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Special Economic Zones in Pakistan: Analysis of Trends from Global Perspective

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Abstract

Special economic zones (SEZs) are being used by countries all over the world as an effective economic strategy to promote economic development and industrialization with proper planning by attracting foreign investment with tax rebate and business incentives for investors. There are umpteen successful models of zones being practiced by states across Asia like Taiwan, Singapore, Korea, Indonesia, and China and how these states struggled to achieve envisioned goals needs a thorough study. This paper attempts to examine the phenomenon of SEZ by observing the conditions that tend to contribute to success. The paper also ascertains the importance of SEZ for Pakistan's industrial development and provides policy recommendations for the government of Pakistan in the light of lessons learnt from the global context.

Keywords: SEZ, industrialization, economic development, China, Pakistan, foreign investment

Introduction

The term 'special economic zone' is a geographically demarcated area within a state which has a separate administrative and fiscal regulatory system from the rest of the country(UNDP, 2015).Basically, SEZs can broadly be classified into four characteristics: firstly, it is a geographically secured delimited region; secondly, it is administered by a single management authority; thirdly, it offers immense economic and investment opportunities within the zone only and lastly, it offers duty-free benefits with streamlined procedures to attract investment(Gokhan & Crittle, 2008). Moreover, special economic zones have distinct features to attract investment. These include: special regulatory regime under which SEZs enjoy slightly liberal economic laws in comparison of prevailing laws in the country; public service is another key element of zones to operate with efficient processing system like one-stop-shop, fast-track registration and licensing services; Infrastructure is another important component of zones which include roads, clean drinking water, security and even uninterrupted power supply; and last vital feature is fiscal incentives as zones enjoy certain level of capital freedom with tax rebate and subsidies to attract investment(UNDP, 2015).

The types of SEZs vary from state to state depending on its objectives, geographical location and country's infrastructure(Pakdeenurit, Suthikarnnarunai, & Rattanawong, 2014).Therefore, SEZ encompasses an extensive range of zones, such as free-trade zones, comprehensive special economic zones, export processing zones, industrial

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parks, specialized zones and bonded area and eco-industrial zones. These zones have certain level of transformations to cater following respective strategic objectives:

Type of Zones	Conceptual Explanation
Free Trade Zones	FTZs or also commonly known as commercial-free zones, are duty-free regions which offer distribution facilities for trade, transshipment, and re-export operations along with warehousing and storage services.
Comprehensive Special Economic Zones	Comprehensive SEZs are also known as Multi-functional Economic Zones. These zones are large insize and in some countries comprehensive SEZs encompass an entire town or city such as Shenzhen and Hainan in China. These zones perform both industrial and urban-amenity operations.
Export Processing Zones	EPZs are industrial estates to target primarily foreign markets. These zones offer firms free-trade services with amore liberal regulatory environment than prevailing in the country. These zones can mainly be categorized into two EPZs. First is comprehensive in kind to open to all industries while other kind is a specialized zone to cater only specialized products.
Industrial Parks	Industrial Parks are also known as Industrial Zones. These are mostly manufacturing-based sites. These parts are almost same in function to export processing zones with a slight difference to operate in a comparatively smaller scale than EPZs.
Specialized Zones	Specialized Zones compriseof petrochemical zones, airport-based zones, logistics parks, and science and technology parks.
Bonded Area	Bonded Areas are also calledBonded Warehouses. These areas are secured regions in which goods and products may be warehoused or may undertake manufacturing operations without payment of duties that would ordinarily be imposed. There is a slight similarity of a Bonded area toa free trade zone as the former is subject to customs laws whereas the latter is exempted from these rules and regulations.
Eco-Industrial Parks	Eco-industrial parks focus on ecological enhancementswith reduction in waste and improvement in environmental performance. They usually prefer green technologies in order to advance resource efficiency and counter environmental degradation.

