



Richardson Institute
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DEFINING AND UNDERSTANDING “SOVEREIGN ECONOMIC ZONES”: AN INITIAL EXPLORATION

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Introduction: Defining the ‘Sovereign Economic Zone’

One challenge of studying sovereign economic zones is found in the term itself. Constructing a precise and applicable definition for this concept is fraught with difficulty. To overcome this preliminary hurdle, we must establish the term in such a way that disambiguates its meaning from other concepts. In addition to this, a set of criteria for identification is required, needing to be sufficiently detailed and universally applicable. Sovereign economic zones can be defined as regions which exist within their own autonomous, or quasi-autonomous, economic jurisdictions. What is more, these territories possess a form of sovereignty over inhabitants with a shared identity. The strength of this definition is that it encompasses both the relevant countries and non-countries (such as the special administrative regions of China), whilst omitting manufactured and parodic examples, which typically settle for micronation status. The definition harbours a potentially contentious term: ‘quasi-autonomous’. There are many territories whose autonomy is contested, or even overtly undermined. Moreover, it has been argued that no nation possesses true autonomy as classically defined (Evans, P, 1971). To avoid excluding territories which we wish to refer to as sovereign economic zones, but do not satisfy certain definitional criteria, the term quasi-autonomous includes nations whose pure autonomy is disputable, yet still exhibit some form of self-governance and control over economic matters.

The Nature of the Research

We have often been asked what the conclusion is of this project. However, this misunderstands the nature of our research. The first objective was to establish a definition for the sovereign economic zone, facilitating its usage in academia and policy making. The next step was to map out different types of special economic zones across Europe. By doing this, we could evaluate the possibility of establishing a special economic zone in a given sovereign territory. In particular, territories that possess some form of sovereign identity, but which lack their own economic infrastructure. Thus, the nature of our research does not lead us to any



conclusion, but this was never the objective. The objective is to provide a better understanding of the sovereign economic zone and put forth a map of economic zones which can be, among other things, applied to sovereign territories.

Establishing Spatial and Temporal Research Parameters

Shenzhen, Zhuhai and Shantou were designated as special economic zones in August 1980, an initiative characteristic of China's Open Door Policy adopted in 1978. The delegation of economic sovereignty to Chinese coastal and economic hubs, through tax incentives, reduced regulations, affordable land and lesser customs duties, is widely regarded as key to influxes of foreign capital and general economic growth. Chinese engagement with sovereign economic zones has had global reach, from the establishment of the China-Belarus Industrial Park to a strategy of engagement with African special economic zones. Thus, pre-existing research prioritises Chinese special economic zones as the driving force in global interaction with sovereign economic zones.

However, a historical perspective indicates European involvement in the development of sovereign economic zones. Hamburg, an independent federal unit within the German Empire, established a free port in 1888. Twelve duty free areas have been identified in Europe as early as 1904 (Anderson, 1934, p.150). Historic free ports, characterised by proximity to independent political units, sophisticated transport links and commercial functions, echo the structures and objectives of the sovereign economic zone. Corey Tazzara articulates four phases in the geographical expansion of freeports (2014, p.496). The Tyrrhenian Period, 1591 to 1650, encompasses Villefranche and Nice's adoption of Livorno's free port policies. The Expansionary Phase, 1650 to 1740, describes the adoption of free ports throughout western Europe. By the mid-18th century, colonial powers began creating free ports in the Caribbean Sea. The final phase describes the spread of free ports to East Asia and North America. Thus, the historical trajectory of European free ports is relevant to understand the existence and nature of sovereign economic zones globally.

Existing scholarship predominantly focuses on Chinese special economic zones as an analytical benchmark. However, the ongoing development of British freeports highlights the growing relevance of sovereign economic zones to the European context. Limiting the scope of our study to Europe reveals the transnational nature of sovereign economic zones while establishing a foundation to consider the character, relevance and implications of sovereign economic zones in the under-researched European context.



European Case Studies

Our mapping of European special economic zones, free economic/ trade zones, enterprise/ industrial zones and free ports does not seek to conclusively articulate the nature of sovereign economic zones. Rather, the geographical data visually and transnationally represents the applicability of the term 'sovereign economic zone' to the European context. Our research reveals trends and poses avenues for further study. For example, our geographical data suggests a preference for urban and coastal locations. Free ports are predominantly visible in western Europe, free economic/ trade zones and enterprise/ industrial zones are largely visible in northern and southern Europe. Eastern Europe demonstrates a preference for special economic zones.

Having mapped the existence of various economic zones, it becomes possible to study the functionality, effectiveness, legality and impact of individual zones within the national context. Our national case studies act as preliminary explorations of these considerations, as well as to the applicability of various economic zones to the concept of economic sovereignty.

