

SPECIAL ECONOMIC ZONES

Opportunities
or business as usual?



RE:COMMON

Counter
Balance Challenging
Public
Investment
Banks

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Summary

1. What is a SEZ?	2
1.1 Brief history	4
1.2 Best practice vs. harsh reality?	4
1.3 Many promises. What future?	7
2. A bigger picture: What is a Mega-corridor?	8
A few examples	11
The Baltic-Adriatic corridor	11
The North-South corridor in the African continent	12
The East-Med corridor	14
3. A solution to all evil vs. the evil blocking all solutions	16
3.1 How would the territory change?	16
3.2 How would labour change?	17
3.3 How's the system meant to change?	18

1. What is a SEZ?

A SEZ - Special Economic Zone - is a geographic area located and defined by institutional bodies. The area benefits from tax relief, bureaucratic simplification as well as - in certain cases - the waiving of existing rules governing the activities that take place there.

The creation of SEZs can generate or nevertheless induce deep changes in a territory. In India, for instance, SEZs were highly criticized: the lack of controls left the ground open for the diffusion of mismanagement and corruption. A tainted selection of the areas - driven by potential personal gains of certain politicians - favoured certain castes, turning highly productive farmland into areas of an industrial development that has yet to materialise¹.

According to the European Parliament, moreover, speaking of control: *"a Free Zone does not only attract rightful business. It can also provide opportunities for organized criminality and counterfeiters"*.²

1 *Why special economic zones have failed in India*, <https://www.livemint.com/Politics/KTGOGjiK3t19blsRI2VJrM/Why-special-economic-zones-have-failed-in-India.html>

2 [http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2013/130481/LDM_BRI\(2013\)130481_REV1_EN.pdf](http://www.europarl.europa.eu/RegData/bibliotheque/briefing/2013/130481/LDM_BRI(2013)130481_REV1_EN.pdf)

Taranto

ArcelorMittal (Ex-ILVA).

Photo Re:Common



1.1 Brief History

The first Export Processing Zones (EPZs, forefathers of the SEZs) were created in Ireland and Taiwan during the '60s.

SEZs and so-called "*industrial parks*" are the legacy of different models of industrial development zones tested throughout the years. So far, 66 different typologies and classifications have been used to describe Free Economic Zones (FEZs). The Chinese experience - among several others - is the most renowned. In fact, in the '90s, China introduced the "*go global*" policy (Zou Chuqu) in order to explore overseas markets and to create global brands. The creation of industries and the increase of foreign trade were strategically meant to enhance the demand for Chinese products and machinery, to stimulate an export-oriented growth, to restructure the domestic market - starting from the value chain - and to work abroad in joint venture.

Therefore, the narrative of the SEZs model success frequently references China. Still, can we really talk about success? And if so, for whom?

1.2 Best practice vs. harsh reality?

One of the first Special Economic Zones was created in 1984 by the Chinese government on the Pearl River delta, some dozen miles away from the city of Shenzhen. It is here, most likely, that the

cellphone we hold in our hand was assembled³. Property speculation and labour exploitation are two of the most controversial features of the Shenzhen case, a particularly symptomatic symbol of the Chinese "*economic miracle*" and - more generally - of the SEZs system. Here, 7 million people - out of a total population of 12 million - are migrant workers from different Chinese regions, with barely no legal or social protection⁴. Their average age is 25 and they are mostly non-organized workers who have no experience being part of an independent union. They work for foreign companies, whereby the only existing unions are controlled by the company board itself. Yet, the absence of independent unions notwithstanding, over 10,000 wild strikes could be counted in 2006 alone⁵.

