

# World Report

## Cyprus

From the EU to the world



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## ECONOMY

*As it continues its structural reform programme with a view to joining the Eurozone in 2008, Cyprus is fast-becoming a model EU performer*

Cyprus has responded to the challenges of EU accession and its proposed entry into the Eurozone by building an increasingly lean and dynamic economy.

Whilst EU membership has brought much to Cyprus in terms of security and confidence, the performance of the Cypriot economy and the government's attempts to build on the country's key competitive advantages are enhancing the country's credibility.

Attempts to put its public finances in order are paying off. In July this year, the European Commission decided to remove Cyprus from the EU's Excessive Deficit Procedure (EDP) making it the first of the six new member states to fulfil the provisions of the EU's growth and stability pact. Joaquín Almunia, European Commissioner for Economic and Monetary Affairs, commended Cyprus's commitment to fiscal discipline, commenting, "The Cypriot case shows that budgetary consolidation undertaken with resolve can achieve sustainable results."

With a fiscal deficit of 6.25 per cent in 2003, Cyprus was placed on the excessive deficit procedure along with six other new member states in July 2004.

By 2005, the deficit of Cyprus had been contained and fell to 2.4 per cent of GDP. At the same time, the government debt-to-GDP ratio decreased to 70 per cent. According to the European Commission's forecasts, both deficit and debt are expected to fall further, with the Cypriot government targeting a 2 per cent deficit by 2007, allowing the debt ratio to diminish progressively towards the 60 per cent of GDP threshold.

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# Accordingly European



President of Cyprus Tassos Papadopoulos signs the EU Accession Treaty on the 16th of April 2003 in Athens.



MICHALIS SARRIS  
MINISTER OF FINANCE

**'Our ambition must be to become the link between the Middle East and Europe'**

Crucially, this process does not seem to have negatively impacted the country's impressive growth rates. GDP growth is projected to remain at 3.8 per cent in 2006 and 2007, significantly higher than the average of the EU25.

**STRUCTURAL REFORM.** These strong and encouraging financial results come as a result of a range of measures introduced into the tax system in the lead up to accession that brought Cyprus fully in-line with all EU directives. One-off incentives – including a tax amnesty that offered people the chance to legalise any undeclared money that yielded CYP120 million (£140 million) over two years – have been complemented by substantial structural reforms taken by the Cypriot authorities.

By closing loopholes and improving tax collection, the government has succeeded in raising tax revenues without raising tax rates. The Inland Revenue Department (IRD) reported a further 30 per cent increase in revenue to CYP 305 million (£357 million) during the first half of



MANTHOS MAVROMATIS  
PRESIDENT OF THE CCCI

**'Moves by foreign investors to buy into our banking sector foreshadow wider changes'**

2006, underpinning the administration's efforts to further reduce the budget deficit.

**JOINING THE EUROZONE.** The Cypriot government has shown focussed determination to join the Eurozone and adopt the single currency by 1st January 2008. Michalis Sarris, Minister of Finance since September 2005 and a former Director for the World Bank, insists that all the indicators show Cyprus is on track to hit the deadline. "We are already fulfilling the Maastricht criteria and we will make the deadline," he affirms. "The real challenges for us are rather preparing technically and at the same time convincing people of the benefits of changing our currency."

"In a world of economic imbalances and uncertainty, a small, open economy is better served by being part of a wider monetary union," he adds. "Heading into the euro is for us a way of reconfirming our commitment to playing by the rules in terms of fiscal discipline and laying the foundations for macroeconomic stability as the basis for high economic growth."

**UPSURGE IN INVESTMENT.** Accession to the EU has also led to increased investment flows as Cypriot firms expand their operations abroad and foreign, especially Greek, investors turn their attentions to the island. An upsurge in mergers and acquisitions activity saw it reach over CYP 380 million (£445 million) in the first six months of 2006, eclipsing the combined value of such deals made in the previous three years.

Manthos Mavromatis, President of the Cyprus Chamber of Commerce and Industry, explains, "We are changing from a small, isolated and protected market to part of the largest integrated market on the planet, and are witnessing moves that were unthinkable before. For example, I strongly believe that the moves by foreign investors to buy into the Cypriot banking sector foreshadow changes in the wider economy."

