

EXPORT PROCESSING ZONES IN NIGERIA: PERSPECTIVES AND CHALLENGES

*Dr. Fabian C. Ikeh**

Abstract

An Export Processing Zone also known as Free Trade Zone is a designated geographical area established by a government for businesses to operate. Several of such zones are usually established in different parts of a country. Mostly, the businesses that operate in the zones are private sector driven and are mainly aimed to promote export-oriented industrialization, facilitate technology transfer and attract foreign direct investments. For the businesses in the zones to thrive the government provides certain incentives like tax reliefs, free duties and streamlined customs procedures amongst others to encourage cheap and mass production of goods for export purposes. However, the question is whether such zones in Nigeria have achieved the desired aims of establishing them? The essence of this article is to find out whether the zones in the country have performed and achieved their aims. In doing this, the doctrinal research methodology was employed to review some literature on the subject. From the reviewed literature it was found that the zones have not succeeded as expected due to certain constraints like outdated legislation, inconsistent government policies and non-implementation of standard procedures and other bottlenecks affecting operations in the zones. These have affected the zones from performing optimally and achieving the desired results for which they were established. Accordingly, it is recommended that the outdated legislation establishing the zones should be amended to incorporate the modern global practices in this area. Also, other bottlenecks affecting the zones should be removed for the smooth operations of the zones for better results.

Keywords: Free Trade Zones, Incentives, Export and Import, International Trade, Legislation

Introduction

The idea of Export Processing or Free Trade Zones originated from the export processing zones established in major ports of Hong Kong, Gibraltar and Singapore in the 19th century. The purpose of which was to allow free import and export of goods and re-export of goods to earn foreign exchange and stimulate economic activities in the respective countries. However, presently, import and export and indeed re-export of goods in these zones are no longer free but the zones operate under very liberal conditions such that firms and companies located in them enjoy several economic operating incentives that they would otherwise not have enjoyed were they located outside the free zones. These incentives include tax holidays, reduced taxation, good infrastructures and so on.¹

* LLB (Hons), BL, LLM, PhD; Senior Lecturer Department of Commercial and Industrial Law, Faculty of Law, University: Rivers State University; Email: ikeh.fabian@ust.edu.ng or chifab4@gmail.com; Mobile: 08023149351

¹ D M Harry, Export Processing Zones and Economic Diversification in Nigeria 2001-2013 (2016) (2) (2) *Journal of Political Science and Leadership Research*, 24

However, according to Stein², in modern history, export processing zone as a development strategy was first adopted in Ireland in 1958, when the country set up Irish Shannon Export Free Zone. According to him, due to its initial success in that country, the United Nations Industrial and Development Organization (UNIDO) adopted it as a development model to be used in its international development agencies and the developing countries all over the world. The above led to the increase in the establishment of free trade zones all over the world, such that today there are several of such zones in different countries of the world, including Nigeria.

Concept of Export Processing Zone

An Export Processing Zone could be defined as a special land area earmarked or set apart either by a government or private individuals to undertake certain business concerns or activities mainly for export purposes. It is a designated area of usually large expanse of land to carry on economic activities that would generate goods or products or provide services mostly for export purposes. A Free Trade Zone is a special economic zone created by a government to encourage the mass production of certain goods for mainly export purposes, even though the goods also may be used locally. In a Free Trade Zone, several economic incentives are given to the companies operating there to reduce their cost of production to encourage the mass production of the goods they are engaged in. A Free Trade Zone is usually a creation of Law or Statute, which makes provisions of the specific goods and or services it should produce or provide in a particular designated area. This is usually at very low cost of production due to the high incentives provided by the government in such Zones. They could be publicly or privately owned with the major aim of producing goods in large quantities for export, though such goods could also be sold locally within the country of origin.

