

# Free Trade Zones as Instruments for Regional Development in Nigeria

Ariyo Adebayo Olusegun

Department of Geography and planning faculty of social sciences, Lagos state university

Received: 11.02.2026 | Accepted: 03.03.2026 | Published: 07.03.2026

\*Corresponding Author: Ariyo Adebayo Olusegun

DOI: [10.5281/zenodo.18895787](https://doi.org/10.5281/zenodo.18895787)

## Abstract

## Original Research Article

Free Trade Zones (FTZs) represent a strategic economic policy designed to stimulate investment, industrial growth, and regional transformation. In Nigeria, FTZs have been adopted as mechanisms to attract foreign direct investment (FDI), enhance export competitiveness, and promote economic diversification beyond oil dependence. This paper critically evaluates the effectiveness of FTZs in advancing regional development objectives. It examines Nigeria's institutional and legal framework, assesses selected zone performances, and compares them with international best practices. The study finds that while FTZs hold strong potential to generate employment, improve infrastructure, and foster technology transfer, their success depends largely on policy stability, infrastructural integration, and stronger linkages with the domestic economy. The paper concludes that FTZs can significantly contribute to balanced regional development if embedded within a coordinated national development strategy.

**Keywords:** Free Trade Zones, Regional Development, Foreign Direct Investment, Economic Diversification.

Copyright © 2026 The Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (CC BY-NC 4.0).

## INTRODUCTION

Global trade architecture has evolved significantly since the mid-twentieth century. Initially driven by multilateral liberalization under global trade arrangements, economic integration later shifted toward regional and sub-regional frameworks. As globalization intensified competition, developing countries particularly in Africa sought innovative policy instruments to integrate more effectively into global value chains.

One such instrument is the Free Trade Zone. These zones are geographically defined areas where businesses enjoy preferential regulatory and fiscal conditions compared to the wider domestic economy. For developing nations, FTZs are often deployed to attract export-oriented industries,

stimulate industrial clustering, and accelerate regional growth.

Nigeria adopted this strategy to address structural economic challenges including unemployment, over-dependence on crude oil exports, and regional economic disparities. The expectation is that concentrated industrial activity within designated zones can trigger multiplier effects that extend beyond their physical boundaries.

## CONCEPTUAL FRAMEWORK: REGIONAL DEVELOPMENT AND GROWTH POLES

Regional development theory emphasizes spatial concentration of economic activities as a catalyst for broader territorial transformation. The growth pole

concept suggests that development can be initiated within strategic centers where industries cluster, generating spillover effects into surrounding areas through production linkages, income expansion, and labor mobility.

FTZs align with this framework. By offering tax relief, infrastructure support, and streamlined administrative procedures, governments attempt to attract anchor industries capable of stimulating auxiliary enterprises. When properly managed, such zones can:

- Promote industrial agglomeration
- Encourage backward and forward linkages
- Facilitate knowledge and technology transfer
- Improve regional infrastructure

However, without strong integration into national economic systems, FTZs risk functioning as isolated enclaves.

## INSTITUTIONAL FRAMEWORK OF FTZS IN NIGERIA

Nigeria’s FTZ policy is anchored in the **Nigeria Export Processing Zones Act of 1992**, administered by the Nigeria Export Processing Zones Authority (NEPZA). The agency oversees licensing, regulation, and coordination of zone activities, operating under a “one-stop-shop” administrative model.

Core incentives typically include:

- Corporate tax holidays
- Duty-free importation of machinery and raw materials
- Full repatriation of profits
- Exemption from certain local taxes
- Simplified customs procedures

These measures are intended to create a competitive investment environment comparable to international standards.

## PERFORMANCE OF SELECTED FREE TRADE ZONES IN NIGERIA

### Lekki Free Trade Zone (Lagos State)



The Lekki Free Trade Zone stands as Nigeria’s flagship zone. It hosts major industrial investments, including large-scale petrochemical and refinery

infrastructure. The zone has significantly attracted FDI, generated employment opportunities during construction and operational phases, and stimulated

complementary infrastructure such as deep-sea port facilities. Its integrated industrial model demonstrates the transformative capacity of strategically planned zones.

### Onne Oil and Gas Free Zone (Rivers State)

The Onne Free Zone specializes in oil and gas logistics. It functions as a regional support hub for offshore petroleum operations across West and Central Africa. By concentrating industry-specific services, the zone reduces transaction costs and improves operational efficiency within the energy sector.

### Calabar Free Trade Zone (Cross River State)

As one of Nigeria's earliest zones, Calabar Free Trade Zone played a pioneering role in export manufacturing and logistics services. Although it has experienced operational challenges, it contributed to regional employment and established institutional experience for subsequent zone development.

