

SUCCESS OF PAKISTANI SPECIAL ECONOMIC ZONES: INTERPLAY BETWEEN GOVERNMENT AND SOCIETY

¹Mian Shakeel Ahmad, ²Naveed, ³Muhammad Faheem Jan

ABSTRACT

Keywords:

Special Economic Zones (SEZs), SEZ Success, Pakistani Economic Development, Government-Society Interplay, Challenges in SEZ Implementation, SEZ Policy and Governance, Societal Context and SEZs, Unintended Consequences in SEZs, Sustainable SEZs, Adaptation from China, Economic Growth Strategies, Cultural Norms and SEZs.

Governments establish Special Economic Zones (SEZs) to turbocharge job creation and economic development. These are spatial areas having a legal status. Pakistan, following the footsteps of China, is working to establish many such zones. Their success, however, is not guaranteed because of the various challenges that have to be overcome: tailoring the concept to our own context; issues in implementation like dealing with politics, societal and governance challenges; question of their long-term success; and dealing with their unintended consequences.

This study was carried out to understand how SEZs model adapted from China can work in Pakistan, and what unintended consequences will this create and how the government can mitigate them with an understanding of Pakistan's societal and moral context so as to ensure sustainable and lasting results. We have used an interpretivist approach, conducting interviews with industrialists, zone managers, government officials as well as university researchers.

Data was analyzed using a grounded theory QDA approach adapted from Chamaz. Themes derived from the analysis include: cultural norms and moral values especially work ethic and standards of morality; issues with understating the concept of SEZs; issues relates to policy, planning and implementation; issues related to bureaucracy and governance; and, requirements of making these zones successful, especially decades needed to succeed, in contrast to our expectations of a quick harvest. Recommendations are related to contextualizing the concept; policy; governance; educating the society; and managing expectations related to the time needed to succeed.

INTRODUCTION

This section lays the foundation by introducing the conceptual and teleological basis of Special Economic Zones (SEZs). Conceptually they are represented using special metaphors,

¹ Ph.D Scholar, Qurtaba University of Science and Technology. Email: shakeex1@gmail.com

² Associate Professor, Qurtaba University of Science and Technology. Email naveedtoru97@gmail.com

³ Assistant Professor, University of Central Punjab. Email: muhammedfaheemjan@hotmail.com
(Corresponding Author)

defining them as designated areas where business and trade laws differ from the rest of the country. These are variously termed as 'privileged,' 'secluded' and 'surrounded.' These areas have been designated by a country as zones to promote foreign investment and trade (Chiukira, 2020; United Nations Conference on Trade and Development [UNCTAD], 2019). These special economic zones have been established in various parts of the world, with a purpose to test policies, attract foreign investors, encourage business activity, and to develop regions (Ambroziak & Hartwell, 2018).

While they have existed in many countries, they became more common after the introduction of free-market policies such as economic liberalization. According to some estimates, over 5400 SEZs exist in more than 150 countries (Neveling, 2021; UNCTAD, 2019).

Various terms can be found for these in extant literature. Mukorera et al. (2021), have termed these *models* of SEZs. Many such models of SEZs exist. These include Free Ports (Mukorera et al., 2021); Free Trade Zones (FTZs); industrial zones; port zones; export processing zones (EPZ); science technology parks; Economic and Technology Development Zones (ETDZ) (Mukorera et al., 2021); High-Tech Zones (HTZ) (Mukorera et al., 2021); transportation or logistic zones; tourist SEZs (Chiukira, 2020); entertainment destinations, recreational parks (Sobirov, 2018); Financial Districts or Centers; Agricultural Zones with large farms and irrigation systems (Chiukira, 2020; Boonyanam, 2020); Enterprise Zones (Mukorera et al., 2021) ; Urban Development Areas with housing projects and commercial areas, to name a few.

Moreover, according to Zeng (2021) these zones can be divided into different generations: the first generation include EPZs; the second, Multifunctional SEZs; the third, Eco-Industrial Parks (EIPs) ; the fourth, Modern Free Trade Zones (FTZs); and the fifth, the concept of Intelligent City.

While SEZs are in different stages of development around the world, their positive impact on economic development and growth has been claimed. They can help countries attract foreign investment and stimulate local development, which in turn leads to job creation and improved living standards for all involved.

These are represented in the diagram below:

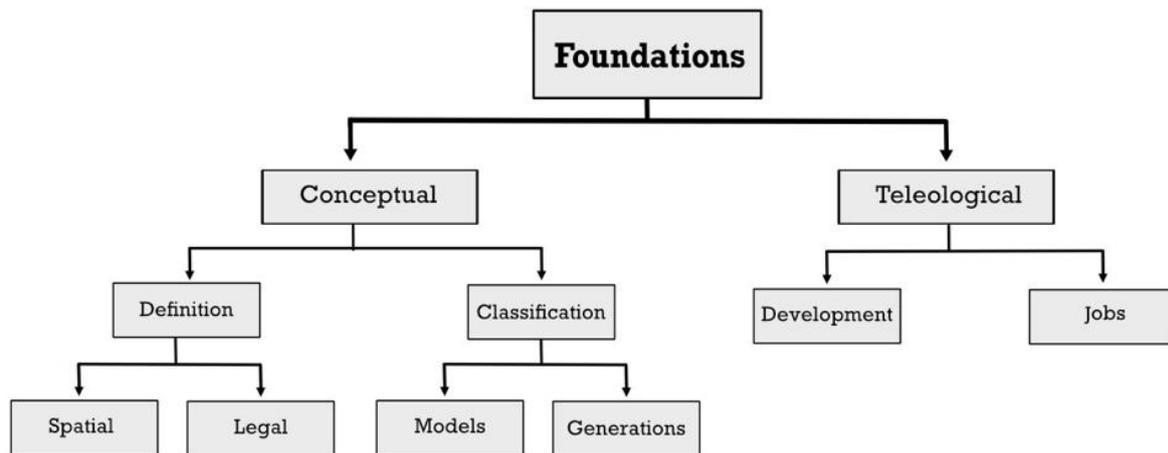


Figure 1: Conceptual and teleological foundations of SEZs.

The next section delves into the background of the study. China's amazing economic growth can be attributed to many factors, one of these factors is the developmental zone model also known as special economic zones (Zeng, 2013). The most important triggers for the creation of these zones are economic liberalization and following other countries; the former is exemplified by China while later is exemplified by Pakistan. Most of the Chinese zones were established in the late 1970s and allowed for foreign investment, relaxed regulations, and tax incentives. As a result, China has become a major player in global trade and manufacturing. These zones are believed to be instrumental in creating more jobs, encouraging FDI and economic development through improved infrastructure and transportation within these zones. The success of the SEZ model in China has led to its replication in other regions, including Africa (Wang et al., 2017). Although the concept has been independently implemented in countries as diverse as Russia (Leonov, 2020; Sosnovskikh & Cronin, 2020); South Africa (Newman et al., 2017); Italy (Myles, 2021); Philippine (Kleibert, 2017); as well as China (Wang et al, 2017). Being friendly neighbors, Pakistan usually follows China's models for development.

