

Do enterprise zones promote local business development?

Evidence from Vietnam

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Abstract

We examined the effects of Vietnamese enterprise zones on local businesses based on different patterns of place-based policies as well as the ownership structure of the zone infrastructure developers (ZIDs). We constructed a panel of communes during 2000–2007 using a census survey of firms having more than nine employees and a census of zones and zone-based firms. We found that place-based policies led to growth in the number of jobs and firms in the communes where enterprise zones were located, even after excluding zone-based firms. Our findings also suggest that privately owned ZIDs worked best under corporate-tax incentives, while zones with a designated central government agency as the ZID had adverse spillover effects on business development in neighboring communes of the same district.

JEL codes: O14, O18, O25, L53, L52

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