



Special Economic Zones: A Comparative Analysis of China and Pakistan

* Syed Ali Hassan † Areeja Syed

- * MS, Department of International Relations, COMSATS University Islamabad, Pakistan.
† MS, Department of International Relations, COMSATS University Islamabad, Pakistan.
Email: areejasyed@hotmail.com

Abstract: *Pakistan and China enjoy close bilateral relations, owing to the 'China-Pakistan Economic Corridor (CPEC) as China is developing a special economic zone across Pakistan under CPEC. SEZs are a new phenomenon for Pakistan and it's the need of the hour for Pakistan to study the working mechanism of China's SEZs to work on those challenges that Pakistan is facing due to non-expertise in this sector. China has a deep-rooted history as far as SEZs are concerned. With China's experience and progress, a comparative analysis of Chinese SEZs could provide benefits for Pakistan. This study aims to give a comparative analysis of SEZs in both countries. A comparative analysis between China and Pakistan's SEZ policies will help Pakistan in making better economic policies about Special economic zones.*

Key Words: SEZ, CPEC, BRI, EPZ, FTZ, Free Ports

Introduction

In its collaboration with China, Pakistan has agreed to a number of Understanding Memorandums for nearly nine special economic zones dispersed throughout the nation's various provinces under the umbrella of the CPEC (China-Pakistan Economic Corridor) program. This program falls under the wider reach of the OBOR, or One Belt One Road initiative (Wu, 2018). CPEC's flagship element is the Gwadar port project that focuses on bypassing the Malacca Strait to reduce the shipment time for commodities produced in China thus saving shipment tankers from China upwards of sixteen thousand sea route kilometres (Ullah & Bangash, 2018). In attempting to explain Chinese investments in Pakistan, most of the region's locals place their focus on the long-standing relationship between the two countries. Since the People's Republic of China was recognized by Pakistan in 1951, the two nations have held a strong relationship. Both China and Pakistan regard one another as strategic and close partners.

SEZs can be regarded as a given area within a nation that is utilized to improve industrial

development within the nation, with their full potential being that of providing foreign firms with relaxed tax and economic regulations within the confines of the area deemed as being the SEZ. As far as Chinese SEZs are concerned, the Chinese were the first to coin the term SEZ with the first ones being developed within the nation in the 1980s and playing a critical part in alleviating several millions of individuals from poverty (Ciżkowicz & Pękała, 2017). As these areas provided the nation, as well as those that followed suit, with tremendous success, the establishment of SEZs has come to be a standardized practice in most nations including Bangladesh, Panama, India, Greece, Thailand, Saudi Arabia, etc. This Research Paper consists of three parts, first part is comprised of Pakistan's Special Economic Zones, their types, and their working mechanism. The second part consists of China's SEZs, their development, types, and ambitions. The third Part talks about a detailed review of China's Shenzhen Special Economic Zone to better comprehend the mechanism of SEZs

Special Economic Zones in Pakistan

Special Economic Zones within Pakistan and their development is expected to be achieved in different phases. The first phase focuses on support services, public facilities, an uninterrupted supply of electricity, and high-quality infrastructure. Under special economic zone regulations, the fiscal advantages include SEZ development, maintenance, and operations purposes Pakistan imported capital goods are exempted from all taxes and duties (Khawaja, Saeed, & Urooj, 2018). For both zone enterprises and investors, there is a decade-long exclusion from all types of income tax. The Kairpur Export Processing Zone, within the Kairpur district, was the first SEZ; it was developed in 2014 on the 14th of February. Other developed special economic zones include the Hathar Haripur, Khyber Pakhtunkhwa situated Hathar Economic Zone; the M1 Motorway situated Rashakai Economic Zone; the Gujranwala, Punjab situated Gujranwala EPZ; the Swabi Khyber Pakhtunkhwa situated Gadoon Economic Zone, and the Risalpur situated Risalpur EPZ. The second phase of the special economic zones will be that of reviving Pakistan's industries - industries that were once successful during the 1990s are currently in a dire state (Khawaja, Saeed, & Urooj, 2018).

