Michele Pigliucci (Ed.)

Special Economic Zones: Challenges and Opportunities for Territorial Development

Geographies of the Anthropocene

Il Sileno Edizioni

Preface by Ugo Patroni Griffi

Michele Pigliucci (*Ed.*)

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Michele Pigliucci (*Ed.*)

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The book series “Geographies of the Anthropocene” edited by the Scientific International Publisher “Il Sileno” (Il Sileno Edizioni) will discuss the new processes of the Anthropocene epoch through the various worldviews of geoscientists and humanists, intersecting disciplines of Geosciences, Geography, Geoethics, Philosophy, Socio-Anthropology, Sociology of Environment and Territory, Psychology, Economics, Environmental Humanities and cognate disciplines.

Geoethics focuses on how scientists (natural and social), arts and humanities scholars working in tandem can become more aware of their ethical responsibilities to guide society on matters related to public safety in the face of natural hazards, sustainable use of resources, climate change and protection of the environment. Furthermore, the integrated and multiple perspectives of the Environmental Humanities, can help to more fully understand the cultures of, and the cultures which frame the Anthropocene. Indeed, the focus of Geoethics and Environmental Humanities research, that is, the analysis of the way humans think and act for the purpose of advising and suggesting appropriate behaviors where human activities interact with the geosphere, is dialectically linked to the complex concept of Anthropocene.

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Sergey Sosnovskikh[1]

Abstract

This chapter examines the site selection process for Special Economic Zones (SEZs) and Industrial Parks (IPs) in Russia, focusing on the specific challenges and factors influencing investment decisions in the Russian business environment. While existing site selection models offer structured frameworks, they often overlook the political, institutional, and infrastructural complexities unique to large transitional economies. Drawing on interviews with SEZ and IP management companies and tenants, this study identifies four key stages in the decision-making process: region selection, political assessment, zone/park evaluation, and analysis of the business environment. Findings highlight the critical role of regional governments, the importance of infrastructure and utility access, and the need for strong local political networks to navigate bureaucratic barriers. An SEZ and IP selection model is proposed, informed by Glatte's site selection framework and incorporating additional components relevant to the Russian context. This research contributes to the literature by integrating industrial cluster theory and extending site selection models to account for state-driven economic initiatives.

Keywords

Industrial cluster, Industrial park, Site selection process, Special economic zone, Russia

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1. Introduction

The existing literature predominantly focuses on the determinants of foreign direct investment (FDI) - a topic widely examined in international business, management, and economics. A substantial body of research identifies numerous factors that influence investment decisions, including macroeconomic conditions (e.g. inflation rates, interest rates, employment levels, and GDP) (Barbopoulos *et al.,* 2014; Deseatnicov & Akiba, 2016), infrastructural development (Dixit, 2011; Lee *et al.,* 2013), and the institutional and political environment (Deng *et al.,* 2020; Yasuda & Kotabe, 2021). Historically, FDI location decisions have been guided by various theoretical models, such as the Ownership-Location-Internalisation framework (Dunning, 2000), which has recently added the political component (Panibratov *et al.,* 2024), as well as resource-based (Gaffney *et al.,* 2013) and institutional-based perspectives (Peng *et al.,* 2023). Rather than reiterating these well-established frameworks, this chapter focuses on a more granular aspect of investment decision-making - namely, the selection of specific sites or subnational areas within a target market. This issue is particularly relevant in large, geographically diverse countries, where institutional, economic, infrastructural, and political conditions can vary significantly across regions. These variations necessitate a more nuanced and location-specific approach when determining the most suitable site for establishing a manufacturing facility or other business operations. The chapter further examines the industrial dimension of investment, as it is a critical factor in the site selection process. The development of manufacturing facilities involves substantial financial commitments, making such decisions highly complex. Therefore, site selection must be guided by a rigorous, strategic evaluation to ensure optimal and sustainable investment outcomes.

While management literature frequently adopts generalised approaches to guide investors through site selection procedures, it often focuses on key aspects such as manufacturing, logistics, and real estate development within specific local markets (Glatte, 2023). Traditionally, site selection has been examined primarily from a national perspective, with relatively few comprehensive international studies until more recent years (Glatte, 2015, 2023). In the United States, Hoover (1948) was among the first scholars to propose foundational criteria for industrial site selection - principles that remain influential today. Building on this work, later researchers sought to integrate international trade theories with nationally focused site selection models, contributing to the

emergence of a more globalised understanding of location theory (Alcácer & Chung, 2014; Flyer & Shaver, 2003; Li & Bathelt, 2018; Owen & Daskin, 1998).

Some studies on site selection decision-making have primarily relied on case analyses of individual corporations, focusing on firm-specific experiences (Arshed *et al.,* 2016; Barbieri *et al.,* 2018; Dunning & Narula, 2005; Panibratov *et al.,* 2024). Other strands of literature adopt a cost-centric approach, concentrating on site relocations driven by cost structure optimisation, while often overlooking construction and real estate considerations (Drezner, 1982; Glatte, 2015; Lambert *et al.,* 2006). An early contribution to international site selection theory was Sabathil's (1969) work, which proposed a comprehensive framework and set of site selection factors. However, his model largely omitted legal, natural, and cultural dimensions, focusing instead on company-specific conditions and psychological aspects. Building on this, Tesch (1980) integrated theories of international trade and investment with site selection methodologies. He was the first to include country-specific institutional conditions, and to emphasise location-specific competitive advantages as key determinants of internationalisation. Tesch classified site selection criteria into three categories:

- factors relevant to all firms,
- the availability and cost of factors influencing manufacturing operations, and
- turnover-related factors.