Pakistan has also started experimenting with the idea and under the China-Pakistan Economic Corridor (CPEC), nine different economic zones are being established in Pakistan. The current inflows under CPEC and One Belt One Road (OBOR) initiative exceeds all the combined inflows to Pakistan in the last seventy years (Islamabad Policy Research Institute, 2017).

Their benefits can be various: creating jobs; transferring knowledge, skills, leadership abilities (Alves & Lee, 2022a); technology; economic development; as well as social and political stability. These projects have the potential to transform Pakistan's economy but there are concerns about their success, economic, social, and environmental impacts of these

projects and their long-term sustainability. These zones have given rise to many challenges in addition to the opportunities they present. These include the political bickering over where to establish these zones, competition over getting a plot in the zones (this also entails political influence and use of influence through family and friends' networks). Similarly, the location of most of the zones is decided without considering the ecosystem present in the area where the zone is to be situated, which can lead to mismatch in the potential of the area and the SEZ focus. An ecosystem can be thought of as all the actors, factors, their interactions, and context that give rise to the unique situation which can lead to success of an area's industrialization (Stam, 2015). Therefore, it is important to carefully consider the potential impact of establishing a zone in a local ecosystem and to take measures to mitigate any negative effects. This can include conducting environmental impact assessments and implementing sustainable practices within the zone which may require collaboration and engagement with local communities and stakeholders to ensure that the practices are both environmentally sound and socially responsible. Most importantly, the concept needs to be tailored according to the society and governance structure of the country.

Local problems are best solved by local actors. By far, the solutions discussed in the extant literature are either proposed by the western authors coming from a capitalist background or by Chinese authors coming from a communist background. Pakistan, however, is neither communist nor Western, so there is a need to devise local, *desi* solutions ("desi" means "indigenous" or "local" in Urdu) for the local problems. A *desi* solution will mean a context-sensitive solution devised by the locals in contrast to the one imposed by some international foreign experts.

Usually in developing countries, most of the concepts are copied from the developed world without considering our own unique context. In the context of countries like Pakistan, the success of SEZs carries significant implications due to potential resource wastage and unintended consequences (Frick et al., 2019). Past attempts at industrialization and SEZ utilization in the country have faced challenges stemming from inconsistent governmental policies, as well as a society that has not historically embraced learning from its history (Frick et al., 2019; Naeem et al., 2020). The nation's agrarian roots, combined with historical events and cultural factors, have further complicated the trajectory of industrial development (Ahmed et al., 2020).

Addressing these complexities necessitates more than a straightforward emulation of the Chinese model; instead, a tailored approach may be required. A framework should be

developed to guide the design and implementation of effective SEZs in Pakistan. This framework must address political, governance, and societal challenges to foster economic growth, innovation, and competitiveness, while mitigating the unintended consequences of such policies. This gives rise to questions like what modifications will we have to make in the model if we want to adopt it to Pakistani society? And what societal and governance level changes are needed to make Pakistan's industrialization a success?

The challenges that a government will have to face in implementing and managing successful is SEZS policy are visualized in the diagram below:

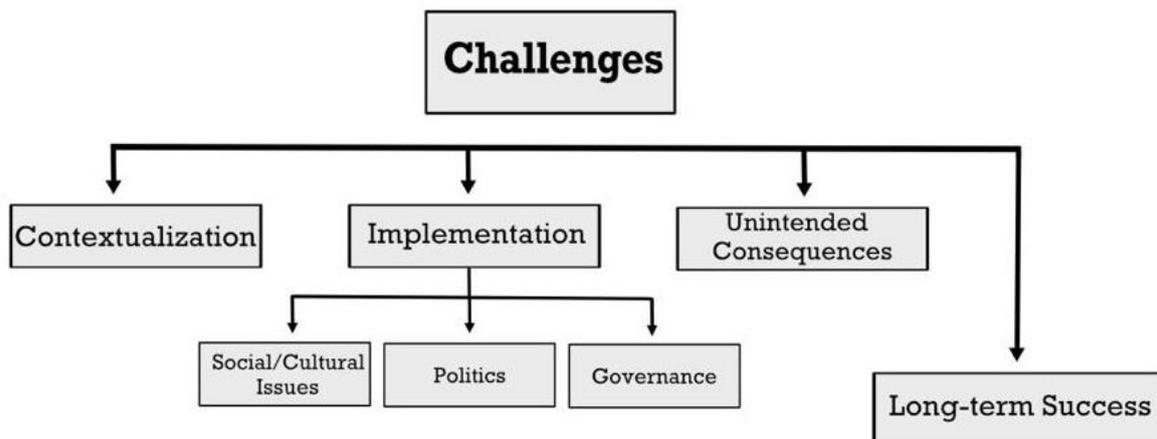


Figure 2: Challenges associated with SEZ development.

LITERATURE REVIEW

GOVERNANCE-RELATED ISSUES

Governments use these zones for testing new policies. If successful, these policies can then be implemented countrywide. Without small scale testing, implementing industrial policies would be irreversible and too costly. In countries with weak governance, they can be used to bypass hurdles like issues of policy implementation and rule of law (Zeng, 2021). However, there arises a dilemma—more success can be achieved in countries with strong governance than those with weak governance. In addition, laws and regulations must be in harmony for these policies to be successful. Chi (2021) has emphasized a need for a harmony between SEZ regulations and Regional Trade agreement (RTA) laws so that the synergistic effects can be realized.

Pakistan is relying on Chinese experiences and support for implementing the concept, and despite geographical proximity, these policies need to be translated to the local context (Naeem et al., 2020). However, to implement the concept, it needs to be translated and contextualized, as it is a Western and Chinese phenomenon. This should involve considering

the cultural differences between the source and target countries, and tailoring the concept in a way that is appropriate and meaningful for the target culture. This can mean changes to the content, language, and/or form of the concept, as well as to the way it is communicated and received.

