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The Legal Aspects of Doing Business in Cameroon

I. Introduction

The United Republic of Cameroon is among the elite of Black African states. The former trust territory of Britain and France has a population of 8 million, can boast of enjoying 22 years of political stability, is energy-self-sufficient, and is nearly self-sufficient in food production. Cameroon's principal agricultural exports are coffee and cocoa. Oil was discovered in Cameroon in 1977 and its subsequent exploitation has had a tremendous impact on the economy. Oil has replaced coffee and cocoa as Cameroon's primary foreign exchange earner. Oil revenue is making it possible for Cameroon to continue to pursue its development goals as set forth in the nation's fifth Five-Year National Development Plan, 1981-86. In 1981 the United States was Cameroon's principal customer, taking 38 percent of its exports, mainly crude oil. In the same year France provided 41 percent of Cameroon's imports and continues to be Cameroon's principal supplier.

Cameroon's noteworthy achievements are the result of political and social stability, agricultural productivity, and budget surpluses as the result of oil revenue in recent years. The above, plus a nonaligned policy that is oriented more to the West than the East, combined with a positive attitude toward foreign private investment has made Cameroon a prime target of U.S. and European investors. Cameroon's development has been based on a series of five-year national development plans. These plans have focused on certain sectors of the economy and given direction and continuity to Cameroon's development over the past twenty years. The current plan focuses on infrastructure improvements, increasing agricultural production and the development of agro-industrial projects.

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U.S. oil companies and banks were the first U.S. companies to invest in Cameroon.

The year 1982 was a period of unprecedented U.S. government and private sector interest and activity in Cameroon. In January, Secretary of Commerce Malcolm Baldrige and Secretary of Agriculture John R. Block led a team of American businessmen to Cameroon on a tràde and investment mission. In July, the then President of Cameroon, Ahmadou Ahidjo, met with President Reagan, toured the United States and met with U.S. businessmen in New York City. In September, U.S. and Cameroonian government officials met and explored the possibility of the two countries entering into a bilateral investment treaty similar to the investment treaty concluded between Egypt and the United States. Many major U.S. firms seriously investigated trade and investment opportunities in Cameroon. Several of them were awarded major government tenders. A major U.S. bank and several U.S. engineering and construction firms opened offices in Cameroon in 1982.

Background

The Versailles Peace Treaty, which marked the end of World War I, divided the German protectorate of Kamerun into French and British Protectorates. France was granted the larger eastern section. The British received the western section which bordered the then-British colony and Protectorate of Nigeria.

In 1922 the League of Nations changed the legal relationship of the divided Cameroon from protectorates to mandates of France and Britain. Under the mandate system, West Cameroon was governed by Britain as part of Nigeria. When the United Nations replaced the League of Nations at the end of World War II the mandate system was abolished. The French and British sections of Cameroon became U.N. trust territories of France and Britain, respectively.

In January 1960 Cameroon, under French trusteeship, gained independence from France and became La Rėpublique du Cameroun. A few months later Nigeria gained independence from Great Britain. Due to reunification forces in the British trusteeship area of Cameroon, a U.N. plebescite was held in order to determine whether the British trusteeship would join Nigeria or La Rėpublique du Cameroun. The plebescite was held and the southern section of the British trust territory decided to join La Rėpublique du Cameroun, whereas the northern section chose to remain with Nigeria. On October 1, 1961, the Federal Republic of Cameroon (FRC) was born. On May 20, 1972, the FRC became as it is today, the United Republic of Cameroon.

Ahmadou Ahidjo served as Cameroon's only president from independence in 1960 until he retired on November 6, 1982. Paul Biya, Prime Minister, peacefully and constitutionally succeeded Ahidjo as the second president of the United Republic of Cameroon.

II. The Formation of Business Entities in Cameroon

Since the Cameroon Government has not adopted nor repealed legislation in the area of company law since independence, Cameroon is still governed by the statutes in force during the trusteeship period. Thus, firms have the option of incorporating under the legal systems operating in the former British west[1] and French east[2] Cameroon. The Nigerian Companies Ordinance[3] and the French Commercial Code[4] and other related statutes were the operative commercial enactments at unification and they still govern Cameroon's commercial relations today. Although the differences are not major, certain provisions of one system may be advantageous in the context of a particular investor's objectives. For example, in the western region there is no minimum capitalization requirement and one can file corporate documents in English. Once incorporated in either region the company is free to conduct its activities throughout the country. However, the corporation must file its tax return in the city it has designated as its principal place of business or corporate headquarters.

All foreign commercial and industrial companies desiring to do business in Cameroon must establish a subsidiary in Cameroon except companies exclusively engaged in research (mining activities), companies in which Cameroon is a shareholder, and companies that have been awarded an exclusive contract to participate in the performance of a specific project of limited duration with a public or private Cameroonian entity.[5] Companies engaged in activities not specifically exempted by statute may request an exemption by decree.[6]

In the former East Cameroon, a notaire must prepare and register all original incorporation documents, by-laws (*statuts*) and amendments thereto. Failure to comply with this provision will result in the company being declared null and void.[7] The notaire actually participates in the preincorporation formalities, he attests that the events took place, and files the company's incorporation documents with the proper authorities. In the former western region, members of the bar who are both advocates and solicitors may prepare and file incorporation documents (articles and memorandum of association) and obtain the company's certificate of incorporation. The services of a solicitor are optional under the ordinance.

