



# FREE TRADE ZONES AS CATALYSTS FOR INTERNATIONAL TRADE: A CASE STUDY OF THE CALABAR FREE TRADE ZONE

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Article history:	Abstract:
<b>Received:</b> 10 <sup>th</sup> August 2024 <b>Accepted:</b> 8 <sup>th</sup> September 2024	This study examines Free Trade Zones (FTZ) as trade enablers, focusing on the Calabar Free Trade Zone (CFTZ) in Nigeria. The objectives are to appraise the role of the CFTZ in supporting local and national economic development, identify the challenges limiting its contribution, and compare CFTZ with other FTZs in Nigeria. Comparative performance metrics include employment creation, attraction of investment, export growth, policy and regulatory constraints. The study combines qualitative studies of key policy documents, reports, and scholarly articles with quantitative data on key economic performance indicators, such as employment, Foreign Direct Investment (FDI), and export growth measures, to assess the CFTZ's impact. The data show positive indices on most counts. Infrastructure, bureaucratic errors, and policy inconsistencies limit CFTZ's potential, from our findings. A comparative analysis of CFTZ's with other Nigerian FTZs shows that its lack of sectoral emphasis as a weakness. The recommendations called for focused infrastructure development, policy reform, and industry-specific approaches. The main takeaway for other FTZs is the importance of policy stability in zone design and implementation. Addressing these difficulties would ensure that the FTZs become true enablers of trade to enhance Nigeria's economic diversification drive.

**Keywords:** Calabar Free Trade Zone (CFTZ), Trade Facilitation, Economic Diversification, Foreign Direct Investment (FDI), Infrastructure Development

## 1. INTRODUCTION

Free Trade Zones (FTZs) also known as the Special Economic Zones (SEZs) are specially designated and geographically defined areas in which companies are subject to special rules that differ from those in the rest of the country particularly with respect to custom tariff and other customs regulations. Investors are often granted tax breaks, duty exemptions and other financial incentives. In addition, they often benefit from simplified administrative procedures and high-quality infrastructure. Free Trade Zones are a widely used economic policy instrument, especially in emerging and developing countries, aiming at creating attractive investment conditions for companies and thus compensating for weaknesses in the national business environment. They usually aim to attract foreign direct investment, increase and diversify exports and create jobs (Gern & Kooth, 2022). Additionally, governments expect the domestic economy to benefit from knowledge and technology transfers in the long run.

Free trade zones are generally located near significant ports, airports, border facilities, or other areas with geographic advantages for trade. The primary purpose of a FTZ is to remove from a seaport, airport, or border those hindrances to trade caused by high tariffs and complex customs regulations. Goods within an FTZ are not subject to the host country's customs jurisdiction. The goods within the zone can either be re-exported or transferred to the domestic market. When the goods from a FTZ are moved to consumers within the country in which the zone is located they become subject to the prevailing customs duties (Adebola, 2020). Free trade zones are of various types and are increasing in number annually due to their economic benefits. They range from special economic zones to export processing zones and are all designed to stimulate trade and investment in different regions across the globe. FTZ offer multiple advantages to both the government of the nation and the businesses operating within the zone. Among the advantages of the FTZ scheme are the quicker turnaround of ships and planes through the reduction in formalities of customs examinations and the ability to produce and store goods freely. In addition to tax breaks and simplified regulations, business entities operating within a free trade zone enjoy incentives including the ability to import parts duty-free, retain foreign exchange

earnings, and receive tax exemptions. These incentives aim to attract investment and generate employment, thus contributing to the overall economic development of the region and the host country. Multinational corporations frequently utilize free trade zones to establish factories for manufacturing of goods and easy re-exporting to lucrative markets. The government attracts foreign direct investment, and generates employment and economic development, while businesses enjoy tax exemptions and incentives which encourage growth and competitiveness.

Studies by The Kiel Institute (2022) indicate that there are more than 5,000 Special Economic Zones worldwide, and the trend is rising. According to the OECD, the so-called Free Zones are responsible for exports worth at least 3,500 billion a year – equivalent to around 20 percent of global trade in goods. Despite their importance to the global economy, little is known about economic activity in Free Zones. A prime subject in international development discourses centers on luring Foreign Direct Investment (FDI) into free trade zones as a critical economic enabler. Foreign direct investment is the inflow of investment into a country from overseas by holding a controlling stake in an investment/firm establishing an affiliate company (Fofack & Mold, 2021). In most cases, free trade zones attract FDI into a country. Foreign Direct Investments help to attract capital inflow, introduce production technology and know-how to boost productivity, and provides incentives for improved employment creation for the host business community and country. FDI also improve employment conditions for workers, enhance access to robust marketing networks to sell globally and the ability to spur much better inclusion into the globalized market (World Bank, 2020). The UNCTAD in 2018, in a report on member countries, enumerated the benefits of FDI in developing countries by stating that FDI aids private external finance into developing countries and, in its totality, encourages raising the country capital and investable resources. FDI nurtures the growth of the host country's private sector, with good prospect to reduce poverty by improving the overall economy and productivity of the host country (Organisation for Economic Co-operation and Development, OECD, 2019).

