



CASE – Center for Social
and Economic Research

List of abstracts

The Political Economy of Place-Based Policies with a Focus on Special Economic Zones

April 23-24, 2015 | Warsaw, Poland

Warsaw School of Economics, Building C, Aula I
al. Niepodległości 128, Warsaw, 02-554 Poland

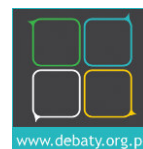
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PANEL 1. International perspectives

Christopher A. Hartwell, PhD

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Bringing the Benefits of David to Goliath: Special Economic Zones and Institutional Improvement

The theory behind SEZs and their goals in economic development have been clearly elucidated in the regional studies and public administration literature, with emphasis on their role in overcoming broader policy failings in a country and serving as a laboratory for policy experimentation. But while there have been many works researching the effects of SEZs and their impact on FDI and other economic outcomes, for the most part there is less of an understanding of the channels in which the policy reform benefits would come to arise in an SEZ. This paper hypothesizes that the ability of smaller countries to reform more quickly provides a theoretical “missing link” as to how SEZs can assist reform, developing the idea of SEZs as a “small country in a large country”. Then, using a new database of 130 countries from 1983-2012, I examine two separate empirical issues: one, if the size of a country really does matter for its institutional structure; and two, if SEZs have actually been able to spur on institutional improvement in large countries and in what magnitude. Results show that there are indeed correlations between certain facets of the business environment and country size, including weaker legal rights and higher levels of corruption in larger countries. Moreover, SEZs do, on average, apparently influence the institutional development of a country, but are contingent upon prevailing institutional trends in a country and other, political, institutions.

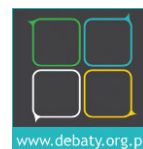
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Trade Performance of Free Trade Zones

Free trade zones (FTZ) have become widespread with the liberalisation of international trade and investment. They are a key player in the deepening of the global value chain (GVC). However, little is known about their contribution to world trade due to a lack of information on their location and status. This paper sets out to improve knowledge in this area by analysing the trade performance of FTZ countries at macro-level with a focus on FTZ externalities and distortive costs. We have built an original database of FTZs where we define them as processing zones benefiting from import tariff incentives. We show that FTZs raise trade only by easing the negative impact of protection. As importers of components and raw materials, they raise the rest of the world's exports. This confirms the contribution of FTZs to the GVC. This result is robust to a change in the model specification, errors and bias due to data collection issues and sample composition.

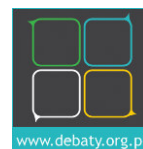
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PANEL 2. Interdisciplinary perspectives

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Investments in SEZ and their impact upon development of poviats in Poland

Special economic zones (SEZs) in Poland were established to enhance regional development through a system of investment incentives designed to boost investment attractiveness of regions. In the light of new economic geography, investment projects within SEZ should attract further investment and entrepreneurs and, as a result, reduce unemployment. To capture the impact of investment in SEZ in the period 2005-2013 upon gross fixed assets, the number of operators and unemployment rate we used the difference-in-difference method and compared achieved results to a control group of regions, in which no such zones have been established so far. The analysis allows us to conclude that SEZ have had a much stronger impact upon the development of medium-less developed regions while in relatively the poorest and the richest ones the effect was the weakest or even statistically negligible.

Based on an evaluation study, the survey assesses the impact of SEZs on regional development in Poland at the level of poviats (counties). The author examines relationships between changes in invested amounts and the number of created or retained jobs connected with production or service operations launched in the SEZs and the dynamics of changes in: gross book value of fixed assets, the number of entrepreneurs, economic operators, workers and the unemployment rate.

