

# Chapter 15

## Mapping the Brazilian Reality in the Development of Special Economic Zones

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### ABSTRACT

*Special Economic Zones (SEZs) have emerged as very popular instruments of economic policy, aiming to create conditions to attract investment and offset the weaknesses of the business environment in developing countries. Despite being a very applied economic policy, there are few studies that analyze this phenomenon in a systematic and deep way, especially in the Brazilian scenario. Therefore, the following research objectives were established (1) to map the Brazilian reality in relation to the development of SEZs and (2) to map the scientific studies that involved SEZs and Brazil. The analyses demonstrated that Brazilian SEZs are concentrated in the North and Northeast regions of the country, especially the Manaus Free Trade Zone. The implementation of this type of policy in Brazil has great influence from the state and actions of the legislative branch. However, there are obstacles that compromise a more effective outcome of this policy and that need to be removed in order to allow a more integrated impact on the territory.*

### INTRODUCTION

Developing countries can present different economic development scenarios, with a concentration of income in certain regions while others are underdeveloped. Special Economic Zones (SEZs) can be used

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as an economic policy mechanism to attract investment and minimize weaknesses in underdeveloped regions. (Mösle, 2019). SEZs allow new reflections on the planning and conduct of economic policies (Lipták, Klasová, & Kováč, 2015), as well as enabling effective public policy actions in order to contribute to the economic development of the location in which it is inserted (Cavalcante, 2018a). Through SEZs, governments seek to develop and diversify exports, create jobs and strengthen the process of sharing technology and knowledge (Sosnovskikh, 2017). The surge of SEZs in recent years has provoked debates involving various analytical approaches - not only in the economic context - due to its wide influence and impacts generated (Lipták et al., 2015).

Mösle (2019), based on data from the Organization for Economic Cooperation and Development (OECD), reports that there are more than 5,000 SEZs in about 140 countries. SEZs are responsible for an annual volume of exports of around US \$3.5 trillion and generate 100 million jobs, the vast majority of which are in China. SEZs are more widespread in Asia, where they are considered as a key export driver, showing broad growth in recent decades (Mösle, 2019). However, the results of applying this type of economic policy can be the most diverse (Alkon, 2018).

In the Chinese case, sub-national policies determine the location of SEZs according to local and regional socioeconomic development goals (Alkon, 2018). However, SEZs in China are concentrated west coast, and are not widespread in other regions of the country (Demurger, Sachs, Woo, Bao, & Chang, 2002). In India, the results show that this policy has failed in its goal of fostering local socioeconomic development (Alkon, 2018). In Sub-Saharan Africa, SEZs have been less successful so far, especially due to the inadequacy between planning and implementing (Mösle, 2019).

Thus, it is possible to note that some countries are able to develop economically through SEZs, while other countries have a mixed or even negative effect when, for example, public spending on infrastructure investments for the region exceed the benefits obtained from the SEZ. Technology and knowledge transfers and productivity gains associated with the entire economy have been limited in most countries, except for China, Taiwan and South Korea (Mösle, 2019).

Despite being a widely applied economic policy, there are many gaps when it comes to the study of SEZs in emerging countries (Frick & Rodríguez-Pose, 2019) and therefore it's extremely important to develop more research that analyzes this phenomenon in a more systematic and profound way. Furthermore, approaches to the performance and economic effects of free zones are also rare (Mösle, 2019). This justifies the adoption of a study to ascertain the reality of SEZs in Brazil.

Thus, this chapter has two central objectives, namely: (i) to map the Brazilian reality in relation to the development of SEZs; and (ii) identify and analyze the scientific studies involving SEZs and Brazil. The following research questions were established: what is the Brazilian reality in relation to the development of Special Economic Zones (SEZs)? How has the academy observed SEZs in the Brazilian context?

To achieve the proposed objective, a qualitative approach, inductive logic and interpretative epistemology were applied. The theoretical foundations of the research were based on searches carried out in the academic databases SCOPUS, Web of Science, EBSCOhost, ieeEXplore and Emerald insight. In addition, for a search for scientific documents and official reports from the Brazilian State, the Google and Google Scholar search tools were consulted. For the Systematic Literature Review (RST), the recommendations of Webster and Watson (2002) were followed. After reviewing the literature, the searches were complemented using the snowball technique (Greenhalgh & Peacock, 2005).

This chapter is organized into five parts including this introduction which presents information and contextualization about the theme of the study. Then the methodology subchapter explains the procedures adopted and the classifications of the research conducted, as well as the results of the systematic

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