## COMPARATIVE PERSPECTIVE: LESSONS FROM INTERNATIONAL PRACTICE

Globally, successful FTZ models share common characteristics: infrastructure readiness, regulatory predictability, investor confidence, and strategic geographic positioning. The United Arab Emirates, particularly Dubai's industrial clusters, demonstrates how integrated logistics, efficient governance, and business-friendly policies can transform zones into global commercial hubs.

Key lessons relevant to Nigeria include:

- Stable and transparent policy environment
- Strong transport and port connectivity
- Efficient customs and immigration processes
- Strategic industry specialization
- Continuous infrastructure upgrades

Without these elements, incentives alone cannot sustain long-term investment.

## RELEVANCE OF FTZS TO REGIONAL DEVELOPMENT

FTZs contribute to regional development in multiple dimensions:

1. **Employment Creation:** Industrial clustering generates both direct and indirect jobs.
2. **Infrastructure Development:** Roads, ports, power supply, and logistics facilities often improve around zones.
3. **Technology Transfer:** Exposure to international firms enhances domestic technical capacity.
4. **Economic Diversification:** Zones reduce reliance on primary commodity exports.
5. **Urban and Spatial Transformation:** Growth centers may stimulate new settlements and commercial corridors.

Nevertheless, inadequate power supply, security concerns, bureaucratic overlaps, and weak domestic supply chains continue to constrain optimal performance.

## CHALLENGES LIMITING EFFECTIVENESS

Despite promising outcomes, Nigeria's FTZ scheme faces structural obstacles:

- Poor integration with local industries
- Inconsistent policy implementation
- Infrastructure gaps outside zone boundaries
- Administrative bottlenecks among agencies
- Security vulnerabilities in certain regions

Addressing these constraints is crucial for maximizing regional spillover effects.

## CONCLUSION

Free Trade Zones remain a viable instrument for stimulating regional growth in Nigeria. Evidence from leading zones indicates measurable progress in attracting investment and fostering industrial activity. However, FTZs cannot independently

transform regional economies without complementary national reforms.

Their long-term effectiveness depends on infrastructure expansion, regulatory coherence, security stability, and stronger domestic production linkages. When embedded within a broader development framework, FTZs can function as strategic growth nodes capable of driving inclusive regional transformation.

## RECOMMENDATIONS

1. **Integrated Infrastructure Planning:** Connect all zones to national rail, road, and port networks.
2. **Policy Harmonization:** Eliminate inter-agency conflicts and strengthen NEPZA's regulatory authority.
3. **Local Content Promotion:** Encourage sourcing from domestic SMEs to enhance backward linkages.
4. **Security Enhancement:** Develop dedicated security architecture around industrial corridors.
5. **AfCFTA Alignment:** Position Nigerian FTZs as export gateways into continental markets.

## REFERENCES

- Aggarwal, A. (2007). Impact of special economic zones on employment, poverty and human development. *Indian Council for Research on International Economic Relations Working Paper*, 194.
- Akinyemi, F. O., & Adejumo, O. O. (2018). The role of free trade zones in the economic development of Nigeria: A case study of the Calabar Free Trade Zone. *Journal of Economics and Sustainable Development*, 9(16), 84–93.
- Farole, T. (2011). *Special economic zones in Africa: Comparing performance and learning from global experiences*. World Bank.
- Federal Government of Nigeria. (1992). *Nigeria Export Processing Zones Act (Cap N107 LFN 2004)*. Government Press.
- Friedmann, J., & Weaver, C. (1979). *Territory and function: The evolution of regional planning*. Edward Arnold.
- Gore, C. (1984). *Regions in question: Space, development theory and regional policy*. Methuen.
- Koinyan, L. (1990). *A manual on community development*. Directorate for Social Mobilization.
- Mabogunje, A. L. (1971). Growth poles and growth centres in regional development of Nigeria. United Nations Research Institute for Social Development.
- Oguji, M. N., & O'Regan, N. (2020). Institution-based challenges to special economic zones: Evidence from Nigeria. *Transnational Corporations Review*, 12(3), 283–296. <https://doi.org/10.1080/19186444.2020.1782299>
- Smith, D. M. (1987). *Geography, inequality and society*. Cambridge University Press.
- United Nations Conference on Trade and Development (UNCTAD). (2019). *World investment report: Special economic zones*. United Nations.
- World Bank. (2021). *Nigeria development update: Resilient and ready for recovery*. World Bank.
- World Trade Organization (2011). *The WTO and preferential trade agreements*. WTO Publications.
- Zeng, D. Z. (2016). Special economic zones: Lessons from global experiences. World Bank Group.