

# CYPRUS

TRAVEL

## Treasure island

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## Opportunity knocks

As a confident Cyprus  
bounces back,  
investors are seizing  
the moment...

**C**yprus has roared back from its financial crisis to boast one of Europe's fastest-growing economies only five years after a €10 billion bailout and a deep recession.

Growth this year is expected to hit 4 per cent – a far cry from the depths of 2013 when the economic dial was turned the other way and GDP shrank by more than 5 per cent.

The island's banking institutions have been overhauled as its finance ministry methodically tackles the bad debts left behind by the recession. Meanwhile, the robust tourism segment is booming and its vast business-services sector is branching out into areas such as fund management.

New and established industries, from university education to shipping, are being nurtured and are growing quickly.

The credit ratings agencies Standard & Poor's and Fitch have recently raised Cyprus's sovereign credit rating to investment grade after more than six years of junk ratings. And, just in the past few weeks, a new round of discussions has been started to resolve Cyprus's 44-year-old ethnic division.

Best known for beach holidays and sunshine, Cyprus is now a compelling investment destination on the Mediterranean.

"It's the perfect time to invest in Cyprus in any of the sectors, be it tourism, energy, higher education and medical facilities," says Harris Georgiades, the finance minister.

The country enjoys strong ties with the UK, having gained independence in 1960. Cypriots drive on the left, speak English and use UK-style electric plugs. Around 70,000 Britons live on the island and more than a million visit every year, mostly as tourists but also in increasing numbers to set up businesses.

The island already had an attractive tax regime, but Cyprus has been luring investors with further incentives – a total of 17 new tax breaks in all. The overtures have worked. Growing investment inflows have been channelled into large-scale and

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ECONOMY

# Hard decisions pay dividends

With the economy growing fast, foreign investment has jumped and there are deals to be done, says **Stelios Bouras**

Cyprus is riding a wave of investment activity thanks to sectors such as tourism, shipping, education and real estate, which have engineered a remarkable turnaround in the country's fortunes. Last year foreign investments in Cyprus more than tripled to €6.3 billion (£5.6bn) as the country regained international confidence. The upturn has prompted two credit rating agencies to upgrade Cyprus bonds to investment grade, pulling them away from junk territory, and placing the country back among Europe's top players. Fitch Ratings in October upgraded Cyprus's sovereign rating to BBB- from BB+. The island expects budget surpluses in coming years and continued growth - 4 per cent this year - to boost government revenues. The upgrade followed a similar move by Standard & Poor's. Harris Georgiades, the finance minister, says that "making it officially into the investment grade

zone was a major policy objective for the government but not one which signifies any change. "It is more of a confirmation that Cyprus is making steady economic progress, that its sovereign bonds are a safe investment and, more broadly, that Cyprus is a stable and safe jurisdiction in which to do business and invest." The road to economic recovery has not been without pain. Bad loans held by banks are dropping but remain among the highest in Europe. In June, the government decided to liquidate the Cyprus Co-operative Bank (CCB), the country's second largest bank, selling the healthy part to Hellenic Bank and taking ownership of the bad parts. This will help to reduce uncertainty in the sector, boost consolidation and improve depositor confidence, but has landed the state with more than €6 billion of bad loans. "It was a necessary decision which has already delivered positive results. The government view was that action



**€6.3** BILLION  
FOREIGN INVESTMENT IN CYPRUS IN 2017  
Source: UNCTAD

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exciting new projects, ranging from sea-ports to marinas. Property prices, which are still competitive, are modestly on the rise. But the current administration has its sights set on an even grander vision: the reunification of the island split by the Turkish invasion in 1974. Since then, Turkey has occupied the northern third of the island and set up a state that is not recognised internationally. The Cypriot president, Nicos Anastasiades, was elected to a first term in 2013 on a mandate to resolve the "Cyprus problem", and has advanced the peace talks further than ever before. Unification remains his top priority. "We are determined to rise to the challenge of our historic responsibility and do our utmost to provide a peaceful future for all Cypriots and the region. "We expect Turkey, which has a key role... to rise to the occasion and demonstrate the necessary political determination to reach a settlement and contribute to regional stability." The benefits would certainly be considerable. Apart from putting an end to the division between Turkish and Greek Cypriots, the reunited island would offer a new beacon of prosperity in the region.



