
SUMMARY

1. This is the first Trade Policy Review of Seychelles since its accession to the WTO in 2015. Seychelles' real GDP grew at an average annual rate of 2.4% during 2015-21, despite having contracted by 7.7% in 2020 due to the COVID-19 pandemic, which significantly disrupted all economic activities, notably tourism. Seychelles has the highest GDP per capita in Africa, making it the only country in the region classified by the World Bank as high-income. The economy is highly dependent on tourism and fisheries, and particularly vulnerable to the risks posed by climate change. To deal with these challenges, Seychelles launched the National Climate Change Policy in 2020, and is refocusing its development strategy around a sustainable blue economy.

2. As a small island state with limited scope for economic diversification, Seychelles relies heavily on the rest of the world and is extremely vulnerable to external shocks. Not only does it depend heavily on tourism, but it imports over 90% of its total primary and secondary production inputs. International trade, therefore, plays an important role in Seychelles' economy, with merchandise trade (exports and imports), representing 109.6% of GDP in 2018-20. The small size of the economy, the remote access to international markets and suppliers, and limited participation in global value chains also reduce the ability of local firms to exploit economies of scale and to export. The global spread of the pandemic and the resulting containment measures took a toll on Seychelles' trade, but it has proven resilient despite the fact that it is relatively concentrated both in terms of products and markets. In 2021, almost two thirds of total merchandise exports were shipped to the EU-27, which was also the source of about one third of Seychelles' total merchandise imports.

3. During the pandemic, fiscal and monetary policy measures were introduced to support the economy, ensure food and nutrition security, and mitigate the financial impact on private businesses. Annual inflation averaged 2.1% during 2015-20 but jumped to 9.8% in 2021 because of the disruptive effects of the pandemic that increased international commodity prices, and the lagged impact of a weaker Seychelles rupee. According to the IMF classification, Seychelles maintains a floating exchange rate, and as such it is determined by demand and supply in the market. Foreign exchange interventions are done only to limit disorderly market conditions and to build external buffers. With the exception of 2020, during the review period Seychelles achieved primary surpluses through a prudent expenditure policy and gradually widening the tax base. Traditionally, Seychelles has current account deficits reflecting a long-standing structural savings-investment imbalance, which is financed by overseas borrowing.

4. Seychelles' trade policy is articulated towards building a diversified, more resilient, and open economy that is fully integrated globally. Such commitment is reflected in the steady progress made in the implementation of its WTO membership obligations since its accession in 2015, as well as in its active participation in regional trade initiatives and the newly adopted national policy strategy - Vision 2033.

5. Seychelles participates actively in the WTO, having submitted 82 notifications since its accession. As of July 2022, some notifications were outstanding in some areas (e.g. agriculture, trade facilitation, and regional trade agreements (RTAs)). Seychelles has not been involved in any WTO dispute as a complainant, a respondent, or a third party.

6. Seychelles grants at least MFN treatment to all of its trading partners. It has four RTAs in operation, including one with the European Union that has been in force since 2012. During the review period, Seychelles concluded and implemented the Economic Partnership Agreement with the United Kingdom and was actively engaged in various trade negotiations with other African economies, notably on the SADC Free Trade Area, the COMESA Free Trade Area, as well as the African Continental Free Trade Area (AfCFTA) and Tripartite Free Trade Area (TFTA). In 2015, Seychelles signed and ratified the Protocol on Trade under the SADC, thus joining the SADC Free Trade Area in place since 2000. It also signed and ratified the SADC Protocol on Trade in Services in 2015 and 2016, respectively. This Protocol entered into force in January 2022.

7. During the review period, Seychelles took various steps towards enhancing its foreign investment regime. Instead of a negative list, activities open to foreign investment are now identified using a positive listing approach. FDI is generally permitted without restrictions, except for certain activities, which are either reserved for Seychellois or subject to foreign equity limits or a needs

assessment. These activities involve mainly tourism and transportation services, as well as certain business and recreational services.

