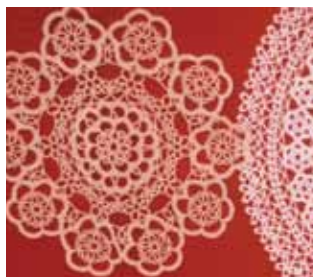


## The Report

# Cyprus 2012

## EU Presidency





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Stephan Caras wrapped up his European tour for the Fall/Winter 2012-13 season by showing his collections in Larnaca, Cyprus for the Cyprus Fashion Days event on that took place on Wednesday, April 25, 2012. The heat of the sun and the breezy shores of Cyprus set a perfect stage as Stephan lit up the catwalk with beautifully tailored gowns and playful outfits that were flirty, feminine, and sensual. Stephan's artistic expression was captured as he presented a collection that was filled with opulence, grace, playfulness and lightness. Stephan who was recently listed as the "Top 20 designers of the World" and "Top 25 most beloved and inspiring fashion designers of the World", by CEO World Magazine and Runway Magazine, created a buzz in the air as audiences came from all corners of this beautiful island to take in a night of fashion, art, and style.

Staying true to his philosophy of design in expressing a woman's individuality through femininity and sensuality, it only seems fitting that Stephan concluded his editorial campaign by shooting on location at the mythological stone in which Aphrodite was born. According to legend, the goddess of love, beauty, and femininity rose from the sea at this exact point and a goddess was born. In a tribute to these ideals, Stephan's creative prowess shows us that they are alive and well.



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# Interview

**with Minister of Commerce, Industry and Tourism**

**Mr. Neoklis Sylikiotis**



**Mr. Neoklis Sylikiotis**

*Minister of Commerce, Industry and Tourism*

**What are your methods of strengthening the tourism sector in Cyprus?**

In 2011 we recorded a significant growth of the tourism sector, with a 10.1% increase in arrivals and a 12.9% increase in revenue, which we expect to also have this year. The efforts of everyone involved in Cyprus tourism – the Government and the private sector – are focused towards not only attracting more visitors, but also increasing the quality of services offered. For this reason, we are moving forward with the development of significant infrastructure projects, such as golf resorts and marinas in all districts of the island. Excellent examples are the marinas in Limassol, Larnaca and Ayia Napa. In fact, Cyprus has elaborated a 5 year plan, for the years 2011 to 2015, which includes expansion to new markets - primarily Asia, Eastern Europe and Lebanon.

**Why do people fall in love with Cyprus? What is so unique about Cyprus as a tourism destination?**

Those who visit Cyprus immediately fall in love

with the beauty of the island and the warmth and traditional hospitality of the local people. They are attracted by the mild climate, the beautiful scenery, the sun, the sea, and our excellent beaches. All these things combined, make tourists love our island and feel like home. To some extent, this is also the result of our country's history and its favorable geographical location at the crossroads of three continents – Europe, Asia and Africa. Many conquerors have in fact passed through our area, with the last of them being the British, and these changes and adaptations have led to the creation of a multicultural background for Cyprus.

**Natural gas was a big discovery for your country. What is your strategy for developing the energy sector?**

Our goal is to become an important regional energy center and the natural gas reserves discovered recently within our Exclusive Economic Zone, bring us a step closer towards this achievement. Currently, we are in the process of defining our long-term

strategic planning in the area of hydrocarbons, by deciding the type of infrastructure to be developed and technology to be used. Our primary concern at this point is bringing natural gas onshore Cyprus for use in the production of cheaper electricity, while also securing a viable exporting strategy.

In addition to taking advantage of our natural gas reserves, we would also like to promote renewable energy resources, such as solar plants. When all these are combined, the result will be a more balanced energy mix and my belief is that Cyprus, particularly now with the natural gas discoveries, can become self-sufficient in energy matters in the next 20 years. Furthermore, the fulfillment of such strategy would definitely help us to meet the objectives set by the EU concerning emissions reduction.

Cyprus is on a perfect geographical position and maintains good relations with all of its neighbors. As such, it meets all requirements for becoming a gateway for energy to Europe. The natural gas reserves recently found in the Eastern Mediterranean

present us with a great opportunity, and can help Cyprus' transformation into a regional energy center, through which will pass an alternative route for the secure supply of natural gas to Europe.

#### [What are the plans and prospects to increase exports?](#)

Cyprus can be a very important transit destination for commerce and trade, mostly because of its geographical position, which makes it an ideal bridge between Europe and the Middle East. Our main exports at the moment are pharmaceuticals and agricultural products, such as potatoes, fruits, citrus and wine. In fact, Cyprus produces very good wine, with great tradition and perfect taste, because of the favorable environment and conditions for growing grapes. We also export metals, with a history of exporting copper for thousands of years.

Additionally, we are currently deciding on our long term strategic planning in the area of hydrocarbons, and this involves of course a viable exporting strategy such as building an LNG plant. This will allow us to export natural gas by ships all over the world.



### What about the trade strategy?

Cyprus can become an important trade and business center for the whole of Europe. Many international companies already have their headquarters here, with Cyprus being in an ideal position for doing business in the Middle East, Europe and Asia. Among others, a number of Chinese exporters are currently very interested in setting up companies here, and a project now underway, worth mentioning, involves collaboration between Cyprus and China for the adaptation of the old Larnaca airport to a massive permanent exhibition center for Chinese traders.

### Why should international investors choose Cyprus as their business destination?

Cyprus' strategic position at the crossroads of three continents makes it an ideal bridge for conducting business and the exchange of investments among Europe, Asia and Africa. In fact, Cyprus is the EU's key trading post in the eastern Mediterranean

and a reputable international shipping centre.

As a member state of the EU since 2004 and a Eurozone member since 2008, Cyprus encourages Foreign Direct Investment opportunities in the priority economic growth sectors, while also ensuring price transparency. Furthermore, it has the lowest corporate tax rate in the EU with 10%, a wide network of Double Tax agreements with 45 countries, an advanced telecommunications network and infrastructure, a highly qualified and multilingual labour force, and, finally, highly efficient legal, accounting and banking services.

All these, in combination with its high Foreign Direct Investment performance and potential and proven macroeconomic stability, essentially translate to an extremely attractive destination for international investors. This of course is now reinforced even further, as we are well on our way to transforming the island into an important regional energy centre.

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# The economy of Cyprus





# Welfare and growth

**Cypriot economy has won the hearts of entrepreneurs as a perfect investment destination many years ago. Qualified staff, simple and transparent fiscal system, attractively low tax rates – these are just some of the advantages of Cyprus.**

Recently the country has expanded its catalog of incentives by another asset that may further strengthen the image of Cyprus internationally. Experimental drilling conducted by the American Noble Energy company revealed that offshore natural gas fields of the south coast of Cyprus range from 5 to 8 trillion

cubic feet (140 to 230 billion cubic meters). Only one trillion cubic feet is the amount which is sufficient to meet the energy needs of Cyprus for 30 years. No wonder that such potential has attracted crowds of foreign investors.

## Accessing the business network

Before expanding the subject of the natural resources potential, let us look at the natural circumstances under which the GDP of Cyprus is developing. Historical traditions of this relatively small economy manifest themselves in significant British and Greek influences. Both countries belong to Cyprus' most important trade partners. The country's economic past is a story of transformation from an agricultural economy in the 60's, through a manufactured goods exporter in the 70's, to an international tourist and business centre in the late 80's and 90's.

While discussing the economic background of Cyprus, its geopolitical position remains also not without importance. The land, which is a member of the European Union since 2004, has been maturing at the crossroads of three continents and adjacent to

the Middle East. The fact that Cyprus is located on an island translates into strong tourism industry, not to mention that Cyprus disposes of world's fourth largest ship registry composed of more than 40 countries' representatives. GDP of Cyprus is created primarily by the services sector and its substantial share is generated by private entrepreneurship. Services sector accounts for nearly 80% of GDP and employs over 70% of the total Cypriot workforce. Agriculture and mining are responsible for less than 3% of the GDP and employ about 7,4% of the population, whereas the manufacturing industry accounts for 6,4% of GDP and 8,9% in employment. An important role in the economy is played by the financial industry, developing among the others due to a large working population with higher and secondary education.

## Profits from proper decisions

One of the major factors that were reflected in the economic condition of the country was its accession to the European Union. Achieving this goal allowed Cypriot authorities to direct the economy back on a transformation route, but it also required meeting EU standards. New course helped to restructure and modernize the economy, which today brings tangible benefits to the citizens of Cyprus.

EU accession was followed by another strategic step. In 2005 Cyprus accessed the European Exchange Rate Mechanism (ERM2), which allowed it to adopt the common European currency three years later.

Investment climate was also supported by some fundamental changes introduced into legal regulations framework. Steps undertaken by the legislature of Cyprus have given a boost to the economy by attracting foreign capital and investment. Major changes came into force during the last decade of the twentieth century. It was in 1997 when the government permitted full ownership in certain business undertakings. Stock market and trade rules within the Cyprus Stock Exchange have been liberalized; the banking law gained a new, modernized profile.



## Land of incentives

Cypriot economy, generated in 80% by the services sector, is a unique combination of people and skillful pro-investment policies. Two decades after Cyprus gained its independence from the United Kingdom in 1960, it entered a period of rapid growth. GDP in the 80's had been growing annually by more than 6%.

However, its growth was based mostly on the tourism sector. The lower inflow of tourists in the 90's forced a need for economic diversification, followed by the liberalization of tax system. It soon became clear that taxation policy of Cyprus will be one of the country's biggest incentives for international business.



Cyprus has emerged as Europe's most favorite jurisdiction to run international business. The main advantage of the tax system is hidden in the tax rates' levels. Corporation tax on net profit rate is 10% - the lowest regime in Europe. The very same advantage is related to the Value Added Tax, the rate of which stands at the level of 17%, and despite

being raised from 15% in March 2012 - remains the lowest on the Old Continent. Moreover, Cyprus has established a broad network of over 25 double tax treaties providing a null or low withholding tax rates on interest, dividends and royalties. There is also no withholding tax dividends paid on non-residents shareholders in Cyprus.



## High expectations

Economy of Cyprus has shown resilience to external shocks, such as the global economic crisis that started in 2007. Despite undergoing recession in 2009, the GDP growth has recovered to a really positive growth rate, mainly due to a better condition of financial services and recovery in tourism arrivals. Government of Cyprus has counteracted inflationary pressures resulting from rising oil prices and managed to keep the budget deficit at a low level of approximately 6%.

Economic and civilizational achievements of Cyprus are reflected in the data and charts showing its economy in comparison to the whole world. GDP level reaching 30,000 dollars per capita is the result which makes Cypriots the richest nation in the Mediterranean. In addition, Cyprus looks very well in terms of the indicators measuring living standards, such as Quality-of-Life Index and the Human Development Index. Nicosia and other cities of the island manage to get such good results despite the current political division of Cyprus, which has its genesis in the Turkish invasion of 1974. Northern, Turkish part of Cyprus generates just 20 % of GDP produced in other areas of Cyprus and is strongly connected with the northern neighbor of the country.

Foreign trade of Cyprus is based mainly on the economic partnership with the European Union.

Country's main trade partners are the United Kingdom and Greece, whereas 20% of Cypriot exports is directed at the Middle East. The fact that Cyprus is not self-sufficient in food production and until recently had rather little to offer in terms of natural resources, resulted in a negative trade balance.

Such status quo has been observed for a long time but now it is clear that it may be completely changed. all these owing to the discovery of Aphrodite gas field, located in the southern coast of Cyprus. Its potential is estimated at 3 to 9 trillion cubic meters of gas. In 2008, Noble Energy consortium has obtained a concession for the exploration of the deposit. In 2011 years with the Government of Cyprus has concluded an agreement specifying the details of the commercial extraction of natural resources.

It is sure that the discoveries will have a strong impact on the economy of Cyprus. The role of the country as an investment destination will keep strengthening, together with its international competitiveness. It seems that finding such promising gas sources may mean that Cyprus has found its ticket to avoid disturbances resulting from economic crisis and weakened position of Greece. The queue of bidders willing to take advantage of Cypriot natural resources welfare keeps growing.

# Interview

**with the Director General of the Cyprus Investment Promotion Agency**

**Mr. Sotiris Sotiriou**



**Mr. Sotiris Sotiriou**

*Director General, CIPA*

CIPA is responsible for supporting foreign investors in Cyprus. In what ways exactly are you able to assist them?