Goette (1994) further developed international site selection theory by structuring and organising the decision-making process around a broader set of variables. His framework identified key economic conditions (e.g. sales potential, competitive environment, infrastructure, transportation costs, labour availability, and fiscal policy), political factors (e.g. tax legislation, environmental regulation, market entry barriers, business support measures, and political risk), cultural attributes (e.g. language, mentality, religion, and local attitudes toward foreign firms), and location-specific characteristics, such as climate and topography.

Recent literature suggests that the site selection process for investors has

become increasingly complex, shaped by a range of evolving factors. Rikalović *et al.* (2014) highlight a growing demand for development-ready industrial sites with adequate infrastructure, driven by the rise of megaprojects and the implementation of supportive federal policies. However, a shortage of suitable sites, combined with limited access to capital, has begun to affect project feasibility and timelines. Moreover, the definition of risk in site selection has expanded to encompass not only economic and regulatory uncertainties but also man-made hazards such as crime, terrorism, and armed conflict, along with extreme weather events and geopolitical instability (Crouch & Brent Ritchie, 1997; Draper *et al.,* 2011; Owen & Daskin, 1998). These risks present serious challenges to already strained infrastructure systems, particularly electric grids and supply chains, while also undermining efforts to attract and retain investors.

Over the past several decades, countries and regions have increasingly offered investors various incentives, such as areas with tax benefits, streamlined administrative procedures, and access to key infrastructure, including customs offices (Moberg, 2015). These areas are commonly referred to as Special Economic Zones (SEZs), Export Processing Zones, Free Trade Zones, Business Parks, and similar designations. The proliferation of such initiatives has been especially notable in China, India, and other emerging and developing economies (Tantri, 2016; Zeng, 2021). As a result, competition among regions to attract investors has intensified. Consequently, determining the most suitable location for establishing an enterprise has become a complex and challenging decision for investors.

This chapter focuses specifically on the site selection process for SEZs and Industrial Parks (IPs), a subject that remains insufficiently examined within the broader site selection literature. The increasing prominence of state-led initiatives such as SEZs and IPs in recent years highlights the timeliness and relevance of this investigation (Aggarwal, 2023; Arbolino *et al.,* 2022; Rodríguez-Pose *et al.,* 2022). Accordingly, this research offers a valuable contribution to the ongoing academic discourse on investment location strategies in the context of state-facilitated industrial development.

2. Special Economic Zones and Industrial Parks in Russia

2.1 Literature

SEZs are designated areas within a country where businesses benefit from tax incentives, simplified regulations, and enhanced infrastructure. These zones are typically established by governments to attract foreign and domestic investment, promote exports, and stimulate economic development. SEZs often include manufacturing hubs, technology parks, and logistics centres, and are particularly common in countries seeking to enhance their global trade integration and industrial competitiveness (Aggarwal, 2023; Frick *et al.,* 2019). IPs, by contrast, are planned zones for manufacturing and industrial activity, offering firms access to ready-made infrastructure such as roads, utilities, and warehousing facilities (Yang *et al.,* 2018; Zeng, 2019). Unlike SEZs, IPs do not necessarily offer fiscal incentives, but they support firms through cost-sharing, efficient logistics, and the agglomeration of industrial activity. IPs play a key role in industrial clustering, improving operational efficiency and fostering inter-firm collaboration (Sun *et al.,* 2009; Yuan *et al.,* 2010). Both SEZs and IPs function as important instruments of economic development policy, providing favourable operating environments that enable firms to establish, grow, and compete effectively in global markets. These benefits align with Porter's industrial cluster concept (Sosnovskikh & Cronin, 2021), which emphasises the competitive advantages that emerge when related industries are geographically concentrated. In the context of SEZs, the provision of tax incentives, reduced tariffs, and regulatory advantages attracts a critical mass of businesses. This, in turn, encourages the formation of industrial clusters, where firms within the same or complementary sectors benefit from proximity, enabling operational synergies, increased efficiency, enhanced innovation, and broader economic growth (Yuan *et al.,* 2010; Zeng, 2010).

SEZs provide access to high-quality infrastructure, including transport networks, utilities, and communication systems. These features support the development of well-functioning industrial clusters, where firms benefit from shared resources such as skilled labour, integrated supply chains, and efficient distribution channels, ultimately reducing operational costs and enhancing productivity (Aritenang & Chandramidi, 2019; Zheng *et al.,* 2021). Clusters within SEZs and IPs also promote knowledge exchange and technology

transfer among firms, research institutions, and suppliers. The competitive environment typical of industrial clusters stimulates innovation, encouraging firms to improve efficiency, develop new products, and adopt advanced technologies (Palit, 2009; Tantri, 2015). SEZs often attract specialised talent pools, as the concentration of industry-specific firms generates demand for relevant skills. This, in turn, supports human capital development through collaboration between businesses, universities, and training institutions, ensuring a consistent pipeline of qualified professionals (Aggarwal, 2011; Tantri, 2012). Furthermore, SEZs offer firms proximity to suppliers, distributors, and export markets, lowering transaction costs and improving supply chain responsiveness. In line with cluster theory, the close geographic concentration of interconnected firms enhances their ability to respond swiftly to market demands and external disruptions (Aggarwal, 2023; Zeng, 2010). Finally, well-designed SEZs foster sectoral specialisation, leading to the formation of competitive regional industries. Strongly clustered zones elevate a region's global competitiveness, as firms can leverage collective strengths to improve productivity, innovation, and market positioning (Hsu *et al.,* 2013; Yuan *et al.,* 2010; Zeng, 2019).

