

**PRESENTATION AT THE SEMINAR  
“ESTABLISHMENT OF A TECHNOLOGY PARK IN  
CYPRUS”**

**THE CYPRUS ECONOMIC AND BUSINESS  
ENVIRONMENT**

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# Main Messages

- Notwithstanding strong economic fundamentals, Cyprus is still lagging behind in the technology sector
- Substantial potential for catching up, reinforced by EU accession
- Lisbon Strategy, aiming at making the EU the most competitive economy in the world by 2010, attaches emphasis on R&D and technology
- Within this context, the envisaged establishment of a technology park in Cyprus is a welcome initiative
- Institutional framework for technology park is critical for success
- Intensive co-operation of the public, private sector and academia is a prerequisite for a successful functioning of a technology park
- The technology park should be administered as private sector entity and be economically and financially viable

# Introduction

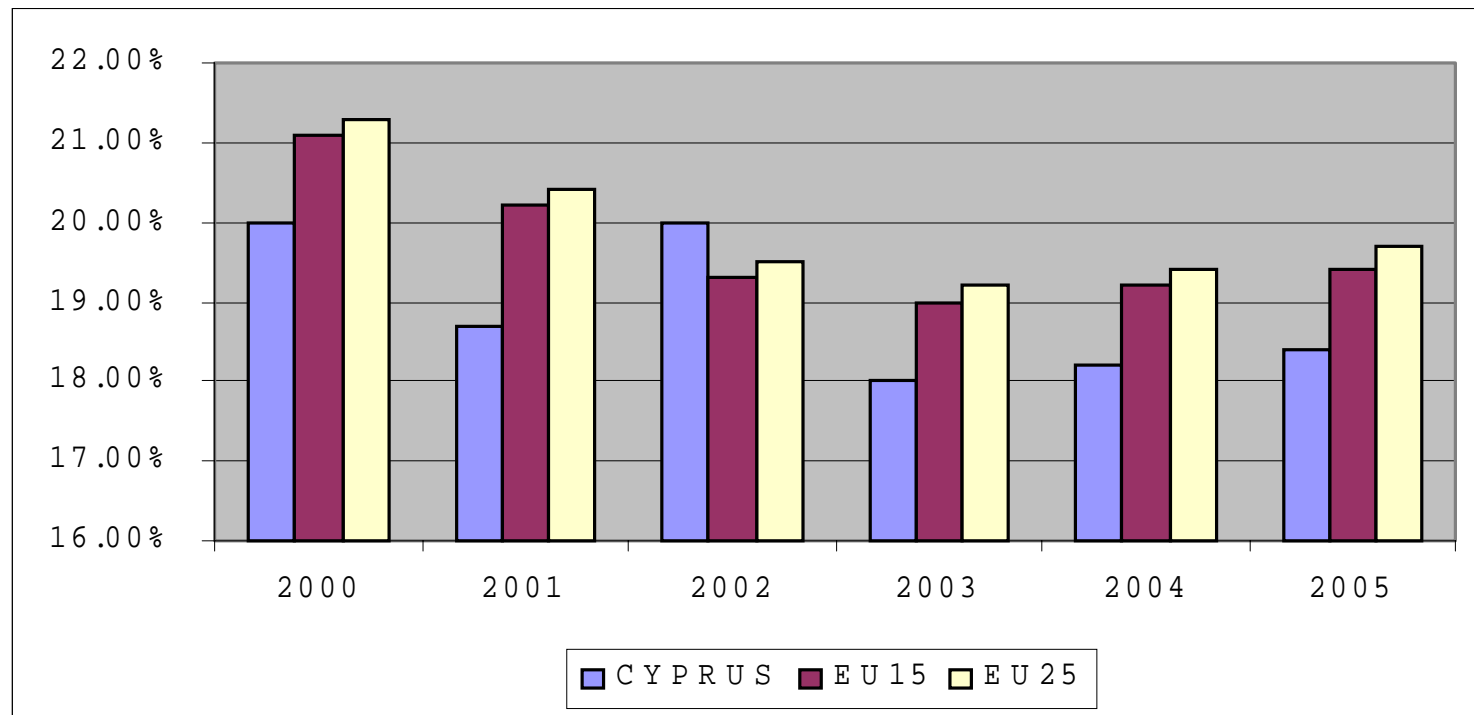
- General economic environment
- Business environment
- Strengths – Weaknesses - Opportunities
- Institutional framework for the setting up of a Technology Park
- Need for careful costs & benefit analysis
- Conclusions

