

<b>Institution:</b> University of Reading		
<b>Unit of Assessment:</b> 17, Business and Management Studies		
<b>Title of case study:</b> Promoting Sustainable Development Through Special Economic Zones		
<b>Period when the underpinning research was undertaken:</b> 2010–19		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b>	<b>Role(s) (e.g. job title):</b>	<b>Period(s) employed by submitting HEI:</b>
Rajneesh Narula	Professor of International Business Regulation	2004 – present
<b>Period when the claimed impact occurred:</b> 2014–20		
<b>Is this case study continued from a case study submitted in 2014?</b> No		
<p><b>1. Summary of the impact</b></p> <p>In order for developing countries to access the globalised economy more fairly, they must attract appropriate forms of foreign direct investment (FDI). Long-term research conducted by Narula on FDI, and its impact on economic development has established a deep understanding of the optimal means to achieve development through MNEs. This research proposes more positive, sustainable and equitable outcomes resulting from FDI. It now underpins policy change, specifically in Nigeria, around investment promotion and special economic zones (SEZs), so that FDI synchronises effectively with industrial policy whilst also addressing the sustainable development goals. The research on MNE-assisted development has underpinned inward investment policy more broadly across the Global South through the long-term work by Narula in a research advisory capacity to UNCTAD (United Nations Conference on Trade and Development).</p>		
<p><b>2. Underpinning research</b></p> <p>Understanding the relationship between the quality of knowledge, infrastructure and domestic firms in a country, and the kinds of foreign investment it attracts lies at the heart of the research in this area at the University of Reading [ref 2]. In this context, the benefits of MNEs (that is, firms that have established affiliates or subsidiaries in other countries) for host countries are often debated. MNEs account for a large proportion of global trade and investment; they therefore have the ability to influence the wellbeing and business practices in the places where they operate. But how, and under what circumstances, do domestic firms benefit from the presence of incoming MNEs? The principles governing the interaction between FDI and economic development in the host country have been the theme of Narula's work. The principles of MNE-assisted development are much the same, whether the geographical foci of the policy initiatives are narrow, for instance, in an SEZ, or in a wider space, such as a state or a country. MNE-assisted development depends, crucially, on creating effective linkages between foreign investors and domestic actors. Even within an SEZ, which is a geographically and legally delimited space within a country, the overall goal is to promote deeper and more extensive linkages to the larger economy. As such, regulations governing SEZs tend to be critical to attracting the "right kinds" of FDI.</p> <p>From detailed analysis and synthesis of the literature, a key contribution of the research has been connecting the determinants of MNE location and the reasons why MNEs select and embed themselves in specific geographies and not in others [ref 3]. SEZs are one example of such specific geographies. SEZs are popular because they are more suitable when countries are resource-constrained, as is the case with developing countries. MNEs seek not only stable institutions and knowledge infrastructure and the presence of technologically competent suppliers, but also competitors, because proximity to other actors is key to learning in a modern integrated economy [ref 5]. In today's global world, this applies just as much to less developed countries which specialise in agriculture and extractive sectors, apparel and agro-foods [refs 4</p>		

and 7], as it does to countries that specialise in sectors such as ICT and biotechnology. This line of work helps refine industrial and development policy with respect to creating more even and sustained development effects [ref 5].

FDI and MNEs do not always result in positive outcomes for host countries. Much of Narula's work over the last decade has been on identifying the bottlenecks that hinder MNE-assisted development. Narula (in collaboration with colleagues and students) has addressed multiple aspects of our understanding of these heterogeneous situations [ref 1]. Negative outcomes are to be expected in some cases, and policymakers need to be able to pre-empt them [ref 7]. His work proposes concrete normative advice that outlines how these negative effects can be minimised and the positive effects increased.

