Special Economic Zones in Developing Countries: Challenges and Opportunities for Zimbabwe.

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[**Cite as:** Chiukira, L. (2020). Special Economic Zones in Developing Countries: Challenges and Opportunities for Zimbabwe. *Diverse Journal of Multidisciplinary Research*, Vol. 2, Issue 7, Pages 1-13.]

Abstract *– The concept of Special Economic Zones (SEZs) being adopted by Government is a positive move towards economic development. SEZs are areas granted special privileges in a country specifically for economic development through foreign business persons to invest into that country. The privileges include special investment policies such as tax easing, financial support and issuance of work permits and special support in infrastructure. Major businesses which usually fall under SEZs are manufacturing, agriculture, commerce, tourism. If implemented accordingly, they assist in employment creation and economic development. There is need to ensure that laws and regulations which address issues of gender, working conditions, human rights and security are well expounded and put into place to avoid their failure. It should be noted that creation of SEZs should not be viewed as a substitute for the country's large trade and investments reforms as these may lead to total failure of trade policy.*

Keywords: *SEZs, ZIDA, Tax Incentives, FDIs, Trade Policies, Linkages*

1. INTRODUCTION

This study critically analyses the opportunities and challenges with the implementation of Special Economic Zones in Zimbabwe. The concept of Special economic Zones (SEZs), being adopted by the government of Zimbabwe is a positive move towards economic development. Having been affected by the economic meltdown between 2000 and 2009, which saw a decline in foreign direct investments and collapse of the domestic manufacturing capacity, the country needs to attract investments. This was coupled with the imposition of economic sanctions and restrictive measures by the US and EU respectively after Zimbabwe embarked on the land reform program. There has been various polices which have been adopted in the past in a way to address the social and economic injustices inherited from colonial era and the post-independence period through the implementation of Structural Adjustments Programme (SAPs). This further strained the capacity of the country to retain and attract Foreign Direct Investments (FDI). The most common is the land redistributive and indigenization policies aimed at taking corrective measures on existing inequalities. The SEZs Act was promulgated into law in 2016 aiming to attract foreign direct investments inflows, generate employment and promote growth. The SEZ Act together with the Zimbabwe Investment Authority (ZIA) Act were both abolished as the government in 2020 introduced the Zimbabwe Investment Development Agency (ZIDA). The new authority shall be responsible for the licensing of investors and licensing and management of the SEZs through the Zimbabwe Special Economic Zones Authority (ZIMSEZA). This is not the first time the government of Zimbabwe have used economic zones as a means to attract investments and accelerate the economy out of its lethargy.

1.1 Background

In 1995 the government of Zimbabwe promulgated the Export Processing Zones Act which was later repealed in 2007. The EPZs were established for the promotion of exports and aimed to increase foreign currency during the time the country was in recession. According to Jauch (1997), a common characteristic of EPZs is the provision of special incentives to attract (mostly foreign) investment for export production. Zimbabwe implemented the EPZs program to derive benefits from specialization in agriculture which it possessed comparative advantage over other countries. The challenge experienced during the implementation period of EPZ was of being done in a hastily manner was without proper consultations of all stakeholders. During the tenure of EPZs policy execution a lot of challenges surfaced which were nor anticipated by the authorities which included technical hitches in the incorporation of various stakeholders such as immigration, customs administration and other regulatory bodies. This resulted in the abandonment of the program without any notice given by the government.

Most customers were caught off-guard by the abandonment of the program and some of the equipment and consumables which were on transit to Zimbabwe or in the country of export faced challenges on their importation clearances and they were forced to pay duties and taxes on their importation. With EPZ abandoned the country went back to square one and there was need for another policy to replace this one. The EPZs policy was a total disaster and any future prospects in line with its objectives needed thorough consultation to avoid the ills of the past. Major challenge noted was the failure by the government of Zimbabwe to contextualize it and have a multisector approach to socioeconomic development. Issues raised during the tenure of EPZs were related to gender inequalities, social and environmental challenges which the policy had failed to address. In particular was the failure by companies in the EPZs to deliver quality employment and a living wage to the workers. The government having noted the failure and comparing to opportunity costs which were involved in the policy which range from tax holidays, waiver of customs duties and value added taxes there was need to call off the policy. The government was not motivated to see the policy continuing and rescinded their support for the EPZs policy.

