JOURNAL OF POLITICAL DISCOURSE
ISSN Print: 2992-2763 - ISSN Online: 2992-4618. /vol 1, No 3 / September, 2023.
Https://www.jopd.com.ng

AN EVALUATION OF THE IMPLEMENTATION OF FREE TRADE ZONE POLICY IN NIGERIA

By

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ABSTRACT

The study evaluated the implementation of free trade zone policy in Nigeria. The policy was introduced to diversify the nation's economy from oil and provided an enabling environment that is conducive for the growth and development of industries, inflow of investment and expansion of domestic production capacity, promoting rapid industrialisation through administration of fiscal and non-fiscal incentives to increase private sector participation in free zone businesses. The study covered a period of ten years (2012 -2021) and relied on documentary evidence to critically assess free trade zone policy in terms of foreign direct investment and local direct investment in the seven selected operational zones. The study adopts endogenous growth theory as its framework. Finding from the study shows that free trade zone policy has attracted foreign direct investment and local direct investment in the selected operational zones in terms of investment and trade. The study concludes that, the implementation of Free trade zones policy in Nigeria have attracted foreign and local direct investment. The policy has contributed to the economic development in the area of rapid industrialization, free zones have provided better opportunities for doing business which provides a mix of fiscal incentives and a one-stop-shop platform that reduces bureaucratic bottlenecks. The study recommended that NEPZA should improve the physical infrastructure within FTZs, including roads, ports, airports, telecommunication and utilities such as electricity and water supply. This will enhance the attractiveness of these zones and make them more competitive in attracting investments. The Authority should identify and develop industry-specific FTZs that cater for particular sectors where Nigeria has a comparative advantage or potential for growth.

Keywords: Assessment, Evaluation, Free Trade, Implementation, Policy

Introduction

The diversification of the Nigerian economy from oil has provided an enabling environment that is conducive for the growth and development of industries, inflow of investments, and creation of jobs, stimulation and expansion of domestic production capacity in the country. Over the years, the Federal government had introduced a mix of policy measures, plans and strategies to drive the Nigerian economy on a path of economic growth and sustainable development, as well as accelerate industrial development. In particular, the Nigeria Industrial Revolution Plan (NIRP) clearly defined the role of export processing zones/free trade zones as the vehicle for achieving industrial transformation through the establishment of

export processing zones, free trade zones, industrial cities, enterprise parks and other forms of manufacturing hubs.

The Nigeria Export Processing Zones Authority is the federal government Agency under the supervision of the Federal Ministry of Industry, Trade and Investment, established in 1992 pursuant to the provisions of the Nigeria Export Processing Zones Decree No. 63 of 1992 which was later listed as the Nigeria Export Processing Zones Act, CAP N107, Laws of Federation of Nigeria, 2004. It was established primarily to regulate, administer and supervise the establishment, management and operations of Export processing zones (EPZ) in Nigeria.

In 2002, the scheme was expanded by the Federal government of Nigeria to include other variants of the scheme. Consequently, the term "Export Processing Zones" was changed to "Free Trade Zones" (FTZ) to encompass a broader range of economic activities. This expansion empowered the free zones investors to sell into the domestic economy in addition to manufacturing for export. In line with the global best practices, Special Economic Zone (SEZ) has become the most acceptable generic name for different variants of economic Zones globally.

Government Approval also empowered NEPZA to facilitate the involvement of private investors in the establishment and management of FTZs in Nigeria, subject to regulatory supervision and administration by NEPZA. The pioneer FTZ in Nigeria, the Calabar FTZ, was commissioned in 2002, As at December, 2021 a total number of 46 Zones have been established in Nigeria and now at different stages of development and operation with over 450 licences FZ Enterprises operating in various locations across the country covering all aspects of the economy ranging but not limited to agriculture, tourism, logistics, oil and gas, power generation, food processing, catering and estate development. The legal framework empowered the Authority to handle the responsibility of licensing, regulating, promoting and monitoring the operations of Free zones in Nigeria.

The Authority has the power to approve and grant all licenses to the exclusion of all other agencies and enforce compliance to set rules and regulations. The Authority defines the policy directions on Free zone matters and advise government from time to time on measures and strategies aimed at improving the operations of the schemez

The overall objective of FTZ Policy in Nigeria, is to create an enabling environment aimed at improving economic growth and development of export-oriented manufacturing in the non-oil sector of the economy, as well as diversifying the country's economic base from over dependency on oil, attract foreign direct investment and local direct investment, create jobs, increase foreign exchange earnings, skill acquisition/technology transfer, human capital development and backward linkages.

