



APPLIED RESEARCH THESIS

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THE KYAUKPHYU SPECIAL ECONOMIC ZONE IMPLEMENTATION WITHIN THE BELT AND ROAD INITIATIVE

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Executive summary

This academic paper was conducted in an ambition to analyze and understand the drivers of growth inside the Special Economic Zones. The results will be recommended to the Kyauk Phyu, Myanmar, Special Economic Zone managed by China in the Belt and Road Initiative.

This paper is separated in five main parts in order to deeply understand all the surrounding information about the Belt and Road, the Special Economic Zones and the Myanmar situation and recommend the right drivers for the Kyauk Phyu SEZ.

The first part of this paper is dedicated to the Belt and Road Initiative, which is conducted by China's leader, Xi Jinping. This plan will be implemented upon the old Silk Road and become, through its construction, the biggest project of the century.

The second part of this thesis will be about the SEZ presentation. Special Economic Zones became a real driver of growth for developing countries through its fiscal and customs incentives, we will also understand the drivers of SEZs growth and success over the years. Many SEZs are implemented and conducted in the wrong way leading to failure whereas some others transformed fishing towns into megalopolis of more than 14 million inhabitants.

The third part of the research thesis will be dedicated to the understanding of Myanmar's newly projected Kyauk Phyu SEZ, built in partnership with China under the Belt and Road Initiative.

The fourth part of the thesis will explain how we missed information to totally understand the Kyauk Phyu needs, and how we filled this knowledge gap by interviewing experts, academicians and managers to solve this problem.

Finally, thanks to the literature and the experts opinions, we concluded and answered to the research question, the Kyauk Phyu Zone can become a very successful project if the government follows and implement strict rules such as developing the workforce, the infrastructures, electing the right location and providing valuable incentives to foreign investors.

Keywords : Belt and Road Initiative, Special Economic Zones, Myanmar, Kyauk Phyu deep sea port.

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Introduction

Asia faces an estimated shortfall of USD 26 trillion in infrastructure financing between 2013 and 2030 according to the Asian Development Bank (ADB). Mainly triggered by the hyper development of China's manufacturing and development industry in the past decades. Numerous national and sub-regional initiatives plan to improve transport connectivity in Asia in order to overcome this gap. It involves the Communication Network of the Association of the Southeast Asian Republic (ASEAN), the China Pakistan Economic Corridor (CPEC), and the Belt and Road Initiative (BRI), among others.

BRI is a long-term transcontinental growth and investment project aimed at developing connectivity and encouraging countries along the ancient Silk Road to expand economically. Chinese President Xi Jinping initiated the project in 2013, which was recognized as OBOR, One Belt One Road until 2016. On 28 March 2015 the formal plan for the Belt and Road Initiative was released.

One of the key strategies for China is to develop Special Economic Zones (SEZs) in strategic foreign countries, among the construction of modern infrastructures to link nations. SEZs have various meanings, three very different opinions would emerge if it is requested to three individuals to describe SEZs.

The first citizen can describe a fenced-in manufacturing park, occupied by loose multinational companies (MNCs) celebrating tax breaks, with workers in garment factories employed under regular circumstances.

In the other side, the second individual may count the "Shenzhen wonder," a fishing village that has been turned into a 14 million-inhabitant cosmopolitan region, with gross domestic product per capita rising 100-fold in the 30 years since it was declared SEZ.

A third party can think of places like Dubai or Singapore, the ports of which serve as the basis for a large range of market- and logistics-oriented operations.

All three of these are in turn exact descriptions of this complex device. SEZs proliferated in emerging and developing economies throughout the past two decades. Encouraged by the success stories of SEZs in East Asia in the 1980s and 1990s, developed world policymakers gradually see them as a way to quickly draw foreign investment, encourage economic growth and generate job production.

It is uncertain though whether SEZs have accomplished their targets. Most current SEZ research adopted an approach to case analysis, focused on a specific group of zones in a number of countries. Many of these investigations offer a significant insight into what makes a healthy and efficient climate.

To fulfill this gap, we conducted this thesis based on the research question of : Determining the factors that drive SEZ performance in emerging market to advise its implementation in the Kyauk Phyu SEZ in Myanmar under the Belt and Road Initiative.

This literature review will be split into five major sections, the first, an in-depth analysis of the Belt And Road Project, the second an overview of the definition of Special Economic Zones and its progress drivers and the third section will address the Myanmar SEZ climate and especially the Kyauk Phyu area.

The aim of this literature review will concentrate on SEZs in emerging Asian countries as the key objective of this research paper is to analyze the introduction of the Myanmar Kyauk Phyu SEZ. Other SEZs worldwide will not be investigated in depth and referred only if appropriate.

I. The Belt and Road Initiative

The Belt and Road Initiative is a project announced by Xi Jinping in 2013 with the main goal to develop connectivity between China and the rest of the world by using the old silk roads. The project consists of many small projects to link the cities part of the project to the rest of the world.

Here is the map of the Belt and Road Initiative across the globe :

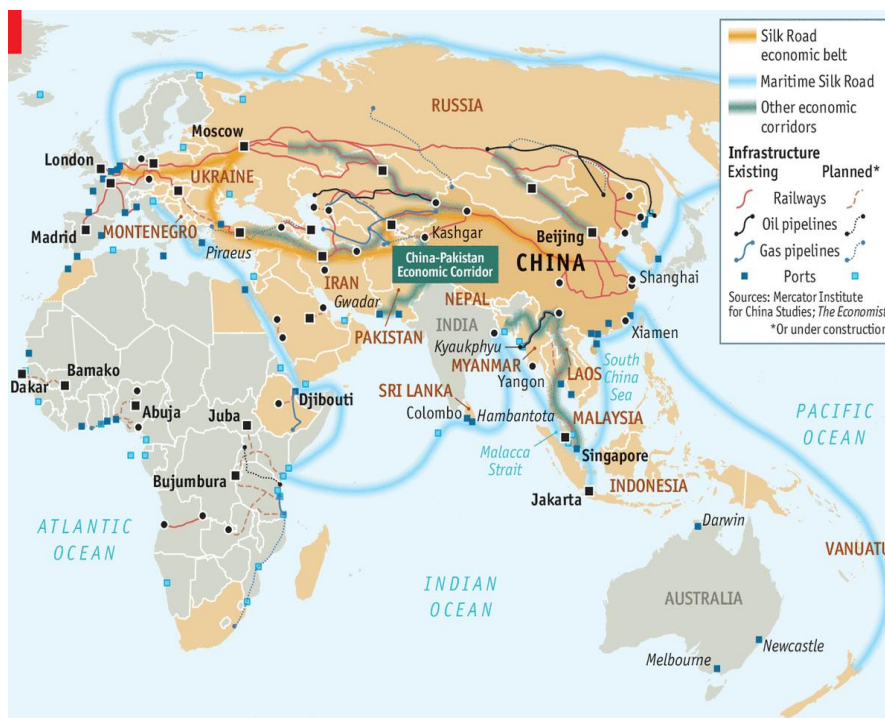


Chart 1 : The Economist, 2015

In 2019 the project touches more than 138 countries with a total of 4.4 billion people and a combined Gross Domestic Product of \$29 trillion (Schrag, 2019).



Figure 1 : CSIS, 2019

Building on established highways, railroads and pipelines in some areas would force China to build new networks elsewhere (Belt and Road Initiative, 2020). The scheme comprises of two major roads, the first of which is the Silk Road Economic Belt (SREB) going through China, Central Asia, the Middle East, Russia and finishing the way through Europe. The second path is the Maritime Silk Road (MSR), which will originate in the southern ports of China to go all over South Asia, reach the east coast of Africa, and end in the Mediterranean Sea. These two major routes would link China with Europe, Middle East and Africa, which are part of the priorities set out by the Chinese Trade Agencies and the reform of national development:

- Develop and improve transport networks along China's main trading routes with other nations, including ports, airports, railways, highways and even satellites.
- Improving market access, removing barriers to exchange, simplifying procedures for international investment and establishing more free trade zones in the countries.

- Pushing for a streamlined customs clearing framework to facilitate further trade like quarantine procedures.
- Encouraging stronger collaboration in the area of discovery and exploitation of natural resources. Around China, several developing countries are abundant in natural resources.
- In addition to investing in infrastructure, a further significant part of this approach is establishing closer financial relations between China and other Asian developing countries.
- Multilateral financial institutions such as the Asian Infrastructure Investment Bank (AIIB), the BRICS Development Bank and the Silk Road Project, funded by Beijing, are required to play a significant role in improving financial relations.

For Beijing's first Belt and Road Forum in 2017, Xi Jinping noted that " In pursuing the Belt and Road Initiative, we should focus on the fundamental issue of development, release the growth potential of various countries and achieve economic integration and interconnected development and deliver benefits to all" (Schrag, 2019). As a consequence, Central Asia would be a crucial point for the BRI's development, China would play a significant role in the region, as most of the countries covered by the BRI project are emerging and undeveloped countries such as Myanmar, Pakistan, Kazakhstan, Uzbekistan and so on. The project would also help these countries to thrive as they will play a significant role in linking China and the rest of the world.

II. Special Economic Zones

1. Introduction

Special Economic Zones (SEZs) are areas inside countries in regional areas, where more flexible legislation and economic strategies are implemented by local government to promote and boost foreign direct investment. The key aim for Special Economic Zones is to develop home-grown goods and sell it, stimulate development while at the same time taking in foreign revenues.

The very first economic zone was formed in New York in 1937, after the 1934 Free Trade Zone Act was passed by the United States Congress (Asian Development Bank, 2015). In 1942, Puerto Rico became second to industrialize the island by hiring US businesses. In the aftermath of the post-World War II economic boom a steady influx of new areas began in 1959 with the Shannon Free Zone in Ireland and others mostly in Western Europe.

By 1978, numerous kinds of zones were introduced across 22 economies including Malaysia, the Philippines, Singapore and South Korea. Since then, when one nation after another tries to emulate the economic gains of China and other East Asian economies, hundreds of zones have been created annually around the developing world. More than 4,300 zones were deployed to more than 130 countries in 2015, out of an original 500 zones in 1995, employing more than 68 million workers directly and potentially twice as much if indirect jobs are included (Moberg, 2015).

By 2005, roughly one-fifth of exports from developing and emerging economies came from SEZs, while specifics of exports continued to be scarce and secure. Their success with policy makers almost regardless of past results in low-income economies such as Myanmar and Rwanda and high-income countries such as Qatar and Japan indicates that zones will begin to proliferate near to transport hubs and maritime coasts with a cheap unskilled local workforce (Moberg 2015).

Countries that were still struggling to industrialize quickly in the 1970s and 1980s saw that the exports produced led to rapid growth. In addition, skittish foreign investors were secured with preferential care and property protection, in the absence of well-functioning economies.

In the later stages of development, policymakers see SEZs as disruptive clusters of domestic and foreign firms that help maintain long-term growth. In fact, economic zones are associated with creating distortions in an economy. The rationale was that large, nationwide economic benefits from this experiment far outweigh the fiscal and other economic costs incurred by temporary distortion of price and incentive mechanisms within the enclave. However, economic zones do have their costs and too often governments have been swayed by the lure of benefits and ignore the fiscal costs incurred in providing infrastructure, land, subsidized utility services, tax incentives, and in some instances, access to easy, below market rate credit (The Economist, 2015).

There is also the problem of land grabbing by central or subnational governments for SEZs, a source of conflict in some economies (Nan, 2019). SEZs sometimes have been used as conduits for money laundering and smuggling goods into domestic markets. Furthermore, worker exploitation and environmental degradation can become serious problems. SEZs in some economies exempt firms from paying minimum wages and are lax in enforcing environmental and safety rules to lower costs and attract FDI.

This has increased tension between management and labor in several Asian economies. For example, in Bangladesh, SEZs previously shielded investors from activist trade unions. This changed following a slew of serious accidents and ensuing international outcry (ILO, 2017). Zone authorities now work with owners, the International Labor Organization, government, and foreign buyers to allow space for trade union activities and to protect worker rights, safety, wages and benefits. Nonetheless, working conditions in SEZs across Asia remain a matter of contention. Even as governments move to eliminate abuses, they also must be wary over excessively tightening labor laws.

2. Varieties of Zones: Modalities, Ownership, and Evolution

According to Pakdeenurit, Suthikarnarunai and Rattanawong (2014) SEZs are typically divided into separate areas for benefits, the major ones being:

Free Trade Zones (FTZ)

The Free Trade Zone (FTZ) is a territorial area in which products may be landed, imported, stored, treated or reconfigured and re-exported in line with certain customs laws and not typically subject to customs duties. In the US, free-trade areas are labeled "foreign-trade areas." Duty-free export production areas, duty-free areas, manufacturing production zones, open duty zones, free manufacturing zones, free exportation zones, free zones, free industrial zones and business development zones have been established in several nations. Usually, free trade zones are located around broad seaports, international airports, and territorial borders, all of which provide many mutual exchange benefits.

Export-Processing Zones (EPZ)

The Export-Processing Zone (EPZ) is a specific type of FTZ, usually defined to facilitate industrial and commercial exports by governments in developed countries. This is an industrial park, usually a 10 to 300-hectare fenced-in field, which specializes in export manufacturing. The intention is to gain international investors, suppliers, and consumers who will facilitate the entry of some of the economy's produced goods into the global market, thus increasing jobs and foreign exchange. It offers open trade protections for businesses, and a stable regulatory environment.

Free Zones / Free Economic Zones (FZ / FEZ)

Free Economic Zones (FEZs), Free Economic Territory (FETs) or Free Zones (FZs) are words used to describe regions where businesses are regulated quite loosely to stimulate commercial development, or not at all. For example, in the Philippines there is the Subic Bay Freeport Region, the Philippines' first Freeport and the Clark Freeport Area. The taxation rules are to be decided for each nation.

Industrial Parks / Industrial Estates (IE)

An industrial park or industrial estate or commercial land is a zoned and built economic growth region. These parks are usually located outside the city's main residential district and are generally well linked by road and rail. Many small towns also developed manufacturing centers with just links to the nearby highway, with just limited roads with utilities.

Eco-Industrial Parks

SEZs have as one of the key target's environmental sustainability, in the more technologically mature environment of eco-industrial zones. SEZs are now introducing such changes in fields such as labor market and education, increasing competitiveness, fostering creativity and enhancing skills growth with an overall goal of positive energy production. (Kechichian, Jeong, 2016).

Choosing the correct Special Economic Zone model is one of the main conditions for its potential sustainability (The World Bank Community, 2017). It will inscribe a formal solution

to the SEZ. In reality, zones are usually fitted with a physical structure to support market activities and economic agents that operate within them. This particular zonal concept has many variations, mostly depending on the form of activity in which the zone is active.

2.1 Ownership Characteristics

SEZs diverge by ownership type. They can be predominantly public, private or established by both the public and private stakeholders.

Here is a depiction of how SEZs work across various forms of governance:

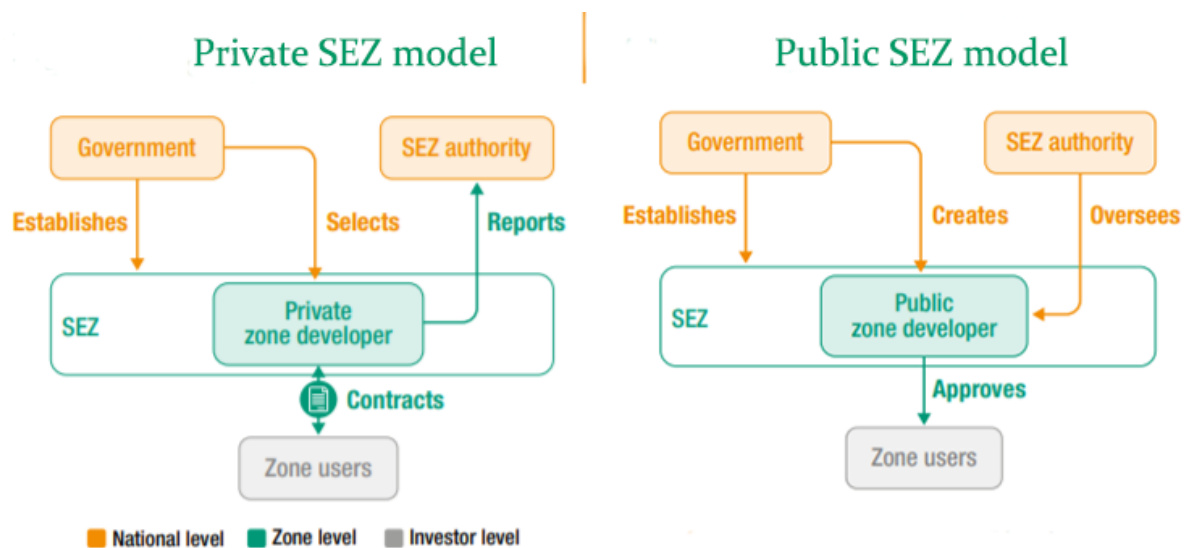


Figure 2 :UNCTAD, 2015

SEZs has been primarily in the public sector in the 1970s (World Investment Survey, 2019). Governments also accepted responsibility for enforcing programs, defining and introducing legislation, providing jobs, working with investors and overseeing real estate, including homes, rentals and facilities management. Main driving forces for reform were:

- For several nations, the search for macroeconomic stability and the resulting need for budgetary and fiscal restraint was too difficult to bear the entire expense of constructing and running areas.
- In certain countries the need to revive vulnerable or failing free zones. This prompted policymakers to seek private sector expenditure, contributing to a steady increase in privately held, developed, and regulated regions. In the 1980s, less than 25 per cent of the world's regions were private owned in developed and transition nations, rising to 62 per cent in 2007.

The rise of public-private partnerships (PPPs) (cf. public-private partnerships) has intensified the zone's growth in recent years. PPP-based SEZs have mushroomed, guided by possible synergies between government provision of public resources, land and finance, and private-

sector power in a less politicized governance system and superior business models (Asian Development Bank, 2015).

Host economies tend to label as “zones established in collaboration with an international partner”. Given the interest obtained from the Government to Government Cooperation Zones, most of these zones are developed by private foreign organizations who have no bilateral policy agreements. Many Multinationals Enterprises MNEs created their own economic zones to house suppliers and improve logistics efficiency. Toyota, for example, has established an agglomeration of supply chain networks at its industrial parks in India since 1998. In 2016 Samsung established its own major manufacturing complex in a big industrial park in Vietnam.

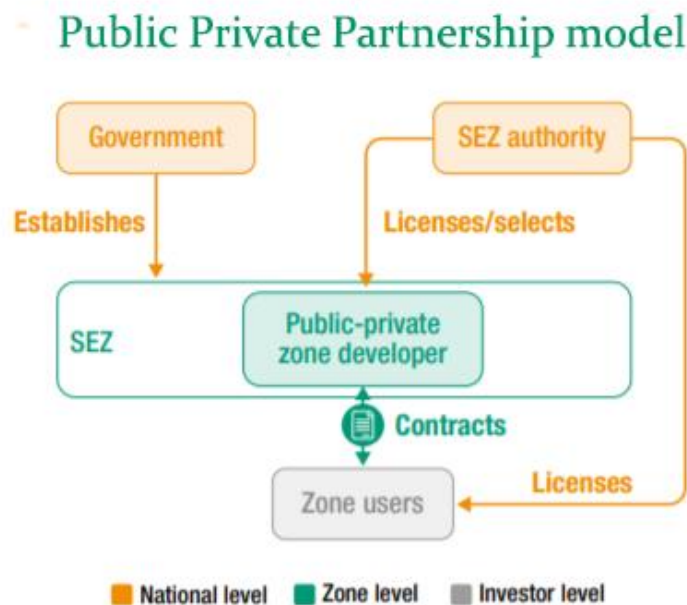


Figure 3 : UNCTAD, 2015

According to UNESCAP (2019), within SEZs there are five players, the first and most relevant, the SEZ Regulator / Authority, which is government by ministries and dedicated agencies. They are responsible for preparing and implementing the SEZ system, including:

- Naming of SEZ places suggested
- Creator, Supplier and Consumer registration (tenants)
- To provide financial support or to combine other local facilities / inputs
- Nurturing SEZ
- Testing and monitoring compliance

The second person is the owner of the SEZ, it may be the government or private businesses, or both. Their key roles are to take all the physical risks for the growth of SEZ and to gain revenues from their properties.

The third player is the creators of SEZ, it may also be the state, private businesses or both, but not exactly the same as the owners themselves. Their key duties are to carry out a

feasibility analysis of SEZ and develop the property physically, including finance, construction and implementation of SEZ services and facilities.

The fourth player is the SEZ operator, it may be a contracting entity, a private corporation, the creator, developer or a private business.

The last players are the consumers of SEZs, private companies based within the SEZ and working inside it. Its key functions involve doing business inside the SEZ

2.2 Evolution of SEZ Development

Given the large range of stages of growth through countries, the implementation of SEZs in Asia can be seen as an evolutionary cycle involving different objectives. Which include the promotion of exports, the attractiveness of FDI, the development of globalized production, advances in logistics and services and, gradually, awareness of the role of SEZs as an instrument for growing regional cooperation and integration (RCI). RCI goes beyond transnational connectivity and trade regulation, involving and making the most of government alignment, labor mobility, skills growth and technology transfer.

First-stage enclave-type zones will play a significant role in creating jobs and foreign exchange revenues by setting the stage for more economic growth (Aggarwal, 2012). In its initial phase, the zones are usually EPZ-type enclaves that concentrate on jobs and skills upgrades by attracting FDI, especially in export-oriented labor-intensive manufacturing over a limited range of products. For example, the SEZs in Cambodia remain relatively limited (and very new, the legal structure was developed in 2005 (Warr and Menon, 2015)). These are typical EPZs, with almost all employees working as low-skilled suppliers of clothing, electronics, electrical goods and household furniture. High labor rates originally drew companies to Cambodia's SEZs and, in some cases, to preferential tariff conditions from the European Union and the US. Unfortunately, they also have their limitations, they tend to become enclaves without much link to the local economy and rely heavily on fiscal incentives.

As SEZs move forward, second-stage zones help diversify the production base of the economy by strengthening linkages with the domestic economy, for example, Malaysia and Thailand have moved from assembling imported inputs to increase sales of their own branded goods in domestic and global markets. SEZs of the second generation have benefited from the push by MNCs to highly complex offshore economic activity. They have more advanced economies with greater reserves of expertise that allow for the introduction of more complex technology. Such SEZs can, in effect, stimulate more capacity building and capability accumulation. This more advanced stage of SEZs arises when zones can give rise to increased productivity of firms.

In the more technologically advanced setting of third-stage zones, SEZs can facilitate their national impact by implementing certain reforms in areas such as the labor market and services sector, improving productivity, promoting innovation, and enhancing skills development, as seen in China, South Korea, and Taipei.

Thus, while jobs and foreign exchange reserves are the most significant asset of the first-generation zones, the second-generation zones contribute to the upgrade of human resources and the diversification of exports. SEZs of third generation are significant contributors to technical progress, transition and spillover impacts, along with diversification of services. The third stage zones synthesizes the expertise of first and second Zones and aims to create a holistic response that tackles current global developments in low-carbon or green development as well as trade and investment strategies with domestic regulatory structures, businesses and communities (Kechichian and Jeong, 2016).