With changes in the global world moving to the new concept of SEZs, Zimbabwe also decided to adopt its policy on promoting exports but now with expanded responsibilities including encouraging of domestic linkages and promotion of technological advancement through innovative hubs. The embracing of the new world order in SEZs did not mean total abandonment of the traditional approaches to these zones but promotes the alignment of the objectives to be in line with the new demands with globalization taking the center stage in influencing both domestic and foreign policies. With the pressure to attract new investors there was need to adopt a new radical approach which would address the challenges experienced during the epoch of EPZs. There has been a low uptake of the SEZs by foreign investors who are still assessing the economic and political climate although most existing corporations has shown interest in being declared to be under SEZs.

The same era saw revived discourses on regional integration with establishment of Free Trade Areas (FTAs) and Customs Unions (CU) in Sub Saharan Africa. It will important to examine the impact of these FTAs on the establishment of the SEZs in particular, Zimbabwe who is a member of the Southern Africa Development Committee SADCFTA and Common Market for Southern and East Africa (COMESA) CU. Researchers, practitioners and non-state actors around the globe have shown interests in the establishment and spread of Special Economic Zones being motivated by the expected benefits of these zones especially for developing countries like Zimbabwe, which are facing a complex of economic problems ranging from poverty, high unemployment rates, and continuous deficits in the state budget. The question that comes is, will SEZs survive in when the local economy is not functional and competitive? Zimbabwe is currently ranked 155 out of 190 in 2019 on Ease of Doing Business Index faces a hurdle in persuasion of foreign investors who views the destination as still restricted and unfriendly. The study seeks to highlight how the government can using lessons from past experience eradicate legal and institutional impediments which have been problematic with both domestic and foreign investors.

Literature has shown that in as much as there are enticements to operate under SEZs the success of SEZs depends on the external factors which comprise of general infrastructure that is road and telecommunications, power and other support services which facilitates easy movement of goods and services in and out the zones. Studies have shown that investors interested in SEZs are not keen to invest in these infrastructures and it becomes the responsibility of the host country. The question which needs an answer will be on how the government will recoup its money on infrastructure investments related to SEZs when it offers these investors incentives not to pay taxes for a period of more than ten years in most instances. The paper will contribute to the knowledge on approaches which can be adopted by Zimbabwe to come up with a win-win situation and avoid the collapse of the policy again. With the failure of Export Processing Zones in the previous, what are the mechanism put in place now by the government to ensure that Special Economic Zones are a success story? The renewed interest in Special Economic Zones by the government of Zimbabwe is a good move, which requires extensive research and consultations to avoid a pressurized decision. The government of Zimbabwe has already identified and designated a number of sites as SEZs in Harare, Bulawayo and Victoria Falls.

The paper offers policy makers and other researchers a chance to take stock of the past and current role of SEZs and their potential future in enhancing socioeconomic development in Zimbabwe. The country needs to take serious stock of the causes of the demised of the EPZs to assist in avoiding repeated failure with the new SEZs concept. By 2007 within a year of enactment of the policy regulating establishment and management of these SEZs Zimbabwe had already designated a number of cites as SEZs. It should be highlighted that the SEZs policies are not linear and easy as alluded to by some literature. There are varied complex issues which comes with their establishment and implementations. The major challenge coming on the demarcation between the influence of government between the local economy and SEZs as this has been regarded key in the continued existence or collapse of the policies in Africa and the rest of the world.