Mr Sarris believes that this opening of the economy provides an important opportunity for Cyprus. "In the same way that Ireland has become the United States' springboard to the rest of Europe, our ambition must be to become the link between the Middle East and Europe. As a government, we must ensure that regulation and legislation is clear and that red tape is streamlined. Business must not be inhibited by one permit too many," he argues.

This falls in line with the wider strategy of President Tassos Papadopoulos. Whilst technical discussions with the authorities in the Turkish occupied north of the island have again restarted after being stalled for nearly two years, he insists that the nation's economic future remains his government's primary concern. "A healthy, steady, strong and increasingly developing economy is not only a factor for the progress and welfare of our people but it also serves as a solid foundation for our efforts to reunite our people and our country," he states. ■

# A platform for change

*The establishment of a common trading platform between Athens and Cyprus is another step in opening up the economy to the world*

Just ten years old, the Cyprus Stock Exchange has had its share of teething problems, most notably, in the crash of 1999. Akis Cleanthous was elected Chairman of the Exchange with a clear mandate for change. Three years later, he is overseeing the final step in his strategic plan, the launch of a common-trading platform between the Athens and Cyprus Stock Exchanges. Here, he talks about the challenges and opportunities presented by the platform:

**Public confidence in the stock market has improved markedly over the last couple of years. How was this achieved?**

Part of the problem in 1999 was that the CSE was not attracting institutional investors and so was over reliant on individuals. That is why the first step the new Council undertook was to talk to institutional investors to find out what it was that

they wanted. After a lengthy consultation process, we agreed upon a strategic plan based on market demands. That was three years ago. Since then, we have comprehensively overhauled the relevant legislation, starting from how we operate our markets to our listing requirements.

One of our first changes was to separate the operation and supervision of the exchange to prevent any clash of interests. We have also restructured our clearing and settlement procedures and the related check and balances so that they conform with all the necessary European directives. We now believe that we have the necessary regulations and security measures in place to build the confidence of institutional investors.

We are already seeing positive results.

**Investors now access both markets in a fully harmonised operating environment with all trading done in euros**

From just CYP 150,000 per day (£177,000), we now see trading volumes of CYP 10 million (£11 million) a day and we expect this to jump dramatically as more people use the common trading platform.

**Why did you feel that this was the best way to develop the CSE?**

Cyprus is too small a market for it to be cost effective for any fund manager or institutional investor to set up operations here and monitor the market. Since we couldn't bring them here, we decided that we should go and find them. We felt the best way to do this was to cooperate with the Athens Exchange. The common platform allows investors to use the same trading platform to access both markets in a fully harmonised operating environment with all trading done in Euros, further reducing costs for institutional investors.

It really is a win-win situation. Our companies get maximum exposure to foreign institutional investors. Our local investors are now able to access all the Greek products and foreign investors covering the Athens Exchange can now invest in companies on the CSE. And all at no extra cost!

**The reforms that you have introduced here at the CSE are part of a wider transformation in Cyprus's business culture. What**



AKIS CLEANTHOUS  
CHAIRMAN OF THE CYPRUS STOCK EXCHANGE

**'We now believe that we have the necessary regulations and security measures in place to build the confidence of institutional investors'**

.....  
would you highlight as the most important aspects of this change?

Corporate governance has been another very important issue. We have driven home the message that the first obligation of the boards of our listed companies is to protect the interests of their shareholders, and many of our companies have already implemented international financial reporting standards.

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## Cyprus opens up to international investors

The Cyprus Stock Exchange began operations on the 29th of March 1996, and has since implemented regulatory measures to ensure investor security and increase international investment. The launch of the common trading platform between the Cyprus Stock Exchange and the Athens Stock Exchange opens up exciting opportunities for institutional investors trading on the Athens Stock Exchange to easily access the capital market of the island. The Cyprus Stock Exchange is fully integrated into EU legislation and is a fully transparent, professional and efficient trading environment that is taking up an increasingly important role in the regional and global marketplace.



CYPRUS STOCK EXCHANGE

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Transparency is our number one priority. In order to improve quality we would rather delist fifty percent of the companies on the exchange than put the CSE's reputation at risk.

In this sense, it is obvious that the financial sector is at the vanguard of change in the economy. The reforms that have been made as result of joining the EU in compliance with the strict regulations of the European Central Bank have forced our financial organisations to streamline their operations and to cut costs. You can see the difference in the results that they have achieved this year. It's good to see internationally renowned organisations publishing positive reports about our financial institutions.