2.2. Research context

Russia has actively promoted the development of SEZs and IPs as part of its strategy to stimulate economic growth, attract foreign investment, and support industrial diversification. Launched in 2005, Russia's SEZ programme introduced designated zones offering tax incentives, simplified customs procedures, and enhanced infrastructure to appeal to both domestic and international investors (Beliakov & Kapustkina, 2016; Turgel *et al.,* 2019). As of 2022, Russia had established 45 SEZs across various regions, each specialising in particular sectors such as manufacturing, technology, tourism, and logistics (Dubinina, 2022). Notable examples include the Alabuga SEZ in Tatarstan - one of the largest industrial zones in Europe - and the Innopolis SEZ, which focuses on information technology and innovation (Yankov *et al.,* 2016). In parallel with SEZs, Russia has experienced significant expansion in the number of industrial parks (Sheina & Khamavova, 2016; Sosnovskikh, 2017a). By 2024, the number of IPs had grown tenfold, reaching approximately 400 parks, with representation in nearly every region. This rapid expansion underscores the government's commitment to providing pre-developed infrastructure and institutional support to facilitate industrial

development and strengthen the investment climate (Sosnovskikh, 2017c).

It is important to note that many IPs in Russia function as smaller-scale counterparts to SEZs. However, IPs typically feature a more limited geographic scope, offer fewer financial incentives, and are equipped with infrastructure primarily tailored to attract small and medium-sized enterprises (Sandler & Kuznetsov, 2015). The development of both SEZs and IPs is supported by a comprehensive legal and regulatory framework, aimed at creating favourable investment conditions. SEZs are governed by the Federal Law "On Special Economic Zones in the Russian Federation" (Sosnovskikh, 2017b; Yankov et al., 2016), while the concept of the industrial park was formally introduced in the Federal Law "On Industrial Policy" in 2014. This legislation outlines the criteria and standards required for IPs to receive federal support (Sandler & Kuznetsov, 2015; Sosnovskikh, 2017a). These policy measures have successfully attracted investment from numerous multinational corporations, contributing to regional economic development and technological modernisation (Dubinina, 2022). The Russian government continues to view SEZs and IPs as key tools of industrial and economic policy, with ongoing efforts to improve their operational efficiency and global competitiveness.

The Russian state operates under a highly centralised system, playing a dominant role in economic affairs. While this can provide a degree of stability and enable investment incentives (Sakwa, 2020), it also introduces considerable risk. Government policies are subject to abrupt changes, affecting taxation, regulations, and property rights. The rule of law remains inconsistent, with challenges including corruption, opaque regulations, and limited legal protections for businesses. Judicial decisions are often politically influenced, and contract enforcement is unreliable (Kennedy, 2021). Investors frequently encounter uncertainty surrounding property rights, volatile tax regimes, and ambiguous administrative procedures (Rochlitz *et al.,* 2020). Moreover, the state occasionally intervenes in private enterprise, heightening risks of nationalisation, arbitrary fines, or politically motivated legal action (Sakwa, 2020). Russia's economy is also shaped by external pressures, including international sanctions, fluctuations in global oil prices, and geopolitical tensions, all of which contribute to financial instability. Foreign investors may face trade restrictions, capital transfer limitations, and even expropriation risks, where the government assumes control over private assets (Davydov *et al.,* 2022; Evenett & Pisani, 2023; Gould-Davies, 2020; Hartwell & Zadorozhna, 2024). Finally, Russia's vast geographical scale and regional diversity result in significant

variation in investment conditions. While some regions benefit from proactive and supportive local administrations, others are hindered by bureaucratic inefficiencies, corruption, and institutional weakness (Lyapina *et al.,* 2019).

3. Existing site selection models

Given the absence of models specifically tailored to SEZ and IP site selection, this chapter draws on established, traditional frameworks to examine the broader site selection process. This process is typically organised into a series of key phases, including project initiation, site search and screening, site evaluation, decision-making, and final selection (Draper *et al.,* 2011; Glatte, 2023; Rikalović *et al.,* 2014). Each phase entails specific tasks, such as defining project objectives, establishing evaluation criteria, conducting due diligence, and assessing factors including location, accessibility, infrastructure quality, zoning regulations, environmental constraints, and proximity to suppliers or customers. The foundation for this study is Glatte's (2014) site analysis process model (see Table 1), which conceptualises site evaluation as a core element of a corporation's market entry strategy. The model comprises ten sequential stages, designed to facilitate a structured assessment and elimination process aimed at narrowing down site options in a professional and systematic manner. Glatte's framework builds on earlier site selection models, including those developed by Godau (2006), Goette (1994), and Sabathil (1969). It also reflects Glatte's own practical experience, illustrated through case studies presented in his later work (Glatte, 2014). A comparative analysis of Glatte's model with other established frameworks is provided in Table 1, offering insights into its methodological coherence and relevance to contemporary site selection practices.

