

Analyzing the Causal Impact of Free-Trade Zones on Export Volumes: An Empirical Study

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Summary: Free-trade zones (FTZs) are economic areas that provide numerous benefits, including export growth, employment creation, and foreign direct investment (FDI). However, they also face several challenges and criticisms, such as concerns about the quality of employment, the environmental and social impacts, and trade diversion. FTZs can contribute positively to economic development by encouraging exports and attracting investment, but they may also exacerbate issues like labor exploitation and insufficient infrastructure.

Key factors influencing the success of FTZs include government policies, labor market conditions, infrastructure, and the regulatory environment. Future trends point towards the evolution of FTZs into more self-sustained regions with higher quality services and infrastructure, while international agreements and favorable policies will play a significant role in their growth. To improve the effectiveness of FTZs, further research should focus on the specific determinants of export performance and analyze company-level data to understand the broader impacts.

Keywords: Free-Trade Zones (FTZs), Export Performance, Foreign Direct Investment (FDI), Infrastructure, Government Policies.

Jel Classification Codes : F14, F21, O18, E22, H7

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I. Introduction :

Export-processing zones (EPZs), also known in some countries as free-trade zones, are established with the primary objective of creating export-oriented economic spaces that operate outside the conventional administrative and policy frameworks. Functioning as enclaves within a nation's fiscal, commercial, exchange-rate, and sometimes customs systems, EPZs are designed to attract foreign investment, enhance exports, and stimulate industrial development. These zones are predominantly located in developing countries, coastal regions of some industrialized nations, and in smaller states. Their operational contexts vary significantly, reflecting diverse institutional and regulatory environments, and they often serve as testing grounds for broader economic reforms.

Problem of the Study Despite the widespread adoption of EPZs as tools for economic liberalization and export growth, their actual effectiveness remains contested. The core problem this study seeks to address is: **To what extent do EPZs contribute to sustainable export growth, economic diversification, and industrial development, particularly in developing countries such as India?** Furthermore, concerns arise regarding whether EPZs create positive spillover effects or whether they result in economic distortions, dependency on foreign investment, or geographic inequalities.

Research Hypotheses To investigate this problem, the study is guided by the following hypotheses:

H1: EPZs have a significant positive impact on national export performance and foreign direct investment inflows;

H2: The benefits of EPZs are not uniformly distributed across regions and sectors, often leading to spatial and industrial imbalances;

H3: EPZs serve as catalysts for broader economic reforms and policy experimentation, but their success depends heavily on the host country's institutional and regulatory environment.

II. Previous Studies

This section provides a new survey of the evidence on the impact of free-trade zones on exports. Previous surveys have shown that there is a very large number of case studies on specific free-trade zones, and that the results of these studies may be very diverse. We develop a checklist for the evaluation of such studies that indicates that very few studies actually fit our list of requirements. In practice, only one of the four most important existing studies on this topic appears to do this sufficiently. According to this study, conducted by staff of the World Bank Group, free-trade zones, if well promoted, implemented and managed, have helped to attract substantial export-oriented foreign direct investment and generated substantial export activity in various developing countries. Almost all existing studies consider free-trade zones in developing countries, rather than in developed countries. Quite a few studies cover parts of Asia, but relatively few cover Latin America, Africa or the Middle East. There is a strong focus on tax incentives, rather than on the many other not less important aspects that have been discussed in our study. Our checklist may be important for all those who develop, supervise, evaluate or study the operation of free-trade zones. (Aijian & Yunlong, 2023)

II.1. Case Studies

In a very broad and concise way, it is possible to say that as of the 1990s, the evidence derived from empirical research on Mexico, Brazil, Argentina, and other Latin countries was not very encouraging for those who believed that the implementation of large FTZs would generate high aggregate gains. This is because gains owing to preferential market access were transitory. Simultaneously, large permanent zones, although not in a perverse way that would lead to a trade war between them, would tend to produce positive results in the sense of transferring the absolute gains between countries to the other zones. Finally, there would be a small number of very small countries that could extract some net gains on average, largely to the detriment of the better-waged workforce, restricted to the available factors in the producing activities where the zone allowed labor demand to exceed the supply. (Martins, 2023)

