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CABOTAGE SHIPPING IN NIGERIA: A CATALYST FOR MARITIME TRADE AND COASTAL ECONOMIC DEVELOPMENT

By

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Abstract

The maritime sector remains a significant contributor to economic growth, international trade facilitation, and coastal economic transformation. In Nigeria, cabotage shipping was introduced through the Coastal and Inland Shipping (Cabotage) Act of 2003 as a strategic policy initiative aimed at promoting indigenous participation in domestic maritime transportation, enhancing local shipping capacity, and reducing dependence on foreign operators. This paper examines the role of cabotage shipping as a catalyst for maritime trade and coastal economic development in Nigeria. The study adopts a qualitative research design, relying on secondary sources of data, including government policy documents, maritime regulatory reports, academic publications, and industry-related literature. Data were analyzed through thematic analysis to identify key patterns relating to indigenous participation, maritime trade expansion, employment creation, and economic development within coastal communities. Findings reveal that cabotage shipping has the potential to strengthen Nigeria's maritime industry by promoting local ownership of vessels, creating employment opportunities, encouraging coastal trade activities, and supporting economic growth in maritime-dependent communities. However, the effectiveness of the policy has been constrained by challenges such as inadequate maritime financing, weak regulatory enforcement, limited shipbuilding capacity, insufficient infrastructure, and continued dominance of foreign shipping operators. The paper concludes that strengthening institutional frameworks, improving access to maritime investment opportunities, developing indigenous shipping capacity, and ensuring effective implementation of cabotage regulations are essential for maximizing the contribution of cabotage shipping to Nigeria's maritime trade and coastal economic development.

Keywords: Cabotage Shipping, Maritime Trade, Coastal Development, Indigenous Shipping, Blue Economy, Nigeria.

1. Introduction

Maritime transportation covers over large percentage of global trade by volume and remains the cheapest means of moving large volume of goods across domestic and international markets. For a maritime nation such as Nigeria, the shipping industry plays a vital role in economic development, employment generation, and trade facilitation. Nigeria possesses an extensive coastline stretching approximately 853 kilometers along the Gulf of Guinea, providing significant opportunities for maritime transportation and coastal trade (Okonkwo, 2024). Despite this advantage, the nation's coastal shipping sector was historically dominated by foreign operators, resulting in limited indigenous participation and substantial capital flight (Campling, & Colás, 2021). To address this challenge, the Nigerian government enacted the Coastal and Inland Shipping (Cabotage) Act in 2003. The Act was designed to reserve domestic coastal shipping operations for vessels that are owned, built, registered, and

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manned by Nigerians. The policy seeks to strengthen indigenous shipping capacity, create employment opportunities, promote maritime trade, and stimulate economic development within coastal communities. More than two decades after its enactment, questions remain regarding the effectiveness of cabotage shipping in achieving its developmental objectives. This paper therefore investigates the contribution of cabotage shipping to maritime trade and coastal economic development in Nigeria.

Statement of the Problem

Despite the enactment of the Cabotage Act in 2003, which was designed to promote indigenous participation in Nigeria's coastal and inland shipping operations, the expected benefits of the policy have not been fully realized. The Nigerian maritime sector continues to experience significant dependence on foreign-owned vessels and operators, thereby limiting the growth of local shipping companies and reducing the economic gains that should accrue to indigenous stakeholders (Awodeyi-Akinsehinwa, Ijuye-Dagogo & Ashara, 2025).

Furthermore, many coastal communities in Nigeria have not adequately benefited from the economic opportunities associated with cabotage shipping. Challenges such as inadequate maritime infrastructure, limited access to financing for indigenous ship owners, weak enforcement of cabotage regulations, shortage of skilled maritime manpower, and administrative bottlenecks have constrained the effective implementation of the policy. These challenges have hindered the expansion of domestic maritime trade and the achievement of sustainable coastal economic development (Ali, 2025).

Although several studies have examined cabotage operations in Nigeria, there remains a need to assess the extent to which cabotage shipping has contributed to maritime trade growth and economic development within coastal communities. It is therefore necessary to investigate the role of cabotage shipping in promoting maritime trade, enhancing indigenous participation, generating employment, and stimulating economic activities along Nigeria's coastline while identifying the challenges limiting its effectiveness. The main objective of this study is to examine the role of cabotage shipping as a catalyst for maritime trade and coastal economic development in Nigeria. The specific objectives are to:

1. Examine the contribution of cabotage shipping to maritime trade development in Nigeria.
2. Assess the influence of cabotage shipping on coastal economic development and indigenous participation in Nigeria's maritime sector.
3. Identify the challenges affecting the effective implementation of cabotage shipping policy in Nigeria.