The Chinese government has a good deal of experience in making these SEZs successful and it has been suggested that they can help other countries in making their own zones successful; in addition to sharing their learnings, the Chinese also provide investment, infrastructure, technical and political support to these countries (Knoerich et al. 2021). Their solutions, however, might be based on their own worldview and experiences. Xu and Wang (2020) have recommended an *iron hand* role for African states in implementing the SEZ policy: suggesting compulsory land acquisition, land reforms and centralized planning by governments. It is true that one of the major challenges in setting up SEZs is acquiring the necessary land for the development of the zone. This may involve negotiating with local landowners and communities, which can be a complex and time-consuming process. It is, then, worth investigating whether policies that are formed from a communist perspective, with an assumption of a powerful state, will be effective in non-communist states. The prospect of introducing such remedies in a nation like Pakistan also raises concerns about exacerbating issues rather than resolving them. Moreover, it is claimed that in countries like China, these zones are also a means of social control (Jensen, 2017; Litwick & Qian, 1998), which in countries like Pakistan can backfire.

Creation of SEZS can lead to unintended consequences for the state and society. Some of these are gleaned from literature and are discussed below:

According to Holden (2018), in these zones, states let go of some of their sovereignty which have unintended consequences in the form of illegal trade, passing on the negative externalities to other regions and the growth of transnational networks of criminals. Similarly, Wolf (2021) has highlighted the involvement of unintended/unwanted actors like the military, in such projects and has warned about how this can become problematic. Pakistan specially has a history of army involvement in civilian affairs and as the saying goes that history repeats itself, it then becomes imperative to consider the possibility of unintended consequences this might entail. In some cases, a communist style policy implementation, as suggested by Xu and Wang (2020), can become easy, but at other times, a lack of understanding of the economy and the society can aggravate the problems further.

Wong and Buba (2017) in their (world bank funded) project tried to study the impact of SEZs programs are effective in reducing crimes; they also found that SEZs only provide benefits to the businesses located inside their boundaries, with little value to the public. Other studies might suggest the opposite effect. For example, Bettencourt et al, (2007) suggested that with urbanization and enclave creation, a superlinear increase in crimes can be expected. An example is Karachi, which is the country's biggest urban center, and is already suffering from enclavization, violence, crime, and the deterioration of government authority (Kaker, 2014). Hall et al, (2022) have discussed in detail how these SEZs can lead to a lot of criminal activities like illegal trade, smuggling, money laundering, exploitation of labor, along with damaging the natural environment with impunity. This is because of the enclave nature of these zones where these criminals are protected from law and any other kinds of accountability. In this sense, these zones become a natural culmination of the injustices of capitalism. In countries like Pakistan, where no attention is paid to urban planning, environment, or governance, this can be especially an issue.

The influx of people and businesses into an SEZ may also put strain on infrastructure and public services, such as transportation, healthcare, and education.

The role of state in these zones is depicted in figure 3 below:

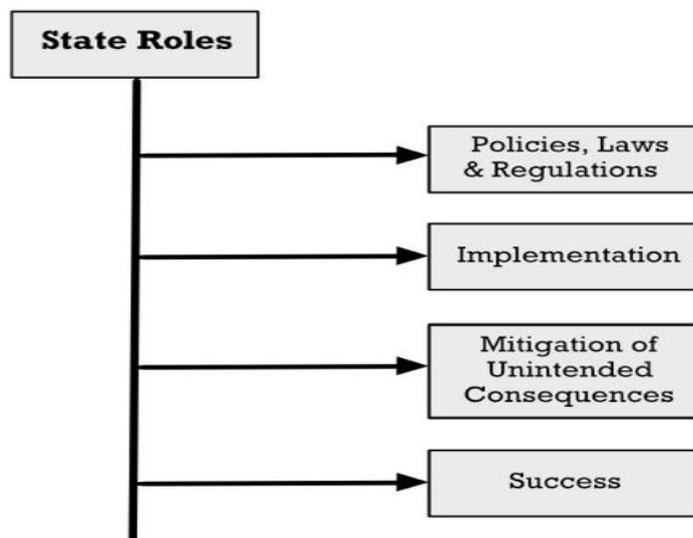


Figure 3: State roles in SEZs, based on literature review.

SOCIAL ISSUES

Pakistan is foremost an agrarian society. The laws, culture, and institutions are all based on the traditional agrarian model. This is one of the reasons for the backwardness of Pakistani society. In some regions of Pakistan, if one comes a few miles away from the main road, one can hardly find civilization; one would rather meet a society which is hundreds of years old

and traditional (Gandhi, 2004). Industrializing an agrarian economy is a challenging task, and will require more than just the establishment of some zones and expecting the country to industrialize (Frick et al., 2019). This requires changes on many fronts at the same time.

The establishment of an SEZ may lead to changes in the social and cultural fabric of a region, as it may attract a diverse and transient population (Bach, 2011) There can be many impacts of these zones on the society in which they operate. Industrialization will also result in internal as well as external migrations which, if left unchecked, will further aggravate social, political, and environmental issues. In countries with a lack of policies like urban planning, this can become a vicious circle.

Another consequence of SEZs might be the disruption of livelihood due to displacement of local communities: The establishment of an SEZ may involve the acquisition of land from local communities, which can lead to displacement and disruption of their livelihoods as many people usually utilize the compensation in non-income-generating activities and the resulting drop on their incomes (NGUYEN et al, 2019; Parwez & Sen, 2016). A study by Kumar et al (2021), has, however, shown that the satisfaction of farmers increases after land sale, as they increase spending on their children's education and luxuries. These all, except education spending, can again lead to a decrease in the long-term income of these people.

Finally, these exclusive spaces or spaces of exception, although instrumental in increasing exports, can become an instrument of non-inclusive growth and thus lead to social compartmentalization, exclusion (Chen and deMedici, 2010), and inequality (Kleibert, 2018), injustices and social unrest.

On the contrary, on a socioeconomic front, our wish for economic islands might become islands of exclusion. Chen and deMedici (2010) argue that economic islands can create economic inequality and exclusion by concentrating wealth and resources in a limited geographic area. This can lead to the exclusion of neighboring communities that do not have access to the same resources or opportunities, creating social and economic disparities.

Additionally, Kleibert (2018) argues that SEZs have contributed to the creation of "enclave urbanism," characterized by the concentration of wealth and resources in a limited geographic area, which has resulted in social and economic exclusion of neighboring communities. These enclaves are the economic islands that can be detrimental to the overall socioeconomic development of a region/country. By focusing on the development of isolated economic zones, policymakers may neglect the broader socioeconomic context and fail to address

systemic issues such as poverty, inequality, and social exclusion (Chen & deMedici, 2010; Kleibert, 2018).

