



Interview with the Chairman of the Cyprus Employers and Industrialists Federation (OEB) Christos Michaelides

## Our primary goal is to promote Cyprus to an investment grade as soon as possible

*We must network ourselves and promote our products and services to potential clients overseas in order to attract foreign capital*

Amongst our primary goals is to promote Cyprus to an investment grade as soon as possible as we do not yet participate in the global investment process according to the Chairman of the Cyprus Employers and Industrialists Federation (OEB) Christos Michaelides.

Mr. Michaelides said that in order to attract foreign capital we must first network ourselves and promote our products and services to potential clients overseas.

**What are your expectations regarding the economy in 2018?**

The Cyprus economy is recovering steadily from the aftermath of the 2013 economic crisis and the bail-in of the banking sector. After a period of economic uncertainty, the sacrifices and efforts of the business community and our fellow citizens have paid off. For the third year now, the economy exhibits a dynamic fast-pace growth reaching around 3.9% in 2017. Based on the economic indicators and recent economic developments, the future prospects of the economy are very promising.

Our banking system is now based on a more solid ground and credit institutions are gradually recovering in terms of capitalization and liquidity. The tourism sector has managed to set a new historical record for incoming visitors and the tourist season has been significantly extended. At the same time, we note the growth of the real estate sector and an improvement in the climate for attracting foreign investors. In addition, we strongly believe that with the completion of major projects such as the Ayia Napa Marina, the integrated Casino Resort in Limassol and the construction of a number of high standard buildings and hotel units, Cy-

prus will become an even more attractive destination for foreign visitors.

The positive trend for growth must continue and our efforts to further improve the confidence and stability of our economy have to be intensified. Amongst our primary goals is to promote Cyprus to an investment grade as soon as possible as we do not yet participate in the global investment process. Another very important aspect is the reform of the public sector which has to be completed without any further delays.

**What is the situation of business today? What are the main challenges?**

We all agree that despite the progress that has been achieved, various challenges have yet to be addressed successfully. We are convinced that in the next few years we can see the unemployment rate falling below the European average and at the same time solve the problem of non-performing loans, which affects the viability of businesses and hampers new investments. Despite the various efforts undertaken by banks to restructure non-performing loans and initiatives by the government and the Parliament (insolvency and foreclosure laws, sale of loans, etc), the level of NPLs is still quite high.

In addition, businesses need more practical measures and effective incentives which will boost entrepreneurship, facilitate access to finance, reduce red tape, improve regulatory framework, enhance e-government, business innovation, R&D and digital transformation for the benefit of both the economy and society. At the same time, bodies and businesses should continue to focus on attracting foreign investment and ap-

peal to foreign markets, which will help increase their liquidity.

**What are your considerations in relation to investment in our country? Do you believe that the efforts of the Government are on the right track?**

Cyprus is traditionally considered an investment-friendly destination primarily due to its low corporate tax rate but also for its safe living environment, good weather conditions and geographic location. As mentioned earlier, the recent financial crisis caused a temporary halt to the inflow of investors, but Cyprus continues to update and improve the offered incentives that will attract further investments to our island.

The permanent residency and citizenship schemes offered to third country nationals who invest in business activities or purchase property in Cyprus was recently updated and proved to be fruitful. The results of these incentive schemes had an immediate positive impact, mainly in the construction industry, leading to the revival of the sector.

Additional incentive schemes that were announced by the Government such as the 50% tax exemption on investments in innovative and start-up companies, the Start-up Visa programme, the fast-track mechanism for investments exceeding €50M, the incentives for the filming industry and other, are very important and are expected to prove beneficial for our economy.

**Do you believe that business delegations abroad are an effective way to promote Cyprus?**

OEB greatly supports the out-

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ward-bound activity of Cypriot businesses. We believe that in order to attract foreign capital we must first Network ourselves and promote our products and services to potential clients overseas. This can be done through Business-to-Business meetings between Cypriot and respective enterprises from other countries.

Export promotion and overseas Networking needs a comprehensive strategy with effective mechanism, measures and actions. We took the initiative in the past two years and organized business delegations to the emerging market of Iran. The business world of Cyprus has shown great interest in these events, and we plan to continue with further visits to other countries. The Cyprus Government should support and promote the organisation of such initiatives.

### How could Cyprus be affected by the consequences of Brexit?

The Cyprus Employers & Industrialists Federation (OEB) is in close contact with its members regarding this issue. An initial survey conducted shortly after the Brexit referendum, has shown that the great majority of Cypriot enterprises will not be affected significantly from the Brexit. The Brexit is expected to affect specific sectors of activity and particularly those who import and export to the UK market. However, the extent of this impact cannot be evaluated since the terms and conditions of the Brexit and the EU-UK relationship after that, have not yet been finalised.

OEB maintains good relationship with the European Business Confederation "BUSINESSEUROPE", the Confederation of British Industry (CBI) as well as the Business Federations of other European states and is working towards the smoothest possible transition to Brexit for the business community of Cyprus.

