Different Strategies for Special Economic Zones in sub-Saharan Africa:

Impacting Labour Regimes and Value Chain Linkages

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Summary

Special Economic Zones (SEZs) have been adopted by many countries all over the world as an instrument for economic development. The concept has changed across time and space, resulting in a multitude of SEZ strategies. Most recently, many African countries started to adopt and adapt the concept, but with underwhelming successes so far. Based on a grounded theory approach, this thesis explores different outcomes in African SEZs (e.g. regarding business structures, labour regimes, value chain linkages), and developed a theory on strategic coupling through SEZs. This approach helped to understand how SEZ actually attract investors and explain the outcomes of different SEZ strategies, which has not been systematically assessed until now. The thesis answers the questions how strategic coupling through SEZs happens, how specific SEZ strategies shape strategic SEZ types and how these influence the SEZ outcomes.

The empirical analysis of two case study SEZs, a Zambian and an Ethiopian SEZ, served to identify three (non-exhaustive) strategic SEZ types. They are based on their structural, functional, and indigenous coupling modes: Export processing zones (EPZs), functional SEZs, and innovation hubs. These types use different strategies – they target different value chain actors and strategic foci, and choose to either concentrate on generic locational advantages (EPZs) or specialized locational advantages (functional SEZs, innovation hubs). By promoting these different locational advantages, different modes of coupling are enabled. Ideally, they are based on current dynamic investments drivers, namely cost-reduction, capability improvement, and market development.

The case study SEZs advances the theory by showing how important it is not only to promote advantages based on the real locational context, but also to consider market development and capability improvement as investment drivers into an SEZ strategy. Focusing on specialized locational advantages to address these drivers reduces the risks of divestments and lock-ins of enclave SEZs. At the same time, it is more likely to enable dynamic benefits such as value capture, value chain linkages, and technology spillovers. Local agency and participation is crucial for an integrated SEZ. The result question the idea of starting with an unspecific SEZ, based only on generic advantages, to then progress in a SEZ development ladder. Instead, concentrating on a specific strategic focus, identifying specialized advantages and opting for local investors and symmetric power relationships are recommendable SEZ strategies.

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Brief Table of Contents

Detailed Table of Contents

List of Figures

List of Tables

List of Abbreviations

AGOA	African Growth and Opportunity Act
BLIP	Bole Lemi Industrial Park
CSR	Corporate Social Responsibility
DVC	Domestic Value Chain
EIC	Ethiopian Investment Commission
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign direct investments
GPN	Global Production Network
GVC	Global Value Chain
IPDC	Industrial Park Development Corporation
JICA	Japan International Cooperation Agency
LS MFEZ	Lusaka South Multi Facility Economic Zone
MNE	Multinational enterprise
RVC	Regional Value Chain
R&D	Research and Development
SEZ	Special Economic Zone
TNC	transnational company
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
US	United States of America
ZDA	Zambian Development Agency

1 Introduction

1. Introduction

1.1 Special Economic Zones: Economic Policy Instruments for Strategic Coupling

Special economic zones (SEZs) are seen as important instruments to contribute to economic and regional development (Narula & Zhan, 2019). They provide a limited geographical area with fiscal, infrastructure, and service incentives, mostly including tax exemptions, in the hope of attracting investment. Structural features include a legally liberalized space with a specific regulatory regime and a dedicated governance structure (Frick et al., 2019). As a policy instrument, the SEZ concept has become increasingly popular and has been adopted by countries around the world (see Figure 1). Well-known SEZ initiatives include the export processing zones in Asia's newly industrialized economies and the Shenzhen SEZ in China (UNCTAD, 2019; Wong & Chu, 1984). In the Global South, the number of SEZs has reached a total of 4,772 in 87 countries (UNCTAD, 2019).

Similar to industrial cluster policies, SEZs are promoted as catalysts for economic activities that are expected to generate spillovers and contribute to regional growth and structural transformation (Aggarwal, 2019; Johansson & Nilsson, 1997; Narula & Zhan, 2019). There are numerous studies on SEZs (see also Chapter 2.3, Paper 1). They often include economic analyses of static/direct and dynamic/indirect effects on the economy of their host countries (Farole & Moberg, 2014; Frick & Rodríguez-Pose, 2021; Frick et al., 2019; Giannecchini & Taylor, 2018; Hardaker, 2020; Naeem et al., 2020; Oqubay & Lin, 2020a, 2020b; Rodríguez-Pose et al., 2022; Whitfield & Staritz, 2020; Zeng, 2021b). Others analyse the socio-political conditions and impacts of SEZs (Adunbi, 2019; Alkon, 2018; Azmeh, 2014a; Cowaloosur, 2014; Cross, 2010; He & Chang, 2020; Lawanson & Agunbiade, 2018; Levien, 2011, 2012, 2013; Neveling, 2017; Ong, 2006). While there are also SEZs that focus on the primary sector or services, the majority of SEZs in the Global South are developed for industrial activities (Kleibert, 2015; UNCTAD, 2019), which is also the focus of this thesis. The current SEZ approach sees SEZs as facilitators to connect to global production networks (GPNs) (Aggarwal, 2019; Zheng et al., 2022).

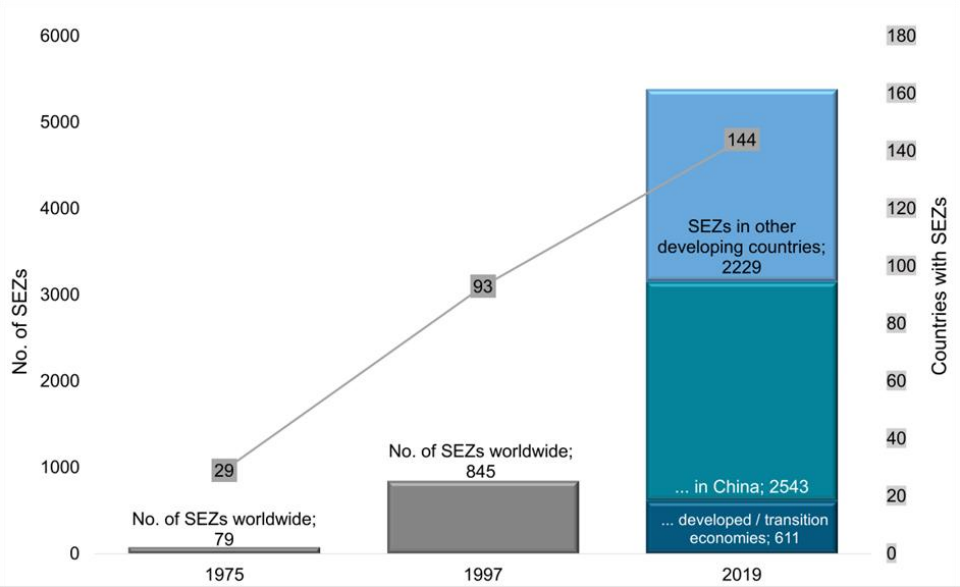

Figure 1: Worldwide development of SEZs (1975-2019), by country group for 2019. Author's design. Source: UNCTAD 2019.

There is not a one-fits-all recipe for SEZs (Rodríguez-Pose et al., 2022; UNCTAD, 2021; Zeng, 2021b). Each country has adopted the SEZ concept differently, and each SEZ has different characteristics and assets (location, accessibility, proximity to resources, urban agglomerations or industrial clusters, labour force, etc.), making each SEZ and SEZ strategy unique (Frick et al., 2019; UNCTAD, 2019). The wide range of different SEZ adaptations and their evolution over time has been explored several times (Baissac, 2011; Bost, 2019; Meng, 2005), showing that the strategic approaches and goals have been changing. Today, more than ever, there is an emphasis on the fit of an SEZ's strategic focus to the existing local conditions. For UNCTAD (2021), successful SEZs are the "product of the underlying local sources of comparative advantage and the external trends that shape the geographical choices of multinational enterprises and foreign investors" (p. xxi). This means that an SEZ strategy considers both local comparative advantages and the demands of investors to facilitate investment in the SEZ.

A more recent approach towards SEZs connects them with the concept of Global Production Networks (GPNs). Here, SEZs are seen as "territorial intermediaries" (Zheng et al., 2022) for strategic coupling between investing firms and regional assets promoted by SEZs. The idea of strategic coupling – the process of matching regional assets with investors' strategic needs (Yeung, 2015) – fits with UNCTAD's (2021) suggestion above that locational comparative advantages of SEZs are matched to potential investor demands. In the GPN literature, Coe and Yeung (2015) indicate the role of export processing zones (EPZs, a common form of SEZs) in providing low-wage labour as a regional asset for labour-intensive manufacturing by coupling global production networks with this labour force. This is just one example of how SEZs can attract firms from global production networks to couple with regional assets.

While Zheng et al. (2022) initiate a first attempt to link SEZs to strategic coupling, a detailed understanding of strategic coupling through SEZs and a systematic exploration of different SEZ strategies for different modes of strategic coupling is still lacking in the literature. Therefore, the aim of this thesis is to understand the strategic coupling process through SEZs and explain how SEZ strategies influence this process and related outcomes (see all detailed research questions in the following Section 1.2). The strategic coupling lens helps to understand the importance of SEZ advantages (assets) beyond the commonly discussed fiscal and infrastructure incentives, as it emphasizes the coupling between economic actors, including workers, suppliers, and knowledge institutions. In turn, explaining how SEZ strategies influence strategic coupling and related SEZ outcomes is critical for informing SEZ policy and promotion.

Empirically, this thesis uses the analysis of two empirical case study SEZs, which are both state-owned and public-led, manufacturing SEZs in sub-Saharan Africa: *Ethiopia's Bole Lemi Industrial Park* (BLIP) and Zambia's *Lusaka South Multi Facility Economic Zone* (LS MFEZ). Following a constructivist grounded theory approach (Charmaz, 2014), I conduct an extensive qualitative analysis and develop a theory around SEZ strategies that also challenges some of the current practices and recommendations for SEZs in the Global South, particularly in sub-Saharan Africa (e.g. UNCTAD, 2021). The case study SEZs illustrate different interpretations of the SEZ concept: While the Ethiopian BLIP follows the traditional EPZ strategy, different strategic coupling situations in the Zambian LS MFEZ indicate possible SEZ strategies for SEZs as functional SEZs or innovation hubs. Both case study SEZs have not yet been studied in detail, beyond general performance assessments (Aynalem, 2019; Gebremariam & Feyisa, 2019; Mwansa et al., 2020a; Mwansa et al., 2020b; Mwiinga et al., 2018; Zhang et al., 2018) or specific studies, for example, on labour in the BLIP (Berhanu, 2018; Nega, 2021). These two case study SEZs help to understand the functioning of strategic coupling through SEZs and to build a general theoretical typology. The aim of this qualitative study is not to be representative of all SEZs in sub-Saharan Africa but to develop a case-based theory.

In the following, I will introduce the theoretical approach by defining important concepts and terms. I will then present the research aims and questions for this thesis. Finally, I will give an overview of the structure of the thesis and clarify my contribution to the journal articles included in this thesis.

1.2 Merging Special Economic Zones and Strategic Coupling

Coe and Yeung (2015) develop the idea of strategic coupling in their extensive "meso-level theory" (Coe & Yeung, 2019, p. 792) around GPN. Here, they do not only conceptualize

different modes and types of strategic coupling, but also formulate causal dynamic drivers, which lead to the emergence and evolution of GPNs, and thus play an important role in understanding the strategic needs of GPN firms (see also Yeung & Coe, 2015). These strategic needs have to match regional assets for strategic coupling to happen. This is where the SEZ and strategic coupling approaches overlap: SEZs are supposed to identify and promote locational advantages for their strategic focus to attract foreign investment (Narula & Zhan, 2019; UNCTAD, 2021). Therefore, the terms 'regional assets' (from the strategic coupling literature) and 'locational advantages' (from the SEZ literature) can be used synonymously. Moreover, GPN theory explains the effects of strategic coupling on regional development through value capture, while acknowledging the important 'dark sides' of GPNs and strategic coupling, the risks of ruptures and frictions (Coe & Yeung, 2015; Coe & Yeung, 2019). As a policy instrument for economic development, SEZs are similarly associated with a set of expectations and risks regarding their 'success'. Applying the strategic coupling approach to SEZs allows for a deeper understanding of investments in SEZs (as strategic coupling processes) and their outcomes. These can be systematized by developing a theory of different SEZ strategy types for strategic coupling – EPZs, functional SEZs, and innovation hubs (see Chapter 7).

Others have made extensive attempts to systematize and differentiate approaches to SEZs across time and space (Baissac, 2011; Meng, 2005). This thesis focuses specifically on manufacturing SEZs in sub-Saharan Africa that are being established nowadays. One of the current important expected benefits of SEZs is local linkages (Frick & Rodríguez-Pose, 2021; Giannecchini & Taylor, 2018) – they refer to domestic (forward, but mostly) backward linkages to the host country's economy. There is no distinction between 'local' and 'domestic' in this case, and in order to maintain the common terminology, I will also refer to *local* linkages, even though they may encompass more than the immediate local space. Accordingly, I will speak of *local* agency, actors, firms, sourcing, content, value chains, value addition, and value capture (except Article III, where the term domestic value chain is used for the sake of clarity in that single paper). In the strategic coupling literature, in situ assets that are accessible to induce strategic coupling are called *regional* assets, regardless of their precise local, regional, or national location (Coe et al., 2004; Coe & Yeung, 2015; MacKinnon, 2012; Yeung, 2015). Conversely, *regional* value chains (or production networks) refer to supranational value chains across national borders to neighbouring countries, but within a continent, to distinguish them from local value chains (Black et al., 2021; Godfrey, 2015; Scholvin et al., 2021).

1.3 Research Approach, Objectives, and Questions

It is not easy to employ a traditional thesis structure – from research question to theoretical background to empirical case to analysis – if research is not also following this linear approach. Consistent with the grounded theory methodology (Charmaz, 2014; Thornberg & Keane, 2022), I entered this research with only some vague ideas in the back of my head and used a very broad, exploratory approach to explore similarities and differences between SEZs in Zambia and Ethiopia. The grounded theory methodology is an especially open and hermeneutic qualitative research approach that aims at developing a theory grounded on the data. One key difference to traditional, linear research designs is the successive development of the research objective and question, which are not stipulated at the beginning of the research. To guide through the thesis, I will present the research objectives and questions here, even if they did not stand at the beginning of the research.

This thesis is based on three observations made throughout the research:

1. Investment in SEZs can be conceptualized through the lens of strategic coupling.
2. The adoption of the SEZ concept by different countries leads to different possible SEZ strategies. These influence the strategic coupling process through SEZs.
3. The different SEZ strategies and their associated strategic coupling processes lead to different outcomes in terms of expected SEZ benefits and risks.

These three observations serve as the basis for my research objectives and related research questions that guide this thesis:

1. **Understanding coupling between investing firms and regional assets that are promoted by SEZs**:
    - What drives firms to strategically couple with SEZ assets?
    - What role do end markets and the regionalization of firms play in strategic coupling?
    - What modes of strategic coupling can be observed in the two case studies?
2. **Explaining the effects of different SEZ strategies on strategic coupling**:
    - Which SEZ strategies can be identified?
    - How do they affect the mode of strategic coupling?
    - How do choices of strategic focus and value chain actors shape SEZ strategies and strategic coupling processes?
3. **Explaining the different outcomes of SEZ strategies**:
    - What are the differences in SEZ outcomes, especially regarding labour regimes and value chain linkages?

- How do SEZ strategies and their associated strategic coupling lead to different SEZ outcomes, both in terms of expected SEZ benefits and risks?

Although not guiding the research from the beginning (see explanations on the research design in Chapter 4), these questions serve to structure this thesis and the findings of the research, including empirical insights and grounded theory.

1.4 Structure of Thesis and own contribution to articles

The thesis is structured in two parts: an introductory, conceptual part (Chapters 1 to 4) and the empirical, discussing part (Chapters 5 to 7). The order of conventional research reports (theoretical background to empirical case to analysis) does not follow the same logic as grounded theory, since a theory and conceptualization are the result of this methodology. Nevertheless, I structure this thesis in a traditional way, presenting parts of my resulting theory in the conceptual framework (Chapter 2), while concentrating on the concrete empirical findings and the political implications in the coming Chapters 5 to 7.

Three self-standing, but interlinked journal articles (one published, one accepted, and one draft, see Table 1) are included in different parts of the thesis. Figure 2 visualizes the structure of the thesis including the three journal articles, and what different theoretical approaches and case study SEZs were used for each of the empirical chapters.

In the following, Chapter 2 outlines the **conceptual framework** of this thesis focusing on SEZ strategies for strategic coupling. **Article I** (Kiesel C and Dannenberg P (2023) Special Economic Zones in the Global South: Between integrated spaces and enclaves – a literature review. DIE ERDE, 154(1), 5-19) is included here as part of the conceptual framework (Chapter 2.3.2).

The **empirical background** follows in Chapter 3 and presents SEZs in general, in Africa, and particularly in Ethiopia and Zambia. Chapter 4 outlines the **research design** and the methodological approach to developing a grounded theory.

The following **empirical part** includes two articles that present empirical results and discussions relating to the research objectives and questions above (Chapters 5 and 6), and a last concluding discussion (Chapter 7).

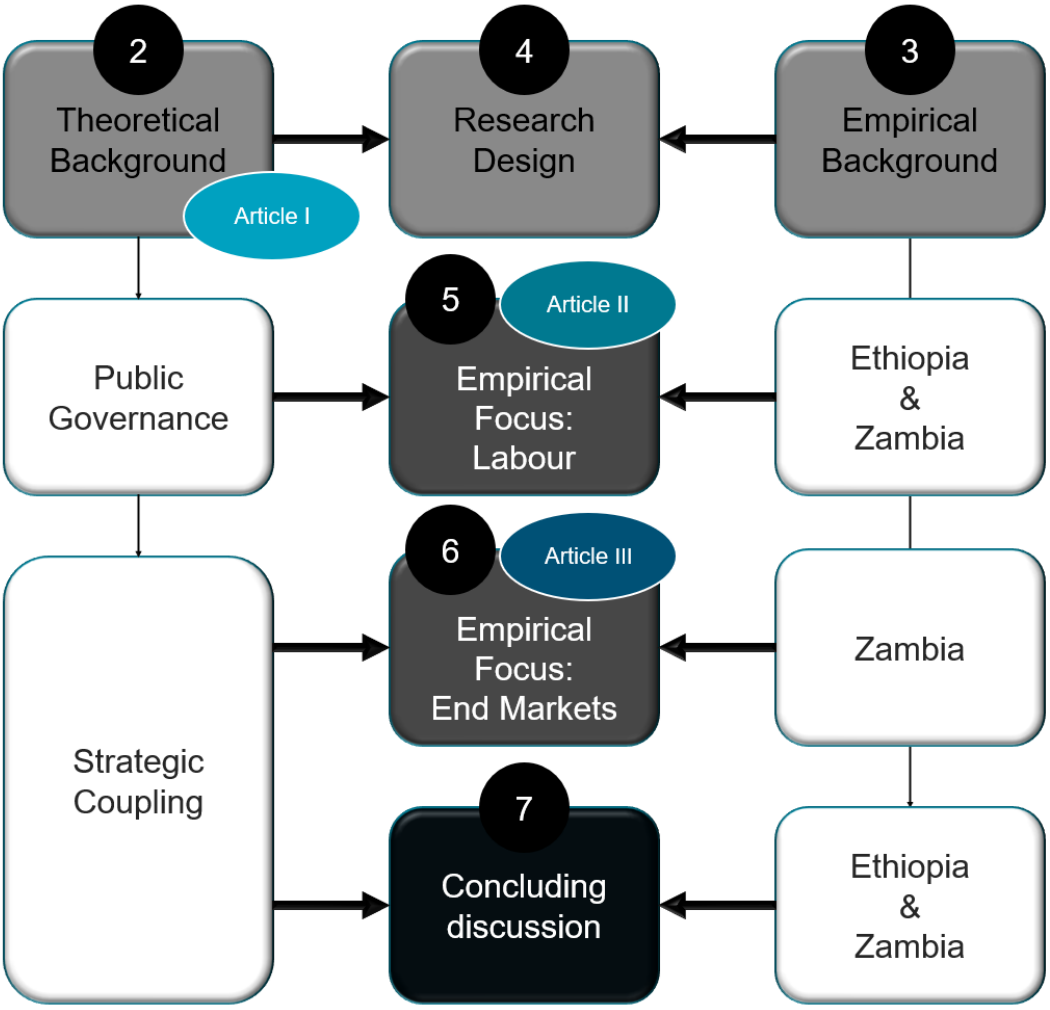

Figure 2: Thesis structure including three journal articles. Own composition.

Chapter 5 contains an early version of **Article II** (Kiesel C and Dannenberg P (2023) Labour Regimes and Public Governance in Special Economic Zones in the Global South: Examples from Zambia and Ethiopia. Area Development and Policy (which has been accepted in 2025 in a reviewed and revised version)) and Chapter 6 consists of **Article III** (Kiesel C and Dannenberg P (to be published) New Special Economic Zones for Domestic and Regional Value Chains: The case of the Lusaka South Multi Facility Economic Zone, Zambia (revised version accepted)).

The last Chapter 7 offers a **concluding discussion** focusing on the three research objectives (7.1-3) and concludes with an outlook (7.4) on new approaches to SEZs in sub-Saharan Africa.

I am the first/lead author of all three articles, which were co-authored by Peter Dannenberg (University of Cologne). My contribution was essential and is summarized in Table 1.

	Article, current publication state	**Own contribution**
I	Kiesel C and Dannenberg P (2023) Special Economic Zones in the Global South: Between integrated spaces and enclaves – a literature review. DIE ERDE 154(1), 5-19. Published.	Review paper: - Extensive review of relevant literature - Development of conceptual frameworks - Writing of article drafts - Revision of drafts
II	Kiesel C and Dannenberg P (to be published) Labour Regimes and Public Governance in Special Economic Zones in the Global South: Examples from Zambia and Ethiopia. Area Development and Policy (accepted in 2025 in a revised version). Unpublished.	- Extensive review of relevant literature - Development of conceptual frameworks - Development of research objectives and research questions - Selection of research methodology and methods - Organization of field research, on-site and online - Data collection: Conduction of interviews and detailed instruction for local partners to conduct, and collection of secondary data - Analysis of data - Writing of article drafts - Revision of drafts
III	Kiesel C and Dannenberg P (2023) New Special Economic Zones for Domestic and Regional Value Chains: The case of the Lusaka South Multi Facility Economic Zone, Zambia (draft ready for submission). Unpublished.	- Extensive review of relevant literature - Development of conceptual frameworks - Development of research objectives and research questions - Selection of research methodology and methods - Organization of field research, on-site and online - Data collection: Conduction of interviews, collection of secondary data - Analysis of data - Writing of article drafts - Revision of drafts

Table 1: Overview of articles included in the thesis and own contribution. Author's design.

2 Conceptual Framework

2. Conceptual Frame

2.1 Strategic Coupling: Addressing investment drivers through locational advantages of SEZs

The concept of strategic coupling is one of the key concepts that moves the GPN approach in economic geography beyond the ideas of the preceding global commodity and global value chain approaches. A global production network (GPN) is “an organizational arrangement, comprising interconnected economic and non-economic actors, coordinated by a global lead firm, and producing goods or services across multiple geographical locations for worldwide markets” (Coe & Yeung, 2015, p. 1). Through SEZs, the domestic economy is expected to participate in such GPNs if coupling processes occur successfully (Aggarwal, 2019; Zeng, 2021b). SEZs can then contribute to strategic coupling by supporting the match of regional economies and their assets with the strategic needs of GPN firms (Yeung, 2015). Therefore, it makes sense to combine the concepts of strategic coupling between GPNs and regional economies, on the one hand, and SEZs as spatial policy tools to initiate and shape coupling processes, on the other.

An economy can participate in GPNs through foreign direct investment (FDI) by a GPN actor from abroad, which is a major goal of SEZs. According to Coe and Yeung (2015), participation in GPNs is more complex than a mere FDI transaction, and it can take place in different ways: not only through FDI – inward investment by external firms through a subsidiary or merger of an existing firm –, but also through a joint venture between a domestic and an external firm, or through domestic firms and their outward engagement and trade links (Morris et al., 2016, see also Chapter 6). Both **outside-in** action (in the case of foreign engagement) and **inside-out** action (in the case of outward engagement by domestic firms) are possible and can lead to a stable economic relationship between domestic actors and a GPN (Coe & Yeung, 2015).

The developmental process of participation in GPNs is called strategic coupling. **Strategic coupling** between a GPN (actor) and an economy (and its actors) occurs when ”region-specific economies can complement the strategic needs of lead firms in global production networks” (Coe & Yeung, 2015, p. 20). It is strategic because there is a clear strategic intent on both sides to co-operate for mutual benefits and a common objective (Yeung, 2015)[1]. The process of strategic coupling is also highly interactive in order to identify common objectives and negotiate mutual benefits (Coe & Hess, 2011). Accordingly, strategic coupling requires a match-making process between regional assets and the strategic needs of GPN actors. I first

[1] While MacKinnon (2012) questions this intentionality for some modes of coupling, I follow the notion of a strategic stance behind any mode of coupling in the context of SEZs with their strategic policies.

explore the latter, GPN-related side of this match: What strategic needs drive GPN firms to invest in SEZs?

Drivers and strategic needs of potential SEZ investors

In order to develop appropriate SEZ strategies for couplings with GPNs, SEZ policymakers need to understand the **strategic needs of potential investors**. This implies that analyses of "the global, regional, and domestic industrial and investment trends and the local comparative advantages" (Zeng, 2021a: 10) are needed. It is useful to consider the current investment causes, which Coe and Yeung (2015) define as dynamic drivers in GPNs: Costs and capabilities, market development, and financial discipline (shareholder demands). In addition, they include risk environments as an overarching driver for the emergence and evolution of GPNs (see also Yeung & Coe, 2015). These three investment drivers form the basis of the strategic needs of potential SEZ investors. I distinguish between cost and financial discipline as cost-related drivers on the one hand, and capabilities and market development as development-related drivers on the other.

Firms are constantly searching for ways to reduce costs in order to optimize their financial performance and remain competitive in an ever-changing business environment (Coe & Yeung, 2015; Gereffi, 1994). This search is particularly driven by **financial discipline**: firms must follow the financial objectives of shareholders who demand high returns on investment (Coe & Yeung, 2015). Firms seek to **reduce costs** mainly in terms of direct costs (material inputs, labour, services, and other production costs such as water and sewage) but also in terms of indirect costs (transaction costs). The most prominent way of reducing costs is to relocate production to lower-wage locations through subsidiaries, or to outsource low-value activities to subcontractors. Current regionalization trends may also influence these relocation strategies for cost reduction: To minimize costly risks related to geopolitical and logistical issues, some firms concentrate their production geographically in only one region (Alicke et al., 2022; Morris et al., 2016; Rodríguez-Pose et al., 2022; Wang & Sun, 2021, see also Paper 3). Such regionalization strategies may require a whole bandwidth of new production sites, suppliers, and logistics solutions. The strategic needs of potential SEZ investors in terms of costs and financial discipline are thus related to production costs (wages, inputs, services, but also taxes and other fees), infrastructure and logistics requirements, and a conducive business environment to keep transaction costs low (Jacobs & Lagendijk, 2014).

Another firm strategy to optimize a firm's business is to develop the firm by expanding its capabilities or growing to serve new markets. According to Coe and Yeung (2015), capabilities refer to firms' productivity, technology and organizational capacity. Firms can **improve their capabilities** by making investments that enable them to upgrade their skills

and technology. They may need to strategically look for partners, suppliers and new locations to support and complement their new strategy. Firms can use SEZs to connect with appropriate actors, acquire new technologies, or realize a specific production step. Business development is possible by improving capabilities, but also by **expanding into new end markets**. Potential SEZ investors seeking market development therefore have a strategic need for access to a customer base with sufficient purchasing power. The attention of such firms is shifting to the Global South as a new end market to explore (Pickles et al., 2016; Staritz et al., 2011; Tups & Dannenberg, 2023, see also Paper 2 for more details on shifting end markets). Exploring these new markets entails new strategic needs related to downstream segments of the value chain (distribution, logistics), but also to activities (product development, marketing) that require knowledge of and embeddedness in the local realities. Firms may choose SEZs that meet these strategic needs to access new end markets – a topic that has not yet been discussed in the policy and academic discourse.

In sum, the strategic needs of potential SEZ investors are based on financial considerations (costs and financial discipline) and business development (improving capabilities, new end markets). The resulting strategic needs are diverse and provide many opportunities for SEZ policy makers to identify matching assets and develop an appropriate SEZ strategy. What do SEZs offer that would match the strategic needs of investing firms? Or, what assets do SEZs promote for strategic coupling?

Comparative locational advantages of SEZs as regional assets for strategic coupling

For SEZs in the Global South (and particularly in Africa), UNCTAD (2021) recommends a series of steps to develop an SEZ, including finding a country's comparative advantages to be strengthened and promoted by the SEZ. A strategic country assessment serves to identify these comparative advantages, taking into account human capital, infrastructure, institutional capacity, locational advantages and market access. In practice, the "knowledge problem" (Moberg, 2017) of SEZ policymakers about the actual market situation makes this assessment difficult. Knowledge support from private sector actors and local governments helps to understand this side, but needs to be combined with expert knowledge on the demand side (GPNs and their drivers).

After identifying comparative advantages, matching SEZ incentives are selected for the SEZ policies and specific SEZ set-up. Common incentives are fiscal incentives including exemptions from various taxes and import duties, and non-fiscal incentives such as infrastructure, subsidized land, and one-stop shops. Adequate services and infrastructure need to be provided, not only basic utilities and services, but also "value added infrastructure (e.g. dedicated customs office, inspection units, R&D and training centres, technology laboratories)" and "business services (e.g. business matchmaking, supplier development

programmes, local recruitment services" (UNCTAD, 2021, p. 164). These need to be aligned with the strategic needs of investors to facilitate strategic coupling. The right-hand side of Table 2 summarizes these common incentives and links them to the investment drivers they address. Combining SEZ incentives from the SEZ literature (Narula & Zhan, 2019; UNCTAD, 2021) with the concept of dynamic drivers of GPNs (Coe & Yeung, 2015; Yeung & Coe, 2015) goes beyond common SEZ planning: It enriches the perspective on possible comparative advantages that can be promoted by additionally considering regional assets as described in the following. Moreover, it helps to understand the needed locational advantages depending on the dominant drivers that motivate a GPN actor to invest.

	GPN: regional assets	**SEZ: locational comparative advantages**	**Examples of locational advantages used as SEZ incentives**	**Addresses investment drivers**
Generic	Generic regional assets	Government-induced locational advantages	Fiscal incentives, infrastructure, stable business environment, land, generic services	Financial: Reduce costs
		"Generic" locational advantages	Abundant, low-waged labour, commodities, generic suppliers	
Distinctive/ specialized	Distinctive regional assets	Specialized locational advantages	Technology, specialized/ innovative firms, skilled/ specialized labour, standards	Business development: Improve capabilities
			Strategic location regarding regional context or within global logistics	Financial and business development: Reduce costs, develop markets
			Access to end markets	Business development: Develop markets

Table 2: Distinction between generic and distinctive/specialized regional assets (GPN approach) or locational comparative advantages (SEZ approach). Related examples of locational advantages that an SEZ might use as incentives, and which drivers of potential SEZ investors they address. Author's compilation developed on the basis of Coe and Yeung (2015), Narula and Zhan (2019), UNCTAD (2021), Yeung and Coe (2015).

When assessing locational advantages, a distinction can be made between generic and specialized advantages. This is consistent with the differentiation between generic (basic, ubiquitous, non-specific) and distinctive (specialized, unique) regional assets in the strategic coupling concept, which have different impacts on the resulting strategic coupling (Coe & Yeung, 2015). In the following, I present different (generic and specialized) locational advantages of SEZs, partly based on the dynamic drivers (explaining the summary of Table 2).

SEZ promotion often focuses heavily on the fiscal incentives for firms (such as tax exemptions) as well as hard and soft infrastructure: roads, water, power, waste management, telecommunications, the often-mentioned one-stop shops connecting firms and government agencies, and other services for a conducive business environment (Frick et al., 2019; UNCTAD, 2019). Following Narula and Zhan's (2019) typology of SEZ comparative advantages for attracting investors, these incentives can be identified as **government-induced locational advantages** (see Table 1). Government-induced locational advantages are generic regional assets in the strategic coupling process, as they are used by many competing SEZs and therefore rarely represent a comparative advantage over other SEZs. The same applies to the '**generic locational advantages**' of SEZs (Narula & Zhan, 2019), which include assets such as unskilled labour, land, ubiquitous commodities and non-specialized local producers. These assets are promoted as being easily accessible through SEZs. However, they are generic assets in that they are also available in other locations and SEZs. Such generic assets serve the strategic needs of investors seeking to reduce costs. While the provision of these generic regional assets is a necessary condition for strategic coupling in SEZs, it has been reported that reliance on these generic regional assets alone (especially fiscal incentives) is insufficient to guarantee the success of SEZs (Aggarwal, 2019; Farole, 2011; UNCTAD, 2021; Weldesilassie et al., 2017).

SEZs can further base their strategies on 'specialized locational advantages' (Narula & Zhan, 2019). These correspond to distinctive regional assets in the GPN literature, as these specialized advantages are rare and only offered by few other locations (or SEZs). If they are strategically located, SEZs may offer **specialized location-related advantages**: They may be optimally located to support firms' regionalization efforts or have access to or control over important global logistics routes, such as the Suez Canal SEZ (UNCTAD, 2021). This meets the strategic needs of investors not only in terms of low (trading) costs, but also in terms of market development, as such hubs offer multiple opportunities to access new markets.

In contrast to generic advantages, **further specialized advantages** are not always easy to identify and translate into an SEZ strategy: Awareness of them may be low, and they need to be actively supported by policies, such as strategic innovation policies and investments (Lee et al., 2014, see also 2.1.2 on policy-led measures; Narula & Zhan, 2019). Specialized suppliers are a typical specialized locational advantage of SEZs (Bost, 2019). For instance, in Morocco, the combination of specialized local suppliers and affordable high-skilled workers was instrumental to attract investments by the global automotive industry (UNCTAD, 2021). The intention to develop specialized advantages in SEZs is often reflected in plans to establish training facilities within SEZs (Bost, 2019; UNCTAD, 2021). While the general perspective on specialization tends to overemphasize technology, it is possible to consider less high-tech aspects in the context of the Global South: An educated workforce with

presentable English skills may already serve as a locational advantage, as “the availability of college graduates of any given course with good English language abilities (at relatively low cost) is mentioned as one of the most important factors for location choice” (Kleibert, 2014, p. 247) in the example of investors in the Philippines. Recently, SEZs have focused on environmental and social standards and infrastructure (e.g. solar plants or green innovations) in their search for unique selling points (Narula & Zhan, 2019). These may be demanded by investors to mitigate reputational risk, or they may be of interest to innovate manufacturing processes.

Last but not least, a distinctive regional asset of an SEZ can be its **access to end markets**: to specific desirable end markets through preferential trade agreements, or to the domestic or regional economy as a new end market, which can also be assessed through liberal regulations and regional trade agreements (Koyama, 2011). SEZs with access to domestic and regional markets differ somewhat from the traditional idea of SEZs, especially the popular export-oriented zones, which typically focus on GPN upstream activities and the promotion of exports to Western markets. The promotion of the local or regional end market as a specialized locational advantage of SEZs is valid, given that market development is one of the dynamic drivers of today’s GPN firms. SEZs as local facilitators can support market-seeking firms in particular, as they can provide information and support for firms to understand the local reality (Kleibert, 2014) and help the firms to succeed and develop in this new environment (Zheng et al., 2022). Examples of African SEZs that have promoted their advantage to access new (domestic and regional) markets include Nigeria and South Africa (Adunbi, 2019; UNCTAD, 2021).