<table>
<tr><th>Sabathil</th><th>Goette</th><th>Godau</th><th>Glatte</th></tr>
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<tr><td>Concept phase</td></tr>
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<tr><td>(9) Definition of preferred options</td></tr>
<tr><td></td><td>Decision</td><td>Decision</td><td>(10) Decision</td></tr>
</table>

Table 1. Comparison of site analysis approaches
Source: *(Glatte, 2014: 295)*

The first stage of Glatte's model involves the formation of a project team, which is tasked with determining both the number and specialisations of experts required for the site evaluation process. Five key areas of expertise are typically involved at this stage: size, process, technology, and production complexity; organisational structure; real estate and construction engineering; logistics; and personnel, labour law, finance, taxation, and insurance. The second stage comprises several critical activities, including the assessment of demand, analysis of existing production facility stock, the definition of the site's strategic orientation, and the formulation of a preliminary project description. The third stage focuses on the evaluation of regional opportunities and constraints, with an emphasis on identifying feasible and realistic spatial boundaries early in the project's development. At this point, regional and spatial limitations are assessed through a broad macro-level analysis, establishing a pragmatic foundation for the next stages.

The fourth stage involves a detailed analysis of specific regions within the host country. This includes identifying, inspecting, and compiling potential site options, followed by the creation of a comprehensive overview of all locations that align with the company's strategic site profile. The purpose is

to gain a broad understanding of the investment potential of each selected region. Once the data is collected, it is structured, analysed, and narrowed down through a preselection process based on minimum site requirements. A comparison matrix is then developed to facilitate objective site evaluation, and the results are compiled into a site catalogue (long list). The shortlisting phase involves creating a refined set of site requirements and conducting a macro-analysis of each location. This includes assessing macro-environmental factors from both strategic and operational perspectives, with particular attention to how these factors may influence future production activities.

The subsequent stage involves a comprehensive on-site inspection, during which teams visit the premises, interview local industry stakeholders and authorities, and assess the local political environment. Key considerations at this point include the availability and openness of investment opportunities and the ease of acquiring necessary permits and approvals. This stage typically entails two site visits: the first provides a general overview of the location, while the second - focused on decision-making - enables a more detailed evaluation of shortlisted options. Following the initial assessments, a selection of preferred sites is made. This process may involve additional visits to gather more nuanced information and apply refined selection criteria to further narrow the pool of options. Where needed, further interviews with public officials, business representatives, and other relevant stakeholders are conducted to clarify outstanding concerns. At this point, each shortlisted site undergoes detailed analysis, culminating in the identification of two to four final candidates. In the ninth stage, the most promising sites are subjected to intensive investigation and evaluation, forming the basis for the final selection decision. Moreover, one or two alternative sites should be identified as contingencies, to mitigate the risk of unforeseen complications affecting the preferred option.

The final stage of the site selection process entails the identification of the optimal site, signifying the transition from evaluation to the development and implementation phase of the project. At this juncture, final preparations are undertaken to commence investment and construction activities, ensuring a seamless shift toward full project execution. This research seeks to examine the key factors influencing the successful development of SEZs and IPs in Russia, with a particular emphasis on the criteria relevant to potential investors and tenants. While Glatte's site selection model offers a comprehensive and structured framework for general site evaluation, it does not specifically account for the distinct characteristics and complexities

associated with the selection of SEZs and IPs. Given the methodological parallels between traditional site selection and SEZ and IP selection, an adapted model is proposed, based on Glatte's framework and expanded with additional stages and considerations specific to the institutional, political, and economic conditions of the Russian business environment.

4. Methodology

This research formed part of a broader project conducted between 2015 and 2017 that employed a multi-method approach, combining desk research, questionnaires, and semi-structured interviews. Desk research was used to identify a sample of SEZ and IP management companies and their respective tenants, and to collect quantitative data on each organisation. The sample was derived from the 2015 official list of six Russian industrial SEZs[2] and 120 IPs, as published on the website of the state-owned JSC Special Economic Zones managing company, in conjunction with the 2015 annual report of the Association of Industrial Parks. However, the site selection process for potential investors in SEZs and IPs in Russia was explored primarily through interviews. Directors, deputy directors, and heads of investor relations from each SEZ management company were specifically targeted for interviews to provide in-depth insights into the investment decision-making process and site selection criteria. The interviews were conducted primarily via Skype and averaged approximately one hour in duration. In total, 37 interviews were conducted, distributed as follows:

- 6 interviews with SEZ managing companies (one per company)
- 10 interviews with IP managing companies

[2] Although SEZs in Russia span various sectors - including tourism, logistics, and technology - this research focused exclusively on industrial Special Economic Zones registered in 2015. The study examined six key industrial SEZs: Alabuga SEZ in the Republic of Tatarstan, Lipetsk SEZ in the Lipetsk region, Togliatti SEZ in the Samara region, Kaluga SEZ in the Kaluga region, Moglino SEZ in the Pskov region, and Titanium Valley SEZ in the Sverdlovsk region.