According to Madani,³ today's export processing zones have evolved from their original definition as "an industrial estate, usually a fenced-in area of 10-300 hectares, that specializes in manufacturing for exports". Nowadays, they are not that fenced-in but more of exclusive areas set apart to carry on their specialized economic activities of manufacturing goods mainly for export purposes, with less interference from government agencies unlike those firms or companies outside such exclusive areas. Thus, they are also called free trade zones or areas because of limited or little or no interference from the government. The firms and companies located in the exclusive areas enjoy free trade conditions and liberal regulatory environment unlike their counterparts operating outside the exclusive areas. The primary purpose of a free trade zone is to provide a country with foreign exchange earnings by promoting non-traditional exports of goods manufactured there but this is not always the case. Instead, firms or companies in a free zone engage in the production of

² H Stein, "Africa, Industrial Policy and Export Processing Zones: Lessons from Asia" (2008), A paper prepared for Africa Task Force Meeting, Addis Ababa, Ethiopia, July 10 – 11

³ D Madani, Export Processing Zones, Policy and Research Series Paper 20 (1992) Industry and Energy Department, Washington, D.C. World Bank, 7

large quantities of particular goods they are engaged in and ensure export of the same goods even when they are utilized domestically.⁴

The United Nations in its report on enhancing the contribution of Export Processing Zones (EPZs) to the Sustainable Development Goals⁵ in 2015 acknowledged that Export Processing Zones have gained popularity all over the globe resulting in the addition of over 3,000 more of the Zones in the last twenty years. However, as at 2026 according to Global Alliance of Special Economic Zones (GASEZ) there are more than 5400 to 7000 Special Economic Zones (SEZs) and Export Processing Zones (EPZs) operating globally across approximately 145 economies.⁶ According to the report some countries have made the promotion of EPZs central to their economic development strategies while others have questioned their contribution to their national development despite the incentives given to the zones. However, the report stated that due to the increasing implementation of international trade rules, some of the traditional incentives for EPZs, such as tax breaks for exports, are no longer in line with World Trade Organization (WTO) Rules. Accordingly, there is the need for the EPZs to devise new means of enhancing their operations for competitiveness in the global economy. According to this report, if EPZs are positioned and structured as centers of excellence and innovation in terms of conventional commercial performance and performance in support of environmental and social objectives, they may respond better to the evolving global market place. Though useful it is contended that this report deals with the broader context of Sustainable Developments Goals (SDGs) and the United Nations Convention on Trade and Developments (UNCTADs) Investment Policy Framework for Sustainable Development and not on Export Processing or Free Trade Zones in Nigeria.

Development of Export Processing Zones in Nigeria

The Export Processing Zones in Nigeria came into being via the Nigeria Export Processing Zones Act, No. 63 of 1992. This Act made provisions and guidelines for the establishment of Export Processing Zones in the country. These are free trade zones, which are set up by the government to “improve the investment climate by stimulating export-oriented business activities through strengthening strategic national economic policies, streamlining administrative approval processes and providing one-stop-shop service for businesses both within and outside Nigeria”.⁷

To ensure the implementation of the provisions of this Act, the Nigerian Export Processing Zones Authority was established in 1992. This is a Federal Government agency under the supervision of the Federal Ministry of Industry, Trade and Investment. This agency is responsible for promoting

⁴ (n1)

⁵ An Analysis of 100 EPZs and a Framework for Sustainable Economic Zones, United Nations, New York and Geneva 2015, accessed 7 September 2026

⁶ GASEZ Report on SEZs and EPZs, <https://unctad.org>, accessed 7 September 2026

⁷ nigemb – Export Processing Zones. file://E:\Export Processing Zone I.html pages 1-2, accessed 7 September 2026

and facilitating local and international investments in goods excluding oil and gas in the licensed free zones in the country. Similarly, there is also the Oil and Gas Export Free Zones Act, No. 8 of 1996. This is aimed at encouraging developments in the Oil and Gas sector of the economy of the country and provides logistics support for the industry. This Act also made provisions and guidelines for the establishment of the Oil and Gas Free Trade Zones in the country. Under this Act, the Oil and Gas Free Zones Authority (OGFZA) was established in 2000. This is a national regulatory agency of the Federal Government of Nigeria to regulate and manage the Oil and Gas free trade zones of the country and it is under the supervision of the Ministry of Petroleum Resources.

