
Area Development and Policy

ISSN: 2379-2949 (Print) 2379-2957 (Online) Journal homepage: www.tandfonline.com/journals/rard20

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AREA DEVELOPMENT AND POLICY
2025, VOL. 10, NO. 4, 620–635
https://doi.org/10.1080/23792949.2025.2578764



# Facilitative strategies of special economic zones in Zambia and Ethiopia: impacts on labour

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**ABSTRACT**

Special economic zones (SEZs) are spatial instruments for economic development. Through facilitative governance, states strategically shape SEZs. However, facilitative SEZ strategies beyond fiscal and infrastructural incentives and their labour outcomes have rarely been analysed. Therefore, this article examines how general and specific SEZ strategies influence labour outcomes. The analysis of one Ethiopian and one Zambian SEZ shows how labour is differently promoted to investors, and the choice of particular value chain actors as investors affect labour conditions and agency. The promotion of low-wage labour by the Ethiopian SEZ to attract captive suppliers leads to problematic labour outcomes, while the promotion of a skill-intensive Zambian SEZ to lead firm investors results in acceptable labour conditions and agency. Our study identifies general and specific public SEZ strategies, respective firm strategies and the integration in value chains as crucial influencing factors how facilitative governance can actively shape labour outcomes in SEZs.

摘要

赞比亚与埃塞俄比亚经济特区的促进性策略: 对劳动力的影响 *Area Development and Policy*.

经济特区是促进经济发展的空间性政策工具。通过促进性治理, 国家得以对特区的运作与发展进行战略性塑造。然而, 除财政和基础设施激励之外的促进性特区策略及其对劳动力的影响, 仍缺乏系统研究。本文探讨一般性与特殊性特区策略如何影响劳动力结果。通过对埃塞俄比亚与赞比亚两个经济特区的比较分析, 研究揭示了不同特区在向投资者推介劳动力时的差异化定位, 以及不同价值链主体作为投资者的选择如何影响劳动条件与工人力量。埃塞俄比亚特区通过推介低薪劳动力以吸引依附型供应商, 导致劳动结果较为不利; 而赞比亚特区以技能密集型劳动力吸引主导型企业投资, 则形成较为良好的劳动条件与工人力量。研究指出, 一般性与特殊性公共特区策略、企业策略以及价值链嵌入方式, 是促进性治理主动塑造经济特区劳动结果的关键影响因素。

**RESUMEN**

Estrategias facilitadoras de zonas económicas especiales de Zambia y Etiopía: efectos en la mano de obra. *Area Development and Policy*.

Las zonas económicas especiales (ZEE) son instrumentos espaciales para el desarrollo económico. Los Estados moldean de forma estratégica las ZEE mediante una gobernanza facilitadora. Sin embargo, rara vez se han analizado las estrategias facilitadoras para las ZEE más allá de los incentivos fiscales y de infraestructura y sus resultados laborales. Por tanto, en este artículo examinamos cómo influyen las estrategias generales y específicas de las ZEE en los resultados laborales. En el análisis de una ZEE de Etiopía y otra de Zambia se muestra cómo se promociona la mano de obra de manera diferente frente a los inversores, y de qué modo la elección de determinados agentes de la cadena de valores como inversores afecta a las condiciones laborales y la capacidad de acción. La ZEE de Etiopía que promociona mano de obra barata para conseguir proveedores cautivos consigue resultados laborales problemáticos, mientras que la ZEE de Zambia que promociona una alta especialización laboral frente a inversores empresariales principales consigue condiciones de trabajo y capacidad de acción aceptables. En nuestro estudio identificamos las estrategias públicas generales y específicas de las ZEE, las estrategias respectivas de las empresas y la integración en las cadenas de valores como factores decisivos e influyentes que determinan cómo una gobernanza facilitadora puede dar forma activamente a los resultados en ZEE.

**ARTICLE HISTORY**
Received 9 August 2022
Accepted 28 September 2025

**KEYWORDS**
Special economic zones; facilitative governance; public governance; labour; worker power

关键词
经济特区; 促进性治理; 公共治理; 劳动力; 工人力量

**PALABRAS CLAVE**
Zonas Económicas Especiales; gobernanza facilitadora; gobernanza pública; mano de obra; poder de los trabajadores

**КЛЮЧЕВЫЕ СЛОВА**
Особые экономические зоны; стимулирующее управление; Государственное управление; Труд; Власть работников

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**АННОТАЦИЯ**
Стратегии стимулирования особых экономических зон в Замбии и Эфиопии: влияние на трудовые ресурсы. *Area Development and Policy.*

Особые экономические зоны (ОЭЗ) являются пространственными инструментами экономического развития. С помощью стимулирующего управления государства стратегически формируют ОЭЗ. Однако стратегии стимулирования ОЭЗ, выходящие за рамки фискальных и инфраструктурных стимулов, а также их воздействие на труд, редко становятся объектом анализа. Поэтому в данной статье рассматривается, как общие и специфические стратегии ОЭЗ влияют на их воздействие на труд. Анализ одной ОЭЗ в Эфиопии и одной ОЭЗ в Замбии показывает, как по-разному привлекается рабочая сила для инвесторов, а выбор конкретных участников цепочки создания стоимости в качестве инвесторов влияет на условия труда. Стимулирование низкооплачиваемой рабочей силы в эфиопской ОЭЗ для привлечения независимых поставщиков приводит к проблемным результатам на рынке труда, в то время как стимулирование высококвалифицированной рабочей силы в замбийской ОЭЗ для привлечения надежных инвесторов приводит к созданию приемлемых условий труда. Согласно нашему исследованию, общие и специфические стратегии государственных ОЭЗ, соответствующие стратегии фирм и интеграция в производственно-сбытовые цепочки – это решающие факторы, влияющие на то, как стимулирующее управление может активно влиять на воздействие ОЭЗ на труд.

## 1. Introduction

Special economic zones (SEZs) are a popular spatial policy instrument to steer economic development across the Global South. SEZs are delimited areas intended to attract investments, particularly through fiscal incentives and infrastructure (UNCTAD, 2019). They are not simply generic sites of global production, but have been conceptualised as enclaves with their own rules and dynamics, often aimed at global economic integration, but developing limited local ties (Dietz, 1985; Phelps et al., 2015).

Kelly (2002) indicated problematic labour impacts of SEZs such as specific labour control regimes leading to constraints on worker organisation and labour rights while according to UNCTAD (2019) a new generation of globally integrated SEZs is expected to pay special attention to labour issues (amongst others) to 'make a positive contribution to the environmental, social and governance (ESG) performance of countries' industrial base'.

