

# COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMISSION COMMUNICATION TO THE COUNCIL  
on the implementation of economic and financial cooperation  
between the Community and Cyprus

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1. A joint Commission/EIB delegation visited Cyprus from 14 to 18 May 1979 for a preliminary exchange of view on the implementation of economic and financial cooperation on the basis of the Additional and Financial Protocols signed on 15 September 1977.

As in the case of other Mediterranean countries with which the Community has concluded economic and financial cooperation agreements this first visit was of an exploratory nature, its objective being both to obtain an overall view of the economic situation and to get to know Cyprus's view on implementation, particularly of the Financial Protocol.

Talks were held with the Cyprus Government and representatives of the Turkish Cypriot Community.

2. The Financial Protocol with Cyprus involves a total of 30 million u.a. for the period 1 January 1979 to 31 December 1983. Of this sum, 20 million u.a. consists of loans from the EIB's own resources, with a 2% interest rate subsidy; 4 million u.a. consists of special loans with an interest rate of 1%; the balance of 6 million u.a. comprises grants, of which approximately 3 million u.a. should be earmarked for subsidizing EIB loans, leaving 3 million u.a. for technical assistance and training.

According to the information supplied the Community's financial contribution will cover approximately 2% of projected investment in Cyprus during the five-year period and corresponds to roughly 5% of the external financing requirement.

3. During the delegation's visit its Cypriot hosts emphasized the priority economic sectors for which Community assistance is sought.

Investment priorities are undoubtedly better water supplies and improved road infrastructure. Also, irrigation and soil conservation projects and industrial development schemes for small and medium-sized enterprises were put forward. The Cypriot request on technical assistance and training were concerned mainly with elementary and university education and with the assistance of experts to help promote the island's economic development.

At the end of the visit it was agreed, on the basis of the information obtained, that the Commission would draw up a draft defining the guidelines for cooperation between the Community and Cyprus, to be adopted by the Association Council at the appropriate time. A second visit would be made to Cyprus in order to identify the projects to be financed by the Community under the Financial Protocol, and thus permit actual implementation of the financial cooperation; this visit could take place in the first half of 1980.

4. In the talks which the Commission representatives had with the various Cypriot authorities the Community principle that financial cooperation must benefit the whole of the Cypriot population was accepted.

However, on the matter of implementation that is project identification and the details of execution, differences of opinion are likely between a position adhering strictly to the terms of the Financial Protocol and one which seeks a solution of a political nature.

5. The Community's attitude towards Cyprus in the context of the Association must involve neither the abandonment of the undertakings entered into by both parties in the Financial Protocol nor any division between the two communities of the funds available under the Protocol. What the Community must aim at is to ensure that the whole of the Cypriot population benefits from the effects of financial cooperation. The Community should ensure that financial cooperation schemes do not consolidate the division of the island.

The objective of financial cooperation with Cyprus would therefore be to identify projects of general importance for the island's economy, for instance in the water and infrastructure sectors.

6. The Commission hereby transmits to the Council, via this communication, proposal defining the guidelines for cooperation between the EEC and Cyprus which, after being adopted by the Community, should be endorsed by the Association Council.

The Commission has enclosed in the Annex, for the information of the Council, a memo on the economic and financial situation in Cyprus comprising data gathered during the joint Commission/EIB visit to the island last May.

Draft

Decision of the EEC-Cyprus Association Council  
setting out the guidelines for cooperation  
between the Community and Cyprus

The Association Council,

Having regard to the Additional Protocol to the Agreement establishing an Association between the European Economic Community and the Republic of Cyprus, and in particular Articles 10 and 13(1) thereof as well as the Financial Protocol of the Agreement and in particular Article 9(1) thereof.

Whereas Article 10 provides that cooperation shall be instituted with the aim of contributing to the development of Cyprus by efforts complementary to those made by Cyprus itself and of strengthening existing economic links on as broad a basis as possible for the mutual benefit of the Parties;

Whereas in accordance with Article 13(1) of the Additional Protocol and Article 9(1) of the Financial Protocol it is necessary to define the general guidelines of cooperation and the specific objectives of financial and technical cooperation.

HAS DECIDED AS FOLLOWS:

Article 1

The following objectives have been established as general guidelines for the cooperation to be instituted between the Community and Cyprus for the mutual benefit of the two Parties, having regard to the complementarity of their economic interests and the benefit of the population of the whole island:

- the development of basic infrastructure;
- the development and modernization of industry and agriculture, with the aim of fostering the creation of jobs, improving the productivity of these sectors and helping the balance of payments;
- the development of technical assistance schemes, vocational training, and research, on which depend the achievement of the objectives set out above;
- the strengthening of cooperation between European and Cypriot economic agents in the industrial field, with the aim of facilitating the transfer of technology and capital;
- contributing to the improvement of living and working conditions and to the promotion of the least developed areas of the island.

Article 2

Technical and financial cooperation shall be implemented on the basis of the following principles:

- Community aid shall be directed to supporting the economic cooperation activities to be carried out in pursuance of Article 12 of the Additional Protocol.
- Special attention shall be paid to schemes allowing for the concurrent use of the different types of operation, particularly those likely to stimulate the inflow of technology, capital or other benefits resulting from the application of the said Article 12.

- Community operations shall be designed, where possible, to encourage assistance from other sources of finance, particularly in the form of triangular cooperation.

### Article 3

On the basis of the objectives and principles set out in the preceding Articles, the amount of aid specified in Article 2 of the Financial Protocol shall be used in accordance with the provisions of that Protocol to finance projects and operations meeting the economic priorities indicated in the Annex.

I. DEVELOPMENT OF INFRASTRUCTURE AND THE PRODUCTIVE SECTORS

Projects helping to increase water supplies for agriculture, industry and tourism and for waste-water recycling and disposal.

Development and modernization of industries and related infrastructure contributing towards the creation of jobs, the improvement of competitiveness, the exploitation of natural resources and diversification of exports.

Development and modernization of the road network.

II. TECHNICAL ASSISTANCE AND TRAINING

Technical assistance operations in the educational, agricultural and industrial fields.

Technical assistance operations which make for efficiency in the process of identifying, preparing, implementing and managing projects.

Study and training grants, vocational training.

