investment and trade, foreign currency accumulation sector development, regional development, job creation, industrialization, and experimentation laboratories for the application of new policies and approaches [4,19,20].

SEZs are considered the second-best option for bringing about systematic structural transformation in an economy, first being liberalization of the market [7,21,22]. Since developing countries lack resources for providing nationwide industrial infrastructure and a productive business environment, through SEZs a business-friendly environment is created which protect the foreign investors from the structural weaknesses of the host economy, such as deficient market-oriented institutions, a lack of horizontal and vertical mechanisms for coordination and conflict resolution, financial system backwardness, distorted industrial structures, and political upheavals [7]. A SEZ provides the government with a testing ground for different policies.

SEZs have been operationalized in diverse ways in different countries, and various terminologies have been used for these zones, such as export processing zones, free trade zones, industrial parks, economic and technology-development zones, high-tech zones, science and technology parks, and free ports [18,23]. This evolution has been dependent on the economic standing of the regions. High-income economies host technology parks and innovation districts, upper-middle-income economies are home to technology-based zones (e.g., high-tech and bio-tech), whereas middle-income economies have specialized zones (e.g., automotive and electronics), and low-income economies have multi-activity zones focused on attracting the manufacturing industry [13,24,25]. The early adopter of SEZ regimes such as South Korea, Taiwan, and China have created zones up the SEZ development ladder over time with their changing the national competitive level. These zone programs were started with labor-intensive production, which was later restructured towards capital and technology-intensive products and then towards logistics-oriented zones by offering fiscal incentives to the firms at each stage of transformation. By the late 1990s, Taiwan had nine SEZs and was strengthening its logistic industry. South Korea in the industrialization stage was focused on increasing its export for which the government put several policy instruments in place to facilitate the export industry [18]. By 2005, South Korea had six traditional SEZs and four logistic oriented free trade zones, and was introducing the concept of free economic zones, which, unlike SEZs, are not fenced in spaces, but rather encompass the entire industrial city [26]. China, which hosts the most successful model of an SEZ at Shenzhen, was able to increase its export to GDP ratio from 5% in 1979 [27] to 38.25% in 2018. It also managed to reduce its poverty rate drastically from 90% of the population earning less than $1.9 in 1980 to only 6.5% by 2012 through its SEZs [28]. China is a home to half of all the SEZs of the world. These countries made their SEZs sustainable by keeping pace with the changing industrial and technological innovation and evolving their SEZs with the changing economic level of the country.

The latecomers to the SEZ regime, such as some African countries (for instance Mauritius, Nijeria and Zambia), Bangladesh, and Pakistan, have not been able to take advantage of the dynamic potential of SEZs in bringing about structural transformation in the region. Various studies show that the reason for this lies in the problematic legal, regulatory, and institutional frameworks [18]. The industries inside the zones are not protected from the shortcomings of the host economies and are driven more by political agendas than by a strong business case. The host economies fail to provide a business-friendly environment, and the industrial operation is halted because of a power shortage, poor connectivity, and cumbersome procedures of registration, taxation, and custom clearances [7,10,29,30]. The zones in Africa are the prime example of such zones, and only a handful have been able to succeed, while the rest are still struggling to take off. The SEZs in Bangladesh initially were unsuccessful in attracting investment in zones as they were targeting high-tech industries that were not compliant with its national competitiveness, but when it shifted its focus to garment production, the zones started attracting significant investment [14]. India was among one of the first few countries that established SEZs in the
1960s, but even after 40 years with six functional SEZs, its contribution to overall export was less than 4% [15]. By contrast, in a short span of time, SEZ exports accounted for nearly one-fifth and one-third of exports in Bangladesh and Sri Lanka, respectively [26]. Another reason for limited SEZ progress is that economies follow multi-activity approaches without promoting any specializations and clustering inside the zones [13]. Such zones end up turning into mere investment promotion tools and fail to develop linkages with the local economy, such as in India, Pakistan, Nigeria, Mauritius, and Zambia.

The performance of SEZs not only varies across the countries but from zone to zone as well. For instance, Shenzhen in China has been a very successful zone, whereas Hainan only had limited success. In India, the SEZ contribution from the state of Gujarat in exports is 33%, whereas the state of Karnataka generates less than 1% through its SEZs [31]. The success of SEZs is dependent on multiple factors such as the strategic focus, the regulatory framework, the governance, and the value proposition [13]. With all factors in place, the success of the zone still cannot be guaranteed unless a strong case of development of these SEZs exists that is fully supported by the government and is in line with national developmental objectives.

Investors, along with the business-friendly environment, look for location-specific modalities that distinguish the zone from another zone and make them “special”. Here the role of government becomes important in identifying the activities on which the SEZ should focus [32]. Most zones rely on fiscal incentives and low-cost, unskilled labour as the comparative advantage of investing. These factors play a role in kick-starting a zone program but are not sustainable in the long run. The sustainability of the zone is more dependent on the skill training of the labour and the pre-existing markets and industries in close vicinity to zones, as they support clustering and specialization efforts inside the zone [4,5,13,33]. Moreover, if the comparative advantage is derived from a specialized locational advantage, the chances that the SEZ will thrive are greater. The specialized locational advantage is more specific about the type of industries and technological trajectories; it takes benefit of the host economy’s knowledge base and allows the foreign firms to more substantially penetrate the domestic economy to benefit from their specialities [34]. Locational advantage can also be used to complete a broken value chain to increase the competitiveness of the industry globally.

The factors that once were the basis of competitive advantage in the 1960s, 1970s, and 1980s such as low labour cost and raw material have been taken over by the changing pattern of international production and the companies are more driven by economic and policy factors than by production advantages. The new industrial revolution and use of the digital economy are also influencing the business operations as well as development imperatives [13]. The relaxed environmental and social standards are no longer viewed as an advantage to attract investment. The upcoming SEZs have new challenges that need to be addressed through strategic planning and innovative measures by incorporating modern technology and sustainable development goals in the planning process.

