

Seychelles: Enticing investors

Gearing up to become a clean offshore financial center, the low-tax idyll invites Japanese investors to play an integral part in its impressive transformation.

As financiers from across the globe gather in Tokyo this month for the annual meetings of the International Monetary Fund (IMF) and the World Bank Group, one country will be watching with more than just a passing interest.

Having averted a financial crisis in 2008 thanks to stringent IMF-supported reforms, the Seychelles is now in rude health and making great progress in creating a sustainable economy.

The unspoiled archipelago that sits strategically at the point where Asia meets Africa boasted a growth rate of 6 percent last year — proof, if any were needed, that the Seychelles is now a stable place to invest.

On the horizon is the island-nation's reinvention as a world-class, offshore financial center — a third pillar that will buoy the already successful tourism and fisheries sectors.

Minister of Finance, Trade and Investment Pierre F. Laporte is one of the main architects of this macroeconomic success. The former governor of the Central Bank, he helped formulate and implement the reforms to get the country back on track, while continuing to facilitate a welcoming environment for business.

Speaking to *Global Insight* this summer, he said: "The reform

program helped us address some of the critical issues we faced. In the past, we had tried various reforms without addressing the key challenges.

"We had the overvalued exchange rate, and we had to address fiscal and debt issues. We also needed to make sure that despite macro-stabilization, we were careful not to forget those who needed to be looked after, so we created an innovative social welfare agency to protect the poor. After getting rid of univer-

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Pierre F. Laporte
Minister of Finance, Trade and Investment

sal subsidies for fuel and such, the agency helped us provided help to the people who really needed it.

"The process was communicated in a comprehensive way, there were regular press interviews to brief people on where we were going, and the president himself went around to every district to really sell the program.

"A lot of progress has been made, but there is still some way

to go. There is a residual culture of dependency and people can no longer just expect to get assistance if they are poor: They have to make the effort.

"Change is also needed at a political level. Today we face the issue of a lack of skills. If we are to become a serious offshore financial center, as we plan to, we need more skills. Do we stay closed, or do we allow foreigners to come in and develop certain areas of our economy? I believe the latter, but this is where others need more

convincing."

A vast new submarine cable connection to Tanzania will deliver high-speed direct access to a fiber-optic backbone for the first time, allowing affordable Internet links, and new broadband connections will be in operation imminently, proving a boon to businesses.

Banks will be also able to perform their tasks much more quickly, the finance minister

explains, while reiterating that it will be a low-tax jurisdiction, not a tax haven.

"We have signed many tax information exchange agreements and intend to sign more. We are open to any country that wants to cooperate with us. Our license fees are quite low and we have the necessary onshore and offshore legislation in place. We can allow companies access to the Indian and African continents with more concessions and tax benefits than they have in those countries.

"We want to do things within the legal framework and have been cleared by the OECD on tax and transparency issues."

Regionally competitive

The Seychelles' legal framework does give it a further distinct advantage, as Minister Laporte is proud to point out.

"The Seychelles now has one of the fastest-growing company registration jurisdictions. We have some innovative products that have attracted a lot of interest and have an excellent location both physically and in terms of our time zones.

"We are two to three hours ahead of Europe, and four hours behind Singapore, so we do have a good position to link up to where Japan or Singapore are

closing and Europe is opening, which we can make good use of.

"The IMF and World Bank have been very good to the Seychelles and we learned a lot from their expertise. We know how much these reforms have helped us; without the sound policies we had to implement, we would not have got through the crisis the way we did.