8. Seychelles ratified the WTO Agreement on Trade Facilitation (TFA) in January 2016 and has notified to the WTO its commitments in Categories A, B, and C, along with the definitive dates for their implementation (Categories B and C). Some notifications mainly related to transparency are pending. As of June 2022, it had implemented about 88% of these commitments, with full implementation expected by December 2025. Seychelles does not have a single window or authorized operators programme but has committed to implement them under the TFA (Category C) by December 2023 upon receipt of capacity-building support. Seychelles uses the transaction value as its primary method to determine the value of imported goods.

9. Seychelles' MFN average applied tariff is 2.7% (down from 3.8% in 2015), one of the lowest among WTO Members. The MFN tariff rate reduction during the review period was mainly due to the conversion to the HS17 nomenclature and the decrease of some tariff rates, notably for clothing and other textiles articles, vehicles, and certain agricultural products. The applied MFN average tariff for both agricultural and non-agricultural goods (WTO definition) also declined during 2015-22, from 8.6% to 7.4% for agricultural products and from 2.9% to 1.8% for non-agricultural goods (including AVEs). Seychelles bound all of its tariff lines using only *ad valorem* duties. The average bound rate is 9.9%; there are 29 tariff lines where applied rates are higher than bound rates.

10. In addition to tariffs, imports are subject to fees for customs operations, a VAT of 15%, and where applicable an excise tax. Both the VAT and excise tax apply equally to imported and locally produced goods. Imports of selected products are also subject to a sugar tax since 2019, and to different types of environmental levies, some of which were also introduced during the review period.

11. Seychelles maintains import prohibitions and an import permit system for certain goods mostly based on national security, health, and environmental considerations. The product coverage of these measures is broadly the same as the one in place at the time of Seychelles' accession to the WTO, with some exceptions. As of July 2022, the list of import prohibitions comprised 13 product categories, including toxic chemicals, counterfeit currencies, and arms, while the requirement of an import permit applied to nearly 50 product categories, covering for example plastic items, fertilizers, and alcoholic beverages, as well as agricultural, tobacco, and pharmaceutical products.

12. Seychelles does not yet have any legal and institutional frameworks for the application of anti-dumping, countervailing, and safeguard measures. According to the authorities, the preparation of Seychelles' first legislation in these areas is ongoing.

13. Seychelles does not apply any export duties, charges, or levies. A permit is required to export certain products. The list of products subject to an export permit is based mainly on health and environmental considerations. It has not changed since it was established in 2014, and includes chemical products, live plants and animals, fish and fishery products, and motor vehicles. Seychelles also requires a permit to export the Coco-de-Mer nut – one of its distinctive and native products. This permit is reserved for domestic exporters.

14. Seychelles does not maintain any support programme for exports and promotes them mainly through its free-zone regime known as International Trade Zones. It has further notified to the WTO that it did not provide any export subsidies for agricultural products during the period 2015-21.

15. Seychelles applies various types of incentives schemes (mostly fiscal concessions, credits at subsidized interest rates, grants, and targeted subsidies) to promote business activities in general but also in specific sectors, notably agriculture and fisheries. Some incentives were introduced as a result of the pandemic to support micro, small, and medium-sized enterprises (MSMEs), as well as large enterprises.

16. Seychelles' SPS and TBT regimes have not been subject to significant changes since 2014, except for the introduction of labelling requirements for food products in 2019, and some institutional changes in the area of SPS. SPS measures are mainly governed by the Animal and Plant Biosecurity Act, 2014; the Food Act, 2014; and their regulations. Seychelles also has specific sanitary legislation for the exportation of fish products. The Agriculture Department under the Ministry of Agriculture, Climate Change and Environment is the regulatory authority for both animal and plant health since

2021. In the area of TBT, Seychelles' standardization and conformance system is mainly governed by the Seychelles Bureau of Standards Act, 2014. The adoption of the Act's regulations is still pending. According to the authorities, Seychelles had 358 standards in 2021, of which 84% were equivalent to international standards. Currently, the Seychelles Bureau of Standards, Seychelles' national standardization body, administers four technical regulations. Since its WTO accession, Seychelles neither raised nor was the object of any SPS/TBT specific trade concerns.