Due to the economic programmes of the Federal Government of Nigeria, several free trade zones spread across the country have been established ranging from manufacturing to oil and gas and a combination of both. There are several others in other general areas of economic activities and they are all located within their respective catchment areas of business activities within the country. Examples of Export Processing Zones in the country include Calabar Free Trade Zone (CFTZ), located in Cross Rivers State, which was the first zone to be established in the country in 1992, and it deals with manufacturing, oil and gas and logistics in those areas. Its expected achievements include attraction of foreign investments; generation of employment; and promotion of light manufacturing industries. Notwithstanding the above, the zone has faced challenges ranging from poor infrastructure, limited port connectivity to inadequate electricity supply. The second is Onne Oil and Gas Free Trade Zone (OGFTZ), located in Rivers State, which commenced operations in 2000, and as the name implies deals with oil and gas and also logistics services in those areas. It serves as a major logistics base for Nigeria's petroleum industry. Its expected contributions include support services for offshore oil operations; employment generation; foreign exchange earnings; and attraction of multinational oil servicing companies. The major problem of this zone is low patronage arising from poor port utilization by international shipping companies. Others are Lekki Free Zone, which is located in Lagos State and is one of Nigeria's largest industrial zones. The zone hosts manufacturing industries; logistics companies; petrochemical industries; and commercial enterprises. In this zone, the Lekki Deep Sea Port was developed, which has significantly enhanced the zone's attractiveness to investors by improving cargo handling capacity and reducing logistics costs. There is also Kano Free Trade Zone situate in Kano State. This zone was established to revive commercial activities in Northern Nigeria and promote agro-processing, textile manufacturing and cross-border trade with neighbouring West African countries. Despite its strategic location, insecurity and inadequate infrastructure have affected its performance. The other zone is Ogun-Guangdong Free Trade Zone which is located in Ogun State, Nigeria. It was established through collaboration between Nigeria and China and it focuses on manufacturing industries including ceramics production; glass production; steel processing; furniture manufacturing; and electrical equipment. The zone illustrates the importance of international

partnerships in promoting industrialization. Nigeria has established over 40 free trade zones in the country. They represent a strategic economic policy designed to stimulate investment, industrial growth and regional transformation in Nigeria.⁸ These are regulated by the Nigeria Export Processing Zones Authority (NEPZA) and the Oil and Gas Free Zones Authority (OGFZA).⁹

Importance of Export Processing Zones in Nigeria

Presently, there are over five hundred (500) licensed foreign and local enterprises operating in the various free trade zones in the country. The major objective of adopting free trade zones in the country is to create such an enabling environment to enhance economic growth and develop the export manufacturing sector in the non-oil area of the economy and the propagation of the Nigerian content policy in the Oil and Gas sector. These are aimed at diversifying the economic base of the country, attract foreign direct investment, generate employment, increase foreign exchange earnings, enhance technology transfer, skill acquisition/upgrading and also create backward linkages.¹⁰ Thus, an Export Processing Zone is an important instrument in the development of a modern economy. It is a proper means of diversification of an economy and where properly harnessed, it would stimulate economic activities in various spheres of the economy of a nation and so attract the much-needed foreign investment and also increase foreign exchange earnings of the country. The question is, has the above benefits been achieved or to what extent has the above benefits been realized in this country?

Goals of Export Processing Zones

The goals of the Export Processing Zones or Free Trade Zones in Nigeria are mainly:

- a. Skills Acquisition: This arises because foreign companies that operate in the zones are expected to train Nigerian workers in technical, operational and management roles.
- b. Local Integration: One of the aims of the zones is to move the country away from raw materials exports to processing and finished products through introduction of modern machinery and assembly processes.
- c. Joint Ventures: Free Zones are meant to bring about collaborations between foreign investors and local firms with the aim of encouraging the sharing of industrial know-how.¹¹

⁸ Free Trade Zones as Instrument for Regional Development in Nigeria, <https://gaspublishers.com>, accessed 8 September 2026

⁹ Free Trade Zones, <https://nepza.gov.ng> accessed 8 September 2026

¹⁰ (n7) & (n1) 25

¹¹ Learning from China Manufacturing, <https://africa.isp.msu.edu>, accessed 8 September 2026

Incentives in Export Processing Zones

In other to attract enterprises or companies to operate effectively in free trade zones to achieve the above goals, certain incentives and benefits are provided by the government for the businesses that operate in the zones. These include the following:

- a. Tax Exemptions:** Companies operating in the zones are often exempted from corporate income tax, withholding tax or value-added tax (VAT). This is to increase their profit margins and enables them to produce more of their goods in large quantities in the zones.¹²
- b. Duty Free Imports:** The raw materials, machinery and capital goods used in the zones are generally exempted from paying customs duties. This reduces their expenses for such imports, thus leaving more money in their coffers for other areas of important needs.¹³
- c. Profit Repatriation:** To encourage foreign investors, the profits made by such investors operating in the free trade zones are allowed to fully repatriate their profits, dividends and capitals back to their home countries.¹⁴
- d. No Licenses Needed:** Companies or enterprises operating in the zones do not need standard import or export licenses for goods entering or leaving the zones. This is aimed to encourage free flow of goods in and out of the zones with no costs from obtaining licenses. Also, there are no restrictions on bringing in foreign personnel as no expatriate license is required for such labour.¹⁵
- e. Simplified Customs:** There are faster and less bureaucratic customs checks and often within 24-hour on-site clearance. This encourages much earlier release of goods and elimination of down time.¹⁶
- f. Full Ownership:** Foreign investors operating in free trade zones own their companies or businesses fully and independently of any local partner, which would not have been the same if they are operating outside the free zones. This is a source of encouragement to other foreign investors to go into the free trade zones of the country.¹⁷

¹² A.O.O. Akinkugbe, Free Zones and Economic Tax Incentives, <https://ao2law.com> & Free Trade Zones in Nigeria: Legal Framework, Incentives, <https://www.mondaq.com>, accessed 8 September 2026

¹³ Incentives – Oil & Gas Free Zone Authority, <https://ogfza.gov.ng> & Free Trade Zone Incentives in Nigeria, <https://indusren.com>, accessed 8 September 2026

¹⁴ *ibid*

¹⁵ (n8)

¹⁶ (n9)

¹⁷ *ibid*

g. Better Infrastructure: Generally, the zones provide more reliable power supply, water, modern warehouses, and fast road and port connections as compared to outside the zones. However, this depends on the location of each free trade zone and the level of development and availability of any port in the area.¹⁸

h. Foreign Exchange Flexibility: Companies in free trade zones can issue invoices and conduct transactions in foreign currencies, thus helping to mitigate local exchange rate volatility.¹⁹

Summary of Literature on Export Processing Zones in Nigeria

According to the Nigerian Embassy, Bern, Switzerland Report²⁰ on Export Processing Zones (EPZs) in Nigeria, the overall objective for adoption of free zones in the country is to create an enabling environment for export-oriented manufacturing in the non-oil sector of the economy and the propagation of the Nigerian Content Policy in the oil and gas sector to diversify the country's economic base and attract foreign direct investment and so on. While this report did not address whether the above policy objectives of the EPZs have been achieved or to what extent they have been achieved, it did not state any impact the EPZs have made in the country just as it appears that there is no such current study by the government to assess the effectiveness of the EPZs on the country's economy.

In his article on Export Processing Zones and Economic Diversification in Nigeria, Harry²¹, surmised that it is clear that the EPZs in Nigeria are functional but that they have not contributed substantially to the mono-product economic nature of the country. According to him, over 80 percent of the goods manufactured/assembled in the Zones are consumed in the domestic market and about 20 percent of the products are exported outside the country, which is not even regular. Therefore, to achieve economic diversification of the country through the zones, he stated that there is the need to rapidly increase the level of value addition in the production processes and volume of exports of manufactured/assembled goods from the zones to at least 50 percent of the total national exports. Again, according to him, for the EPZs to make significant contribution to production and export diversification and in turn diversify the economy, there is need for adequate and relevant market information. At present this is lacking in the EPZs' operations in Nigeria.

Again, according to Harry,²² dealing on Value Addition to Nigeria's Export Processing Zones, he asserted that there is little or no evidence that the Zones have made significant impact in improving the manufacturing sector to accelerate industrialization of Nigeria. Value addition is critical in the

¹⁸ Essential Benefits that Free Zones Offer in Nigeria, <https://www.linkedin.com>, accessed 9 September 2026

¹⁹ Free Trade Zone, <https://www.researchgate.net>, accessed 9 September 2026

²⁰ (n7)

²¹ (n1) 24-34

²² Harry D.M, Value Addition Policy in Nigeria's Export Processing Zones: Lessons from the Asia Economies (2018) (9) (3) *Mediterranean Journal of Social Sciences*, 165-171.

production processes at the Zones. He stated that the higher the value addition the greater EPZs contributions to the socio-economic development in the country. This is not obvious in the Nigerian Zones and has negated the industrialization expectation in the country through the Zones.