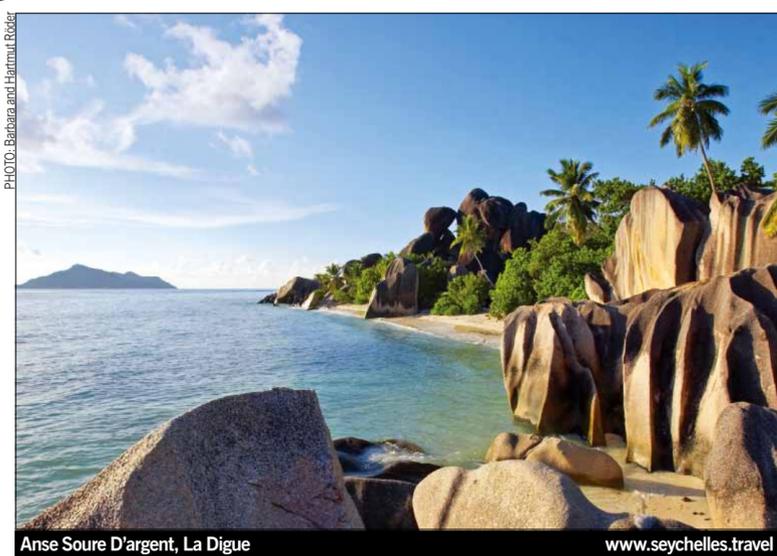
"We believe in these policies, not because they are promoted by the IMF and the World Bank, but because they are policies that have proven themselves throughout history as being the most suitable."

For the Development Bank of Seychelles (DBS), the key premise now is to attract strategic partners or a new line of credit that will allow it to continue to increase productivity within a number of sectors.

As Roger Toussaint, managing director of the DBS, notes: "There is still a lot of scope for expansion in the fisheries sector, especially given our large exclusive economic zone.

"There are also opportunities in the agricultural sector, which has suffered with the cheaper importation of goods in the market.

"Farmers, especially those in livestock production, are struggling and I believe that if there were more money put into equipment to increase efficiency, this would encourage new growth as we'd be able to produce more



Anse Source D'argent, La Digue

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Roger Toussaint,
managing director,
Development Bank
of Seychelles

competitively priced goods.

"There are also many possibilities in renewable energies, particular solar energy, and in tourism, where there is a demand for luxury apartments.

"The way we do business enables us to be more flexible in our lending conditions and pursue more long-term investments. There will always be a market for this kind of institution compared to the commercial bank.

"I would therefore encourage any investor to come to the Seychelles. As a country, we are developing very rapidly and the

opportunities are vast."

DBS is currently the only financial institution offering long-term lending facilities at reasonable rates in most areas of the economy.

Although it initially supported undertakings in the agricultural, fisheries, industrial and tourism sectors, the 25-year-old state-owned bank has recently added light manufacturing and service delivery enterprises to its portfolio. It is currently in the process of revolutionizing the bank and modernizing its procedures to take advantage of further opportunities within the Seychelles.

Natural islands offer win-win partnerships

In a bid to strengthen the ties that bind, the minister of natural resources and industry welcomes Japan back to the Seychelles' fishing waters.

Minister of Natural Resources and Industry Peter A. G. Sinon, will be watching the IMF and World Bank conference with interest, having followed their progress since his university days when he majored in international development at a British university.

"Those days were wrought with structural adjustments in Africa and they were heavily criticized for their heavy-handedness with reforms," the former executive director of the African Development Bank recalls.

"I believe, however, that they learned quickly from the past. In 2008, when the Seychelles had to undertake structural adjustments, I can very satisfactorily state that our partnership with

the IMF was carried out with a human face. We managed to go through the equivalent of the current global crisis without anybody having to burn a tire on the streets.

"We must also not forget our own technicians who engaged in a very difficult but fruitful dialogue with the institutions. The IMF was always willing to sit down and listen to what we had to say. We have been on a journey with them that continues today and we thank them for listening to us as we listened to them."

Sinon believes the issue of adding value by more food and fish processing plants will be pivotal in the country's ongoing development.

The clear blue Indian Ocean is

teeming with abundant supplies of tuna and the country already boasts the largest tuna-canning factory in the region.

He is keen to point out that the piracy issue, which blighted the islands in recent years, is now under control, thanks to international anti-piracy assistance, surveillance boats carrying armed guards to protect local fishermen and security personnel aboard the fishing vessels.

"It has been almost a year since one of our own ships was attacked and the boats that had stopped fishing in our waters when piracy was at its peak are now coming back. We are once again doing a lot of bunkering for them," Sinon said at a press conference in July.