Much of Pakistan's current financial state has been accredited to the decline of its industrial sector. Thus far, the nation, because of its limited exports, is experiencing a debt crisis (Valasai, et al., 2017). Reviving these industries will likely assist the subcontinent nation in improving its exports and attracting foreign investments thereby systematically improving the nation's overall growth and development as well as facilitating the creation of further employment. It should be noted that much of the documentation published by the Pakistan government, since the CPEC project is currently within the phases of development, relies on hopefulness and optimism concerning the project. However, with the development of nine individual SEZs, during the second phase of the project, it is likely that the nation will see a considerable amount of progress

following their completion in the year 2035 (Arif, 2018).

These nine SEZs include the Azad Jammu and Kashmir situated SEZ Mirpur, the Port Qasim situated Pakistan Steel Mills Land, the Dhabeji situated Chinese SEZ, the Islamabad situated Information and Communication Technology Industrial Model zone, the Gilgit-Baltistan situated Moqquadass special economic zone, Mohammad Marble City situated Boston Industrial Zone, and the aforementioned Rasakhai Economic Zone (M/o of Planning, Development & Special Initiatives, n.d).

The SEZ Act of 2012

In the year 2012, the Pakistani Parliament passed the 2012 Special Economic Zone Act and made adjustments to it to make it more friendly toward businesses in 2016. This Act was attentively developed to maintain transparency on special economic zone developments with investors from the investors' registration with the program to their attainment of facilities (Ahmad, Asmi, Ali, Rahman, & Abbas, 2017). Thus, this Act defines the Investment Board's role in terms of permitting SEZ operations of firms, explains non-fiscal and fiscal incentive provisions by the Pakistani government, and describes the responsibilities and roles of various governing entities.

Background to CPEC

CPEC is a collective of several projects of infrastructure that are currently being developed within Pakistan through the financial aid of China. Initially, the government of China had invested forty-six billion dollars before the corridor's construction in 2013 and has, since 2017, invested around sixty-two billion dollars, well over their initial promise (Saddiqui, 2017). The objectives behind the CPEC, since its start, have been threefold. Many researchers analyze that the objectives could be (1) creating connections for China to the remaining world to allow its influence to expand; (2) offering a security concern by sharing allies with economic aid; and (3) enabling trade within the region.

The infrastructure projects of China taking place in Asia, Africa, and Europe signal to the rest that the country wishes to create cooperation, development, and peace [\(Xing, 2019\)](#). China, with the Belt and Road Initiative, states that its project's purpose is to improve global and regional economic connectivity alongside spearheading economic development. Currently, with the number of projects taking place under the BRI umbrella, the CPEC is viewed as a flagship project, which illustrates the significance of this corridor for the wider Chinese BRI. In terms of Sino-Pakistan relations, this corridor has brought with it an era of revitalization as it seeks to, through economics and trade, bring about improved cooperation in the region.

Role of Board of Investment (BOI) in CPEC SEZs

The BOI acts as the Committee of Approvals and Approval Board's secretariat. Moreover, it is responsible for coordinating all zone enterprises, developers, and other SEZ-related activities; processing applications of zones given to it by special economic zone authors; processing additional benefit applications; reviewing agreements of development; take responsibility for both the international and domestic promotion of SEZs; facilitate, throughout the cycle of business, enterprises, and developers; and work as the Capital Territory of Islamabad's SEZ Authority.

The Mechanism for SEZ Development

The 2012 SEZ Act's amendments declare that such zones can be created, without regard to domestic or foreign investors, by either the private sector, public sector, or based on a partnership between the private and public sectors [\(Aslam, Sakib, & Sandhu, 2019\)](#). The Act offers the authority to establish an SEZ within the nation at any location that is a minimum of fifty acres; thirty percent of the land has to be kept for non-processing purposes such as vocational training, residence, healthcare, etc. Whereas the remaining seventy percent is to be utilized for processing purposes. Furthermore, those investing in the

area attain various non-fiscal and fiscal incentives – these are further elaborated upon in the following [\(Aslam, Sakib, & Sandhu, 2019\)](#).

