

Industrial Parks in the Bay of Bengal: Implications for Korea

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I. The Emergence of the Bay of Bengal as a Production Base

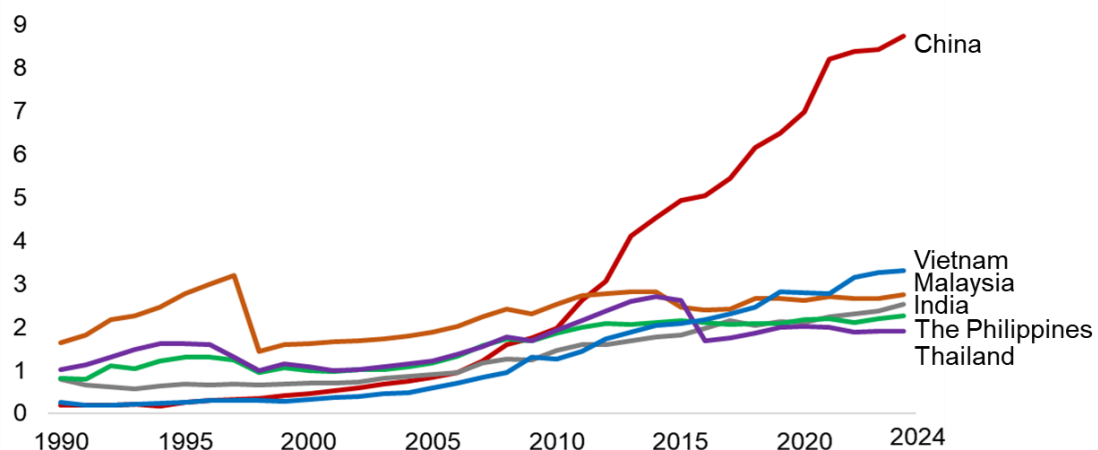
The resilience of global supply chains has become a major theme for corporate strategists amid the spread of a diverse array of crises, or a “polycrisis.” Events such as pandemics, military conflicts, technological competition, and climate change have exposed vulnerabilities in global value chains that had previously prioritized efficiency and profitability. In response,

global companies are restructuring their value chains, and globalization through trade and investment is changing in form.

In particular, rising costs in China’s labor-intensive industries and growing U.S.-China tensions are increasing demand for shifting production bases away from China (see Figure 1).

Figure 1. Hourly Manufacturing Labor Costs

(Unit: Dollars)



Source: Economist Intelligence Unit.

In this process of production diversification, global companies are paying increasing attention to the countries surrounding the Bay of Bengal. Over the past seven decades, labor-intensive production bases shifted from Japan to Korea and Taiwan, then to Malaysia and Thailand, and later to mainland China and Vietnam, creating a regional value chain in Asia.

With ongoing geopolitical shifts, further changes in regional value chains are expected, with the countries of the Bay of Bengal likely to play increasingly significant roles. Notable industrial development is currently taking place in three Bay of Bengal countries: India, Bangladesh, and Malaysia.

Out of India's 28 states and eight union territories, just four mainland states along the Bay of Bengal account for more than one-fifth of India's GDP. Andhra Pradesh has a long coastline and productive agricultural land, making it a leading food-processing state. It accounts for 15% of India's total food exports and 40% of its seafood exports. Tamil Nadu, often referred to as the "Detroit of India" or India's electronics capital, possesses large automotive and electronics industries. The state alone accounts for more than 40% of India's exports in these respective sectors.

Odisha and West Bengal possess abundant mineral and energy resources. In these sectors, government-owned companies such as Indian Oil Corporation and Steel Authority of India, as well as private firms such as Tata and JSW, maintain broad production networks across the two states.

The garment industry remains Bangladesh's primary growth engine. It accounts for 85% of the country's exports and one-third of manufacturing employment. Bangladesh's garment exports are the second largest in the world after China's. The country also possesses a competitive shipbreaking industry with the largest market share globally. Bangladesh's pharmaceutical industry is also growing rapidly, contributing to a decline in the country's import dependence.

Malaysia is specializing in the high-tech segment of manufacturing. It has more than 50 years of experience in fostering the semiconductor industry and accounts for 13% of global Assembly, Testing, and Packaging (ATP) volume. As U.S. pressure to restrict China's semiconductor industry has intensified in recent years, Malaysia's role in helping global companies diversify supply chains has expanded.

Over time, investment in the Bay of Bengal region has increased rapidly, led by industries in which these countries possess comparative advantages. These developments may signal that East Asia's "flying geese" model of industrialization is entering its next stage of evolution.