Above distinction between generic and specialized/distinctive advantages and assets for strategic coupling is important. Different available assets can shape the reciprocal conditions for strategic coupling processes and lead to different modes of strategic coupling. These differences are therefore essential aspects to consider in SEZ strategies, which I will present next.

2.2 Towards Strategic SEZ Types for Strategic Coupling: Choosing a strategic focus and value chain actors for SEZ strategies

SEZ Strategies and the choices for a strategic focus and for value chains actors

The central element of a successful SEZ strategy is “a clear strategic focus in terms of realistic target sectors and investors based on a country’s value proposition and comparative advantage, using the SEZ policy as a catalyst to attract investment” (UNCTAD, 2021, p. 99). SEZs can specialize in a target industry, ideally identified after assessing a country’s

specialization, existing industrial clusters, local skill levels, relevance of current infrastructure, but also constraints (UNCTAD, 2021).

Zeng (2021a, p. 5) calls SEZs “high-risk, high-reward” projects because of the many strategic possibilities and uncertain outcomes. Choosing an appropriate SEZ strategy is a juggling act, as the temptation to choose over-ambitious strategic goals, such as a high-tech path, is high. At the same time, governments need to be realistic about the local endowments and capacities (Rodríguez-Pose et al., 2022).

While an SEZ may choose to implement an SEZ strategy by focusing on, reinforcing, and promoting certain locational advantages, it is expected that firms will couple for a combination of reasons. African cases in particular have shown that providing a robust investment environment through basic infrastructure is a necessary asset for any SEZ, regardless of its strategic focus (Farole, 2011; Rodríguez-Pose et al., 2022; UNCTAD, 2021; Zeng, 2021a).

Especially in the African context, deficits in both hard and soft infrastructure have contributed to the failure of SEZs (Farole, 2011; Rodríguez-Pose et al., 2022; UNCTAD, 2021). However, the discourse has too often emphasized fiscal and infrastructural incentives as the most important policy, relegating other policy options. The strategic coupling approach suggests that there are policy options beyond the limited scope of fiscal and financial incentives that a state can pursue to foster strategic coupling through SEZs (Coe & Yeung, 2015; Yeung & Coe, 2015). First, strategic industrial policies can act as a facilitative umbrella for providing an enabling environment that promotes specific industries – SEZs can be a vital part of the overall national economic policy strategy (see also Aggarwal, 2019). Industrial policies are then supported by measures that can be taken to create or strengthen distinctive assets: for example, investment in (labour) skills, technology, specific infrastructure, and other assets related to the SEZ (see also Yeung, 2015). At the SEZ level, governments can work proactively to establish linkages between local firms and SEZ firms (Zeng, 2021a).

Decisions about the industries and activities for an SEZ are linked to the value chain actors targeted to invest in the SEZ (see also Chapter 5, Article II). Activities can be high or low value-added, and industries are dominated by different governance structures (e.g. buyer- or producer-driven), both of which influence the characteristics of these targeted investors (Gereffi et al., 2005). There are important differences in the power and resulting value capture for different actors in a value chain: While autonomous lead firms drive and control GPNs, captive suppliers are dependent and driven primarily by cost-related reasons to maintain financial commitments (see also Section 2.1 on financial discipline as an investment driver, Coe & Yeung, 2015; Gereffi et al., 2005).

The strategic coupling approach also deals with actors by observing the different forms of industrial organization and their implications for strategic coupling. Table 3 shows the relationship between forms of industrial organization and strategic coupling (Coe & Yeung, 2015). Strategic coupling is characterized by dependency, where externally owned subcontractors (i.e. foreign captive suppliers) connect SEZs to GPNs. Another form of industrial organization is investment by subsidiaries or branches of multinational companies. Their degree of autonomy depends on the relationship to the parent company and varies from total control by the parent company through legal means and financial pressure to a high degree of autonomy if they are granted powerful local managements or boards (see also Chapter 6, Article III). These organization forms are all outside-in investments by foreign actors. In the case of a strong power asymmetry of these outside-in investments, the coupling situation is called structural. If a subsidiary or branch is given some local autonomy, coupling can become functional.

SEZs can also couple into GPNs in an inside-out manner. One possibility is strategic partnerships between local and foreign actors, which can be inside-out or outside-in. In this functional coupling, different degrees of autonomy for the local firm are possible, depending on the partnership. Local lead firms or even local champions can enable indigenous coupling by building their own regional or global production networks under full control and autonomy. Table 3 summarizes these different possibilities of inside-out and outside-in coupling processes which are associated with different industrial organizations and involve different types of value chain actors. They result in different modes of strategic coupling (structural, functional, indigenous), and can be found in the exemplary types of strategic coupling (see Table 3).

Regional Assets	Character	Industrial organization	Mode of Coupling	Types of Coupling
Generic	Outside-in (from a GPN to domestic firm), dependency	Weakly embedded TNC subsidiaries, externally owned subcontractors	**Structural**	Assembly platforms, Commodity source regions
Distinctive	Inside-out or outside-in, some degree of autonomy	Rise of strategic partners and global localization of TNCs	**Functional**	International partnerships, Offshore jurisdictions, Logistics hubs, Market region
	Inside-out (from domestic firm to a GPN), autonomy and control	Rise of national champions and new lead firms	**Indigenous**	Innovation hubs, Global cities

Table 3: The strategic coupling approach links different forms of industrial organization (value chain actors), their investment characteristics (direction and power relationship within the GPN) and regional assets to systematized modes of coupling. Compiled and slightly adjusted from Coe and Yeung (2015).

Conceptualizing strategic SEZ types for strategic coupling

One category of strategic SEZ types (see Table 4) is associated with structural coupling, which is based on generic locational advantages/assets. The drivers for firms are mostly cost-related, as they can reduce costs by taking advantage of financial incentives and low prices for labour, commodities and services. A typical example of structurally coupled SEZs are **export processing zones (EPZs)** as assembly platforms. They offer trade incentives (duty-free imports and export promotion) and facilitate exports to, mostly, Western end markets through preferential trade agreements (Sawkut et al., 2009). Manufacturing in EPZs is usually labour-intensive, taking advantage of the low wage of local labour (Cirera & Lakshman, 2017; Fei & Liao, 2020; Shakir & Farole, 2011) and is a widespread phenomenon in Asian countries (ADB, 2015; Wong & Chu, 1984). In Africa, Mauritius is the country best known for its EPZs (Dirksmeier, 2018; Sawkut et al., 2009), followed by Kenya and Ethiopia (Kweka & te Velde, 2020; Oqubay & Kefale, 2020; Whitfield & Staritz, 2020; Zhang et al., 2018). **Commodity sourcing SEZs**, for example in South Africa and Ghana (Berdina & Berdin, 2021; UNCTAD, 2021), also couple in a structural mode. Here, weekly embedded subsidiaries extract commodities until the local economy manages to add value through processing and strengthens its position to upgrade into a functional coupling mode (Coe & Yeung, 2015).

The final strategic SEZ type is linked to indigenous coupling. It requires specialised locational advantages as distinctive regional assets and occurs through the inside-out engagement of domestic firms. SEZs can support the emergence of such autonomous domestic lead firms e.g. as emergent first tier-suppliers (Raj-Reichert, 2019), sometimes referred to as “national champions” (Yeung, 2015, p. 7). In science parks, technology-oriented SEZs, or **innovation hubs**, states can facilitate learning and upgrading through innovation policies and access to supranational R&D funding (Bost, 2019). These domestic lead firms or first-tier suppliers can then gradually improve their capabilities and develop a significant degree of innovative capacity and autonomy to build their own (regional and global) production networks through indigenous coupling.

The merging of the concepts of strategic coupling and SEZs resulted in a comprehensive conceptual framework for understanding investment in SEZs. All details are summarized in a table in Appendix A:
Supplementary Material – ranging from regional assets/comparative advantage, character of coupling, industrial organization, mode of strategic coupling to the strategic SEZ types for strategic coupling and related SEZ incentives that address dynamic investment drivers.

Regional Assets / Comparative Advantage	Mode of Strategic Coupling	SEZ Types of Strategic Coupling	SEZ incentives	Address dynamic drivers
Generic (and government-induced)	Structural (outside-in)	**Commodity sourcing SEZs** (South Africa, Ghana)	Fiscal incentives, infrastructure, commodities	Reducing costs
		Export processing zones (Mauritius)	Fiscal incentives, infrastructure, abundant low-waged labour	
Distinctive / Specialized	Functional (outside-in or inside-out)	**Functional SEZs for International partnerships** (Morocco)	Specialized/ innovative firms, skilled/ specialized labour, technology, standards	Improving capabilities, reducing costs
		Functional SEZs for Market development (Nigeria, South Africa)	Access to end markets	Developing markets, reducing costs
		Functional SEZs as Logistics or Trade Hubs (Nigeria, Rwanda, South Africa)	Strategic location regarding regional context or within global logistics, specialized infrastructure, fiscal incentives	Improving capabilities, reducing costs
	Indigenous (inside-out)	**Innovation hubs** (Science and technology parks)	Specialized/ innovative firms, skilled/ specialized labour, technology	Improving capabilities, developing markets

Table 4: Strategic SEZ types for strategic coupling as a result of applying the strategic coupling approach to SEZs. Own deliberation based on Coe and Yeung (2015), Narula and Zhan (2019), UNCTAD (2021).

2.3 The state of the art around SEZs and their Outcomes: Between Enclaves and Integrated Spaces

2.3.1 Expected benefits and the SEZ development ladder

Every strategy starts with a vision and related objectives. For public SEZs in particular, governments are responsible for choosing objectives to enable proper strategic planning (Zeng, 2021a). Such SEZ objectives are often called expected benefits. They are usually divided into direct, static, quantitative, more short-term benefits and indirect, dynamic, long-term benefits. Direct expected benefits include investment, exports and employment creation and are confined to the SEZ area, while the indirect benefits include a variety of effects that 'leak' beyond the SEZ into the wider economy. These encompass value chain linkages, technology spillovers, value addition and capture, also through local entrepreneurship, upgrading to nontraditional economic activities, and thus contribution to economic transformation (Baissac, 2011; Farole, 2011; Narula & Zhan, 2019; Whitfield & Staritz, 2020).

Linked to both the specific SEZ strategies and the overall vision with its expected benefits is the question of SEZs' contribution to and position in overall economic development. SEZs are supposed to accompany their host countries in their economic development by sticking to the 'SEZ development ladder' (see Figure 3). This policy recommendation by international organizations such as UNCTAD and ADB dictates certain SEZ strategies depending on a country's income-status (ADB, 2015; UNCTAD, 2019). From this perspective, each SEZ starts as an enclave (Phelps et al. (2015), see next Chapter 2.3) that is not integrated into its host economy. SEZs as economic enclaves usually mean that dynamic benefits beyond the boundaries of the SEZ are not achieved. This developmental idea is also present in the GPN literature, where it is referred to as the value capture trajectory, which foresees a progression from structural to functional to indigenous modes of coupling (Coe & Yeung, 2015). The observed difficulties in progress (Aggarwal, 2019) raise the question of whether it is advisable to rely on these trajectories and to stick to the SEZ development ladder, or whether there are ways to avoid an enclave situation. Overall, there is a shift from direct to dynamic expected benefits as goals for integrated SEZs (Meng, 2005). Rodríguez-Pose et al. (2022) note that in Africa "the traditional enclave-like export processing zone model is giving way to larger SEZs relying on various investment levers, aspiring to achieve more comprehensive economic benefits" (p. 464).

Figure 3: The SEZ Development ladder promoted by international organizations. Source: UNCTAD (2019).

Table IV.5. The SEZ development ladder

	Zone policy objectives	Prevalent zone types
High-income economies	• Provide an efficient platform for complex cross-border supply chains • Focus on avoiding distortions in the economy	• Logistics hubs free zones only (not industrial free zones) • Innovation and new industrial revolution objectives pursued through science parks without separate regulatory framework, or though incentives not linked to zones
Upper-middle-income economies	• Support transition to services economy • Attract new high-tech industries • Focus on upgrading innovation capabilities	• Technology-based zones (e.g. R&D, high-tech, biotech) • Specialized zones aimed at high value added industries or value chain segments • Services zones (e.g. financial services)
Middle-income economies	• Support industrial upgrading • Promote GVC integration and upgrading • Focus on technology dissemination and spillovers	• Specialized zones focused on GVC-intense industries (e.g. automotive, electronics) • Services zones (e.g. business process outsourcing, call centres)
Low-income economies	• Stimulate industrial development and diversification • Offset weaknesses in investment climate • Implement or pilot business reforms in a limited area • Concentrate investment in infrastructure in a limited area • Focus on direct employment and export benefits	• Multi-activity zones • Resource-based zones aimed at attracting processing industries

Source: UNCTAD.

The analysis of SEZs in terms of their enclave or integrated characteristics is related to the expected benefits mentioned above – many dynamic benefits require a more integrated SEZ. Performance assessments of SEZs regularly use the expected benefits as evaluation criteria and often criticize the lack of dynamic outcomes that point to SEZ enclaves (Banerjee-Guha, 2008; Giannecchini & Taylor, 2018; Hardaker, 2020; Rodríguez-Pose et al., 2022; Tantri, 2011). The next chapter (Article I) provides an expansive overview of outcomes regarding characteristics, interactions and processes of (non)integration, based on a comprehensive review of SEZ literature and on the concepts of enclave and integrated spaces.

2.3.2 Special Economic Zones in the Global South: Between integrated spaces and enclaves – a literature review.

Kiesel C and Dannenberg, P (2023) Special Economic Zones in the Global South: Between integrated spaces and enclaves – a literature review. DIE ERDE – Journal of the Geographical Society of Berlin, 154(1-2), 5–19. https://doi.org/10.12854/erde-2023-606

This is the accepted manuscript of the published article.

Abstract: Special Economic Zones (SEZs) have gained massively in popularity worldwide and particularly in the Global South. However, they are also discussed as a controversial economic policy instrument. Some analyses view SEZs as promising spaces with integrative linkages, while other studies see them as enclaves marked by spatial and economic segregation. To shed light on the various and partly contradictory perceptions of SEZs, this paper reviews literature on SEZs in the Global South and suggests a differentiated and more comprehensive view for SEZ analyses in order to understand their different characteristics, interactions, and the related processes between SEZs and their host regions. Our review goes beyond dichotomies of viewing SEZs as enclavistic or integrated spaces. Instead, it systematically outlines how even a single SEZ can integrate into regions in some ways, while remaining disintegrated in other ways. Here, we build on recent studies of SEZs in the Global South, employing the enclave approach as a conceptual basis, and include conceptual works on economic linkages and global production networks

2.3.2.1 Introduction

The number of Special Economic Zones (SEZs) in the Global South has grown remarkably, reaching a total of 4,772 in 87 countries in 2019 (see Figure 4, *UNCTAD* 2019). As *Thomas Farole*, a leading researcher on SEZs for the World Bank, puts it, “Any country that didn’t have [an SEZ] ten years ago either does now or seems to be planning one” (quoted in *The Economist* 2015: 1). SEZs are limited geographical areas with fiscal and infrastructural incentives (e.g., tax breaks, subsidies, infrastructure, services, and land provisions). Structural features include a legal (usually liberalized) space with a specific regulatory regime and a dedicated governance structure (*Farole* 2011). Well-known SEZ initiatives are the export processing zones in Asia’s newly industrialized economies and the Shenzhen SEZ in China. Following the Chinese example, in particular since the late 1990s, more countries of the Global South are increasingly adopting the SEZ idea to attract foreign investments and create employment (*Frick* et al. 2019; *UNCTAD* 2019).

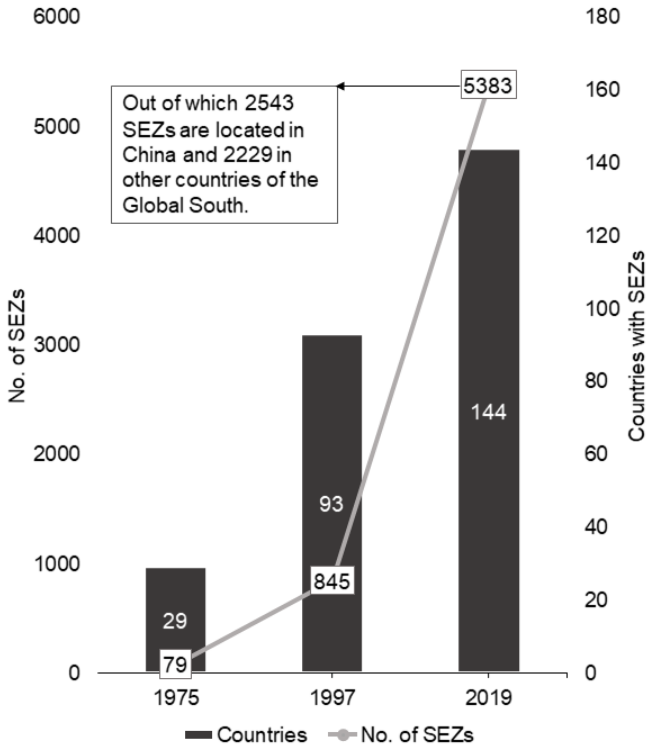

Figure 4 / Figure 1 in Article I: Development of SEZs: numbers and countries. Source: UNCTAD 2019, authors' design

SEZs are not only intended to attract direct investment but also to induce trickle-down and spillover effects, for example, through technology transfer and value chain linkages, and to serve as catalytic industrial clusters (ADB 2015; Johansson and Nilsson 1997). These spillover and catalytic benefits are expected to contribute to regional growth and employment as well as structural changes and reforms in the wider national economy, an aspiration that led to the adoption of the SEZ concept in many countries of the Global South (Aggarwal 2019; UNCTAD 2019). Conversely, the integration of SEZs into their host and other surrounding economies, for instance, through linkages, is seen as crucial for the sustainable and long-term economic performance of SEZs and similar industrial spaces (Chen et al. 2017; Easterling 2012; Hardaker 2020).

The adoption of SEZs in many countries of the Global South has not always been accompanied by solely positive impacts. In fact, different studies have often identified the dark sides of SEZs, such as social and environmental issues (Holden 2017; Jauch 2002; Lawanson and Agunbiade 2018; Levien 2013). In particular in the Global South, SEZs are increasingly called enclaves with isolating or excluding features as they may lead to clashes with local populations, the establishment of parallel societies, and achieve little embeddedness (Banerjee-Guha 2008; Hardaker 2020; Kleibert 2018). Nevertheless, an isolated enclave SEZ need not necessarily be accompanied by dark sides.

The aim of an integrated SEZ with linkages to the host country, on the one hand, and the potential enclavistic effects of SEZs, on the other, speak to the rather uncertain functionality of SEZs. In fact, diverging views of SEZs not only differ from SEZ to SEZ but also when considering a single SEZ, because, as Moberg (2015: 179) points out, “no SEZ case is black or white”. Giannecchini and Taylor (2018), for example, question the intensity of the spillover effects and linkages of the Ethiopian Eastern Industrial Zone on Ethiopia’s economy. Fei and Liao (2020), however, show for the same SEZ how Chinese companies are embedded in the Ethiopian context through the many Ethiopian workers employed. In the case of Zambian copper mining, partly operated through a Chinese SEZ, Carmody and Hampwaye (2010) criticize exclusionary features and the creation of a hybrid economy in which informal practices coexist with the formal economy (Carmody 2017). However, Fessehaie and Morris (2013) question the enclave nature of this SEZ by disclosing value chain linkages with local Zambian suppliers. SEZs in India are, on the one hand, often described as enclaves given their weak domestic links and spillover effects (Alkon 2018; Banerjee-Guha 2008; Jenkins et al. 2014). On the other hand, Cross (2010) reveals that their institutional settings and social impact are as precarious as in the rest of the country, so they do not represent an enclavistic exception.

These examples show how the focus on different aspects of SEZs may result in differing findings on and overall evaluations of the same SEZ. Different foci in particular SEZ studies resemble the ‘blind men and the elephant’ challenge, wherein each perspective per se is right but each only describes a part of the whole phenomenon (see e.g. *Brookfield* et al. 2019).

These apparent contradictions often stem from the varying conceptual views and perspectives on different aspects of SEZ analyses. Hence, comparing studies is difficult, augmenting the controversies surrounding SEZs. Some studies have already identified and framed the often-ambivalent characteristics of spatially limited industrial developments (including SEZs) as enclaves or integrated spaces (*Arias* et al. 2014; *Fessehaie* and *Morris* 2013; *Hardaker* 2020; *Phelps* et al. 2015). These studies mostly focus on a few aspects and characteristics of enclaves – often centred around the labour market and firm networks. Indeed, systematic comprehensive overviews of the varieties of different characteristics, interactions, and related processes are rare. Visionary SEZ development plans often mention manifold desired outcomes but they are rarely evaluated at a later operational stage, where often only data on exports and employment numbers is collected. Through our literature review, we aim to develop a more unifying analytical framework that brings together current views and can facilitate more differentiated analyses and perspectives for evaluation.

Our literature review was developed through an iterative discussion process in several workshops[2] and conferences[3] with leading experts in the field of economic geography[4]. While concepts such as global production networks (*Yeung* and *Coe* 2015), enclaves with references to economic agglomerations (*Phelps* et al. 2015), and policy transfer (*McCann* and *Ward* 2013) served as a basis, this iterative discursive process enabled us to identify central strands, perspectives, and key literature on the topic. Ultimately (and based on a much larger literature review), we qualitatively assessed 47 scientific journal articles which analyse one or many SEZs and similar spatial economic agglomerations regarding different economic and socio-economic aspects, mainly using case study methodology. For a framework synthesis (*Booth* et al. 2012), we conducted an inductive analysis of the articles, which was matched to the results of the iterative discussion process.

In *Section 2*, we outline the key perspectives of enclave literature (*Phelps* et al. 2015; *Singer* 1975) as a conceptual basis and integrate perspectives on economic linkages (*Hirschman* 1981; *Morris* et al. 2012) and global production networks (*Henderson* et al. 2002; *Yeung* and *Coe* 2015). This basis is further elaborated in *Section 3* where we derive different dimensions to assess the enclaving and integrative outcomes of SEZs including different characteristics, interactions, and processes of (non-) integration. Here, we further illustrate the overall framework with empirical examples based on a literature review. The paper closes with a conclusion and outlook (*Section 4*) in which we argue that our derived analytical framework contributes to understanding how SEZs in the Global South (potentially) integrate with local economies in their surroundings. We conclude that such a comprehensive perspective is supportive in informing adequate and holistic scientific and applied case studies and related policy derivations for desired SEZ outcomes (*Oqubay* and *Lin* 2020).

2.3.2.2 Different approaches to the analysis of SEZs

SEZs in enclave literature

Economic enclaves are defined as spaces that are heavily influenced by foreign investments which only weakly connect to the economies of the host countries in which they are situated. They foster negative externalities, such as the creation of a dual economy and spatial polarization (*Singer* 1975). More recent studies have elaborated the enclave perspective for contemporary extractive industries in the Global South (*Arias* et al. 2014; *Enns* and *Bersaglio* 2015; *Phelps* et al. 2015; *Radley* 2020). Even though enclave studies often uncover the negative externalities of such spaces, enclaves do not strictly stand for something

[2] Including two workshops within the DFG Network “Spaces of Global Production” (2018 and 2019)
[3] Such as presentations and discussions at the 5th Global Conference on Economic Geography (2018)
[4] See acknowledgements

detrimental or failed as they can still, at least in the short term, meet certain targets like economic growth within the enclave itself (*Phelps* et al. 2015).

SEZs have not yet been appropriately conceptualized as enclaves (*Phelps* et al. 2015), although they have often been compared with or referred to as enclaves (*Banerjee-Guha* 2008; *Sidaway* 2007). Current SEZs analyses only make limited use of the traditional enclave concept. Instead, the term 'enclave' is mostly used to describe the mere spatial limitations of SEZs or their exclusionary and dispossessing characteristics in urban contexts (*He* and *Chang* 2020; *Kleibert* 2018; *Levien* 2013; *Wissink* et al. 2012).

The enclave designation fits the nature of SEZs as 'special' spaces which, by definition, differ from their surroundings with respect to industrial density, infrastructural characteristics, tax regimes, and other institutional features (*Aggarwal* 2019; *Dannenberg* et al. 2013). Several studies dismantle the supposed institutional specialness of SEZs in which cultural norms, social conventions, and labour regimes lead to clashes between different actor groups (*Carmody* and *Hampwaye* 2010; *He* and *Chang* 2020; *Murray* 2017). Foreign (mostly Chinese) involvement in SEZs and other cooperation projects in Africa, for example, show that such clashes range from fruitful (*Fei* and *Liao* 2020) to problematic encounters (*Adunbi* 2019; *Lee* 2009). SEZs as enclaves can peacefully co-exist with their surroundings but may turn into deregulated 'spaces of exception' (*Ong* 2006), where legal vacuums foster a race to the bottom, exclusion, and dispossession (*Carmody* 2017; *Holden* 2017; *Jauch* 2002; *Levien* 2013). By contrast, an SEZ can also evolve to integrate: isolated enclave SEZs may only be the preliminary stage of an SEZ that has just started to attract investments. The dynamic and indirect effects, such as local linkages and spillovers, are expected to take some time to develop (*ADB* 2015; *Frick* and *Rodríguez-Pose* 2021). There is, however, little research on SEZ dynamism regarding their local integration. *Frick* et al. (2019), for example, determine drivers of SEZ dynamism but focus on economic growth and not local integration. Conversely, *Frick* and *Rodríguez-Pose* (2019) examine linkages and spillovers but not regarding their development over time. An evolutionary, dynamic perspective (*Boschma* and *Martin* 2007) on SEZ integration is still lacking.

Furthermore, urban enclave SEZs, in particular, may increase spatial and socio-economic segregation through "internal frontiers of economic development, status, consumption, and cultural styles" (*Kleibert* 2015: 887). They can, hence, be compared to other spatial enclaves, such as gated communities or office parks (*Murray* 2017). This urban-spatial form of enclave SEZ is even more trenchant in younger SEZs: some nearly autarkic SEZs encompass not only industrial spaces but also residential and commercial functions as well as social infrastructure, leading to an even more pronounced enclave characteristic (*Wissink* et al. 2012).

Adding to the enclave perspective: linkages and global production networks around SEZs

Most SEZ-concerned enclave studies only assess parts of the SEZ phenomenon. They focus on the institutional and spatial features of SEZ enclaves but rarely on absent linkages, such as monetary or knowledge flows (see, e.g., *Fessehaie* and *Morris* 2013; *Giannecchini* and *Taylor* 2018). Nevertheless, this is an important defining aspect of the original enclave concept as it points to the lack of strong, influential links between foreign investors and local economies (*Singer* 1975). Perspectives on linkages and connections are also important to understand SEZs as they are central to arguments about the benefits of SEZs (*UNDP* 2015). To augment this narrow enclave perspective, works on linkages and further (network) connections between (foreign) investors in the SEZs and their host economies need to be taken into account (*Morris* et al. 2012; *Yeung* 2015). Through this perspective, SEZs' potential and much lauded spillover and catalytic regional effects can be better evaluated and understood (*Aggarwal* 2019; *UNCTAD* 2019).

In fact, some recent literature has looked at connections between SEZs and their local contexts by analysing linkages and spillovers (*Alkon* 2018; *Cheru* and *Fikresilassie* 2020; *Frick* and *Rodríguez-Pose* 2021; *Giannecchini* and *Taylor* 2018; *Hardaker* 2020; *Jenkins* and *Arce* 2016; *Kweka* and *te Velde* 2020; *Stein* 2011). They mostly focus on employment effects, backward linkages to local suppliers, and technology spillovers.

Other approaches, such as Global Value Chains (*Gereffi* et al. 2005; *Gibbon* et al. 2008) and Global Production Networks (GPNs, *Coe* and *Yeung* 2015; *Henderson* et al. 2002), offer further valuable insights to understand the regional integration of SEZs through linkages. These studies analyse the material, knowledge, and financial flows and the processes of value creation and capture as well as governance structures in these networks. A special focus of GPNs includes interlinkages of these activities with the embedding regions, their actors, and institutions culminating in different processes of strategic coupling between foreign and local firms. Very few studies have used the GPN lens on SEZs. However, these studies highlight the importance of some SEZs as particular places to initiate or drive strategic coupling (*Zheng* et al. 2021) and for (uneven) development (*Kelly* 2013). Our review confirms that many impacts of SEZs are comparable to the general impacts of foreign direct investments by multinational companies and of participation in global value chains. SEZs are indeed aimed at attracting multinational companies' investment in their outsourcing processes and, thereby, link to global value chains (*Rodríguez-Pose* et al. 2022). SEZs are agglomeration spaces for foreign investments and, therefore, act as amplifiers of the afore-mentioned impacts. Following the different perspectives from enclave, linkages, and GPN

literature, we deep-dive into their different analytical dimensions and combine them to provide a more comprehensive perspective.

2.3.2.3 SEZs between enclave and integration

In this chapter, we first focus on the apparent characteristics of SEZs, then we demonstrate the interactions SEZs undergo with their surroundings, and, lastly, we outline the resulting processes behind SEZs that also indicate the enclavistic and integrative tendencies of SEZs (see *Table* 1 for an overview). These dimensions are not necessary separated from one another but can condition or overlap with each other.

SEZs' characteristics and interactions

SEZs' characteristics

A first glance already helps to characterize SEZ integration and enclave structures when looking at visible features (fences and roads) and practical dimensions (accessibility and distance to centres). Some SEZs are situated in isolated, out-of-the-way locations, leading to them being regarded as enclave SEZs – higher distances to the largest city negatively affect SEZ growth (*Frick* et al. 2019). In urban contexts, SEZs can sometimes display strong manifestations of an exclusionary 'enclave urbanism' (*Kleibert* 2018; *Wissink* et al. 2012) where SEZs have their own restricted city-like structures. Another visible characteristic is, hence, the physical infrastructure that may only be focused on the SEZ or on export, indicating an enclave SEZ. In addition, soft infrastructure, such as duties and visa requirements, can indicate a more outward connection to the global or other enclaves rather than integration into the local context (*Bach* 2011). Regarding the apparent business structure of SEZ firms, *Frick* and *Rodríguez-Pose* (2021) find that export-oriented firms with decision-making headquarters abroad hinder integration into local trade networks because supply systems often depend on corporate sourcing strategies. Enclaving, export-oriented, and low-skilled assembly SEZs may remain less connected to the local economy, whereas market-seeking, knowledge-intensive businesses, especially paired with local investments, may lead to integrated SEZs (*Frick* and *Rodríguez-Pose* 2021; *ILO* 2017; *Jenkins* and *Arce* 2016). A further characteristic of SEZs is their cultural composition. Literature often finds cultural differences affecting Africa's SEZs with Asian investors and describe cultural encounters in Chinese SEZs in Ethiopia (*Fei* and *Liao* 2020), Zambia (*Lee* 2009), or Nigeria (*Adunbi* 2019). Moreover, there is urban cultural segregation in Philippine SEZs (*Kleibert* 2015). These apparent characteristics give a first impression of SEZs but should be completed by a view on the interactions that SEZs can have with their surroundings.

SEZs' spatial interactions

SEZs are often analysed as spatial phenomena. Case studies go beyond the characteristics described above and focus on spatial interactions: SEZs may promote an exclusionary and enclaving divide because they have their own infrastructural and urbanized traits (*Easterling* 2012; *He* and *Chang* 2020). *Bach* (2011) distinguishes the island-like, mobile 'modular' SEZ from the integrated 'Ex-City' SEZ. The latter can be spatially integrated in and connected with cities, existing business districts, and local communities. Integration may arise from the potential urban spatial effects of SEZs on their surroundings by providing basic physical infrastructure, services, and social facilities or by enabling access to them (*Alkon* 2018; *Goodfellow* and *Huang* 2021; *Xu* and *Wang* 2020). Housing regimes – that is, constellations of power relationships and cultural patterns concerning the organisation of housing (*Kemeny* 1995) – in and around SEZs are also an important indicator to determine spatial interactions (*Goodfellow* and *Huang* 2021; *He* and *Chang* 2020).

SEZs in the context of pecuniary linkages and factor mobility

A look beyond the spatial dimensions of SEZs reveals further economic dimensions of their enclaving and linking potential: *Phelps* et al. (2015) identify several enclave features which can be adapted to the context of enclave and integrative SEZs. Following *Hirschman* (1981), the authors emphasize pecuniary linkages to analyse enclaves, such as production linkages (backwards and forwards), induced consumption linkages, and fiscal linkages. In the case of SEZs, such integrating linkages may exist, for example, if zones foster monetary flows like wages (and income taxes) as well as local trade. Most operating SEZs have pecuniary linkages through employment creation (*Cirera* and *Lakshman* 2017; *Ciżkowicz* et al. 2017; *Giannecchini* and *Taylor* 2018). Fiscal incentives in SEZs, however, may reduce possible tax revenues (*Mortimore* and *Vergara* 2004) and especially export-oriented zones maintain many more trade relations outside the country, e.g. Indian SEZs (*Tantri* 2012), reducing fiscal flows to the host country. *Sawkut* et al. (2009), for example, analyse that the costs of the Mauritius EPZ and their incentives to investors outweigh the pecuniary benefits gained through foreign currency (FDI and international trade) and initial employment creation. A further analytical perspective is factor mobility (*Phelps* et al. 2015). While sourcing factor inputs (capital and labour) from the surroundings and within the host country indicates a more integrative SEZ, importing factor inputs (as is often the case with exclusively foreign investments) indicates a more enclavistic SEZ. Several SEZs show that low local investments result in low connections to the overall local economy, whereas partnerships or joint ventures integrate SEZs (*Frick* and *Rodríguez-Pose* 2021; *Wang* 2013). Regarding the mobility of labour, more enclavistic SEZs are often based on temporary migrant labourers and expats which have particularly low potential for localization and urbanization economies (*Azmeh* 2014b; *Phelps* et al. 2015; *Staritz* et al. 2019). Another aspect of factor/labour mobility is staff turnover,

which is high for Ethiopian SEZs, indicating a lack of integration into the local labour market (*Mains* and *Mulat* 2021).

SEZs in the context of labour markets

Since employment creation is among the main expectations of SEZs, the dimension of labour has been included in some (often critical) SEZ studies (*Cross* 2010; *Hardaker* 2020; *He* and *Chang* 2020; *ILO* 2017; *Kleibert* 2015). SEZs can create employment inside, but also indirectly outside the SEZs, when creating links with the local economy (*Ciżkowicz* et al. 2017; *UNCTAD* 2019). Net employment effects, however, cannot always be identified with certainty (*Cirera* and *Lakshman* 2017). The analytic focus further considers employment positions, skill levels, gender issues, turnover rates, and labour and housing conditions. SEZs that are characterised by few and/or only low-skilled, temporary employment possibilities for the local population with little skill transfer often indicate an enclave. Several studies show the precariousness of work and the insufficient wages in SEZs, despite creating jobs and opportunities for the disadvantaged, e.g. in India, Sri Lanka, and Ethiopia (*Azmeh* 2014a; *Banerjee-Guha* 2008; *Cirera* and *Lakshman* 2017; *Cross* 2010; *Gunawardana* 2016; *Kelly* 2001; *Mains* and *Mulat* 2021; *Rossi* 2020; *Singh* 2009; *Tregenna* and *İzdeş* 2020). Several SEZ studies show how such working conditions are enabled by labour control regimes (*Azmeh* 2014a; *Kelly* 2001; *Lohmeyer* et al. 2022) which hinder spillovers, such as financial support to households because of low wages (*Kelly* 2013). On the other hand, a more integrative SEZ can create permanent jobs in all positions, including a trained workforce (*Arias* et al. 2014).

