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THINK GROWTH

Incentivizing Investment in the
Métis Homeland



Key Takeaways

- Attracting investment in the Métis Homeland is important to support Métis prosperity and well-being.
- There are many international examples of geographically specific opportunities to incent investment. Active examples include:
 - Special Economic Zones
 - Foreign Trade Zones
 - Qualified Opportunity Zones
- Recommendation to incentivize economic investment in the Métis Homeland:
 - Providing Métis Governments with option to be designated as Special Métis Economic Zones.

The purpose of this policy brief is to provide recommendations to incentivize investment in the Métis Homeland to fuel Métis prosperity and well-being.

Incentivizing Place-Based Investment

It is important to attract investment in the Métis Homeland to fuel Métis prosperity and well-being. Economic development opportunities for Métis Governments are often limited due to historical and institutional factors. However, there are active international examples of place-based investment incentives that seek to draw investment to specific regions. These arrangements can be used to inspire place-based economic strategies for Métis governments.

It is important to consider the unique needs of Métis businesses and how to support these needs. No matter the form of support, place-based economic incentives that are designed to support Métis should reflect the teachings and insights gathered from Métis. Therefore, Métis partners should be actively involved in the solution, development and implementation processes.¹

¹ OECD. "Linking Indigenous communities with Regional Development in Canada." <https://www.oecd-ilibrary.org/sites/fa0f60c6-en/index.html?itemId=/content/publication/fa0f60c6-en>



Special Economic Zones (SEZ)

SEZs are geographically specific areas with unique regulations and administration within a country. They are created to attract foreign investment and stimulate economic activity. When businesses operate within a SEZ, they benefit from tax incentives, such as reduced income tax.² This typically results in rapid economic growth for the region. Almost half of the world's SEZs are located in China, and such efforts have supported economic development and contributed to their level of international competitiveness.³

Foreign Trade Zones (FTZ)

FTZs are one specific example of a SEZ. Similarly, FTZs are also areas designated by a government as eligible for tariff and tax exemptions. Often, goods and materials that are brought into an FTZ for re-exporting into foreign or domestic markets will not be subject to taxation or duties. Other benefits of an FTZ include duty elimination, duty deferrals and inverted tariffs. Reduced inventory costs for businesses operating inside an FTZ can increase their international competitiveness.

In Canada, FTZs are not location-based, unlike FTZs in other jurisdictions. There are ten designated FTZ points in Canada, which act as "strategic locations of international trade," operating as a single point of access for information on government trade programs and policies.⁴ Canada's FTZ regime comprises of a series of programs administered by the Canadian Border Services Agency, including a Duty Deferral Program, Export Distribution Centre Program and the Exporters of Processing Services Program.⁵ By contrast, in the United States of America, FTZs are location-based. The USA is the only country that has a FTZ utilized by an Indigenous community.

2 Intrepid Sourcing. "Special Economic Zones In China (SEZs): Characteristics & Benefits." <https://intrepidsourcing.com/trade-wiki/special-economic-zones-sezs-characteristics-benefits/>

3 Investopedia. "Special Economic Zones." [https://www.investopedia.com/terms/s/sez.asp#:~:text=Key%20Takeaways-,A%20special%20economic%20zone%20\(SEZ\)%20is%20an%20area%20in%20a,foreign%20direct%20investment%20\(FDI\).](https://www.investopedia.com/terms/s/sez.asp#:~:text=Key%20Takeaways-,A%20special%20economic%20zone%20(SEZ)%20is%20an%20area%20in%20a,foreign%20direct%20investment%20(FDI).)

4 Government of Canada. "Foreign Trade Zone."

5 Government of Canada. "Foreign Trade Zone." <https://www.canada.ca/en/department-finance/programs/international-trade-finance-policy/foreign-trade-zone.html#a1>

Example: Citizen Potawatomi Nation's Iron Horse Industrial Park

In 2014, The Citizen Potawatomi Nation requested the addition of a tribal industrial park to a pre-existing FTZ. This request was approved and the outcome was the Iron Horse Industrial Park, located on traditional Indigenous trust land in Oklahoma, USA. This park is close to several highways and railroads, which provides connections to international ports, and, in turn, access to foreign markets.

According to the Citizen Potawatomi Nation, Iron Horse Industrial Park's close proximity to railways enables and lowers the cost of trade, because it is less expensive to transport materials by rail.⁶ Additionally, as the Iron Horse Industrial Park is an FTZ, duty deferral or elimination is offered on certain goods. For example, taxes are only applied when materials leave the FTZ to be sold in the USA.⁷

Iron Horse Industrial Park is an active example of an Indigenous community utilizing a FTZ to their advantage, enhancing their competitiveness as a hub for trade and export and stimulating Indigenous economic development.

Qualified Opportunity Zones (QOZ)

QOZ in the USA are defined by the Internal Revenue Service (IRS) as "economically-distressed communities where new investments, under certain conditions, may be eligible for a preferential tax treatment."⁸ The purpose of QOZs is to act as an economic development tool designed to spur economic development and job creation in distressed communities through tax incentives for those who invest new capital in businesses operating in QOZs.⁹ QOZ are still relatively recent, added into the US tax code in December 2017. However, QOZs have been designated to cover parts of all 50 states, the District of Columbia, and 5 U.S. territories, and as of April 2018, the first set of QOZs covers parts of 18 states. Despite QOZs being having a broader focus (not directly related to trade), QOZ's remain a prime example of a geographically specific area made to incent investment.

⁶ Citizen Potawatomi Nation Blog. "Iron Horse Industrial Park is on the Rails." <https://www.potawatomi.org/blog/2017/01/27/iron-horse-industrial-park-is-on-the-rails/#>

⁷ Citizen Potawatomi Nation Blog. "Economic Development Department Offers Tariff Paperwork Expertise at Iron Horse." <https://www.potawatomi.org/blog/2020/06/15/economic-development-department-offers-tariff-paperwork-expertise-at-iron-horse/>

⁸ IRS. "Opportunity Zones Frequently Asked Questions"

⁹ Internal Revenue Service. "Opportunity Zones." <https://www.irs.gov/credits-deductions/businesses/opportunity-zones#:~:text=Opportunity%20Zones%20are%20an%20economic,providing%20tax%20benefits%20to%20investors.>



Recommendations to Incentivize Economic Investment in the Métis Homeland

Provide Métis Governments with the opportunity to designate areas as a Special Métis Economic Zone

By allowing Métis Governments to designate areas within the Métis Homeland as Special Métis Economic Zones (SMEZ), this would provide a geographically specific area to incent investment. In doing so, Canada's current FTZ regime would be changed to allow for location based international SEZs, QOZs, and FTZs like Citizen Potawatomi Nation's Iron Horse Industrial Park.

This would allow for increased engagement with Métis businesses and would also make these business more competitive in the global market. In order to allow for Métis Governments to designate areas within the Métis Homeland as SMEZ, an amendment to the Income Tax Act is necessary, similar to how the US Tax Code permits the creation of Qualified Opportunity Zones.