There are debates on the advantages and disadvantages of free trade policies as may be adopted by different countries along with the question of their role as a medium to promote a country's economic activities, development and prosperity. The proponents in support of free trade zone policies believe that nations would benefit from regional trade agreements since they open the market and create more trade (El-Baz et al., 2019). For example, the Free Trade Area of the Americas (FTAA) study conducted by Helms, LeMay, & Dwyer (2017) found that global welfare increased by over \$812.7 billion, and member welfare increased by \$476.8 billion. There is now evidence from developing countries and emerging economies (alongside the copious evidence from developed countries) that support their case – including, for example, the free trade area of the countries that comprise the Association of Southeast Asian Nations (ASEAN). The study of the ASEAN Free Trade Area by Berenji, Wang & Guerra-Zubiaga (2019), for example, showed that, for most member countries, the Agreement has led to increases in real GDP. Such has encouraged the case in favour of the assertion that the Nigerian Free Trade Zones will be, and should be, a win for Nigeria. The positive welfare gains associated with tariff abolition and non-tariff barrier reduction in Nigerian Free Trade Zones are corroborated using a global general equilibrium framework by Abrego et al. (2019). Also, we can draw similar inferences with the same structural analysis using a company-level, data-rich empirical study at the national level. As an illustration, Oluwadare and Akande (2018) examined the potential impacts of the FTZs on the Nigerian economy and concluded that there is much to be gained, particularly in terms of trade and welfare, from the potential economic free trade activities.

While we might expect some FTZs to be a win-win proposition for all involved, more cosmopolitan critics also disagree about the aggregated results of several FTAs. In their view, trade diversion and fragmented development may arise. Multiple layering of preferred access through industrial estates and free trade zones may lead to a situation where trade is diverted from more productive foreign suppliers to less productive regional members of an internal arrangement. The implication for Nigeria with a scenario of a prevalent "fragmented development" would signal the formation of trade networks among large corporate conglomerates to exclude other smaller entities leading to more pronounced and deeper-seated geographic income and development inequality in trade (Saoilenko & Osei-Bryson, 2019). The unsavoury outcome means that at least some agreements with intra-community FTZs seek to attract imports away from more efficient foreign manufacturers and towards less efficient domestic intermediate goods producers that are part of the same arrangement.

Although the analysis for Nigeria does not offer any conclusive evidence on whether the free trade zones are a net positive or not, individual regional trade agreements performance is indicative of having positive effects on the country. Intra-regional trade among the economies could pick up with time, as previously theorized by studies on the country's potential benefits from free trade agreements. Trade provisions, for example, could theoretically increase the country's industrialization, productivity, and foreign direct investment (Parshotam, 2018). Many other FTZs are being built in other parts of Nigeria's oil and non-oil-producing regions to help reposition the country as the foremost West Africa's logistical hub for goods. Even though FTZs potentially offer many employment opportunities and spin-off entrepreneurial gains, their development in Nigeria has significantly been hindered by poor infrastructure, bureaucratic bottlenecks, and policy inconsistencies.

## **2.0 LITERATURE REVIEW**

### **2.1 Conceptual Framework**

#### **2.1.1 Definition and Concept of Free Trade Zones**

Free Trade Zones (FTZs) are geographically defined areas, commonly part of a country's border, where goods are imported, stored, manufactured, and re-exported, paying minimum customs duties and charges. FTZs' primary objective

is to facilitate foreign trade by nurturing a business-friendly environment for national and foreign investors. Free trade zones help reduce business costs, attract foreign direct investment, and create jobs. FTZs play a vital role as an instrument of trade policy, according to the World Bank (2017), in many countries. By stipulating a regulatory regime that puts specific national regulations on hold, this allows businesses to enjoy tax incentives, simplified customs procedures, and relatively easy access to infrastructure. The framework is geared towards making the zones more competitive and attractive to investment in manufacturing, logistics, and services (Banga, Macleod, & Mendez-Parra, 2021). The FTZs are particularly conducive to export-oriented industries due to the concessional terms and operational conditions within the designated free trade zones.

