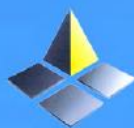


CYPRUS

Focus on Foreign Trade 2007



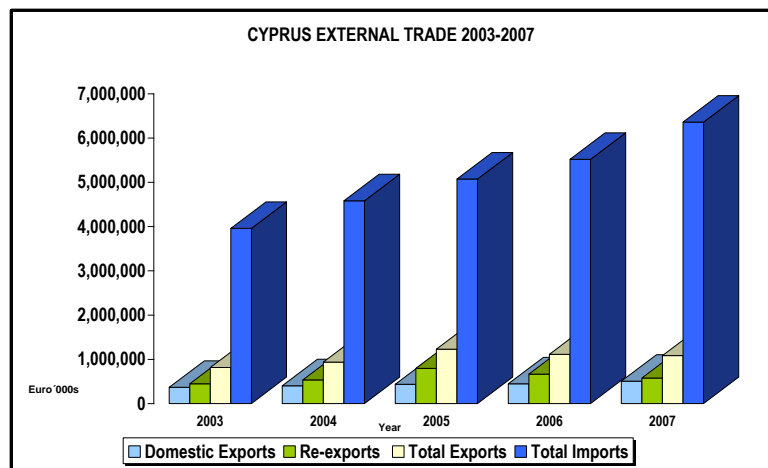
Department of Trade
Ministry of Commerce, Industry and
Tourism

CYPRUS EXTERNAL TRADE DEVELOPMENTS IN 2007

1. INTRODUCTION

Cyprus, has an exceptionally extrovert economy. Due to its small domestic market and the open nature of its economy, considers access to international markets as of utmost importance. Because of its location, Cyprus has always had strong economic ties with other countries. As a result, trade has always played a crucial role in the development of the economy. During 2007 exports accounted for about 7% of the Country's GDP.

Cyprus has been a member of the European Union (EU) since 2004. The entry into the EU represents a formal turning point which has already affected Cyprus's international trade, fostering exports as a driving force in the economy. Cyprus has made another decisive step for its further economic and political development as it has introduced the Euro, from 1st January, 2008.

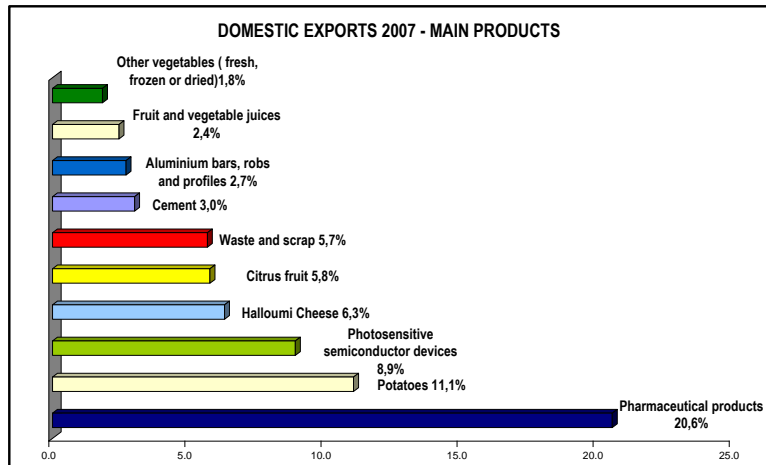


During 2007 Cyprus recorded a rise in both domestic exports and imports. **Domestic exports** increased by 13% reaching in 2007 €506 m., in comparison with € 447 m., in 2006. **Total imports** increased by 15% reaching € 6.359 m. in 2007 from € 5.518 m. in 2006. A decline of 13% has been observed however in **re - exports** which have dropped to €578 m. from €666 m. in 2006. (Table 1)

