

A Budding Investment Zone

Written by Sirak Habtemichael



A few years from now, the horizon of economic prosperity will prevail in Eritrea with the commencement of the free zone in Massawa. The strategic geographic advantage Eritrea is endowed with, coupled with the sea corridor that the Red Sea provides to the Mediterranean Sea and the Indian Ocean is a professionally proven favorable business environment. A strong economy is the backbone of a country's development and prosperity. In its efforts to ensure food security and upgrade people's living standard, the Government of Eritrea has since independence been exerting optimum efforts to promote multifaceted economic growth in the country. To this end, the government enacted proclamation 112/2001 with the provisions that permit to establish free zones in Eritrea in a bid to create conducive investment environment.

Free zone by definition is an area specifically set aside to receive shipments of foreign products, the only area where free movement of non-domestic materials is allowed. By creating such an area, one can imagine how many investors could be attracted, especially with the strategic location of Eritrea and its encouraging policies. But indeed, the infrastructure should be set in place to achieve such a goal.



For that reason, preparing the infrastructure, especially in Massawa began a few years after the proclamation was issued and today a handful of warehouses and industrial establishments have been constructed for embarking on the task. Having this prepared, dozens of firms have already registered and some have even started.

Eritrea is located in one of the busiest shipping zones in the world. Many ships pass by Asseb, another Eritrean port, which will also open a free zone area soon. Nearly 20,000 vessels a year pass by Eritrea loaded with some 700 million tones of cargo, more than 9% of the estimated 7.7 billion tones carried by global shipping.

The Massawa free zone encompasses around 5,000 hectares, including the port and airport. Authorities have invested tens of millions of dollars in preparing the infrastructure. CEO of the Eritrean free zone authority, Dr. Araya Tsegai said: "Some 12 companies, including from China, Italy, Israel, India, Djibouti, Sudan and Dubai have registered to use Massawa, mainly for small-scale plants such as construction materials, foodstuffs and batteries."

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With all the preparations in full swing, the infrastructure intact and business interest high, it is definite that the spill-over for Eritrea could be substantial: employment and training



for locals; development of foreign trade links; and a conduit for local products like fruit, livestock, fish and minerals.

According to Dr. Araya, Assab will mainly specialize in trans-shipment of goods, while Massawa will encompass processing and assembly plants, factories for light industries, and services. “A Free Zone is an economic concept whereby producers and suppliers and customers get together on a non-regulated free enterprise system of an economic set up. When a country decides to have a free zone, its intention is to create inside its economy an area where international capital or investors would be able to produce without too much restriction, without too much financial cost and without too much interference from the government,” Dr. Araya articulated.