In order to fill the research gap, few available literatures were reviewed on the evaluation of the implementation of FTZ policy. It was discovered that, since the introduction of FTZ, studies have focused on assessing challenges and prospect of FTZs rather than evaluating the implementation of the policy in Nigeria. For Instance; Angela, Ifeoma and Ikenna (2019), examined the strategic evaluation of the performance of FTZs in Nigeria. The study reviewed Nigeria's free trade regulatory framework and environment, using anecdotal evidence revealed that the FTZs have not achieved the objectives for which they were established. Based on the findings, the paper made far reaching recommendations on strategies to rejig the FTZs, in order to ensure that they function optimally, in line with the developmental objective of Nigeria.

Hassan and Garba (2018) examined the implementation policy of Free trade zones in Nigeria. The study sees Nigeria Export Processing Zones Authority (NEPZA) as one-window agency responsible for licensing, approving, monitoring and regulating the activities of Free trade zones (FTZs) in Nigeria. The study evaluated the implementation of FTZs to find out whether its objectives are attained or not. The research work was carried out on three operational FTZs in the country, comprising of a Public zone, Private and public private partnership free zone for the period 2012 - 2016. The methodology used for this research

was documentary. Benefit-cost analysis was used to analyse the data. The net benefit of the policy was positive. The worthwhile of the policy exceeds the discounted value of the cost. This was comparable to the benefits/cost ratio being greater than one less than zero. The study revealed that the implementation of FTZ policy has made a positive impact on jobs creation and foreign direct investment in Nigeria. It concludes that the policy increases foreign direct investment, foreign exchange earnings, provided jobs. The study recommended that government should encourage the policy implementation of free trade zones in the country. Also, private, public private partnership participation should be encouraged.

Free trade practices and economic development, trade openness assists in reducing the resources which are eventually wasted in a conflict between countries and also helps in earning gains from international trades (Garfinkel, Syropoulos & Yotov, 2020).

Yu (2020) discussed China's Free trade area strategy and its benefits. This strategy has helped China in enhancing trade and economic cooperation with its partners. Moreover, it has improved political as well as economic relationships by addressing the concept of peaceful rise thus providing an opportunity for growth.

Samundengu (2016) conducted a study to examine the association between economic growth and trade openness in Namibia. Different variables like the labour force, GDP per capita, real exchange rate, trade openness, and capital formation were used. The findings indicated that there existed a significant long-run association between economic growth and trade openness. Also, the economic growth in Namibia depends on trade which can be boosted by promoting effective policies in the labour-intensive industrial areas.

Lim and Breuer (2019) examined the influences of free trade agreements on market integration between South Korea and its partners. The threshold autoregressive model revealed that due to free trade policies, the trade costs for nine countries have reduced considerably thus conveying a substantial market integration.

Fang, Kuo, and Lee (2019) assessed the influence of talent distribution diversity on the equilibrium of the rate of growth. The study concluded that the growth rate after free trade is influenced by the effect of trade and diversity. Moreover, if the diversity of talent is significant, the practices of opening trade will enhance economic growth.

The statement of the problem therefore, is to evaluating the effect of the implementation of FTZs policy in terms of attracting foreign direct investment/local domestic investment in the selected operational Zones in Nigeria.

The broad objective of the study is to determine the volume of foreign direct investment evaluate the local domestic investment generated in the selected Zones of Nigeria

Conceptual Issues

Export Processing Zone:

The World Bank (1992) has based its analysis on the premise that "an Export Processing Zone (EPZ)" is an industrial estate, usually a fenced-in area of 10 to 300 hectares that specializes in manufacturing for export. It offers firms free trade conditions and a liberal regulatory environment.

The World Bank uses the following definition: "FTZs are fenced-in, duty-free areas, offering warehousing, storage, and distribution facilities for trade, transhipment, and re-export operations." FTZs are hubs of international trade by the very nature of their activities: transhipment, re-export, international trade, etc. They play a very important role as trade facilitators in globalization. These areas are generally located in or in the immediate vicinity of seaports (known as "free ports") and major airports. They are also present along the main transportation axes (maritime, rail and road), along the development corridors, or in border regions.

The World Bank has proposed the following definition: "Free ports typically encompass much larger areas. They accommodate all types of activities, including tourism and retail sales, permit on-site residence, and provide a broader set of incentives and benefits."

According to Farole (2011), these Zones can be defined through the components of the term itself specially referring to the different regulations applied in the Zone compared to the domestic economy; economic broadly defining the activities the Zone is meant for without limiting them in terms of focus or nature; Zone specifying that it is a physical space within the domestic country (Farole, Special Economic Zones in Africa, 2011).