Among the upcoming 500 SEZs, nine have been proposed in Pakistan under the joint venture between China and Pakistan (CPEC). It is a subproject of China’s One Belt One Road (OBOR), which will connect 60 countries of Asia, Europe, and Africa to promote economic integration in the region. CPEC is a 3000-kilometre network of road, railways, and pipelines to transport oil and gas from Southern Pakistan’s Gwadar port to Kashgar city. It will provide China with an alternative and shorter route for its energy imports from the Middle East, thereby reducing shipping costs and transit times, whereas heavy investment on infrastructure projects have been made in Pakistan, which includes roads, railway networks, and energy generation projects that will be fully operational by 2030 [35]. The first phase of infrastructure development is in its final stages. Pakistan is entering the second phase of development of growth corridor under CPEC, which includes the establishment of nine SEZs across the country.

Pakistan’s economy is mainly driven by the service sector where industrial and agricultural contribution for the year 2019 is only 20% and 19%, respectively (KCCI, 2019). Pakistan in the 1960s adopted import industrialization, and later in 1980s, it shifted its focus toward export-oriented development. Since then it has been dwindling between the two. The first SEZ in Pakistan was
established in Karachi in 1983, and by 2005 Pakistan had seven functional SEZs at various locations. However, even after 35 years, the contribution of these zones in creating employment and generating exports has been minimal. The zones employed only 35,000 local workforces and contributed only 3% of the total exports of the country by 2017 [36]. On the other hand, in Bangladesh, eight zones attracted 412 firms that employed 350,000 people and invested $2.6 billion [18], and the SEZs in the Dominican Republic saw a rise in employment from 500 in 1970 to 200,000 in 2007 [30]. A research carried out on SEZs of 22 countries included three SEZs of Pakistan in its dataset. The results showed the absolute and relative SEZ growth to national growth for the period of 2007–2012. Among the 22 countries, only the zones in Pakistan experienced absolute negative growth rates during the period of analysis [33]. Another study carried out on the SEZs in Pakistan concluded that the major impediments in the growth of SEZs in Pakistan are its law and order situation, political instability, the lack of security, insufficient infrastructure, frequent power failures, and non-availability of skilled labour [17].

Through CPEC, Pakistan has an opportunity of experimenting with SEZs again. Lack of road infrastructure and power shortage were considered the major impediments in the success of SEZs in Pakistan. However, a massive road network has been developed connecting the ports in south of Pakistan to China’s OBOR network in the north. Various power plant projects have also been built and have already started contributing electricity to the national grid in early harvest projects of CPEC. Political stability and security also have improved in the last five years, and Pakistan has climbed to the rank of 108 from 136 in the World Bank Group’s Doing Business 2020 study. Pakistan has overcome some of the major barriers that were hindering the SEZs from prospering and is taking measures to improve them further. The experience of a successful SEZ suggests that, in order to make SEZ sustainable, it should be built with the support of the local community and fit the local community’s needs, constraints, aspirations, and vision of development. The distance between the policymakers and the business community and other stakeholders is the root cause of knowledge problems in policymaking [21]. This leads to badly designed SEZs.

3. Materials and Methods

The core objective of this research was to identify the perception of different stakeholders regarding potential opportunities and barriers for the success of SEZs proposed under CPEC. It is argued that whenever the objective of the research is to substantiate the existing theories empirically by testing a framework among a large number of people and to generalize the theory, a quantitative method is best suited. When the nature of problem or phenomenon is under-theorized, lacks enough knowledge, or the purpose is to interpret the perspective of people, then a qualitative method is advised. The nature of research regarding SEZs is mixed, and there is no “one size fits all” type scenario; hence, every country, rather, every SEZ, possesses different challenges. To better understand the issues, the qualitative method is best, and a comprehensive understanding of the situation can be built. Further, Pakistan currently does not have any success story regarding Export Promotion Zones (EPZs—A type of SEZ focusing on export oriented industries only) or SEZs; hence, it is hard to test theories quantitatively, and there are hardly any stats available to judge the success. A mix-method could also provide a better understanding and might provide data triangulation. To check the possibility of a mix-method approach, a pilot test of quantitative and qualitative methods, in the shape of closed-ended quantitative survey and interviews, was conducted to check the suitability of the methods. People in the CPEC cell, the board of investors, planning commission, relevant academicians (having a research in the concerned area) in Islamabad and Lahore, the Chamber of Commerce Islamabad, the Chamber of Commerce Faisalabad, and the industrial development authority Faisalabad were contacted, and appointments were booked. They were well informed about the purpose of the meeting. Seven (7) out of forty-one (41) people responded for the pilot testing. The interaction with concerned people revealed that most of the stakeholders were highly reluctant to fill out a questionnaire. Those who filled it out, mostly, did so with a great lack of interest and with a reluctant approach rather than giving accurate and thoughtful responses. All the respondents showed interest in giving interviews and believed that their
point of view could not be limited to quantitative scales. Therefore, conducting interviews was a better
option to obtain maximum information from the informants.