**On the Athens Exchange, foreign investors account for more than 50 per cent of daily turnover. Looking ahead, how do you plan to get maximum benefit from this dual-platform?**

We plan to develop new markets, new products and services. We have already opened three new markets for mutual funds, shipping and large infrastructure projects.

We find ourselves in a very dynamic and fast-changing environment. We have to be flexible and open-minded to grab the opportunities that present themselves. ■

# Bank of Cyprus makes Athex FTSE 20

*Considered a leader in the financial world, the bank has experienced an increase in market share while profits have skyrocketed, and expansion plans are on the horizon*

The Bank of Cyprus (BOC) has played a pioneering role in Cyprus' capital market, having sought a dual listing on the Athens Exchange in addition to its primary listing on the Cyprus Stock Exchange in 2000. As the island's most profitable publicly-listed company, BOC reported a remarkable jump to CYP85 million (£100million) in first half 2006 profits, increasing more than 170 per cent year-on-year.

These results are set to attract more investors as, in early October, BOC was included for the first time amongst Greece's leading stocks when it joined the prestigious ATHEX FTSE 20 index.

**Exponential growth: the bank is looking to expand its network from 120 to 200 branches over the next few years.**

CEO Cyprus and Deputy Group CEO, Charilaos Stavrakis, has been a key figure behind an aggressive cost-cutting drive that has brought significant reductions in operational expenses



and the bank's non-performing loans – previously a huge drag on the bank's profitability. At Group level, the NPL ratio has fallen from 12 percent to below 7 percent.

Expansion in Greece and the extension of its global reach should underpin BOC's growth in the coming years. "We hope to commence full banking operations in Russia and Romania in early 2007," says Stavrakis. "The potential in Russia in particular is massive. We already have a huge client base through our representative office there, and our two countries enjoy excellent relations."

Stavrakis feels that BOC's success is part of a wider upturn in the fortunes of the Cypriot financial sector. "The stock market is booming thanks in large part to the three local Cypriot banks. Foreign investors are investing in these banks and, it is therefore of utmost importance to demonstrate that corporate governance standards are improving." ■

# Reformed co-op movement looks to export Cyprus model

*Founded in 1937 to offer financial services to co-operative societies in rural areas, CCB has evolved to embrace a diverse client base*

The Co-operative Movement has played a pivotal role in Cyprus' history and development. After the Turkish invasion in 1974, it played a crucial social and economic role in getting the country back on its feet by helping people to put a roof over their heads, to find jobs and to help them provide for

their children's educational needs.

Whilst the movement is in rude health, holding around a third of the local currency deposits on the island, accession to the European Union has brought a new set of challenges and increased competition, with the harmonisation process prompting a rigorous programme of re-

structuring and modernisation.

One of the first moves was the decision to have the Co-Operative Central Bank play the role of the central body guaranteeing the obligations of its affiliated credit cooperatives, thus enabling them to fulfil the EU minimum requirements for credit institutions, and to continue to operate.

Constantinos Lyras, the Commissioner of the Co-operative Societies' Supervision and Development Authority, explains the uniqueness of the new structure. "Our model is the first of its kind in the world. It achieves full compliance with the re-

quirements of the EU whilst maintaining the autonomous and local character of our cooperative network. We decided that it was essential to maintain the original idea of the co-operative whilst making it stronger and more competitive through restructuring and reform."

The ambition is to reduce the total number of co-operatives from 359 to around 140 by the end of 2007.

"These mergers will help the co-op-

eratives achieve critical mass and develop a more appropriate management and organisational structure," argues Erotokritos Chlorakiotis, the General Manager of the Co-Operative Central Bank. "The movement's sociopolitical role is equally as important as its economic objectives. However, all cooperatives recog-

nise that they can have a social impact only if they continue to be economically viable. It is natural that competition will intensify but I am confident that the Co-operative Movement will survive and prosper in this new environment."

