

Cyprus



Business Support on Your Doorstep

Enterprise Europe Network London Country Profile May 2006

CYPRUS

Information contained in this country profile applies to the Republic of Cyprus and does not include the Turkish Cypriot administrative area.



Country's full name: Republic of Cyprus.
Capital City: Nicosia (population: 219,200).
Population: 837,300 of which 77.8% are Greek Cypriot, 10.5% Turkish Cypriot, 11.7 other.

Official Languages: Greek and Turkish. However, English is widely spoken.

Currency: Cyprus Pound (C£), divided into 100 cents.

Religion: Greek Cypriots are Greek Orthodox Christians and Turkish Cypriots are Muslim.

Area: 9,251 sq km (3,572 square miles) of

which 3,355 sq km are in the Turkish Cypriot administrative area.

Terrain: An island in the eastern Mediterranean Sea. The centre is a plain, with mountains in the north and south.

Climate: Mediterranean climate. Mild winters and hot, dry summers. Annual rainfall of 19.6 inches falls mainly in winter.

Administrative divisions: Cyprus is divided into administrative districts: Paphos, Limassol, Famagusta, Larnaca and Nicosia. The last three have sections within the Turkish Cypriot administrative area and the district of Kyrenia lies entirely within it.

Weights & Measures: Metric.

Time Zone: GMT plus two hours. From March to October a daylight saving scheme is in operation which is three hours ahead of GMT.

International dialling code: 00 357.

RECENT HISTORY

On 16 June 1960 Cyprus became an independent sovereign country as the Republic of Cyprus, after being a crown colony within the former British Empire. The new constitution was a complex power sharing system, precluding partition of the island or union with Greece or Turkey. Together with Greece and Turkey, the UK was designated guarantor power bound to maintain the independence, territorial integrity and security of the Republic with the right of intervention to restore the Constitution. The early sixties were marked with disagreements between the Greek and Turkish Cypriots over constitutional issues, which led to inter-communal fighting and in 1963 the Turkish Cypriots withdrew from the government.

In 1964, following hostilities on the island, the United Nations sent in a peacekeeping force. In 1974 a Greek inspired coup prompted an invasion by Turkey of the northern third of the island and in 1983 the Turkish held area declared itself the Turkish Republic of Northern Cyprus, which is recognised only by Turkey. Since 1975 various peace talks have taken place, under supervision of the UN, to come to a solution of the conflict. In 1972 Cyprus and the EU signed an association agreement, realising a customs union in two stages. On 4 July 1990 Cyprus officially applied for EU membership, in March 1995 the EU decided that the country was suitable for accession and in March 1998 accession negotiations started. The EU has been deeply involved in trying to solve the Cyprus issue, seeking a solution that respects the sovereignty, independence and territorial integrity of the country. However, as UN-brokered peace talks broke down in March 2003, only the internationally-recognised Greek part of the divided island signed the EU Accession Treaty in April 2003. In March 2004, the UN Secretary General Kofi Annan proposed a new plan to reunify the island and a referendum on this plan was held on 24 April 2004 in both the Greek Cypriot community and the Turkish Cypriot community. The Turkish side voted in favour of the plan by 64.9% but the Greek side rejected it by 75.8%. As a result, only the Greek part of Cyprus joined the EU on 1 May 2004.

GOVERNMENT

Cyprus is an independent republic with a presidential system of government and a multi-party system of democracy based on proportional representation. There is a strict separation of powers between the executive and legislature. The President, who is both chief of state and head of government, is directly elected for a period of five years and appoints a Council of Ministers which has executive powers. Tassos Papadoulous has been President since 2003. Legislative power lies with the House of Representatives elected by universal suffrage and serves for five-year terms. The Constitution of 1960 provides for power sharing between the two communities. The executive consisted of a Greek Cypriot President and a Turkish Cypriot Vice-President, each with the power to veto cabinet decisions and legislature. At other levels such as the Cabinet and the House of Representatives, Judiciary, Civil Service, police, etc. power was shared at a ration of 70 to 30. Within the army the ration was 6 to 4. In 1963 the Turkish Cypriots withdrew from the government but the fundamentals of the 1960 Constitution are still valid in the Republic of Cyprus.

ECONOMIC OVERVIEW

Cyprus is strategically placed at the eastern end of the Mediterranean at the crossroads of Europe, Africa and Asia and close to trade routes linking Europe, the Middle East, Russia, Central Asia and the Far East.

