

Rödl & Partner

ON COURSE

ELEVATOR PITCH –
REPUBLIC OF CYPRUS



Elevator Pitch

Republic of Cyprus

Thanks to its geographical position, the island is known as a central hub between Europe, North Africa and the Middle East.

With the island having been divided into two states including its capital city Nicosia since 1974, the Republic of Cyprus comprises the southern area of the island and is a member of the European Union at the same time. As such, the republic benefits from about 40 free trade agreements with close to 70 states.

In contrast, the north of the island with about a quarter of the population belongs to the “Turkish Republic of Northern Cyprus” and belongs to the special area of the European Union. Apart from Turkey, this part of the island is not acknowledged as a state internationally. As long as the conflict in Cyprus between the countries has not been resolved, the application of European law will remain intermitted in that country.

Having overcome its economic recession, Cyprus is now back on a positive path of development. The country is very keen to further expand and improve its competitiveness. A considerable economic growth of approximately 3.5 percent is anticipated to be achieved in 2019. The unemployment rate has started dropping again and it has been predicted to decrease even more in 2019. The increase of employment, especially within the tourism and building sectors, has led for the private consumption to be on the rise again. The energy sector (investment) is also expected to experience a positive economic development. This also applies to other sectors, such as the real estate sector.

Owing to the beneficial tax law, Cyprus has also become a significant location for German investors with respect to financial services.

Moreover, the island does not only offer many cultural places of interest due to its culinary diversity and beautiful sand beaches, which is also attributable to its history. The tourism sector is economically one of the most substantial source of revenue for the island.



Location	The island state is located in the eastern Mediterranean Sea and belongs to Asia.
Form of government	Republic (presidential democracy)
President	Nikos Anastasiadis
CET	+ 1 hour

Capital	Nicosia
Climate	Mediterranean: Particularly in the interior regions of the country it can become very dry and hot during the summer. Rainfall occurs frequently between November and March.
Surface (km ²)	9.251 (Comparison Germany: 357.386)
Population	Approximately 1 million (Comparison Germany: 82.8 million)
Percentage of population below 25	28.9 % (2018)
National holiday	1 st October (independent from UK since 16 th August 1960)
Business languages	Greek, English
Currency	Euro
Gross Domestic Product	EUR 20.7 billion (Comparison Germany: EUR 3.28 trillions)
Economic growth	3.9 % in 2018
Inflation rate	0.9 % (projection 2019)
Unemployment rate	6.7 % (projection 2019)
Illiteracy rate	0.9 %
Internet users	Approximately 81 % of the population

PRIVATE PUBLIC PARTNERSHIPS (PPP)

Most of the PPP projects active in Cyprus concern building activities, such as the modernization and development of both international airports in Larnaca and Pafos. Another example is the highway Pafos-Polis. Furthermore, additional sectors such as waste management and energy depict a significant potential for PPPs.

DOUBLE TAX TREATY WITH GERMANY

Effective since 16th December 2011

INVESTMENT PROTECTION TREATY WITH GERMANY

Not necessary because it is an EU member

Ease of Doing Business 2019	Rank 57 of 190 countries
Corruption Perception Index 2018	Rank 38 of 180 countries
Hermes country category	There is no category comprising OECD. The calculation is effected based on a market test.
Agriculture	<ul style="list-style-type: none"> - Citrus fruits - Grapes - Olives - Vegetable - Wine

Minerals	<ul style="list-style-type: none"> - Gypsum - Clay - Marble - Copper - Asbestos
Significant sectors for investors	<ul style="list-style-type: none"> - Services (especially finance and corporate related services, tourism, hotel, food service industry and transport) - Construction - Shipping (management) - Food processing - Manufacturing of textiles and wooden products
Tourists primarily come from	<ul style="list-style-type: none"> - Great Britain - Russia - Israel - Germany (Rank 4)
Most important trading partner of the Republic of Cyprus	Greece
Main selling countries	<ul style="list-style-type: none"> - Greece - Italy - China - Germany - South Korea - United Kingdom - Netherlands
Main buying countries	<ul style="list-style-type: none"> - Libya - Greece - Norway - United Kingdom - Marshall Islands - Germany - Singapore
German main export products	<ul style="list-style-type: none"> - Automobiles and parts - Electronics - Chemical products and pharmaceuticals (approximately 25 % of the medical devices are imported from Germany) - Food - Machinery - Other vehicles
German main import products	<ul style="list-style-type: none"> - Food (mainly wine, citrus fruits) - Raw materials - Chemical products
Trading volume with Germany	Approximately EUR 753 million (Germany and USA: approximately EUR 172 billion)

WEAKNESSES / CHALLENGES FOR THE ECONOMY OF CYPRUS

- The present sanctions of USA towards Russia: Russian investors have a share in Cyprian companies.
- The possible jeopardies of "Brexit", as the United Kingdom is a crucial trading partner of the Republic of Cyprus.
- The unresolved conflict in Cyprus: The tense relationship between Cyprus and Turkey remains a risk factor (discussion regarding the gas resources in the exclusive economic zone which Turkey does not acknowl-

edge, among others). A renewal of negotiations for a possible resolution of the conflict is yet to be announced. Despite of that, a reunion counts among one of the most important goals of the foreign policy of Cyprus.

- Low industrial output
- Strongly dependent on imports of petroleum products

ADVANTAGES / MARKET CHANCES

- The economy of the Republic of Zyprus has already recovered from the bank crysis in 2015 due to its good development, particularly in the sectors of services, private consumption, investments in ships and real estates. Diverse reformatons have already been implemented successfully, e.g. within the fiscal retrenchment and financial sector. New regulations to combat money laundering have been implemented as well.
- The VAT rate has been increased from 17 to 19 percent.
- A national health insurance has been introduced/implemented.
- The tourism sector contains economic potentialities and investments e.g. in the building sector.
- Highly skilled workers with good command of English
- There is a high potential for energy efficiency. The Cyprian government relies on the expansion and promotion of renewable energies, with an emphasize on solar energy due to the vast amount of sunny days.

MEMBERSHIP IN ECONOMIC AND INTERNATIONAL ALLIANCES

- European Union (EU)
- United Nations (UNO)
- World Health Organisation (WHO)
- International Monetary Fund (IMF)
- World Trade Organisation (WTO)

MOST IMPORTANT MEDIA (ENGLISH)

- Inbusiness
- Gold Magazine
- Epichirimatiki
- Sell & Build
- Accountancy Cyprus
- Insider (Phileleftheros)





PROF. DR. PETER BÖMELBURG

Certified Public Auditor (Germany)
Certified Public Tax Consultant (Germany)
Managing Partner

T +49 911 9193 2100
peter.boemelburg@roedl.com