A related issue is compartmentalization, wherein people are kept separate from each other in a society. Chen and deMedici, (2010) have reported how migrant workers in China's Shenzhen SEZ were denied a status equal to the permanent residents, and they had to pay extra for education, healthcare, and other amenities of life. Classes of society with no access to education, training, connections, or capital will be excluded in a vicious cycle. They will be cut off from the opportunities these zones offer and will further drift apart from the rest of society. Sigler (2014) has identified social exclusion, increase in inequality and the loss of tax revenue to the government as some of the issues Panama's special economic zones are posing.

Sigler (2014) has mentioned that in Panama only people of privileged classes having higher education or expatriates with foreign degrees get good paying jobs in these SEZs while those from lower classes and excluded, similarly the investors and those with higher salaries pay low taxes, thus giving rise to inequality in society.

In these zones, migrant labor is often trapped; they are exploited, paid low wages; have no legal protection; are not allowed to change jobs or to protest; and the foreign investors get away with all this because of the "freedom" these "free" zones offer (Gordon, 2022).

One report by Trends (2022) has reported violation of labor laws, bad working conditions, no minimum wage, temporary jobs which are often daily or seasonal in the zones in Senegal.

The promise of SEZs is enticing jobs, infrastructure, and prosperity. But the reality can be quite different. These zones have occasionally led to a sharp rise in local tensions, which has led to unrest and violence (O'Brien, 2020). An instance of this is a Chinese region that recorded several protests and clashes between citizens and police over inadequate compensation for agricultural land acquired for industrial development (Lum, 2006). For underdeveloped countries economic growth is crucial. By creating these zones, their governments seek to provide locals with income and employment. But the unintended consequences included many people losing their homes and moving into slums close to such locations.

This social unrest may be stoked by social compartmentalization, disparities in income and opportunity, and violations of labor laws. This social unrest is only one of the many possible outcomes that might happen when a country increases inequality within a population by giving some people greater chances than others.

So, there is a need to responsibly manage the process in its own context (Catstles et al., 2005) as the Pakistani context is quite different from the western and Chinese contexts where these policies were first tested. We can, however, study the experiences of India and Bangladesh which are much similar to us.

These issues are represented diagrammatically as Figure 4 below:

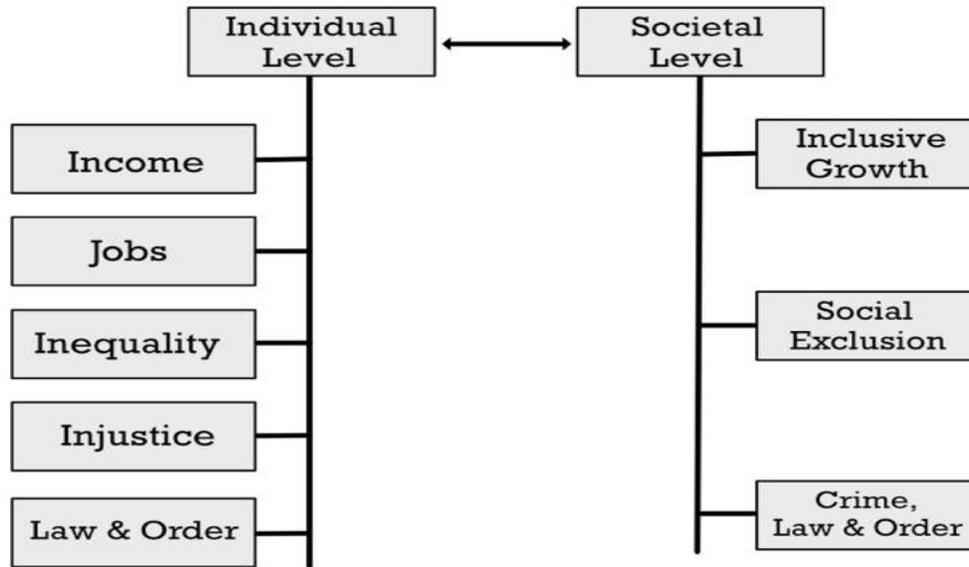


Figure 4: Individual and Societal level issues in SEZ development.

METHODOLOGY

The study follows a constructivist and an interpretivist approach to explore the success of Pakistani SEZs as an interplay among the actors. Since the knowledge is assumed to be distributed/situated (Thompson, 2015) and no one actor will have all the knowledge, we have taken the perspective of multiple actors involved, to come up with a better picture of reality.

The experiences and their interpretations by the actors in this situation give meaning to the reality of these zones as they emerge (Wurth et al., 2022; Roundy et al., 2018), and it is these actors and their interactions that are creating the reality(constructivism). This can be supported by previous literature as Wurth et al., (2022), in their paper, have discussed the ontological basis of entrepreneurial ecosystems by underlining how they can be built.

The first author has worked with industry as Manager University-Industry Linkages for more than five years and has been a faculty member in the department of management sciences at a public sector university. As a bridge between a university and the industry, his own values have guided him in the choice of the research topic and the methods that are utilized.

Our main research questions were whether the special economic zones model is applicable to Pakistan and if yes, what spatial, cultural, legal, administrative, or policy adjustments are

required to ensure the applicability and success of SEZs in Pakistan?". This research journey is driven by the first author's firsthand involvement with industry stakeholders, invitations to events, project collaborations, and interactions with zone representatives. These experiences have underscored the critical importance of SEZ success for entrepreneurs, shaping our dedication to contribute insights and solutions for their benefit.

Population and Sampling

The population of this study consisted of industrialists, investors, university researchers, and officials from government departments like Khyber Pakhtunkhwa Economic Zones Development and Management Company (KPEZDMC), Small Industries Development Board (SIDB), and the federal Board of Investment (BOI).

As the study was qualitative and we mostly investigated the unstated reasons, experiences, perceptions, and the actors' interpretations. These are people who have the knowledge and experiences, but they are hard to reach and mostly unwilling to fill questionnaires (Naeem et al., 2020), the sampling technique that is suitable is purposive/judgmental, wherein used our judgment to select the respondents who are most suitable to provide the data we want (Wilson & Butterworth, 2000); additional respondents were contacted using a snowball method. According to Tongco (2007), the purposive sampling method is a more powerful method than simple random sampling as the bias inherent in this method contributes to its efficiency.

Data Collection

While deciding about capturing our data collection method we considered the possibility of using questionnaires or conducting interviews. Aggarwal (2012) and Stam (2015) have underscored the difficulty of measurement due to complexity of the contexts and statistical procedures required. Moreover, as our population is hard to reach and mostly unable or unwilling to fill in questionnaires (Naeem et al., 2020), in such a situation the qualitative approach is better suited than a quantitative one. The first author's own experience with these industrialists also confirmed that they can hardly spare time for filling in questionnaires and many of them are not very highly educated so explaining the questionnaires to them is also a difficult process. In such a situation, conducting in-depth interviews with these actors is the most suitable approach, allowing the convergence of shared themes. This way we were co-creating an understanding of the reality with my respondents.

