CYPRUS

A WORLD OF OPPORTUNITY

Modern businesspeople demand the best!

They rely on excellent facilities, fast telecommunications, and reliable infrastructure.

Which is where Cyprus comes in.

An island that has long served as a centre for trade, the Cyprus of today is an international business hub serving three continents – Europe, the Middle East, and Africa.

No wonder then that professionals from all fields of international business are choosing Cyprus as their base.

CYPRUS: THE HEART OF BUSINESS

Thanks to its strategic and valuable location, Cyprus has long served as a major eastern Mediterranean trading post. This has also resulted in a local history shaped and influenced by numerous rulers and cultures.

The end result is what we see today: A modern and thriving democracy which boasts a stable socioeconomic infrastructure, a highly developed telecommunications network, and an economic and business environment conducive to both national and international trade of all kinds.

And with its recent entry into the European Union, Cyprus has taken on a new mantle as the focus for trade between its partners in Europe and its friends in the Middle East. Providing the perfect gateway for businesses to penetrate new markets, Cyprus is a haven for modern business.

FAST FACTS

Name of State: The Republic of Cyprus

EU Member State: Since 01.05.2004

Languages: Greek and Turkish are the official languages. English is widely spoken.

Size: 9251 sq. km (3752 sq. miles), extending 240km (149 miles) from east to west and 100km (62 miles) from north to south. Cyprus is the 3rd largest island in the Mediterranean.

Population (January 2005): 837,300 (77.8% Greek Cypriots, 10.5% Turkish Cypriots, 11.7% foreign residents and workers).

Climate: Mediterranean, with mild, wet winters and hot, dry summers.

Government & Administration: After Cyprus gained its independence from British colonial rule in 1960, it adopted a government modelled on western democracies. Since 1974, Turkey has illegally occupied approximately 37% of the island. However, the Republic of Cyprus is internationally recognized as the sole legitimate state on the island with sovereignty of its entire territory, while its significant political stability makes it a firm favourite for investors in the region.

Infrastructure: 2 international airports (Larnaca & Paphos) and 2 major sea ports (Larnaca & Limassol). A highly-developed telecommunications system is in place providing high levels of regional and global connectivity. A modern road system provides fast and easy travel between major urban centres.

Education & Employment: Full-time education is compulsory for all children from 5 years of age. Literacy rates are very high - with more than 36% of local people between the ages 25-44 possessing tertiary education qualifications.

Time Zone: G.M.T. + 2hrs.

A WORLD OF BUSINESS

To be successful in the modern business world, you need to see the bigger picture.

Realising this, the Cyprus government has long placed considerable importance in building and maintaining excellent relations with neighbouring states and countries further afield.

Being a full Member State of the European Union since 2004, Cyprus has come to play a role of increasing importance serving as a business bridge between the EU and the Middle East.

Cyprus is not only represented through diplomatic missions in over 30 countries, it also maintains close relations with a number of major international organizations. In addition to being an EU Member State, it is also a member of the United Nations, the Council of Europe, the World Trade Organisation, the Commonwealth, the World Bank, the Organisation for Security and Cooperation in Europe, and the International Monetary Fund.

On foreign policy issues, the Cyprus government aligns itself with the European Union position in the context of the EU's Common Foreign and Security Policy.

FROM INDEPENDENCE TO EUROPE: BUILDING THE NEW CYPRUS

Since gaining its independence in 1960, Cyprus has enjoyed considerable economic success. This can be largely attributed to the sound macro-economic policies of successive governments, the adoption of a market-oriented economic system, and a well-educated, dynamic and flexible entrepreneurial workforce. The result is a thriving and stable economy, with high growth rates, low inflation and low unemployment.

In view of the country's membership of the European Union, it is also important to note that the country fulfils the Maastricht criteria and is a net contributor to the EU. The Cyprus pound joined the Exchange Rate Mechanism II on 29th April 2005 and the country expects to join the eurozone by the end of 2007. EU membership also marked the liberalisation of the electricity supply and telecommunications sectors.

Since 1960, Cyprus has successfully transformed itself from an exporter of agricultural products and minerals, to an international business centre and major tourist destination.

The tertiary or services sector is growing rapidly, today accounting for almost three-quarters of all employment on the island and around 77% of GDP (the tourism sector alone accounts for almost 10% of the island's workforce!). The tertiary sector includes tourism, transport and communications, trade, banking, real estate, insurance, accounting, public administration, education, health and legal services.

Manufacturing employs approximately 10% of the workforce and includes industries such as food, beverages, tobacco, textiles, metal and plastic products, and chemicals. While the secondary sector accounts for approximately 20% of GDP, the Cyprus government is well aware of the importance of remaining competitive in the face of overseas competition. In view of this, it has initiated its New Industrial Policy to develop new high-tech industries, technologically upgrade traditional local manufacturing industries, attract capital-intensive foreign investment, and improve productivity.

