

SOCIO-ECONOMIC IMPACT OF EXPORT PROCESSING ZONES ON REGIONAL DEVELOPMENT: A COMPARATIVE STUDY ON KATUNAYAKE, BIYAGAMA AND KOGGALA

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Abstract

The introduction of Export Processing Zones (EPZs) was a new concept, new policy and new experience in Sri Lanka four decades ago. They are multifaceted which changed the socio-economic environment in the Sri Lankan community. The main objective of the establishment of an EPZ is to promote industrial development under an export-oriented strategy. They were not implemented aiming at regional development but have strongly affected the region enhancing the lives of the local people with EPZ related activities. However, this trigger on regional development has affected regions and people differently. It is worth studying to which extent the EPZs have differently affected regional development in the social and economic context. The study was based on the three oldest EPZs in Sri Lanka i.e. Katunayake, Biyagama and Koggala EPZs which are in different socio-economic backgrounds. The main objective was to explore the socio-economic impact of the EPZs on regional development in selected regions. The specific objectives were to identify the socio-economic impact of the three EPZs on industrial linkages, to ascertain the socio-economic impact of the three EPZs on ancillary services and to determine the spatial variations of the impact of the three EPZs on regional development. The concepts and components of regional development introduced by Gunnar Myrdal were mainly adapted in this study since he emphasised the role of non-economic factors on industrial development. Concepts of circular causation, industrial linkages, growth pole, multiplier effects, etc. made the theoretical foundation for the study. The existing literature based on the social and economic impact of EPZs on regional development was reviewed and identified the research gap. Scholars including Madani, 1999; Cling & Letilly, 2001; Amirahmadi and Wu, 1995; Jayanthkuaran, 2003; Abeywardene et al., 1994; Dickman, 1994, have reviewed the impact of EPZs in different aspects. However, combining the economic and social impact of EPZs and regional development concepts with spatial comparison would be a new concept in Industrial Geography. Grama Niladhari divisions (n=19) in the immediate neighbourhood of three areas were selected as the study area in primary data collection. The study employed two questionnaire surveys (408 residents and 275 EPZ workers), focus group interviews (6), semi-structured interviews (16), and informal interviews (21). Secondary data obtained from the Department of Census and Statistics and the Board of Investments were supplemented. The analysis was mostly qualitative while quantitative analysis was also used as appropriate in SPSS.

EPZs have created backward and forward linkages despite the enclave nature. Subcontract productions and limited input supply were identified as backward linkages. Forward linkages are mainly based on industrial wastes and have created a national market. The generation of employment in EPZs has contributed as the main source of economic development in the regions. Not only the demand but also socio-cultural factors have affected EPZ employment. Ancillary services are not dependent on EPZ productions but on migrated workers. The provision of

accommodation and trade services has brought prosperity to the residents, but the weak taxation system limits their contribution to regional development. Infrastructure facilities were provided by the government, but priority has been given to the need of EPZ companies. According to the residents' view, the economic impact of the EPZ is positive but the social impact is negative. Acting as a growth pole, EPZs have generated multipliers at local, regional and national levels. The dependence of the regional economy on the EPZ was evident and therefore, income opportunities are uncertain. The temporal changes of the economic impacts have brought negative effects at present. The employees have reshaped the demography and social environment in the regions. Economic and social impacts vary by region. A new framework was designed to show the process of regional development through EPZs, based on the empirical findings.