

# **EXPORT PROCESSING ZONES: AN EXPORT PROMOTION INDUSTRIAL STRATEGY FOR ENHANCEMENT OF ECONOMIC DEVELOPMENT IN NIGERIA**

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## **Abstract**

This study attempts a discussion of the prospect of the export processing zone policy as an export promotion industrial strategy for enhancement of economic development in Nigeria. It is expected, inter-alia, that the policy will enhance growth in manufactured export, foster backward integration, ensure employment opportunity and increased economic growth and development at large. It therefore, noted that with vast natural and human resources available, the economy has every potential of succeeding in the scheme. It therefore, confirmed the recommendation that the project would succeeded immensely if she emphasizes the production of pharmaceutical products, food, processing, light engineering and computer assemblage. It however, emphasized as a condition for its success, the clarion need for a stable Nigerian polity, availability of stable, consistent macroeconomic policy and availability of reliable infrastructure. The recent policy reform; ancient industrial and foreign trade that encourage trade liberalization and foreign direct investment were also seen as intelligent policy moves in the right direction.

## **Introduction**

The battle of how to pull out of the group of the "underdeveloped" countries has been the major task of today's government and would still continue to be the focus of future government of Nigeria. Among the major myriad's problems are the problems of poverty, scarcity of foreign exchange, high rate of unemployment, low level of manufactured exports to mention but four of them. Among the several ways to tackling these economic maladies is the export promotion policy and an interesting dimension of this policy is the export-processing zone hereafter refers to as (EPZ) strategy (War, 1996). Several nations have succeeded by this strategy while others who tried to emulate it failed.

The attraction of the EPZ lies in the ability of enabling the host countries to attract foreign exchange through foreign private investment, export base diversification and enhancement of employment opportunities with less policy implementation stress. These and other reasons may have prompted the Nigerian government to pursue this strategy of industrial policy. The pertinent questions to ask therefore are:

- How and why did the countries who have earlier on adopted this policy succeed?
- What caused the failure of those who failed in their bid?
- What chances has Nigerian in succeeding?
- What are the likely hindrances to its success in Nigeria?
- What are the likely precessions to hide in order to enhance its success?

These questions form the basis of this study. The paper is therefore, divided into six sections. Following section one, section two considers the literature, section three espouses the history of EPZ in Nigeria and EPZ performance in some selected countries is considered in section four while section five discusses the benefits of EPZ scheme to the Nigerian economy. Section six provides recommendations and conclusion.

## **The Literature**

Development economists have all come to consensus that industrialization is a major instrument for uplifting any economy out of underdevelopment. In pursuance of this, several strategies have been expounded as options depending on the economic state and nature of the economic problem that have affected the economy. Mainly, there are the export promotion and import substitution industrial strategies. Eghosa (1996) emphasized, however, the importance and relevance

of the export promotion option for Nigeria at this time. The fact that the growth of manufactured export in Nigeria is so low if not stagnant calls for perusable policy strategy that will help to solve this problem (Sede, 2006).

In order to promote this policy, the EPZ has been seen as a major policy tool for enhancing this laudable industrial strategy. World Bank (1992), in Ndiyo (2004), saw EPZ as a policy instrument that will launch an economy into the world market while simultaneously effecting an outward development through the use of relevant economic policy instrument. Thus, the benefit of globalization would be maximized through the EPZ device. On the whole, EPZ could be seen as export promotion industrial policy medium by which export oriented investment can be attracted. A well planned EPZ will provide among others, a well articulated rules to combat anti - export activities, rules to encourage foreign direct investors, good and reliable infrastructure and creation of congenial business environment.

Kelleher (1992) and Ndiyo (2004), showed that history is replete with the records of establishment of EPZ in the yore days. The Island of Macau in 1557 which was formally made a free port in 1829, the Gibraltar in 1906, Based in Switzerland in 1904 to mid - 1960 at Kandia in India. In Sub-Saharan region, records show quite recent history. For example, EPZ in Mauritius was created in 1970; Senegal, Ghana, Liberia, Zaire and Togo in 1980s while Kenya and Cameroon in the 1990s.

### **History of EPZ in Nigeria**

The chronicle of EPZ evolution in Nigeria dates back to an idea taken from the Gowon's regime that was never hatched but formally initiated by the Obasanjo's regime. In 1977, intensive feasibility studies followed at different stages; ranging from its desirability for the economy to the lost of building it, location, marketing prospect, required legal framework for operation and the administrative perspectives. The enormous task was handled by a team of experts at different stages also and it included Gills Nigeria Limited, task force of the Ministries of Industries, Trade and Tourism and the United Nations Industrial Development Organization (UNIDO) (Afeikhen, 1996 and Ndiyo, 2004).