For this study, interviews from academicians, industry experts, and policymakers were
conducted to better understand the barriers and drivers that are considered critical for the successful
implementation of SEZs in Pakistan. Snowball sampling was used to reach knowledgeable people,
as only people who knew about the phenomenon or ground realities could provide true insight.
The informants belonged to Islamabad (policymakers, analysts, and academicians) and Faisalabad
(industrialists and academicians). A total of 41 people who were directly or indirectly related to
CPEC and SEZs were contacted. Their details were searched through organizations websites and from
snowball referencing. Twenty-four (24) experts responded positively for the detailed interview, but only
21 could be managed due to mutual time management and travel constraints. To ensure comfort and
security, the informants were contacted at their offices, factories, or universities, and interviews were
recorded. Informants were well informed that their interviews would be audiotaped for the record,
to which few informants showed reluctance. However, it was assured to them that their identity
would not be revealed at any point in time. To let informants feel comfortable, they were allowed to
respond in Urdu (national language of Pakistan). First, the interviews were transcribed in the original
language and given to language experts to translate them to English. The transcripts were then reverse
translated to make sure that the words used were consistent and that no loss of information occurred.

Open-ended semi-structured interviews were conducted to extract maximum information from the
informants. Standardized interviews help to obtain comparable responses that lead to more elaborated
and valid results. For effective data collection, open-ended probing questions separated by throw-away
questions were asked. Usually, throw-away questions are asked to build understanding and cohesion
with the informants. The questions revolved around an understanding of informants regarding SEZs,
their perception of SEZ performance, and the reasons for not performing up to expectations. Further,
the informants were asked about the CPEC and SEZs, the chances of their success, and the steps that
should be taken to make them successful. In the following Table 1, informant profiles are provided
with numbers, as informants did not allow the use of their name. They are referred to by their numbers
where interviews are quoted.

Table 1. Informant profiles.

| Informant | Affiliation     | Designation          | Experience |
|-----------|-----------------|----------------------|------------|
| Informant 1 | Academia       | Professor            | 35 Years   |
| Informant 2 | Academia       | Professor            | 41 Years   |
| Informant 3 | Academia       | Associate Professor  | 21 Years   |
| Informant 4 | Academia       | Associate Professor  | 19 Years   |
| Informant 5 | Academia       | Assistant Professor  | 11 Years   |
| Informant 6 | Academia       | Assistant Professor  | 13 Years   |
| Informant 7 | Industrialist  | Vice President FCCI  | 46 Years   |
| Informant 8 | Industrialist  | Member FCCI          | 39 Years   |
| Informant 9 | Industrialist  | Member SCCI          | 24 Years   |
| Informant 10 | Industrialist | Director CPEC Study FCCI | 40 Years |
| Informant 11 | Industrialist | Owner                | 13 Years   |
| Informant 12 | Industrialist | Owner                | 8 Years    |
| Informant 13 | Industrialist | Owner                | 11 Years   |
| Informant 14 | Industrialist | Owner                | 7 Years    |
| Informant 15 | Industrialist | Owner                | 4 Years    |
| Informant 16 | Policy Maker  | CoE-CPEC             | 12 Years   |
| Informant 17 | Policy Maker  | CoE-CPEC             | 9 Years    |
| Informant 18 | Policy Maker  | BOI                  | 24 Years   |
| Informant 19 | Analyst       | Member PM advisory council | 39 Years |
| Informant 20 | Analyst       | SDPI                 | 24 Years   |
| Informant 21 | Analyst       | Chief Auditor UN Audit Committee for Development Projects | 18 Years |
As most of the discussion was contextual, the use of software did not seem appropriate for the analysis. For thematic analysis, the six-step process proposed by Braun & Clarke (2006) was adopted. The six-step method initiates with familiarizing with the data, which is to go through all of the data or interviews and jot down the summarized impression of each piece of data. In the second phase, codes are generated, and data are divided into smaller chunks while removing the redundant data. An analysis of the data is then conducted, and themes are identified. It is important to consider that the themes should make sense and have the support of data. Sometimes, sub-themes can be identified with a theme. In the current study, the focus was kept on main themes to avoid replication and lengthy discussion. Lastly, the themes are defined and written. In the following, themes from the data are identified. A few new ideas have emerged, which may contribute to the future of SEZs.

4. Results

The research was concerned with the in-depth understanding of drivers and barriers for the successful implementation of SEZs proposed under the CPEC. As the CPEC is claimed to be an economic game-changer and SEZs are the main drivers of that economic uplift, it is important to understand key stakeholders’ viewpoints about methods to make SEZs successful ventures for Pakistan. In this regard, in-depth interviews were conducted with experts in the field and relevant policymakers. The interviews were then transcribed, and thematic analysis was conducted to understand the most important aspects.

Before proceeding to the themes and core areas identified in the interview, it is pertinent to mention that, currently, there is an act to guide SEZs, which is called the SEZ Act 2012. However, it was designed before the inception of Belt and Road Initiative (BRI) and the CPEC and thus may not have the requirements of the CPEC. Furthermore, only a few informants knew about the SEZ Act 2012, and most of them (except one or two) had not read it. Further probing exposed that most of the informants believe that the SEZ Act 2012 is not propagated or involves stakeholders in the process of formalizing. This reflects that stakeholders do not trust this policy and revising it might be a good option. The SEZ Act provides a generic outlay for establishing the SEZ and then operating it through the Board of Approvals (BOA) and the Board of Investment (BOI). The facilities are flexible, and the BOA is allowed to change the incentive based on the potential economic impact of the investment. However, the SEZ Act 2012 has not attracted any investors, and as the interviewees are not satisfied with the act, it is not discussed any further. The following is the thematic analysis based on the interviews conducted.

4.1. Political Influence

The first and foremost issue discussed by the informants revolved around the political will and influence for the successful implementation of SEZs. All the informants (except Informant 19) said that political influence was bad and shall be reduced. For instance, Informant 3 said, “the politicians try to gain political advantage in every opportunity and hence cannot remain impartial, and the decisions are subjected to political bias.” A similar response from Informant 14 was, “Politicians do not want the country to progress, but their parties and personal positions are important for them. They cannot do anything without their political motives, so how can you even think that decision will be made on merit?” Even though the statement is strong and may not reflect the true situation, still the desperation and lack of trust over political leaders is evident.