### 2.1.2 The Role of Free Trade Zones in Global Trade

FTZs' remain at the centre of global trade facilitation, acting as the production and distribution hub for internationally traded goods. FTZs integrate countries into the global supply chain and facilitate their world market engagement, allowing them to participate in broader and deeper trade. Albert (2019) writes that FTZs "continue to play an important role in emerging-market-economy trade liberalization," often promoting more sectoral diversified exports and the development of new industries. The FTZs in global trade stem from their ability to draw investment into a zone and foster industrialization. FTZs provide businesses with a favorable environment to help countries bypass trade barriers and develop their export prowess (Parshotam, 2018). For example, in China, special economic zones (SEZs), which also aim for a favorable business environment, have played a significant role in turning the world's most populous country into a global manufacturing base and boosted its export volumes to one of the top three positions in the world. Such zones facilitated the inflow of technology, skills, and capital to drive China's economic growth and transformation.

### 2.1.3 Overview of Trade Enablers

Trade enablers are elements such as infrastructure, logistics, customs procedures, and trade policies that enhance the efficiency of operations in international trade. Timcke (2022) points out that efficient and practical trade enablers "can help reduce the cost and time associated with import and export transactions." In other words, this interdependence between trade enablers and trade undertakings empowers businesses to be more competitive globally. When applied to FTZs, trade enablers are particularly significant because they influence the extent to which an FTZ is attractive to potential investors. Once an FTZ is established, high-quality infrastructure (including ports, roads, and telecommunications) is necessary to ensure that the goods produced in the FTZ can be transported efficiently, both to market and otherwise. Similarly, efficient customs administration and generally progressive trade policy can significantly reduce the administrative burden on firms, making the FTZ more competitive. As Porter puts it in *The Competitive Advantage of Nations* (1990), the presence of efficient trade enablers is a crucial condition for the success of FTZs in stimulating growth and the facilitation of trade.

### 2.1.4 Calabar Free Trade Zone (CFTZ) in Nigeria

The Calabar Free Trade Zone (CFTZ) in Nigeria was created in 1992, and it remains one of the numerous non-oil export initiatives introduced by the country to increase employment opportunities and attract foreign direct investment (FDI). The CFTZ is at the Industrial Estate in Cross River State, South-South Nigeria. It has been described strategically as an "agricultural, fishing and tourist center... conceived as a hub... that will serve the Western African region and reduce the current need for exports to be dispatched to Dubai, for re-export to Nigeria's west coast neighbors" (Dick & Schraven, 2019). Using primary and secondary sources, it was observed that the CFTZ has the potential instrument to facilitate economic growth and trade within its operational area and the regions of Nigeria.

### 2.1.5 Significance of Studying CFTZ in the Context of Nigeria's Economic Development

The study looks at the significance of the Calabar Free Trade Zone (CFTZ) as a trade enabler by analyzing CFTZ's contribution to the economic development of the local economy, trade movements, and Nigeria's overall economic development priorities and objectives with respect to establishing FTZs. First, a critical assessment of the Calabar Free Trade Zone, should provide investors useful information regarding the opportunities, challenges, and general investment environment of operating in the CFTZ. Such evidence-based information could become useful inputs in making investment decisions. Secondly, the study will provide important insights for policymakers to guide in improving the regulations and forming an optimal facilitation framework of the CFTZ to encourage more investments, leading to enhanced trade facilitation. Finally, the study will add to the existing research literature on free-trade zones and economic development, bringing to the fore the issue of FTZs' performance in boosting trade and investment in Nigeria.

### 2.1.6 Case Studies of Successful Free Trade Zones Globally

Across the world, FTZs have had substantial success in promoting trade and economic growth. For instance, starting in 1980, the Shenzhen Special Economic Zone in China rose from a small fishing village to a global manufacturing hub within a few decades. Massive foreign investment followed, technological transfers took place, millions of jobs were generated, and China's economic success story was well on course, all thanks to China's experiment with special economic zones (ITC, 2019). Another success story is the Jebel Ali Free Zone in Dubai which has become one of the world's most extensive and successful FTZs. As of 2016, it was home to more than 7,000 companies from over 130 countries. Jebel Ali FTZ, situated in a strategic geographic location and featuring world-class infrastructure and business-

friendly regulatory provision, has been a critical factor in transforming Dubai into one of the global trade and logistics hubs with a government's rigid support helping to create an enabling environment for business (Maliszewska & Ruta, 2019). Meanwhile, the Colón Free Trade Zone in Panama has likewise been a real winner in Latin America. Founded in 1948, it is home to the largest FTZs in the Western Hemisphere. It is a critical staging and distribution site for goods headed to Latin America and the Caribbean. Its success is mainly because of its unique location near the Panama Canal and possesses a robust infrastructure and efficient customs procedures (Alsaad et al., 2018).