In order to survive in this new setting, the zone of every kind must be tailored to the unique condition of the host country and must draw on its comparative advantages. Having a long-term vision is particularly important because economic transformation can take decades to come. In this regard, it is important for policy makers to take joint action to promote synergies and coordination between all the players.

Overall, SEZ benefits are not uniform across zones or across economies. The industrial structure of SEZs, their relations with the rest of the economy and the maturity of production decide their contribution to technical catch-up and development.

Rapid globalization and trade liberalization have broadened the policy outlook for the zones, their development objectives and their performance expectations.

Here are some recommendations for SEZ developers on how to manage and conceptualize the framework of Sustainable Economic Zones. We can mention that it's not necessary to adopt all those elements, some points can be applied in addition to existing SEZ frameworks. (World Investment Report, 2019)

Framework for Sustainable Economic Zones (Key elements for promoting Sustainable EPZs)			
	Policies/standards	Infrastructure assistance	Administrative assistance
	Maintains and enforces policies and standards, including:	Provides services or specialists to insure compliance/offer assistance, including:	Provides guidance and training to companies, covering how to:
General Approach	<i>Create multi-stakeholder partnerships to identify opportunities and develop an action plan</i>		
Labour	<ul style="list-style-type: none"> • Minimum wage • Working hours and benefits • Respecting right of unions to be active within the zone • Gender equality and related issues • Incentives for third-party certifications 	<ul style="list-style-type: none"> • Labour inspectors • Conflict resolution specialists • Reporting hotlines • Gender focal points 	<ul style="list-style-type: none"> • Improve labour conditions • Engage in social dialogue
Environment	<ul style="list-style-type: none"> • Emissions • Waste disposal • Energy use • Incentives for third-party certifications • Promoting circular economy 	<ul style="list-style-type: none"> • Centralized effluent treatment • Water reclamation systems • Recycling services • Hazardous waste management services • Alternative energy sources • Reporting hotlines • Enabling circular economy 	<ul style="list-style-type: none"> • Further reduce natural resource use • Reduce waste • Increase recycling • Improve energy efficiency • Adopt renewable energy
Health & Safety	<ul style="list-style-type: none"> • Employee health and safety protection • Incentives for third-party certifications 	<ul style="list-style-type: none"> • Medical clinic • Fire brigade • Reporting hotlines 	<ul style="list-style-type: none"> • Prevent health and safety emergencies
Corruption	<ul style="list-style-type: none"> • Anti-corruption standards and policies 	<ul style="list-style-type: none"> • Hotlines • Information on reporting corruption 	<ul style="list-style-type: none"> • Build capacity to detect and avoid corrupt business practices
Economic linkages	<ul style="list-style-type: none"> • Employer support for staff training and development 	<ul style="list-style-type: none"> • Assistance with local sourcing 	<ul style="list-style-type: none"> • Identify and upgrade local suppliers

Table 1 : UNCTAD, 2015

2.2.1 Lessons from the Shenzhen Success story :

Shenzhen used to be a remote fishing town, with a population of less than 30.000 inhabitants. In 1979, Shenzhen became the first special economic zone in China where international investment and private companies were approved. Today Shenzhen has grown into a megapolis with a population of approximately 14 million and the fourth-largest GDP in China (Sala, 2020). Shenzhen's GDP increased by an average of 27 per cent a year between 1980 and 2008 (Zeng, 2010).



Chart 2 : Shenzhen Government, 2016

However, it was very lucky for a community that witnessed a form of exponential development to have forward-thinking city leaders and developers to better monitor its progress. Over the course of 25 years, Shenzhen authorities have been remarkably able to introduce a total of three master plans, each adding momentum and direction of growth.

Six cluster towns featured the first master plan of 1986 which centered on growth and development across three highways (Alexandra, 2018). Rapid growth and absence of zoning laws over the next ten years culminated in a major urban sprawl around Shenzhen. By 1996, metropolitan sprawl had occupied more than 645 square meters.

The city was short of land and much of the structures that were being designed were factories with low density and residential units. The government later agreed to buy back abandoned land from private interests to then build new developments of its own or sell broad plots to developers. This strategy was improved with more rigid building codes.

It proved successful, after the last master plan was set in motion, Shenzhen has added nearly 3 million people.

The unprecedented growth, however, did not come without its consequences. The city often symbolizes many of the most important issues confronting China, overcrowding, inequality, pollution, and a massive lack of transparency. Around a quarter of the population of Shenzhen own urban ID cards (hukou), the remaining 9 million are foreign workers, but irregular migrants also reside in the area illegally (Chen, 2018).

Preferential initiatives, such as the Special Economic Zone tax exemption in Shenzhen, were phased out by the year 2000, and the idea of a special economic zone has since ceased to exist. The boundary line has its own symbolic sense, marking the first gateway to China, or practice run, for transition and opening. During peak commuting hours, the line resulted in severe traffic jams, as today about 70 percent of the Shenzhen population works in the

previous economic field, but many of them stay outside the region. Qu Jian also found out that the Shenzhen development plan had originally expected a population of 1 million, but in 2015, the Shenzhen population surpassed 11.38 million.

2.2.2. Case study China/singapore, Suzhou :

Suzhou Industrial Park is an "urban neighborhood," located in the large industrial region of Suzhou City, about 80 kilometers from the Shanghai trading center and port facilities.



Chart 3 : Suzhou Industrial Park, 2013

By the end of June 2008, the SIP had drawn some 3,300 international firms, including 82 Fortune 500 MNCs with a combined global contractual investment of USD 34 billion, and domestic companies with a gross contractual investment of RMB 130 billion (USD 19 billion) (Zhao and Farole, 2011).

Exports from the region soared to over USD 30 billion in 2008. The clustering of information and communications technology industries, thin-film transistors and liquid crystal displays, as well as automobile and aeronautical products, has recently seen the rise of high-end companies like electronics, consultancy services and pharmaceuticals.

SIP has been the Suzhou economy's primary guiding power, generating an average annual economic growth of 30 per cent since its introduction (see Table 5).

SIP Key Statistics	
Foreign companies	3,300
Investment:	US\$34 billion (25%)
– Foreign (Share of Suzhou FDI)	RMB 130 billion (US\$19 billion)
– Domestic	
Employment (end 2008)	500,000
Exports (GDP) (2008)	US\$ 31 billion
– Share of Suzhou Exports	~30% (share of total trade)
Output (GDP) (2008)	RMB 100 billion (US\$14.6 billion)
– Share of Suzhou GDP	15%
Average annual growth (1994–2008)	30%
Taxes generated (2008)	RMB 9.5 billion (US\$1.4 billion)
– Share of Suzhou revenue	15%

Table 2 : CSSD, 2020

SIP contributes about 15 percent of Suzhou's GDP and 30 percent of its commerce, with just around 4 percent of the overall land and population and 7 percent of industrial energy. SIP had a population of 600,000 at the end of 2008 and supported over 500,000 jobs. More precisely, SIP has established a reputation as one of the most commercial, residential, and environmentally conscious industrial parks in China. SIP ranks the second-best investment climate among China's 57 provincial industrial parks according to the Ministry of Commerce. It ranks first in schooling, intellectual resources, and social accountability, and second in economic growth, environmental protection, and technological innovation (China Association for Economic Development Zones 2008).

SIP's success has resulted in a large proportion of Chinese officials and a "Singapore" brand identity that companies in Singapore can leverage, especially in the field of industrial development and urban solutions throughout China. That has also given its owners a good financial gain. Although the project experienced major losses in its initial years, CSSD (China Singapore Suzhou Development) achieved complete profitability in 2003 and has since been profitable each year. Registered earnings stood at RMB 360 million (USD 52.7 million) in 2007.

2.2.2.1. The Government's Policies of China and Singapore

The SIP was initiated on 26 February 1994, when Chinese Vice-Prime Minister Li Lanqing and Singapore Senior Minister Lee Kuan Yew signed the Suzhou Industrial Park Joint Development Agreement in Beijing. On the same day, both parties also signed the Suzhou Industrial Park General Agreement, which laid the foundation for the establishment of the CSSD. From the outset, SIP has been seen as a flagship project in economic cooperation between China and Singapore and has received high-level political attention (CSSD, 2020).

Indeed, the SIP played an important strategic role for both the Chinese and Singaporean governments. For China, the SIP was set up against the background of the transition from a planned, closed, mainly agricultural economy to a global, industrial, market economy.

As Deng Xiaoping said in 1992, "Singapore enjoys strong social order and is well governed. We should tap on their experience and learn how to manage them better ". More than 400 Chinese officials visited Singapore that year to study how the country achieved progressive economic success while maintaining social order. Since China was still experimenting with large-scale industrial zones, Singapore's positive experience in creating these zones was of great interest.

Politically, SIP presented Singapore with an opportunity to better understand evolving China and strengthen ties with the country through the various channels for contact between leaders and officials. In order to achieve these objectives, Singapore was particularly keen to work not only on a project with China, but also in China. SIP fits the bill perfectly for this. The project allowed Singapore to share its development lessons in a comprehensive manner, including how to plan, implement and manage the entire integrated development of industrial, housing, commercial and recreation components in the Singapore way. Although Singapore has invested in other industrial parks in the region, the economic and political importance of China has given this project a high profile.

Jointly, SIP's key objective was to share Singapore's knowledge of efficient economic management and public administration with its Chinese partner so that the latter could formulate SIP business policy and govern with transparency and efficiency (Deng, 2004).

With a good business environment and good infrastructure, SIP was expected to be competitive in attracting investment and generating positive returns for developers. But beyond that, both Singapore and China's leaders had a broader vision for SIP to be a model of reform and innovation for other parts of China.

2.2.2.2 Partnership Construction

As seen in the figure below, SIP was established with a multilevel governance framework. The overall administration of the SIP is the responsibility of China Singapore's Joint Steering Council (JSC). The JSC was planned to meet very occasionally (every 12- 18 months) in order to assess results, discuss key compliance problems and establish potential growth objectives.

The JSC is co-chaired by China's vice president and Singapore's deputy prime minister and involves ministers from both nations, senior officials from the provincial and local governments of Jiangsu and Suzhou, and Jurong Town Corporation (JTC) chief. On a more bureaucratic basis, Suzhou's Mayor and the Singapore Ministry of Trade and Industry, Permanent Secretary, co-chair the Joint Working Committee, which was more active during the SIP start-up period.

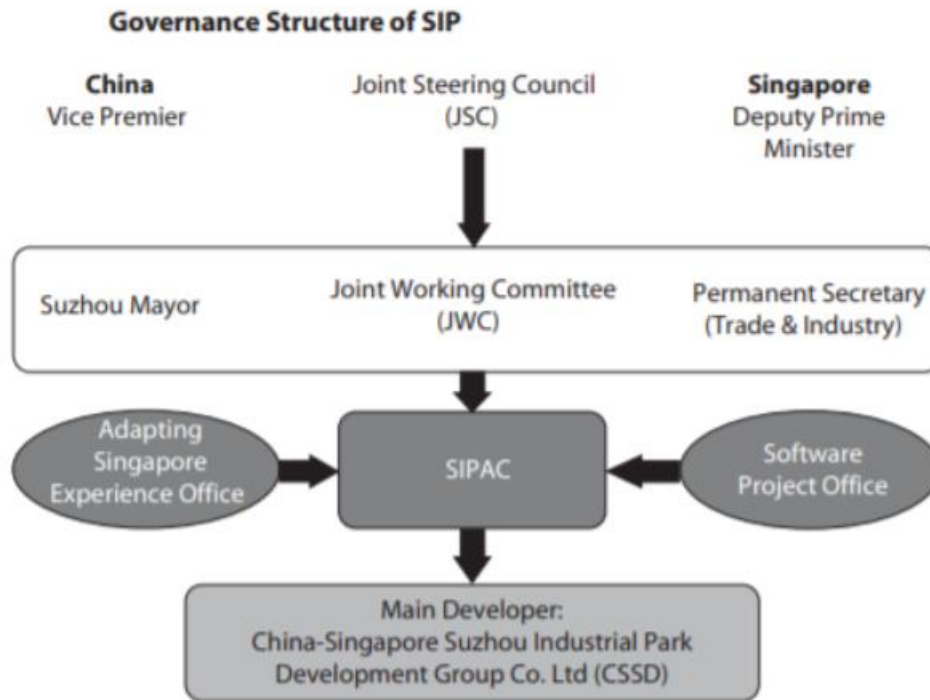


Figure 4 : CSSD, 2019

CSSD is a joint venture between China Suzhou Industrial Park Co., Ltd. (Chinese consortium) and Singapore-Suzhou Township Construction Co. The Chinese consortium is made up of several broad Chinese national, provincial, and municipal SOEs. The Singaporean consortium consisted of 24 firms, 10 of which are government-linked corporations and regulatory boards with a combined share of around 42 percent of the Singaporean consortium (China Economic Growth Zone Alliance, 2008).

From 1994 to 2000, 65% of the Singaporean consortium and 35% of the Chinese consortium operated CSSD. However, on 1 January 2001, the shareholding of the two consortia was restored, relying on an arrangement concluded in 1999. Moreover, responsibility for institutional control and administration has changed from the Singaporean side to the Chinese side. As of August 2005, CSSD had gained three new minority shareholders with a 20% stake, diluting the Chinese and Singaporean consortia to 52% and 28% respectively as seen in Figure below.

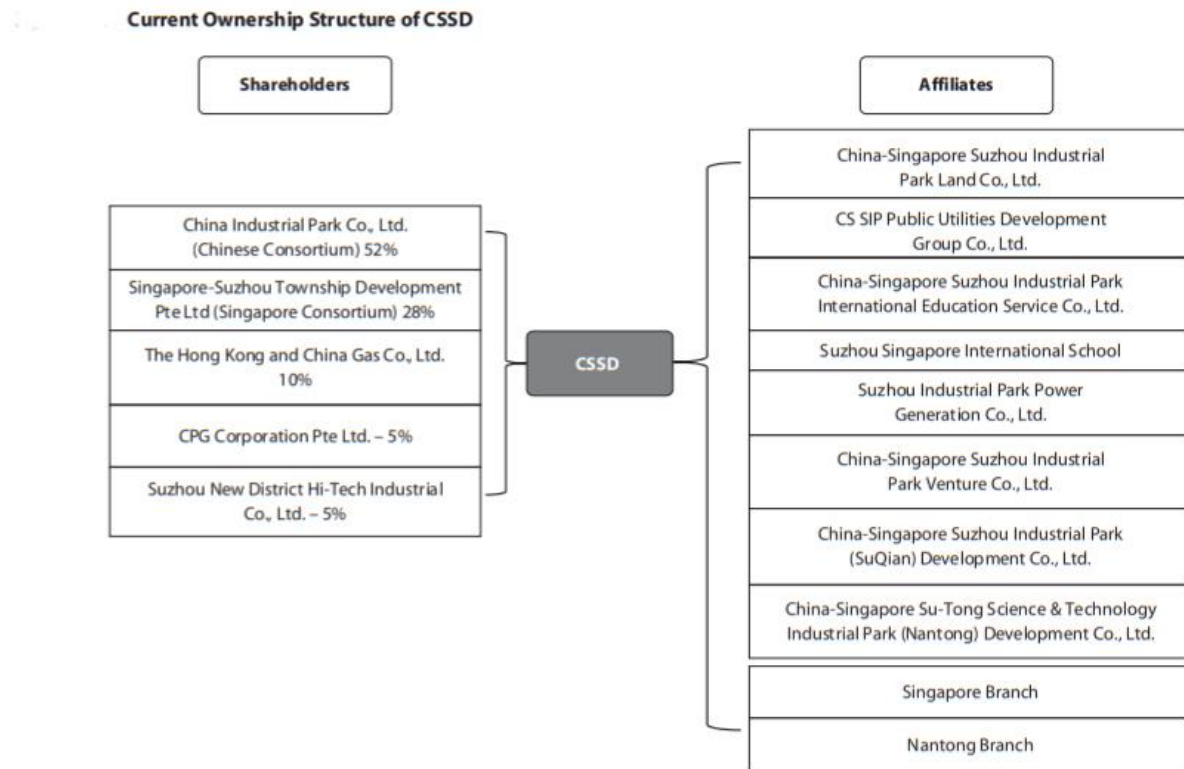


Table 3 : CSSD, 2009

2.2.2.3 System of Knowledge-Sharing

Singapore not only offered initial support for zone development and established a high-quality land-use strategy, but also played a crucial role in fostering improved governance and perhaps most importantly in transmitting extensive technological knowledge in urban design and management in industrial cities.

First, Singapore supported substantial initial investment funding, risk sharing, and investment promotion, especially in the early growth stages. In addition to its shareholding in CSSD, Singapore's government-linked companies also have stakes in other SIP joint venture firms: by the end of 1997, the total investment in SIP by statutory boards and government-linked firms amounted to over US\$ 120 million (Straits Times, January 15, 1998).

Singapore Economic Growth EDB's overseas centers have also sponsored SIP investment promotion programs in the start-up years to bring MNCs to locate their high-value added operations in SIP, and have also introduced some investors to CSSP who are preparing to invest in Singapore. During a period when international investors were skeptical about China's business situation, the relationship in Singapore generated confidence for foreign investors to invest in SIP.

The most critical feature of the SIP partnership arrangement was information transfer. Nonetheless, the Collaboration Arrangement integrated a formal knowledge-sharing mechanism and an administrative architecture. The SIPAC Adjusting Singapore Experience Office was set up by the Chinese side, and a counterpart was set up by the Singapore side, the JTC associated software project office (SPO).

These two organizations meet at the SIP each year to negotiate the tech migration project during the early years when SIP put the basic infrastructure, the technological transformation focused on topics such as township development, strategic planning and the maintenance of public works. As SIP has moved in recent years to higher-value-added sectors, such as high-tech production, R&D and financial services, digital migration has held pace with these shifts to include topics like:

- Development of eco-friendly industrial parks
- The advent of science and technology
- Handling Assets
- Business Process Outsourcing Growth (BPO)

Additionally, they drafted legislation and regulations by adapting customs in Singapore to local conditions. More than 100 regulations have been enacted to adapt the practice in Singapore to date (Suzhou Industrial Park, 2013). Meanwhile the transfer of knowledge has been reinforced through staff exchange. SIPAC sent staff to their Singaporean counterpart and Singapore also sent staff for short-term work to SIPAC and CSSD. The rotation time was often three months. These rotations have helped build public management capacity for SIPAC and Suzhou Municipality as SIP strives to become a service-oriented, transparent government that provides full-day, comprehensive processes and comprehensive services to investors and residents.

Right before the SIP was built, and with a strong emphasis on the Singaporean side, experts from both China and Singapore drew up a sophisticated urban plan that was identified by Chinese officials as farsighted. The plan included not only a general structure and comprehensive master plan, drawing up land by functions of industry, commerce, living and other city, but also more than 300 specialist plans. This plan helped the Chinese officials build a philosophy of pre-construction planning.

In the 15 years since it was drafted, SIP has strictly adhered to the program. That was uncommon at the time. Such an ideology has now predominated among China's industrial parks. Singaporean companies have been invited by several new industrial parks to design their land plans. In other parts of China SIP has become a blueprint for reform and creativity.

About 20,000 officials from all over China are projected to be making regular learning trips to the SIP (SIPAC, 2020). Given the exposure generated by the SIP's success, the numerous Chinese cities and provinces have also been asked to share their experiences.

2.2.2.4. Suzhou success factors

Suzhou Industrial Park progress provides a wide range of valuable insights into SEZ and business planning, which are potentially relevant to production's future in other industrialized countries. The following lessons are, however, not limited to:

- A strong administrative and legal framework with a government's clear and long-term commitment. The Jiangsu Province and Suzhou Municipality have not only enacted legislation at the national level but also legislation, planning, development, operations, management, etc. A legal framework like this helps ensure a stable macro-environment and enhances the confidence of investors (SIP, 2013).
- Favorable business conditions in the area. SIP supports first-class technologies and effective public services with its very constructive governance and studying spills from Singaporean history.
- International knowledge adaptation to the local context. The government is not only imitating what other countries did, it aims instead to adapt positive foreign interactions and practices to local conditions. Singapore's positive experience with SIP has been successfully adapted to local contexts, such as one-stop shopping, strategic planning and urban centers.
- A good balance between industrial, social, and urban development. One of the key aspects of the SIP is the Zone system, used in community planning from an early stage on and as part of the broader urban growth agenda. This ensured cooperation in infrastructure and social services between the region and Suzhou City.
- Strong dependency and limited effects on foreign investment. FDI has played a critical part in making SIP a high-tech enclave. Given some procurement and expertise relations with local companies, international SIP companies also have their own selected worldwide supply networks and continue to retain core technical operations in their countries of origin. A lack of discharge may be caused by international companies' questions concerning intellectual property rights security and contractual regulatory regimes.

2.2.2.5. Lessons from the China/Singaporean consortium

Finally, the future of global manufacturing depends on creating a sustainable environment, in which employee skills, creativity and productive infrastructure are included. Industrial parks may be focus points for further incorporate these main productive forces into production resources, thus providing an essential tool for the promotion of industrialization, FDI attraction, increased employment, and the connection of the local economy to global development networks.

The operation of this system requires a consistent approach with appropriate preparation and solid, long-term political commitment.

The security of intellectual property and contractual compliance mechanisms must be improved to reduce the effect of FDI spillovers on the local economies. Governments should also explore ways to enhance local businesses, universities and R&D institutions' absorption capacity. This will include improving access to finances, technology and skills, and promoting the development of more relations with local companies and R&D institutions for foreign investors.



Figure 5 : Suzhou Industrial Park, 2013

Despite the remarkable success of the SIP, the region also has some important challenges and threats to maintain its competitiveness and momentum for development:

- High reliance and limited local spillover impact on foreign investment. In the success of the SIP FDI has been instrumental and helped to make it a high-tech enclave. However, there have been limited spillovers of knowledge and learning in the local economy. Despite certain supply and skills links with local industries, SIP-operated foreign companies often have preferred global supply networks and tend to retain key technological activities in their countries of origin. A dozen foreign R&D centers are located, but for Chinese markets they provide a product or process development facility. This lack of spillover is often due to a poor contractual environment in the host country, particularly the protection and efficiency of rights of intellectual property. On the other hand, the FDI attraction strategy of the government has also probably played an unintended role in reducing domestic enterprise participation.
- Continue to promote innovation in technology and improved industry. In view of the rapidly increasing production costs, especially in the China Coast, and the shift to high-level knowledge and technology-driven economies of China's development model, the SIP can only continue its success by continuing to enhance its capability to innovate technologically and to upgrade its global value chains. While China's global competitiveness is rapidly increasing, it still shows relatively weak aspects of innovation and skills in comparison to global borders. Partly because almost 80 % of companies in China provide their employees with formal training, much higher than most of the world.