Conversely, Informant 19 argued that, in a political economy, everything is politically motivated, and politics cannot be separated from policymaking. He argued that “... when there is a political democracy, there will be political economy as well; hence, all the policies will be and shall be politically motivated. People have voted for a certain economic, educational, health, or policy reform and the government shall do that as well. Yes! You may say that these politically motivated decisions shall be incorporated with honesty, integrity, and motivation to do well for the country and people. But if you want to remove political influence, then you will have to bring the government of technocrats.” The position is strong and justified according to the literature as well.
The informants’ agreement in general over the removal of political influence shall be seen with
the one response mentioned in the last part. The government shall choose to make a policy involving
the stakeholders and bring transparency in the procedures. It will remove the perception of politically
motivated decisions.

4.2. Vision and Objective of SEZ

The most discussed and emphasized point for SEZs successful implementation was to have a
separate vision and objective for each SEZ. Every SEZ has its own characteristic and needs special
attention accordingly. Therefore, every SEZ shall be seen as a separate entity, and before making a
policy, establishing a core objective for SEZ is important. As Informant 2 said, “... see you cannot
simply say SEZs will be a game-changer for industries. The government needs to understand that SEZs
have to have a specified vision for proper policymaking.” Informant 13 said, “What does the government
want from SEZs? Do you know? No, because there is no specified objective or vision—and even if there is,
no one knows.” A few informants, however, claimed that the government has set an objective to provide
a facility to industries and that the rest will be taken care of by industrialists. For instance, Informant
18 said, “it is not that we do not have an objective; we just don’t want to specify it and bound the
investors.” The issue seems to be the unavailability of a specified objective for each SEZ.

Another point of view was that all the objectives are interrelated, and one cannot simply
say that there are distinct objectives. For instance, Informant 17 said, “all the objectives, let’s say,
creating job, promoting exports, increasing GDP, etc., are interrelated, and cannot be achieved in
isolation. So whatever objective you may have, it serves the purpose.” Such comments are not in line
with the literature, though, where the specified objective is deemed necessary. Similarly, most of the
informants argued that, even though the objectives are interrelated, there must be a core objective
that would ultimately lead your policies. For example, Informant 12 said, “if you want to create
jobs, you may look for industries such as textile, sports, leather, etc., which are labour-oriented,
whereas manufacturing firms may not require these many men to work. Or, if you want exports to
increase you may want high-tech industries with quality products and a focus on innovation. Of course,
you cannot have the same policies for both.”

Furthermore, all the informants believed that the government should focus on long-term vision
and objectives rather than looking for objectives set for four or five years. All the informants agreed
that there must be an objective but differed in whether it needs to be specified or not. Most of
the informants belonging to the official setup were of the view that the government has an objective,
and at this early stage, it is not important to specify it. However, people from industry and academia
believed that a specified objective would not only create transparency but also give investors an idea
regarding industries to invest in, which can support the government’s objective as well. At the same
time, work on skill development can be started on the local workforce.

4.3. Leading the Way

The second most important aspect explored in the interviews was regarding the role of
leadership—whether the government will lead the industries to a certain pattern and investment
area, or whether industry will lead the way, evolve over time, and form clusters inside these SEZs.
The informants seem split into two groups, while policymakers, a few industrialists, and government
officials believed that an open market would allow industries to grow according to the market need.
The rest of the academicians and industrialists claim that governments’ interference will help achieve
the core objective, including job creation, increases in export, and filling the gaps in the supply chain.

An important point to ponder is informants who believed that there should be a specific objective
shared a common standpoint here as well. Their core concern was that the government knows better
and can decide in the larger interests of the country, whereas industrialists may tend to be short-sighted
and neglect the overall broader perspective of investment. For instance, Informant 1 said, “... and
more importantly, the government wants to establish SEZs to achieve a certain objective. Therefore, they should guide industry type and nature.” Another such response was from Informant 4 saying, “Government has to do a lot to create jobs, protect the local investor, and increase competition to improve quality, attract FDI, and increase GDP—but how are they going to do it? If they have clear policy guidelines regarding investment in each SEZ, it will create trust in the investors. Therefore, it is important for the government to guide the industry through effective policymaking and speed up the work; this will show the seriousness of the government in developing SEZs and win the trust of industrialists.”

Except Informants 11, 14, 16, 17, 18, 19, and 21 all agreed that the government must take the lead and play the role of anchor to steer this economic game-changer for Pakistan. As Informant 13 said, “… you see, the government can’t sit and just watch what investors do and attract the same problems that they faced in SEZs. Handing over to third parties doesn’t solve the problems unless coupled with strong involvement of government.”

However, the informant who said the industry should be allowed to lead was off the point of view that right now Pakistan is unable to even attract FDI, so limiting the options in SEZs will be playing a role to increase the likelihood of such a situation. As Informant 16 said, “At this stage, we cannot limit which industry should come to which SEZ. We should keep our options open to ensure SEZs are populated quickly.” In this interview, it was assessed that government right now is not in a position or not willing to interfere in investment options and believe that over time it will automatically evolve into specialized segments. A similar response came from Informant 19 stating, “Providing a free market environment to industrialists will ensure that government is not interfering, and practices that can hurt the industries will be reduced. Industries have to look for optimal locations, and by doing so they will automatically converge and build a linked industrial zone within SEZs, which will ultimately be fruitful for the country.” Similarly, Informant 17 said, “you will hardly find evidence where the government has played an active role in guiding the investment in SEZs—It is not in the favour of industries, and investors know where to invest and in what to invest.”