Business and commercial activities in the United Republic of Cameroon can be carried out in a variety of forms: sole proprietorship, joint venture,

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[1]For Partial Codification see The Laws of the Federation of Nigeria, 1958 Edition ("Law of Nigeria").

[2]For Partial Codification see Codes et Lois du Cameroun.

[3]Law of Nigeria, *supra*, The Nigerian Companies Ordinance, Chapter 37 ("The Ordinance").

[4]Code de Commerce et Annex ("The Code"), published in Codes et Lois du Cameroun, Volume 2.

[5]Law 76.9 of July 8, 1976, published in the JOURNAL OFFICIEL FEDERAL of July 15, 1976.

[6]Decree 78.85 of March 15, 1978.

[7]Law 61.20 of June 27, 1961.

partnerships (incorporated or unincorporated), and limited liability companies. Most foreign investors choose to incorporate as a Société Anonyme (SA) or Société à Responsibilité Limitée (SARL).

SA

The SA[8] is a limited-liability company and is similar to a public company limited by share recognized by the Ordinance. The SA requires a minimum of seven shareholders and each share must have a par value of at least 5,000 CFA. The SA is administered by a single director or a board of directors.[9] The director, or the board of directors, generally have all powers of management. The board of directors can delegate all or a portion of its power to a fellow board member, or, if the by-laws permit, to a shareholder. Unlike present French law, the chairman of the board is not necessarily the chief executive officer.

Ownership is evidenced by shares. Shares must be at least 25 percent paid up upon incorporation and the remainder paid within five years. Shareholders are liable to the company and creditors for the full value of the shares, whether issued or not. There is no stock exchange in Cameroon but shares can be publicly transferred unless otherwise restricted. There is no minimum capitalization requirement. SA is the form used by most companies making a substantial investment in Cameroon.

SARL

The SARL is a hybrid. It has the attributes of a private company, limited by shares, and a limited partnership. The SARL[10] requires at least two shareholders with a minimum capitalization of 250,000 F CFA. The par value of each share must be at least 500 F CFA. Unlike the SA, SARL shares must be fully paid when issued and its shares may not be offered to the public. SARL shares can be transferred only with the authorization of a majority of the shareholders representing 3/4 of the capital. The company is administered by one or more managers who have the general power to act and to deal with third parties on behalf of the company, except where prohibited by statute or the company by-laws.

The Ordinance

Similar public and private limited liability companies can be created under the Ordinance. A public company incorporated under the Ordinance must have a minimum of seven shareholders. A private company must have at least two but no more than fifty shareholders. Ordinance restrictions on the public transfer of private shares and the disclosure and

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[8]The Société Anonyme, or Limited Liability Company, is governed by Articles 29 to 36 of the Code of Commerce.

[9]Law of July 24, 1867, Article 22.

[10]Decree of 1 May 1930 amended by Decree of November 13, 1956.

accounting requirements for public companies are similar to Code provisions.

Branch or Subsidiary

Foreign firms wishing to open a branch in Cameroon may apply for authorization to the Ministry of Economy and Plan. The firm must submit certified copies of its articles of incorporation, a description of the firm's past and present activities, and its business objectives in Cameroon. If the Ministry of Economy and Plan approves the firm's request, it will issue a decree authorizing the establishment of a branch. This procedure is time-consuming, complicated, rarely used, and not encouraged by the government. This requirement reflects the government's policy to encourage foreign companies doing business in Cameroon to locate management bookkeeping and accounting functions in Cameroon.

Internal Formalities

After the foreign company has become a legal Cameroonian entity, it must register with the same social service and tax authorities as domestic firms in order to satisfy immigration, tax and social security administration requirements.

All firms incorporated according to the Ordinance or Code must, before engaging in any business activities, provide data on the company to the Court of First Instance, Commercial Section, in order to obtain a certificate of registration. In the former West Cameroon the corporation's certificate of incorporation issued by the Companies Registry is acceptable to the Court of First Instance. Limited liability companies and partnerships are required to present articles of association and partnership agreements respectively. Branches or subsidiaries doing business in the Court of First Instance jurisdiction, whose parent headquarters are located elsewhere, must register with said court. A nominal fee is charged by the court for this service. The Court of First Instance usually registers the company within three business days with the Chamber of Commerce and the company is issued a business registration certificate and statistic number. This registration certification must be presented by the company to the tax office in order for the company to obtain business tax status. The tax office may request additional information about the company in order to substantiate the projected turnover and profit figures contained in the company's incorporation documents.