The Cyprus Investment Promotion Agency is a registered not-profit company fully funded by the Government of Cyprus. We operate under the Ministry of Commerce, Industry and Tourism. We have three main objectives:

1. Promote Cyprus as an investment destination and as an international business center
2. Advocate reforms that will improve the business and investment environment in Cyprus as well as the ease of doing business
3. Provide information and support to both new and existing foreign investors

CIPA is taking the initiative to engage in a variety of promotional efforts that focus on presenting

Cyprus as a robust business and financial center. Initiatives include the organization and participation in international events and conferences in order to present the opportunities and benefits of investing in Cyprus.

What are the most important advantages of Cyprus as an investment destination?

Cyprus has a longstanding history of being a strong international and regional business centre featuring a strong infrastructure and an array of quality services that are required for the multiple needs of investors. The island serves as a springboard for international investors accessing the EU market as well as the emerging economies of the Middle East and Africa.

New investors to Cyprus are pleasantly surprised with the many advantages offered, including the lowest corporate taxation rate in the EU (10%). Companies in Cyprus enjoy exemptions from any withholding tax



on inbound dividends, interest and royalty payments. Taxation exemptions also apply with respect to dividend income, profits from overseas permanent establishments and profits from the sale of securities.

Foreign investors are able to utilize an advanced transport and telecommunications infrastructure, a highly educated, skilled and multilingual human capital base as well as a high standard of specialist professional services. Moreover, Cyprus offers relatively lower operating costs with high quality services, including banking, tax, accounting, auditing, business administration, legal, investment, brokerage and funds management. In addition, Cyprus can boast of a high standard of living that offers security and stability.

Cyprus has all the ingredients that are needed to establish a profitable company that functions effectively and efficiently.

**Is it worth mentioning double taxation agreements at this point as well?**

Cyprus has developed a wide network of Double Tax agreements with 45 countries, ensuring that the same income is not taxed in more than one country. Double taxation agreements combined with low tax rates for companies makes a very attractive package for investors. Companies can take advantage of the taxation system by doing business in Cyprus or by undertaking investments through Cyprus in other countries where double taxation was agreed. This is the major incentive; however it is not the only one.

**What is the CIPA strategy to attract more and more foreign investment?**

As mentioned earlier, our role is to promote Cyprus as an attractive destination to foreign investors. We are committed to enhancing the business environment and the ease of doing business by advocating reforms as well as act as a facilitator with investors that have

specific needs such as the acquisition of permits and transfer of properties.

**Which sectors of the Cyprus economy are of the most significant importance to the foreign capital?**

Cyprus economy is mainly based on the services sector which is about 80% of the Gross Domestic Product (GDP) and is expected to remain the main driver of growth in the country. International business activities will continue to contribute significantly to the GDP, while at the same time key priority sectors are among the prime movers of the economy. The most attractive sectors that offer a wide range of investment opportunities include:

Cyprus is an attractive **Financial and Business** centre combining low costs and flexibility features while complying with EU regulations and international best practice. The country offers a regional platform for a variety of banking products and financial services including investment funds business ranging from funds setup, management, administration and distribution. The commercial banks and specialized financial institutions offer local, national and international services on a personal and corporate level.

**Shipping**, which has established Cyprus as an internationally renowned centre provides extremely attractive investment options. Based on the register of ships, the merchant fleet of Cyprus is the 3rd largest in the European Union and the 10th largest in the world. More than 130 ship owning, ship management and shipping related companies maintain offices in and conduct international activities from Cyprus.

The European Union's approval of a fully revised and upgraded legislation ('New Tonnage Tax System') providing a favorable tax regime and covering the basic shipping activities offered today, opens new perspectives for investments in Cyprus in the sector.

The **Energy** sector with the massive reserves of natural gas in the exclusive economic zone of Cyprus has brought the country to the forefront of the global Energy market and a key player in the EMEA region. Many foreign investors have already expressed interest in undertaking energy activities in Cyprus, focusing on the development of the necessary infrastructure concerning the exploitation of natural gas.

Moreover, the opportunities for domestic and foreign investment in the development of Renewable Energy Source (RES) and Technologies also result in a surge of new investors to the country.

Due to its strategic location, Cyprus can be easily utilized as a platform for investors focusing on **Warehouse, Logistics, Distribution and Headquartering** activities with the aim to reach either the European, Asian or African markets. Cyprus provides great opportunities for companies aiming at penetrating new geographical markets and expanding their reach internationally.

A number of large **Development Projects**, such as marinas, golf courses, as well as more integrated development projects which include residential, commercial as well as high-quality educational and health services, are currently available for foreign investment. Some of these projects have already begun construction and others are in the final stages of licensing.

*What are the main challenges and plans of your agency for 2012? Which markets are you targeting?*

We are focusing on specific locations with targeted sectors. For example, we promote Cyprus as an attractive shipping centre at potential investors located in Germany, Scandinavian countries and United States. When it comes to banking and financial services, we focus on Western Europe, Russia, China and the Gulf Area.

How does the Foreign Direct Investment in Cyprus look in numbers?

FDI is recognized as a major contributor to the country's sustainable economic development and social prosperity. In the last few years, Cyprus received substantial foreign direct investments (FDI), much higher relative to the size of its economy. Specifically, in 2009 inflows of foreign direct investment totalled 2,499 million Euros, while the corresponding figures for 2008, 2007 and 2006 were 965, 1,626 and 1,462 million Euros, respectively. In 2010, the inward FDI to Cyprus was limited to 578 million Euros, reflecting the difficulties faced globally due to the financial crisis. The major sectors by economic activity that attracted foreign investments are the Financial and Insurance Activities, Real Estate Activities as well as Professional, Scientific and Technical Activities.

*Mr. Sotiriou, last but not least: how does your former working experience contribute to your nowadays activity of the CIPA Director General?*

It helps a lot, because during my career I had an opportunity to be involved in shaping a variety of policies – from health and tourism to labour and commerce. Most recently I had the honour of being the Permanent Secretary of the Ministry of Health and prior to that, the Permanent Secretary at the Ministry of Commerce, Industry & Tourism. My career began at Ministry of Labour and this altogether, combined with my studies at National Technical University of Athens and Cyprus International Institute of Management, grants me a chance to look at every issue from a broader perspective.







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Cyprus has a small domestic market and exports are therefore of vital importance to its economy. The remarkable export performance of the island can be attributed to a number of industrial practices such as small labour-intensive plants that are flexible in order sizes with well-qualified workforce adept at learning new technologies, modern technology employed that ensures products of the highest quality and long shelf life, modern design techniques, quick turn-around times and improved marketing.

The main destination for Cypriot manufactured exports is the European Union, which constitutes over 50% of the market. Exports to the Middle East make up around 15%.

#### **A period of change**

The Cypriot economy has undergone profound changes in recent years and many established areas of industrial productivity have been overtaken by the fast-growing sectors of tourism, financial services and technology and communications. The authorities have recognized the challenges facing the country's manufacturing base, and anticipate a radical restructuring, through the attraction of capital intensive foreign investment. The Cypriot government has put in place number of strategies in order to reshape the manufacturing industry toward the higher value-added activities that are more closely aligned with Cyprus' modern day economy. The measures include, among others: assisting traditional industries to restructure and adapt to today's markets, improving productivity, creation of an environment favorable to cooperation between undertakings, and fostering better exploitation of the industrial potential of policies of innovation, research and technological development.

#### **Cyprus Industrial Products**

Cyprus' principal manufactured products include drugs and pharmaceuticals, photovoltaic systems, food and beverages, clothing, chemicals, machinery and equipment, aluminium and plastic products, furniture, minerals and products of mineral origin. Although much of these supply the island's domestic market, the value of industrial exports increased during 2011 to nearly 400 million euro compared to 350 million euro during the same period in 2010. Almost 60 per cent of those products are of manufacturing origin.

#### **Pharmaceuticals**

The pharmaceutical sector has already succeeded in making this transition towards the provision of value-added products for a specialist market. Since 1999 has shown consistent growth. Cypriot pharmaceutical companies, in particular, have established a strong reputation for the manufacture of generic drugs (these fall into a wide range of therapeutic categories such as antibiotics, analgesics, cardiovascular, hormones and diuretics, antihistamines, vitamins etc.). The island's adoption of the Bolar Exemption in 2005, a key exemption to international patent rights, has helped the further development of this sector. Pharmaceutical products made up more than 20% of export in 2011.

#### **Mining and Quarrying**

One surprising growth area in recent years has been copper mining. Cyprus was famous for its copper mines during ancient times, possibly even taking its name from its prodigious exports of copper or cuprous. Intensive mining on the island has long since been abandoned, but recent increases in copper and gold prices in the international markets have seen a revival of interest in this area. During 2011, industrial products of mineral origin made up 5.3 per cent of all industrial exports.

In addition to mineral works there are around 250 quarries extracting materials such as limestone, sandstone, gypsum, sand and gravel aggregates and clay. As a result of this ongoing activity, the island is virtually self-sufficient in terms of raw materials for construction and building works.

### **Solar Thermal and Photovoltaic systems**

Cyprus has one of the highest solar potential within the EU countries and is one of the leading countries in the construction and use of solar water heating systems, 92% of household are equipped with solar water heaters. Solar panels have successfully been installed in schools, governmental buildings and military camps. According to European Solar Industry Federation, Cyprus has the largest number of solar collectors installations per capita. In addition, the government announced that the first massive photovoltaic parks are expected to be completed soon.

The total installed capacity of photovoltaic systems in Cyprus is currently 12.5 MW. According to data from the operation of the installed PV systems, the electricity production per kW installed on fixed basis is reaching in some cases more than 1800kWh/year (this can be increased by 20-30% with tracking systems). The government is targeting to reach 192MW installations by 2020.

Today there are about 40 manufacturers of SWH in Cyprus and the annual production is 35.000 m<sup>2</sup> of flat plate collectors. The employs in this sector are about 400 people. Photosensitive semiconductor devices accounted for more than 8% of industrial exports.

### **Prospects for the Manufacturing Sector since the Discovery of Natural Gas in Cypriot Waters**

The recent discovery of offshore gas heralds a new era for the Cypriot energy sector. The findings will enable the island to meet its own energy needs but, more importantly, they have important implications for manufacturing. The use of its own energy supply will not only provide local industry with an economic boost, it will also stimulate rapid technological development within the manufacturing sector. The energy sector appears to be paramount for attracting foreign investment, especially as the Republic of Cyprus plans to build a plant for the production of LNG and a pipeline for supply of gas to Cyprus. Discussions are also ongoing about a potential manufacturing plant which would utilize natural gas as raw material.

### **Benefits at a glance**

1. Advanced technology and production – modern technology, competitiveness, the highest standards.
2. Cyprus – the European Union - from 01.05.2004 – member of the UE, from 01.01.2008 member of Eurozone
3. Modern economic structures – reliable business environment, simple and transparent procedures.
4. Modern system of transport and communication – modern network of transport and communication, professional services.
5. Flexibility - adaptability of production to meet needs of the customers.
6. Cypriot businessman as a partner - friendly, hospitable, trustworthy and professional Cypriot businessmen.

The Cyprus Trade Center in Warsaw can provide you with any information concerning trade, arrange your first commercial contacts and forward your interest in doing business with Cypriot business people. Take advantage of what Cyprus has to offer.

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# EU Presidency



# Priorities of the Cyprus Presidency of the Council of the European Union 1 July – 31 December 2012



## Towards a Better Europe

**The European Union needs to emerge stronger from the current economic crisis and reinstate its place on the international scene.**

Today, more than ever, it is necessary to further deepen European integration, strengthen social cohesion and ensure better quality of life for European citizens. Austerity measures are important in order to restore the confidence of the markets and ensure stability; but in parallel, it is imperative to take active measures in order to promote inclusive growth and job creation. The Union needs to be closer to its citizens and communicate a message of hope and solidarity to them, with social sensitivity. At the same time, the EU needs to enhance its international role, while being closer to its neighbours. The driving force for the essential reforms should be the fundamental principles and values of the Union.

The Cyprus Presidency, on the basis of these values, will work **Towards a Better Europe**; meaning a European Union more relevant to its citizens and to

the world; a more **effective** Europe, contributing to sustainable **growth, social cohesion** and job creation through efficient and integrated policies; a European Union working on the basis of the underlying principle of **solidarity**, committing itself to a better future. All efforts will be directed to bequeath a better Europe to the younger generations.

During its Presidency, Cyprus is called upon to deal with key issues of the EU agenda, such as the Multiannual Financial Framework for the period 2014-2020. The Multiannual Financial Framework is an opportunity to agree on a budget that will contribute to growth and sustainable development, promote effective policies, increase EU's competitiveness and create more jobs. It is necessary to identify and bring out the elements of growth in all EU policies, with special emphasis on the citizens of the Union.

