

Economy gets high marks from EU

The European Commission's latest report on the economic prospects of the 13 official candidates for European Union (EU) membership gave a generally positive assessment of the Cyprus economy, while entering caveats on its increasing dependence on tourism and resultant external vulnerability.

Issued on 25 April, the report predicted that GDP growth would moderate slightly in 2001 to 3.4 per cent as domestic demand and public consumption slowed and as the Government continued to exert downward pressure on the fiscal deficit. However, this trend would be counterbalanced by a "significant recovery" in fixed investment, which would contribute to a rise in the GDP growth rate to 4.7 per cent in 2002.

The Commission expected inflation to fall sharply in the second half of 2001, so that the projected rate of 4.5 per cent for the year as a whole would be halved in 2002. Unemployment would edge lower from 3.4 per cent in 2001 to 3.3 per cent in 2002. Fiscal consolidation was expected to be strong in the forecast period, so that the budget deficit was expected to fall to under 2.5 per cent of GDP in 2002.

The report said that revenue performance was likely to be "exceptionally buoyant" in 2001-02, as measures introduced in 2000, such as the 2 per cent increase in VAT, started to have their full impact. A warning was given, however, that "further vigilance is needed to ensure that the reduction in the fiscal deficit achieved over the last two years

can be sustained in the run-up to EU accession".

On tourism, the report stated that "tourist receipts are expected to grow throughout the forecast period" and that the Cyprus economy "is likely to become even more reliant upon tourist-related activities". Earnings from tourism would underpin a contraction in the current account deficit to 2.9 per cent of GDP in 2002, although the trade balance was expected to show an upward trend.

In the longer term, concluded the report, "growth potential depends crucially upon whether or not Cyprus will be able to limit its dependence on tourism and diversify into other service-related activity".

●European Commission plans unveiled on 12 April envisage that Cyprus, together with Malta, will be exempt from proposed restrictions on free movement of labour from new members to the present EU countries for a five-year transitional period after accession. □

EU COMMISSION FORECASTS FOR CYPRUS		
	2001	2002
	per cent	
GDP growth rate	3.4	4.7
Inflation rate	4.5	2.2
Unemployment	3.4	3.3
Budget deficit*	3.2	2.4
Trade deficit*	28.2	28.3
Current account deficit*	3.1	2.9

*as percentage of GDP

Klerides reassures offshore companies

Maintenance of favourable financial and taxation conditions for offshore companies to the maximum extent possible consistent with Cyprus' international obligations was identified as a Government aim by Finance Minister Takis Klerides on 11 April.

Addressing the Cyprus International Business Association, Mr Klerides noted that international business entities had acquired "major macroeconomic significance" for the Cyprus economy and its future prospects. He continued that he was "fully aware" of the sector's concern about the future legal and tax implications of Cyprus' accession to the European Union (EU) and its commitment to the OECD's aim of eliminating harmful tax practices by 2005.

The Minister stressed that Cyprus "will endeavour to maintain, within the limits demarcated by these commitments, to the maximum possible degree, a favourable financial and taxation environment for the international business enterprises". He added that he was confident that the offshore sector "will not only survive but also flourish under condition of EU accession and after completion of the OECD project".

●On 21 April Mr Klerides was in Stockholm for the first meeting of the Finance Ministers of the 15 EU members and the 13 official candidate countries, together with their central bank governors. He said after the meeting that it had demonstrated the EU's will to proceed with enlargement. □

Runners and riders in the parliamentary election stakes

The House of Representatives on 19 April voted to dissolve itself preparatory to the holding of parliamentary elections on 27 May, the eighth since Cyprus achieved independence in 1960. The new 56-member House will be elected by some 490,000 voters, who are obliged by law to cast their ballot and who include those aged 18 to 21 years for the first time in a parliamentary election.

The elections will be decided by a complex system of proportional representation in six electoral districts intended to ensure that seat totals reflect share of the popular vote. The lowering of the voting age to 18 means that there will be nearly 31,000 new voters on the electoral register, to cope with which the number of polling stations is being increased to 1,200 compared with 900 in the 1996 elections.

Under the 1960 Constitution of the Republic of Cyprus as subsequently amended, the House of Representatives is supposed to have 80 members, with 24 seats reserved for the Turkish Cypriot community. Since 1963, however, the Turkish Cypriots have boycotted the legal structure.