The installed empirical literature related to the study of the impact of free-trade zones (FTZs) on exports shows some divergence. This may be related to the age of FTZs, political reasons, or economic aspects of countries where FTZs are evaluated. Salinas Valverde (1999) divides the vast literature that has been written on the subject into four categories: the foreign market effects; where the positive effects of FTZs on the host country's exports are presented;

where the negative effects are presented; and the studies in search of the level of tariffs or export restrictions that maximizes the impact produced by FTZs. According to Hausman and Rodrik (2003), externalities promoted greatly through the interactions between market-integration policy and investment policy on firm performance are the real key to understanding the effect. (Cheng et al., 2022)

II.2. Quantitative Studies

The published studies and the commentaries provide nine pieces of advice in a variety of areas. Ample room exists for further work. Additional studies along the lines of the modern empirical studies can be further encouraged. Such studies can also be enriched by greater model complexity. Detached studies of performance mode and of competition and related issues would also be welcomed. What is called for is a significant extension of the effort now being made in most pertinent dimensions. This extension should be undertaken now, before scholars become too heavily committed to the numerous estimates that are now extant. Because the theoretical models are so complex, the implications of the models have not been fully analyzed, and the empirical literature in the area continues to improve and mature, subsequent lists of learning from what is now a small literature can be expected to differ. (Takahashi et al., 2020)

Nineteen empirical papers are available that estimate the effect of or measure the impact of free-trade zones (FTZ) on exports. Jerzmanowski published the first such study. Of the papers in the area, 11 of the estimates are for African, Asian, or Latin American countries. Four of the papers can be considered extensive studies (in terms of the number of data points or the amount of attention that FTZ receive). Of the four extensive studies, two are conservative and can be regarded as having employed anti-conservative estimation strategies. None of the authors examines the extent of the problem of data contamination and few of the authors use splines, thresholds, and multiple measures of FTZ. (Baier & Regmi, 2023)

III. Understanding Free-Trade Zones

Free-trade zones are a regional phenomenon and have been established to attract foreign investment, foster import substitution, and relax customs duties on imported inputs for firms that export. In the Greater Middle East, there are reported to be 579, three of which are established in Iran. Among the major non-OPEC countries in this region, Saudi Arabia has five free-trade zones, Turkey has 22.

The two types of industries prevalent in the Greater Middle East free-trade zones are manufacturing and assembly activities, primarily related to industry sectors represented by apparel, automobiles, plastics, and electronics. Free-trade zones are being developed in the areas of the port cities in the four focal countries as a means for facilitating the flow of exports and the effective use of free-trade arrangements. (Pereira et al.2023)

Table 01: The evolution of terminology over time

Term	Main users and date of first use
Free trade zone	Traditional term used since 19th Century
Foreign trade zone	India (1983)
Industrial free zone	Ireland (pre-1970)
Free zone	United Arab Emirates (1983)
Maquiladores	Mexico (early 1970s)
Export free zone	Ireland (1975)
Duty free export processing zone	Republic of Korea (1975)
Export processing zone	Philippines (1977)
Special economic zone	China (1979)
Investment promotion zone	Sri Lanka (1981)
Free export zone	Republic of Korea

Source : Kusago, T & Tzannatos, Z. (1998). Export processing zones: A review in need of an update. SP Discussion Paper No. 9802. The World Bank.

III.1. Definition and Concept

The term "free-trade zone" has not been formally defined by either the World Trade Organization (WTO) or international law. Many administrative jurisdictions want to construct an FTZ to take advantage of the zone's special customs procedure, relief from taxes, and security measures. Based on a country's law, the "free-trade zone" term may have different internal meanings. In this article, the term "free-trade zone" refers to any special customs areas, export processing-tax-eliminating areas, and bonded logistics parks that are established by law, offer

special customs procedures, and are subject to uniform customs rules. If a local customs' rules differ from the country's national customs' rules, the local customs will freely enforce their own rules. (Alansary & Al-Ansari, 2023)