For Onwuka and Nwafor²³, the adoption of EPZ scheme as an economic policy by Nigeria was necessitated by the grim picture depicted by her economic structure. The aim was to integrate the economy into the global market through the establishment of a liberal market, promotion of exports in both traditional and non-traditional commodities and stimulation of the transfer, acquisition and adoption of appropriate and sustainable technologies to nurture competitive export-oriented industries. Also, they stated that the scheme as an economic tool seeks to contribute to Nigeria's industrialization quest through forward and backward linkages. Without assessing whether the above results have been achieved through the EPZs, the authors surmised that if effectively and adequately harnessed, the country can leverage on the scheme of EPZs to industrialize and diversify her economic base which will contribute immensely to meeting the present deficiency in the supply of foreign exchange in the country.

However, in contrast with China the position appears to be different. In China the Survey Reports on the Country's EPZs appear more comprehensive as most of the existing literatures and statistics from official and academic sources focus on the economic impact of EPZs in China. For Fu and Gao²⁴, their survey provides a general overview of the EPZs in China. According to them, the National and Provincial Development Zones have played an important role in the Chinese economy and are regarded as the engine of growth in the regions. Despite their limited area, they have greatly contributed to Foreign Direct Investment inflows and trade, especially the processing trade and high-tech exports together with industrial output and Gross Domestic Product. They also account for the bulk of employment provided by China's foreign funded enterprises. They stated that the social impact of the EPZs in China appears to vary across different fields from wage levels, informal and female employments, labour, training and skill upgrading, the setting up of workers organizations to corporation social responsibility. According them the overall social effects of EPZs in the China are likely to be positive.

Again, for Zeng & Zhang et al²⁵, EPZs in China make a great contribution to national economic development and regional economic development. According to these authors, China's EPZs promote export-oriented economy and have become an important platform in connecting domestic economy to global economy by attracting and utilizing foreign investment and foreign trade. The

²³ I O Onwuka & M C Nwafor, Promoting Export-led Economic Growth in Nigeria-The Export Processing Zone Option (2016) (5) (10) *International Journal of Humanities and Social Science Invention*, 21-31.

²⁴ Xiaolan Fu & Yuning Gao, *Export Processing Zones in China-A survey* (University of Oxford and University of Cambridge 2007) 1-50

²⁵ X Zeng, C Zhang, et al, *Export Processing Zones in China - A Survey Report and a Case Study*, School of Labour and Human Resources, Renmin University of China (2012) International Labour Organization Report, 1-56

leading zones in the opening up process are Economic and Technology Development Zones and High-Tech Industrial Development Zones.

The remarkable success of China's Shenzhen Special Economic Zone has become one of the most cited examples in international trade literature. Established in 1980, Shenzhen transformed from a small fishing community into one of the world's leading manufacturing and technology hubs through sustained government investment, infrastructure development and policy consistency. The country recognized that efficient ports, strong institutions, and investor-friendly policies can transform a resource-poor nation into a global trading center.²⁶

Contributions of Export Processing Zones to Nigeria's Economy

Notwithstanding the above observations of certain authors on EPZs in Nigeria, some meaningful contributions have been made by the Free Trade Zones to the economy of the country.²⁷ These include the following:

- a. Attraction of Foreign Direct Investment:** The established of Free Trade Zones has led to certain form of trade liberalization, which has attracted billions of dollars in foreign investment into the country through sectors such manufacturing, logistics, oil and gas, agriculture and telecommunications. The Chinese, Indian, European and Middle Eastern investors have established manufacturing facilities within Nigerian Free Trade Zones.²⁸
- b. Employment Generation:** Free Trade Zones in Nigeria generate hundreds of thousands of both direct and indirect jobs by attracting local and international businesses into the zones. Such employments arise from manufacturing, construction, logistics, security services, transportation, information technology and other supporting services.²⁹
- c. Technology Transfer:** This comes from foreign companies operating in the Free Trade Zones in the country. It is a core economic goal aimed at shifting the country towards a knowledge-based, industrial economy. Through the operations of these companies, they have introduced modern production technologies, quality control systems, advanced management techniques and industrial automation.³⁰ These developments have contributed to the gradual improvement of Nigeria's industrial capacity.

