

CyprusMail

Lillikas' plans for Russian relations need perspective

CYPRIOUS politicians' infatuation with the Putin regime is not restricted to supporters of the Christofias government and members of AKEL. Presidential candidate Giorgos Lillikas, returned from last week's trip to Moscow determined to 'upgrade' relations with Moscow.

"It is time for Cyprus-Russia relations to be upgraded and from simply friendly relations to evolve into a strategic partnership both on a political and economic level," said Lillikas yesterday. He said that the same 'sentiments' existed in Russia and there was a genuine desire to upgrade and deepen relations in the political and economic sphere on the part of the government, parliament and the business world.

Lillikas has never had trouble coming up with nice-sounding grandiose plans. When he was foreign minister of the Papadopoulos government he brokered a supposed strategic alliance with France, which was later plugged as defence co-operation. It was of no practical import, even though, at the time, Lillikas sold it as a major diplomatic achievement and made a big song and dance about it.

This is not to say that Cyprus should not try to build better relations with other countries, but a sense of perspective is also needed. In what way, for instance would France have benefited from a so called 'strategic alliance' with a tiny country, whose population is smaller than that of Bordeaux? What would we be offering such an alliance, our military might?

The same applies to Russia. Unless we want to offer Cyprus as Russia's new base in the Mediterranean, in the event that Moscow pulls out of Syria, it is difficult to see in what other way political relations could be further upgraded and deepened. Lillikas, like our current president, seems to ignore the fact that Cyprus is a member of the EU, which has very close links with NATO. Should we also mention that all the political parties, except AKEL, support membership of Partnership for Peace?

He even saw possibilities of co-operation on the natural gas front, assuring his Russian audiences that Cyprus would not be in competition with Russia when it starts selling natural gas, saying that there could be 'convergences of interests'. He also claimed there had been interest in financing the re-capitalisation of the Cyprus banks. But if Cyprus banks were taken over by Russian interests and deeper economic co-operation between Nicosia and Moscow was strengthened how many Russian businesses would carry on using Cyprus as a business base? Did Lillikas not consider the fact that many of these businesses are here to avoid interference in their affairs by the Putin government?

By all means we should maintain our good relations with Russia, but we need to put things in perspective. If Lillikas believes that close ties with Moscow would help us on the Cyprus problem, he should also consider that by 2015 trade between Turkey and Russia is forecasted to be worth \$100 billion.

Want to send a letter?

Send letters to the Cyprus Mail by email, fax or post. They should include a full postal address (email address is not sufficient), daytime phone number and reference to any relevant article. Names and addresses may be withheld from publication if circumstances warrant. Letters may be edited for length and clarity. Correspondence will be published at the discretion of the editor.

Not competitive enough

Comment

Irene Demetriou

THE RECENT publication of the Global Competitiveness Report, 2012-2013 by the World Economic Forum is one of the most reliable authorities in reporting, measuring and analysing global competitiveness standards in all 144 world economies.

This enormous publication spreads over 527 pages of in-depth analysis of competitiveness rankings covering over 100 indicators and offering both generic conclusions as well as an individual country analysis of ranking results. The authors provide extensive qualitative and quantitative research in relation to each of the world's economies, also including Cyprus in their study.

The analysis provided for Cyprus presents benchmarking and comparisons as well as a thorough examination of our national competitiveness pillars, paying attention to drivers of growth as well as identifying problematic factors for doing business in Cyprus.

Many determinants drive productivity and growth and understanding the factors behind this process is a crucial element of subsequent sound analysis. The Global Competitiveness Report identifies 12 pillars upon which competitiveness is based, each measuring a different aspect of competitiveness.

These are: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication and finally innovation. While the Report investigates the results of the 12 pillars of competitiveness separately, it recognises their interdependency and interrelation. For example, a strong innovation capacity will be difficult to achieve in the absence of a healthy well-educated and trained workforce, and without sufficient financing.

The most competitive economy in the world is Switzerland, having maintained first place for three consecutive years. Even though it ranks 39th in terms of market size, Switzerland is first out of 144 economies in terms of business sophistication, labour market efficiency and innovation. Singapore is running second place with Finland (3rd), Sweden (4th), the Netherlands (5th), Germany (6th), the US (7th), the UK (8th), Hong Kong SAR (9th) and Japan (10th) completing the ten most com-

petitive economies in the world today. The 12 pillars of competitiveness affect all economies, but do so in different ways. For example, the best way for Kenya to improve its competitiveness is not the same as the best way for Italy to do so. The reason behind this differentiation is that the two countries are in different stages of development. Specifically, the Global Competitiveness Index assumes that economies in the first stage are mainly factor-driven (based on natural resources and low skilled labour).

