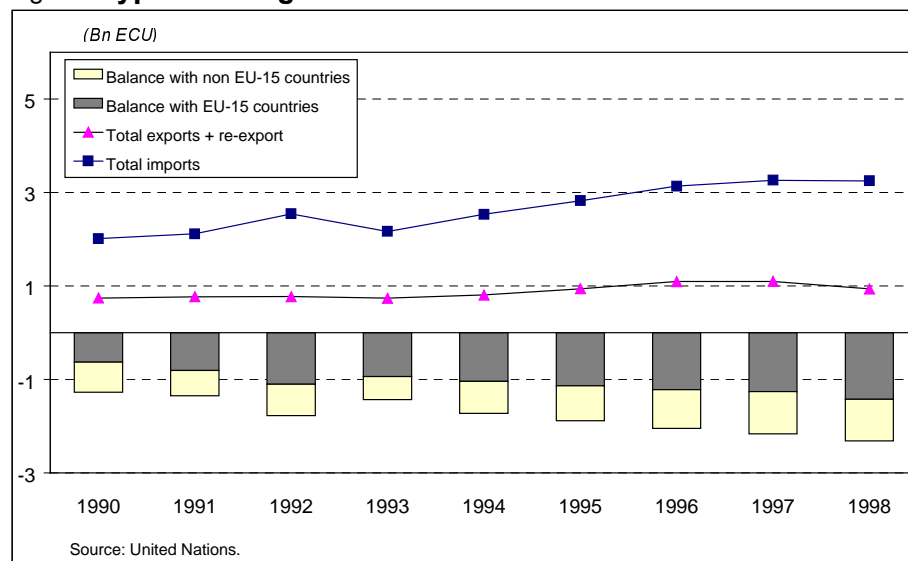


# Cyprus and the EU

Tim Allen

Over the past nine years, Cyprus imported considerably more than it exported, while import and export growth remained modest throughout the decade. Trade in goods was less important to the Cypriot economy than for other candidate countries with exports amounting to a relatively low 12% of GDP in 1998. Also, Cyprus has forged its trade relations more outside the European Union, while EU-trade was mostly conducted with the United Kingdom and Greece. Re-exports made up an important part of total exports.

Fig.1: Cyprus' foreign trade



## Statistics in focus

### EXTERNAL TRADE

THEME 6 – 6/2000

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### Tourism more important

Cyprus' economic expansion over the past years was characterised by strong but volatile GDP growth with near-full employment and relatively low inflation (see also page 3 for comparison with EU). However, trade in goods was less important to the Cypriot economy than is the case for other candidate countries. For example, exports amounted to a relatively low 12% of GDP while tourism and the offshore banking business - amongst others - have been the country's mainstays over the past years. Indeed, Cyprus' current account balance was only slightly in deficit in recent years since a substantial negative trade balance was almost offset by a large positive balance in services (which includes tourism - see figure 3).

Trade figures remained reasonably stable throughout the decade: roughly three times more was imported than exported each year, although the trade deficit increased during most of the period. In particular exports hovered around the ECU 1 bn benchmark for most of the decade, while imports increased slightly more between 1993 and 1997. In 1998, both imports and exports fell in comparison to the previous year. The latest EU data<sup>1</sup> for 1999 (EU trade with Cyprus Jan-Aug 1999, EU exports to Cyprus up by 4.3 % and EU imports from Cyprus up by 13.8%) seem to point towards an improving trade balance for Cyprus.

1. See "External and Intra-EU Trade, Monthly statistics, 1/2000"



More primary products were imported than exported over the period, while imports of manufactured goods clearly dominated exports. Interestingly, from 1993 onwards re-exports became more important than proper exports (see figure 2). Re-exports are defined as goods which are exported in the same state as previously imported. For example, foreign companies could use the island with its favourable tax conditions as a base camp or warehouse from where they could serve the vast markets throughout the whole Mediterranean, the Near East and even Russia. This appears to be the case for the tobacco and cigarette trade, since roughly 70% (or ECU 500 Mill.) of re-exports from Cyprus in 1997 where in cigarettes (decreasing in 1998 – see table 2). Overall, Cyprus reported to have imported goods worth ECU 3.25 bn while it exported only ECU 0.94 bn worth in 1998. This contributed to less than 0.1% of world trade, while imports amounted to roughly 40% of GDP. The total trade in goods of Cyprus was less than a quarter that of Luxembourg, and much less than all other EU Member states. In addition, the ratio of exports to imports was very different from any Member State.