A sense of prosperity is returning to Cyprus

should be taken in the direction of consolidating the banking sector and establishing stronger foundations," says Georgiades. Improving economic conditions are also reflected in falling jobless numbers. Unemployment fell to 7.4 per cent in September from 10.2 per cent a year earlier. It stood at around 16 per cent four years ago. The country is working hard at diversifying investments, creating new sectors, such as education, while building on strengths in industries such as financial services. "The banking sector has been recapitalised with a significant contribution from foreign funds," says Michalis Michael, chairman of Invest Cyprus, the country's investments promotion agency. "Investment fund registrations have increased by 18 per cent a year since 2014 and last year recorded one of the largest net asset growths in Europe," Michael adds. "In shipping, a traditionally strong sector, we have seen a 60 per cent increase in shipping company registrations and a 25 per cent rise in revenues from 2013 to 2017. The

property market is witnessing an impressive recovery, with a 24 per cent increase in sale contracts filed in 2017 and a 33 per cent increase in properties sold to foreigners." Perhaps the most exciting changes though are taking place in energy. The country has found natural gas reserves in waters south of the island, attracting large global players. "The ongoing search for oil and gas in our island's exclusive economic zone by leading energy giants is keeping investors' interest upbeat, while major ancillary service providers have already established bases in Cyprus," Michael says. The agency has also set up a platform where Cypriot and foreign professionals can match their skills with vacancies in sectors of interest. The aim is to attract talent, not least some of the 270,000 Cypriots at present living in the UK. "In parallel we are working to enhance our business environment to attract more companies in order to increase opportunities and make Cyprus the best place to both work and live."



PEACEFUL FUTURE: President Anastasiades

It has been estimated that a peace dividend from resolving the conflict could double the size of Cyprus's economy, boosting it to €45 billion (£40bn) over the next two decades. At the same time, Cyprus is poised on the brink of an energy boom. Recent underwater surveys, combined with blockbuster gas finds in neighbouring Egyptian and Israeli waters, suggest that huge hydrocarbon reserves lie in the seafloor south of Cyprus. A peace deal, says President Anastasiades, would allow "all Cypriots to live in a normal and independent state, and work together for the prosperity and security of all. I remain strongly and truly committed to achieve a lasting solution." **Alkman Granitsas**

**3.9%**  
GDP GROWTH (SECOND QUARTER 2018, YEAR-ON-YEAR CHANGE)  
Source: Cyprus Statistical Service

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SHIPPING

# All hands now on deck

This great maritime nation is ready to make waves as it embraces fast-moving change



Cyprus is eyeing a return to the top ten of the world's shipping fleets as the country's recovery continues apace. Heading up this effort is Natasa Pilides, who was appointed by the president in March to run a newly formed Deputy Ministry of Shipping. Although Cyprus is probably best known in the UK for its booming tourist industry, the shipping sector plays a big role in the island's economy, contributing about 7 per cent of GDP. More than 200 shipping-related companies operate from Cyprus, controlling a fleet of 2,200 vessels, and employing some 4,500 people

on shore and 55,000 seafarers, according to a 2017 report from the Cyprus Shipping Chamber. The creation of a new shipping ministry sends a clear message of political support for a proud seafaring nation. Pilides' priority is looking to the future: among the items in her in-tray are digitalisation, cybersecurity, training, and addressing emissions targets. She points out that in Cyprus everybody wants shipping to develop for the good of the economy, which means, she says, there is no disagreement when it comes to policymaking. "It's a place where the interests of the state and the interests of the private sector converge." Along with offering start-ups tax incentives, Cyprus is investing heavily in the next generation: this comes through scholarships at its three maritime academies and partnerships with local universities and business schools. Courses include shipping finance, insurance and brokerage. "You can open an office in Cyprus and be sure you'll find people to recruit who can get stuff done," Pilides says. Meanwhile several EU-backed innovation projects are helping its cluster of nautically minded businesses to grow. Becoming

more digitised in the i-shipping revolution, and boosting cybersecurity is also a major target. "First of all, we have to offer services which are competitive in terms of how digitised we are. The second side is how the shipping companies themselves can keep abreast and integrate technological change in the way they operate." Challenges, however, remain with the biggest one being Turkey's embargo of Cypriot vessels. There

are hopes that a new round of meetings which began last month will this time lead to a breakthrough. This would be a "key game changer" for the industry, says Pilides. "We're hoping for and working towards a settlement of the 'Cyprus problem'." "Shipping is one of the issues that will obviously be addressed within the peace talks and a lot of work has been done in the previous round of negotiations," she adds. **SB**