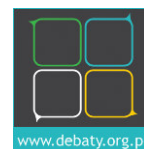
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Andrzej Cieřlik, PhD

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Political economy of Special Economic Zones location in Poland

In this paper we study the role of political and economic factors affecting the location of Special Economic Zones (SEZs) that were established in the 1990s in Poland with the aim of promoting long-run economic development of the lagging behind regions. The obtained empirical results indicate that SEZs were established in larger regions with a higher political bargaining power, a high share of industrial employment, a high rate of unemployment, and a fast rate of growth in total employment. Therefore, we argue that the SEZs become subject to political lobbying and instead of becoming a component of a regional policy aimed at providing foundations for a long-run development of underdeveloped regions, in accordance with the European Union and World Trade Organization principles, they were treated as a short-run instrument of industrial restructuring in regions that were particularly badly affected by unemployment at the beginning of the political and economic transition in Poland.

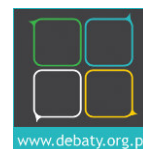
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'There is no Rose without a Thorn?': a Typical Trap in the Tax Incentive Driven Foreign Direct Investment Promotion Policy – a Lesson from the Polish Special Economic Zones

Following the Irish model in the 60's, Poland established several Special Economic Zones (SEZs) as a vehicle of foreign direct investment promotion on both national and sub-national level. Since the first establishment in 1995, the Polish SEZs have shown a remarkable achievement in attracting foreign multinational manufacturing giants, and the recent modification of the law has accelerated the so-called 'business process offshoring' of the global enterprises in the region. Despite this seemingly rosy picture, this paper questions the systemic sustainability of the Polish SEZs from a political and legal point of view. Within the terrain of the SEZs, investors are exempted from the corporate income tax and, in some cases, the real estate tax, conditions varying from one business permit to another. The Ministry of Economy promotes the SEZs with these different tax exemption schemes attached to the SEZ business permits, while the Ministry of Finance and its tax authorities increasingly intervene and review the treatment of non-taxable revenues from the SEZ related economic activities. For the existing investors' advantage, moreover, the ultimate lifetime of the SEZ as the tax-exempted special jurisdiction in Poland has been prolonged several times. The increased uncertainty and anxiety surrounding the above inter-ministerial conflict, however, seem to discourage other firms to enter the SEZ program.

This paper further investigates the arbitrary role played by the Polish administrative courts in solving the above inter-ministerial competition of SEZ related tax policies. By strengthening the rule of law on tax interpretation, the courts depoliticize the aforementioned tax incentive driven FDI promotion policy. The network of administrative courts also functions as a decentralizing factor of SEZ related administrative decisions, softening the national political intervention in the sub-national economic development. The paper, nevertheless, cautiously notes other roles the courts could have played, including the harmonization between national SEZ policy and the supranational European Law.

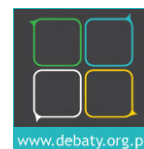
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PANEL 3. Polish experience on data. Part 1

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The Regional Impact of Polish Special Economic Zones: Spatial Panel Modelling Perspective

After the collapse of the communist bloc in 1989, countries in Central and Eastern Europe, including Poland, started a rapid political and economic transformation. In the course of this process, Poland substantially narrowed the development gap separating it from wealthier economies of Western Europe. However, differences in economic outcomes between particular regions within Poland remained a persistent feature of Polish transformation. As soon as 1994, Polish government implemented special economic zones (hereafter: SSEs - pol. *Specjalne Strefy Ekonomiczne*) as a place-based policy aimed at mitigating these differences by *inter alia* attracting investment and creating new jobs. Increasing reliance on SSEs has been mirrored in both the gradual expansion of zones' territory and the extensions of their operating time horizon. Support for enterprises operating in SSEs involves substantial costs, so the question of SSEs' effectiveness as a policy tool becomes vital. The question may be divided into two parts. Firstly, what explains considerable differences in SSEs' direct effects i.e. why some SSEs attract more firms than the others. Secondly, what is the impact of firms located in SSEs on economic outcomes outside SSEs territory.