Working Towards a Better Europe, Cyprus Presidency has set four main priorities:

### 1. Europe, more efficient and sustainable

The aim will be to promote effective policies that will result in more efficient governance, addressing the uncertainty and instability caused by the crisis. The negotiations on the **Multiannual Financial Framework** for the period 2014-2020 will be the main priority of the Cyprus Presidency. The Presidency will work towards the finalization of the negotiations and the completion of a fair and effective EU budget, support growth and enhance employment opportunities. Emphasis will be given to the quality of spending so that the policies and programmes that will be financed under the new Multiannual Financial Framework are policies with real European added value. Synergies are of paramount importance and complementarity with national policies needs to be ensured. In this respect, the Presidency will also seek to achieve the greatest possible progress in the negotiations on the legislative framework in relation to policies, such as the **Common Agricultural and Fisheries Policies**, the **Cohesion Policy** and the **Research and Innovation Policy** (Horizon 2020), as well as on the financial programmes in different sectoral policies.

Following the European Council conclusions in February 2012, Cyprus Presidency will also focus on energy policy. The **Trans-European Networks** on transport, telecommunications and energy and the **Connecting Europe Facility** are high on the agenda of the Cyprus Presidency; the adoption of these instruments will be vital for boosting the competitiveness of Europe, by improving infrastructure and strengthening economic, social and territorial cohesion of Member States. Emphasis

will also be placed on **sustainable development** and the follow up of the Rio+20 Summit. In line with the Europe 2020 Strategy, inclusive and equitable green growth shall be promoted through the **sustainable management of resources**, especially water. It is essential for the EU that policies on climate change, environment and energy are implemented in an integrated way. In addition, the Cyprus Presidency aspires to 're-energize' the EU **Integrated Maritime Policy**, which will address relevant challenges in an efficient and sustainable way.

### 2. Europe, with a better performing and growth-based economy

The economic crisis has highlighted the need for further effectiveness of policies and measures of the Union. The approach for the recovery of the European economies should comprise of both fiscal consolidation and sustainable economic growth measures.

The Presidency will seek to work on the **new enhanced framework of economic governance** and reinforce budgetary surveillance, so as to ensure fiscal stability. In parallel, the EU needs to recover from the crisis and stimulate growth. In this respect, the **monitoring of the implementation of the Europe 2020 Strategy** is equally important for the Cyprus Presidency.

It is of utmost significance that the regulatory framework of **financial services** is strengthened through the implementation of measures for greater market transparency, protection of consumers and investors and effective management of financial crises. Moreover, on the occasion of the 20th anniversary of the Single Market, the Presidency will give impetus to the **deepening of the internal market**, through



the promotion of relevant initiatives emphasizing in particular the role of SME's. The strengthening of the single market is an important element for stimulating economic growth and advancing the European economy. The Presidency will also promote an effective digital single market, within the framework of the European Digital Agenda.

### 3. Europe, more relevant to its citizens, with solidarity and social cohesion

Cyprus Presidency will aim to work towards bringing Europe closer to its citizens, giving emphasis on youth employment, in view of the rising unemployment rates in the Union. Furthermore, one of the most important objectives of the Presidency is the establishment of the Common European Asylum System by the end of 2012, focusing on building up practical cooperation between Member States in protecting the rights of those in need of international protection.

The Presidency will also deal with issues related to the European Year of Active Ageing and Solidarity between Generations and issues related to health and children's well being, such as the prevention of diseases, the promotion of healthy lifestyle, as well as the prevention of and combating child poverty. Issues related to education and culture will also be highlighted, such as the promotion of literacy and the provision of more qualitative education and training, in order to meet the needs of the job market. The relevant financial programmes are also important in

this respect. The Presidency will also place emphasis on the further participation and involvement of social partners, NGOs and local authorities in the formulation and implementation of the Europe 2020 Strategy. In addition, the new legal framework for the protection of personal data is another issue of priority for the Cyprus Presidency.

### 4. Europe in the world, closer to its neighbours

The Presidency will work closely with the High Representative of the Union for Foreign Affairs and Security Policy and the European External Action Service, which are responsible for the external and security affairs and assure coherence and continuity.

Special emphasis will be placed on the **southern dimension of the European Neighbourhood Policy**, in order to enhance the relations with Mediterranean partners, while ensuring pluralism and a multi-faceted relationship and thus, promoting the multiplication of channels of communication with all fields of society. The Presidency will also promote all processes related to **enlargement** and work towards strengthening **food security**, aiming to give emphasis on EU **development goals**, ensuring progress on the Union's development commitments.

Growth can also be promoted through a strengthened EU **external trade policy** and the Cyprus Presidency will work towards this direction.



# Invest in Cyprus



**The land of  
opportunities**

**The small Mediterranean island of Cyprus is famous not only of wonderful climate and hospitality of its people. It has also gained enormous popularity among international investors, who praise the country for outstanding human resources and perfect legal framework for doing business. Let's take a look at the reasons that make it worth investing in Cyprus.**

The popularity of Cyprus among international investors has its roots in the beginning of the last decade of 20th century. It was the time when Cyprus economy has been finally transformed from a manufacture oriented one to an international tourism and financial centre. This popularity was boosted by the country's accession to the European Union, which took place in 2004. Accession allowed not only for the

application of the common European legal regulations and business standards but also the acquisition of the commonwealth's currency. Cyprus managed to fulfil the Maastricht criteria quickly and joined the European Exchange Rate Mechanism (ERM 2) in 2005. Three years later the country acquired the Euro, strengthening its financial relations with Europe and eliminating the exchange rate risk for the investors.

## **Cyprus** **is for FDI**

EU accession has also contributed to securing the macroeconomic stability of the economy of Cyprus. GDP growth rate has gained positive values throughout the former decade and inflation has been kept under control, reaching the level of 3,5% in 2011 (HICP). The unemployment rate amounted to 7,8% in 2011.

The fact that Cyprus belongs to one of the world's most attractive locations for foreign investments is also reflected by data concerning inflow of Foreign

Direct Investment. Between 2004 and 2010 the annual average growth rate of FDI inflows reached a level of 18,1%. FDI inflows reached its peak of 2,5 billion Euros in 2009 and despite a downturn in 2010, they have recorded a strong recovery in 2011, reaching 1,7 billion Euros only in the first three quarters. Foreign capital is coming mainly to such sectors as finance & insurance, real estate and scientific and technical business.

## **Precious** **people**

Investors willing to settle their operations in Cyprus may not underestimate one of the country's most important assets for doing business. Well-educated labour force, opened for new challenges and waiting to use its knowledge and skills in business

environment is always a precious advantage for the entrepreneurs. The policy of Cypriot authorities, that have been delegating more than 6 % of country's GDP on education since 2004, already brings its fruits.



Since 2005 Cyprus can boast of a top ten position in terms of the EU countries with lowest pupil per teacher ratio. The educational system is harmonized with European standards and guidelines. Eight out of ten secondary students in Cyprus speak English;

French is spoken by four out of ten. One third of the Cypriot population between 25 and 64 could boast of a Bachelor, Master or PhD degree – ten percentage points above the EU average.

## **Tax** **paradise**

Looking for a perfect place to locate their business abroad, investors should also be aware of the outstandingly attractive taxation systems set up in Cyprus. It offers not only the lowest Corporate Tax rate in the European Union (10 %) but also a wide range of favourable exemptions. The exemptions cover such areas as dividend incomes, profits from overseas permanent establishments and dividends. There is also no withholding tax on dividend incomes and interests or royalties paid from Cyprus.

For the companies willing to avoid double taxation, the government of Cyprus has set up a broad network of proper bilateral tax agreements. Such deals are excluding possibility of double taxation in 45 countries,

which residents would like to do business in Cyprus. Further agreements are being negotiated.

Special tax privileges have been granted to shipping companies. This is inter alia due to the fact that Cyprus has an opinion of one of the most competitive shipping centres worldwide. Within the taxation framework no tax is imposed on profits from the operation of Cypriot registered vessels or on dividends received from a ship-owning company. Ship management activities are charged only with a rate of 4,25%. However, if a company estimates that it is more beneficial, it can pay a tax rate equal to 25% of tonnage of the vessels under management.

## **With a little help** **from CIPA**

The unique offer of Cyprus directed at foreign investors is reflected in various rankings. The Index of Economic Freedom created by the Heritage Foundation and Wall Street Journal covers 184 countries, evaluating the rule of law, intrusiveness of government, regulatory efficiency and the openness of markets. According to its authors, Cyprus should be granted 71,8% freedom score, which makes this economy the world's 20th freest in 2012. In Europe Cyprus takes the 9th position.

Cyprus economic performance did not escape the attention of the World Investment Report 2011 authors. The document, prepared by the United Nations Conference on Trade and Development (UNCTAD) ranked Cyprus eight in the world for its inward FDI performance. The country has also been ranked 91st world's biggest in terms of GDP and 47th in terms of FDI potential.

Great results in terms of promoting Cyprus as a good investment destination would not be achievable,

if it was not for the Cyprus Investment Promotion Agency. In the 'Global Investment Promotion Benchmarking 2012' report prepared by the World Bank CIPA was ranked 5th among 189 organizations worldwide for the provision of excellent information to investors. The Agency is promoting Cyprus on the international arena but also is responsible for

supporting foreign companies willing to do business on the island. Its strength results from the fact that it has direct access to governing bodies and has the ability to animate various economic undertakings, also the ones initiated with help from country's authorities.

## Evidence provided

Proofs for Cyprus' investment attractiveness are delivered by more than 250 thousand local and foreign companies. Among the most important international business actors that decided to settle their operations in Cyprus, there are Bernhard Schulte Shipmanagement, Columbia Shipping Management, Lukoil, Amdocs, Weatherford Pipeline and Specialty Services, IKEA and Lidl, as well as a range of banks such as Alpha Bank, Marfin Investment Group and Piraeus Bank of Greece, Société Générale of France and the Russian Commercial Bank. The largest

foreign investments conducted in the period of 2010-11 include Blue Air, Romania (aerospace); Furlis, Greece (consumer products); Jumbo, Greece (consumer products); Vitol Group, Netherlands (warehousing and storage); Schwarz Beteiligungs (Schwarz Gruppe), Germany (food and tobacco – Lidl stores); 3B Antonini, Italy (textiles); Banca Transilvania, Romania (financial services); VTB Group, Russia (financial services); and EFG Group, Greece (financial services).

## Business is not enough

Investors coming to Cyprus may take advantage of a well prepared transport infrastructure network. Larnaca International Airport and Paphos International Airport, both situated in a close neighbourhood of the town centres, host over 35 airlines. Their arrival capacities reach as much as 5,5 million and 1,8 million respectively.

Proper infrastructure is not only a business asset. It is just another advantage making the island an attractive place to live. After all, Cyprus is not only a perfect business destination. Pleasant weather, close access to the Mediterranean beaches and

neighbourhood of the historical monuments dating back to ten centuries BC. Just another point of an offer nobody can remain indifferent to.



# Interview

**with Secretary-General of Cyprus Chamber of Commerce and Industry**

**Mr. Panayiotis Loizides**



**Mr. Panayiotis Loizides**

*Secretary-General, CCCI*

**What is the legal and historical background of the Cyprus Chamber of Commerce and Industry?**

The Cyprus Chamber of Commerce and Industry is the federation of all regional chambers of this country. It was established in 1927. It has about 8000 members and acts as a private corporate body functioning under special law. The CCCI is financially independent, free of any influence by the state. As a union of Cypriot businesspeople it conveys and promotes the views of the business community. Our aim is to promote Cyprus as an international business center and we are very devoted to this goal. We serve as an advisory body for the government and participate in international trade fairs and seminars abroad, promoting Cyprus as an International Business Center. The Chambers associates 5 regional chambers and about 140 professional associations representing all sectors of the economy.

**So why is it worth doing business in Cyprus?**

Cyprus is a successful business, financial, services and investment center. Thousands of international companies locate their headquarters here because of a very advanced infrastructure. Cyprus has a very well educated labor force – we are the 5th country in the world in number of university graduates as a percentage of population. We can provide professional services at a very high standard. We offer a transparent accounting system and limited bureaucracy, which allows entrepreneurs to establish a company within 2 days. Not to mention that you can practically fill all documents online - you don't even have to visit the registrar's office. Moreover, the corporate tax rate in Cyprus is 10 % - the lowest in Europe. These are the main reasons why so many companies come to Cyprus.