Over the past several decades, free-trade zones (FTZs) have proliferated in many countries around the world. According to the World Free Zones Organization, there were approximately 2,500 FTZs located in more than 130 countries in 2007. Some traditional FTZs are very well known and have long histories. Hong Kong, Singapore, and Dubai are widely recognized as entrepots. The Shannon Airport Development Zone located in Dublin is a famous bonded warehouse district. Over the past decade, many new FTZs have been established in Mainland China. Local governments in Mainland China hope that establishing FTZs will help them attract foreign direct investment, upgrade local industries, and improve their populations' standard of living. These zones may be called a special customs area, export processing tax-eliminating area, bonded logistics park, or isolated island customs area. (Yusuf)

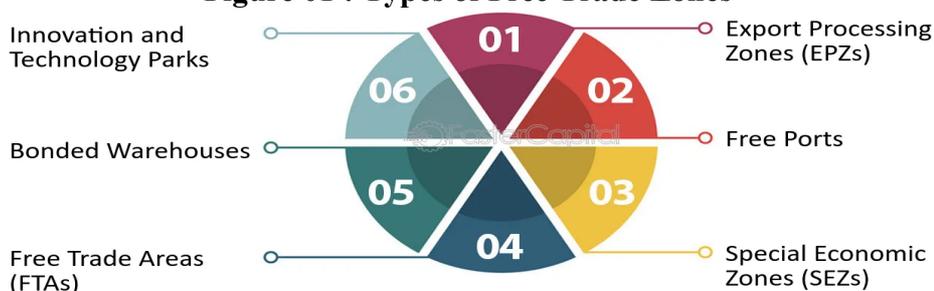
III.2. Types of Free-Trade Zones

FTZs not only have distinct features, such as export-oriented development areas (EODAs) or zones with different productive orientations, but also they have very different objectives related to their main function of importing and re-exporting. There are five main types. The first type of free-trade zone, distributed over just four other nations, is called classic export processing zones, and their function is mainly to provide facilities for the industrial conversion, storage, and warehousing predominantly of goods before they are transported abroad. Second are industrial zones that cluster different developers, for instance, interrelated production companies. Free-trade zones not only promote export activities and attract foreign and domestic investors, but they also demand industrial competitiveness and show high growth rates in output and productivity. A third type of FTZ exhibits investment promotion and technology and knowledge transfer rather than just an import-export function. Fourth can be innovation and service-oriented zones. These are mainly export-oriented service sector zones, and apart from trade, the output of trade in services is also used for their development. Finally, there are special customs zones that have free trade as the primary objective, but the import-export function includes some support activities and other services that further improve trade between the authorized economic operators. (Zhou & Su, 2021)

FTZs have been developed as a tool to promote trade in different parts of the world. There are different classifications of free-trade zone models. The main FTZ model is the one in which the main objective is the importation and re-exportation of goods, while there are other different characteristics such as the number of companies and the production sector that they belong to. Firstly, free-trade zones can be classified into enclosed zones and isolated production zones. In the case of the first type, companies are spatially concentrated in a relatively small area, while in the case of the isolated zone, free-trade zone companies could be spread beyond the 200 kilometers. There are subcategories such as single-factory processing trade zones where a single company occupies an entire free-trade zone. Also, there are less restrictive definitions that include flexi-zones that provide privileged geoeconomic unions for minimal production activities. (Neethling, 2022)

By understanding the different types of Free Trade Zones, businesses can identify the most suitable zone for their specific trade requirements. Whether it is manufacturing, exporting, warehousing, or innovation, Free Trade Zones offer a range of benefits and opportunities to unleash the full potential of international trade.