Fiscal Incentives

Fiscal incentive beneficiaries can be segmented into two individual parts. The first is comprised of SEZ development that has to offer investors with reasonable investing infrastructure whereas the second focuses on enterprises beginning their SEZ-based production facility operations. The information gathered regarding these two parts is elaborated upon further in the following individual segments.

For Developers

Developers receive, as part of their fiscal incentives, a one-time tax and duties exclusion on Pakistan's imported machinery and facilities meant for SEZ development, maintenance, and operation purposes [\(Ahmed, Tan, Solangi, & Ali, 2020\)](#). Additionally, concerning the SEZ operation and development accruable income taxes, these businesses receive a five-year exemption that begins from the Agreement of Development signing date.

For Zone Enterprises

Zone enterprises, as part of the fiscal incentives, receive a single, all Pakistan imported machinery and facilities taxes and duties exemption so as long as these components are imported for SEZ installation purposes [\(Jahangir, Haroon, and Mirza, 2020\)](#). Additionally, zone enterprises that begin production before the 30th of June, 2020 receive a decade-long income tax exemption whereas those starting production after this date receives a five-year-long income tax exemption [\(Aslam, Sakib, & Sandhu, 2019\)](#).

Non-fiscal Incentives

Much of the literature evaluated offers the view that non-fiscal incentives of the program take the form of SEZ operating firm damage compensation, and SEZ infrastructure as facilities operating in SEZs are to be provided with facilities a la electricity, gas, and various utilities being

offered at the zones' zero-point. Additionally, zone developers will be permitted to generate captive electricity. The Investment Board, to make this possible, will offer services of facilitation and will function as a facilitator and liaison between SEZ enterprises, developers, authorities, and federal agencies [\(Jahangir, Haroon, & Mirza, 2020\)](#).

Guidelines, Packages of Incentives and Priority Industries under CPEC

The Investment Board is a close CPEC partner in terms of enhancing the goals for developing corridors coinciding with Industrial Parks. Thus far, forty-six individual SEZ sites have been recognized of which nine have been widely declared as being priorities during the time of the sixth Joint Cooperation Committee. The Investment Board, after considering several dimensions, notified seven local special economic zones; one in Khyber Pakhtunkhwa, three in Punjab, and three in Sindh. The following subsection discusses the guidelines that foreign investors need to abide by, the incentives packages they will receive, and the industries that, under varying circumstances, will be provided with, under CPEC, priority for investing in special economic zones [\(Jahangir, Haroon, & Mirza, 2020\)](#).

Guidelines for Investment in SEZs

It is likely that Pakistan will prefer industries that are the least dependent on imports, use local endowment rather than importing raw materials and inputs, create employment for locals, establish joint ventures, and help transfer technology and encourage entrepreneurship [\(Aslam, Sakib, & Sandhu, 2019\)](#). The nation may also prescribe export orientation and value addition with it avoiding industries that do not abide by its standards of environmental protection or are industries that produce products that are near the end of their life cycle [\(Ahmed, Tan, Solangi, & Ali, 2020\)](#).

Packages of Incentives

In consultation with every province, the

Investment Board has developed an incentive package for foreign industry relocation/establishment. This package's salient elements include instalment-based plot provision (with a fifty percent down payment and four biannual instalments); markup support at fifty percent of the markup being offered by the provincial government on project financing, Pakistani currency loans; subsidization of inland machinery and plant freight transportation when these are for SEZ development or installation; and a single operation window. Furthermore, developers are permitted to purchase, in bulk, various utilities to provide them to enterprises at rates that the SEZ authority has notified [\(Jahangir, Haroon, & Mirza, 2020\)](#).