All companies are required to inform the National Social Insurance Fund (NSIF) of the number, grade, salary and number of dependents of each employee. The NSIF then issues an immatriculation number to the company. Employer and employee participation in NSIF is mandatory.

The Government of Cameroon participates as a shareholder in numerous commercial activities. Depending upon the government's development priorities and interests, firms may wish to form a joint venture with the government or have the government as a shareholder. Government participation is required in companies engaged in the banking and petroleum sectors and is common in firms engaged in manufacturing activities that require heavy capital investment. Government participation as a shareholder or as a joint-venture partner may be advantageous for companies seeking tax concessions and holidays from the government. Cameroon's investment code provides for preferential tax and customs treatment for companies engaged in certain activities. Companies wishing to take advantage of these favorable provisions should review Cameroon's fifth Five-Year National Development Plan, 1981-86, to determine Cameroon's priority development sectors. Applications for priority status must be submitted to the Department of Industries in the Ministry of Economy and Plan and to the Union Douanière et Economique de l'Afrique Central (UDEAC).

UDEAC was created by a treaty entered into on December 8, 1964, between Cameroon, Congo-Brazzaville, Gabon and the Central African Republic. Equatorial Guinea was admitted December 18, 1982. It is a common customs territory with certain common-market features. The treaty controls the duties or taxes signatories can impose on goods imported or exported between member states. This is an advantage to companies seeking to establish a regional market.

III. Incentives for Foreign Investors

Cameroon's Investment Code[11] and seven industry-specific investment schedules contain Cameroon's incentives for foreign investors. The incentives are in the form of tax concessions and priority status for investments in certain sectors of the economy and exemptions from most customs duties for such companies. The Investment Code provides special provisions for companies accorded priority status (Categories A, B, C, D). The rating is determined by the contribution the company will make to the country's development goals and objectives. The greatest incentives and concessions are granted to Categories C and D. This status has been accorded only to a few companies engaged in petroleum exploration, aluminum smelting, cement production and the electric power company. Category A and B status has been given to companies engaged in food and beverage processing as well as textile, chemicals, building materials and plastics plants.

Category A applies to small and medium-size companies and grants an exemption from the import tax on equipment and raw materials. A Category A company can also benefit from a reduced or total exemption from export duties and from reduction of the production tax during the first three years of operation. The maximum duration of these benefits is 10 years.

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[11] Law of June 27, 1960, as amended by law of April 6, 1964, as amended by law of June 10, 1966.

Category B applies to medium-sized companies. In addition to the benefits of Category A, Category B companies are exempted from the tax on industrial and commercial profits for the first five years of operation. Depreciation of capital in the first five years can be extended over the following three years. These benefits also have a 10-year duration.

Category C companies are those whose production activities are considered to be of key importance to the country's development plan. It requires negotiation of a special convention with the government for a fixed period of not more than 25 years. The convention will specify general conditions for production; government guarantees concerning stability of legal, economic and financial conditions; access to the labor market; freedom of choice of suppliers; renewal of forestry and mineral-production permits on a case-by-case basis; access to water and electricity supply, transportation of goods and use of port-handling facilities.

Category D companies are those of fundamental importance to Cameroon's economic development. They can benefit from a special long-term tax status in addition to the convention mentioned in Category C. This special tax regime is for a maximum of 25 years after the initial construction and installation period, which should not normally exceed five years. All tax rates and methods of computing tax liability are fixed by the government and guaranteed for the life of the convention.

Companies ineligible for priority status may benefit from the following concessions.

Companies engaged in tourist activities may qualify for four categories of benefits (T1, T2, T3 and T4) in Cameroon's Tourist Industry Schedule.[12] Schedule T1 grants an overall reduced rate of 5 percent on imported equipment. Schedule T2 applies to companies which make an investment the government considers of special importance. They are exempt for a period of five years from the business license, liquor license, land dues and tax on industrial and commercial profits. Schedule T3 benefits are granted to companies undertaking major tourist projects. Schedule T3-category companies are entitled to the benefits of Schedule T1 and T2 plus a stabilization of all or part of their tax for the entire period of the convention with the government which may not exceed 15 years. Schedule T4 (reinvestment schedule) is granted to companies wishing to extend or renew their equipment. It provides for a reduction in the company tax and the proportional tax on industrial and commercial profits.

Lumbering companies are entitled to an overall reduced rate of 5 percent of the duties and taxes levied on imports and materials directly used in forestry operations and sawmills.[13]

Small and medium-sized companies and handicraft companies are enti-

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[12]Ordinance 74.5 of December 3, 1974, and Law 76.24 of December 14, 1976.
[13]Decree No. 67/DF/14 of January 11, 1967.

tled to reduced rate of 5 percent of the duties and taxes levied on imported equipment.[14]

Cameroon has a tax provision (the inland tax on production) whereby companies are granted customs and tax exemptions on imported raw materials and products used in the manufacturing process but a tax is levied on the finished product before it leaves the factory.[15]

Natural persons or corporate bodies who reinvest part of their profits in Cameroon may benefit from a reduction in their taxes.[16]

There is also a tax provision[17] that allows for the collection of a single special tax on finished products sold among members of UDEAC.