### Which countries can be described as the closest business partners of Cyprus?

First of all Russia, however 60 % of our exports and imports is generated by our trade relations with the European Union countries. We have also strong business ties with the United Kingdom, Germany, Greece, China and the United States, and of course our Arab neighboring countries and we have developed strong alliance with Israel in the energy sector.

### Which sectors of the economy in your opinion have the largest growth potential?

I would point to the tourism sector in general. Last year its income rose by 13 % and the number of visitors coming to Cyprus increased tenfold. We are becoming a more and more popular destination and, what is of particular importance, we attract high income tourists. Also, great economic potential has been envisioned for the marina industry. We are now constructing a marina in Limassol and some new projects in Paphos, Larnaca and Ayia Napa will start very soon. Last, but not least, Cyprus should consider developing more golf courses, as the global demand for such facilities is growing.

### By what means do you promote Cyprus?

We organize business forums and delegations all over the world. These are usually mixed events, conducted in cooperation with the Ministry of Trade, Industry and Tourism. There are about 20-25 delegations organized every year, primarily in the European countries. We are also visiting China and Russia, targeting different regions and new cities. It is important for us, because Cyprus is one of the top investors in such countries as Russia. On the other hand, foreign companies establish their operations in Cyprus, which has become their base for international business activities. If someone looks at Cyprus only as an island, the country may seem

small and insignificant. But if you look at Cyprus as an international business center, it is quite important. All the facilities that are available in big countries are here in Cyprus, a small, quiet island. That's the beauty of living and doing business in Cyprus.

### Would you risk some economic predictions for Cyprus for the upcoming two years? Does the global crisis remain a certain threat to the economy?

It has to be stated that Cyprus was affected by the crisis. Not as much as other countries, but still the damage had to be dealt with, especially in the business and banking sector. The basic economic indicators however tend to conform to the European Union averages. The foreign debt of Cyprus reached a level of 65 % of GDP. The annual GDP growth rate turned negative only once – in 2009, when the economy shrank by 1,7 %. In 2010 the growth was 1% and in 2011 it is expected to grow by 1 % and the budget deficit is planned to be limited below 3 % this year. Business climate is improving and we are optimistic for the future.

### Mr Loizides, you have served as a CCCI Secretary General since 1975. Do you still come across any task that still seem challenging to you?

Yes, indeed, my whole professional life has been closely connected to the Cyprus Chamber of Commerce and Industry. Being its Secretary General is a challenging and interesting position. Every day I come across new situations and new challenges. When you have to handle a variety of different issues, it never gets boring.

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# Cyprus - International Business Centre and Attractive Investment Destination

**Competently weathering the storm in the European financial markets, Cyprus continues to maintain its reputation as a destination of choice for investors seeking an ideal location to headquarter businesses and a bridge of economic co-operation conducive to investments.**

Its market-oriented economy operates within a transparent regulatory and legal system based on the Common Law, which is fully harmonized with the collective framework of laws and regulations of the EU. The Cyprus Government is proactively taking the necessary economic measures to strike a manageable balance that will continue to provide economic stability and ensure a moderate growth rate that will enhance future growth prospects and attract further foreign investments.

Cyprus has a longstanding history of being a strong international and regional business centre featuring a

strong infrastructure and an array of quality services that are required for the multiple needs of investors. The island serves as a springboard for international investors accessing the EU market as well as the emerging economies of the Middle East and Africa.

New investors to Cyprus are pleasantly surprised with the many advantages offered, including the lowest corporate taxation rates in the EU (10%) and double taxation agreements with 45 countries. Companies in Cyprus enjoy exemptions from any withholding tax on inbound dividends, interest and royalty payments. Taxation exemptions also apply with respect to dividend income, profits from overseas permanent establishments and profits from the sale of securities.

Foreign investors are able to utilize an advanced transport and telecommunications infrastructure, a highly educated, skilled and multilingual human capital base as well as a high standard of specialist professional services. Moreover, Cyprus offers relatively lower operating costs with high quality services, including banking, tax, accounting, auditing, business administration, legal, investment, brokerage and funds management.





FDI is recognized as a major contributor to the country's sustainable economic development and social prosperity. In the last few years, Cyprus received substantial foreign direct investments (FDI), much higher relative to the size of its economy. Specifically, in 2009 inflows of foreign direct investment totalled 2,499 million Euros, while the corresponding figures for 2008, 2007 and 2006 were 965, 1,626 and 1,462

million Euros, respectively. In 2010, the inward FDI to Cyprus was limited to 578 million Euros, reflecting the difficulties faced globally due to the financial crisis. The major sectors by economic activity that attracted foreign investments are the Financial and Insurance Activities, Real Estate Activities as well as Professional, Scientific and Technical Activities.

## Key Investment Sectors

The Cyprus Government has implemented a number of initiatives aimed at further enhancing the attractiveness of Cyprus as an investment destination and helping the faster recovery of the country. These initiatives include promotional measures, legislative reforms and infrastructure improvements.

Cyprus economy is mainly based on the services sector which is about 80% of the Gross Domestic Product (GDP) and is expected to remain the main driver of growth in the country. International business activities will continue to contribute significantly to the GDP, while at the same time key priority sectors are among the prime movers of the economy. The most

attractive sectors that offer a wide range of investment opportunities include:

Cyprus is an attractive **Financial and Business** centre combining low costs and flexibility features while complying with EU regulations and international best practice. The country offers a regional platform for a variety of banking products and financial services including investment funds business ranging from funds setup, management, administration and distribution. The commercial banks and specialized financial institutions offer local, national and international services on a personal and corporate level.



Over the past 10 years, Cyprus has completed a program of reforming all of its finance sector legislation in line with international best practices and has put a simplified, effective and transparent tax system in place that is fully EU, Organization for Economic Co-operation and Development (OECD), Financial Action Task Force (FATF) and Financial Stability Forum (FSF) compliant. Cyprus has been systematically improving the investment fund environment in Cyprus and creating a truly competitive environment that offers efficiency and quality with low costs.

**Shipping**, which has established Cyprus as an internationally renowned centre provides extremely attractive investment options. Based on the register of ships, the merchant fleet of Cyprus is the 3rd largest in the European Union and the 10th largest in the world. More than 130 ship owning, ship management and shipping related companies maintain offices in and conduct international activities from Cyprus.

The European Union's approval of a fully revised and upgraded legislation ('New Tonnage Tax System') providing a favorable tax regime and covering the basic shipping activities offered today, opens new perspectives for investments in Cyprus in the sector.

The **Energy** sector with the massive reserves of natural gas in the exclusive economic zone of Cyprus has brought the country to the forefront of the global Energy market and a key player in the EMEA region. Many foreign investors have already expressed interest in undertaking energy activities in Cyprus, focusing on the development of the necessary infrastructure concerning the exploitation of natural gas.

Moreover, the opportunities for domestic and foreign investment in the development of Renewable Energy Source (RES) and Technologies also result in a surge of new investors to the country.

Due to its strategic location, Cyprus can be easily utilized as a platform for investors focusing on **Warehouse, Logistics, Distribution and Headquartering** activities with the aim to reach either the European, Asian or African markets. Cyprus provides great opportunities for companies aiming at penetrating new geographical markets and expanding their reach internationally.

A number of large **Development Projects**, such as marinas, golf courses, as well as more integrated development projects which include residential, commercial as well as high-quality educational and health services, are currently available for foreign investment. Some of these projects have already begun construction and others are in the final stages of licensing.

Furthermore, Cyprus is offering attractive investment opportunities in the Health Tourism and Education sectors, both in collaboration with the local institutions, as well as for Greenfield projects.

Cyprus has developed into a bridge of co-operation and may be used not only as an effective jurisdiction for routing investments within the EU, but also as a portal for investment outside the EU, particularly into the rapidly growing economies of Central and Eastern Europe, India and China. Finally, Cyprus offers an atmosphere that makes business pleasurable as well as profitable.

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# Cities in Cyprus





# Interview

**with Mayor of Nicosia**

**Mr. Constantinos Yiorkadjis**



**Mr. Constantinos Yiorkadjis**

*Mayor of Nicosia*

Nicosia has a large student community. It is a sit of 5 universities. How does it contribute to the capital attractiveness in terms of foreign investments?

Our colleges and universities produce a key part of the country's workforce, while their ongoing workforce development programs enable the existing workforce to improve and develop further skills necessary for career advancement. A skilled workforce is increasingly recognised as a key driver of economic growth in a country; it not only serves the local community as a whole, but also foreign businesses wishing to establish a presence in the country.

Moreover, the presence of a large number of young people affects the city positively. These youthful, energetic and driven students bring about a vibrant buzz in the city. They need places to hang out, study and interact and as a result a myriad of small businesses can benefit by catering them.

What are the most important projects planned for the coming year?

One of our priorities for the first half of this year has been the preparation of our city for the upcoming months when Cyprus will assume the Presidency of the EU Council. This involved the upgrading and enhancement of our city, aesthetically and practically.

As regards important projects, the restructuring of the city centre in and around Eleftheria Square is of vital importance. Co-financed by the EU, it is expected to be fully completed in about 2 year's time at a cost of 26 million of euro. For generations to come, this modern structure will symbolise the harmonious coexistence of our city's many facets, where the majestic traces of the past (the old city and the monumental City Walls) contrast and complement the modern face of the Capital. We are also very actively pushing for the development

of the Cultural Centre and a new Archaeological Museum. If successful, these two projects along with the New Eleftheria Square will give our capital an impressive facelift. They will be eye-catching landmarks that will significantly enhance the image of our city, attract a regular flow of visitors and set the motion wheel for the upgrade of our city's infrastructure as a whole, thereby boosting the interest of private investors seeking promising opportunities in our city.

Nicosia can boast of growing number of banks, insurance, accounting and legal firms with international standing. What makes your city a perfect destination for companies representing the banking finance sector?

Over and above the concentration of skilled workforce mentioned earlier, Nicosia is the administrative, financial, commercial, cultural and religious centre of the island. The fact that all the Ministries, government services and departments, as well as Embassies or services linked to embassies are also based in Nicosia and generally concentrated within a very small area of the Capital is extremely convenient for foreign investors. Increased foreign investment and a good business environment also generate a need for further enhancement of the banking and finance sector.

Right now Nicosia is competing to be the cultural capital of Europe for 2017.

Nicosia claims the title of European Capital of Culture for 2017 with the support of 8 other municipalities (Larnaca, Aglantzia, Ayios Dometios, Engomi, Idalion, Strovolos, Latsia, Lakatamia). Together these geographic areas have the history, infrastructure and experience to support this kind of event and amount to 50% of the population concentration of the island.

Being selected as European Capital of Culture is a unique opportunity to redesign and redefine our

City from the cultural and social Buffer Zone of the present, to a creative and diverse Convergence Zone of the future, to stimulate the economy, quality of life and pride in our city. Nicosia does not have beaches and cannot rely on the tourism industry for its development. Our way forward HAS to come through culture and we are all very excited and hopeful for the outcome.

**What would you say to tourists coming to Cyprus?**

While Cyprus is mostly known to tourists for its beaches and related fun activities, it also has a very interesting history. Nicosia has always been the historical and cultural centre for Cyprus; most of the country's museums, galleries and cultural centres are located here and there are many unique archaeological monuments a testament to the country's history. Being the last divided city in Europe, any visitor in Nicosia can witness first-hand the effects this tragedy has had on the island and the city in particular. I would have to say that one can never really grasp the essence of Cyprus without a visit to Nicosia.

**[www.nicosia.org.cy](http://www.nicosia.org.cy)**



# Interview

**with Mayor of Limassol**

**Mr. Andreas Christou**



**Mr. Andreas Christou**

*Mayor of Limassol*

*Limassol is a very well developed city. What contributes to its unique position on the investment map of Cyprus?*

Development of our city depends on many various factors. The main one is tourism. Limassol has been the main port and industrial center of the island for many years. Now the industry sector has lost some of its importance but Limassol is still the biggest services center of the Eastern Mediterranean and even one of the biggest in the European Union. In ship management industry we take the first place in the EU and we are 4th in the world. This environment as well as Cypriot hospitality attract hundreds of companies that choose Limassol as a place for their headquarters. These are mainly companies involved in shipping but during last years also high-tech, financial and developing companies from various countries (Germany, UK, Russia, Israel, Norway e.t.c.). The fact that thousands of European citizens

choose Limassol for their second house gave local authorities more opportunities and finances to develop our city. This money was a real economic booster, not some mysterious strategies of the local government.