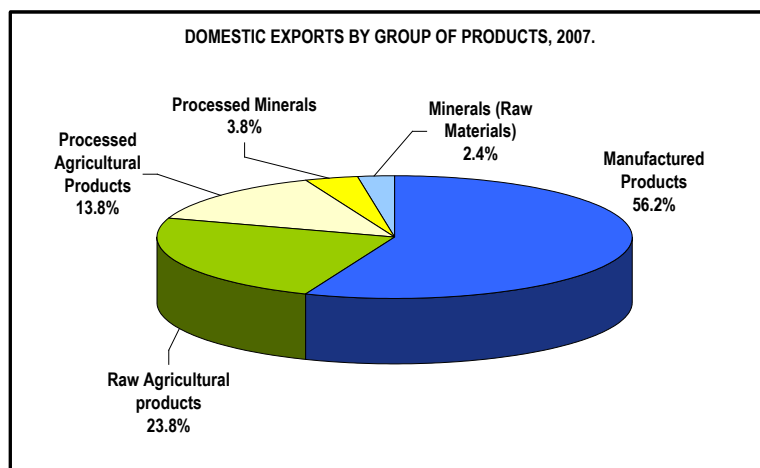
2. CYPRUS' DOMESTIC EXPORTS

During 2007 domestic exports (including stores and provisions) amounted to €506 m. from €447 m. in 2006, thus registering an increase of about 13% from the previous year. Cyprus's domestic exports cover a range of areas, the most important being the manufacturing and agricultural sectors.

The main products exported during 2007 were **pharmaceuticals, potatoes, photosensitive semiconductor devices, halloumi cheese, citrus, waste and scrap, cement aluminium products, fruit and vegetable juices, and vegetables (fresh, frozen or dried).** (Table 2).



2.1 Exports by broad economic sector (Group of Products)



A closer look at export performance by basic product classes shows that growth came chiefly from exports of **manufactured products**, which rose by 9%, representing more than half of the total. Exports of manufactured products which constitute the bulk of Cyprus' domestic exports with a 56% share in 2007, increased to €284 m.

from €261 m. in 2006.

Exports of **raw agricultural products** rose by 28% reaching in 2007 €120 m., compared to €94 m. in 2006. They represent 24 % of domestic exports.

Exports of **processed agricultural products** declined slightly during 2007 and reached almost €70 m. as compared to €72 m. in 2006. They represent 14% of the total domestic exports.

Exports of **processed minerals** experienced a great increase and accounted for €19 m. in 2007 compared to €7 m. in 2006. Exports of **unprocessed minerals** have also increased to €12 m. from €11 m. in 2006. They represent 4% and 2% of total domestic exports, respectively. (Table 3)

2.1.1 Exports of Manufactured Products

Exports of **manufactured products** (i.e. industrial products of manufacturing origin) constitute the bulk of Cyprus' domestic exports representing 56% of total exports in 2007. In 2007 they increased to € 284m., compared to €261 m. in 2006.

The most important products exported during 2007 were **pharmaceuticals** (€104 m.), **photosensitive semiconductor devices** (€45 m.), **waste and scrap** (€29 m.), **aluminum products** (€14 m.), **cigarettes** (€7 m.), **paper products** (€7 m.), and **clothing** (€7 m). (Table 4)

2.1.2 Exports of Agricultural Products

In 2007 exports of raw and processed agricultural products accounted for 24% and 14% of total domestic exports, respectively.

Exports of **raw agricultural products** during 2007 amounted to around €120 m.. **Potatoes, citrus fruit, and vegetables** were the most important products, with exports valued at €56 m., €29 m., and €10 m. respectively.

Exports of **processed agricultural products** during 2007 experienced a slight decline compared to 2006, and dropped to €70 m.. **Halloumi cheese, fruit and vegetable juices, meat and wines** are the main products included in this group. (Table 5)