In 2015, the World Free Zones Organization (WFZO), the largest federation of Free zone (FZ), proposes the following definition:

> *"A Free zone is an area designated by one or more government(s) where economic activities, whether production or trade, physical or virtual with respect to goods, services or both, are permitted and relieved (totally or partially) from customs duties, taxes, fees or with specific regulatory requirements that would otherwise apply" (WFZO (2015).*

The European Union, which does not yet use the term SEZs in a generic sense, proposes an even more precise definition of free zones, mostly focused on the issue of customs advantages:

> *"Free Zones are special areas within the customs territory of the community. Goods placed within these areas are free of import duties, VAT and other import charges. Free zone treatment applies to both. Non-Community goods stored in the zone are considered as not yet imported to the Customs territory of the Community whereas certain Community goods stored in free zones can be considered as already exported. On importation, FZs are mainly for storage of non-Community goods until they are released for free circulation. No import declaration has to be lodged as long as the goods are stored in the free zone. Import and export declarations have only to be lodged when the goods leave the FZ. In addition, there may be special reliefs available in FZs from other taxes, excises or local duties. These will differ from one zone to another. The FZs are mainly a service for traders to facilitate trading procedures by allowing fewer customs formalities."*

Foreign Direct Investment:

The concept, foreign direct investment has been defined in a different way for balance of payments drives and for studies of firm behaviour. It has also been defined in diverse ways by different countries and the definition has changed over time. The definition of foreign direct investment as a capital flow and a capital stock has changed consistently.

According to IMF and Organization for Economic Cooperation and Development (OECD) definitions, direct investment reveals the aim of gaining a long-term interest by a resident entity of one economy (direct investor) in a particular zone who is resident in another country that is the direct investment enterprise. The "long-term interest" implies the existence of a lasting relationship between the direct investor and the direct investment enterprise in the zone and a significant degree of influence on the management of the latter. Direct investment involves both the initial transaction establishing the relationship between the investor and the zone and all subsequent capital transactions between them and among affiliated investors, whether incorporated or unincorporated.

By and large, foreign direct investment (FDI) is defined as an investment involving a lasting relationship and reflecting a long-term interest and control by a resident entity in one economy (Parent zone enterprise or Foreign direct investor) in a zone enterprise resident in an economy other than that of the foreign direct investor (Zone enterprise or affiliate enterprise or foreign affiliate). Also, foreign direct investment entails that an investor exercises a significant degree of influence on the management of the zone enterprise resident in the other economy. Such investment comprises both the initial transaction between the two

enterprises and all subsequent businesses between them and among foreign affiliates, both incorporated and unincorporated. Foreign direct investment may be undertaken by individuals as well as business entities.

The study sees foreign direct investment as capital investments that are real investments made in terms of factories, capital goods such as machinery and equipment, inventories and funds invested by foreign firms into the domestic economy of a given nation other than parent firms. FDI are of two types namely; foreign direct investment and local direct investment. If a Foreign Investor purchases 10% or more of a stock of an enterprise, it is referred to as FDI.

In the local context however, any investment sourced from within the boundaries of the host country is termed LDI regardless of whether it is denominated in Dollars or Naira. Local direct investments refer to an investment made by domestic enterprise in Free zone as registered enterprise operating in the country be, this has a positive impact on economic growth in term of job creation, skill acquisition/transfer of technology and etc. When an investor invests in FTZ it creates job opportunities for local workers. This increases the level of job creation and reduces unemployment. An increase in domestic demand can support economic growth by encouraging the expansion of economic activity. A strong and well-developed infrastructure is essential to sustain economic activity and promote long-term economic growth. On the other hand, domestic investments can encourage innovation and the adoption of new technologies. When a domestic enterprise invests and thrives in its own country, it can demonstrate the political stability, economic strength and competitiveness of the country, which can lead other foreign firms to invest as well. Among these works, we can cite Bakari and Mabrouki (2018), Bakari et al (2020), Makki and Somwaru (2004)

OECD: 2001, a country's economic performance over time is determined to a large extent by its governance performances (i.e. political, institutional, and legal environment). It is generally accepted that long-term economic growth of a country will lead to a significant improvement in the standard of living of its citizens. A reduction in the widespread poverty which is a major feature of the Nigeria economy can be achieved through a sustained increase in domestic investment.