Qualitative data was collected through interviews of the respondent from the population as well as from social media like YouTube. The later type of data served as 'found data' and

was very useful as a naturalistic enquiry due to its unobtrusiveness (Hine, 2011); efficiency in terms of time and cost (Kitchin, 2014); and its augmentation of the other types of data (Timmins et al, 2018).

Gaining access to respondents and data is critical for the success of a research (Cunliffe & Alcadipani, 2016), affecting how the study is conducted as well as its results (Riese, 2019); as the respondents wield power in this regard by being gatekeepers in the scenario. In such a situation the researcher must both manage his/her identity as well as collect data (Harrington, 2003). Being a Manager University-Industry Linkages, for more than five years, the first author had developed sufficient rapport with the actors in the field, so it was not very difficult to visit sites and collect data.

In the case of the found data, it was retrieved using keywords like 'Special Economic Zones', 'CPEC', and 'OBOR'. We used my own judgment for selecting the interview. The main criteria were relevance to the topic and the length of the interview.

Data Analysis

Both thematic and grounded theory methods were used for analyzing the data. Thematic analysis (Kiger & Varpio, 2020) was applied to the 'found' data. In the thematic analysis, we explored the themes in the data, by coding data and searching for recurring patterns/themes; this informed the next phase of analysis.

For analysis of interview data, Qualitative Data Analysis (QDA), the grounded theory approach from Charmaz (2006) was utilized: a stepwise procedure consisting of initial read through & memoing, open coding, focused coding and axial coding was utilized. The final themes were derived from the axial codes. We tried to formulate a full-fledged theory explaining the phenomena (Braun and Clarke, 2006). To be true to the grounded theory method and to utilize the time, energy, and financial resources efficiently, analysis of data was started as soon as the first interview was conducted, which helped in refining my next interviews, as well as comparing the two--a technique termed as constant-comparative method (Glaser, 1965). The analysis process was iterative, and the data was revisited many times and the themes were refined as a result.

ANALYSIS

CULTURAL NORMS AND MORAL VALUES

Duong (2022) has observed that Pakistan is looking to China for guidance and assistance in implementing SEZs. Despite China's proximity to Pakistan and its extensive experience in developing SEZs, policies and strategies cannot be directly translated from one society to another because Pakistan's culture and moral values are different from China. Cultural norms and moral values reflect the attitudes, values, norms, and beliefs that shape the behavior and mindset of individuals, organizations, and ecosystems. They also influence ethical standards and social responsibility. Without strong ethical and moral standards, trusting others becomes difficult and the most important ingredient for the success of a business is trust.

The sub themes under this theme are given below:

Work ethic and a lack of discipline

Avoiding hard work and a lack of discipline on the part of workers can cause an industry to shut down:

“Once a rock fell into the machine So the machine grinded to a stop....they called the head office in Karachi... they sent the guys from Karachi for repairs, during this time the machinery was shut and there was no work butwe got a week or 10 days leave but the still got salary for that period. So, we enjoyed this thing, and after this we started this thing that whenever we wanted a leave, we would throw a rock into the machine. It would stop and they would send a repairman from Karachi, and we would get a leave and we would still get a salary” **Respondent MS**

The following quote shows how the people and society function as a disorganized crowd:

“in the bazaar, there were cars, and ahead of them were carts and ahead of them pedestrians and the traffic was blocked, and I inferred that these people must be very dangerous”.

Respondent MS

The following quotes show the state of the society in which these zones are intended to operate:

“the ego or something like obeying someone's orders that really,,,,, to some extent is an issue because people don't have tolerance they cannot tolerate others” **Respondent IA**

Standards of morality

The following quotes represent the moral stand of the respondents:

“Whether this[money] is white or black, he has done it, if he has installed a factory here, and if because of that the people of my area get a few job opportunities here then i don't think there is something bad about that”. **Respondent KK about money laundering**

“The secret of the success of this zone is that in 1995-96 we stopped interest-based deals (soodi karoobar) with banks”. **Respondent HI**

A society that won't allow social mobility

The importance of right connections is highlighted through the following quote:

“A cobbler’s son will become a cobbler; an industrialist's son will become an industrialist”.

Respondent HI

UNDERSTANDING THE CONCEPT

One issue is related to understanding the concept of SEZs. SEZs can be seen as a type of business ecosystem that focuses on a specific industry or sector, such as manufacturing, or minerals & mining. They can also be part of a larger entrepreneurial ecosystem that supports and fosters entrepreneurship in a region or country. SEZs can affect and be affected by the other components of ecosystems, such as culture, policies, finance, human capital, markets, and infrastructure. The industry zones or estates, however, are not new in Pakistan and our respondents from industry and business especially did not understand them as something different from the old zones, as evident from the quote:

“No matter how many shawls you put on a donkey, it is still a donkey”. Respondent HI about Special Economic Zones.

Similarly, there is a lack of awareness about using complex-systems-view for understanding governance of these zones (Duit & Galaz, 2008; Stam 2015).

Policy and Planning

Policy, planning and implementation can define the rules, roles, responsibilities, and incentives of the actors and factors in SEZ ecosystems. But lack of coordination among different institutions and poor policy implementation can be a major challenge for SEZs success and can result in SEZs failure (Newman & Page, 2017). The consistency and alignment of policy (Zeng, 2021) can affect the value creation and value capture of business ecosystems. Currently there is a perception that the government does not plan properly. This is sometimes contradicted by the statements of the respondents. There are, however, some issues in the implementation of these plans.

Being primarily an agrarian and traditional society, establishing these zones and expecting the process of industrialization to take place by itself cannot be expected without proper

planning and implementation (Frick et al., 2019). This modernization process, however, cannot be forced abruptly and the stages of development should be taken into account while planning for industrialization (Fangjun, 2009).

Brussevich and Dabla-Norris (2020), in a study published by IMF have claimed that women benefit more from the establishment of these zones. This theme, however, has come only in one respondent's (a senior official) interview and the other respondents have not focused on this issue. The reason might be that although the issue of women empowerment is dear to international organizations, the local society and businesses have not taken up the idea yet so it can be heard as a main concern only from executives at these organizations or in the government.

Policy

The need to address things in a better way at the policy level was underscored by almost all the respondents. The representative quote is given below:

“So basically, Pakistan’s industrial policies itself needs a quick change to a business policy rather than an industrial policy”. **Respondent NH**

An Experiment

“This [starting zones all over the country at once] is an experiment that even a country like China has not exercised yet”. **Respondent KK**

Suspicious about agreements and deals

They somehow expressed their suspicions over the deals that were done regarding SEZS. the representative quote is reproduced here:

“There are lots of agreements, lots of conditionalities that do not suit us, our country”.