The research seeks to answer the second part of the question. It contains estimation of spatial panel data models of employment and capital investment for 379 Polish poviats (ang. counties; LAU-1, previously NUTS-4 regions) over the period 2003-2012 and includes explanatory variables describing employment and investment outlays of companies operating under SSE designation.

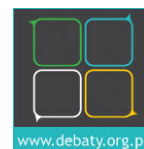
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NPV-based econometric modelling in assessment of public intervention efficiency: case of Special Economic Zones

Special Economic Zones (SEZ) are the public intervention instrument, targeted on boosting up economic growth and implementing spatial cohesion policy. This paper develops spatial econometric model based on Net Present Value to assess the impact of SEZ on local economies and its efficiency in the long run. Cumulative spatial simultaneous autoregressive model and spatial panel model with impacts were estimated. Analysis of SEZ in Poland in 1995-2012 proves that poor spillover of intervention appeared, financial situation of self-governments did not improve and local investments have much stronger impact on development than tax and investment incentives for business within SEZ.

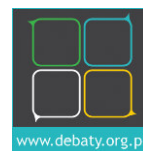
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Trade Openness and Sensitivity to Austerity: The Case of Special Economic Zones in Poland

The recent global financial crisis has revealed the significance of different types of linkages that occur between economic entities located in different areas of the world. These interactions, stemming from an openness to the global economy, foreign trade, foreign investment, credit sectors, changes in demand, etc., are seen as transmission channels through which shocks can pass through. As a result, economies that have become more entangled in different linkages of high significance to the national economy are seen as more vulnerable to economic crisis transmission.

Special Economic Zones (SEZs) in Poland, which are economically preferred areas, offer various amenities for investors that have valid permits to operate in them. These are, for instance, tax exemptions, fully equipped sites with the necessary utilities ready for investment, and law assistance in the investment process.

The paper aims at identifying the extent to which Special Economic Zones were susceptible to the negative impacts of the recent financial crisis. Therefore, we analyse in detail the vulnerability of these areas to the negative impacts of the recent financial crisis in comparison to the national economy; we also inspect their influence on the Polish economy. We have formulated a hypothesis that, due to higher openness to trade, SEZs were more susceptible to import negative impacts of economic shocks than the Polish economy on average. The analysis was conducted on (1) an aggregate level (SEZ vs. the Polish economy as a whole) as well as (2) with spatial reference to the location of specific entities that have valid permits for operation in SEZs in Poland. In the latter, we had to disaggregate some of the data to the poviats level, which corresponds to NUTS 4 level of administrative division. As a result of a thorough study of the volume of exports, the number of exporters/importers located in SEZs, the geographical and commodity structure and dynamics of exports/imports, etc., we have formulated conclusions concerning: (1) the degree to which economic entities located in SEZs are prone to transmission of economic shocks, (2) branches being vulnerable to external economic shocks, (3) the significance of SEZs influence on the aggregate economy, (4) and the spatial perspective of economic slowdown distribution in Poland with a particular reference to the location of SEZs.

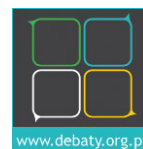
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PANEL 4. Polish experience on data. Part 2

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Special economic zones as growth poles and 'anti-growth poles' in Poland's regions

Special economic zones or SEZs are considered one of the most successful measures in the regional policy which are applied to overcome barriers to regional development. One should, however, consider not only a positive scenario in which the zones become growth poles but also take into consideration the opposite course of actions. It is possible that the zones produce adverse effects. They may not only fail to create growth generators but may even inhibit the growth or cause a spate of negative phenomena which intensify one another (negative synergy).

The negative scenario is probable when state aid is adjusted neither in terms of its scale nor in kind nor form to the characteristics of a given region/locality and investments in the zones fail to stimulate long-term development in a viable manner and instead cause overexploitation of resources. Therefore it is important to identify mechanisms which either cause the positive scenario to happen, which means a growth pole is created by the special economic zones, or make the negative scenario fulfil, which is tantamount to the creation of an 'anti-growth pole'.