Empirical Review of Previous Studies

Empirical evidence has also shown that countries with FTZs/EPZs are becoming more prominent in export of manufactured goods to the United States of America and to the European Union countries than the average of 190 countries exporting to these markets. World Bank research (Zheng, 2015). As of 2019, 1,001,635 foreign investment enterprises had been established in China, and realised FDI reached US$2,290billion. Among them are the number of wholly foreign owned enterprises was 586,795, accounting for 58.8% of all foreign investment enterprises and the amount of was $1,427.4billion, accounting for 62.3% of the national total amount. The number of equity on ventures was 352,076, accounting for 35.2%, and this amount of realised FDI was $564.5billion accounting for 24.6% of the national total amount.

Morocco attracted $3.6 billion worth of FDI in 2018 and the zones operating across the country attracted investments worth $3.8billion (combination of national and Foreign investment) in the same year. Tanger Med with its PPP business model attracted most of this investment. Zones accounted for 30% of total exports in Morocco. Ethiopia attracted FDI of $3.3 billion in 2018, $160 million of which were directed to SEZs. The four SEZs in Ghana attracted FDI worth $90 million and the 144 companies in the zones generated about 66% of the total exports in the country. SEZs in South Africa boosted the economy and attracted FDI worth $1.12billion, about 21% of the total FDI inflow in the country. SEZ create attractive investment conditions and enhance foreign direct investment. In many African countries, FDI inflows are centralized to SEZs. For example, in Egypt, 80% of total FDI inflows are directed to SEZs and 60% in Nigeria. Both countries are highly oil-dependent, and most Zones have oil and gas-related activities. However, FDI inflows to SEZ are also relatively high in more diversified economies, for example, it is 21% In South Africa and 10% in Kenya (FIAS 2019). Equally, most of those industrially lacking countries are those with low-medium GNP/Per Capita Income that did not have FTZs. For example, the effect of SEZ

policy development in China accounted for about 22% of national GDP, 46% of FDI of exports and generated in excess of 30 million jobs (Zheng, 2014).

There is also, empirical evidence that the effect of SEZs policy development in Ghana accounted for 98% foreign direct investment and local investment. (Ghana SEZ, 2016).

Empirically, the International Labour Organisation (ILO) provided a proportional data of FDI inflow into FTZs in sixteen countries in 2007 (Boyenge, 2007). The amount for Nigeria was US$1.2 million; US$198 million lower than the annual average amount of US$200 million. Also, ILO put forward proof that lower income countries like Nigeria are less successful at attracting FDI into their FTZs and that its appears to be a constructive link between the population of a country and the sum of FDI inflow into their FTZs. (Report of the Ministerial Committee for the Reform of FT/EPZs (2012)).

Nigerian FTZs attracted the sum of USD13.3 billion as FDI for the period 1996 – 2012. This represents investment by FZEs and FZDs in FTZs locations, generally in the form of machinery, buildings and equipment. The total USD13.3 billion, signifying an average of US$200 million annually, is argumentable, though there is no means available to challenge the reliability of the figure. However, Nigeria FZEs and FZDs attracted the total of US$1.9 billion as local domestic investment (LDI) for the period 1996 – 2012. This translates to an annual average of $119 million. (NEPZA Annual Report).

Within this context, none of the study was reported to carryout in the seven selected operational Zones under the supervision of NEPZA and secondly, none of the studies was carried out from 2012 – 2021. This present study seeks to bridge these gaps. The above studies were however, approached in a qualitative manner. Hence, the need for this documentary exploration to add to understanding the effect of the implementation of Free trade zones policy in Nigeria as references is required to the fill the research gap.

Theoretical Framework

The study adopted Schumpeterian Endogenous growth theory. Endogenous growth theory, is an economic theory, which maintains that economic development is engendered from within a system as a direct result of internal processes.

Romer (1986, 1990), Endogenous growth theory emerged in the 1980s as an alternative to the neoclassical growth theory with a significant contributions by Aghion and Howitt (1992) and Grossman and Helpman (1991), incorporated imperfect markets and R&D to the growth model. The philosophy of endogenous productivity growth was proposed by Vladimir Pokrovskii a Russian economist.

The theory questioned how gaps in wealth between developed and underdeveloped countries could persist if investment in physical capital like infrastructure is subject to diminishing returns and outlined the four basic preconditions for growth as: initial per capital, initial human capital, initial investment and population growth, and put forward the argument that technological change is not just an exogenous by-product of independent scientific developments. The theory sought to prove that government policies, including investment in R&D and intellectual property laws, helped foster endogenous innovation and fuel persistent economic growth.