With the history of the country`s inconsistence on policy making and implementation, the paper seeks to comprehend if there are any changes in the policy framework of Zimbabwe in relation to the establishment and management of these Free Zones. With the SEZs concept being a borrowed phenomenon with strong links with China, it is the gist of this paper to analyses its contextualization in the developing country`s policy frameworks given the economic differences with China. The SEZs have also been adopted in other East Asian countries such as Malaysia and Latin America in Dominican Republic and Costa Rica. In Africa there has been establishment of SEZs in Egypt, Mauritius, Ethiopia, Zambia and recently South Africa. Developing countries are facing many economic problems and are expected to worsen over time if no real efforts are exerted toward solving them. With China having transformed its economy to be amongst largest economies in the world and having implemented the SEZs policy, developing countries like Zimbabwe can derive some lessons without neglecting their context and benefit also. World Bank Report (2008) cited in Wang (2010) states that by 2008 approximately there were 3000 SEZs in 135 countries accounting for over 68 million direct jobs and over USD500 billion of direct trade related value added within these zones. By 2008 SEZs were estimated to be contributing more than USD 20 billion in global exports (FIAS 2008). This proves that if well implemented and with other externalities take care of any country which adopts the SEZs policy will benefit. Zimbabwe with its export-oriented growth stand to benefit from the SEZs policy.

2. LITERATURE REVIEW

Free zones as a concept are at least as old as western civilizations having existed in the Phoenician of Tyre Roman Empire and at 300Bc in the Greek Island of Delos, which as a result became one of the wealthiest Islands in the world (Haywood, 2000). SEZs have spawned large works, much of which is inconclusive as there are many diversities of economic zones that have been called "special." There is little literature written on SEZs in the African context with existing literature mainly concentration on their establishment in China and the adopted foreign policy of exporting them to developing countries. Studies done on SEZs has referred to the mid-1950s as time when many developing countries tried to stimulate exports on non-traditional manufacturers and this was necessitated through the establishment of economic zones.

The researcher acknowledges studies done on the SEZs in the past and seeks to add to the existing body of literature constructed within the past two decades as the concept gained momentum and taking note of all the success and failure narrations for future references. The gap assumed by the study is mainly on the need for contextualization of the policy for easy implementation for the benefit of the continent`s citizens more as compared to everyone else. The potential investors analyses the nature of the dominant culture, legislations, laws and tax reliefs in a country before considering to invest. The assumption is that the more incentives offered the higher the potential to attract FDIs. Special economic zones (SEZs) are specific designated geographical places in a country that operates with operate with more open-minded and flexible laws as compared to mainstream economy (Farole, 2011; Abdusharipovich, 2018; Zeng, 2015; Wang, 2010).

Thomas (1956) defines SEZs as secluded surrounded and controlled zones in or close to an anchorage equipped with essential amenities for packing and unpacking for availing of petroleum products and factories for storage of merchandises. This is a county where goods may be packed, put up for storage, processed, and for further manufacturing and exported out of the country without being made to pay any customs and taxes due and with no interference from the customs authorities. The term special economic zones encompass a wide variety of conceptions including free trade zones, free ports, foreign trade zones, export processing zones, free export zones, trade and economic cooperation and free zones (Chiao, Fang, & Chow, 2010; Farole, 2011; Zeng, 2015; Chitambara, 2017; Sosnovskikh, 2016; Dorożyński, Swierkocki & Urbaniak, 2018). All these are established for a single purpose that is economic prosperity but through different ways.

A significant amount of literature highlights the following as the most common objectives underlying the establishment of special economic zones: to generate foreign exchange earnings, create employment, attracting foreign capital and advanced technology, acquiring labor management skills and creating linkages between industries in economic zones and domestic economy (UN, 1985; Farole and Akinci, 2011; Sosnovskikh, 2016; Zeng, 2015). These common objectives shape this study. The study is a critique of SEZs as a trade policy with reference to the already implemented case in South East Asia and Latin America with little mention of a few in Africa.

According to Farole (2011) any policy makers interested in designing SEZs should focus on the following elements: zone type, incentive framework, policy, regulatory and institutional frameworks and physical and developmental management. These assists in the designing and formulation of a SEZ policy which will be able to address challenges related to a specific economy. There is no one size fits all SEZ policy and the responsibility lies with the host country to invest in research and development before embarking on the SEZ route as an economic policy. This involves intensive cost and benefit analysis (CBA) which should take into consideration not only the monetary losses but impact on the socioeconomic, political, environmental and cultural factors. Any attempt to neglect these factors will result in resistance and collapse of the policy at the cost of both the government and the investors. Special attention should be given the laws regulating land ownership and any sociocultural connotations attached to the land in question.