Studies and reports have tried to advise on how to implement the SEZ concept regarding infrastructure, fiscal incentives and sectoral focus including guidelines for African SEZs (Moberg, 2017; UNCTAD, 2019, 2021). While the integration of SEZs in global value chains is becoming increasingly complex and beyond simple export processing (Rodríguez-Pose et al., 2022), different SEZ strategies result in different outcomes, including labour outcomes. SEZ literature (e.g., Li et al., 2022; Phelps et al., 2023) so far has not systematically assessed different strategic approaches in the context of global value chains (GVCs, see Gereffi et al., 2005) and global production networks (GPNs, see Coe & Yeung, 2015) to understand the impact on labour.

GVC and GPN literature is increasingly underscoring the role of the state and public governance (Coe & Yeung, 2019; Horner, 2017; Mayer & Phillips, 2017). State influence on the economy is versatile: A 'regulatory renaissance' (Alford & Phillips, 2018, p. 113) has been observed in the Global South, as well as a facilitative state role through promotional activities to attract investment (Lee et al., 2014). Studies by Mayer and Phillips (2017) and Horner (2017) categorise state roles in regulatory/distributive and facilitative governance. Coe and Yeung (2015) describe different kinds of facilitative state involvement, ranging from strategic industrial policies to financial incentives. Through SEZs, the state acts in a facilitative manner to attract investors, so SEZ strategies can conceptually be framed as facilitative public governance. However, while this literature has highlighted corporate and political dynamics of SEZs, it has tended to underplay their labour dimensions. This provides scope for our study to foreground how SEZs generate differentiated labour outcomes within GVCs.

In doing so, we contribute to the theorisation of SEZs as distinct economic-geographical formations that combine enclave dynamics with differentiated labour regimes. We argue, that labour outcomes emerge not merely as by-products of GVC integration but are actively shaped by facilitative SEZ strategies. Even in low-income countries such as Ethiopia and Zambia, SEZs still retain at least limited scope to determine their own labour strategies. This labour perspective contributes to the debates on how SEZs are positioned and articulated within GVCs.

The central question of this paper is therefore: How do different facilitative public strategies impact labour in SEZs? We analyse different choices regarding how labour is promoted, and which value chain actors are chosen to shape the SEZs. Our study analyses two SEZs in sub-Saharan Africa: The Lusaka South Multi Facility Economic Zone (LS MFEZ) in Zambia and the Bole Lemi Industrial Park (BLIP) in Ethiopia. We show how different SEZ strategies impact labour conditions and agency. The identified SEZ strategies include different ways to promote labour – as low-wage labour, labour skills – and the choice for actors and resulting power structures in their value chains – captive suppliers, dependent subsidiaries, powerful lead firms. The results contribute to the understanding about how SEZ policy choices influence the development of new SEZs regarding labour.

The next section elaborates on the main conceptual framework – facilitative governance (Mayer & Phillips, 2017) as SEZ strategies and their impact on labour conditions and agency (Marslev et al., 2022; Rossi, 2019) – through the lens of GVCs/GPNs. Section 3 introduces our methods (based on a qualitative approach) and the case studies. Then, Section 4 explores the different SEZ strategies and how the choice of labour promotion and value chain actors impact the labour in SEZs, while Section 5 discusses the implications for SEZ strategic policies.

## 2. The influence of SEZ strategies on labour

### 2.1. Labour outcomes in special economic zones

SEZs are not only instruments for economic development (UNCTAD, 2019). Many of them, particularly in resource extraction, have been designed as enclave formations with high foreign investment concentration (e.g., by multinationals) and global value chain orientation but with limited knowledge flows, urbanisation effects or pecuniary linkages at the local level (Dietz, 1985; Phelps et al., 2015). In many countries of the Global South, SEZs are primarily positioned in global value chains as sites of assembly or resource extraction (Phelps et al., 2015), rather than as human-capital-intensive forms of value creation and capture (see also the debate on the 'smile of value creation'; Fu, 2025).

This position is often reflected in poor local labour market effects (e.g., precarious jobs and/or limited numbers of jobs for domestic workers; Li et al., 2022; Kiesel & Dannenberg, 2023). Consequently, SEZs mirror potential social and labour problems arising with participation in value chains (Cotula & Mouan, 2021; Schrage & Gilbert, 2021). Both GVC and SEZ works started to incorporate social and labour aspects into their analyses (Barrientos et al., 2011; Cirera & Lakshman, 2017). Labour issues encompass shortcomings in protecting workers' rights and lacking compliance to labour laws (Cotula & Mouan, 2021). They can result in poor working conditions as well as restrictions to labour movements, collective bargaining and workers empowerment, for firms to maintain or expand their rents (Teipen et al., 2022). Labour issues are described for some SEZ types such as export processing zones (EPZs) and mining SEZs (Carmody & Hampwaye, 2010; Cirera & Lakshman, 2017). Kelly (2002) showed, using South East Asian examples, how zone policies actively restricted labour rights and labour organisation. This indicates that labour outcomes in SEZs are often not incidental but structurally linked to the intended enclave character of the zone.

GVC and GPN studies have analysed labour under different conceptual approaches, e.g., social upgrading, labour agency, and labour regimes (Coe & Yeung, 2019; Morris et al., 2012). Social upgrading focuses on possibilities of improvement for workers, specifically, (measurable) labour conditions and (less quantifiable) workers' rights (Barrientos et al., 2011; Rossi, 2019). The latter, workers' rights and empowerment, is developed in studies around labour agency, where the attention shifts to workers as active agents and their power and resistance (Alford et al., 2017; Coe & Yeung, 2019). Marslev et al. (2022) describe that labour agency and its success depend on worker power, which can be structural (strategic importance of particular workers, needed skills) or associational (collective bargaining). Labour regimes as the institutional frame to labour conditions have been analysed in SEZ studies (e.g., Azmeh, 2014) and describe the interplay between different actors organising labour into production systems to create and appropriate value. Yet, the specific ways in which SEZs configure labour regimes remain less systematically theorised (Phelps et al., 2023). Our contribution is to address this gap. Specifically, we extend existing debates by linking SEZ enclave characteristics – such as limited local embeddedness and reliance on external corporate divisions of labour (Li et al., 2022; Phelps et al., 2023) – to labour conditions and agency. This allows us to theorise SEZs not only as spaces of investment attraction but also as sites where facilitative state strategies, targeted value chain linkages, and firm-level practices intersect to shape differentiated labour regimes and outcomes. Here, our view goes beyond a narrow enclave perspective by highlighting varying degrees of spatial labour.