The theory, poses a new outlook on a number of important economic issues that relate with economic growth. In his view economic growth in these terms shed new light on a number of key policy issues that affect technological progress. The rest of this illustrates different viewpoint considering the effects of technological progress on six (6) questions: competition policy, patent policy, higher education, globalization, technological revolutions and wage inequality.

Endogenous growth assumes that investment in education and research will not only have positive effect on the firm or individual who is making the involvement, but on others in the entire economy.

Thus, endogenous growth theory is the successful economic development theory. Nevertheless, it is not free from the following limitations: - that it is impossible to validate with empirical evidence and the theory has been accused of being based on assumptions that cannot be accurately measured. It overlooked

the important factors that are valid or likely in limited sectors only, because of inadequate institutional structures, poor infrastructure, and imperfect capital goods and markets; also, based on some traditional neoclassical assumptions that are often inappropriate for poorer developing countries' economies. For instance, it only considered single sector of production (agricultural, industrial). Largely, it is concerned with long-run development rather than short-run and mid-run. Though it has some significant limitations, it is still the best and most suitable growth and development theory. It suits well in developed, developing and underdeveloped countries as well.

The study adopts endogenous growth theory as its framework. This adoption to the study is due to the fact that free zone policy is an economic policy aimed at promoting rapid industrialisation through administration of fiscal and non-fiscal incentives including complete tax holidays both federal, state and local taxes and not limited to free importation of machineries, equipment and component goods, free exportations and 100% repatriation of capital, one-stop-shop. Others are adequate infrastructural facilities like road, port, airport, telecommunication, electricity and water supply and etc. The establishment of NEPZA and other Export Promotion Agencies in Nigeria, is one of the direct internal processes aimed at promoting internal economic growth and will ensure sustainable growth for a long period of time. The framework links trade openness with innovation and growth. It also factors in the connection between free trade and industrial output production within the Nigerian context.

The framework stresses the economic need for government and private sector institutions to boost innovation, thereby creating the right economic environment for private investor(s) and corporate bodies/traders to thrive on innovations. The main point of this framework is that: Technological progress should not be taken as a constant in development model. Government policies such as FTZs can raise a country's growth rate by encouraging competition in the markets and helping to stimulate product and process innovation.

The framework assessed the effect of SEZs policy development which links industrial output production, free trade and a path of other control variables specifically, capital formation, foreign exchange earnings, job creation, dummy variable and human capital stock.

Methodology

The study relied on secondary and primary sources of data collection such as journals, magazines, annual reports and gazette were used from Nigeria Export Processing Zone Authority (NEPZA) which is the agency responsible for the implementation of the policy.

The study was designed and grouped the 45 FTZs in the country into three stages (a) Operational (b) Under Construction (c) Dormant. The operational FZs have components of five to ten (5 – 10) measurements of activities in the zone, such as FDI/LDI, export and import activities, foreign exchange earnings, employment generation, technology transfer, human capital development, government revenues and so on and so forth. FZs under construction stage have component of two measurements of activities in the Zone namely; investment level and employment generation.

The study was designed to select from the 20 operational zones, out of which seven (7) FTZs are selected, comprising of Public Zones, Private and a combination of Public Private Partnership FTZs. The selected Zones are: - Kano FTZ, which is owned by the Federal Government, Lagos Deep Ocean and Logistic (LADOL) FTZ, Lagos FTZ, Lekki FTZ, Ogun Guangdong FTZ, Newrest Airline Services & Logistics FZ and Snake Island Integrated FTZ, which is a combination of private and public private partnership respectively for easy of analysis.

The study used simple percentages to express the proportions or ratios in a concise and easily understandable format. It was used to analyze and compare data sets. The percentage can be found by dividing the value by the total value and then multiplying the result by 100. The formula used to calculate the percentage is: (value/total value) ×100%.

Data Presentation and Analysis

This shows the analysis or data collected during the study with reference to the research objectives formulated and findings.