SEZs in the context of technology and knowledge spillovers

SEZs can also be analysed with respect to their technological and knowledge externalities (*Phelps* et al. 2015). These externalities start with skills transfer to the local labour force via training (*Zheng* et al. 2021) and also include technology and knowledge spillovers from foreign SEZ firms to local business partners. The presence of foreign firms alone and also mere linkages to local firms do not automatically lead to technology or knowledge spillovers; for example, such spillovers from apparel SEZs to African firms have been found to be limited (*Whitfield* and *Staritz* 2020). This is also the case in other SEZs where knowledge spillovers happen only once at the beginning of a trade relationship (*Frick* and *Rodríguez-Pose* 2021). Spillovers can be hindered either by the knowledge-carrying firm itself or by the lack of absorptive capacities at the receptive end of local firms or employees (*Morrissey* 2012; *te Velde* 2019). *Arias* et al. (2014) observe technology flows out of mining clusters as opposed to enclaves in which knowledge is internalized. While both can happen in SEZs (*UNIDO* 1980), *Phelps* et al. (2020) suggest that enclave-to-enclave knowledge linkages from one SEZ to another prevail over linkages from SEZs to the local economy.

SEZs in the context of value chain linkages and resource flows

Furthermore, SEZs can be analysed with respect to value chain linkages and resource flows between SEZ firms and the host economy. These include linkages to the suppliers, buyers, and consumers of the host economy, which are integrative characteristics of SEZs as opposed to enclavistic relationships restricted to the 'outside world' (*Arias* et al. 2014). For extractive enclaves, for example (*Fessehaie* and *Morris* 2013; *Phelps* et al. 2015), chain linkages happen differently from flows to and from manufacturing SEZs which foster local component suppliers or engage with the domestic market (*Giannecchini* and *Taylor* 2018). While import and export often prevail in more enclavistic SEZs, as mainly a given in African SEZs (*Azmeh* 2014b; *Giannecchini* and *Taylor* 2018; *Kweka* and *te Velde* 2020), the local value chain linkages of integrated SEZs are more frequent and involve key inputs. Market-seeking businesses with forward linkages may also tend to create backward linkages and foster integrated SEZs (*Frick* and *Rodríguez-Pose* 2021; *Jenkins* and *Arce* 2016).

SEZs in the context of firm-related and institutional embeddedness

The integrative or enclave relationship of SEZ firms with the local economy can also be assessed through the lens of embeddedness (*Hardaker* 2020). The socio-cultural, network, and territorial embeddedness of firms (*Hess* 2004) indicate the possible integrative strength of SEZ firms, namely, through the connections of SEZ firms (e.g., economic relationships, cultural inclusion) to the local context. Enclave SEZs are usually characterized by absent local embeddedness, for example, based on cultural differences that can lead to unstable relationships and clashes, e.g. among foreign SEZ developers and investors, on the one hand, and the local population and firms, on the other hand. These disembedded relationships are often described in the case of Chinese SEZ actors in Africa (*Adunbi* 2019; *Carmody* and *Hampwaye* 2010; *Fessehaie* and *Morris* 2013). These clashes can also reflect the lack of acceptance of SEZs by the local population who criticise negative environmental externalities. Moreover, SEZ firms can be institutionally embedded (or not) – namely, through their compliance with country-wide institutions in the SEZs (*Holden* 2017). Some studies deal, on the one hand, with the non-compliance of SEZ enclaves with national institutions and laws which can be fostered both by deregulation (SEZs as spaces of exception) or by lacking policy enforcement (*Carmody* and *Hampwaye* 2010; *Easterling* 2012; *Jauch* 2002; *Neveling* 2017; *Ong* 2006). On the other hand, as institutional enclaves, SEZs and their firms can favour the socio-economic conditions and business climate. In SEZs, private and public governance may introduce and experiment with stable structures, specific regulatory frames, or transnational institutions which are (still) lacking beyond the confined area (*Dannenberg* et al. 2013; *Grant* et al. 2020). These experimental institutions can contribute to economic reforms in the whole country, e.g. in China (*Chen* 2019). Such spillovers from these institutions to the host economy (but also vice versa) indicate an integrated SEZ.

Processes in and around SEZs

We have so far considered the characteristics of and interactions with SEZs. These dimensions are accompanied by processes that further reveal the enclave or integrative developments of SEZs. Especially young SEZs in the Global South are only weakly integrated into the region (*Farole* 2011). Studies on the regional dynamics on clusters and industrial districts (*Park* 1996; *Zucchella* 2006) indicate that such regional entanglement can take a long time and regional embeddedness might, therefore, grow in the future. These dynamics can be observed for the processes in and around SEZs.

Coupling and decoupling processes

The degree and ways that foreign SEZ firms interact with and are embedded into the local context result in different forms of coupling. These coupling processes are based on complementarity between SEZ firms' strategic needs and the available regional assets, such as local firms, technology, and labour (*Yeung* 2015). *Zheng* et al. (2021) reveal that SEZs act as territory intermediaries, fostering and going beyond a market-based coupling. In this way, SEZs may be strategically coupled based on particular local assets (such as technology, labour, or territory) and integrated into the region. Nevertheless, the typical enclave SEZs as assembly platforms, especially in low-income countries, risk merely developing weak structural coupling in which they are loosely connected to and depend on global production networks with external actors (*Coe* and *Yeung* 2015). Fiscal SEZ incentives, footloose industries, and multinational firms with an already established, international supplier network are usually the only basis for this coupling (*Coe* and *Yeung* 2015; *UNCTAD* 2019; *UNIDO* 1980). This structural coupling in more enclavistic SEZs often goes hand in hand with higher decoupling risks, since international firms may "exploit cost advantages or cheap resources without holding any interest in the longer-term sustainability of the coupling and regional growth trajectory" (*Coe* and *Yeung* 2015: 189). In many SEZs, this tendency may be aggravated because of the institutional context set by the state, including deregulatory governance or the active promotion of cheap resources as location factor (e.g. in the case of Ethiopian SEZs, see *Mains and Mulat* 2021).

Spatial externalities: Ruptures, frictions, and relocation effects of SEZs on the host region

Decoupling through disinvestment and exploitation of resources, such as labour, are among the ruptures and frictions that may occur among foreign firms and the host region as well as within regions (*Yeung* 2015). Other ruptures and frictions, for example, include uneven value capture, external path dependencies, culture clashes, reduction or removal of local linkages, exclusion, social and class conflicts, and environmental damage. Enclave studies look in detail at these risks and processes of non-integration by investigating (economic and social) exclusion, (spatial and cultural) segregation, the (institutional, social, and environmental)

race to the bottom phenomenon, and displacement (*Banerjee-Guha* 2008; *Holden* 2017; *Kleibert* 2018; *Sidaway* 2007). Examples include labour disputes concerning a Chinese SEZ in Zambia (*Leslie* 2016) and dispossession in India (*Levien* 2012). SEZs and their foreign firms can also pull labour and capital to the detriment of a region within the host country, side-lining local economies (*Werner* 2016). *Kono* (2020) advises taking this into account as the possible SEZ 'relocation effect' of firms and workers. Static and lax SEZ policies may promote further disintegrative processes by attracting and maintaining inadequate investor firms (*Phelps* et al. 2020). In the long run, this process can lead to a lock-in (*Coe* and *Hess* 2011; *Coe* and *Yeung* 2015), whereby an enclavistic SEZ remains disconnected or trapped in an inadequate coupling situation with its attendant externalities (*Alcorta* and *Tesfachew* 2020; *UNIDO* 1980). Relocation effects or ruptures and frictions indicate greater regional disparities which point to enclave SEZs that leave their local contexts behind. While the discussion around ruptures and frictions arose in the context of international (lead) firms, it is also valid for SEZs as agglomerations of such firms with their "enclave risk" (*UNCTAD* 2019: 146) or "enclave effect" (ibid.: 171). However, not every enclave SEZ is necessarily characterized by ruptures of and frictions with the surroundings.

The absence of negative externalities or, conversely, a fruitful inclusive urbanization processes may indicate an integrated SEZ. *Xu* and *Wang* (2020) show that SEZs can change the speed, direction, and spatial structure of urban expansion, influencing urbanization processes. Moreover, studies do not find that SEZs crowd out foreign or domestic investments in other Chinese regions (*Wang* 2013). The migration of young females from rural areas to SEZs is common in Ethiopia and the Philippines (*Kelly* 2013; *Mains* and *Mulat* 2021), but these latter studies do not look at the possibly resultant backwash effects of migration. From a dynamic perspective, SEZ enclaves may integrate as SEZs evolve and linkages and catalytic effects arise (*ADB* 2015). This is also highlighted by *UNCTAD* (2019) which encourages policy makers to actively re-organize existing SEZs and create new SEZs, taking into account the aforementioned pitfalls and instead fostering linkages and further benefits.

Value creation and upgrading in and around SEZs

For young SEZs, their enclavistic nature is often determined by an initial focus on creating low-skilled employment with low value creation and few local linkages. At a later stage, however, most SEZs are expected to evolve – avoiding a lock-in – into integrated spaces (*ADB* 2015; *Alcorta* and *Tesfachew* 2020). The case of SEZs in Egypt and Jordan show that, through SEZs, host countries can restructure their position in global production networks and create and capture value (*Azmeh* 2014b). Mexican SEZs have evolved from cheap labour assembly sites to highly productive manufacturing centres (*Barrientos* et al. 2011). In Thailand, a Chinese zone and its local suppliers benefit from value creation and upgrading

but with little local value capture (*Zheng* et al. 2021). These studies, however, barely include a view beyond the borders of SEZs: value creation through economic upgrading and strategic coupling as well as social upgrading can be limited to the enclave SEZs, whereas an integrative SEZ can enable the surroundings and host economy to participate in these processes. These processes can expand from the integrated SEZ to the local economy in combination with flows and interactions (e.g., labour mobility or local participation through resource flows). A strategic de- and recoupling can also be a policy option to help an SEZ to better integrate by adjusting it to regional assets and improving value capture (*Horner* 2013). While these processes happen in any value chain, they are usually intensified in SEZs, when industries are clustered or different segments of a value chain meet spatially (*ADB* 2015).

Institutional and structural change

SEZs policies may or may not align with national development strategies. *Aggarwal* (2019) differentiates between a complementary, enclave approach and other more integrated approaches through which national development is reinforced or driven. The latter approaches integrate SEZ plans into existing developments. In the enclave approach, however, SEZ strategies are (in this case intentionally) detached from the current economic system and institutions and serve as laboratories to rectify institutional gaps, test reforms, and ultimately provoke structural change and economic transformation (*Dannenberg* et al. 2013; *Moberg* 2015). In the long run, this goes hand in hand with a dynamic process of integration based on alignments of strategies and spillovers to the rest of the economy (see for the case of China, *Meng* and *Zeng* 2019).

Synthesis: an analytical framework for SEZs

We have extended the enclave concept by incorporating views on linkages and global production networks to create a comprehensive framework for the analysis of various dimensions of local SEZ integration or enclave tendencies, shown in *Table 1*. As we outlined above, SEZs can be analysed with respect to their characteristics – for example, spatial integration, business structure – that can indicate enclave or integrative trends. Further key dimensions for the analysis of SEZs include interactions, such as the linkages of SEZs to their surroundings and the host country in general. While the enclave approach focuses on the lack of linkages to the spatial context and local economy, the analysis of existing linking interactions helps us to better understand SEZ integration. This includes both the spatially-centred perspectives of current SEZ enclave studies, as well as linkage-oriented perspectives on foreign direct investments in the Global South generally, and the idea of SEZs in particular, e.g. pecuniary linkages, embeddedness, and urban-spatial effects. Furthermore, SEZs can undergo processes of integration, such as beneficial and long-term strategic coupling, value creation, and upgrading, which are accompanied by integrative

interactions. In enclave SEZs, these processes do not surpass the SEZ borders and processes of non-integration prevail. The enclave concept especially enriches the analysis around the risks and processes of non-integration, specifically, concerning relocation effects as well as ruptures and frictions.

Table 5 / Table 1 in Article I: Dimensions for analysing SEZ enclave and integrative trends. Source: authors' own compilation based on references in the right-hand column

Analytical dimension	← more enclavistic	more integrative →	Examples of case studies (references)dimension
Characteristics			
Spatial integration	Remote, disconnected from economic activity, closed	Integrated in local environment, open	Various SEZs in developing countries (*Frick* et al. 2019), in the Philippines (*Kleibert* 2018), and China (*Wissink* et al. 2012)
Infrastructure	Focused on sole SEZ or on export	Integrated in a local infrastructure system	Iran's SEZs (*Bach* 2011)
Business structure	E.g. labour-intensive and export-based	E.g. local market-oriented, knowledge-based	Various SEZs in developing countries (*Frick* and *Rodríguez-Pose* 2021)
Cultural differences	High between foreign and local actors	Manageable	African SEZs (*Adunbi* 2019; *Fei* and *Liao* 2020; *Lee* 2009), SEZs in the Philippines (*Kleibert* 2015)
Interactions			
Urban spatial effects	Low or only in the SEZ and not accessible	High, accessible, integrative (residential, commercial, social facilities)	Indian SEZs (*Alkon* 2018), African SEZs (*Goodfellow* and *Huang* 2021; *Xu* and *Wang* 2020), Chinese SEZs (*Douglass* et al. 2012; *He* and *Chang* 2020)
Pecuniary linkages (direct/indirect)	E.g. outflow of profits and wages, no trade and fiscal contribution to the region	E.g. fiscal linkages, wages, regional trade	SEZs in Poland (*Cižkowicz* et al. 2017), Ethiopia (*Giannecchini* and *Taylor* 2018), Mauritius (*Sawkut* et al. 2009), Central America (*Mortimore* and *Vergara* 2004), India (*Tantri* 2012)
Factor mobility	FDIs, fly-in fly-out / expatriates	Local investments, staff mobility	Various SEZs in developing countries (*Frick* and *Rodríguez-Pose* 2021); China (*Wang* 2013), Ethiopia (*Mains* and *Mulat* 2021; *Staritz* et al. 2019), Jordan (*Azmeh* 2014a)
Labour market effects (direct/indirect)	Few local employees, low positions for domestic employees	High on the local and regional scale, also through suppliers/services	SEZs in India (*Banerjee-Guha* 2008; *Cross* 2010; *Singh* 2009), Sri Lanka (*Gunawardana* 2016), Bangladesh (*Lohmeyer* et al. 2022) Ethiopia (*Mains* and *Mulat* 2021), Philippines (*Kelly* 2001, 2013; *Kleibert* 2015), Jordan and Egypt (*Azmeh* 2014a)
Technology/ knowledge spillovers	Low or stays within the SEZ	High flows, e.g. through R&D cooperation with local firms, training	Various SEZs in developing countries (*Frick* and *Rodríguez-Pose* 2021), Thailand (*Zheng* et al. 2021), Ethiopia (*Whitfield* and *Staritz* 2020)
Value chain linkages, resource flows	Few/only temporary contracts with local services and suppliers, import-export prevails	Many/long-term contracts with local suppliers, distributors, services	Various SEZs in developing countries (*Frick* and *Rodríguez-Pose* 2021), Africa (*Azmeh* 2014b; *Fessehaie* and *Morris* 2013; *Giannecchini* and *Taylor* 2018; *Kweka* and *te Velde* 2020), Costa Rica (*Jenkins* and *Arce* 2016)
Embeddedness (firm-related and institutional)	Low in the region, high to outside the country or only within the SEZ	High in the region, focus on regional integration	SEZs in Myanmar (*Hardaker* 2020), Mauritius (*Morris* and *Staritz* 2014), Zambia (*Carmody* and *Hampwaye* 2010), South Africa (*Grant* et al. 2020), Asia (*Aggarwal* 2012; *Ong* 2006)
Processes of (Non) Integration			
Coupling, Recoupling	Loose in the region, or only within the SEZ	Manifold, a fit with and longstanding in the region	SEZs in Thailand (*Zheng* et al. 2021)
Ruptures and Frictions	High between the (firms in the) SEZ and the region	Low between the (firms in the) SEZ and the region	SEZs in India (*Jenkins* et al. 2014; *Levien* 2012), Mexico (*Berndt* 2013), Africa (*Adunbi* 2019; *Cowaloosur* 2014; *Lawanson* and *Agunbiade* 2018; *Leslie* 2016)
Relocation effect	Labour and firm migration to the SEZ, public investments in SEZs to the detriment of other regions such as backwashing	Low	Chinese SEZs (*Wang* 2013)
Value creation, Upgrading	Limited to the SEZ	Many possibilities for value creation and upgrading in the region	SEZs in Thailand (*Zheng* et al. 2021)
Institutional and Structural change	Detached from national economic pathway and institutions, isolated laboratories	Integrated in national development plans and institutions	SEZs in Africa (*Hager* et al. 2019; *Harry* 2016; *Stein* 2011), in China (*Meng* and *Zeng* 2019) and in developing countries in general (*Aggarwal* 2019)

2.3.2.4 Conclusion and outlook

We have used the combination of conceptual works on enclaves, linkages, and global production networks to develop a more comprehensive and systematic analytical approach to different dimensions of SEZs and their integrative and enclavistic developments. We have shown that it matters which perspective is chosen when analysing SEZs. They can appear as enclaves with respect to one or a few particular dimensions, e.g. spatial integration, while they simultaneously bear integrative elements and possibilities in other respects, e.g. pecuniary linkages and knowledge spillovers.

An in-depth and differentiated look at SEZs can help to deepen our understanding of ambiguous and contradictory findings. Following our synthesized literature review, we have distinguished between different characteristics, interactions, and processes of SEZs (see *Table 1*) which can be used by both scientists and practical decision makers by pointing out the distinctive dimensions that characterize competing SEZ tendencies.

Many of the dimensions have already been touched on in visionary development plans for SEZs but they are rarely analysed at a later operational stage. While we are aware of the limits of applying such a broad framework for an overall assessment of SEZs, such as poor data availability for the wide range of indicators, we suggest that a broader perspective like this – even if only partly considered – is useful to evaluate and understand SEZ developments, ultimately helping to adjust certain integrative measures. Future research may contribute to extending this framework to derive further explanations that encompass the underlying mechanisms and contexts of enclave and integrated SEZs. Analysing coupling processes helps to understand the resulting characteristics and interactions. Therefore, a view on actors, such as lead firms and the state, might be helpful. This also helps to further explore the policy transfer and related transformations and mutations of the original SEZ policy approaches on the ground (*McCann* and *Ward* 2013).

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3 Empirical Background

3. Empirical background

3.1 SEZs – past and future

Predecessors of SEZs as spaces with preferential conditions for economic activities already existed in Roman free ports in the Mediterranean (see Figure 5 for some interesting milestones in the history of SEZs). In the Middle Ages, ports in city-states such as Venice and trade hubs (free cities) such as Hamburg developed as a kind of free economic space (Meng, 2005). The Shannon Free Zone in Ireland, established in 1959, is considered to be the first manufacturing-oriented SEZ in the modern era, although other zones (e.g., Hong Kong and Manaus) with similar characteristics existed at the time. In the following decades, SEZs emerged mainly in the Western world, and since 1970, countries in the Global South also started to adopt the concept as a development strategy. China, in particular, is well known for its unprecedented approach of using SEZs in abundance as a major policy experiment (Baissac, 2011). Most African countries started SEZ programmes only after 1990 (Farole & Moberg, 2014; UNCTAD, 2021).

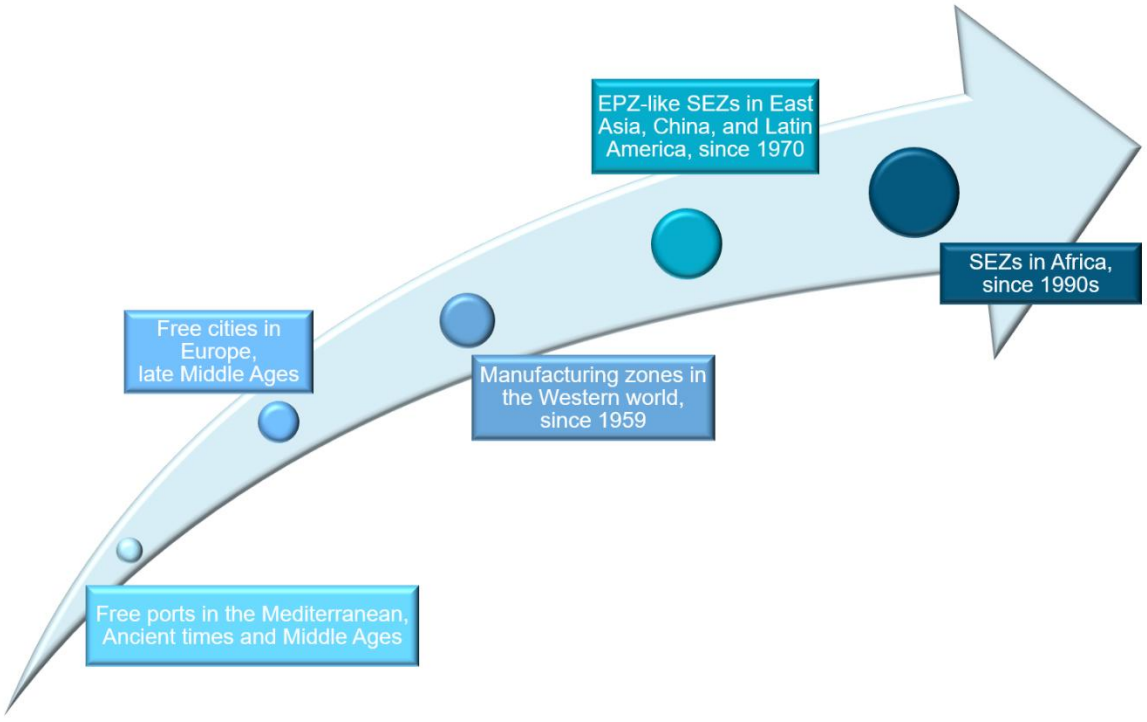

Figure 5: Milestones in the history of SEZs. Source: Author's compilation based on Baissac (2011), Meng (2005), (Zeng, 2021b).

Because of the many ways in which the general concept of SEZs has been adopted, adapted and implemented, it has changed a lot in terms of its form and has been given different denominations (for overviews of the policy and denomination changes, see Baissac, 2011; Bost, 2019; Meng, 2005). SEZs change according to the economic context and intentions they serve, while always remaining a tool for economic development through special

incentives for economic activity. Firstly, zones have changed from being trade-based (free (trade) zones) to manufacturing SEZs. Secondly, with the adoption by countries with strong protectionist import-substitution policies (in the Global South), SEZs became spatially limited enclaves that complemented protectionist policies in countries such as Brazil, India, South Korea, and Mauritius, and, although in a much larger scale, China (Aggarwal, 2019; Baissac, 2011). These SEZs were often export processing zones (EPZs), which became even more popular as a tool for (South) East Asian countries that followed the export-oriented growth model (notably South Korea, Taiwan). EPZs often focus on labour-intensive light manufacturing, producing for Western markets (Baissac, 2011; Farole & Moberg, 2014).

SEZs continue to exist and emerge even in recent decades, when most economies have been liberalized, making special trade regimes through in enclaves obsolete (Baissac, 2011). Rather than complementing protectionist policies or merely reinforcing certain export-led strategies, they are increasingly seen as tools to generally remedy impediments to economic development, such as inadequate infrastructure and bureaucratic hurdles, especially in the Global South (Frick et al., 2019). However, instead of a narrow focus on static benefits (FDI and exports), some SEZ policy makers are shifting their attention to long-term, dynamic benefits such as integration into the local economy through local linkages and urban development (see also Section 2.3, Article I, Zeng, 2021b). In light of these contextual and ideological shifts, other sectors beyond light manufacturing and labour intensive industries are also increasingly being considered for SEZs (Adu-Gyamfi et al., 2020). Some countries (Brazil, India, Mexico, Ethiopia, Philippines) now operate parallel SEZ programmes as they have developed new SEZ policies for new objectives, e.g. towards agricultural parks or service-based SEZs (Kleibert, 2015; Tantri, 2012; UNCTAD, 2019).

The new industrial sectors in 21st century SEZs are diverse: The SEZ programme in the Philippines evolved from labour-intensive textile and electronics EPZs (Kelly, 2001, 2002) to service SEZs (Kleibert, 2015; Kleibert, 2018). Moreover, high-tech industrial SEZs began to develop around the turn of the century alongside the global digital transformation, such as the Kulim Hi Tech Park in Malaysia (Bujang et al., 2019), over a hundred high-tech development zones in China, and high-tech oriented SEZs in Turkey and Russia (UNCTAD, 2019). Another new focus is green, ecologically oriented SEZs that pay particular attention to carbon emissions and seek to implement environmentally friendly practices, such as the South African Atlantis SEZ, many eco-industrial parks in China and Korea, and the flagship Hawassa eco-industrial park in Ethiopia (Altenburg & Vrolijk, 2020; Grant et al., 2020; Mathews, 2020; UNCTAD, 2019; Valensisi, 2020). The United Nations Conference on Trade and Development (UNCTAD) advises that SEZs should be planned according to environmental, social and governance (ESG) standards as a comparative advantage and to

contribute to the development of the host country in these areas (UNCTAD, 2019), and claims that more and more international firms are considering ESG standards for reputational reasons (Narula & Zhan, 2019). This is particularly the case for environmental and labour laws and their enforcement.

SEZs in the Global South have evolved from free trade zones to EPZs for labour-intensive exports, to new SEZs with higher value-adding activities such as high-tech and services, and ecologically-oriented zones. New SEZs are also flexibly located in urban as well as peripheral areas (Meng, 2005) and often larger in size – the number of SEZs on over 1000 ha is growing. These new so-called 'wide-area zones' (UNCTAD, 2019) include residential and other urban features beyond industrial estates, and are expected to integrate with the surrounding economy. Examples include the Suez Canal Economic Zone in Egypt (UNCTAD, 2021), township zones in Korea (UNCTAD, 2019), the Shanghai free trade zone in China (Meng & Zeng, 2019), and the Lusaka South Multi Facility Economic Zone in Zambia (Mwansa et al., 2020a). The emergence of wide-area zones is accompanied by a shift in the expected benefits of SEZs from direct benefits (FDI, exports) to dynamic effects based on linkages (UNCTAD, 2021; Zeng, 2021b).

The SEZ concept has long been critized for its negative externalities (see Section 2.3, Article I, Cowaloosur & Taylor, 2018; Levien, 2012; Neveling, 2018; Rose, 2017), and uneven and limited evidence of success in terms of high investment costs and unclear benefits (Aggarwal, 2019; Alkon, 2018; Farole & Akinci, 2011; Kuznetsov & Kuznetsova, 2019; Sawkut et al., 2009). It is widely recognized that SEZs should only remain enclaves for a short period of time, before they are integrated into the economy and contribute through dynamic effects (UNCTAD, 2019). To avoid being locked intp an enclave-like state (or to avoid it in the first place), SEZs need to adapt to the changing environments and innovate: by relying less on generic fiscal incentives and more on "novel competitive advantages, high quality infrastructure, and robust environmental and social standards" (Narula & Zhan, 2019, p. 20). The question of what advantages SEZs can strategically promote to attract investors, is key to this thesis, and will be discussed in Chapter 7. As latecomers to SEZ programmes, most African governments have had different approaches to the SEZ concept to choose from and have taken different paths. The next section introduces the two case study SEZs in the context of African SEZs.

3.2 SEZs in Africa

With the exception of Mauritius, Senegal and Liberia, African countries adopted the SEZ concept only after 1990 (Farole and Moberg, 2014; UNCTAD, 2021). In an attempt to copy successful Asian SEZs, the concept was eventually adopted by 37 (out of 54) African countries by 2021 (UNCTAD, 2021). Kenya (61), Nigeria (38), Ethiopia (18) and Egypt (10)

are the countries with the most SEZs. It is important to note that not all of the SEZs reported are actually and fully operational (UNCTAD, 2021). Economically successful SEZ programmes include those in Mauritius, Morocco, Egypt, Jordan and Tunisia, while SEZs in Kenya, Ghana, Ethiopia and South Africa have also received appraisal (Aggarwal, 2019; Baissac, 2011; Rodríguez-Pose et al., 2022). Such evaluations should always be treated with caution, as “success” is not clearly defined (see also the introduction into expected benefits in Chapter 2.3).

With the exception of Mauritius, Senegal and Liberia, African countries adopted the SEZ concept only after 1990 (Farole and Moberg, 2014; UNCTAD, 2021). In an attempt to copy successful Asian SEZs, the concept was eventually adopted by 37 (out of 54) African countries by 2021 (UNCTAD, 2021). Figure 1 hints at the spatial distribution of SEZs in the Global South, with Kenya (61), Nigeria (38), Ethiopia (18) and Egypt (10) being the African countries with the most SEZs. It is important to note that not all of the SEZs reported are actually and fully operational (UNCTAD, 2021). Economically successful SEZ programmes include those in Mauritius, Morocco, Egypt, Jordan and Tunisia, while SEZs in Kenya, Ghana, Ethiopia and South Africa have also received appraisal (Aggarwal, 2019; Baissac, 2011; Rodríguez-Pose et al., 2022). Such evaluations should always be treated with caution, as “success” is not clearly defined (see also the introduction into expected benefits in Chapter 2.3).

3.3 SEZs in Ethiopia

SEZs in Ethiopia are a very recent phenomenon introduced by Chinese developers. The Ethiopian government had no experience and knowledge of SEZs, but a Chinese pioneer investor, together with the Chinese government, convinced the Ethiopian government to provide special incentives for the first SEZ, the Eastern Industrial Zone (Bräutigam & Tang, 2014; Fei & Liao, 2020). From then on, the Ethiopian Industrial Park idea was promoted and supported by key political figures such as the late Prime Minister Meles Zenawi and Prime Minister’s Special Advisor Arkebe Oqubay, who often refer to China as a role model for economic development (Fourie, 2015; Oqubay, 2019; Ziso, 2020). In 2015, the official Industrial Park Proclamation was approved and served as the legal and visionary foundation for Ethiopia’s industrial parks (FDRE, 2015). The Ethiopian Investment Commission (EIC) and the Industrial Park Development Corporation (IPDC) are responsible for the regulation, licensing, promotion (EIC) and development and operation (IPDC) of the industrial parks (Weldesilassie et al., 2017).

In an interview at an international conference on industrial parks, the CEO of IPDC, Lelise Neme, identified the four main goals for Ethiopian industrial parks: 1. To be a base for economic transformation, 2. Employment through labour-intensive industries, 3. Export for

foreign exchange, and 4. Knowledge transfer (Neme, 2019). As an essential part of the national Growth and Transformation Plan (FDRE, 2016), they specialize in different sectors, such as garments, agriculture or pharmaceuticals (EIC, n.d.). The most prominent SEZs are the Chinese-led Eastern Industrial Zone, the public Hawassa Industrial Park and the also public Bole Lemi Industrial Park, which is one of the case study SEZs of this thesis.

The oldest industrial park in Ethiopia is the Chinese-owned Eastern Industrial Zone, located 32km south of Ethiopia's capital, Addis Ababa (Fei & Liao, 2020). Several Chinese companies collaborated to invest with the help of the Chinese government and developed the SEZ. Inittially planned for multiple industries and also open to investors of all nationalities, the SEZ became a garment and footwear SEZ with only Chinese investing firms producing for both export and domestic markets (Bräutigam & Tang, 2014; Oya & Schaefer, 2021). Beyond employment effects, the benefits (local linkages, technology transfer) have yet to materialized (Giannecchini & Taylor, 2018).

The Hawassa Industrial Park, in the Sidama region, is being promoted by the Ethiopian government as a flagship SEZ for garment manufacturing, emphasizing its modern and ecological infrastructure. After the Bole Lemi Industrial Park, it is the second public-led SEZ in Ethiopia to start operations and is now home to several Asian garment suppliers that export exclusively to Western buyers, mainly PVH (Aynalem, 2019; Gebremariam & Feyisa, 2019). While the SEZ has been praised for its ecological features and employment effects, critical voices have discussed the problematic labour conditions (Hardy & Hauge, 2019; Mains & Mulat, 2021).

The public Bole Lemi Industrial Park (BLIP), near the capital Addis Ababa, was developed around 2014 by the Industrial Park Development Corporation (IPDC) with the help of a World Bank loan (Aynalem, 2019; Zhang et al., 2018). It is also home to Asian garment and footwear manufacturers who export to Western buyers such as PVH and H&M. The area is currently being expanded (Bole Lemi Phase II). The BLIP. The eleven investors are from Taiwan, India, South Korea, and China and have created employment opportunities for around 15,000 workers (Nega, 2021), but are barely integrated into the local economy through local linkages (Frick & Rodríguez-Pose, 2021). In addition to these three established and well-known SEZs, other industrial parks (federal, regional, and private) are being planned and developed (EIC, 2017, n.d.; Zhang et al., 2018).

3.4 SEZs in Zambia

Like in Ethiopia, Zambia's SEZ story began with some Chinese input: A Chinese mining company in the Chambishi area of Zambia's Copperbelt took the initiative to develop an industrial processing zone. Together with the Japan International Cooperation Agency

(JICA), the Zambian government developed the Multi Facility Economic Zone (MFEZ) legislation as a framework for a zone proposal and granted some fiscal benefits to the Chinese investors (Bräutigam & Tang, 2014; Phiri & Manchishi, 2020). Unlike the Ethiopian industrial parks, the MFEZ policy is not strongly supported by politicians and is only mentioned as an add-on to the main political strategies. The main goal of the MFEZ is to "stimulate industrial and economic activities in the manufacturing sector through value addition for local and export markets" (ZDA, 2017). The Zambian government initially offered generous fiscal incentives to investors, but these were significantly reduced in 2018 (Phiri & Manchishi, 2020).

While the Zambian Development Agency (ZDA), the Ministry of Commerce, and the Industrial Development Corporation share responsibility for the MFEZ programme, there is no specific institutional body that explicitly deals with the strategic planning of MFEZs. However, there is a small governmental agency, LS MFZ Ltd., which was established in 2012 to develop, manage and promote the only public zone, the Lusaka South Multi Facility Economic Zone (Mwansa et al., 2020b; Phiri & Manchishi, 2020). The other three currently operational MFEZs are private SEZs, with the Chambishi MFEZ being the most established and well-known, its sub-zone, Lusaka East MFEZ (LE MFEZ) barely known, and the public Lusaka South MFEZ (LS MFEZ), which is the second case study SEZ in this thesis, struggling to attract international attention.

The Chinese-led Chambishi MFEZ was established as an SEZ with the aim of allocating the entire copper value chain in Zambia, from exploration and smelting to the manufacture of finished copper products, thereby adding value to the traditional commodity exports. The SEZ has been remarkably successful in attracting investment, much of it from China. However, local linkages are minimal and safety violations and strikes have raised concerns about the labour conditions in this SEZ (Bräutigam & Tang, 2014; Carmody, 2017; Carmody & Hampwaye, 2010; Lee, 2009). Little is known about its sub-zone, a light manufacturing SEZ in Lusaka (LE MFEZ), which is also intended to include residential and recreational uses. It is located next to the Lusaka airport and is reported to be struggling with adequate proper power supply (Phiri & Manchishi, 2020).

While the other three zones are only a few hundred hectares in size, the public LS MFEZ measures 2100 hectares. It was legally established in 2010 and started operations around 2017. The area is planned to include light and heavy manufacturing, residential, commercial and recreational uses. The development and strategic plans were developed through a collaborative study between JICA, a consulting team from a Malaysian high-tech SEZ, and the Zambian government (JICA, 2009; Shimoda, 2012). As of 2022, the LS MFEZ had 10 operational firms from different origins and different industries, ranging from stone processing

to agro-processing to home care products. Infrastructural deficits and policy inconsistencies are commonly cited as problems (Mwansa et al., 2020a; Mwansa et al., 2020b; Mwiinga et al., 2018; Phiri & Manchishi, 2020). The LS MFEZ is the only public MFEZ in Zambia, and the lack of political support raises the suspicions that the Zambian government does not plan to continue a public-led SEZ strategy.

