

Policy Brief

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Northeast Asia (NEA) Policy Dialogue on Industrial Parks: Strengthen Cooperation on Industrial and Supply Chains in NEA



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1. Introduction

Northeast Asia continues to offer great potential for sustainable economic development and value added cross-border cooperation. Subregional economic cooperation improved in the last decade and countries within the region have strong trade ties. Nonetheless, the region's potential has not been fully exploited and cooperation on industrial planning and infrastructure still offers vast potential. The establishment of special economic zones (SEZs) like industrial parks, has been demonstrated to have a particular positive correlation with economic development and to improve the ability of regions to attract foreign direct investment (FDI). During the COVID-19 pandemic, industrial parks also has proved to offer more resilience and adapt faster to new production needs. The Greater Tumen Initiative (GTI), in which China, Mongolia, Russia and the Republic of Korea (RoK) successfully work together, serves as a platform to jointly improve regional economic cooperation and policy dialogues on industrial parks further.

The GTI and its Secretariat have continuously been playing an increasing role in the development of Northeast Asia (NEA) since its initiation as Tumen River Area Development Programme 29 years ago. GTI, through respective activities, raises awareness to utilize industry parks and industry supply chains for developing the NEA region. Especially under the impact of the COVID-19 pandemic, industrial parks and other special economic zones are boosting the economic recovery and play a crucial role in further regional integration. To achieve further development, it is necessary to tap the innovative potential of industrial parks and use new digital and online mechanisms to enhance industrial value chains in the region.



To reap the benefits of industrial parks for regional economic cooperation, enabling policies and regulations need to be in place. The annual GTI Policy Dialogue on Industrial Parks is a longstanding GTI platform to mobilize the exchange on the topic among GTI members and international organizations. Policy perspectives as well as applicable practices in industrial park planning and management are shared by policy makers and experts. GTI recognizes the need for closer coordination of GTI member countries to align policies and efforts for enhancing exchanges and deepening cooperation in the region and with international institutions on industrial park development as a driving force for post-pandemic economic recovery.

2. Maintaining the Momentum of Regional Economic Integration and Seize Development Opportunities of NEA's Industrial Chains

In recent years, NEA countries have made positive progress by being part of several free trade areas (FTAs) like the Regional Comprehensive Economic Partnership (RCEP), the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP), the Eurasian Economic Union (EAEU) and other large regional FTAs. Opportunities and challenges derive from RCEP, CPTPP, EAEU and other relevant mechanisms for the economic development of Northeast Asia. Despite the disruption due to COVID-19 a positive impact on the regional trade and investment environment could be seen. Can FTAs also support the level of market opening and relieve risks and seize opportunities for industrial parks?

The RCEP was signed on 15 November 2020 by Australia, Brunei, Cambodia, China, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam. It will foster tariff reduction, regional market access and expand trade liberalization in the Asia-Pacific area. RCEP provides a good momentum to further enable the business environment in the region to grow and maximize productivity while reducing transaction costs. RCEP offers a solid foundation for future integration which also could improve industrial parks cooperation to drive industrial value chain development and export performances in the region. A big challenge is to bring together the different economic development stages of countries in NEA and within the RCEP in general. However, utilizing each of their comparative advantages could maximize cross border cooperation.



The CPTPP, as a similar framework adds additional opportunities to improve standards and regulations through regional economic cooperation and the use of comparative advantages of member countries. With an emphasis on digital norms, cooperation on the topic might grow among NEA countries. However, due to high impacts in some sectors the full utilization of the FTA might be difficult for countries in the region. Especially the impact on agriculture value chains might be high due to stricter norms regarding sanitary and phytosanitary (SPS) standards or export subsidies.

The EAEU as a regional union has a high complementarity in economic structures to the GTI and attaches special importance to regional economic integration. One of the key areas of the Union's international activities is the coordination and cooperation with other regional economic initiatives such as GTI. Exchange on mutual recognition of regulatory norms and a focus on initiating cross border digital and environmental projects are formats that will be more emphasized in the EAEU and with partners. Exchange on environmental technology might also boost the development of sustainable industrial parks and industrial value chains in NEA in that regard.