Given that no specific quantitative targets were set *ab inito*, the analytical approach was designed to be tread in nature

The first objective of the study is to determine the volume of foreign direct investment in the seven (7) selected operational zones in Nigeria from 2012 – 2021 as indicated in the tables below:

Table: 1.1 Volume of foreign direct investment from the seven selected operational zones from 2012 - 2021

Value of FDI (US $)							
Year	**Newrest Nig. FZ**	**Kano FTZ**	**Lekki FZ**	**Ogun Guangdong FZ**	**LADOL FZ**	**Snake Island FZ**	**Lagos FZ**
2012	-	2,710,781.00	2,070,000.00	23,500,000.00	55,000,000.00	664,130,252.04	3,114,125,291.00
2013	-	560,000.00	2,750,000.00	156,060,000.00	-	78,716,746.15	429,650,000.00
2014	-	0	32,708,946.30	44,560,000.00	302,000,000.00	36,699,377.63	53,700,000.00
2015	-	650,000.00	238,919,229.59	0	-	13,923,943.78	18,721,912.03
2016	811,415.00	2,869,375.00	86,816,518.16	180,950,000.00	6,268,821.29	459,425,154.13	5,006,408.90
2017	162,506.00	33,142,605.75	29,085,057.79	21,000,000.00	17,792,150.76	100,000.00	9,975,683.54
2018	-	-	-	-	-	-	-
2019	2,771,074.70	0	9,219,398.99	64,300,000.00	-	-	17,400,000.00
2020	498,474.84	-	4,039,209.40	4,300,000.00	-	-	221,446,600.00
2021	3,703,564.13	-	3,563,940.59	7,000,000.00	-	-	-
Total	**7,947,034.67**	**39,932,761.75**	**409,172,300.82**	**501,670,000.00**	**381,060,972.05**	**1,252,995,473.73**	**3,870,025,895.47**

Source: NEPZA Annual Reports 2012-2021

Table: 1.1.1 Annual Volume of FDI Generated from the Seven Selected Operational Zones in Nigeria 2012 - 2021

Year	Total (US$)	Percentage Change
2012	3,861,536,324.04	59.75
2013	667,736,746.15	10.33
2014	469,668,323.93	7.27
2015	272,215,085.40	4.21
2016	742,147,692.48	11.48
2017	111,258,003.84	1.72
2018	-	-
2019	93,690,473.69	1.45
2020	230,284,284.24	3.56
2021	14,267,504.72	0.23
Total	**US$6,462,804,438.49**	**100**

Source: NEPZA Annual Reports 2012-2021

From table 1.1.1 the study reveals in the last ten years NEPZA has witness a steady decrease and increase in attracting foreign direct investment into the seven (7) selected operational FZs in Nigeria from 59.75% in

2012 to a sharp decrease to10.33% in 2013 and 4.21% in 2015 with a slight increase to 11.48 in 2016 respectively. This steady increase and decrease in FDI however, is not unconnected with political stability, security and or the global economic meltdown.

Table 1.1.2 Volume of FDI from the Selected Operational Zones Year 2012-2021

Zones	FDI (US$) For Year 2012-2021
Newrest Nig. FZ	7,947,034.67
Kano FTZ	39,932,761.75
Lekki FZ	409,172,300.82
Ogun Guandong FZ	501,670,000.00
LADOL FZ	381,060,972.05
Snake Island FZ	1,252,995,473.73
Lagos FZ	3,870,025,895.47
Total	**6,462,804,438.49**

Source: NEPZA Annual Reports 2012-2021

Table 1.1.2 shows that implementation of free trade zone policy in Nigeria attracted US$6.46 billion Dollars from the seven selected operational zones. Lagos FTZ attracted the highest FDI US$3.87billion, followed by Snake Island Integrated FTZ with US$1.25 billion, Kano FTZ attracted US$39.93 million while Newrest Nig. FTZ attracted the lowest FDI of US$7.94 million during the ten years period. However, the success story of these zones, Lagos FTZ and Snake Island Integrated FTZ was not unconnected with the provision of adequate infrastructural facilities in the zones. While Kano FTZ a Federal Government own zone is on the path of upgrading and attracted FDI higher than Newrest Nig. FTZ a privately own Zone.

However, the success story of these zones, Lagos FTZ and Snake Island Integrated FTZ was not unconnected with the provision of adequate infrastructural facilities in the zones. While Kano FTZ a Federal government own zone is on the path of upgrading yet attracted local direct investment higher than Newrest Nig. FTZ, one of the privately own zone, this might not be unconnected with lack of adequate infrastructural facilities on ground.