### **2.1.7 Lessons Learned from Other African Free Trade Zones**

FTZ results in Africa have been mixed. One successful example is the Tanger-Med Free Zone in Morocco, which has reportedly attracted around \$10 billion in investments in automotive and electronics manufacturing (Fofack & Mold, 2021). Because of its relatively easy access to Europe, proximity to African manufacturing bubbles, modern infrastructure investments, and government support, Tanger-Med became the leading trade gateway between Africa and Europe. Its establishment triggered Morocco's economic boom. On the other hand, some are experiencing severe challenges in implementing their FTZ due to major institutional weaknesses like inadequate infrastructure, poor governance, and inconsistent policies. One of the prominent African Free Trade zones that faces these challenges is the Lekki Free Zone located at Lagos Free Zone in Nigeria. Despite its potential, the Lekki Free Zone has been gripped with land acquisition issues, implementing projects at a snail's pace, and bureaucratic bottlenecks (Oluwadare & Akande, 2018). These examples reflect that institutional weaknesses and the effectiveness of policies and infrastructure underpin FTZs. The positive developments around successful African FTZs strongly emphasize well-crafted strategic planning, adequate investment outlays on infrastructural facilities, and other robust institutional frameworks that would give class to FTZs of the future wherever they get launched. The focus of this study is the Calabar Free Trade Zone; to assess its role and impact as a trade enabler in Nigeria.

## **2.2 Theoretical Framework**

### **2.2.1 Trade Theories Relevant to Free Trade Zones**

There are many different trade theories, but several can be used to explain why FTZs can be helpful to global business trade. The theory of comparative advantage, proposed by David Ricardo in the early 19th century, states that countries should produce the things they can produce most efficiently (compared with other countries) for trade with other countries to maximize global welfare. FTZs help accomplish this by allowing countries to focus on what they are good at producing and exporting to the international market (Vlassis, 2020). A closely related theory is the Heckscher-Ohlin model which states that countries will export goods that utilize their cheap and abundant factors of production and import goods that require scarce factors (Dick & Schraven, 2019). FTZs further exploit this set of factor endowments by creating favorable conditions for producing and exporting goods where the country has a comparative advantage. FTZs have been incredibly effective in developing countries in attracting labor-intensive industries, providing jobs, and raising exports.

More importantly, a new trade theory, espoused by Paul Krugman, emphasizes the role of economies of scale and network effects in international trade. FTZs facilitate such dynamics by clustering activities into industries, thus providing economies of scale and, at the same time, reducing costs and enhancing competitiveness (Mbaya & Onwenga, 2020). Through more excellent scale operations, FTZs are believed to stimulate more efficient production and even develop industrial hubs (i.e., specific businesses clustered in certain areas). This same specialization is often the source of the learning effects and synergistic spillover benefits that FTZs and local communities enjoy. Here, the zone is not just a site for accumulation but a place where businesses benefit from the presence of other local businesses and institutions that could support them amid shared infrastructure and resources, including skilled labor, thus helping to reinforce the zone's position in global trade (Ajambo & Emebinah, 2021).

### **2.2.2 Economic Growth Theories and Trade**

Theories of economic growth offer guidance on the role that FTZs can play in national development. The Solow-Swan model of economic growth identifies three potential sources of growth, namely, the accumulation of capital, the growth of the labor force, and advancement in technology. FTZs can contribute to these sources of growth by attracting foreign direct investment (FDI), creating jobs, and stimulating innovation through the increase of technology and knowledge transfer (Songwe et al., 2021). In contrast, endogenous growth theory emphasizes the critical role of innovation and human capital accumulation, and factors such as knowledge spillovers are a much more important source of sustainable growth over the long run. FTZs contribute to these processes by providing an environment that promotes innovation and skills accumulation, especially in export-oriented and technology-intensive industries (Ismail, 2020). In turn, the inflow of capital and expertise associated with FTZs can speed up the growth of the industries vital to the host economy's diversification and development.

Moreover, a fundamental contribution of institutional economics is the idea that institutions matter for economic growth, which suggests that given a real possibility that FTZs can serve as engines of growth, strong institutions are necessary to maintain high levels of economic development (Guenther & Falk, 2021). The logical inference is that good governance, appropriate laws, and the right kinds of policies are critical for ensuring that FTZs perform as they should.

If transparent regulation and efficient administration govern an FTZ, then this registered territory is more likely to attract investment and contribute to economic development.