17. In June 2022, Seychelles amended the legal and institutional framework of its competition policy through the adoption of the Fair Trading Act 2022. It applies to all enterprises operating in Seychelles in any sector of activity, including branches, subsidiaries, or affiliates when dealing with competition issues, and to any goods and services for sale in the country in the case of consumer protection, with few exceptions (e.g. financial services). Seychelles does not apply price controls.

18. According to the Government, Seychelles' public enterprises operate in general on a commercial basis and play an important role notably in the energy, retail, and banking sectors. The State has an exclusive right in the provision of public transportation (in peak hours), airport, postal, and utilities services. The development of islands owned by the Government is also reserved for public enterprises. Seychelles has notified to the WTO that it does not maintain any state trading enterprises within the meaning of Article XVII of the GATT 1994 and the Understanding on its interpretation.

19. Seychelles' government procurement system is partially centralized and was not subject to any significant change during the review period. The authorities identified various challenges including the use of non-competitive procurement methods to fast-track projects, differences in the tenders' evaluation criteria across procuring entities, and enforcement of debarment for non-performing bidders. They further indicate that there is no preference scheme in place and that a review of the regulations is currently ongoing to improve efficiency and transparency. Seychelles is an observer in the Committee on Government Procurement but has not yet applied for accession to the Agreement on Government Procurement as provided for in its WTO accession commitments.

20. During the review period, Seychelles introduced some institutional changes to improve efficiency and facilitate intellectual property (IP) rights registration. Seychelles' IP regime is governed by the Industrial Property Act, 2014; the Copyright Act, 2014; and their regulations, which cover and protect IP rights in accordance with the TRIPS Agreement. According to the authorities, IP legislation is going through a review process, which shall result in the adoption of a new law. In 2016, Seychelles accepted the Protocol Amending the TRIPS Agreement.

21. The agriculture sector (including fisheries and forestry) accounts for more than 20% of GDP and virtually all of Seychelles' merchandise exports. Seychelles has limited agricultural land because of its granitic surface and because protected forests cover much of its total land. Primarily consisting of small farms, agriculture is largely commercially based. The sector is characterized by subsistence production. Seychelles is a net food importer, with about 80% of food imported, including the main staples. Some of the key objectives of Seychelles' agricultural policies include enhancing food and nutrition security, improving traditional farming methods, and facilitating the involvement of the private sector. According to Seychelles' notifications to the WTO, most support measures in the sector have been under the "Green Box", and the majority were for research, pest and disease control, training services, infrastructural services, and payments for relief from natural disasters.

22. Fisheries is the second most important activity of Seychelles' economy, closely behind tourism. Fishing mainly consists of artisanal demersal fisheries, artisanal pelagic, industrial, and seafood processing. Production and trade are dominated by canned tuna, fish oil, smoked fish, and fishmeal. The fisheries industry receives extensive support from the Government aiming to, *inter alia*, boost the development and competitiveness of the industry. Seychelles is implementing its Blue Economy Strategic Framework and Roadmap 2018-2030 with the aim of making maximum use of its 1,358 million km² of ocean in the most sustainable manner possible. In October 2018, Seychelles issued the world's first sovereign blue bond to attract private investment and finance a transition to sustainable fisheries.

23. Electricity, gas, and water production contributed 3.2% to GDP during 2015-20. Almost all of Seychelles' primary energy requirements (petroleum products) are imported. Under its Energy Policy 2010-2030, Seychelles plans to, *inter alia*, reduce energy dependency through both public and

private participation and ownership, increase energy efficiency, and promote renewable energy sources (wind and solar), which currently account for 5% of total electricity demand. This could also contribute to enlarged security of supply, as well as meeting projected international commitments under the Paris Agreement for 100% renewable energy use by 2050.