2.2.3. The Gwadar free trade zone case study

2.2.3.1 Introduction

Pakistan has a coastline of 700 km with two large military ports: The Port of Karachi and the Port of Gwadar. Karachi lies on the eastern coast, near the Indian border. Gwadar is on the west coast, next to the Middle East side of Iran. Gwadar Port enjoys a very geostrategic position in the region as it lies close to major sea routes, shaking the throat of several major sea routes from Africa, Europe via the Red Sea, the Hormuz Strait, the Persian Gulf to East Asia and the Pacific.



Chart 4 : *The Financial Times*, 2016

Initially Gwadar was a small fishing village in the Markland area of western Pakistan's Baluchi Province. Even though Baluchistan's geostrategic role is important to China, the province suffers economic and social backwardness. Baluchistan has the lowest GDP in Pakistan and is economically the world's least populated region. Only 4.3 per cent of the national economy is represented by the provincial economy, with a per capita income of about \$400, which is two-thirds of Pakistan's per capita income. Baluchistan is also Pakistan's least populated province, with some 44 per cent of the country's land area and a population of just 12.3 million. Baluchistan, however, is rich in natural resources including oil and gas, minerals, and coastlines. Proper access to raw materials has increased the attractiveness of the province's investment in this respect.

Despite the opportunities, the implementation of projects in Pakistan also has obstacles. The challenges identified by analysts in halting the successful implementation of the China Pakistan Economic Corridor (CPEC) are both internal and international.

As Afzal and Naseem (2018) and Sial (2014) have pointed out, in recent years Baluchistan has become one of the most turbulent regions of Pakistan, security in the province has become a significant obstacle for economic agents. According to the Global Terrorism Index (GTI) (2019), Pakistan ranks among the top five countries with the world's most terrorist attacks in 2019. In 2019, Afghanistan, Iraq, Nigeria, Somalia and Pakistan represented 75 percent of all militant deaths. The Pakistani Taliban affiliate Tehrik-i-Taliban Pakistan (TTP) was responsible for 233 deaths in 2017 and 56 attacks in Pakistan.

With regard to the business environment for foreign firms, Pakistan has suffered from complicated red tape, complex laws and regulations and inconsistent policies. According to the World Bank's 2020 report on the ease of doing business, Pakistan has over time a relatively weak regulatory performance, ranking 108th out of 190 economies. Pakistan's output is found to be low in four sectors including Having power, tax structure, reinforcing contracts and dealing with building permits. (Mukhtar, Al, 2013).

2.2.3.2 China Pakistan Economic Corridor (CPEC)

The Gwadar Free Trade Zone is part of the CPEC, beginning at Kashgar and ending at Gwadar port. The CPEC is a central hub connecting the North and South Silk roads along the Belt and Road Initiative, with an overall length of 3000 km, including highway, rail, oil and gas trading corridors, and cable channels. The CPEC, Pakistan's \$62-billion investment in energy and infrastructure growth, is now seen as crucial to the economy of Pakistan.

The CPEC would act as a bridge to Africa, in order to increase bilateral cooperation between the two nations. Indeed, the project's importance is key to Pakistan's economy. Together with private firms, Chinese MNEs have promised to spend \$20 billion in the oil sector and a huge sum of more than \$42 billion in other sectors. That's about 20 per cent of total GDP in Pakistan. This amount of foreign investment in Pakistan corresponds to the total amount of foreign investment made since 1970 in the nation (Rakisits, 2015). In addition to improving Pakistan's economy and promoting China's development strategy for its western region, economic integration proposes bringing peace to the region. Not only would CPEC help China and Pakistan, but it would also have a major impact on Iran, Afghanistan, India, the Central Asian Republic and the world (Gholizadeh, Madani, Saneinia 2020).

2.2.3.3 Gwadar strategic importance for Pakistan

Pakistan's system is low in resources and power deficit with an estimated annual electricity deficit of 4000 to 7000 MW (Ali et al., 2018). Costs of prolonged power losses and electricity shortages hit 7 percent of GDP (a direct effect on economic growth, citizens living and national defense progress).

As 76 percent of the CPEC-related projects are in the energy sector, the CPEC will resolve Pakistan's energy crisis and address the key energy and energy shortage (Ali et al. 2018). In order eventually to introduce some 17,000MW of electricity production, China plans to spend in energy in Pakistan more than 34bn dollars (Bhattacharjee, 2015). At the end of the first projects, up to 10 400 MW of CPEC energy is estimated for Pakistan.

51 cooperation agreements between China and Pakistan have been signed, covering transport networks, electricity, farming, commerce, banking, public health, media, naval sciences and education (Rakisits 2015).

In geopolitical words, Gwadar has been at the frontline of the Great Game in the Gulf area (Malik, 2012). As a policy hub and a future transshipment port, it has a huge capacity for growth. The shifting conditions, however, raise a variety of challenges for major global players to make the most of their potential.



Chart 5 : Hindawi, 2018

The port of Gwadar is also going to play a significant role in China, since its oil transshipment is cutting more than 3000 km and preventing the issue of Malacca. The time of transport may be shortened between 45 to 10 days (Shazhad, 2019).

A joint venture with the Chinese Port Engineering company and the Port Singapore Authority was established at an estimated expense of U.S.\$ 300 million. An amount of 50 million USD had to be charged by Pakistan and the remainder by China. American companies are involved in the provision of cranes, cars, tractors and trucks, unloading systems, conveyor systems, safety and environmental equipment for the port (Cipic Global, 2019). In view of variations in the macroeconomic sector, the Free Trade Zone is supposed to be based on the Shanghai FTZ model (Jamil, al . 2019).

Pakistan's dependence on its largest commercial port, Karachi, could be decreased by improving the Gwadar port. Today, the port of Karachi houses more than 60% of Pakistan's maritime trade with the nation.

Rising tensions and even fresh military war with India could risk the Karachi industry and harm the economy of Pakistan. Given the long-lasting strains in India / Pakistan ties, dependency on the Karachi harbor could enhance Pakistan's access to open water and economic stability. (Christian Democrat, 2019)

Three steps will be used to build the special economic zone. It is expected, however, that further growth of the area will be achieved by 2030 (Aprar 2015), the manufacturing and processing industry shall be developed by 2025.

2.2.3.4 Ownership

Gwadar Port is owned and managed by China Overseas Port Holding Company (COPHC), a state-owned Chinese corporation, and the Government-controlled Gwadar Port Authority. In compliance with this agreement, 91% of Gwadar Port's income goes over 40 years to COPHC and 9% to the Gwadar Port Authority (Khan, 2017).

2.2.3.5 The Special Economic Zone Policies

The Port Authority of Gwadar has set up fiscal incentives to draw FDIs.

- Tax exemption on earnings and dividends of companies incorporated in the free zone of Gwadar for a duration of 23 years starting 1 July 2016.
- 3-year tax exemption for coded Chinese businesses operating in the port of Gwadar starting 6 February 2007.
- 20-year exemption from tax for contractors and subcontractors operating in Gwadar Port, effective from 1 July 16, of listed Chinese companies.

With regard to jobs policy, Chinese companies have no limits on the usage of Chinese employees that would pose questions regarding jobs in the area since Chinese companies will choose to hire Chinese workers over Pakistani ones (Khan, 2016).

2.2.3.6 Perspectives of evolution

Pakistan has a chance to play again with SEZs by CPEC. The scarcity of road connectivity and the scarcity of electricity are perceived to be the biggest barriers to Pakistan's SEZs development. There has also been a major road network between the ports of southern Pakistan and the Chinese BRI network in the north.

Different energy plants have already been installed and power production in early harvest CPEC ventures has already begun in the national grid. Political stability and protection have

also strengthened over the last five years and Pakistan grew to 108 out of 136 in the Doing Business 2020 report undertaken by the World Bank Community.

Pakistan has faced some of the biggest challenges to its development and is taking action to further boost SEZs. The active SEZ experience implies to set it up with the cooperation of the local community and to adjust it to the conditions, limitations, goals, and goal of growth of the local community, in order to render SEZ viable. The divide between government representatives and the corporate sector and other stakeholders is at the core of democratic awareness challenges (Moberg, 2015).

2.3 The BRI and SEZs

The tendency of Chinese companies to sell their own Free Trade and Special Economic Zones to encourage development in other areas of China has been vastly observed in the Chinese Belt and Road Initiative.

It is a positive experience for China. In the following charts, there is a list of the Chinese Industrial Parks, free trade and export processing areas that Chinese companies have built to date across Eurasia and Africa, mostly in collaborations with Chinese and local governments:

SOUTHEAST ASIA

Cambodia

Cambodia Sihanoukville Special Economic Zone (SSEZ)
Shandong Sunshell (Svay Rieng) Special Economic Zone
Cambodian Kratie Special Economic Zone
Huayue Cambodia Green Agriculture Industrial Park
Cambodia Qilu Special Economic Zone

Laos

Vientiane Saysetta Development Zone
Laos Yunxiang Industrial Park (Invested by Yunnan Nongken Group)
Laos Boten Economic Development Zone

Malaysia

Malaysia-China Kuantan Port (MCKIP)

Thailand

China-ASEAN Beidou Technology City
Thailand-China Rayong Industrial Zone

Brunei

Pulau Muara Besar Oil Refinery Industrial Park

Indonesia

PT.Kawasan Industrri Terpadu Indonesia China
Indonesia East Kalimantan Agriculture, Industry
and Trade Economic Cooperation Zone
Indonesia Sulawesi Nickel and Iron Industrial Park
PT Indonesian Morowali Industrial Park
China-Indonesia Julong Agricultural Industry Cooperation Zone
Indonesia West Kalimantan Aluminum Processing Park
Zhongmin Investment Indonesia Industrial Park
Guangxi-Indonesian Vonojiri Economic and Trade Cooperation Zone
PT CFLD Karawang New Industry City
China-Indonesia Economic and Trade Cooperation Zone

Myanmar

Myanmar Kyaukpyu Special Zone Industrial Park

Vietnam

Yunzhong Industrial Park
Vietnam Longjiang Industrial Park (LJIP)
China-Vietnam (Shenzhen-Haiphong) Economic
and Trade Cooperation Zone

SOUTH ASIA

Pakistan

Pakistan Haier-Ruba Economic Zone
Gwadar Free Trade Zone

India

Wanda Industrial Park
India Maharashtra Auto industrial park
TBEA (India) Green Energy Industrial Zone

Sri Lanka

Colombo Port City (Invested by China Communication Construction)

CENTRAL ASIA

Uzbekistan

Uzbekistan Peng Sheng Industrial Zone

Tajikistan

China-Tajikistan Industrial Park
China-Tajikistan Agricultural Textile Industrial Park

Georgia

Georgia Hualing Free Industrial Park

Kazakhstan

Kazakhstan-China Industrial Park
China-Kazakhstan Border Cooperation Center

Kyrgyzstan

Kyrgyzstan Asia Star Agricultural Industry Cooperation Zone

WEST ASIA

United Arab Emirates

China-UAE "Belt and Road" Industrial Capacity Cooperation Demonstration

Oman

China-Oman (Duqm) Industrial Park

AFRICA

Algeria

China Jiangling Economic and Trade Cooperation Zone

Egypt

China-Egypt TEDA Suez Economic and Trade Cooperation Zone

Ethiopia

Ethiopia Eastern Industry Zone
Ethiopian Industrial Park (Jimma Industrial Park)
Ethiopia-Hunan Industrial Park

Djibouti

Djibouti International Free Trade Zone

Mauritius

Mauritius JinFei Economic and Trade Cooperation Zone
(Jinfei Zone)

South Africa

Atlantis Industrial Park

Nigeria

Yuemei (Nigeria) Textile Industrial Park
Ningbo Industrial Park
Calabar Huihong Development Zone/Calabar Free Trade Zone
Lekki Free Trade Zone
Nigeria Ogun Guangdong Free Trade Zone

Mozambique

Wanbao Mozambique rice farm
Manga-Mungassa Special Economic Zone

Sudan

China-Sudan Agricultural Cooperation Development Zone

Sierra Leone

Sierra Leone Agricultural Industrial Park

Tanzania

Tanzania Bagamoyo Special Economic Zone
Jiangsu-Shiriyanga Industry and Trade Modern Industrial Park

Zimbabwe

China-Zimbabwe Economic and Trade Cooperation Zone

Uganda

Uganda Liaoshen Industrial Park
African (Uganda) Shandong Industrial Park

Zambia

Zhong Ken African Agricultural Industrial Park
Zambia-China Economic and Trade Cooperation Zone
Zambia Building Materials Industrial Park

RUSSIA

Russia

Russian-Chinese Tomsk State Wood Industry
and Trade Cooperation Zone
Russia Ussuriysk Economic and Trade Cooperation Zone
China-Russian Modern Agricultural Industry Cooperation Zone
China-Russian (Primorsky Krai) Agricultural Industry Cooperation Zone
Russia Longyue Forestry Economic and Trade Cooperation Zone
St. Petersburg Baltic Sea Economic and Trade Cooperation Zone
China-Russia Tomsk Industrial and Trade Cooperation Zone

EUROPE

Belarus

Great Stone Industrial Park

Belgium

China-Belgium Technology Center

France

EuroSity (China-French Economic and Trade Cooperation Zone)

Serbia

Serbia Belmax Trade and Logistics Park
Serbian China Industrial Park

Hungary

China-Hungary Borsod Economic and Trade Cooperation Zone
Central European Trade and Logistics Cooperation Zone

Table 4 : Silk road Briefing, 2019

They are not all completely functional yet and others have had teething issues. Further, not all countries involved are entirely persuaded of China's resettlement, and often local problems have arisen with the local business leaders' political pushback, resenting the fact that Chinese firms, but not their own, are entitled for subsidies. (Abi-Habib, 2018)

This is a typical issue for the Chinese, who in the 1990s and 2000s faced the same criticism of international vs. Chinese firms. It is evident, however, that ultimately China is doing a great deal to ensure better terms for trade for its industry in other countries and that the majority of them believe that funding to local government is strong enough to avoid scrutiny, although not all such initiatives are successful. (Briefing, 2019)

III. Success Outcomes and Drivers of SEZ Performance

3.1 The SEZs success factors

The managerial statistical research differentiates between 'nice' and 'bad' organizations. Good organizations, by protecting property rights and maintaining competitive freedom (especially for companies motivated by profit), promote industrial growth. SEZs offer equally, conveniently and without affecting the general economy, places for judging 'good' organizations. SEZs also lost significance when adopted in the world. This opinion is focused on conservative and heterodox points of view (ADB, 2015). It is a "second best method."

In orthodox opinion, SEZs are enclaves that encourage prosperity and development by the absence of barriers to the free market in a tariff-distorted environment. In order to compensate for the damage induced by high tariffs, the SEZs need the duty-free approach to primary goods in their exported development region. The EPZ region assists the government in upholding domestic (protectionist) policies. Employee generation has valuable profits, but without a backward or potential link with the rest of the economy, there are few, if any, clear effects from SEZs.

According to the heterodox view, SEZs encourage a straightforward export-oriented industrialization. It indicates that developing countries face a structural shortage, contributing to 'growth and business vulnerabilities,' of qualified institutional actors, which impedes an efficient distribution of money and incentive of government intervention. SEZs are used to overcome these conceptual constraints in this heterodox view. The central principle of the evolutionary or structural strategy is that SEZs are a constructive policy initiative that fix institutional vulnerabilities and generate economic growth prospects at any development stage.

The creation of vertically oriented industrialization (VOI) and agglomeration is focused on two distinct, though not mutually exclusive, solutions to SEZ. The VOI strategy considers SEZs as an intelligent instrument of industrial policy in which SEZs need ongoing upgraded products and services to create greater value added. Robust installs, secure facilities, a favorable retail setting, low financial restrictions and a limited amount of regulatory pressures are given for SEZ's. They are planned to construct a continuous integrated loop of growth involving two-way relations between the SEZs and the general economy. Together, the

creation of a healthy SEZ climate and the subsequent growth of the domestic economy that boosts SEZ upgrades are one of the two solutions.

Low-income societies tend to be similarly consistent with their pace of development with orthodox or heterodox enclave-type SEZs. In south-east Asia, Cambodia, Myanmar and in eastern Asia, Pakistan, and much of Central Asia fall under this community. Many areas are below potential, as the stimulating business condition is insufficient and companies operating in these areas have failed to improve the industrial value chain (Aggarwal, 2018).

Experiences in East Asia, South Korea, Hong Kong and China are quite diverse since the beginning of the 1970s, and extraordinary, sustainable growth has been developed centered on external orientation and models of sound state production. For instance, as of 2007, China had about 22 percent of GDP, 46 percent of FDI, 60 percent exported as well as more than 30 million employment in SEZs (including all types of industrial parks and areas) (Zhang 2012). In 2007, 28% of FDI was SEZ, 11% was manufacturing, and 13,000 were workers in South Korea.

In industrialization of these countries, SEZs played an significant role in balancing technology spills, increased national productivity and structural reform. Because of the free port status of Hong Kong, it has been a highly prosperous country, while China, South Korea and Taipei undeniably have SEZ output of the most profitable sort in the world.

Mongolia is well-known for its open exchange policies, but its over-dependence on minerals has not contributed to fast development. South Korea generally first followed a heterodox method and a traditional strategy was found in Taipei, Taiwan. However, gradually, these countries turned to the VOI policy. The State has played a key role in targeted funding, incentives, reward programs and import protection to boost productivity, sustainability, export competitiveness and economic growth, as well as in the enhancement of domestic production capability.

The region's significance to the national economy and its attractiveness to buyers, abroad and home, rely on the adaptation of resources and the fulfillment of individuality and goals by organizations. The endowment factor and advantages will increase price savings and productivity. Here are some of the major performance reasons:

Having clear objectives

Transparency in the core aims of the SEZ state. The key causes for this are:

- Job growth, particularly if major unemployment occurs.
- Promotion of exports to generate foreign assets where international reserves are low and there is a trade gap.
- Development in those industries, for example tourism.
- The transition of information.

Although these factors must not be mutually exclusive, one SEZ can not accomplish all these aims concurrently. The most significant justification for creating the SEZ is also relevant. The industry will rely on products or logistics, for example, whether it addresses large multinational companies (MNCs) or small enterprises (Cheong 2018). For starters, it is

important to provide employment for millions of citizens in many developing countries. In these cases, it is easy to facilitate industrial work-intensive activities or endorse the appropriate service sectors with regard to the population's level of schooling.

Many federal agencies, though, are also distracted by the glamor of high technology businesses that are heavily regulated and do not generate many workers. Uncertainty to explain priorities and uncertainty also contribute to SEZ struggles to meet the objectives and ineffectiveness.

At the onset, for example, Shenzhen was not necessarily realistic and forward-looking on the sector of labor-intensive output. And, considering the general advantages of China over incredibly low land and labor costs (Alexandra, 2018), it made more of an economic sense to Shenzhen for what he did in his early years.

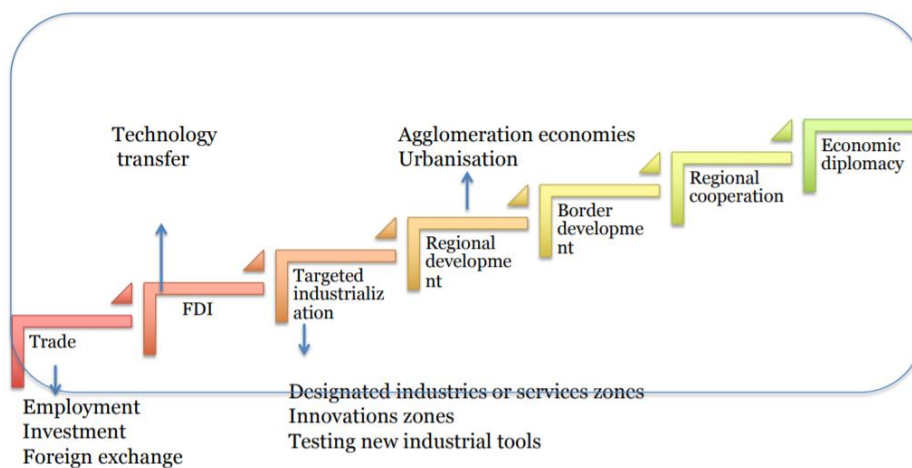


Table 5 : Aradhna Aggarwal, 2018

There are three key success factors for implementing SEZs, structural considerations that are crucial to SEZ's position in the development plan, organizational consideration critical for FDI promotion and trade, strategic considerations related to spillover, or growth impeding, according to Aradhna Aggarwal (2018), that lead to clear objectives in SEZs at several points of improvement within the SEZs. If these goals are not explicitly established until the formation of the SEZ, then they can not be as effective as practicable.

The SEZ plan must also contribute to the basic background of the country and the national growth policy.

In addition, Aradhna Aggarwal suggests that the SEZ model need to be implemented before the SEZ is established.

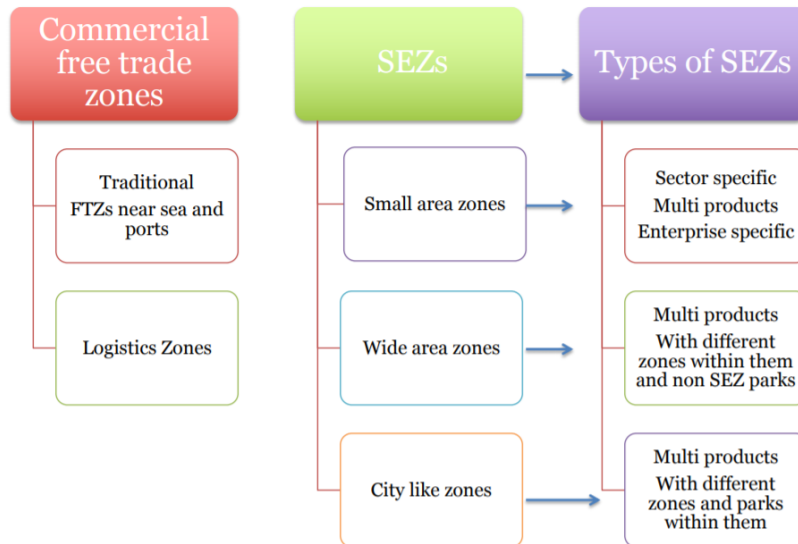


Figure 6 : Aradhna Aggrawal, 2018

Bold policy innovations

After specifying the aims of the SEZ, Teo Eng Cheong proposes that the statute be vigorously revised or existing regulations liberalized. For several SEZs it is a common mistake to resist the required policy reforms because of concerns of liberalization too early. This is bad, it is precisely the concept of developing an area as a SEZ to foster creativity and liberalization without influencing the planet as a whole. To be successful, more than in other parts of the world, the SEZ should cultivate confidence.

Some important policy or liberalization adjustments include:

- The first reform change in several SEZs is potentially to have tax deductions or lower paying taxes. The "Two Year Cheap, Three Years at Half Price" tax regime has been effectively enforced in the Chinese manufacturing zones for many years. Such taxation, like personal income tax, may also be vehicles for liberalizing SEZs, in accordance with corporate income tax.
- The reduction or withdrawal of import duty and the simplifying customs clearance administrative processes occur for goods brought into the SEZ.
- Customs rules apply. This refers in particular to SEZs planned to make exports simpler. A prime illustration of how customs laws are liberalized to help the growth of the air logistical industry is the Singapore Airport Logistics Park (ALPS).
- Policy-Labor regulations can be liberalized in order to promote migration from outside the country.