Priority Industries under CPEC

Under Industrial Cooperation, there are five sectors of priority that China and Pakistan have agreed to cooperate on. These include agriculture, petrochemicals, textile, minerals and mines, and steel and iron. The Investment Board, to assess Balochistan's minerals and mines potential as well as to increase the work of development on the Bostan SEZ, had, in 2018, commissioned an NDRC Industrial Parks Experts visit to Quetta. With much covered on the SEZs and their potential in Pakistan, it would be adequately important to critically evaluate the incentives and benefits of SEZ in China [\(Aslam, Sakib, & Sandhu, 2019\)](#).

Special Economic Zones in China

There is a history of Special economic zones in China that is deep-rooted. Special economic zones within China began and continued their development alongside, the nation's 1978 adopted policy of "Reform and Opening Up". Following this, these areas have played a critical part in accelerating the nation's internationalization, institutional reforms, and economic development to a drastic rate. The first zones offered a significant platform for testing the introduction of capitalism that was controlled by the nation in an economy that was centrally developed. Additionally, these zones also acted as

a way for the nation to introduce a regime of liberal investment and trade following its being closed off from the rest of the world after the end of the 1940s (Tao & Lu, 2018). Thus, the original aim of these zones, within the context of their origin, was entirely different from what most other nations have pursued. Over the course of thirty years, the nation experienced a learning process associated with SEZs, which included facing a number of financing associated with infrastructure issues, in-zone provision of services, and policy coordination (Aggarwal, 2006).

Most of these issues mimic the issues that African nations currently face (Liu, et al., 2018). The development of special economic zones within the nation was facilitated by the notion of “emancipate the mind and seek, from facts, the truth” as well as it placing its focus on the relative benefits of labour, market, and land resources thus altering the methods its SEZs used and were governed by (Tao & Lu, 2018). Currently, these areas are the most important regions for the nation’s government, at the national, provincial, and local levels, to offer favourable industry and technology development fostering policies. Through the years, the nation’s provincial and national governments, as well as developers in its private zones, have developed considerable SEZ operating, developing, and planning expertise, and currently nearly every autonomous and provincial capital, as well as an important city, has an economic cooperation and trade zone.

The nation, through the years, has continually refined and established such areas and has increasingly used them to aid the globalization of its organizations by utilizing Overseas Cooperation and Economic Development Zones. In regards to both, it’s Maritime Initiative of the Silk Road and its New Silk Road Economic Belt, these areas act as a critical part as both the aforementioned projects aim at promoting connectivity between European, African, and Asian nations (Alder, Shao, & Zilibotti, 2016).

Types of Special Economic Zones in China

It was in 1978 that the nation’s Central Government established the initial SEZs in

Xiamen, Shantou, Zhuhai, and Shenzhen. After this, several SEZ types began spreading through the nation, which include the Zones of Technological and Economic Development, Zones of New Industrial Technology Development, Manufacturing Zones that are oriented toward Exports, Leisure and Tourism Zones, Zones for Economic Cooperation across borders, Bonded Regions, and so on (Xing 2019). Currently, the nation has fifteen manufacturing zones that are oriented toward exports, fourteen zones for economic cooperation across borders, fifteen Bonded Regions, one hundred and five Zones of New Industrial Technology Development, one hundred and thirty-one Zones of Technological and Economic Development, and five Special Economic Zones (Xing, 2019).

Special Economic Zones, within china, are regions where the government can implement certain regulations and permit Macau and Hong Kong citizens, individuals throughout the nation, and foreign individuals and enterprises to invest in the area. These zones focus on creating an environment for conducive investment through providing foreign investors with favourable arrangements in regards to importing equipment, production elements, and raw materials; export products; immigration and residence permits; rights of land use; profit remittance and foreign exchange; rates of taxation on corporate income; and product exporting. The Pudong New Area was formed in 1990 and in 1988 the Hainan Province was changed into a special economic zone after the initial four special economic zones in Xiamen, Shantou, Zhuhai, and Shenzhen. By advancing its economic reforms, the nation has created various SEZ types, which are elaborated upon in the following (Tao & Lu, 2018).