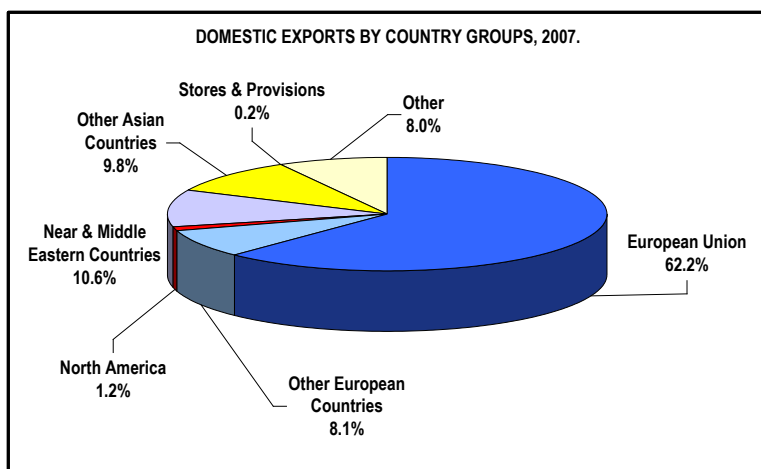
2.2 Direction of Domestic Exports

The **European Union** is by far the most important market area for Cyprus. In 2007 no less than 62%, or (€315 m.) of Cyprus' s domestic exports were absorbed by the E.U. countries. The major E.U. export market for Cyprus products is **Germany**, followed by **Greece**, the **United Kingdom**, and **Italy**.

The **Near and Middle Eastern Countries**, the second most important group, absorbed during 2007 about 11% of Cyprus' domestic exports. They increased to €54 m., from €53 m. in the previous year. The major markets in this group are the **United Arab Emirates, Lebanon, Saudi Arabia, and Jordan**.

Exports to **other Asian countries** increased to €49 m. in 2007 from €46 m. in 2006, representing about 10% of Cyprus' domestic exports. The major export markets are **Japan, China, and Hong Kong**.

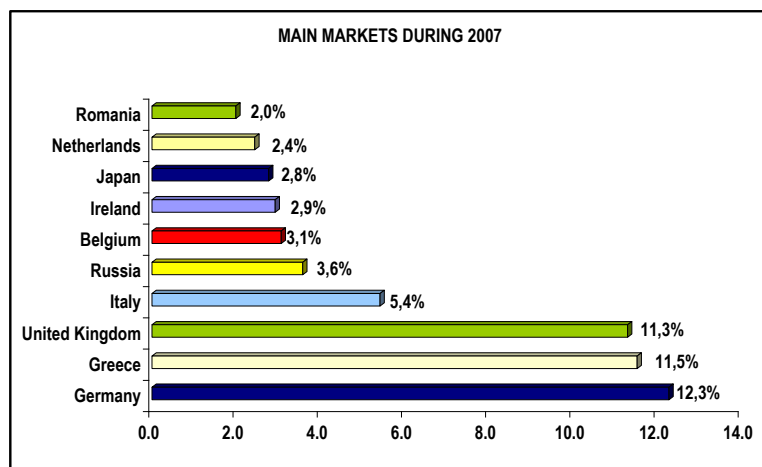
Domestic exports to other **European Countries** represent 8% of the total. During 2007 they have declined to €41 m. from €45 m. in 2006. The major markets in this group are **Russia, Ukraine, and Serbia**.



Exports to **North America**, with most important export market the **U.S.A.**,

remained at about €6 m. in 2007, as was the case for 2006. Their share to the total was about 1%.

Exports to the **rest of the world** increased to €40 m. in 2007 from €36 m. in 2006 and account for 8% of total domestic exports. (Table 6)



Stores and provisions declined to €0, 8 m. in 2007, representing about 0, 2% of the total domestic exports.

On a country basis, the major markets during 2007 were **Germany, Greece, the United Kingdom, Italy and Russia**. (Table 7)

3. RE-EXPORTS

A significant share in foreign exchange earnings comes from re-exports, which in 2007 reached €578 m.. They have shown a decline from the previous year where their value was €666 m..

