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Towards Industry 4.0 around the Chancay Port:

10 Lessons from Economic Corridors in China, Malaysia and Thailand

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Presentation

This study examines how the Port of Chancay can drive a new model of industrialization in the context of the Belt and Road Initiative. A study tour of the ports of Kuantan (Malaysia), Laem Chabang (Thailand), and Qinzhou (China) offered valuable insights into how these countries build economic corridors to make the most of their ports' potential. From this experience, ten key lessons were drawn about industrial parks, special economic zones, and the role of cities in boosting economic competitiveness.

INDUSTRIAL PARKS AND CITIES TO CAPITALIZE ON THE COMPETITIVE STRENGTHS OF ECONOMIC CORRIDORS:

Lesson 1: Asian industrial policies focus on increasing the value added by local businesses in global value chains

• The industrial policies of each nation are determined by its economic context and objectives. The key is identifying where local businesses have a competitive edge in global value chains and crafting incentives to support them.

• Policies in the three countries, such as Thailand 4.0, Made in China 2025, and Malaysia's Industria Master Plan 2030 aim to strengthen industrial clusters, helping local companies expand their role in global value chains.

Lesson 2: Public and private operators have transformed industrial parks into "industrial cities"

• The Asian experience illustrates that industrial parks are essential for the enhancement of economic corridors. The selection of strategically advantageous land by state bodies and private firms will promote further growth.

• Industrial parks such as "Laem Chabang I-EA-T" in Thailand serve as catalysts for employment and economic development. 50,000 direct employment opportunities are generated by this industrial estate, which spans on 568 hectares.

Lesson 3: The development of industrial parks happens in phases, aligned with market dynamics

• Thailand and Malaysia provide key examples for setting investment targets. Thailand's Eastern Economic Corridor (EEC) attracted $42 billion in just four and a half years, an average of $9 billion annually. Malaysia also stands out with an 890-hectare industrial park built from scratch that managed to attract U$ 3 billion in initial investment.

INVESTMENT STRATEGIES AIM TO FOSTER LINKAGES AND PROMOTE TECHNOLOGY TRANSFERS WITHIN ECONOMIC CORRIDORS:

Lesson 4: Investment promotion agencies are key drivers of business attraction to economic corridors

• Organizations such as Thailand's Board of Investment (BOI) and Malaysia's Investment Development Authority (MIDA) play a key role in attracting strategic investments to these areas. They organize incentives, link companies with profitable projects, and fortify economic corridors like the Eastern Economic Corridor (EEC) in Thailand and East Coast Economic Region (ECER) in Malaysia.

Lesson 5: The Special Economic Zone (SEZ) model has evolved to incentivize the businesses that create linkages and drive technology transfers

• In Asia, Special Economic Zones are no longer just great places to get lower tariffs. They are also helping local economies grow by building links and sharing technology. Thailand's "Laem Chabang I-EA-T," for instance, combines free trade zones with industrial places to speed up growth.

• Hybrid SEZs are reshaping economies by applying incentives across entire economic corridors, creating impacts throughout various stages of a value chain. China's "Pilot Free Trade Zones" are a good example of this method. They offer incentives in several cities in a region to bring in factories and create innovation hubs in cities. In the same way, Malaysian and Thai mixed economic zones share their benefits across several industrial parks instead of just one industrial area.

Lesson 6: Chinese investment in overseas industrial parks boosts competitiveness but faces local challenges during its development

• Chinese investments in foreign industrial parks have brought significant benefits to both China and host countries. However, realizing these benefits often requires considerable time and effort from both Chinese private sectors and host nations, even in competitive economic corridors.

• The China-Thailand Rayong Industrial Park illustrates how partnerships in competitive economic corridors can take over a decade to mature into key hubs for Chinese investment. Similarly, Malaysia's Malaysia-China Kuantan Industrial Park (MCKIP) took five years to commence operations, despite being part of the Belt and Road Initiative.

PORTS ENHANCE THE COMPETITIVENESS OF ECONOMIC CORRIDORS WHEN PAIRED WITH INFRASTRUCTURE AND CLUSTERS FOR TALENT AND INNOVATION

Lesson 7: Asian ports actively promote the localization of industrial land clusters within their surrounding areas

• The geographical connection between Asian ports and industrial parks is a cornerstone of their industrialization model, enabling these countries to establish a competitive presence in global value chains.

• In Thailand, most industrial land is concentrated in the three provinces of the Eastern Economic Corridor (18 parks in Chonburi, 16 in Rayong, and 6 in Chachoengsao). Similarly, in Malaysia, the proximity between the Malaysia-China Kuantan Industrial Park (MCKIP) and the Kuantan Port exemplifies the PIP model (Port-Logistics Chain-Park). Located at just 10 km from the port, the MCKIP optimizes its logistics and reduces costs.

Lesson 8: The networks of infrastructure first consolidate the access to the port to boost the economic corridor

• Infrastructure plans for Asia's economic corridors are ambitious in both scope and scale. Initially, they focus on strengthening production hubs near ports, as increased production justifies the construction of large-scale infrastructure projects.

• In Thailand's Eastern Economic Corridor (EEC), after a decade of planning, flagship rail and airport projects are finally becoming operational. Similarly, Malaysia's East Coast Rail Link in the East Coast Economic Region (ECER) is set to open in 2027, following the expansion of ten industrial parks across three states. This industrial growth ensures sufficient cargo to sustain airports and rail projects.

Lesson 9: Economic corridors promote regional economic growth through the diversification of competitive sectors

• Supporting the growth of ports, logistics, and industrial sectors with diversification strategies tailored to territorial advantages has been essential in Asian corridors. In Guangxi, Thailand, and Malaysia, these strategies are designed to meet sustainable commercial demands.