The aim of this paper is to present the impact which the special economic zones exert on the positive or negative polarisation of regional development. The conclusions will help identify the factors which either increase a chance of positive development effects of the economic zones or cause their negative effects to cumulate. The conclusions on special economic zones effects may be applied not only in order to foster development of Poland's regions but also regions located in other countries worldwide as the mechanisms of space polarisation are universal in their character. Consequently, they may be particularly helpful to stimulate regional economy in underdeveloped agricultural regions and problem regions characterised by an anachronistic structure of regional economy based on industrial monoculture. Polish regions demonstrate broad diversity and different capacities to absorb state aid.

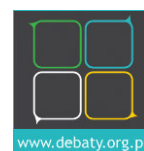
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DAY 1

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Special Economic Zones effectiveness assessment based on the adjusted “enclave” model. The Case of Poland

Special Economic Zones (SEZ) are economic enclaves, created by the state in order to attract domestic and foreign investors, so as to stimulate economic growth and development in the region. One of the models relating to SEZ describing the way of measuring the effectiveness of their impact on the surrounding economy is P. Warr enclave model. Paper presents adjusted “enclave” model P. Warrs and his tests for Polish SEZ. As a result of analysis of the effectiveness of SEZs in Poland, the net present value of cash flows (NPV) is 116.4 billion zł. Adjustment of the model based on discounted cash flows in Polish conditions allows to carry out similar studies in other European countries with incentives in the form of zones, especially those after the transformation.

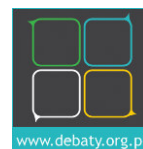
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DAY 1 – Poster session

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Regional Dimension of High Technology Industries Development in France. The Case of Sophia Antipolis, Innovalle and Aerospace Valley

The aim of the text is to present three French high-tech concentrations and to show how they developed till the first decade of XXI century. Their development was not an indigenous process. It is visible that the crucial role in it played the state and its regional or local authorities as well as the individuals. There can be seen a long tradition of centralized administration in the development of high-tech concentration in France. Creating technopoles (or technology parks) became a fashionable policy in local and regional policy in late 60s and early 70s. The aim of the technopoles was to attract and host high-technology industrial firms that would provide jobs and income for local economies. As instruments of industrial policy, they were expected to sustain economic growth and competitiveness.

In the three examples described below the state took initiative, while private and public institutions remained subsidiary and did not have real power in terms of undertaken directions or decisions. However, the birth of Sophia Antipolis must be treated as a private venture, and the credit for it should be given to one person. The example of Innovallée shows how collective efforts of local authorities, universities and business can change the regional industrial structure and transform an industrial economic zone to a high-tech concentration. And the example of Aerospace Valley shows how public policy from the 60s led to the development of highly innovative aerospace industry and to the creation of high-tech cluster.

The text is divided into two parts. In the first one the French high-technology industry is described in comparison with other European economies. In the second part three high-tech concentrations are discussed according to the following scheme: origin, economic structure of the region, demography and human capital, infrastructure, natural environment and enterprises.

The text is based on data and information gathered during the tour that was made to Sophia Antipolis, Innovallée and Aerospace Valley between October and November 2011. Several conversations with entrepreneurs and representatives of local business authorities have been carried out during the visit. Historical and present information about the high-tech concentrations were grounded on brochures, leaflets, reports and books quoted at the end of the text.

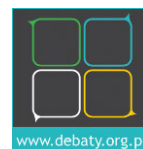
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DAY 1 – Poster session

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SEZ in Uzbekistan: distinctive features of the establishment and functioning

The establishment of Special Economic Zones (SEZ) in recent years has become an important factor in the expansion of attraction of foreign direct investment into the national economy for modernization, technical and technological renovation of industrial production.

The presence of free economic zones (FEZ) in Uzbekistan has provided granting foreign investors more attractive conditions and mechanisms to increase their investment activities and contributed to the development of domestic producers of new types of telecommunication, oil and gas equipment, chemical, automotive and electrical industries, modern building and finishing materials, high-quality consumer goods, other high-tech industrial products.