### Considerable non-EU trade

A bit more than a third of Cyprus' exports in 1998 were destined for the EU market, while it bought slightly more than half of its imports from the EU (see table 1). When ranked in importance as trading partners (i.e. adding up all exports and imports), six EU Member States were among the top ten partners. In particular the United Kingdom and Greece led the way. In this manner, the USA (ranked second), Japan (sixth), Russia (seventh) and Israel (tenth) were some of Cyprus' more important non-EU trading partners. This points to the fact that Cyprus has forged its trade relations more outside the European Union than most of the candidate countries. As with many other countries, a decline in trade with Russia took place between 1997 and 1998.

Tab. 1: Cyprus' trade by main partners, 1998

Partners	Rank	Imports			Exports <sup>1</sup>			Balance
		Value	Share	98/97	Value	Share	98/97	Value
		(Mio ECU)	(%)		(Mio ECU)	(%)		(Mio ECU)
<b>Total</b>		<b>3 250</b>	<b>100.0</b>	<b>-0.4</b>	<b>936</b>	<b>100.0</b>	<b>-14.8</b>	<b>-2 314</b>
EU-15		1 779	54.7	14.7	356	38.1	19.7	-1 423
United King.	1	367	11.3	-1.6	136	14.6	31.8	-230
USA	2	407	12.5	-34.2	18	1.9	41.2	-390
Greece	3	265	8.2	13.6	92	9.8	16.0	-174
Germany	4	275	8.5	41.2	41	4.4	16.3	-234
Italy	5	304	9.4	13.4	9	1.0	-37.5	-296
Japan	6	241	7.4	40.1	3	0.3	107.5	-238
Russian Fed.	7	96	3.0	-35.0	97	10.3	-55.1	1
France	8	162	5.0	18.0	11	1.2	-3.6	-151
Spain	9	118	3.6	39.0	6	0.7	12.4	-112
Israel	10	91	2.8	0.4	26	2.8	-23.9	-64

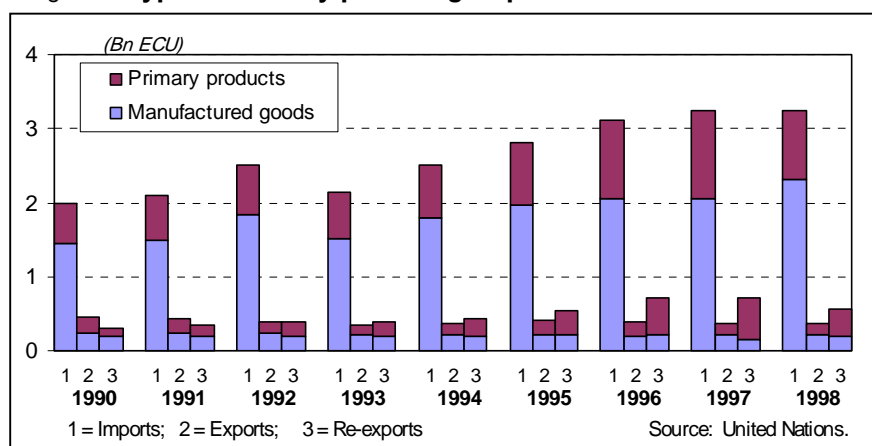
For comparison (%)					
	Imports		Exports		Balance
	Share	Variation 98/97	Share	Variation 98/97	Share
<i>in GDP</i>	40.1	-9.0	11.6	-22.2	-28.6
<i>in candidate countries</i>	1.8	-7.2	0.7	-22.7	-
<i>total trade<sup>2</sup></i>					
<i>in world trade</i>	0.1	-5.9	0.02	-18.2	-

<sup>1</sup> Total exports + re-exports.

<sup>2</sup> See list of the 13 candidate countries page 3.

Sources: United Nations, IMF.

Fig. 2: Cyprus' trade by product group



Tab. 2: Main re-exports from Cyprus

SITC products	Value		Share in total re-exports	
	1997	1998	1997	1998
	(Mio ECU)		(%)	
<b>Total</b>	<b>722</b>	<b>560</b>	<b>100.0</b>	<b>100.0</b>
12 Tobacco <i>of which</i>	502	315	69.5	56.1
1222 Cigarettes	500	308	69.3	55.0
78 Road vehicles	30	61	4.2	10.9
33 Petroleum and petroleum products	41	33	5.7	5.8
65 Textile yarn, fabrics and related products	33	30	4.6	5.3
89 Miscellaneous manufactured articles	12	14	1.6	2.6

Source: United Nations.