- SEZ could be a location to lift these limits in countries where currency and capital controls are in operation. If further promotion is needed, the SEZ may even offer low-interest loans.

Shenzhen was, for example, ahead of the other three SEZs in China in the 1980s, with the bolder structural change. Shenzhen guided the SEZs and the rest of China via the Constitution to establish and secure property rights (Chen, 2019). Further improvements of property rights were rendered of 1990 with the creation of one of the first two Chinese stock exchanges in Shenzhen (the other in Shanghai). The opening up and openness of SEZ for both domestic and foreign investors was improved. The institutional improvements in Shenzhen have contributed to a more successful and agile recruiting strategy. On their trips to the interior to hire in the 1980's, workers from Shenzhen will share letters of reference, job requirements and work agreements with them.

The location

Another critical aspect is the location of the SEZ, according to Teo Eng Cheong (2018). Exporting would be a core problem if the SEZ was not made to generate exports. The SEZ's access to a sufficiently skilled workforce will decide its efficacy. The SEZ would be comparatively near to farms and plantations if there is no proposal for a downstream development, e.g. food processing. Without a SEZ approach to local markets, it is important to be near to local consumers. The level of support for companies and facilities like insurance, rural areas, schooling and hospitals is included in other considerations as selection tool. There are too many SEZs that are used to boost living conditions in a community. However, the remoteness of the area may mean that the SEZ is set up to fail without having any access to raw materials or to export outlets. It might be more realistic to create SEZ in a more suitable position and allow people to travel there over time.

As can be seen in chart 8, the SEZs should be located in four major locations, inside the country but near ports and major cities, close or across frontiers to allow transactions between countries and economic corridors. The right position is also one of the key success factors for Aradhna Aggarwal.

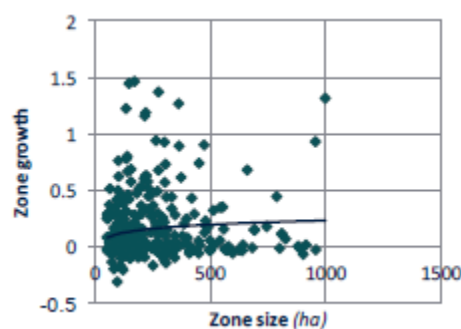


Chart 6 : World Bank Community, 2017

The relation between SEZ size and growth (World Bank Party, 2017) is seen in this graph. Particularly in exceptional situations, statistics indicate a pattern of lower growth in a greater SEZ.

Shenzhen, the biggest of the first four SEZs, was able to supply far more soil from the base of fishing village to its former rise. (Alexandra, 2018). The absence of current facilities hindered the old system from being restored or rebuilt. Shenzhen has helped establish a new urban development and governance system to become a more diverse and more sustainable global community. Shantou and Xiamen SEZs, much smaller regions, were quickly filled of Hong Kong investors, some of whom would find their homes in Shenzhen with similar enthusiasm.

More specifically, the other three SEZs did not incorporate new and innovative methods and practices outside the boundaries of larger cities (Chen 2019), which are both existing and well known (Chen, 2019). Shenzhen is currently the only documented illustration of a rather wide and sparingly populated SEZ which was developed as a metropolitan megacity, with its initial 372 square kilometers spanning around 2,000 square kilometers under municipal jurisdiction. It set a previous and delayed precedent for a new generation of SEZs, now as big, multi-functional towns, involving China as the key driver and actor.

Customized projects

The core layout and development of the SEZ were deliberately built to take into consideration the shortage of space, to respond to the demands of investors and to fulfill the needs of the local population. This step is ignored too often or over-hasty, contributing to dangerous developments. Then the strategic plan analyzes the actual state and future requirements of the SEZ's core infrastructure and their surroundings. For example, the Commission is looking at the condition of SEZ connectivity through roads, railway, ports and airports to assess if there could be more facilities to strengthen connectivity.

Chart 9 shows the development of the region over the distance from the largest town is provided here. The statistics demonstrate clearly the connection between SEZ development and its distance from the biggest town that indicates that SEZ must be linked to the surrounding towns. (Group of the World Bank, 2017)

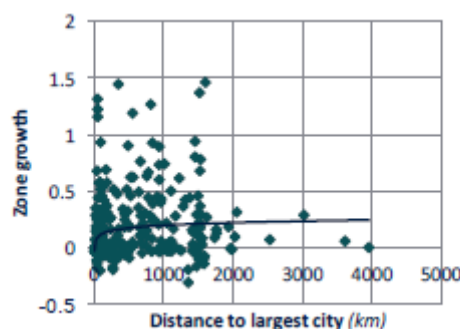


Chart 7 : World Bank Community, 2017

Thirdly, the project plan can be tailored to the destination user. A parking lot will need large tracts of property, while a logistics park will have vast storage space, and SEZ would need smaller installations to create electronics. Connections to low-cost utilities are a significant consideration in some SEZs and need to be included in the master plan. For ex, Singapore has basic facilities including water and gas on the Jurong Island Petrochemical Complex, which are centrally supplied to diverse investors.

Fourth, the government's problems will still be answered by the master plan and the design of the facility. Singapore, for example, has tremendous land fertility. Construction to optimize productivity is often an important feature of the plant's design. In order to improve land profitability in Singapore, only warehouses may have multiple tiers of docking bays at different altitude. The strategic design would eventually be thoroughly integrated with the community and resolve the scarcity of facilities like housing, schools and healthcare. The whole city would also be master-planned and designed next to the SEZ.

Good handling :

SEZ is designed to last for decades and only years after it has been built the impact can be noticed. SEZ must also be stable and effective for long-term maintenance. The management committee must listen to the SEZ vision, to the master plan, and strive to have the courage and flexibility to respond to customer market shifts, developments and technological development. In order to ensure long-term survival of SEZ (Alexandra, 2018), contractual arrangements between management companies of SEZ and the government and the business model of SEZ management are also needed. The relation between the administration of SEZ and the government is another big problem for SEZs. Typical attractions are large degrees of SEZ control. It lets SEZ be out of the constraints on other government departments who do not feel obliged to assist SEZ but have regulatory responsibilities in their own regions. Finally, for the development of SEZ, the experience and regional management network will be important. One good collaborator will be a management team with experience in dealing with SEZ challenges and a large range of prospective SEZ funding partners.

This is a graph of the World Bank Community (2017) that contrasts the field of development with its 2007 years.

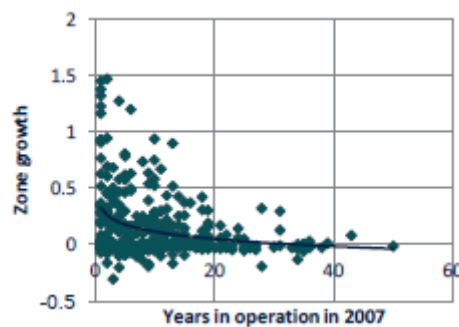


Chart 8 : World Bank Community, 2017

The graph indicates a strong correlation between years of development and growth. The continuous development of a SEZ over the years is very challenging, but even the various growth stages in SEZs can be clarified.

SEZs may be a major economic development mechanism. They also have trouble, however, because of mistaken priorities, careful political liberalization, weak expectations, selection of site, bad design or poor management (The Economist, 2015). The case, therefore, has a fair potential for progress when the SEZ has a clear strategy, aggressive structural initiatives, a carefully chosen location, creative ventures and good management.

Globally, all of those considerations for developing a special economic zone should be taken into consideration while researching UNCTAD in 2019, with fiscal benefits in front of the New Customs System as the key attraction resources in SEZ rules. It clearly indicates that SEZ should be handled first to boost foreign business fiscal attraction and to make customs handling simpler.

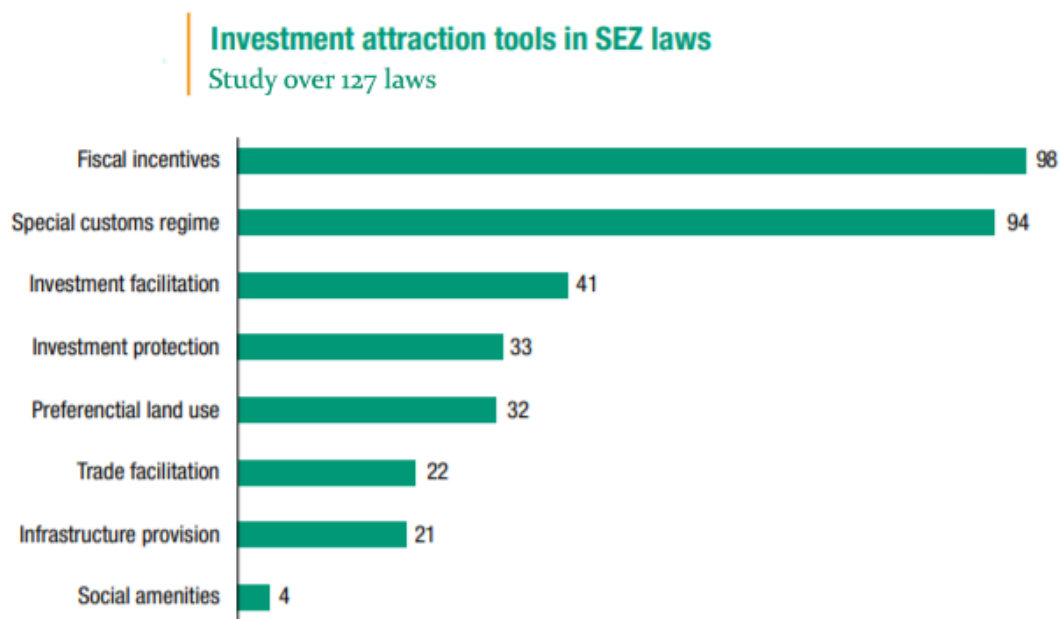


Figure 7 : UNCTAD, 2015

3.2 SEZs performance in emerging countries

The performance of 346 SEZs was assessed on the primary research data set (2007-2012) by Susanne Frick (2016) and Andrés Rodríguez-Pose (2014) and Michael Wong (2016). For all SEZs, the average growth rate was 14.7 percent. The 2.8 percent median growth yield and the typical 28 percent divergence indicate a widespread increase through SEZs.

Therefore, on average, SEZ's performance in development was rather moderate and far from producing remarkable effects that had helped to build and promote SEZs. As a result,

during the research process the vigorous targets of the SEZ strategy were not accomplished. Currently, the production of the field differs considerably.

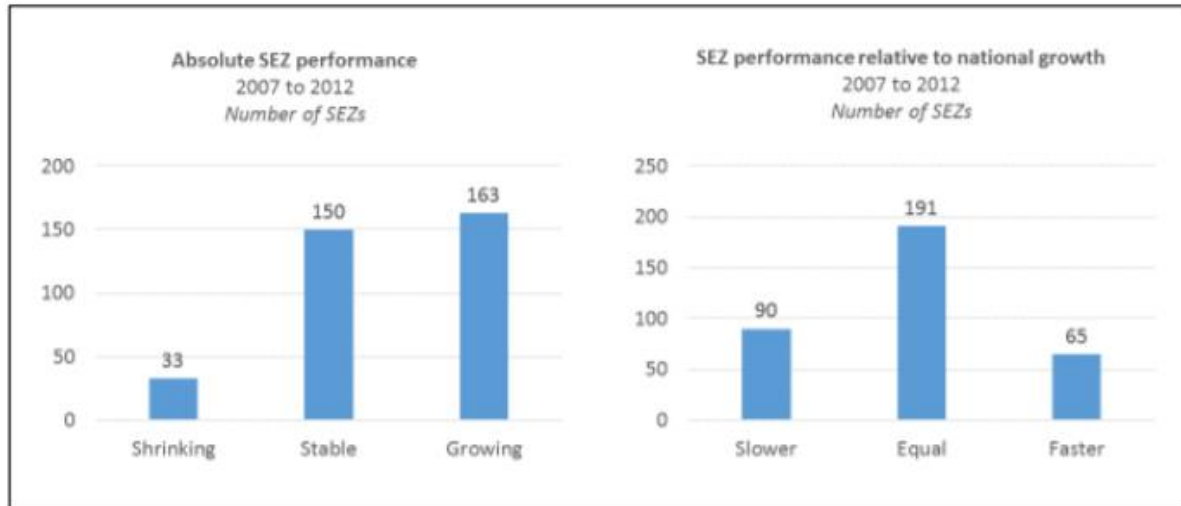


Figure 8 : Frick, Andrés & Wong, 2016

The number of areas within each group is shown in Chart 11. The numbers reflect the large variance in the field production. Thirty-three areas decreased between 2007 and 2012, 150 remained reasonably stable and 163 had increased (Frick, Andrés & Wong, 2016). This means that about half of the zones have experienced substantial growth. In contrast with national growth, the image is much less positive: only 65 areas are rising slightly more rapidly than the national rate, while most of the areas have grown at a national economy speed. One fourth of the fields have been considerably smaller than the national average.

IV The SEZ project in Myanmar

4.1. Introduction

Three approved SEZs operates in Myanmar, one in the South Eastern Division of Tanintharyi in Dawei, one in the Southwest Rakhin state in Thilawa, 25 km south of Yangon, and one in Kyauk Phyu. Memorandums of understanding (MoU) were signed in 2008 Dawei SEZ was developed by Thailand, Kyauk Phyu SEZ by China in 2013, and Thilawa in 2013 by Japan. Thilawa was the first and still the only functional area that began in 2015 (Focus on the Global South, 2017). Major social and environmental effects have been well recorded in all three zones, including abuses of human rights, land theft, degradation of agriculture and loss of local livelihoods.

In January 2020, Myanmar and China signed a host of 33 bilateral agreements, including rail and deep port projects along a strategic corridor that links China's south-west interior with the Indian Ocean, which will bring Southeastern Asia nearest to its great vicinity. (Reed, 2020).

The agreement signed represents the strengthening of relations between Burma and China at a period when the Government of Aung San Suu Kyi is under extreme worldwide condemnation for the Rohingya military operation in Rakhin State for 2017-8, in which over 730.000 civilians were killed and exiled.



Chart 9 : Financial Times, 2019

The powerful military and transitional government in Myanmar appears to be wary of the Chinese recognition at a period when BRI projects in some other Asian countries are doubted because of the expense and suspicions of serving just the interests of China.

The \$3.6 billion Chinese mega-project Myitsone Hydropower Dam, a mixture of 3.6 billion in Northern Kachin, was frozen after strong resistance by a forerunner in 2011 (Fawthrop, 2020).

China has driven Myanmar back to revive the initiative over the last year, but Aung San Suu Kyi who would meet voters in the National League for Democracy later in the year prevented that. In Myanmar, China demonstrated its useful friend to defend the nation from foreign censorship by utilizing its role at the UN Security Council to enshrine the economic interests of the region.

China is the leading trading partner in Myanmar, with about 1 million Chinese visitors visiting the nation last year as a big source of inland tourism.

Since the government is overloading, as was the case with the BRI port in Sri Lanka (Abi-Habib 2018), Myanmar re-negotiated the Kyauk Phyu deep-sea port project to \$1.3 billion in 2018, down from \$7.3 trillion before (the Myanmar Times, 2018).



Chart 10 : Financial Times, 2020

Since Kyauk Phyu is the terminus for previously constructed pipelines for fuel and gas to China that offers Beijing an alternative route for imports of electricity that avoids the small and geopolitically uncertain strait of Malacca.

Some of the representatives of the government in Myanmar criticized the project because the harbor was mostly intended to support China's trade instead of Burma, and because they thought the port would be used military (Zhou 2020) in the future.

The Special Economic Zone of Thilawa is the SEZs in Myanmar with the most achievement. In the Than Lynn and Kakutani city ships, the region allocated to the Thilawa SEZ district is authorized for approximately approx. 2,400 hectares. Thilawa SEZ is situated on the shores of River Yangon, in a strategic position, about 38 km from the International Airport Mingaladon and 23 km from Yangon downtown Commercial Area.

The Thilawa SEZ project has been carried out through close co-operation between Japan and Myanmar and the Public Private Partnership Model, establishing Myanmar Japan Thilawa Development Limited-MJTD. Therefore, Thilawa SEZ gives both domestic and foreign businesses convenient access to rail, air and road transport.

On June 5, 2014, an agreement to establish a 405 ha (A) proposal for the initial process of accepting a land lease for a total term of 75 years with an initial 50 years rent on signing an agreement which could be renewed for a further 25 years was signed between the Thilawa SEZ Management Committee, the TSMC and the MJTD region developer. On 23 September 2015, the opening of Zone (A) occurred. Industrial revenues are beyond planned, with more than 95% of Zone (A) land allocated by 90 investment firms in 17 countries. Revenues are higher than predicted.

The 101 hectares region (B) has been built on 24 February 2017 and the internal basic infrastructure is scheduled to complete in advance by the end of June 2018 (OD Mekong Datahub, 2019).

4.2 The Kyaukphyu SIP

The Kyauk Phyu Industrial Park, launched as a Government-supported project by China, by the CITIC Group, with an 85 percent shareholder (the Myanmar Times, 2018). (China International Trust Investment Corporation). Kyauk Phyu is the best place in Myanmar for a deep seaport which is very important for Myanmar.

It is also a significant component of the economic and geostrategic programming of China as part of the Belt and Road Initiative and the Maritime Silk Road plans. Also vital in terms of Chinese maritime transport, Kyauk Phyu is part of Bangladesh-China-India-Myanmar proposed project (Mizzima Myanmar News, 2017). The potential of China to enter the Indies via Kyauk Phyu decreases the gap between China and India for 5,000 kilometers and thus reducing the costs of transport for export goods.

Kyauk Phyu, which is now under Kyauk Phyu port auspices and which the CITIC treats as SEZ's' related asset,' already represents Kunming (CNPC 2019) pipeline terminus of the oil and gas system. The Burmese proposal to invest in a 50/50, have been denied by the Chinese conglomerate, which called for a 70-85% share.



Chart 11 : Asia Nikkei, 2018

The Government of Myanmar is spending extensive in infrastructure to extend the existing road network in KP SEZ in addition to the development of a deep sea port, industrial park and integrated housing district. KP SEZ can also be eco-friendly. The Strategic Plan calls for environmental risk control initiatives. The inclusion of more industrial groups, including food processing, the supply base, and the general manufacturing sectors. (CPG Consortium, 2014).

4.2.1 System for law and management

In 2019, UNCTAD carried out a study on the key elements of the SEZ regulatory structure which emphasizes the main legal elements in several SEZ:

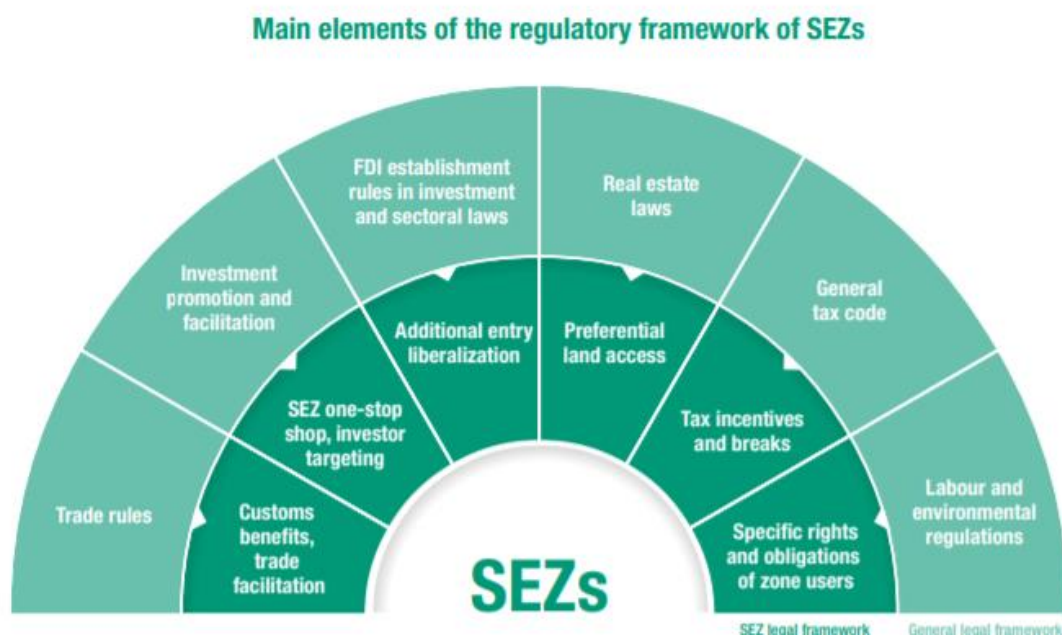


Figure 9 : UNCTAD, 2015

The underlying theory of SEZs in Myanmar is that region developers buy property from the state and then rent property to SEZ investors. Areas are developed by private developers under the Myanmar Special Economic Zones Act 2014 (DM Datahub, Pyidaungsu Hluttaw Act 2014), and regulated by the State through the SEZ Management Committees. This Act allows for policy and financial agreements but applies to other labor, environmental and property law agencies that also stay in place in the regions.

SEZ developers can only obtain a SEZ permit once environmental impact assessments (EIAs) and resettlement plans have been completed; yet this has not occurred in any of Myanmar's SEZs.

The Subcommittee on Labor Relations in the Special Economic Zone of the 2014 SEZ law Administration must, however, stipulate that:

- Supervise the job in compliance with the stipulations of the Employment arrangement.
- Negotiate the employer's and employee's privileges and responsibilities in terms of labor arrangement, benefits under the existing labor legislation, minimum salaries, salaries, holidays, overtime costs, reimbursement including discharge from jobs and reimbursement for employees.
- Audit and track to discourage staff, contractors and workers from reducing or violating their privileges and entitlements.
- Determine company and staff's minimum pay.

Law stipulates that resettlement costs and indemnification should be charged and that the living conditions of those involved should not be reduced as a consequence of the development, but the legislation simply states: 'developers or owners.'

The lack of accountability has led to complex processes in land acquisition; Thilawa citizens have visited Tokyo to petition the Thai National Commission for Human Rights (NHRC) of the Japanese government's JICA (Japanese International Cooperation Agency) which create and invests in Thilawa SEZ and Dawei's civil society organizations. The JICA and the NHRC accepted their SEZ challenges but have been ineffective in introducing modifications.

V Research methodology

The key purpose of this study was to establish the view of the various stakeholders as to the possible benefits and obstacles to the development of the Kyauk Phyu SEZ.

This is argued that if the purpose of the study is to empirically validate current hypotheses by evaluating a hypothesis among a broad number of participants and generalizing the theory, the quantitative approach is better adapted. If the essence of the question or concept is under-theorized, requires adequate information, or is meant to explain the human experience, a qualitative approach is suggested.

The essence of SEZ work is complex, so there is no "one size fits all" scenario, in addition, each region, rather than each SEZ, has different challenges. In order to help explain the problems, the qualitative approach is the easiest and a detailed view of the problem can be developed. Moreover, it is difficult to quantitatively test theories, and there are hardly any statistics available to judge success.