Respondent HI

A perception about lack of planning

The following representative quote shows the concerns about planning:

“Actually, institutions are not integrated, their planning is not integrated, you see when a road is constructed, one day it is inaugurated, the next day there will be 6 other departments, one will be digging it from one place and the other from another place”. **Respondent KK**

Governance and Implementation

Government is one of the most important actors in an ecosystem. This actor influences the policies and leadership component of an ecosystem. Government and bureaucracy can provide the legal, regulatory, and institutional frameworks that can facilitate or hinder entrepreneurial and business activities. Delays and hindrances in issuing NOCs by the

government can lead to time delays, cost escalations as well as failures, as is evident from the statement of respondent AI regarding getting NOCs. Governments can also provide the vision and direction of public and private leaders that shape the culture and goals of ecosystems. Chi (2021) underscored the need for harmony between laws and regulations. When laws and regulations created by the government are harmonized, it creates a stable and predictable regulatory environment that fosters investment and economic growth in SEZs. On the other hand, conflicting laws and regulations can create confusion and uncertainty, leading to delays in the development and operation of SEZs. In the case of Pakistan, there is a need to simplify and harmonize the laws and regulations and apply them consistently.

One quote about the government which shows that people think of government as a hindrance instead of facilitator, is reproduce below:

“There was zero interference from the government at the time and the board was fully empowered...” **Respondent NH** about the timely completion of one zone.

Getting NOCs.

Here author selected one example of how government’s bureaucratic system somehow slows thing down:

“our electric system installation got late because it was underway, because it was coming from the grid station and that is located in a place called Kholiyan and it had to cross roads at some points the line had to come on the road, so the NHA (national highway authority) came in this and we had to install poles (on these roads) and we had not received an No Objection Certificate (NOC) from them in this regard..... and because of that our work stopped, as getting NOC took time and because of them our cost escalated then the contractor refused to work at the old rate”. **Respondent IA**

Establishing and Running a Zone

In Pakistan there are different zone management organizations like KPEZDMC, PIEDMC, and SIDB. These have visionary leadership, and these new companies are facilitating investors and business in every way possible.

There is a concern among respondents from industry that maybe the government will establish these zones but will not be able to manage them properly as is the case with most government-run organizations.

“There is a huge difference between establishing a zone and running it”. **Respondent HI**

Land acquisition

These zone management organizations face many issues like navigating government bureaucracy, infrastructure development, and land acquisition that need to be managed properly. Some issues like that of land acquisition and the resulting conflicts with local populations (NGUYEN et al, 2019; Parwez & Sen, 2016) have been affirmed from the data with an additional concern for the resulting court cases that the managers of these zones have to face.

“Whenever the government is going to acquire some land, grievances come in and people go to courts.... people claim that the land we have acquired they are not been given the fair price for that....we only have Court cases because people have some grievances related to the [land acquisition] issue”. **Respondent IA**

Safety and Security

Safety and security came out as a concern about these zones. Safety and security can affect the level of trust, confidence, and risk-taking among the actors in an ecosystem. A high level of safety and security can encourage investment, innovation, collaboration, and experimentation, while a low level can discourage or hinder them. Zeng (2021) has also mentioned that SEZs are an experimental tool to test new policies, for which safety and security is a precondition. Contrary to what Wolf (2021) thought, many respondents thought that having a strong army or the presence of army or their colonies in the area can lead to a feeling of psychological safety. Additionally, the army can be instrumental in implementing policies the way Xu and Wang (2020) have recommended for African states.

Here we have selected two quotes that are the most significant: one is safety inside gated communities and order and the other is about the Army's role in providing psychological safety. These are given below:

“So this will not happen and you see in Budhber there is a grid station, a huge grid station already. There is an Army residential colony- Army Welfare Trust colony there”.

Respondent IA

“That all our economic zones, you can consider them as gated communities which are inside a boundary wall and have entry and exit gates and have their own security as well”.

Respondent JK

There is, however, one quote that contradicts the previous ones. It is reproduced below:

“If you fence it [the zone], there cannot be economic development, you will get to lose”.

Respondent HI

Study final theme is related to the success of these zones.

HOW CAN OUR ECONOMIC ZONES SUCCEED?

In Pakistan, there is no agreed upon measure for the success of an SEZ. Factors like luck, time, keeping the economic wheel spinning, as well as the fact that the businesses being run by scions of successful businessmen, lead to success. This also agrees with the (Frick et al, 2019; World Bank, 2017) use of proxy measures like nighttime lights in an area as indicating success. This is not much different from the rest of the world. There are different types of proxies as we use rules of thumb and desi style measures.

One quote that says if the economic wheel is spinning then it is a success:

“So, it means their economic cycle is successfully running”. **Respondent KK** about success of SEZ

“If you have data, then your decision will also be correct. Then it comes to down luck, and on this those depend, whose education is low”. **Respondent HI**

The issue is that we do not have proper data.

Time horizon

Success is not only about how; it is also about when. Concern for the time it takes to make an industrial zone successful reflects the dynamics and evolution of both business and entrepreneurial ecosystems (Adams, 2021; Wang & Zhang, 2021). Constructing a factory or road is a one-off event and may not take much time but creating an ecosystem of industry takes lots of time and effort as it is an evolving process. It takes time for an industrial zone to become successful because it requires the development and alignment of multiple components of both ecosystems. It also requires the adaptation and innovation of the actors and factors in both ecosystems to respond to changing conditions and opportunities. The time it takes to make an industrial zone successful can vary but from our data it is evident that it takes decades and not years but the public in Pakistan is expecting the results to come in years. That can lead to dissatisfaction from these zones in the short run.

“About this Peshawar estate that for a long time it lay unused. But I have heard from elders and seniors that industrialization takes time—some thirty to forty years. In reality, it just takes this much time because there are issues and there are hindrances.”

Respondent IA

The findings of the study are visualized diagrammatically in the figure 5 below:



Figure 5: The success pyramid for SEZs

CONCLUSION

The establishment of SEZ as instruments for job creation and economic growth has garnered global attention, with Pakistan following suit in an effort to replicate the successes witnessed in countries like China. However, the path to realizing the full potential of SEZs is riddled with challenges that necessitate some adaptations.