Parties in the running

Among the nine parties presenting candidates, five were represented in the old House and four are hoping to make an entry. The five established parties are the **Democratic Rally (DISY)**, founded in 1976 by the current President of Cyprus, Glafkos Clerides, and now led by Nicos Anastasiades; the centre-right **Democratic Party (DIKO)**, led by Tassos Papadopoulos; the left-wing **Progressive Party of the Working People (AKEL)**, led by Demetris Christofas; the **Movement of Social Democrats (KISOS)**,

founded in February 2000 as successor to the EDEK Socialists and led by Vassos Lyssarides; and the **United Democrats (EDI)**, headed by former President and current Chief EU Negotiator George Vassiliou.

The four formations aspiring to representation in the House are **New Horizons (NEO)**, led by Nicos Koutsou, the only prominent politician calling for a unitary rather than a federal state in Cyprus; the **Ecologist and Environmentalist Movement**, also known as the Green Party; the **Fighting Democratic Movement (ADIK)**, led by Dinos Michaelides; and the **Eurodemocratic Renewal Party (KEA)**, headed by Antonis Paschalides.

In the previous House of Representatives elections in May 1996, DISY won 20 seats with 34.5 per cent of the vote, AKEL 19 seats with 33 per cent, DIKO 10 seats with 16.4 per

cent, EDEK five seats with 8.1 per cent and the Movement of Free Democrats (now the EDI) two seats with 3.7 per cent.

Analysis of the professions of candidates presented by the parties shows that lawyers predominate with a total of 67, of which DISY has the highest number with 21, followed by DIKO with 15. Doctors are the next largest category (with 51 candidates), followed by business people (49), teachers (34) and economists (21).

Also to be elected on 27 May are representatives of the Latin, Maronite and Armenian religious minority communities, whose three elected members sit in the House of Representatives in a consultative, non-voting capacity. □

Link: www.pio.gov.cy/vouleutikes2001/eng
Parliamentary Elections 2001



• The democratic process... The ballots of some 490,000 Cypriots must be cast on 27 May.

Economy gets high marks from EU

The European Commission's latest report on the economic prospects of the 13 official candidates for European Union (EU) membership gave a generally positive assessment of the Cyprus economy, while entering caveats on its increasing dependence on tourism and resultant external vulnerability.

Issued on 25 April, the report predicted that GDP growth would moderate slightly in 2001 to 3.4 per cent as domestic demand and public consumption slowed and as the Government continued to exert downward pressure on the fiscal deficit. However, this trend would be counterbalanced by a "significant recovery" in fixed investment, which would contribute to a rise in the GDP growth rate to 4.7 per cent in 2002.

The Commission expected inflation to fall sharply in the second half of 2001, so that the projected rate of 4.5 per cent for the year as a whole would be halved in 2002. Unemployment would edge lower from 3.4 per cent in 2001 to 3.3 per cent in 2002. Fiscal consolidation was expected to be strong in the forecast period, so that the budget deficit was expected to fall to under 2.5 per cent of GDP in 2002.

The report said that revenue performance was likely to be "exceptionally buoyant" in 2001-02, as measures introduced in 2000, such as the 2 per cent increase in VAT, started to have their full impact. A warning was given, however, that "further vigilance is needed to ensure that the reduction in the fiscal deficit achieved over the last two years

can be sustained in the run-up to EU accession".

On tourism, the report stated that "tourist receipts are expected to grow throughout the forecast period" and that the Cyprus economy "is likely to become even more reliant upon tourist-related activities". Earnings from tourism would underpin a contraction in the current account deficit to 2.9 per cent of GDP in 2002, although the trade balance was expected to show an upward trend.

In the longer term, concluded the report, "growth potential depends crucially upon whether or not Cyprus will be able to limit its dependence on tourism and diversify into other service-related activity".