Figure 01 : Types of Free Trade Zones

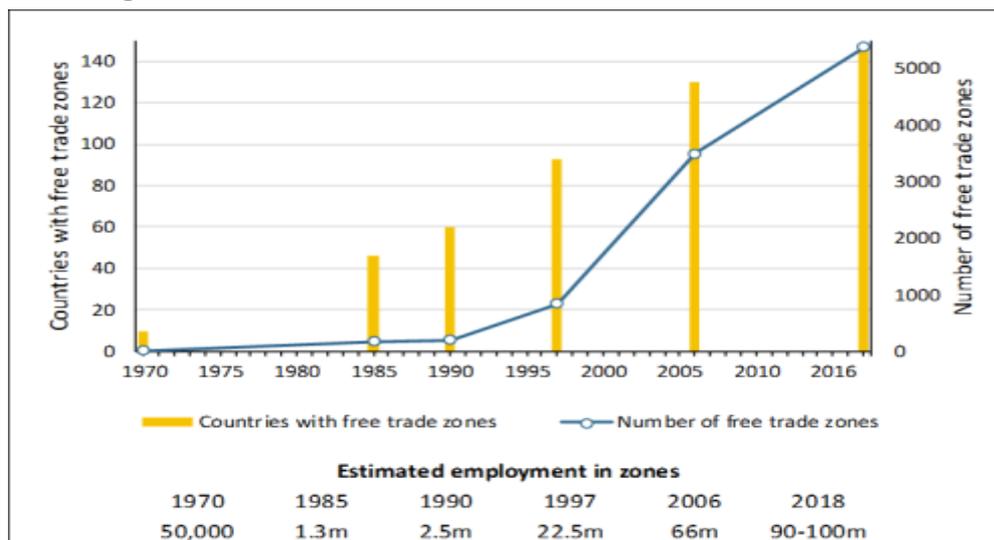


Source : Free Trade Zone: FTZ: Unleashing Trade Potential: SEZs and FTZs Explained; from : <https://fastercapital.com/content/Free-Trade-Zone--FTZ---Unleashing-Trade-Potential--SEZs-and-FTZs-Explained.html> ; date : 17/04/2025

III.3. Historical Development of Free-Trade Zones

The concept of special trade areas is attributed to ancient times. Within the state of Islam, as authenticated by the law of the Koran, the seaport Tonis lived within the free port privileges for many years. The concept of a free-trade zone as a general-purpose facility for warehousing and re-exporting goods became popular during the economic depression between the two world wars. The first fully fledged operational free-trade zone emerged from the Persian Gulf and Red Sea areas in the Arabian states. Phase 1 of the Jebel Ali Free Zone, which began operating in 1980, was one of the first zone projects to penetrate the aftermath of the August 1971 law. Since then, many more have been built or are under construction, in some cases on man-made islands adjacent to state boundaries. Since the decree establishing the zone in 1970, the success of Jebel Ali has provided both the model and the impetus for the proliferation of free-trade zones now under consideration and development. (Mogielnicki, 2021)

Figure 02: Growth of World Free Trade Zones, 1970 to 2018



Source: UNCTAD, "Special Economic Zones", World Investment Report 2019, June 2019, p. 128.

Free-trade zones are generally defined as demarcated areas within a country, somewhat separate from customs procedures, where goods may be treated, manufactured, or handled without being subject to import duty. Such a zone can be a discrete area located in a zone or a port, or an entire island, or some part of a coastal territory carved out of the surrounding customs barrier. Typically, the zone's amenities include a guarded area on the periphery with customs checks on goods entering or leaving the facilities and customs sealing on trucks arriving from outside the zone. The zone's objectives are defined and established by a country's laws to serve the interests of the investor or the entrepreneur conducting business inside the zone. (Rowbotham, 2022)

IV. Theoretical Frameworks for Analyzing Impact on Exports

Many theoretical frameworks have been suggested for analyzing the impacts of free trade zones (FTZ) on exports of countries. Among the various methodologies most frequently employed are input-output analysis, simple Keynesian macrodynamic models, and computable general equilibrium (CGE) models. Input-output analysis and Keynesian macrodynamic models have been considered extensively in studying the potential trade benefits to the region in which these zones are implemented. (Zhang, 2022)

Free trade zone (FTZ) is a sort of specific zone with the functions of economic and trade policy flexibility and administrative simplification. The establishment of an FTZ generates many changes in the economic behavior of those companies located in or surrounding these zones. A popular topic among those considering the establishment of an FTZ is the potential for attracting new investors. However, little empirical work has been done on considering the effects of the FTZ establishment on those investments and jobs taken away from these areas. In addition, few studies consider other impacts, including direct trade itself as well as the impacts of increased imports and exports. (Wang et al., 2022)