The study scrutinizes the role played by SEZs in the implementation of a trade policy which seeks to attract foreign and domestic investments with the intended results of job creation and economic development. The evaluation through this paper will also encompass how SEZs can be used to overcome impediments that have restricted the multi-dimensional and sectoral investments in the economies and how it can contribute to eradication of poor governance models, restrictive policies and improving the challenges of accessing land for economic development. The study gives a guide on how Zimbabwe can overcome barriers that hinders successful implementation of SEZs with lessons from countries that have successfully implemented the SEZs and those that have failed. It is the interest of the researcher to advice the government of Zimbabwe on SEZs as trade policy. The main thrust is on whether to use the differentiated method of demarcating zones or implementing more liberal policies within the whole country for economic development.

The role of the state in the establishment, implementation and evaluation of SEZs will be expounded and that noted if it can be delegated or not. The paper also seeks to highlight the challenges which will be encountered by both developers and investors in SEZs. It will also evaluate the role of fiscal incentives tax relief, exemption of duties, relaxed import and export controls and infrastructure in attracting the potential investors. In this regard its critical to consider the forgone revenues which are critical to the developing world`s budgets which are already operating in budget deficits vis a vis the potential gains from SEZs.

There is also need to emphasize the need of having integrated government structures and ways in which bureaucracy, duplication and overlapping functions can be avoided that is departmental and all parastatals to ensure efficiency and effectiveness implementation of SEZs. These include Office of the President and Cabinet, ZIMRA, Immigration, RBZ, Ministry of Industry and Commerce, Agriculture and Ministry of Health among others. The privileges include special investment policy or regulation for instance tax easing, financial support and issuance of work permits and special support in infrastructure. Major business which usually falls under the special economic zones are manufacturing, agriculture, commerce, tourism or any other operation which support trade. If they are implemented, accordingly they assist in employment creation.

3. RESEARCH OBJECTIVES

i. To understand the role of Special Economic Zones in economic development.
ii. To identify the challenges encountered with the establishment and implementation of SEZs in Zimbabwe.
iii. To understand the shortcomings of SEZs as a trade policy and identify any recommendations to assist in the development of these SEZs in Zimbabwe.
iv. To highlight the importance of supportive legal framework and policies for the successful implementation of SEZs in Zimbabwe.

4. METHODOLOGY

The researcher carried out his research using qualitative methods with more emphasis on documentary analysis and interviews. As Special Economic Zones is still a developing a developing concept in Zimbabwe the investigator interviewed officials from ZIMSEZA and other stakeholders including the customs officials and SEZs operators. The data was analyzed using the thematic analysis approach.

5. FINDINGS

It has been noted that SEZs ‘have been an important policy instrument for many governments in Asia, Latin America and few African countries seeking to attract foreign investments, promote export-oriented growth and generate employment (Farole, 2011). There is also a number of SEZs contributing significantly to growth in FDIs exports and employment creation and playing a catalyst role in integration with global trade and structural transformation including industrialization and upgrading (Farole, 2011)

SEZs assist in the initiation of export diversification, industrial and economic growth attract local and foreign investments, increase in employment, and stimulate technology exchange and knowledge sharing (Sosnovskikh 2016; Aggarwal 2007; Farole 2011; Kirk 2014). They have also been predominantly established in areas with declining economic trend and fiscal incentives play an essential role in attracting FDIs in the short term particularly in their early development (Sosnovskikh, 2016). This entails that SEZs should be built on basis of competitive advantage of the host country and consequently escape from incentive dependence (Balasubramanyam 1988; Schrank 2001; Tyler and Negrete 2009)

Many African zones have generally underperformed due to lack of attention to labor, displacement issues and weak economic management skills, which have made it impossible for government to address the multiple challenges of providing high quality infrastructure, government services and human capital (Farole 2011). Zeng (2012) attributed failure of SEZs in Africa to poor governance, lack of institutional framework and political commitment, weak implementation policy and lack of popper monitoring and evaluation mechanism among others.