The SEZ concept has travelled a long way through history and travelled different parts of the world before being adopted by the Zambian and Ethiopian governments. In this thesis, I will take a closer look at the two public SEZs to explain their coupling with GPNs and resulting outcomes. In the following Chapter 4, I will explain the methodological approach used to develop a theory of SEZ strategies in order to better understand the differences between these SEZs.

4 Research Design

4. Research Design

4.1 A qualitative research design

As indicated in the Introduction to this thesis, the research design is guided by the grounded theory approach. In the following, I will describe my three-phases research design and the process of theory development, before presenting the data (Section 4.2).

A three-phases grounded theory design

To develop a theory around SEZs in sub-Saharan Africa, I constructed a three-phase research design (see Figure 6). Following the **grounded theory** approach, the phases evolve from general, broad, exploratory, open-ended to specific. The initial openness to new insights (as opposed to following a narrow, rigorous research framework) is important for building a theory that goes beyond established theories (Morse, 2022; Thornberg & Keane, 2022). My data collection and analysis processes ran simultaneously and under the principle of constant comparison, as each new piece of information contributed to specify the research direction and to develop the theory. Through such an iterative, hermeneutic process based on a constructivist grounded theory tradition, information is gained and created deductively from literature review and inductively primary and secondary data and its analysis (Charmaz, 2014; Schreier, 2014; Thornberg & Keane, 2022). Research evolved from exploration of SEZs in sub-Saharan Africa to focused data collection and analysis on labour and value chains, to data analysis and theory completion about SEZ strategies for strategic coupling (see Figure 6). The reliability of the research is ensured by comparison between statements and findings in different types of data and ultimately with other research (Morse, 2022).

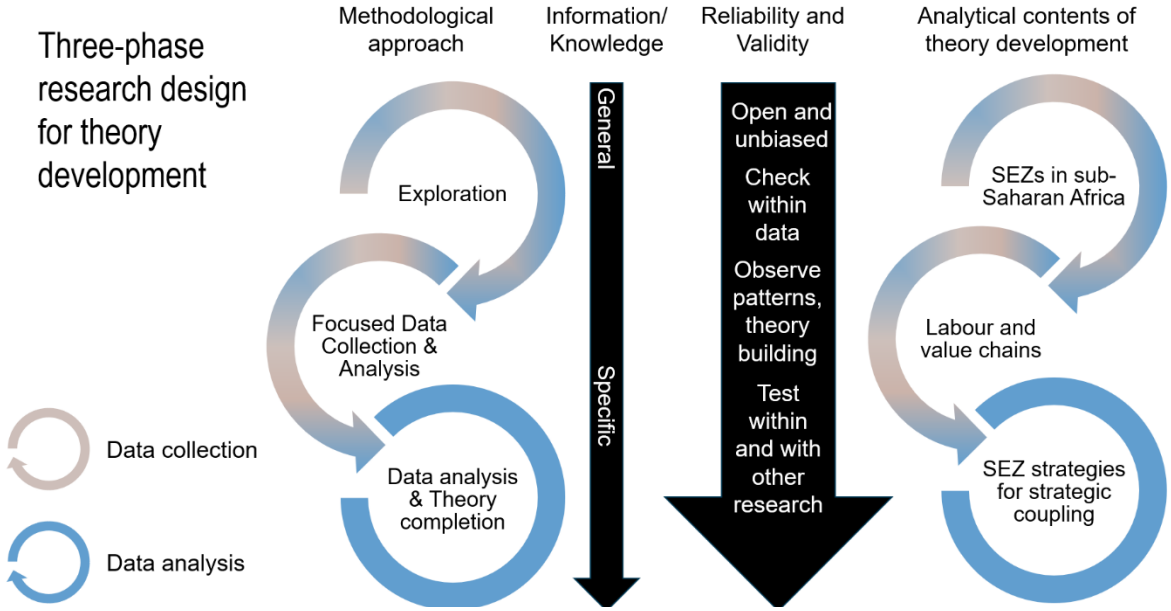

Figure 6: A three-phased research design for theory development, considering knowledge development and securing reliability and validity. Source: Author's design based on grounded theory approach (Charmaz, 2014; Morse, 2022; Thornberg & Keane, 2022).

Theory development

In grounded theory, a research design emerges and consolidates over the course of the research process (Morse, 2022; Thornberg & Keane, 2022). The first research phase for this thesis (exploration) followed a broad, general perspective to identify similarities and differences between SEZs in Zambia and Ethiopia. It was based on a common theme from SEZ studies: SEZs as enclaves (Fei & Liao, 2020; Hardaker, 2020; He & Chang, 2020; Kleibert, 2018). This theme served as a deductive framework (see also Chapter 2.3 Article 1), which also loosely guided the initial exploratory collection and analysis of data from primary and secondary sources (stakeholder workshop, site visits, initial interviews (see interview guide in Appendix), and documents). In this phase, I took the decision to focus on the two public SEZs (more about the case selection see later Section 4.3).

Constant comparison and deductive-inductive analysis of the initial data was used to understand the case study and develop theories (see Figure 7 for deductive and inductive contributions). First, I identified labour as a relevant outcome that differed considerably between the two SEZs. Although both SEZs followed the SEZ concept of public, manufacturing SEZs in sub-Saharan Africa, the outcomes of the labour regime were not the same. This led to a theory, grounded on these initial findings, which can be developed with further data: The adaptation and interpretation of the SEZ concept differs across countries and results in different types of governance, particularly with regard to the promotion of SEZ through facilitative SEZ strategies (related to the concept of public governance, see Chapter 5, Article II). This leads to different labour outcomes. Literature reviews have confirmed the importance of labour for SEZs (Azmeh, 2014a; Cirera & Lakshman, 2017; Cotula & Mouan, 2021; Kindiki, 2011; Kleibert, 2015). While public governance helped to include the state's role in the specific labour topic, it ended up being a theoretical digression which did not persist.

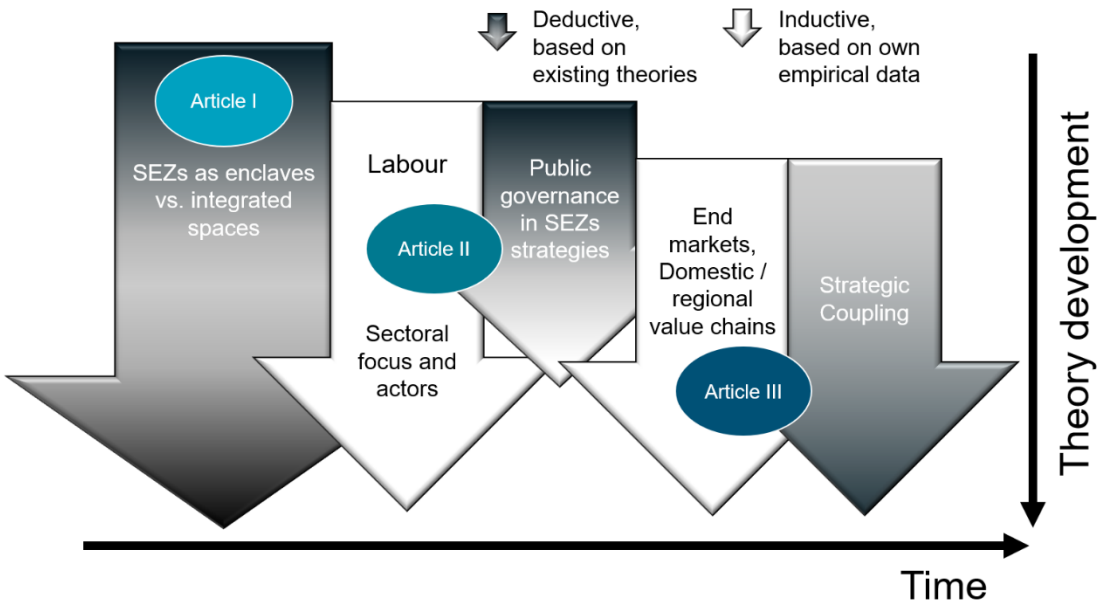

Figure 7: Theory development, influenced by deductive and inductive findings that emerged during time. Author's design.

The focus on labour showed me the importance of low-wage labour in promoting the Ethiopian SEZ. This led me to wonder about the reasons for strategic coupling in the Zambian SEZ. I expected to find even more differences between the two SEZ strategies to further explain the different outcomes and thus enrich my theory. The initial interviews already suggested that domestic and regional end markets were an important factor for strategic coupling in the Zambian SEZ. Few SEZ studies address this, although topics such as the shift of end markets to the Global South and regional value chains are currently popular in economic geography (Black et al., 2021; Horner & Nadvi, 2018; Keijser et al., 2021; Krishnan, 2018; Morris et al., 2016; Pickles et al., 2016; Scholvin et al., 2021; Staritz et al., 2011; Tups & Dannenberg, 2021). Thus, my second objective in the focused phase was to learn more about domestic and regional linkages and their relevance to strategic coupling through the SEZ.

The theory of strategic coupling via SEZs provided an overall research umbrella for these two foci and developed in parallel. I began to pay attention to firms' strategic needs – why did they decided to invest in the SEZs? – and what the SEZs offered them and regarded these aspects in both data collection and analysis. This helped me to understand the functioning of strategic coupling in the SEZs (Research Objective 1, see Chapter 1.2). Reflection on the promotion, visions and expected benefits of the SEZs enabled me to identify the different strategic approaches followed in the two SEZs, and how different strategic SEZ types influenced the strategic coupling process (Research Objective 2). I then made causal connections between the strategies and the outcomes in the SEZs, which I had thoroughly observed for labour and value chains (Chapter 5 and 6, Articles II and III). The initial

exploratory frame of SEZ as enclaves helped me to close the circle and enriched the analysis of outcomes of different strategic SEZ types (Research Objective 3).

There would have been a variety of other possible topics to explore in SEZs, such as urban development, cultural clashes (especially Chinese involvement), or policy transfer of the SEZ concept. They would have led to other equally interesting and important insights and theories.

The process of data sampling, collection and analysis for theory development

My data sampling, collection and analysis was guided by the principles of grounded theory (Charmaz, 2014): Generally, sampling aimed at analytical generalization (conversely to statistical generalization for quantitative studies) and therefore followed the theoretical needs of the study (Charmaz & Belgrave, 2012; Morse, 2022). There is no optimal sample size, as the aim is not statistical significance but theoretical saturation (Charmaz, 2014). Initial selection of the two cases in this thesis followed Seawright and Gerring (2008) as described later in Section 4.3. Data collection included interviews, site visits and a stakeholder workshop as qualitative methods, complemented by collection of secondary material. For triangulation, I interviewed a wide range of stakeholders as well as independent experts, and collected other relevant secondary data that provide insights into the general, but also specific (focused) themes (Flick, 2022). Constant comparison of content, a key principle of the grounded theory approach, served to validate and develop the theory, and drove the data collection process. Data analysis through coding followed an inductive-deductive manner (Charmaz, 2014; Schreier, 2014). The processes changed depending on the phase of the research (exploration vs. focused phase).

In the **exploration phase** (Figure 6), sampling is used to explore the cases openly. In addition to the interviews, an exploratory stakeholder workshop and site visits in Zambia, as well as relevant secondary data enriched the data base and served to cover a wide range of the sources for validation and triangulation (Flick, 2022). The exploratory stakeholder workshop in Zambia included presentations by experts and SEZ management, and an open discussion of current issues and future developments. In the exploration phase, interviews were conducted with a total of 31 stakeholders (SEZ management, SEZ firm management, government) and independent experts. The interviews were held in a conversational manner based on a generalized interview guide. The guide was intended to cover a broad range of topics, with the theoretical approach of SEZs as enclaves in mind (Chapter 2.3, Article I, see interview guide in Appendix). This theoretical approach also provided some deductively pre-defined categories for the analysis, which helped to structure the analytical process and to facilitate comparison with existing theories. Many inductive categories emerged and guided the way towards the topics of the focused phase.

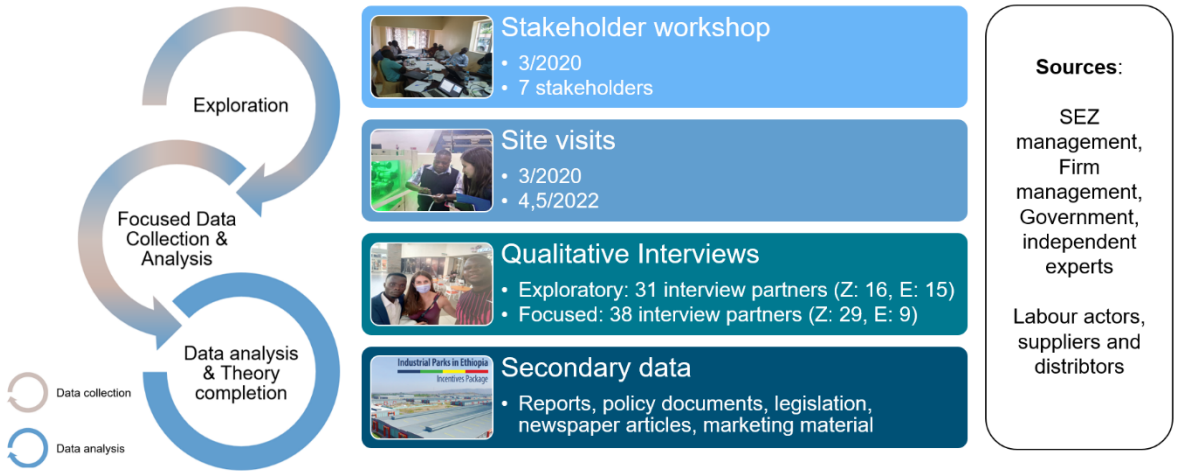

Figure 8: Primary data collection in the exploration and focused phase, and respective actor groups interviewed. Author's design.

In the second, **focused phase** (Figure 6), theoretical sampling was used to examine the chosen foci and develop theory by refining the analytical categories and their relationships (Coyne, 1997). Here, focused interviews (Charmaz & Belgrave, 2012) with new interview guides and partners were conducted (see interview guides in Appendix B and C, Charmaz & Belgrave, 2012). I adjusted and expanded the data collection to include the foci on different labour outcomes (Chapter 5, Article II, Chapter 7), domestic and regional value chains (Chapter 6, Article II, Chapter 7), and strategic needs and regional assets/locational advantages for strategic coupling through SEZs (Chapter 6, Article II, Chapter 7) (Meyer & Mayrhofer, 2022):

1. New interview foci added to existing interview guides to interview old and interview partners (SEZ management, government, SEZ firm managements),
2. New sampling to interview other knowledgeable stakeholders involved with labour in SEZs (e.g. labour unions and labour organisations, see interview guides in Appendix B) and to find further secondary data on labour,
3. New sampling to interview workers in the two SEZs to also represent their side, and for validation (see interview guides in Appendix B),
4. New sampling to interview other actors of the domestic value chain, namely suppliers and buyers (see interview guides in Appendix),
5. New sampling to find further secondary data on SEZ promotion and locational advantages.

These adjustments and expansions resulted in interviews with 38 interview partners for the focused phase (see also Figure 8). They served to test and confirm the theory of different SEZ strategies and their different outcomes through selective coding (Charmaz, 2014). Selective, focused coding is necessary in light of the many information gathered through the open and broad interview style. In the focused phase, there were less and less new inductive categories (pointing to theoretical saturation, see Charmaz (2014)), but it also became clear which deductive categories were not relevant for the two case study SEZs. An example is the

strategic need of LS MFEZ investors for available and affordable land, which emerged as an inductive category. Conversely, there were very few codings for the deductively included category of environmental, social, and governance standards. This shows that this is a topic for the future rather than a current one, promoted only for even younger African SEZs such as the Hawassa Industrial Park (Altenburg & Vrolijk, 2020). The newly formed combinations of categories and codings formed the basis for a grounded theory beyond existing theories (Morse, 2022).

4.2 Presentation of data and limitations to the study

Primary sources

Qualitative interviews are the core data of this thesis. Figure 8 illustrates the primary data sources used in both exploration and the focused phases of the research, as well as the numbers of interview partners in each phase and for each case. The interview partners represent a range of different actor groups, the most central ones being the firm managements, SEZ managements and other government representatives. These were interviewed in both, exploration and focused, phases. In the focused phase, data collection was extended to the further actor groups as described above (labour unions, representatives, organisations, experts; suppliers, buyers). Some interview partners were interviewed multiple times (especially SEZ management and firm managers), some were interviewed in multiple roles (e.g., as firm management and as business association representative within one interview), and some interviews included multiple interview partners (e.g. interviews with labour representatives or experts from research organizations). A total of 67 interviews were conducted with 69 interview partners (see Table 6).

The interviews were mainly conducted by me, mostly in person, but in some cases via online meetings or telephone call (5 for the Ethiopian case, 6 for the Zambian case). They were transcribed and then analysed using computer-assisted coding. 10 interviews with Ethiopian SEZ stakeholders, 5 Ethiopian workers and 3 Zambian workers were conducted and transcribed/translated by research partners due to unpredictability because of the COVID pandemic and related lack of access but also language barriers. In the Ethiopian case, no domestic or regional suppliers and buyers were interviewed as there are only negligible linkages to the domestic economy and none to the regional economy. In the beginning of the research, the focus was not yet settled on the specific two SEZs and an interview was conducted with the management of another Zambian SEZ as well. It was kept for comparison, but not included in most of the analyses. From the 11 BLIP firms, managers of 5 firms were interviewed, while multiple managers of 9 of the 10 LS MFEZ firms were interviewed. Information about the other firms was gathered by the managements, workers, or secondary material.

Actor group	No. of interviews		Total No. of interviews	Number of Interview partners		Total No. of interview partners
SEZ	LS MFEZ	BLIP	LS MFEZ + BLIP	LS MFEZ	BLIP	LS MFEZ + BLIP
SEZ firm management	20	5	25	15	5	20
SEZ management	6*	2	8	4*	2	6
Other government	3	6	9	3	6	9
SEZ workers	5	5	10	5	5	10
Labour representatives	3	3	6	7	4	11
Regional / domestic suppliers and buyers	4	-	4	4	-	4
Other experts / actors	4	1	5	7**	2***	9
Total	45	22	67	45	24	69

Table 6: Number of primary sources: interviews and interview partners, by actor group and SEZ. Where interview partners were interviewed in two actor roles within one interview, they appear twice as interview partners (right side) but only for one interview (left side).
- Due to the lack of domestic/regional buyers or suppliers for the Ethiopian BLIP firms, no interviews were conducted. The issue of domestic and regional value chains was mainly investigated for the LS MFEZ.
** This includes one interview/interview partner for the LE MFEZ.*
*** This includes researchers from various research organizations/universities as well as representatives from the Zambian Association of Manufacturers and the Zambian Chamber of Commerce and Industry.*
**** These include one researcher and a representative from the Chamber of Commerce.*

Secondary sources

Reports (e.g., assessments by organizatons or consultants), policy documents, legislation, newspaper articles and marketing materials (see Table 7 for examples) were used to enrich and triangulate the research process and findings in both phases (Flick, 2022). Some reports (Mwiinga et al., 2018; Weldesilassie et al., 2017) and policy planning documents (JICA, 2009) were already available at the beginning of the research process and helped to shape the initial research idea and prepare for primary data collection. Other secondary sources were selected according to their fit with the research foci, such as labour (labour laws) and SEZ strategies (marketing materials). Both primary and secondary data were analysed together through qualitative data analysis.

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 (ZDA, 2010)
	Marketing material	Call for investment (LS MFEZ Ltd., 2022)
	Report	Study on Zambian SEZs (Mwiinga et al., 2018)
Ethiopia	SEZ legislation	Industrial Park Proclamation (FDRE, 2015)
	Regulations	Labour Proclamation (FDRE, 2019)
	Marketing material	Investment Guide (EIC, 2017)
	Newspaper article	News about a strike in BLIP (Hailermariam, 2018)
	Report	Study on Ethiopian SEZs (Weldesilassie et al., 2017)

Table 7: Examples for secondary data sources.

Analysis

Data analysis through coding took place at different points in the research process and focused on different aspects of the theory (enclave SEZ, facilitative public governance, strategic coupling) and different content (labour, value chain linkages). All written data was coded using MAXQDA coding software. The coding system and categories were continuously developed inductively and deductively (Charmaz, 2014; Schreier, 2014). The detailed analysis was necessary to find emerging topics to advance SEZ-related theory. It is not free of ambiguities and disconfirming cases that helped to find new options for interpretation and theory development (Coyne, 1997). For instance, certain firms in the SEZs exhibited other characteristics that deviated from the prevailing SEZ characteristics. These were not immediately treated and excluded as outliers, but incorporated into the theory building (see, e.g., Paper 2).

Although qualitative analyses do not have to be turned into quantitative data, some qualitative researchers regularly attempt to do it (Mayring, 2019). I translated some qualitative results into quantitatively ranked data to make them comparable: I used the quantitative frequency of codings and the qualitative emphasis put on the different contents to convert them into an ordinal system. This enabled me to visually compare the importance of different relevant categories, presented in the following Chapters. The categories were: 1. Strategic needs of investing firms, 2. Locational advantages promoted by the SEZs, 3. Expected benefits for the SEZs. I deliberately chose to not just depict the quantitative frequency by using the sole percentage of coding, but also consider the qualitative importance. The combination of these were translated into a scale of: Often mentioned and fundamental/emphasized – mentioned – sometimes mentioned. Examples for the qualitative differences are, for the case of exports as expected benefit: The Ethiopian BLIP plays “a significant role, a priceless role in bringing foreign currency, in generating foreign currency [through exports]” (EIC official), so investing firms are restricted to export their products. This would be a “often mentioned and fundamental” expected benefit (after considering the frequency of codings for it). For the LS MFEZ, this topic is less important: They “look at companies that can come and at least, at the very minimum, speak to 50% of the production for export” (LS MFEZ manager). This indicates that exports are something envisioned, but not desperately expected for the LS MFEZ. Depending on the frequency of codings, this would be a “mentioned” or “sometimes mentioned” expected benefit in the Zambian case. These qualitative differences were considered in the quantification and visualized to represent the differences in the strategic needs, promoted locational advantages, and expected benefits.

The analysis then went beyond these descriptive quantified results and found causal relations that helped to establish and understand different strategies and link them to SEZ outcomes.

Limitations

There were a number of limitations to the research: As mentioned above, the COVID pandemic complicated and also delayed some of the data collection. To mitigate this limitation, local research partners conducted a part of the interviews (15 of 22 for Ethiopian case, 3 out of 45 for the Zambian case). They were carefully instructed and prepared and also provided additional insights, e.g. observations from the study area. Some interviews are not as informative as others, especially when the English skills of the interview partner were not on a high level. This had to be taken into account throughout the analysis in order to avoid misinterpretation. Comparison with other data (interviews with other interview partners) and data sources (site visits, documents) helped to ensure the reliability and validity of the analysis and the developed theory (Morse, 2022).

Comparison and triangulation were particularly important when it came to verifying facts about developments in the SEZ: For example, numbers and achievements are often exaggerated on paper and in the SEZ discourse. This happened with regards to the available infrastructure, the number of actually operational firms and their workers, and planned operations. The creation of such a discourse (by both the SEZ managements and the firm managements) is popular and has been carried over into other studies where mere plans have been presented as an already existing reality. This also concerns quantitative secondary data in general, already starting with the mere number of SEZ firms, as UNCTAD (2021) confirms:

> Lack of accessible and reliable data makes it extremely challenging to assess the numbers of firms located in African SEZs. To add to the complexity, many SEZs report firms that are registered in the SEZ programme, though they might not be operational or even have an industrial presence in the zone. This is the case in Nigeria, where the Kano FTZ, reports that 33 firms are registered but only 13 are operational, and the Calabar FTZ, has 70 firms registered but only 28 operational. Other SEZs report the number of firms expected once the zone is fully developed (UNCTAD, 2021, p. 42).

The same applies to numbers of workers: Numbers may refer to the expected numbers, may include temporary construction workers or be generously rounded up estimations. Also regarding the firm investments and infrastructural investments into the SEZs, it is difficult to know the actual investments in contrast to planned investments, which may be published for promotional and reputational reasons (see e.g. Mwiinga et al., 2018). These types of inaccuracies were identified in the analysis through triangulation between different data and data sources, where discrepancies became apparent. Ideally, the research findings would have been discussed in final workshops with stakeholders. This was not possible due to the

unpredictability of the COVID pandemic. Discussion of the findings was therefore limited to follow-up questions in the interviews with single interview partners.

Ethical considerations

Special attention was paid to the anonymity of all interview partners (and research partners if demanded). Prior to the interview, interview partners were informed about the topic of the research, the anonymity, and that they did not need to answer (any) questions they did not feel comfortable with. They all gave consent. They were also asked for permission to record the interview. If denied, written notes substituted the verbatim records. Anonymity of interview partners was provided not only by avoiding names, but also concrete references to organization or firm. After the publication of the results, they will be made available to anyone who supported the research in any way and expressed their interest.

4.3 Selection of case study SEZs

The two case study SEZs were selected because they are among the few state-owned, operational, manufacturing SEZs that were recently established in sub-Saharan Africa. They are both developed and managed by governmental agencies (see building of the governmental agency LS MFEZ Ltd., the Zambian SEZ, in Photo 1). Therefore, they can be considered to represent typical cases (Meyer & Mayrhofer, 2022). Both SEZs are located on the outskirts of their respective capital cities, received essential input for policy transfer based on Asian SEZs, and are designed to support industrialization. They seem to share many similarities. However, a closer and more open look (in die exploration phase) at the two case study SEZs reveals very different outcomes in terms of SEZ investment and business structure, labour numbers and regimes, and so on (see Table 8 and Photo 2). And a look back or deeper into the actual SEZ strategies also shows significant differences, suggesting that SEZs are, indeed, not a universal, rigid policy instrument. Following Seawright and Gerring (2008), I see them as “most similar cases” (p. 304), since they are apparently and contextually similar cases of recently established sub-Saharan African SEZs, but differ in their outcome and in one decisive element, namely the particular SEZ strategy. The different SEZ strategies for strategic coupling and the associated strategic SEZ types are the core of this thesis and will be explored in the next chapters.

Dimension	BLIP, Ethiopia	LS MFEZ, Zambia
Similarities between the case study SEZs		
Ownership	Public	Public (see Photo 1)
Location	Next to capital (Addis Ababa)	Next to capital (Lusaka)
Connectivity	Landlocked country	Landlocked country
Development Goal	Foster industrialization	Foster industrialization
SEZ Inspiration and policy transfer	Chinese SEZ as role models and Chinese initiative for first SEZ	Asian SEZs as role models and Chinese initiative for first SEZ
Number of firms	11 operational, SEZ expanding	10 operational, several under construction
Sectors	Only light manufacturing	Only light manufacturing
Differences between the case study SEZs		
Industries	Garment (9), leather products (2)	Beverages (2), Tobacco (2), Stone processing (2), Homecare products (2), Pharmaceuticals (1), Fertilizers (1)
Jobs created (see Photo 2 and Chapter 5, Article II)	Around 16.000 employees	<5.000 employees
Origin of investments	Supplier firms from India (4), South Korea (3), China (2), Taiwan (2)	Branches of multinational lead firms (4), local lead firms (3), foreign international lead firms (China 2, India 1)
End markets	Western markets	Domestic and regional (see Chapter 6, Article III)
Type of SEZ	EPZ-like	New type of SEZ

Table 8: Comparing the two case study SEZs. Source: Own compilation based on primary and secondary data.

Photo 1: Management building of the LS MFEZ Ltd., governmental agency developing and managing the LS MFEZ. Source: Own photography 2022.

Photo 2: Left: Garment workers in a Ethiopian SEZ. Source: EIC (2017).
Right: Machinery in a factory in the Zambian LS MFEZ. Source: Own photography 2022.

5 Labour Regimes and Public Governance in Special Economic Zones in the Global South

Examples from Zambia and Ethiopia

(**Article II**)

5. Labour Regimes and Public Governance in Special Economic Zones in the Global South: Examples from Zambia and Ethiopia

Kiesel C and Dannenberg P (accepted in a revised version) Labour Regimes and Public Governance of Special Economic Zones in the Global South: Examples from Zambia and Ethiopia. Area Development and Policy.

Abstract

Special Economic Zones (SEZs) are spatial instruments for economic development with distinct labour regimes. While commentary about labour control within SEZs is widespread, nuanced views about how labour regimes are constituted by public governance remain absent. Therefore, this article explores how two aspects of public governance—regulatory involvement and facilitative strategies—influence labour regimes in two Global South SEZs. The Zambian case illustrates how a high road (somewhat skill-intensive) SEZ strategy and non-regulating state enable a labour-friendly private labour regime. The Ethiopian case took a low road strategy (focusing on low-wage labour) and illustrates public and private labour control. The two cases demonstrate a trade-off in SEZ strategy: the low road strategy yields mass employment, while a high road approach can foster economic development with favourable labour conditions, but less jobs. Thus, labour regimes in Global South SEZs are constituted not only by regulatory involvement but also by facilitative strategies.

Keywords: Special Economic Zones, labour regimes, public governance, role of the state, Global South

5.1 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). Yet, current debates about SEZs in Africa go beyond mere economic perspectives, and include social embeddedness, land governance, and expectations regarding urban development and regional integration (Azmeh, 2014a; Dirksmeier, 2018; Lawanson & Agunbiade, 2018; UNCTAD, 2021; Woolfrey, 2013; Xu & Wang, 2020). Scientific and non-scientific discourses about SEZs frequently highlight labour issues, including poor working conditions and constraints on workers' empowerment (Carmody & Hampwaye, 2010; Cirera & Lakshman, 2017; Kiesel & Dannenberg, 2023). A new generation of SEZs is expected to tackle these

issues through socially responsible practices. These SEZs are said to “make a positive contribution to the environmental, social and governance (ESG) performance of countries’ industrial base” (UNCTAD, 2019). Public governance can drive this contribution by influencing SEZs and their labour regimes.

To better frame labour issues in SEZs, this paper draws on the concept of labour regimes, which are the organisation of labour into production systems to create and appropriate value (Smith et al., 2018). Studies show that current SEZs usually offer a confined or even enclave space with special actor constellations and labour institutions for labour regimes (Punj, 2018). Such labour regimes have been analysed in a variety of SEZ studies (Azmeh, 2014a; Fei & Liao, 2020; Kelly, 2001).

Governance denotes the overall institutional (labour) framework for industries and value chains. Labour regimes in SEZs are shaped by multiscalar (local to global) public (government), private (firms), and social (e.g., by workers, unions, civil society) governance (Gereffi & Lee, 2016). This article focuses on the different forms of *public governance* that influence SEZs and their labour regimes. Such governance can be positioned along two axes: regulation (from strong regulatory state involvement to little, often outsourcing to the private sector) and facilitative strategies (from low to high road SEZ agendas). Examples for the regulatory axis are the enforcement of labour laws (regulated) or a low degree of regulatory state involvement (unregulated). A high road, facilitative SEZ strategy is focused on high value activities and would attract firms that require specialized labour force, while a low road facilitative strategy would promote on low-waged labour. Scholars have rarely considered the latter, facilitative SEZ strategies, and how they impact labour regimes as a form of public governance. Therefore, this article investigates how public governance constitutes labour regimes in SEZs in the Global South.

For this purpose, the next section elaborates on the main conceptual framework of public governance (Mayer & Phillips, 2017) and labour regimes (Anner, 2015) to further conceptualise regulatory SEZ actor involvement and facilitative SEZ strategies. Section 3 introduces the qualitative research approach with two public SEZs: the Lusaka South Multi-Facility Economic Zone (LS MFEZ) in Zambia and the Bole Lemi Industrial Park (BLIP) in Ethiopia. Section 4 discusses labour regimes and public governance in each SEZ, with special attention to how variations in regulatory SEZ actor involvement and facilitative SEZ strategies lead to different labour regimes.

5.2 The Influence of Public Governance on SEZ Labour Regimes

5.2.1 Labour regimes and governance

Labour regimes emerge from the interplay between diverse public actors (e.g., local or national governments) and private stakeholders (e.g., employers) and includes “workforce mobilisation, conditions of employment, and forms of enterprise authority and control for the appropriation of surplus value” (Oya & Schaefer, 2021, p. 2). Some labour regimes are more publicly dominated while others are more privately oriented (Jonas, 1996). Neither type of labour regime is inherently harmful or beneficial for workers; furthermore, the two are “not mutually exclusive" (Anner, 2015, p. 293).

Research on labour regimes in the Global South often centres problematic and coercive practices. For example, Anner (2015) examined three labour regimes in the apparel industry that control labour to meet private sector needs (in Vietnam, Bangladesh, and Honduras). The "authoritarian state” controlled labour through legal instruments that impeded collective action. The "repressive employer” regime used threats or actual violence to hinder workers’ empowerment. Finally, the "despotic market” regime relied on an unregulated market to create insecure working conditions where workers feared being replaced. In the first example, the labour control regime was guided by the state; in the latter two examples, they were driven by the private sector.

Public governance is often outsourced to the private sphere, mainly because of a deregulatory shift pushed by the Washington Consensus. The deregulatory shift entails primarily the retreat of the state in fiscal matters such as taxes, but also reduced state engagements regarding labour and environmental laws, outsourcing these issues (Mayer & Phillips, 2017; Schrage & Gilbert, 2021). Public governance deficits may lead to detrimental private labour control regimes (Anner, 2015; Jonas, 1996). In other cases, private and social initiatives may remedy public governance deficits and create labour-friendly regimes (Cotula & Mouan, 2021; Locke, 2013; Schrage & Gilbert, 2021). Public governance deficits may occur especially in SEZs, where institutions used to work very differently than in the rest of the country (Jonas, 1996; Punj, 2018).Today, many countries have included SEZs in the national regulatory framework so national (labour) laws also fully apply to SEZ firms (Punj, 2018). Hence, labour regimes change over time, especially if pushed by social movements like worker resistance, collective bargaining, strikes and sabotage led by labour unions, and local and global societal pressures (Anner, 2015; Gereffi & Lee, 2016; Jonas, 1996). Public, private and social governance, hence, influences labour regimes.

Recent studies conclude that public governance is rising again, as is attention to the state’s role in scientific discourse (Alford & Phillips, 2018; Horner, 2017). These scientific approaches to public governance differentiate between regulatory and facilitative public governance (Mayer & Phillips, 2017). Yet, most existing research focuses on regulatory governance, namely the “limiting and restricting [of] economic activity […] to protect various

societal interests" (Horner, 2017, p. 7) through labour laws and their enforcement (Gereffi & Lee, 2016).

Facilitative governance—through which states "seek to promote, attract, and retain private investment" (Horner, 2017, p. 7)—is another major piece of SEZs' labour impacts, but remains understudied. Analysing facilitative state governance requires differentiating between high and low road development strategies (Pike et al., 2016). High road development strategies are "based on high productivity, high wages, high skills, high value-added" (2016, p. 47), while the low road development strategy is based on the opposite. These strategies determine the type of labour and value chain actors chosen for an SEZ.

The next section considers public governance's influence on SEZs labour regimes—this paper's core interest—while also evaluating the interaction between public, private, and social governance. The focus on public governance helps us understand the state's role in constituting labour regimes and allows for policy recommendations on how to influence labour regimes in SEZs.

5.2.2 Regulatory and facilitative public governance of SEZs

Public governance can be conceptually split into regulatory governance and facilitative governance. These concepts help distinguish between regulatory SEZ actor involvement and facilitative SEZ strategies (which both occur simultaneously).

An obvious regulatory SEZ policy decisions concerns who owns, develops, and manages the SEZ. But the state may also influence labour regimes through strict labour laws and enforcement. Conversely, the state can be rather passive, even in public (state-owned) SEZs, when they are excluded from national labour laws (Punj, 2018). In the latter case, private sector actors often introduce their own forms of governance. Such variations in regulatory actor involvement (public or private) create different SEZ labour regimes situated along a continuum between state involvement and private governance.