Considering these approaches, this article focuses on two aspects of labour outcomes in SEZs: labour conditions (e.g., wages, workers' physical well-being, employment security, possibilities to grow, Rossi, 2019) and labour agency (e.g., bargaining power, options for individual and collective actions or resistance, Marslev et al., 2022), which is framed by the power relations in labour regimes. In order to understand and explain the different characteristics of these aspects of labour outcomes, it is important to consider different influencing factors and, in particular, different stakeholders and their strategies. These include the general and specific SEZ strategies as well as related firm strategies and other actors within the value chains in which the firms are embedded.

### *2.2. Public governance: facilitative governance and the general SEZ strategy*

Some GVC studies already link labour outcomes to public governance by explaining how the politics of state governance impact labour (Alford & Phillips, 2018). There is yet a lack of understanding regarding the strategic nuances in public governance of SEZs which lead to specific, differing labour outcomes. Governance describes the institutional framework for industries and value chain segments (Nadvi, 2008). SEZ strategies within public governance are typically discussed as a form of facilitative governance. Facilitative governance is 'the structures and modes of governance purposefully facilitated by powerful states' (Mayer & Phillips, 2017), through which states 'seek to promote, attract, and retain private investment' (Horner, 2017, p. 7). This facilitative role of the state has been studied for industries and global value chains (Horner, 2017; Lee et al., 2014), and regarding labour impacts (Alford et al., 2017). Facilitative governance shapes SEZs and impacts SEZ labour but remains understudied in the context of SEZs. Promotional reports on SEZs (UNCTAD, 2019, 2021) consider the role of SEZ facilitative policies and focus on how they set a favourable scene for investors regarding services, infrastructure and taxes. For example, a country's strategy may be to create jobs primarily for a high number of low-skilled workers (and accordingly focus on jobs in the manufacturing or service sectors, for example). This could increase employment but often goes along with a global division of labour with high-paid-human-capital-intensive jobs remaining in other value chain segments, and few labour upgrading possibilities (e.g., concerning qualification, wage increases and promotion) within SEZ and the region (Dietz, 1985; Phelps et al., 2023; Willmore, 1995). On the other hand, another strategy could be to promote high-tech industry and their qualified employees (though possibly fewer in number), e.g., by investment in education (Kiesel & Dannenberg, 2023).

### *2.3. Public governance: specific strategies of SEZs*

The state's facilitative role in SEZs often goes beyond specific fiscal and infrastructural incentives, as facilitative governance can be seen as overall 'strategies and policies that support the formation and operation of GVCs/GPNs' (Alford & Phillips, 2018): states are increasingly taking an active part in planning and participating in the development of SEZs, e.g., through industrial policies and specific investment promotion initiatives, which follow a particular SEZ strategy (Rodríguez-Pose et al., 2022). In public SEZs, strategic SEZ plans usually determine an envisioned development, which firms to target, and what assets to promote for that (UNCTAD, 2019).

Many SEZs have used labour as a strategic asset (complementary to fiscal incentives) for promotion (UNCTAD, 2019). There are some indicators in the literature suggesting a correlation between promotion of labour types and the resulting labour outcomes: When SEZs promote low-wage and abundant labour to target labour-intensive activities (e.g., garment and manual hardware assembly), this often results not only in low incomes but also in poor working conditions and limited structural worker power (Teipen et al., 2022). Contrastingly, the promotion of skill-intensive formalised labour force (e.g., IT employees) often encourages enforceable standards and good working conditions (Barrientos et al., 2011). These can impact the labour outcomes: When skilled workers are needed in an SEZ, firms invest in training (e.g., within South Africa's Coega SEZ; Thompson, 2019) and then start retention programmes to keep the trained workers, showing the structural power position of these workers (Marslev et al., 2022). The resulting working environment is characterised by recognition and empowerment, especially in SEZs where educated or skilled labour is scarce (Wahyuni et al., 2013).

### 2.4. Related individual firm strategies

However, firms are of course also influencing labour conditions and labour agency following their own agenda. For example, corporate practices like cost-efficiency strategies can deteriorate working conditions (Marslev et al., 2022; Thompson, 2019). Firms can further shape labour conditions by implementing workplace practices, such as recruitment policies, wage structures, training and career development (Kiesel & Dannenberg, 2023). These decisions affect workers' ability to exercise agency and collective bargaining (Marslev et al., 2022). According to Wahyuni et al. (2013) firms can shape labour conditions indirectly by pressuring governments to relax labour laws to attract foreign investment. Furthermore, firms can influence labour conditions by enabling or restricting grievance mechanisms, spaces for worker representation and collective action, often determining the extent of unionisation and negotiation (Thompson, 2019). Nevertheless, some of these strategies and practices are often necessity driven within the context of value chain governance.

### 2.5. Value chain governance and lead firm influences

Research has focused on the effects of private and chain governance on labour. It centres around lead firms as buyers and how they exert power over their suppliers (Gereffi et al., 2005). For example, power structures are different for captive suppliers and lead firms, which determines possibilities to affect labour conditions: Lead firms can pass along price pressure or corporate social responsibility initiatives which impact labour outcomes (Gereffi & Lee, 2016; Schrage & Gilbert, 2021). Asymmetrical power relations within the value chains and towards labour are common, but there are a variety of different possibilities of value chain governance and power (Gereffi et al., 2005). Governance varies depending on the power relations between value chain actors and therefore impact labour conditions, regimes and agency differently (Cotula & Mouan, 2021). The choice to attract a certain type of value chain actor and the accompanying power relation is an aspect of SEZ strategies through which the state influences the labour outcomes in SEZs. Labour outcomes also differ because different types of value chain actors exert different functions within a value chain: functions such as branding and product development in high-value chain segments covered by the lead firm, or manufacturing in low value chain segments covered by suppliers (Coe & Yeung, 2015). These different functions require different kinds and levels of labour skills and therefore impact the labour outcomes. For example, scarce skilled employees have high structural bargaining power and can exert labour agency easily (Marslev et al., 2022). Lead firms and their managers are unlikely to relocate key segments – potentially including their own workplace – unless substantial advantages arise over the current location (Phelps et al., 2015). Still, in sectors such as IT or advanced manufacturing, even intermediate segments depend on skilled labour, suggesting that targeting these sectors may offer southern SEZs an alternative to targeting low-income labour-intensive activities.