Shipping is vital to the future

EDUCATION

# A sunny island in a class of its own

The thriving University of Nicosia is proving that there's more to Cyprus than tourism, says **Alkman Granitsas**

Entrepreneurial flair, an innovative mindset and an influx of international students has transformed Cyprus's university sector, making it a magnet for research and development, and an engine for the island's economy. Such is its growth that it now contributes close to €1 billion (£882 million) to the economy, with student numbers up 80 per cent in ten years, according to an Ernst & Young study. Cyprus has only begun to scratch the surface of a £44 billion global market for English-language higher education, the study says, with around half of its third-level students coming from abroad.



The country boasts three public and five private universities as well as a growing number of research and training centres. Powering this sector is the University of Nicosia. Students from some 70 countries make up its 11,500-strong intake, attracted by its burgeoning reputation and affordability, not to mention the island's pleasant climate. Andreas Kitsios, its vice-president of marketing, says that Cyprus's largest university has been at the forefront of "internationalising" education on the island. "We offer a Western-world education, in English, that is close in proximity to the Mediterranean, the Middle East, North Africa and Asia." Success has rested on high-calibre academic partnerships and flagship initiatives in new technologies and areas of study. In 2011, the university's medical school was the first in Cyprus to offer Bachelor of Medicine and Surgery degrees from St George's, University of London. The programme, recognised by the General Medical Council, has sent 99 per cent of its graduates to work in medical centres around the world. Three years later the university became the first in the world to offer a masters degree in digital currency. Naturally, tuition payment is accepted in bitcoin

and the university is allowing employers to authenticate degrees using cryptography. "It tells a lot about our philosophy of focusing on areas that are soon going to have a tremendous impact on society," says Kitsios. In addition to the masters programme, the university offers a free online course in digital currencies - a potential pre-cursor to the MSc degree - which has enrolled 30,000 students from

around the world. "This is an actual course that lasts 12 weeks and has 12 live sessions with Antonis Polemitis [our CEO] and Andreas Antonopoulos, both experts in blockchain and digital currency." There is no resting on laurels. In 2020, the university will launch the first veterinary school in Cyprus in conjunction with the UK's Royal Veterinary College. "Our motto is 'Think Big' and we are living proof of that philosophy," Kitsios says.

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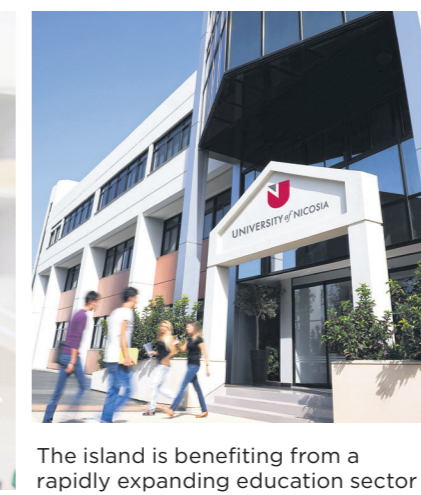
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The island is benefiting from a rapidly expanding education sector

# Interior designs and heady climbs

Out of season, **Nick McDermott** has long been entranced by Cyprus's rich heartland

Ask any first-time visitor to Cyprus what brings them to the island, and their response is invariably sun, sea and sand. With 320 days of sunshine and 57 blue flag beaches to choose from, who can blame them?

But arguably greater rewards lie in store for those who venture inland. I should know because I've been visiting relations there for years – during peak and off season. And with a young family of my own now in tow, I can see ancient wonders afresh through their eyes.

Awaiting those who travel into Cyprus's rugged interior is a landscape sculpted by Greeks, Romans, Venetians, Crusaders and Ottomans – and locals who ooze genuine warmth and charm.