Source: (Gokhan&Crittle, 2008; Zeng, 2010)

Theoretical Benefits

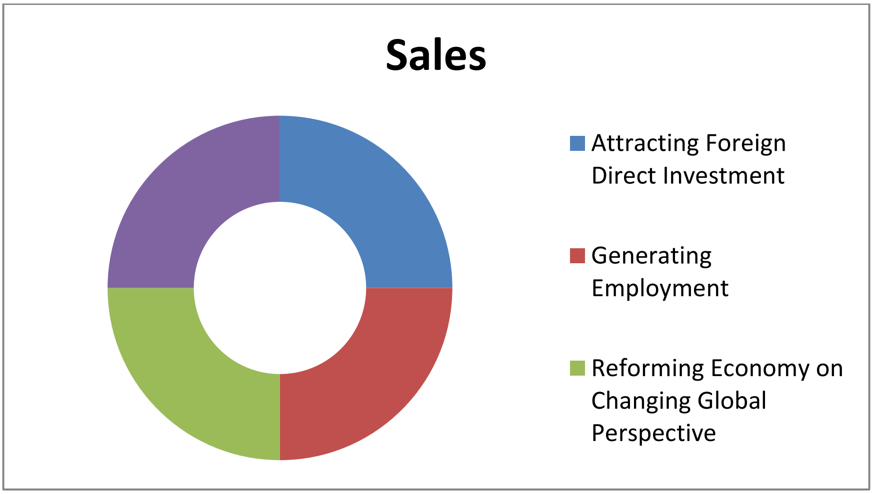
Theoretically speaking, benefits of SEZs can be divided into two kinds: 'static economic benefits' and 'dynamic economic benefits'. Static economic benefits help generate employment, export growth, government revenues, and foreign exchange earnings whereas dynamic economic benefits bring technology transfer, skills upgrading, economic diversification and productivity of enhancement of local firms (Zeng, 2010).

Benefits of SEZs	Static or Direct Benefits	Dynamic or Indirect Benefits
Employment Generation		
Foreign Exchange Earnings		
Foreign Direct Investment		
Government Revenue		
Export Growth		
Skills Upgrading		
Technology Transfer		
Economic Diversification		
Skills Upgrading		
Productivity of Enhancement of Local Firms		

Source: (Thomas & Akinci, 2011).

Global Perspective

Until now, more than 135 countries across the globe have established SEZs of various kinds(Pakdeenurit, Suthikarnnarunai, & Rattanawong, 2014).The United States of America (USA) is considered the pioneer of SEZ as it established first ever SEZ in 1937 in New York(Pakdeenurit, Suthikarmnarunai, & Rattanawong, 2017). Iceland and Taiwan also followed the establishment of SEZs in 1950s where as India established its first SEZ in 1980(Pakdeenurit, Suthikarmnarunai, & Rattanawong, 2017). Shenzhen special economic zone is one of the most successful zones in the world. The idea of establishing SEZ got momentum in 1970s when East Asian and Latin American countries start establishing SEZs to uplift their socio-economic conditions by attracting foreign direct investments (FDIs)in different sectors of economy(Thomas & Akinci, 2011).There are many countries where SEZ has been successful in attracting FDIs and improving their economies which include U.S.A., Ireland, Taiwan, China, Republic of Korea, Vietnam, Bangladesh, Malaysia, Singapore, Hong Kong, Indonesia, India, Jordan, Mauritius, the Dominican Republic, Iceland and El Salvador(Thomas & Akinci, 2011).As per the recent data revealed by the Daily Economist, by 1986, only 47 countries were operating about 176 SEZs and by 2015, 130 states have been operating around 4300 SEZs in the world(Special economic zones, 2015). As shown in the below figure,all states have four basic driven objectives from the establishment of SEZ to accelerate their economies (Madani, 2010; Cling &Letilly, 2001; Crittle&Akinci, 2008; Zeng, 2010)