III. SCIENTIFIC COOPERATION

Cooperation schemes in the fields of science, technology and protection of the environment.



C Y P R U S

ECONOMIC AND FINANCIAL SITUATION

Exchange Rates :

1978 : 1 CE = 2.68 US \$  
1 US \$ = 0.37 CE

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1977 : 1 TL = 0.05 US \$  
1 US \$ = 19.44 TL

1978 : 1 TL = 0.04 US \$  
1 US \$ = 25.25 TL

29.6.1979 : 1 TL = 0.02 US \$  
1 US \$ = 47.45 TL

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SUMMARY AND CONCLUSIONS

Cyprus, the third largest island in the Mediterranean, has a total population of over 650 000 people. Some 525 000 live in the southern part of the island, the remainder in the northern area.

The island has registered since the beginning of the sixties up to 1973 a fairly rapid economic growth of about 6.5 % (1) per year on average, on the basis of high export growth. The GDP per capita was about US \$ 1 500 in 1973. Agriculture occupying about a third of the population, has been modernised through irrigation, and light industries expanded rapidly as well as tourism.

As a consequence of the 1974 events, more than 200 000 people became refugees and the northern part suffered considerable material damage. The southern part had to take care of about 185 000 refugees and unemployment jumped to 25 %. Considerable external aid, remittances and private capital inflows coupled with the dynamism of the Greek Cypriot entrepreneurs and the expansionary Government policy stimulating demand and investment, have resulted in a new rapid economic growth (+ 12.5 % p.a.). By 1978, unemployment had practically disappeared, industrial development had gained momentum, and GDP per head climbed to about US \$ 2 500. However, the growth rate slowed down to 6.3 % in 1978 when labour and capital were effectively fully employed and inflationary pressures built up, reflecting signs of overheating with high consumption, low saving and a widening trade and current account deficit (US \$ 160 mn in 1978). Considerable capital inflows, partly in form of private investment capital from Greek Cypriots living abroad, however enabled the area to finance the current account deficit and to build up its foreign exchange reserves. They attained at the end of 1978 the equivalent of US \$ 376 mn corresponding to about 7 months of merchandise imports. The overall indebtedness corresponded at the end of 1978 to US \$ 292 mn (22 % of GDP). The servicing of this debt represents about 5 % of goods and services export earning.

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(1) Except where otherwise indicated, all growth rates are expressed in real terms.

South Cyprus faces several constraints. In agriculture as in industry, productivity will have to be increased. Scarcity of water for irrigation and fragmentation of the holdings will have to be overcome by fairly large investments to raise and adapt agricultural production. 80 % of the manufacturing establishments employ less than five persons, and there is a shortage of skilled labour. Tourism is flourishing, but capacities and related infrastructure need to be adapted to present requirements. Certain road links, which are the only transport mode on the island, are bottlenecks. Water supply is a major problem, and power capacities will have to be increased.

The Government is at present implementing a further plan covering the period 1979-81. The targets are to consolidate the post-1974 achievements and to assure the longer term viability of the territory's economy while maintaining the option of restoring the economic unity of the island. The strategy is to overcome the structural weaknesses of the economy by increasing productivity through a policy of fostering more capital-intensive projects. The overall growth rate is forecast to slow down to 5 % p.a. in order to reduce the internal and external imbalances of the economy.

Fixed capital formation over the three years plan period is provisionally estimated at US \$ 1.4 bn in current prices or nearly 28 % of GDP as against 21 % in the 1975-78 period. It is optimistically expected to be financed to the extent of over 43 % by domestic savings, which assumes a fairly high increase in the marginal propensity to save, well in excess of average past experience. Similarly, the forecast stabilisation of the current account deficit at about US \$ 160 mn per year appears to be a slightly optimistic target. If these targets are not realised there would be a need to raise additional foreign financing. However, the present debt service ratio of 5 % leaves room for further foreign borrowing.

In the longer term, the skilled and flexible labour force and the emphasis placed on training, coupled with proven entrepreneurial skill and effective liberal economic policies, are comparative advantages in favour of a continuous development of the area's production and export.

In contrast to the favourable past development and prospects in the South, the North is experiencing severe difficulties in furthering economic progress due to its isolation and dependence on Turkey, the damages suffered and the lack of domestic and foreign resources. GDP per capita is about half the figure in the south, unemployment and underemployment are high and agricultural and industrial productivity is low. The industrial base is weak and agriculture is the major activity in the area. Citrus constitutes 70 % of its exports. Tourism does not fulfil its potential as a foreign exchange earner since over 80 % of the hotel occupants are Turks. The Turkish Cypriot administration has established a preliminary Plan for the years 1978-82 aiming at a 7 % GNP growth rate. The investment expenditure over the period is estimated at about US \$ 100 mn, assumed to be financed to the extent of 67 % from domestic savings. The average savings ratio is expected to be some 18 %. These targets are definitely on the optimistic side in view of the past development and the present rather bleak situation. As a result of its international isolation, the area will continue to rely on Turkey. Since 1974 there is no or hardly any trade or movement of Cypriots between the two areas.

Generally, it is clear that the rather favourable prospects of the southern part of Cyprus are sensitive to the continuation of a relatively stable political climate. On the other hand, the unfavourable prospects of the northern part could be reversed if the diseconomies of separate development were removed. Any steps towards increased cooperation between the two communities would permit improved resource allocation.

## 1. GENERAL BACKGROUND

The island of Cyprus, the third largest in the Mediterranean after Sicily and Sardinia, covers 9 251 sq km and lies some 60 km south of Turkey and about 100 km west of Syria. The total population of the island in 1974 was around 640 000, of which are 80 % Greeks and 20 % Turks.

Geographically, Cyprus consists of four main regions : Kyrenia in the north and the imposing Troodos Ridge in the south (1 953 m high) form between them a lowland open to the Sea at east and west, the fertile Mesaoria plain. Small coastal plains in the south and north also offer good agricultural land and it is in this area, with the exception of Nicosia, that the majority of the towns are situated and the population is concentrated. These areas also offer the main tourist amenities.