With the burden upon national governments, there has been growth in private owned SEZs in the past 15 years and SEZs have shifted basis of competitiveness focusing on quality services they offer rather than rely on the generous fiscal packages. This has allowed governments to concentrate on core issues such as provision of health and educational policies. They operate under laws that are more liberal and result in direct and indirect economic benefits (Abdusharipovich, 2018). Mixed record of success and failure have been witnessed in the operation of SEZs with some resulting in white elephants or that largely have company taking advantage of tax breaks without doing much in terms of development (Farole and Akinci, 2011).Zones are not a panacea to be used to solve all economic challenges as many have failed to live up to their objectives.

There is lack of systematic data driven analysis of the performance of SEZs around the world and limited up-to-date analysis of policies and practices that determines performances and this has led to policy makers resorting to same small handful cases covering a limited range of countries with some being outdated (Farole 2011). Despite states heavy investments on the SEZs perusal of documents on SEZs invariably reveals confusion about the economic and welfare effects of the zones. It has been noted that companies interested in SEZs are ‘the same which moves around the moment they no longer benefit fiscal incentives in the host country and move to an SEZ in another country with favorable conditions (Warr, 1989). Spinanger (1984) claims SEZs tend to produce welfare benefits analogous to those resulting from a movement toward free trade, because the elimination of tariffs and other distortions causes factor intensities of production "to correspond more closely with the factor endowment of the host country" It was noted also that SEZs are instruments that alter trade led to unfair competition between inside and the outside companies, reduces government revenues (Sosnovskikh, 2016).

The comprehensive industrial areas provide preferential incentives to investors and offer government export administrative support to facilitate trade. General investment climate in the country plays a significant role in attracting FDIs as positive investment climate results in high levels of production (Benassy-Quere, Coupet & Mayer, 2007). The role of SEZs is temporary assisting the transition period of the economy from import substitution to free trade concept with little state participation and they should be viewed as a method to liberalize an economy but a consequence of a liberalized economy (Madani, 1999; Crowley and Hodson, 2014).

Success of SEZs policies have been hampered by their failure to adequately address issues of environment, labor and social issues which include gender specific issues (Chitambara, 2017). In Africa SEZs have resulted in creation of enclaves with weak linkages with the rest of national, regional and global economies thereby limiting their macro-economic and development impact and has been observed that they thrive in a strong and competitive local economy (Chatambara, 2017; Kaplinsky, 1993; Farole and Akinci, 2011 (8)). So SEZs end up generating rent to a few investors by easing land procurement and providing fiscal incentives at the cost of the rest of the population which result in reduction of prosperity (Buchanan and Tullock, 1962; Khan 2004)

5.1 Key challenges.

i. Legal and institutional framework

The respondents highlighted the challenges being experienced with the execution of the policy. There were many gray areas even after the pronouncement of the policy as to who was responsible for what an this led to time being wasted in moving between the regulatory authorities especially ZIMSEZA and ZIA. There were some unclear procedures and processes ion the importation of goods as to whether the customs officials supposed to come to the zones or the customers apply to the customs for granting of exemptions. This resulted in delays of importing of machinery and goods into the already licensed SEZs. Greatest letdown in Africa has been on the legal and institutional framework. The policies are good on proposal without actual support legal instruments being put forward. Duplication was also highlighted as the investors are required to make different applications to every department and government agency involved thereby taking away the benefits of being in SEZs as the regulations remain the same as those outside SEZs.