# General Economic Environment

- Strong economic fundamentals
- Per capita income, > 80% of EU average
- Real convergence, reflected in satisfactory growth performance
- Near full employment conditions – high employment rates (70%)
- Low core inflation, 2-,2,5%
- Comfortable balance of payments position & stable currency
- Fiscal imbalances –However, they can be addressed – Convergence Program
- Low level of R&D

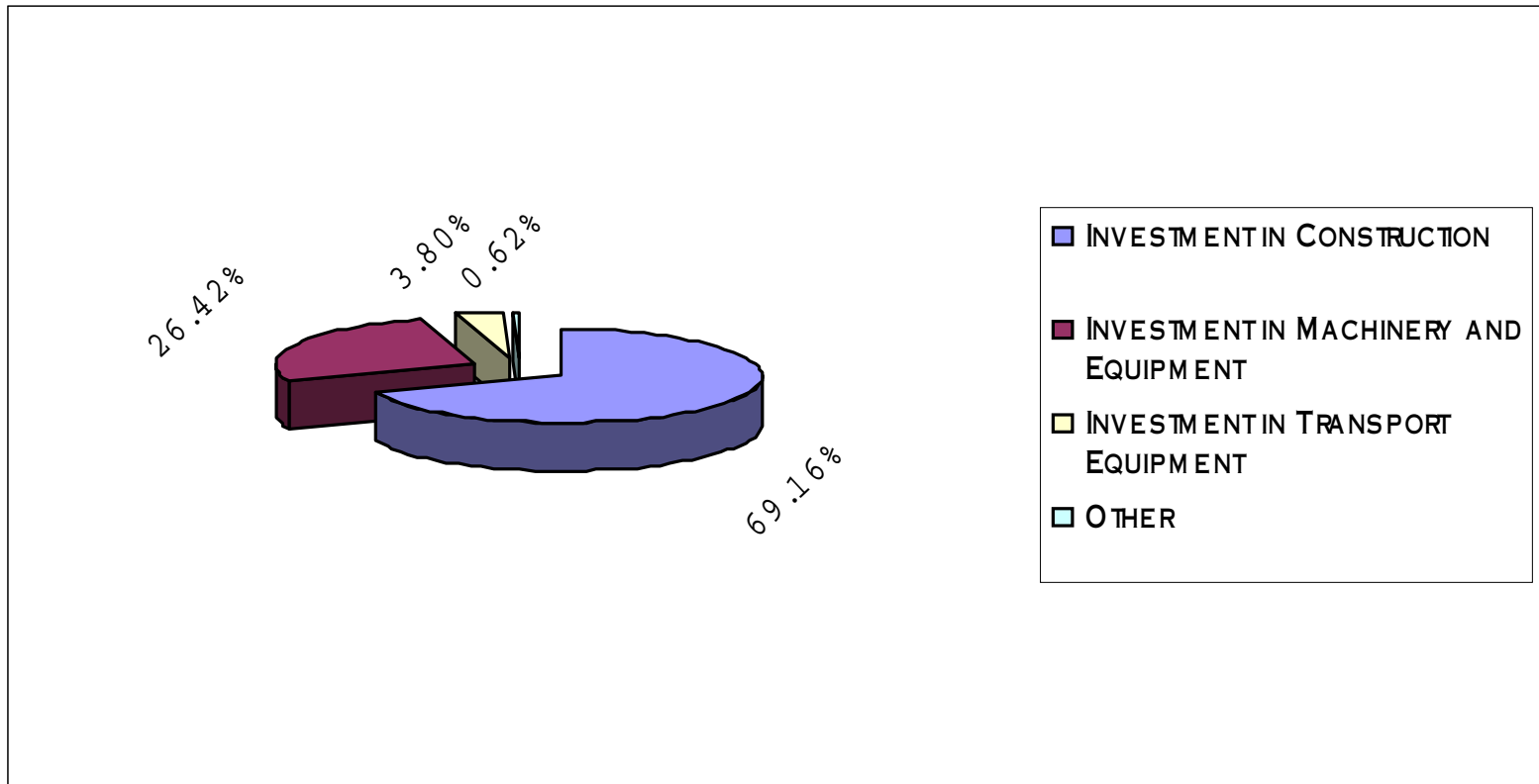
# General Economic Environment (2)