The Chairman of the CCB, Demetris Stavrou, is excited about the prospects for future growth outside Cyprus. "The amalgamation process and the harmonisation with EU directives open up new possibilities for us," he says. "Eventually we hope to open branches in the UK and in Greece. The Co-operative Movement has a long-standing relationship with the Cypriot people and many Cypriots around the world would love to bank with us." ■



EROTOKRITOS CHLORAKIOTIS  
GENERAL MANAGER, CCB

**'Being a major part of this transformation, CCB will take on a more European orientation and a more dynamic presence, whilst continuing to meet the changing needs of its shareholder member CCIs and of the general public with professionalism, efficiency and reliability'**

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# From the EU to the world

*With highly-developed services, infrastructure and an attractive tax regime, Cyprus is repositioning itself as the bridge from the EU to the Middle East and beyond*



In line with the Lisbon Agenda, the Cypriot government is promoting research and innovation.

PHOTO: CE

Situated in the eastern corner of the Mediterranean Sea, lying at the hub of Europe Africa and Asia, Cyprus' geographical position has shaped its development as a centre for commerce and finance. Whilst EU membership has certainly brought a lot to the island in terms of confidence and credibility, Cyprus also has much to offer its European partners.

It maintains a highly attractive tax regime but the harmonisation process has now brought the island fully in line with all EU directives. That means that whilst its corporate tax of is the lowest in the EU it is now applied across the board to both domestic and foreign business. Coupled with an extensive network of double taxation treaties covering more than 40 countries, this means that Cyprus has managed to combine its traditional attractions with a new respectability.

Christos Mavrellis, a Partner at Chrysses Demetriades & Co explains, "Accession to the European Union means there is no longer any distinction between

companies owned by non-Cypriot and Cypriot investors. The term "offshore" is no longer applicable because now all companies and investors pay a uniform rate of ten percent corporation tax," adding, "This has had an impact on the quality of investors. Today, the people who are using Cyprus as a business centre include some of the most important multinational and international businesses."

Meanwhile, in a bid to attract more FDI, Cyprus has liberalised investment rules for both EU and non-EU nationals and foreign companies can now invest freely without restriction in almost all areas of the economy.

The reform package is bringing concrete results. In 2005, the number of new holding and trading companies registered in Cyprus was up 70% from the 2002 volume to 14,500. Increasing numbers of international companies are seeking to use the island as a headquarters to man-

age trade with the Middle East. In 2005, the volume of re-exports from Cyprus doubled and is expected to do so again this year.

International business structures now generate more than CYP£500 million a year thanks in large part to the advanced commercial infrastructure and the legal, accounting, financial and other



professional services offered by a well-educated, multilingual labour-force.

It is this human resource that the government sees as key to the diversification of the economy. The island boasts the highest proportion of 25-35 year olds with further education qualifications of all

EU countries and has one of the highest proportion of degree holders per capita in the world. About half of secondary education graduates study abroad, many in the UK. However, labour costs are significantly lower than the European Union average. According to Eurostat's latest study, Cyprus also shows the highest increase of employment in the high tech knowledge intensive services of any EU member state during the last five years. By introducing a series of incentives and projects, the government hopes to further boost foreign direct investment in high tech areas such as ICT, biotechnology and healthcare. Measures include business incubators and a project to establish a Technological Park as a means to attract foreign expertise and foreign companies.

Minister of Commerce, Industry and Tourism, Anthonis Michaelides,

explains, "Ultimately, the objective of these reforms is to establish Cyprus as the technological centre of Mediterranean Europe and the Middle East region. We believe that Cyprus has all the key ingredients to attract investments in high-tech industry. The

number one essential element for any successful high-tech industry is the people and Cyprus is highly competitive in this area."

The next step for Cyprus will come in January 2008 when it hopes to join the Eurozone. The resultant reduction in costs is expected to further increase the country's attractiveness to foreign companies.

Yiorgos Lillikas, the Minister of Foreign Affairs, is in no doubt that EU membership has brought significant benefits. "Cyprus has gained credibility," he notes, "Everybody now knows that we implement the same rules, the same legislation and the same regulatory controls as all other European Union countries. This transparent business environment gives the security that businesspeople need to set up companies in Cyprus. Meanwhile, we are trying to modernize Cyprus' historic role by acting as a bridge between the European Union and the Middle Eastern countries. Cyprus maintains excellent relations with all Arab countries and Israel as well, which is exceptional. I encourage investors to study the advantages of using the island as a regional headquarters. As well as benefiting from the economic and financial incentives that we offer, businessmen can also enjoy the high standard of living and welcoming and secure environment of a European country and at the same time be very close to all the markets of the Middle East." ■

## Cypriot Societas Europaea offers new opportunities

□ Accession to the European Union has brought many benefits to Cyprus. It is hoped that the enactment of the European Plc Act will further enhance Cyprus' attractiveness as an international business centre. The Societas Europaea was first proposed in the 1960s as a pan-European corporate form transcending national boundaries and common to all member states. It allows companies to operate

throughout the European Union without the legal and practical constraints of different national legal systems. The advantages for setting up an SE Cyprus stem mainly from the attractiveness of the island's low tax rates and modern tax legislation. Companies may well find it advantageous to reincorporate as Cyprus SEs in a bid to improve their tax efficiency.