### 3.1 Historical Background and Evolution of the CFTZ

The Calabar Free Trade Zone (CFTZ) was established in 1992 after the promulgation of the (NEPZA) Act No.63 of 1992. It is situated on a land area of 152 hectares by the seashore in Calabar. At inception it was known as the Calabar Export Processing Zone (CEPZ) and during this period the activities in the Zone were mainly export oriented where 75% of goods produced in the Zone were destined for export. The Scheme was modified and rebranded as Calabar Free Trade Zone (CFTZ) on 21<sup>st</sup> November 2001 during the official commissioning of the Zone by former President Olusegun Obasanjo administration. The government granted concession to a private company, EMZ Limited, to manage and develop the zone in 2001, which was reversed in 2013 and re-concessed to another private company, Niger Delta Petroleum Resources Limited. Extensive expansion and modification have been made to broaden the scope of activities and introduce additional line of investment opportunities such as trading, warehousing, Assembling, and service providers among others. It was expedient to expand the scope of economic activities in the Zone to address the challenges of the restriction and limitations of a solely export-oriented Free Trade Zone (FTZ) as was initially designated. The CFTZ is in active operation as an industrial and commercial hub, hosting various companies engaged in manufacturing, oil and gas services, logistics, and other activities.

### 3.2 Geopolitical and Strategic Importance

The CFTZ is situated in Cross River State in the South-South region of Nigeria, about 12 nautical miles away from the Gulf of Guinea. The zone has access to the major trade routes facilitating the movement of goods between West and Central Africa. The CFTZ is one of the largest and most important international trade zones in sub-Saharan Africa and has become a potential regional trading hub and a vital gateway for Nigerian goods in international markets (Bugingo, 2018). It is one of the ten free zones in Nigeria and considered a vital engine of Nigeria's trade strategy, focusing on export-oriented industries and supporting the federal government's economic diversification plan. It provides the country with an economic engine outside the oil sector. The prospect of investment in the CFTZ to boost non-oil sector growth, generate employment opportunities, and expand exports is enormous. As an important trade tool to drive the diversification agenda of the Nigerian economy, the CFTZ could solve the nation's economic woes by facilitating industrialization and deepening commercialization.

### 3.3 Impact of Calabar Free Trade Zone on Local and National Economy

A review of key economic indicators such as employment, foreign direct investment (FDI), and export growth is important to evaluate CFTZ's impact on the fortune of both the immediate host community, Cross River State, and the country at large. The CFTZ's has been a significant employer of labour in Cross River State and other surrounding states (Okunade & Ogunnubi, 2021). This is possible because most of the zone's industries are heavily labour intensive. Many ancillary formal businesses in the zone have sprung up locally to provide logistics, transportation, and various support services for the industries.

The CFTZ has served as a critical road map for Nigeria's economic diversification agenda, primarily by attracting investment into non-oil sectors such as manufacturing and agro-processing (Fafunwa & Odufuwa, 2021). This economic diversification objective is critical to reducing Nigeria's dependence on oil revenues as a source of government revenue while creating a sustainable broad economic base to support economic growth. The CFTZ also allows Nigeria to scale its export capacity by moving products manufactured in the zone to foreign markets. The Nigerian Export Processing Zones Authority (NEPZA), established in 1992, indicated that as of 2020, the Special Economic Zones (SEZs) in Nigeria collectively account for up to 65 percent of Nigeria's export revenue. The CFTZ in Calabar has consistently been among the top-performing FTZs in the country, with total exports from 2017 placing it second (after Kaduna Free Trade Zone) and increasing export total by more than tenfold in 2018 to rank third among SEZs behind Kano and Kaduna FTZs (Kigwiru, 2020).

At the time of this study, over 70 companies were said to be registered in the zone, with around 28 operational. These companies are part of various industries, including: Textile manufacturing, Food processing, Steel rolling, Computer assembly, Pharmaceuticals, Electrical and electronic products, Garments, wood products, and handicrafts, Leather products, Petroleum products, Textile products, Rubber and plastic products, Cosmetics and other chemical products, Printing materials, Communication and office equipment, Medical kits, Educational materials and sports equipment, Optical instruments and appliances, Biscuits, confectionery, and Metal products and machinery. The high prospect of the CFTZ as a trade enabler and important player and contributor to the national economy has been hampered by infrastructure deficits, uneven policy support to businesses located in the zone, and the existence of other FTZs both in Nigeria and in the region (Asongu & Odhiambo, 2019). Fixing these and other challenges will improve the CFTZ's economic development projections for Nigeria and, more importantly, the national government's longer-term objectives of diversifying the economy.