Zones of Technological and Economic Development

The success of the special economic zones led to Zones of Technological and Economic Development. The first fourteen were established in areas such as Qingdao, Dalian, Shanghai, and Tianjin in 1984 with these zones adopting policies similar to those used in special economic zones.

The nation's overall number of Zones of Technological and Economic Development increased to a hundred and ninety-eight by 2013 (Crane, Albrecht, Duffin, & Albrecht, 2018). These zones can be further segmented into three types based on local development level and geographical location differences as follows:

Emerging and new Industries Fostering and Advanced Technologies Focused Zones

This type depends on high-quality metropolitan regions a la Shanghai and Tianjin – both of which have populations with relatively high industrial, economic, and technology management skills.

International Trade Focusing Zones

These are often situated near ports and require developed infrastructure for transportation and communication a la Ningbo and Dalian.

Local Endowments Utilization-focused Zone

These can be segmented further into tourism, agricultural, and resource-rich zones. Resource-rich zones are often constructed in energy or mineral resource concentrated areas or adjacent areas. Agricultural zones are often regarded as Zones of Modern Agriculture Development or Comprehensive Agricultural Development Zones, and their core businesses include the combination of seedling, agricultural engineering, agricultural infrastructure, agricultural products processing, biotechnology, eco-tourism, and education. Tourism zones aim to develop tourist facilities and tourism-related industries, including real estate and entertainment (Wu, 2018).

Zones of New Industrial Technology Development

These are similar to the aforementioned Zones of Technological and Economic Development but focus on using the foreign direct investment to encourage technological and scientific innovation. Since 1992, a total of one hundred and five Zones of New Industrial Technology Development have been developed.

Zones for Economic Cooperation Across Borders

To promote processing that is export and trade-oriented, Zones for Economic Cooperation across borders were developed. 15 of these have been established since 1992, which have particularly benefited border province living ethnic minorities.

Bonded Regions

Bonded Regions, including Comprehensive Bonded Zones, Bonded Port Areas, Bonded Logistics Parks, and Bonded Warehouse Zones, focus on bonded warehouses, export-oriented processing, and entrepot trade. Bonded Regions are regarded “within the national border, but outside the customs” and generally depend on the presence of water or an airport (Wu, 2018).

EPZs

EPZs are primarily utilized to assemble, process, and manufacture export commodities. Most of all of the goods made within these areas are for export. In 2000 the first EPZs were established in 15 cities across the country. Today 58 EPZs have been approved (Hussain & Mehmood, 2018).

Logistics Parks

These areas are created in urban regions to aid the management and development of logistical services. These parks can be segmented into three classes based on logistic service types: (1) Regional Organizational Logistics Parks, which include the Chengdu situated Longquan Road Port and the Shenzhen situated Logistics Park Port; (2) Trade and Commerce such as the Zhejiang situated Chuanhua Logistics Park and the Foshan situated Chengbei Trade and Commerce Logistics Park – both of which focus on creating areas for centralized trading and facilitate the distribution of services through cities and regions; and (3) Transport Hub Logistics Parks, such as Airport Logistics Parks and Water Port Logistics Parks.

Comprehensive Development Zones (CDZ)

Comprehensive Development Zones (CDZs) cover a massive area (most can be upwards of hundreds of kilometres) and bolster a range of industries. Following the development of these zones being completed, they can be modified to make them into new urban regions or towns. Existing CDZs include the Industrial Suzhou Park and the Zhuhai West Area.