²⁶ Vogel, Ezra F, *Deng Xiaoping and the Transformation of China* (The Belknap Press of Harvard University Press, 2011) 398

²⁷ Free Zones in Nigeria: Are They Viable Long-Term Ventures? <https://iprfz.com> accessed 9 September 2026

²⁸ Nigeria's Free Trade Zones Generate \$33bn in Economic Activities, <https://guardian.ng> & <https://www.mondaq.com> accessed 9 September 2026

²⁹ NEPZA Report, <https://nepza.gov.ng> accessed 10 September 2026

³⁰ EPZs and Technology Transfer in Nigeria, <https://iicardjournals.org> accessed 10 September 2026

d. Export Promotion: Free Trade Zones encourage the production of goods primarily for export, thereby increasing Nigeria's non-oil export earnings and this drives industrialization in the country. This is encouraged through the offering of strategic tax incentives, duty-free imports, and streamlined regulations.³¹ The products exported include cocoa products, sesame seeds, leather goods, processed agriculture products and fertilizers.

e. Infrastructure Development: Major Free Trade Zones have contributed to the development of roads, ports, power infrastructure and industrial parks. Projects such as the Lekki Deep Sea Port and associated transport infrastructure have enhanced the country's capacity to participate in international trade.³²

f. Industrial Hubs: These have been enabled by Free Trade Zones as several private businesses are clustered in the zones. Large private enclaves like the Lagos Free Zone and the Dangote Industries Free Zone bring in massive global engineering projects that employ thousands of local workers.³³

The above contributions are encouraging and germane to the development of the economy of the country, however, there is still a lot to be gained from the free trade zones in the country if more attention is paid on this area of the country's economy by the government.

Disadvantages of Export Processing Zones in Nigeria

Despite the above contributions of the Free Trade Zones, there are still inherent disadvantages to the operation of Free Trade Zones in the country. The main disadvantages include the following:³⁴

a. Job Losses Outside the Zones: Usually, foreign enterprises in the zones mass produce goods at cheaper prices because of the incentives in the zones. This affects local factories operating outside the zones and producing similar goods since they cannot produce such cheaper goods in their own environment as they do not have similar incentives. As the cost of the goods of the local factories are higher, they are not properly patronized and so they often lead the factories to close down because their goods cannot compete with cheaper foreign goods and so they lack funds to continue operations.

b. Less Tax Money for the Government: As shown earlier, the companies inside the zones enjoy certain incentives like tax breaks and holidays from the government. This means the government

³¹ Overview of Trade Policies Shaping the Free Trade Zone Operations, <https://aarndalelaw.com>, accessed 10 September 2026

³² Essential Benefits of Free Zones in Nigeria, <https://www.linkedin.com>, accessed 10 September 2026

³³ Dangote Refinery, <https://refinery.dangote.com>, & Lagos Free Zone, <https://www.lagosfreezone.com>, accessed 10 September 2026

³⁴ Advantages and Disadvantages of Free Trade Zones, <https://www.grin.com>, Free Economic Zones: Pros and Cons, <https://exportiamo.it> & The Dark Side of Free Trade Zones, <https://www.youtube.com>, accessed 11 September 2026

collects less money to pay for public roads, schools, hospitals and other activities. This reduces the development of the infrastructure of the country.

