Chapter 6
Special Economic Zones in ASEAN:
The Cases of Lao PDR, Malaysia, and Myanmar

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ABSTRACT

Most of the ASEAN Member States have been implementing special economic zones (SEZ) to attract investments, create jobs, and to encourage exports. SEZ may include export processing zones, free trade zones, technology parks, and the digital free trade zone. Newer ASEAN Member States are also launching their own SEZ like the Thilawa SEZ in Myanmar and the Savan Seno Park in Lao PDR. However, each member state has its own style of SEZ development and different types of SEZ for different purposes. The chapter studies the similarities and differences of the SEZ in three ASEAN Member States, Lao PDR, Myanmar, and Malaysia. In Laos, Savan-Seno in Savannakhet was established in 2002, with access to Thailand and Vietnam. In Malaysia, the Penang model works on industrial cluster development, which is also adopted in the Johor and Klang Valley zones. In Myanmar, Thilawa SEZ began operation in 2015, mainly through collaborations with Japanese investors. Hence, it is important to understand these differences in order to find the recommended approaches for ASEAN.

INTRODUCTION

Special economic zone or generally known as an SEZ is an important component for the development of the ASEAN and the ASEAN Member States. In its quest to be an economic powerhouse, ASEAN collectively works towards increasing their economic output, not just to serve its 655 million people, but also to become part of the global supply chain and value chain. SEZs will assist ASEAN Member

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States to develop their economies whilst ensuring jobs for its working population. About 50 percent are of the working age of 20 to 54 years old and about 49 percent live in the urban areas (ASEAN, 2020).

The ASEAN economic performance, despite the challenges of the Covid-19 pandemic has exceeded many predictions. Thanks partly to the economic contribution of the SEZ, when ASEAN embarked on the ASEAN Vision 2020 in 1997, ASEAN GDP was US$694 billion. Provided that ASEAN's Compound Annual Growth Rate (CAGR) at 5% ASEAN economy should reach US$1 trillion by 2005 and US$2 trillion in 2020 (ASEAN, 2021). ASEAN became US$1 trillion economy in 2006, one year later than the predicted date. But ASEAN passed the US$2 trillion benchmark in 2011, 9 years earlier than anticipated. According to IMF, by 2015, ASEAN' CAGR would almost reach US$3 trillion point and will be closer to US$4 trillion in 2020.[1]

In 2020, based on the AEC Blueprint Mid-term Review, ASEAN GDP has grown by more than 5% per year on average for the past five years to reach US$ 3.2 trillion in 2019. The GDP for 2020 contracted to US$ 3.0 trillion due to the Covid-19 pandemic. ASEAN, collectively, is the 5th largest economy in the world, accounting for 3.6% of global economy in nominal term, or 6.2% in purchasing power parity (PPP) terms. ASEAN GDP per capita has consistently grown in the last five years, from around US$ 3,900 to more than US$ 4,800 (ASEAN, 2021). ASEAN is on the right track to meet the prediction of the Asian Development Bank, that it would be seventh largest in the world with a combined gross domestic product (GDP) of $2.4 trillion in 2013 it could be fourth largest by 2050 if growth trends continue (ASEAN, 2021).

Whilst SEZ has made its fair share to the economic growth and economic development in the more developed ASEAN Member States like Malaysia, Singapore and Thailand, the newer ASEAN Member States i.e., Cambodia, Lao PDR, Myanmar and Vietnam are learning their way in reaping the same benefit. This Chapter will examine the SEZ implementation in three ASEAN Member States, i.e., Malaysia, Lao PDR and Myanmar.

The chapter will explain how Lao PDR and Myanmar may learn from Malaysian industrialisation effort through the SEZ. The chapter also provides a systematic comparison on features and approach of the three ASEAN Member States on SEZ. The chapter will first examine the concept of SEZ (Part 2), followed by situating the SEZ within the ASEAN Economic Community through the ASEAN Trade in Goods Agreement (ATIGA) and the liberalisation and facilitation pillar of the ASEAN Comprehensive Investment Agreement (ACIA) (Part 3). The chapter will then examine the development of the SEZ in the Malaysia, Lao PDR and Myanmar (Part 4), followed by conclusion and recommendations for adoption by ASEAN Member States (Part 5). In discussing the SEZ, the chapter will also link the efforts by the ASEAN Member States to rebuild their economy during and post-Covid-19 pandemic, where SEZ should be an option.

DEFINING SEZs

UNCTAD in the World Investment Report 2019 states that 147 countries have established nearly 5,400 SEZ's within their borders and 500 are in the pipeline (UNCTAD, 2019). SEZ may be defined as geographically delimited areas, created with the intention of offering well-developed industrial spaces, with special legal regimes, rules, institutional environment, and incentives (UNCTAD, 2019). According to the ADB, SEZs are government-designated industrial areas with specific geographical boundaries and are developed by public and / or private entities, offering enabling environments in a limited place

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