Apparently, the government seems to adopt the approach of clustering where firms club together and join in to form a cluster of related industries, such as textiles in Faisalabad, leather in Sialkot, and surgical materials in Wazirabad. Academicians and most of the industrialists believe that government’s role is important in leading and guiding the industry type to be invited or allowed in each SEZ. According to them, this will ensure local industry protection and contribute towards goal-oriented investment in SEZs.

4.4. Financial Incentives

Incentives are the biggest attraction in any SEZ, and firms come to such places to enjoy relaxation provided by the government. There was a clear divide in the informants regarding incentives, especially financial incentives. In the quantitative part of this research, incentives proved to be significantly controversial among the groups involved in the survey. Similarly, informants from academia, policymakers, and analysts shared the point of view that did not highly favour incentives, whereas industrialists believed that incentives are the core of SEZs and must be provided for a longer period.

Firstly, Informants 1–6, 10, 16, and 18–21 believed that incentives are short-term measures and may attract the investors, and they fly away once that relaxation time is over. Explaining the situation, Informant 1 said, “Dependence on financial investment creates footloose investment; this means that industries come and once the honeymoon period is over, they leave by the time they have accumulated enough to look for other such zones from where they can benefit from financial incentives.” Another such response was from Informant 20, saying “… similarly, financial incentives attract firms who want to get benefit from it and are not interested in setting up a business in the country. Therefore, they are not as beneficial for the country as assumed or claimed.” In the interviews, it was assessed that people
with exposure from internationally established SEZs believed that financial incentives are of lesser importance in comparison to the value given to them.

Furthermore, according to informants’ financial incentives shall be (if given) based on specific activities rather than providing a blanket cover for the whole industry. Informant 19 said, “Normally what we see is that incentives are provided based on industry. Such incentives prove to be too large and many companies not directly falling under the policy take advantage of it. The government should give incentives based on particular practice in a value chain—for instance, ginning, which is a missing link in our textile value chain.” Informant 5 said, “Reducing incentives is the best practice to engage firms in constructive practices rather than just taking advantage of tax holidays—for that, each activity and practice needs to be evaluated, and a comprehensive policy for incentives needs to be put in place.” Such responses, in numbers, suggests that financial incentives should not be the core of the industrialization; rather, other factors, such as local need, connectivity, and linkages, shall be seen as a core competency for attracting FDI.

However, investors and industrialists were of the view that financial incentives are a must to attract FDI and even local investors. For instance, Informant 14 said, “With the current economic conditions and FATF issues, why would the investors be interested in coming to Pakistan? We need to attract them, and there is no better attraction than financial.” Informant 11 said, “Why would firms come here? What would attract them? These are the questions that the government needs to analyze and understand; unless we incentivize the basic facilities, it would be hard for foreign investors to come here. We need to subsidize energy resources, land, tax, and imports to attract FDI.”

Overall informants agreed that incentives are important, but clear distinctions were between groups regarding how much is enough to attract businesses. Furthermore, most of the informants believed that the incentives were not long-term measures and may be able to attract FDI, but to sustain them for a long time, incentives are not enough, and other factors may play an important role.

4.5. Government Support—Facilitation

Another important aspect of the discussion related to facilitation for investors was provincial and federal government support. All the informants agreed that the government should play a facilitator role and ease the ways investors may engage in SEZs. Informant 1 explained the role of government support: “Currently if a foreign company wants to invest in Pakistan, it would take 256 days to set up and get all the documentation and approvals done, compared to 24 h approval mechanism in the international market—with such a delayed system, who would want to come to Pakistan?” Along the same lines, Informant 8 said, “With this bureaucratic system, you want multinationals to come to Pakistan and start businesses; they will not because they can’t afford to spend so much time and effort just for the approvals.” The issue seemed to be too many hands dealing with the investment process, and this could be seen by the 136th position of Pakistan on the list of ease in doing business compared to the international market.

Further probing revealed that a few informants, including Informants 2, 3, 4, 7, 8, 11, 17, 18, 19, and 20, believed that one-window operation was the solution to create ease in doing business in Pakistan. Informant 4 said, “An investor has to move around from one corner to another of the country to invest in SEZs, federal to provincial all offices have their own policies and procedure, often different to each other, and investor cannot afford to run here and there—they need one place to get things done.” A similar response was from Informant 11 who said, “… there should be one place where people can go and submit documents—what happens behind that window is government’s issue, and they should speed up the work, link the departments and get the work done; otherwise the current system is not built to create ease.” Such responses, in numbers and detail, have explicitly mentioned the importance of one-window operations.

Even though, all the informants agreed to the importance of one-window operations, Informants 1, 5, 6, 9, 10, 12, 13, 14, 15, 16, and 21 views one-window operation as instrumental yet next to unachievable in the current system. Informant 9 said, “One-window operation is too lucrative and
popular to be used in every conversation, but is it really applicable in our scenario? Not at the moment—every department thinks they are the boss.” Another such response explaining why it is not possible was from Informant 21, claiming that “one window is only applicable if there is a single authority who has to deal with it—or at least it should be at either a provincial level or a federal level. Different policies and orientation of provinces lead to conflicts, and hence one-window operation remains a myth in Pakistan.”

Such responses clearly indicate the importance of one-window operation yet signify the lack of a support mechanism to achieve such an efficient approach. To overcome this lack of coordination, two important aspects were shared by the informants. First, Informant 16 said, “There has to be a single CPEC authority who could deal with all aspects, can help to bridge the gap departments, and can have a single orientation towards investment. Provinces, of course, might have issues with this but they need to realize that, when SEZs get operational, they will be contributing directly in the provincial economy.” In this regard, a step has already been taken now by the government and CPEC authority that is being made through presidential orders. The second important point from Informant 21 was the following: “Every SEZ shall have their own office and investors shall be directed to them instead of going for approvals in various departments—one such example is the Faisalabad Industrial State Development and Management Company (FISDM).”