SEZ policies are not only of regulatory nature, but also include facilitative public governance, which concerns choices about labour types and value chain actors (Horner, 2017). Many SEZs strategically promote the local labour force as an asset to incentivize investments (UNCTAD, 2019; Wong & Chu, 1984) along a low or high road development strategy (Pike et al., 2016). One example of high road development is found in Filipino high-tech (McKay, 2004) and service SEZs (Kleibert, 2015), where local highly skilled employees are marketed to attract investors. Other SEZs choose low road development and promote local low-wage labour to attract labour-intensive industries (Wong & Chu, 1984). For instance, Mains and Mulat (2021) found that current promotional discourses in Africa refer to "abundant pools of cheap labor" (p. 360), which can also be found for the Ethiopian case study in this paper..

Many export processing zones in the Global South take this low road development strategy (e.g., the garment industry and low-skill electronics sector (Cirera & Lakshman, 2017). These efforts are not targeted at specific industries *per se* since different production segments within an industry require different skills and skill levels (Barrientos et al., 2011). Rather, the promoted labour type determines the low or high road strategy.

The definition of low and high road development depends on local perspectives and societal values (Pike et al., 2016). Here, the assessment of regimes goes beyond the labour type, including also labour-friendliness (e.g., attention to worker needs and labour conditions) and the power relations that affect labour (e.g. between global buyers, the state, SEZ firms, and workers). High road development seeks powerful lead firms with a labour-friendly agenda like corporate social responsibility. Low road development chooses captive suppliers, which suffer price pressures that are passed on to the workers (Gereffi & Lee, 2016; Locke, 2013; Schrage & Gilbert, 2021). These choices also affect the overall SEZ strategy: the state can choose the pro-labour/high or pro-firm/low road through its incentives (e.g., social policies vs. union control or lax labour law enforcement). Figure 1 shows how the two aspects of public governance—regulatory involvement and facilitative strategies—vary from strong public involvement to strong private involvement and from low to high road SEZ development strategies. Neither of these aspects is ever exerted in their pure forms—they exist on a continuum.

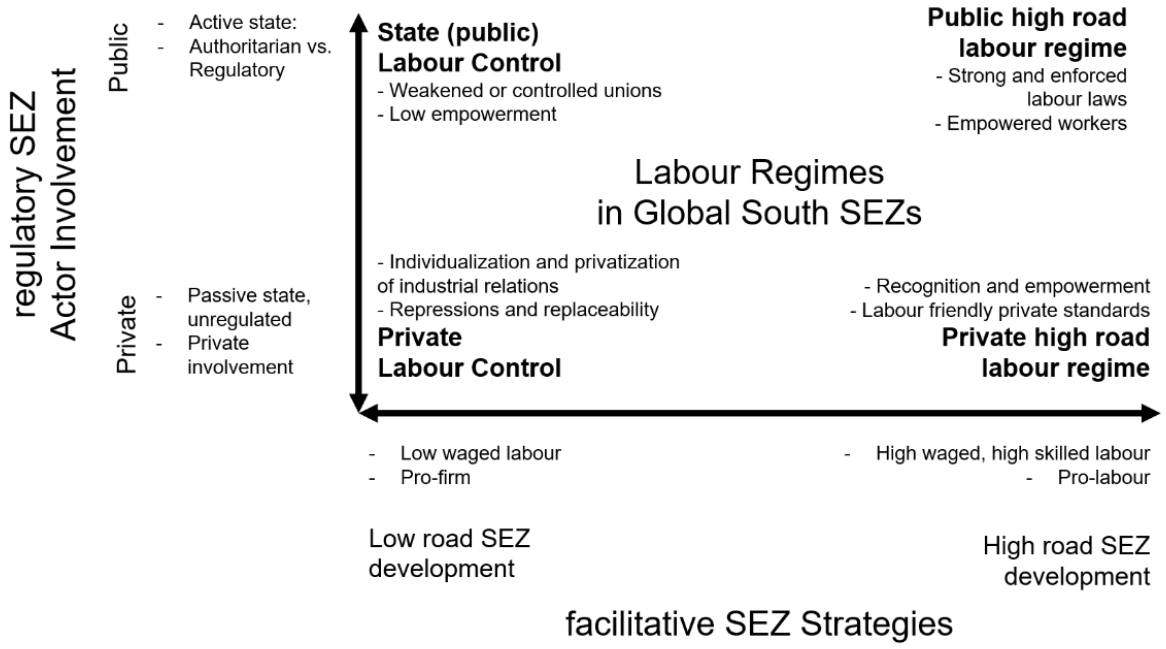

Figure 9 / Figure 1 in Article II: Conceptualising Global South SEZ labour regimes by public governance (regulatory and facilitative) type. Own visualization.

5.2.3 Conceptualizing different labour regimes in SEZs

Building upon Anner (2015), four labour regime forms in Global South SEZs can be conceptualised by drawing from the edges of the two axes of regulatory involvement and facilitative strategies (see Figure 1). In practice, SEZs are rarely only associated with one category—mixed forms are possible.

1. **Public high road labour regime**: In this regime, public governance follows a pro-labour, high road SEZ development strategy and regulates appropriately. A deeply involved, regulatory state creates a labour-friendly SEZ strategy with thorough, enforced labour laws and many opportunities for workers to express and realise their demands.
2. **State (public) labour control:** This regime is also marked by strong public involvement, but from an authoritarian state following a pro-firm, low road SEZ development strategy. Asymmetrical power relations within the value chains and towards labour are common. The authoritarian state limits the independence and power of unions and other forms of workers' collective action, as in China and Vietnam (Anner, 2015; Dünhaupt et al., 2022). The state may also control migrant workers in SEZs through unfavourable legislation (Azmeh, 2014a; Ong, 2006). For instance, the Kenyan state forbade SEZ workers from collective bargaining and joining unions or NGOs until 2003 (Kindiki, 2011).
3. **Private labour control:** In this regime, the state is passive, so private governance steps in to manage low road SEZ development strategies. This leads to a private labour control regime where employers or market forces control powerless and replaceable labour. For example, some Chinese SEZ firms in Ethiopia use disciplinary strategies like physical exercise and the public display of punished workers, but also personal relationships to control labour (Fei & Liao, 2020). In other SEZs, firms dismiss powerless workers for joining unions or complaining (Azmeh, 2014a; Kindiki, 2011). The state may outsource governance to the private sector through the individualization of industrial relations (vs. strengthening collective actions) and controllable, weak in-house councils and unions (Kelly, 2001). When SEZs target labour-intensive activities (e.g., garment and manual hardware assembly), poor working conditions, low wages, and lack of unionization often follow (Dünhaupt et al., 2022). Private labour control emerges from a low road SEZ development strategy (with low-waged labour) combined with low public regulation.
4. **Private high road labour regime:** Skill-intensive formalised labour (e.g., automated manufacturing and IT) often encourages enforceable standards and good working conditions (Barrientos et al., 2011; Luo & Gereffi, 2019). When skilled workers are needed in an SEZ, firms invest in training (e.g., South Africa's Coega SEZ (Thompson, 2019)) and then start retention programs to keep the trained workers. Such labour regimes are based on recognition and empowerment (Bujang et al., 2019), especially in SEZs where educated or skilled labour is scarce (Wahyuni et al., 2013). The state is less present, so certain private actors take over governance (e.g. codes of conduct, Gereffi & Lee, 2016) to the benefit of their employees. Part of a high road SEZ development strategy involves choosing actors with labour-friendly agendas. The choice of labour type and value chain actors – following a low or high road SEZ development – is crucial to distinguish between labour control regimes and labour-friendly high road labour regimes.

These four ideal-type SEZ labour regimes rarely occur in an unchanging, pure form; rather, SEZ strategies and regulations are diffuse and change over time (UNCTAD, 2019) as SEZs shift from one labour regime to another. Social governance can also influence SEZ strategies and regulations. For example, many countries now include SEZs within the national regulatory frameworks after facing labour struggles and international pressure. Such SEZ labour regimes become fully governed by national (labour) laws (Cotula & Mouan, 2021; Punj, 2018). Actor involvement is complementary, not exclusive. Authoritarian states' legal frameworks, and even a rather passive state may complement repressive private labour regimes. For example, employers can misuse intentionally unfavourable legislation to control migrant workers in SEZs (Azmeh, 2014a; Ong, 2006). The Ethiopian state weakened unions and possibilities to strike in SEZs until only recently, fostering private labour control (Admasie, 2022; Fei & Liao, 2020; Mains & Mulat, 2021). In the following, this paper will elaborate on the case of an Ethiopian and a Zambian SEZ.

5.3 Methods and Case Studies

5.3.1 Methods

Actor group	No. of interviews		Total No. 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		

Table 9 / Table 1 in Article II: Overview of data collection: interviews and interviewees.

A total of 66 semi-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 focused on labour issues, while other stakeholders were interviewed about more general SEZ promotional strategies and governance. 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. Qualitative data analysis software was used to code for working conditions, workers' power, and public regulatory and facilitative governance. The deductive coding framework was based on different labour control regimes (based on Anner, 2015) and forms of public governance (based on Horner, 2017; Mayer & Phillips, 2017), while additional inductive coding helped to enrich, structure, and exemplify these conceptual approaches (Mayring, 2019).

5.3.2 Case studies

To understand how public governance constitutes labour regimes of SEZs, two African state-owned SEZs were qualitatively examined. The African continent currently hosts 237 SEZs in 37 of 54 countries (mainly in Kenya, Nigeria, and Ethiopia, UNCTAD, 2019). Generally, African SEZs contribute less than 5% of the national employment (ibid., p. 45). Most studies and technical reports focus on the quantitative aspects of SEZ labour, though some qualitative studies exist on labour regimes in Egypt and Jordan (Azmeh, 2014a), Ethiopia (Fei & Liao, 2020; Hardy & Hauge, 2019; Mains & Mulat, 2021), and Kenya (Kindiki, 2011).

This article draws on the Lusaka South Multi-Facility Economic Zone (LS MFEZ) in Zambia and the Bole Lemi Industrial Park (BLIP) in Ethiopia. Little research has examined these particular two state-owned SEZs (Berhanu, 2018; Mwansa et al., 2020b; Mwiinga et al., 2018; Nega, 2021). More studies exist on other, namely Chinese-led SEZs in Zambia and Ethiopia (Carmody & Hampwaye, 2010; Fei & Liao, 2020; Giannecchini & Taylor, 2018; Hardy & Hauge, 2019; Kragelund, 2020; Mains & Mulat, 2021), and recent work has discussed labour issues in Ethiopian SEZs in general (Mains & Mulat, 2021; Nega, 2021; Oya & Schaefer, 2021).

The LS MFEZ and BLIP feature very distinct labour regimes, although both are state-owned manufacturing SEZs. Both are managed by government agencies and situated close to the capital cities of emerging, low-income, land-locked countries. Both countries recently adopted the SEZ concept, following a continent-wide trend (UNCTAD, 2019). Finally, both SEZs were developed in the last decade to focus on manufacturing and host a similar number of mostly international firms. Despite these similarities, the labour regimes in these SEZs differ significantly (see Sections 3.2.1 and 3.2.2). This makes them illustrative examples for "most similar cases", that is, "similar across all background conditions [but differing in] one dimension—X1—and on the outcome, Y" (Seawright & Gerring, 2008). In

this case, the decisive dimension (X1) is public governance through regulatory SEZ actor involvement and facilitative SEZ strategies.

5.3.2.1 Ethiopia: The BLIP

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

Initially, the BLIP's mostly female, unskilled workers suffered from poor working conditions, including unlawful deductions from already low wages, forced overtime, an unsafe, aggressive and sometimes abusive working environments, and low job security (Ethiopian_Worker1-5, see also Hardy & Hauge, 2019; WRC, 2018). Unionization and general collective bargaining attempts were unsuccessful for many years (Ethiopian_Worker1-5, Hardy & Hauge, 2019; WRC, 2018). Recently, though, the labour control regime improved and unions helped workers to reclaim their voices (Ethiopian_Worker2, Admasie, 2022).

5.3.2.2 Zambia: The LS MFEZ

The Zambian LS MFEZ in Lusaka currently hosts 10 local and international firms, with more factories under construction. Its 2100ha footprint used to be an informally cultivated conservation area (Zambian_SEZ3, JICA, 2009). Its industries range from agro-processing and agrochemicals to stone processing, pharmaceuticals, and home care products (see Table 2). The Zambian government established the LS MFEZ in 2010 as the first state-owned SEZ after consultations with the Japan International Cooperation Agency (Mwiinga et al., 2018). The LS MFEZ is managed by the LS MFEZ Ltd., a specially-created governmental agency that reports to the Ministry of Commerce and promotes the LS MFEZ to investors.

There are two labour regimes in the LS MFEZ: one for low or unskilled, partly informal or casual workers, and one for formal, rather skilled employees. The low and unskilled workers suffer precarious working conditions, especially with workplace safety, casualisation, low wages, and little power to change their situation (Zambian_Firm8, Zambian_Worker1,2,4, Zambian_Representative4, Zambian_Expert2). However, interviews with the skilled, formal, long-term employees described a labour regime that fosters skill and career development,

good working conditions, and the freedom to associate and collectively bargain successfully. These workers' rights awareness was high and unions regularly negotiated and enforced acceptable working conditions (Zambian_Firm3,4,7, Zambian_Worker1,3-5). The differences between labour regimes in these two (otherwise very similar) case study SEZs can be explained by the influence of public governance.

	BLIP	LS MFEZ
Number of firms	11 operational, park expanding	10 operational, several under construction
Employment creation	Around 16.000 employees	<5.000 employees
Sectors	Garment (9), leather products (2)	Beverages (2), Tobacco (2), Stone processing/tile manufacturing (2), Homecare products (2), Pharmaceuticals (1), Fertilizers (1)
Origin and function of firms	Supplier firms from India (4), South Korea (3), China (2), Taiwan (2)	Branches of multinational lead firms (4), local lead firms (3), foreign international lead firms (China 2, India 1)
Power relationships	Dependent on Western buyers, mostly captive suppliers	Independent lead firms or branches of multinationals

Table 10 / Table 2 in Article II: Summary of firms in the case study SEZs (May 2022). Sources: Own data and Nega (2021).

5.4 The Influence of Public Governance on SEZ Labour Regimes

5.4.1 Ethiopia: How long can you drive the low road?: Public and private involvement for labour control

The Ethiopian BLIP is marked by a low road, pro-firm labour control regime which has aspects of strong state involvement (state labour control) and a strategically non-regulating state that enables private labour control. This low road SEZ development strategy has been challenged by social governance, and the regime is now shifting.

The initial precarious labour conditions in the BLIP were an expression of the prevailing labour control regime (which exists in other Ethiopian SEZs and industrial enclaves). The labour control regime was based on the Ethiopian state's choice to pursue a low road SEZ development strategy, which is visible in the way the BLIP was promoted to potential investors. Its facilitative SEZ governance specifically targeted garment and leather manufacturing segments to create mass employment and linkages to the local leather industry (Ethiopian_Government1-5). To attract this labour-intensive segment, the Ethiopian state chose to actively promote the "large pool of trainable work force available at competitive wages" (EIC, 2017) as the main asset for investors to exploit. As in older Asian SEZs (Wong & Chu, 1984), abundant low-cost labour was promoted as an asset to attract

firms that could exploit it. Such abundant, low-skilled, low-cost, and replaceable labour forces enable labour control regimes (market labour control according to Anner, 2015).

The BLIP strategy targeted suppliers to large Western garment buyers within consolidated global value chains, which are captive firms (Ethiopian_Government3,5). A former deputy commissioner of the Ethiopian Investment Commission explained the buyers' power over their suppliers and how the pro-firm facilitative SEZ strategy worked:

> 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).

Captive relations in value chains are dominated by price pressure. Thus, firms have fewer options to extract rents and workers struggle more to establish rights (see Dünhaupt 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 minimize bathroom breaks (Ethiopian_Worker1-4)). After a strike, SEZ firm management agreed to increase wages "but only if an increase in productivity by the workers was evident" (quoted in Hailermariam, 2018) to maintain their small profit margins. The BLIP's strategy to attract price-pressured captive suppliers and the choice to promote low-waged and replaceable labour enabled a detrimental labour control regime.

The Ethiopian state follows a developmental state agenda and is heavily involved in SEZ governance (Mains & Mulat, 2021):

> What makes the Ethiopian [SEZ] case different or unique has been the strong government leadership. I call it 'state activism' in the entire implementation of the [Industrial Park] program and then partnership with the private sector (Former Deputy Commissioner of EIC, Ethiopian_Government5).

Pro-firm state involvement in Ethiopia is supported by an "authoritarian political environment" (WRC, 2018, p. 5) that used to constrain labour organisations and unions' access to workers (Ethiopian_Representative1,2, see also US Department of State, 2021). Moreover, the Ethiopian Labour Proclamation focuses on economic interests and assigns responsibilities for labour matters to the Ministry of Industry (Proclamation No. 1156/2019, see also Cotula & Mouan, 2021). This indicates a state (public) labour control regime, and so does the lack of a minimum wage (Ethiopian_Government3, Ethiopian_Representative1,2, Ethiopian_Expert1, see also Fei & Liao, 2020; Hardy & Hauge, 2019; WRC, 2018). The authoritarian, pro-firm state is heavily involved and follows a low road strategy to attract and maintain investors – the government "protect[s] the foreign investors rather than [the] labourers" (Ethiopian_Expert1).

Another component of the state's approach is to be a deliberately low-involvement, non-regulating state. Before Ethiopian SEZ workers were empowered, the BLIP operated under a

special labour law regime (see Punj, 2018) and proper labour law implementation was neglected (see also Cirera & Lakshman, 2017). The BLIP was an unregulated enclave of private labour control. Workers were unaware of their right to organise (Ethiopian_Worker1,2,5) and firms frequently used write-ups and verbal abuse to intimidate workers (Ethiopian_Worker2-4). They exploited the workers' lack of knowledge about their rights by unlawfully mandating overtime and deducting wages as punishment (Ethiopian_Worker1-4). Thus, public labour control was complemented by private labour control (see Anner, 2015), where the threat of losing their jobs discouraged workers' empowerment (Ethiopian_Worker1-4).

Recently, the situation for SEZ workers in Ethiopia has changed (as with the Ethiopian garment industry outside of SEZs (Cotula & Mouan, 2021; Mulubiran & Karlsen, 2021)). Unions gained access to SEZs and began negotiating with SEZ firms (Ethiopian_Representative2, Admasie, 2022). Improvements are reported regarding the enforcement of pregnant women's rights (over 90% of the BLIP workers are female) (Ethiopian_Worker1,2,4,5, Nega, 2021). Although facilitative strategies still concentrate on low-wage labour, the discourse no longer promotes "cheap" labour (Ethiopian_Representative3, Ethiopian_Government4, Ethiopian_Expert1). This shift away from a pure low road strategy is a reaction to social governance processes. An authoritarian, low road strategy is difficult to maintain in the long run. Several strikes and international outcry about the precarious working conditions in Ethiopian SEZs (Admasie, 2022; Hailermariam, 2018) raised awareness among the general public and policymakers. While many aspects of (private and public) labour control still prevail, there are changes towards a labour-friendlier, public high road labour regime.

5.4.2 Zambia: The (limited) power of a high road SEZ strategy for a labour-friendly private regime

The two prevailing labour regimes in Zambia's LS MFEZ are based on low state involvement. The first SEZ strategy followed a distinctive high road development approach and facilitated a private labour regime. Later, a partial shift towards somewhat low-skilled labour resulted in labour control exerted by firms that cooperate with ineffective unions and complemented by occasional state labour control.

State involvement in the LS MFEZ is inconsistent. The state's SEZ management only steps in if labour issues attract public attention, e.g. because of a strike (Zambian_Worker3, Zambian_SEZ3). The General Secretary of a major union confirmed that the LS MFEZ used to be a "no-go area for trade unions" (Zambian_Representative3)—it was a privatized space. Nowadays, unions are satisfied with their outreach in the LS MFEZ working community

(Zambian_Representative3). Some workers are represented, and the LS MFEZ falls under the same regulations as the rest of Zambia, where unions always had power (Zambian_Representative5, Ethiopian_Representative2, see also McCorley, 2013). However, the presence of unions in the LS MFEZ does not help Zambian low-skilled (especially casual or even informal) workers. Unions and government representatives do not necessarily uphold workers' interests:

> [Union representatives] will go for the one who has more money. So, they will just get [money] from the employer and befriend the employer. Then the employees will still remain in the same position (Worker representative at LS MFEZ, Zambian_Representative4).

The occasional monitoring from the Ministry and SEZ management could be averted through payments of lawful fees or bribes (Zambian_Firm1,6, Zambian_Worker2, Zambian_SEZ3, Zambian_Representative1). Independent NGOs and worker representatives confirmed that the labour regime is framed by a corrupt system that hinders proper labour law enforcement (Zambian_Firm6, Zambian_Worker2, Zambian_Representative1,2,4,5). This leaves LS MFEZ firms to impose their private labour control on low and unskilled workers – a common practice in many SEZs worldwide (Ong, 2006). This private labour control relies on the interchangeability of casual and informal workers (see Anner, 2015).

The privatization of governance plays out differently for skilled employees who benefit from conducive codes of conduct. In contrast to traditional SEZs, the LS MFEZ promotes skilled labour since low-wage labour is not a competitive asset because "the high labour cost in Zambia […] is a disadvantageous condition" (JICA, 2009, p. 2.23). The LS MFEZ follows the ultimate vision of a tech-park like SEZ to contribute to industrial diversification and import substitution (JICA, 2009). It depends on expertise and skilled labour and allows for investments in a variety of industries (LS MFEZ Declaration Order, 2010, Zambian_SEZ1-3). Most of the tenants are capital-intensive industries (see Table 2) that require few skilled employees and some additional unskilled workers (Zambian_Firm2-4,6,8, Zambian_Expert4).

According to JICA's initial master plan, the LS MFEZ strategy facilitates and prioritises "import substitution industry for sound and self-directed economic growth" (JICA, 2009, p. 2.17). Instead of focusing on suppliers that export manufactured goods, the LS MFEZ targets large lead firms to create completely new value chains. These large international and local investors incorporate skill-intensive activities (product development, distribution, and marketing), while the manufacturing itself is almost fully automated and also requires skilled labour (Zambian_Firm1,3,4,7,8, Zambian_Worker1). These lead firms' labour management and power relationships differ from the BLIP's suppliers. The independent local lead firms are not 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). These codes of conduct and international standards result in a favourable private high road labour regime for 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 programs 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:

> It's a typical [satisfaction] assessment. I believe most of the global organisations are doing it […] 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 multinational firm at the LS MFEZ, Zambian_Firm4).

The LS MFEZ's choice to attract large lead firms that appreciate skilled employees and follow international standards fosters a labour-friendly private regime, despite the non-regulating state. The facilitative SEZ strategy explains the labour-friendly regime for many skilled employees in the LS MFEZ.

The initial LS MFEZ strategy did not create many jobs, especially for unskilled workers (under 5.000 workers vs. 16.000 in the BLIP, see Table 2). 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 for mass employment resulted in investments by a tiles and diapers factory. Consequently, the unions began recruiting in the LS MFEZ to capitalize on the growing number of low-skilled workers and the secondary labour regime. As wildcat strikes in the tile factory emerged (Zambian_Worker5, Zambian_SEZ3, Zambian_Representative2), the LS MFEZ's governmental agency stepped in and revealed its pro-firm stance against the workers (LS MFEZ manager, Zambian_SEZ3).

> We [workers] tried to talk to the human resources, saying 'please increase our salary'. They refused. As a result, we organised a riot. Those police officers from the MFEZ came that side, they harassed us. We were beaten, and many of our workers who were involved in the strike were fired (Worker at LS MFEZ, Zambian_Worker2).

The labour-friendly private high road labour regime only existed when skilled employees prevailed. As soon as the LS MFEZ shifted to a low road facilitative strategy, a pro-firm state and labour controls emerged to punish collective action.

5.5 Concluding Discussion

The interplay between different actors creates special labour regimes in SEZs' delimited spaces. Governments constitute labour regimes in SEZs through public governance, which includes regulatory SEZ actor involvement along the continuum of active state involvement to non-regulating state. It also shifts on the facilitative strategies axis via the choice of labour type and value chain actor. These combinations of public governance create four typical SEZ labour regimes: public labour regime, state (public) labour control, private labour control, and private labour regime.

In the Ethiopian BLIP, workers initially suffered under both public and private labour control. However, recent social action shifted public governance towards a more labour-friendly public labour regime. In the Zambian case, skilled LS MFEZ employees benefited from a private labour regime due to a high road SEZ development agenda and a non-regulating state. Yet, this was not inclusive: private and public labour control and social unrest followed a shift in the facilitative strategy to increase the number of unskilled workers. The cases show that the state constitutes and reinforces labour regimes through SEZ policies regarding regulatory SEZ actor involvement and the facilitative SEZ strategy.

The state's facilitative choice (low or high road development) is often constrained. Strategic opportunities for promotion to value chain actors usually depend on local assets, including labour availability and skill. High road strategies may demand skills that local workers do not possess, requiring ex-pats or training programs to remedy the problem (Thompson, 2019; Wahyuni et al., 2013). Mass employment is rarely achieved in skill-intensive SEZs, so focusing on low-skilled workers (as in Ethiopia) may be more expedient.

SEZs are recommended to follow a development ladder that should begin promoting labour-intensive industries before specializing (Frick et al., 2019; UNCTAD, 2019). Choosing between low or high road development means questioning this idea. If mass employment is not the goal, an SEZ can certainly target a skill-intensive industry, provided there is some connection to the local economy. Such SEZs can successfully induce economic development (Sigler, 2014) and enable training and skill transfer for a few local educated workers (see also Pike et al., 2016). This trade-off means policymakers must decide between two goals: mass employment to reduce low-skilled unemployment or innovative spaces that foster economic advancement with beneficial labour regimes.

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6 New Special Economic Zones for Domestic and Regional Value Chains

The case of the Lusaka South Multi Facility Economic Zone, Zambia

(**Article III**)

New Special Economic Zones for Domestic and Regional Value Chains: The case of the Lusaka South Multi Facility Economic Zone, Zambia

Kiesel C and Dannenberg P (2023) New Special Economic Zones for Domestic and Regional Value Chains: The case of the Lusaka South Multi Facility Economic Zone, Zambia (draft ready for submission).

Abstract:

Special Economic Zones (SEZs) traditionally aim at attracting firms that export to Western end markets. Nevertheless, insights about new models of SEZs as regional hubs with linkages to domestic (national) and regional (nearby countries) value chains and markets are missing. We show how through the Lusaka South Multi Facility Economic Zone in Zambia, firms strategically couple to the emerging end market in and around the country. They also opt for local sourcing to reduce risks and costs. SEZ policies (import substitution with subsequent incentives for regional exports) and private local actors' agency also drive the development of domestic and regional value chains. We conclude that SEZs can contribute to domestic and regional value chains and related economic development with 1) coupling to emerging end markets, 2) a fitting policy setting, and 3) local agency. These new SEZ models challenge conventional understandings of SEZs.

Keywords: Regional Value Chains, Special Economic Zones, Sub-Saharan Africa, Industrial Development, Linkages, Local Sourcing

6.1 Introduction

Scholarly discourse about domestic[1] and regional value chains has recently gained momentum within value chain research conversations (Keijser et al., 2021; Krishnan, 2018; Scholvin et al., 2021). Domestic and regional value chains include both backward and forward linkages in production systems (domestically or within a region beyond national borders (Barrientos, 2022)). New trends in the Global South reflect shifting end markets (from North to South) and are creating lead firms (with potential for regional expansion) in emerging countries (Horner & Nadvi, 2018; Lee & Gereffi, 2015; Staritz et al., 2011; Tups & Dannenberg, 2021). Emerging economies such as Zambia no longer only supply

commodities and cheap production sites for Western markets—increasingly, local populations with growing incomes are the target end market (Coe & Yeung, 2015; Fu & Cheng, 2022). This results in new (global, regional, and domestic) value chain flows.

Special Economic Zones (SEZs) are a popular spatial policy instrument in the Global South. Over 5000 SEZs have been established worldwide in an effort to contribute to economic development (UNCTAD, 2019). Many SEZs in the Global South were designed as Export Processing Zones (EPZs) that mainly serve as manufacturing platforms for the global, especially Western, market (Alcorta & Tesfachew, 2020; Giannecchini & Taylor, 2018). SEZs aim to attract (foreign) investments and function as “territorial intermediaries” (Zheng et al., 2022) between investing firms and in-situ assets. Traditionally, this is between foreign firms outsourcing activities to the Global South for the Western end market and assets such as primary resources or low-cost labour (Coe & Yeung, 2015). Yet, with changing dynamics and economic trends guiding SEZs, this coupling will likely be replaced by other coupling modes (Azmeh, 2014b; Rodríguez-Pose et al., 2022). How and why does coupling in these new SEZs happen?

The future of African SEZs is said to be interlinked with regionalisation (including participation in regional value chains (UNCTAD, 2021)). Some African SEZs (e.g., in Nigeria, Rwanda, South Africa) already serve as regional trading hubs and links between investors and the domestic and regional economy (UNCTAD, 2021). Our case—the Zambian Lusaka South Multi-Facility Economic Zone (LS MFEZ)—illustrates how coupling in these SEZs differs from conventional, export-oriented SEZs (Alcorta & Tesfachew, 2020), including in coupling with domestic and regional value chains.

The next section conceptually outlines how SEZ policies (UNCTAD, 2021) and local agency (Grillitsch & Sotarauta, 2019; Morris et al., 2016) contribute to the coupling of SEZ firms with domestic or regional value chains. We then present our case study (Section 3) to demonstrate how Lusaka South MFEZ is part of domestic and regional chains (Section 4). Domestic and multinational firms strategically couple to domestic and regional end markets and also establish domestic backward linkages through indigenous and functional coupling (Yeung, 2015). The LS MFEZ policy allows for domestic sales, domestic firm participation, and incentivises regional exports to contribute to development. We conclude with a call for more local agency and intentional SEZ policymaking to successfully build domestic and regional value chain linkages (Section 5).

6.2 Framing SEZs and their domestic and regional value chains

This section reviews literature on the role of SEZs as territorial intermediaries that couple firms to domestic/regional value chains, on SEZ policy backgrounds, and on local actor agency. These conceptual entry points help explain how SEZ firms integrate into domestic/regional chains through coupling.

6.2.1 Fostering domestic and regional value chains: SEZs as territorial intermediaries for coupling

development in the Global South (Scholvin et al., 2021). Such chains develop when firms produce for the domestic (national) or regional (nearby countries) market and source inputs through domestic or regional trade (Scholvin et al., 2021). Unlike global chains, these linkages occur within a country or at least within the same continent or macro-region. Regional chains are of increasing importance around the world (Wang & Sun, 2021), in line with wider regional integration and regionalisation trends (Black et al., 2021). Several studies have investigated the emergence and effects of regional value chains in Sub-Saharan Africa, including for horticultural products (Krishnan, 2018), the apparel industry (Barrientos, 2022; Pasquali et al., 2021), and the IT service sector (Keijser et al., 2021).

Global value chain research has examined the shift away from Western markets in the apparel industry (Morris et al., 2016; Pickles et al., 2015), but still calls for a more extensive perspective change towards Southern markets (Horner & Nadvi, 2018; Pasquali & Alford, 2022). Global lead firms now strategically expand into the Global South in a quest for new end markets for their products (Staritz et al., 2011). This creates new value chain flows, including purely regional ones (Scholvin et al., 2021). Domestic lead firms (both suppliers and buyers) in large emerging countries like China or South Africa are also seizing domestic market opportunities (Lee & Gereffi, 2015; Yang, 2013). These domestic lead firms may include neighbouring markets in their marketing strategy to expand their business (Morris et al., 2016; Pickles et al., 2015). This shifts more value chain segments into the South and strengthens domestic/regional chains.

Diversifying away from traditional exports to Western markets reduces Global South firms' dependencies and increases resilience (AUC & OECD, 2022; Pickles et al., 2015; Yang, 2013). Implementing dual or multiple sourcing and marketing channels – domestic/regional and global – is an increasingly popular firm strategy (Alicke et al., 2022). Domestic firms that serve their emerging home markets tend to rely on domestic and regional suppliers, or even build whole domestic production networks (Fu & Cheng, 2022). Therefore, domestic and global firms producing for the local market in SEZs are said to have more local backward linkages (Frick & Rodríguez-Pose, 2021). In sum, firms are strategically choosing to couple

to multiple (including domestic and regional) end markets (forward linkages) and developing related local sourcing strategies (backward linkages), further bolstering regional value chains.

Integration of firms into (regional or global) production networks can be analysed under the concept of strategic coupling. It is a coupling process between firms and value chains or production network used in the global production network approach (Yeung, 2015). Lead firms aim to fulfil their strategic needs by coupling to fitting assets. There are three types of coupling (Coe & Yeung, 2015; MacKinnon, 2012):

1. Inside-out, indigenous coupling: New domestic firms reaching out to actively couple with global production networks from a position of autonomy and control
2. Functional coupling: The strategic international partnerships or localisation of multinational firms, through which global production networks and a location are coupled with some degree of autonomy
3. Outside-in, structural coupling: Global lead firms coupling to generic assets (e.g., low-cost labour), often through outsourcing, and characterised by dependency.

SEZs are “territorial intermediaries” (Zheng et al., 2022) facilitating such coupling. In traditional EPZ-like SEZs, the coupling firms are Western buyers and their suppliers, and the fitting assets may include labour or technology. These SEZs often become what Coe and Yeung (2015) term “assembly platforms” (p. 188), characterised by structural coupling and concomitant dependencies. However, changing trade dynamics in the Global South provoke questions about if and how SEZs can also change. They may shift from spaces of traditional structural coupling into spaces from which Southern end markets can be explored, coupling modes can change, and new (regional) value chains can evolve (Fu & Cheng, 2022; UNCTAD, 2021). Current trends – especially the quest for new Southern/multiple end markets and suppliers – may indicate new strategic needs and coupling tactics, and the importance of regional value chains is increasing over global value chains (Yang, 2013). However, little is known about coupling processes based on new end markets.

SEZs can serve as territorial intermediaries—not only for lead firms searching for cheap export production sites, but also for market-seeking firms exploring emerging end markets in the Global South. Yet, while coupling is driven by firm-level strategic needs, it also depends on policies and the institutional context. According to Yeung (2015), all modes of coupling are influenced by public policy choices, especially in SEZs where special policy regimes shape the institutionalised function as territorial intermediaries.

6.2.2 Changing SEZ policies: from export orientation to new SEZ concepts

The role of the state is increasingly recognised in value chain research. For instance, the state proactively implements policies and strategies to couple the home economy to global production networks (Yeung, 2015). It facilitates coupling through strategic industrial policies

(for indigenous coupling) or fiscal incentives (for structural coupling), with the latter being one of the main characteristics of SEZs as institutionalised production platforms (Coe & Yeung, 2015). Yet, SEZ policies depend on the particular policy makers, and adoption of the SEZ concept is increasingly changing from export-orientated policies to new foci.

Traditionally, SEZs were designed as hubs to be integrated into global production networks. Free trade zones facilitated imports while export processing zones (EPZs) transformed imported intermediate goods into manufactured exports (Bost, 2019). Apart from creating employment, attracting foreign investments and increasing exports, EPZs served as spatial instruments to bolster export-oriented development policies (Frick & Rodríguez-Pose, 2021; UNCTAD, 2019). Therefore, the traditional EPZ policy strategy centred fiscal and non-fiscal incentives to foster foreign investments and participation in global value chains (UNCTAD, 2019). Oftentimes, exporting was financially incentivised and selling to the domestic market was prohibited. Such fiscal incentives and strategic labour laws are common EPZ policies that foster structural coupling (i.e., lead firms couple to generic assets such as fiscal benefits and low-cost labour (Kiesel & Dannenberg, 2023; Yeung, 2015)). The traditional EPZ strategy continues in some African countries such as Botswana, Ethiopia, Kenya, Tanzania and Zimbabwe (Adu-Gyamfi et al., 2020; Fei & Liao, 2020).