Overseas Cooperation and Economic Development Zones

These are service, agriculture, or industry zones or parks made by enterprises based in China or by local Chinese companies cooperating with foreign ones with the goal being that of attracting investments. Since 2006, the Ministry of Commerce, along with other ministries, has approved two batches of 19 Overseas Cooperation and Economic Development Zones. At present, 16 Overseas Cooperation and Economic Development Zones are being developed in 13 countries, including six in Africa (Tao & Lu, 2018).

Spatial Layout

Chinese SEZs are constructed in three basic types of spatial layouts. The first type is usually a piece of land in a sparsely populated area that has been specifically developed into an SEZ, and its pattern is usually used as a geospatial expansion and extension of a city. The key aim of this type of zone is economic development and attracting industrial investments. Zones in Suzhou and Tianjin are two such examples. The second type is usually found in an area of a city where both social and economic developments are required. This pattern is mainly utilized to promote urbanization and modernization. Examples include Pudong New Area in Shanghai, Huangdao Development Zone in Shandong, and Yangling Agricultural High and New Technologies Demonstration Zone in Shaanxi (Crane, Albrecht, Duffin, & Albrecht, 2018).

The third type is usually land utilized to create a no-boundary zone inside of a city.

Examples include Zhongguancun Haidian Pilot Park in Beijing and the main block of the New High Industrial Technology Development Zone in Hangzhou. This pattern normally depends on contemporary facilities and infrastructure, especially research and higher education research institutions, which set up high-tech enterprises and act as regional science and technology incubators (Tao & Lu, 2018).

Case Study of Special Economic Zone in China

Let's look into the model of Shenzhen Special Economic Zone SEZ that China has formulated and what lesson Pakistan can learn from it.

Shenzhen Special Economic Zone

The first SEZ that China had developed was the Shenzhen special economic zone in 1980. This zone was made up of four of the Guangdong Province situated in Shenzhen City's six districts, covering nearly a five-hundred-kilometer square area, which includes Yantian, Nanshan, Futian, and Luohu (Ng, 2019). Adding the districts Longgang and Bao'an consequently enhanced the special economic zone's overall size. Moreover, the aforementioned city, Shenzhen is, in economic returns terms, the most renowned city in China with it reporting a 16.8 percent increase in local revenues in 2013 from 2012 by generating nearly twenty-eight billion dollars in local revenues. The city, until the 1970s, depended on industries such as fishing and agriculture, with it being challenging to find notable industrial activities within the area. The region remained largely underdeveloped and industrially backward despite it possessing the locational benefit of being close to Taiwan, Macao, and Hong Kong (Wu, 2018).

Currently, SEZ developments in Pakistan reflect the challenges that this region faced during its initial years including infrastructure development challenges, particularly in the transportation, telecommunication, and power sectors as well as its heavy reliance on financial aid offered by national and provincial governments (Crane, Albrecht, Duffin, & Albrecht, 2018). The

government of Guangdong was capable of introducing land reforms, which permitted the attainment of Certifications of Land Use for investors in the special economic zone. The SEZ industrialization process altered the city's economy to one based on industry from one based on agriculture within a handful of years. Currently, the city, as intended, boasts an economy based on exports. It was between the years 1979 and 2007 that the city's overall volume of trade increased from seventeen billion to nearly three hundred billion dollars. And despite international financial crises, the city has been able to sustain its rate of growth with the city acting as a hub of transportation for China's south coast and a significant connection between Hong Kong and Mainland China. The city, in juxtaposition with its earlier years, currently acts as a leader in the cultural, creative, shipping, foreign trade, financial services, and development industries [\(Mendoza & Octasiano , 2016\)](#).

The city thus acts as an example of a long-term development process that necessitates continued management as well as skill from its inception. However, it should be noted that the city was able to benefit from its geographical advantage as it is close to Taiwan, Macao, and Hong Kong, all of which had, at the time, advanced economic and market systems. This also stands as the case for Pakistan as most of the nine SEZs are situated in proximity to economically strong and massive cities. Nonetheless, because of contemporary challenges in transportation and the establishment of infrastructure, the advantages of such proximity may not be entirely realized. Moreover, these centres of the economy are in the process of being developed and do not possess the advanced systems of the economy needed to function as SEZs. Shenzhen was capable of leveraging Hong Kong's financial investments and became a special economic zone that influenced others to follow suit. Moreover, for the Shenzhen SEZ, at all levels, China's governments played critical roles in implementing and drafting policies appropriate to the city. The Central Government ambitiously implemented reforms and took various political risks.