More recently, he told *Global Insight* that he would welcome the Japanese fishing boats back. "Considering we have the richest fishing grounds in the Indian Ocean, it would be a pleasure to see them back," he says.

"The Seychelles has the largest tuna canning factory in the region, which is a good business venture, but a better venture would be to join with us and show us how we can increase the value of our blue gold to satisfy the Japanese sushi market. Sushi has become an international

dish, but the Japanese are still the best at it. There are fantastic opportunities here to invest and show us how to add value in the processing of our fish.

"It is normal for me to buy my fish on the side of the road at 4 p.m., just as the fishermen return from sea. We don't appreciate the value of this! The Japanese have an affinity with fish and that binds us. We are two nations that eat fish as our main source of protein. We are developing a strong sustainable fishing business because it is a resource that we need to protect and nurture.

"Fish is the second pillar of our economy in terms of the foreign exchange it brings. I believe one day it may even take over tourism."

New port will add value

In July, the Seychelles Fishing Authority and the Seychelles Port Authority on behalf of the government of Seychelles signed a contract with Vijay Construction (Pty) Ltd. for the construction of an industrial tuna-fishing quay on 30 hectares of land on Ile du Port. It will carry plots of land for businesses and services related to the fisheries sector, and be instrumental in the development of the sector.

"Join with us and show us how we can increase the value of our blue gold for the Japanese market."

Peter A. G. Sinon,
Minister of Natural Resources
and Industry

The minister also advocates more investment in agriculture, which currently represents only 2 to 3 percent of the GDP (gross domestic product).

"I think we have underplayed the organic nature and the freshness of our produce and need to market this more," he says. "We have not appreciated the number of markets that have opened here recently in the form of five-star hotels and our farmers have not been cognizant of the opportunities this has presented.

"Constraints, such as the sizing and ISO standards dictate that our farmers cannot break into those markets yet so those hotels are importing this produce, which adds a considerable cost.

"Denis Island, here in Seychelles, has combined a hotel with a farm. It is sustainable and the hotel is 70 percent self-sufficient. That is the direction I want to move in. It is this that I want to see ingrained in the minds of our young — they have to take this on board."

Finally, to tourism, the largest

sector in the Seychelles, and the sector that put this breathtakingly stunning country on the map. Tourism figures are up this year, by an impressive 7 percent so far, and emerging markets, such as China, are beginning to make an impact. Upmarket, yet accessible by major airlines, the country is now being positioned as a meetings, incentives, conferences and exhibition (MICE) destination by tourism officials.

Elsia Grandcourt of the Seychelles Tourism Board takes up the story.

"Having successfully hosted the Routes Africa Conference this summer, we have the facilities in place to become not only a honeymoon destination, but a premier conference and events location," she says.

"Seychelles, has a very special offering, which is nature and the eastern market will be very attracted to our activities, such as fishing, walks and trails, diving,

sailing and fishing.

"There are now many options for visitors to combine their business or pleasure trips with a shopping excursion in Dubai, or a safari in Africa, and we actively encourage that.

"Conservation is something we take very seriously and 50 percent of our land mass is under protection, including two UNESCO World Heritage sites. We are not polluted, we are safe, we have had political stability for a long time, we not in a natural disaster area and there are no visa requirements. On top of this, there are no vaccinations needed.

"The Seychelles is, without doubt, a year-round destination. Our quality facilities and personalized service do not mean people are priced out of the market. More and more people are looking for a place like the Seychelles. Celebrities like to come here because it's the one time in their lives they can be themselves."

This report was produced by Global Insight and can also be read online at: www.japantimes.co.jp/international-reports

Broaden your horizons

We're looking for a legitimate and reputable strategic partner to join us in our new venture.

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RELIABILITY AND TRANSPARENCY

With the huge potential for the financial services sector in Seychelles it is of the utmost importance that we ensure we have the right investment and legal framework in place.

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SUSTAINABLE RESPONSIBLE FISHING

As home to some of the world's most abundant supplies of tuna and other succulent fruits of the sea, a promising future beckons the Seychelles. At the heart of this potential, the Seychelles Fishing Authority is dedicated to developing the nation's fisheries sector responsibly, while preserving its riches for generations to come.

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