- 9 interviews with SEZ tenants
- 11 interviews with IP tenants
- 1 interview with the Association of Industrial Parks.

The interview questions were organised around eight key themes derived from the existing literature. The first two sections gathered background information on the organisations and explored the processes involved in the establishment of SEZs and IPs. Section three focused on domestic and export markets, as well as cooperative linkages within industrial clusters. These dimensions are particularly significant, as the industrial cluster concept underscores the importance of trade and cooperative relationships within geographically proximate firms (Hsu *et al.,* 2013; Li & Bathelt, 2018; Zeng, 2010). Furthermore, export-oriented activities in SEZs are widely recognised as critical drivers of sustainable economic development (Kumar & Phougat, 2021; Palit, 2009; Quaicoe *et al.,* 2017). Sections four to six addressed the dynamics of competition, collaboration, and innovation - core elements of cluster theory (Delgado *et al.,* 2016; Ketels, 2013). Section seven examined the role of government in the development of SEZs and IPs, a topic that features prominently in both the SEZ literature (Aggarwal, 2011; Chen, 1995; Moberg, 2015) and studies on the Russian business environment (Kennedy, 2021; Vasileva, 2018). Finally, section eight explored the factors that facilitate or hinder cluster development, offering broader insight into the contextual conditions shaping the success of SEZs and IPs.

Interview responses were analysed thematically, employing a primarily deductive approach based on eight predefined topics derived from the literature review. Following an initial familiarisation with the transcripts, systematic coding was conducted according to these thematic categories, with additional emergent themes incorporated as appropriate. The coding process included the identification of word repetitions, key-indigenous terms, and keywords-in-context, in line with established qualitative research methodologies (Corbin & Strauss, 2015). After the initial round of coding, transcripts were re-examined to refine and consolidate the themes. Overlapping or infrequently occurring codes were reviewed and, where necessary, merged to enhance analytical coherence.

5. A selection model for potential investors (tenants) in Russian SEZs and IPs

The study identified four principal stages in the decision-making process for establishing a business within a SEZ or IP, each associated with a range of risk factors. These stages were derived from interviews and survey responses collected from both successful and less successful tenants. Notably, successful tenants tended to consider all four stages comprehensively, while less successful tenants focused on only a limited subset of these factors. All twenty respondents framed their decision-making within a cost–benefit analytical approach, indicating that success was closely linked to a thorough evaluation of SEZ or IP conditions, the broader business environment, and the regional investment climate. Respondents defined success using several criteria, including:

- Active development of the SEZ or IP, as evidenced by the attraction of new tenants;
- Full operational status of existing businesses;
- Continued construction and development of manufacturing facilities;
- Effective performance by the managing company, specifically in:
    - Attracting and promoting new tenants;
    - Representing the SEZ or IP at international events;
    - Ensuring the functionality of infrastructure and utility systems;
    - Maintaining consistent communication with tenants regarding emerging issues;
- Stable and sustained business growth within the SEZ/IP.

Table 2 presents a model that synthesises the key decision-making factors and stages, arranged according to the sequence reported by respondents.

The first stage in the evaluation process for establishing operations within a SEZ or IP involves the *selection of a region.* This requires a comprehensive analysis of all available SEZs and IPs across various Russian regions, followed by the shortlisting of those regions that meet initial suitability criteria for more detailed comparative assessment. Regional options are evaluated, described, and ranked based on a defined set of key criteria. Interview findings identified five critical factors that were considered essential to increasing the likelihood of successful investment outcomes at this stage: *proximity to sales markets* (cited by 18 respondents), *favourable investment climate* (cited by all respondents), *high level of industrial development* (12 respondents), *local legislative environment* (all respondents), and *quality of transport infrastructure* (13 respondents). The relevance of these factors is well established in existing literature (Aggarwal, 2011; Bräutigam & Tang, 2014; Cheesman, 2012; Quaicoe *et al.,* 2017).

Investors seek locations near their primary sales markets to reduce distribution costs, ensure timely delivery, and improve responsiveness to customer demands. Proximity enables better logistical efficiency, shorter supply chains, and faster turnaround times. It also supports market intelligence gathering and allows firms to adapt quickly to changes in consumer preferences or market trends. In Russia, where regional disparities are significant, being near key consumer or industrial centres (e.g., Moscow, St. Petersburg, Tatarstan) provides a strategic commercial advantage. A positive investment climate includes macroeconomic stability, predictable policies, low corruption, and efficient bureaucratic procedures. It signals reduced risk and greater potential for long-term returns. Investors are more likely to commit capital when they perceive the host region as secure, transparent, and business-friendly. Also, regions with strong industrial ecosystems offer access to specialised suppliers, skilled labour, and business services. These areas tend to have mature value chains and existing clusters that investors can plug into, reducing the need to build everything from scratch. An advanced industrial base also reflects the availability of supportive infrastructure and institutions. The local legal framework affects land acquisition, construction permits, tax obligations, and environmental regulations. Investors prioritise regions where local laws are clearly defined, stable, and enforced transparently. This minimises legal risk, delays, and unexpected costs. Also, Fujita *et al.* (2001) highlight the importance of accounting for regional legislative variations, particularly

in relation to construction standards and other regulatory constraints that may affect business operations. In a country like Russia, where laws and their enforcement may vary substantially across regions (Sakwa, 2020), understanding and navigating local legislation becomes a key determinant of project feasibility. Finally, Efficient transport systems (including roads, railways, airports, and ports) are vital for moving goods, accessing inputs, and connecting with markets. Poor infrastructure increases costs, delays, and operational risks. High-quality transport links improve supply chain reliability, reduce time-to-market, and support export and import activities. In Russia's vast and often logistically challenging geography, access to robust transport corridors is a crucial factor in investment site selection.