### 3. References to the research

1. Narula, R. and Driffield, N. (2012) '[Does FDI cause development? The ambiguity of the evidence and why it matters](https://doi.org/10.1057/ejdr.2011.51)'. *European Journal of Development Research*, 24 (1). pp. 1–7. doi: <https://doi.org/10.1057/ejdr.2011.51>
2. Narula, R. and Dunning, J.H. (2012) '[Multinational enterprises, development and globalization: Some clarifications and a research agenda](#)'. In: Pietrobelli, C. and Rasiah, R. (eds) *Evidence-Based Development Economics: Essays in Honor of Sanjaya Lall*. University of Malaya Press, Kuala Lumpur, pp. 19-40.
3. Mudambi, R., Narula, R. and Santangelo, G.D. (2018) '[Location, collocation and innovation by multinational enterprises: A research agenda](https://doi.org/10.1080/13662716.2017.1415135)'. *Industry and Innovation*, 25 (3). pp. 229–241. doi: <https://doi.org/10.1080/13662716.2017.1415135>
4. Narula, R. (2018) '[Multinational firms and the extractive sectors in the 21st century: Can they drive development?](https://doi.org/10.1016/j.jwb.2017.09.004)'. *Journal of World Business*, 53 (1). pp. 85–91. doi: <https://doi.org/10.1016/j.jwb.2017.09.004>
5. Narula, R. and Pineli, A. (2019) '[Improving the development impact of multinational enterprises: Policy and research challenges](https://doi.org/10.1007/s40812-018-0104-2)'. *Economia e Politica Industriale/Journal of Industrial and Business Economics*, 46 (1). pp. 1–24. doi: <https://doi.org/10.1007/s40812-018-0104-2>
6. Narula, R. and Zhan, J. (2019) '[Using special economic zones to facilitate development: Policy implications](https://doi.org/10.18356/d3e73f33-en)'. *Transnational Corporations*, 26 (2). pp. 1–25. doi: <https://doi.org/10.18356/d3e73f33-en>
7. Narula, R. (2019) '[Enforcing higher labour standards within developing country value chains: Consequences for MNEs and informal actors in a dual economy](https://doi.org/10.1057/s41267-019-00265-1)'. *Journal of International Business Studies*, 50. pp. 1622–1635. doi: <https://doi.org/10.1057/s41267-019-00265-1>

The underpinning research for this case study comprises six journal papers, all of which are published in refereed journals (two are rated 4\* by the AJG/ABS list). The *Journal of International Business Studies* in particular is the leading field journal, is highly competitive and adopts strict refereeing standards. The research meets or exceeds 2\* quality definitions, providing important new knowledge on the policy implications of the links between foreign direct investment and economic development.

### 4. Details of the impact

Long-term research by Narula on FDI has paved the way for a more detailed analysis of MNE-assisted development and the policies that create effective synergies between sustainable development and MNEs. This is important for addressing the sustainable development needs of the host country, especially as suboptimal choices can have long-term negative implications. Furthermore, synergies differ by industry, and are constantly evolving, so policymaking must continually be fine-tuned. Narula's research is directly impacting FDI policy change in Nigeria and more generally globally through his longstanding advisory role with the intergovernmental body UNCTAD. His research is therefore supporting developing countries to access the benefits of a globalised economy more fairly and effectively.

***Facilitating the shaping of FDI policy globally through UNCTAD to secure sustainable development***

Since 2000, Narula has been advising UNCTAD with his role being instrumental in helping to support developing countries in accessing the benefits of a globalised economy more effectively. This has included shaping UNCTAD's annual World Investment Report (WIR), which plays an important part in influencing policymaking by governments interested in the application of MNE-assisted development. Narula's research has informed UNCTAD's role in facilitating inclusive growth and sustainable development in countries which have required support to access the globalised economy through the strategic use of trade, investment, finance and technology. The Head of the Investment Research Branch of UNCTAD describes the University of Reading research as having a "significant impact" [source 1] by providing the evidence-informed link between MNEs and development. This, in turn, has developed an "understanding of policy choices available for less developed countries". In particular, Narula's work has informed the "locational choices of multinational enterprises and the costs and benefits of linkages and spillovers" [source 1]. Downloaded 300,000 times annually, the WIR is "a standard reference for policymakers of the 193 member States" [source 1]. It supports policymakers by monitoring global and regional FDI trends and documenting national and international investment policy developments.