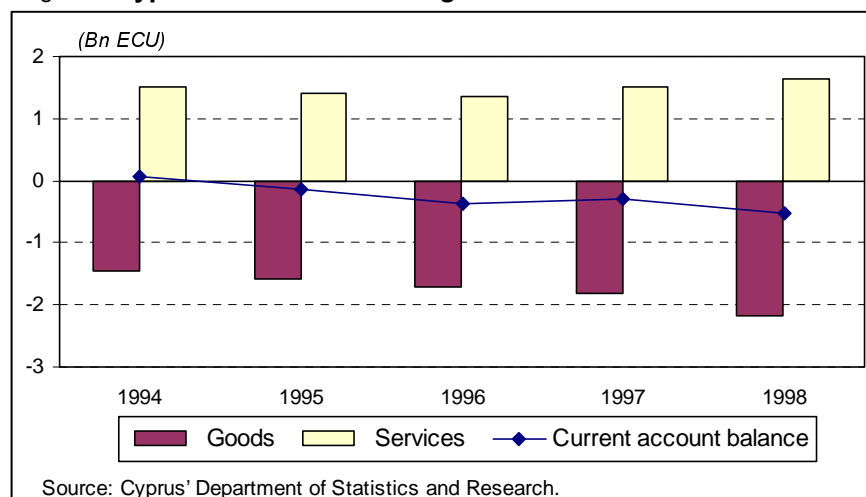
## EU trade mostly with UK and Greece

Nevertheless, trade with the EU was of considerable importance to Cyprus. In particular the United Kingdom was Cyprus' single most important trading partner. Also, the UK absorbed roughly a third of Cyprus' exports into the EU and was behind around a fifth of EU exports to Cyprus. Greece, France, Italy and Germany also had noteworthy shares, while most other EU Member states had weaker trade relations with Cyprus.

## Automobile imports soar

EU-Cypriot trade by product was characterised by a substantial increase in EU-exports of automobiles and intermediary goods to Cyprus between 1996 and 1998 – although equipment goods represented a larger share in total imports (see table 3). Also, agricultural products formed a relatively high percentage in EU exports to Cyprus, which became more dependent on these products after a long drought in recent years. The surge in automobile imports in 1998 might have been due to an anticipated increase in the VAT (from 8% to 12%) during the course of that year. In fact, registrations of motor vehicles were substantially

Fig. 3 : Cyprus' current account: goods vs. services



Tab. 3: EU-Cyprus trade by products classified by type of use, 1998  
Reporter EU-15; partner: Cyprus

Product groups (CEA)	Imports 1998	Share in total	Variation 98/96	Exports 1998	Share in total	Variation 98/96
	(Mio ECU)	(%)		(Mio ECU)	(%)	
<b>Total</b>	<b>434</b>	<b>100.0</b>	<b>-12.3</b>	<b>2 104</b>	<b>100.0</b>	<b>4.3</b>
Agricultural products	74	17.1	-23.1	25	1.2	-15.4
Food products	30	6.9	-6.7	201	9.6	4.5
Consumer goods	89	20.4	-1.1	395	18.8	18.0
Automobile	64	14.8	177.8	180	8.6	10.1
Equipment goods	111	25.7	-32.4	564	26.8	-1.1
Intermediary goods	61	14.0	10.9	585	27.8	4.8
Energy	1	0.1	-65.9	64	3.0	-7.4
Miscellaneous products	4	0.9	-6.7	75	3.6	38.3

Source: Eurostat.

lower during Jan-Sept 1999 compared to the same period 1998 (see Cyprus' Department of Statistics and

Research, Press Release, September 1999).

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The country aggregates: EU: EU-15.

13 Candidate countries: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, Turkey.

Data sources: External trade data: Customs sources. Eurostat Comext database: Cyprus' data are taken from the UN Comtrade database; EEC special trade domain for bilateral trade between the EU and Cyprus. Divergences between the two sources on figures concerning bilateral trade can be partly explained by the use of different methodologies and concepts.

Balance of payment data: Sent to Eurostat by Cyprus' Department of Statistics and Re-

search. Please note that trade figures used for balance of payments purposes may differ marginally from those used in external trade statistics.

System: Special trade.

Classification: Third revision of the Standard International Trade Classification (SITC). The nomenclature used in table 3 (CEA or Classification for Economic Analysis) facilitates the analysis of macroeconomic issues (production, investment, consumption, employment, etc.) by offering indicators that are less geared to production analysis.

Statistical values: EU: CIF values for imports and FOB values for exports; Cyprus: CIF/FOB.

In this report, 1 Bn ECU= 1000 million ECU

### Basic figures for 1998

	Cyprus	EU-15
Population (Mio)	0.7	374.6
GDP/capita (in PPS)	14 787 *	19 906
Unemployment rate	3.3%	10.0%
Inflation rate	2.2%	1.3%

\* Value for 1997

Please consult [www.europa.eu.int/comm/eurostat/](http://www.europa.eu.int/comm/eurostat/) for further information.

# Further information:

## ➤ Reference publications

Title External and intra-EU trade – Monthly statistics  
 Catalogue No CA-AR-00-001-EN-C Price EUR 20

## ➤ Databases

Comext  
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