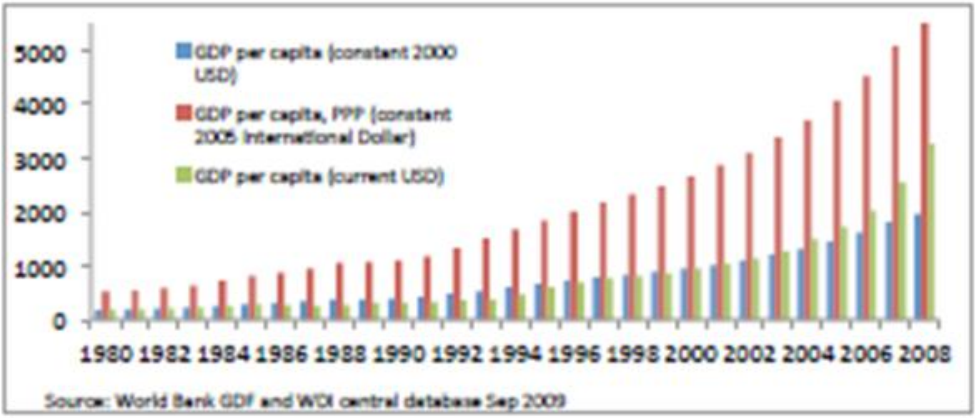


China's SEZ: A Successful Model

China's experience with SEZs began in the early 1980s when China introduced market-oriented reforms with the establishment of open coastal cities including Shenzhen andZhengzhou, to stimulate economic growth(The World Bank, 2014).Over the past three decades, China's economic uplift is considered unprecedented and miracle in the history of mankind. In the wake of the decade-long failure of the Cultural Revolution, Chinese leaders were determined to experiment something new which could bring socio-economic development in the country (Zeng, 2012).As a consequent, Deng Xiaoping introduced economic reforms under Open Door Policy in 1978. In 1979, the central government decided to choose Guangdong and Fujian provinces as ideal locations for the establishment of SEZs in China(Yeung, Lee, & Kee, 2009). By 1980, Shenzhen, Shantou and Zhuhai in the province of Guangdong and Xiamen in the province of Fujian were allocated for SEZs in China. All these four SEZs were given large geographic areas, latest technologies and state of the art infrastructure with a single aim to attract foreign direct investment. The selection of Guangdong and Fujian were based their strategic locations as these two coastal regions were easily accessible to the entire world and were also very close to the developed regions of Hong Kong, Taiwan and Macao(Yeung, Lee, & Kee, 2009).

Since then China has witnessed considerable gross domestic product (GDP) growth from 1 percent to more than 9 percent in 2008. Almost over a period of two decades, Chinese per capita GDP increased from US $ 193 to US$ 3,263 (As shown in figure 2 below) (Zeng, 2012). By 1981, these four SEZs accumulated 59.8 percent of total FDI in China in which Shenzhen alone accounted for 50.6 percent share of FDI. By 1985, these four zonesalone accumulated26 percent of total FDI of China (Zeng, 2010). From 1980 to 1984, all these four zones grew at a phenomenal pace: Shenzhen, Zhuhai, Xiamen and Shantou with growth rate of 58, 32, 13 and 9 percent respectively (Zeng, 2012).For success of SEZs, political commitment, consistency in government policies, collaboration between public –private enterprises and continuous learning and upgrading were the main factors.

Figure: 2 China's Unprecedented Growth



Major Factors for Success and Lessons for Pakistan to Learn

A successful model of Special Economic Zone is commonly based on both policy and infrastructure rationales.(Zeng, 2012).In terms of policy, the SEZ is a logical step of an overall economic strategy to attract FDI whereas infrastructure helps materialize economic strategy into a living reality.Dobrongov&Farole (2012)explained that major factors for the success of any SEZ are: the location advantage and macroeconomic of the country, investment cost and value of trade, industrial investment support, availability of skilled labor and human resource, management and services facilities, incentives' surety through laws and regulations and last stability and consistency of the government(Pakdeenurit, Suthikarmnarunai, & Rattanawong, 2017).Myriad factors helped succeed SEZs in China. However, no unified method or factor was taken as a set practice to follow in other zones as each zone was different from other in terms of product specialization, productivity, market-orientation and scope of investment which demanded a diverse and need-based approach. The following are some key and common practices which proved to be universal in all SEZs growth and development (Zeng, 2012):

1. Continuity in Policy and Political Commitment:

For successful implementation of SEZs in the country, government needs to ensure continuity in policy implementation with strong political commitment on the leaders' end. The SEZ requires a long-term strategic undertaking with anall-inclusive plan of action to be implemented over a period of time. Political commitment can only ensure continuity in policy implementation and change of government should not hamper the implantation process of SEZ. As a success story, we have seen a strong political commitment in the SEZs of China, U.S.A., Taiwan, Republic of Korea, Vietnam, Bangladesh, Malaysia, Singapore, Hong Kong, Indonesia, India, Jordan, Mauritius, the Dominican Republic, Iceland and El Salvador whereas in some African countries a limited political commitment has been noticed which could not produce desired results envisioned in the establishment of SEZs.To ensure continuity in the implementation process, a specific policy provisions could be passed through different legislations of the countries.