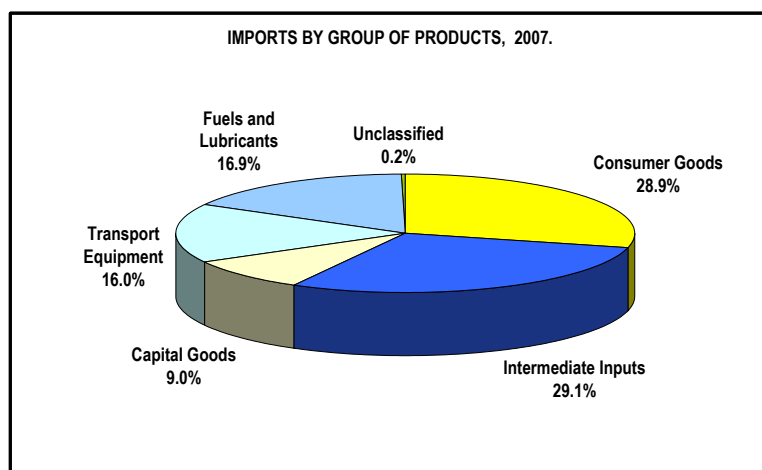
The bulk of these re-exports, about 51%, was directed mainly towards the countries of the **European Union**. They were followed by **Near and Middle Eastern** countries which absorbed 12%, while 2,5% were

directed to other **European countries**. **Asian and North America** countries absorbed 1% and 0,5% respectively.

4. CYPRUS' IMPORTS

Total imports in 2007 reached €6.359 m., compared to €5.518 m. in 2006, showing thus an increase of about 15 %.

4.1 Total Imports/Arrivals by Economic Destination, (Group of Products)



Imports of **consumer goods** and **intermediate inputs** (raw materials) make up for most of the total imports, accounting for 29% respectively. They are followed by **fuels and lubricants** (17%), **transport equipment** (16%), and **capital goods** (9%).

Imports of **consumer goods** showed an increase in 2007 and reached

€1.836 m. from €1.684 m. in the previous year.

Imports of **intermediate inputs** (raw materials) also rose during 2007 to €1.850 m. in comparison with €1.527 m. in the previous year. The overwhelming majority of the 2007 imports of intermediate inputs were raw materials for the manufacturing sector.

Imports of **fuels and lubricants** also showed an increase and reached €1.072 m. in 2007 from €1.000 m. in 2006.

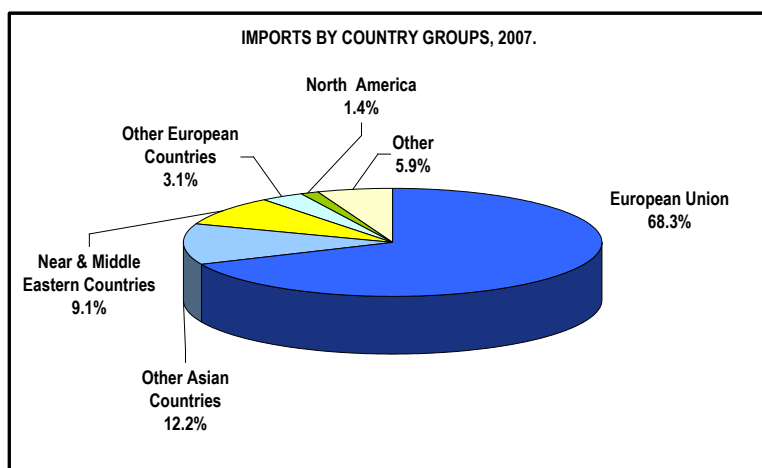
Imports of **transport equipment** and parts increased as well and reached €1.014 m. in 2007 compared to €727 m. in 2006. Passenger motor vehicles, parts for transport equipment and motor vehicles for the transport of goods, account for most of the imports in this group.

Imports of **capital goods** also increased and reached in 2007 €572 m. as compared to €506 m. in 2006. (Table 8)

4.2 Geographical Origin of Imports

The European Union countries continued in 2007 to be the biggest suppliers of goods to Cyprus providing 68% of the total imports, or goods valued at €4.340 m.. The major European Union countries exporting to Cyprus were **Greece, Italy, the United Kingdom and Germany.**

The **Asian countries** were the second most important group of suppliers in 2007, supplying Cyprus with goods valued at €776 m. or 12% of the total. **China, Japan, Thailand, South Korea, Taiwan and Singapore,** were the most important suppliers.



Imports from **Middle Eastern**

countries, represented in 2007 9% of total imports and accounted for €579 m.. The major supplier in this group was **Israel** followed by the **United Arab Emirates, Saudi Arabia, Georgia, Lebanon, and Kuwait.**

Imports from **North America** have declined during 2007 to €88 m. from €96 m. in 2006. They account for only 1,5 % of Cyprus' total imports. The **United States** is the biggest supplier from this group of countries.