However, the conventional EPZ model does not suit the new situation of regionalisation and shifting end markets (Morris et al., 2016). Desired SEZ effects like domestic linkages (e.g., domestic value chains) and technology transfers hardly develop in EPZ-like SEZs (Frick & Rodríguez-Pose, 2021). For instance, in Bangladesh and Ethiopia, EPZ policies (especially the prohibition of domestic sales) go against the market-seeking interest of investing firms (Fei & Liao, 2020; Shakir & Farole, 2011). Therefore, newer SEZ policies have begun to diversify away from the EPZ model. SEZs are experimental spaces that re-interpret the concept and enable new developments (Grant et al., 2020; UNCTAD, 2019, 2021), including the creation or diversification of industrial pathways and (regional) value chain linkages.

Instead of promoting exports, some younger SEZs in Africa strategically focus on local linkages, natural resources, innovation capabilities, and the domestic end market. These African SEZ strategies are tailored to fit the local context and investors' needs by establishing regional trading hubs (Rwanda, Nigeria) or helping to create local downstream linkages (Ghana, South Africa) (Dannenberg et al., 2013; UNCTAD, 2021). For example, one South African SEZ connects local small and medium firms to SEZ firms through a database, training, and a development programme to facilitate knowledge transfer and chain linkages (Rodríguez-Pose et al., 2022). Clearly, an SEZ's ability to foster integration into domestic/regional value chains depends on its selected strategy. The strategy is also influenced by the broader institutional context and policy agenda, such as regional trade

agreements, e.g., the African Continental Free Trade Agreement (Scholvin, 2018; UNCTAD, 2021).

6.2.3 Local agency: firm ownership and embeddedness in SEZs

Another aspect is how developments are triggered and nurtured at micro level – by local private actors and their agency in SEZ firms. The local agency of firm management and individual employees enables domestic and regional chains through SEZs. The development of such chains through (new) coupling marks a new industrial path, driven by agency (Nilsen et al., 2022). Agency denotes “intentional, purposive and meaningful actions” (Grillitsch & Sotarauta, 2019) and their consequences by firm-level actors to “initiate new firms or innovation activities in existing firms” (Isaksen et al., 2019).

While literature on agency for strategic coupling in SEZs sometimes focuses on institutional and policy actors (Kleibert, 2014), we concentrate on firm-level agency, which stems from the private sector and occurs at the micro, even individual, level (Grillitsch & Sotarauta, 2019). Individual actors within SEZ firms make decisions on firm development and value chain participation. Such decisions (e.g., on domestic and regional sourcing or target markets) are strongly influenced by individual SEZ firm managers abroad or in the SEZ country. Therefore, the SEZ firm’s ownership and management structure play an important role for coupling and the establishment of domestic/regional value chains (Morris et al., 2016). In the increasingly diversified African SEZ investment landscape (UNCTAD, 2021), we should consider how various firm ownership types enable local agency through decision-making power.

SEZ firm ownership may be foreign or domestic (Morris et al., 2016). Multinational (foreign) investors exist within traditional production networks led by Global North lead firms. While they may produce for both global and domestic markets, decision-making about major changes (in this case, about sourcing and target markets) happens in lead firm headquarters abroad (Williams et al., 2008). This is especially true when SEZ firms are structurally coupled, captive suppliers to Northern buying lead firms (e.g., outsourcing and subcontracting (Yeung, 2015)). However, in the international partnership mode of coupling, “some regional autonomy” (Yeung, 2015) remains. Some decision-making power may be transferred to lead firm subsidiaries or branches in the SEZ, allowing local actors to agentically create domestic/regional chains.

Domestic investors in SEZs exert even more local agency. According to (Morris et al., 2016), there are two types of domestic investing firms based on the owner’s migratory background Indigenous investors have local citizenship and are deeply embedded in the domestic cultural context. In contrast, diaspora investors may (generationally) reside in the country, but

still maintain relations with their country of origin and diasporas in other countries. Embeddedness offers local actors, especially domestic firms, advantages in serving the domestic and regional markets, creating forward local linkages, and building new industrial paths (Hess, 2004; Isaksen et al., 2019; Sinkovics et al., 2014). Diaspora firms have even more possibilities; they also benefit from embeddedness but can expand beyond national borders (regionally) based on connections to other, same-origin diasporas in neighbouring countries (Morris et al., 2016).

Foreign firms prevail in EPZ-like SEZs, while other SEZ types include domestic firms (UNCTAD, 2019). However, it is often difficult for domestic investors to comply with African SEZ investment requirements (UNCTAD, 2021). The involvement of domestic (indigenous or diaspora) SEZ firms in domestic, regional or global production networks remains under-studied, as does the potential contribution of local agency in fostering regional value chains from domestic and foreign SEZ firms. In conclusion, domestic/regional value chains in and around SEZs are driven by coupling to emerging Southern end markets, changing SEZ policies, and local agency in SEZ firms. The following case study outlines how this occurs in practice in a Zambian SEZ.

6.3 Methods and Case Study

We use a qualitative approach to explain how SEZ firms couple to domestic and regional value chains in the Lusaka South Multi Facility Economic Zone (LS MFEZ), a relatively young African SEZ that hosts eleven manufacturing firms from different industries. Our data includes 30 in-depth stakeholder interviews, multiple site visits, and analysis of policy documents and reports, marketing material (by the zone developer) and media releases (by government, the zone developer). Our analysis deductively draws on the three conceptual approaches outlined above and in Table 1 (Mayring, 2019). We also used complementary inductive, open coding since the coupling of SEZs to regional value chains has not been previously conceptualised.

As a public state-owned SEZ, both the public and private sectors play an important role in the LS MFEZ. Data from public actors such as the Ministry of Commerce, Trade and Industry (responsible ministry), the governmental agency LS MFEZ Ltd. (developer and manager), and the Japan International Cooperation Agency (JICA, planner and initiator of the LS MFEZ) served as sources to understand the policy context. We assessed the role of local agency and coupling through 19 interviews with private sector actors, namely managers from nine of the eleven LS MFEZ firms. Complementary secondary data and further interviews about all eleven firms, (especially those not available for interviews), suppliers, and buyers offered additional insights into domestic value chains.

Table 11 / Table 1 in Article III: Framework and data sources for qualitative analysis of RVCs in SEZs. Own framework based on Section 2.

Concept	Relation to SEZs and RVCs: Questions to the data	Data
GPN/ Coupling	How do SEZs, as territorial intermediaries, support different modes of coupling (indigenous, structural or functional) between lead firms and the region?	Interviews with firm management about investments and linkages, complemented by secondary sources, and interviews with suppliers and buyers
Policy context	How do certain SEZ policies (e.g., import substitution and export-oriented policies) foster the emergence and consolidation of domestic and regional value chains?	Review of policy documents and reports, marketing material, and interviews with government and SEZ management about SEZ strategy
Agency	What role does the agency of (local and international) SEZ firm actors play for domestic and regional value chains?	Interviews with firm management about firm ownership, decision-making power, and domestic/regional initiatives

We considered primary and secondary data about all eleven LS MFEZ firms. However, this article foregrounds two firms to illustrate different cases: one is a Zambian domestic lead firm (anonymised as DF) and the other is a Zambian branch of a multinational firm (MF). The domestic firm (DF) is a daughter company of a Zambian holding founded by a Zambian-Indian businessman and produces beverages. The MF is a branch of a European multinational beer company that built a malting plant in the LS MFEZ to supply their local brewery. In-depth interviews with various managers (from these and other firms), suppliers, and buyers allowed us to compare how the LS MFEZ enables connections to existing and new domestic and regional chains, both through indigenous coupling (DF) and functional coupling (MF).

6.4 The Lusaka South MFEZ and its regional value chains

The LS MFEZ is a 2100 ha SEZ on the outskirts of Zambia's capital, Lusaka. It provides infrastructure and some fiscal incentives for investing firms. As a state-led, public SEZ, the government (along with JICA) was heavily involved in its planning. It is also developed and managed by a governmental agency, LS MFEZ Ltd. LS MFEZ policy complements current Zambian industrial policies for diversified industrialisation, and tries to attract investments in many different sectors (see also Mwiinga et al., 2018).The most important sectors are currently agro-processing, pharmaceuticals, stone processing and homecare products. All products manufactured in the LS MFEZ are sold on the domestic end market; six firms also sell to the regional end market (and another three firms hope to expand soon). Figure 1 maps the LS MFEZ firms' regional forward and backward linkages.

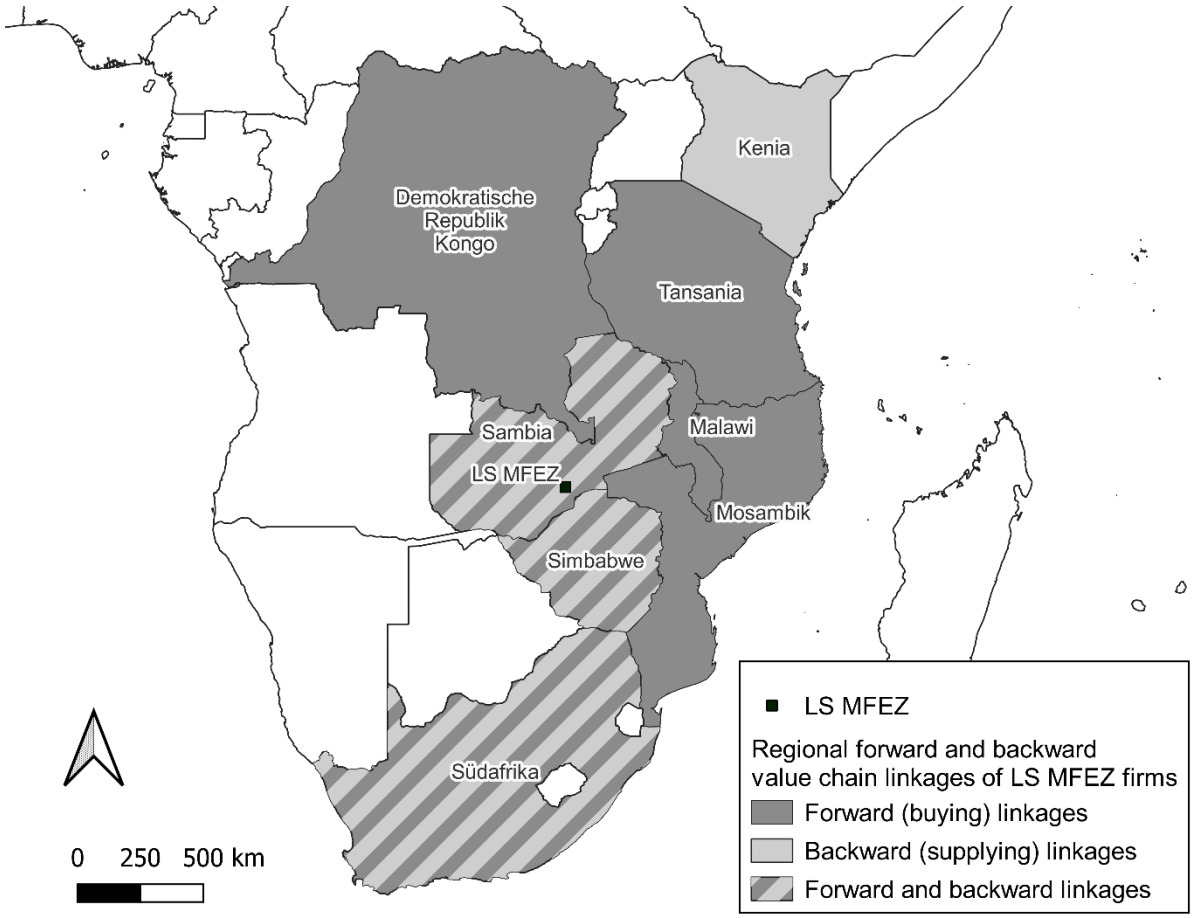

Figure 10 / Figure 1 in Article III: LS MFEZ firms' regional forward and backward value chain linkages (in 2022) based on interview data.

6.4.1 Coupling through the LS MFEZ: Links to emerging end markets and domestic suppliers

The LS MFEZ functions as a "territorial intermediary" (Zheng et al., 2022) to couple various firms to in-situ assets. It provides serviced land for investing firms looking to strategically expand their business (seven of the eleven firms) or take root in Zambia (four firms). Investments in the LS MFEZ allow these firms to produce for the growing local end market and generate or increase surpluses to (potentially) export regionally (eight firms). Thus, the LS MFEZ offers the opportunity for coupling to domestic and regional markets and supports the creation and consolidation of regional value chains.

Both case study firms recognise the importance of the domestic end market. The multinational investing firm (MF) and the acquired, local predecessor firm have been serving the domestic market for decades. Consumers in Zambia and neighbouring countries are an important and growing end market for the multinational mother company, so production in

Zambia is flourishing and continuously expanding (MF manager). They also regionally export intermediate and finished products manufactured in the LS MFEZ. While their internationally branded, high-end products are being produced and sold all over the world, the Zambian branch produces both internationally branded products and local products for the domestic and regional markets (MF manager).

The domestic firm's (DF*)* products are also specifically designed for the domestic (and regional) market:

> It's a complete Zambian product, completely developed by us, and we have a small pilot plant where we develop new products […]. So we're always innovating, having new products, just to keep the excitement of the people (DF manager).

Their products serve as cheaper, low-end options to challenge imported goods from major Global North producers like Unilever and Coca Cola (DF managers). This trend has been observed in other Global South lead firms (Fu & Cheng, 2022). The domestic firm (DF) is also exploring how to dominate the domestic and regional end markets:

> They're developing in the market in Zambia and they're doing a fantastic job. Because whatever is there internationally, they're also doing locally. […] But should they go under? God forbid. That's a massive hole in our shelves (manager of a large southern African supermarket chain).

The LS MFEZ firms feed on emerging markets in and around Zambia, where incomes continue to rise (Bosiu et al., 2019).The availability of affordable serviced land for industrial use is the main reason firms invest in the LS MFEZ. As the LS MFEZ manager observes, the SEZ additionally serves the firms' strategic purpose of starting or expanding production capabilities (all eleven firms) to cater for emerging markets in Zambia and the region (see Figure 1):

> [A multinational LS MFEZ firm] is exporting 70% of manufacturing. So, the attraction for them to come here – apart from just land pricing; because they moved from Mozambique to set this plant here, in Mozambique land prices were astronomical – they looked at the placement of Zambia and the land linkages. So, they're better placed being here, if they're able to tap into the Congo market and the Malawi market where they have warehouses (LS MFEZ management).

For the multinational branches (five firms), coupling is functional, triggered by multinational firms' wider localisation strategies through a network of market-near branches (Yeung, 2015). Such coupling constellations have been described in other Global South market-seeking firms exploring new markets (Tups & Dannenberg, 2021). The four domestic firms (new lead firms) couple to regional value chains in an "inside-out" indigenous manner (Coe and Yeung, 2015: 185).

The market-seeking interests evident in both multinational and domestic LS MFEZ firms contrasts with the cost-efficiency ambitions of traditional SEZs, which provide low labour costs and fiscal incentives (UNCTAD, 2019). The LS MFEZ is not a dependent "production

platform" (Yeung, 2015: 7), but a territorial intermediary to market regions that supports the establishment of domestic and regional forward linkages.

In addition to these forward linkages, LS MFEZ firms seek to reduce costs and risks by utilising local backward linkages instead of global imports, especially for agricultural inputs. One large supplier of a key input stated that the domestic LS MFEZ firm (DF) is "one of our biggest customers, they are in the top five" (supplier to DF). The multinational LS MFEZ firm (MF) established an outgrower scheme for their agricultural inputs and built a plant in the LS MFEZ for a primary processing step (managers MF, see also Phiri & Manchishi, 2020). Both the input and processed semi-finished product are produced domestically instead of being imported from Europe. A manager explains this decision:

> One, we wanted to be [self] reliant. Two, we did not want to have a long supply chain. Imagine if you are relying on Ukraine or Russia, you know, for your [input], that's a good example to understand. So, the supply chain was long and a lot of geopolitics and all those risks, it's not advantageous to us. Three, it was very costly, because the raw material, it was in dollars or euros. So the exchange rate exposure was so high (MF manager).

Localizing upstream value chain segments (in the LS MFEZ and Zambia) helped this firm reduce risks and costs. The domestic firm (DF) also cited costs as a decisive factor in internalising value chain segments: product packaging, labels, and other previously imported secondary inputs were now manufactured in-house to avoid more expensive imports and domestic suppliers (DF manager). Other LS MFEZ firms also sought to localise upstream value chain segments through local sourcing and in-house production.

In many global SEZs, firms fail to establish local linkages due to insufficient local sourcing possibilities (Frick & Rodríguez-Pose, 2021). However, the LS MFEZ firms strategically and actively developed backward linkages to domestic suppliers to reduce risks and costs (see also Wang and Sun, 2021). The forward and backward linkages demonstrate the LS MFEZ's potential as a strategically important site for investing firms seeking to couple to domestic/regional value chains.

6.4.2 Fostering domestic and regional value chains through unconventional policy

The LS MFEZ policy strategy does not follow a traditional EPZ approach (i.e., prioritising exporting firms). Instead, the LS MFEZ first aimed to promote import substitution. There were no export incentives, restrictions on selling in the domestic market, or requirements on the origin of investing firms (LS MFEZ management, see also JICA, 2009). This aligned with the firms' strategic goals of exploring the domestic end markets, and LS MFEZ firms report satisfaction with their access to targeted markets (Mwansa et al., 2020b). The firms' strategies of localizing upstream value chain segments (vs. importing primary and intermediate inputs (six of eleven firms)) also contribute to the import substitution goals. Another important SEZ policy target was local sourcing:

> The overarching idea behind the MFEZ is to promote linkages between businesses. If you set up here, we want to connect you to some suppliers for your raw materials (government official).

The ongoing discourse about local backward linkages in and around the LS MFEZ hopes to attract domestic suppliers and establish a value chain within the LS MFEZ (LS MFEZ management) or with Zambian suppliers. However, there are currently no concrete policy measures or incentives to promote these local supplying linkages (LS MFEZ management, government representatives, see also Phiri & Manchishi, 2020).

After the initial push for import substitution, the government installed new export incentives so that "import substituting firms become exporters" (LS MFEZ management). In a traditional export context, this strategy would aim to supply the Global North and Western buyers (Gereffi, 2014). However, the LS MFEZ's objective is different:

> Existing industry should first aim at the domestic market in terms of import substitution, after then, as middle term target, expand the domestic market toward the neighbouring countries: Angola, Congo DR, Botswana, and Zimbabwe (JICA, 2009, p. 2.24).

Fiscal export incentives were established to "amplify the production of export-oriented products for regional and other markets" (LS MFEZ Ltd., 2022). In fact, not a single firm in the LS MFEZ exports to the Global North, only to regional neighbours (six firms): DR Congo, Malawi, Zimbabwe, Mozambique, Tanzania and South Africa (see Figure 1). Other firms are also considering expanding into the regional market to utilise export incentives:

> The export incentives are definitely something that the business may look at as an opportunity for growth […] we look at two now, that are in the region, Malawi, Angola. The ones closer to us [in Zambia] than to South Africa (manager at a multinational firm).

Thus, the LS MFEZ's development is neither comparable to traditional inward-oriented import substitution development pathways nor typical South-North focused export orientations. It re-interprets the SEZ concept and departs from the traditional SEZ form as "assembly platforms" (Coe & Yeung, 2015). SEZs are no longer only structurally coupled to global lead firms by their fiscal incentives and generic factors such as low labour costs (Kiesel & Dannenberg, 2023). Rather, these new SEZ policy approaches allow for other (functional) coupling modes between market-seeking firms and the regional end market.

The Zambian government fostered this functional coupling by convincing large flagship firms to settle in the LS MFEZ (LS MFEZ management, see also Mwiinga et al., 2018). In the beginning, LS MFEZ policies targeted multinational flagship companies as the basis for further developments (government representatives, two firms). At first glance, this might suggest an asymmetrical power situation, where the government makes concessions to attract investors. However, we found that the multinational firms also made efforts to improve their relationship with the Zambian government to realise their investment strategies.

Domestic lead firms also invested in the LS MFEZ. They indigenously coupled to regional value chains to explore neighbouring end markets. Such indigenous coupling by domestic firms will likely increase over time due to recently adjusted policies. Public pressure pushed policymakers to lower the investment requirement for fiscal incentives in Zambian SEZs to $50,000 for domestic firms (it remains $500,000 for foreign investors, Government representatives, LS MFEZ management, see also Budget Speech by Ng'andu, 2020).

LS MFEZ policymaking does not follow traditional EPZ strategies. Rather, it concentrates on import substitution and regional exports. It fosters domestic/regional chains by serving as a territorial intermediary for investments from market-seeking firms, which functionally couple to the domestic and regional end markets. The LS MFEZ also supports domestic firms seeking to indigenously couple to regional value chains in neighbouring countries. The inclusion of domestic firms, in particular, contributes to domestic and regional value chains.

6.4.3 Local agency: Advocating for and enabling domestic and regional linkages

Previous work has shown that there are quantitatively more local backward linkages when SEZ firms produce for the domestic market or are (partly) domestically owned (Frick & Rodríguez-Pose, 2021; Jenkins & Arce, 2016). In the LS MFEZ, this is explained by ownership, local agency, and decision-making power. Typical global sourcing strategies governed by lead firms' headquarters abroad (Frick & Rodríguez-Pose, 2021) can be overcome for the benefit of local sourcing.

Domestic firm participation in African SEZs is generally low due to high entry barriers and preferences for foreign investors (UNCTAD, 2021). However, the LS MFEZ's firm ownership structure is heterogeneous, consisting of foreign/transnational firms (e.g. MF as a branch of a multinational company), joint ventures, and domestic firms (e.g. DF as a domestic/diaspora firm, see also Mwiinga et al., 2018). Depending on the ownership, local decision-making power enabled integration into or the creation of domestic/regional chains. The domestic LS MFEZ firms (indigenous and diaspora) made independent management decisions (four of eleven firms); the other firms (as branches of multinational companies) were often influenced by their multinational mother companies (seven firms). Some of these multinational firms only employed expats to supervise operations with no decision-making power (four firms). Others, however, had local management boards (three firms) that allowed local individuals to drive developments. For instance, the Zambian manager of MF, who is also active in the Zambian Association of Manufacturers, was involved in establishing the outgrower scheme and LS MFEZ plant:

> One of our strategy is to invest in local markets and cut short in your supply chain and remove a lot of risks but also caring for the communities. If you cut your supply chain and import risks then you get to empower your locals. We meet in the board room for the decision. […] We

> want to change lives so that the government sees our efforts […] So we told ourselves let us look at the supplier chain. We started farming here, promoting locals […] We set up a new plant worth 36 million officiated by the government. Most of the ministries supported us. The government believes in local sourcing and value addition (manager MF).

There is close collaboration between the government and the local boards of some multinational firms (three firms). These local board members are well-versed in political discourses and ambitions (e.g., creating links to the domestic economy (for example, for local content, see MCTI, 2018)). The Zambian nationals, in particular, also have personal reasons to advocate for local initiatives to help the community and Zambia's economic development. These dedicated local individuals use their management positions to drive local developments and linkages:

> From a management perspective, that process is driven by individuals. [Local initiative] is not something that is a once off but […] if we say: look, [our company] is going to buy from Zambia, we make sure that [our company] is going to buy from Zambia! (manager at another multinational firm)

The Indo-Zambian founder of a Zambian business empire, which includes two domestic LS MFEZ firms (also DF), was an especially important individual driving Zambian industrialisation and the localisation of formerly global value chains. His two daughter companies in the LS MFEZ export to neighbouring countries through a strong network of regional forward linkages.

There are two modes of coupling through the LS MFEZ (domestic firms' indigenous coupling and multinational firms' functional coupling). Both enable local agency for domestic/regional chains, but in different ways. Indigenous coupling (i.e., the inside-out coupling of domestic lead firms, as in the case of DF) is characterised by autonomy and control (Coe and Yeung, 2015). The local firm management includes Zambians (complemented by some expats, three domestic firms) with decision-making power to organise domestic and regional value chains. In the functional coupling mode (i.e., coupling between local branches of multinational firms and domestic value chains, as in the case of MF), the outcomes of coupling depend on the "quality of the relationships between actors" (MacKinnon, 2012, p. 240). Two multinational firms include Zambians on their local management boards and have close cooperative relationships with the government and the domestic private sector. In other firms, the management consists of expats (five firms) who have only a superficial connection to local actors; their motivation and autonomy to advocate for domestic/regional value chains is very limited. More locals involved in management and greater firm autonomy (especially in local branches of multinational firms) increases aspirations and possibilities of SEZ firms to build domestic/regional value chains.

Embeddedness is a necessary, but not sufficient prerequisite for such local initiatives. It is essential for expanding end markets and understanding the customer (in five firms). However, most LS MFEZ firms also benefit from external impulses and expertise. For

instance, international crop scientists helped the local board of MF develop their domestic backward linkage, an agricultural outgrower scheme for a crop that had never been cultivated in Zambia (MF manager). This new endeavour shows how agentic actors can "intentionally try to deviate from established routines" (Isaksen et al., 2019). Three other multinational firms also relied on international expertise, support and training from their mother and sister companies (in the Global North and the region) to monitor and optimise operations. This included regional manager exchange programmes to get to know the business environment and market demands in neighbouring countries.

The domestic firm (DF) is a diaspora-owned firm and strategically employed an experienced and connected expat from another Indian diaspora in Africa to support expansion into the regional end market. He emphasised the role of knowledge and networks:

> It's not that difficult, if you have the right relationship. So there are many companies that also approached me in terms of: Can you push our brand in Africa? I personally know all the brands, all the buyers. For eastern part of Africa, for southern part of Africa, western part of Africa, for the northern part of Africa. I know each end every buyer and wholesaler (DF manager)

This confirms that diaspora firms have advantages in regional market exploration (Morris et al., 2016). In contrast, an indigenous firm reports difficulty when expanding into the regional market:

> Now we are looking at export markets […] We are ready to produce for South Africa but it is not easy now to actually physically go into that market, to get the buyers. (indigenous firm manager)

The multinational and diaspora firms benefited from access to international knowledge to create regional linkages. They also relied on knowledge from local individuals to understand the domestic business environment and market demands (reported by five firms). Local individuals in management and boards are essential for local agency, as they advocate for and drive local initiatives. These powerful local individuals influence business decisions in domestic firms (indigenous coupling) and branches of multinational firms (functional coupling). Their mix of local and international expertise is necessary to successfully establish domestic/regional value chains. Table 2 summarises our findings from this case study of LS MFEZ.

Concept	Traditional SEZs	The LS MFEZ as a new SEZ
GPN/ Coupling	Structural coupling of Western buyers to generic assets (e.g. labour)	Affordable serviced land is made available for market-seeking firms. They indigenously (domestic firms) or functionally (multinational firms) couple to domestic/regional end markets. Strategic needs for risk reduction and cost efficiency foster local sourcing and localisation of further value chain segments.
Policy context	Export-oriented (EPZs) or import facilitation (free trade zones)	Policies focus on import substitution and export incentives to regional markets. There are no restrictions on selling to the domestic end market. Domestic firms are encouraged to invest.
Agency	Top-down by headquarters abroad	Local agency by Zambians in domestic firms and local management boards of multinational firms helps to establish domestic/regional chains since these individuals advocate for local initiatives. Embeddedness, international/diaspora knowledge and firm/branch autonomy for decision-making are crucial for the success of such initiatives.

Table 12 / Table 2 in Article III: Domestic and regional value chain development in traditional SEZs and the LS MFEZ. Authors‘ compilation based on research findings.

6.5 Conclusion

As the manager of one LS MFEZ firm quipped, Zambia is not “land-locked, Zambia is land-linked!” The LS MFEZ allows for domestic and regional value chain linkages to develop. Unlike traditional EPZ-like SEZs in the Global South (see Table 2), new SEZs incentivise investor firms to couple into domestic and regional value chains. The LS MFEZ functions as a territorial intermediary between firms and domestic/regional value chains; it facilitates functional and indigenous coupling between the firms, the domestic/regional end market, and domestic suppliers. These outcomes are supported by specific SEZ policies (namely, access to domestic markets, import substitution, and regional export incentives) and firm-level agency from local actors (e.g., initiating local backwards and forward linkages).

Autonomous indigenous coupling (domestic firms) and functional coupling (multinational firms) stand in opposition to weak (EPZ-style) structural coupling to generic assets, such as low-skilled labour or fiscal incentives. This first autonomous coupling step may lead to increased participation in domestic/regional value chains, forward linkages to domestic and regional end markets, value creation, and backward linkages through local sourcing to reduce risks and costs. To enable such coupling, SEZ policies must allow sales on the domestic end market.

Multinationals looking for new end markets and domestic firms looking to further develop have found a viable option in creating and consolidating domestic and regional chains in the Global South. The refusal to participate in global value chains and export to the Western markets is not a consolation. Rather, it is a recognition of firms’ comparative advantages like embeddedness. Such alternative interpretations of the SEZ concept diverge from the

traditional Western-driven EPZ model and can guide the development of new SEZs. Regionally focused SEZs open space for new opportunities to break with the traditional, Western-focused EPZ model and to fulfil the objective of creating local linkages.

Local agency plays a particularly important role for coupling and the establishment of domestic and regional value chains. The presence of local actors in firm management and local branch management boards is important since these autonomous individuals often advocate for local initiatives. Their embeddedness is just as important as international expertise when exploring regional markets. SEZ policies can facilitate domestic firm investments to enhance this local agency.

Shifting end markets and increasing attention to regional over global value chains is leaving a significant mark on SEZ development in Africa. Exploring these trends might open doors for a new generation of regionally integrated SEZs.

Notes

1. We use the term “domestic value chains” (also called “local value chains”, Keijser et al. 2021) to refer to value chains within a national territory. The use of *domestic* denotes how chains can involve places spanning a national territory. We still use *local* in other denominations like local linkages, local sourcing and local agency/actors because they are commonly used in the literature (Frick and Rodríguez-Pose 2022, Nilsen et al. 2022); they may also refer to the whole national territory.

Conflict of interest

The authors declare no conflict of interest.

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7 Discussion of empirical results and Concluding Outlook

7. Discussion of empirical results and Concluding Outlook

7.1 Strategic coupling through locational advantages of SEZs: From Labour Costs and Fiscal Incentives to New End Markets

Identifying the strategic needs of investing firms is essential to understanding the strategic coupling process in the SEZs. Figure 11 shows how the strategic needs of investing firms, driven by intentions to reduce costs, improve capabilities and develop markets, differ between the two case study SEZs in Ethiopia and Zambia. While in both cases, hard infrastructure, fiscal incentives and skilled or trained labour are mentioned as important investments requirements, other strategic needs are quite different – the drivers of strategic coupling are not the same. In the following, I explain the differences between the two cases and how this leads to different modes of strategic coupling.

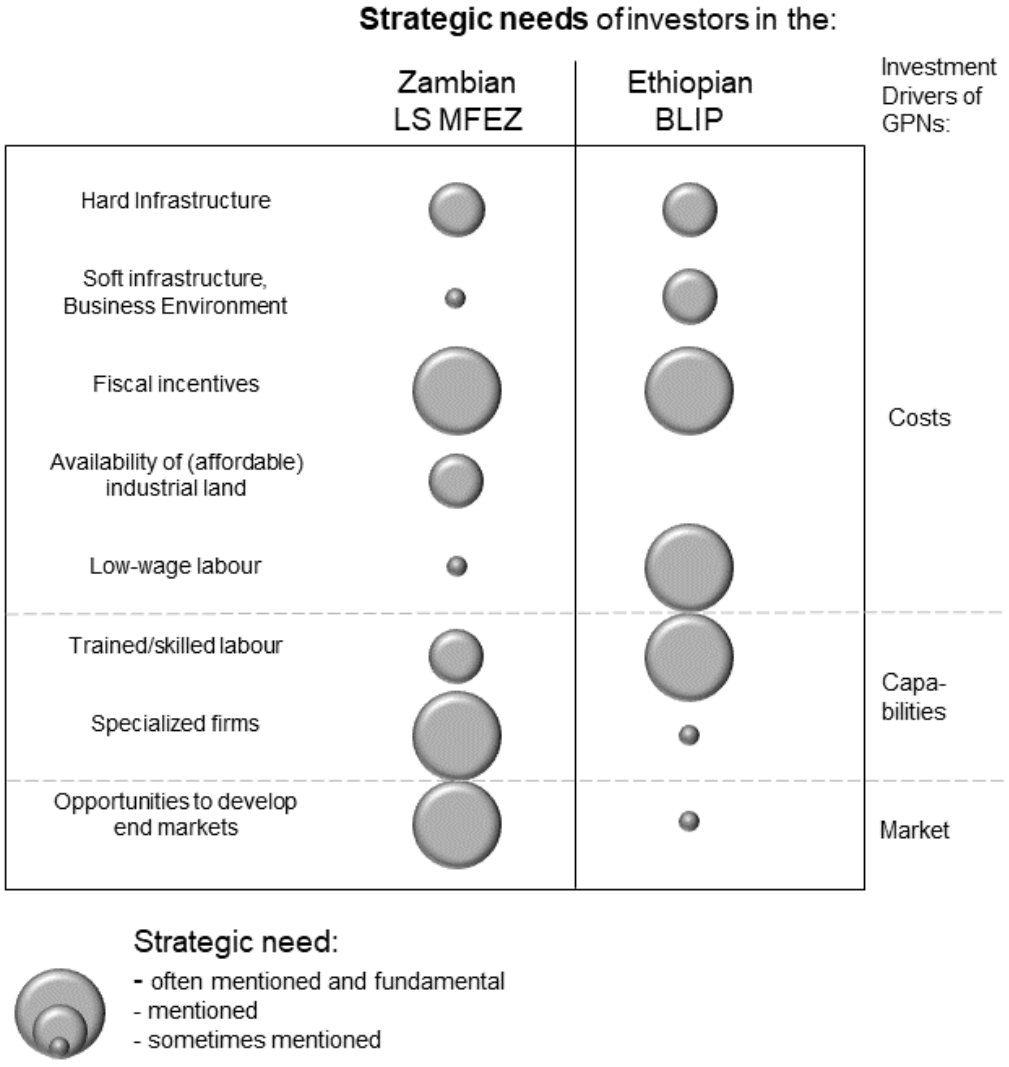

Figure 11: Comparing strategic needs of investors in the two case study SEZs, and their drivers. Based on a qualitative analysis of primary and secondary data.

7.1.1 Structural coupling in the Ethiopian BLIP: Reducing costs through low-wage labour and fiscal incentives

In Ethiopia, the fit between two of the key strategic needs of investing firms and the locational advantages promoted by the SEZ enable strategic coupling: fiscal incentives and the availability of low-waged labour (interviews with four BLIP investors). As one manager points out, the reason "why we came here is: first, it [trade] is duty free, and secondly, regarding employees compared to other countries, manpower is high" (interview with manager of the biggest investor in the BLIP). Particularly at the time when the first BLIP investors were being attracted, the availability and low cost of labour were promoted as locational advantages that the labour-intensive garment industry could access through the BLIP (see Chapter 5, Article II). The availability of female workers for the targeted garment industry is also promoted through photographs in the marketing materials (see Figure 12, EIC (n.d.)), and special recruitment initiatives serve to ensure labour supply (see also Mains & Mulat, 2021; Nega, 2021):

> We are supporting them to the necessary manpower inside the Industrial Parks so that they can easily access and hire and we do announce in the media to help resource the necessary manpower to work in the Industrial Park (Developer of BLIP).

Figure 12: Extract from a marketing brochure for the Industrial Parks in Ethiopia, including facts about the BLIP and some (mostly fiscal) incentives. Source: EIC (n.d.).