2. Strong Leadership Commitment:

In the beginning, Chinese leaders were uncertain about the dividends of Open Door Policy which they had envisioned after the debacle of Cultural Revolution in 1976. However, they were determined to put Chinese economy on the new path of macro-environment and defended all political resistance from opposition. Almost two and half decades ago, the Chinese renowned leader Deng Xiaoping embarked upon his historic tour to southern tour in 1992 to demonstrate leadership commitment to market-oriented reforms in the face of political opposition(Dillon, 2012). In case of Ethiopia and Zambia, a similar strong leadership commitment has been observed in the uplift of SEZs whereas a limited leadership commitment caused failure of zones in

Nigeria(Vhumbunu, 2014).The main reason behind the success of SEZs in Ethiopia and Zambia was that they made SEZs' planning into their countries national strategic planning.

3. Strong Government Commitment:

Zone's success is largely dependent on long-term government commitment to ensure policy continuity to achieve envisioned goals of SEZ. Government commitment also demands a close coordination between federal, provincial and local governments with certain responsibilities and roles for the smooth implementation of different associated projects of SEZ (Zeng, 2016). To substantiate these arguments, China, Singapore, Malaysia, the Republic of Korea, Mauritius, India, Taiwan and many other successful SEZs driven economies have placed relevant laws and regulations to implement zones' projects with close coordination (UNCTAD, 2017).

4. Exploring New Model:

Instead of copying ready-made models of SEZs, Chinese policy makers decided to explore something new based on ground realities and needs towards a market economy. A tense ideological debate occurred but Chinese leaders eventually decided to move ahead with full-fledge planning towards a market economy while incorporating all key characteristics of China's unique existence. Rapid economic growth of China over the last three decades started with the introduction of privatization process pushed forward by Deng Xiaoping when he famously stated that "it doesn't matter if a cat is black or white so long as it catches mice"(Di, 2016). Deng presented his famous "Cat Theory" to publicize his newly introduced capitalist market model of economy (Di, 2016).

5. Autonomy of Institutions to Make Policies

For investors' attraction, the China's SEZs were given greater political and economic autonomy with legislative authority to develop laws and regulations to make preferential policies to create conducive environment for investors. These policies include cheap provision of lands, tax breaks, rapid customs clearance, duty-free imports of raw materials and intermediate goods destined for incorporation into exported products, the ability to repatriate profits and capital investments, tax rebate and a limited license to sell into the local market which proved to be productive to attract not only investment but also help attract skilled labour(Mansoor & Faisal, 2017).The institutions were also given liberty to make attractive job package with fringe benefits and facilities including housing, subsidies for children's education, research funding and "Hukou" (Hukou' is China's residential registration system) transfer among others(Li, Duan, & Zhang, 2009). Under institution autonomy, operating companies were allowed to hire and even fire employees without any restriction and companies entered into enforceable labor contracts with specific term limits on strict conditions to seek performance from employees(Sahling, 2008). The Chinese government was very pragmatic to pursue plans relating to SEZs carefully. In

1988, Shenzhen was promoted to the level of a province followed by provision of legislative power by central government in 1992 (Zeng, 2011).

6. Establishing an Attractive Business Environment:

To overcome constraints of doing business, provision of conducive environment becomes the top most priority. Apart from tax rebate and other fiscal incentives, infrastructure such as roads, power, water, and telecom is a key element in attracting FDI. In most of the East Asian countries, zones act as a pilot strategy and regulatory reforms are made to support economic development (Zeng, 2012).It is pertinent to mention that benefits like simplification of customs and streamlined procedures should be made available economy-wide(Fruman & Zeng, 2015). State of the art infrastructure along with one-stop-shop service is an effective measure to make SEZ a great success. Many developed zones of Singapore, Malaysia, China and Dubai also made their infrastructure and custom services up to the mark which attracted FDI.