The second stage of development is the efficiency-driven stage, when countries begin to develop more efficient production processes and increase product quality. Finally as countries move into the final development stage, namely the innovation-driven stage, wages will have risen by so much that countries are able to sustain those wages and a high standard of living.

Companies must maintain their position in this stage by investing in innovation and promoting sophisticated production processes and business models. Economies that fall between two of the three stages are "in transition" and depending on the improvement of their competitiveness pillars, the transition is considered either as smooth or uneven.

According to the report, Northern and Western Europe, Japan and the US are considered as competitiveness hot-spots. Southern and Eastern Europe and South America lag behind while Sub-Saharan Africa faces the biggest challenges of all regions. Southeast Asia, the Middle East and North Africa have a progressive group performance, with potential for improvement.

The findings of the Report demonstrate that there is no necessary trade-off between being competitive and being sustainable. In fact, countries which are the top of competitiveness such as Switzerland are also the best performers in many areas of sustainability.

Cyprus has acquired a Global Competitiveness Index score of 4.32, and ranks 58th out of 144 economies in the Global Competitiveness Index. Cyprus' rank for the previous year (2011-2012) was at 47th place out of a total of 142 economies.

The sovereign debt crisis can,



Cyprus has fallen 11 points in latest forum index

to an extent, explain our rank drop since the Eurocrisis reflects the lack of confidence by financial markets in the ability of Southern Europe economies to balance their public accounting by curbing public spending and escaping the vicious circle of public debt. The lack of competitiveness in economies of Southern Europe, including Cyprus, coupled with high salaries has led to unsustainable balances difficult to overturn unless measures are taken both to stimulate growth and to minimise public expenditure.

In analysing the Cyprus economy in depth, the Global Competitiveness Report demonstrates that Cyprus is at the final stage of development, categorised as an innovation-driven economy. Compared to other innovation-driven economies Cyprus lags behind in technological readiness, market size and macroeconomic environment, while in terms of labour market and good market efficiency, Cyprus is at equal standing with other innovation-driven economies. It also has a good higher education and training system as well as high standards of health and primary education.

The most problematic factors for doing business in Cyprus are access to financing, inefficient government bureaucracy, restrictive labour regulations and an insufficient capacity to innovate. Access to financing in particular has topped the list, with

a big difference gap from the second most pressing problematic factor for doing business, namely inefficient government bureaucracy.

In relation to the 'soundness of banks' indicator, Cyprus ranks at 83rd place while in terms of "financing through local equity market", Cyprus ranks as low as 86th place.

In order to improve Cyprus' position a comprehensive set of competitiveness-enhancing measures must be introduced to bring back confidence in the national financial system. These measures include regaining financial stability by resolving the weakness of the banking system, regaining macroeconomic stability through fiscal discipline and structural reform as well as introducing labour market reforms, fostering competition and making investments in areas such as innovation, education and technology.

It is important to note, that Malta, an economy which is often compared to Cyprus, in terms of jurisdictional attractiveness, has risen from 51st place last year to 47th this year, ranking 15th in financial market development and 21st in technological readiness. Evidently, best practices must be shared and lessons should be learned from neighbouring countries.

■ Irene Demetriou is Business Development Manager at Andreas Neocleous & Co LLC

ON THIS DAY OCTOBER 30

1831

Escaped slave Nat Turner is apprehended in Southampton County, Virginia, several weeks after leading the bloodiest slave uprising in American history.

1938

Orson Welles stirs panic across the United States of America with his War of the Worlds realistic radio dramatisation of a Martian invasion of Earth.

1961

Russia explodes biggest ever nuclear device provoking widespread anger from around the world.

1974

Muhammad Ali defeats George Foreman in Kinshasa, Zaire, to regain the world heavy weight championship in what becomes known as the "Rumble in the jungle."

1981

In Britain, Nicholas Reed, a pro-euthanasia campaigner, is sentenced two and a half years in prison for assisting people to die.

WHAT THE MAIL SAID

25 years ago Friday October 30, 1987

Cyprus Broadcasting Corporation yesterday started giving detailed coverage to Presidential candidates. One of them was from the Democratic Party which said, "The next few years will be the most critical for Cyprus and the way people vote will determine the future and the survival of the country."

35 years ago Sunday October 30, 1977

The Cyprus government yesterday confirmed that Nicos Sampson, the man who was put up as President during the short-lived coup of July 1974, has been ill for some time, but it has refused to allow a petition for him to go abroad for treatment.

45 years ago Monday October 30, 1967

Brazilian fashion designer Marcilio Campos gave up plans to launch a miniskirt for men after a warning by State Security Chief Ordilto De Azevedo. He threatened to arrest any men wearing skirts for endangering the security of the state and its moral traditions. The security chief added "skirts for men are justifiable only in Scotland where they belong to tradition, but I do not see any rational explanation for men wearing skirts in Brazil, especially miniskirts".