Stage	Steps
(1) Selection of a region	Proximity to sales markets Favourable investment climate High level of industrial development Local legislative environment Quality of transport infrastructure
(2) Assessment of political factors	Political stability Close relations with local state authorities Approvals and permits Established relationships between managing companies and regional government Proactive regional administration Regional strategic development programmes Financial support: subsidies, fiscal incentives, preferential bank interest rates
(3) Evaluation of SEZs and IPs in the region	Established utilities and transport infrastructure Greenfield or brownfield Ownership type of the SEZ or IP Specific construction costs Legal aspects of land acquisition or leasing Potential for facility extensions Management fees Fiscal incentives (offered tax benefits) Proximity to customs
(4) Evaluation of business environment	Proximity to suppliers Presence of anchor investors Competitive environment Cooperation with universities or R&D centres Labour availability Developed social infrastructure Restrictions: environmental and legal
(5) Decision	

Table 2. SEZ and IP selection process for potential investors (tenants) in Russia
Source: *devised by the author*

The second stage of the SEZ and IP evaluation process entails the *assessment of political factors*, given the pivotal role regional governments play in the establishment and development of SEZs and IPs in Russia. Interview findings identified seven key political considerations that influence investment decisions at this stage. Foremost among these is *political stability*. Fourteen respondents emphasised that a long-serving regional governor or a consistent team of state officials significantly increases the likelihood of securing federal approval for investment initiatives and ensures steady financial support for zone and park development. The significance of political backing was particularly evident in the case of the Sverdlovsk region, where administrative inattention and inadequate funding allocation delayed the implementation of SEZs by nearly seven years. This, in turn, undermined efforts to attract investors and constrained broader regional economic development.

Another important factor in the site selection process, identified by 11 respondents, is the early establishment of *close relations with local state authorities*, real estate brokers, private landowners, and other key stakeholders within the SEZ or IP. This consideration applies to both Russian and foreign investors and is viewed as instrumental in facilitating smoother investment procedures. The importance of developing such networks (particularly with regional state officials) is well-documented in the literature (Horak *et al.,* 2021; Ledeneva, 2013; Minbaeva *et al.,* 2022). Effective network-building typically entails:

- Visiting and inspecting SEZ and IP sites;
- Negotiating with landowners and property intermediaries;
- Conducting discussions with regional authorities to clarify conditions of land acquisition or lease;
- Evaluating potential additional costs associated with site development; and
- Determining the availability and terms of tax incentives and state-provided benefits.

The same 11 respondents reported that established local networks often proved

critical in overcoming bureaucratic challenges, especially in securing *approvals and permits* necessary for launching operations. This finding underscores the strategic value of early and proactive engagement with regional stakeholders in the overall investment process. Another critical factor emerging from the findings is the *established relationship between the managing company and the regional government,* as highlighted by 12 respondents. A strong relationship between the managing company and the regional government ensures strategic alignment, facilitates access to funding and permits, helps overcome bureaucratic hurdles, and builds investor confidence, which is particularly vital in Russia's centralised and uncertain business environment where regional support can significantly influence the success of SEZs and IPs. Furthermore, 16 respondents emphasised the importance of evaluating whether regional government officials exhibit a personal commitment to the development of SEZs and IPs. This consideration appears to be among the most decisive in the site selection process. The data indicate that a *proactive regional administration* significantly enhances the attractiveness and functionality of SEZs and IPs by actively promoting them and facilitating investor engagement. Such administrations typically incorporate SEZs and IPs into broader regional *strategic development programmes* and offer various forms of *financial support*. These include direct subsidies, fiscal incentives, and preferential bank interest rates, a point noted by 13 respondents.

The significance of municipal government involvement in the development of SEZs and IPs is well documented in the literature (Aggarwal, 2011; Aritenang & Chandramidi, 2019; Montealegre, 2012; Zeng, 2010). These studies generally contend that while proactive administrations should play a supportive role by providing financial assistance, infrastructure, and a sound regulatory environment, they should refrain from direct involvement in investor recruitment or the cultivation of personal business relationships. In contrast, the Russian context presents a notable departure from these global norms. Regional governments in Russia frequently adopt a more interventionist approach, actively shaping the success of SEZs and IPs through hands-on political and administrative engagement. This divergence underscores the distinctive nature of SEZ and IP development in Russia, where the degree of state involvement and the personal interest of local authorities can exert a significant influence on investment outcomes.