Hence, serious efforts are required to overcome the issues associated with one-window operations, and significant changes are required in the current setup. Documentation and processes need to be reduced and merged to a single point, and departments need to collaborate and be on a single page.

4.6. Joint Ventures and PPP

The current model of investment in SEZs is to attract Chinese and other firms to come and invest, with much less participation from local industry. Informants, in general, had different ideas to attract investment and make it sustainable. A few informants argued that joint ventures between Chinese and Pakistani firms are better options that will have multiple positive effects on the local market. Informant 10 argued, “Whenever big firms came to Pakistan, they never transfer technology; rather, they worked in isolation and left whenever they wanted to. We have to go for joint ventures, and it could be between businesses or public-private partnerships to increase the stakes and speed up the transfer of technology.” A similar response was from Informant 2, who said, “With the current situation in Pakistan, joint ventures can help international firms establish here and gain some trust or sense of security as a local partner will be involved.” With respect to the joint ventures, two important things that could be highlighted from the aforementioned excerpts are (a) the transfer of technology and (b) the trust or sense of security for international firms.

Adding to the joint venture and its benefits, informants argued that it would reduce the issue of footloose investment and that they will be bound with local partners. Even though Informant 17 claimed that such ventures hardly become successful and often cause slow progress, he said, “If international firms engage in joint ventures with local firms, they are bound and cannot progress or make policies as they want, hence they tend to leave early or do not excel at the pace they normally do.” Despite the fact that this concern was validated by other responses, still, the informant who agreed to this statement claimed that it is better to progress slowly, rather than losing investment after 5 or 10 years. Informant 13 argued for the same, saying that “a joint venture reduces the pace of progress but ensures the transfer of technology and long-term investments; even if international firms leave, local firms can get into a PPP contract with government, and business can be sustained.”

Apparently, the informants believed that a joint venture is good to secure technology transfer and improve PPP, even though it may slow down progress. Another option is to go for a mix, where a certain level of investment has to be under joint ventures, and above that limit, a business can come on their own and be given sole proprietorship. This may create a good mix and help multi-level businesses to enter the SEZs.
4.7. Large Business vs. SMEs

Continuing the discussion of joint ventures, another theme that emerged was of the magnitude of businesses, divided into large- vs. small-scale businesses. A few informants argued that small and medium enterprises (SMEs) should be encouraged to invest. Such an arrangement, according to them, will encourage quick investments and will complete the value chain of an industry. In the same lines, Informant 12 said, “SMEs can be good options for us to look for in SEZs. These industries will require local support and will try to build their employee base and other resources locally.” Informant 7 said, “If we look for joint ventures, SMEs can be of great help, and our SMEs can easily get in touch with them and make a good deal out of it. It will help create backward and forward linkages as well.” Currently, however, the focus of the government is on large-scale self-sufficient firms who can invest on their own.

On the contrary, Informant 21 explained that “SMEs cannot afford to come to SEZs, and they may not be fruitful either. SEZs have huge investments, and these costs are too high for SMEs to bear. If the government facilitates the SEZs, it will require subsidized energy and other resources, and the government may not be able to recover the cost. You can see across the globe that most large business is attracted towards SEZs that helps increase the export potential.” Now, the government has to decide whether to invite SMEs and whether it will help achieve the objective of the SEZ or not. However, for such policies, there has to be vision, and an SEZ objective must be specified beforehand.

Though there were many points discussed, a few notable points mentioned by the informants are worth mentioning here. First, five informants argued that SEZs are not short-term projects, so looking towards their progress only after five years of inception is not a good thing to do. SEZs develop over long periods of time and evolve as successful operative units only if they are given time and continuous support mechanisms. According to the informants, spreading negative sentiment just based on five years is not right, and they should be given due time to be populated and rise to their potential. Informants also said that the government should speed up the development of SEZs and improve infrastructural support.

Secondly, informants also argued that launching nine or even three or four SEZs simultaneously will not be helpful in the current scenario, and two important issues are associated with it. One, this might increase the competition among the SEZs, and as all the SEZs are primarily under provincial authorities, the competition might shape into political rivalry as well. Second, Pakistan is struggling to attract international investors; therefore, if we have one or two SEZs to invest in, the investment will concentrate on a single space and speed up the process of investment in the SEZ. The results in a summarized form are presented below in Table 2, along with comparisons to previous literature.
## Table 2. Summary of results.