Imports from **other European countries** have also declined and reached €199 m. in 2007 from €292 m. in 2006 and accounted for 3% of the total. The major suppliers in this group were **Switzerland, Russia, Ukraine, and Croatia.**

Imports from the **rest of the world** account for 6% of the **total imports.** They have declined to €376 m. in 2007 compared to €380 m. in 2006. (Table 9)

5. EXPORTS OF SERVICES

Cyprus is also an exporter of services. The services sector dominates economic activity in Cyprus as indicated by its 75% contribution to GDP. Over the last years, Cyprus has undertaken a major role in facilitating the provision of services and support to business people and professionals world wide.

Services include banking and financial services, insurance, advertising, legal, architecture and civil engineering, accounting and auditing, consultancy, design, electrical and mechanical engineering, market research, medical, printing and publishing, public relations, education, software development, tourism and related services.

6. PROMOTION OF EXPORTS

The main objective of the Ministry of Commerce, Industry and Tourism regarding the area of trade is the expansion of exports of goods and services. In order to achieve its goal the Ministry has developed and put into effect a plan of actions. This plan is designed in such a way as to improve the ability of the Cypriot enterprises to penetrate into foreign markets.

This plan of actions involves much more than advertising and includes amongst others, the introduction of export oriented schemes, the participation in international trade fairs, the organization of business missions and seminars abroad, public relations and market research.

The Ministry operates also eleven **Trade Centres**, situated in carefully targeted markets. At present, the Ministry maintains centres in **Austria, Egypt, France, Germany, Greece, Lebanon, Poland, Russia, the United Arab Emirates, the United Kingdom, and the U.S.A.** The sole responsibility of the Trade Centres is the promotion of exports of goods and services in overseas markets. Furthermore the Trade Centres are actively involved in the promotion of Cyprus as an International Business Centre, as well as in the attraction of foreign investments.

TABLE 1: CYPRUS EXTERNAL TRADE 2003 - 2007

						€'000s
						2006 -2007
	2003	2004	2005	2006	2007	%
Domestic Exports	367,342	402,558	435,147	446,915	505,703	13.2
Re-exports	447,984	534,580	794,605	665,753	577,852	-13.2
Total Exports	815,326	937,138	1,229,752	1,112,668	1,083,555	-2.6
Total Imports	3,957,364	4,581,608	5,073,218	5,517,968	6,358,645	15.2
Trade Balance	-3,142,038	-3,644,470	-3,843,466	-4,405,300	-5,275,090	

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2007. Statistical Service of Cyprus.

Notes:

- (1) Data on exports includes stores and provisions (exports to ships and aircraft).
- (2) Because of rounding there may be slight discrepancies between the totals shown and the sum of constituent items.
- (3) Revisions have been made on the 2004 data.

TABLE 2: DOMESTIC EXPORTS (excl.stores and prov.). MAIN PRODUCTS 2007.

Product	€'000s	
	2007	%
1 Pharmaceutical products	104,028	20.6
2 Potatoes	55,948	11.1
3 Photosensitive semiconductor devices	45,135	8.9
4 Halloumi Cheese	31,967	6.3
5 Citrus fruit	29,272	5.8
6 Waste and scrap	28,786	5.7
7 Cement	15,267	3.0
8 Aluminium bars, rods and profiles	13,677	2.7
9 Fruit and vegetable juices	12,363	2.4
10 Other vegetables (fresh, frozen or dried)	9,297	1.8
11 Other products	159,963	31.6
Total	505,703	100.0

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2007. Statistical Service of Cyprus.