Policy inconsistence was also put forward as a setback on development and operationalization of SEZs in Zimbabwe. It was accentuated that businesses were facing challenges associated with costs because of changing policies which have a direct impact on the activities of the SEZs. The respondents put forward that policymaking in Zimbabwe has been influenced by political reasons due to both external and internal pressures in the last two decades underplaying the significant role of the socio-economic impacts especially in the post 2000 era (Zhou and Zvoushe, 2012). This inconsistence in policies has been attributed to the failure of the Export processing Zones (EPZs) in Zimbabwe which were implemented prior to SEZs. The government is blamed for abandoning the policies without prior notification resulting in businesses incurring losses on both existing stocks and some in transit to the country. The challenge highlighted is how those affected and new ones will be sure that history will not repeat itself. If the issue is not address addressed holistically there is no guarantee that the SEZs will survive in the current institutional and policy framework.

The ZIMSEZA had its own challenges as the institution responsible for management and operationalization of the SEZs in Zimbabwe. This saw the establishment of the ZIDA as the new institution responsible for both the licensing of investments and management of SEZs under one roof. There has been challenges relating to its human and other resources which have incapacitated the institution to deliver its mandate on SEZs and this has impacted negatively on the capacity for SEZs to contribute to the turnaround of the economy. There are no supportive policies being implemented to ensure that the SEZs trade policy is a success. The current policy framework in Zimbabwe is operated under the 'silo mentality'. There is no coordination between the various stakeholders on how to implement fully the SEZs policy. This has resulted in the delays in processing of projects earmarked for SEZs and duplication of functions by departments and line ministries with interrelated functions, posing a bureaucratic threat to the policy.

ii. Resettlement issues

There is no clear policy on the compensation for those who are affected by the demarcation of a specific area to be a SEZ. This will result in the resistance by those currently occupying the land. The study revealed that the identification and designating of the zones have been done without extensive consultation with the local people in areas other than towns and cities. In several SEZs, the government promises to provide compensation in the loose of land to pave for the SEZs however, these promises were not or partially fulfilled which hinders the further development of SEZs. Budget constraints have been highlighted on the part of the government and the ZIMSEZA on compensating the affected people and businesses. There is no clarity as to the current ownership of land which has earmarked for the zones and if privately owned how these owners would be compensated. The success of SEZs depends on the successful relationship between them and local community.

iii. Infrastructure

Overall, in all zones in Africa infrastructure is the greatest challenge in establishment and operation of SEZs although they differ in degrees and level in countries. In general gas, power, roads, ports of entry and exit are major constraints given the large investments required for the 'zones. There is no sound infrastructure in Zimbabwe. Our railway line has failed to operate fully and road network is dilapidated with only resurfacing taking place along Mutare-Plumtree highway but the busiest Beit Bridge –Chirundu highway in Zimbabwe has been neglected. The absence of a properly functioning railway system is a major obstacle to the successful implementation of SEZs in Zimbabwe.

The study also revealed that the disruption in the provision of essential services such as water and electricity was hampering development of SEZs. This has resulted in businesses resorting high voltage standby generators, which are not cost effective. The identification and demarcation of the areas is being done without corresponding establishment of required infrastructure in place, the case of Sunway city and Mazowe SEZs in Harare. If these issues pertaining to supportive infrastructure are not addressed, they will have a negative impact on the success of the SEZs. The other challenge noted was that there are poor locations of the SEZS resulting them being in ustrategic positions. It was highlighted that most these SEZs has been located in places away from business and already existing infrastructure e.g., proposed Mazowe SEZ will require huge investment in infrastructure as compared to establishing around for instance the Robert Mugabe international Airport in Harare.

iv. Environmental Impact

When zones begin to operate the issues of managing waste and pollution will continue to be a challenge. The study revealed that governments in an attempt to attract FDIs they tend to flexi and compromise on the environmental issues. They are relegated to the periphery of negotiation as creation of jobs and potential revenue and foreign currency. There is always paper commitment from the potential investors at authorization and licensing to comply with environmental standards and minimize environmental negative impact. The environmental issues have remained unresolved challenge in SEZs across Africa.