Poland

Poland implemented special economic zones in 1994 to aid its transition to a market economy after the collapse of the USSR. Poland's special economic zones align with national economic policy to reduce income inequality in rural areas and develop national commerce. In high unemployment areas, more aid is provided for a longer period. Adaption to EU regulations and regular policy evaluation have created a national system of regionally integrated special economic zones capable of attracting foreign investment and employment. All special economic zones, although regionally managed, are overseen by the Polish Trade and Investment Agency. Although publicly owned, the Treasury or regional government hold majority shares in companies operating the zones (ESPON, 2020). By 2012, Polish special economic zones had generated over EUR20 billion of investments and created over 186,000 jobs (Centre for Public Impact, 2018).

Hungary

Hungary introduced 'free enterprise zones' in 2013 to boost regional economies. Free enterprise zones provide 5-year 80% tax incentives for investments of at least HUF 100 million, and subsidies for each new employee hired. Hungarian free enterprise zones have been criticised for having little socio-economic impact and facilitating political corruption. Viktor

Orbán has been accused of using free enterprise zones to divert decision-making and regulatory power from the municipal council to the county assembly, run by Fidesz politicians.

Russia

In 2005, the Russian government introduced 'large scale special-economic-zone policy' to attract foreign investment (Dubinina, 2022, p,1). Russian special economic zones are located primarily in central and western Russia and include a free customs regime, profit tax rate deduction, and exemption from land and transport taxes for five to fifteen years. Each special economic zone specialises in industry, technology, tourism or logistics.

Belarus

Belarussian special economic zones provide exemptions from taxation, export sales and import customs duties (Ministry of Economy of the Republic of Belarus). Great Stone Industrial Park, also known as the China-Belarus Industrial Park, is a manufacturing hub providing free access to the Eurasian market. The industrial park is 25 kilometres from Minsk and on the northern corridor of the New Silk Road trade route.

Albania

Albania introduced free economic zones as part of the Technical and Economic Development Areas programme (Emerging Europe, 2015). Spitalla is in close proximity to the Adriatic Sea port, Kopliku borders Montenegro, and Tirana is the capital city of Albania. Each of these regions host a free economic zone, which provide customs duties and VAT exemptions.

Croatia

The Government of the Republic of Croatia defines its free zones as a 'specially fenced and marked part of the territory located in the area of a seaport or airport along an international road' (Government of the Republic of Croatia). Rijeka free zone provides a short sea connection to the Mediterranean, while Ploče free zone is 25 kilometres from the border of Bosnia and Herzegovina.



Portugal

Madeira is an autonomous region of Portugal. The Madeira free trade zone was created to facilitate the physical movement of goods. All goods, regardless of their 'nature, quantity, origin or destination', may be stored or repaired in the industrial free trade zone, 'provided they are not a threat to national security or public health' (Madeira Management). The Madeira free trade zone offers tax and customs incentives, a skilled workforce and direct access to the EU intra-community market.

Gibraltar

Gibraltar, a British Overseas Territory, has an independent and democratically elected government; Gibraltar's 2006 Constitution re-affirms autonomy for its internal affairs. To encourage private development in Gibraltar, tax, import duty and rates relief is offered to projects determined to be for the economic benefit of Gibraltar (PwC, 2022). Thus, Gibraltar characterises elements of sovereignty and economic independence characteristic of a sovereign economic zone.

Scope for Future Research

The existing research on sovereign economic zones, including this research, still has some gaps. For this specific research, our primary task was to define sovereign economic zones and then map them out globally. However, for practical reasons, we focused on the European region.

While the existing research on sovereign economic zones provides valuable insights, there are still some areas where further research is needed. The findings of this research, for instance, have helped to define the concept of sovereign economic zones and develop a global map of these zones, but there are still some gaps that need to be addressed. For instance, while the European region was chosen as the focus of this research due to practical reasons, it is important to explore and compare other regions to get a more comprehensive understanding of the topic.



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Additionally, since our task was to just define the term and then map the zones, the scale of this project was restricted, and so there was only so much we were expected to research, which is in a way a limitation of this project, but also a strength, because while the research we have conducted is useful in getting a good understanding of what sovereign economic zones are where are they located across Europe, however for future research it would be useful to delve deep into specific case studies that explore the economic, political, and social implications of such zones, because there are so much information and data that cannot be explained through just mapping. And by conducting an in-depth analysis of these case studies, we can acquire a more nuanced understanding of sovereign economic zones and their potential impact on the global economy. Furthermore, examining various case studies can provide us with a broader perspective on how these zones function in different contexts and how they may be adapted to suit the unique needs and circumstances of individual countries. Ultimately, a thorough examination of case studies is crucial for anyone seeking to acquire a comprehensive understanding of sovereign economic zones and their role in shaping the global economic landscape.

