

# THE AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA) AND FREE TRADE ZONES (FTZS) IN NIGERIA



## The African Continental Free Trade Area (AfCFTA) and other Free Trade Zones (FTZs) in Nigeria

The African Continental Free Trade Area (AfCFTA) stands as a groundbreaking initiative aimed at transforming the economic landscape of Africa. It seeks to create a single market for goods and services, facilitated by the free movement of people and capital. With Nigeria being one of the continent's largest economies, its participation and the role of its Free Trade Zones (FTZs) are pivotal to the success of AfCFTA.

A Free Trade Zone (FTZ) is a geographically designated area located outside the customs territory where regulations of production, trade, and other economic activities may not be applicable or partially applicable.

### Overview of the AfCFTA

The AfCFTA which was launched in January 1, 2021, represents the world's largest free trade area, encompassing 54 of the 55 African Union nations. It aims to cut tariffs on 90% of goods between member nations, while also addressing policy issues like trade facilitation and services, as well as regulatory measures such as sanitary standards and technical trade obstacles. Its main objectives include:

1. **Increasing Intra-African Commerce:** By considerably lowering tariffs and non-tariff obstacles, the AfCFTA aims to boost intra-African commerce, accounting for roughly 16% of Africa's overall trade.
2. **Economic Diversification:** Promoting economic diversification away from commodity exports.
3. **Industrialization:** This entails promoting industrial development through regional value chains and agricultural development.
4. **Job Creation:** Creating jobs and eliminating poverty.

### Free Trade Zones in Nigeria

Free Trade Zones in Nigeria are designated places where enterprises are excluded from certain national trade rules, allowing for more relaxed regulations to stimulate economic development. These zones provide numerous incentives, including tax breaks, duty-free imports of raw materials and capital products, and simplified customs procedures. Some of the prominent FTZs in Nigeria are:

1. **Lekki Free Trade Zone:** Located in Lagos, this zone aims to attract foreign direct investment (FDI) in manufacturing, oil and gas, logistics, and other industries.
2. **Kano Free Trade Zone:** Located in Kano State, this zone specializes in agriculture, manufacturing, and trade.
3. **Onne Oil and Gas Free Zone:** Located in Rivers State, this facility is largely committed to helping Nigeria's oil and gas industry by offering logistics and fabrication services.
4. **Calabar Free Trade Zone:** This zone in Cross River State engages in manufacturing, commerce, and other industrial activities.
5. **Kwara Free Trade Zone (KFTZ):** Located in Kwara State, KFTZ focuses on agro-processing, manufacturing, and logistics. It aims to attract investment in agriculture-related industries and boost the local economy.

### The Impact of AfCFTA on Nigeria's Free Trade Zones

The AfCFTA is projected to have a major influence on Nigeria's FTZs in the following ways:

1. **Enhanced Trade and Investment:** The AfCFTA will give Nigerian FTZs access to a bigger continental market, encouraging both domestic and foreign companies to

establish enterprises in these areas. The AfCFTA's decreased tariffs and streamlined customs procedures will make it easier for FTZ enterprises to export goods to other African countries.

2. **Industrial Growth:** As the AfCFTA promotes regional value chains, Nigerian FTZs have the potential to become manufacturing and processing hubs. This would help the country's industrialization efforts while reducing reliance on imported items.
3. **Job Creation and Skills Development:** As firms develop and new ones open in FTZs, there will be a greater demand for labor. This has the potential to create enormous job opportunities and develop new skills in the workforce.
4. **Infrastructure construction:** The expected growth in trade and investment flows may stimulate additional infrastructure construction in and around FTZs, such as transportation, utilities, and logistical services.
5. **Competitiveness:** Nigerian FTZs must improve their competitiveness to attract investment. This includes increasing the ease of doing business, providing dependable infrastructure, and guaranteeing regulatory stability.

### Strategic Opportunities for Nigeria

To effectively maximize the prospects given by the AfCFTA, the following strategic measures must be considered:

1. **Policy Harmonization:** Aligning national trade policies with AfCFTA laws to facilitate smooth integration and maximize the benefits of the free trade agreement.
2. **Infrastructure Investment:** Investing in infrastructure to improve connectivity and lower the cost of performing business activities in FTZs.
3. **Capacity building:** Developing the workforce's skills and capabilities to meet the needs of new sectors and technology.
4. **Promotion of value addition:** Manufacturers should encourage value-added processing operations within the FTZs to promote exports of finished goods rather than raw materials.
5. **Strengthening Institutions:** Increasing the ability of institutions responsible for managing the FTZs to ensure effective operations and conformity with international standards.

### Conclusion:

The AfCFTA offers Nigeria a tremendous opportunity to boost its economic growth and development through free trade zones. Nigeria can develop its FTZs into dynamic trade and industry hubs by leveraging the benefits of a broader continental market, modernizing infrastructure, and cultivating a business-friendly atmosphere. This would both be beneficial to the Nigeria economy and also help to achieve the AfCFTA's overall goals of boosting economic unity and prosperity throughout Africa.

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