The second objective of the study is to evaluate the level of local direct investment in the seven (7) selected operational zone in Nigeria from 2012 – 2021

Table: 2.1: Local Direct Investment from the Seven Selected Zones in Nigeria 2012 – 2021 as indicated below:

Year	Newrest Nig. FZ (₦)	Kano FTZ (₦)	Lekki FZ (₦)	Ogun Guangdong FZ (₦)	LADOL FZ (₦)	Snake Island FZ (₦)	Lagos FZ (₦)
2012	205,903,000.00	2,144,297,478.00	5,457,280.00	-	-	731,352,038.00	655,060,000.00
2013	93,503,027.00	1,680,820,000.00	-	-	-	1,676,498,447.87	3,833,159,000.00
2014	182,491,055.00	619,038,750.00	-	2,930,000.00	-	11,885,105,521.70	3,886,270,000.00
2015	475,900,342.30	200,000,000.00	26,435,442,192.00	-	-	18,272,632,293.90	44,232,901,910.00
2016	2,994,377.00	-	588,420.00	-	4,549,615,457.04	467,003,799.21	9,222,870.00
2017	762,761.00	-	-	-	2,750,273,799.86	-	1,541,132,351.00
2018	-	-	-	-	-	-	-
2019	139,423,086.00	-	-	-	-	-	7,951,592,638.18
2020	456,446,113.25	-	-	-	-	-	37,060,543,055.48

2021	46,723,542.00	-	-	-	5,466,215,708.71	1,083,000,000.00	
Total	**1,604,147,303.55**	**4,644,156,228.00**	**26,441,487,892.00**	**2,930,000.00**	**12,766,104,965.61**	**34,115,592,100.68**	**99,169,881,824.66**

Source: NEPZA Annual Reports, 2012-2021

Table: 2.1.1 Annual Volume of Local Direct Investment Generated from the Seven Selected Operation Zones in Nigeria 2012 - 2021

Year	Total (₦)	Percentage Change
2012	3,742,069,796.00	2.09
2013	7,283,980,474.87	4.08
2014	16,575,835,326.70	9.27
2015	89,616,876,738.20	50.14
2016	5,029,424,923.25	2.81
2017	4,292,168,911.86	2.40
2018	-	.
2019	8,091,015,724.18	4.53
2020	37,516,989,168.73	20.99
2021	6,595,939,250.71	3.69
Total	**₦178,744,300,314.50**	**100**

Source: NEPZA Annual Reports, 2012-2021

Table 2.1.1 shows that NEPZA has attracted a total of ₦178.744 billion Naira local direct investment from the seven (7) selected operational FZs. The success is mixed up with a steady decrease and increase from 2.09% in 2013 to 9.27% in 2014 and 50.14% in 2015 to a sharp decrease to 4.53% in 2019 and 20.99% increase in 2020 and a sharp decrease to 3.69% in 2021 respectively. This steady increase and decrease in the attraction of LDI in the country however was not unconnected to the political stability, security and global economic meltdown of 2014/2021.

Table: 2.1.2 Volume of Local Direct Investment Generated in the Seven Selected Operation Zones in Nigeria 2012 – 2021

Zones	LDI (₦) For Year 2012 – 2021
Newrest Nig. FZ	1,604,147,303.55
Kano FTZ	4,644,156,228.00
Lekki FZ	26,441,487,892.00
Ogun Guangdong FZ	2,930,000.00
LADOL FZ	12,766,104,965.61
Snake Island FZ	34,115,592,100.68
Lagos FZ	99,169,881,824.66
Total	**₦178,744,300,314.50**

Source:

NEPZA Annual Reports, 2012-2021

Table 2.1.2 Shows that the implementation of Free trade zone policy in Nigeria has succeeded in attracting N178.744 billion, Lagos FTZ has the highest figure of N99.170 billion local direct investment, followed by Snake Island Integrated FTZ with ₦34.115 billion and Kano FTZ attracted ₦4.64 billion respectively. Newrest Nig. FTZ attracted ₦1.60 billion which was the lowest local direct investment during the period. However, the success story of these zones, Lagos FTZ and Snake Island Integrated FTZ was in connection with the provision of adequate infrastructural facilities in the zones. While Kano FTZ a federal government own zone is on the path of upgrading yet attracted local direct investment higher than Newrest Nig. FTZ, one of the privately own zone, this might not be unconnected with lack of adequate infrastructural facilities on ground.

Discussion of Findings

1. The findings of this research work revealed that Free trade zones policy have attracted foreign direct investment in the selected zones of Nigeria. The implementation of this policy has promoted investment and trade through the provision of incentives and benefits to both local and foreign investors. Lagos FTZ, Lagos Deep Ocean and Logistic (LADOL) FTZ, Snake Island Integrated, Ogun Guangdong FTZs and Kano FTZ, among others have offered various incentives to investors, including tax holidays, duty exemptions, streamlined customs procedures, and infrastructure support. In terms of FDI, the implementation of FTZ Policy attracted investment US$6.46 billion Dollars. These incentives and benefits have played a significant role in attracting FDI to the selected zones. Foreign companies are drawn to Nigeria's FTZs due to the favourable business environment, access to a large domestic market, strategic location, and potential for regional trade. The zones have become attractive destinations for industries such as manufacturing, logistics, warehousing, and services.