Elias Neocleous, Head of the Corporate and commercial Department of Andreas Neocleous & Co and one of the key figures behind the new legislation explains, "Incorporation as an SE can significantly reduce the costs for businesses operating in more than one member state of the EU and allow them to restructure quickly and easily to exploit the advantages presented by the internal market."

# A key player in the Russian energy sector

*By providing tailor-made energy shipping solutions to the new Russian ports, Unicom aims to be integral to the boom*

A relative newcomer to Cyprus, Unicom nonetheless recently celebrated its fifteen-year anniversary on the island in the knowledge that it is involved in some of the most exciting projects in international shipping.

As sole manager for JSC Sovcomflot,



ROBERT THOMPSON  
FLEET DIRECTOR AND DEPUTY MANAGING  
DIRECTOR UNICOM

**'The massive new LNG projects in Russia pose a variety of technical challenges that have required innovative solutions'**

Unicom coordinates the shipping operations of Russia's leading shipping company. The 100 per cent government-owned Sovcomflot (Baa1) is one of the world's highest rated shipping companies and, in recent years, it has leveraged its solid fundamentals and close contacts to key players in the Russian government and energy industry to adopt an aggressive new approach.

Robert Thompson, Fleet Director and Deputy Managing Director of Unicom, explains: "Our strategy is to become one of the prime movers of Russian energy, including gas, oil and eventually coal. We are working very closely on joint projects with some of Russia's big players, including Gazprom and Sibur, the biggest LPG exporter in Russia."

With an excess of 30 per cent of the world's gas reserves, massive coal deposits and 12 per cent of total international oil production in 2005, the potential of the Russian energy sector is huge. Sovcomflot is aiming to become

an integral part of the boom by providing tailor-made solutions to the new Russian ports.

"The massive new LNG projects in Russia pose a variety of technical challenges that have required us to develop innovative solutions," observes Mr.

**Increased development of the LNG market has forced Unicom to look for innovative solutions**

The company is pioneering designs for a new ice-class carrier for challenging conditions.



Thompson. "For instance, we are designing an ice-class carrier that will be able to meet the different challenges of Shtokman, the Baltic Sea and Sakhalin. Shtokman, for example, doesn't have the ice but it does have temperatures of -30°C and strong winds. This design will be a first in the international shipping industry."

These ambitions may require the company to raise capital in the coming years. "When conditions are right, I believe there will be an IPO. In the near future, Russia needs around forty-five LNG carriers costing \$250-\$400 million each. Our expansion plans mean will call for extra financial muscle." ■

# Steady growth for high-end aluminium manufacturer

*The company's dedication to developing new products sets the foundation for expansion*



In a country that is not renowned for its industry, one company is demonstrating that, by focusing on cutting-edge technology and a creative and flexible client-oriented approach, Cypriot products can compete on the world stage.

Using the latest equipment, Muskita Aluminium Industries Plc carries out the design, extrusion, anodization and electrostatic painting of aluminium profiles to produce exceptional aluminium systems and customised profiles.

The company was founded 50 years ago and is now one of the biggest independent aluminium extruders and finishers in the international market.

One of the most reliable performers on the Cyprus Stock Exchange with steady growth, a strong foundation and a firm dividend policy, Muskita's operating profits grew by 10 per cent to reach £6 million (CYP 5.2million) in the first half of 2006. Continued good performance should allow for

a significant leap in the company's EPS by the year's end. This growth is, in large part, due to its focus on developing new products and seeking new applications for aluminium.

"Many different sectors use aluminium extrusions so we listen to our clients very care-



After investing CYP 12 million (£13 million), Muskita now operates one of the most technologically advanced plants of its kind in the world.

fully and provide them with the solutions they need. At the same time, we are continually investing in technology to stay on top and maintain our advantage," explains Demos Mouskis, the company's Executive Chairman.