- c. Poor Working and Environmental Conditions:** To attract companies into the zones, the government sometimes relax labour and environment laws therein. This can lead to unsafe workplaces and factory pollution which could affect human lives and required output from the zones.
- d. Risk of Illegal Trade:** One of the incentives to operate in the zones is relaxed customs practices inside the zones and so this makes the customs checks to be loose and so less stringent. Due to this, criminal elements can use the zones to hide smuggled goods and carry out smuggling activities, move fake or substandard products and or carry out money laundering activities.
- e. Damage to Local Businesses:** Inside the zones small local infant new companies or industries compete with well-established foreign companies, which leads to their damage or stunt growth. This occurs as local infant industries whose businesses need protection to grow are made to struggle for survival against the rich global corporations that merely establish the branches of their existing companies in the zones.
- f. High Setup Costs:** For any zone to commence operations some basic infrastructure like roads, ports and power supplies must be provided by the government. These cost a lot of money to provide, which business activities in the zones might not be able to replenish. This would be more so as the companies and enterprises inside the zones are exempted from payments of taxes and duties which are provided as incentives for businesses operating in the zones.
- g. Importation of Goods:** As earlier stated the Free Trade Zones are established to promote manufacturing of goods for export-oriented industrialization. However, some businesses operating within the zones have focused primarily on importation rather than manufacturing and value addition, thereby undermining the original objectives of the policy.

Challenges Affecting Export Processing Zones in Nigeria

There are certain challenges affecting the growth and effectiveness of the Free Trade Zones in the country.³⁵ These include the following:

- a. Poor Infrastructure:** This includes unreliable power; bad roads and rails; lack of physical facilities in some of the zones. From the above, there are often frequent power outages which force the companies in the zones to rely on diesel generators which is very expensive and so

³⁵ Challenges of Managing Free Trade Zones in Nigeria, <https://www.thisdaylive.com>, <https://www.researchgate.net> & <https://businessday.ng>, accessed 11 September 2026

makes the cost of production high. Also, there are poor road networks which makes it very hard to move goods to and from the ports. Again, some of the zones have not started operation since their established because they lack basic physical facilities to commence operation. So, they are only existing on paper.³⁶

- b. Policy and Tax Inconsistencies:** There are often changes in government policies and tax rules, thus creating unpredictability for foreign investors. The recent tax laws have made provision to penalize enterprises in the zones that sell a portion of their goods into the local market and so causing reduction in the profit margins of such companies. Under the present Nigeria Tax Act 2025, total corporate tax exemption requires at least 75% of sales or profits to come from export activities. Selling more than 25% of goods into the standard Nigerian customs territory makes the entire profit subject to standard domestic corporate tax. According to the law the sales into the customs territory will face broader taxation rules starting from January 1, 2028.³⁷
- c. Bureaucracy and Agency Clashes:** These came about as a result of overlapping duties, slow approvals, and banking frictions. There is duplication of duties as different government agencies contend over control and regulatory roles. Also, there are bureaucratic bottlenecks leading to delays in registration and daily operations. Often, due to the problems of local financial institutions offshore transactions are not always smooth to transfer funds for foreign investors.³⁸
- d. Security and Monitoring:** Under security, there are issues of vandalism and theft as some zones have reported equipment theft and safety threats, for e.g. Calabar Zone. With respect to monitoring, there are difficulties in tracking imported raw materials and exported goods. This has led to income leakages.³⁹
- e. Weak Local Links:** One of the major goals of free trade zones is backward integration. Unfortunately, many zone operations remain isolated from the wider domestic economy because they lack local connectivity and so are limiting how far new knowledge acquired in the zones spread. Therefore, there is the need to ensure that business enterprises in the zones are linked with those outside the zones for backward integration to be fully realized in the economy of the country.⁴⁰
- f. Outdated Legal Frameworks:** The main legislation governing many free trade zones in the country dates back to 1992 and has not been updated or repealed and a new one enacted in its

³⁶ Poor Infrastructure, <https://documents1.worldbank.org> & <https://businessday.ng>, accessed 11 September 2026

³⁷ (n8) & Operations and Concerns of Free Trade Zones in Nigeria, <https://www.youtube.com>, accessed 11 September 2026

³⁸ Business Express Discussion on Free Trade Zones (NTA of 19 May 2026 & Channels TV of 10 July 2026), <https://www.youtube.com>, accessed 11 September 2026

³⁹ Why Many Free Trade Zones in Nigeria don't Work, <https://businessday.ng>, accessed 11 September 2026

⁴⁰ An Evaluation of the Implementation of Free Trade Zones in Nigeria, <https://jopd.com.ng>, accessed 11 September 2026

place up to date. So, it struggles to keep pace with the modern global free trade dynamics but has not been able to do so properly and so affecting negatively the operations of the free trade zones.⁴¹

Conclusion

Free Trade Zones are important and necessary areas to ensure economic diversification of a country's economy through export-oriented industrialization. This can be achieved through proper management by the government of the operations of the zones with viable extant laws. For the laws to be viable they must incorporate the modern global best practices for the activities of such zones. Not only the modern laws are necessary but also the proper right leadership and personnel with adequate knowledge and experience in the area to ensure proper and adequate implementation of the laws for the smooth operations of the zones to achieve its aims.