*What projects are you working on now?*

We are finalizing the construction of the first marina in Cyprus. This is the biggest project at the moment – it is going to be a whole settlement complex of marina with restaurants, offices, houses and villas. Its value amounts to 350 millions of Euros. We are also working on the renovation of the center of the city. This worth 60 million euros project is has been founded by the European Union. Another important project that we are working on is the regeneration of the Old Port, the traditional small trade port of Limassol. We plan to transform it into a fishing port with all touristic facilities like restaurants, small shops and exhibition centers. We are also going to the regeneration of a huge area by the sea which has been abandoned by the companies



and industries that moved their businesses to other destinations. This place is known as the Old Industrial Area and we want to transform it to a new financial center of Limassol. Enriching the cultural life of our city is also very important to us. We are rebuilding the Municipal Theater, we have opened two museums recently. There are also many other small projects, like e.g. the Zoo Park.

#### How does tourism influence development of the city?

We have only a few hotels in Limassol and they are located within a certain distance from the sea and they are rather city and business hotels. The 5 star beach hotels are located eastward of the city and they attract tourists from all over the world. Our city centre is the most traditional and most populated place that you can find in the urban areas of Cyprus. That is why we decided that further developing the city center will be our main objective. We want to arrange the urban area for less cars and more pedestrians where one can find traditional restaurants, tavernas, coffee shops and all the facilities for tourists and local people. The traditional market is already under regeneration. Limassol is situated near some important archeological sites, like the Aphrodite Temple dated back to the 12th century BC and a roman city Curium with Ancient Theater. First inhabitants settled Limassol in 2000 BC. We have many wineries around the city which one can visit and enjoy local products. We are improving our city all the time to make it more attractive for tourists and residents. The whole city is situated by the sea and this is our wealth. It is a good destination for people who live abroad in big cities or populated suburbs.

#### Why, in your opinion, foreign companies should set up a business here?

First of all we have a friendly taxation system. Taxes here are lower than in other countries. Before our accession to the EU we had 5% of corporate tax for

local and foreign companies. Now it is 10% but it is still an important advantage. Second reason, in my opinion, is safety. Cyprus as a small island country has a high security level. We have good banking and legislation system. There are lots of good schools where English is first language. The cost and quality of man power is also attractive for the foreign companies. Final advantage is our location – we are a part of Europe but we are also situated near the Far East. All these things together make Cyprus an interesting and competitive place for starting up a business.

#### Why do people fall in love with Cyprus and Limassol?

Cyprus is a traditional Mediterranean country. We have a lot of similar features with people from Greece, Italy, Southern France, Spain and Portugal. We are openhearted, quite emotional, friendly and open in contacts with others. We have southern temperament but Cyprus has also been positively influenced by our neighbors from Minor Asia, Palestine, Syria, Israel. You can say that we are Europeans with oriental soul. Sixty years ago Cyprus was a poor country. It developed after regaining independence but had never forgotten its past. That is why Cypriots are friendly and honest.

#### How did you become the mayor of Limassol? What is your career history?

I am an engineer by profession. I had worked in industry for 17 years and I gave up my job to start a political career. I became the member of the Parliament, where I was active for twelve years. Then I became a Minister of Interior. I resigned after four years and came to my home town to serve as a mayor. I have been holding this position for 6 years now.

**[www.limassolmunicipal.com.cy](http://www.limassolmunicipal.com.cy)**

# Interview

with Mayor of Larnaca

**Mr. Andreas N. Louroutziatis**



**Mr. Andreas N. Louroutziatis**

*Mayor of Larnaca*

Larnaca used to be the main city of Cyprus.

Yes, Larnaca is the city with a great history. It has been continuously inhabited for the last 4000 years and it was a political and trade capital of the island. Most of our country's commercial activities and embassies have had their seats here.

*How would you describe the potential of Larnaca? How does it attract foreign investors and tourists?*

Tourism is one of the strongest sectors of Cyprus' economy so we always focus our activities on it. The biggest potential of Larnaca is linked to the opportunity to make it a gate of Cyprus. We have an airport and good geographical location. Now we are working on a project that concerns creating a great harbor which will cost a few hundreds of millions Euros. We are convinced that it will help Larnaca to become a gate of our island and it will give us a chance to expand as a tourism destination but also as a business and trade center.

*You are working also on some other large projects right now, like for instance the Hermes project.*

We are very excited about this one. Local investors put their faith in development of Larnaca's infrastructure and they combine their efforts to make such ideas come true. Larnaca also attracts the interest of foreign investors like Chinese people who are interested in creating an exhibition center in the area of our old airport. This fact confirms that our visions of Cyprus as a gateway to Europe and Larnaca as a gateway to Cyprus are achievable. Because it is a difficult time in economy right now, I think that we should put emphasis on export now. We have to look outside and promote Larnaca as a perfect place for investment. New investments in our area mean economic growth and job creation.

*What are the Hermes project's phases?*

There are three phases. First is the exhibition center on 670 thousand sqm able to accommodate various

Chinese companies which will show their products mainly to foreign visitors from Africa and Asia. Second phase concerns creation of a logistics center that will facilitate and accelerate transfer of goods to their final destinations. Last phase is to establish a manufacture in this area.

#### What about other projects?

Our aim is to create a better quality of life for our citizens. The road network and infrastructure are essential components of this. We are about to sign a contract for development of a road which will pass by a medieval castle. It is not going to be just a simple road for cars but a multifunctional area. Except for the road there will be a beautiful promenade by the sea for pedestrians. We want to bring the city closer to the sea to emphasize the atmosphere of an island. Accomplishment of this project will take about two years. Recently we have organized an

architectural contest for design of the old Larnaca's market. The best project has been chosen and now we are looking for investors because we need private founding to proceed any further. There is also a plan for development of the Salt Lake area. We want to improve walkways and bicycle paths. Our aim is to give Larnaca's citizens the opportunity to appreciate nature. Larnaca is the only city with such substantial areal biodiversity within Europe. We have to develop it and bring it closer to our citizens.

#### How do you attract foreign investors?

We have created a committee of the Municipal Council which aim is to promote investments and businesses in Larnaca district. We are also negotiating with various consulting offices which will create an investment portfolio in Larnaca. We want it to be a supporting facility for foreign business people who want to come to Larnaca and start their businesses here.







#### What does Larnaca offer as a tourism destination?

Larnaca is a destination for people who want to explore and enjoy the history of visited places. It may not have such high standard resorts as other cities but it has rich history and many monuments. It is a very friendly and interesting place. The whole area is a tourism destination itself. We have culture, sun, shopping facilities and good food, all combined in one destination – Larnaca.

#### Which destinations in Larnaca in your opinion should be seen by everyone?

First one is Larnaka Medieval Fort which I have already mentioned. It is beautifully situated on the coast. Next place that everyone should see is Old Harbor, one of the most significant harbors in the ancient times. Another interesting place is The Church of Lazarus, a magnificent orthodox church built about 1500 years ago. The site one should not forget to see when visiting Larnaca is the ruin of Ancient Kition and giant stones of the 5 temples. These are the earliest architectural remains, dating back to the 13th century BC. An interesting experience is to see Salt Lake in

Larnaca which is situated close to the International Airport. It dries up in the summer and its salt is considered unfit for consumption. Last thing I would recommend to see is Zenobia Wreck. It is a wreck of a Swedish ship which sunk in Larnaca Bay in 1980. It is a very popular diving destination.

#### As far as economy is concerned, what recipe do you have to repair the effects caused by the crisis?

Economic crisis has affected Cyprus. It created a big rate of unemployment, which is a new situation for us. Thousands of our citizens were left without work and other thousands work in the government sector which is definitely too wide in comparison to our population and its needs. The problem is that salaries in public sector are higher than in private companies. This situation splits our people drastically and finally we begin to realize that it has to be corrected. The real challenge is to make the required changes through dialogue, not fighting.

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# **Shipping and Maritime Industry**



# Cyprus Shipping

## National Developments



**Mr. Thomas A. Kazakos**

*Director General, Cyprus Shipping Chamber*

**From 1st July 2012, Cyprus will take over the rotating Presidency of the EU Council for six months. For Cyprus, this constitutes one of the most important periods in its history, which will require strategic planning and intensive political and organisational activities on national and European level in order to make sure that the Presidency will run successfully.**

Cyprus will have the task of going through the agenda of the Council for six months. In the area of maritime transport the Cyprus Presidency will attach importance to the promotion of improved working and living conditions for seafarers, to a more secure and responsible maritime workforce, as well as, to a socially responsible shipping industry.

Emphasis will be given to the transposition in EU legislation of the relevant provisions of the ILO's Maritime Labour Convention (MLC) in relation to Port State and Flag State obligations of EU Member States, through the revision of the relevant Directive

and the introduction of a Directive concerning flag State responsibilities.

As a priority, the Cyprus Presidency will aim at 're-energizing' the Integrated Maritime Policy, through the examination and adoption of a political Declaration, in order to create momentum for the implementation of this innovative cross-cutting policy, which will address relevant challenges in an efficient and sustainable way, at European level. This priority will be highlighted with the organisation of an Informal Ministerial Meeting on EU-IMP as a follow-up to the one organised by the Portuguese Presidency

in Lisbon in October 2007. The said Ministerial Meeting under the theme “Reenergizing EU-IMP: From Lisbon to Limassol” will take place in Cyprus, on the 8th of October 2012 and it will be addressed by the President of the European Commission Mr. Jose Manuel Barroso, the President of the Republic of Cyprus, Mr. Demetris Christofias and the Commissioner responsible for Maritime Affairs, Mrs. Maria Damanaki.

EU Ministers responsible for maritime affairs will take note of the progress made on the EU Integrated Maritime Policy and they will adopt the “Limassol Declaration” aiming to become the milestone for the future development of the EU Integrated Maritime Policy. The “Limassol Declaration” will be submitted to the Council for further examination and adoption of formal Council Conclusions, in view of the General Affairs Council and the European Council in December 2012. The Ministerial Meeting will focus on the „Blue Growth” initiative which aims to stimulate growth, jobs and competitiveness from marine and maritime sectors which represent a source of

untapped economic potential that is vital for Europe’s future and its economic recovery.

In addition, the Cyprus Presidency will also consider a new legislative proposal on the multiannual funding for the action of the European Maritime Safety Agency (EMSA) in the field of response to pollution at sea which will be examined during the Cyprus Presidency.

As far as Cyprus Shipping is concerned, despite the continuing negative effects of the financial crisis, the Cyprus Shipping Chamber remains optimistic that the high value worth and the substantial contribution of the Cyprus Shipping Industry as foreign and local direct investment into Cyprus Economy, can be maintained and strengthened even more.

In order to achieve this, and in view of the Presidential Elections in 2013, we strongly believe that if the following three requests are adopted and implemented, as part of the election programme commitments, by all Presidential candidates, whenever these are decided, they will offer Cyprus Shipping quite a promising future!

## 1. The Creation of an “Under-Secretary for Shipping” Position

The main functional deficiency that exists today in the infrastructure of Cyprus Shipping, is the immediate need of upgrading and restructuring of the Cyprus Maritime Administration. We believe that creating an “Under-Secretary for Shipping” position will result in decentralisation, faster and more accurate development of Government policies for Shipping in accordance with international conventions, and more effective communication with other State authorities or agencies. One of the reasons mitigating the implementation of this proposal is the fact that

Merchant Shipping is perhaps the only sector in Cyprus that operates on a global scale and whose size and international importance go far beyond the size of Cyprus as a country. The European Union gives particular attention to Merchant Shipping, more than any other part of the Cyprus Economy, which falls under the competence of a Government Department. Further to its financial contribution, Merchant Shipping has also considerable political significance, as the Cyprus flag and Cyprus issued documents and certificates of ships and seafarers are recognised internationally



and strengthen the national identity of the Republic of Cyprus. In addition, the creation of an “Under-Secretary for Shipping” will not override or conflict with

the powers of the Shipping Directorate of the Ministry of Communications and Works as a relevant power will be stipulated by law.