The primary sector accounts for approximately 3% of the GDP. Principal crops include potatoes and other vegetables, cereals, citrus fruits, grapes and olives. Livestock farming includes cattle, sheep, pigs, goats and poultry. Natural resources include copper, gypsum, timber, and earth pigment, while the problem of water scarcity has been overcome through the construction of dams and desalination plants.

The World Bank has classified Cyprus among the high-income countries in terms of per capita income, while the United Nations placed Cyprus amongst the world's high-rated countries in its 2005 Index of Human Development. A number of factors contribute to the high standard of living, which compares favourably with the island's fellow EU members. These factors include modern housing and telecommunication systems, low pollution and crime rates, a friendly and lively social scene, the enviable climate, low inflation, and almost full employment. Per capita GDP for 2004 was around €17.200.

BUSINESS MATTERS

There is no doubt that the economic performance of Cyprus over the last five decades has been remarkable. But how does that translate into making the island an advantageous location for doing business?

The reasons are many, and include the strategic location, the sophisticated infrastructure, the highly-educated workforce, the favourable tax system, and the modern banking and insurance networks.

To build a well-educated, multi-lingual and productive workforce, Cyprus has long given considerable emphasis to education. Higher and tertiary education is offered locally by both public and private institutions and Cyprus ranks among the first countries in the world in terms of university degree holders in relation to the population.

Since Cyprus became a full EU Member State, it has adopted the European Union's legislative framework regarding labour relations. However, labour costs are significantly lower in Cyprus when compared with the EU average. Similarly, office and living accommodation is relatively inexpensive with considerable choice, while the overall standard of living is high.

Cyprus also offers a number of tax advantages. A 2003 tax reform was introduced to bring the island in line with EU and OECD requirements, but also to ensure that Cyprus remains competitive as an international business centre and attractive to investors. The uniform corporate tax rate of 10%, for example, is the lowest in the EU while Cyprus has entered into Double Tax agreements with 40 countries. Furthermore, Cyprus' Intellectual Property laws are in line with the EU acquis communautaire and international IP rights.

The local infrastructure is ideally suited for businesspeople who need to get things done. Thanks to its modern road network, extensive port facilities and two international airports, travel and transport in and beyond Cyprus is fast, efficient and economical.

The coastal resorts of Larnaca and Paphos each operate international airports serving flights to and from both Europe and the Middle East. Larnaca is the larger of the two airports, while the construction of an all-new facility is set to begin soon.

Limassol and Larnaca are both bustling ports and work around the clock to serve the island's considerable import and export markets. Limassol is the largest port, although considerable infrastructure is in place to provide for easy and efficient operations at each coastal facility.

Considerable investment has been made into transforming the island into a major telecommunications hub in the region. By building upon its technologically advanced infrastructure, Cyprus has established an extensive telecommunications network, both in terms of cable and satellite, which ranks amongst the best in the world.

For those planning to establish a business in Cyprus, the process for registering a company is both fast and straightforward, with administrative procedures greatly simplified in recent years to allow for the speedy registration of companies (Registration may be completed within four working days).

And for those 'setting up shop' on the island, there is an efficient network of support services in place, including advice on a whole host of sectors, including the legal system, accountancy, banking and insurance services.

All these, coupled with the comparatively low operating costs, the high standard of living and the countless other lifestyle advantages on offer, make Cyprus the perfect place for today's investors and businesspeople.

BEYOND CYPRUS

With its small internal market and strategic location, Cyprus has long focussed on overseas trade as a significant part of its economy.

While Cyprus shares the majority of its trade with its European Union partners, it has also cultivated and built upon extensive trading relations with countries in the Middle East, Central and Eastern Europe.

Cyprus has become the EU's key trading post in the eastern Mediterranean, providing a point of exchange between Europe, Africa, and Asia. And the island's location also makes it an ideal transhipment centre, with Cypriot companies operating independently and with foreign partners to ship goods into and out of the EU via Cyprus.

The Free Zone Area located near Larnaca Airport is a further boon for international commerce in Cyprus. Established to encourage external trade, the Free Zone offers various incentives, including abolishment of custom duties and taxes, in relation to imported goods and goods manufactured on-site for export.

THE RIGHT TOOLS FOR THE JOB

For any business to succeed, it needs the support and assistance of local professionals.

The professional services sector plays a significant – and rapidly expanding – role in the Cyprus business landscape. Finance, insurance and business services are the main contributors, followed by wholesale and retail trade, then social and personal services. In fact, the growth rate of this sector is significantly higher than that of the economy as a whole.