In the case of Nigeria, it appears that the above requirements are not in place for the zones. Therefore, the zones are not functioning properly to achieve the desired purposes. Therefore, the expected benefits from the zones have not been adequately realized. Consequently, there is a need to re-evaluate all about the zones in the country starting from the extant laws to their operations to take the necessary important steps to restore the zones to their respective proper mandates and objectives. Some of the steps to be taken to enhance the activities and operations of the zones have been highlighted in the recommendations hereunder. These recommendations are by no means exhaustive but are considered pertinent to resolve some of the problems of the zones in the country.

Recommendations

- a. The Free Trade Zones Act of 1992 should be amended or repealed and replaced with a new legislation that would incorporate modern practice rules in accordance with the best global standard for Free Trade Zones.
- b. The government policies and implementation on the Free Trade Zones should have specific time lines. This timeframe would enable the companies and enterprises in the zones to know exactly what period of time to concentrate with their operations and when to expect a change. Within this period the businesses operating in the zones would not be troubled with the fear of inconsistent rules and policies.
- c. There should be proper linkages between the local enterprises outside the zones with those operating inside the zones. This would assist in hastening the transfer of technology to the local industries.

⁴¹ (n36)

- d. There should be a deliberate government policy to be making use of the zones for the training of skilled manpower or workforce. Recently, the government has floated different skills training programmes for the youths of the country. Such programmes should be done in the qualified enterprises in the zones for the trainings as this would encourage and hasten backward integration.
- e. Ordinarily, the Free Trade Zones are set up for private enterprises to operate therein. The government should also directly get involved in operating certain enterprises or companies in the zones. This can be done by setting up some specialized enterprises or companies in the respective zones for specific goods. Such businesses could be processing and manufacturing companies that would ensure mass production of both processed and manufactured specific goods for export.
- f. The leadership of the government agencies overseeing the operations of the various zones should be occupied by persons with relevant knowledge and or experience in this area of the economy. Such leadership should not be based on political leaning or patronage to the detriment of the zones as such persons would not have the capacity and capability to run the zones properly. Where the right persons are appointed to man the zones, they know what to do to ensure the zones are run properly in accordance with the extant laws.
- g. The foreign companies or enterprises operating in the zones should by law be made to connect with one or more local companies or enterprises outside the zones to directly relate with. Such a relationship would create direct linkages between the activities of the foreign companies inside the zones and the local companies outside the zone. This will amount to a deliberate act to quicken the acquisition of technical and practical knowledge by the local companies and transfer of knowledge from the foreign companies. This process will hasten backward integration. The above should be done instead of waiting for workers inside the zones to come out from there and join the workforce of the local companies outside the zones to impact the knowledge acquired.
- h. The government should provide adequate regulations and safeguards inside the zones to prevent illegal activities therein. This could be done by setting up a special taskforce unit trained for such assignment. Such a taskforce would ensure that the zones are not used for smuggling activities, courier and storage of illicit drugs and products and laundering of foreign currencies to the detriment of the country's economy.
- i. As earlier found out, there are inter-agencies rivalry inside the zones arising from clash of duties. Therefore, the duties of the respective agencies should be clearly spelt out and publicized for all the agencies to know what are the duties of each other and whichever agency interferes with



another's duties should be sanctioned by redeploying the officers involved out of the zones. By doing this there would be a healthy relationship between the agencies inside the zones which would enhance interoperability that would enhance smooth operations in the zones.

- j. A committee of the government officials and companies inside the zones should be set up in each zone to meet regularly to fashion out the best ways to ensure the daily smooth operations of the zone and generally oversee that the extant laws affecting the zones are complied with by the companies operating in that zone.

Should all or majority of the above recommendations be carried out, it is opined that the Free Trade Zones in Nigeria shall be in a better position to meet the aims and objectives of establishing them and ensure export-oriented industrialization of the country.