IV.1. Comparative Advantage Theory

This argument in new trade theory states that free trade can be of no advantage in a world of imperfect competition and increasing returns resulting in barriers to trade. The influential tradition of international trade theory sought to explore the implications of a world in which countries were not endowed with comparative advantages that created a rationale for synchronic production preferences and allocative efficiency. The paradigm of the commercial policy of free trade defends that free trade is likely to maximize the consumption possibilities of a country. In this way, exports are the most important source of economic growth for the majority of countries. In the search for solutions for economic development, the main objective of trade policies should be to use the comparative advantages in order to specialize production and thereby create value. This trade creates employment and increases wealth, and as a consequence, the volume of tax revenue for investment increases. (Obeng & Odoom, 2020)

In the eighteenth century, Adam Smith developed the concept of absolute advantage, specifying that a nation should specialize in the production of goods in which it has an absolute advantage, and then trade. David Ricardo, in his theory of comparative advantage, demonstrated that in a two-country, two-good model, the most efficient way in which a country can allocate its production factors was to specialize in the activity in which it was relatively better. The argument was that the more equal the productivity ratio in the two sectors, the greater the terms of trade gain from transferring resources from the sector where the country has a comparative advantage. According to this theory, a country that cannot produce any productive resources should specialize in the production of export items and pay for the remaining goods and services it needs by importing at the most advantageous terms it can obtain. (Sagar, 2022)

IV.2. New Trade Theory

In this new context, it seems obvious that trade is not free anymore: even if the company wants to trade freely its products, political tensions, the existence of countries that control the world's supply of some raw materials, and the increasingly complex regulations, which vary greatly according to the country of destination, make it very difficult. This leans toward adoption of the strategy that Veugelers called "proximity-seeking strategy," meaning that a company "gets close" to its foreign customers by establishing a presence in the locality fast. And the most common way to establish a presence in different world markets is through foreign direct investment, especially investing in plants or factories. Another path is moving through the establishment of companies devoted to the provision of services closely related to production. (Klein & Pettis, 2020)

The classical economic theory, as explained by David Ricardo in 1817, stated that countries should specialize in the production of goods in which they have a comparative advantage. However, contrary to his theory, a static approach does not explain well the existence of the Free-Trade Zones (FTZs) and their rapid spread for many years. Paul Krugman and James Markusen were the principal theoreticians who brought new light to this issue, introducing the dynamics in the trade considerations (New Trade Theory). In fact, the reality shows a world with a small number of multinational companies, and a world also where a high percentage of world trade (estimated between one-fourth and one-third) occurs within a single multinational company, of intrafirm trade. The new model of monopolistic competition presented by Krugman in 1979, and developed by Brander in 1981, explains the fact that for some manufacturing industries, a single enterprise accounts for a large share of total industry output and international trade. (Wang, 2024)

V. Factors Influencing the Impact

However, to the best of our knowledge, there have been only a few such studies. Cai and Liu, "The Cost of Labor and Talent Regulation in China: Evidence from the 2008 Labor Contract Law," *Hastings International and Comparative Law Review* 35 (2012), 183 suggest the empirical works of addressing the issue. Free-trade zones (FTZs) may yield handsome potential benefits from greater market access and a convenient platform for facilitating domestic institutional reforms. Yet countries that are nurturing their infant industries have naturalized aversion toward free trade, which is generally believed to retard capital formation, restrict the movement of labor, and hamper growth. (Jiang et al., 2021)

The findings suggest a policy lesson. While FTZs indeed have an intrinsic function of encouraging local exports, for a better trade and growth performance, attention should also be paid to improving the investment climate in countries. There are compounding factors behind the mixed impacts of FTZs. Wang, "Fragmentation and Trade: The Case of the Electronics Industry in

China," Journal of Comparative Economics 35 (2007), 689-712 found that the World Bank's investment climate index has a strong influence on which firms relocate to China - politically connected firms select regions with greater regulatory generosity towards inward foreign investment. (Calabrese & Tang, 2020)

V.1. Infrastructure

Infrastructure has been identified as one of the important determinants of FDI in free-trade zones and export processing zones. The impact of infrastructure on trade, exports, and in this specific setting, on investments in ZFTEs has been documented in the literature. In line with these arguments, we find evidence of infrastructure benefiting the location of ZFTs, which is consistent with the facilitating condition of proximity to export markets, transport infrastructure, and fast, efficient customs procedures. (Sarparast and Akhmadeev2022)

Table 02: Key Data on U.S. FTZs, 1993-2018

	1993	2000	2010	2013	2018
Employees in Zones	292,000	340,000	320,000	390,000	440,000
Active FTZ Projects	122	145	168	177	195
Firms Using a Zone	2,700	2,420	2,400	3,050	3,300
Total domestic and foreign Merchandise Received (Current \$ Bil.)	\$104	\$238	\$534	\$836	\$794

Source: U.S. FTZ Board, Annual Reports.