In addition to the above formal incentives, Cameroon has a convertible currency and no formal indigenization policy or decree.

IV. Cameroon's Public Tender Regulations

Structure. Cameroon's public tender procedures and regulations[18] govern the solicitation, acceptance and award of all tenders for the purchase of goods and services by the State, parastatals and mixed companies in which the government has a substantial interest. The Secretariat General of the Presidency controls the tender process. The Secretariat through its Central Contracts Department[19] oversees the Central Tenders board which reviews and recommends all international tenders not exempt from the bid process. Cameroon's tender regulations also govern tender procedures for provincial contract services[20] and semi-public establishments and organizations.[21]

Procedure. Cameroon's tender procedures are uncomplicated but slow. The regulations authorize public and restricted tenders.[22] A public invitation to tender means an open call for bids. Preselection of candidates may precede the call for public tenders. Restricted tenders are addressed to a limited number of candidates chosen by the government.[23] Restricted tenders require that the government contact at least three competitors and receive at least two valid bids.[24] The government is also authorized to award contracts by mutual consent (Marchés de gré à gré).[25] Contracts entered into by mutual agreement can only be awarded in special circum-

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[14] Decree No. 68/DF/10 of January 16, 1968.

[15] Decree No. 62/DF 293 of August 7, 1962, and 66/DF/220 of May 12, 1966.

[16] General Tax Code, Chapter III, Article 140.

[17] UDEAC Customs Code Article 199-201 and Article No. 12/65 - UDEAC - 34 of December 14, 1965.

[18] Decree No. 79-35 of February 2, 1979 as supplemented by Decree No. 80-272 of July 18, 1980, as amended by Decree No. 81-151 of April 13, 1981, and Decree 82-112 of January 8, 1982 governing Cameroon's tender procedures.

[19] Decree No. 78-487 of November 1978.

[20] Decree No. 80-274 of July 18, 1980, to set up provincial contract services, amended by Decree No. 82-13 of January 8, 1982.

[21] Decree No. 81-152 of April 13, 1981.

[22] Decree No. 79-35, *supra*, Article 22(1).

[23] *Id.*, Article 22(3).

[24] *Id.*, Article 22(4).

[25] *Id.*, Article 46(1).

stances and when it is in the interest of the state to do so.[26]

Guarantees. All public sector contractors must specify the nature and extent of all financial guarantees to be furnished by the supplier of goods or services to the government.[27] The guarantees usually required are security clauses guaranteeing the complete execution of the contract and the establishment of a retention fund ensuring the quality of the service to be performed.[28] Either or both guarantees may be required by the government in Cameroon. The amount of the security may not be less than 2 percent or more than 5 percent of the value of the contract.[29] The retention fund may not be more than 10 percent of the value of the contract including any amendments thereto.[30] It is constituted by deductions by the government from installment payments due the supplier according to the terms of the contract with the government.[31] The contract holder may post a bond in lieu of the security and retentional guarantees providing the bonding company and the terms thereof are acceptable to the Ministry of Finance.[32]

Advance and Payments on Account. The tender regulations provide for advances and payments on accounts.[33] Contractors and others are entitled to receive payments on accounts when the subject contract cannot be completed within three months. These payments are for mobilization expenses incurred preparatory to fulfilling a contract, services performed or materials and equipment provided by the contractor during the construction process.[34] The amount of the advances may not exceed the actual expenses incurred by the contract holder, or 30 percent of the initial value of the contract.[35] To be eligible to receive an advance, the contract holder must post a bond guaranteeing reimbursement of a sum equal to the advances he receives.[36] The bonding bank or agency must be approved by the Ministry of Finance. The practice is to use a local licensed bank.

Generally, Cameroon's international tender announcements are in French, tend to appear in Europe before the United States, and must be purchased locally. Thus the response time for the U.S. firms is less, and postal and courier connections more complicated.

V. The Banking System and Exchange Controls

Cameroon is a member of the Banque des Etats de l'Afrique Centrale (BEAC). BEAC is an agreement entered into in 1960 by Cameroon,

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[26] *Id.*, Article 47.
[27] *Id.*, Article 81(1).
[28] *Id.*, Article 82(2).
[29] *Id.*, Article 82(1).
[30] *Id.*, Article 83(1).
[31] *Id.*, Article 83(2).
[32] *Id.*, Article 84(1).
[33] *Id.*, Article 89(1).
[34] *Id.*, Article 94.
[35] *Id.*, Article 90(2), (3).
[36] *Id.*, Article 91(2).

Gabon, Chad, the Central African Republic, and the People's Republic of the Congo, creating a common central bank and monetary union. By convention, France handles all BEAC foreign exchange transactions outside the franc zone and guarantees the unlimited convertibility of the CFA to the French franc at the rate of FF 1 = CFA 50. Cameroon's banking network is composed of several commercial, development and investment banks in addition to its central bank.