***Shaping FDI policy in Nigeria to secure sustainable development outcomes***

More specifically, Narula has been engaged in an advisory capacity with the Kaduna State government in Nigeria. His research on MNE-assisted development policies [refs 5 and 7] has underpinned the shaping of long-term, proactive FDI investment and industrial strategies which embrace the necessary synergies between development and MNEs [source 3]. The adoption of the research is "addressing the challenges of inequality" in Kaduna State, which has a large informal economy [source 3]. As stated by the Chief of Staff in Kaduna State, the research papers [refs 5 and 7] "provide useful insights for attracting investments associated with global value chains in resource-based informal economies", with the State "seeking to attract USD 500 million in investments by 2023" [source 3]. The State is "already implementing some of his recommendations to link [its] FDI attraction activity with more effective embedding and aftercare actions" [source 2]. As a result, "Kaduna State is focused on further strengthening its Agro-Allied Industries, while also increasing our presence in Light Engineering and Electronics assembly. [It] expect[s] to create up to 15,000 jobs in the local community, and create up to 45,000 indirect jobs" [source 3].

***Shaping next generation SEZs to achieve sustainable development***

Narula's recent work with UNCTAD focuses on next-generation SEZs. SEZs have grown in popularity since the 1980s, when China utilised them as a central pillar in its economic catch-up. Most low-income countries have tried to imitate China's use of SEZs to kickstart their development. SEZs are key policy instruments for attracting FDI for industrial development. More than 5,000 SEZs have been established, and at least 500 more are in the pipeline across the world. Many countries are now looking to establish a "new generation" of SEZs that are adapted for sustainable economic growth in a globalised world economy. The cumulative investment in SEZs is likely to be upwards of USD1,000,000,000,000.

Therefore, acting as senior adviser in the drafting of the WIR 2019 report [source 1], Narula was instrumental in setting its research and policy agenda, extending his own considerable work in the area, in addition to commissioning a variety of background papers. As a result, UNCTAD's WIR 2019 is specifically focused on policies to promote SEZs. In addition to providing an overview of the global SEZ landscape, the report addresses sustainable development challenges in the context of globalisation and the fourth industrial revolution. Building on these contributions, and in collaboration with the UNCTAD team, he helped to "refine and shape the primary policy recommendations and structure of the WIR" [source 1]. Narula subsequently compiled a special issue of the background papers in UNCTAD's house journal, *Transnational Corporations*, with a key introductory paper [ref 6] that acts as a more rigorous academic complement to the practitioner-focused WIR.

More directly, Narula is working with the Kaduna State Investment Promotion Agency (KADIPA), the primary government organisation charged with promoting, attracting and embedding foreign investors in Kaduna. His research (particularly ref 6) is underpinning the reshaping of their investment promotion activities and their SEZ policy [sources 2 and 3]. Kaduna is recognised as a “gateway” to Northern Nigeria. Both of the key SEZs in Kaduna State are being refocused along more environmentally friendly lines, as well as being redesigned to create much-needed jobs in rural areas. This is an ambitious project whereby the State, informed by University of Reading research, is developing policies for a “Green Economic Zone”, which will have zero emissions. The Executive Secretary of the Kaduna Investment Promotion Agency has described Narula’s research and engagement as “invaluable in re-drawing the long-term policy measures that we seek to implement to engage more effectively in raising our investment profile. His hands-on experience in practical measures that can be implemented in the specific situation of Kaduna State are invaluable in guiding us forward to effectively link our industrial strategy with our investment targets” [source 2].

In summary, for the global South, it is important that FDI does not come at the expense of sustainable development in the host country. The body of research at Reading on FDI, and the role of appropriate MNE involvement in this context, has informed policy choices globally through UNCTAD reports. More specifically, the research is shaping investment and industrial policy change in Kaduna State in Nigeria, ensuring that resulting foreign investments (for example, in the new Green Economic Zone within Kaduna State) protect the host country in order to ensure positive outcomes towards sustainable development.

#### **5. Sources to corroborate the impact**

- [S1]** Letter from Head of Investment Research Branch, UNCTAD.
- [S2]** Letter from Head of KADIPA.
- [S3]** Letter from Chief of Staff, Kaduna State Government.