| Theme                        | Findings                                                                 | Stakeholders                                                                 | Previous Literature                                                                 | Justification                                                                                                                                                                                                 |
|------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| **Political Influence**      | 1. Removal of political influence                                           | 1. All (Except one)                                                          | Political influence shall be removed, and such examples can be found in Shenzhen and Modern Indian SEZs. [4,18,20,37]                              | One respondent did not agree that “in political democracy, one cannot remove political influence—it is the mandate of voters which we should understand.”                                                                                                             |
|                              | 2. Cannot be removed if there is a will to improve                         | 2. One analyst                                                              |                                                                                      |                                                                                                                                                                                                            |
| **Vision and Objectives**    | 1. Each SEZ shall have different visions and objectives and shall be propagated. | All, whereas Roll managers believe that having a specific objective and propagation is not very important. | Authors mostly argue for the propagation of a clear vision and objective [20,32,38,39].                                                  | Currently, the government has enabled all the potential benefits as objectives, which, according to literature, cannot help in making effective policy.                                                                                                             |
|                              | 2. Long-term objectives shall be focused on.                               |                                                                              |                                                                                      |                                                                                                                                                                                                            |
| **Leading the Way**          | 1. The government shall lead the way of investment based on the type and the nature of the industry. | 1. Academicians, analysts, and industrialists                                | It is suggested that the government shall take the lead and promote specialized activities rather than multi-activity. A cluster of similar industries proves to be a better approach with specialized locational advantage [13,21,34,40]. | Currently, policymakers believe that, if they impose restrictions on industry types, it may reduce the attraction and quick development of SEZs. Therefore, they have allowed any type of industry in all SEZs. However, while this approach may attract investment, it will not prove beneficial over the long term. |
|                              | 2. Industry shall lead the way and evolve into a specialized SEZ for specific industries. | 2. Policymakers believe in self-growth—an approach normally seen in industrial clusters. |                                                                                      |                                                                                                                                                                                                            |
| **Financial Incentive**      | 1. Shall not be focused on success. When given, they shall be industry- or activity-based. For instance, an activity integrating a local business in the global value chain shall be given more advantage than a standalone unit operating in the zone. | 1. Academicians, policymakers, and analysts                                  | Lucrative financial incentives have attracted most of the early SEZs across the world. However, modern-day practices reveal that the success of SEZs is more dependent on well-established infrastructure, the streamlining of regulations, and the ease of doing business [14,16]. | Local industrialists’ approach of waiting for financial incentives leads to increases in friction in investment. Further, industrialists are not aware of the latest trends across global SEZs and equate it to previously established Free Trade Areas (FTA), which were considered tax havens. |
|                              | 2. Shall be given on long-term bases.                                      | 2. Industrialists                                                           |                                                                                      |                                                                                                                                                                                                            |
| **Government Support—Facilitation** | Important, especially one-window operation and SEZ authorities’ establishment | All stakeholders                                                               | The government shall increase the ease of doing business and help create an investment-friendly environment through policymaking and infrastructural development [21,40]. |                                                                                                                                                                                                            |
| **Joint Venture & PPP**       | Joint ventures will improve the coordination at a lower level and speed up the technology transfer. | All stakeholders                                                             | Domestic firms seldom have access to international distribution channels, and MNCs are often reluctant to transfer technology to developing countries. Therefore, promoting joint ventures is a better option for attracting investment [6,10,39–42]. |                                                                                                                                                                                                            |
| **Large businesses vs. SMEs**| 1. Large international businesses shall be attracted for investment. SMEs may not be able to afford the cost of operations and government will have to give subsidies on most things. 2. SMEs shall be promoted to invest in SEZs that will help local firms to engage with global activity. | 1. Informant 21                                                             | Inviting SMEs is not a realistic approach; links shall be established between local SMEs and international firms [4,40]. | Most of the informants argued for SMEs because they think SEZs will affect most of the SMEs, and their response can be seen as a precautionary measure to that.                                                                                           |
5. Conclusions

Most of the informants believed that, currently, SEZs lack a direction and specific objective. This lack of direction leads to vague or generic policies that cannot be as useful as a specific policy could be. Further, political involvement was also considered a sort of barrier by many informants. A few informants provided justification that, in a political democracy, one cannot avoid the political influence on most things. However, despite being a politically motivated decision, they believed that nepotism could be avoided, and the right person for the right job may be chosen to reduce the negative political influence on the progress of CPEC and SEZs.

Another important finding was the government’s lack of active participation in guiding the industry to become attracted to SEZs. The policymakers informed that the government would not try influencing the nature of the industry; rather, it would be open for all, and the objective would be to populate it as early as possible. Whereas this approach seems fine, one industrialist believes that government should create environment that can attract specific industries in an SEZ. The natural evolution of industrial clusters cannot be replicated in SEZs; hence, incentives shall be policy-driven and attract specific activities in an industry. In terms of incentives, except for the policymakers, the informants believed that, instead of providing incentives based on the industry, it should look for the niche activity in a value chain that can help value become part of the global value chain. For instance, one such case is the yarn industry, where most textile owners want to use imported yarn and claim that locally produced yarn is not of good quality and that the ginning process is not up to standard. If the government can provide incentives to firms that can invest in ginning and then spinning, the whole value chain of cotton to the fabric can be localized. The impact of such incentives will be two-fold: (1) a local industry will become self-sufficient, and yarn will be available at low cost; (2) the imports of yarn will be reduced, which will reduce the trade deficit in that country.

Public-private partnership (PPP) was another important aspect that informants wanted the government to focus on. They believed that the involvement of government would create trust and encourage investors to be part of SEZs. PPP has been recognized as a good mechanism to provide services, but academicians have believed that, for investment, it might not prove to be very fruitful; rather, it may create resistance due to long operational procedures. However, a few informants claimed that SMEs could be attracted and be provided with an opportunity to collaborate with local industries. This will provide many business opportunities and will help in technology transfer. The counter-argument of such a collaboration at the SME level is that the operational cost of an SEZ is too high and that SMEs are not the right fit at that level. SEZs will tend to benefit FDI and larger domestic investors, mostly in the short term. They are not a direct solution for local SME development. Most SEZs are designed to attract larger businesses with a world-class infrastructure, incentives that are usually geared toward exporters, and, usually, high lease costs relative to what is available in the local market. As a result, attracting local SMEs into SEZs on a large scale may not be a realistic objective. Instead, the emphasis should be on developing effective links between local SMEs and the globally competitive firms anchored in the zones.

6. Recommendations

The following recommendations are presented based on the data collected through a qualitative method of inquiry. These recommendations follow a general approach but are very specific to the local scenario and based on respondents’ and informants’ understanding of their perspective.

