

DIGITAL TRANSFORMATION FOR A PROSPEROUS FUTURE

There are a million things we can do to make the lives of people easier, to make the economy more competitive and to get rid of the corruption, bureaucracy, delays and unprofessionalism that continue to plague Cyprus. Ultimately, it all comes down to Digital Transformation, says Christodoulos Angastiniotis, President of the Cyprus Chamber of Commerce & Industry.

By John Vickers



You've been involved in the CCCI for many years and you are now President of the Chamber. Did you draw up a list of priorities on taking up this new post? If so, what are they?

Christodoulos Angastiniotis: The first thing I did was to spend a considerable time talking to people at the Chamber and finding out what they do, what their priorities and plans are, and then I did indeed draw up a list of priorities that relate to the work we do supporting the business community in Cyprus, communicating with the Government, the cabinet and the House of Representatives on different issues. My number one priority was to make the Chamber more visible to its members, to the general public and the Government. We now have a Twitter account, for example, and we receive comments and views so at last we have feedback and a dialogue. The Chamber building is 33 years old and we are now in the process of fully renovating it at a cost of €1.5 million. I am very pleased to say that, within a very short space of time, we received significant donations from a handful of members for this purpose.

GOLD: Most observers are agreed that the No. 1 problem for business and the economy is that of Non-Performing Loans (NPLs). What do you see as the way forward for a resolution of this issue?

C.A.: We held a press conference not long ago and we urged the Government and, in particular, the House of Representatives to pass the various laws relating to NPLs which would give the banks the tools they need to collect the loans. The House has a huge responsibility for the situation, given the populism that prevails there.

GOLD: You have publicly stated the CCCI's support for the Government's handling of the Cyprus Cooperative Bank's takeover by Hellenic Bank. The Finance Minister has said that this, in itself, is a major step towards resolving the NPL problem. Could things have been done differently?

C.A.: As the grandson of Kyriakos

Angastiniotis, one of the founders of the Cooperative movement in Cyprus, I feel very strongly about what has happened to it over the past 30 years: the way the Cooperative Societies have been managed is absolutely criminal. I would say that 95% of the responsibility belongs to the people who used them as if they were their personal business or bank. And the biggest problem was the involvement of the political parties. In his 1965 book on the history of the Cooperative movement, my late grandfather warned about the dangers of letting the political parties to take control of the Cooperative Societies. He was right. As for the Government's recent actions, I believe that it has done the right thing, given the fact that it had few choices a few weeks ago. However, it could have dealt with the problem four years ago. I'm upset and angry about what has happened. I support this Government but it deserves criticism on this issue. We cannot have a situation where the people are obliged to pay €5-€6 billion and apparently nobody is responsible for it.

GOLD: Five and a half years since March 2013, has the local business sector recovered?

C.A.: Yes. There has been significant recovery. There is growth in the economy and some sectors are doing very well – tourism, financial services, shipping – but I believe that more or less all sectors have improved significantly. There is evident progress in the market, though this doesn't mean that we're out of the woods or that there are no challenges ahead.

GOLD: Have lessons been learned or do you fear that people are going to revert to their old ways?

C.A.: Unfortunately, I think we are going back to our old ways and I would say that, if this Government made one mistake, it was getting out of the Economic Adjustment Programme early. In my view it was a tactical error. We rushed to exit the programme in order to announce a 'victory' but, if we had stayed in it a bit longer, we could have fixed a lot more things that can't be fixed now due to the trade unions and the populism we see in the House of Representatives.

GOLD: Is Cyprus over-reliant on those three traditionally successful sectors – tourism, financial services, shipping – that you mentioned? Are they sustainable?

C.A.: The financial services sector has been doing very well but it has to go through a screening and cleansing process if it is to remain a sustainable business. It has to look to other markets and other products but above all it has to focus on compliance, compliance, compliance. Tourism has been doing very well and the Government's decision to give hoteliers additional building coefficients has been utilised and is continuing. The hoteliers and the CTO have been promoting Cyprus and upgrading their



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product continuously. A lot of work has been done in terms of infrastructure, improving standards attracting the right kind of tourist and extending the season. Moreover, we are finally going to have a Deputy Ministry of Tourism and this is a very good thing. I expect to see results. Shipping still has to deal with the long-term problem of the Turkish embargo on Cyprus-flagged ships but otherwise everything else is progressing very well. It is very good that we now have a Deputy Ministry of Shipping and I have a very high regard for the Minister, whose abilities I know well from when she was with me at CIPA.

