The economic impact of Special Economic Zones: Evidence from Chinese municipalities

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Abstract

The paper exploits a unique Chinese municipal dataset to assess the impact of Special Economic Zones on the local economy. Comparing the changes between the municipalities that created a SEZ in earlier rounds and those in later waves, I find that the SEZ program increases foreign direct investment not merely through firm relocation, and does not crowd out domestic investment. With dense investment in the targeted municipality the SEZ achieves agglomeration economies and generates wage increases for workers more than the increase in the local cost of living. The effects are heterogeneous: for zones created later the benefits are smaller while the distortions in firm location behavior are larger than those for the early zones. Municipalities with multiple SEZs experience larger effects than those with only one SEZ.
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Special economic zones in Africa: comparing performance and learning from global experiences, non-residential premises gives a differential subject of the political process.

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