Between 2000 and 2018, the number of active zones increased but the number of firms using zones decreased (from 3,600 to 3,300). However, it has also resulted in an increase in employment (from 340,000 to 440,000) and the current dollar value of merchandise received in zones tripled.

V.2. Government Policies

FTZs are also important as transit centers for the reexport of imported goods, which are processed in their value-added facilities, to the target markets. For instance, Editors contends that, as a base for distributing the goods produced in FTZ to the hinterland market, these zones provide a favorable environment in terms of facilities, technology access, and labor. Small and medium-sized businesses that are already in the country can attract foreign direct investment and provide an easy export mechanism by investing in these zones. They can avoid being affected when tariffs are applied by creating an opportunity to sell goods in the international market. Local enterprises which are located in the FTZ produce competitive goods that can be sold both in the domestic and in the international market. (Fan et al., 2022)

Free-Trade Zones (FTZs) could provide an environment protected by customs institutions. In other words, goods that are brought into the FTZ are under customs protection. Import tariffs are exercised when the goods leave the FTZ and are imported into the domestic market. In this calculation with the full-control method, tariffs are not collected for the value of the goods that are not brought to the market, but added value is collected by customs when the goods enter the market. This is the advantage of the FTZ which is fundamental in the functioning of the FTZs. (Moiseienko et al., 2022)

Free-trade regimes are usually established in the legislative areas of a country assigned for a free-trade zone. A free-trade zone is an area, physically located in a country, where business people conduct their legal, commercial operations without national customs intervention within the zone. Free-trade zones are allowed in international customs agreements. More specifically, these zones are built within the structure of import-export law. The concept of the free-trade zone (FTZ) or the foreign-trade zone (FIZ) is defined on the basis of receiving, storing, processing, assembling, showing, exhibiting, selling, manufacturing, packing, or repacking for reexport goods and exhibiting, showing, or repairing for sale abroad items. (Moiseienko et al., 2022)

Throughout our work, we have highlighted the importance of government policies for export growth. Government policies that are particularly beneficial for export growth include, for instance, the provision of export credit, the upgrading of infrastructure, the creation of an export-promotion agency, the extension of tax benefits, and the institution of a free-trade regime. (Alhassan & Payaslioglu, 2023).