Since the Turkish invasion in 1974, the Greek part of Cyprus has undergone structural changes. It has been transformed from an economy relying on the primary sectors of agriculture and mining into an economy in which the manufacturing and services sectors have become more important. The Cypriot economy has performed successfully since then, and a modern, open, free market economy has been established.

Currently tourism is the main engine of growth. The tourism sector has been prosperous during the past decades, but is, however, susceptible to external pressures, such as downward economic swings in Western Europe. The government therefore aims for diversification of the services sector and reinforcement of industrial development. Besides the services sector, light manufacturing, shipping and construction are also expanding. GDP per capita in Cyprus is high compared to the other countries that joined the EU in 2004 and the unemployment level is low. The UK is Cyprus' main trading partner. Other important Cypriot export markets are Greece, Syria, Russia and the UAE. Cyprus is a member of the WTO.

Cyprus joined the Exchange Rate Mechanism II (ERM II) on 29 April 2005 and is expecting to join the eurozone as early as 2007. Over the last five years, the average annual growth has been 3.4% and inflation has stood at an average of 3.1% over the same period.

ECONOMIC INDICATORS	
Population (2005)	837,300
Unemployment rate (2005)	5.3%
GDP per head (euro) (2005)	18,700
GDP growth (2005)	3.8%
Inflation rate (2005)	2%
Total exports (billion euro) (2005)	1.2
Total imports (billion euro) (2005)	5.1
Internet usage rate	32%of the population

Sources: Eurostat, World Bank

INFRASTRUCTURE/ ENVIRONMENT

Roads

There are 14,110 km of roads of which 7,403 km are hard surfaced.

Railways

There are no railways in Cyprus.

Shipping

Cyprus has a renovated port system with Limassol and Larnaca as its principal ports. Cyprus is one of the leading transit centres in the Mediterranean and due to its strategic location and favourable government policies, it is an attractive base for shipping companies. It is the centre for shipping lines delivering and receiving cargo from ports in the European Union and the Middle East.

Civil Aviation

Larnaca and Paphos are the main international airports. The national carrier is Cyprus Airways which is 70% state-owned.

Energy

Energy in Cyprus is derived from imported petroleum. The government is however encouraging the development of new energy sources, e.g. solar and wind energy and hydroelectric power.

Telecommunications

Telecommunications are excellent in Cyprus. Cyprus has invested heavily in this sector and has a modern national network, including extensive fibre optic cable and satellite systems. Besides conventional services (such as fixed telephony and telefax), a number of additional services such as mobile telephony, internet-access and video conferencing are available. In 2004, 481,400 main telephone lines were in use and there were 640,500 mobile phone subscribers. Cyprus is working on the liberalisation of the telecommunications sector but further effort is needed to fully open up the market.

Environment

Cyprus has to cope with water resource problems and drought as the island is totally dependent on rainfall. Rainfall is very unevenly distributed and varies annually. Increase in population, industrial growth and tourism have added to the demand for water. The government has taken steps to protect the scarce water resources. Large projects have been mounted to increase water storage capacity, and irrigation projects and water treatment plants have been constructed, including desalination plants.

Besides water shortages, Cyprus has to cope with environmental damage due to rapid tourist and other economic development. At present tourism development is not allowed in the Akamas national park at the south-west end of the island.

MAJOR SECTORS OF THE ECONOMY

Agriculture

The agricultural sector of the Cypriot economy accounted for 3.6% of GDP and employed 6.8% of the workforce in 2004 and is a major export earner. Citrus fruits and potatoes are the two most important agricultural exports but cereals, table grapes, olives, and other fruits and vegetables are also produced. The industry has sought to increase its export competitiveness by use of sea freight and refrigerated containers and more marketing through producer organisations. Water shortage/drought, low level of mechanisation and limited available land for expansion are the industry's chief difficulties and the Cypriot government has introduced measures to improve and assist the agricultural sector.

Grapes are grown for Cypriot wine production, especially in the areas of Paphos and Limassol. Livestock reared are cattle, sheep, goats, pigs and poultry. The domestic market on the whole absorbs Cyprus' production of meat, milk, cheese and eggs. Some commercial ostrich farms have been established in recent years.

Fishing & Forestry

Fish production in Cyprus amount to 4,000 tonnes. Fishing is both inshore and trawling. Some marine aquaculture has been introduced in recent years promoted by the government.