One of the foremost findings of this research underscores the necessity to contextualize SEZs within the unique socio-economic and cultural landscape of Pakistan. Additionally, the study has illuminated the intricate governance issues that surround SEZs, highlighting the need for streamlined policies, efficient regulations, and transparent administrative mechanisms. Importantly, the study delves into the paramount importance of safety and security within the SEZ ecosystem. The safeguarding of both physical infrastructure and the people involved is fundamental for attracting investments, fostering innovation, and sustaining growth. Significantly, this study brings to the forefront a dimension that has been largely overlooked in the discourse surrounding SEZs – the moral and cultural values of society. By recognizing the role that ethical considerations and cultural norms can play in shaping the success of SEZs, the research introduces a novel perspective that enriches the existing literature.

The recommendations borne out of this study stand as guideposts for policymakers, industry leaders, and all stakeholders invested in the SEZ endeavor. These converge on the critical imperatives of contextualization, where the SEZ model is tailored to align with Pakistan's unique context; policy refinement to create a fertile ground for SEZ growth; governance optimization to streamline processes and enhance efficiency; ensuring safety and security;

society-wide education to provide a solid moral and cultural foundation for industrialization; and a recalibration of temporal horizons, acknowledging that the journey to SEZ success is a marathon rather than a sprint.

RECOMMENDATIONS

The research makes important recommendations to improve Pakistan's SEZs effectiveness and impact. These recommendations are based on the themes derived in the previous section.

First, the importance of moral principles and values cannot be overlooked, and there is a need to address the ethical and moral issues in the society and enhance moral education throughout society, including Islamic financial choices within SEZs.

Second, it highlights the need to contextualize the SEZ concept, acknowledging that replicating models from other nations could not provide the same results due to cultural, political, and governmental variations. It recommends tailoring the SEZ strategy to Pakistan's unique context in order to produce more fruitful results.

On the front of policy and governance, suggestions involve simplifying administrative processes as well as improving the safety and security in the country. The study suggests giving agro-based industries priority while taking the first steps toward industrialization, encouraging value addition and modernization in agriculture. To close the gap between the creation of policies and their implementation, it is recommended to integrate planning and implementation procedures with a focus on stakeholder collaboration. Importantly, in Pakistan's context, Power management is crucial, such as suggestions for effective and reliable electricity supply and pricing it at competitive rates.

The study also places a strong emphasis on educating all relevant parties about the advantages of the SEZ concept, including entrepreneurs, lawmakers, and the general public.

To avoid failure, it suggests managing expectations by outlining the necessary realistic timescales for SEZ success.

REFERENCES

- Adams, S. B. (2021). From orchards to chips: Silicon Valley's evolving entrepreneurial ecosystem. *Entrepreneurship & Regional Development*, 33(1-2), 15-35.
- Aggarwal, A. (2012). Social and economic impact of SEZs in India.
- Ahmed, W., Tan, Q., Solangi, Y. A., & Ali, S. (2020). Sustainable and Special Economic Zone Selection under Fuzzy Environment: A Case of Pakistan. *Symmetry*, 12(2), 242. *Chicago*
- Alves, A. C., & Lee, C. (2022). Knowledge Transfer in the Global South: Reusing or Creating Knowledge in China's Special Economic Zones in Ethiopia and Cambodia?. *Global Policy*, 13, 45-57.

- Ambroziak, A. A., & Hartwell, C. A. (2018). The impact of investments in special economic zones on regional development: the case of Poland. *Regional studies*, 52(10), 1322-1331.
- Bach, J. (2011). Modernity and the urban imagination in economic zones. *Theory, Culture & Society*, 28(5), 98-122.
- Bettencourt, L. M., Lobo, J., & Strumsky, D. (2007). Invention in the city: Increasing returns to patenting as a scaling function of metropolitan size. *Research policy*, 36(1), 107-120.
- Boonyanam, N. (2020). Agricultural economic zones in Thailand. *Land Use Policy*, 99, 102774.
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative research in psychology*, 3(2), 77-101.
- Brussevich, M., & Dabla-Norris, E. (2020). Socio-Economic Spillovers from Special Economic Zones: Evidence from Cambodia. *IMF Working Papers*, 2020(170)
- Catstles, S., Miller, M. J., & Ammendola, G. (2005). The Age of Migration: International Population Movements in the Modern World. *The Journal of the National Committee on American Foreign Policy*.
- Charmaz, K. (2006). *Constructing grounded theory* (1st ed.). Sage.
- Chen, X., & de'Medici, T. (2010). Research Note—The "Instant City" Coming of Age: Production of Spaces in China's Shenzhen Special Economic Zone. *Urban Geography*, 31(8), 1141-1147.
- Chi, M. (2021). Regulation of special economic zones through regional trade agreements: confronting the synergy issue. *Journal of International Economic Law*, 24(2), 423-442.
- Chiukira, L. (2020). Special Economic Zones in Developing Countries: Challenges and Opportunities for Zimbabwe. *Chiukira, Levius, Special Economic Zones in Developing Countries: Challenges and Opportunities for Zimbabwe*.
- Cunliffe, A. L., & Alcadipani, R. (2016). The politics of access in fieldwork: Immersion, backstage dramas, and deception. *Organizational research methods*, 19(4), 535-561.
- Duit, A., & Galaz, V. (2008). Governance and complexity—emerging issues for governance theory. *Governance*, 21(3), 311-335.
- Fangjun, C. (2009). Modernization theory and China's road to modernization. *Chinese studies in history*, 43(1), 7-16.
- Frick, S. A., Rodríguez-Pose, A., & Wong, M. D. (2019). Toward economically dynamic special economic zones in emerging countries. *Economic geography*, 95(1), 30-64.
- Gandhi, R. (2004). *Abdul Ghaffar Khan; Non-Violent Badshah of the Pukhtoons*. London: Published by Penguin Group.
- Glaser, B. G. (1965). The Constant Comparative Method of Qualitative Analysis. *Social Problems*, 436-445.
- Gordon, J. (2022). In the Zone: Work at the Intersection of Trade and Migration. Available at SSRN 4034351.
- Hall, A., Antonopoulos, G. A., Atkinson, R., & Wyatt, T. (2022). Duty free: Turning the criminological spotlight on special economic zones. *The British Journal of Criminology*.
- Harrington, B. (2003). The social psychology of access in ethnographic research. *Journal of Contemporary Ethnography*, 32(5), 592-625.
- Hine, C. (2011). Internet research and unobtrusive methods. *Social Research Update*, (61), 1.
- Holden, C. (2017). Graduated sovereignty and global governance gaps: Special economic zones and the illicit trade in tobacco products. *Political Geography*, 59, 72-81.