   The presence of FTZs has led to increased FDI inflows into Nigeria, contributing to job creation, technology transfer, and overall economic development. These zones have also facilitated the diversification of Nigeria's economy by attracting investments in non-oil sectors.

   FTZs have imported, manufactured, processed, and re-exported with certain exemptions or reduced customs duties. These zones stimulate economic growth, attract foreign investments, create employment opportunities, and enhance international trade.
2. Finding from the study shows that Free Trade Zones (FTZs) attracted local domestic investment in the selected Zones of Nigeria. Foreign trade zones has encouraged investment from within Nigeria. In the designated FTZs, businesses enjoy certain incentives and benefits aimed at promoting economic growth and attracting investment. These zones have offered special regulations, tax incentives, customs benefits, and streamlined administrative procedures. The establishment of FTZs has encouraged local domestic investment in the areas of; FTZ policies provided tax exemptions or reductions on corporate income tax, import duties, value-added tax (VAT), and other levies. These incentives reduce the cost of doing business and make investments in FTZs more attractive to local domestic investors. In terms of LDI the implementation of FTZ Policy has attracted investment of ₦178.74 billion Naira. FTZs typically have streamlined administrative procedures (One-Stop-Shop), allowing for faster approvals and licensing processes. This reduces bureaucratic hurdles and creates a more business-friendly environment, encouraging local domestic investors to set up operations in these zones. FTZ policies provided infrastructure development within the designated zones. This includes the development of transportation networks, industrial parks, power supply, telecommunications, and other essential facilities. Improved infrastructure attracts local domestic investors by providing the necessary support for their business operations.

   FTZs provided local domestic investors with enhanced access to domestic and international markets. These zones are located proximity to transportation hubs, roads, seaports, and airports,

facilitating the movement of goods and services. Improved market access can lead to increased business opportunities and higher returns on investment for local domestic investors.

Conclusion

The study concludes that, the implementation of Free trade zones policy in Nigeria have attracted foreign and local direct investment the policy has contributed to the economic development in the area of rapid industrialization, free zones have provided better opportunities for doing business which provides a mix of fiscal incentives and a one-stop-shop platform that reduces bureaucratic bottlenecks. Nigeria's free zones are functionally diverse and cover a wide spectrum of sectors ranging from oil & gas to manufacturing, agriculture, services, logistics, ship building, estate development, tourism and so on and so forth.

Free zones are usually established to act as channels for trade, investment, and wider economic growth. Often times, they are aim to improve competitiveness in order to facilitate the economic transformation of the host country faster or more effectively than would be possible without them. The specific objectives vary from attracting FDI/LDI, foreign exchange earnings, creating employment, skill acquisition/technology transfer to backward linkage and experimenting with reforms.

The implementation of FZ policy has made some impact on the Nigerian economy and this is evident in many ways. In terms of FDI/LDI the study concludes that the implementation of FTZ Policy has attracted US$6.46 billion Dollars foreign direct investment and ₦178.74 billion Naira local direct investment within the period 2012 - 2021. However, there has been a great deal of spillover effect from the establishment of Free zones in Nigeria.

The FTZs investments level both foreign and local investment for the period of ten years, inflow of investment capital has revealed the level of implementation policy of FTZ in the country.

The analysis arising from the implementation of FTZ Policy in terms of foreign direct investment and local direct investment in Nigeria is mixed, though certain level of success occurred in the areas. Most of this success story is noticeable in private and or public private partnership zones than public zones. This is largely due to lack of inadequate funding, infrastructural facilities and other related government policy.

Recommendations

1. The NEPZA should improve the physical infrastructure within FTZs, including roads, ports, airports, and utilities such as electricity and water supply. This will enhance the attractiveness of these zones and make them more competitive in attracting FDI.
2. The Authority should identify and develop industry-specific FTZs that cater for particular sectors where Nigeria has a comparative advantage or potential for growth. This focused approach will attract investors looking for opportunities in those specific industries, leading to increased FDI inflows. This preposition has been supported from the empirical study.
3. The NEPZA should establish Special Economic Zones (SEZs): Transform selected FTZs into SEZs by integrating manufacturing, trade, and services. SEZs should provide a more comprehensive ecosystem for businesses, including industrial parks, technology hubs, business incubators, and access to skilled labour. This holistic approach will make the zones more attractive to foreign investors.

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