## **2. The further promotion and expansion of the “Tonnage Tax” System**

The recent approval by the European Commission of the new, fully revised and upgraded Cyprus Shipping Taxation System, constitutes perhaps the most important success for Cyprus Shipping since the formation of the Republic of Cyprus as it ensures the viability of the Cyprus Shipping Register and the Cyprus Shipping Industry, as well as the unhindered continuation of the important contribution of the Shipping Industry to the Cyprus Economy. With the new Taxation System, Cyprus is now able to cover in their most modern form, the three basic Shipping activities that are offered today in International Shipping, namely Shipowning, Shipmanagement

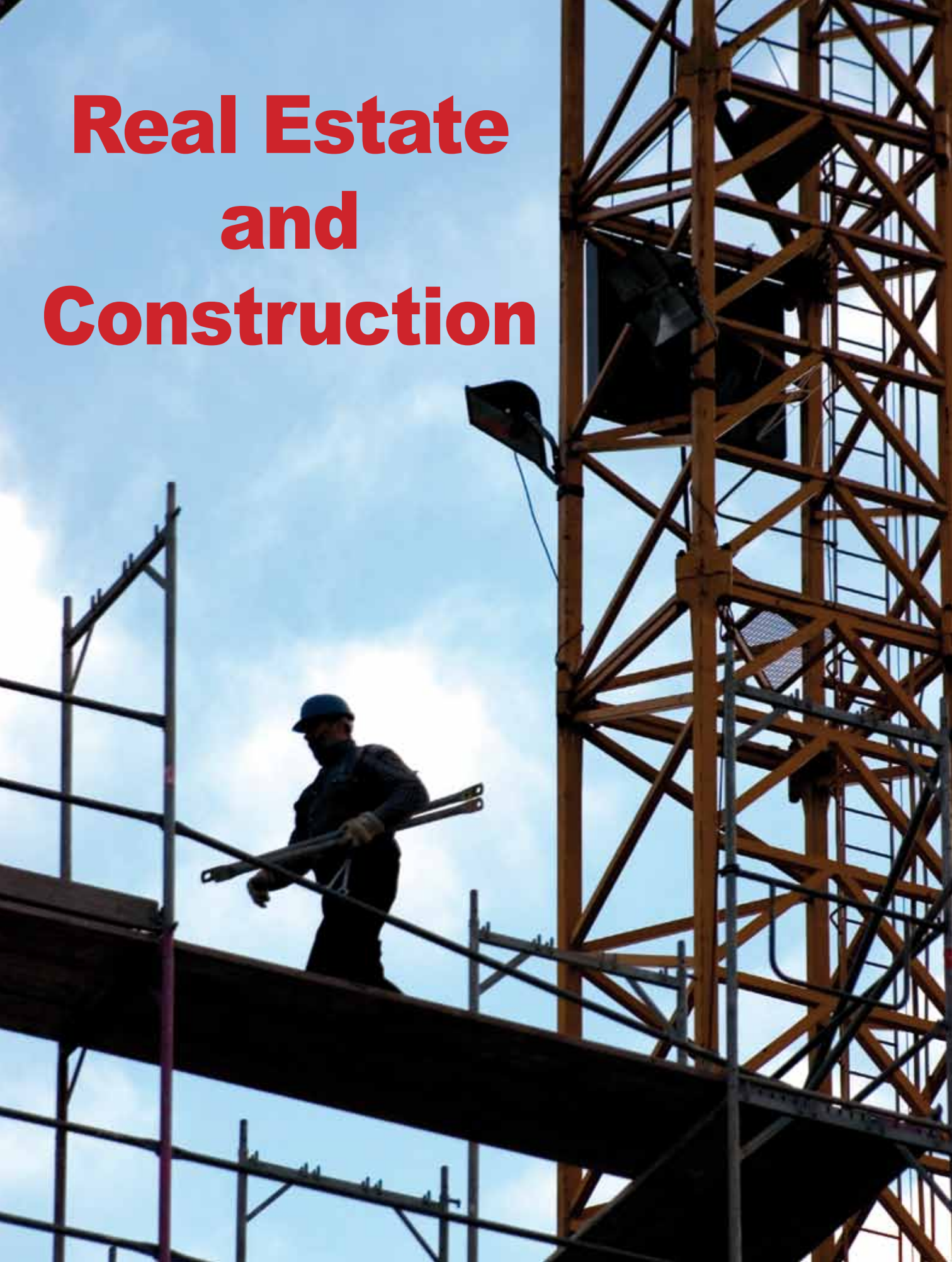
and the Chartering of vessels. In this respect, it is imperative that the efforts made during the last two years by the Maritime Administration and the Investment Promotion Agency (CIPA), in close cooperation with the Shipping Chamber, to advertise the advantages and benefits of this new Taxation System abroad, be intensified and further expanded. This way, Cyprus will be able to attract more ships to register in the Cyprus Register and more shipping companies to establish their offices in Cyprus, which will have a positive impact on the Economy of Cyprus, and enhance even more the EU Maritime Cluster.

## **3. The lifting of the Turkish Embargo on Cyprus ships**

The Turkish Embargo is the main problem faced by the Cyprus flag / Register. Since 1987, the smooth development and operation of Cyprus Shipping is still prevented by the Turkish Embargo, namely the prohibition of ships which are related in any way with Cyprus to call at Turkish ports. A high number of ships could have been registered in the Cyprus Register, something which was not done, and a significant number has been deleted from the Cyprus Register due to the fact that with the Turkish Embargo still imposed, Shipowners cannot

conclude charter-parties that provide free access of their vessels in all ports of the world. With the accession of Cyprus to the European Union, these restrictive measures demonstrate that this illegal and discriminatory practice followed by Turkey, not only has financial implications on Cyprus, but also on the financial interests of the European Union. We expect, therefore, that the European Union will exert maximum pressure on Turkey to lift this illegal ban and that the Cyprus Government will continue and further intensify its efforts in this direction.

# Real Estate and Construction



# Constructing new values

**Cyprus can undoubtedly boast of excellent weather and great hiking conditions. These qualities, however, support not only the tourism sector. Due to them Cyprus also makes a unique place to invest in real estate. This branch accounts for as much as 10% of country's GDP.**

Cyprus was one of the countries for which the past decade turned out to be a time of exceptional growth in the real estate market. The demand for land and property translated into a rapid increase in prices. Between 2006-07 alone, the prices were growing at an annual rate of 25%. Although, today's macroeconomic situation resulting from the financial crisis does not allow for such a vibrant sector development, it still remains one of the most attractive areas to invest money. Why has real estate market in Cyprus for many years remained an object of desire of investors from Europe and beyond?

It is not just about climate and the fact that Cyprus makes a perfect place to live. The island offers excellent transport infrastructure, which means that travelling between major European economic centers is extremely comfortable. Not surprisingly, the construction industry is growing so rapidly that it accounts already for nearly 10% of Cypriot GDP and employs more than 10% the labor force. This development was possible through investments coming both from the side of public and private initiative.



## Pearls of the market

Impressive results of the Cypriot construction sector can be seen not only on paper. Recent years in the industry ran on the preparation of ambitious projects that would alter the indelible image of Cypriot cities. An example would be here the Neapolis Project, developed by Leptos Group. Located on the surface of a thousand square miles will be the first 'intelligent'

metropolis in the Mediterranean area. The idea is to be supplied only from renewable energy sources. Cost of the project is estimated at 2 billion Euros. First part of the investment – the Neapolis University - was already completed in 2010. Now the works are pending to develop infrastructure of the city and residential properties.





Another highlight of Cypriot construction is also the marina in Limassol. This project will consume 350 million Euros; resulting facility will accommodate 650 yachts and is meant to become a key point on the tourist map of the country. This concept combines creation of a marina along with a huge catering and trade division. Project is scheduled to be completed in 2014. Companies involved are, among the others, Limassol Marina Ltd are: Cybarco Ltd, J & P - Avax SA, Joannou & Paraskevaides Ltd; Frangoudi &

Stephanou Ltd, Athena SA, CADS Holdings Ltd, and the Limassol Marina Development Company Ltd.

Another ground-breaking initiative is related to the development of Larnaca port, at a cost estimated at more than 80 million Euros. The process of construction is to be finalized in 2015. However, infrastructure development of Cyprus covers not only the construction and revitalization of sea ports. In 2008 and 2009 there were two new airport terminals opened – in Paphos and Larnaca.

An important landmark of the country's real estate market is also the plan for modernization of Nicosia's Eleftheria Square. This is to be a modern urban center, combining advantages of an image-building old town with technologies of the 21st century. Parks, shopping and recreational facilities are to make the Eleftheria Square a cultural and social center of the capital of Cyprus.

## In the vicinity of crisis

After all, the global financial crisis did not spare the Cyprus property market. Although during past decade we have seen mostly price increases, the beginning of the current one recalled that Cyprus is strongly associated with the crisis-affected European economy. In 2011, sales of real estate fell by 18%. Decline in purchases by customers from abroad amounted to 10 percentage points. Similar declines have affected prices of houses and apartments. It turned out that in some parts of the island real estate prices declined nearly 1/3 below the levels seen in 2006. Prices in Larnaca, Nicosia and Paphos fell by over 20 percent. Less significant declines have been

observed in Limassol, a destination popular especially among investors from Arab and Russian countries.

Currently, foreign investors account for a quarter of the purchased property in Cyprus. Traditionally, the strongest group of property buyers in Cyprus were British. However, with the slowdown in the English economy, increasing activity in the Cypriot property market has been observed from the side of the Russians. Today, nearly a half of foreign sales comes from Great Britain, whereas the Russians account for 38%. The latter are especially carefully observing projects related to luxury property building.



## Government takes action

Price declines do not remain without attention and response from the Cypriot authorities. Observing falling real estate prices, the authorities decided to

stimulate market by means of tax rates. This way, the VAT tax on newly built properties was lowered to 5%.

## Support underway

Even if the property market in Cyprus (just like in whole Europe) is at present undergoing certain adjustments, it can be seen as an attractive location to make promising investments. Real estate is one of the most important branches of Cypriot economy - both in terms of its contribution to GDP and employment. From the perspective of the industry itself and its operating entities, it is shaped not solely by the demand level, but also by backgrounds of the financial system.

An essential role in the development of the real estate market is played by the credit policy of banks, which is linked directly to limitations imposed by the monetary authorities of the country. Concerns

about the worse fiscal situation of Greece are often stretched well into neighboring countries, which show a high degree of relationship with Greece. Meanwhile, it is not true that the ability to invest in real estate lending by the Cypriot banking system depends primarily on what will happen to the Greek finance. Cypriot banks have ample liquidity and access to financial resources of the European Central Bank. This institution has already shown its willingness to support liquidity of the Cypriot financial system within the emergency liquidity assistance scheme (ELA). Thus we can expect that the return of the upward trend in the Cypriot property market is a matter of time and depends on the upturn in the global economy.





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# Interview

**with Chairman of Iacovou Group**

**Mr. Iacovos Iacovou**



**What were the beginnings of your family business?**

The Group is now almost 60 years old. It is a family business started by our father George Iacovou and we expanded it along with my two brothers. Our children have already joined the company, so the 3rd generation is currently on board now. We are active in all sectors of the construction industry. We undertake building, infrastructure and engineering works as well as quarrying and mining. Within the group there is a trading company and altogether, there are 25 operating companies.

**What projects are you most proud of?**

We have executed a number of projects during the years, however our most proud achievement is our involvement in the execution of the New Larnaka and Pafos International Airports and participating in the Consortium which is operating the airports with the Built Operate Transfer (BOT) method. We have also been involved in the construction of the New Athens International Airport and the first six lane motorway project in Cyprus. Our group is the largest plant user in Cyprus with over 500 heavy duty equipment including three high capacity asphalt plants making us one of the biggest asphalt producers on the island. We have successfully completed a number of major projects on time within budget and to highest quality.

**So your company's profile is very diversified.**

Yes. It is also vertically integrated. We mine the aggregates that are used by our batching plant for the production of concrete which we use for our own projects and also selling to other contractors. We have our own Workshop to maintain our fleet of plant and equipment.

**You have mentioned the challenges that you are facing in construction and real estate industry.**

We are in the middle of a worldwide economic crisis and the construction and real estate industries have taken the biggest hit. Nevertheless I am an optimistic person by nature and I believe that things will change and improve soon with the right actions from the government and its support to the banking system as well as the best exploitation of the newly discovered natural gas, which provides Cyprus with a great opportunity to resolve its economic and its political issues.

**Please tell us more about the Hermes project and collaboration with Chinese investors.**

Hermes Airport Ltd has the concession to operate the Larnaka and Paphos International Airports for a period of 25 years. Within the boundaries of our contract we have more land for development. We



have recently signed an agreement with a Chinese company for the development of the old Larnaka airport terminal area to a permanent exhibition centre of Chinese products. This exhibition centre will be more than 650,000 m<sup>2</sup> and will be able to accommodate around 4500 exhibitors in an overall investment of 600 million Euro. Moreover the overall benefit to the city of Larnaka and Cyprus is even bigger with a lot of opportunities for Cypriot businessmen especially with retail being prohibited. The project will be financed by the Chinese government through a state owned bank. The main contractor of this project will be a government owned Chinese company and the developer is Far Eastern Phoenix Ltd. The exhibition is designed to accommodate around 10 thousand visitors per day. This is going to increase the number of passengers travelling through the Larnaka Airport and also boost the country's economy due to the overall tourism effect of those visitors. The agreement has been signed for 19 years and we are waiting for an extension by the government to 50 years subject to an agreement and the necessary permits to be issued.