In addition to exporting more than 60 per cent of its production worldwide, in 2000 Muskita also acquired Universal Components, the UK market leader in the supply of sign systems and a stockist and manufacturer of aluminium glazing products such as windows, doors, shop fronts and curtain walls. Mr Mouskis observes, "Things have developed very well since the completion of the expansion plan last year, which cost £14.5 million (CYP 12.5 million) and the resultant doubling of the plant's capacity.

"We are proud to have provided the aluminium for the roof of the Olympic Stadium in Athens and have just signed contracts to provide all of the signs for the development of Terminal 5 at Heathrow." ■

[www.muskita.com.cy](http://www.muskita.com.cy)  
[www.universal-aluminium.co.uk](http://www.universal-aluminium.co.uk)

# Shipping industry focuses on quality

## *International recognition of push for quality, safety and high operational standards*

Prompted by accession to the European Union and the concerns of some of the leading players in the private sector, the Cypriot shipping industry has made a concerted effort in recent years to ensure that ships flying the Cyprus flag are of the highest quality.

In May of this year, these efforts paid off as Cyprus was upgraded to the white list of the Paris Memorandum of Understanding (Paris MOU) on Port State Control, an organisation that aims to enforce the strictest environmental and safety standards in the shipping industry by carrying out port inspections.

From the mid-eighties to the mid-nineties, the Cyprus flag experienced huge growth, becoming at one point the fourth biggest fleet in the world. However, the pace of growth came at a price as not all of the newcomers were running their operations to the same standards as Cyprus's more conscientious shipping companies.

The last few years has seen a reversal in this situation. The push to establish Cyprus as a quality flag has brought a reduction in the number of ships and tonnage but also an untold improvement in safety and oper-



Cyprus' open registry offers non-Cypriots the chance to own and register a ship on the island.

ational standards.

Andreas Droussiotis, President of the Cyprus Shipping Council, states, "The upgrade to the white list of the Paris MOU on Port State Control is an important vindication of Cyprus' policy and we can all rightly feel proud of the efforts that both the private sector and successive governments have made to achieve this."

"We don't mind too much about the drop in numbers and tonnage," he adds. "It was a natural development for a flag that has invested a lot in improving its standards

of safety and operation. We have kept quality operators with big, young and safe ships and, as an industry, we are well-positioned for growth in the coming years."

Now the ninth largest in the world, the Cyprus fleet continues to enjoy significant benefits. Along with Malta, Cyprus is the only open registry within the European Union, meaning you don't have to be a Cypriot national to own and register a ship there. More than 80 per cent of the fleet under the Cyprus flag belongs to people based in other European Union member states. Accession to the EU had the positive effect of approving for the first time both this open registry regime, as well as endorsing the taxation system applied in Cyprus since the 1960s and even extending it to ship management.

"Cyprus is the biggest centre for ship management companies in the whole of Europe and one of the biggest in the world," notes Mr. Droussiotis. "In 1999, we changed the taxation system for ship management when we managed to convince the European Union to change its policy and extend the approval of the tonnage

tax system to ship management companies."

Serghios Serghiou, Director of Department of Merchant Shipping elaborates: "Regarding taxation, neither ship-owning companies nor ship management companies pay income tax. Instead, they have the choice to pay a tonnage tax – a fixed rate calculated in accordance with the size and age of the ship you own or manage – or a preferential corporate tax rate of 4.25 per cent."

The one major thorn in the side of the Cyprus shipping industry is the Turkish embargo, which has been applied unilaterally since 1987. Industry leaders admit that it has played a role in the gradual reduction in the number of ships registered in Cyprus but many are hopeful that the acceptance of Turkey as a candidate to European accession may soon lead to a solution.

"Cyprus tonnage now accounts for about 20 percent of the European tonnage and it is not acceptable that 20 percent of the entire EU fleet is prevented from trading with Turkey – a nation that aspires to join the EU," argues Captain Eugen Adami of Intership Navigation.

With EU enlargement commissioner, Olli Rehn, warning of an impending "train crash" in November over the slow progress of Turkey's human rights reform and the opening of its ports and airports to Greek Cypriot ships and planes, the potential for reaching a solution is better than for years.