7. Land Reforms:

Until 1981, the Chinese government physically and collectively owned the entire urban and rural regions land (Zeng, 2012). By November 1981, the Guangdong provincial government passed and introduced land reforms in the Shenzhen SEZ to provide cheap land under a ‘Land Use Certificate’ (Zeng, 2012). Within the SEZ, the reforms provided standard land utilization fees, between US$2-6 per square meter per annum for industrial land to US$15-42 per square meter per annum for commercial land and by the end of 1987 allowed investors to lease land from government. Shen & Xu (2012),explained that the main question before the Chinese government was how to transfer government land to foreign investors as it had never practiced transferring of land through public tendering or auction as it was simply done through a mere administrative state approval. This practice was time consuming and lethargic which was not suitable for investment attraction. By the end of 1987, Shenzhen government replicated Hong Kong model of open competition for land allocation(Zeng, 2012). This model worked and the land allocation through open competition generated revenue of US $ 1.1 million and the approach was adopted nationwide and was also extended to all industrial land. To implement streamlined land processing system, the Shenzhen government set up ‘One-Stop-Shop’ to process all land transactions and development procedures on one spot (Shen & Xu, 2012).

8. Technology Learning, Innovation, Upgrading and Strong Links with Domestic

Economy:

For successful SEZs, concentration of skilled labor is the prerequisite. SEZs with high concentration of skilled people especially R&D personnel sometimes act as seat of knowledge and technology generation, diffusion, adaptation and innovation. The Shenzhen government established an intellectual property center and introduced policies to protect these property rights. These policies further enhanced confidence of investors and FDI increased considerably. The Shenzhen government also introduced incentive policies to encourage high-tech industries including R&D spending, the software and integrated circuits industries and venture capital investment to attract technology talents (Zeng, 2012). By the end of 2010, R&D spending reached to 4 percent of Shenzhen's total GDP, while the technology sector grew at an average rate of 20 percent. In the Tianjin Economic-Technological Development Area, technology innovation was been given more priority. Within the SEZ, the Chinese government has establishedmain technology innovation platforms such as an R&D center, an innovation park, and industrialization bases. The Tianjin Economic Technological development Sector has made a great success in bringing technology innovation as it was made possible due to the Chinese government establishment of innovation park, industrialization bases and R&D center(Li, Duan, & Zhang, 2009)Moreover, the Chinese government made another successful attempt to link local enterprises and industrial clusters through value chains. This approached helped generate investment on the one hand and stimulated synergistic learning and fruitful industrial competitiveness on the other.

9. Clarity in the establishment of SEZs:

Chinese leaders were not sure about the dividends they intended to accrue from SEZs setup. However, they decided to cautiously move in the SEZs initiative and planned to set up SEZs in batches. Initially China intended to go with four SEZs starting in early 1980 with Shenzhen, Shantou and Zhuhai in the province of Guangdong and Xiamen in the province of Fujian. Having established four zones, the Chinese government facilitated these four zones with all necessities and passed laws mandatory to run SEZs as per international standards. The government commitment, untiring efforts and focused approach helped produce desired results envisioned by the leaders including increase in GDP growth, exports, revenues, employment and FDI. To create a competitive environment, the government tried to bring diversity in the zones setup to attract investors in manifold sectors rather focusing on one area of expertise. That is why; each zone strived to distinguish itself in provision of service, zone mechanism, incentives for investors and expertise in productivity which all helped attracted investment.

10. Advantages of Location for SEZs:

Having gone through each aspect of SEZ's establishment, the Chinese leaders selected coastal region for zones and linked them with the regions which had historically served as main business or trading centers (Zeng, 2016).The zones were further linked with main seaports, railways and airports in order to provide access to international market. The location for SEZ of Hong Kong near the Pearl River Delta region and Taiwan near the Min Delta region proved to be ideal for attracting FDI.

Some Pitfalls for Pakistan to Avoid:

Having discussed in detail the contributing factors for SEZs' success and development, there are certain pitfalls for Pakistan to avoid while developing its own model of SEZ as highlighted by Zeng (2016).

• Outdated Institutional Framework and Poor Business Environment: Many African countries run their SEZs on outdated legal regulatory and institutional framework. Therefore, the cost of doing business is very expensive in these countries due to high taxation, fees of registration, customs clearance, licensing, trade logistics, foreign exchange and service delivery.