In several Russian regions, SEZs and IPs operate concurrently, making it essential for prospective investors to conduct a comprehensive *evaluation of the available*

zones and parks before finalising their site selection. This stage entails a detailed analysis of infrastructural, legal, and financial characteristics associated with each site. All respondents agreed that a preliminary assessment of infrastructure is vital in determining the most appropriate location for establishing manufacturing facilities, as infrastructure quality and location directly influence operational efficiency and cost structures. Key considerations at this stage include:

- *Utility Infrastructure*: The availability and reliability of essential utilities (such as electricity, gas, heating, water supply, sewerage, and telecommunications) must be assessed to ensure operational viability and potentially associated construction costs (Aggarwal, 2011; Zeng, 2015).

- *Greenfield vs. Brownfield Projects*: Investors must evaluate whether the proposed site is undeveloped land (greenfield) or a repurposed industrial area (brownfield), as this distinction significantly impacts construction costs and development timelines (Bartke & Schwarze, 2015; Hayali, 2014).

- *Transport Accessibility*: An evaluation of the existing transport infrastructure, including road and rail connectivity and proximity to airports, is crucial for optimising supply chain logistics and distribution efficiency (Quaicoe *et al.,* 2017; Warr, 1989).

- *Ownership Structure of Zones and Parks*: Particularly for IPs, the nature of ownership (state-owned, privately owned, or a public-private partnership) can significantly influence governance, investor support mechanisms, and regulatory frameworks (Kumar & Phougat, 2021; Tantri, 2016).

In addition to evaluating technical, legal, and tax conditions, companies must identify the specific regulatory and infrastructural requirements necessary for establishing operations within an SEZ or IP in Russia. Forming joint ventures with established or complementary businesses may also serve as a strategic approach to mitigate risks, leverage local expertise, and optimise resource utilisation during market entry. Respondents emphasised the importance of conducting a comprehensive assessment of all costs associated with establishing and expanding operations within specific SEZs and IPs. This observation is consistent with the broader literature, where scholars such as Fujita *et al.* (2001), Godlewska-Majkowska *et al.* (2016), Gupta (2008), and

Tantri (2016) stress the centrality of cost analysis in site selection processes. All respondents highlighted the significance of evaluating *construction costs*, including expenses related to the development of manufacturing facilities in a particular region, zone or a park; *the legal aspects of land acquisition or leasing*, particularly regarding ownership rights, contractual terms, and legal fees; and utility-related expenditures, such as charges for electricity, gas, water, sewage, and telecommunications services. Besides, ten respondents expressed concerns regarding future business expansion, prompting them to seek clarification from managing companies about the *potential for facility extensions*.

However, four tenants (located in the Sverdlovsk, Orel, and Vladimir regions) reported significant challenges related to rental conditions. These challenges primarily stemmed from a lack of transparency concerning the purchase of land, buildings, or facilities within SEZs and IPs. At the time of the interviews, these tenants remained in protracted negotiations, impeded by ambiguous regulatory frameworks and unclear land ownership policies. Moreover, the same four respondents noted that, during their tenancy, *management fees* were frequently increased without clear justification. However, this issue appeared to be region-specific, reported only in the Sverdlovsk, Orel, and Vladimir regions during the data collection period. The next component of the site evaluation stage involves assessing the availability and conditions of *fiscal incentives* provided by SEZs and IPs. This factor was deemed critical by 12 respondents, as tax relief and financial incentives can substantially influence the overall cost-efficiency of an investment. Additionally, for businesses engaged in international trade, evaluating the accessibility and *proximity of customs facilities* was considered essential to ensure efficient logistics and supply chain operations. The strategic importance of customs infrastructure in SEZ and IP site selection is similarly emphasised in the literature (Gupta, 2008; Hartwell, 2018; Tantri, 2016).

The final stage of SEZ and IP assessment centres on the *evaluation of business environment*, particularly the competitive landscape and potential for collaboration within and around the zones or parks. This approach is consistent with the industrial cluster concept outlined in the literature (Hsu & Lin, 2011; M.-S. Hsu *et al.,* 2013; Li & Bathelt, 2018; Yeup Kim & Zhang, 2008; Zeng, 2019). Sixteen respondents emphasised the importance of *proximity to suppliers* of key resources, such as raw materials and components, while ten highlighted the relevance of *anchor investors* and local corporations

as potential partners for supply chain integration and future cooperation. Several tenants were embedded in established regional clusters - for instance, automotive manufacturing (AvtoVAZ) and the titanium industry (VSMPO-AVISMA) - underscoring the role of clustering in promoting cost efficiencies, innovation, and competitiveness. One IP tenant participated in the emerging pharmaceutical cluster in Belgorod, while another operated within the textile cluster in Ivanovo, producing uniforms and industrial apparel. In Leningrad, an IP tenant involved in gas turbine production strategically aligned with local heavy industry firms. However, not all cases reflected successful clustering. In Orel, the regional government showed limited engagement with business developments, such as the acquisition of a local metalware manufacturer by JSC Severstal Metiz. This led to reduced *competition* and disrupted existing networks within the metallurgy cluster, illustrating how passive regional governance can undermine the collaborative dynamics crucial for SEZ and IP success.