- Islamabad Policy Research Institute (IPRI). (2017). Retrieved from Islamabad Policy Research Institute (IPRI) Website: <http://www.ipripak.org/wpcontent/uploads/2017/03/CPEC14032017.pdf>
- Janssen, M. (Ed.). (2002). *Complexity and ecosystem management: the theory and practice of multi-agent systems*. Edward Elgar Publishing.
- Kaker, S. A. (2014). Enclaves, insecurity, and violence in Karachi. *South Asian History and Culture*, 5(1), 93-107.
- Kiger, M. E., & Varpio, L. (2020). Thematic analysis of qualitative data: AMEE Guide No. 131. *Medical teacher*, 42(8), 846-854.
- Kitchin, R. (2014). *The data revolution: Big data, open data, data infrastructures and their consequences*. Sage.
- Kleibert, J. M. (2018). Exclusive development (s): Special economic zones and enclave urbanism in the Philippines. *Critical Sociology*, 44(3), 471-485.
- Knoerich, J., Mouan, L. C., & Goodburn, C. (2021). Is China's model of SEZ-led development viable? A call for smart replication. *Journal of Current Chinese Affairs*, 1868102621993487.
- Kumar, P., Kumar, P., & Garg, R. K. (2021). A study on farmers' satisfaction and happiness after the land sale for urban expansion in India. *Land Use Policy*, 109, 105603.
- Leonov, S. N. (2020). Potential of the Advanced Special Economic Zones as local growth poles in the Russian Far East. *Earth and Environmental Science*, 459.
- 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.
- Lum, T. (2006, May). Social unrest in China. LIBRARY OF CONGRESS WASHINGTON DC CONGRESSIONAL RESEARCH SERVICE.
- Mukorera, L., Zvoushe, H., & Uwizeyimana, D. E. (2021). A Review of the Operationalisation of Special Economic Zones in Zimbabwe. *African Renaissance*, 18(3), 227.
- Myles, D. (2021, January 11). *The Italian way to free zones*. FDI Intelligence. <https://www.fdiintelligence.com/article/79128>
- Naeem, S., Waheed, A., & Khan, M. N. (2020). Drivers and Barriers for Successful Special Economic Zones (SEZs): Case of SEZs under China Pakistan Economic Corridor. *Sustainability*, 12(11), 4675.
- Neveling, P. (2021). The Anthropology of Special Economic Zones (Free Ports, Export Processing Zones, Tax Havens). In *Oxford Research Encyclopedia of Anthropology*.
- Newman, C., & Page, J. M. (2017). *Industrial clusters: The case for special economic zones in Africa* (No. 2017/15). WIDER Working Paper.
- Nguyen, T. T., Hegedűs, G., & Nguyen, T. L. (2019). Effect of land acquisition and compensation on the livelihoods of people in Quang Ninh District, Quang Binh Province: Labor and income. *Land*, 8(6), 91.
- O'Brien, C. (2020). What the US Can Learn from the Success of China's Special Economic Zones. *Chicago Policy Review (Online)*.
- Parwez, S. (2020). A review of Special Economic Zone led to detrimental implications: An Indian experience. *Emerging Economy Studies*, 6(2), 179-190.
- Parwez, S., & Sen, V. (2016). Special economic zone, land acquisition, and impact on rural India. *Emerging Economy Studies*, 2(2), 223-239.
- Riese, J. (2019). What is 'access' in the context of qualitative research?. *Qualitative Research*, 19(6), 669-684.
- Roundy, P. T., Bradshaw, M., & Brockman, B. K. (2018). The emergence of entrepreneurial ecosystems: A complex adaptive systems approach. *Journal of Business Research*, 86, 1-10.

- Sigler, T. J. (2014). Panama's special economic zones: balancing growth and development. *Bulletin of Latin American Research*, 33(1), 1-15.
- Sobirov, B. (2018). The concept of the tourist economic zone. Case of Uzbekistan. *World Scientific News*, 98, 34-45.
- Sosnovskikh, S., & Cronin, B. (2021). The effects of culture, attitudes, and perceptions on industrial cluster policy: The case of Russia. *Competition & Change*, 25(3-4), 350-381.
- Stam, E. (2015). Entrepreneurial Ecosystems and Regional Policy: A Sympathetic Critique. *European Planning Studies*, 1759-1769.
- Timmins, K. A., Green, M. A., Radley, D., Morris, M. A., & Pearce, J. (2018). How has big data contributed to obesity research? A review of the literature. *International Journal of Obesity*, 42(12), 1951-1962.
- Thompson, C. M. (2015). Situated Knowledge, Feminist and Science and Technology Studies Perspectives. *International Encyclopedia of the Social and Behavioural Sciences*, 22, 1-4.
- Tongco, M. D. C. (2007). Purposive sampling as a tool for informant selection. *Ethnobotany Research and applications*, 5, 147-158.
- Trends, G. (2022). Special Economic Zones and Land Tenure. Retrieved from: https://www.foncier-developpement.fr/wp-content/uploads/CTFD-ZES-and-Land-Tenure_EN.pdf
- Unctad. (2019). World investment report 2019: Special economic zones. *World Investment Report 2019, Special Economic Zones*.
- Wang, X., Zhu, K., Li, Y., & Xu, J. (2017). Applicability and prospect of China's development zone model in Africa. *Chinese Geographical Science*, 860-874.
- Wang, Q., & Zhang, W. (2021, January). Research on the Evolution Path of Business Ecosystem of Platform Enterprises. In *6th Annual International Conference on Social Science and Contemporary Humanity Development (SSCHD 2020)* (pp. 476-484). Atlantis Press.
- Wilson, K., Butterworth, T., & World Health Organization. (2000). *Research awareness in nursing and midwifery: a workbook* (No. EUR/00/5019309/17). Copenhagen: WHO Regional Office for Europe.
- Wolf, S. O. (2021). *China-Pakistan Economic Corridor of the Belt and Road Initiative*. Springer.
- World Bank Group. (2017). Special economic zones: an operational review of their impacts.
- Buba, J., & Wong, M. D. (2017). Special economic zones: an operational review of their impacts.
- Wurth, B., Stam, E., & Spigel, B. (2022). Toward an entrepreneurial ecosystem research program. *Entrepreneurship Theory and Practice*, 46(3), 729-778.
- Xu, J., & Wang, X. (2020). Reversing Uncontrolled and Unprofitable Urban Expansion in Africa through Special Economic Zones: An Evaluation of Ethiopian and Zambian Cases. *Sustainability*, 12(21), 9246.
- Zeng, D. Z. (2013). *China's Special Economic Zones and Industrial Clusters: Success and Challenges*. Lincoln Institute of Land Policy.
- Zeng, D. Z. (2021). The past, present, and future of special economic zones and their impact. *Journal of International Economic Law*, 24(2), 259-275.