Minister of Foreign Affairs, Yiorgos Lillikas, notes, "Greek Cypriots did not make the European *acquis communautaire*. It is an objective legal framework, protecting human rights, minority rights and communities' rights. We, as a member of the European Union trust the European *acquis* to be helpful in finding a solution." ■



CYPRUS SHIPPING COUNCIL

## Cyprus shipowners find new voice

□ In a landmark year for Cypriot shipping, many industry insiders see the establishment of the Cyprus Shipowners Employers Association (CYSEA) as an essential step as it seeks to punch its weight at the international level.

As Chairman of Interorient Navigation, Adonis Papadopoulos is the largest Greek-Cypriot shipowner based on the island.

"It is not logical or proper that a shipping nation of Cyprus' size with so many resident companies should sign its collective labour agreements in Athens," he says. "Logic dictates that these negotiations and agreements should be made here in Cyprus, the place where things are happening."

The establishment of the CYSEA comes in the same year as the upgrade of the Cyprus flag to the white list of the Paris MOU in recognition of a more rigorous enforcement of environmental and safety regulations on board its fleet. Mr. Papadopoulos, past president of the Cyprus Shipping Council and CYSEA's first president, with Capt. Eugen Adami of Intership Navigation



ADONIS PAPADOPOULOS  
CHAIRMAN, INTERORIENT NAVIGATION

**'It is crucial to have a proper and environmentally conscious industry'**

Co. Ltd. as CYSEA's vice-president, hopes that the establishment of CYSEA will also enhance the image and weight of the Cypriot shipping industry abroad. "It is not so important whether we are ranked fifth, sixth or seventh in the world ranking. The crucial thing is to have a proper and environmentally conscious industry," he argues.



**"CY.S.E.A."**

**THE CYPRUS SHIPOWNERS EMPLOYERS ASSOCIATION**

Set up in May 2006, by shipowners and shipmanagers with Cyprus flag ships, aiming to:

- Negotiate the Cyprus Collective Bargaining Agreement for Seafarers with local Trade Unions;
- Represent Maritime Employers on labour issues in Cyprus and abroad;
- Improve Seafarers Working Conditions on Cyprus ships;
- Promote further the Cyprus Flag Image;
- Promote Seafaring Careers.

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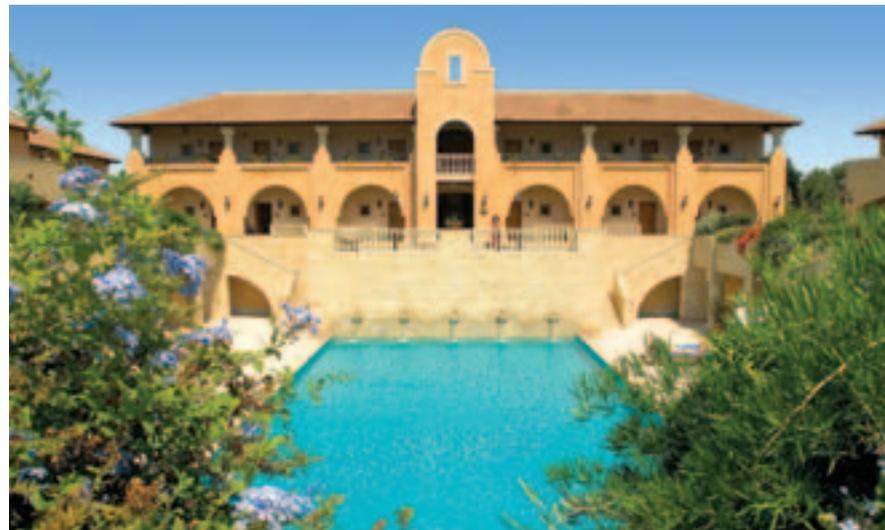
# Rediscovering Cyprus

*Far from the sun, sea and sex of Ayia Napa, Cyprus is developing its more traditional attractions. From the mountain villages of Troodos, to wine and cultural routes, the island is repositioning itself to attract a more discerning traveller. Think you know Cyprus? Think again*

As more destinations open up to mass tourism in the Mediterranean, Cyprus is seeking to reach out to a more discerning clientele. This has resulted in an upgrade in infrastructure, including the redevelopment of its two major airports and the creation of new golf courses. Elsewhere, the west of the island around the town of Paphos is quickly becoming five-star territory as a range of exclusive hotels and resorts spring up.