Only seven respondents emphasised the importance of cooperation with *universities or R&D centres*, which can enhance innovation and support the development of a skilled workforce - a perspective also supported by the literature (Abramo *et al.,* 2011; Capó-Vicedo *et al.,* 2013; Tantri, 2016). In contrast, 13 respondents identified *labour availability* as a critical factor, echoing widely recognised findings in academic research as skilled workforce essential for operational efficiency (Chen, 1995; Tsui, 2009; Warr, 1989). Also, these respondents underlined the importance of *developed social infrastructure*, such as housing, schools, and public amenities, particularly in SEZs and IPs with long-term development objectives. This enhances quality of life for employees, making the region more attractive for long-term investment and talent retention (Aggarwal, 2023; Rodríguez-Pose *et al.,* 2022; Zeng, 2021; Zheng *et al.,* 2021).

Finally, all respondents agreed that a thorough assessment of *restrictions* is essential in the final stage of the site selection process. These restrictions may include *environmental considerations* - such as sanitary classification of production facilities, designated protection zones, and technical limitations of park infrastructure (Danja & Wang, 2024; Quaicoe *et al.,* 2017; Zeng, 2021) - as well as *legal constraints* related to firm size, industry sector, or ownership structure (foreign or domestic) (Tantri, 2016; Yankov *et al.,* 2016). Collectively, these factors play a significant role in determining the long-term feasibility and strategic alignment of an SEZ or IP for prospective investors.

6. Conclusion

The objective of this chapter was to analyse the SEZ and IP selection process, with particular attention to the distinctive characteristics of doing business in Russia. Glatte's (2014) standard site selection model offers a structured, ten-stage framework to guide corporations in evaluating potential locations before commencing operations. This model facilitates a systematic assessment of site options through professional evaluation and progressive elimination, ultimately helping firms identify the most suitable investment site. This study introduces an adapted model that aligns the specific stages of SEZ and IP selection in Russia with Glatte's original site selection framework. The model incorporates insights from empirical research and demonstrates that Glatte's stages correspond closely with the Russian context and can be effectively applied to SEZ and IP location decisions. The findings indicate that many of the critical success factors cited by respondents - such as a favourable investment climate, proximity to key markets, availability of skilled labour, and currency stability - are also well supported in the academic literature (Aggarwal, 2023; Chen, 1995; Moberg, 2015; Zeng, 2021).

The evaluation of the business environment within the Russian model closely aligns with the principles of cluster theory and SEZ development. It incorporates key elements such as cooperation opportunities, competitive dynamics, and proximity to universities and R&D centres. This dimension serves as a vital enhancement to Glatte's existing site selection model, contributing a more comprehensive framework suited to SEZ and IP evaluation. Notably, the first four stages of Glatte's model correspond directly with the regional selection phase identified in this research. However, a distinctive feature of the Russian context is the pronounced influence of political factors in the site selection process. In Russia, proactive regional administrations are instrumental to the success of SEZs and IPs, often providing financial support, political assurances to reduce uncertainty, and assistance in navigating complex bureaucratic procedures (Sosnovskikh & Cronin, 2021). Importantly, the aim of this research is not to critique Glatte's model for its limitations but to extend its applicability by incorporating context-specific components. By incorporating these elements, the adapted model provides a more precise and context-sensitive framework for SEZ and IP site selection in Russia, increasing its practical value for both scholars and practitioners involved in location decision-making.

The site selection procedures outlined in this study involve a comprehensive assessment of all relevant stages and factors associated with SEZ and IP evaluation. This structured approach requires investors to systematically compare the advantages and disadvantages of each option, assess associated risks and costs, and prepare a preliminary budget to support informed decision-making. As part of this process, investors are expected to:

- Conduct risk assessments concerning facility and land ownership.

- Identify preventative measures should they proceed with facility acquisition based on evaluation outcomes.

- Estimate initial costs, including utility connection expenses and, for brownfield sites, costs related to the dismantling and modernisation of existing structures.

The model specifically advises that investors consider a broad spectrum of risk factors when selecting both a region and a specific SEZ or IP. The findings reveal that the successful development of these zones and parks is often constrained by significant uncertainty within the business environment, as well as by a vertically integrated power structure in both political and economic spheres. These systemic challenges are well-documented in the literature (Girlando & Eduljee, 2010; Hartwell & Zadorozhna, 2024; Kennedy, 2021). Such conditions contribute to limited collaboration, a reluctance to engage in open competition, and the necessity of cultivating relationships with state authorities. This is due to the distinct and influential role that the government plays in the Russian business landscape (Viktorov & Abramov, 2022), particularly in shaping the development and functionality of SEZs and IPs (Sosnovskikh, 2017c; Sosnovskikh & Cronin, 2021).

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Special Economic Zones (SEZs) are rapidly emerging tools for territorial development, designed to attract Foreign Direct Investment (FDI) and enhance economic competitiveness in geographically defined areas through tailored administrative and fiscal incentives. These zones offer significant potential to boost employment and foster growth in lagging regions. However, poorly designed SEZs risk exacerbating regional disparities and undermining territorial competitiveness. This volume offers an interdisciplinary exploration of SEZs, integrating insights from economic geography, regional policy, and environmental sustainability, exploring several aspects of the topic such as territorial impact assessments tools, the role within the framework of sustainable development, and comparative case studies, not forgetting to start from a theoretical perspective to highlight both successes and hazards. Through this approach, the book "Special Economic Zones: Challenges and Opportunities for Territorial Development" contributes to providing an overall understanding of SEZs as dynamic tools for sustainable development in the Anthropocene era.

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