- Investment ratio



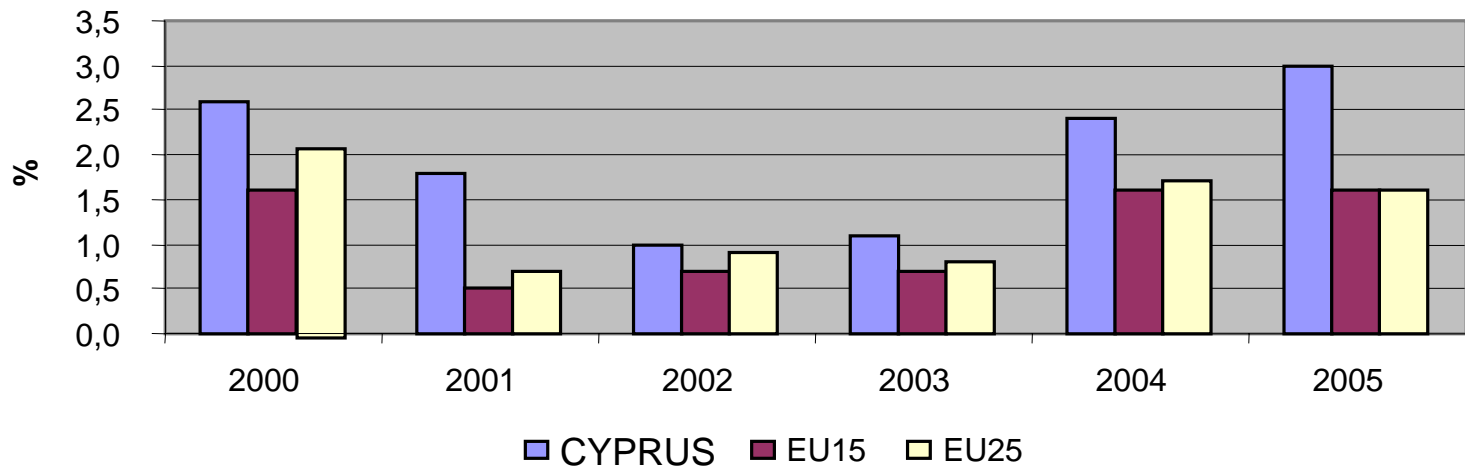
# General Economic Environment (3)

- Structure of investment expenditure



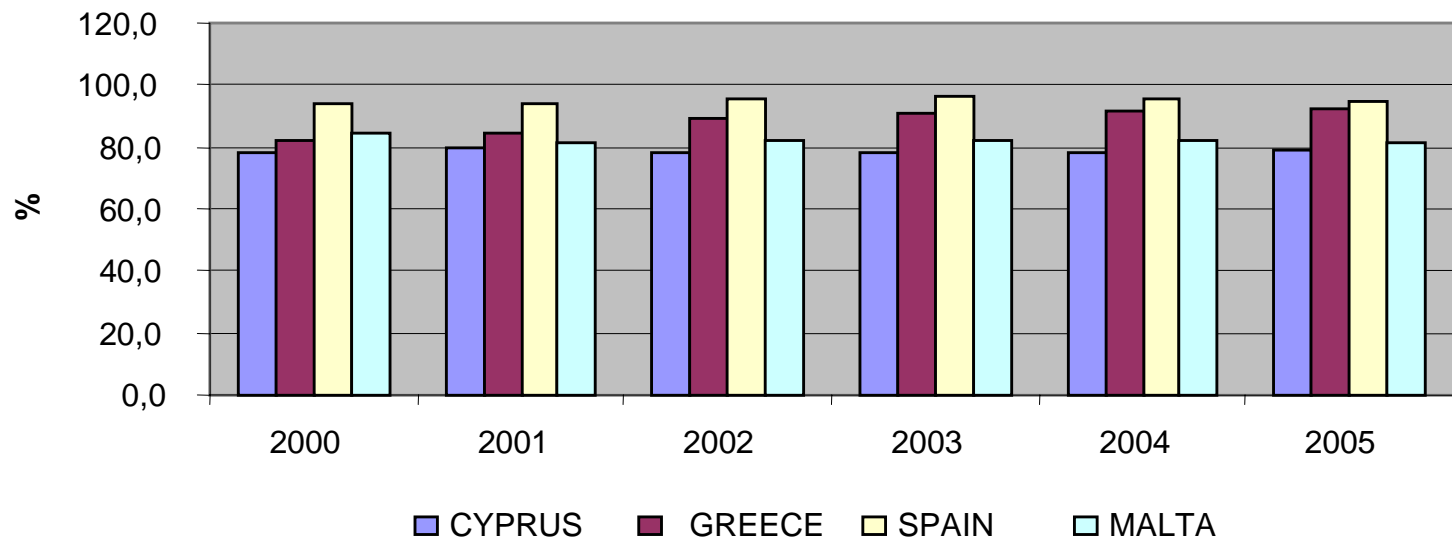
# General Economic Environment (4)

