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“Do Special Economic Zones foster structural changes? Evidence from districts in Vietnam”

Abstract:

Special Economic Zones (SEZs) have emerged as vital catalysts for structural transformation worldwide in recent decades, yet how SEZs influence structural change in developing countries seems largely unveiled. This study examines the causal effects of SEZ establishments on structural changes in 708 districts across Vietnam from 1992 to 2020. We utilize satellite-based remote sensing data to resolve the unavailability of official data at a lower level of spatial hierarchy. Additionally, we apply the newly developed Difference-in-Differences with multiple time periods to measure the overall effect of the staggered treatment. Our findings indicate that SEZs promote industrial growth in Vietnamese districts. The establishment of SEZs leads to a decrease in agricultural land. Nevertheless, the agricultural production output in communities hosting SEZs shows a slight increase, indicating a possible improvement in agricultural productivity to compensate for the reduced land. From our findings, we suggest that a combination of SEZ policies with other supporting agricultural policies could enhance the effectiveness of SEZs in fostering structural changes and economic development, particularly in a developing country like Vietnam.