1992 figures for Guangdong province - that includes the city of Shenzhen - show extremely high death rates among industrial workers and the existence of hundreds of thousands of child workers. This phenomenon had been remarkably reduced in post-revolutionary China, but it became vital again in the '90s⁶. The extreme work conditions in Shenzhen's SEZ factories began to be denounced after the tragic fire in a toy factory in 1993, where 87 workers died. In the building, not even a single door or window could possibly be opened. The factory was ran by two reckless Hong Kong entrepreneurs and

3 Adam Greenfield, *Radical Technologies: The Design of Everyday Life* (London: Verso, 2017)

4 French, H (2006): '*Chinese Success Story Chokes on Its Own Growth*', New York Times, New York Times Co, December 19.

5 *Ibidem*

6 Weil, Richard (1996): *Red Cat, White Cat: China and the Contradictions of Market Socialism*, Monthly Review Press, New York.

it worked - almost exclusively - for the Italian company Chicco⁷. The World Bank itself describes SEZs as programs that: "*do not offer quality work opportunities [...], generates a downwards competitive mechanism that results in low employee wages, while the measures to guarantee environmental sustainability are given up [...]*"⁸

Labour exploitation and abuse are accompanied - not at all surprisingly - by an increase in criminality. In the '90s, crime rates in Shenzhen were nine times higher than in Shanghai. The city was renowned for women trafficking and sexual trade.⁹ A relaxed customs policy also brought about large-scale smuggling. Two of the earliest zones created - Shantou and Xiamen - were hit by massive tax frauds and smuggling scandals in 1999 and 2000.¹⁰

To this day things didn't change much in the Shenzhen context in terms of labour conditions, abuse and criminality.

In Italy, will what's left of labour protection laws be adequate to resist this novelty? Will there be room for new forms of independent union organization? Who will the "*new Italian industrial development*" workers be? How could they contain potentially unscrupulous foreign investors mainly focused on profit maximisation?

7 Anita Chan, *China's Workers under Assault. The Exploitation of labor in a globalizing economy*. Routledge, 2015

8 Farole 2011 <http://siteresources.worldbank.org/INTPREMNET/Resources/EP64.pdf>

9 Goswami, Bhaskar (2007): 'Special Economic Zones: Lessons from China', In Motion Magazine, NPC Productions, New York, February 14.

10 Business China (2006): 'Still in the Zone', Business China, The Economist Intelligence Unit, London, May 22.

1.3 Many promises. What future?

Today's developmental rhetoric has become a narrative in and of itself, untied from a reality that keeps on promising jobs that do not - and may never - materialise. The wind carrying these new promises for the future blows hard on logistics, given the strategic position of Italy, the advent of the Chinese investment program known as "*Belt and Road Initiative (BRI)*" - which we will tackle later - and the following reorganization of key sectors such as sea/land transport in the areas concerned. Irrespective of the investments - about which Italian and Chinese governments signed a memorandum of agreement in March 2019 - a cascade of promises hit Rome and the Italian provinces.

Yet, what do we know exactly about the signed commercial agreements? What are the obligations of the private parties, the government and its agencies? What do we know about the real impact of these investments on the territories? What do we know about clean-ups? These are core questions for many of the areas that have been selected for this new form of production and commercial trade development. What makes us believe that the State aid to a private company - be it direct or indirect - would then result in training, decent labour conditions, valorisation of local knowledge and even in benefits, in terms of revenues for host towns and territories? What do we know about the environmental and climatic dimension of these investments? The matter is vital for host territories as well as for Italy, other countries involved and the whole planet.

2. A bigger picture: What is a Mega-corridor?

Special Economic Zones are set in a bigger picture - the European and global dimension. That is, the reorganization of the economic model that has been running for several years already, through this long systemic crisis span. Once again, major infrastructure lays at the core of the new plan to relaunch the economy.

Unlike in the past - when major infrastructure projects were not necessarily interlinked - nowadays we see all-inclusive plans aimed at "*just-in-time production and delivery*". The Amazon Prime model, so to speak. Not to induce a wider redistribution or higher welfare on a global scale, but to allow for more wealth extraction for the benefit of an increasingly narrow elite. The slowdown of global trade, according to the proponents of these projects, needs new stimuli. The goal is to optimize time and space along the production-consumption axis by creating a limited number of global trade hubs, often within ad hoc mega-corridors.