v. Zone management and operational know how

SEZs are constructed by developers who then seek investors to lease in the area most of these zones developers including government agencies do not have zone management and operational experience. e.g. In Zimbabwe, the Authority was created on paper and no significant work has been noted. Since the law came into effect in 2016 the industry is not sure of the exact position of the SEZs and all supporting stakeholders such as banks, ZIMTRADE, other local industrial stakeholders such as ZNCC, CZI among others are not clear as to their roles in the establishment and operation of these SEZs. Currently the zone which is mostly talked about is the Sunway City industrial park and they have failed to attract meaningful investors and it remains an idea. The Zimbabwe SEZ Act bestows too much responsibility to ZIMSEZA which does not have the capacity to carry out all of them as per Section 18 of the Act.

vi. Host government and continuity

One of the major challenges in Zimbabwe is the political capture of sound social and economic policies. When policies are being implemented, they are politicized to the extent that they lose their importance and sustainability in achieving intended goals. There is need for implicit separation of government policies and party politics to ensure transparency and accountability to the citizens and this ensure trust from investors as they will not be afraid of government change. A challenge for those local zones that face a new state government that does not fully recognize the potentials of economic zones or fully acknowledges the commitments made by previous governments. The change of government in November 2017 saw a shift and denouncement of certain programs aligned to the previous governments for instance the cancellation of the Chirundu-Beit bridge dualization contract. There is inconsistence in the policy framework of Zimbabwe which has scared away investors as policies are changed unannounced. These include fiscal and monetary policies, indigenous policy, Export processing zones among others which are changed without any notice and have implications which are mostly negative.

6. CONCLUSIONS

The establishment of the SEZs has undoubtedly helped to increase the volume of international trade. In some parts of the world especially Asia, they have influenced the economy in terms of rapid employment generation with more women benefiting and skills and technology transfer. It is imperative for developing nations to make use of SEZs to ensure that they contribute to economic development. There is need to ensure that the implementation of this policy benefit both the people and the companies involved. The issue is to ensure that the SEZs are linked to the local economy and this will improve on the benefits to the host country. Capacity building is key if SEZs are to be a success and all bottlenecks and duplication in parastatals and departments are removed before kick starting. From the initial stages of establishment, there is need to ensure that laws and regulations which address issues of gender, working conditions, human rights and security are well expounded and put into place to avoid failure.

It should be noted that creation of SEZs should not be viewed as a substitute for the country's large trade and investments reforms as these may lead to total failure of trade policy. There is also need for comparison of benefits and costs to the country and only be established if, in the long run, the benefits outweigh gains forgone. There is need to have policies at regional and national level, which support the operations of these SEZs to ensure that their policies are not in isolation and detached from the rest. Zimbabwe needs to ensure that it realigns its trade policies and labor laws to ensure that these SEZs will also be guided by laws of the country although at liberal level. This entails having serious political commitment and remaining resolute on this policy. The government need to encourage the PPPs to ensure that it is abetted on its incapacity to establish and construct these SEZs.

7. RECOMMENDATIONS

In order to avoid the same pitfalls in the past, Zimbabwe needs a new SEZs strategy, which takes into account the following recommendations. The coming in of ZIDA is an important step in the right direction and what is required now is implementation. There is need for authorities to move away from paper commitment and put policies into action. The SEZs are key to the growth of the export-oriented strategy. There is need to consider regional integration impact on SEZs through signing of bilateral and multilateral trading agreements as they will face stiff competition from products from these Free Trade Areas. To harness the benefits of regional integration there is need to identify and concentrate in areas where the country has comparative advantage. These include SADC – EU, AcFTA, and COMESA Customs Union where Zimbabwe is a signatory. This calls for consideration on any regional linkages which can be taken advantage to promote the trade regionally.

Both the foreign and domestic investors should see their potential as platforms for selling goods and services into regional markets and tape into the unutilized regional intra-trade which is still low in Africa as a whole. These include investments into logistics and transportation in the SADC and COMESA regions. Literature shows that the costs of transports within the regions is still high as compared to other regions in the world. The high costs of transportation have remained a non-tariff barrier to trade. With its geographical location in the region for both north south and south north bound corridors Zimbabwe needs to be land linked other than land locked. There is need to invest I n infrastructure with the regional trade in mind. This can attract regional investors and inspire regional cooperation. The SEZs have to be used for furthering and promotion of intraregional trade with interlinkages of SEZs indifferent member states being exhilarated.