II. Industrial Development Strategies

The central and regional governments of the Bay of Bengal countries are actively adopting industrialization strategies (see Table 1).

Table 1. Major Industrial Strategies in the Bay of Bengal

Region		Strategies
India, Southeast	Andhra Pradesh	New Andhra Pradesh Industrial Development Policy 2024-29
	Tamil Nadu	Tamil Nadu Industrial Policy 2021
India, Northeast	Odisha	Odisha Industrial Development Plan: Vision 2025
	West Bengal	Investment and Industrial Policy of West Bengal 2013
Bangladesh		National Industrial Policy 2022-27
Malaysia		New Industrial Master Plan 2030

Three characteristics stand out.

First, these strategies do not simply present ambitious targets; they also include detailed implementation plans. Alongside short- and medium-term goals, they specify industrial sectors, investment and reform policies, subsidy levels, leading government organizations, implementation methods, and supporting policy measures.

Second, these strategies cover both “comparative advantage-conforming” sectors and “comparative advantage-defying” sectors. In other words, they focus not only on industries in which these countries already possess strong competitiveness, but also on industries expected to serve as future growth engines.

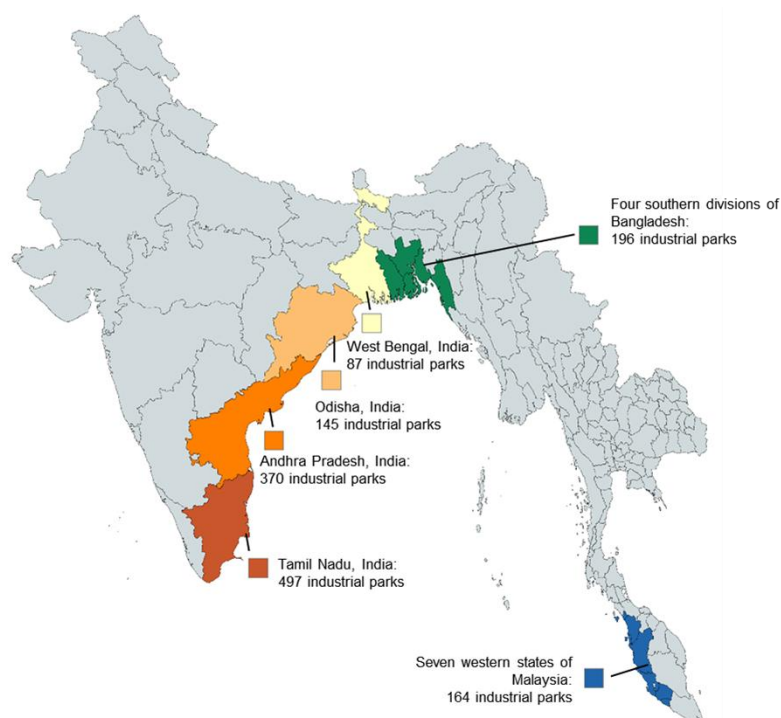
Finally, these strategies emphasize the key role industrial parks play in manufacturing development. Various motives for developing industrial parks are highlighted, including re-

ducing production costs, stimulating innovation, establishing industrial ecosystems, generating employment, promoting inclusiveness, and fostering regional development. By developing industrial parks, Bay of Bengal countries aim to attract domestic and international investment through the provision of world-class production bases, infrastructure, and business-friendly regulatory environments.

III. Industrial Parks as Drivers of Industrialization

Based on available cluster lists and related data, more than 1,459 industrial parks can be identified across the Bay of Bengal region (see Figure 2). Despite this large number, the region is experiencing a shortage of available industrial land amid rising manufacturing investment. To meet increasing demand, governments in the region are establishing new industrial parks.

Figure 2. Number of Industrial Parks in the Bay of Bengal Region



Source: [Tamil Nadu] India Industrial Land Bank
 [Andhra Pradesh] India Industrial Land Bank
 [Odisha] India Industrial Land Bank
 [West Bengal] West Bengal Industries Department*
 [Bangladesh (4 divisions)] BEZA; BSCIC One Stop Service; The Business Standard; The Daily Star
 [Malaysia (7 states)] MYSite Selection Portal.

Notes: Based on industrial parks for which basic information is publicly available online. The total number should therefore be considered a minimum estimate, while definitions and classification standards differ across countries.
 * Although the Indian Industrial Land Bank also provides information on industrial parks in West Bengal, the coverage is limited; therefore, data published by the West Bengal state government were used instead.