BEAC maintains overall control of the money supply in each of the member nations by regulating the amount of short- and medium-term rediscount ceilings (BEAC loan discounts to commercial banks against their qualifying loans to borrowers) in terms of quantity, by sector of the economy, and by terms. The imposition of different liquidity ratios, varying rates charged by the BEAC for different types of loans and raising and lowering of rediscount rates are other tools employed by BEAC to control credit growth and the quality of loans. Banks must obtain prior approval before submitting a rediscount application. The percentage of a loan against which BEAC will give a rediscount varies according to the type of loan and its terms. For example, the BEAC rediscount percentage for a medium-term credit is 30 percent of the real property and 50 percent of the equipment portion of the loan whereas certain types of small business loans to Cameroonian companies may be discounted up to 80 percent. The Ministry of Finance controls the interest rate of rediscountable and nonrediscountable loans as well as the commissions which banks can charge their customers for letters of credit, transfers and exchange transactions.

Cameroon foreign exchange laws distinguish currency exchange transactions between countries that are within and those outside the franc zone.[37] Within the franc zone there is an unlimited transfer of funds between member countries and the unrestricted entry of foreign exchange. A declaration is all that is required. Remittances less than CFA 500,000 are exempt from the declaration requirement. Transfers of foreign exchange are subject to the approval of the respective ministries of finance within the zone.

Outside the franc zone, transfers over 500,000 F CFA, the distribution of income from profits, and the withdrawals of investments are subject to the authorization of the Ministry of Finance. The board of directors' resolution declaring the dividend is required as part of transfer formalities. Non-franc-zone expatriates working in Cameroon have the right to transfer between 20 and 50 percent of their salaries and all of their savings upon leaving the country if all tax obligations have been discharged.

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[37]Law 67.LF.22 of June 12, 1967, published in the Official Journal of September 15, 1967 and Decree No. 68 DF 213 of June 1, 1968 are the principal statutes governing Cameroon's foreign exchange transactions. *See also* Decree 67 DF 365 of August 21, 1967 as modified by Decree 74.249 of April 3, 1974; Decree 68 DF 460 of December 3, 1968; Order 794 of December 11, 1968; Order 842 of August 28, 1971; Order of March 9, 1974 and Circular No. 3 of March 7, 1974.

Non-franc-zone individuals and corporations making a direct foreign investment in Cameroon must give advance notice to the Ministry of Finance. Prior approval will insure the convertibility and the transferability of funds to reimburse the loan or to repay the advance.

VI. Labor, Social Security and Immigration Regulations

Labor Regulations. Cameroon's labor code[38] and the various decrees and regulations pursuant thereto compose an extensive and comprehensive system that regulates almost all aspects of the private sector employer/employee relationship of the national and expatriate employee. The code regulates hours of work, employee benefits, conditions of employment[39] and wages.[40] Its provisions are mandatory except for persons covered by the Public Service Rules and Regulations, members of the judiciary, armed forces, and national security. Companies are free to establish their own employment policies as long as they are more advantageous to the employee than the labor code.

Employers must comply with national collective labor agreements. Every fifth year representatives of certain industries and trade unions meet and negotiate industry-specific labor agreements. Currently agreements exist in the building, public works, banking, insurance and commercial sectors.

All employers desiring to use local labor must register at the office of the National Manpower and Employment Service. All contracts of employment for expatriates must conform to government specifications and be endorsed by the ministry in charge of employment and social service.[41]

The code authorizes the establishment of the National Joint Collective Agreements and Wage Board.[42] This board is the architect of Cameroon's overall wage scheme. It divides Cameroon's labor force into three occupational groups (agricultural, industrial and commercial); the country into three geographical wage zones; and all employees into twelve skill and experience categories. A different minimum wage exists in each occupational group depending upon which wage zone it is in.

The labor code recognizes the right of employees to establish trade unions.[43] However, there is only one labor organization in Cameroon: the National Union of Cameroon Workers (NUCW). The NUCW is composed of more than 300 departmental trade unions. Labor disputes are rare since the NUCW is an organ of the Cameroon National Union (CNU), the sole political party in Cameroon.

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[38]Law No. 74-14 of 27 November 1974.
[39]*Id.*, Section 87-88, and 89.
[40]*Id.*, Section 67-81.
[41]*Id.*, Section 31(1).
[42]*Id.*, Section 127(1).
[43]*Id.*, Section 3.

Social Security System. The National Social Insurance Fund manages Cameroon's social security system. The fund only covers private-sector employees and employees at agencies of the state that do not hold civil service positions. The social security system provides family allowances, old age, disability and survivors' pensions, and industrial accident and occupational disease protection. Employer participation is mandatory.

The employer's contribution to the family allowance plan is 7 percent of the employee's salary. Employers engaged in agricultural activities contribute 5.65 percent of the employee's salary.

Old age, disability and survivorship pensions contribution is 7 percent of the basic wage. The employer contributes 4.2 percent and the employee 2.8 percent. The employee's contribution is deducted from his monthly salary by the employer.