GOLD: An economy has to progress, though. What are the promising new areas of economic activity that ought to be promoted?

C.A.: The most important thing for the Cyprus economy today is digital transformation. In this area we are second to last on the EU list and the gap between us and the others is increasing every day. We have done very little on this issue – no organised effort, no central planning, no implementation. There is no excuse for being left so far behind our European partners. Compared to most of our competitors, we are still living in the Stone Age and unless we significantly improve we will become less competitive as an economy. You only have to go to Estonia and see what they have done in the areas of e-government, e-health and so on. There are a million things we can do to make the lives of people easier, to make the economy more competitive and to get rid of the corruption, bureaucracy, delays and unprofessionalism that we see, especially in the public sector. We must take significant steps to modernise and reform the system. When the Executive Committee of the Chamber visited President Anastasiades recently, this was my main point. I told him that our situation is embarrassing. We need a Deputy Ministry of Digital Transformation and we need it yesterday. I think he recognises this and I expect him to make an announcement soon. I will be very disappointed if he doesn't.

GOLD: The CCCI has expressed its concern over the Central Bank's crackdown on so-called 'shell companies' because of the negative effect this may have on some of your members. Surely, any move that promotes transparency and 'substance' of companies in Cyprus is to be applauded?

C.A.: My late father often cited the saying "Give a fool enough rope and he will hang himself" and in the financial services and banking sectors, we need to do something dramatic if we are not to hang ourselves. We have overdone it with shell companies. There are a dozen law offices that have managed to open thousands and thousands of accounts in Cyprus – mass production, no AML, no KYC and no substance – and we need to put an end to this. Don't misunderstand our stance on the issue of shell companies. We agree with the Central Bank on this and we say that we need to clear our

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system by getting rid of those companies that shouldn't be here because they don't comply. Yes, it means that certain offices will lose business but if we don't do the right thing, the consequences for all of us will be much more serious. The banks have finally started closing accounts, something that is long overdue and should have been done long ago. They now have no choice but to base their actions on a clear definition of what a shell company is and which companies conform to the regulations. They have to cleanse the banking system of anything contaminating its activities and its reputation in order to preserve the good part.

GOLD: Ever since the UK voted to leave the EU, there has been much talk about how Cyprus could take advantage of this and attract UK-based companies to the island. Has anything materialized?

C.A.: Yes. Quite a number of companies have already opened regional offices here and we have done a lot of work together with CIPA on this. In September we are organising two events in London for members of the British business community. I give a lot of credit to the current President and Board of CIPA for doing such an excellent job on this.

GOLD: Your predecessor, Phidias Pilides, worked closely with the Head of the Turkish Cypriot Chamber of Commerce on promoting bicomunal links and preparing both communities in Cyprus for reunification. Both Chambers now have new Presidents. Have you been in contact with your Turkish Cypriot counterpart?

C.A.: Phidias Pilides and Fikri Toros, both of whom I have a great deal of respect for, did a lot of work together. Since the day I was elected, our Board has had several meetings with its counterparts at the Turkish Cypriot Chamber of Commerce. I believe that their intentions are good but I have to say that, today,

they appear to be much more controlled by Turkey than before as to what they can do and say. To a very great extent, their hands are tied. So, yes, we do cooperate and we meet but whenever we have tried to issue joint statements on a political level, the Turkish Cypriot Chamber has to obtain approval from the Turkish Foreign Ministry for anything it agrees to and the text is frequently altered.

GOLD: Do you believe that a settlement of the Cyprus Problem is possible? What do you see as the advantages of a solution?

C.A.: I am very much pro-solution and I believe that it will create vast opportunities and benefits for the entire population of Greek and Turkish Cypriots in everything, including business, prospects, security and the welfare of future generations. At the same time, I believe that it is becoming lot more difficult to achieve a solution and I agree with the Government that a solution has to be sustainable. We have to make concessions and we have to address the concerns of the Turkish Cypriots but no solution will ever be workable if Turkey continues to be a guarantor power and such a solution will not be accepted by the Greek Cypriots.

GOLD: And if there is no agreement?

C.A.: The alternative to a solution of the Cyprus Problem is a slow death and no future. If Turkey causes problems over ExxonMobil's drilling for natural gas in Cyprus's Exclusive Economic Zone, this may activate both the US and the EU to force the two communities and Turkey to come to an agreement. In my view, the ball is not in our court. It is with Turkey and I believe that the international community may oblige us to get around the table to find a workable solution and we should all be ready to make concessions. It's the only way. **G**