The activities of these several committees culminated into the introduction the Special Incentive Decree tagged, The Nigerian Export Processing Zone Decree No. 34 of 1991. This was meant to legally facilitate the establishment of EPZ in Nigeria. Its major content included:

- Availability of land at zero cost at construction stage but subject to subsequent rent determination by the Nigerian Export Processing Zone Authority (NEPZA).
- Non - applicability of legislations on taxes, duties, fees and foreign exchange obligations in the zone.
- Unrestricted room for free remittances of capital invested with their due appreciation as well as profits and dividends by foreign owned companies.
- Permission of 100% foreign ownership of business ventures as well as freedom to employ foreign Managers and expatriates.
- Sales in the custom territory may be up to 25% on provision of valid permit and payment of appropriate duties.

Thus, the EPZ at Calabar after much delay was formally set into action in November, 2001 and has since been operational (Federal Republic of Nigeria 2003 and Ndiyo- 2004).

### **EPZ Performance in some Selected Countries**

The crucial conditions for the success of any EPZ scheme should focus on conducive location, suitable administrative and promotional arrangements and attractive incentive package (Donnel, 1992). To commemorate this is the existence of a stable polity of the economy in view, availability of amiable workforce and reliable infrastructure like electricity supply. This was the case of several economies that have succeeded in this scheme; for example, Mauritius, Ireland and Taiwan. Mauritius whose EPZ was established in the 1960s has favourable location as an Island in the Indian Ocean bridging the African and Indian Continent, enjoying a stable socio political economy and attractive incentive package.

Ireland is on the Northwest axis of Europe and West of Britain. It enjoys a buoyant market by virtue of sizable population which also sources for the zone a reliable and adjustable workforce. Taiwan's EPZ also succeeded as a result of the availability of reliable infrastructure, stable polity and attractive incentives. Each of these have succeeded judging from the length of time they have operated and what they have achieved in terms of value added, export generation, export earning, employment and the number of foreign investment attracted.

On the other hand, the mishandling of these factors and their non-availability has led to the failure of those economies who could not sustain their programmes. For example, the Guatemalan EPZ located at Zolic; the long distance of Zolic from the Capital City, poorly managed infrastructure, inadequate pricing policy, over staffing to mention but a few led to its failure.

### **The Benefits of EPZ Scheme to the Nigerian Economy**

Some of the benefits of EPZ Scheme to the Nigerian economy are:

- > Potential to diversify the economy from monoculture type.
- > Improvement and increment on the Nigeria exports.
- > Potential to enhance backward integration for production in the economy.
- > Potential to enhance globalization or forward integration for the economy.
- > Prevision of employment opportunity.
- > Increased supply of foreign exchange.
- > Possibility to technological transfer (Federal Republic of Nigeria, 2003).

Thus, the critical issue is how to ensure a positive net benefit. This strongly depends on the presence of some crucial factors such as; suitable administrative policy, peaceful and stable economy, availability of reliable infrastructure and high level honesty in business transaction that would elicit trust from the foreigners and even Nigerians in the economy.

### **Recommendations and Conclusion**

From every indication, Nigeria stands a lot of chance benefiting from the EPZ scheme. The much-desired diversification of the economy, attraction of foreign direct investment and hence general improvement of the level of economic development of a nation stands a chance of being achieved through the scheme. Calabar is an old Coastal City and quite close to the seat of the oil industry. Ibadan also is an old and the largest City in West Africa while Sokoto caliphate also has its peculiar qualities as a commercial, cultural, religious as well as administrative center. All these would flourish by the scheme when floated into action. What is more, Nigeria in general has the needed man - power from her teeming population.

However, the precaution which should seriously be taken for the success of the objectives of EPZ to be realized has to do with the objective of ensuring a stable economy. At this point, the sustenance of the democratic values just initiated is highly necessary and corruption must be brought to the barest minimum. Thus, the establishment of institutions like the Economic and Financial Crime Commission (EFCC), Independent Corrupt Practice Commission (ICPC), National Agency for Food and Drug Administration Control (NAFDAC) must be given the stronger legal backing to enhance their autonomy while the employees in these agencies must be properly oriented towards the developmental goals of the economy.

Infrastructure must be properly developed, thus the relevant policies towards this must be implemented. It is obvious that public ownership of these amenities alone is not yielding enough efficiency in terms of resource management and adequacy in resource allocation. Thus, an adequate application of the privatization and commercialization policies should be applied in this end in proper mix such that efficient infrastructure management system can be realized in Nigeria.

In conclusion, Nigeria has been seen as having the needed potentials for success of the EPZ scheme; particularly in the areas of having a diversified economy as well as enjoying increased inflow of foreign exchange. However, if the programme must succeed, the problem of unstable and inefficient infrastructure, corruption, especially financial crimes, political instability to name but three of them must be curbed.

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