FREE TRADE ZONES IN CAMEROON.

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FREE TRADE ZONES IN CAMEROON.

A Free Trade Zone (FTZ) or Export Processing Zone (EPZ) is one or more special areas of a country where some normal trade barriers such as tariffs and quotas are eliminated and bureaucratic requirements are lowered in view of attracting new business and foreign investments.

Most free zones are located in developing countries. Bureaucracy is typically minimized by outsourcing it to the Free Trade Zone. Operators and Corporations setting up in the zone may be given tax breaks as an additional incentive. Usually, these zones are set up in underdeveloped parts of the host country, the rationale being that the zones will attract employers and thus reduce poverty and unemployment and stimulate the area's economy. The zones are often used by multinational corporations to set up factories that produce goods (such as clothing and shoes).

With Cameroon, just like any other developing country where every effort is being made to revamp its economy, it is generally believed that investment is the active seed which generates growth and development. This seed should then be sown on the most favourable ground by removing traditional constraints such as:

i) Complexity and rigidity of administrative procedures.

ii) Deficiency of the domestic private sector.

iii) Lack of influence on the international market.

iv) Technological deficiency.

In this regard, Cameroon is doing everything possible to streamline administrative channels, accelerate procedures that promote a domestic private sector to enable local and foreign investors to establish partnerships in the creation of new export-oriented ventures.

It was in this context that statutory regulations were enacted that led to the putting in place of Ordinance N° 90/001 of January 29, 1990 which established the Free Trade Regime in Cameroon.

As per Article 1(b) of this text, "an Industrial Free Zone" (IFZ), shall mean a demarcated and fenced geographic area, with controlled access, wherein the free zone regime shall apply both to the said zone as an entity and to the enterprises established therein.

Applications for an authorization to establish an industrial free zone shall be submitted to the National Office for Industrial Free Zones. As per Article 6(b) of the aforementioned Ordinance, the authorization to establish an Industrial Free Zone shall be granted by an order of the Minister in Charge of Industrial Development within thirty (30) days shown on the receipt certifying that a complete application has been submitted to the Minister by the National Office for Industrial Free Trade Zones (N.O.I.F.Z). Where no decision is rendered within this time frame, the application shall be deemed approved. The order designating an Industrial Free Zone shall qualify the applicant as that industrial free zone's developer. Such order shall entitle the applicant to the Developer's Permit which shall be automatically issued by the National Office for Industrial Free Zones (NOIFZ).

By virtue of Article 12, the designation of an Industrial Free Zone or a special Industrial Free Zone granted by the Minister in Charge of Industrial Development, and the issuance of a Developer's Permit, an Operator's Permit and a Certificate of Compliance by the N.O.I.F.Z, automatically entitles the recipients to the benefits of the free zone regime initiated by the aforementioned Ordinance. These benefits include: Commercial, Fiscal, Custom and Labour Code related benefits.

INCENTIVES AND BENEFITS PROVIDED UNDER THE FREE ZONE REGIME (ADVANTAGES).

A) STREAMLINED ADMINISTRATIVE PROCEDURES.

i) Streamlined administrative process with a one–stop shop having the authority to issue the sole License required to establish and to operate a free zone enterprise within 30 days of the request.
ii) Streamlined, on-site customs inspection procedures and immediate transfer of goods and services to and from the port of embarkation or debarkation.

B) COMMERCIAL BENEFITS.

i) Exemption from all Licenses, authorizations and quota restrictions regarding imports and exports.
ii) Exemptions from all price and margin controls.
iii) Possibility to sell a part of annual production to local economy, but subject to all relevant custom duties and taxes.

C) TAX CONCESSIONS.

i) Ten years holiday on all taxes.
ii) Flat tax of 15% on corporate profits beginning in the eleventh year, continued exoneration on all other taxes for perpetuity.

D) FINANCIAL TRANSACTIONS CONCESSIONS.

i) Right to hold foreign exchange (i.e. dollar) accounts in domestic bank system.
ii) Exemption from restrictions on the purchase and sale of foreign export exchange and from all currency export taxes.
iii) Guaranteed right to transfer abroad all funds earned and invested in Cameroon.

E) TRADE- RELATED CONCESSIONS.

i) Exemption of all exports from all existing and future direct and/or indirect taxes, duties and imports.

ii) Exemption from the import verification program (i.e. SGS, VERITAS).
iii) Exemption of all locally purchased inputs from production and sales-related taxes.

F) <u>LABOUR –RELATED CONCESSIONS;</u>

i) Exoneration from the standard wage classification scheme specified in the Labour Code. Wages may be set on the basis of productivity and efficiency.
ii) Right to freely negotiate contracts between employer and employee.
iii) Automatic right for the acquisition of Work Permits for expatriate workers (not to exceed 20% of the work force after the fifth year of operation).
iv) Right to replace National Social Security Scheme with a private plan of equal or better benefits.

Despite these advantages, it does not go without some shortcomings. To begin with, the creation of Special Free Trade Zones is criticized for encouraging businesses to set up operations under the influence of corrupt governments, and giving foreign corporations more economic liberties than is given to indigenous employers who face large and sometimes insurmountable “regulatory” hurdles in developing nations. Nonetheless, many countries are increasingly allowing local entrepreneurs to locate inside Free Trade Zones in order to access export-based incentives.

Often the government pays part of the initial cost of factory setup, loosens environmental protections and rules regarding negligence and the treatment of workers, and promises not to ask payment of taxes for the next few years. When the taxation free years are over the corporation which sets up the factory without fully assuming its costs is often able to set up operations elsewhere for less expense than the taxes to be paid, giving it leverage to take the host government to the bargaining table with more demands in order for it to continue operation in the country.

Often if human rights, labour or environmental abuses are challenged, subcontracted local entities may face consequences, but parent companies in developed countries like the United States are rarely held accountable.

To put it laconically, all these criticisms give an added advantage to foreign investors who are ready and willing to invest in this part of the world.