There were established 33 enterprises with foreign capital with a total investment of \$ 296 million for the period 2009-2014 in free economic zones. Currently, another 23 joint investment projects amounting to over 123 million dollars are realized, about 50 new perspective projects are under development. The paper discusses the current state of implementation of projects for each of the three zones.

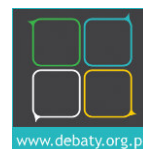
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DAY 1 – Poster session

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Special economic zones-are they really successful? The case of Poland

Special Economic Zones (SEZ's) are regions within a country that are economically privileged. They are usually used by developing countries to attract investment and serve as special places of economic freedom for businesses located within them. They started in China in the early 1980's, SEZ's have now spread abroad in countries including Brazil, India, Iran, Jordan, Kazakhstan, Pakistan, the Philippines, Poland, Russia, and Ukraine. Future of those zones is quite unclear and strictly debated. One of the concerns about zones is their location in areas where it is not necessary due to the high level of economic development rather than their creation in underdeveloped areas. While SEZ's offer a surplus of relaxed laws and economic advantages to investors, they also provide substantial problems for residents of the communities in which they are located and people who comprise the labor force of SEZ industries. This paper goal is to learn the economic, environmental impact SEZ's have on various stakeholders and discuss the current trends in SEZ development.

Special Economic Zones offer many advantages to investors in foreign country. Those advantages include relaxed labor, environmental, registration and land use laws, along with lower taxes, less cumbersome procurement of materials and more streamlined negotiation of projects. By offering tax breaks, reduced bureaucratic interference, and enhanced legal enforcement of property rights, local jurisdictions have been able to create regulatory environments more conducive to business and more attractive to foreign investors. Governments, including that of China and Poland, often grant extensive legislative autonomy to the SEZ governments struggling to develop modern technology, SEZ's provide excellent infrastructure. SEZ's existence also promotes the development of secondary industries to service firms, and regional development.

In spite of their seemingly ideal economic perspective, SEZ's are not problem free. They raise sustainability issues, as SEZ development is often very rapid while environmental precautions are thin. As more arable land is taken over for urbanization and industrialization, issues related to changes in land use have become a major source of dispute between the society and the government. Poland's plan for SEZ's may yield some clues as to what the future may hold for SEZ's worldwide.

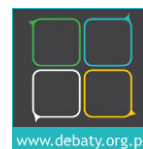
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DAY 1 – Poster session

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Materialities of economic growth in southwestern rural Poland and the case of the Special Economic Zone

In the course of systemic transformation Poland has adopted growth-oriented approach toward development and a line of politics that supports it. One of the key assumptions underlying this approach is the idea that the influx of international capital is an indispensable condition for stimulating economy at macro and micro levels. For this reason, the consecutive governments have been introducing legal mechanisms which offer investment incentives to foreign entrepreneurs. As a result of these efforts, in 1995 the first Special Economic Zone (SEZ) was established. Since then, Poland has created another 13 zones, mainly in rural areas. These procedures of restructuring ruralities have contributed to the sociospatial reorganization of the local landscapes.

In my presentation I would like to explore the socio-cultural consequences of the economic transformation processes through the prism of the manifestations of economic growth in rural Poland. I will particularly focus on the changes that have occurred in a commune which is well-known for its active policy on attracting foreign investors. My point of departure is the territory, occupied by the SEZ, which I conceive as a certain time-space material palimpsest representative of the scenario of economic transition: from the state-owned collective farms to the market-based industrialization with its complex infrastructure. Questions of my interest are as follows: what are the material indicators of growth in rural areas?; what meanings are attached to them?; and in what ways do they redefine the imaginative landscapes of the local communities?