Figure 13 compares the strategic needs and locational advantages in the case study SEZs. Another important advantage is the array of fiscal incentives to invest in the BLIP. These include many tax exemptions, e.g. on income and trade (see Figure 12, EIC (n.d.)), and, especially, the initially existing trade preferences for access to the US market under the African Growth and Opportunity Act, AGOA (Crossley, 2018; EIC, 2017, n.d.).

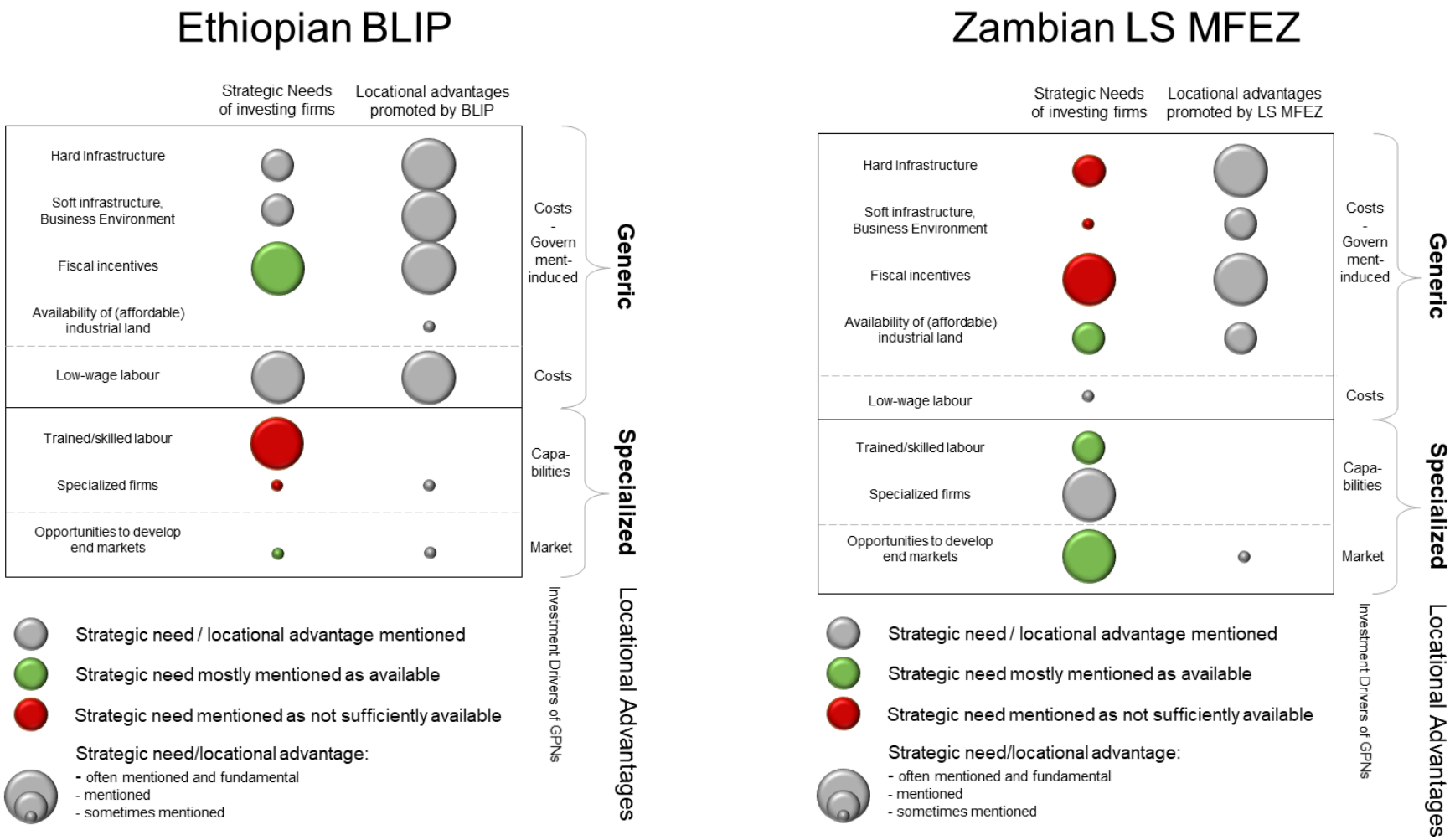

Figure 13: Comparing promoted locational advantages and strategic needs of investing firms, for the BLIP and the LS MFEZ. Based on a qualitative analysis of primary and secondary data

The fact that interviewed firms emphasised low labour costs and fiscal incentives as strategic needs shows the importance of cost-related drivers of GPNs. Here, financial pressure drives the migration of labour-intensive GPNs (see Chapter 2.1): The financial pressure comes not only from rising production costs in Asia, but also from the demand side of the garment industry. Price pressure moves from customers and buyers along the value chain to the suppliers, who now hope to reduce their costs by shifting their production away from locations with rising labour costs in traditional Asian locations to new low-cost locations (Dünhaupt et al., 2022; Zhang et al., 2018). Ethiopian policy makers, such as the former commissioner of the Ethiopian Investment Commission (EIC), are aware of this investment driver:

> Labor cost honestly is always something that the industry tries to kind of make money out of. If you've seen the trend of cost of garment or price of the garment, it's declining (former commissioner of the EIC).

The BLIP's promotion of the locational advantages in terms of labour costs and fiscal incentives helps to attract these Asian suppliers. This has led to an outside-in, structural coupling of foreign labour-intensive firms in the BLIP, based on the seemingly good fit between the need to reduce costs and the promoted low-wage labour and fiscal incentives. Table 13 shows an overview of the coupling of six (out of a total of eleven) BLIP investors.

Value chain actor	Industrial organization	Character	Investment driver	Mode of Coupling	Type of Coupling
Captive supplier	4x externally owned subcontractors	Outside-in	Reduce Costs	Structural Coupling	Assembly platform
	2x weakly embedded subsidiary of multinational firm				

Table 13: Strategic coupling of BLIP firms. Based on a qualitative analysis of primary and secondary data.

7.1.2 Strategic coupling in the Zambian LS MFEZ: an opportunity to reduce costs for market development

When asked about the reasons for investing in the LS MFEZ, the firms initially named three prominent reasons, namely fiscal incentives, the availability of (affordable) industrial land, and infrastructure provision:

> The decision to go the MFEZ was taken because, you know, it was publicised that if you go to the MFEZ you enjoy [fiscal] incentives (manager of a local firm).

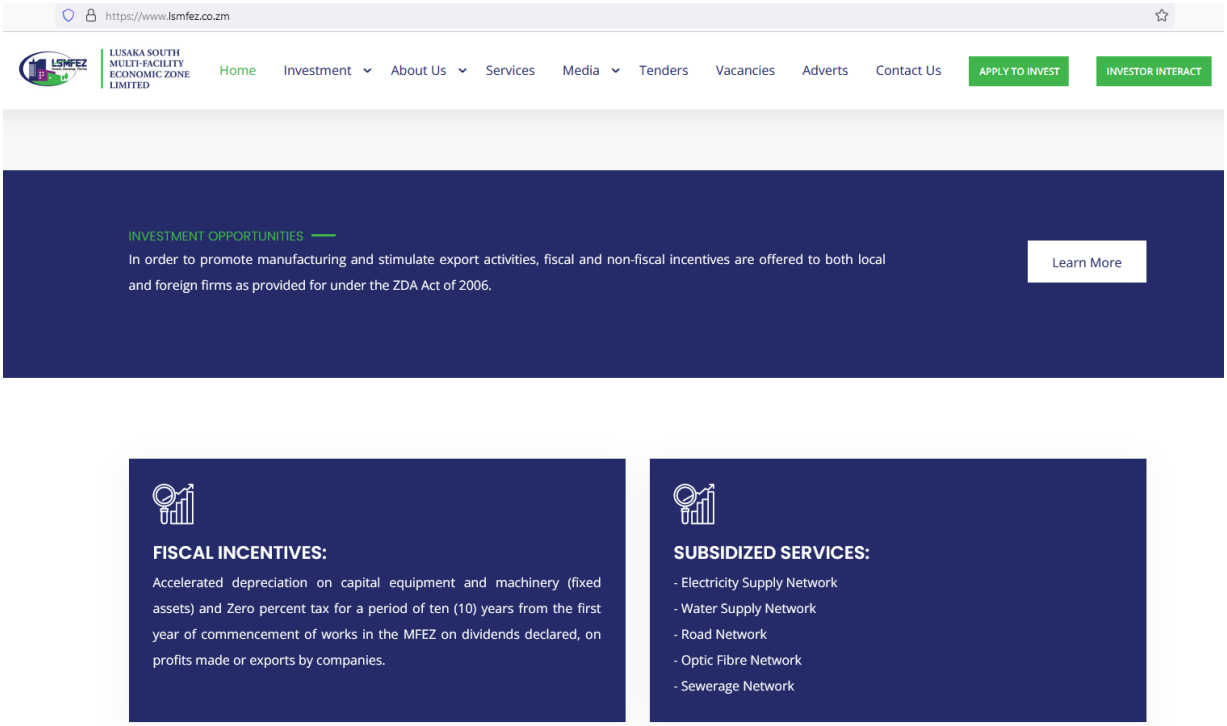

Figure 14: Screenshot of the homepage of the LS MFEZ Ltd., the governmental agency for development and management of the LS MFEZ. Source: Website of LS MFEZ, 2023.

> We want something bigger and MFEZ was ideal for it (manager of another local firm).
>
> The whole idea behind the facilities that would be provided, electricity, water, infrastructure as well, it was seen as a good place to invest (manager of a subsidiary of a European multinational firm).

The most promoted advantages are fiscal incentives and infrastructure, as shown on the homepage of the SEZ agency's website (see), and seem to match the prominent strategic needs of the investors. Ironically, these are the very assets that investors consider to be insufficient (interviews with managers of four firms, see Figure 13).

But there is more that drives the investors, as the in-depth interviews with the various investors revealed. Here are a few examples (see also Table 14):

Developing markets and improving capabilities: A Chinese investor produces ceramic tiles in the LS MFEZ to expand into the domestic and regional market. Meanwhile, a subsidiary of a European multinational brewery company serves the domestic market and seeks to improve its capabilities through the LS MFEZ (see also Chapter 6, Article III).

> We're obviously under pressure because of the growth in beer volumes. Yeah, so we're trying to match the demand […] We've seen growth in terms of our capacity from the changes we've been making to our process receipts and that has given us an opportunity to increase plant utilization […] So, improvement in water, heat usage, electricity usage and all that (manager of a subsidiary of multinational firm).

Improving capabilities through international partnership: There is a local firm that hopes to create and capture more value by improving its capabilities in the LS MFEZ, and therefore approached a multinational company for a strategic partnership.

> We have reached an agreement with one [multinational] company, which is here, that we will set up the plant, put up the machinery, and they will run the plant, they will lease the plant from us. They have the skills so that is their area of competence (manager of a local firm).

Improving capabilities for innovation and market development: There is a large local lead firm and its daughter company which are known as “Unilever of Zambia” (interviews with supermarket chain manager, manager of the daughter company) and use their facilities in the LS MFEZ to expand production, improve capabilities, develop new products and technologies, and serve more markets.

> We're making our own carbon […] We're always innovating, having new products, just to keep the excitement of the people […] We have our own products, and we have the Zambian market, and we're exporting (manager of a local lead firm).

<table>
<tr><th>Industrial organization</th><th>Charac-ter</th><th>Investment driver</th><th>Mode of Coupling</th><th>Type of Coupling</th></tr>
<tr><td>Foreign firm</td><td rowspan="4">Outside-in</td><td rowspan="2">Develop Market</td><td rowspan="5">Functional Coupling</td><td>Market region, Commodity source region</td></tr>
<tr><td>4x Subsidiary of multinational firm</td><td>Market region</td></tr>
<tr><td>Subsidiary of multinational firm</td><td rowspan="2">Develop Market, Improve Capabilities</td><td>Market region, international partnership</td></tr>
<tr><td>Local and foreign firm as strategic partners</td><td>International partnership</td></tr>
<tr><td>Local and multinational firm as strategic partners</td><td rowspan="2">Inside-out</td><td rowspan="2">Improve Capabilities, Develop Market</td><td>International partnership</td></tr>
<tr><td>2x new local lead firm</td><td>Indigenous Coupling</td><td>Innovation hub</td></tr>
</table>

Table 14: Strategic coupling of LS MFEZ firms. Based on a qualitative analysis of primary and secondary data.

As discussed in Chapter 6 (Article III), the drivers for these investors to couple are not only cost-related, but also driven by the need to improve capabilities and develop markets: Through the LS MFEZ, investing firms can expand their businesses, improve capabilities to be more resilient and innovative, and thus seize the opportunity to explore the domestic and regional markets (interviews with managers of ten firms in the LS MFEZ). Their strategic needs are therefore less generic and more specialized. These investors are not looking for quantity, but for specific skills in their labour force to improve their capabilities, and are satisfied with the available pool of suitable employees in Lusaka (interviews with managers of five LS MFEZ firms, see also Chapter 5 , Article II):

> For the operations we need special technical people. We get them from other companies, from Pepsi, we poach (manager of a local lead firm).

Unfortunately, the LS MFEZ does not accompany these developments with its incentives: as shown in Figure 13, the needs of investors are not met by the targeted promotion of respective specialized locational advantages, and, as mentioned, the generic advantages are

insufficient. Overall, the resulting coupling in the LS MFEZ is rather based on distinctive assets, indicating functional coupling (see Table 14), but also indigenous coupling in the case of the local lead firm.

7.1.3 Identifying investment drivers to understand Strategic Coupling

Investment drivers and related strategic needs of investors determine the mode of coupling in the SEZs: While purely cost-related strategic needs are addressed by the generic assets of an SEZ and enable structural coupling, strategic needs to improve capabilities or develop markets require specialized assets of an SEZs, which are the basis for functional and indigenous coupling.

In the Ethiopian case, cost is the main driver, and leads to structural coupling of price-pressured suppliers with generic locational advantages: government-induced fiscal incentives and low-wage labour. In the Zambian case, strategic needs vary according to the drivers and therefore require specialized locational advantages, leading to indigenous and functional coupling. Specialised locational advantages here are proximity to new potential customers and easy access to them through simple logistics and trade incentives. This gives investors the opportunity to develop markets. Other specialized locational advantages are complementing interests of specialized or innovative firms as business partners or suppliers, or skilled or specialized labour, both of which improve capabilities.

As concluded in Chapter 6 (Article III), allowing domestic sales is a prerequisite for functional coupling with investors wishing to develop new markets. It is not uncommon for SEZs (especially EPZs) to deliberately ignore investment drivers related to market development (Rolfe et al., 2004), as governments seek to avoid competition from de facto subsidized foreign SEZ firms in the domestic market. In the Ethiopian case, this was a deliberate decision in order to promote exports (see more later in Section 7.3) (Staritz et al., 2016). Awareness of such investment drivers is essential in order to consciously include them (or not) in strategic SEZ planning and to actively shape strategic coupling.

Identifying the dynamics that drive investor behavior (reducing costs, improving capabilities, developing markets) is key to understanding strategic coupling in the case study SEZs. They determine the mode of coupling. Other drivers include financial pressure (e.g. on subsidiaries in the LS MFEZ by their shareholders or on captive suppliers in the BLIP by Western buyers) and risk management (e.g. localization of production segments, see Chapter 6, Article III). How are drivers taken into account in SEZ strategies that intend to influence and shape the strategic coupling process?

7.2 SEZ strategies for strategic coupling: How choosing industries and value chain actors determines strategic SEZ types

The SEZ strategies of the two case study SEZs differ in many ways. The Ethiopian BLIP follows an export processing zone (EPZ) approach and targets the garment industry. The Zambian LS MFEZ, on the other hand, has a rather unclear and inconsistent SEZ strategy, calling for investment from a wide range of industries, with incentives and promotion strategies changing along the way. In the following, I will explain how the BLIP operates as an EPZ and how the LS MFEZ ended up as a functional SEZ with a lot of untapped potential.

7.2.1 A clear export processing zone strategy for Ethiopia's BLIP

Ethiopia has adopted a number of development policies from the Asian example, such as the developmental state approach (interviews with manager of BLIP and former commissioner of EIC, Clapham, 2018; Fourie, 2015), and its industrial parks also follow the example of Asian SEZs – namely export processing zones, EPZs (interview with expert at Industrial Prak Develpoment Coorparation, see also Oqubay & Kefale, 2020). The Ethiopian industrial park strategy coincides with the traditional EPZ strategy in several respects: Duty exemptions, serviced land, simplified administrative procedures, exclusive focus on exports, and a focus on manufacturing (see also Chapter 6, Article III, Baissac, 2011). This strategic approach was chosen to allocate the labour-intensive garment industry, as one of the main goals was to reduce unemployment (interview with manager of BLIP, see also Weldesilassie et al., 2017).

The promotion strategy addressed the strategic need of investors for a large pool of low-wage labour to reduce costs:

> 60% [of the population] are very young, youthful, and they want to join the labour sector or any work activity (manager of BLIP).
>
> Ethiopia as a country, for instance, we don't have a minimum wage rate. So it depends on negotiations between the employee and the employer, and all these aspects, make it the free market more conducive to the foreign investors (EIC official).

These arguments have been communicated to the potential investors, which consist of foreign, mostly Asian garment manufacturers producing for Western buyers such as H&M, PVH (Calvin Klein, Tommy Hilfiger), Walmart, and KIK. Through Ethiopian embassies in Southeast Asian countries, the Ethiopian Investment Commission (EIC) reached out to these firms that were looking for new, cheaper production sites (interviews with manager of a South Korean multinational firm; EIC official).

> The government of Ethiopia was very much initiated to make a transformation of the industry in Ethiopia. That is why all the ambassadors, all the ministers are traveling to different countries and announce that Ethiopia is open for the industry. They have worked a lot on that. So, because of that, they came and visited Ethiopia, the man power issue, availability of land and readymade sheds (manager of the South Korean firm).

As already indicated in Chapter 5 (Article II), the targeted value chain actors are suppliers, who are often captive to their Western buyers or weakly embedded in the Ethiopian context (see Table 13). This is comparable to foreign garment firms in a number of other African countries, where Morris et al. (2016) observe the emergence of "triangular manufacturing networks" (p. 1250) between Western buyers, intermediary headquarters in Asia, and suppliers in African countries. The strategy of attracting such foreign suppliers to Ethiopia was first implemented in the BLIP and optimised in subsequent and future parks (Hawassa is a flagship SEZ for this, see Aynalem, 2019; Gebremariam & Feyisa, 2019) by directly addressing the Western buyers to incentivize their suppliers to locate in Ethiopia:

> The focus has been the textile and garment industry, which is largely a buyer-driven industry. Wherever the buyers are, the suppliers will follow. We call it the honeybee kind of situation: wherever the queen goes, the soldiers will follow. So, that has been an important driver of the partnership (former commissioner of the EIC).

The BLIP strategy followed a very clear EPZ approach, focusing on low-wage labour and fiscal (especially trade) incentives to attract supplier firms of the garment industry by addressing the investment driver of costs reduction. The strategic direction of the BLIP from vision to resulting SEZ type is summarized in Table 15.

	Vision	**Goal**	**Strategic focus**	**Value chain actors**	**Mode of Coupling**	**Resulting strategic SEZ type**
Ethiopian BLIP	EPZ	Employment, Exports	Garment, labour-intensive	Captive suppliers	Structural Coupling	EPZ
Zambian LS MFEZ	Innova-tion Hub	Diversification, R&D	Multiple industries	Local firms, MNC subsidiaries	Functional Coupling	Functional SEZ

Table 15: Strategic contents of the two case study SEZs and resulting strategic SEZ types. Based on analysis of primary and secondary data.

7.2.2 Zambia's LS MFEZ: Fishing for investors despite a lack of strategic focus

While the Ethiopian case has a very clear strategy, the strategy of Zambia's LS MFEZ is vague and inconsistent (see also Dube et al., 2020). This concerns not only the removal of fiscal incentives, which has led to many complaints from investors (interviews with managers of a local and a multinational subsidiary firm, see also Mwansa et al., 2020a; Phiri & Manchishi, 2020). It also concerns the overall strategic focus and promotion. The SEZ development follows a clear theoretical strategy, as elaborated with the Japan International Cooperation Agency, JICA:

> High-tech industries such as electronics, ICT, etc., will be one of the main target industries for the LS-MFEZ in future. However, general industries in the manufacturing sector will be mainly targeted industries in the initial stage (JICA, 2009, p. 3: 62).

This is summarized in a statement by an LS MFEZ manager about the vision of the LS MFEZ:

> The overall vision is to be center of excellence in terms of manufacturing, research and development, and also to be catalyst of growing or diversifying the Zambian economy from mining to value addition including also the manufacturing sector (LS MFEZ manager).

In the long term, the LS MFEZ is envisioned as an innovative hub (see Table 15), but there are concurrent foci that shape the current SEZ strategy. The focus on diversification and on general industries is accompanied by openness to a very wide range of manufacturing industries:

> The establishment of our economic zone is enshrined in this in piece of legislation [ZDA Act], so there are certain industries that we have to absorb and other industries that we can't. For example, manufacturing is really not defined, when you say manufacturing, anything that is passing through a processes manufacturing; even agro-processing eventually is manufacturing (LS MFEZ managing director).

Had the detailed assessment by JICA (2009) been followed, the number of targeted industries would have been reduced: The assessment compared the prioritized industries with the actual water availability in the LS MFEZ area and the existing investment demand from potential investors in the region (especially South Africa). However, the LS MFEZ continued to target a total of 13 industries for promotion, as shown in Table 16. Over time, the LS MFEZ management decided to select eight industries for promotion, which still come from very different sectors and relate to both strategic phases envisaged by JICA (general industries and high-tech sector). The lack of a strategic focus has complicated the promotion, as it has not been possible to concentrate on specific targeted incentives for a limited number of industries. This explains why, as mentioned in the previous section, the LS MFEZ failed to identify and promote adequate locational advantages for strategic coupling.

Prioritized industries according to ZDA	LS MFEZ Homepage 2020	LS MFEZ Homepage 2023	Industrial focus
(a) research and development institutions	**X**	**X**	R&D / Education
(b) high-technology industries	**X**	**X**	High-Tech
(c) information and communication technology	**X**	-	ICT
(d) commercial institutions	**X**	**X**	Commercial
(e) agriculture and agro based industries	**X**	**X**	Agro-Processing
(f) electrical and electronic appliance industries	**X**	**X**	Electronics
(g) professional, medical, scientific and measuring devices	(X)	-	Devices
(h) diagnostic services and other medical services	(X)	-	Pharmaceutical
(i) education and skills training	**X**	**X**	Education
(j) packaging and printing industries	**X**	**X**	Packaging
(k) palm oil product and their derivatives	(X)	-	Agro-Processing
(l) processing of gemstones	**X**	**X**	Processing of minerals
(m) pulp paper and paper boards	**X**	-	Packaging
(n) agriculture and agro-processing industries*	(X)	(X)	Agro-Processing

Table 16: Strategic foci for the LS MFEZ: Development from ZDA prioritised industries to focus by LS MFEZ developers. Sources: ZDA (2010), Website of LS MFEZ, 2020 and 2023.
X: named and explained.
(X): named but not explained and promoted.
** (n) and (e) seem to be almost the same, and are not promoted separately.*

Nevertheless, the LS MFEZ management succeeded in attracting some key players and significant investment. The need to demonstrate success in attracting investment led the managers to approach firms already present in Zambia, namely local firms and subsidiaries of multinational firms. These are more accessible than new foreign players.

> Within Lusaka, we target certain industries, for example, [the big local lead firm] we targeted them in marketing. We know that they are growing. We told them that this zone is an idea place for you to invest (LS MFEZ manager).

Their marketing strategy met the needs of growing firms in terms of infrastructure, land availability and promised fiscal incentives, and they also used some existing leverage to convince one of the subsidiaries:

> It came with a push from government that these can be going with the factory up there, it's a new area, and if we wanted to get what we were looking for as a business from the government, the concessions and do the investment, they wanted us to do it in the MFEZ (manager subsidiary of European multinational firm).

Coincidentally, this promotion has led to a number of new coupling situations for already coupled players, mostly resulting in functional, but also to some indigenous coupling through innovation, international partnerships, and market development (see Chapter 6, Article III). Thus, the current promotion has somehow (even if there is no specific intention behind it) established the LS MFEZ as a functional SEZ.

Nevertheless, after the initial attraction of these investors, there is still no long-term strategy to shape the LS MFEZ, beyond disjointed initiatives such as new export processing incentives (Chapter 6, Article III). As discussed by UNCTAD (2021), it is essential to find a strategic focus to guide the SEZ implementation. It helps to strategically allocate resources and improves targeted promotion. However, the management of the LS MFEZ is currently not only engaged not only in promoting the LS MFEZ to this wide range of industries, but also in developing infrastructure and seeking investors for commercial, recreational and residential development in the LS MFEZ area (LS MFEZ Ltd., 2021). It seems unlikely that the strategic focus will be sharpened any time soon, leaving much of the LS MFEZ's potential as a functional SEZ untapped.

Pursuing a strategy towards regional value chains and end markets (Chapter 6, Article III) would be one way to strengthen functional coupling for market development. This require specialized services and infrastructures to promote the strategic location of the LS MFEZ to access these markets – these specialized locational advantages need to be identified (see Section 7.1), developed and then promoted. In the case of specialized firms as distinctive regional assets, SEZ strategies can foster functional coupling through international partnerships between these local and foreign firms. Partnerships can be enabled through specific joint venture policies or incentives, as in the case of China (Zhang et al., 2018). The promotion of further specialized locational advantages is necessary to develop further strategic coupling, especially with regards to the ultimate goal of a high-tech SEZ. This requires, in particular, the existence of education and research facilities – which are among the targeted investments (see Table 16), but are not actively promoted or stimulated by public engagement. It is very difficult to develop and promote adequate specialized advantages as long as so many and diverse industries are targeted.

7.2.3 SEZ strategies: Creating functional SEZs by going beyond the promotion of generic advantages

The promotional focus on generic locational advantages, especially through fiscal incentives, was evident in both case study SEZs. In the Ethiopian case, generic assets were accurately matched to the strategic needs of investors, while in the Zambian case the lack of a strategic focus hampered the selection and promotion of specialized advantages. In both cases, a careful analysis of the dynamic drivers and related strategic needs of investors is required.

It would be useful for the LS MFEZ to find a single strategic focus and develop a strategy around specialized regional assets to be promoted and made available or accessible through the LS MFEZ. JICA (2009) and UNCTAD (2021) also recommend targeted promotion, but with a strong focus on fiscal and infrastructural incentives. However, state-led SEZs in particular can and should think beyond the SEZ fence and include the wider economy as potential assets in their strategic deliberations (Phiri & Manchishi, 2020). Arkebe Oqubay (Special Advisor to the Ethiopian Prime Minister) and Taffere Tesfachew (Acting Managing Director of the United Nations Technology Bank for the Least Developed Countries) emphasize the importance of specialization, which motivated the exemplary strategic focus of the BLIP:

> Government should focus on building specialized, sector-specific parks rather than generic or mixed parks to enhance learning, foster skills development, foster verticality, and accelerate education–industry linkages. Sector-specific infrastructure, international compliance standards, targeting of buyers and manufacturers, and exploitation of opportunities in global value chains would be applied (Oqubay & Tesfachew, 2019, p. 299).

However, the EPZ strategy of the BLIP can also take better account of investors' need for trained labour to optimize costs in terms of workers productivity. The Ethiopian labour force proved less suitable than expected. Skill levels were so low that low productivity, training investments, and high turnover unexpectedly increased costs (interviews with managers of five BLIP firms, see Figure 13 and Oqubay and Tesfachew (2019), Nega (2021)):

> Garment is all about your manufacturing capability which may not be related to the technological part of machine. It depends 90% on your production management and the skill of your operator (manager of a South Korean firm).

The strategic needs of these firms go beyond completely unskilled, low-wage labour, so some degree of specialization in labour assets is needed. Interestingly, skilled labour is available due to an established local garment industry (Staritz et al., 2016). However, these workers demand higher wages (interview with manager of a South Korean firm), which is not compatible with the price pressure situation of BLIP firms. If the goal is to meet the demand for specialized labour, a training centre would be needed as a complement to the BLIP recruitment initiatives, to introduce the rural workers to industrial work.

Skilled labour and specialized/innovative firms are specialized locational advantages that can be used in the strategic promotion to establish functional SEZs. Their establishment requires proactive and targeted government investment, such as the provision of adequate knowledge infrastructure (Aggarwal, 2019; Lee et al., 2014).

The strategic coupling lens helps to understand the importance of assets beyond fiscal and infrastructural incentives, as it emphasizes that coupling occurs between economic actors, including workers, suppliers and knowledge institutions. In both SEZs, a better match between the strategic needs of (potential) investors and the specialized locational advantages is needed to create functional SEZs and achieve indirect (dynamic) benefits such as value chain linkages, technological advancements, and skill transfer:

> The more unique these specialized advantages are, the greater the likelihood that the SEZ will thrive. It is only in those sectors where “specialized” locational advantages, associated with higher value addition, exist that host countries can benefit significantly from MNE activity in the long run (Aggarwal, 2019, p. 11).

These dynamic outcomes are related to coupling based on specialized locational advantages and on the goal of functional SEZs. I will discuss this relationship in the next section.

7.3 From expected benefits to outcomes and risks of strategic SEZ types

I have already presented outcomes regarding labour conditions and regimes (Chapter 5, Article II), regional value chains and local linkages (Chapter 6, Article III). Analyzing outcomes of strategies cannot be done without considering the expected results, in this case expected benefits of SEZs. In the following, I compare the expected benefits with the actual outcomes, including a perspective on the enclave or integrative development of an SEZ (Chapter 7.3.1), and discuss how different strategic SEZ types lead to different SEZ outcomes and risks (Chapter 7.3.2).

7.3.1 Comparing expected benefits to outcomes in the SEZs

SEZ policies come with a range of expectations regarding their direct and indirect benefits, which are constantly changing. Figure 15 gives a glimpse into the current expectations: In the Ethiopian case, the emphasis on exports, value chain linkages and technology spillovers as desired benefits shows the deficits in these areas. Benefits regarding FDI attraction and employment creation are less mentioned in light of their current successes in the BLIP. The expected benefits of the Zambian case include value chain linkages and value addition and capture, and exports, but also employment creation. The latter expectation has caused discussions around the LS

MFEZ strategies (see Chapter 5, Article II). In the following, we compare these expectations to the outcomes, which we also discuss in regards to enclave and integrative developments.

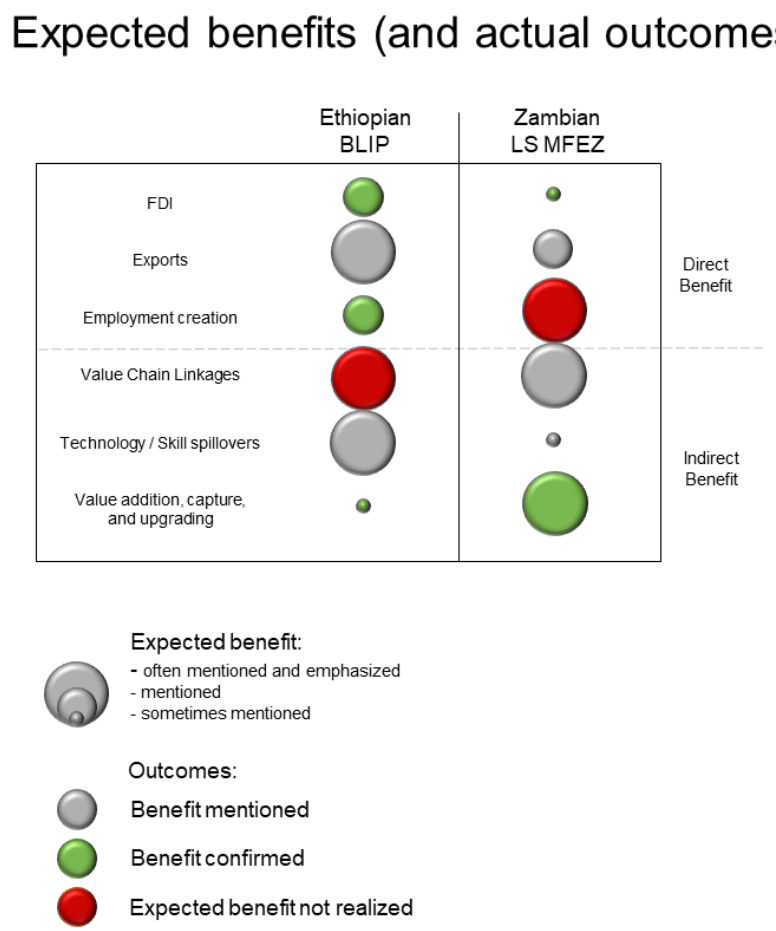

Figure 15: Expected benefits and outcomes in the Ethiopian BLIP and Zambian LS MFEZ. Based on primary and secondary data.

Figure 15 summarizes the outcomes (resulting from the qualitative analysis loosely following the analytical frame of Article I, Section 2.3) in the two case study SEZs. The outcomes regarding the **business structures and coupling** have been extensively described and discussed in the foregoing Sections 7.1 and 7.2. Even though the BLIP and the LS MFEZ follow the SEZ concept, their outcomes differ completely (see Table 17): The BLIP is a labour-intensive, export oriented EPZ, which incentivized structural coupling to GPNs through captive suppliers. The LS MFEZ has a very diverse, rather capital-intensive business structure which is based on indigenous and functional coupling of both domestic and foreign investors, connecting the LS MFEZ to global and regional production networks. These differences extend further into other areas.

Expected benefits	Outcomes	Ethiopian BLIP	Zam LS MFEZ
Vision	Business structure	Labour-intensive, export-based	Diversified, rather capital-intensive
Direct: Investments	Coupling	Outside-in structural coupling to GPNs through captive suppliers	Inside-out and outside-in indigenous and functional coupling to global and regional production networks
Direct: Exports	Factor mobility: Capital	(Net) export earning from sales to Western markets	Some exports to regional markets (see Article III)
Direct: Employment	Labour market direct, wages	Around 16.000 directly employed, mostly female, low-skilled and low-wage workers (see Article II)	Under 5.000 directly employed, ranging from low-skilled, casual workers to high-skilled employees (see Article II)
Indirect labour effects	Labour market indirect	-	Contributing to household income, extended job creation along the domestic value chain
Indirect: Value chain Linkages	Value chain linkages, resource flows	Mere import-export structure, with few minor inputs locally sourced (see Figure 16)	Domestic, regional and global linkages (see Figure 16 and Article III)
Indirect: Tech/Skill transfer	Technology/ knowledge spillovers	Skill transfer to workers through training	Skill transfer to high-skilled employees, technology transfer to suppliers (outgrower scheme, packaging)
Value addition, capture, innovations	Value	Value added through labour-intensive activities	Value capture and innovations through local participation and agency to expand locally performed activities (see Article III)

Table 17: Comparing summary of expected benefits and outcomes of the Ethiopian BLIP and the Zambian LS MFEZ. Based on primary and secondary data.

Export earnings are a big expectation for the BLIP to improve the trade balance and fight foreign exchange shortages (interviews with BLIP developer, EIC official, official at Ministry of Finance and Economic Development, Director of Chamber of Commerce, see also Zhang et al., 2018). And while the BLIP successfully attracted many exporting firms, questions remain regarding the net export earnings, since all of these firms import their inputs (former Commissioner of EIC). Exports were not seen as a main goal for the LS MFEZ, but the discourse around them is increasing and there might be some developments towards more regional exports (see Chapter 6, Article III).

