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.

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 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 were 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

<table>
<thead>
<tr>
<th>Partners</th>
<th>Rank</th>
<th>Imports</th>
<th>Exports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Value</td>
<td>98/97</td>
<td>Value</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Mio ECU)</td>
<td>(%)</td>
<td>(Mio ECU)</td>
</tr>
<tr>
<td>EU-15</td>
<td></td>
<td>1 779</td>
<td>54.7</td>
<td>14.7</td>
</tr>
<tr>
<td>USA</td>
<td>2</td>
<td>407</td>
<td>12.5</td>
<td>-34.2</td>
</tr>
<tr>
<td>Germany</td>
<td>4</td>
<td>275</td>
<td>8.5</td>
<td>41.2</td>
</tr>
<tr>
<td>Japan</td>
<td>6</td>
<td>241</td>
<td>7.4</td>
<td>40.1</td>
</tr>
<tr>
<td>France</td>
<td>8</td>
<td>162</td>
<td>5.0</td>
<td>18.0</td>
</tr>
<tr>
<td>Israel</td>
<td>10</td>
<td>91</td>
<td>2.8</td>
<td>0.4</td>
</tr>
</tbody>
</table>

For comparison (%)

<table>
<thead>
<tr>
<th>Import</th>
<th>Exports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>in GDP</td>
<td>in candidate countries</td>
<td>total trade</td>
</tr>
<tr>
<td>Share</td>
<td>Variation 98/97</td>
<td>Share</td>
</tr>
<tr>
<td>40.1</td>
<td>-0.0</td>
<td>11.6</td>
</tr>
<tr>
<td>1.8</td>
<td>-7.2</td>
<td>0.7</td>
</tr>
<tr>
<td>0.1</td>
<td>-5.9</td>
<td>0.02</td>
</tr>
</tbody>
</table>

1 Total exports + re-exports. 2 See list of the 13 candidate countries page 3.

Sources: United Nations, IMF.

### Fig. 2: Cyprus’ trade by product group

[Graph showing the trade by product group]

### Tab. 2: Main re-exports from Cyprus

<table>
<thead>
<tr>
<th>SITC products</th>
<th>Value</th>
<th>Share in total re-exports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1997</td>
<td>1998</td>
</tr>
<tr>
<td></td>
<td>(Mio ECU)</td>
<td>(%)</td>
</tr>
<tr>
<td>Total</td>
<td>722</td>
<td>560</td>
</tr>
<tr>
<td>Tobacco</td>
<td>502</td>
<td>315</td>
</tr>
<tr>
<td>12 222 Cigarettes</td>
<td>500</td>
<td>308</td>
</tr>
<tr>
<td>Road vehicles</td>
<td>30</td>
<td>61</td>
</tr>
<tr>
<td>Petroleum and petroleum products</td>
<td>41</td>
<td>33</td>
</tr>
<tr>
<td>Textile yarn, fabrics and related products</td>
<td>33</td>
<td>30</td>
</tr>
<tr>
<td>Miscellaneous manufactured articles</td>
<td>12</td>
<td>14</td>
</tr>
</tbody>
</table>

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 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 Research. 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

<table>
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<tr>
<th></th>
<th>Cyprus</th>
<th>EU-15</th>
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<tbody>
<tr>
<td>Population (Mio)</td>
<td>0.7</td>
<td>374.6</td>
</tr>
<tr>
<td>GDP/capita (in PPS)</td>
<td>14 787*</td>
<td>19 906</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>3.3%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>2.2%</td>
<td>1.3%</td>
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* Value for 1997

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<th>Title</th>
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