Industrial accident and occupational diseases contributions are assessed based on the total amount of the employee's wages. The employer is responsible for the entire contribution. The rate varies according to risk of harm involved in the firm's activities: low risk, 1.7 percent; average risk, 2.5 percent; and high risk, 5 percent.

The employer's contribution for family allowances and insurance on industrial accidents are the same for local and expatriate staff. There are no social security treaties between Cameroon and other countries. Thus, compensation paid to employees in Cameroon is subject to social security deductions notwithstanding any coverage or liability that the employee may have under the social security system in his country of origin.

Immigration Regulations. Cameroon's immigration regulations[44] are cumbersome and strictly enforced. Every person entering Cameroon must have a valid passport; a visa issued by a Cameroonian diplomatic or consular representative abroad; a return or transit ticket (or deposit an amount equivalent to the cost of the ticket as security); or a temporary residence permit issued by the Delegate General of National Security. An international certificate of vaccination against yellow fever is required. A cholera vaccination is not required but it is recommended.

Technicians employed by domestic or foreign firms having a contract with the government are allowed to reside in Cameroon for the term of the contract.

Experts permitted to reside in Cameroon to install or maintain technical or industrial equipment used by a company doing business in Cameroon shall be given a six-month multiple-entry-and-exit visa. If the expert's services will be required for more than six months, he must obtain an employment contract from his employer, which must be endorsed by the Ministry of Labor and Social Welfare.[45] All contracts of employment of expatriate

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[44] Decree No. 80-4 of January 7, 1980, as amended by Decree No. 82-342 of August 9, 1982 and the text of Social Security legislation are the principal regulations concerning Cameroon immigration formalities and requirements for expatriates resident in Cameroon.

[45] *Id.*, Article 4(2).

staff must be approved by the Ministry of Labor and Social Welfare.

Visitors to Cameroon residing in countries where Cameroon has no diplomatic or consular representative may obtain a temporary visa for a period of twenty days upon arrival in Cameroon. The visitor must present proof of residence in the country from which he departed and a ticket for onward travel from Cameroon.[46]

Long delays often encountered in obtaining resident visas for needed experts and technicians from the Government of Cameroon and its diplomatic and consular offices abroad have tempted companies and employees to try to circumvent this formality. By decree it is illegal for holders of transit or temporary visas to adjust their status in order to obtain employment in Cameroon. The government will not honor requests for extension of tourist or temporary visas nor issue residence permits for regularization purposes. Individual and corporate employers who have assisted expatriate employees to enter Cameroon by making misrepresentations in connection with the issuance of a tourist or temporary visa will be held responsible for said employee's repatriation expenses.[47]

Documentation requirements for departing resident technicians and experts are stiff. In addition to the usual identification and transit documents, the departing expatriate may be called on to produce attestations that all his tax, social security and financial obligations to the state have been discharged.[48]

Sufficient time has not passed since the August 1982 decree that added the exit attestation requirements discussed above to indicate how strictly immigration authorities will enforce these cumbersome regulations. In general, delays are encountered in obtaining attestations from government bureaus. Thus employers and employees would be well advised to start appropriate departure formalities well in advance of the estimated date of departure.

VII. Wage and Price Controls

Cameroon has a comprehensive system of price controls. Its price control statutes are administered and enforced by the Bureau of Price Controls in the Ministry of Economy and Plan. The Bureau has four divisions: information collection, enforcement, weights and measures, and a price-stabilization division.

The principal price control statute[49] authorizes the government to fix prices and regulate all acts which may raise or lower market prices. The goal of the government is to maintain an orderly market. Profit margins are controlled and penalties imposed for violations. Statutes regulate the resale

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[46] *Id.*, Article 16.
[47] *Id.*, Article 20.
[48] *Id.*, Article 26.
[49] Ordinance No. 72/18 of October 17, 1972 as amended by Law 79/11 of June 30, 1979, published in the Official Gazette of December 1, 1972.

of essential imported and locally manufactured commodities;[50] the profit margin on imported and locally manufactured products,[51] as well as instituting,[52] defining[53] and controlling[54] Cameroon's weights and measures system.

The profit margin for imported and locally produced commodities varies according to categories. Certain goods in the luxury category may have an overall markup as high as 95 percent with a maximum profit of 20 percent for the wholesalers.

VIII. Customs Duties

The customs regulations applicable in Cameroon[55] are those of UDEAC and they appear in the Customs Code of the Customs and Economic Union of Central Africa.[56]

Import Duties and Taxes. Customs duties or common external tariffs vary from 5 to 30 percent of the CIF value and are levied on all goods regardless of origin.

Import duties are levied on all imported products whatever their origin or source. Duties vary from 0 to 40 percent of the CIF value. Certain products are exempt.

The Turnover Tax on imports is a fiscal tax levied on all imported products whatever their origin or source. The assessable rate is 10 percent of CIF price plus the customs duties and import duty.