As in the rest of Europe, temperatures rise in July and August, and for some it can get too hot. My Yorkshire-born wife prefers the cooler months that bookend the school holidays when the beaches are less crowded.

Heading inland past white churches, olive groves and gnarled

carobs, travellers come upon terraced vineyards set in orderly rows. Above them scented pine forests dominate the upper reaches.

As the summer heat recedes, September marks the start of the grape harvest, a major event for the wine-producing villages in the Troodos mountain range at the heart of the island.

I have been lucky enough to stumble across village festivals in full swing. As well as plentiful music, food and drink, visitors can observe the making of *palouzes* – an intensely fragrant grape jelly – which is eaten on its own or used to coat strings of almonds to make *soutzouko* – the island's go-to traditional sweet treat.

Thankfully for oenophiles, most grapes still end up in bottles. The past decade has seen a boom as wineries rediscover neglected native varieties such as maratheftiko and yiannoudi. There is still, of course, a fondness for sweet Commandaria, the world's oldest listed wine, worthy of mention by Homer and purportedly used to toast the wedding of Richard the Lionheart. He is said to have tied the knot at Limassol Castle during the Third Crusade.

It may be a shock to many in the UK, but when it comes to food halloumi is not just for grilling. Cypriots are more likely to eat their national cheese uncooked or with pasta. Fans of the squeaky delicacy can make their own at workshops run by the Casale Panayiotis hotel in Kalopanayiotis. The ancient spa village has been transformed into a year-round destination, with many once-abandoned buildings reclaimed and turned into tranquil retreats.



As the days get darker and Britons don jumpers, Cyprus remains balmy with average daytime and sea temperatures in November of around 22C – still ideal for a late autumn dip.

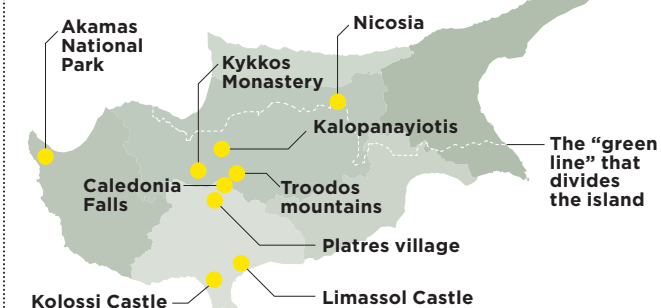
For lovers of the outdoors, early spring is the perfect time to enjoy Mother Nature at her verdant best. There are plenty of hiking trails in the Troodos mountains and the Akamas National Park for all levels. A family favourite is the short walk to the Caledonia Falls, just below Platres village, traversing pine forests and the aptly named Krios [cold] river.

One tale claims that the 50ft cascade is named after the swallows – *chelidonia* – that sweetly serenade walkers as they make their ascent, while others insist the waterfall was christened by Scottish hikers.

With 10,000 years of history to choose from, creating a must-see list of ancient sites is almost impossible. Certainly, you'll never be bored by a visit to Kolossi Castle, once a Crusader stronghold, or opulent Kykkos Monastery, in the mountainous Marathasa Valley. All these sites need now, is you.

## Inland odyssey

Away from its beaches, Cyprus is a land of soaring mountains and ancient sites



Head for the interior to discover the real Cyprus

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Cyprus  
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Cyprus is a modern, cosmopolitan and transparent business centre offering opportunities for investment across a wide range of sectors. Cyprus is committed to offering a high quality, duly regulated service and unique set of competitive advantages that ensure the best possible experience for investors and businesspeople worldwide.

- / Positive economic outlook
- / Access to high quality human talent
- / Access to EU and MENA region markets
- / Attractive tax system
- / Excellent regulatory structure
- / Strong business support services
- / Low cost of doing business
- / High quality of life

Businesses and individuals considering investment into Cyprus have a partner on the ground at all stages of the investment cycle. Being the lead agent in establishing Cyprus as a world-class investment destination, Invest Cyprus is the investor's first point of contact and is dedicated to providing comprehensive support to new and existing investors.

Cyprus: a robust and dynamic business centre