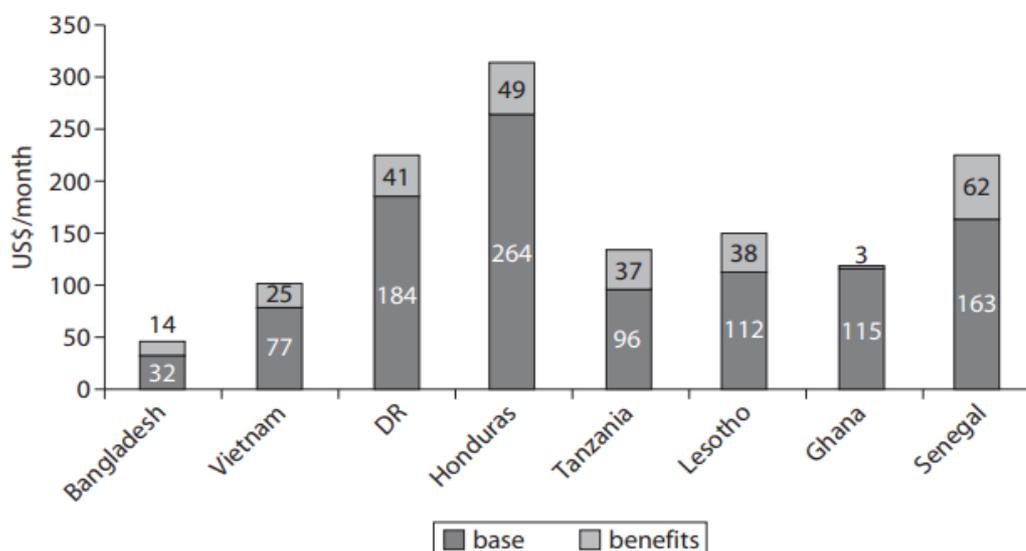
V.3. Labor Market Conditions

Firms that export must indeed pay the specific wage established at the level of the minimum wage and, at least implicitly, paid in the modern sector. Rapid shifts in downward demand for exports induced by both supply-driven increases in exports and increases in world prices of

manufactured goods can also depress labor and the wages offered by domestic firms. However, in the view of empirical and case studies, the minimum-wage legislation is not very relevant in the current context of FTZs, as the main force keeping wages low and wages depressed emanates from the establishment of strict hiring conditions and rules, coupled with weak enforcement capabilities on the part of government. (Cotula & Mouan, 2021)

Given the potential gains for investors and the probability of long-term use of labor-intensive production processes, it is important to address how labor market conditions and the scheduled increase in market wages within FTZs can affect the export behavior of firms located in these areas. The dual nature of third-world labor markets has received extensive attention in the literature. The theoretical framework suggests that the market-determined minimum wage is set at a subsistence level, and hiring by competitive firms is only constrained by the so-called subsistence condition. Although this stylized view is relevant in the analysis of agricultural output and the long-run development of third-world countries, market-clearing models of labor markets are not generally accepted as applicable to third-world labor markets, in particular when dealing with the export sector. (Mertens, 2020)

Figure 03: Comparison of Average Wages and Benefits of Unskilled Workers in SEZs

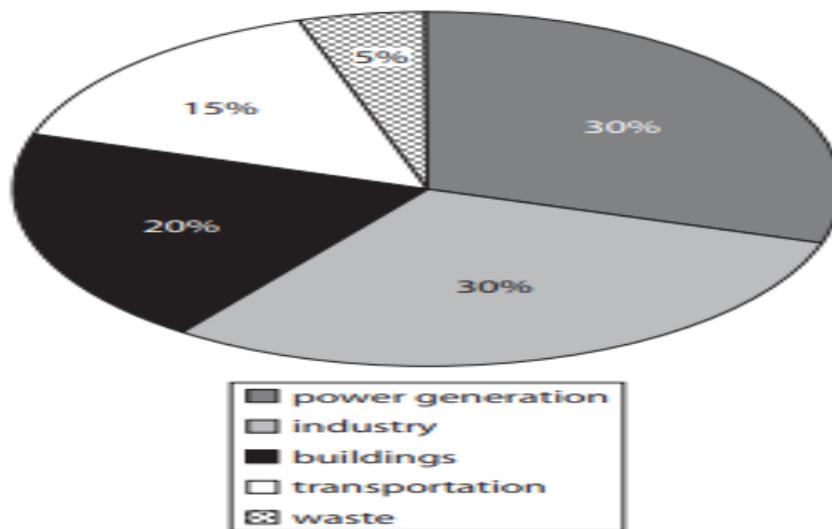


Source : Thomas Farole (2011, p34).

V.4. Mitigating Greenhouse Gas Emissions in Special Economic Zones (SEZs)

Such analysis may need top-down macroeconomic modeling exercises as well as bottom-up surveys. Generally, most GHG emissions in an SEZ come from energy consumption, such as electricity, heating, cooling, industrial process, transportation, and water and waste disposal.

Figure 04: Some SEZ GHG Emission Structures by Sector



Source : Thomas Farole (2011, p291).

Note: GHG = greenhouse gas; SEZ = special economic zone

Therefore, opportunities for GHG mitigation in an SEZ could lie in renewable energy generation, energy efficiency and conservation, green buildings, a sustainable transportation system, water and waste reuse, and recycling systems.

