

**Address of Minister of Finance Harris Georgiades
Cyprus Investment Forum, New York, 22 March 2017**

Ladies and gentlemen,

This is truly a pleasure and an honour. I should thank you all for your presence, and I should thank Capital Link for their initiative to organise this event. My appreciation also goes to the co-organisers and the sponsors who have joined forces and are giving us today this opportunity to promote Cyprus and to highlight the prospects for further expanding the US-Cyprus economic and commercial ties.

So let me start by raising a question. What is it which makes a country attractive for business and investment? It's a number of reasons actually, but if I were to single out two, I would mention stability and opportunity.

No entrepreneur will be comfortable enough to take a major decision or to make an important step in an environment of uncertainty and instability. And no investment will ever make sense in the absence of opportunity.

Ladies and gentlemen,

I am convinced that Cyprus currently offers an ideal combination of stability and opportunity. It is an island of safety and stability, during uncertain times. It is an

island offering opportunity and excellent prospects for business and investment.

This was not, exactly, the case a few years back, when Cyprus made the headlines for all the wrong reasons. A combination of loose fiscal policy resulting in excessive budget deficits, together with lax supervision and bad practices in the banking sector resulting in an unsustainable credit expansion, but primarily a political failure to act in a timely manner, drove Cyprus into a deep recession and lead to a severe economic and financial crisis.

But since then, what has been achieved is nothing short of a remarkable recovery. A rebound which came much sooner than anyone was expecting and in a manner which confirms the resilience of the Cyprus economy and the excellent prospects of its key productive sectors.

The two main problem areas which I have mentioned, that is public finances and banking, have been tacked.

On public finances we did what we had to do, and fully eliminated a budget deficit which, for a succession of years, stood at a level of 5-6% of the GDP. We did so in one go, over a since year, exactly because we were eager to restore macroeconomic stability and confidence. Since 2014, we are operating with a balanced budget and with a primary surplus of around 2.5% of the GDP, which makes it the highest in the EU.

The fiscal outlook for 2017 and for the years ahead, remains within the very same parameters.

Placing public expenditure under control and operating with a balanced budget, was not an end in itself. It was the means which enabled us to maintain tax stability and to promote significant tax breaks and incentives aimed at reinvigorating economic activity.

A labour tax introduced in 2011 has been abolished as of the beginning of this year, thus making hiring easier. Likewise, a tax on property ownership has been scraped, and property transfer fees have been reduced by 50%, thus offering a boost and supporting the recovery of the property sector. Among others, we have also introduced a permanent tax deduction for all new equity invested in any Cypriot company on the basis of a notional interest rate and, very recently, we have introduced an additional tax break for investment in start-ups and innovative companies.

I should mention that maintaining an attractive and competitive tax regime is something which enjoys strong cross-party support in Cyprus, and this offers a further sense of stability and predictability.

In a similar manner, decisive action was taken in our financial sector, on which we shall hear more in a while, by a new generation of banking leaders who have been

tasked to reform and to restore the reputation of the sector.

Capital and solvency ratios have improved significantly and currently stand above the EU average. The regulatory framework and KYC procedures have been enhanced, banking sector supervision is now conducted by the European Central Bank in Frankfurt, and corporate governance has improved. In short, the banking sector of Cyprus has healed to a significant extent.

Here, a special reference should be made to the very significant presence of US investors in the largest of Cypriot banks. This has been a most welcomed development of the last few years, offering yet another strong signal for the restoration of confidence.

Ladies and gentlemen,

Cyprus currently enjoys one of the highest growth rates in the EU, just short of 3% of the GDP, and this is, in fact, the projection for the medium term. All the key sectors of the economy are now contributing to growth.

The financial and business services sector retains significant comparative advantages, most important of which I consider the world class expertise which has been attained over the years. In a very good example of government and industry working together, we are currently reforming the legal and administrative

framework aiming to further develop the Cyprus Funds sector and investment fund management.

The Cyprus shipping industry has remained strong and has been attracting new business throughout the last few years. Not everyone realises that Cyprus is, in fact, the largest ship management centre in Europe. You will hear more from the responsible Minister himself, Transport Minister Demetriades, who has earned my respect for seeing through a very beneficial privatisation of the largest port of Cyprus, that of Limassol, standing up to criticism regarding very short term transitional difficulties which have already been tackled. High on the agenda of government priorities is the conclusion a concession agreement for our second port, that of Larnaca, by the end of this year.

Tourism, is obviously the flagship industry of Cyprus, and I can tell you that we are already gearing for yet another record season. Enhanced air connectivity has been instrumental in increasing tourist arrivals and take note of this fact: Cyprus is the country enjoying the best weather in Europe, by far.

The Minister responsible for Tourism will also be on the panel in a short while, but being also responsible for energy, and commerce and industry, I doubt he will manage to cover all the positive developments under his

portfolio. Minister Lakkotrypis has not been facing much criticism, I call him the good news Minister.

One of the very good news is the imminent conclusion of yet another concession agreement, with a consortium from the US, Hong Kong and Cyprus, for the creation of the largest integrated casino resort in Europe. This will be a 0.5bln euro project, and will offer a major addition to the tourist product of Cyprus, also delivering very significant tax revenues.

In addition to the casino resort, we have recently seen significant foreign investment in sectors including Marinas, hotels, residential projects, airliners, the retail sector and pharmaceuticals.

The public sector has also been implementing major investment in higher education and research, in an effort to broaden the base and diversify our economy.

According to rough estimates, public and private sector investment in infrastructure, currently underway, exceeds 12% of the GDP.

Ladies and gentlemen,

It is obvious that Cyprus has made a comeback. The restoration of stability and confidence opens the way for new business and new investment opportunities.

Speaking on behalf of the government I can offer a very clear commitment that we shall continue striving to

create an even friendlier environment for entrepreneurship and business.

In fact, let me say that we are neither satisfied nor complacent with what has been achieved so far. We know that we can do even better.

Firstly, we have still not been able to fully alleviate the consequences of the financial crisis. Non-performing loans are still a major legacy problem for our banks, even though they are declining. Unemployment is also declining, but remains high.

And we felt that more could be done to cut back on bureaucracy and to simplify procedures. But more importantly, we acknowledge that our economy and our key sectors, even the well-established ones like tourism, have a significant potential to grow more.

So we must continue, and this is exactly what we intend to do.

And we shall do so not only on a local level, but also on a regional and European and international level.

Cyprus will continue working for regional stability and co-operation.

It will continue acting as a dedicated and reliable member of the EU, pushing the Union in the direction of enhancing the competitiveness and the growth prospects of our economies. But fending off any moves

that will result in increased taxation or in unnecessarily restrictive rules and regulations.

And we shall continue to take a clear stance in favour of free trade and open markets on a global scale.

Within this framework we shall continue to value our relationship with the US as one of strategic importance and we shall continue to work for expanding our commercial and investment ties even more.

Ladies and gentlemen

Thank you for your attention.