Understanding how facilitative SEZ strategies impact labour outcomes is therefore possible when analysing the kind of labour promotion and the type of value chain actors chosen for an SEZ. Figure 1 summarises the outlined discussion.

## 3. Methods, data and case studies

### 3.1. Methods

This paper follows a qualitative approach by using the example of two SEZs in Zambia and Ethiopia. After an exploratory phase, we identified labour outcomes and SEZ strategies as research foci. A total of 66 semi-

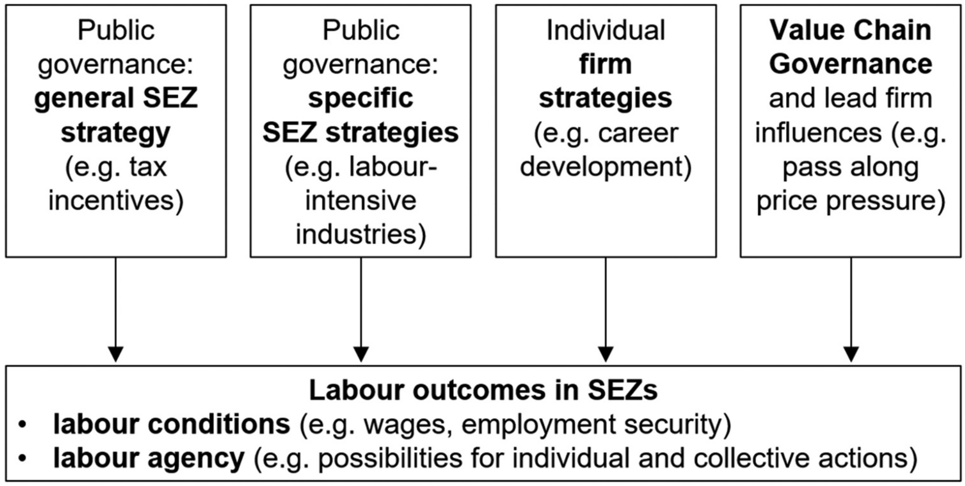


**Figure 1.** Influencing variables for different labour outcomes within special economic zones. Source: Own compilation.

**Table 1.** Overview of primary data collection: interviews and interviewees.

| Actor group | Number of interviews | | Total number of interviews | Number of Interviewees | | ID of interviewees | |
|---|---|---|---|---|---|---|---|
| SEZ | LS MFEZ | BLIP | LS MFEZ + BLIP | LS MFEZ | BLIP | LS MFEZ | BLIP |
| Firms in SEZs | 15 | 5 | 20 | 10 | 5 | Zambian_Firm1 – Zambian_Firm10 | Ethiopian_Firm1 – Ethiopian_Firm5 |
| SEZ workers | 5 | 5 | 10 | 5 | 5 | Zambian_Worker1 – Zambian_Worker5 | Ethiopian_Worker1 – Ethiopian_Worker5 |
| SEZ management | 7 | 2 | 9 | 3 | 2 | Zambian_SEZ1 – Zambian_SEZ3 | Ethiopian_SEZ1 – Ethiopian_SEZ2 |
| Other government | 3 | 6 | 9 | 3 | 6 | Zambian_Government1 – Zambian_Government3 | Ethiopian_Government1 – Ethiopian_Government6 |
| Labour representatives | 5 | 3 | 8 | 5 | 3 | Zambian_Representative1 – Zambian_Representative5 | Ethiopian_Representative_1 – Ethiopian_Representative3 |
| Other experts/ actors | 7 | 3 | 10 | 5 | 2 | Zambian_Expert1 – Zambian_Expert5 | Ethiopian_Expert1 – Ethiopian_Expert2 |
| Total | 42 | 24 | 66 | 31 | 23 | | |

structured and in-depth interviews were conducted with SEZ stakeholders, including SEZ managers, government officials, firm managers, labour representatives and workers between 2020 and 2022 (see Table 1). Interviews with workers and labour representatives addressed labour conditions and agency in SEZs, while the interviews with other stakeholders focused more broadly on SEZ strategies and labour. The broad range of interview partner helped to get different perspectives: From SEZ management and government officials about the envisioned SEZ strategy and perceived labour outcomes to firm managers about their perspective as investors (reacting to SEZ strategies) and as employers, to labour representatives (non-governmental organisations (NGOs), unions and labour activists) and workers about labour outcomes.

Interviews ranged from 15 to 110 minutes and were conducted in English or translated from the interviewee's native language. Secondary data sources included policy documents, marketing material, legislation and reports and served to support and validate the argument (see Table 2 for examples). We used qualitative data analysis software to code for labour conditions, labour agency and public facilitative governance as SEZ strategies. The deductive coding framework was based on labour criteria from social upgrading and local agency literature (Marslev et al., 2022; Rossi, 2019) and facilitative governance (based on Horner, 2017; Mayer & Phillips, 2017), while additional inductive coding helped to enrich, structure and exemplify these conceptual approaches (Mayring, 2019).

## 4. Case study SEZs

The qualitative analysis of two African, state-owned SEZs helped to understand how SEZ strategies impact labour. The African continent hosts 237 SEZs in 37 of 54 countries (mainly in Kenya, Nigeria

**Table 2.** Examples of secondary data sources.

| Case | Types of sources | Example |
|---|---|---|
| Zambia | Planning document | LS MFEZ Masterplan Study (JICA, 2009) |
| | SEZ legislation | Zambia Development Agency (Lusaka South Multi-Facility Economic Zone) (Declaration) Order, 2010 (Zambian Development Agency Act, 2006) |
| | Marketing material | Call for investment by LS MFEZ Ltd. (2022) |
| | Newspaper article | Op-ed about the development of LS MFEZ (Chibamba, 2019) |
| | Report | Study on Zambian SEZs by Centre for Trade Policy and Development (Mwiinga et al., 2018) |
| Ethiopia | SEZ legislation | Industrial Park Proclamation (No. 886/2015) by the FDRE (2016) |
| | Marketing material | Investment Guide (EIC, 2017) |
| | Newspaper article | News about a strike in BLIP (Hailermariam, 2018) |
| | Report | Study on Ethiopian SEZs by Ethiopian Development Research Institute (2017) |

**Table 3.** Summary of attracted firms by SEZ strategies in the case study SEZs (May 2022).

| | BLIP | LS MFEZ |
|---|---|---|
| Number of firms | 11 operational, park expanding | 10 operational, several under construction and planned |
| Employment creation | Around 16.000 employees, that is, roughly 1500 per firm | <5000 employees, that is, <500 per firm |
| Sectors | Light manufacturing: Garment (nine), leather products (two) | Light manufacturing: Beverages (two), tobacco (two), stone processing/tile manufacturing (two), homecare products (two), pharmaceuticals (one), fertilisers (one) |
| Origin and function of firms | Supplier firms from India (four), South Korea (three), China (two), Taiwan (two) | Branches of multinational lead firms (four), local lead firms (three), foreign international lead firms (China two, India one) |
| Value chain actor power relations | Dependent on Western buyers, mostly captive suppliers | Independent (local) lead firms or branches of multinationals |

Sources: Own data and Nega (2021).

and Ethiopia; UNCTAD, 2019). Generally, African SEZs contribute less than 5% of the national employment (UNCTAD, 2019, p. 45). Most studies and technical reports focus on the quantitative aspects of SEZ labour, and there are some qualitative studies about SEZ labour regimes in Africa (Azmeh, 2014; Mains & Mulat, 2021).