5.1 The qualitative analysis

During this data collection, many SEZ experts, management & finance, as well as scholars, were interviewed in structured visio conferences to better understand the problems and drivers of the progress of the Kyauk Phyu SEZ. Each one of the respondents had either a clear relation with the Kyauk Phyu SEZ or with the general management and policy of the SEZ.

The snowball sample was used to locate experienced individuals. Only persons with expertise may have accurate perspectives in these fields. The knowledge they got has been searched through organizations and professionals, LinkedIn or database agencies. For an interview, 6 people have replied favorably to 38 experts. Talks ranged about 1 hour to 1:20 hours.

The informants interpreted their interviews through a speech guard and then captured data. However, it was told them that if they chose, at any point of time, their names would not be revealed.

VI Results and discussions

The work involved an in-depth analysis of the drivers and obstacles to the effective introduction of the SEZs suggested by the Chinese government to Myanmar. Because Kyauk Phyu is believed to be an economic game-changer and SEZs are the main drivers of this economic uplift, it is important to understand the views of key stakeholders on the methods used to make SEZs productive projects for Myanmar.

Semi structured interviews were conducted, starting from the Belt and Road discussions, to SEZs implementation, and finishing on the Kyauk Phyu case.

The interviews were then transcribed and thematic research was performed in order to clarify the most relevant facets.

6.1 Presentation of the participants

Through this research, we realized a qualitative analysis by doing individual interviews to gather accurate data from key actors in the SEZs and Kyauk Phyu project.

We succeeded in contacting 5 professionals coming from academics and the SEZ consulting firms.

Name	Position	Company	Interview length
Jean-Paul Gauthier	Leader	WEPZA, Locus Economia	1h10 mins
Dr. Jim Coleman	Finance officer	WEPZA, Buro happold	1 hour
Pietro Borsano	Consultant, lecturer	Chulalongkorn University	1h20 mins
U Soe Lwin	General Manager	Myanmar Kyauk Phyu SEZ Holding Consortium (MKSHC)	Schedule confrontation
Dr. QU Jian.	Vice President	China Development Institute	Schedule confrontation

Unfortunately, due to schedule confrontation, we only conducted 3 interviews with :

Jean-Paul Gauthier, the leader of WEPZA “ WEPZA is an association of leading practitioners, government officials, consultants, and academics engaged in evaluating, developing, promoting, and improving special economic zones (SEZs), free ports, free zones and export processing zones globally. Since the U.N. established it in 1978, WEPZA has been the world's primary platform for knowledge sharing and collaboration on SEZs. It advances its efforts through its publication, the Flagstaff Journal of Special Economic Zones.”

Jean-Paul Gauthier is one of the world's leading experts on Special Economic Zones (SEZs). In addition to serving as WEPZA's Secretary-General, he is also the founder and Managing Director of Locus Economica, a boutique legal consultancy advising governments, private firms, and international NGOs on SEZ laws and regulations.

In addition, Jean-Paul has over 25 years experience working in or with nearly 100 countries as an attorney and economist specializing in trade and investment, economic zones, competitiveness, infrastructure and spatial development initiatives, governance and administrative reform.

Before forming Locus Economica, Jean-Paul was a Senior Manager at Deloitte Consulting and Bearing Point and a Manager of Law Reform at the Services Group (AECOM International Development). He has a certificate in Management Leadership from Yale School of Management, Masters degrees in International Economics and Political Science from Johns Hopkins, SAIS, and a LL.B. in Civil and Common Law from the Université de Montréal.

Dr. Jim Coleman, the Head of Global Economics at Buro Happold Engineering and is a highly experienced economist specializing in spatial economic development and urban regeneration.

He has expertise in a wide range of fields including local/regional economic competitiveness, labor markets and skills development, business and sector development, industrial strategy, inward investment, business modeling, and poverty alleviation. Key areas of his work involve economic strategy development and implementation planning, economic visioning, economic program design & evaluation, and areas based on economic assessment.

Professor Coleman has advised governments on economic and business strategy for the development of special economic zones in Kuwait (World Bank), Qatar (Tanween), Saudi Arabia (Emaar), and South Africa (DTI). He is also currently a visiting professor in the School of Architecture and the Built Environment, University of Westminster, as well as an honorary senior research associate at the Bartlett School of Planning, University College London. He has acted as an expert adviser to various organizations including the UK Town and Country Planning Association and the Commission for Architecture and the Built Environment (CABE). Dr. Coleman is also the Chair of the London Branch of the UK Institute of Economic Development (IED).

For Jean-Paul Gauthier and Dr. Jim Coleman, the questions were more focused on the SEZ management, implementation and strategy. In order to discuss more deeply in how SEZs can be conducted and what are the ways of doing.

Pietro Borsano is a business lawyer, management consultant, and University lecturer, with an integrated academic background (J.D. and MBA) and work experience of more than 7 years in the law practice, 5 years in consulting in the emerging Asian markets, 4 years as University lecturer.

Now, he lectures at Chulalongkorn University, with a strong emphasis on the creation of an innovation ecosystem in Thailand, as well as I help foreign legal entities invest in Thailand, Myanmar & other ASEAN markets.

For Pietro Borsano, the questions were more focused on the geopolitics of APAC countries, to get a better understanding of the relations between China and Myanmar and the Kyauk Phyu cooperation project.

All the data we collected through these interviews helped us to understand more accurately how SEZs works and how to correctly manage the Kyauk Phyu zone.

6.2 Analysis of the results

The goal of this study was to examine the factors driving SEZ success in emerging market economies to give advice for the Kyauk Phyu SEZ implementation under the Belt and Road Initiative.

The factors of SEZ driving :

All the Interviewees agreed to say that SEZs need to have a concrete plan, with clear objectives and a correct territory management. Investors in SEZ will not want to mix industries, for example a cake producer will not implement itself aside from a chemical factory or a plastic producer. They will be ready to pay more to have a logical environment, in adequation to their production.

For Jim Coleman, one of the big benefits that a SEZ can generate in most locations is jobs, better jobs than the rest of the economy creates. There is a need for policies which are around understanding which industries do that and how to attract them to this location. They also need policies for upgrading the skills base, investing in human resources, investing in education, investing in supply chains to come together to make the zone work. If managers don't do these things, the zone doesn't necessarily generate the benefits, and if they don't do things properly, they can end up with zones which attract certain types of industries purely to take advantage of reduced tax rates, they don't necessarily create value, they don't necessarily create jobs.

Companies will do what's called tax inversion where organizations create a headquarters function in a zone and they attribute all their income to that zone and don't pay any tax.

Jim Coleman also says that as managers doesn't want to establish industries in a zone and then eventually that industry becomes obsolete because technology keeps changing, and the way things are produced change, they need to keep finding the next version of an industry, maybe they need to attract a different type of investor or develop a different type of supply chain. It's mandatory to keep pushing the boundary to evolve and develop the next version of the industry. The way goods are manufactured has changed, with technology, with

automation, the way energy is produced has changed because people want energies to be renewable and not reliant on fossil fuels, SEZs can still help economies accelerate into these new ways of doing.

Pietro Borsano says that for foreign investors, generally look at first, all the human capital, it could be labor force but also skilled labor because companies can enjoy very cheap prices but then if a labor is unable to accomplish the work, there is no sense. The second one is infrastructure and the third one is fiscal incentives. For investors, they fact that a country has a special economic zone and fiscal incentives isn't enough to get into the country and to invest.

The size of companies to attract :

When the question was asked about is it interesting to have only Small and Medium Enterprises (SMEs) in a zone or only multinationals or both, every interviewees agreed to say that's it's a combination of different types of organizations, some foreign, some domestic working within a kind of ecosystem that makes sense to them.

Jean Paul Gauthier says that what is happening now in Africa and more than anywhere else is that a big investor, a big multinational brings some of their supply chain with them. Managers have to be careful if it does create jobs locally, if it creates opportunities for new businesses to form locally, or does it displace the current activities and will have consequences.

Jim Coleman says that If it's done correctly, those investors can bring a big sophisticated kind of operations, which could become connected to the domestic economy and can start to have lots of benefits, again it needs to be thought about the strategy, to really understand how these things work.

Companies need to be there because it's good for their business, because they can make their product, they can sell it, they can get into new markets, they can attract a good quality workforce, if the SEZ is designed properly, it should generate successful business activity which is able to pay the tax.

About Myanmar, Pietro Borsano says that they have been developing some textile industry, which is a basic industry, with affordable labor force, the very first step of light industrialization, Thailand 40 years ago did this, Cambodia or Bangladesh are also ups for textile as it's a kind of light industry and whenever there is labor force, cheap, countries can set up this kind of industry. This does have a lot of negative externalities because it causes a lot of pollution and water waste

A lot of companies are trying to get into industry 4.0, which means that by having more artificial intelligence, and more sophisticated machines, the labor force is not that important any longer. The problem for Myanmar is that for Malaysia, Thailand and Vietnam, all of this was not domestically created, but was led by Europeans, Americans and Japanese coming there for enjoying the labor cost arbitrage. This arbitrage is challenged right now. The labor is cheap, a factory worker will cost 100 dollars per month in Myanmar, in Vietnam it's 250 dollars and in Thailand it will be almost 500 dollars per month, the labor is cheap but the

labor isn't skilled. Myanmar should focus on the human capital, but not only human capital for foreign investors but to create more startup companies, more enterprises, to follow a different development path, not only to supply labor force for foreign investors, it could help them a lot to attract more sophisticated companies. In addition, the neighboring countries are obviously much more skilled than the Burmese, but in services, for instance Thailand does have a big challenge with language because they do not speak English, even at very high positions but this is not the case for Burmese, it could be a real edge for Myanmar.

Attracting FDI and keeping growth

The most important thing, over the long term, is to encourage reinvestment by companies already present in the area. But when it comes to looking for investors, managers must already have very well targeted the value proposition, done a very targeted marketing on these potential investors and know exactly which companies they want to attract and go look for them.

APAC's major economic investors are mainly South Koreans, Taiwanese, Japanese and Chinese. All these investors are pack hunters, if managers convince one of them, it will be much easier to convince others.

For Jean-Paul Gauthier, the most important factors that companies will take into account to enter a market are the size of the market, its accessibility, the workforce qualification, the restrictions, the fair treatment by national authorities, the quality of administrative services and quality of infrastructure.

Fiscal incentives aren't an important factor for SEZ attractivity, especially if it is about tax benefits. It only serves to decide between two options. As far as taxation is concerned, it must be accessible, not variable according to the years, not short term. It must be competitive, looking at what neighboring countries are doing. Tax policy must also be lower than the applied one in the country, and must be in line with the country's tax policy.

One strategy could be to attract big multinational organizations, in the industries where managers have decided it correct for the country, with good and ethical investors, who will come into the zone and stay there for a long time and take the knowledge out of the big foreign organization to make its way into the supply chain, in smaller companies, this a vector of growth.

Investors need to be industries that make sense for the economy and they need to be industries which can spread these benefits into the domestic economy, managers need to choose the industries carefully, choose the operators in those industries that are good operators, they're sophisticated, they're ethical, they are developing new products, they're interested in new markets and they will be good partners.

These are decisions for the government, they need to think about which are these big multinationals that they can partner with, that they can have a proper partnership with, and who are genuinely interested in the country. It's necessary to think about the industries, who are the operators and then what do government offer them, a good location, a good infrastructure, access to markets, do they want to come to south Asia to make their products and send their products back to Europe or do they want to come to south Asia to make the products and sell to a south Asian market, what is their strategy ?

Government needs to provide a zone that helps them with that strategy, provide the workforce for them, with skills, able to do a good job, with an education.

All of these things are just as important as the financial incentive or the fiscal incentive, the tax breaks or the ability to repatriate all of the profits. A good investor, with a good business model who understands how they are going to develop a market, the tax break is quite low down on the list. They're interested in the site, they're interested in the infrastructure, they're interested in the workforce, they're very interested in how they get their product in and out and a tax break can help, but it's not going to be the thing that determines their decision to locate there, it is all about their business model and their product and how the product is created, how it's sold.

What governments need to avoid is getting the kind of company that only goes to a place because of the tax break and nothing else, this is how SEZs fail, because they got all these businesses which just wanted to pay less tax.

Fiscal incentives could also be variable, if the sez strategy is based on a good understanding of what the economy needs then it should enable the government to apply different types of incentives, different types of support for different types of industries.

If SEZs need to move into higher value, what governments really want is to be in the higher value, like electronics, then if a textiles operator wants to come to the zone the government will not incentivize it because they have a lot of that already. They will incentivize the electronics companies because that's a higher skill, it's more sophisticated.

Vision and objective of the Kyauk Phyu SEZ

For Jean-Paul Gauthier and Jim Coleman, the Kyauk Phyu SEZ is really concerning, as its utility can be reevaluated. In terms of rail and road, how wide will the road be, how much will the rail cost, compared to other competing lines, what are the other destination options in the Bay of Bengal? The study of transportation economics is the key issue, interviewees are not impressed by a map that shows a distance will be less with a road. How long will this road take to be in place ? Does it pass through mountains, what is the impact on congestion and traffic jams on this road? Many engineers have to position themselves and analyze this project.

For Jean-Paul Gauthier, companies go into a country to have access to this country, the Chinese will not go to Burma to serve another market, they will want to have access to the Burmese market. If the port is partly used for oil, there won't be enough room for containers, and manufacturers, they won't have any future interest.

Some hydrocarbon activities can be done under SEZs, but there will be no manufacturing. There will be no mix between activities, because petrochemical activities are so dirty and polluting that other investors will have very little interest in the future.

Jim Coleman doesn't know for how much longer China will need oil and gas, China builds more solar panels than any other country, China is supplying the world in solar panels and has very well developed renewable energy policies and strategies so he doesn't know for how much longer they need oil and gas, maybe 20 years. In which case they build this facility and then they will leave it to Myanmar which ends up with this very large facility that may not be necessary and they don't produce anything there with the feedstock, they also

don't create any jobs. If they create jobs, it will be technical jobs in oil and gas and probably 90 percent of those jobs will go Chinese, not for Myanmar because they'll be highly skilled jobs.

Strategically it's a great thing for China, for Myanmar, it's controversial, one advice for the government of Myanmar would be to say to China they approve the SEZ, for the oil and gas only if they create 500 000 jobs somewhere else in the country, with clear and proper factories.

For Pietro Borsano, it's good if the SEZ can bring development to another area of Myanmar, and it's also good if this is not going to destroy the environment. Whenever people do this kind of infrastructure projects it's good, but it's not harming the environment that much but, in a way if they open a deep sea port, it's going to change the landscape, it's unavoidable, but obviously it should be done in a proper and reasonable way. On top of this, the plan is that after opening with this special economic zone and deep sea port this will be connected to the high-speed train from China, which is crossing Laos and going down through Thailand, Mandalay, Kunming and then reaching Kyauk Phyu. This is good for merchandise, because it can be transported by railway, it's also good for travelers and business meetings. To go to Kyauk Phyu economic zone and then to the nearest big city which is Mandalay people need to take a train or a flight which is very long, but if a high-speed train take one hour from Kyauk Phyu to reach Mandalay, it can for example appeal human capital from Mandalay to work in Kyauk Phyu and then for weekend come back to Mandalay. It has to be considered as well.

Special Economic Zones can become a cluster of manufacturing or innovation, but very trivial things should also be considered like living, would people like to live in Shanghai or would they like to live in a special economic zone where there are only factories, maybe they will do it for one year or two years but then they will get bored. That's why combining the high-speed trade with the special economic zone is very important.

Pietro Borsano also says that for the moment there is no infrastructure, if a company is producing cars, it's hard to send the cars throughout the country, there are no highways, some roads do not have concrete, there is no railway all these are issues for manufacturing. Another big issue for manufacturing is power supply and shortage of electricity, a lot of small companies have problems with electricity, it forces them to stop the machines and cause delays which is a cost. With bigger factories that require a lot more energy, it is a big issue. Having this deep seaport is obviously a good opportunity for China because they will have access to the Bay of Bengal easily without needing to go through the strait of Malacca. China has experience, the expertise in doing this, it's not the first time they build or own a deep seaport. This will help them to develop the western regions such as Yunnan that are underdeveloped compared to Shanghai.

Contrary to Jim Coleman's and Jean-Paul Gauthier's opinions, Pietro Borsano says that the Chinese debt trap isn't that much important (Sri Lanka port case) as long as they use this infrastructure also for local companies, for local businesses, with positive externalities, on real estate or on commercial activities, it's great, because when they have this kind of infrastructure, there will have a lot of shops and restaurants popping up in the area. As long as this happens, it's not bad for the country. This is better that China owns strategic assets

like an airport or a deep seaport that contribute to build rather than owning a military camp like the United States does in almost every country.

6.3 Answering to the research question

When Special Economic zones are used in a correct way, with a lot of research, it can become a real vector of growth for countries. We saw this a lot in China, notably with Shenzhen which is the biggest success for an economic zone, but a lot of other zones have been developed and conducted since then, we can take the example of Shanghai or Ningbo and many others. The ability for China to build and run economic zones is undeniable. The empowerment of the Belt and Road Initiative can come from this ability for China to conduct hyper growth in some areas, and a lot of countries get interested in having such growth.

Nowadays, the BRI is under criticism as some projects get into a debt trap which led to the appropriation from China to strategic points in other countries (Abi-Habib, 2018). Some experts argue that it's the fault of China to apply a power abuse and a lure strategy to some underdeveloped countries, other experts say that it might be the fault of the host country to build up infrastructures too much expensive than what they could afford. The qualitative research didn't helped us to understand which one of the actors are in fault, but we saw that such a huge initiative like the BRI is forced to have unsuccessful projects and according to one of the interviewee, if a government is able to negotiate and apply the correct policies, the BRI can only bring benefits to this country.

The most important for our thesis is that China has an impressive ability to create growth in a certain area if all the policies are used in the correct way. This means that there is no reason for the Kyauk Phyu SEZ to fail (Xiangming Chen, 2019).

The qualitative research gave us a lot of new information regarding the way SEZs should be conducted, how a government can manage this zone to attract Foreign Direct Investments and enhance growth while having sustainable development objectives.

The most important factor that qualitative research brings us, which is a point where every participant agrees on, is to have a concrete plan, with clear, measurable and achievable objectives. As agreed with Cheong (2018) and Aradhna Aggarwal (2018), defining the plan is the most important factor of success for a SEZ, by creating a framework to conduct over the years. How the investors could build a sustainable partnership with the government, how they will be able to access the market, is the infrastructure sufficient for their factories and so on. These points have to be reflected by experts to implement the SEZ in the proper manner.

A defined strategic plan will allow to determine which kind of industries the government seek to attract inside the SEZ. A lot of SEZs are implemented without this thinking process, but it's impossible to develop different industries inside a zone, factories have to be consistent with the other ones. A food producer will not implement itself in a zone where petrochemicals factories are operating.

When the government has defined its strategic plan, they can start marketing and contacting foreign companies in the elected sector to enter the country (Thame, 2017). It is more valuable for a SEZ to attract big multinationals companies as in many cases, they will

implement their factories and employ local labor force which will lead in a technical transfer to workers, but also to attract surrounding SMEs to supply their needs. One of the key challenges for Multinationals companies seeking to enter SEZs in developing countries is the unskilled workforce which become an issue when most of the companies start to implement the industry 4.0, they will need more skilled workforce, and unfortunately the skilled workforce cannot come from an underdeveloped country. Myanmar will need to focus on low industries such as textile to start educating their workforce and moving slowly to more sophisticated industries such as electronics or petrochemicals avoiding massive pollution to follow the SEZ goals (CPG Consortium, 2016).

Beyond some foreign companies entering the zone, the government needs to retain and encourage them to reinvest in the zone. This is why defining clear objectives and targeting specific companies is the key for the success of the zone.

To attract foreign direct investment inside the zone, the government has to understand the main reasons why investors would come into their zone (Aradhna Aggarwal, 2018). The most important point is infrastructure. The investors will first look at the overall infrastructural development of the country in order to carry on their raw materials, transport the finished goods, attract talents, conduct their factories with the fundamentals needs such as water, electricity or oil and gas. If a country does not furnish the sufficient infrastructure for a company, it will be impossible to attract them. The construction of a high speed train crossing the Myanmar to Thailand and Laos could be a true asset for the development of Kyauk Phyu as it could transport business persons and workers, but it is not sure if it will transport goods (Pakdeenurit, al. 2014).

The second main reason that investors will take into account before entering a SEZ is the labor force, companies need to have a cheap labor force to do the basic tasks, but also skilled persons to manage the plants and conduct the machineries. One of the advantages of Myanmar is their language, Burmese people speak English and this is a real asset for the development of the zone, but as the country is still undeveloped, most of the workforce is unskilled.

The location of the zone is also an important point for companies as it should be ideally located near oceans, railways and highways to facilitate the transport of goods (Asian Development Bank, 2015). The Kyauk Phyu zone is actually building a deep sea port which will be the second one in Myanmar, but it is necessary for the government to know if the companies inside the zone will come to produce goods and export it in other countries or to produce goods and sell it to the Burmese market. If the government targets companies which are seeking to sell products to the Burmese market, the infrastructure, and especially roads of the country have to be built, otherwise the logistics will be problematic.

Finally the government has to be careful with the fiscal incentives it offers to the companies inside the zone. Companies are of course attracted by fiscal incentives, but this is not the most important factor for them, the main ones are listed just above. Fiscal incentives can attract companies with the sole aim to enjoy fiscal incentives by implementing headquarters and all the benefits from other countries to the zone, but this will not create any jobs and will not benefit the society (Moberg, 2015).

VII Conclusion

We can conclude that SEZs cannot be used as a development driver in developing countries as a whole. However, the findings point to some of the main systemic features behind the economic success of SEZs.

Having clear objectives is important to define the most crucial reason for setting up the SEZ. Many government departments are blinded by the glamor of recruiting high-tech companies. The lack of clarification of goals and the failure frequently lead to a SEZ that has not accomplished the targets and is inefficient.

Implementing bold policy innovations is important to run innovative laws inside SEZs, it could be by adjusting tax, labor policies, customs regulations or capital restrictions. SEZ developers should not be concerned to hold back policies by being afraid of fast liberalization.

SEZs should improve citizens livelihood by creating jobs for local people over years (Focus on the Global South, 2017). The foreign companies will not only bring FDI under the zone, but also invaluable knowledge and know which will be transmitted to the workforce and enhance education and standards of living.

Choosing the right area is key point, main findings suggest that zone development is difficult to maintain over time, attempting to improve the technical or value-added portion of SEZs is daunting, as areas based from the outset on high-tech industries have done poorly than those in low-cost, labor-intensive sectors, and zone size matters: larger areas tend to have an edge in terms of growth opportunity (World Bank Community, 2017).

Applying tailor-made projects as every SEZs are different, many factors have to be taken into account while developers plan its construction. Some success factors could work in certain countries or areas but can also totally fail in another region.

Having good handling by authorities is crucial to ensure the durability of the SEZ in time, to avoid deviances from MNCs regarding workforce or pollution. Authorities have to be present inside the zone to ensure security and laws are respected.