Rainfall is concentrated in the three winter months, December to February, and is erratic. Serious droughts occur at least once in a decade. There are no running rivers, although the island is criss-crossed by dry river valleys that become fast-flowing torrents during periods of heavy rainfall with consequent severe erosion of soil. The summer months are hot and dry inland and hot and humid on the coast. In winter, snow is a regular feature in the highest parts of the Troodos massif.

## 2. THE ECONOMIC SITUATION OF CYPRUS PRIOR TO 1974

Between the early 1960's and 1973, Cyprus enjoyed quite vigorous economic growth, of about 6.5 % per annum (1) on average, based mainly on the rapid growth of exports. GDP per head rose to about 1 520 US \$.

Agriculture remained the principal economic activity in the island, occupying about a third of the working population and supplying consistently 18 % to 20 % of the country's GDP and more in good years. The development of irrigation had brought modern agricultural techniques to the Mesaoria Plain, centred on citrus cultivation. The secondary sector accounted for 27 % of GDP and gave employment to 25 % of the working population. The food processing, garments and footwear industries had shown brisk growth, mainly due to fast-rising exports. The services sector occupied 40 % of the working population but contributed 57 % of GDP, mainly from tourism (which accounted for 8 % of GDP) and service activities resulting from the presence of foreign military bases.

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(1) Except where otherwise indicated, all growth rates are expressed in real terms

Judicious management of the Government budget and the supply of budget surpluses to the banking system up to 1971, combined to help keep inflation down to less than 5 % per annum. The rising value of the Cyprus pound against the dollar in 1973 reduced the impact on local prices of the increased cost of imports.

The trade balance showed widening deficits between 1970 and 1973, in spite of the doubling of agricultural exports, mainly of citrus and potatoes. However, income from tourism and earnings resulting from the stationing of foreign troops, reduced the deficit in the balance of payments on current account (1973 : US \$ 81 mn). The net inflow of capital - particularly private investment capital - pushed the overall balance into surplus. On the eve of the uprising, gold and foreign exchange reserves stood at US \$ 200 million, equivalent to 8 months' imports in 1973.

### 3. THE SOUTHERN PART OF CYPRUS

#### 3.1. Population and employment

Total population in the southern part of Cyprus is estimated at 525 000. The average density for this part of the island is about 89 people per km<sup>2</sup>. Nicosia in the centre, Limassol and Larnaca on the southern coast and Paphos in the west are the main agglomerations; they grew considerably with the refugees after the effective division of the island in 1974 intensifying the fast urbanisation process witnessed previously.

The labour force consists of about 200 000 people, of which only 2 % were without employment in 1978 and 6.4 % working temporarily abroad, mainly with Cypriot construction companies in the Middle East. While of decreasing importance, the majority remains employed in agriculture, whereas construction, manufacturing and trade are increasing their share of the labour market (see Annex 1).

#### 3.2. Recent economic development

##### 3.2.1. Gross domestic production by sectoral origin

Since independence the economy of Cyprus has been based essentially on a free market system. However, after 1974 Government influence became of necessity more important in order to overcome the severe economic problems created by the



division of the island and the resettlement of about 185 000 refugees. Action was taken under two indicative emergency economic plans 1975/76 and 1977/78. The third emergency plan 1979/81 is now being prepared.

In general, the achievements of the economy have been the attainment of the targets. They have been exceeded in some aspects due to a successful re-orientation of domestic production towards exports and the inflow of substantial amounts of foreign aid. GDP has grown at an impressive average annual rate of 15.8 % between 1975 and 1977. However, the growth rate slowed down to 6.3 % in 1978 when labour and capital were effectively fully employed and inflationary pressures built up, reflecting signs of overheating with high consumption, low savings and widening trade and current account deficits. The expansionary drive of the fiscal and monetary policy was restrained, and the international competitiveness appears to have suffered somewhat from rising production costs. The rapid overall growth lifted GDP per capita to about 940 EC (2 520 US \$) in 1978 at current market prices, a figure comparable with countries like Portugal, Yugoslavia and Malta.

The main impetus to economic expansion has come from the construction sector and the manufacturing industries (Table 1). Construction benefitting from substantial public allocations has been by far the fastest growing sector of the economy reflecting the need to provide housing for the refugees, to construct new factories and tourist facilities and to improve the transport infrastructure. The contribution made by the secondary sector to the GDP has consequently risen from 30.4 to 37 %. In contrast, the average growth of agricultural production was very slow (1.5 %) and its contribution to the domestic product has fallen from 17 % to 12.5 %. The large service sector has achieved an average growth rate of 11.4 % and its contribution rose to 48.2 %.

### 3.2.2. The structure of resource allocation

Total domestic expenditure exceeded GDP over the period 1975-77 by an average 10.5 % reflecting a significant resource transfer from abroad. Private and public consumption have absorbed on average 95.8 % of GDP (Annex 2). Growing incomes and the restoration of general confidence increased the urge to return to former standards of living and contributed to a declining propensity to save. Consequently, private consumption increased rapidly at a rate of 17.7 % p.a. against 14.2 % for public consumption. Optimistic entrepreneurial expectations and an expansionary Government policy resulted in a renewal of private foreign capital inflows. Gross fixed capital expenditure (Table 2) rose at a rate of 49.3 % per year and the investment propensity grew from 15 % of GDP in 1975 to 25.6 % in 1978. Machinery and equipment for manufacturing and transport purposes together with lodgings for the refugees represented the major investment item.

National savings (including net transfers and net factor income from abroad) have financed a declining proportion of investments (50 % in 1978 against 90 % two years earlier). The territory therefore relied increasingly on external financing.

### 3.2.3. Public expenditure and Government finance

Consolidated Central Government revenues (1) have increased at a rate of 22.5 % p.a. between 1975 and 1978 in current terms and now represent 22 % of GDP. Indirect taxes account for 48 % of total revenues. Current expenditure has consistently exceeded current revenue but its relatively slower increase permitted a considerable reduction of the current deficit (Table 3).

Expenditure for public safety and defence absorbed a major but falling share of current expenditure, whereas interest on public debt has doubled in absolute terms in the last two years to 8.1 % of current expenditure. Capital expenditure was expanded substantially, and via the Relief Fund for Displaced Persons major emphasis was put on housing. Other capital outlays have been concentrated on water supply and agriculture as well as transport and communication.