Alignments on standards, norms, regulations such as intellectual property rights, and many further challenges are deriving from interlinked industrial value chains. They need to be addressed and solved within RCEP, CPTPP or EAEU for innovative and sustainable development. Here, mechanism like the GTI can play a crucial role to coordinate among countries with different development stages on a subregional level to leave no one behind. Industrial park development can, thus, be further linked to opportunities deriving from the FTAs.

3. Roles and Future of Industrial Parks in Northeast Asia to enhance Value Chain development

Northeast Asia industrial parks are often provided with favorable policies and resources. They play an important role in strengthening the development of supply chains. A challenge for the time after the pandemic is how NEA industrial parks can advance regional supply chain connectivity and ensure the stability of them. Mechanisms need to be improved to cushioning external impacts like the current pandemic better in the future. To foster the advantages and competitiveness of industrial clusters in NEA, GTI members need to promote regional economic recovery after the pandemic through enhanced industrial cooperation.

A big hurdle for FTAs and other regional economic mechanisms to fully unfold its impact, is the slow progress in paperless cross border trade. Despite a positive development in recent years, implementation rates vary greatly depending on individual measures and capacity by countries and regions. Especially economic groups that already face disadvantages, such as small and medium sized enterprises (SMEs), have even less capacity to implement or use paperless trade solutions.

Measures that specifically target SMEs to overcome their challenges in trade like facilities for SMEs' access to Single Window or SMEs' access to AEO schemes are carried out only on a limited basis. Industrial parks need to improve the inclusion of SMEs and offer relevant services to support applying paperless trade solutions to include them better in regional and global industrial value chains.

Against the background of the ongoing pandemic, industrial parks can also play a crucial role in improving the resilience of industrial value chains and offering trade facilitation measures to SMEs. The latest United Nations (UN) Trade Facilitation Survey indicates that only 14% of countries and regions have established or clearly assigned an agency to manage trade facilitation measures in times of emergency. Only 16% have confirmed long-term preparedness for future crises. Some countries in Asia and NEA doing well in implementing trade facilitation measures. Within the Associations of Southeast Asian Nations (ASEAN) and in NEA, exchange on customs declarations, e-certificates for country of origin or SPS are being carried out. Specific measures to support and benefit SMEs, like SME Service Centers or special logistics provisions, are also in place to some extent. Yet, lesser developed countries need to be supported further and countries need to coordinate their measures better to reach a higher level of regional economic integration.

Recent research also shows that industrial parks and other SEZs can play a positive role in regional economic resilience and economic development during the pandemic. The UN Commission for Trade and Development (UNCTAD) highlighted key lessons for building resilience in value chains:

- a) National level – significant and effective public sector intervention as well as economic diversification and industrialization;
- b) Regional level – strong regional value chains for economic integration;
- c) Global level – greater policy coordination among major economies.

While the development of global value chains (GVC) stalled since the global financial crisis in 2008, regional value chains have been proven to be more resilient during crisis. Regionally, both reshoring and nearshoring are on the rise during the pandemic to ensure sustainable supply chains through regional production. Especially, regional SEZs play an important role. Out of 5383 SEZs in 147 economies in 2019, 4772 were in Asia supporting regional cross border value chains development, attract investment, enhance industrial upgrading or encourage innovation. Hence, in 2021, Asia, especially North and Southeast, showed higher economic recovery rates than the rest of the world.

Reshoring

is the process of bringing manufacturing and part or all of the supply chain back to the home country from a foreign country.

Nearshoring

is a similar process, but refers to a location near the home country. In the case of the United States businesses for example, nearshoring most often means sourcing from or manufacturing in Mexico.

Industrial parks can also play a more important role in reconfiguring logistics networks in operating or cooperating closely with additional logistics facilities or warehouses and container depots at strategic locations. The logistics network in the GTI region is already quite strong regarding maritime freight and is also interlinked to railroad connections from Asia to Europe.

However, having an enabling environment and framework conditions in place is not the only driver to enhance industrial park development. The role of park management has a major impact on the performance of industrial parks. It is inevitable to building capacity for excellent park management to have a proper coordination of park tenants, setting out innovative strategies and activities and coordinate closely with policymakers. Especially the services provided by the park management to businesses has a significant impact on the overall performance of SMEs and other park tenants. Surveys in Germany from VDI/VDE-IT show that a higher intensity of cooperation within an industrial park leads to higher monetary addedvalue. Major roles of the park management should be strengthening the economic performance and industrial development of park tenants as well as contributing to regional economic development.