Employment effects in the BLIP have been remarkable. As discussed in Chapter 5, Article II, different SEZ strategies have different effects on employment figures, labour conditions and regimes, which are especially linked to the choice of value chain actors (and less on the industry, as demonstrated by McKay (2004)). The findings for functional coupling in the LS MFEZ show the importance of skilled labour as a specialized locational advantage. In both cases, SEZs can have an enclave character, as discussed by Kleibert (2015). Labour effects through SEZs can also happen indirectly, namely by benefiting entire families of workers and through employment along the domestic value chain. These benefits lack entirely in the Ethiopian case (interviews with workers of three BLIP firms, the Director of Chamber of Commerce, a labour representative, see also Mains & Mulat, 2021; Nega, 2021). Such indirect employment effects are confirmed for the workers in the Zambian LS MFEZ (interview with human resource expert), and their suppliers, for example the outgrower scheme of one LS MFEZ firm:

> Most commercial farmers will have about 100-220 fixed-term workers and family members. So we estimate that each farm would probably have about 600-800 sort of dependence on the program (manager of European brewery subsidiary).

The implications of these differences in labour outcomes, especially in relation to the underlying coupling mode are discussed later in this section.

Local (domestic) **value chain linkages** are one of the most prominent and desired benefits for SEZs, including the two case study SEZs (see Figure 15). An analysis of the value chain linkages shows, again, great differences between the two (Figure 16). The BLIP firms are almost exclusively linked to the global (global suppliers and the Western end market), with the exception of very few minor inputs they acquire locally, e.g. packaging material and labels (interviews with manager of an Indian and a South

Korean firm, see also Frick and Rodríguez-Pose (2021)). Sales to the local markets are restricted to a 5% of total production, so there are barely forward linkages as well.

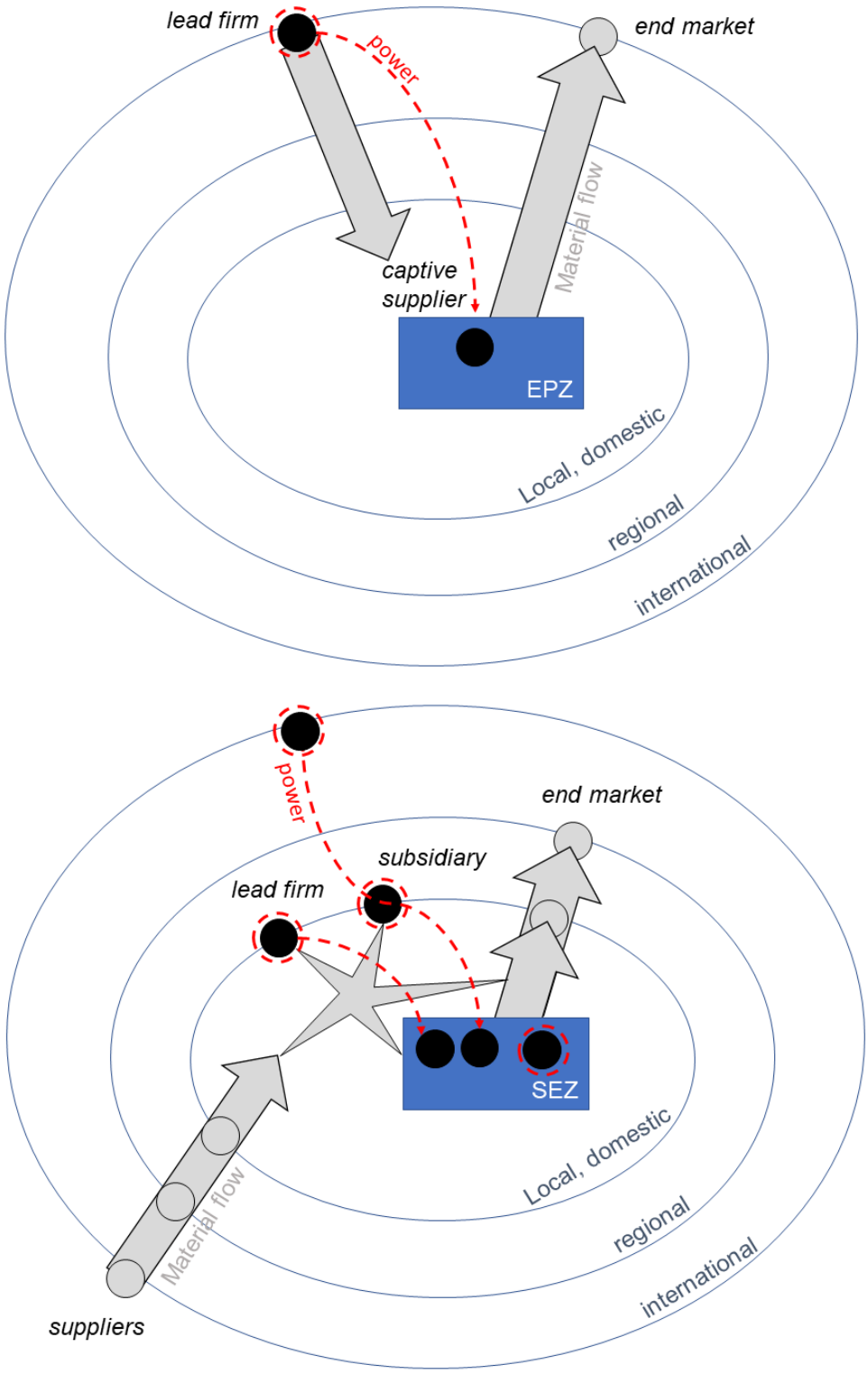

Figure 16: Comparing value chain linkages of the Ethiopian BLIP (above) and the Zambian LS MFEZ (below). Based on primary and secondary data.

The LS MFEZ also sources globally, but domestic and regional inputs are as important as the ones acquired from further away. Locally sourced inputs include processed sugar, barley, lime stone, clay, as well as generic and specialized packaging material. Unfortunately, there are no concrete measures to establish more local linkages: There is a Zambian 'National Local Content Strategy' (MCTI, 2018) which until today remained on a theoretical, discursive level (Kragelund, 2020), and is not connected to the LS MFEZ (interview with official of Ministry of Commerce). This leaves initiatives to create local linkages to the private sector. Distribution is focused on the domestic and regional end markets and involves both general and specialized distributors. These localization and regionalization trends can be expected to intensify in the future (see Chapter 6, Article III).

Comparing the two SEZs shows that the BLIP is less integrated through value chain linkages. This state of economic enclave has been described for many EPZs, especially in India (Alkon, 2018; Banerjee-Guha, 2008; Tantri, 2011) and may represent a typical example of early stage EPZ enclave (Hardaker, 2020; UNCTAD, 2019).

Local linkages do not only come with increased indirect labour market effects, but also enable **technology transfers** between firms, namely in the LS MFEZ where local farmers and other suppliers were instructed on how to produce and follow quality requirements (interviews with managers of a local firm and a European subsidiary, see also Chapter 6, Article III). Integration is needed for this indirect, dynamic benefit to materialize. Beyond that, knowledge is rather transferred on an individual level, namely through labour. Training happens in both SEZs and for different positions. While the opportunities are diverse in the LS MFEZ (see Chapter 5, Article II), training in the BLIP is rather limited, but nevertheless contributes greatly, as unskilled workers get to know industrial labour culture (interviews with a manager of a Chinese firm, and the former commissioner of the EIC, see also Zhang et al. (2018)).

While not emphasized as strongly as the direct benefits of exports and employment creation, the indirect benefit of **value addition** is implied to play a role for the BLIP: Industrial parks are seen as an important tool for rapid industrialization in Ethiopia (Alcorta & Tesfachew, 2020; Oqubay, 2019). The activities in the BLIP indeed add value. However, further value capture, especially in light of the low wages and

negligible participation of local firms, is missing, an issue often raised in GPN and related regional development literature (Coe et al., 2004; Coe & Yeung, 2015; Dawley, 2010; MacKinnon, 2012). In the case of the LS MFEZ, several examples for value addition and capture can be observed: instead of importing malt (for beer production), bottles, syrups and carbon dioxide (for soft drinks production), these inputs are now manufactured in the LS MFEZ. In future, the Zambian tobacco industry is also planned to grow substantially because an important intermediate manufacturing step is going to happen in the LS MFEZ as opposed to outside of the country. These advancements and upgrading stem from remarkable innovatory power and initiative, driven by local agency (see Chapter 6, Article III).

The import-substituting value additions are only one part of new value addition and capture through the LS MFEZ: there is not only manufacturing, but also other activities such as market research, product development, marketing, and distribution happening (all firms), which contribute to local value creation and capture. This differs immensely from the BLIP, where activities are limited to the lowest value adding process of cut-make-trim (interviews with managers of three firms and five workers, see also Staritz et al. (2016)) – in this structural coupling situation, the power and high value adding activities lie with the buyers abroad. The results for both empirical foci (labour and regionalization) discussed in the preceding chapters showed that there are differences regarding such a low or a high road strategy chosen (Chapter 5 and 6, Articles II and III). Following the strongly systematized dichotomy by Dawley (2010), the BLIP firms can be identified as branch plants with dependent linkages, while many of the LS MFEZ firms are exemplary for ‘performance/network branch plants’ with developmental linkages. These outcome differences relate to the structural EPZ strategy in the BLIP and functional/indigenous coupling in the LS MFEZ, respectively. I will explore this deeper in the following.

7.3.2 SEZ strategies and their risks: evolving from EPZs to functional SEZs (to innovation hubs)

In this final discussion I want to conclude my theory development around SEZ strategies for strategic coupling and how they differently impact SEZ outcomes. This also involves an analysis on the risks of different strategies which leads me to ultimately question the idea of the ‘SEZ development ladder’ (UNCTAD, 2019). The previous analyses have shown remarkable differences of the two SEZ strategies,

with the BLIP being an excellent example for a traditional EPZ-like SEZ, and the LS MFEZ being an interesting case with multiple approaches that hint at possible developments for a functional SEZ or even innovation hub in sub-Saharan Africa. Figure 17 shows the different possibilities of different SEZ strategy approaches, which resulted from the two case study SEZs.[5] In the following, I explore these three strategic SEZ types regarding their outcomes, especially their risks.

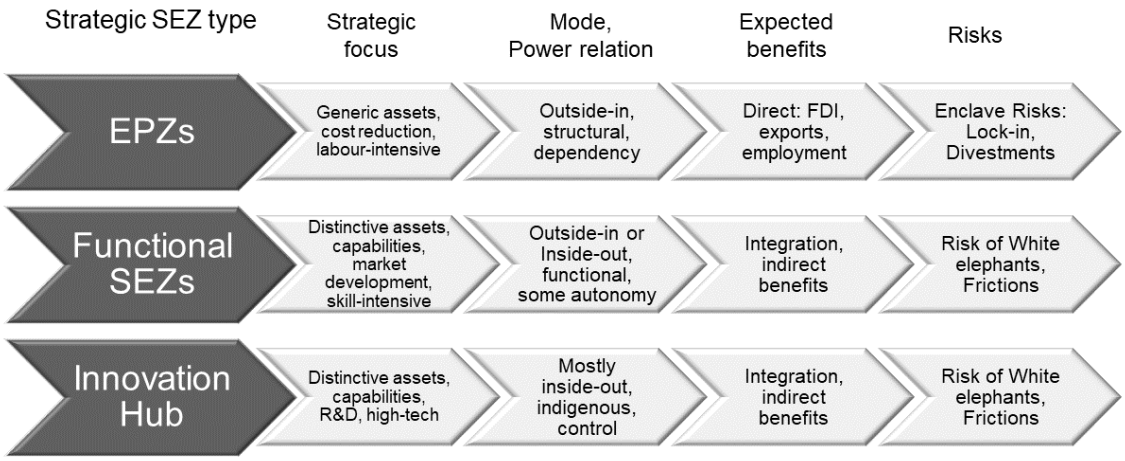

Figure 17: Different strategic SEZ types, associated strategic coupling, and associated expectations and outcomes. Source: Author's deliberations.

EPZs as enclaves – risking lock-ins and divestments

The structural EPZ strategy has been employed for decades in different countries of the world. Opponents have criticized them for a variety of reasons, including their high risk of becoming and being locked-in as enclaves (Alcorta & Tesfachew, 2020; UNCTAD, 2019; UNIDO, 1980). The Ethiopian BLIP showcases this risk: The garment industry was intentionally chosen as a focus for the BLIP (and following Ethiopian SEZs) because Ethiopia "grows cotton and has a spinning, weaving, and knitting history; making local sourcing possible" (Zhang et al., 2018). The hope was to extend activities beyond the light manufacturing and involve local actors and inputs (Staritz et al., 2016). But until today, the BLIP firms keep importing their inputs (interviews with managers of all firms) despite the existence of a local garment sector (interview with manager of a Chinese firm, see also Staritz et al., 2016). One

[5] An additional type would be the structural commodity-sourcing SEZ such as the Chambishi SEZ in the Zambian copperbelt. This interesting SEZ type probably has other features than the EPZ and requires further research.

manager blames the quality of the local cotton (interview with manager of South Korean firm), but for the other firms, the reason lies in the governance structure of their GPN (interviews with managers of four other firms):

> There are a few [Ethiopian] suppliers. Their cost is reasonable compared to the outside suppliers. But, we do not take raw materials from them […] firms like us, mostly buyers supply us with raw materials. We do just do sewing, producing and packing and exporting products (manager of Chinese firm).

This confirms assumptions by Frick and Rodríguez-Pose (2021), that local sourcing is inhibited by asymmetrical power relations in value chains: lead firms and parent companies abroad dictate the sourcing processes. This lock-in situation cannot be changed by anyone else than these powerful actors abroad: Suppliers of triangular manufacturing networks have little autonomy, as reported for such garment networks involving African countries (Morris et al., 2016). Around 2018, there were some plans by some buying lead firms to develop local linkages from the BLIP firms (Frick & Rodríguez-Pose, 2021), but there are no results up to date, raising doubts about the seriousness of these plans. This power asymmetry, which leads to external path dependencies and lock-ins (Yeung, 2015), is characteristic for structural coupling in EPZs.

The enclave EPZ strategy prioritizes direct benefits such as export earnings over local value chain linkages. Even though local sales (i.e. forward value chain linkages) do not have a direct monetary return beyond sales tax, they strengthen the territorial embeddedness of a firm, which is expected to support further local (backward) linkages (Amendolagine et al., 2019; Frick & Rodríguez-Pose, 2021). The choice to address firms driven by cost-reducing (rather than market-seeking) reasons, means that a lock-in enclave situation with little local linkages is more probable for EPZs such as the BLIP.

Another critique of the EPZ strategy is the high risk of divestment. Structural coupling is based on generic assets which Coe and Yeung (2015) associate with a high de-coupling risk. Footloose industries as the garment industry are particularly set to pack up and relocate to cheaper production sites (Aggarwal, 2019). Chapter 5 (Article II) discussed the downsides to a structural coupling driven by cost-reduction and financial discipline in relation to labour regimes. Beyond this ‘race to the bottom’, structural coupling is also especially prone to divestments because the generic

assets are too replaceable and attract rather short-term, footloose investments (MacKinnon, 2012; Rolfe et al., 2004):

> The kinds of MNE [multinational enterprise] activity attracted by [generic] locational advantages are low value-adding activities and imply mostly low capital expenditure on plant and equipment (extractive industries being the exception). Such FDI is less "sticky", i.e., more footloose. The location of labour-intensive production becomes steadily less attractive to an MNE as the costs of labour rises […] almost all countries and SEZs offer facilitated and streamlined 'fast track' FDI approval and facilitation procedures and offices, such as efficient regulatory environments, basic infrastructure (water, electricity, roads), bonded workshops, and efficient transport links, so much so that these can no longer be described as 'advantages' (Aggarwal, 2019, p. 8).

The vulnerability to external forces and corporate decisions (Dawley, 2010) is observable in the Ethiopian BLIP: In this unstable situation of a merely structurally coupled EPZ, investments are tied to certain fiscal incentives: One Indian BLIP firm has reduced their production capacity to as low as 10% because of Ethiopia's current exclusion from the African Growth and Opportunity Act (AGOA), which granted duty-free access from Africa to US markets (Nishimura, 2022). This high dependency on certain fiscal incentives including preferential trade agreements makes EPZ-like SEZs prone to divestments, as already observed in other African countries such as Madagascar and Mauritius (Farole & Moberg, 2014; Morris et al., 2016).

The expiration of tax holidays, which is also a popular fiscal incentives in SEZs, also comes with a de-coupling risk (Rolfe et al., 2004). According to the former commissioner of the Ethiopian Investment Commission, this risk can only be overcome by establishing a functional coupling to distinctive assets:

> [Garment] is a footloose industry, it's always mobile. After 10 years, at the end of the […] tax holiday, when the honeymoon is over, then eventually cost will rise and what will keep it there will be finding, for instance, affordable cotton there, chemical industry to support the dyeing processes, trade production, the buttons, accessory, so all the things. So you build it brick by brick to avoid the movement (Former Commissioner of the EIC).

These lock-in and divestment risks for EPZ-like SEZs have been uncovered in many SEZ case studies, e.g., for Dominican Free Zones (Baissac, 2011; Burgaud & Farole, 2011), EPZs in Southern Africa (Jauch, 2002), Kenya (Rolfe et al., 2004), and Madagascar (Cling et al., 2005). Although these risks are known and proven for some time now, the successful cases of Asian EPZ continue to serve as models and incentivize this SEZ strategy.

Functional SEZs – choosing the adequate strategic focus to avoid white elephants

In the case of functional coupling of firms such as given in the LS MFEZ, these risks are lower – divestments do not happen so fast. Despite unfavourable changes in fiscal policies, subsidiaries of MNCs have enough autonomy to stand up to keep their location (BAT) or to even expand it to continue their long-term strategic plans with local suppliers (ZB) because of their functional embeddedness in the region. Both local agency (see Paper 3) and territorial embeddedness through functional coupling contribute to an integrated SEZ. Aggarwal (2019) therefore advises SEZs to develop and foster "specific industries and technological trajectories, such that the locational advantages they offer are less 'generic' and more specific, highly immobile and such that they encourage mobile investments to be locked into these assets" (p. 11). This functional, integrated coupling is based on distinctive assets which have to be carefully picked according to the country's specialized locational advantages and fit to strategic needs, which also depend on the targeted industry. Instead of addressing only the cost aspect, other investment drivers such as market development and capability improvement can be considered and support the choice and promotion of distinctive assets for a functional coupling.

The fit of functional SEZs to local realities is very important to avoid misallocation of resources and the creation of white elephants (Frick & Rodríguez-Pose, 2019, p. 90). There are two possible pitfalls: Firstly, copying SEZ policies and strategies from successful models like a blueprint rarely works, as the usefulness and functioning of policies depends on the local context (UNCTAD, 2021). Understanding the realistic possibilities of coupling and also considering capability improvement and market development as important investment drivers are essential to choose an adequate strategic focus. Secondly, the lack of a specific industrial focus is another problem, as observed in the LS MFEZ (see also previous section 7.2):

> In their current state and design without strategic anchor industries to foster strong domestic linkages, the [Zambian] zones are rendered more of white elephants (Phiri & Manchishi, 2020, p. 20).

Focusing on very few related or one industry helps to strategically position the SEZ in terms of infrastructure, skills and capabilities of local actors and its promotion, and ultimately enable clustering. This point has been neglected by important SEZ policy advisors such as UNCTAD (2019), who recommend multi-activity, non-specialized

SEZs especially for low-income economies. To successfully establish a functional SEZ, the strategic focus has to be clear to promote adequate specialized locational advantages.

On another note, specialized SEZs as incubators for new industries and pioneers in higher technologies compared to the rest of the country may only integrate selectively into the host countries. This is the case in the LS MFEZ, where skilled employees commute from urban Lusaka (interviews with managers of five firms), but the rural population in direct proximity to the LS MFEZ is excluded:

> With manufacturing firms, the sort of jobs, the sort of skills that we require are very specific. We say: ok, we need an engineer, we need an operator, we need this, and so that sort of excludes people from the villages nearby (manager of subsidiary of European multinational firm).

Like the risk of becoming white elephants, these frictions (Yeung, 2015) between SEZ firms and the host countries can occur in functional SEZs with their skill-intensive focus. These risks are even more highlighted for innovation hubs.

Innovation hubs – if applicable and with much support

As innovation hubs (e.g. science or technology parks), some SEZs are expected to generate innovative outcomes, through research and development (R&D) and high-tech firms. Several voices criticize such an approach for Global South countries as unrealistic high-tech fantasies which cannot be supported by local assets and reportedly resulted in underperforming SEZs in the Global South (Rodríguez-Pose et al., 2022; UNCTAD, 2021). Again, the fit to the local context has to support this strategic focus, now especially regarding innovative potential of local firms and the presence or establishment of recognized education and research facilities as cooperation partners. While the SEZ concept generally envisions outside-in coupling through FDI, the innovation hub SEZ strategy follows the idea of indigenous coupling (Coe & Yeung, 2015), so focusing on local lead firms.

The previous section 7.2 explained that the LS MFEZ did not (yet) succeed to become an innovative center of excellence and R&D, which is not surprising given their missing strategic focus and lack of appropriate distinctive assets. Nevertheless, the local firms (see also Chapter 6, Article III, and previous sections) have some innovative potential, as they develop their own products for their domestic and regional markets (tobacco, soft drinks, home care products) and also adopt new technologies:

> We have a small pilot plant where we develop new products […] We're setting up PEG-recycling because we are generating a lot of plastic. So we will collect it and then recycle it. We will have a recycle plant and then the new technology is that you end up with PEG, the recycled materials that you can use in the bottles (manager of a local lead firm).

Due to the skill-intensive orientation of innovation hubs, they can also become fragmented, segregated enclaves (Kleibert, 2015). Nevertheless, local firms are intrinsically more embedded with the local economy. While these firms may have knowledge and capabilities advantages regarding their home markets, they may need assistance to access new (regional) markets (interview with local firm, see also Chapter 6, Article III, and Morris et al., 2016). This is definitely a weak point of the LS MFEZ – their strategic approach relies too much on market forces: 1. (regional) exports are being encouraged by fiscal incentives, but practical assistance is missing. 2. Education and research facilities needed for skill-intensive and innovative activities are not established by the public hand, but are expected to be provided by private investors (see LS MFEZ Website).

However, both the development of capacities and innovations and market development are dependent on public “strategic choices and collective action” (Yeung, 2015, p. 7), which can be implemented in SEZ as innovation hubs under strong state involvement and support: (Lee et al., 2014) find that the South Korean state does not only function as a container of laws and practices, but also a constructor of regional innovation systems for the liquid crystal display industry. SEZs can serve as spaces for this and support local firms to develop capabilities, innovations and export markets.

All three presented strategic SEZ types for strategic coupling come with risks and need special attention to work out. Enclavistic EPZs are prone to lock-ins and divestment, while functional SEZs and innovation hubs require active policy measures to avoid becoming white elephants. Choosing the EPZ strategy makes it difficult to reap dynamic benefits such as local value chain linkages and skill transfer, and evolving from this structural coupling to functional has proven to be difficult (Engmann, 2011; Giannecchini & Taylor, 2018; Hardaker, 2020; Narula & Zhan, 2019; UNCTAD, 2021).

7.4 Concluding Outlook

In this thesis, I developed a grounded theory around SEZs and strategic coupling. Two case study SEZs (public SEZs in Zambia and Ethiopia) helped to understand how the strategic coupling process happens in SEZs as a result of strategic choices.

Strategic coupling happens through the match of locational advantages of SEZs as regional assets to strategic needs of GPN firms. The locational advantages include generic assets (e.g. typical fiscal and infrastructural incentives, low-wage labour) and distinctive assets (specialized suppliers or access to special end markets). The investors of the BLIP were driven by the search for cheaper production location and therefore to low-wage labour and fiscal incentives as SEZ advantages, which lead to a structural coupling situation. In the Zambian case, the drivers for coupling to the LS MFEZ were much more linked to market development and capability improvement, resulting in functional coupling. This is especially relevant given recent shifting end markets. Addressing these drivers essentially contributes to a successful SEZ and has not been in the focus of SEZ strategies so far, which rather focus on cost-reduction.

SEZ strategies can go beyond merely providing fiscal and infrastructural incentives. Industrial policy, and especially choosing a strategic focus and value chain actors, is a vital part of active SEZ strategic policy making. SEZ strategies should consider the other drivers (market development and capability improvement), and think about a functional SEZ or innovation hub approach. In these strategic approaches, promotion emphasizes specialized advantages, follows a clear strategic focus and addresses value chain actors which form a symmetrical power relation. This results in functional or indigenous coupling.

While structural SEZ types such as the export processing zone approach serves to realize direct benefits – employment creation, exports – functional SEZs and innovation hubs are much more likely to result in indirect, dynamic linkages – local value chain linkages, value capture, skill transfer. This also means avoiding the risks of a locked-in enclave (which does not evolve from structural coupling without indirect benefits) or divestments (because of footloose industries and too generic assets as a structural coupling basis). UNCTAD (2019) validly emphasizes the need to avoid too unrealistic SEZ visions (such as high-tech SEZs) and recommends to stick to the SEZ development ladder (Rodríguez-Pose et al., 2022; UNCTAD, 2021). However,

they fail to clarify that there is more in between an EPZ-like SEZ based on structural coupling, on the one hand, and a high-tech innovation hub on the other. For low-income countries, following the SEZ development ladder means starting at the lowest rank: So, to focus on EPZ strategies (based on structural coupling, risking lock-ins and divestments) or multi-activity SEZs for general industrial development (without strategic focus, risking misallocation of resources). Indeed, most of today's SEZs are multi-activity SEZs (UNCTAD, 2019). Specialized, integrated SEZs that aim at actual upgrading and spillovers are then recommended for middle-income economies.

In Chapter 5, Article II, I already opened the discussion around the development ladder and then revealed the role of local agency in strengthening integration of SEZs in the domestic and regional context in Chapter 6, Article III. I see African agency as an important opportunity and chance to choose own strengths and goals, instead of just following copied, maladjusted EPZ strategies.

There are several indications in current SEZ strategies that SEZ strategies are evolving from a focus on fiscal incentives towards more specialized advantages (Aggarwal, 2019; Kleibert, 2015; Rodríguez-Pose et al., 2022; Zeng, 2021b). Including the assessment of current drivers and how to address them through these specialized advantages, while paying attention to power relationships within targeted value chains, is recommendable for these new SEZs. Ultimately, SEZ policy makers need to set expected benefits according to their population's values (Pike et al., 2016) and focus on local agency by encouraging local entrepreneurship and activism.

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Appendix A: Supplementary Material

Appendix: Summary of theory about Strategic Coupling through SEZs.

Regional Assets / Comparative Advantage	Character	Industrial organization	Mode of Strategic Coupling	Strategic SEZ Types for Strategic Coupling	SEZ incentives	Address dynamic drivers
Generic (or government-induced)	Outside-in (from a GPN to domestic firm), dependency	Weakly embedded TNC subsidiaries, externally owned subcontractors	Structural	**Commodity sourcing SEZs** (South Africa, Ghana)	Fiscal incentives, infrastructure, commodities, generic suppliers and services	Reducing costs
				Export processing zones (Mauritius)	Fiscal incentives, infrastructure, abundant low-waged labour	
Distinctive / Specialized	Inside-out or outside-in, some degree of autonomy	Rise of strategic partners and global localization of TNCs	Functional	**Functional SEZs for International partnerships** (Morocco)	Specialized/ innovative firms, skilled/ specialized labour, technology, standards	Improving capabilities, reducing costs
				Functional SEZs for Market development (Nigeria, South Africa)	Access to end markets	Developing markets, reducing costs
				Functional SEZs as Logistics or Trade Hubs (Nigeria, Rwanda, South Africa)	Strategic location regarding regional context or within global logistics, specialized infrastructure, fiscal incentives	Improving capabilities, reducing costs
	Inside-out (from domestic firm to a GPN), autonomy and control	Rise of national champions and new lead firms	Indigenous	**Innovation hubs (Science and technology parks)**	Specialized/ innovative firms, skilled/ specialized labour, technology	Improving capabilities

Appendix: Exploratory interviews - policy makers, experts

Name of interviewee: Date:

Institution/Firm: Location:

Position/occupation:

Phone number:

Introduction:

What we do: Research by University of Cologne, Germany. Research on SEZs, their **characteristics and developments**, and especially how they are **connected to the global and the local**, to find out how they are **integrated** in the country.

Anonymous and confidential. **Name and recording is not being published.**

Questions group 1 (policy makers, NGOs, planners, etc.):

1. Can you tell me about you and your work? What is your **relation to SEZs, especially the local SEZ**?
2. Please tell me about the IPs and how the idea **developed**, including planning, development/implementation, progresses, future development of the concept.
3. What **foreign or domestic actors and stakeholders** are important for the development of the SEZ? (snowballing!)
    a. Foreign actors (lead firms, international agencies, NGOs)
    b. Other national institutions
4. What are the **main goals** for the IPs? How can they be achieved? What are problems?
    a. Goals and their feasibility
    b. Incentives and regulations
    c. Challenges and (missed) opportunities
5. How is **the SEZ impacting** the city, the economy, and the people?
    a. Infrastructure, urbanization, direct surroundings
    b. Value chains and investments
    c. Important/leading firms
    d. Labour, employment
6. In your opinion, are IPs **integrated** in the country?

End of any interview:

Anything **missing**, not mentioned?

Can we **contact** you if something unclear or other questions?

Can you **recommend** me someone I should also talk to?

Thank you.

Appendix: Exploratory interviews - investing firms

Name of interviewee: Date:

Institution/Firm: Location:

Position/occupation:

Phone number:

Introduction:

What we do: Research by University of Cologne, Germany. Research on SEZs, their **characteristics and developments**, and especially how they are **connected to the global and the local**, to find out how they are **integrated** in the country.

Anonymous and confidential. **Name and recording is not being published.**

Questions group 2 (Businesses in SEZ):

1. Can you tell me about you and **your business**?
2. Please tell me about your **production system**.
    a. Sector, products, suppliers and end market
    b. Labour, employment: numbers, required qualifications
    c. Technology, investments: machinery, plant
3. Can you tell me about your business **in the SEZ**?
    a. Origin of firm, what kind of branch, governance within firm, history, development of firm in BLIP
    b. Reasons for being in the BLIP: Infrastructure, tax incentives/institutional arrangements, Inputs (labour, resource supply), location, decision making processes
    c. Cooperation and negotiation with government and developer
4. What do you think, how is your **firm and the SEZ impacting** the city, the economy, and the people?
    a. Infrastructure, urbanization, direct surroundings
    b. Value chains and investments: suppliers and distributors, types of contracts, cooperation, governance
    c. Labour, employment: training
5. In your opinion, are IPs **integrated** in the country?

End of any interview:

Anything **missing**, not mentioned?

Can we **contact** you if something unclear or other questions?

Can you **recommend** me someone I should also talk to?

Thank you.

Appendix: Focused interviews – Labour

Date: _____ Length of interview: _____

Interview Guide

Anonymous, confidential, no reference to person nor firm!

General frame: Can you tell me about your job in the SEZ? Starting from how you came to work there.

- Origin, reason to work in SEZ, time frame, **education**
- Type of work: tasks and responsibilities
- Career

Labour conditions: How are your working conditions? (**Conversational**)

- Type of contract/working agreement (oral/written, temporary, any benefits)
- Working hours and overtime, Work safety (accidents, exposure…)
- Wage (is it enough?), increases?
- Leave policies (illness, child care, incapacity to work…), problems during work
- Do some workers have particular problems? (Irregular/temporary workers, women…?)

Possibilities – rights and voice:

1. What can you and other workers do to improve their situation and labour conditions in the SEZ?
    a. **Conversation with superior to improve situation? Negotiation?**
    b. **Strikes? Unite with other workers? Or is that forbidden?**
    c. **Change to another company?**
2. Are there unions? Is being a member of a **union** helpful?
3. Why/why not? (Ask about every aspect)

Role of public actors: What do public/external actors such as the **SEZ management or government officials** do regarding labour issues and improvement?

- **Deal with problems/strikes etc.: Support, conflict management? Are the problems heard?**
- **Improve skill development, training, enforce work safety…**
- Is your voice heard equally as the firm's opinion?

Role of the company:

1. How does the company in general treat their employees?
    a. Appreciation/Exchangeable/disregard/disrespect…
    b. **Promotion**
2. What is their attitude towards workers?
    a. Company rules, e.g. regarding unionization
3. Are they interested in improving worker situation?
    a. Safety training, inspections, audits (by mother company?) …

Age: _____ Employing firm: _____ Time working at SEZ: _____

Gender: _____ Type of work: _____ Position: _____

Thank you!

Appendix: Focused interviews – Labour, value chain linkages and coupling

Date: _____Length of Interview: _____

LS MFEZ firm: _____

1+2. Characteristics of your firm (Facilitative governance) (Labour)
- What **type of firm**, subsidiary, branch of transnational company, independent?
- What **sector**?
- What **activities** in the LS MFEZ?

2+3. Local linkages vs. in-house and abroad, importance (RVC)
I am investigating the value chain of your industry, and would like to know
- what activities your firm does here: **production (capital vs. labour intensive)**, what about **product development, R&D**? **Marketing**? **Logistics**?
- What is done here, what abroad, what local firms are involved? Inside/outside zone? **Names of suppliers and service firms**!
- These **local** inputs, what **share** do they have in overall inputs?

3+4. Characteristics of local linkages (RVC)
- **Why** do you source these inputs or services locally?
- What kind of **cooperation and arrangements** do you have?
- Are these temporary or long-term?

5. SEZ promotion and support for linkages (RVC, Diss)
- Is there a **relation** between why you moved to the LS MFEZ and the local firms you work with?
- Were there **requirements** to move to the LS MFEZ??
- Is there a **spatial** proximity?
- What **institutional support** does the SEZ management give to connect to firms or push for it?
- Is there something missing the management could provide?

6. Labour
Another point beyond local linkages that is interesting for SEZs is labour and labour management.
- Is there any interference by the **LS MFEZ management**? Inspections?
- What about other actors: **Ministry of Labour**? Regarding what?

My impression is, that there is a lot more skilled workforce than in other SEZs.
- Can you tell me about the **share** of management and skilled technical staff?
- I heard there was some worker **unrest** in the LS MFEZ. What do you think about it?
- Are **unions** active in the LS MFEZ/in your firm?

7. Strategy (Diss)
What attracted your company to come to Zambia?
And why to the LS MFEZ?

Thank you!

Appendix: Focused interviews – value chain linkages

Date: _____Length of Interview: _____

Local **supplier** firm: _____

Importance of linkage to SEZ
- With **which** MFEZ firms do you work?
- How **important** is/are the MFEZ firms for your firm?
- Do you **depend** on them?
- How much of your **turnover** depends on them?

Characteristics of linkage to SEZ
- **What** do you supply?
- Where is it from?
- How is your **relation to the MFEZ firm**?
- What kind of **cooperation and arrangements** do you have?
- Is the relation eye to eye?
- Is it temporary/ long-term?
- Is there any exchange of knowledge, other interaction? **Reciprocity**?

SEZ promotion and support for linkages
- Is the **LS MFEZ** important for your business interaction?
- What about the **location**?
- What about the **agglomeration of various firms**?
- What does the **MFEZ management do to support** the linkage?

Date: _____Length of Interview: _____

SEZ management

Policy and aims that promote and support linkages (RVC)
- What **linkages** are there between MFEZ firms and local firms?
- Are there **requirements, conditions** to be in the SEZ that foster cooperation between MFEZ firms and local firms?
- What do **policies and aims** say?
- And what **concrete support and services** does the LS MFEZ provide to foster the linkages?

Strategic coupling (Diss)
- What **assets** are being promoted?
- **Why** are the **sectors** chosen?
- **How** are the **firms** chosen?

Labour issues
- Are there **labour issues**?
- What about the **new labour-intensive** firms, what do you expect?
- What are you doing to be **prepared for possible labour issues**?
- Cooperation with unions?