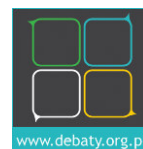
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DAY 1 – Poster session

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Post-crisis macroeconomic comparative assessment of the Eurozone member states with the use of an improved misery index

The Eurozone countries have been running in the post-crisis conditions for a few years now. The worldwide financial and economic crisis caused and continuous to cause serious social and economic repercussions, not only in the short, but also in the long-run. Some countries have been more successful in dealing with the post-crisis economic conditions, whereas some have struggled, achieving mixed macroeconomic results in terms of the GDP, unemployment, general price level and budget deficit. Regional post-crisis differences in the Eurozone present a challenge for the community cohesion polity, which is the essence of fiscal policy conducted at the supranational level and within the European Union budget. A crisis causes negative consequences with respect to both nominal and real convergence in Europe, which in turn is a treat also to the candidate countries as well as the Eurozone countries. Furthermore, it inhibits conducting uniform monetary policy by the European Central Bank.

The aim of this is to conduct a post-crisis comparative assessment of the Eurozone countries, taking into consideration also the years 2008-2013. The first 2-3 years of the period under analysis may be assumed to be the peak of the crisis, whereas the following years are regarded as a post-crisis period. The study includes 17 countries – members of the Eurozone, and their economic condition at the end of 2013. The initial part of the empirical, fragmentary research includes fundamental macroeconomic measures referring to the real dynamics of the GDP, unemployment rate, dynamics of the general price level and the relation of budget deficit to the GDP. The main part of the study presents the estimates of an earlier suggested, multifactorial, complex macroeconomic condition index (MCI). The basis for the construction of this measure is the misery index, which has been broadened in this case and adjusted in terms of its quality. Furthermore, additional variables referring to the GDP dynamics and budget deficit have been included in the analysis and compared with the optimal values. As a result, three variants of the MCI have been proposed. Thus, the obtained measure is more adequate to the assessment of the situation with reference to contemporary global economic conditions.

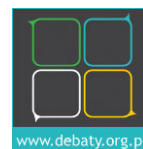
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DAY 1 – Poster session

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SEZ design foresight for Ukraine: redistribution vs. growth

Since 2012 Ukrainian economy is one of the most discussed countries in the world. Before the war the main theme of debates was EU Association Agreement and its preparations. After Crimea annexation and military conflict evasion on the East of Ukraine the dominant question is - whether or not it can be a failed state?

Despite many talks and aggressive Russian propaganda there is the clear position within Ukrainian authorities and society about unity and independence, need for wide multi-scaled reforms and long-term economic development.

The question of Donbass and Crimea regions' mechanism's design and public policy commitments in the nearest post-war future leads to a more comprehensive reform's framework. In one hand, reconnection and rebuilt of the regions require huge investments, social capital regeneration, infrastructure modernization and interregional economic and business ties. In another – deepened during the war socio-economic and political gap together with high Russia-oriented export potential and family connections are seemed to be Ukrainian long-term challenges.

In such situation, there is high a risk for traditional reform mechanisms failure. Neither budgetary and fiscal support, nor regulatory and business liberalizations can cure social capital devaluation and labor forces underperformance in total rent-seeking pro-military and oligarch environment.

Facing third stagnation since 2008 Ukraine has no internal financial resources, no professional capacity, no business vision for strong comeback. Among mechanisms aimed to solve large-scale problems arise two, that need further fine-tuning. First – special economic zones (SEZs) – basic instrument of the lagged territory development policy during last 50 years (most popular in developing countries, not least – most controversial one). Second - EU Structural Funds and Macro-financial Assistance Programs (usually used by developed countries).

The main question of the paper is – How can Ukraine revive its long-term economic growth in combination with post-war rebuilt of two large intensively populated territories? What policies and instruments combination will provide countries' international competitiveness and nations' wealth recovery?

To address these questions author will try to make reforms and policy design foresight with the focus on SEZs mechanisms, supported by EU Structural Funds and MAP instruments.

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