We selected the two SEZs based on generally similar characteristics for comparison but at the same time on variations in their labour conditions. Both started development in the 2010s, are owned by the government, and developed and managed by governmental agencies. In both SEZs, there are around 10 firms operating. Their sectoral focus is light manufacturing to contribute to the goal of industrialisation of the country, and infrastructure and fiscal incentives have been set up. Job creation is among the main goals of both SEZs. Union access is similar for both zones: While access was restricted in the past, both zones are now accessible to unions and labour representatives. Yet, we observed that labour outcomes differed between the two case studies: the Ethiopian case being a labour-intensive SEZ with problematic labour conditions, and the Zambian SEZ initially characterised by skilled employees with favourable labour conditions and agency.

Little research has examined these particular two state-owned SEZs (Mwansa et al., 2020; Mwiinga et al., 2018; Nega, 2021). The following presentation of the two case studies summarises the pathways of the SEZs. Table 3 summarises key characteristics and introduces empirical findings.

### *4.1. Ethiopia's Bole Lemi Industrial Park (BLIP)*

BLIP is a light manufacturing SEZ on the outskirts of Addis Ababa. The Ethiopian government planned this state-owned SEZ after the Chinese-led, private Eastern Industrial Park was established. BLIP began construction on agricultural land in 2014 (Ministry of Industry, 2014). It is developed and managed by the governmental Industrial Parks Development Cooperation and internationally promoted by the Ethiopian Investment Commission (EIC) (Ethiopian_SEZ2, Ethiopian_Government4). It hosts 11 Asian firms that produce garment and leather goods for Western buyers such as H&M and PVH (Nega, 2021).

### 4.2. Zambia's Lusaka South Multi Facility Economic Zone (LS MFEZ)

The Zambian government established the LS MFEZ in Lusaka in 2010 as the first state-owned SEZ after consultations with the Japan International Cooperation Agency (Mwiinga et al., 2018). A specially created governmental agency manages and promotes the LS MFEZ. Its 2100 ha footprint used to be an informally cultivated conservation area (Zambian_SEZ3, JICA, 2009). The LS MFEZ currently hosts 10 local and international firms operating in different industries (see Table 3).

## 5. The influence of SEZ strategies on SEZ labour

### 5.1. The strategy of promoting abundant, low-wage, female labour for captive suppliers in Ethiopia's BLIP

In Ethiopia, the *general SEZ strategy* is an expression of and generally supported by a facilitative public governance which shows the active role of the state in shaping economic and value chain development. There is a strong awareness about the need for this active facilitative governance which characterises 'the entire implementation of the [Industrial Park] programme and then partnership with the private sector' (Former Deputy Commissioner of EIC, Ethiopian_Government5). As part of the strategy, international garment and leather manufacturing segments were specifically targeted to create mass employment and establish linkages to the local leather industry (Former Deputy Commissioner of EIC, Ethiopian_Government5). To entice these labour-intensive industries, the Ethiopian state highlighted assets such as low-wage labour, the absence of a minimum wage, and the availability of a female workforce (EIC, 2017). In particular, the Ethiopian state actively promoted the 'large pool of trainable work force available at competitive wages' (EIC, 2017, p. 6). Similar to older Asian SEZs, abundant low-cost labour was emphasised as a key asset to attract firms interested in exploiting it (Mains & Mulat, 2021).

This facilitative strategy is based on collaboration between the state and big Western buyers. A former deputy commissioner of the Ethiopian Investment Commission (EIC) explained the buyers' power over their suppliers and how the strategy worked out:

> We were overwhelmed, actually, with [the number of suppliers] that were told to come to Ethiopia by PVH and the other brands, for instance, H&M, the Children's Place, and Vanity Fair. All of them worked together, because we gave in to their demands, so it was their turn to do the same by bringing their suppliers. (Ethiopian_Government5)

Part of the promotion of low-skilled, low-waged labour is the absence of a minimum wage, which allows investors to set their wages as desired (Cotula & Mouan, 2021). This strategy is strongly criticised as it affects labour remuneration in the BLIP:

> [Deficits] regarding the poverty wage exist mostly with the industrial parks or the foreign direct investments because the government is kind of enabling them. It's [. . .] the steering point for the government for this FDI companies, Ethiopia's having a cheap labour here, [. . .] it is the main selling point. (NGO, Ethiopian_Representative1)

> Apart from Ethiopia, most of the countries have a minimum wage [. . .] It is the government officials and park managers that allow this kind of exploitation. (Representative of Ethiopian Chamber of Commerce, Ethiopian_Expert1)

This general strategy is exercised and promoted within the *BLIP strategy*. In brochures about Ethiopia's industrial parks which market the BLIP and other industrial parks to foreign investors, female workforce is visually displayed (IPDC, n.d.). The BLIP strategically spotlights the availability of female workers for investors from the garment sector, a strategy often used in SEZs because of the gender pay gap and the reputation of women as dexterous and obedient workers (Tejani, 2011). The strategic promotion of low-waged, female labour shapes labour in the BLIP, and is complemented by the strategy regarding value chain actors. This means that the facilitative BLIP strategy includes a focus on suppliers exporting to consolidated global value chains.

The *BLIP firms* confirm that the low-wage labour force was one of the key reasons to set up factories in the BLIP (Ethiopian_Firm1-5). These garment firms' labour-intensive activities are limited to the lowest value adding process (cut-make-trim, interviews with managers of three firms and five workers, see also Staritz et al., 2016) and therefore depend on low-wage labour. Firms in the BLIP mostly employ female, unskilled workers with originally little, but recently increasing agency to improve their problematic working conditions. These outcomes can be explained by the facilitative governance which followed a specific SEZ strategy to attract investors. The firms in the BLIP supplying the big Western garment buyers (see Table 2) perform under low profit margins and are captive to their powerful buyers (Gereffi et al., 2005). The price pressure becomes apparent in the negotiations between workers and the BLIP firms following a strike. The firm managements agreed to increase wages 'but only if an increase in productivity by the workers was evident' (as cited in Hailermariam, 2018) to maintain their small profit margins.