**The Chinese usually bring their own working force to such projects. How will it be solved with this one? Will the workers be of Cypriot origin?**

What we have discussed with the investors is each exhibitor will send a Chinese representative to Cyprus and we are expecting around 4500 small exhibitors within the project but additionally they will need to hire more than 10 thousand local staff to work there because of the language and not only.

**Your main target is construction but you also have some products that you are exporting to other countries for example copper. How do you develop export?**

The group owns one of the oldest copper mines in the world and the only one in Cyprus and all copper

production is exported to Glencore International. We plan our production levels according to the international price of copper.

**You are an optimist by nature as you said, but how do you find perspectives for Cyprus for the next few years taking into account the difficult economic situation of whole Europe?**

I am sure we will find a way to solve the banking problem and that the government will give some incentives for the economy. I am also looking forward to some good news about natural gas. I believe that the Cypriot employees are well qualified and hard-workers and that entrepreneurs are clever and very active. Having that in mind, I am very optimistic and convinced that we will soon overcome the financial difficulties.

**What makes Cyprus such an attractive destination for tourism and investments? Why do people fall in love with Cyprus?**

First of all it is a beautiful and friendly place. Cyprus is a very peaceful and safe country with a great history. Our crime rate is one of the lowest in Europe. Cypriots are good and friendly people. The island has all year sunshine and beautifully organized beaches making Cyprus an ideal holiday destination any season. The services in Cyprus are of a very high standard. We have a well-developed infrastructure with fine airports and road network. Furthermore the Cypriot legal system, ease of legal structuring and administration alongside a very attractive Tax Policy are transforming Cyprus into a tax-incentive country for Offshore Companies. There are lots of good reasons for a visitor to come to Cyprus. It is a lovely place!

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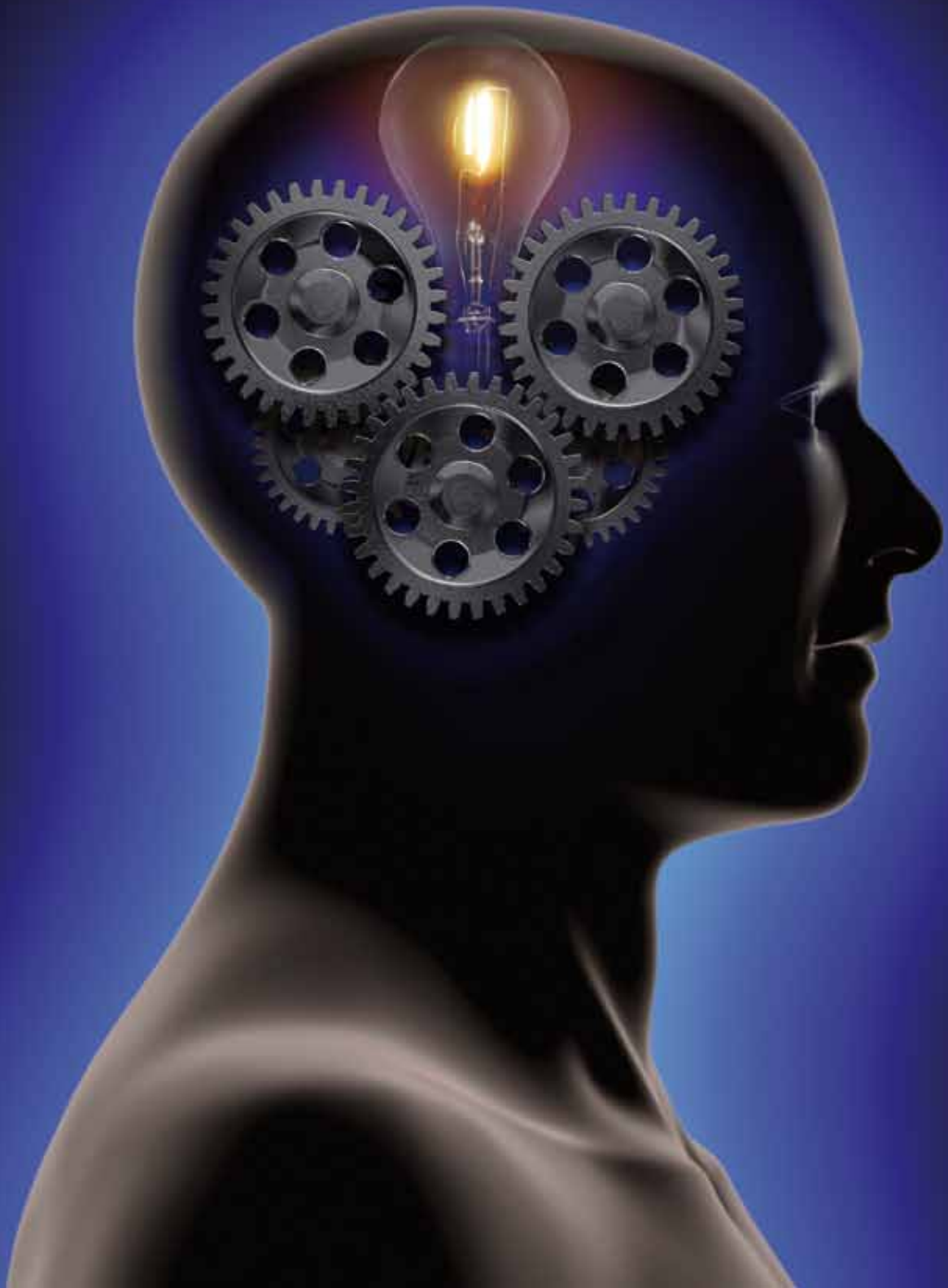
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# **Education and Human Resources**





# Interview

**with Rector of the University of Cyprus**

**Professor Constantinos Christofides**



**Professor Constantinos Christofides**

*Rector of the University of Cyprus*

The University of Cyprus was established in 1989 and admitted its first students in 1992. What is the position and role of the University on the contemporary educational map of Cyprus?

I think that nowadays the University has gained a central role in Cyprus. It has become a cradle of new ideas, innovation and research. About 80 % of research performed in our country is conducted at this University. It is a very dynamic facility. We participate in many European scientific projects and we can boast of approximately 1,200 students per school year. Today we have 6,500 students, out of which 500 is at PhD level. Our professors come from all over the world – from various countries and universities. The University is also involved in several public projects and events. Right now many of our colleagues are helping by the organization of the Cyprus EU presidency. Many of us participate in various committees. I believe

that Cyprus University is a machine for changes.

The University covers eight faculties. Could you characterize them briefly?

Yes, there are indeed eight faculties at the University of Cyprus. Namely: the Faculty of Social Sciences and Education, Faculty of Humanities, Faculty of Economics and Management, Faculty of Pure and Applied Sciences, Faculty of Engineering, Faculty of Letters and the Faculty of Graduate Studies. This year we have also launched a Medical School, which will acquire its first students. The faculties contain approximately 22 departments. Beyond that we have 9 research units and numerous university societies. The Diogenes Business Incubator Center encourages and supports the development of new start-up companies initiated by our students. I think that all of our faculties are dynamic and able to attract many European and national projects.

One of the most important strategic target of the University is establishment of 3 new faculties: Faculty of Medicine, Faculty of Law and Faculty of Finance. Why this particular faculties?

We want to keep certain equilibrium between faculties connected with economic and biologic science and the humanities. In 2014 we will open our new library, a project worth about 30 million euros. Our strategic goal is to get to the first 500 universities of the world by 2020. I am sure that the creation of the new faculties can help us to achieve it.

Professor Marios Polycarpou, Director of the KIOS Research Center for Intelligent Systems and Networks at the University of Cyprus, has been awarded the ERC Advanced Grant, the most prestigious research funding award given by the European Research Council (ERC). How will this contribute to the promotion of the university?

Professor Marios Polycarpou is a very dynamic and successful scholar. We have already been awarded four ERC Grants and it seems that another two are on their way. Believe me that there are very few universities in Europe that could boast of similar achievements.

There is an ongoing cooperation between the scientists from the University of Cyprus, the University of California at Riverside, and Princeton University in the U.S.A. Its aim is to develop a drug for the treatment of Age-related Macular Degeneration (AMD). What is the importance of this project?

It is a vital project because it may contribute to counteraction of a serious health problem that occurs more and more often. This is however not the only health project which our colleagues are involved in. We are also developing the MRI (Magnetic Resonance Imaging) technology, which will allow for increasing efficiency of the diagnostic clinical results.

Are there any other important international projects in which the University of Cyprus' academic personnel is involved?

Yes, of course. Our University is conducting many projects in a variety of scientific disciplines – from energy, through economy, to archaeology. The money transferred to our Universities from international projects accounts for over 40 million Euro. Taking under consideration that the budget granted to us from the state reaches 90 million, one must realize the role played by our international activity.

In recent years, Cyprus has become an international destination for the investment capital. What can you say about the country's economic future? What are your predictions concerning its further development?

I must say that I am convinced that the next decades will be someday described as the 'time of the Mediterranean Sea'. Constant presence of sun and a comfortable climate will contribute to the situation, where Cyprus and the whole Mediterranean territory will become a perfect place for acquiring cheap, renewable energy. Now this region has its historical chance to develop green, sustainable economy. This will happen by going back to our roots and restoring traditional strengths of our economy and turn Cyprus into an economic leader, like it was 6 centuries ago.

And your task is to prepare your students to take part in this process?

If we want to achieve what I am talking about, we need highly qualified labour force. It should be made up of open-minded graduates, who will be characterized by flexibility and ability to adjust to rapidly changing economic environment. I try to convey a message that Cyprus is a unique place, which offers its inhabitants a freedom to develop their passions for a common good.

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# **Tourism** **and Culture**



# Tourism – traditional strength

**Cypriot economy won the hearts of entrepreneurs as a perfect investment destination many years ago. Qualified staff, simple and transparent fiscal system, attractively low tax rates – these are just some of the advantages of Cyprus.**

As the past decade showed, Cyprus economy is becoming more and more dependent from the service sector. Today it accounts for as much as 80% of the country's GDP. One fifth of the services contribution

to Cypriot domestic product is generated by tourism. This branch is characterized by a certain type of traditional strength, allowing it to perform well even during the time of global economic turbulences.

## Keeping the strength

Despite the fact that Cyprus, like the majority of European economies, has to plan its economic future under the cloud of the financial crisis, it seems that tourism will not suffer much from the global downturn. Politicians are optimistic about the sector's future.

'The state of Cyprus's tourism does not allow room for complacency nor panicking' said Neoklis Sylikiotis, Minister of Commerce, Industry and Tourism during

the 58th General Assembly of the Association of Cyprus Travel Agents (ACTA).

Last year's increase in arrivals reached the level of 10 %, while the revenues of tourism rose by nearly 13 %. Mr. Sylikiotis wishes that this year's results will remain at an equal level, as the year 2012 seems more challenging than the previous one.

## Public support

The tourism sector development is supported and governed by Cyprus Tourism Organisation. This public body operates offices both in Cyprus and abroad. The Head Offices are based in Lefkosia (Nicosia) while there are Regional Offices in other cities and areas across the island - Lefkosia (Nicosia), Lemesos (Limassol), Larnaka (Larnaca), Agia Napa, Protaras,

Pafos (Paphos), Kato Pafos (Kato Paphos), Larnaka Airport (Larnaca Airport), Pafos Airport (Paphos Airport), Lemesos Port (Limassol Port), Germasogeia, Platres and Polis Chrysochous. The organization has also six inspector's offices. These are to be found in Lefkosia, Lemesos, Larnaka, Pafos, Agia Napa and Polis Chrysochous.

To strengthen its market impact, CTO has also developed a network of foreign offices in twenty major cities: London, Dublin, Frankfurt, Berlin, Paris, Stockholm, Helsinki, Athens, Milan, Zurich, Brussels,

Amsterdam, Vienna, New York, Moscow, Tel Aviv, Budapest, Prague, Salonika, St. Petersburg, Warsaw and Dubai.

## **Feel at home**

Cyprus offers its guests a pleasant holiday experience with a multicultural environment and Mediterranean climate. As a member of the European Union, the country offers high European standards and services. Communication obstacles are practically eliminated, because English language is widely spoken.