Tourism plays a major role in the Cyprus economy, accounting for around 20% of the country's Gross National Product. To support this booming industry, airports, hotels and a whole host of further hospitality facilities have been developed. More than 30 scheduled airlines now fly in and out of Larnaca and Pafos international airports on a regular basis, along with a host of charter airlines.

The resulting infrastructure is also ideal for the travelling business community, with local hotels developing extensive conference facilities. Meanwhile, efforts are ongoing to constantly upgrade the local tourism product. New marinas are planned, along with a number of new golf developments, to ensure that players need never stray too far from the fairway!

The accounting profession is very well represented, with many international companies operating on the island, as well as a number of private individuals providing personal services. The banking sector is very highly developed and offers full and varied local, national and international services for individuals and professional bodies.

Local business and financial consultants have typically trained at European or US universities and many have worked overseas before setting up in Cyprus. They offer advice on the whole spectrum of modern business and investment.

Information Technology is a vital element of any modern business centre and Cyprus has embraced high-tech on a major scale. Many of the world's leading IT-based companies have chosen Cyprus as their base for expansion in the region, while an efficient island-wide IT network has also been established.

Sales, marketing and public relations services are of a high standard on the island with many resident professionals ready to help in promotion, both on the island and in overseas markets. Over 100 design companies also operate locally, as well as a considerable number of freelance designers, all of whom contribute to marketing and advertising campaigns, both national and international.

The education sector is given particularly high priority. Between the University of Cyprus and the many private educational institutes, further education on the island covers a range of courses and degree programmes – contributing to the fact that the Cyprus population has one of the highest percentages of graduates in the world. The many local educational establishments also attract foreign students from all over the world, making the island a major educational centre in the region.

Local engineers have made marked contributions to all manner of civil, electrical and mechanical projects throughout the region and beyond, earning them a fine reputation both at home and abroad.

As a result of the island's former colonial status, Cyprus's legal system is based on British Law. Local legal representatives typically train in Greece, the UK or the US, where many specialize in commercial law, and can provide speedy and trustworthy advice on all aspects of doing business in Cyprus.

It should come as no surprise that this island has a long seafaring history and that consequently there is considerable local shipping knowledge. Today, the island boasts one of the world's largest merchant fleets and serves as a major freight forwarding hub in the region.

Providing high standards of healthcare, the island's experienced surgeons, physicians and nurses care for their patients at the island's numerous general hospitals and private clinics. Indeed, standards are so high, that patients travel to Cyprus from Europe and the Middle East to avail themselves of the local healthcare facilities.

Insurance cover in Cyprus is modern and comprehensive; with the Insurance Association of Cyprus representing the island's many insurance companies, who deal with all aspects of risk management.

Given the limited scale of the local market, the professional services sector is increasingly turning towards export markets such as Central and Eastern Europe and the Middle East, promoting itself in fields such as telecommunications, IT, banking, higher education, market research and consultancy.

PROGRESS MAKES PERFECT

With high-tech playing an ever greater role in the modern world, the Cyprus government has worked to establish the island as a technological centre. Through investment and the innovative nature of local professionals, the island has become a focal point for technological development and application within the region.

As part of its efforts, the government has established the Technology Service of the Ministry of Commerce, Industry & Tourism. Its mission includes, amongst others, the technological upgrading of industry, the promotion of high-tech industry through incubators and industrial R&D, and quality improvement within the Cyprus economy via the efficient operation of an accreditation system for laboratories and other conformity assessment bodies.

The government is also pursuing the goal of establishing Cyprus as a Regional Research Centre, by attracting many of the world's leading talents in the fields of science and technology. It has already signed a cooperative agreement with the Harvard School of Public Health for the establishment of the Cyprus International Institute of the Environment and Public Health. Furthermore, the government is exploring the establishment of the Cyprus Research and Educational Foundation, as well as a Technology Park on the island, which will host research institutes, business incubators, universities and IT companies. Cyprus is also proving the ideal place for international enterprises looking to locate their own research departments.

INVESTING IN THE FUTURE

Cyprus already enjoys a healthy and attractive business and investment environment, but as a further enhancement the government has liberalized the Foreign Direct Investment (FDI) policy for both EU and non-EU nationals.

As a result, foreign investors can now participate in almost all sectors of the local economy with equity participation of up to 100%, register companies, acquire shares in existing companies, and obtain real estate.

In liberating the FDI policy, the government also took measures to streamline the infrastructure regarding foreign investment, thus reducing the level of bureaucratic intervention and fostering improved economic activity.

A significant number of multinational companies and international banking units are already operating in Cyprus, further enhancing the productive and positive nature of the national economy.

Investors can contact the Foreign Investors Service Centre of the Ministry of Commerce, Industry & Tourism for further information. The Centre operates as a 'one-stop shop' dedicated to providing, under a single roof, all the information potential investors in Cyprus might need, as well as aftercare development services.

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