The Supplementary Tax on imports varies between 0 and 25 percent of the CIF price. The rate is fixed for each UDEAC state.

A landing tax is charged on all goods unloaded in Douala, Kribi and Garoua. The rates vary from 225 to 3,850 CFA per ton or portion thereof depending on the merchandise.

Warehousing and custody taxes are levied in ports, airports and at the borders on all goods in custody.

A municipal tax is collected by Douala, Yaounde, Kribi and Garoua town councils for goods unloaded in their cities. The rate varies from 60 to 300 CFA per ton.

The personal effects of persons entering Cameroon in order to execute contracts are not subject to customs charges. Proper documentation must be provided.

Normal and special temporary admission and importation provisions of the UDEAC customs code exempt and apportion customs duties respec-

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[50] Order No. 004/MINEP/DPPM.

[51] Order No. 59/MINEP/DPPM.

[52] Law No. 67/LF/21 of June 12, 1967.

[53] Decree No. 69/CF/201 of June 2, 1969.

[54] Decree No. 71/DF/520 of October 20, 1971.

[55] Official Gazette of the Federal Republic of Cameroon, No. 1 of January 1, 1966.

[56] ACT No. 8/65-UDEAC-37 of December 14, 1965.

tively on equipment imported by contractors for public-interest projects.[57] The normal temporary importation provision is an exemption from customs duties on such equipment. The equipment must be re-exported upon completion of the project. The special temporary admission provisions, while not an exemption from customs charges, substantially reduce the duty rate. The duty is calculated on the basis of a ratio between the age of the equipment, the period of time the equipment will be used in Cameroon and the useful life of the equipment.

Export Duties and Taxes. The dutiable value of export products from UDEAC members is determined by each government. The export rate in Cameroon varies between 0 and 32 percent (coffee, cocoa). The general rate is 2 percent. Industrial-product exports are subject to a 2 percent duty but it may be waived or reduced if the firm has approved status under the Investment Code.

Cameroon has concluded bilateral trade agreements with Great Britain, Nigeria, Chad, Czechoslovakia, Romania, and is a GATT and EEC signatory.

IX. Intellectual Property Rights

Cameroon is a signatory to the agreement creating the Organisation Africain de la Propriete Intellectuelle (OAPI) signed at Bangui on March 2, 1977, which supersedes the African and Malagasy Industrial Property Office (OAMPI) agreement signed at Libreville on September 13, 1962. Other signatories to the Bangui convention are Benin, Chad, Central African Republic, Congo, Gabon, Ivory Coast, Mauritania, Niger, Senegal, Togo and Upper Volta. The Libreville agreement is similar to the Bangui agreement, except that the latter extends protection to literary and artistic works.

Under the Bangui agreement, the registration by OAPI of a patent, trademark or other intellectual property rights filed in one member country is valid in all member countries. Registrations are valid for 10 years from the date of filing. Trademark registrations may be renewed indefinitely. OAPI annual patent premiums must be paid or OAPI coverage will lapse. Patent registrations are subject to cancellation if they are not exploited or if they are abandoned for three years or more.

In the absence of registration with OAPI, the owner of an industrial property right is only protected by domestic legislation. Cameroon's commercial code protects industrial property from unfair competition including infringement of trademarks.[58] Given the uncertainty associated with litigating a common-law industrial-property right in Cameroon, OAPI registration is recommended.

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[57] *Id.*, Articles 202 to 208.
[58] The Code, *supra*, Annex Industrial Property.

X. Tax Law Applicable to Companies

The General Tax Code of Cameroon and the various amendments thereto constitute a comprehensive tax system that is difficulty to summarize. The purpose of this section is to highlight the sections of the tax code that affect the foreign corporate investor.

Corporate Income Tax: The company tax or corporate income tax is levied on the net profits on all activities conducted by the enterprise in Cameroon. The rate is 38.5 percent including the council tax. Tax returns must be filed before October 31. By law, the fiscal year ends June 30.

Minimum Tax: A minimum tax is levied on all companies subject to company tax that registered deficits during the financial year. Minimum tax is 1 percent of the gross turnover of the previous year or 440,000 F CFA, whichever is greater. The following companies are exempt from the minimum tax: public and private construction companies; companies exporting agricultural products, companies involved in educational institutions, agriculture and stockbreeding. Newly formed companies are exempt for the first two years of operation.

Tax on Income from Securities: Distributions are taxed at the rate of 16.50 percent, including council taxes. The tax is levied on dividends, distributions to shareholders in limited partnerships and limited liability companies, interest, director's fees, etc.

Business License Tax: A business license tax is levied on all activities not specifically exempt. The tax is based on the company's turnover and activities. Any activity subject to the business-license tax also is liable for the apprenticeship tax (3 percent of the wages paid by the company).

Tax on Royalties and Technical Assistance Payments Abroad: A special withholding tax of 15 percent is levied on payments abroad for copyrights, patents, technology transfer, film royalties, and technical assistance.

