

TIME TO REDRAFT THE CYPRUS INVESTMENT BIBLE

Andria Antoniou, Partner, Head of Corporate, at Areti Charidemou & Associates LLC, points out that developing a stable business environment through gradual, positive change will inspire foreign investors with a feeling of confidence and security, especially once the island's recently tarnished reputation is restored.



IT'S ABOUT TIME WE CAPITALISED ON OUR MOST IMPORTANT ADVANTAGES: OUR EXPERIENCE AND OUR PEOPLE

What are the current challenges facing the country's professional services sector in relation to international business?

Andria Antoniou: The professional services sector is currently going through its most challenging decade, during which our integrity, professionalism and stability have been questioned. Additionally, the last few years have all been about gradual changes – justified and essential – in compliance and regulatory matters. We came through the major 2013 banking crisis and financial recession by 'bailing-in' what were once Cyprus' major banks and restructuring the entire banking system. While the Cyprus Investment Programme (CIP) has attracted foreign investment, after undergoing various amendments it was finally and abruptly abolished in light of suspicions of corruption and adverse media. This has created great uncertainty around the ability of real estate developers to complete their impressive projects.

Finally, in the last 5 years, we have been trying to develop our compliance and regulatory systems. However, delays in the harmonisation process and guidance from the regulators resulted in a rapid return to 'old bad habits', with negative consequences for the industry. Had this process taken place gradually, it would have been smoothly implemented and accepted by professionals in the services sector and their clients. Therefore, despite the various and different challenges facing each profession, the main challenge for all the stakeholders of the industry (including the Government) is to create a safe and stable environment, which will develop gradually and inspire a feeling of confidence and security in foreign investors. A brilliant example of such a predictable, safe and stable environment is shipping, in particular Cyprus' tonnage tax system and its ship registry.

GOLD: How do you expect the sector to develop and what should the new growth model be like over the next 10 years?

A.A.: It is very difficult to foresee how the professional services sector will develop. However, Cyprus professionals have proved they are flexible and sufficiently qualified to adjust and respond to market needs. It is generally accepted and expected that regulatory compliance, supervision and transparency are here to stay as part of the industry, increasing the cost of sales. At the same time, technologies such as blockchain and artificial intelligence will offer new possibilities in production efficiency. Therefore, only those who are open to these changes will survive and grow, while it is expected that many firms in the industry will undergo mergers or restructuring in order to overcome the challenges that lie ahead and expand further.

GOLD: What are the present competitive advantages of Cyprus as regards the services offered to international corporations and High Net Worth Individuals?

A.A.: As already mentioned, Cyprus has been significantly affected by developments during the last decade and what is most important now is to identify the weaknesses and undertake corrective action. For various reasons, Cyprus is still considered as one of the most important destinations for international businesses and High Net Worth Individuals. With both state and industry achieving and preserving an important portfolio of clients over the last three decades, the professional services sector has grown exponentially and, in turn, has been a driver for the professionals comprising the sector to train. So, it's about time we capitalised on our most important advantages: our experience and our people. For the above reasons, we must approach our issues from all possible perspectives, in an attempt to create a modern investment environment that serves the current needs of international business as well as those of inward investments.

GOLD: What should be included in the "new generation" of services that we should be offering to international corporations and High Net Worth Individuals?

A.A.: I believe that, in the next decade, investment programmes, in combination with relocation and/or tax residency, will maintain their prominent position in the services sector, possibly with 'company/tax residency relocation' being a new product, provided that the relevant incentives are in place. Such an endeavour will increase job opportunities for locals, improve production and expand various sectors of the Cyprus economy. Technology, in combination with green/sustainable development, can constitute a big part of the 'new generation' of services. It would be an honour for Cyprus to attract the interest of already established companies and startups by offering incentives that create new businesses and workflow for the services sector. Cyprus should promptly undertake appropriate and necessary reforms to develop itself as an incubator, in order to gain a share and play a primary role in the market. Additionally, the healthcare, higher education, agricultural development and pharmaceutical research sectors can be ideally combined with technology, sustainable development and, ultimately, various areas of industrial development. In shipping, Cyprus, which is already in a favourable position, will have much to gain by the lifting of the Turkish embargo.

GOLD: Which geographical markets should we be targeting? In which markets is the offering of Cyprus most attractive?

A.A.: I strongly believe that past experience must guide us to avoid targeting specific markets, which deprives us of the opportunity to create a professional environment accessible to all investors, irrespective of their origin or usual place of business. In an era of open communication, technology, universality and accessibility, all boundaries must be abolished and the whole world must become our territory. Cyprus, as a small EU member state, has a lot to gain in terms of economic growth by taking a small share of the global market.

GOLD: What changes need to be implemented to make Cyprus a more modern and attractive International Business Centre?

A.A.: Cyprus' reputation in the international markets and with foreign governments and foreign investors has been seriously affected and it must be immediately restored. Establishing a new, fully developed incentive plan will help make Cyprus an attractive business destination for foreign businesses and High Net Worth Individuals. It is the right time to redraft the 'Cyprus Investment Bible' so that we can adjust our well-developed ecosystem of professional services to meet current needs and new markets.

**IN SHIPPING,
CYPRUS WILL**

**HAVE MUCH
TO GAIN BY
THE LIFTING OF
THE TURKISH
EMBARGO**