The case of the BLIP confirms that such captive structures in *value chains* are dominated by price pressure and hence reduce options of firms and workers to extract more rents and establish worker rights (Teipen et al., 2022): Captive suppliers try to save costs and increase productivity, often to the detriment of workers (e.g., unpaid overtime, verbal aggressions, and cutting water supply to minimise bathroom breaks (Ethiopian_Worker1-4)).

The combination of this asymmetrical power relation and the promotion of 'cheap' labour resulted in perceiving and treating the mostly unskilled labour force as replaceable and of low value – these workers have little structural power to stand up to this treatment (see Marslev et al., 2022). Additionally, the uneducated workers are often not aware about their rights, because they do not understand the contracts they sign or only have informal, incomplete oral contracts (Ethiopian_Representative1, Ethiopian_Worker2). BLIP firms exploit workers' lack of knowledge about their rights by unlawfully mandating overtime, deducting wage as punishment, and creating an unsafe, aggressive and sometimes abusive working environment (Ethiopian_Worker1-5, see also Hardy & Hauge, 2019; WRC, 2018). Workers are not only kept unaware about their rights regarding working conditions but also have little knowledge about their possibilities and rights to organise. For a long time, what little collective agency there was (in the form of unorganised, informal protests and wildcat strikes) was not successful, showing that the workers had little power to evoke change through associative power (Ethiopian_Representative2,3).

> We have asked again and again, we have protested several times [. . .] We have never gotten any solution. We have limited choice, we either shut up and work or join another company. (Worker at a BLIP firm, Ethiopian_Worker1)

This power asymmetry confirms the notion that the strategic choices by the state initially 'protect the foreign investors rather than [the] labourers' (Ethiopian_Expert1). The facilitative BLIP strategy focuses on keeping the labour force as promoted and promised to the investors, namely as low-wage assets with little agency. Nevertheless, labour agency appears in unexpected forms: high turnover rates of workers that indeed change jobs or often return to their old lives show that there is micro-agency at play (Ethiopian_management1, Ethiopian_Firm5; see Hardy & Hauge, 2019).

Recently, the situation for SEZ workers in Ethiopia has changed (as with the Ethiopian garment industry outside of SEZs (Cotula & Mouan, 2021)). The initial facilitative strategy was difficult to maintain in the long run: A public international outcry about the precarious working conditions in Ethiopian SEZs and increasing strikes and union work (Admasie, 2022; Hailermariam, 2018) added a transnational associational dimension to labour agency (Marslev et al., 2022). This development raised awareness among the general public and policymakers and led to adjustments in the facilitative strategy: Although still concentrating on low-wage labour, promotion officially no longer uses the term 'cheap' labour (Ethiopian_Representative3, Ethiopian_Government4, Ethiopian_Expert1). Together with other international actors, the Ethiopian Investment Commission issued the 'Human Resource Guidelines' (EIC, 2021) to support labour management in the Ethiopian industrial parks to improve operations, reduce turnover and increase productivity. This facilitative document is not regulatory or binding, but it shows that the labour force is now displayed as more than a mere replaceable asset, emphasising the importance of cooperation between firms and workers, incentive schemes and grievance procedures. This shift in discourse marks the adjustment of the facilitative strategy, and the labour situation in Ethiopian SEZs has improved since then (Cotula & Mouan, 2021).

### *5.2. The strategy of attracting lead firms and focusing on expertise in Zambia's LS MFEZ*

In Zambia, SEZs are embedded in a *general SEZ strategy*, the Zambia Development Agency Act, which mandated the creation of the Zambia Development Agency (ZDA) and provides a framework for investment facilitation activities (Zambian Development Agency Act, 2006). The ZDA's strategic focus includes promoting and attracting investment into key sectors such as agriculture, tourism, mining and manufacturing. For the SEZs, the ZDA aims to attract investors from integrated value chains with potential for value addition, job creation and exports. Here the target is to create jobs across a spectrum of skill levels, with a focus on higher skilled jobs (e.g., information and communications technology (ICT)-related services and manufacturing).

Indeed, while other SEZs are basic manufacturing hubs for export, *the SEZ strategy* for the Zambian LS MFEZ calls for expertise and skilled labour because it follows the vision of a tech-park like SEZ to contribute to industrial diversification and import substitution (JICA, 2009). The LS MFEZ facilitates investments in a variety of industries (Zambian Development Agency Act, 2006, Zambian_SEZ1-3), and most of the tenants are capital-intensive industries (see Table 3). They primarily require skilled employees and some additional unskilled workers (Zambian_Firm2-4,6,8, Zambian_Expert4). Therefore, unlike traditional SEZs and the Ethiopian BLIP, the LS MFEZ strategy is based on skilled labour. The strategy avoids promoting Zambian low-wage labour because 'the high labour cost in Zambia [. . .] is a disadvantageous condition' (JICA, 2009, p. 2.23). We see the existing additional unskilled workers as a necessary byproduct, which is not in the centre of the LS MFEZ promotional strategy.

A labour expert hints at differences in SEZ strategies, which explain these different outcomes for labour when compared to other strategies like in the BLIP:

> Elsewhere there's been challenges in terms of labour [in SEZs] in Africa [. . .]. So this one [the LS MFEZ] is different because this is where you have expertise. (Zambian_Representative2)

Indeed, LS MFEZ could attract a number of company branches including Western lead firms such as British American Tobacco and national companies such as BigTree Beverages Limited. Both international and local *firms* incorporate high value adding activities such as product development, distribution and marketing which require skilled labour, while the manufacturing process itself is mostly automated and requires skilled labour (Zambian_Firm1,3,4,7,8, Zambian_Worker1,3).

LS MFEZ firms *value chain* integration and their related power relationships differ from the BLIP's suppliers. The independent local firms are rarely under price pressures from buyers. Meanwhile, the branches of multinationals are positively influenced by their holding or headquarters' guidelines on how to improve labour relations (Zambian_Firm1,3,4,7,9, Zambian_Worker3, Zambian_Representative4).