With total public sector expenditure growing at a slower pace than the overall economy, and revenue increasing double its rate, the deficit declined both in absolute terms and, significantly, as a proportion of nominal GDP from 14.3 % in 1975 to 6.7 % in 1978. Foreign grants, mostly from Greece and the UN High Commission for Refugees contributed substantially to financing the deficit. The reduction in resources available from these sources last year, led to a significant increase in borrowing requirements and the Government had to rely on foreign loans. The main source in 1978 was a 40 mn \$ medium-term Euro-credit.

### 3.2.4. Money and banking, prices

The banking and monetary system in southern Cyprus is well developed. Eleven commercial banks are established, five of which are foreign, mostly British. In addition, there is a cooperative central bank acting as central clearing institution for a great number of cooperative credit societies, extending loans mainly to the agricultural sector. Two financial institutions including the Cyprus Development Bank provide long-term loans mainly to industry and the tourist sector.

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(1) Categories of Central Government revenues and expenditures include Ordinary and Development Budgets, Special Relief Fund for Displaced Persons, Social Security Funds and Public Loan Funds.

## GDP GROWTH RATES AND STRUCTURE (in constant 1973 factor costs and %)

	1978 C£ mn	Annual Growth Rates			average 1975/78	Structure	
		1975/76	1976/77	1977/78		1975	1978
1. Agriculture	38.7	+ 8.4	+ 0.2	- 3.7	+ 1.5	17.0	12.5
2. Mining and quarrying	7.0	+ 8.3	+ 10.8	- 2.8	+ 5.2	2.8	2.3
3. Manufacturing	47.1	+ 29.4	+ 15.5	+ 9.0	+ 17.7	13.3	15.2
4. Construction	24.0	+ 33.0	+ 53.6	+ 25.0	+ 36.7	4.3	7.8
5. Electricity, gas, water	5.3	+ 17.5	+ 8.5	+ 3.9	+ 9.8	1.8	1.7
6. Transport	38.2	+ 23.4	+ 22.4	+ 5.8	+ 16.9	11.0	12.3
7. Wholesail and retail trade	54.6	+ 21.0	+ 25.9	+ 6.0	+ 17.3	15.6	17.6
8. Banking, insurance	16.0	+ 9.0	+ 21.5	+ 8.8	+ 13.0	5.1	5.2
9. Ownership of dwellings	18.1	+ 4.3	+ 5.4	+ 2.3	+ 4.0	7.4	5.9
10. Public administration	25.8	+ 0.9	+ 6.7	+ 7.5	+ 5.0	10.3	8.3
11. Services	34.6	+ 10.2	+ 18.8	+ 7.5	+ 12.0	11.3	11.2
GDP at factor cost	309.4	+ 15.2	+ 16.4	+ 6.3	+ 12.5	100	100

Source : Planning Bureau

South CyprusGROSS FIXED CAPITAL FORMATION BY ASSET AND SECTOR  
(in current market prices)

	1978 MCE	1975	Share in %		1978
			1976	1977	
1. Construction	66.3	55.8	54.9	50.1	52.5
- Dwellings	36.8	13.9	28.1	26.8	29.1
- Non-residential	14.0	17.1	9.2	11.0	11.1
- Civil engineering	15.5	24.7	17.6	12.3	12.3
2. Transport & machinery	60.1	44.2	45.1	49.9	47.5
- Transport equipment	26.9	5.3	12.5	16.2	21.3
- Machinery & equipment	33.2	38.9	32.6	33.7	26.3
G.D.F.C.F.	126.4	100	100	100	
3. Agriculture	11.5	14.5	10.9	8.7	9.1
Mining	1.6	3.2	2.1	1.2	1.3
Manufacturing	20.1	17.4	17.0	21.6	15.9
Electricity, gas, water	3.6	6.6	6.6	3.8	2.8
Construction	4.3	3.9	1.7	3.8	3.4
Transport	32.4	21.1	19.5	22.1	25.6
Wholesale & retail trade	5.4	6.1	4.3	4.1	4.3
Banking, insurance	0.9	1.3	0.7	0.6	0.7
Services	8.0	9.7	6.7	5.9	6.3
Public administration	1.8	2.4	2.4	1.2	1.4
Housing	36.8	13.9	28.1	26.8	29.1

Source : Planning Bureau

South CyprusCONSOLIDATED CENTRAL GOVERNMENT ACCOUNTS

	M C £			
	1975	1976	1977	1978 provisional
1. Current revenue	54.0	62.9	81.9	99.3
of which - taxes	39.9	47.2	63.9	79.3
2. Current expenditure	78.8	79.0	91.1	103.1
of which - wages, salaries	30.4	32.9	36.0	43.0
- goods, services	18.0	19.6	24.5	25.4
- subsidies, transfers	27.6	23.2	28.4	31.8
3. Current deficit	-24.8	-16.1	- 9.2	- 3.8
4. Capital expenditure	8.4	19.2	22.2	25.2
- investment	7.9	16.5	17.7	17.7
- transfers (1)	0.5	2.7	4.5	7.5
5. Net lending	3.0	3.3	2.6	4.2
6. Budget deficit	- 36.1	- 38.6	- 34.0	- 33.2
7. Financed from				
- grants 2)	13.2	15.2	24.3	13.6
- net domestic borrowing (2)	20.6	- 0.9	- 3.3	17.3
- net borrowing abroad (3)	2.3	24.3	13.0	2.3

(1) loan repayments from the Public loan Funds

(2) incl. use of cash balances

(3) incl. IMF transactions

Source : IMF and Planning Bureau

The Central Bank of Cyprus has the ultimate responsibility, after consultation with the Government, for regulating the supply of money and credit and formulating exchange policies. Its role is, in addition, to supervise the functions of the commercial banks and to act as the financial agent of the Government.

Monetary authorities, in the implementation of their credit regulation policies, rely mainly on indirect controls via the liquidity ratio requirements but also by issuing directives. In line with the build-up of inflationary pressures and slower rate of GDP growth, the Central Bank has shifted its originally expansionary orientation to a policy of a more moderate money growth by gradually increasing the minimum liquidity ratio.