From this perspective, infrastructure mega-corridors are a combination of port expansions, railway development for freight transport, construction of ever bigger and faster boats, creation of SEZs and "*smart cities*" in strategic areas of the planet. Only here, costly services will be provided to the rich and technology-heavy citizens of the future. Then again, new roads to penetrate

the undeveloped forests of the planet, expansion of open pit mines, construction of new coal and turbogas plants as well as new mega wind and solar farms, in order to satisfy the energy needs of the companies partaking in this massive scheme. Both in Europe and in the so-called Global South.

Globally, there exist numerous mega-corridor projects. The European Union has its own (see below), just like India, Brazil, South Africa, Russia, the United States. Anyway, the scheme that is mostly spoken of - being the only one in an advanced stage of implementation - is the Chinese-led one, known as the Belt and Road Initiative (BRI).

Trieste

Photo Re:Common



A few examples

The Baltic-Adriatic corridor

The Baltic-Adriatic corridor is one of the infrastructure corridors in the European Union, as planned by the European Commission in the 1990s.

A good share of these infrastructure corridors has been left unfinished or abandoned as obsolete, as they were planned according to unreliable estimates of growth, consumption and freight transport. The European Union is recently relaunching the Baltic-Adriatic corridor as part of the “*Ten-T*” programme, the wider project of European transport corridors which was absorbed by the “*Connecting Europe Facility*”. The latter also includes other infrastructure of European interest, especially in the energy sector.

China has identified the Baltic-Adriatic corridor as the ideal overland connection between the North and the South of Europe. In the North, it would serve as a link to the Chinese sea transport corridor that joins the Baltic Sea in Gdańsk (Poland), while in the South it would link the Belt and Road Initiative to the Mediterranean Sea, with the Port of Piraeus in Greece serving as an initial entry point. Additional BRI entry points are now being added through the High Adriatic Sea ports in Italy (particularly Trieste). This infrastructure package, while being a Chinese proposal, seemingly coincides - at times - with the old European Commission project.

Still, at the end of the day, who and what is this infrastructure really for? Would it set in motion the radical change that Europe avowedly wants, taking solid steps to leave behind an economy centred on fossil fuel exploitation? Will these infrastructure projects involve the communities and territories on which they are planned? Or are they just another top-down project in which everybody tries to grasp the leftovers of the infamous "trickle-down effect"?

The North-South corridor in the African continent

The development of ports and big infrastructure corridors seems to be a priority for the African continent too.

Over 30 infrastructure corridor projects have been started throughout the continent. Overall with the goal to facilitate mineral extraction, but also to foster the export of agricultural products and to develop tourism. All of it in an extractivist fashion. In the South African region, competitors are in a rush to develop the shortest corridor to establish a sea connection from the Zambian area of copper mines and the Katanga province in the Democratic Republic of Congo, rich with minerals.

According to the April 2018 report of the consulting firm Pricewaterhouse Coopers¹¹, Durban, Abidjan and Mombasa would be the three "hub capacity" ports on which the continent should focus.

11 Strengthening Africa's gateways to trade, April 2018, <https://www.pwc.co.za/en/assets/pdf/strengthening-africas-gateways-to-trade.pdf>



Mega corridors in Africa.

credit: Jeff Blossom - <https://www.paragkhanna.com/home/2016/4/18/these-maps-show-how-vast-new-infrastructure-is-bringing-the-world-together>

These ports could then reportedly include SEZs for the processing of raw materials inside the interport area. Out of those three, China has already started to invest in the Port of Durban in South Africa. In fact, the expansion of the port has been funded in June 2018 by a 200 million dollars loan by the new BRICS development bank and by a 5 billion dollars loan from the China Development Bank to the South African company Transnet that runs the port.

It is a controversial project, opposed by the people of Durban who are organized in the South Durban Community Environmental Alliance. The port enlargement operations also imply the expansion of logistics as an organising principle of production and the increase in oil and gas extraction from South African sea waters. Oil refineries and industrial plants have been built next to the poorest neighbourhoods, hence the poorest communities pay the highest price for the environmental pollution emitted.

How would the poorest communities in Durban and South Africa benefit from the further development of the oil industry? Hard to tell, especially given today's awkward situation of the country. We must in fact take into account the crisis of the main national power company, Eskom, and a corruption scandal which emerged at the end of 2018 regarding precisely the contracts for the expansion of the port. Even the Italian company CMC is allegedly involved.