Additionally, the Central Government provided local and provincial governments with a considerable amount of autonomy during the city's development as it extended authority to the special zone government and provincial governments in terms of planning, foreign economic activities, business management, wages, labour, and pricing. The local Shenzhen government was conferred with the power to create regulations according to set needs and situations – this practice has been widely recognized as being critical to the SEZ's success. An example of this would be that the Shenzhen government, at the time of the program being implemented, conducted research, which included gathering the locals' views on the program to make decisions based on the local population's perspective [_\(Garnaut, Song, & Fang, 2018\)](#).

As the Shenzhen government was provided with a great deal of autonomy, it was able to devolve power to local authorities and maintain flexibility. In addition to this, the SEZ, in 1984, was provided with the ability to define its association with the government thereby making the government of the SEZ much more effective and flexible. This “larger society and smaller government” approach helped the city move away from being able to control the economy and more toward being a city that is market-oriented and coordinates with both the provincial government and investors [_\(Aggarwal, 2006\)](#).

Both the central government and the local and provincial governments provided a variety of incentives that attracted firms to invest in the zones, including fiscal and other preferential advantages, land, streamlined administration procedures, well-developed infrastructure, quick clearance of customs, capital investment, and profit repatriation, decreased imports duties, concessionary rates of taxation, an exemption on export tax, flexible employment contracts, restricted access to retail products to the local market, and depreciation allowances. They also put in place measures to attract skilled labour. The different types of preferential incentives for the Shenzhen SEZ have been vitally important in allowing the city to attract adequate personnel

from various parts of the nation, and for attracting foreign employees and investors. In this regard, the creation of suitable residential capacity in the city has been important. In Shenzhen's case, the decentralization of power played a critical part in developing a more market-friendly environment, which strengthened and encouraged "a series of legislative innovations" and incentives that were provided to potential investors and attracted masses of workers to the city. (Crane, Albrecht, Duffin, & Albrecht, 2018).

Conclusion

China has established 219 special economic zones which helped in the development of GDP and boosted the Chinese economy. It is said that by establishing these SEZs, a culture of entrepreneurship has been introduced by China lucratively applied the structural transformation, and inspired the rest of the world. China proved that open-door diplomacy can successfully revive a destabilized economy. Under CPEC and OBOR Chinese investment is crossing one trillion and now she is interested in investing in Pakistan which direly requires foreign investment. However, SEZ in Pakistan is quite a new phenomenon and term than China, as China has

a huge history of SEZs. Recently Pakistan and China are jointly working on CPEC which is a win-win situation for both parties. It is yet to see if Pakistan is in the position to garner profits from this heavy investment regardless of the faulty administrative policies, a defective supervising system, colossal trade deficit, terrorism, enormous circular debt, and the unrest caused by the differences between the political parties. In addition to this, the Pakistani headship seems to be less insightful and discerning in taking appropriate and rewarding decisions for the people. The elite and feudal Pakistan do not let the government introduce the reforms and they are desirous of having an unrestricted grip on the local market. Today the biggest challenge for the government of Pakistan is to figure out the favourable time to bring structural reforms for already scores of precious time that has been frittered away with unproductive policies and if now Pakistan fails in designing reasonable and inclusive policy until 2019- 2020, it will be impossible to procure advantage from the CPEC and the economic challenges might grow insurmountable for Pakistan. A detailed evaluation of the economy of Pakistan and its financial policies will help in uncovering the fundamental deficiencies.