TABLE 3: DOMESTIC EXPORTS (excl. stores and provisions) BY GROUP OF PRODUCTS 2003 -2007

						€'000s
	2003	2004	2005	2006	2007	%
Manufactured Products	204,944	225,891	228,784	260,989	283,826	56.2
Raw Agricultural products	74,525	98,215	93,492	94,344	120,189	23.8
Processed Agricultural Products	55,907	58,278	72,648	72,294	69,809	13.8
Processed Minerals	11,438	9,369	5,816	7,366	19,048	3.8
Minerals (Raw Materials)	5,267	5,097	5,298	10,742	11,948	2.4
Unclassified	70	345	460	185	46	0.0
Total Domestic Exports	352,151	397,195	406,498	445,920	504,866	100.0

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2007. Statistical Service of Cyprus.

TABLE 4: DOMESTIC EXPORTS (excl. stores and prov.) OF MAJOR MANUFACTURED PRODUCTS, 2003 - 2007.

	€'000s				
Product	2003	2004	2005	2006	2007
Coffee, roasted	417	424	405	486	460
Animal or vegetable fats and oils	4,437	3,259	2,640	1,876	1,951
Sugar and Chocolate confectionery	70	457	263	229	127
Biscuits, waffles, wafers and other bakers wares	106	390	388	487	845
Cigarettes	11,695	20,277	13,536	6,958	7,108
Cement	15,578	5,706	8,172	8,559	2,020
Pharmaceutical products	66,429	84,893	86,232	91,933	104,028
Paints	879	616	679	569	441
Perfumery and cosmetics	4,697	4,944	3,193	3,170	3,107
Soap, washing preparations	1,135	1,228	901	1,414	1,566
Insecticides	369	393	1,130	344	270
Tubes, pipes, sheets etc. of plastics	5,147	5,665	5,687	5,342	5,821
Plastic articles for packing goods	2,623	2,536	1,990	1,937	1,671
Articles of paper or of paperboard	9,525	8,839	7,709	9,776	6,772
Printed matter	1,187	3,240	901	684	51
Clothing	16,832	13,095	7,727	7,156	6,587
Footwear	2,350	1,565	905	992	600
Articles of iron and steel	1,359	1,963	1,127	1,383	2,191
Aluminium bars, rods and profiles	5,387	6,614	6,900	12,071	13,677
Pumps for liquids	1,907	1,920	2,399	3,579	3,198
Refrigerators and freezers	2,173	2,042	299	101	31
Oil and air filters for motor vehicles	1,925	2,921	3,459	0	0
Brooms, brushes, mops, etc.	2,105	1,700	1,884	2,144	2,211
Shotgun cartridges	1,147	1,387	2,156	1,910	2,794
Furniture	7,250	7,163	8,246	5,966	4,800
Lighting fixtures and fittings	1,761	2,038	633	1,040	864
Records, tapes and other recorded media	N/A	1,105	9,198	1,587	1,874
Photosensitive semiconductor devices	N/A	7,134	11,633	33,446	45,135
Yachts and other sports and pleasure boats	N/A	2,423	2,406	2,977	3,256
Animal feeding preparation	N/A	1,893	1,823	1,336	1,684
Waste and scrap	N/A	13,712	15,619	27,610	28,786
Jewellery, goldsmiths and silversmiths wares	N/A	4,210	1,002	1,009	805
Machinery for filling, closing, scaling, labeling	N/A	1,442	2,102	1,636	2,544
Watering appliances for agricultural or horticultural sectors	N/A	1,296	1,312	347	56
Part and accessories of motor vehicles	N/A	592	746	588	445
Uncooked or stuffed pasta	N/A	349	484	604	619
All others	36,772	6,460	16,412	19,743	25,431
Total	204,994	225,891	232,298	260,989	283,826

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2007. Statistical Service of Cyprus.

N/A = Not Available

TABLE 5: DOMESTIC EXPORTS (excl. stores and provisions) OF MAJOR AGRICULTURAL PRODUCTS 2002 - 2006