• Lack of Strategic Planning: All successful SEZs have been made an integral part of the overall municipal, regional and national development strategy and proved to be very effective in China, Malaysia, Mauritius and South Korea. However, in case of African countries, SEZs could not produce desired results as they all lacked in strategic planning and demand-driven approach in their zones setup.

• Poor Infrastructure: Provision of state of the art infrastructure is the prerequisite of a successful SEZ. However, lack of basic necessities of life like provision of electricity, gas, telecom, ports, roads, railway and safe drinking water are the key constraints in the development of SEZs. These factors have been the main stumbling blocks in African countries for the successful development of SEZs.

• Lack of Zone Management Expertise: Zone management and operational expertise is the prerequisite for putting the zone's affair in the right direction which most of the African zones do not possess. It is pertinent to mention that many unsuccessful zones are being run by construction companies and have failed to cater the investors need. This factor extremely emasculates the implementation capacity.

• Change of Government and Policy Inconsistency: Some zones mostly in Africa have experienced abrupt policy change with new elected government which earlier against the policies of the previous government or try to modify zones planning as per its desires. For successful implementation of policies with consistency is very crucial where long-term government commitment is mandatory.

• Resettlement Issues: In many zones, governments could not fulfill the promises it made with local people to compensate them for their acquired land for the zone purposes. However, this proved to be counterproductive to attract foreign investors as they felt quite risky in a place where local people were creating hurdles for the development of the zones.

• Mushroom Approach Results in Overlapping: Having seen the success of SEZs at the Chinese coastal region, many local governments of China started imitating the same national approach at local level without any appropriate planning and assessment which resulted in overlapping and proved to be a complete fiasco while considerably damaging the national exchequer.

• Environmental Degradation: In China, low technology with resource intensive manufacturing in many SEZs, have created serious challenges of environment and resource. As per the World Bank estimates, China is facing a serious environmental degradation issue which costs it around 8 percent of the GDP. To tackle this issue, the government of China has taken some serious steps such as use of green technologies and conduct innovations to sustain industrial growth while protecting environment.

• Balancing Industrial Development with Social Dimensions: Though many zones across the world achieved great success in attracting foreign direct Investment and uplifting industrial growth yet, completely ignored the development of surrounding urban area. In many zones' surroundings, many slums have been found which ultimately discouraged investors and damaged the development growth tempo.

Policy Recommendations

Pakistan Needs a Gradualist Approach with Minimum Zones' Initiative

States often pursue economic reforms that have major implications for the structure of the economy (Gavin, 1996). Economic liberation is mostly applied as a means to achieve economic development. How effectively it helps promote economic development is entirely depend on the size and nature of a particular state's economy. The aforementioned lessons from the Chinese experiences reveal that one of the basic steps is a gradualist approach which is pragmatic and flexible in a sense that it takes time for adaptability in the economic transition. The economic transition through step-by-step strategy has proved to be more effective in the world leading zones than change through drastic stride (Zeng, 2012). If we closely analyze, China adopted a cautious and gradualist approach to initially go with four zones in 1980 and then provided every possible support to make them a great success. After fully realizing the dividends of these four zones, the SEZs were expanded. The government of Pakistan has identified nine special economic zones for all four provinces and special regions of AJk, FATA and GB (Kiani, 2018). These nine zones' sites for Special Economic Zones in Pakistan are: (1) Rashakai Economic Zone, near Nowshera; (2) Bostan Industrial Zone, near Quetta; (3) China Special Economic Zone, Dhabeji; (4) ICT Model Industrial Zone, near Islamabad; (5) Punjab-China Economic Zone, near Sheikhupura; (6) Bhimber Industrial Zone; (7) Development of Industrial Park on Pakistan Steel Mills Land, near Port Qasim; (8) Mohmand Marble City; (9) Moqpondass SEZ, Gilgit-Baltistan(Mehmood, 2018).These zones will be setup by provincial governments with public-private partnerships. Based on ground realities such as size of the economy, foreign debt, scarcity of resources, and deteriorating law and order situation, Pakistan needs to go with one or maximum four zones, representing four provinces, in order to materialize envisioned goals to attract FDI. It is, therefore, imperative for Pakistan to follow a gradualist approach through which initially minimum number of zones to be established and assessed over a period of five to ten years in order to make projected dream into a living reality.