●European Commission plans unveiled on 12 April envisage that Cyprus, together with Malta, will be exempt from proposed restrictions on free movement of labour from new members to the present EU countries for a five-year transitional period after accession. □

EU COMMISSION FORECASTS FOR CYPRUS		
	2001	2002
	per cent	
GDP growth rate	3.4	4.7
Inflation rate	4.5	2.2
Unemployment	3.4	3.3
Budget deficit*	3.2	2.4
Trade deficit*	28.2	28.3
Current account deficit*	3.1	2.9

*as percentage of GDP

Klerides reassures offshore companies

Maintenance of favourable financial and taxation conditions for offshore companies to the maximum extent possible consistent with Cyprus' international obligations was identified as a Government aim by Finance Minister Takis Klerides on 11 April.

Addressing the Cyprus International Business Association, Mr Klerides noted that international business entities had acquired "major macroeconomic significance" for the Cyprus economy and its future prospects. He continued that he was "fully aware" of the sector's concern about the future legal and tax implications of Cyprus' accession to the European Union (EU) and its commitment to the OECD's aim of eliminating harmful tax practices by 2005.

The Minister stressed that Cyprus "will endeavour to maintain, within the limits demarcated by these commitments, to the maximum possible degree, a favourable financial and taxation environment for the international business enterprises". He added that he was confident that the offshore sector "will not only survive but also flourish under condition of EU accession and after completion of the OECD project".

●On 21 April Mr Klerides was in Stockholm for the first meeting of the Finance Ministers of the 15 EU members and the 13 official candidate countries, together with their central bank governors. He said after the meeting that it had demonstrated the EU's will to proceed with enlargement. □

Runners and riders in the parliamentary election stakes

The House of Representatives on 19 April voted to dissolve itself preparatory to the holding of parliamentary elections on 27 May, the eighth since Cyprus achieved independence in 1960. The new 56-member House will be elected by some 490,000 voters, who are obliged by law to cast their ballot and who include those aged 18 to 21 years for the first time in a parliamentary election.

The elections will be decided by a complex system of proportional representation in six electoral districts intended to ensure that seat totals reflect share of the popular vote. The lowering of the voting age to 18 means that there will be nearly 31,000 new voters on the electoral register, to cope with which the number of polling stations is being increased to 1,200 compared with 900 in the 1996 elections.

Under the 1960 Constitution of the Republic of Cyprus as subsequently amended, the House of Representatives is supposed to have 80 members, with 24 seats reserved for the Turkish Cypriot community. Since 1963, however, the Turkish Cypriots have boycotted the legal structure.

Parties in the running

Among the nine parties presenting candidates, five were represented in the old House and four are hoping to make an entry. The five established parties are the **Democratic Rally (DISY)**, founded in 1976 by the current President of Cyprus, Glafkos Clerides, and now led by Nicos Anastasiades; the centre-right **Democratic Party (DIKO)**, led by Tassos Papadopoulos; the left-wing **Progressive Party of the Working People (AKEL)**, led by Demetris Christofas; the **Movement of Social Democrats (KISOS)**,

founded in February 2000 as successor to the EDEK Socialists and led by Vassos Lyssarides; and the **United Democrats (EDI)**, headed by former President and current Chief EU Negotiator George Vassiliou.

The four formations aspiring to representation in the House are **New Horizons (NEO)**, led by Nicos Koutsou, the only prominent politician calling for a unitary rather than a federal state in Cyprus; the **Ecologist and Environmentalist Movement**, also known as the Green Party; the **Fighting Democratic Movement (ADIK)**, led by Dinos Michaelides; and the **Eurodemocratic Renewal Party (KEA)**, headed by Antonis Paschalides.

In the previous House of Representatives elections in May 1996, DISY won 20 seats with 34.5 per cent of the vote, AKEL 19 seats with 33 per cent, DIKO 10 seats with 16.4 per

cent, EDEK five seats with 8.1 per cent and the Movement of Free Democrats (now the EDI) two seats with 3.7 per cent.

Analysis of the professions of candidates presented by the parties shows that lawyers predominate with a total of 67, of which DISY has the highest number with 21, followed by DIKO with 15. Doctors are the next largest category (with 51 candidates), followed by business people (49), teachers (34) and economists (21).

Also to be elected on 27 May are representatives of the Latin, Maronite and Armenian religious minority communities, whose three elected members sit in the House of Representatives in a consultative, non-voting capacity. □

Link: www.pio.gov.cy/vouleutikes2001/eng
Parliamentary Elections 2001



• The democratic process... The ballots of some 490,000 Cypriots must be cast on 27 May.