The forests of Cyprus are situated on the two mountain ranges of Troodos and Pentadaktylos and most are state owned. Churches, monasteries or individuals own the private forests. Cyprus is a small producer of forest products and relies mainly on imports. Production is based on softwood species.

Manufacturing

The manufacturing sector has been going through difficult times recently, having to cope with a fall in the growth of production, exports and employment. This has been due to an erosion of competitiveness, both abroad and in the local market, at a time of intense international competition. However, it continues to be an important sector to the economy, accounting for 9.4% of GDP and 10.2% of employment. It is the Cypriot government's policy to strengthen the manufacturing sector by:

- Attracting and developing new high-tech industries.
- Restructuring of, and assistance to, traditional industries.
- Improving productivity.
- Attract capital-intensive foreign investment.

The most important sectors are:

- Food and beverages, including processed foods, Halloumi cheese, cooking oils, fruit and vegetable juices and wine.
- Clothing and textiles is still an important industry but the sector has been hit hard by competition from countries with cheap labour. Manufacturing of footwear has declined dramatically for the same reason and there is almost no local production at the moment. There is however production of other leather goods.
- Metal products, machinery and equipment.
- Chemicals/pharmaceuticals.
- Building products, cement.
- Plastic products.
- Paper and paper products.
- Printing and publishing.

Mining & Quarrying

Mining used to be one of Cyprus' main economic sectors but since the loss of one of the main mining areas after the Turkish invasion in 1974 combined with a reduction in the demand for minerals, the mining sector has been in decline. However, with the establishment of a new copper mine in 1996, copper is now exported.

The expansion of the construction industry has also led to a boom in the quarrying of construction materials. There are approximately 250 quarries extracting a variety of materials. Sand and gravel aggregates, limestone, gypsum, building stone and clay are produced for local use and bentonite, marble, gypsum, ochre and umber for export.

Construction

In the years following 1974, construction became increasingly important as various projects were initiated to replace the resources lost to the occupied North. Currently the construction sector is growing due to the increased demand for commercial buildings and tourist accommodation, as well as infrastructure projects for the broader public sector.

Retailing

There has been much growth and development of the retail sector during the past decade, with the emergence of modern shopping centres, department stores and specialised sophisticated boutiques, many selling Cypriot made clothing, leather clothing, footwear and household furnishings. The many cafes and restaurants also cater to the all-important tourist trade.

Tourism

Beach, sun and sea attract holidaymakers to Cyprus, as do the pine-clad mountains, ancient towns and villages, Byzantine churches with beautiful mosaics and the local food and wines.

Tourism has been the leading growth sector of the economy of Cyprus since the 1980s. It is one of the most dynamic sectors of the Cypriot economy and, besides being an important source of foreign investment, it also has beneficial effects on the domestic economy. Cyprus has a significant number of tourists who are 'repeat visitors'. Tourist inflow was 3.35 million in 2004. In 2004, tourism (hotels and restaurants) contributed 7.7% to GDP and employed 9.7% of the workforce. The UK remains the major source of tourists, followed by Scandinavia, Germany, Greece, Russia and France.

The government has halted tourist development on the southern coast because of the threat of capacity and concern about environmental damage, and there has been a change of emphasis from high mass tourism to a higher quality tourism. This has led to more attention to better quality services for tourists and conference tourism, special interests tourism and winter tourism are encouraged.

Crafts

Cyprus has a rich variety of crafts, which supply and support the tourist industry, including traditional furniture, lace, pottery, hand-carved and painted wooden chests and other items. The Cypriot authorities give encouragement and support to many crafts to ensure their continuation and survival.

Business services

Developed professional services include:

- Business consulting
- Computing and IT
- Design for marketing and advertising
- Business education
- Legal services

BANKING AND FINANCE

Banking

The Cyprus banking system is well developed and banks offer a wide range of products and services.

The Central Bank of Cyprus

80 Kennedy Avenue, 1076 Nicosia or P.O. Box 25529, 1395 Nicosia, Tel: 00357 22 714 100, Fax: 00357 22 378 153, Email: cbcinfo@centralbank.gov.cy.

The Central Bank of Cyprus is responsible for monetary and credit policy, the administration of foreign exchange services and the supervision of the banking system. The banking system consists of 12 domestic commercial banks and 28 subsidiaries or branches of foreign banks. Banking and financial practices are similar to those in the UK.

Website: www.centralbank.gov.cy

The Cyprus Stock Exchange

Kampou St, IMC Strovolos, P.O. Box 25427, Nicosia 1309, Cyprus, Tel: 00357 22 712 300, Fax: 00357 22 570 308, Email: info@cse.com.cy.