Practices are based on international standards, and benefit skilled employees (Zambian_Firm3,4, Zambian_Worker1,3,4, Zambian_Expert5). Such practices include regular assessments of employee satisfaction, focus group discussions to involve and engage employees, and various training and exchange programmes to develop skills and careers (Zambian_Firm3,4,7). The firms seek to improve workplace attractiveness and create career possibilities to prevent skilled and trained employees from defecting to the competition (Zambian_Firm3,4, Zambian_SEZ3), also by empowering workers:

> The focus is: train the talent, let it feed back into the company, at the same time retain the talent. Because if you fail to do that then you would have just spent a lot on training and people have left. (Manager of a multinational firm in the LS MFEZ, Zambian_Firm3)

> It's a typical assessment that is done and I believe most of the global organisations are doing it [. . .]. We sit down in focus groups to follow up on the feedback that came up, seek further clarification and align with the employees what are the actions that we can pursue. The idea is to make an effort to address the issues that [employees] raise [. . .]. We engage the employees in terms of getting them to participate in decision-making. (Manager of another multinational firm in the LS MFEZ, Zambian_Firm4)

Workers receive firm-specific training and execute essential functions within the firm and thus have structural power. They use this workplace bargaining power (Marslev et al., 2022) successfully to influence their labour conditions.

> We have fused in some of the workers as well. It will be in that committee where mostly we can discuss issues concerning our grievances [. . .]. Last year we had two [wage] increments which were put in place. (Worker of yet another multinational firm in the LS MFEZ, Zambian_Worker3)

Among these skilled employees, awareness of rights is high, there is power and agency to negotiate acceptable wages and working conditions, and firms offer possibilities for engagement and career development. These favourable labour outcomes however mainly apply to skilled employees. There have always also been unskilled, casual workers needed for additional tasks like packaging and, following a change in the LS MFEZ strategy, the number of unskilled workers increased even more. The initial LS MFEZ strategy did not create many jobs (even after the strategy change: under 500 workers per firm vs. roughly 1500 per BLIP firm, see Table 3), which was criticised publicly (Mwiinga et al., 2018). Therefore, the LS MFEZ management adjusted its facilitative strategies so 'the investor that employs a certain number of these low-income jobs gets incentivised' (LS MFEZ manager, Zambian_SEZ2). The promotion of less skill-intensive activities for more employment resulted, for example, in investments by a tile factory and a diapers factory. Both firms are dependent (rather powerless and weakly embedded) subsidiaries of Asian firms and employ low-skilled and low-paid workers for manufacturing, often casually or informally, under very different labour conditions than the skilled employees (Zambian_Worker2,4):

> And then the job is not really guaranteed. You can be fired at any time. [. . .] The job is not secure. (Worker at LS MFEZ, Zambian_Worker4)

> [Casual workers] at our company are not provided the safety gears. So, there was this instance, whereby the guy was trying to offload something at higher position, he fell and broke his hand [. . .]. For the casuals, they don't take responsibility [do not pay the treatment nor compensation]. (Labour representative at a LS MFEZ firm, Zambian_Representative4)

These workers do not have workplace power and opt for collective agency through unsuccessful protests. (Zambian_Worker2,5, Zambian_SEZ3, Zambian_Representative2)

> We [workers] tried to talk to the human resources, saying 'please increase our salary'. They refused. As a result, we organised a riot [. . .]. We were beaten, and many of our workers who were involved in the strike were fired. (Worker at LS MFEZ tile factory, Zambian_Worker2)

Similar to the initial Ethiopian BLIP strategy, the adjusted LS MFEZ strategy towards low-skilled, low-wage workers came with aggravated labour conditions and rather unsuccessful attempts of collective protests.

## 6. Concluding discussion

Figure 2 summarises our results. In both countries, labour outcomes are impacted by general and specific SEZ strategies, combined with individual firm strategies and the value chain governance in which the firms are embedded. These strategies and labour outcomes are not static (as suggested e.g., by Willmore, 1995) but change throughout time.

Following these results, by foregrounding labour, we advance the theorisation of SEZs as distinct economic-geographical formations and contribute to bridging the gap between SEZ research and GVC/GPN research on labour. While SEZ works have often reduced the role of facilitative governance for SEZs to infrastructural and fiscal incentives (e.g., UNCTAD, 2019), our findings highlight that facilitative strategies – labour promotion and targeting value chain actors – are also constitutive of how SEZs articulate with GVCs through their impacts on labour conditions and agency. In this way, this can explain differences in labour outcomes between the two SEZs.

In the Ethiopian case, general and specific SEZ strategies focused on attracting captive suppliers which export to value chains with highly unequal power structures dominated by price pressure. This strategy facilitates poor labour conditions and limited labour agency, which only improved after transnational pressure led to changes in the strategic discourse and strengthened labour agency. Contrastingly, the facilitative strategy in the Zambian SEZ promoted skilled labour and attracted lead firms. Workplace bargaining power enabled good labour conditions and agency for these skilled employees. After the SEZ strategy got adjusted towards promoting labour-intensive industries, the numbers of low-skilled workers