The average rise in retail prices was limited to 3.8 and 4.2 % in 1975 and 1976. Labour was abundant at that time and capacity was underutilised. Furthermore, a 25 % decrease in salaries was imposed after the 1974 events. With full employment, marked wage increases and rising demand, price rises jumped to over 7 % in 1977 and 1978. Rents and basic consumption items are subject to price control, and the tripartite Advisory Price Council continues to actively monitor most other consumer goods.

### 3.2.5. The balance of payments and external debt

The balance of payments of Southern Cyprus is characterised by a rapidly growing deficit on current account : 37 mn US \$ in 1975, equal to 5.4 % of GDP, and 160 mn US \$ (12.1 %) in 1978. This outturn is the result of a rising trade deficit which is covered to a declining extent by the surplus of the invisible balance (Table 4).

The emphasis put on exports has resulted in a satisfactory growth rate of 32.5 % p.a. in current prices between 1975 and 1978. However, the need to replace lost goods and rebuild production facilities as well as the rising demand for raw materials, intermediate and consumer goods of a booming economy, led to an expansion of imports with a similar growth rate. The trade deficit consequently more than doubled to 358 mn \$ in 1978. On average, exports covered only 53 % of imports in the period under consideration. The small decrease of exports in 1978 was the result of a significant reduction in agricultural exports, mainly potatoes and a lower growth in industrial exports as a consequence of a decline in competitiveness.

The reorientation of the economy has altered the pre-1974 composition of the export trade, as shown in Annex 3. New agricultural products, mainly potatoes and fresh vegetables, have found markets whereas the traditional citrus crop has

lost ground. Clothing, fabricated from imported raw materials, have significantly increased their share in exports. Imports are composed mainly of raw materials and intermediate goods, machinery and transport equipment, consumer goods incl. cereals and fuels.

Recently, important changes have taken place in the direction of trade. Arab countries absorb now 44 % of domestic exports as against 27 % in 1975, whereas the share of EEC countries (mainly the UK) has decreased to about 36 %. Eastern bloc countries also have lost some ground to 7 % of the total. On the import side, however EEC (UK, Italy, Germany) remained the main suppliers and even increased their share to half of all shipments, whereas Greece's part was reduced by 50 % (Annex 4).

In spite of substantial grants and transfers, net earnings from invisibles are insufficient to offset the trade deficit. Consequently, a rapidly growing current account deficit had to be financed increasingly from external resources. A considerable net capital inflow, partly in form of private investment capital from Greek Cypriots living abroad and Government borrowing, however enabled the area to build up its foreign exchange reserves. They attained at the end of last year the equivalent of US \$ 376 mn corresponding to 6.6 months of merchandise imports.

As shown in Table 5, the overall indebtedness (excl. short-term borrowing) corresponded at the end of 1978 to US \$ 292 mn or 22.1 % of GDP, up from 14.3 % three years earlier. The servicing of this debt (repayment and interest) represents about 5 % of export earnings from goods and services.

### 3.3. Analysis of the main sectors

#### 3.3.1. Agriculture

Value added 1978	:	12.5 % of GDP
Employment	:	25 % of all employed
Investments 1975/78	:	8.2 % of G.F.C.F.

As in all countries with a large agriculture sector, its significance goes beyond the above quoted figures not only because an important part of the manufacturing sector relies on agricultural inputs, but also because the distribution and the service industries as well as export earnings depend on the agricultural output. In recent years, agricultural production grew slowly at 1.5 % p.a.

In the years after the division of the island when numerous refugee farmers from the north opened new often small-sized holdings with Government assistance, the number of holdings has increased and the average size decreased. The agricultural land is now cultivated in some 43 800 holdings with an average size of 4.6 ha. However, more than half of them have an area of less than 3 ha.

South Cyprus  
BALANCE OF PAYMENTS

(M C £)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
1. Exports f.o.b.	52.4	102.7	124.2	122.0
2. Imports f.o.b.	-110.9	-163.4	-228.2	-255.6
3. <u>Trade balance</u>	-58.5	-60.7	-104.0	-133.6
4. Invisible receipts	86.1	112.1	137.6	148.9
of which - foreign visitors exp.	5.4	20.7	23.8	n.d.
- foreign military exp.	27.8	28.2	32.8	n.d.
- private remittances	5.6	5.4	5.8	n.d.
- official aid	21.0	19.5	23.9	n.d.
5. Invisible payments	-41.3	-55.7	-69.6	-74.9
of which - freight, insurance	-11.2	-17.6	-25.1	n.d.
- exp. of visitors and students abroad	-9.6	-9.7	-11.8	n.d.
- interest payments	-3.7	-4.9	-6.4	n.d.
6. <u>Invisible balance</u>	44.8	56.4	68.0	74.0
7. <u>Balance on current account</u>	-13.7	-4.3	-36.0	-59.6
8. <u>Net capital inflow</u>	3.0	17.5	34.8	59.3
of which - long term loans	0.8	9.4	17.0	n.d.
- other private l.t. capital	3.8	13.3	16.9	n.d.
9. Errors and omissions	-3.6	4.6	3.4	4.9
10. Overall surplus or deficit (-)	-14.3	17.8	2.2	4.6

Source : Central Bank



South Cyprus  
Foreign Debt  
End of Period  
C£ millions (1)

	1975	1976	1977	1978
A. Government (2)	14.4	42.5	58.1	67.2
B. Public Corporations (3)	17.8	19.1	21.1	35.5
C. Foreign Suppliers' Credits	1.9	1.5	1.5	1.7
D. Other (4)	2.2	2.0	3.7	4.5
<b>TOTAL</b>	<b>36.3</b>	<b>65.1</b>	<b>84.4</b>	<b>108.9</b>

NOTES :

- (1)
- (a) Conversion in C£ was based on middle market rates in effect at the end of each year.
- (b) Includes long-term debt, only (over one year maturity).
- (2) Includes I.M.F. facilities outstanding which amounted at the end of 1974, 1975, 1976, 1977 and 1978 to C£ 2.8, C£ 3.7, C£ 20.6, C£ 20.0 and C£ 15.2 million respectively.
- (3) Includes Electricity Authority of Cyprus, Cyprus International (State) Fair Authority, Sewage Boards, Cyprus Development Bank, Cyprus Telecommunications Authority, Grain Commission, Cyprus Airways, Cyprus Broadcasting Corporation and Cyprus Ports Authority.
- (4) Includes Cyprus Petroleum Refinery, Cyprus Cement Company, Hellenic Chemical Industries & Cyprus Pipes Industries but does not include credit to other private sector.