The Exchange was transformed in 1996 from an over the counter market to an official stock exchange. In May 1999 the Cyprus Stock Exchange became a fully computerised trading system.

Website: www.cse.com.cy/en/default.asp

Insurance

The development of the insurance sector has been rapid. Insurance companies operating in Cyprus cover all insurance sectors. In 2004 there were 33 companies licensed to transact business in Cyprus.

Insurance Association of Cyprus

23 Zenon Sozos Street, 1st Floor, P.O. Box 22030, 1516 Nicosia, Cyprus. Tel: 00357 22 763 913 or 00357 22 764 907 Fax: 00357 22 374 288 or 00357 22 761 007

Email: info@iac.org.cy

The website of the Insurance Association gives useful information on the insurance market and details of insurance companies in Cyprus.

Website: www.iac.org.cy

OPPORTUNITIES FOR UK EXPORTERS/INVESTORS

Overview

Cyprus is an interesting market for UK investors for various reasons. Its geographic location makes it a convenient centre for companies looking to do business with Eastern Europe, the Middle East,

North Africa and Asia. Cyprus also possesses a well-educated labour force, good infrastructure and a sound legal system and financial services based on UK practices.

UK exports to Cyprus amounted to £346.4 million in 2005.

Top five UK exports to Cyprus in 2005 in £million

1. Road vehicles	61.0
2. Telecommunications, sound recording, reproducing apparatus	37.5
3. Articles of apparel and clothing accessories	27.9
4. Office machines and ADP equipment	14.6
5. Electrical machinery, apparatus and appliances, electrical parts	14.6

Source: UK Trade & Investment

Sectors that offer opportunities for exporters are:

- Food and drink
- Machinery
- Power-generated equipment
- Clothing
- Pharmaceuticals
- Medicines

BUSINESS CULTURE

Business hours

Offices are open from 08.00 to 13.00 and from 14.30 to 17.30 Monday to Friday. Opening hours for government offices are from 07.30 to 14.30 from Monday to Friday except for Thursdays when they are open from 07.30 to 18.00. Banks are open from 07.30 to 14.30 from Tuesday to Friday and from 07.30 to 18.00 on Mondays.

Public holidays

(Dates given are for 2006)

- New Year's Day (1 January)
- Epiphany (6 January)
- Green Monday (6 March)
- Greek National Day (25 March)
- Greek Cypriot National Day (1 April)
- Good Friday, Greek Orthodox (21 April)
- Easter Monday, Greek Orthodox (24 April)
- Labour Day (1 May)
- Pentecost (12 June)
- Assumption (15 August)
- Cyprus Independence Day (1 October)
- Greek National Day (28 October)
- Christmas Day (25 December)
- Second Day of Christmas (26 December)

Business Etiquette

There are no special local characteristics of business etiquette in Cyprus. In Cypriot business there is a tradition of courtesy and hospitality and the same behaviour is expected from foreigners. Business cards are exchanged on the first meeting and punctuality is important. Business dress should be smart for both men and women.

SETTING UP A BUSINESS IN CYPRUS

Cypriot company law is based on UK law and is very similar. The Central Bank of Cyprus has carried out a number of liberalisation measures that have resulted in a favourable and liberal investment

climate in Cyprus. There are no restrictions regarding the maximum percentage of foreign participation allowed, provided that the foreign investors are citizens from EU Member States. Permission must be sought of the Central Bank to set up an offshore company in Cyprus, and bankers and other references are required.

The Central Bank of Cyprus, 1076 Nicosia or P.O. Box 25529, 1395 Nicosia, Tel: 00357 22 714 100, Fax: 00357 22 378 153. Email: cbcinfo@centralbank.gov.cy

The website of the Central Bank of Cyprus contains useful information on setting up in Cyprus, including taxation and incentives.

Website: www.centralbank.gov.cy

Companies must register with the:

Department of Registrar of Companies & Official Receiver

Xenios Block, Makarios & Karpenisiou Corner, 1427 Nicosia, Cyprus. Tel: 00357 22 404 401. Fax: 00357 22 304 887. Email: deptcomp@drcor.mcit.gov.cy or eterion@drcor.mcit.gov.cy

The Department is responsible for the registration, control and good functioning of companies, partnerships, business names, trademarks and patents and administers the properties of insolvent companies and individuals.

Website: www.mcit.gov.cy/drcor

UK Trade and Investment's website also contains relevant information on setting up in Cyprus.