However, for Lefkos Phylactides, the Acting Director General of Cyprus Tourism Organisation (CTO), the transformation goes deeper. "The cultural wealth of Cyprus is something that hasn't been properly showcased in the past," he says. "Cyprus has a tradition of culture and hospitality going back 10,000 years. For example, we have one of the oldest wines in the world known as Commandaria and dating back to the Middle Ages. There is a lot of tradition around that and other wines of Cyprus so we are creating a cultural route starting from the mountainous wine villages. In 2007, we will begin another route based on the Byzantine heritage of the island.

As the birthplace of Aphrodite, there will



The Elysium's Royal Wing is for couples only with a sunken pool for their exclusive use.

also be a cultural route dedicated to the goddess. However, Phylactides explains the idea is to show the goddess in all of her complexity. "We do not want the idea to degenerate into kitsch. This is a subject that is abused and overused but we are trying to keep it authentic," he explains.

Elsewhere, the new and more luxurious face of Cyprus tourism is well represented by the Elysium Hotel in Paphos. Enjoying uninterrupted views of the Mediterranean, it has been sensitively designed to evoke a sense of the island's Byzantine history. The warm and muted tones of its local stone, marble and timber create a soothing environment in which to relax. The aptly-named Opium Health Spa takes the relaxation and pampering to a new and narcotic levels.

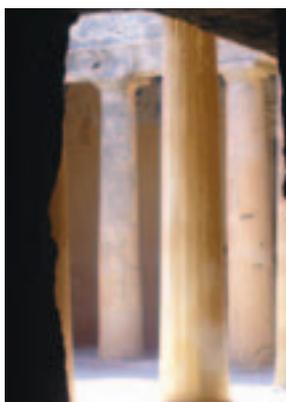
Demos Demosthenous of Stademios Hotels, which owns the Elysium, explains, "We wanted to offer a wide range of accommodation to cater to families and couples of all ages. This ranges from deluxe bedrooms with balconies and two-storey Cypriot maisonettes to royal studios and royal garden villas with private pools."

With its position right in the historical

## A fascinating range of cultural routes will give visitors an inside look at Cyprus

heartland of Paphos there is much to see. There are three 18-hole golf courses within a twenty-five minute drive of the resort and the Tombs of the Kings - a large subterranean necropolis carved out of the solid rock - lie on the strip of coastline alongside the hotel. The Tombs are thought to have been the burial sites of Paphitic aristocrats and high officials up to the third century BC and at times imitate the houses of the living. ■

For further information see:  
[www.elysium-hotel.com](http://www.elysium-hotel.com)  
& [www.visitcyprus.org.cy](http://www.visitcyprus.org.cy)



The Mallia vineyards and the Tombs of the Kings are just two of Cyprus' little-known cultural attractions and are complemented by new luxurious five-star developments.

## What's brewing in Cyprus?

Tables in Cyprus and around the world are in for a rare treat next year when KEO - the leading wine-maker and brewer on the island - releases a 100-year-old vintage of its renowned St. John Commandaria.

This uniquely rich and smooth wine is produced from some of the oldest grape varieties in the world. The indigenous Mavro and Xynistry grapes are grown only within the Commandaria Region on the eastern slopes of Cyprus Troodos Mountains, and the wine bears the seal of Controlled Appellation of Origin.

In fact, the dessert wine is arguably the oldest wine brand name in the world, having been called Commandaria by Richard the Lionheart and the Knights Templar who made it

famous throughout Europe at the end of the 12th century.

The grapes are hand-picked and left to dry in the sun until the water evaporates and the sugar is concentrated inside the berries. The grapes are then pressed and left to age in oak casks. The result is a golden, velvety, luscious dessert wine - a delicious echo of the Knights' choice.

When KEO was founded in 1927 it inherited some 20-year-old vintage Commandaria. This is what it now plans to release onto the international market. This is not the only innovation taking place in the company as its Managing Director, Constantinos Ioannou explains: "In our vineyards up in the mountains, we are creating our own modern winery where we develop



KEO's Managing Director samples one of their award-winning wines.

our own varieties and experiment with new ones. The result is that our wines have grown in quality over the last couple of years as reflected in the many awards that we have received, including four medals in the Salonica International Wine Competition last year with St. John Commandaria.