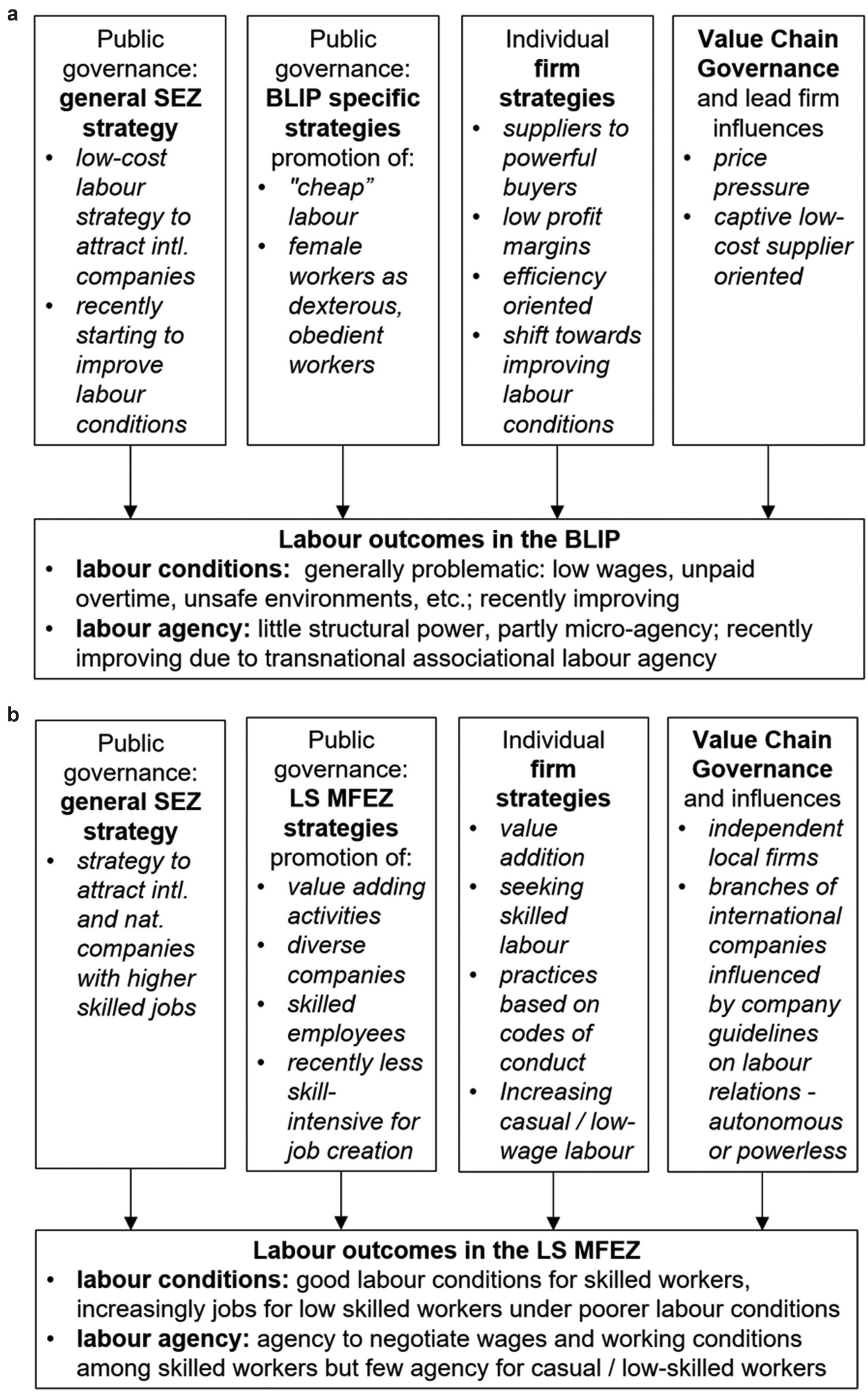


**Figure 2.** (a/b): Influencing variables for different labour outcomes within (a) BLIP and (b) LS MFEZ. Source: Own compilation.

increased. Their labour outcomes so far are characterised by poor labour conditions and limited labour agency, similar to the original Ethiopian case.

The strategies and developments in and around these two case studies – including their changes – demonstrate the impact of general and specific SEZ labour (skills) oriented strategies to attract specific investors. These strategies significantly determine which companies settle and the labour policies they adopt.

The targeted investors also influence labour outcomes as power structures within the value chain and the functions executed in the SEZ explain labour conditions and workers' power and agency. Strategic facilitative governance thusly plays a decisive role for labour outcomes: SEZs can – to a degree – choose how they promote labour, and what kind of value chain actors they want to attract. In that way, labour outcomes are actively influenced through SEZ strategy: choosing skills and lead firms can improve possibilities for employees to get favourable labour conditions, whereas promoting low-wage labour to captive suppliers risks limited agency and poor labour conditions, as reported in studies on labour-intensive export processing zones (Cirera & Lakshman, 2017; ILO, 2017).

However, strategic choices for promotion have to consider local assets, including labour availability and skill, to be feasible (Rodríguez-Pose et al., 2022; Yeung, 2015). Choosing a high-skill SEZ strategy may demand skills that local workers do not possess and thereby fail (UNCTAD, 2021). Ex-pats or training programmes can remedy the problem (Thompson, 2019; Wahyuni et al., 2013), but it can also lead to failed SEZs without investments, like unsuccessful cases of high-tech SEZs in the Global South (UNCTAD, 2019). The example of the Zambian LS MFEZ shows that an initial focus on lead firms, skills and expertise (as opposed to low-wage labour-intensive manufacturing) can also work (to a certain degree) without being unrealistic.

The choice for value chain actors, considering the power relations within value chains, can have different implications. As discussed by scholars such as Morris et al. (2012), value chain integration can lead to upgrading in the long run, but this is not determined. While the case of the Ethiopian BLIP showed that buyers merely passed on price pressure to the captive suppliers and therefore fostered poor labour outcomes, buyers could also pass on beneficial practices: A close, captive relation between buyers and suppliers could potentially positively influence labour because of cooperation and bargaining possibilities. Buyers can impose worker-friendly practices as a requirement to their trade relation (Schrage & Gilbert, 2021). This may happen especially when there is international public attention and consumer pressure on the buyers to improve practices along the value chain (Gereffi & Lee, 2016). Public governance in both SEZ and buyer countries have impacts on this form of labour impact: Western countries can and are establishing labour-related regulations that extend along the value chains (e.g., the German Supply Chain Act (Kolev & Neligan, 2022)). SEZ countries and their governments can strategically choose to work with actors where labour-beneficial practices are known – SEZ strategies are far more complex than simply promoting fiscal and infrastructure incentives.

Structurally, these different, complex possibilities of SEZ strategies imply a questioning of the idea of an SEZ development ladder (UNCTAD, 2019), which claims that any SEZ should start by promoting low-wage labour before specialising. If creating a large amount of employment is not a primary SEZ goal, SEZs may very well directly target a skill-intensive industry, successfully induce economic development, and benefit from training and skill transfer to a few locally educated workers (see also Pike et al., 2016). This trade-off means that policy makers may decide if employment creation is a crucial goal for an SEZ or if they want to design them as spaces for economic advancement with acceptable labour conditions and empowering labour agency but without aspiring to reduce low-skilled unemployment. While this article focused on the labour outcomes, future research may continue to explore SEZ strategies and their impacts on other important aspects of SEZ outcomes, such as local linkages or contributions to industrialisation.

## Acknowledgements

This research was undertaken with financial support by the German Research Foundation. We thank Padraig Carmody and Sina Hardaker for their detailed reviews of previous drafts, anonymous reviewers for their helpful input, and Mubiana Siamutwa, Johanna Pütz, Enock Sakala and Gilbert Siame for their excellent support and research assistance. We are grateful to all our interviewees for their openness and kindness.

## Disclosure statement

No potential conflict of interest was reported by the author(s).

## Funding

This work was supported by the Deutsche Forschungsgemeinschaft [DA 1128/9-1].

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