Source : Central Bank

The total cultivable area has been estimated at 201 000 ha and its use is shown in the following table :

Land Use, 1977, in hectar

	<u>Irrigated</u>	<u>not irrigated</u>	<u>total</u>
Temporary crops	13 091	52 251	65 342
Permanent crops	10 464	40 126	50 590
Temporarily fallow	3 358	26 236	29 594
Grazing land	-	3 195	3 195
Forests	-	3 903	3 903
Uncultivated land	-	32 541	32 541
Scrub, desert	-	15 928	15 928
TOTAL	26 913	174 181	201 094

The breakdown of agricultural output by main crops, as given in Annex 5, shows the key role of vegetables especially potatoes, in the effort to grow higher value export crops. Together with citrus they are the main agricultural foreign exchange earners. The territory is self-sufficient in fruits and vegetables. It is, on the other hand, dependant on imports of cereals for animal feed and, in spite of growing local production, meat and dairy products. In normal years, however, the overall external trade balance of the agricultural sector is positive.

The scarcity of water is a major problem in Cyprus. The total irrigated area comprises about 27 000 ha (over 13 %) in the Government controlled area. Some large new irrigation projects are under review and partly under construction. They will in the long term increase significantly the irrigated area. In the meantime, a large portion of agricultural production will remain dependant on rainfed crops, which now represent about half of the production value and are subject to large annual fluctuations. In view of the development efforts in irrigation, the output of crops, such as ordinary and early vegetables, table grapes, and citrus and deciduous fruit will increase substantially, but will have to face increasing competition on international markets.

3.3.2. Manufacturing industry

Value added 1978 : 15.2 % of GDP.  
Employment 1978 : 21 % of total employment  
Investments 1975/78 : 15.4 % of G.F.C.F.

Industry is regarded as one of the priority sectors for the territory's economic development and apart from agriculture has played the major role in

providing jobs for the refugees. The sector is dominated both in terms of employment and output by export-oriented footwear and clothing industries, which have benefitted from strong demand from abroad over the last years. In contrast, industries processing agricultural produce, traditionally Cyprus' most important manufacturing activity, recorded smaller gains owing to a drop in external demand. The production of construction materials was favoured by the intense building activity and recorded substantial growth. The cement factories work to capacity.

The manufacturing sector consists of 4 858 establishments (1976 census) of which 80 % employ on average less than five persons. Textile, wearing apparel and leather industries are dominant with 38 % of the establishments and 36 % of the industrial workforce. Next in rank are the 5 600 workers in food, beverages and tobacco manufacturing in 667 establishments, and the 3 100 people engaged in the 1 000 establishments of the wood and furniture industries. Traditionally, Cyprus has a free enterprise economy and industry is in private ownership.

Manufacturing is now facing new constraints which imply a need for restructuring in order to assure further growth. In general, establishments are too small, have a limited financial base, and being labour-intensive, have recently suffered from a shortage of skilled workers. Wages have increased significantly and affected international competitiveness. The domestic market, moreover, is small. Mergers, larger industrial units and more capital-intensive production methods are envisaged to overcome these problems.

### 3.3.3. Transport and power

Inland transport is totally dependent on road. There are no railways and coastal shipping is negligible. The great bulk of the international trade remains seaborne and goes through the main port of Limassol. International air services have expanded rapidly and use Larnaca airport, since Nicosia airport is out of service.

The sector plays a major role in the territory's economy with a value added nearly as high as agriculture (12.3 % of GDP) and has absorbed 24.3 % of total investment in the 1975/78 period with the expansion of the port, airport and road capacity and the vehicle fleet.

The available power generating capacity reached 268.5 MW in 1977 of which 264 were from two oil-fired (consumption : 251 000 t in 1977) power stations by

the Government owned Electricity Authority of Cyprus. The company serves the whole island. Capacity up to now has kept pace with demand (583 mn KWh in 1977) which has grown at a rate of about 10 % p.a. since 1975 and nearly 11 % in the Government controlled area. Industry is the most important client absorbing 40 % of total consumption followed by commercial (28.9 %) and domestic users (25 %). In view of the forecast growing demand and the age of one of the power stations, a substantial investment programme is envisaged.

#### 3.3.4. Tourism

After the 1974 events, the Government succeeded in re-establishing confidence and started again to participate in the booming tourism sector. In 1978, 217 000 tourists<sup>(1)</sup> were attracted to its area spending about US \$ 80 mn or 25 % of total exports. Many new hotels have been built to replace those lost in the north, often financed by private foreign capital from Cypriots living abroad. At the end of 1978, 79 hotels with about 8 700 beds were in operation. The tourist season has been lengthened to almost 12 months, and the origin of the visitors has been further diversified, though Britain is still the most important source.

#### 3.4. Outlook

3.4.1. The Government is at present implementing a further Plan covering the period 1979-81. The targets are to consolidate the post-1974 achievements and to assure the longer term viability of the territory's economy while maintaining the option of restoring the economic unity of the island. The strategy is to overcome the structural weaknesses of the economy by increasing productivity through a policy of fostering more capital-intensive projects. This policy presupposes an increase in the size of productive units, and will, as a consequence, result in growing capacities. Enterprises using local raw materials will be particularly promoted to increase added value and reduce the import component of domestic production. Efforts to train and retrain labour will be continued. The overall growth rate is forecast to slow down to 5 % p.a. in order to reduce the internal and external imbalances of the economy. The following table shows the past and expected real growth rate by sector.

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(1) as against 264 000 in the whole island in 1973.

Growth target of the 1979/81 Plan

(in % p.a.)

	Realised	Plan	Share	
	1975/78	1979/81	1978	1981
Agriculture, mining and quarrying	2.1	2.9	14.8	13.9
Industry (1)	20.1	7.1	37.0	39.0
Trade, banking, services, administr.	11.3	4.4	48.2	47.1
GDP	12.5	5.2	100.0	100.0

(1) incl. construction, electricity, gas, water and transport.