VI. Challenges and Criticisms of Free-Trade Zones

Free-trade zones (FTZs) provide various benefits to host countries including export provides, employment creation, attraction of foreign direct investment, and economic diversification. Although FTZs have been successful in many countries, they have faced a number of criticisms and challenges. In particular, the quality of employment that they provide, the need for developing advanced inputs, both the infant industry effects and the learning effects, negative environmental and social externalities associated with the establishment of a free-trade zone, and the possibility of trade diversion. They have also been criticized because they may turn into tax havens, the promotion of poor customs conditions that don't bring challenging export activities into the country, and enforcement of health trade costs or employment regulations. (Sarparast and Akhmadeev2022)

This chapter reviews some of the challenges and criticisms that free-trade zones face. Specifically, it discusses challenges of FTZs regarding long-term development, capital accumulation within the economy, advanced inputs, infant industry and learning effects, negative environmental and social effects, trade diversion, tax and regulation regimes: tax havens, customs, and tariff coordination. This chapter is organized as follows. According to the literature discussing long-term development including capital destruction due to poor work practices within the economy and showcase issues related to developing advanced inputs provided by FTZs and their impact on infant industry and learning effects (Zhuo et al., 2021).

The text of the boot is written in Times New Roman, size 12, the inter lines spacing 0.88 (of course, this format applies to all textual texts); the author of the article considers both the general and specific side of the subject to provide information that describes the problem accurately. Rationale of the subject should be presented in a form of a question the problem in the form of only one question, and the hypothesis/hypotheses underlying it (the possible outcome of the solution), in addition to the previous research and studies that dealt with the subject directly related, and written in a sequential and concise scientific way through which the researcher shows similarities and differences in terms of purpose, Sample study, variables, method and tools used, then the conclusions reached.

VII. Conclusion :

First, the zones will be totally excluded from any taxes and any other financial burdens and constraints, which are initiated by their host countries, about exports, export products, and industries. The manufacturing, commercial, financial, and professional practices of exporters and export industries in the zones will be regulated according to international purposes as much as possible.

Second, international agreements are to be concluded, required legislation and regulations are to be issued and implemented, and adequate facilities directly appropriate to the zones will be arranged to provide much more favorable practices/terms for the zones and products for the organizations domiciled in the zones than those for all regional shipping regulations. However, product exempts might be carefully defined for some of the countries according to stabilization policies or for some of the products. The international and the governmental financial, economic, and commercial policies/politics regarding free-trade zones are to be constructed by prejudice. Triple guarantee of the states in the international sphere; like as states in the internal sphere, participation with joint venture or assembly if there is a distribution association has the capital control, and customs free zones in which some government product exemptions and encouragement applications are implemented, are obliged to provide substantial export relief funds declared as international credit security through international investment insurance companies against possible risks of payment occurrence to both local and international capital. In addition to turning the states into permanent funds in those areas, access to extensive state applications will also benefit from discounted cost reduction and accelerating interest rates on long-term credits depending on the use of well-structured international capital markets and post-export guarantee models. Product exemptions provided by some of the declared local and international trade rules

will apply to the sales and purchase of products produced at and exported without a problem in the designated location only to international import rules which do not contradict any international business law.

Third, the free-trade zones will inevitably become acknowledged as easily justified, distinct, and self-contained regions of urban-rural development rather than simply deindustrialization and federal area-controlled dependent key ports or industrial or multi-industrial multi-valued intermediary field of macro-economic produced-import exchanges/mutual trading activities. As a result of this socio-economic transformation, household and industrial clusters in the zones are no longer from the global commercial activities, and transportation costs, revenue taxes, corporate profit rebates, energy, power, and space coverage. The highest possible quality materials, improving the process of the production of certain industries thoroughly trained, highly motivated industrial and commercial engineers and administrators, as well as the highest quality industrial services, contributed substantially to the development of public utilities and expert regional education, world-class medical and health care services will be the most important architectural qualifications atpi.

Free-trade zones will have more important, serious, and strategic roles and achieve high levels of excellence in the upcoming years. This future trend will be led by mainly four qualifications of those institutional mechanisms: eye-catching, permanence will of industrial and commercial representatives, convenience of location for the consumer and the producer, critical relieving of socio-economic events occurring in the region provided industry and trade in the past and today.

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