As industrial parks are often created to address market failures, governments frequently lead their development in developing countries. In particular, many countries, including those in the Bay of Bengal region, have designated public institutions or government-owned companies to oversee industrial park

development (see Table 2). Although less common, private companies sometimes also lead the development of industrial parks. To stimulate private participation, governments have lowered entry barriers, created government-business joint ventures, supported infrastructure construction costs, and provided land below market prices.

Table 2. Major Government Institutions and Companies Responsible for Industrial Parks in the Bay of Bengal

Region		Institutions / Companies
India, Southeast	Andhra Pradesh	<ul style="list-style-type: none"> • APIIC (Andhra Pradesh Industrial Infrastructure Corporation)
	Tamil Nadu	<ul style="list-style-type: none"> • SIPCOT (State Industries Promotion Corporation of Tamil Nadu) • TIDCO (Tamil Nadu Industrial Development Corporation) • SIDCO (Small Industries Development Corporation)
India, Northeast	Odisha	<ul style="list-style-type: none"> • IDCO (Odisha Industrial Infrastructure Development Corporation)
	West Bengal	<ul style="list-style-type: none"> • WBIIDC (West Bengal Industrial Infrastructure Development Corporation) • WBIDC (West Bengal Industrial Development Corporation)
Bangladesh		<ul style="list-style-type: none"> • BEPZA (Bangladesh Export Processing Zones Authority) • BEZA (Bangladesh Economic Zones Authority) • BHTPA (Bangladesh Hi-Tech Park Authority)
Malaysia		<ul style="list-style-type: none"> • SEDCs (State Economic Development Corporations) e.g. PDC (Penang Development Corporation) KSDC (Kedah State Development Corporation)

Several unique characteristics emerge when analyzing key industrial parks in the region. Andhra Pradesh's Sri City and Tamil Nadu's Mahindra World City were developed at the scale of integrated industrial townships. Odisha's Petroleum, Chemicals and Petrochemical Investment Region (PCPIR) and National Investment and Manufacturing Zone (NIMZ) are being developed as expansive industrial zones. Bangladesh's Sitakunda Yard Belt and Karnaphuli Dry Dock Special Economic Zone were developed by integrating the shipbreaking and shipbuilding value chains. Malaysia's semiconductor industrial parks in Penang represent cases in which new parks have been established near existing anchor industrial parks that had already reached full capacity.

A closer examination of these clusters reveals the presence of diverse stakeholders that play pivotal roles in building industrial ecosystems across the Bay of Bengal region. Key actors

include government institutions and government-owned companies responsible for industrial park development. In addition, government bodies play important roles in fostering business-friendly environments through regulatory reform and infrastructure management. Tenant companies establish manufacturing bases, undertake investment and employment activities, and build supply chains. Industrial organizations, educational institutions, research centers, and civil society organizations also contribute significantly to making these regions innovative and inclusive.

IV. Policy Suggestions for Korea

Many Korean companies are searching for alternative manufacturing bases that can enhance resilience within global value chains. Consequently, they have shown significant interest in industrial clusters across the Bay of

Bengal region. For example, Hyundai Motor Company operates its largest overseas production base in India's Tamil Nadu. Its production and employment levels in Tamil Nadu surpassed those in China in the early 2020s, and the gap is expected to widen further.

At present, Korean companies' entry into the Bay of Bengal region remains concentrated among large manufacturers, while the participation of Korea's small and medium-sized enterprises (SMEs) remains limited. As large Korean manufacturers seek to deepen their regional value chains, a co-entry strategy involving SMEs would be highly desirable.

To support Korean SMEs, Korean government institutions could establish an "Information Platform on Bay of Bengal Industrial Parks" to share key information about industrial parks in the region. In addition, they could organize networking events connecting industrial park developers in the region with Korean firms to identify business opportunities.

More proactively, the Korean government

could support "P-turn" companies—Korean firms establishing production bases in third countries to reduce concentration risks in specific locations—through financing from the Supply Chain Stabilization Fund. Furthermore, targeted policy finance and consulting services could be provided to firms seeking to utilize the Bay of Bengal region to strengthen economic security.

Finally, the Korean government could consider establishing Korean Industrial Zones in the region. During the Korean president's visit to India in April 2026, India's prime minister proposed the idea of establishing a Korean Industrial Township. If such a project were to follow the model of Japan Industrial Townships in India, it would require close cooperation between the Korean and Indian governments to promote existing industrial parks and improve the business environment for Korean SMEs. Going a step further, Korean financial institutions could provide patient capital to contribute to the long-term development of new industrial parks. **KIEP**