Fixed capital formation over the three year Plan period is expected to amount to 531 mm C£ (US \$ 1.4 bn) in current prices which is equivalent to 27.7 % of GDP as compared with 21 % between 1975 and 1978. In real terms, the average annual growth rate is forecast at about 10 %. The bulk of investment will continue to go into housing which will even increase its share to 28 % according to preliminary figures. The housing policy will become more selective and concentrate on low cost housing to accomodate the remaining refugees living in tents and assist the lower income groups. In manufacturing, the emphasis will be placed on restructuring and linking existing sectors in order to increase productivity and economies of scale. New export-oriented, more capital-intensive activities will be fostered by incentives. The use of local raw materials (1) is encouraged and a comprehensive exploration programme for minerals and quarrying materials is envisaged. Several industrial estates are being established and the Government is studying the possibility of establishing a new industrial zone. In infrastructure, transport and water projects get highest priority. In order to alleviate the water problem of the area, expand the cultivated land and enhance the viability of agriculture, several large scale water projects are being realised or under consideration : Paphos irrigation project, Pitsilia rural development project, Vasilikos Pendaskinos project, and Nicosia water supply scheme. Other investments in this sector concern the improving of the use of water in irrigation.

In the transport sector several projects for increasing the capacity of existing roads and the building of new links have been executed or are planned : the Nicosia-Limassol, and Limassol-Paphos links are the main projects. The purchase of aircraft by Cyprus Airways is included in the investment programme.

In agriculture, several projects are envisaged for soil conservation and re-forestation, land consolidation and establishment of livestock areas to meet

(1) There are known exploitable deposits of asbestos, chromium minerals, cupreous and iron pyrites, zinc minerals, bentonite, lime, quarrying materials.

the meat and dairy shortages. Tourist projects are encouraged by long-term loans. The Electricity Authority plans two new 60 MW oil-fired power stations with the aim of replacing one of the existing and increasing supply to meet growing demand. In the service sector, the development and expansion of new fields such as transit trade, consulting engineering, insurance, banking and shipping is encouraged.

Over 43 % of the total investment expenditure is expected to be financed by domestic savings as against 23.5 % in the last years. This implies a substantial increase in the marginal propensity to save, which had recently fallen to about 6 % of the national income. The Plan forecasts an average rate of about 37 % in the years 1979-81. This compares to over 20 % in the whole of Cyprus before the division.

In contrast to the past development, exports (+ 10.9 % p.a. in current terms) and invisible receipts, incl. grants (11.2 %) are expected to grow quicker than imports (+ 9.4 %) and invisible payments (+ 7.9 %) so that the current account deficit is assumed to remain at some US \$ 160 mm p.a. as in 1978. Net capital imports of about the same amount per year are envisaged, and the foreign exchange reserves should be maintained.

3.4.2. In view of the past performance of the economy which exceeded in many respects the planned development, and the ability and determination of the public authorities to take necessary measures, the objectives of the new plan do not in general seem to be over-optimistic.

There are, however, two major potential constraints of the realisation of the planned objectives. The first and possibly most critical is the assumed dramatic change in the marginal propensity to save. The second is the danger that imports may continue to rise at a faster than expected pace in view of the high propensity to consume.

In terms of the trade balance, the forecast export growth rate of 10.9 % per annum against a slight setback in 1978 appears somewhat optimistic. Agricultural exports to the EEC face restrictions and the enlargement <sup>t of the EEC</sup> will not ease the problem,

whereas industrial exports have started to feel the stronger competition from similar products of other low cost countries. Both developments may lead to further increase the current account deficit.

While the present very low propensity to save can be explained by the urge to re-establish former consumer standards, the planned assumed rate is well in excess of average past experience. Both constraints would have as a consequence the need to raise additional foreign borrowings, which in view of the relatively low debt service ratio of 5 % should be possible.

In the longer term, the skilled and flexible labour force and the emphasis placed on training, coupled with proven entrepreneurial skill and effective liberal economic policies, are comparative advantages in favour of a continuous development of the area's production and exports.

#### 4. THE NORTHERN PART OF CYPRUS

##### 4.1. Population and employment

The northern part of the island has a population of about 150 000 people distributed over a territory of some 3 500 sq km. This corresponds to an average density of over 40 people per km<sup>2</sup>, which is less than half the density in the south. Nicosia, Famagusta, Mörphou and Kyrenia are the main urban areas, where the majority of the population lives. The region's labour force amounted to some 46 000 people in 1977. According to some indications it is fair to assume that the unemployment rate exceeds 10 % and that underemployment is high. Agriculture provides jobs for 41 % of the labour force, only marginally more than the number active in the service sector. Manufacturing and construction on the other hand employ only a minor proportion of the workers.

##### Estimated labour force by sector

	<u>1977</u>	<u>%</u>
Agriculture	18 817	40.8
Manufacturing	4 509	9.8
Construction	2 360	5.1
Services (public and private)	18 529	40.2
Government	580	1.3
Unemployed	<u>1 337</u>	<u>2.9</u>
Total labour force	46 132	100.0

#### 4.2. Recent economic development

Owing to the recent establishment and the slow build-up of an administration, figures on the economic development are scarce and those available have to be interpreted cautiously. In general, the local administration seems to have adopted the Turkish economic system with a strong influence of the public sector leaving little room for private entrepreneurial skill. The Turkish lira has become the official currency and Turkey is the most important trading partner, subsidising the local budget heavily.

As shown in Annex 6, GDP at current prices (1) is estimated at 3.7 bn TL (US \$ 190 mn) in 1977. GDP per head is 24 500 TL (US \$ 1 260), which is about half the amount in the southern part of the island. The economy is strongly oriented towards the agricultural and service sector, with tourism and trade contributing the majority of GDP. Industry including electricity, water, mining and construction produces only about 14 % of GDP.

Public and private consumption seem to have exceeded in 1977 the locally produced resources by some 18 %. The territory relies substantially and increasingly on help and borrowing from abroad. The 1979 budget expenditures (see Annex 7) will only be covered to 51 % by local revenue ; the balance is expected to consist of aid.

The trade deficit has more than quadrupled between 1975 and 1978 to 1.4 bn TL (US \$ 54 mn) last year (Annex 8), in spite of exports increasing slightly more rapidly than imports. Turkey's share is falling continuously but this trend would tend to be reversed this year as a consequence of a recent decree banning all trade in consumer goods and foodstuffs with countries other than Turkey.