The country-and regional-specific context further determines the performance of SEZ. Regions in comparatively poor areas, but not too far from the biggest city in the country and countries with relatively easy access to the world's main developed markets, have shown the greatest economic dynamism (World Investment Report, 2019).

Areas in countries with a tradition of pre-existing industrialization have also been preferred. Factors such as the type of zone operator, private, public or PPP, corporate tax exemptions or sundry subsidized utilities do not appear to have affected the economic performance of zones across the emerging world.

The backbone of most SEZ policies, corporate tax breaks, also played a relatively minor role in zone dynamism, limited to the more developed countries (UNESCAP, 2019).

Consequently, the role of factors such as tax breaks, the presence of an independent zone regulator or non-fiscal benefits, such as the availability of a national one-stop shop, depends much more on the context that was previously thought and there is no guarantee that the provision of such support, incentives and/or subsidies will bear fruit in terms of zone dynamism.

The BRI is a project over decades that will, expectedly, enhance underdeveloped countries in Asia Pacific. Still under criticism, it will however speed up the SEZ project in Kyauk Phyu, the high speed trains and deep sea ports will connect the country faster and better than any project lead by the Myanmar could ever conduct and afford on its own.

China's Overseas Special Economic Zones & Industrial Parks



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Chart 12 : Briefing, 2019

As we can see in this chart, even if the Belt and Road Initiative is under criticism, the project have the merit to have implemented an incredible amount of SEZs around countries in the world (Briefing, 2019). All those projects will require time and adaptation over the years to correctly be implemented and start creating the expecting value for the host country.

If the government follows all these recommendations, there will not be any reasons for the Kyauk Phyu SEZ to fail. Myanmar is opening to the world, after being under a self-isolation for many years, this evolution can be seen as the same perspective as the Chinese open-door policy during the 1980's.

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Appendices

Appendix 1 : Interview transcription from Jean Paul Gauthier in French:

Interview from the 26/08/2020, duration 1h10 mins

- Bonjour, nous allons commencer l'interview, je souhaite séparer celle-ci en 3 phases, la première traitant de votre avis sur la Belt and Road Initiative, la seconde sur les SEZ en général et pour finir votre avis sur la SEZ de Kyauk Phyu. Donc, quel est votre avis sur la Belt and Road Initiative ?
- Je vais vous donner un avis assez général sur le sujet, étant donné qu'il ne s'agit pas de mon domaine de travail. J'ai beaucoup travaillé sur des projets de SEZs au Pakistan, en Inde, au Laos, ainsi qu'en Afrique. Je dois dire que je n'ai jusqu'à présent pas vu de projet de SEZ concrètement impacté par cette initiative. Je trouve cette initiative relativement marketing, politique étrangère chinoise, coquille un peu vide. Une exception peut-être la zone à Gwadar. Il faut savoir que les chinois ont fait miroiter à l'Etat pakistanais un projet multimodal qui relie la frontière jusqu'au port pour des milliards et milliards de dollars, qu'ils n'ont jamais réalisé, ni concrétisé. Pour moi une ceinture est un projet continu, alors que les projets présents en ce moment sont seulement des points par ci par là sur la carte, dont lesquels ils investissent, leur donnant un accès ou une pénétration améliorée sur certains marchés, sans qu'il y ait de réel pont entre les deux, et en ne donnant que très peu d'avantages aux pays hôtes. Il s'agit plus d'un nom portant à l'erreur. Par exemple au Laos il y a question d'une SEZ au nord du Laos, faite par un aménageur Thaïlandais crédible. Ce projet dépend de la présence, de la longueur et du nombre d'arrêts d'un

chemin de fer qui relie Yunnan au Laos en passant par la Birmanie. Depuis des années, le projet ne bouge pas, il n'y pas de rails ou voies aménagées pour le moment ainsi que des points de questionnement sur le corridor du chemin de fer, va-t-il simplement faire un U pour aller du nord du Laos pour ensuite entrer en connexion avec le chemin de fer des thaïlandais ou va il être créé un chemin de fer comme sur le projet des chinois avec un chemin de fret, cargaison, viable entre le Yunnan et Savannakhet ? Je crois que le fait que cela ne soit pas fait est comme pour les pakistanais, l'état chinois abuse un peu du manque de capacité de ces pays partenaires pour faire miroiter des projets qui ne se produiront pas.

- Il s'agit d'une vision concevable, on a pu voir le cas du port au SRI Lanka qui a été confisqué par la Chine, en cause un manque de remboursement. Il est vrai que la chine peut effectuer un abus de pouvoir sur ses pays voisins, mais il s'agit aussi d'un projet émergent, il possible que le projet s'accélère dans le futur.
- Il est certain que les chinois ont la capacité de le faire sur le plan des infrastructures, ils ont de grandes compétences, CIGEX, CCC, CEDECOC, ils peuvent le faire, mais jamais gratuitement, si on compare les prêts de la CIXIM, ce sont des prêts a 3 ou 4 % alors que la banque mondiale 0,6% avec échéances de 20/30 ans avec une grâce de 4 ans pour payer, alors que la banque mondiale il s'agit de 40 ans avec 10 ans de grâce. Ces prêts se font souvent avec des partenaires chinois dans la structure du projet pour possiblement donner confiance au prêteur chinois. Cela fonctionne pour les parcs industriels en Ethiopie, mais pas pour les Ethiopiens. Ils ont finalement compris le leurre, et feront plus attention sur la structuration de ce genre projets. Mais comme vous le dites, il y a d'une part la vision long terme des chinois, mais aussi la vision du marché, qui n'est que de 10 ans. Ils ne regardent pas les projets, financements, au point de vue centenaire ou millénaire comme la chine. Le marché se fiche de ce qui va se produire dans plus de 10 ans, ce n'est pas du concret. Je regarde des chiffres depuis de nombreuses années sur des projets financés par la BRI, je me dis que cela n'a rien à voir avec la réalité du marché donc on peut espérer, mais pas compter dessus.
- Merci pour votre avis, sur la BRI, il est vrai qu'il peut y avoir une différence entre ce que dit le marché et ce qu'il se passe concrètement. Nous allons donc passer sur les SEZs, d'après vous pour quelle durée une SEZ devrait être conduite, pour vous une SEZ devrait avoir une durée dans le temps ou continuer à tout jamais ?
- Il s'agit d'une question difficile, très bonne mais très difficile, si dans votre thèse vous avez des éléments de réponse vous serez un innovateur sur ce sujet auquel butent de nombreux spécialistes et praticiens. En théorie, je pense qu'une SEZ devrait avoir un terme car même si je pense que c'est minime, il y a une distorsion du marché. En théorie économique je suppose que la SEZ ne devrait plus avoir de raison d'être après qu'elle ait rempli ses objectifs et respecte le calendrier contractuel. Dans la mesure où il s'agit souvent de concessions, en général de 30 ans, effectivement cela devrait donner suffisamment de temps pour que la politique économique du pays rattrape les avancées proposées par la zone, autant pour l'impact économique du projet, que pour le respect des obligations contractuelles du projet que pour la rentabilité financière pour l'aménageur. Pourtant, les grands problèmes sur lesquels nous butons, sont en rapport avec la grande majorité des zones franches qui ont été closes par les promoteurs ou par l'Etat et qui ne meurent jamais, cela veut dire qu'il y a prorogation de leur existence à tout jamais, et souvent avec des résultats mitigés. Alors comment tuer une SEZ ? Il n'y a pas de réponse pour le moment, certains

chercheurs m'avaient contacté sur ce thème. La question est pertinente, j'oserais espérer que les SEZs meurent au bout d'une génération.

- Pensez-vous plutôt qu'il ne s'agit pas de la définition que nous donnons à une SEZ ? par exemple si une SEZ a été créé avec un but d'accroître les exportations en donnant des avantages économiques aux acteurs, une fois que ces objectifs ont été remplis, avec un arrêt des avantages, cela ne signifie pas que la zone est morte ?
- Sur le macro oui, sur le micro non, je suis d'accord que si les objectifs sont atteints, c'est que les objectifs sont précis et définis, cela est un signal qu'il s'agit d'une réussite et que nous pouvons passer à autre chose. Je suis moins en accord avec l'exemple que vous donniez sur les exportations, un pays peut toujours exporter plus, donc n'y a-t-il pas des gains dynamiques à réaliser ? Un des critères de mensurations qui est assez objectif est le plein emploi de tout le site, éventuellement lorsque nous avons rempli plusieurs milliers d'hectares d'investisseurs, il ne faut pas non plus utiliser tout le terrain agricole du pays au profit de cette zone qui dans un imaginaire serait capable de grandir exponentiellement. Il faut avoir un plan d'aménagement du territoire et remplir le site, beaucoup de projets n'ont plus d'espace. Prenons des zones qui se sont transformées en autre chose, comme par exemple Shannon en Irlande, ou des SEZ en Pologne. En Irlande, Shannon existe toujours en tant que zone économique aéroportuaire mais il n'y a plus d'avantages fiscaux, pourtant il y a toujours une contribution au développement de Shannon, avec une transition d'investisseurs qui sont plus compétitifs et productifs et qui emploient plus, avec de meilleures industries. Une zone peut continuer à exister et servir ses objectifs, continuer à servir le développement régional et national. Pour ce qui est de la Pologne, ils ont été obligés de modifier leurs politiques de dégrèvements fiscaux pour s'adapter aux normes européennes, et ainsi équilibrer la compétition entre membres de l'UE. Ce genre de facteurs mène à une transition des zones économiques.
- D'accord, je suis de votre avis pour dire que la durée de vie d'une zone est assez floue, mais pensez-vous que ces zones pourraient être impactées par leurs objectifs écologiques ?
- Oui, j'ose espérer qu'il est possible d'avoir des zones écologiques, j'ai beaucoup travaillé sur le dossier, notamment des parcs éco industriels de l'UNIDO. Afin de développer des zones en accord avec les objectifs de développement durable, beaucoup d'institutions sont sur le sujet et diverses zones sont en train d'être expérimentées. Est-ce que tout cela est vrai ou uniquement du blabla pour faire plaisir à tous les bailleurs de fonds qui ont des objectifs louables moralement et éthiquement ? J'ai vu des données, si elles sont réelles, présentées par l'alliance chinoise des zones vertes et démontre que les membres de leur alliance en Chine et ont une croissance économique et une diminution de la pollution de ces zones, ce qui signifie qu'il n'y a pas d'entraves au fonctionnement d'une SEZ qui respecte l'environnement. Par exemple, on dit qu'il n'y a pas d'investisseurs crédibles et durables qui veulent s'implanter à côté d'usines polluantes. Ils ne veulent pas s'implanter à côté de producteurs de polystyrène alors qu'ils produisent des biscuits, cela n'a aucun sens, ils sont prêts à payer plus pour rejoindre un environnement conforme à leur production. Il est aussi dit que les employés dans ces zones ont une productivité accrue de 15%. Les économies circulaires montrent aussi qu'il est possible de récupérer la chaleur d'un processus de production d'une usine pour servir les besoins énergétiques d'une autre. Alors il y a une série d'éléments qui tendent à

appuyer la thèse d'une possibilité d'une zone durable, verte, pérenne et productive, autant pour l'économie du pays que pour la zone. Je suis moins sceptique que je ne l'étais il y a quelques années, il y a quand même quelques données qui démontrent leur efficacité. Pourtant si une zone ne contient que des PME dans des pays émergents, ceux-ci n'ont pas d'argent à dépenser dans ce genre d'opérations, à moins que ce soit donné par l'Etat ou des bailleurs de fonds. Cela dépend de la filmographie du site.

- Il est vrai qu'il est compliqué pour de petites entreprises de rajouter un tel coût à leur production. Mais pensez-vous que pour qu'une SEZ réussisse, elle doit attirer uniquement des PME, ou des multinationales ou bien les deux ?
- Il y a des tas de zones qui acceptent et aménagent d'une manière intelligente pour accueillir les deux, par exemple en Turquie il y a un parc d'approvisionnement pour les PME et un autre avec les investisseurs. Cela réduit aussi le risque de l'investisseur car il pourra louer plus efficacement son sol. Les grandes entreprises ont souvent des chaînes d'approvisionnement, et attirent souvent leurs fournisseurs dans la zone pour fournir la grande multinationale. D'où la favorisation pour les grandes entreprises. Au Mozambique, une zone a été créée uniquement pour les fournisseurs d'une entreprise d'aluminium. Je pense qu'il s'agit d'un bon modèle ou il y a les deux, certaines zones sont plus focalisées sur les PME, avec des incubateurs, etc, mais en général elles représentent un coût pour l'Etat à cause des nombreuses subventions qu'il y a, l'impact économique est aussi relativement faible. Il faut aussi essayer de construire une chaîne d'approvisionnement, pouvons-nous vous trouver des fournisseurs nationaux si vous venez vous installer dans notre pays ? Une zone qui aurait les deux aurait un impact plus intéressant avec la transformation intérieure du pays, contrairement si il y avait uniquement de grandes entreprises, alors qu'une zone qui contient uniquement des PME a de grandes chances de rater.
- C'est vrai, mais comment un Etat peut-il faire pour continuellement attirer des capitaux étrangers ?
- Le plus important, sur la durée est de favoriser le réinvestissement des entreprises qui sont déjà présentes sur la zone. Mais pour ce qui est de chercher des investisseurs, il faut déjà avoir très bien ciblé la proposition de valeur, effectué un marketing très ciblé sur ces investisseurs potentiels et connaître exactement les entreprises que nous souhaitons attirer et aller les chercher dans des petits endroits. Ainsi que comprendre que de venir investir dans notre SEZ aura un réel impact pour leur entreprise. Il est inutile de faire de la publicité pour sa zone dans des revues comme the economist ... il vaut mieux cibler des secteurs pour convaincre plus facilement certaines niches. Le cas des bailleurs bilatéraux est aussi intéressant, le Japonais JAICA est très impliqué et il faudrait essayer de construire un partenariat avec eux pour qu'ils fassent le marketing dans leur pays. Les grands investisseurs économiques de l'APAC sont principalement des sud-coréens, taiwanais, japonais et chinois. Tous ces investisseurs font de la chasse en meute, si on en convainc un, il va être beaucoup plus facile d'en convaincre d'autres. Lorsque nous n'avons pas les contacts de ces entreprises il faut faire des roadshows, il ne faut pas attendre qu'ils viennent à nous, mais ce qu'il est possible de faire est de dénicher les intermédiaires, de quels avocats ces entreprises se servent elles, de quels comptables, et lorsqu'on découvre qu'il y a toujours les mêmes qui représentent certaines entreprises, on peut découvrir qui d'autres ils représentent, ainsi que leurs

réseaux, et ainsi aller vers leurs concurrents, il s'agit d'intelligence commerciale. En général, c'est comme cela que nous trouvons nos investisseurs. Cela commence avec une bonne étude internationale du marché.

- Pour vous les avantages financiers sont-ils un vecteur d'attraction des zones ?
- Je dirais non, surtout si on parle d'avantages fiscaux, de nombreuses études disent que sur une série de facteurs à prendre en compte, les avantages fiscaux arrivent entre la 7eme et 9eme place. En premier abord il y a la taille du marché, l'accessibilité, qualification de la main d'œuvre, restrictions, traitement équitable par les autorités nationales, qualité des services administratifs, qualité des infrastructures. Ceci sont les questions fondamentales pour les investisseur, la fiscalité est marginale, et elle sert uniquement à trancher entre deux options. Pour ce qui est de la fiscalité, il faut avoir une accessibilité, qu'ils ne soient pas variables en fonction des années, que ce ne soit pas du court terme. Il faut que ce soit compétitif au niveau régional, en regardant ce que fait les pays voisins et être compétitif. Il faut aussi que la politique fiscale soit plus faible que celle appliquée dans le pays, qu'elle soit en lien avec la politique fiscale du pays. Mais il ne s'agit pas du facteur décisif.
- Donc pour vous la géopolitique du pays est plus importante que la fiscalité, par exemple la zone de Kyauk Phyu serait-elle un facteur de choix pour les entreprises sachant que cette zone permettra à la Chine de transporter une grande partie de son pétrole et gaz et d'éviter le détroit de Malacca ainsi que plusieurs milliers de kilomètres ?
- Pas forcément, je suis toutefois d'accord avec vous sur le point de l'économie des transports. Le fait que du pétrole et gaz passe par la n'a strictement aucun intérêt pour qui que ce soit sauf les exportateurs de pétrole et gaz mais pas pour d'autres investisseurs dans d'autres secteurs. Pour ce qui est du ferroviaire et routier, de quelle largeur sera le routier, quel coût aura le ferroviaire par rapport à d'autres lignes qui font concurrence, quels sont les autres options de destinations dans la baie du bengal ? A chaque fois qu'une SEZ promouvoit sa proposition de valeur, la première chose qu'ils font est de prendre une carte du monde et mettent leur zone au centre et ensuite font des cercles concentriques pour démontrer qu'ils peuvent capter un marché de plusieurs centaines de millions à partir de chez eux. Mais c'est faux, on peut jouer ce jeu n'importe où au monde, je peux positionner une zone au pôle nord et dire voilà j'ai le meilleur accès possible à la fois à la Russie, l'Europe et l'Amérique du nord, c'est bidon. L'étude de l'économie des transports est la question clé, je ne suis jamais impressionné par une carte qui montre qu'une distance sera moindre avec une route. En combien de temps cette route sera en place ? passe-t-elle par des cols de montagne, quel est l'impact sur la congestion et des bouchons sur cette route-là. De nombreux ingénieurs doivent se positionner et analyser ce projet. A première vue, cet argument ne me convainc pas, pourquoi va-t-on dans un pays ? pour avoir accès à ce pays, les chinois n'iront pas en Birmanie pour servir un autre marché, ils vont vouloir avoir accès au marché birman. Cette zone est-elle le meilleur point de distribution pour le marché intérieur ?
- Pour recontextualiser, la zone de Kyauk Phyu a été mise en place par le Chine au sein de la Belt and Road Initiative, et l'avantage principal que je vois de cette zone pour la chine est que le CITIC group sera détenteur à 85% du port
- Il faut savoir aussi savoir qu'il est rare qu'un port soit pétrolier et de fret et cargaison, au monde il y a 4 différents types de ports, les céréaliers, les pétroliers, les ports conteneurs, et vrac. Il est rare qu'un seul port remplisse les quatre fonctions car

certain aménagements bloquent. Les pétroliers ne viennent pas à quai et sont alimentés par des tuyaux. Si le port est à 80% d'utilisation pour du pétrole, il n'y aura pas assez de place pour les conteneurs, et les manufacturiers n'auront pas d'intérêts à venir.

- Il est vrai que vu avec cet angle, l'utilité de ce port est amoindrie, pourtant il a été construit en parc industriel.
- Il est aussi possible de considérer le pétrole comme activité industrielle. Mais pas manufacturière, pas d'assemblage ..
- Oui c'est exact
- Il est possible de faire de la pétrochimie, du plastique. Tout cela dépend de la faisabilité du projet et des besoins du pays. Si une raffinerie est là il peut y avoir utilité, mais si non, il n'y aura aucune utilité. Certaines activités d'hydrocarbures peuvent se faire sous SEZs, mais il n'y aura aucune manufacture. Je dirais même qu'il ne pourra y avoir aucune mixité entre les activités, car les activités pétrochimiques sont tellement salissantes et polluantes que les autres investisseurs n'auront que très peu d'intérêt à venir.
- Donc pour vous la zone a une chance de réussite si elle se focalise sur les services de pétrochimie ?
- Peut-être, uniquement s'il y a une raffinerie, mais si on exporte du pétrole déjà raffiné, la raffinerie n'aura aucun intérêt. Ainsi que faire du service aux navires. Pour moi ce n'est pas clair qu'il y ait un réel avantage pour la manufacture et l'assemblage. C'est assez suspect, car de toute façon, ils ne se serviront pas de la Birmanie tant qu'il n'y aura pas de problèmes dans la mer de Chine. Mais en cas de problèmes, ils pourront se servir d'autres routes à travers la Russie, le Pakistan ou encore d'autres, mais uniquement en cas de besoin. En créant un oléoduc, leur principal objectif est de s'assurer en provision pétrolière, cela n'a rien à voir avec un argument de développer et transformer le secteur manufacturier Birman, CITIC n'a que peu d'intérêts.
- C'est une forte possibilité, et j'avais aussi vu au travers de mes recherches, que la Chine avait pour but de s'implanter ravalement dans l'océan indien
- Oui en effet c'est une possibilité à terme dans le contexte de vision stratégique à long terme de la Chine. Tout ce qui est économique n'a que peu d'importance par rapport à la géopolitique. Etant donné que le port leur appartient quasiment, le gouvernement Birman pourrait être assez docile pour permettre aux chinois de s'implanter.
- C'est exactement ça, ce projet peut porter un questionnement sur l'intérêt que la Birmanie aurait à construire ce port, je vous remercie de votre temps, cela m'a bien aidé à avancer
- Le plaisir est pour moi
- Bonne journée, au revoir !
- Aurevoir

Appendix 2 : Interview transcript with Jim Coleman :

Interview from the 26/08/2020, duration 1 hour

- To conduct this interview I would like do it in three parts, the first one will be about the belt and Road Initiative to have your general opinion about this project next, we will talk about special economic zones, how did you getting interest about it or the factors of success and finally we can talk about Myanmar and the Kyauk Phyu project.

- I don't know much about Myanmar but okay; it's a big question from what I can see. It's really a strategy that's all about China and how China trades with the rest of the world and how the Chinese economic model is shifting from the rapid growth of China. It had been based to a certain extent on the rapid industrialization of the east coast, the maritime city Shanghai, Beijing, that whole coast of China which has become a very successful and very sophisticated economy and with success and sophistication comes higher cost of course so this is now facing some competitiveness challenges so of course the Chinese government has started to shift industrialization inland to the west so there's a kind of spatial very large-scale spatial shift of productive activity so Shanghai as a city is now dominated by services. It's a service city, a financial center, it's less and less a manufacturing center, it is still a big manufacturing center but it's a more sophisticated service center. The industrialization has gone west into the big cities of Chongqing, Chengdu, Wuhan before it shut down, all the big production centers and services are there. They have services as well but it has shifted inland partly to I think industrialize that part of the country partly to take advantage of relatively better cost conditions because of course China still wants to flood the rest of the world with good quality but affordable goods and I think with that shift in land comes a need to develop routes to global markets that involve going west rather than putting things on the ship and going east so I think there's a kind of practical access to markets strategy which means that the goods will go to Europe and north America in a westerly direction. I also think, as you've suggested, there's a geopolitical reason of course that China wants to dominate this geography which it can do because these are underdeveloped geographies they're not crowded geographies like the south China sea and that part of the pacific and therefore China can basically take control of these routes. I think those are the reasons, I think there are also opportunities to take advantage of minerals feedstocks from different inputs into the production process in these geographies by partnering with a lot of the countries on the route there are lots of kind of connectivity pieces of infrastructure which with some upgrading could become very substantial supports in places like Pakistan for example, so I think it's partly a shift in the focus of economic development, partly a desire to create new trade routes and partly a geopolitical decision as well. I think it also got a lot of traction and is popular in some quarters because of the potential positive impact on other countries on the route. It's interesting I've done some work in Greece, I know a lot about Greece and Greece is a one end basically of the belt and road and Chinese company Cosco which is a state-owned enterprise, they've acquired the main holding in the port of Piraeus in Greece in Athens, so that is now the European port for China and sits at one end of the whole initiative, this is another geopolitical kind of controlled route, a big trade route which is controlled politically and if you can take things directly into Europe and then put them on ships in Greece and then go to north America then you avoid a lot of trouble and you win a lot of friends in certain places. I think as well there are advantages and disadvantages to all of the different players, some countries on the route will do well, they'll receive new investment, they'll have some upgrading of infrastructure and it will create jobs. There will be some positives, in other places it might displace existing activity it might weaken the control of national governments or regional governments in some places and the control becomes part of the Chinese machine, we read a lot about how China seeks to finance infrastructure

development in certain countries with these very very substantial tied loans, so you receive a big loan from China, vast amount of money but very difficult to pay back you become very indebted to China, that's that gives political influence and control and that's happened a lot in Africa as well as in the belt and Road. There are kind of developmental gains but there may be losses as well there may be difficulties, it's difficult to see where it will go but it's an interesting initiative it's something I look at with interest and there is, I think, for clever governments whether they're national or regional clever governments who know how to broke there deals and negotiate with the Chinese there can be a lot of gains. I think if you're clever you can do well if you're not clever enough then things could go very badly wrong and you might find you're suddenly not in control of your territory anymore yeah so that's my take on it in general, that's a very general opinion.