References

- Alder, S., Shao, L., & Zilibotti, F. (2016). Economic reforms and industrial policy in a panel of Chinese cities. *Journal of Economic Growth*, 305-349.
- Valasai, G., Uqaili, M. A., Memon, H. R., Samoo, S. R., Mirjat, N. H., & Harijan, K. (2017). Overcoming electricity crisis in Pakistan: A review of sustainable electricity options. *Renewable and Sustainable Energy Reviews*, 734-745.
- Aggarwal, A. (2006). Special Economic Zones: Revisiting the Policy Debate. *economic and Political Weekly*.
- Ahmad, M. S., Asmi, F., Ali, M., Rahman, M., & Abbas, S. M. (2017). China-Pakistan Economic Corridor: In the context of 'String of Pearl Strategy. *International Journal of Business and Social Research*.
- Ahmed, W., Tan, Q., Solangi, Y. A., & Ali, S. (2020). Sustainable and Special Economic Zone Selection under Fuzzy Environment: A Case of Pakistan. *Symmetry*.
- Arif, A. (2018, 05 22). CPEC: a continuum of opportunities and challenges for Pakistan. <https://blogs.lse.ac.uk/southasia/2018/05/22/cpec-a-continuum-of-opportunities-and-challenges-for-pakistan/>
- Aslam, H., Sakib, M., & Sandhu, A. (2019). SEZs for Sustainable Development in Pakistan: Building on the Lessons from China. Islamabad: SDPI.
- Ciżkiewicz, P., & Pękała, M. (2017). Journal of Economic Geography. "The effects of special economic zones on employment and investment: a spatial panel modelling perspective," 571-605.
- Crane, B., Albrecht, C., Duffin, K. M., & Albrecht, C. (2018). China's special economic zones: an analysis of policy to reduce regional disparities. *Regional Studies, Regional Science*, 98-107.
- Garnaut, R., Song, L., & Fang, C. (2018). China's 40 Years of Reform and Development: 1978-2018. ANU Press.
- Hussain, M., & Mehmood, S. (2018). Special Economic Zones and Industrial Parks under Cpec: Opportunities and Challenges. *Regional Studies*, 88-124.
- Jahangir, A., Haroon, O., & Mirza, A. M. (2020). Special Economic Zones under the CPEC and the Belt and Road Initiative: Parameters, Challenges and Prospects. In J. Syed, & Y.-H. Ying, *China's Belt and Road initiative in Global Context*. New York: Springer International Publishing.
- Khawaja, M., Saeed, S., & Urooj, M. (2018). Preliminary Environmental Impact Assessment (EIA) Study of China-Pakistan Economic Corridor (CPEC) Northern Route Road Construction Activities in Khyber Pakhtunkhwa (KPK), Pakistan. Islamabad: Sustainable Development Policy Institute (SDPI).
- M/o of Planning, Development & Special Initiatives. (n.d). CPEC Special Economic Zones (SEZs). Retrieved from M/o of Planning, Development & Special Initiatives: <http://cpec.gov.pk/special-economic-zones-projects>
- Mendoza, V., & Octasiano. (2016). Preferential policies and income inequality: Evidence from Special Economic Zones and Open Cities in China, *China Economic Review*, 228-240.
- Saddiqui, S. (2017, 04 12). The Express Tribune. CPEC investment pushed from \$55b to \$62b.
- Tao, Y., & Lu, Z. (2018). *Special Economic Zones and China's Development Path*. Singapore: Springer Singapore.
- Ullah, A., & Bangash, H. S. (2018). Community Perception towards the Socio-Economic Impact of CPEC on

Northern Pakistan. *Greener Journal of Social Sciences*, 12-17.

Wu, W. (2018). *Pioneering Economic Reform in China's Special Economic Zones: The Promotion of Foreign Investment and*

Technology Transfer in Shenzhen. New York: Routledge.

Xing, L. (2019). *Mapping China's 'One Belt One Road Initiative*. London: Palgrave Macmillan.