The new ZIDA should promote strong interdepartmental link and strategic public private partnership. This should be through establishment and effective running of the one stop shop for the various government and other related agencies such as ZIMRA, Immigration, Departmental authorities from mainline ministries among others. The one stop shop should minimize and wherever possible eliminate red tape and bureaucratic tendencies to be entwined to cut on red tape. This calls for strong government support, political commitment and having SEZs policy as a long-term strategy. ZIMSEZA should restrict its operations to regulatory only and leave development and management of SEZs to private investors to ensure there is no conflict of interest. Zimbabwe SEZ Act section 18 should be amended to ensure that private players are responsible for functions such as maintenance and provision of services in the SEZs. This will ensure efficiency and effectiveness as private investors have financial capacity to establish these zones in the minimum period of time as compared to government parastatals which rely on government funding. The government should avoid instances where there are both government and private owned SEZs as this will result in lack of fairness and transparency on treatment of investors in the zones with those in government owned end up more.

There is need for more active, high-level political commitment from the government for SEZs to be successful. It not a fly by night investments as it can up to 15 years to start reap benefits. SEZs programs should be integral part of Zimbabwe's national and regional development policies such as the Agenda 2030 in Zimbabwe, which seeks to develop Zimbabwe into a middle-class society, as also seen in China, Korea, UAE and Singapore. The country needs to desist from abandoning policies before they are fully operational e.g., with the ZIMPREST, EPZs which were abandoned and had serious costs on the private sector.

There is need for enforcement of environmental (EMA) and labor regulations (Ministry of Labor with labor unions) for success and sustainability of SEZs. It is important to recognize the impact of SEZ on social, environment and these issues should be viewed as intertwined with economic issues, and there is need to harmonize labor laws within and outside SEZs .here is need to move from the traditional mode of SEZs of fiscal incentives to value added services, greater focus on differentiation through investment climate zone with emphasis on physical, strategic and financial links between the SEZs and the local economy as investment climate in a country plays a significant role in attracting FDIs. The failure of the EPZs should be assessed to ensure we do not fall into the same trap again. Firms operating in SEZs have to pursue the following factors to achieve growth: competition, collaboration, firm structure and strategy demand conditions (Delgado et al 2015; Feldman, Francis & Bercovitz, 2005; Bräutigam and Tang 2014). This will enhance benefits to the local economy as investors will not only be interested in fiscal incentives and collaboration will assist also local investors as they compete for both local and export market.

SEZ should be built in line with the comparative advantage of the host country and should use local companied as part of their value chain activities for instance in China most SEZs were linked with local economy. Zimbabwe needs to establish the conditions for ongoing exchange between the domestic economy and firms (mainly FDI) based in the SEZs. Any policy which hinders domestic investors from investing needs to be abolished and advocate for policies which equate the domestic investors in SEZs to international ones. It is the responsibility of the government to ensure that these domestic investors are capacitated in terms of skills, finance and information related to SEZs and by now there is need for road shows and dissemination of information to all citizens. Without domestic investors the government will be left at the mercy of foreign investors which is politically suicidal. This has been successful in China and South Korea (Ganne & Lecler 2009; Abdusharipovisch 2018; Farole 2011)

There is need for liberalization of the rest of the economy to encourage linkages and technology transfer between the Zones and local economy. This built relationship and this discourages outsourcing outside the country for goods readily available. This is a tendency for some Chinese Companies operating in SEZs in Africa.

Geographical location of the zones should be done in areas which are close to both inlands and border ports. The main objective of SEZs is to grow the exports and this should be done at the minimum cost to the investors This is done to ensure effective control of both imports and exports into and out of the zones and will minimize costs especially for the other stakeholders such as ZIMRA, Immigration as they will already have offices around these areas. In Zimbabwe the best locations are areas around Mutare to take advantage of the Beira corridor, Robert Mugabe International Airport Harare for those goods which require Airfreight and also Beit Bridge border post for the Durban corridor. The access to international markets should be availed to ensure SEZs are a success.

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