- That's true, for the moment it just started seven years ago so it's like a baby project

- Yes it is a baby project, I mean here in the UK we pay very little attention to it, it's not something you see in the media, it's not something that's discussed, it's not something that is under the radar, it's not really talked about, it's not something that people pay a huge amount of attention. Obviously it's a vast project which is going on, so I think maybe for some parts of the western world like the UK even the US, which has become very anti-Chinese under the current administration, there's maybe a lack of understanding of the actual size of this thing and the potential influence that it's going to have globally and how it will affect the way, lots of countries trade.

- Yes, it's true, just before going to Shanghai last year I never heard about the BRI and when I was there, almost everyone knew what it was. In contrast, in France no one or only a few people know about this project.

- Yes I think maybe, I guess in European countries they're still very focused on the European market, because it's a big market so I guess maybe the belt road doesn't feature because there's a huge market in Europe.

- Okay so now as I told you before, when I was looking at the belt and road, I noticed that one of the main goals was to implement special economic zones around its belt. Firstly, I would like to know since how long are you working with special economic zone and what is your overall opinion about it

- Okay so I've been working on special economic zones for about ten years. Let me explain what I do on SEZs, I am an economist, I study what happens in the zone, how does the zone stimulate growth and development of particular types of industries, how do we create new industrial activity, how does it grow, why would it go to that zone, how do we position the zone to attract it, what are the consequences of it, how many goods are created, what is the quantity of revenue, what's the quantity of export what's the quantity of import and how do we build up economic activity, how do we move up value chains how do we take advantage of our advantages. A lot of what I do is around the industrialization of these places and finding ways of analyzing and modeling the selection process, how do we select and prioritize particular industries, why would we look at the automotive industry, the car industry for this zone or agro processing for other zone or mining and minerals for this zone or electronics for another zone. So that's all about working out what already happens in the country what does the country or the region already specialize in, can we do more of it, can

we make it more sophisticated, can we add more value, can we cluster, can we create a bigger cluster of activities so that it becomes more specialized. Basically that's what I do, I do strategies and modeling around these things quite often for governments, sometimes for the World Bank, sometimes for private landowners or developers who have an idea that they want to develop a zone, but a lot of it is looking at where does the demand come from, who wants to be here and what are they going to do here in this zone and it's a very important piece of analysis because a lot of zones have been developed maybe earlier on without this thinking and hoping that just by offering a tax break it will attract investment and if it's in the wrong place, with no infrastructure, with no skilled workforce or there's no tradition of doing these kinds of activities in the country then they don't really work. It is important to know how to position the zone for certain types of investments. I think special economic zones have been around for quite a long time some they range from being very successful to very unsuccessful, they can, if they are done properly, create a lot of value in an economy, create economic growth, create jobs, and if they don't work they can create all sorts of distortions in an economy, displace activity, people lose jobs and governments end up with huge debts so they can be highly problematic. SEZs can be very successful and highly problematic and I think because they have been successful in places quite often governments look at them as something they want to have, it's successful here therefore it will be successful for us and it's not necessarily this. I always say that SEZs are one of the tools or one of the policies that you use to make your economy stronger, every economies have weaknesses even strong economies have some weaknesses, some economies have a lot of weaknesses and there are things you need to do to strengthen the economy, it might be to build infrastructure, to improve education, to have all sorts of different agencies that support people into jobs or help people set up businesses but it also includes attracting inward investment into new sites and new zones so a SEZ is one of many tools that you use as a government to stimulate economic growth. It needs to be seen in the context of the country's economic strategy, what do we need to grow in our economy how can we grow it and how can a SEZ help us do that rather than let's just have an SEZ, which a lot of governments do, it worked here let's do an essay then without thinking about what are the fundamental things we need to do for our economy, can an SEZ help us do these things and sometimes yes it can, and it needs to be focused on doing certain things, certain types of industries, certain types of clusters of activity because that is part of your strategy and that helps you determine the incentives. If the future of our economy is about moving up the agricultural value chain we grow crops but we don't process anything we can have a zone that processes, it's naturally moving up a value chain it makes sense in certain situations and in order to do that we will incentivize certain types of economic activity certain types of industry and certain types of occupier because they do this thing for us. You need to think about the broader economic strategy of the country and how a SEZ, as a tool, as an instrument can help you achieve the objectives of your strategy. It does that by attracting certain types of industry, but how do we incentivize those industries? I think there are lots of zones which were created without really doing the proper analysis, without having the proper policy prescriptions and also without having a clear idea of the benefits that they need to generate. One of the big benefits that a SEZ generate in most locations is jobs, it should create jobs, it should create good quality jobs, better jobs than the rest of the economy creates but we need industries that do that, industries that naturally create jobs and jobs for local people, so we need a lot of policies which are around understanding which industries do that and how to attract them to this location, why they will do that. We also need policies around upgrading the skills base, investing in human resources, investing in education, investing in supply chains so we need

different policies, different programs to come together to make the zone work. Again, if you don't do these other things the zone doesn't necessarily generate the benefits, and if we don't do things properly, you can end up with zones which attract certain types of industries purely to take advantage of reduced tax rates and you might find that goods are shipped into a zone something may happen to them and then they're shipped out again, they don't necessarily create value, they don't necessarily create jobs, we get a lot of what's called tax inversion where organization create a headquarters function in a zone and they attribute all their income to that function and it doesn't pay any tax. It's like amazon or google going to Luxembourg or Switzerland suddenly that's their headquarters, nobody's working there, they didn't create any jobs but that's the headquarters, they don't pay any tax. We get a lot of this in SEZs and that's the wrong outcome because what it was supposed to do is attract new investments, create new jobs, give people different kinds of skills, create a supply chain and have all these effects, so it needs quite a sophisticated plan, quite a sophisticated strategy. One of the other big problems with SEZs is that they tend to be government ideas. The government will own land maybe in certain places, it may not be very good places but because that's where the government owns land that's where the zone is going to be, so they could be in locations just because the public sector has a land holding there, which is not necessarily the right location. I remember working on a project in Kuwait, it was a horrible project, it was to help the government of Kuwait develop their special economic zones strategy and they had three zones with three locations and the three locations were chosen because that's where the government had the land. One location was on the border next to Iraq where nobody wanted to go to, another one was just in the middle of the desert, right in the middle of the desert and another one was somewhere else but they were all in awful locations they were just not locations that you could credibly develop new industry but the government wanted these places to be special economic zones so it became a very difficult exercise because as consultants we should really have been saying no don't do this, this is a mistake, do something else but they wanted these zones and it was very difficult to make it work. As a prospect, they had a big industrial area next to their main port in Kuwait city and this is the ideal place for a SEZ, they had tried it before, for some reason it had failed and they didn't want to do it again so they wanted to go to these other places instead. So this whole thing got caught up in the decisions made by the government because they had a failed experience. So SEZs can end up being very political projects as well, and it makes everything very difficult. The belt and road initiative is interesting because the one thing the Chinese government is very good at is completely circumventing politics because it makes decisions to do things and it just doesn't really care, so they will say this is the best site, all your houses are on this site your houses are getting out of the way we're going to industrialize.

- There's a lot of issues with the land grabbing
- yeah but in a lot of cases this is the wrong thing, but the Chinese government apparatus makes things happen and quite often makes it happen in the right places. It can have all sorts of unfortunate consequences for people but whereas in other places the whole thing gets stuck in bureaucracy and politics and all sorts of things. I think they're choosing the right location, not just taking any land that you happen to own but choosing the right location, creating the right location with the right infrastructure with the right access and the right strategy about knowing what should happen here what types of industries, what types of businesses are we talking about and then creating a product for them. Something with the

right infrastructure with the right skills base the right labor force the right incentives, supply chains, routes to market access. All of this will make sense, it needs to make sense to the market, it needs to be that kind of product.

- yeah so by talking about it for you do you think it's better for managers to attract multinationals companies or SME's

- well it's usually both, the problem with SMEs is that they need to sell something to someone and if they're selling a very highly specialized product they may be selling it to a consumer but they're probably selling it to another business so economies function best when they have combinations of large organizations and small organizations. You have a large organization which can be public or private, which is a big buyer of things, for example, a big hospital buys all sorts of equipment, all sorts of supplies needs all sorts of skills and much of that can be generated by SMEs. The SMEs base is usually a function of larger organizations they might be public or private it could be either, and they form part of a supply chain quite often attached to a large organization. One strategy could be to attract big multinational organizations, in the industries that you have decided are correct for the country, good investors, ethical investors, who will come into the zone and stay there for a long time and on the basis of that large organization you develop domestic SMEs to supply the big organization. You start to take some of the knowledge out of the big foreign organization and it starts to make its way into the supply chain, this knowledge exchange starts to go into these smaller enterprises. Having a zone with just SMEs, who are they going to sell their product ? to other SMEs, they'll sell a few products to other SMEs but if you're talking about large volumes of products you will need some bigger organizations as well. It's a mix, a balance of different sizes of organization, but this is part of the strategy thinking, how is this ecosystem going to work, big organizations, smaller organizations in a supply chain, how can we make it all work and how can we get it to expand and become more sophisticated, creating more value and then become embedded in the place. It also depends on the status of development as well, I did a lot of work in Africa and South Asia, one of the objectives is to bring in the foreign company with its knowledge, its expertise, its technology and its management systems. To get that knowledge into your economy through connecting the big multinational to domestic firms and it's the connection between the multinational and the domestic, that's important how is that connection going to happen and I think in the sez which haven't worked, where they failed nobody ever thought about these things, nobody thought about what's the ecosystem, big organization, SMEs, supply chain, how does it work, how do we make it work, sometimes they work sometimes they almost work sometimes they don't but you need to think about them, you need to think about these things. I would say it's usually a combination of different types of organizations, some foreign, some domestic working within a kind of ecosystem that makes sense to them. What we find sometimes now in Africa and more than anywhere else is that a big investor, a big multinational may bring some of their supply chain with them, in the textile sector for example you find a big operator and they have a supply chain in europe, they will bring some of that supply chain with them, we need to be careful if it does create jobs locally then does it create an opportunity for new businesses to form locally or does it displace that activity so we need to think about the consequences. If it's done correctly, those investors can be bringing a big sophisticated kind of operations, which could become connected to the domestic economy and can start to have lots of benefits, again it needs to be thought about the strategy, to really understand how these things work.

- So how SEZ could pursue over the years to attract foreign companies and foreign direct investment ?
- It goes back to the strategy, so first of all, what are these industries, which industries are we targeting ? They need to be industries that make sense for our economy and they need to be industries which can spread these benefits into the domestic economy, we need to choose the industries carefully, when we choose the industries then we need to find the operators in those industries that are the good operators, they're sophisticated they're ethical, they are developing new products, they're interested in new markets and they will be good partners. So these are decisions for the government, they need to think about which are these big multinationals that we can partner with, that we can have a proper partnership with, and who are genuinely interested in our country. It's necessary to think about the industries, who are the operators and then what do we offer them, we can give them a good location, we need to give them good infrastructure, we need to give them access to markets, do they want to come to south Asia to make their products and send their products back to Europe or do they want to come to south Asia to make the products and sell to a south Asian market, what is their strategy ? We need to provide a zone that helps them with that strategy basically, and also how are we going to create the workforce for them, we need to give them people who've got skills and can do a good job, we need to educate people. I think all of these things are just as important as the financial incentive or the fiscal incentive, the tax breaks or the ability to repatriate all of your profits because a good investor, with a good business model who understands how they are going to develop a market, the tax break is quite low down on the list. They're interested in the site, they're interested in the infrastructure, they're interested in the workforce, they're very interested in how they get their product in and out and a tax break can help, but it's not going to be the thing that determines their decision to locate there, it is all about their business model and their product and how the product is created, how it's sold. Your location needs to help them do that, tax break help certainly if what you want to avoid is getting the kind of company that only goes to a place because of the tax break and nothing else, those who don't want these guys, and this is how SEZ fail because they got all these businesses they just wanted to pay less tax.
- Alright, thanks for this complete answer, do you think that SEZs have a lifelong or they will "live forever"
- That's a good question actually, I think in an ideal situation the SEZ would be a temporary thing and it would be there for the period of time that you need to develop that industry, to develop that part of your economy and then I guess it should naturally disappear. Because you should be able to get your economy to a state where it functions normally, it doesn't need all of these subsidies and incentives, so I guess in an ideal world maybe it would go back to normal. Saying that though, things keep changing, industries keep changing, new products are developed, new technologies are developed, I guess the SEZ maybe is always offering incentives because it's always trying to push into the new market or the new product and get everything to keep moving. Because what we don't want is to establish an industry in a country and then eventually that industry becomes obsolete because every industry changes, technology keeps changing, and the way we produce things changes, so to some extent you need to keep finding the next version of an industry, maybe you need to attract a slightly different type of investor or maybe you need to develop a different type of supply chain and maybe your SEZ needs to keep doing that, it's almost

like you keep pushing the boundary so that you're evolving and developing the next version of the industry. The way we manufacture goods has changed, with technology, with automation, the way we produce energy has changed because we want to be renewable and not reliant on fossil fuels, SEZs can still maybe help economies accelerate into these new ways of doing. I think there are two scenarios, one is the SEZ does naturally disappear because the industry is not successful or it could be that we retain it because we know we need to keep pushing and we need to keep evolving into something new and maybe the sez just helps keep that momentum going and keeps everything moving.

- But do you think that if there are some master plans there are a lot of companies who will leave the zone ?

- Well if they leave when taxes go up, then they were only really there for the tax break, which means that's not the right company. The company needs to be there because it's good for their business, because they can make their product, they can sell it, they can get into new markets, they can attract a good quality workforce, so you know if the SEZ is designed properly, it should generate successful business activity which is able to pay the tax, so if we're in a situation where we can't increase taxes now because those people might leave it suggests to me that the industries are not fully embedded in the local economy which hasn't worked in that case.

- Do you think that the financial incentives should be the same for everyone or depend on the industry or the size of the company ?

- Well I think this goes back to what do need the SEZ to do, if our economic strategy for the country is to move up the agro processing value chain, this is where the opportunity is for us, then that type of industry needs to be incentivized more than others so if the strategy is correct, if the sez strategy is based on a good understanding of what the economy needs then it should enable us to have different types of incentives, different types of support for different types of industries. It should enable us to prioritize and target different types of industries if we're doing it properly. If we need to move into higher value, maybe we do a very low value industry, what we really want to be in the higher value, electronics ? then okay maybe a textiles operator wants to come to the zone but we're not going to incentivize it because we have a lot of that already we're really going to incentivize the electronics because that's higher skill, it's more sophisticated it helps us, helps our economy. We should be able to differentiate, and apply different types of benefits or incentives to different types of industries, but it needs to be based on our understanding of where we're going as an economy, what we need to do as an economy to develop so we don't give anyone the same tax break.

- That's true, so now I would like to turn off on the Myanmar project, I will do a little brief, I will show you on my screen the map project, the project is right here it's a project under the belt and road initiative so it's led by China, it's a deep sea port and the main goal is to transport via pipelines oil and gas for China and production site. This project is under criticism as a lot of people think it was made by China to avoid the Malacca strait in case of problems with the United states. It was built as an industrial park. Do you think it is a valuable project ?

- It depends how we measure success. I mean where is the oil and gas coming from ?

- it's all coming from Saudi Arabia
- oh okay so it's actually being shipped
- yeah it's an import port so it's been shipped into the port and then it goes through pipelines to China.
- Well this sounds like it could be great for China, they will get more oil and gas, fantastic I don't know if it will do anything from Myanmar because it sounds like it's essentially a kind of transshipment type operation where something is shipped in and immediately goes into a pipe, unless something was done I mean you've got a feedstock coming in do you know what is it crude oil that comes in or is it refined ?
- I Think it's crude
- If it's crude it could be refined I mean you could have some kind of refining petrochemical type industry but the Chinese would want to do that there, these are not clean industries, they're not nice industries, they're dirty and they're polluting so you don't really want to do that, these things are time limited, I don't know for how much longer China needs oil and gas, China builds more solar panels than any other country, China is supplying the world in solar panels and has very well developed renewable energy policies and strategies so I don't know for how much longer they need oil and gas, maybe 20 years. In which case they build this facility and then they will leave it to Myanmar which ends up with this very large facility that may not be necessary and they don't produce anything there with the feedstock then they also don't create any jobs they create jobs for technical people in oil and gas and I think you can probably assume that 90 percent of those jobs will go to people who are Chinese, not from Myanmar because they'll be highly skilled jobs. Strategically it's a great thing for China, for Myanmar, I don't know what it does, if I was the government of Myanmar I would be tempted to say okay you can have your SEZ for your oil and gas only if you create 500 000 jobs somewhere else in our country that's what I would say to the government, you can do this but you need to do something else, you need to create proper jobs in proper industrial areas in our cities.
- And in addition, the port will be owned a 85% by Chinese company
- Of course, Chinese are not going to let someone else run their port
- So there is very few interests from Myanmar
- Yes and I think this is where you need to be a government that can negotiate, that can strike deals, that understands what is really beneficial for the country and I think those governments could get a lot out of these projects. With a trade-off you can say okay let's have this project, let's have this project for 20 years, you need oil for 20 years, let's have the project for years, when you're finished you clean it all up and you take it away, don't leave us with this huge infrastructure that we don't need, take it away, clean it up and in those years you develop in proper industrial activity in our cities and you create all this jobs. I think that would have to be the deal with China and it could work because this is a good way to avoid the south China sea so it could work.

- yeah but in addition there is almost the same project in Gwadar
- the one in Myanmar is obviously a lot closer to China so it would probably be the more efficient and more efficient route I guess. If my priority as the government of Myanmar was to create economic growth and create jobs, I would only say yes to this if China does something else, invests in something else, because nothing will happen there.
- Alright, I think we're done, we checked all the points I wanted to discuss
- so when do you submit your thesis ?
- normally it's in one or two weeks
- oh okay
- just the time to to tape my interviews and take conclusions about it
- well good luck
- thanks a lot for for your time
- you're welcome, so we stay in touch, let me know how you get on and what happens
- thank you for everything, goodbye
- goodbye

Appendice 3 : Interview transcription Pietro Borsano :

Interview from the 29/08/2020, duration : 1h20 mins

- Hello Sir, let's start the interview
- Hello, let's go, so I would like to give you some perspective on Chinese investments in Myanmar. First of all, the region from Mandalay and upper Myanmar, historically there have been many Chinese from the border region of Yunnan migrating into that area. These two countries have historically been very close to each other and especially in upper Myanmar, there are so many Chinese from Yunnan, I would say most of the business people in upper Myanmar are Chinese families. More recently there are Chinese companies that are investing in Myanmar, opening factories in Myanmar to produce in Myanmar. For example, just recently a car company from China just opened a new factory next to Mandalay and this is kind of breakthrough for Myanmar, so consider that Toyota opened the first factories in Thailand back in the 70/80s and start producing like completely in Thailand but we didn't do this in Myanmar because Myanmar was a close country with a dictatorship and so on. Until 2012, the majority of cars in Myanmar were actually imported from Japan like all

second handed cars from Japan, Toyota and Mitsubishi started planning about opening plans in Myanmar in 2018. I would say that Myanmar is unique because it's the only southeast Asia country that didn't see so many investments from Japan, from South Korea, from America or from Europe compared to Thailand, Malaysia and other countries and now they are receiving investments from Japan and China. On top of this, there was this human rights abuses in the Rakhine state and this, in a way I mean, I remember that when I first went to Myanmar, it was before this happened, and back then there was a lot of excitement of western investors to get into Myanmar. But then after this happened, western countries were kind of shocked by this, and they slowed down the pace of investments but this is not a big issue for China, so China didn't change any plan and they kept pushing towards further integration in Myanmar. There are many reasons why China keeps investing in Myanmar, the first one is for historical and cultural reasons, especially Yunnan and all the upper Myanmar have always been very close to each other. I've been to Kunming a few months ago, just before the lockdown the capital city of Yunnan and in Kunming it's very normal to find Burmese students that are studying in Yunnan, and I think that in China, one of the largest population of foreigners are Burmese, it's like surprising but the majority of them are actually based in Yunnan. It's in the top five, for Japanese, Americans, Germans and all of this makes sense, because they invested so much into Chinese market. Most of them are actually working or having businesses in Yunnan. This is kind of unique to Myanmar, it is not the same for Thailand, it is more separated from China. The first perspective to look at your topic is historical perspective, cultural historical and geographic perspective. The second one is that Myanmar was a close country up to 2011/2012, when the last military president opened up the country and all foreign investors came at the same time wise. In the other southeast Asian countries Japanese and Americans came much before Chinese also because back then China was still like a very developing country as well. This is unique for the development of Myanmar, and I have been visiting a lot of manufacturing companies in Myanmar and the stage of development compared to Thailand or compared to Malaysia is way behind, when they consider to purchase machinery or to purchase equipment and so on, obviously Chinese option is going to be the first for them, because in terms of pricing Chinese equipment and machinery are going to be much more affordable than German or Korean or Japanese. Then I would say there are political reasons, especially what happened in Rakhine state and why all the other investors halted the investments which China pushed and kept going with the project of this special economic zone. This special economic zone is being compared to Thilawa, a special economic zone just next to Yangon but managed by a Japanese company. Thilawa is only for business and manufacturing purposes, for Japanese companies like Toyota and Mitsubishi to have an industrial estate. While Kyauk Phyu economic zone is more, I mean since it's related to the belt and road, it's not only an industrial estate for Chinese companies to have their factories and plants but there is also a project of deep sea port and oil and gas pipeline, so if I would say more comprehensive broader compared to the other economic zone. There were also some issues with local communities, I think that right now they have been able to work this out but a few years back, there were some problems with local communities because this investment, all the piping and the deep sea port, was about to disrupt the way of living of many local communities. So they had to make some adjustments, and as Japan and America have been doing

foreign investment for a very long time, the approach of China at the very beginning appeared to be kind of more aggressive. That's why they had some conflict with local communities, but I feel that now they were able to sort out this kind of conflict, I know that the project is going ahead, there was a visit by president Xi Jinping back in February. Both government of Chinese and Myanmar agreed on this, I would say that for Myanmar right now China is obviously an important partner and it's important because in a way they have been doing business for a very long time, it's important because the products and the equipment that China can provide to Myanmar is what actually Myanmar is lacking and I know that many European alternatives would not be suitable. Myanmar market is still a very cost driven market, if whenever you find equipment and machinery that could be cost effective, this is obviously something that they will consider. For instance it's the very first market in southeast Asia where Chinese car makers actually step in, and they are basically entering the market at the same time as Japanese car makers are doing this. I would say this is kind of revolutionary, because let's say in Thailand there is also an investment by SAIC corporation, it is one of the largest car makers and capital goods companies from China, but they entered the market back 2015 compared to the Japanese this was like 30 years later and the Thai market is already very sophisticated. For Myanmar compared to five or six years ago, when Myanmar looked kind of a new land of opportunities, the new frontier market in Asia for foreign investors and right now the perspective little bit changed, so it's kind of more reliant and dependent on China.