The current SEZ policy was announced in 2012 when CPEC-related SEZs were not even conceived. Therefore, it would be difficult to translate those policies into practice. A new SEZ policy shall be made in consultation with stakeholders, and that will help in implementing the policy in an effective manner. Further, this SEZ policy shall be an umbrella cover, and each SEZ shall have its own policy and cater to the specific needs for the investors and local population. The new policy shall also be in tandem with the overall country’s industrial policy to create uniformity in regulation, which can ease out the burden on investors.
Each SEZ needs to have its own vision and mission, and all the policies and regulatory framework shall be based on them. Currently, it appears that SEZs have a single objective that is to populate them, which is insufficient to create effective policies. Having different visions, missions, and objectives based on local scenarios will allow different SEZs to create their own comparative advantage, and they can extract maximum benefit out of the unique SEZs. The comparative advantage of each SEZ should be validated through detailed strategic planning, feasibility, and master planning process. Further, to avoid conflict or stiff competition, only limited SEZs shall be focused and operationalized in the short term. No more than three SEZs should be set up and promoted, as setting up many SEZs at one time would create competition among SEZs and attract Chinese companies, which would increase the bargaining power of Chinese companies.

For the maximum utilization of SEZs, specific short-term and long-term objectives should be established, and stakeholders should be made a part of it so that they can realize future potential and plan accordingly. In the long-term goals, there should be measures or Key Performance Indices (KPIs) for the continuous upgrading of the industries by promoting technology transfer and innovation. The progress should be monitored continuously and periodically to ensure that KPIs are met.

The exchange between the SEZ and the domestic environment should be promoted through policy measures and administrative reform to promote cohesion between the two. Access to regional production should be facilitated. Regional value chains should be linked to zones. By doing so, the zone would develop linkages with the local economy and would promote technology transfer. Further, to promote and create the capability of absorbing the technology transfer, the innovation links between universities and industries should be strengthened. Customized and specialized education and training programs should be started for each SEZ to upgrade the skills of the local workforce in the vicinity of zones. This training must be continuously upgraded to meet the pace of changing technology and business demands.

SEZs should be given autonomy to test different reforms at the local or provincial levels. It takes 5–10 years to kick start a zone program. Strong political commitment is needed to create a conducive environment for the zones to flourish. Transparency, accountability, and institutional development should be at every level. Continued support for the industries shall be ensured. Such trust can only be built through strong institutional autonomy with much less political or bureaucratic involvement.

Another important factor would be the type of companies investing in the SEZs. It has to be ensured that the industries coming to the SEZ should complement and not substitute local industries. This is because companies in SEZ producing similar goods and benefiting from privileged incentives will displace Pakistani firms in the international market. To create such value chain links between local SMEs and the globally competitive firms should be anchored in the zones. Even though the literature suggests that SMEs are not among the preferred ones in SEZs but still considering the responses from local industrialists and academicians, it is presumed that, with the huge, current contribution of SMEs, it may prove to be a fruitful initiative. SMEs’ involvement will also help in improving technology transfer, and in the case of footloose investment, these SMEs would have a good chance of increasing their scale and becoming a large firm themselves.

To further enhance the involvement of SMEs and technology transfer, joint ventures between Chinese firms and Pakistani investors should be encouraged. Special incentives should be given for missing links in the existing value chains of the different industries. Such an initiative to involve local firms in joint ventures with Chinese firms will help to grow the local labour market and reduce the chances of footloose investment.

Lastly, the most talked-about issue is one-window operation. There is a dire need of creating one-window operations for SEZs where investors can approach and be guided, and their issues are taken care of. It would require special arrangements between provincial and federal governments and all other departments that are involved. Automated systems that play the role of the one window shall be incorporated, and investors may apply for facilities and acquire information from a single platform. There should be a customer/business relationship department that should take care of all
of the issues and play the role of a buffer between investors and government departments. In terms of ease for investors, a rapid customs clearance system should be arranged for investors involved in SEZs. An example of such a system is the Green, Yellow, and Red categories of importers currently implemented in the Web Based One Customer (WeBOC—online portal used for custom clearance in Pakistan) system. Pakistan customs have created these three categories to build a better relationship with the importers. Importers classified as Green only need to go through customs for a very short period of time because of their previous record and adherence to the rules. Yellow denotes a detailed inspection of both the importers’ documents and the consignment. Red means that a thorough checkup of documents, the rates mentioned, and the products in the consignment need to be assessed; hence, a longer period of time is required to clear the port. Firms in an SEZ should require a scheme that can expedite the process and help firms to wait less and reduce lead time.

This study contributes to a clear understanding of the dynamics associated with SEZs and how these can impact the development of SEZs. The government can take the lead and involve stakeholders in policymaking to enhance the confidence of the investors. Further, previous studies have emphasized the contribution of large firms and have argued to involve SMEs only in backward linkages. However, the findings of this study reveal a different perspective of stakeholders who believe that an active role can be given to SMEs. The joint venture of local SMEs with Chinese SMEs is presented as an alternative to large firm investments. The approach previously is not discussed in the literature in such a condition.

Every study has limitations that have implications on its overall process; similarly, this study also has limitations. First, a lack of time and resources prevented the researchers from traveling to various parts of the country where EPZs and investors could be contacted. The sample could have been larger, and more cities could have been included, and these measures were not taken due to time and resource issues. Another limitation is that interviewees’ responses were audio-recorded, and many interviewees hesitated to respond openly. Recording the interviews might have affected the response. However, the researcher tried to probe through different means to reduce such issues.

For future studies, a thorough and in-depth study is required individually on the broad themes covered in this study; i.e., how can incentives, government support mechanisms, regulatory frameworks, infrastructure, connectivity, and linkages impact an SEZ. What is the current on-ground situation, and how can they be improved to meet international standards? Secondly, each SEZ proposed under the CPEC should be individually studied to understand the dynamics of each SEZ and then present a comprehensive plan for them. Further, each SEZ should be looked at in light of the global value chain. How micro-level values can be created and how local industries can benefit from them should also be understood.

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