	€'000s				
	2003	2004	2005	2006	2007
Raw agricultural products	74,525	98,216	93,493	94,344	120,189
Citrus fruit	32,521	38,142	35,474	32,586	29,272
Fresh Grapes	1,937	1,313	667	356	200
Potatoes	25,737	27,276	20,294	39,865	55,948
Other Vegetables (fresh, frozen, or dried)	8,444	8,868	10,910	11,146	10,017
Fish, crustaceans, mollusks (live, fresh, chilled or frozen)	5*	4,482	22,890	7,370	8,398
Other	5,881	18,135	3,258	3,021	16,354
Industrial pr. of agricultural origin	55,907	58,278	72,640	72,294	69,809
Halloumi cheese	18,536	19,157	26,103	29,043	31,967
Cheese (excl. halloumi cheese)	2,011	1,554	1,094	1,070	681
Locust beans (incl. Seeds)	N/A	1,525	1,674	1,440	906
Wines	10,477	8,923	9,051	3,936	5,195
Fruit and vegetable juices	7,580	8,439	7,909	9,492	12,363
Beer	N/A	1,257	1,604	1,869	1,727
Alcoholic beverages (excl. beer and wines)	N/A	255	386	511	489
Meat (excl. meat of quails)	6,250	7,078	6,852	3,235	6,055
Raw Hides and skins	1,973	2,406	3,362	3,047	2,994
Fruit preserved	746	987	800	730	581
Other	8,334	6,697	13,805	17,921	6,850
Total	130,432	156,494	166,133	166,638	189,998

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2007. Statistical Service of Cyprus.

N/A= Not available

*= Live fish

TABLE 6: DOMESTIC EXPORTS (including stores and provisions) BY COUNTRY GROUPS 2005- 2007

	€'000s					
	2005	%	2006	%	2007	%
European Union	215,335	49.5	258,860	57.92	314,715	62.2
Other European Countries	45,582	10.5	45,070	10.08	40,736	8.1
North America	6,539	1.5	6,450	1.44	6,036	1.2
Near & Middle Eastern Countries	55,286	12.7	52,622	11.77	53,600	10.6
Other Asian Countries	51,890	11.9	46,432	10.39	49,414	9.8
Stores & Provisions	28,649	6.6	997	0.22	839	0.2
Other	31,866	7.3	36,485	8.16	40,363	8.0
Total Domestic Exports	435,147	100.0	446,915	100.00	505,703	100.0

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2007. Statistical Service of Cyprus.

TABLE 7: MAIN MARKETS FOR CYPRUS'S DOM. EXPORTS DURING 2007.

	COYNTRY	€'000s	%
1	Germany	62,102	12.3
2	Greece	58,277	11.5
3	United Kingdom	57,133	11.3
4	Italy	27,396	5.4
5	Russia	18,102	3.6
6	Belgium	15,525	3.1
7	Ireland	14,795	2.9
8	Japan	14,012	2.8
9	Netherlands	12,344	2.4
10	Romania	10,072	2.0

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2007. Statistical Service of Cyprus.

TABLE 8: TOTAL IMPORTS BY GROUP OF PRODUCTS 2003 - 2007

						€'000s
	2003	2004	2005	2006	2007	%
Consumer Goods	1,139,842	1,269,323	1,674,005	1,684,429	1,835,957	28.9
Intermediate Inputs	1,242,161	1,377,213	1,371,783	1,527,117	1,850,425	29.1
Capital Goods	449,607	556,655	463,371	506,124	571,947	9.0
Transport Equipment	558,828	773,339	660,361	727,550	1,014,575	16.0
Fuels and Lubricants	387,819	547,279	823,138	1,000,673	1,072,076	16.9
Unclassified	179,107	57,800	80,560	72,073	13,665	0.2
Total Imports	3,957,364	4,581,608	5,073,216	5,517,967	6,358,645	100.0

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2007. Statistical Service of Cyprus.

TABLE 9: TOTAL IMPORTS BY COUNTRY GROUPS 2003 - 2007

				€'000s
	2005	2006	2007	%
European Union	3,340,644	3,610,937	4,340,048	68.3
Other Asian Countries	571,408	586,289	776,013	12.2
Near & Middle Eastern Countries	519,224	552,316	578,975	9.1
Other European Countries	242,796	292,492	198,878	3.1
North America	88,357	95,613	88,540	1.4
Other	310,787	380,321	376,188	5.9
Total Imports	5,073,216	5,517,968	6,358,642	100.0

Source: Intra - Extra EU Trade Statistics (Summarised Data) December 2007. Statistical Service of Cyprus.

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