• In Guangxi, China, technological competitiveness has been boosted not only through industrial parks but also by developing urban spaces that ensure quality of life for skilled workers and entrepreneurs.

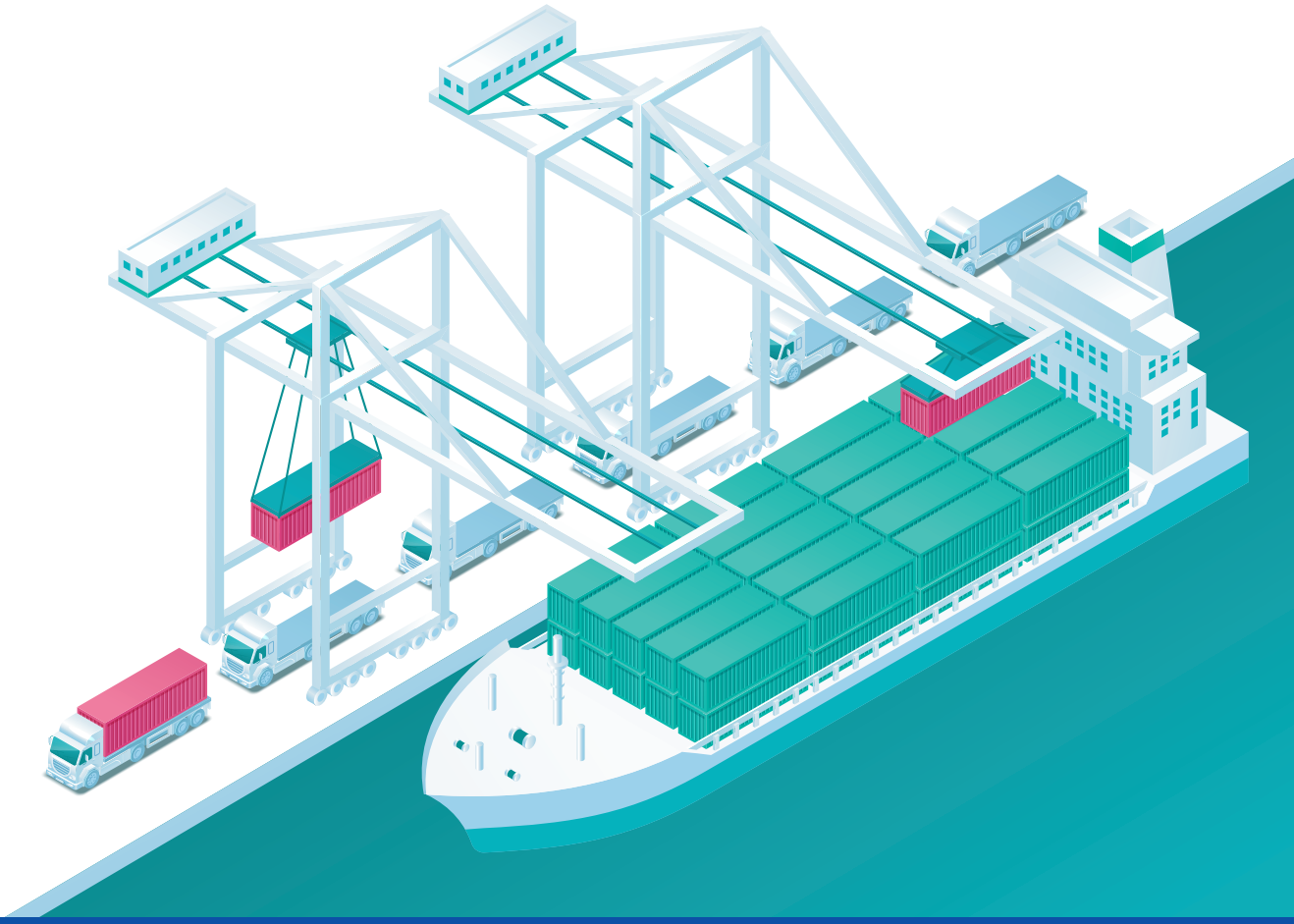
• Thailand has leveraged its position in international tourism to attract investments in medical tourism within the Eastern Economic Corridor (EEC) and to strengthen airports near tourist hubs. In Malaysia, agricultural diversification focuses on creating higher-value linkages, such as the Rompin Integrated Pineapple Industries processing plant.

PORTS ENHANCE THE COMPETITIVENESS OF ECONOMIC CORRIDORS WHEN PAIRED WITH INFRASTRUCTURE AND CLUSTERS FOR TALENT AND INNOVATION

Lesson 10: Economic corridors are strengthened by clusters for talent and innovation

• Industry 4.0 requires economic corridors to integrate sustainable cities and dedicated areas for high-tech and innovation clusters. The Eastern Economic Corridor of Innovation (EECi) in Thailand, along with initiatives in China and Malaysia, highlight how these regions are leading in innovation.

• Thailand bets on Industry 4.0 with the Eastern Economic Corridor of Innovation (EECi), allocating 553 hectares in the Wangchan Valley to enhance competitiveness across value chains. In Guangxi, a gateway to ASEAN, the Zhongguancun High-tech Entrepreneurship Park spans 12 hectares with smart buildings designed to establish the largest innovation ecosystem in Southwest China. Meanwhile, Malaysia's East Coast Economic Region (ECER) Master Plan 2.0 coordinates efforts with five local universities to provide training programs that equip workers with the necessary skills for Industry 4.0.



The document also provides four recommendations based on an analysis of the productive context within the port's area of influence. It concludes with a roadmap identifying key stakeholders and short- and medium-term measures to enhance competitiveness around the Port of Chancay, focusing on three core components: industrial parks, Special Economic Zones, and infrastructure (for cities and connectivity).

Working Document

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