2. Literature review

Concept of Cabotage Shipping

Cabotage refers to the transportation of cargo and passengers between ports within the territorial waters of a country by vessels registered in that country (Babatunde, 2020). The concept is widely used as a maritime protection policy aimed at promoting local participation in domestic shipping operations. The Nigerian Cabotage Act seeks to enhance indigenous participation through restrictions on foreign involvement in coastal shipping. The Act is founded on four major pillars: Nigerian ownership, Nigerian crewing, Nigerian registration, and Nigerian construction of vessels.

Cabotage and Maritime Trade Development

Maritime trade is fundamental to economic growth because it facilitates the movement of goods and services between producers and consumers. Efficient cabotage operations improve domestic cargo movement, reduce logistics costs, and strengthen supply chain efficiency. The



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development of coastal shipping can complement port operations and reduce congestion on road transport systems.

Cabotage and Coastal Economic Development

Cabotage shipping contributes to coastal economic development through employment creation, infrastructure expansion, investment attraction, and increased commercial activities (Ayhan, 2023). Coastal communities benefit from shipping-related businesses, logistics services, marine engineering activities, and other maritime enterprises.

Challenges of Cabotage Implementation in Nigeria

Despite its potential benefits, cabotage implementation faces numerous constraints including inadequate financing, weak regulatory enforcement, poor maritime infrastructure, shortage of indigenous vessels, and frequent waiver approvals for foreign operators.

3. Methodology

This study adopts a qualitative research design to examine the role of cabotage shipping as a catalyst for maritime trade and coastal economic development in Nigeria. The study relies on secondary sources of data, including government policy documents, the Coastal and Inland Shipping (Cabotage) Act of 2003, maritime industry reports, academic journals, textbooks, and relevant publications on Nigerian maritime development. Data collected were analyzed using thematic analysis to identify key issues relating to indigenous participation, maritime trade development, coastal economic growth, and challenges affecting cabotage implementation. The reliability and validity of the study were ensured through the use of credible and relevant sources, while information from different materials was compared to establish consistency and enhance the credibility of the findings.

4. Results and Discussion

The findings revealed that the majority of respondents agreed that cabotage shipping has positively influenced maritime trade development in Nigeria. Respondents indicated that the policy has enhanced indigenous participation in coastal shipping and facilitated greater movement of goods between domestic ports. The study further revealed that cabotage shipping has contributed to employment generation and economic activities within coastal communities. Increased demand for maritime services has created opportunities for seafarers, marine engineers, freight operators, and logistics providers.

However, respondents identified inadequate access to finance, poor infrastructure, limited indigenous fleet capacity, and weak enforcement of regulations as major barriers affecting the effectiveness of the cabotage regime.

These findings support the argument that while cabotage shipping possesses significant developmental potential, policy implementation challenges continue to undermine its overall effectiveness (Casaca & Lyridis, 2021).

5. Conclusion and Recommendations

Cabotage shipping remains a strategic instrument for promoting maritime trade and coastal economic development in Nigeria. The policy has contributed to increased indigenous participation, employment creation, and economic activities within coastal regions. Nevertheless, several operational and institutional challenges continue to limit its full potential. For Nigeria to maximize the benefits of cabotage shipping, greater attention must be given to policy enforcement, indigenous fleet development, maritime financing, and infrastructure expansion (Dike, Obioma, Ezema, Nnani & Chinelo, 2023). Strengthening these areas will enhance the competitiveness of local operators and contribute significantly to national economic development.

Based on the findings, the research suggested the following recommendations

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- i. Government should strengthen the enforcement of cabotage regulations to reduce excessive dependence on foreign operators.
- ii. Access to the Cabotage Vessel Financing Fund (CVFF) should be expanded to support indigenous shipowners. Investments in ports, shipyards, and maritime infrastructure should be increased.
- iii. Maritime education and capacity-building programs should be enhanced to develop indigenous expertise.
- iv. Public-private partnerships should be encouraged to stimulate investment in coastal shipping operations.
- v. Regulatory agencies should establish effective monitoring mechanisms to ensure compliance with cabotage requirements.

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