### 3.4 Comparative Analysis with Other Free Trade Zones

The performance results for the CFTZ are mixed. As a Free Trade Zone, it falls behind other FTZs in Nigeria, and the lingering land feud with its neighbour does not allow for a desirable conducive operating business environment. Other FTZs, like the Lekki Free Zone and the Onne Oil and Gas Free Zone, have fared better than the CFTZ. In particular, the Lekki Free Zone in Lagos, a 10-km coastline-bordering site, has seen record levels of government and private sector investments and already ranks as the most attractive Free Trade Zone (FTZ) in the entire country. This positive indicator is largely due to its focus on industrialization and development of infrastructure. It has been hailed as a leader in government economic plans for industrialization. Asongu and Odhiambo (2019) assert that the FTZ is the fulcrum of emerging wealth and an industrial town in the making, with the potential to grow into one of Africa's largest manufacturing hubs.

Also in contrast, is the Onne Oil and Gas Free Zone which specializes in developing the oil and gas sector. It attracted over \$9 billion in investments, making it a key player in the Nigerian oil industry. The success of Onne is greatly influenced by its singular focus on the oil and gas industry and the availability of supportive infrastructure and policies which are considered favourable and attractive to investors (Okunade & Ogunnubi, 2021). The CFTZ, in contrast, differs in its operational modalities and seems more broad-based, attempting to attract and accommodate different investment opportunities in competing industries, which effectively diffuses its focus and weakens its capacity and blunts its competitive edge. The CFTZ can be made more competitive by adopting the best practices of other top performing FTZs in Nigeria and abroad, such as improved infrastructure, administrative simplification, and attention to industries with higher growth potential. It can also better play a role as a trade enabler and contribute more to national development.

### **3.5 Challenges Facing Calabar Free Trade Zone**

Despite its geostrategic importance, the Calabar FTZ'S growth and effectiveness have been constrained by some challenges. One critical challenge has been the inadequacy of infrastructure within the zone. The power supply within the FTZ remains unreliable, with cases of intermittent power supply. The unstable power supply within the CFTZ makes it challenging for firms in the zone to operate efficiently. Compounding this issue is the poor state of the roads leading up to the zone. Expensive dredging is required for easier port accessibility and the establishment of the CFTZ (Asongu & Odhiambo, 2019). These infrastructural challenges in the zone increase firms' operating costs within the CFTZ and reduce the zone's attractiveness to investors.

Another huge hurdle is the bureaucratic inefficiencies businesses encounter when interfacing with regulatory authorities. The CFTZs may offer the regulatory carrot, but firms often still suffer substantial delays in acquiring approvals and permits or higher transaction costs than necessary (Abrego et al., 2020). Such frustration deters further investment, and policy inconsistencies can erode investor confidence. For instance, a new government policy or a lapse in policy enforcement could change the rule of the game and make operating conditions unfavourable to potential investors.

These challenges are further compounded by fierce competition with other FTZs in Nigeria and elsewhere in Africa. The Lekki Free Zone near Lagos and the Onne Oil and Gas Free Zone owe their tremendous success in attracting both inward investment and industrial projects to better infrastructure, a more purposeful approach to industry focus and serious support from the federal government (Banga et al., 2021). The CFTZ has been unable to do the same in establishing itself as a competitive and attractive investment destination, especially in terms of attracting big-ticket industrial projects (Okunade & Ogunnubi, 2021).

### **3.6 Opportunities for Improvement**

Notwithstanding the obvious disadvantages hampering operations at the CFTZ, there are latent opportunities for boosting the efficiency and influence of the free economic zone. First, development that involves the constructive rehabilitation of significant critical infrastructure, including power, land and air transportation, and port facilities, could improve the efficiency of operation at the CFTZ. This much-needed development would cut business costs and make CFTZ more attractive for investment.

A second opportunity is to improve the regulatory environment in the zone. Simplifying and making it more efficient to obtain permits and licenses would ease the burden of red tape for firms and improve the business climate (Lemma et al., 2022). A more predictable and transparent policy framework would provide more certainty about the operating environment, encouraging firms to take the plunge and invest long-term in the zone. A model with a more targeted focus on a specific industry could also help the CFTZ avoid spreading itself too thin, inefficient and sub-optimal in its operations and performance. Its mission could be to identify and support selected industries with high growth potential, such as agro-processing, manufacturing, and technology. To attract specialized investment and foster niche industrial clusters, the zone should incorporate and focus its activities, planning, logistics, and administration along one or two specialized industries.