24. The manufacturing sector comprises mostly MSMEs. In 2015-20, manufacture of fishery products represented 4.2% of economic activity, and other manufacture contributed an additional 3% to GDP. Seychelles-manufactured products are generally not competitive mainly because most inputs are imported, inhibiting manufacturers from achieving competitive prices, and because of high production costs. The only manufacturing subsector where Seychelles currently has a comparative advantage is processed or preserved fish and fish products. Seychelles is a signatory to the ITA, which includes some manufacturing industries. The average applied MFN tariff on manufactured goods (ISIC 3 definition) is 2.3%, with tariffs ranging from zero to 200% on certain tobacco products and retreaded tyres.

25. The services sector, led by real estate and accommodation and food service activities, accounts for almost 80% of Seychelles' GDP and about two thirds of total employment. Seychelles is a net foreign exchange earner, mostly from tourism. Seychelles made horizontal and specific GATS commitments in all 11 services subsectors.

26. Financial and insurance activities contributed 6.5% of GDP over 2015-20. The Central Bank of Seychelles and the Financial Services Authority are jointly in charge of ensuring the soundness and stability of the financial system. According to the authorities, Seychelles is committed to moving towards a digital economy that encompasses the need to tie in technology with financial services through certain initiatives (notably fintech and digitalizing the payment system) to allow for greater efficiency and financial inclusion, and to enhance consumer protection. There are eight commercial banks licensed, two are majority-owned by the Government, and the rest are majority foreign-owned. The insurance sector remains small. The pandemic and the ensuing defaults and delayed loan repayments have impacted banks' profitability. Nevertheless, according to the IMF, Seychelles' banking subsector is healthy and continues to be well capitalized.

27. The telecommunications services sector represented 4.2% of GDP during 2015-20. Seychelles is a net exporter of ICT services. The sector contributed to moderate the socio-economic effects of the pandemic by facilitating work-from-home and educational arrangements. However, it also accentuated the need to address local digital inequalities. During the review period, no changes were made regarding policy, legislation, or institutional arrangements in the sector. The Broadcasting and Telecommunications Act, 2000 still provides the key regulatory framework. In 2022, a policy decision was taken for the establishment of an independent telecom regulator. There are four telecom service providers, all private companies. According to the International Telecommunication Union, Seychelles is only one of two African countries in which fixed broadband prices met the affordability threshold. It also ranks first in Africa for fixed broadband prices. Nonetheless, mobile broadband prices are still high.

28. Transportation and storage contributed 7.1% to GDP during 2015-20. Seychelles became a net importer of transport services during the review period. Maritime transport is of vital importance to Seychelles, as the country is composed of 115 scattered islands. Indeed, the bulk of Seychelles' trade is handled by sea transport. Cabotage by foreign companies is not allowed. Air transport market access policy consists of gradual liberalization through bilateral air service agreements. Transshipment has become a sizeable business, thanks to the existence of freeport zones, both near the port and at the airport where warehousing, merchandizing space, and other infrastructural services are available, for re-export mainly to other African countries. The National Development Strategy 2019-2023 places great emphasis on infrastructure to facilitate the socio-economic transformation and support Seychelles' transportation systems.

29. The tourism sector is the mainstay of the economy and a major foreign exchange earner. In 2019, the travel and tourism industry represented 27.2% of GDP and employed some 27% of the population. Before the pandemic, the sector was one of Seychelles' fastest-growing activities, supported by high and rising FDI inflows into the industry. Tourism has a strong impact on the rest of the economy, as Seychelles maintains a strong domestic supply chain involving the use and promotion of local products. Also, tourism services rely on environmental policy to market Seychelles as a zero-carbon footprint destination. Seychelles has been applying a moratorium since 2015 on the construction of large hotels (i.e. 25 rooms or more). FDI in tourism activities is subject to certain

conditions; foreign equity in accommodations (e.g. hotels, guest houses, self-catering establishments, and motels) of 16 to 24 rooms is limited to 80%. Additionally, foreign investment in other tourism activities, such as catering services, tourist guides, and travel agents, is not allowed.