- Okay that's a good point, I think at least just the opening of Myanmar to the rest of the world would be a great help for them to attract investors. What is your opinion about the Kyauk Phyu zone, do you think it could be a successful project ?
- Well I see that they are moving on with this project. The Belt and Road has been in a way sometimes a controversial project, because some observers argue that it's kind of a debt trap and so on, but there are obviously positive externalities in the special economic zones as well. Rakhine is one of the poorer areas of Myanmar, most of life economic hubs of Myanmar is still Yangon, most of factories manufacturing and obviously services are located in Yangon and neighboring areas like Thilawa which is just next to Yangon. The most important part is obviously in Yangon and then the second economic area of Myanmar is Mandalay for all upper Myanmar. I think that developing a different area of Myanmar is obviously positive, for this there is no doubt, and even right now, you see that like Yangon is not Myanmar, it's completely different, like the human capital, the infrastructure in Yangon, it's completely different from the rest of Myanmar. The first time I went to Yangon was like six years ago I think and just for the electricity I struggled so much, it was always power on power off even in big hotels and that was kind of annoying. I remember the air conditioning was so shallow and the internet so weak. And the last time I've been to Yangon, it was probably six months ago, I went to Yangon like two three times per year over the last six years and it developed so fast, it completely changed, traffic is getting very bad, there are many shopping malls, there are still a few problems of power supply but compared to like six years ago it looks like New York now, the internet is stable, air conditioning are stable, restaurants are popping up everywhere, it's a completely different city in six years, I mean I haven't seen any difference in Bangkok now and Bangkok six seven years ago, I honestly don't see any difference, as I do not see any difference in my hometown or probably in Lyon. But Yangon changed so much, however even when I went to like some factory visit just outside of Yangon, and

when you get out of Yangon the road is not concrete but it's a kind of off-road and you find like wooden houses, tech houses and like traditional housing so I mean it's just 30 kilometers from Yangon and it seems a completely different setup. I would say that in a way it's good if the SEZ can bring development to another area of Myanmar, and it's also good if this is not going to destroy the environment. I would say that whenever you do this kind of infrastructure projects it's good, but it's not harming the environment that much but, in a way if you open a deep sea port, it's going to change the landscape, you can't avoid, but obviously it should be done in a proper and reasonable way. On top of this, the plan is that after opening with this special economic zone and deep sea port this will be connected to the high-speed train so the high-speed train, there are many high-speed train, from China, one is crossing Laos and going down through Thailand, so this is one of the lines of the belt and road, I mean this high speed projects are under the belt and road. In southeast Asia there are many projects of high speed trains, so one is basically going through Laos and I know that they finished right now, they had a lot of delays but the Laos part should be done now, and then it will cross the border and go down throughout Thailand and reach Bangkok. The plan is these should be working by 2021 and I think the ticket is going to be 130 rmb which is like 20 euros.

- It's cheap !
- So this is for the end of 2021 or beginning of 2022, this is for Thailand but it just to say that it's not only the Kyauk Phyu economic zone, but then it's going to be like a cathedral in the desert, like Naypyidaw, the capital of Myanmar, the kind of empty city, but then it will be connected throughout the railway and this high speed railway is also crossing Mandalay so it will be like Kunming and then crossing Mandalay and reaching Kyauk Phyu. This is good for merchandise, because you can transport merchandise by railway, it's also good for travelers according to my observations. Like five or six years ago, the only foreigners or foreign tourists you could actually find in Mandalay back then were a few white people but right now the majority of them, the pandemic obviously changed things a little bit, but right now majority of them are actually Chinese. The number of tourists from China increased enormously in the last two or three years and by having this kind of railway is obviously good for merchandise, but also for traveling, for tourism, Mandalay which is just before Kyauk Phyu, began and many other touristic attractions. I would say that in a way this kind of infrastructure can be beneficial for Myanmar, I'm not against this.
- Do you think that the oil and gas pipelines in the Kyauk Phyu port will help to develop the zone ?
- I think so, Myanmar does have a problem with electricity and power supply, I think that having oil and gas could actually be beneficial for Myanmar.
- I'm not sure if the oil and gas is for Myanmar, from what I learned it's for China to save time and kilometers, and in case of the Malacca strait will be locked down by United States and Japan, it's like to help them to have a new road for the their oil.
- At the end of the day, all this Kyauk Phyu project will give direct access for China to the gulf of Bengal, without having to go through the strait of Malacca. I would say that this can also give some strategy, because right now, whenever you think of southeast Asia probably Bangkok or Singapore, the two hub for southeast Asia, because we are strategically located, Bangkok is exactly in the middle of southeast Asia and Singapore is like a financial center but it's just next to the strait of Malacca so it's also a shipping and logistics center. Having this deep sea port is obviously a

good opportunity for China because they will have access to the bay of Bengal easily without needing to go through the strait of Malacca but I don't actually think that America is going to lock the strait of Malacca for Chinese. I think it's more for Chinese to have a direct access to the bay of Bengal, right now with the relationship between China and India is kind of tense and not very good but I do not think that this will last forever, the two countries can actually find a way to cooperate and Myanmar can be a gain in a strategic location as it used to be. In the past, Myanmar was one of the two leading parties in southeast Asia, Myanmar on one hand and Vietnam on the other hand, I would say that this project potentially can give again to Myanmar its strategic position in the world map.

- That's true but do you think that this special economic zone will benefit more for China or Myanmar ? because from what I saw the Thilawa zone is working very well.
- I don't think that it is right to draw a comparison between Thilawa and Kyauk Phyu economic zone and the reason is that Thilawa is mostly aiming at manufacturing, so it's going to be an industrial estate for manufacturing companies. In this case it's more than this because right now the only deep sea port in Myanmar is the one next to Yangon so by opening this new deep sea port it's going to be connected through the railway and I think that benefits can actually be for both, not only for China. I have one of my students who is a MBA student, she's like 45 years old and she's a successful business owner, she has been doing business for a very long time and basically her business is sugar so they're producing sugar and selling it to China. It shows that China can be a potential market for Myanmar, it's not always Myanmar which is purchasing from China. The business relations between the two countries are bi-directional. In a way you are dealing with a giant like China, it's kind of dealing with the European Union, you always need to consider what could be your strengths. For the Myanmar strength, one could be the location because China doesn't have any access to the ocean and this can give them access to the ocean, the other one is natural resources because Myanmar is very rich for natural resources but what is lacking in Myanmar is a strong industry. For instance, if you look at countries that have been invested in Myanmar you will see that probably Singapore is either number one or number two depending on the year but the reason is that all the American, the European and the Japanese investors generally set up a holding in Singapore and then they invest through the Singaporean holdings to Myanmar. Now Singapore is also pushing very fast on digitalization innovation and new business models, Malaysia, Thailand are trying to follow the example of Singapore but Singapore is like five years ahead of the other economies. Myanmar does have natural resources, I would say that probably it's the best country in southeast Asia in terms of natural resources, they do also have a strong agriculture sector and fisheries and so on. For other industries it's not the case so much so, now they have been developing some textile industry, it's kind of basic industry, if you have labor force, affordable labor force this is the very first step of light industrialization, Thailand 40 years ago did this, Cambodia or Bangladesh are also ups for textile because it's a kind of light industry and whenever you have labor force, cheap, you can set up this kind of industry. This does have a lot of negative externalities because it causes a lot of pollution and water waste. Myanmar has been developing this and I would say that now Myanmar got a stronger textile sector, but this is just like a very first step and for me what is very worrisome for Myanmar is that I am not sure that the development path of Malaysia, Thailand and Vietnam could actually be followed by Myanmar

because the economy is changing. The development of Thailand, Malaysia and a little bit later of Vietnam was kind of a traditional development path, so we started with agriculture, then we shifted to light industries, such as textile and then, to heavy industries, manufacturing, both Malaysia and Thailand are already manufacturing hubs. I would say they are not different from Germany or France or Italy for many industries and then all of them are trying to get into industry 4.0, the digitalization and so on. The problem for Myanmar is can Myanmar follow this path ? because for Malaysia, for Thailand and even now for Vietnam, all of this was not domestically created, but was led by foreigners so the point was that for all these countries was not a Thai or a Malaysian or a Vietnamese to initiate all of this but there were Europeans, Americans and Japanese coming here and enjoying the labor cost arbitrage. The cost was obviously cheaper and visit the factories and by setting up factories they build up an ecosystem and network. The question mark is can Myanmar follow this path still right now ? because since we are entering into industry 4.0 which means that by having more artificial intelligence, and machines, more sophisticated machines, the labor force is not that important any longer. So this arbitrage, that I go to an emerging market because I need a lot of labor and the cost of labor in an emerging market is cheaper, is challenged right now and so what's the purpose for a western company or for a Japanese company to establish a factory in Myanmar ? I would say that the only reason why they should do so is to serve nearby markets.

- You're right, but the labor is also cheap in Myanmar.
- Yeah the labor is so cheap which is true, because a factory worker will cost 100 dollars per month so the total cost is 100 dollars, in Vietnam is 250 dollars and in Thailand will be almost 500 dollars per month, so the labor is cheap but the labor isn't skilled. Then there is no infrastructure, so okay you are producing cars, but then how can you send your cars throughout the country, it's difficult because there are no highways and even like some roads they do not even have concrete and there is no railway all these are issues for manufacturing. Another big issue for manufacturing is power supply and shortage of electricity, when I interview some factory owners, they told me "oh well we do have a problem about electricity and so we are producing during the night because during the day there are too many power shortage and so every time you have a power shortage you need to stop the machines and you have delays and this is going to be a cost, so what we do we shift the production to be nighttime just to try to avoid too many power shortage" and this was a problem of a small SMEs, so imagine a larger factory that does require a lot more of energy, they probably have better equipment and alternative power generator but still this is an issue.
- It's almost impossible for the moment
- I would say that Thailand is getting more and more expensive but still labor force is quite skilled and infrastructure-wise is very good, because there are highways, there are two deep-sea ports, there is one in Bangkok, there is one in Khiri Khan which is 150 kilometers from Bangkok, there are a lot of industrial estates, when you get into an industrial estate in Thailand it looks like Germany, it's really well functioning and some larger companies were even wondering a few years back if they should move to Vietnam because Vietnam back then didn't have enough industrial estate, the cost of electricity was higher and still there was not enough power generation in Vietnam either, so even Vietnam was struggling a bit about this. Now, they just finished some

new industrial estates and a highway connecting Hanoi and Ho Chi Minh city. I would say that for foreign investors, they generally look at, first of all human capital, it could be labor force but also skilled labor because you can enjoy very cheap prices but then if a labor is unable to accomplish the work, there is no sense.

- Or at least very easy task
- Yeah like the textile industries. The second one is infrastructure and the third one is fiscal incentives, but for me fiscal incentives and this kind of thing come generally third, the first one is the human capital, the talent pool, the second one is infrastructure, and then the third fiscal incentives. It's not that if you have a special economic zone and fiscal incentives for foreign companies to get into your country, this isn't enough for foreigners to get into the country to invest in the country.
- But in your opinion, how Myanmar could have a skilled workforce ? they will have to invest a lot ?
- Yeah this is one of the challenges of Myanmar, I do not think that they can do what Thailand and Malaysia did because I do not see that foreign investors will drive the economic growth of Myanmar. Myanmar should focus on the human capital, but not only human capital for foreign investors but for example to create more startup companies, more enterprises, to follow a different development path, not only to supply labor force for foreign investors, this was like the development path of Thailand and Malaysia, they supply factory workers to foreign investors. I do not think that this is what Myanmar should be doing, they should create different types of skills and I do not think that Myanmar is so way behind other Asian countries. For example what could happen is that many services, like a law firm from Europe or from America will outsource some services in emerging countries, because there is still a significant labor cost arbitrage between a lawyer in London and a lawyer that could be in Myanmar or in India. This could be for instance one way of development for Myanmar. Creating human capital, not only for manufacturing or to supply people for big companies, but in other areas, in services. This could be an idea, outsourcing of services from western countries to emerging countries, and for this, I do not see Thailand or Malaysia having an edge on Myanmar. This is something where Myanmar can actually fill the gap faster than for infrastructure because even in Thailand or Malaysia the human capital is not so developed yet, especially in higher industries, that require more sophistication. I have to say in manufacturing, obviously the Thai labor force is much more skilled than the Burmese labor force, but in services I wouldn't say so and for instance Thailand does have a big challenge with a language because we do not speak English, even a very high level even professionals do not speak English but this is not the case for Burmese. I think that in a way when Myanmar is defining the economic policy it should not focus only on this very traditional economic growth, however infrastructure is important, but infrastructure will take time, and it will be very difficult to close the gap with Malaysia or Thailand.
- Yes, the infrastructure will cost a lot and require skilled labor
- I would say that, for me as long as there is a compensation for local communities and as long as this project is based on sustainable foundations so it's not destroying an ecosystem in Myanmar, so as long as these two issues are carefully addressed, I do not see any negative impact on Myanmar by having this. I mean I think they can foster the connection with China, create economic development, and have positive externalities, even in other industries like when the high-speed railway will come, the

real estate will boom as well. I know that there are some real estate developers in Mandalay that are building some real estate projects that are close to the high speed train and to the railway station because, this is going to be in five years' time but we know that when the railways will be there, within two hours you can be from Mandalay to Kunming, it's obvious that area will be very valuable. Same is happening in Thailand, there are real estate projects going on here in Bangkok next to the new train stations, but also in Rayong next to the new UTapao airport and Rayong which is one of the industrial areas of Thailand and will also be connected through the high-speed train. This is something positive that all of us are looking forward to, especially here in southeast Asia, traveling around, even for business is so troublesome because there is like traffic jam everywhere, anyway you can go to Rayong in one hour by train instead of like three hours by car and one hour is just like traffic jam in Bangkok, for me it's obviously positive, I will consider this option.

- That's true, but for you, the Kyauk Phyu SEZ should focus on attracting service companies ?
- No, that was more a broader conversation on the economic development of Myanmar. I know that in Kyauk Phyu, the industrial estate will be mostly for manufacturing but this doesn't mean that we should also try to create a human capital development, not only training workers for manufacturing or technical skills but potentially also for services. I know this is a big challenge for Thailand too I mean for example the one I just mentioned Rayong, it's in the eastern economic corridor which is one of the special economic zones of Thailand and one of the issues that we are facing is shortage of human capital, because human capital in Thailand is in Bangkok cluster, because Bangkok is Bangkok, it's the largest metropolitan area in southeast Asia, it's the most advanced place in Thailand, so human sophisticated capital will stay in Bangkok, but I would say that if you have a high-speed train, it will makes things much easier because if you are one hour from Bangkok you can reach Rayong and then your factories around Rayong, even for skilled labor they will consider to work in that area because they can easily get back to Bangkok. Thais who have been educated overseas, who are skilled and qualified, do not want to live in up country, in rural areas, because even in Thailand outside of Bangkok is kind of rural. That's why combining the high-speed train in the project is a way to attract also human capital because you're not telling them : you go to Kyauk Phyu economic zone and then if you want to go to the nearest big city which is Mandalay you need to take a train or you need to take a flight and so on but if it is a high-speed train taking one hour from Kyauk Phyu you can reach Mandalay, you can for example appeal human capital from Mandalay to work in Kyauk Phyu and then for weekend come back to Mandalay. I will say that this has to be considered as well.
- Yeah, and in addition the Kyauk Phyu zone have an airport
- I know that there is an airport but every time you go you need to go ahead of time you need to do check-in and wait and these and that, by high-speed training is obviously better
- yeah that's true but like for foreigners, I don't know if it will be an international airport
- No, I don't think so because international airports in Myanmar are in Mandalay, Yangon and Bagan. In addition, we are biased when we see the flight ticket in Myanmar for about a hundred dollars for traveling back and forth Mandalay to Yangon, for us as Europeans it's nothing, it's kind of like if you go out for dinner tonight, we're going to spend pretty much the same. But for Burmese, even if they

earn a nice salary, for them this will be perceived as expensive because they have a different mindset, so that's different feeling

- Yeah and they are used to have lower salaries, if in Myanmar they earn hundreds of dollars per month, they will not spend it in a flight ticket
- Even for officers in multinational companies, where the salary is going to be around 1000 dollars, but if they need to come back every weekend, they can't even spend 50 dollars, but if there is a train that is going to cost like 20 dollars, maybe they will. In a way we talk about special economic zone it's true that they can become a cluster of manufacturing, cluster also for innovation but we should also consider very trivial things like living, would you like to live in Shanghai or would you like to live in a special economic zone where there are only factories, maybe you do it for one year or two years but then you will get bored. I would say that's why combining the high-speed trade with the special economic zone right now is very important. 20 years ago, people's needs were different, as long as people were earning money they were fine, but now, it's not the case, even in southeast Asia. Younger generation are not just satisfied because they can work all the day, earn money and that's it, even here in southeast Asia, traveling for pleasure, not for work or having a nice lifestyle, these kinds of things, people like.
- Yeah it goes with the development of the country
- Yeah, 30/40 years ago was like okay you earn a lot of money, you are happy with this, but I would say that even for Europeans, especially the generation of Europeans after the second world war, the generation which rebuilt Europe, the first goal was getting rich. But younger generation is not only this, and I would say that to some extent this is true everywhere, not only Europe, not only in America, not only in Japan
- I totally agree with you, but to get back to the Kyauk Phyu SEZ, how it could pursue attract foreign direct investment over the years
- About attracting investments right now it could be very difficult, because there are so many geopolitical tensions, I don't know whether an American company will invest in this project, just due to political tensions, but in a way if a bidding process is following the rule of law I think that there will be also western companies willing to bid for this project. For instance in the high-speed train project here in Thailand they were like many bidding companies including French companies, Italian companies, Japanese companies, I would say that when they will open the bidding, I think that also western companies and Japanese companies could be engaged. As long as the process is clear and following the rule of law and international standards and practices.
- But do you think that the deep sea port is a real advantage of the zone to attract FDI ?
- I would say as long as the deep sea port will be connected with a high-speed train and this means that merchandise can go from China and up to the gulf of Bengal and from the gulf of Bengal to China this will obviously give a strategic position to Myanmar and for Burmese companies that are importing from outside, obviously the transportation costs are going to be lower because the road is faster, especially if you come from the west.
- Do you think that China will give up Singapore and the Malacca strait to pass through the Kyauk Phyu SEZ ?
- I would say Singapore is still strategically located right now and it's not just because there is an economy, not just because there is deep support, but because it's Singapore, I don't think that China will completely give up on Singapore and so I think

this is going to be an alternative like something on top of this, however China has been investing in deep sea ports also in Greece. I think that they have experience, they have expertise in doing this, it's not like the first time that China is building or owning a deep sea port, for China it could make sense and I think that probably China will also want to develop more the western regions like Yunnan that is compared to Shanghai, area is still underdeveloped, this can be also a way for China to strengthen western regions, south western regions that are less developed

- Yeah that's true if I remember, it was one of the reasons to develop this corridor, it's to develop like the Yunnan region
- yes because it's still way behind other regions, I would say that this will strengthen the zone.
- Yeah because in my opinion the Chinese cities like Shanghai, Hong Kong or Shenzhen will not give up passing by the Malacca strait for their imports of goods, oils or everything else to pass through Myanmar. I think it's just in case of a problem and having a backdoor.
- Yes but I think that the real loophole in the BRI project was in execution, in many cases the project was fully executed and the cost got bigger and bigger and bigger and I do not think that is going to be sustainable. Saying this, apart from the execution and I think that one reason would be execution in some cases was kind of poor is that China didn't have experience to do this and we didn't have a mindset we didn't have experience outside of China so that was surely a reason, but apart from this I do not think that the BRI is actually a bad idea, it can bring more development to many countries
- Yeah yeah that's true, we can see this in Myanmar, it's developing the country, to build this railway project, but do you think there is no power abuse from China to underdeveloped countries, we saw this in Sri Lanka
- oh yeah like the debt trap of China, it's basically if the country can't pay the infrastructure, China will take over the asset. Well, it's true that the asset will belong to China but it's still a business in the country that will flourish, I saw that the case of Sri Lanka was criticized but in a way it could be from like a geopolitical standpoint, it's obviously a Chinese owning a strategic asset in a foreign country, which I acknowledge but as long as they use this infrastructure also for local companies, for local businesses, with positive externalities, on real estate or on commercial activities because when they have this kind of infrastructure, there will have a lot of shops and restaurants and so on popping up in the area. As long as this happens, I don't think that it's bad for the country, from a poor business perspective I understand that if you look from the geopolitical perspective it's like China is getting some strategic assets in in other countries, but still I think that is better that China owns strategic assets like an airport or a deep sea port that contribute to build rather than owning like a military camp like the united states does in almost every country, in a way I think if you want to look from a geopolitical standpoint how many American bases in Italy or in Germany or in Japan, so maybe it would have been better, rather than so much American military bases, to have like more airports or infrastructure. At the end of the day, it would have been more beneficial for the economy
- yeah it's all about politics and geopolitics program, but I also saw something during my research, that China could use this sport as a naval base to have a foot in the Bengal bay, do you think it could be possible ?
- It could be possible

- Also regarding the problems with India
- Yeah and so I'm sure that probably India doesn't like this project that much and the united states don't like this project that much but honestly I do not think that if a base of China can actually pose any threat. The real tensions are in Taiwan area, this could actually be a threat and if we like get to know about a new navy bases of China in the south China sea so I mean we are obviously more concerned because we know that for the Chinese communist party, Taiwan is still an open issue and they are not giving up on this. So they will never change their mind about this.
- Yeah that's true, well I think we finished for our interview, I thank you a lot for your precious time and your opinions, I will keep you in touch about my thesis
- The pleasure was for me, Bye !
- Goodbye !