As far as entry requirements are concerned, it has to be stated that Cyprus is very easily accessible. In

order to travel to Cyprus, one needs a valid passport in case of a stay of up to 90 days. This regulation, however, does not apply to the citizens of Switzerland, Iceland, Liechtenstein, Norway and EU countries, who may enter Cyprus with national identity cards. Further information concerning entry requirements and Cyprus's Embassies and High Commissions is available at the Ministry of Foreign Affairs.

## **Famous and popular**

Weather and climate conditions of Cyprus need neither to be introduced nor to be advertised. The country offers every possible advantage that may be associated with the region of Mediterranean. Wide variety of beaches to choose from, ranging from secluded bays, to lively resorts, sandy beaches and rocky coves – Cyprus has it all. However, the touristic

offer is composed in a way that would fit both the expectations of visitors willing to relax in the sun and those preferring active recreation. The guests may spend their time practicing any given water sport, from sailing and windsurfing to diving, or go for a bit of extreme sensation, like bungee jumping.

## **More than sun and sand**

Apart from its wonderful climate and weather conditions, Cyprus can also boast of a variety of sightseeing attractions. Despite the fact that lots of historical pearls of ancient architecture and culture suffered from earthquakes or just have not survived the test of time, the country still has very much to offer. The capital of the country, Nicosia, is itself one

of the most important relics of the Mediterranean region. The city, with a history reaching back to the Age of Bronze, became the capital in 11th century. The very center of the town is filled with museums, (e.g. Cyprus Archaeological Museum, Ethnographic Museum, Ethnological Museum) ancient churches (Agios Ioannis Cathedral) and medieval buildings.



Traces of history are to be found all over the island, which has become practically a huge open air museum. In the region of Paphos one can find some of the most spectacular archeological sites in the whole Mediterranean area. Kourion Archeological Site, located at the territory of an old-time city kingdom of Kourion, remains a fascinating area for the explorers, whose excavations continue to reveal impressive new treasures. Another incentive for sightseeing-oriented tourists is to be found in the north western necropolis

of Paphos, where the famous Tombs of the Kings are situated. This region also offers an interesting geological formation of huge rocks on the southwest coast, that forms one of the most impressive natural sites of Cyprus associated with Aphrodite, the Greek goddess of love and beauty. Amateurs of religious monuments may also travel to the Monastery of Kykkos, the richest and most lavish of the monasteries of Cyprus. It is situated on a mountain peak at an altitude of 1318 metres in the region of Marathasa.

## Taking the lead

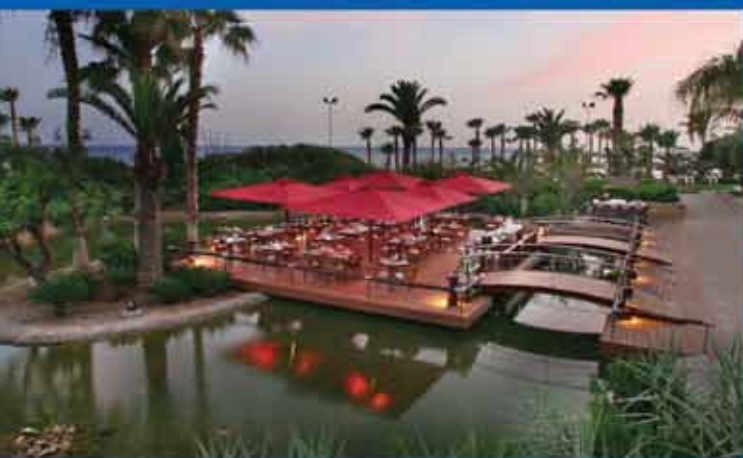
Wonderful sightseeing attractions, historic monuments and fascinating leisure opportunities – all these contribute to the seducing image of Cyprus, a growing economy with a rich touristic offer. Over 2 million tourists visiting the country every year cannot be wrong. But if someone demands other proofs, here

they are. According to the World Economic Forum's 2011 Travel and Tourism Competitiveness Index, Cyprus' tourism industry ranks 24th in the world in terms of overall competitiveness. In terms of Tourism Infrastructure – it has already taken the lead.





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# Interview

**with Acting Director General of the Cyprus Tourism Organisation**

**Mr. Lefkos Phylactides**



**Mr. Lefkos Phylactides**

*Acting Director General  
of the Cyprus Tourism Organisation*

**Has the tourism sector in Cyprus been significantly affected by the economic crisis?**

Apparently not in 2011. We had over 2,4 million visitors in Cyprus last year, which stands for a 10% growth in comparison to 2010. Last year we managed to attract about 250.000 more visitors than in 2010. In terms of financial performance, the tourism revenue reached approximately 1,75 billion euros during the course of the year. That is why tourism is one of the major economic activities of Cyprus, as it accounts for about 10% of country's GDP.

**What are the prospects for this branch in Cyprus for the coming years?**

We are looking to the future with some caution, since the activity of tourism is directly related to the economic situation in our source markets. Households

will engage in tourism according to their disposable income levels. As there is currently a recession in most major markets in Western Europe – the problem is no longer restricted to the peripheral countries like Spain, Italy or Greece – and as there are concerns that the economic downturn could occur even in Germany, this situation is worrisome, since in times of economic recession tourism is negatively affected.

**Is it about the rising competition?**

When people take tighter grasps on their wallets, competitive Mediterranean areas become attractive alternatives, mainly because of lower pricing. Although countries in Northern Africa are experiencing political problems at the moment, we expect that they will have a dynamic comeback during 2012/2013. Prices have been and will continue to be a crucial factor for the consumers when choosing holiday destinations.



In comparison to other southern competitors, Cyprus relatively is not a cheap destination and this is why we have to work harder than anybody else in order to maintain our market position. We are accordingly implementing a series of strategic programmes for product development, marketing and quality improvement and, at the same time, we are focusing our attention on areas like air accessibility.

Our government, in cooperation with Hermes Airports, the company managing the two international airports in Cyprus, has recently announced a very attractive package of incentives for airlines in order to either encourage more carriers to fly to Cyprus or to encourage carriers that already fly here to intensify their presence. Summing up, although 2012 will not be as successful in terms of growth of the tourism sector as 2011, we still hope that it will be a positive year.

**How does the tourism sector in Cyprus vary from the ones in countries like Egypt and Turkey? What are your competitive advantages?**

Tourists from Western and Northern Europe constitute about 85% of our entire visitors' population. We are especially dependent on the United Kingdom, with which we have strong historical links. There is a large Cypriot minority in the UK and a sizable British expatriate population in Cyprus, so out of 2,4 million visitors, approximately one million comes from Britain. However, the second most important of our markets is Russia, with about 350.000 visitors last year.

We offer our visitors a product which has a great variety. Of course we are a Mediterranean island, so visitors will find here what they expect from a Mediterranean destination: sun, sea, gastronomy, culture, archeological monuments like in other established European destinations. I think what makes a difference in our case is that this variety is available within relatively limited territory. The

island of Cyprus is not very big, but at the same time it is not small. If you drive from the coast in Limassol(Lemesos) where you find bars, kiosks, beaches and sea sports it will take you 25 minutes to reach the top of the Troodos Mountains. There may be snow and you can ski or cook sausages at the fireplace and you may have an impression that you are in an alpine environment. Another 30 minutes away from there you are in Paphos(Pafos) where you can visit Greek and Roman amphitheaters, ancient temples, stunning mosaics, medieval monasteries and churches. All these within reach.

**What about the tourism infrastructure?**

Our airports, roads and the whole tourism infrastructure certainly meet European standards and, as a European society, our levels for safety, security and hygiene are accordingly high. Cyprus can boast of good traveling connections with practically every European country. Cypriots are also very hospitable and I think it is primarily because of our culture and our geographical location - we are between Europe, Asia and Africa and therefore a crossing road from east to west and from north to south. During the past centuries Cypriots were interacting with different cultures passing through our island and these people have left their footprint behind. Our hospitality has its roots in the ancient Greek mythology, as Zeus





commanded to offer hospitality to strangers. And in fact the corresponding Greek word to 'stranger' is 'guest'. So, spontaneously, a person who comes from abroad is considered our guest and we therefore have a responsibility for him/her.

*Cyprus remained under a strong influence of the Greek culture...*

We have a Greek culture here and this is expressed in many ways - music, gastronomy, religion and our everyday behavior. At the same time we have our own idiosyncrasy as a society, mostly because of our turbulent history and the fact that we have been geographically separated from the Greek mainland. We are proud of our Greek heritage but we are also proud of our Cypriot culture. The uniqueness of Cyprus in my opinion is that you can find here the diversity that you expect in a bigger destination but in fact it is all available in a small place. If somebody decides to come to Cyprus he can spend two weeks sunbathing and moving only from bar to the beach, but he can also spend those two weeks discovering the great variety this island has to offer. The sense

of discovery is a crucial factor for our guests. The adventure begins in the hidden Cyprus, the authentic Cyprus, offering village lifestyle, local gastronomy and culture.

*Every country has a few spots that one has to visit. What are these typical must-sees in Cyprus?*

This is not an easy question to answer. One can enjoy many faces of Cyprus, but if we were allowed only a day for sightseeing, the choice would depend on one's interests. If somebody wants to worship the sun and the beach, I would encourage him to visit the eastern part of Cyprus – Ayia Napa and Protaras, where there are glorious sand and the amazing, crystal-clear blue waters of the Mediterranean. 'If somebody wishes to taste a cosmopolitan lifestyle, seeks entertainment and wants to visit exclusive restaurants and night clubs I would recommend Limassol (Lemesos). And if he wants to soak up culture, civilization and history I would recommend Paphos (Pafos). For the tranquility of Cyprus nature and more spiritual visits, i.e. churches and monasteries, I would recommend our mountainous resorts and villages in Troodos area.

**[www.visitcyprus.com](http://www.visitcyprus.com)**

# Interview

**with Managing Director of Holiday Inn Nicosia**

**Mr. Varnavas Varnavides**



**How did your family get involved in hotel business?**

My father had metal a furniture factory. In late 60' he decided to invest in his first hotel and that is how our family got involved in hotel business. Our first hotel had 50 rooms at the beginning but we expanded it and later it became Holiday Inn.

**What are your projections for the tourism sector in Cyprus?**

Tourism rate in Cyprus is increasing and it has good projections. We are becoming a very competitive destination. We want to bring cheap airlines to Cyprus so that we can attract visitors from various sectors - not only exclusive and business tourists but also economical ones.

**What is development strategy of your hotel?**

We try to look more forward and modern. Our main objective now is to develop an on-line booking system. We focus our attention on it because it is the future

of the tourism sector. We are using all big booking systems like booking.com and HRS but we also want to be present at other segment of booking systems like venere for Italian market. Intercontinental Group, of which we are a member, has its own booking system so visitors can also book rooms directly through our website.

**How do you assess the loyalty of your costumers?**

Nowadays clients are not loyal or sentimental. Price is the main and decisive factor. They choose cheap and good hotels. Loyalty cards sometimes help to attract customers but our clients usually have various loyalty cards.

**Do you agree with a statement that all employees of a hotel work in marketing and promote their hotel?**

In certain way of course. Especially those who have direct contact with the customer like waitresses and receptionists.



For many people a hotel is their second home. What are the factors that make guests feel comfortable?

The most important is the atmosphere. The staff should be friendly and helpful so our guests could feel here like at home.

Various kinds of guests visit your hotel. What is your major target? Are these foreign visitors, Cypriots, business customers?

Our hotel is situated in the capital so most of our visitors are business clients and conferences guests. But we also have tourists from Greece, Spain, Italy and Germany.

What is your educational background? Have you prepared yourself to run a hotel?

Yes, I have studied hotel management and business administration.

How to make guests fall in love with a hotel?

It is needed in pleasure hotels and we are focused

on business clients so the atmosphere here is more formal. Business clients don't expect to fall in love with a hotel.

Do your kids work with you as it is a family business?

One of my children works in Intercontinental in Vienna as an assistant manager, and another works in Intercontinental in Spain. The youngest daughter studies dietetics in Germany. So they take a proper international experience to come back here and take a responsibility of running our hotel. It is good to have a family business, it has some advantages and disadvantages but it is a positive experience. You can watch it grow and hope that it will stay in your family.

How would you describe the administrative sector in Cyprus?

The administrative sector in Cyprus is very favorable. We have well organized, helpful and easily accessible offices and public services. There is no corruption here and our tax system is advantageous.





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Mehran Eftekar, Director  
Nest Investments Holdings



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