Strong Leadership Commitment and Policy Continuity:

Strong commitment on the part of leaders is the prerequisite for the success of SEZ as it helps maintain continuity and consistency in the zone planning. The proceeding discussion has established that sometimes change of government destabilizes the ongoing policies. Zones planning are long-term undertakings which require strong leadership commitment and policy continuity. All successful zones have been included in the national development strategies by countries to ensure policy continuity. Pakistan's political stability has always been derailed by military coups and strife between the executive, military and judiciary (Kiani, 2017). The persistence of heightened political risk has always weekend the government of Pakistan to effectively pursue socio-economic long term strategies. Overnight change of government has always triggered a period of political instability which undermines the continuity of long term strategies envisioned by previous governments.

By 1960s, Pakistan was considered one of the fastest growing economies the in the developing world and in 1965, its GDP per capita was US $ 116 leaving behind China and even South Korea with US $ 98 and US $ 109, respectively(Iqbal, 2017). Presently, in a comparative context, Pakistan's GDP per capita is one of the lowest of all other Asian developing countries. Today, Pakistan's GDP per capita is approximately US $ 1600 while GDP per capita of China and South Korea are US $ 8123 and US $ 27538, respectively. This bleak situation represents that political instability in Pakistan is not favourable and conducive to attract FDI(Iqbal, 2017).To substantiate above arguments, many projects such as Motorway project from Peshawar to Karachi, Gwadar Port, Lowari tunnel, new Islamabad airport project, Kachi Canal project and many more in past have been derailed due to political instability or frequent regime changes in Pakistan. It is, therefore, imperative for Pakistan to ensure the continuity of zones implementation policy through a certain framework and assurances to overcome policy discontinuity.

Learning Chinese Language to Fill the Communication Gap:

Learning a language is considered the best way to open the doors to an umpteen business opportunities. The Chinese language is considered one of the main languages in the world.Learning and speaking Chinese as a second language is very important for many socio-economic factors. If we observe the global map closely, all developed economies in Asia speak Chinese including Taiwan, Singapore, Hong Kong, South Korea, and many more(Mandarin, 2017).With the initiation of China Pakistan Economic Corridor (CPEC), an intense cross border interaction has recently been witnessed as local populace is interacting with Chinese companies and their representatives(Mandarin, 2017).As a consequent, a communication gap between the local populace and the Chinesehas developed a daunting challenge for both the governments to address in order to reap the dividends of the project. To eliminate language barrier, currently there are five Chinese language centers in Pakistan. Whereas more than ten Urdu institutes and departments have been established in China and first Urdu department was established at Peking University in 1951 and followed by many other universities of Xian cities(DAWN, 2017). Such centers and department have helped generate many inter-cultural activities which have further strengthened bilateral ties. For business optimization and strengthening people to people and culture to culture ties, government of Pakistan needs to understand that Chinese language should not be taken merely a language rather a bridge between two civilizations.

Conclusion:

Today, Special Economic Zones have gained global acceptance as key elements in the economic development and industrialization of countries. Yet, in some African and Asian countries SEZs have not produced desired results as envisioned during their establishment. This factor reveals that merely establishment of SEZ is not a panacea for economic development unless a careful and tailored zone planning is made that is based on the country's ground realities. The establishment of Special Economic Zones by China in the end of 1980s was an experiment on small scale to test the efficacy of market-oriented economic reforms for which it applied new strategies. China's SEZ model proved to be successful in foreign exchange earnings, employment generation, export growth and socio-economic development by attracting foreign direct investment. Common key factors of China's zones development and success are largely based on its strong leadership commitment to bring reforms necessary for the development and then ensured continuity of policies along with other key elements. Having thoroughly discussed the complex and heterogeneous environments in which SEZ planning operates, Pakistan needs a realistic and clear framework based on existing cogent realities and encompass all those elements mentioned above deemed suitable and relevant to its mechanism. In short, success of Pakistan's SEZ will entirely be based on the commitment shown by the governments and leaders to implement reforms and ensure continuity with a clear vision and strategic planning.

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