Economic Performance	Services			
Public Relations	Presentation of Park	Presentation of Tenants	Communication of Unique Selling Points	
Business Development	B2B Meetings	Thematic Events	Matching with Partners outside the Park	
Skills Development	Training Academy	TVET Cooperation	Workforce Recruitment	
Innovation & Digitalization	Thematic Events	Working Group	Digital Skills Agenda	Transparency & Traceability
Networking	Park meets Tenants	Networking Events	Acquisition of New Tenants	

Source: VDI/VDE-IT

4. Implications and recommendations for policymakers

SEZs, like industrial parks, can highly influence innovation, creating new business modes, cultivating new growth engines, and building on a regional open as well as free trade and investment environment.

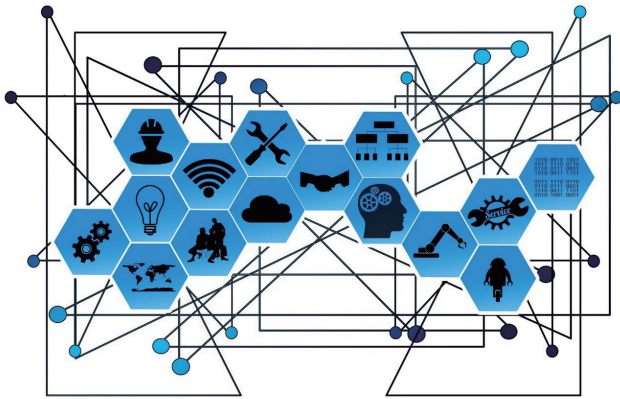
A major policy focus for industrial parks in the future needs to be on more sustainability and ecofriendly processes. Policymakers must adjust existing frameworks to react to new challenges due to climate change and other ecological impacts. To promote environmental, economic and social aspects in a balanced manner, industrial parks could offer special services for training, advice, contacts or financial support. Close cooperation with GTI line ministries and international institutions like World Bank Group or the United Nations Industrial Development Organization (UNIDO) could additionally boost investment in sustainable industrial areas and ecoindustrial parks in NEA.

SIA Toolbox

Eco Industrial Development (EID) is a strategy to promote sustainable industrial development tackling environmental, economic and social aspects, the three pillars of sustainability, in a balanced manner. One approach to implement EID is the concept of Eco-Industrial Parks (EIPs) or Sustainable Industrial Areas (SIA). In 2017, GIZ, the World Bank Group and the United Nations Industrial Development Organization (UNIDO) have jointly developed the [International Framework for Eco-Industrial Parks](https://www.sia-toolbox.net) to provide a common understanding of EIPs with minimum requirements and performance criteria needed for an industrial park to qualify as EIP. The SIA Toolbox is a compilation of tools and GIZ's expertise in sustainable industrial areas: <https://www.sia-toolbox.net>

Policies also need to enhance comparative advantages of regional cooperation and integration in NEA. The cooperation among Chinese and South Korean industrial parks could serve as an example. With aligning national strategies further, high quality integrated development would gain more momentum. This could further accelerate the cooperation of industrial value chains among all four GTI members in general. Partnerships among GTI members and additional countries in the region should focus on key areas and build up on each other's strengths. Industrial parks like the China-RoK (Changchun) International Cooperation Demonstration Zone can work as a best practice to try out

specific policies and regional cooperation modalities to facilitate new patterns of industrial development and park management. Demonstration zones in NEA can also provide good practices on infrastructure, provision of financial and logistics support to actively engage in regional and international cooperation. Additionally, international experiences from industrial park construction by GTI member countries overseas should be used for policy design in NEA.



To fully unleash the potential of industrial parks in NEA, cross border connectivity and economic integration still need to improve. Success factors will be strong government to government partnerships, an enabling policy environment proper strategic planning with assessments on costs, environmental and social impacts and other associated risks. Utilizing the experiences and expertise from GTI members on planning and implementing SEZs and having regular policy dialogues on favorable conditions in the region, joint studies and research, joint capacity development and trainings provided by GTI. Additionally, strong institutional settings are needed to provide long term functional governance and regulatory frameworks that are aligned with international rules of multi-lateral institutions like the World Trade Organization (WTO).

Imprint

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