

Geography and climate

Cyprus is situated in the northeastern basin of the Mediterranean Sea at the crossroads of Europe, Asia and Africa. It is 65 km south of Turkey, 96 km west of Syria, 385 km north of Egypt, 980-km southeast of Athens and 328 km west of Israel. The strategic location of the island has played an important role in its continuing development into a financial center.

With an area of 9,251sq km, Cyprus is the third largest island in the Mediterranean after Sicily and Sardinia.

Cyprus enjoys perhaps the best type of Mediterranean climate with about 340 warm and sunny days a year. The light rainy season is confined to the period between November and March.

Population

The estimated population of Cyprus is 750 000 Greek Cypriots, who form by far the largest ethnic group, accounting for about 80 per cent of the population. Turkish Cypriots comprise the second largest group (at 18 per cent), while the British, Armenians, Maronites and others make up the rest.

History

Cyprus has a long and varied history. Its strategic position made it an object of contest among the great powers ruling the world at different time periods. As a result the island was occupied through the ages by many different races the main ones being the Greeks, Egyptians, Romans, Byzantine, Franks, Venetians, Turks and British. Each one of these races, in its own way, left its mark on the island but the Greek character of the island remained the predominant and lasting influence.

Also, the British, who were the last to control Cyprus before the island eventually became an independent sovereign republic in 1960, have unmistakably left their mark on commerce, law, public administration and business life in general, all of which have developed along the British model.

Political and social environment

Cyprus, under its Constitution, is an independent and sovereign Republic with a presidential system of government. The elected President of the Republic is the Head of State and takes precedence over all persons in the Republic. His term of office is set for a five-year period but he may be re-elected for an unlimited number of terms.

Legislative power lies in the hands of the House of Representatives, the members of which hold office for a period of four years.

The Cyprus legal system has been structured on its English counterpart. English case law is closely followed and all statutes regulating business matters and procedures are based essentially on English laws.

The Cyprus economy

The Cyprus economy is based on the free enterprise system. The private sector is the backbone of economic activity with the Government's role being limited to safeguarding the system, indicative planning and the provision of public utilities.

In the post 1974 period the economy has undergone major structural changes. The manufacturing and services sectors have become increasingly important as indicated by their contribution to GDP and their share in employment, while the importance of agriculture is declining steadily.

Foreign trade

International trade is of considerable importance to the Cyprus economy. On the production side, the lack of raw materials, energy resources and heavy industry for the production of capital goods, necessitates the importation of such input. On the demand side, because of the small size of the domestic market, exports are vital in supplementing aggregate demand for Cypriot agricultural, mineral and manufacturing products.

The European Union and the neighboring Middle East countries absorb the majority of Cyprus exports.

Cyprus imports large quantities of durable consumer goods, capital equipment and raw materials mainly from the European Union and oil from the neighboring Middle East countries in order to satisfy its growing domestic market and industrial needs.

Transit trade

The development of the container transshipment business in Cyprus started in the late 1970s. Because of the island's strategic position, efficient port facilities, minimal customs formalities, advanced business infrastructure and stable political environment, container transshipment has dramatically increased in throughput and expanded in scope. It is widely acknowledged that Cyprus offers a safe and reliable gateway to the region and that it can play a significant role in the effort for reconstruction and generally the development of the area for reconstruction and generally the redevelopment of the area.

Cyprus is one of the leading transit centers in the Mediterranean and the most important in the Eastern Mediterranean. It serves its immediate region but also ports further away, with about 62 per cent of its transit trade being from/to East Mediterranean ports and the remaining 38 per cent from/to ports in Western Europe, the Baltic and the areas expanding South of the Suez Canal to Japan. It is notable that about 16 per cent of the Mediterranean, Middle East, Far East and Australia trade are served through Cyprus ports. Some 100 shipping lines call at Cyprus ports on route to and from the five continents.

The island is located at the crossroads of major international trade routes between Europe, Asia and Africa. This makes it the natural transshipment load center for shipping lines delivering/receiving cargo to/from any combination of European and Middle East ports in the Mediterranean. Furthermore, it can act as a central depot for distribution to the markets of Europe, the Middle East, the Gulf and North Africa.

Foreign investment

Cyprus is an attractive place for industrial investment. The strategic location of the island, its excellent climate, the reasonably well developed infrastructure and the plentiful supply of high quality, well-trained labor are some of the advantages Cyprus has to offer. In addition to these, various tax and other incentives given such as a free industrial zone area, make Cyprus an ideal location for manufacturers, especially those with Middle East/North African export activities.

As a consequence of the Government's general policy of non-intervention in business operations, there is no legislation governing foreign investment as such. The official government policy is welcoming to foreign investment and, through a set of regulations, aims to encourage foreign investment in selected "desirable" areas. The investment must not endanger national security, must not have adverse environmental effects and must not create a burden to the Cyprus economy.

The Department of Customs and Excise is responsible for the collection of customs and excise duties as well as the Temporary Refugees' Levy and Value Added Tax.

Cyprus will become a full member of the European Union as from April 2004. The business opportunities are expected to increase further and therefore Cyprus Companies will gain competitiveness as truly European Companies.

Visiting and living in Cyprus

Hospitality is a way of life in Cyprus. This, coupled with the fact that Cyprus enjoys perhaps the best type of Mediterranean climate with about 340 warm and sunny days a year, make Cyprus an ideal location to visit and live.

Foreign employees of International Business entities may enter the Republic under the status of expatriate employees of International business entities. Aliens wishing to retire in Cyprus are granted residency permit provided they could satisfy the authorities.

Cyprus is an advantageous offshore financial center because of: • The low corporate tax • The possibility of deferring tax payment in the home country • The use of double tax treaties to collect income at reduced withholding tax rates