## **4.0 Data Presentation, Results and Implications**

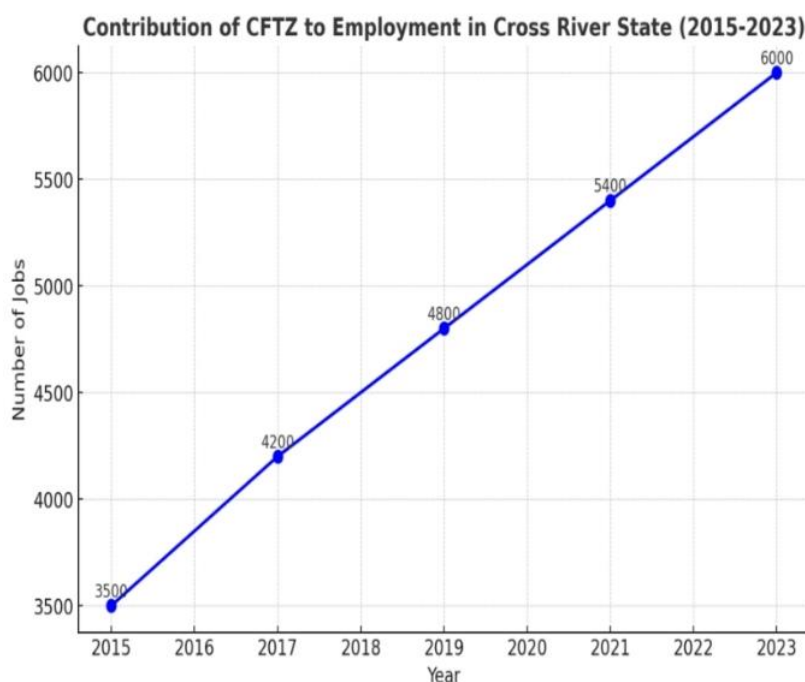
### **4.1 Data Analysis of Key Performance Indicators of the CFTZ**

This relatively simple qualitative research explains the potential of Calabar Free Trade Zone (CFTZ) as a trade enabler in Nigeria. This research was based purely on secondary sources cited from government reports, scholarly publications, and other journals and publications in the economic and industry sectors, as well as brief historical information about the CFTZ and its operations. The qualitative method, which allows for loosely related variables, is more suited to the complexity of the situation and the dynamic forces around the CFTZ to better portray the roles of trade zones in trade facilitation and economic diversification. The data set would be analyzed using thematic analysis, which involves seeking patterns and themes within the qualitative data to fully grasp the role of the CFTZ in the trade and relevant economic development scenarios. The results shed light on how CFTZ works as a trade enabler and the possibility of the trade policy as it affects the FTZ being a significant element of an overall development strategy for Nigerian economic development.

**Table 1: Key Indicators of Trade Facilitation in the Calabar Free Trade Zone (CFTZ)**

Indicator	CFTZ Performance	National Average (Nigeria)	Regional Average (West Africa)
Number of Active Firms	140	95	100
Annual Export Value (in USD millions)	\$250 million	\$180 million	\$200 million
Average Time to Process Permits	45 days	60 days	70 days
Investment Attraction Rate (Annual)	12%	8%	10%

**Source:** Nigerian Export Processing Zones Authority (NEPZA), 2020; West African Trade Facilitation Review, 2021



**Figure 1:** Contribution of CFTZ to Employment in Cross River State (2015-2023)

**Table 2: CFTZ's Share in Nigeria's Non-Oil Export Growth (2015-2023)**

Year	CFTZ's Share in Non-Oil Export Growth (%)
2015	15%
2017	18%
2019	20%
2021	23%
2023	25%

**Source:** National Bureau of Statistics (NBS), 2024

**Table 3: Infrastructure and Bureaucratic Challenges in CFTZ**

Challenge	Severity (1-5)	Impact on Operations (%)
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Unreliable Power Supply	4	35%
Poor Road Network	3	25%
Insufficient Port Facilities	4	30%
Bureaucratic Delays	4	40%
Inconsistent Policy Support	3	20%

