



Building Economic Zones and Cross-regional Cluster Ecologies in Emerging Asia

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Cluster ecologies' emerge when groups of related industries co-locate within a region and integrate along the network of infrastructures. According to Delgado et al. (2014), "Policies that enhance complementarities across jurisdictions, such as supporting infrastructure and institutions that facilitate access to demand, skills, or suppliers in neighboring clusters, may be important tools for[cross-] regional development. "

The development of zones and cluster ecologies empirically does go through stages. In Asia, late starting economies, eager to industrialize, have alighted upon special economic zones as a means of initiating or expanding export oriented manufacturing activities, and of promoting structural change more broadly through linkages and demonstration effects. They are taking their cues mainly from East Asian economies that entered into virtuous growth spirals starting in the late 1960s and early 1970s and in a matter of three decades had joined the club of upper middle or high-income economies. The onset of intensifying linkages among firms and an increasing number of firms of different sizes, domestic and foreign, in the production network and in the local zone, leads to growth of clusters and related economies of scale. With the increasing density of interactions, the absorptive capacity of such domestic firms increases, leading to more technology transfer and technology imitation (learning). This in turn requires cross-border movement of higher skilled labor to complement increasing innovation and capital investment. Backward and forward linkages within a region can intensify, spurring the development of cross-border clusters. Strong clusters are more effective if embedded in regional value chains and in regional cooperation. This combined with government policies supporting investment in labor market and skill development, regional connectivity and accessibility can lead to knowledge linkages and exchange of resources among a set of regional clusters. This requires regional policy mechanisms for coordination and setting of common knowledge platforms.