Website: www.uktradeinvest.gov.uk

USEFUL ADDRESSES/ FURTHER SOURCES OF INFORMATION

Enterprise Europe Network London at London Chamber of Commerce and Industry

33 Queen Street, London, EC4R 1AP

T: +44 (0)20 74891992. F:+44 (0)20 72031812 E: europe@londonchamber.co.uk

The Enterprise Europe Network London brings together GLE, London Chamber of Commerce and London Technology Network. We provide practical, hands-on support and information for London's small and medium businesses seeking funding, hoping to expand their business into Europe, or wishing to develop (technology) partnerships with other European businesses.

W: www.een-london.co.uk

London Chamber of Commerce and Industry

33 Queen Street, London EC4R 1AP.

Tel: 020 7248 4444. Fax: 020 7489 0391. Email: lc@londonchamber.co.uk

London Chamber of Commerce's World Trade Team, Information Centre and Enterprise Europe Network can provide information or advice on many topics relating to international trade and overseas markets, including Cyprus. London Chamber of Commerce is a membership organisation but non-members can utilise certain of its services on a charged basis.

Website: www.londonchamber.co.uk

Cyprus Chamber of Commerce and Industry

38, Grivas Digenis Ave. & 3, Deligiorgis Str, Chamber Building, P.O. Box 21455, 1509 Nicosia, Cyprus.

Tel.: 00357 22 889 600. Fax: 00357 22 667 433. E-mail: chamber@ccci.org.cy

The Cyprus Chamber's website contains useful information, including a classified directory showing exporters and importers.

Website: www.ccci.org.cy

UK Trade and Investment

Europe Directorate, Kingsgate House, 66-74 Queen Victoria St., London, SW1E 6SW.

Tel: 020 7215 4950. Fax: 020 7828 8313

E-mail: colin.hosey@uktradeinvest.gov.uk

UK Trade and Investment is a British government body responsible for helping UK companies secure overseas sales and investments. Their website has pages for each country of the world, including Cyprus, which give useful information on the market and on doing business and setting up in Cyprus.

Website: www.uktradeinvest.gov.uk

British High Commission

Alexander Pallis Street, P.O. Box 21978, 1587 Nicosia, Cyprus.

Tel: 00357 22 861 100. Fax: 00357 22 861 125.

Commercial Section Email: bhccom@cylink.com.cy or combhc@cytanet.com.cy

Website: www.britain.org.cy

Cyprus High Commission Commercial Section

31 St George Street, London, W1R 9DF. Tel: 020 7629 6288, Fax: 020 7629 5244.

Ministry of Commerce, Industry and Tourism

6 Andrea Araouzous Street, 1421 Nicosia, Cyprus.

Tel: 00357 22 867 100. Fax: 00357 22 375 120. Email : mintrade@spidernet.com.cy

Promotes exports of Cypriot products and services and increased foreign exchange inflow.

Website: www.mcit.gov.cy/ts

Cyprus Yellow Pages can be accessed on the following websites:

Website: www.cyprusyellowpages.com

Website : www.cytayellowpages.com.cy

Statistical Service of the Republic of Cyprus

Michalakis Karaolis Street, 1444 Nicosia, Cyprus.

Tel: 00357 22 602 129. **Fax:** 00357 22 661 313. Email: enquiries@cystat.mof.gov.cy

This government website contains detailed social, economic and trade statistics:

Website: www.mof.gov.cy/mof/cystat/statistics.nsf/index_en/index_en?OpenDocument

Cyprus Tourism Organisation

Loforos Lemesou 19, P.O. Box 24535, 1390 Nicosia, Cyprus.

Tel: 00357 22 691 100. Fax: 00357 22 331 644. Email: cytour@cto.org.cy

and in London at:

17 Hanover Street, London W1S 1YP.

Tel: 020 7569 8800. Fax: 020 7499 4935. Email: informationcto@btconnect.com

Provides useful information on traveling to Cyprus.

Website: www.visitcyprus.org.cy

The Official Website of the Republic of Cyprus contains useful information on the Cyprus economy and doing business in Cyprus:

Website : www.cyprus.gov.cy



This country profile was produced by the Enterprise Europe Network London team at London Chamber of Commerce. The Enterprise Europe Network London brings together GLE, London Chamber of Commerce and London Technology Network. The Enterprise Europe Network London is funded by the European Commission and the London Development Agency.

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www.een-london.co.uk

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