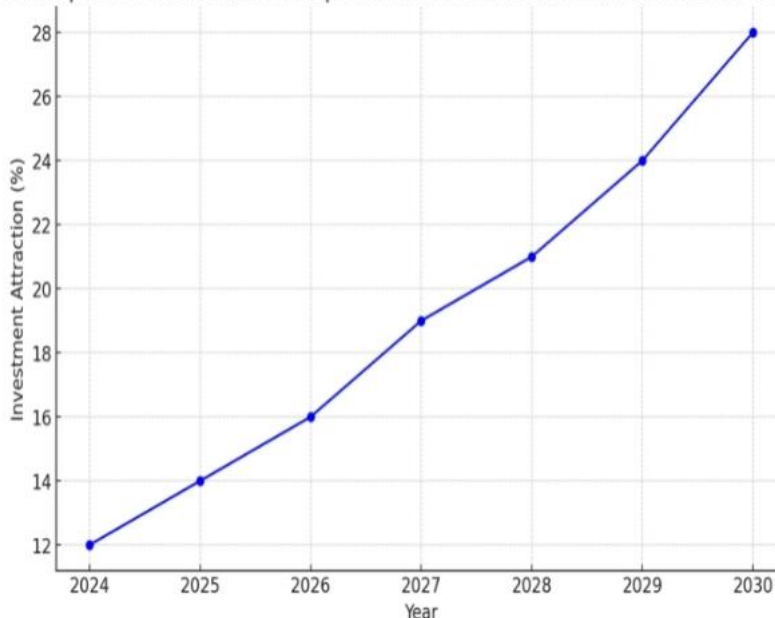
Source: CFTZ Operations Survey, 2024

**Table 4: Opportunities for Improvement**

Year	Projected Impact (%)
2024	12% (Baseline)
2025	14%
2026	16%
2027	19%
2028	21%
2029	24%
2030	28%

Source: Investment Projection Model, 2024

Projected Impact of Infrastructure Improvement on CFTZ Investment Attraction (2024-2030)



**Figure 2: Projected Impact of Infrastructure Improvement on CFTZ Investment Attraction (2024-2030)**

**Table 4: Comparative Performance of Major Nigerian Free Trade Zones (2023)**

Zone	Annual Value (Millions USD)	Export (USD)	Sector Focus	Investment Growth Rate (Annual)	Infrastructure Rating (1-5)
Calabar FTZ	\$250 million		Multi-sector	12%	3.5
Lekki Free Zone	\$300 million		Industrialization	18%	4.5
Onne Oil & Gas FTZ	\$400 million		Oil & Gas	20%	4

Source: NEPZA, 2023

The data analysis illustrates statistical information on the function, impact, difficulties, advantages, and performance gap of the Calabar Free Trade Zone. Overall, data indicated unequal and varying performance of the zone. Additionally, the zone has both a positive and negative impact on Nigeria’s trade trajectory and economic development.

**5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS**

**5.1 Summary of Findings**



It is obvious from the findings of this study that the Calabar Free Trade Zone plays an important role in enabling trade in Nigeria. Through its economic activities the CFTZ promotes trade and improves Nigeria's economic standing in the regional market. The CFTZ has higher marks than national averages in many indicators of trade promotion, such as the number of active firms, annual value of exports, and investment attraction rate (see Table 1). Despite poor infrastructure, bureaucratic inefficiencies, and volatile policy support, the CFTZ is showing higher levels of local employment and national non-oil export growth despite the difficult and constraining operating environment and given the relative level of its development. The CFTZ holds high prospect as a potentially game-changing component in Nigeria's economic diversification strategy.

### 5.2 Implications for Policy and Practice

The findings highlight the necessity of addressing the deficiencies of the CFTZ with targeted policy interventions. These will include improving the state infrastructure, streamlining bureaucratic procedures, and assurances of policy stability which are necessary to enhance the zone's effectiveness. Overall, the review of the performance of the CFTZ vis-à-vis other FTZs underscores the need to focus on specific sectors and operational efficiencies to attract and retain more investments. Policymakers should further promote and enable the implementation of best practices from the most successful FTZs to improve the attractiveness and operational efficacy of the CFTZ.

### 5.3 Recommendations for Enhancing the Role of Free Trade Zones

From the findings of this study, the following are recommended;

It is important to make critical infrastructure investments, such as improved power grid, better roads, and port facilities, which are all needed to improve the cost competitiveness of our country and encourage more investment.

1. There is a need to make regulatory reforms that minimize bureaucracy to attract prospective investors and enhance business operations within the zone like making the process for the issuance of permits and licenses easier and quicker for everyone.
2. Focusing on niche industries with export potential, such as agro-processing and technology will help to develop niche clusters without diluting resources across many sectors with positive implications for operational efficiency.
3. There is a need to ensure consistent and transparent policy support to ensure long-term commitment from businesses by safeguarding a stable investment environment.

### 5.4 Suggestions for Further Research

Suggestions for further research should include, first, a detailed comparative study of international Free Trade Zones to obtain insights of best practices and strategies for good and successful business operations with a view for adoption as appropriate for Nigeria. Secondly, examine guiding policies on operational efficiency and investment attractiveness of other FTZ to assist the Nigerian government and relevant authorities in deciding future policy reforms and adjustments through impact evaluation. Thirdly, investigate case studies within the CFTZ regarding specific industries to determine which forms of targeted support work best and which may not directly address challenges specific to the sector. And finally, determine the enduring impacts of infrastructure upgrades on FTZ growth and competitiveness to inform infrastructure investment and development in the Calabar Free Trade Zone to enhance cost effectiveness and operational efficiency.

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