Internal Turnover Tax: The internal turnover tax is levied on any natural person or corporate body involved in productive industrial, commercial or professional activity or providing services. The tax is assessed on billings or gross receipts. The rate is currently 8.8 percent. Companies approved under the Inland Tax on Production or UDEAC Single Tax provision are exempted from turnover tax. This tax is usually passed on to the consumer.

Special Company Tax: All civil and commercial companies present and doing business in Cameroon are obligated to pay the special company tax. The tax also applies to nonresident companies to the extent they use property to transact business in Cameroon. French companies are exempt from this tax pursuant to a France-Cameroon tax treaty. The tax is an annual assessment on the stated capital, paid or unpaid, and the amount of bond issued. The tax rate is 1.5 percent on a tax base under 1 billion francs CFA, 1.0 percent on the amount of capital between 1 and 3 billion francs CFA, and 0.50 percent of amounts above three billion CFA. The taxpayer is liable for the sum of the tax due in each category with a 1,000 CFA minimum.

The above rates are reduceable by one-third if the company did not earn profits for two consecutive years.

Stamp Duties: All documents evidencing payments or remittances (e.g., loan contracts, negotiable instruments, chattel mortgages) are subject to stamp duties. Rates change from 0.3 percent to 0.4 percent.

Registration Duties: All legal instruments and transfers (documents recognizing indebtedness, civil law transfers, mortgages, chattel mortgages) carried out by natural persons and corporate bodies are subject to a registration fee. The fees are calculated on a fixed basis (1,000 to 50,000 CFA) or a proportional basis (0.5 percent to 15 percent). Special provisions granting considerable tax concessions are available for mergers between parent companies and subsidiaries so as to encourage the formation and establishment of medium and large companies in Cameroon.

Registration in Business Register: Fixed fee of 5,000 F CFA.

XI. Miscellaneous Commercial Matters

Cameroonization Requirements: Cameroon does not have a decree or ordinance reserving certain industries, professions or sectors of the economy for nationals. Nor is there a decree or ordinance requiring that a certain percentage of ownership or personnel of the foreign investor's firm must be Cameroonian.

The government is sensitive to Cameroonization but prefers to handle questions of the expatriate presence in Cameroon on a case-by-case basis. Both the Ministries of Economy and Plan and Labor are involved in deciding whether a particular position in a company is eligible to be filled by an expatriate. Companies are requested to submit their staffing patterns to the Ministry of Labor in order to obtain proper entry visas for foreign technicians and experts. The Ministry of Labor must approve all contracts regarding expatriate employment. It is the local Ministry of Labor inspector who determines if there is an insufficient number of qualified technicians in the local Cameroonian labor force to justify an expatriate position.

By law, the general managers of all banks operating in Cameroon must be Cameroonians. Newly established banks are given a two-year grace period to satisfy this requirement. Oil companies are also required to have a plan to replace expatriates with Cameroonian technicians as soon as it is practical to do so. The national collective agreement governing agricultural activities has a provision that "employers agree to make diligent efforts to carry out an effective Cameroonization policy as regards their foremen and managerial staff."[59]

Real Property Rights: Cameroon law governing land tenure recognizes the right of private property.[60] Natural persons and foreign corporations

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[59]National Collective Agreement Governing Agricultural Undertakings and Related Activities, Article 20.

[60]Ordinance No. 74-1 of July 6, 1980, Article 2.

investing in Cameroon may lease or purchase land except in border areas.[61] Approval must be obtained from the ministry in charge of lands and, in the event of resale, the state has a preemptive right of purchase.[62]

The government has established the Industrial Area Development and Management Authority (MAGZI).[63] MAGZI is responsible for the development of industrial lands throughout the country and the allocation of lots therein. The full range of services is available in industrial zones developed by MAGZI. Currently there are two industrial zones, Bonaberi and Bassa, located near the port city of Douala. Other industrial sites are planned for other principal cities in Cameroon.

XII. Conclusion

The above is an attempt to highlight the most important legal aspects of doing business in Cameroon. Cameroon's legal system, although comprehensive and slow, remains, on the whole, workable, reliable and fair. The rule of law is generally respected throughout Cameroon and its laws embrace several principles of contract and property law similar to our own.

Investors are advised to have frequent and comprehensive discussions with local government officials, partners and counsel. This is essential. Working closely with these individuals will help familiarize the foreign investor with the formal and practical requirements of Cameroon's legal system. A clear statement and understanding of each party's purpose, expectations and capacity will reduce subsequent costly factual and legal disputes.

Recently, the Government of Cameroon has passed a few decrees that have changed or modified the conditions for doing business in Cameroon. While such decrees have generally had the effect of reducing corporate profits and imposing other restraints, they have been measured acts that have stopped short of damaging Cameroon's otherwise good reputation for fair play.

Cameroon, while not without problems, remains one of the most economically and politically stable countries in Africa.

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[61] *Id.*, Article 10(1).
[62] *Id.*, Article 10(3).
[63] Decree No. 177-193 of June 23, 1977.