- Productivity Improvement



# General Economic Environment (5)

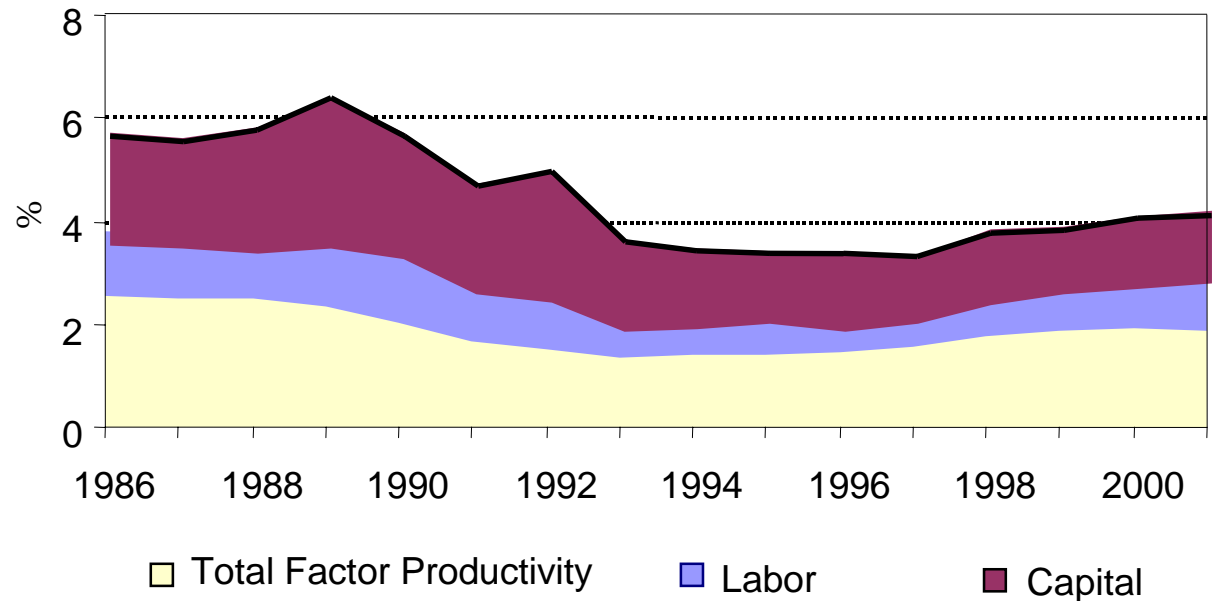
- Productivity Level





# Government Economic Environment (6)

- Total Factor Productivity



# Business Environment

- Market oriented economic system – direct involvement of the public sector in the production sphere is low
- Business friendly regulatory procedures (setting up of business, hiring & firing of personnel, taxation system & legal framework)
- Entrepreneurial culture – adaptability & flexibility
- Low taxation on business & physical persons (also researchers)
- High educational level of manpower by international comparison
- Advanced economic infrastructure – including air transport & telecommunications
- Strategic location – close economic ties to Middle East and CEE

# Technology Sector

## - Strengths -

- Strong economy – normally high correlation to technology – but not in the case of Cyprus
- High educational level of manpower
- Advanced infrastructure in telecommunications

# Technology Sector

## - Weaknesses -

- Orientation of entrepreneurs towards trade, tourism & short term profits
- Preference to white collar jobs
- Low level of expertise in technical disciplines
- Weak infrastructure for technology (no technology parks)
- Weak tradition in technology
- Small domestic market – it affects commercial exploitation of technology advancements

# Technology Park

## - Opportunities -

- Advancement of Information Technology facilitates catching up
- Participation in EU programs (Framework Program etc)
- Lisbon Agenda : Emphasis on R&D and technology

# Technology Park -Institutional Framework-

- Critical factor for success
- Strong involvement of public sector, but also of entrepreneurs, academia.
- Involvement of stake holders from abroad to facilitate transfer of know how
- Flexible organizational form – outside the public sector
- Strong financial participation of all stake holders, not only the Government (risk sharing)
- Self-financing of technology park should be the goal
- Financing by the tax payer would create the wrong incentives - recipe for failure !!!

# Technology Park

## - Cost Benefit Analysis -

- Technology park should be economically and financially viable
- Need for a comprehensive cost- benefit analysis, including both direct & indirect effects

# Conclusions

- Establishment of a Technology park - a welcome initiative
- Can pave the way for progress in the technology sector
- Imaginative (non traditional) approaches required
- And real participation & risk sharing by all stake holders – not only the Government.