The East-Med corridor

The Eastern corridor, also known as East-Med, is also part of Ten-T and the Connecting Europe Facility and the recipient of grants

for the development of infrastructure meant to connect different ports in Europe. From Northern German ports (e.g. Hamburg and Rostock), through Danubian ports (Vienna) to Mediterranean ports (Gioia Tauro, Naples, Taranto). Moreover, since it crosses the Danube, even Black Sea ports would be easily reachable through the East-Med corridor.

In addition, the corridor is linked to ports on the High Adriatic Sea such as Koper and Rijeka through secondary railway lines.

3. A solution to all evils vs. the evil blocking all solutions

These processes of extreme territory upturning lay on a false myth. Accordingly, if an entrepreneur intervenes in a territory, via the “trickle down” effect, the whole population will be enriched.

Through the implementation stages of political-economic systemic reforms, this mechanism - assuming it ever worked - would get continuously jammed. If SEZs are being defined as areas with lower taxation, suspended custom regimes, diminished workers' rights (amongst which the suspension of minimum wages and possibly of the right to union organization), how would the population benefit? What form should this “trickle down enrichment” exactly assume? Who is meant to grow richer?

3.1 How would the territory change?

Without a development plan taking into account the needs of the territories, these will “suffer” the effects of the policies dictated by the needs of investors and entrepreneurs. Thus, feeding the mechanism of pillaging that, in the last two centuries, has seen and sees people dragged away from their homes and packed into the suburbs of great urban centres, looking for fortune. This happens in Italy, with Rome, Milan, Naples, Bologna, attracting domestic

migrants, both Italians and foreigners, rich and poor, along flows that empty out the rest of the country. It also happens in Europe and the rest of the world, in ever growing megalopolises such as Shanghai, Mexico City, Nairobi, Istanbul, Mumbai or Karachi.

What happens in territories from where people are forced to move? How advanced is the expansion of mine exploitation, coal, oil and gas extraction, of the construction of mega-infrastructure for freight and raw materials transport on long distances, that leave these lands with a function of mere "service" to the global economy? Who wins and who loses, especially given that environmental devastation and climate change are clearly everyone's problem?

3.2 How would labour change?

Either talking about SEZs or mega-infrastructure, the development paradigm tells us that the operating conditions should be "*the best possible*". For whom? For the investors, of course. The costs will relapse on the workers, seen as dependent variables in the competition between investors, rather than as people. In fact, the right for union organization and representativeness, and minimum wages, are at risk. And so, is an idea of work integrated in a social context, in a community. Labour as a productive or service activity that matters to the community, not only because "*it creates jobs*", but also because of its social function in a culture, open and in constant transformation, but still taking root in a given territory. To the current paradigm, this all barely counts.

3.3 How is the system meant to change?

The keyword, for now, is "*efficiency*". Efficient infrastructure able to attract global logistics flows. For the system that is currently being defined, the inhabitants of the territories progressively play minor roles. They seem to be left out of the plans regarding the places they live in. They would only be major actors on the last part of the line, when it becomes their turn to buy what is sold.

What real sacrifice is asked to the planet to implement this new global development agenda? Climate safeguard, fair and healthy food production, preservation of water reserves, construction of a more just and sustainable model of society. How would all this match with the new expansive and extractive frenzy of the current economic model? What sacrifices will they ask of us all, the common people, in return for the promise of a job?

Taranto.

Back harbor of the dock ArcelorMittal (ex ILVA)

Photo Re:Common



Special Economic Zones

Opportunities or business as usual?

The institutional answer to the systemic crises which we're experiencing comes again with major promises and infrastructure.

The myth of economic growth, combined with the mantra on new jobs, is portrayed again within the frame of a multi-billion investment plan for the development of so-called "*infrastructural mega-corridors*". That is: a combination of port expansions, railway development for freight transport, the creation of Special Economic Zones, and a lot more. This plan could radically transform affected territories, as well as communities and society more broadly. Will it really be the case? And ultimately who's going to benefit?



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