Though an agricultural area, food and beverages represent over 40 % of imports and exceed agricultural exports. Intermediate products and equipment constitute half of all imports while oil and petrol absorb the balance. Exports on the other hand consist primarily of agricultural products, over two thirds of which are citrus.

The small surplus in the balance on invisibles (Annex 9) stemming mainly from tourism, only partially covers the trade deficit, leaving a 1978 current account deficit of 977 mn TL (US \$ 39 mn) as against 705 mn TL (US \$ 36 mn) in 1977. Indications on the financing of the deficit are lacking.

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(1) Inflation exceeded 55 % in 1978.



Equally, figures on the amount and maturity of the external debt are not available.

#### 4.3. The development of the principal sectors

##### 4.3.1. Agriculture

More than half of the agricultural area of some 165 000 ha is devoted for the growing of cereals and a quarter is grazing land. Only about 8 % of the land is cultivated intensively with plants such as citrus, wine, vegetables, tobacco. Citrus is both the main export product and foreign exchange earner of the territory. As in the south, the administration encourages early vegetables for export but success up to now has been limited. Animal production is concentrated on goats, milk and eggs and has registered some progress in producing poultry and lamb. There is however a significant meat shortage. The good 1978 cereal harvest did not cover the local needs, though in vegetables the territory is self-sufficient. The area succeeded in selling an increasing proportion of the citrus production abroad after the division of the island, mainly to the UK (52 %) and Turkey (29 %).

State farms have been established to promote modern production methods and new crops. On the whole, the area's agriculture suffers as in the south from the scarcity of water for irrigation, and overpumping has polluted the aquifers with seawater, which is destroying some of the citrus plantations near the coast.

##### 4.3.2. Industry

The industrial base of northern Cyprus is weak. The industrial development suffers from international isolation, the restricted domestic market, the small size of establishments, low productivity and the lack of skilled labour. After the division of Cyprus, State Economic Enterprises have taken over a major proportion of formerly Greek owned enterprises. Due to the war damages and lack of know-how and skills, industrial production only slowly recovered after 1974, and in 1978 according to provisional estimates, output stood at about 57 % of capacity. The main industries concern food and tobacco related to local agricultural production, and some factories, mainly small, for textiles, shoes, furniture, plastics, cement and metal working (galvanised steel pipes). They provide jobs for a total 5 500, up from 3 500 in 1975. About one quarter of the total industrial production is exported.

#### 4.3.3. Tourism

The northern part of Cyprus was one of the major tourist areas before the division. There were two centres : one at Famagusta and the other at Kyrenia. Hotel capacity now is estimated at 2 500 beds. Since 1976, tourism restarted, and in the first nine months of 1978 about 54 000 tourists were registered in hotels, about the same number as the previous year. The facilities are however promoted mainly in Turkey and the proportion of Turkish visitors is over 80 %. Thus tourism does not fulfil its full potential as a foreign exchange earner.

#### 4.4. Prospects

The local authorities have established a five year development plan for the period 1978 to 1982, aiming at a 7 % p.a. growth rate of GNP. The plan is based on estimated 1976 and 1977 macro-economic aggregates which will have to be adjusted (1). The planned investment over the period amounts to 4.6 bn TL (about US \$ 100 mm), with a major emphasis being placed on the modernisation of agriculture, mainly by improving the water supply. The irrigation and development of the Morphou area, where citrus is grown, is the main project. As in the south, housing absorbs an important part of the investment budget. Transport and communications rank second in the planned investment effort with road building taking the major share. The major project is to realign and improve the existing Nicosia-Kyrenia road. Industrial investment is forecast to be concentrated on re-equipping those factories which have not yet started production after 1974 and to attract new establishments. They concern primarily light industries like electrical appliances, TV and washing machine assembly, dye-stuffs, detergents, or related to agriculture and food : orange juice and concentrate, water and beverage bottling, animal feed-stuffs and ice-cream.

Total investment over the plan period is projected to be financed by 67 % from domestic, public and private, savings, leaving 1.5 bn TL (US \$ 32 mm) to external financing. The budget deficit is assumed to remain high and foreign aid is expected to cover a quarter to a third of the overall expenditure. In spite of an assumed doubling of exports (+ 14.7 % p.a. in current terms) and net tourist earnings, the current account will remain in deficit.

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(1) The GDP figure as well as its composition is acknowledged to be incorrect. It differs from the more recent figures given in Annex 6.

The plan's growth target is definitely on the optimistic side in view of the past development of the North Cyprus economy and its present rather bleak situation. The economic prospects of the territory do not appear very favourable, since they depend to a large extent on Turkey - itself in a delicate position. The area, furthermore, is isolated from third markets and productivity of the agricultural and industrial sector is low. Substantial investments are necessary to increase water availability for agricultural production, which is the backbone of the territory's economy. Sufficient domestic savings for financing the planned investments are not available and the area will continue to depend heavily on external financing. The confused political situation with strong Turkish influence is hardly conducive to the attraction of private foreign capital. Since the "Turkish Federated State of Cyprus" is not internationally recognised and has no monetary authority, aid will continue to come mainly from Turkey.

A N N E X E S

ANNEX 1

South Cyprus

Employment by sector

	<u>1976</u>	<u>1978</u>	<u>% 1978</u>
Agriculture	45 220	44 100	26.0
Mining	2 330	2 020	1.2
Manufacturing	30 290	35 690	21.0
Construction	11 310	16 850	9.9
Electricity	1 350	1 360	0.8
Transportation	7 700	8 800	5.2
Trade	16 950	19 300	11.4
Banking	3 210	3 700	2.2
Public Administration	10 770	11 450	6.7
Services	24 820	26 600	15.7
Total employed	153 950	169 870	100.0

Source : Planning Bureau

South CyprusGDP BY CATEGORIES OF EXPENDITURE (in 1967 prices)

(C£ million)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>Average yearly growth rate (%)</u>
1. Final Consumption	160.6	180.6	220.6	+ 17.2
- private	137.0	157.2	189.8	+ 17.7
- public	23.6	23.4	30.8	+ 14.2
2. Gross domestic fixed capital formation	16.8	20.5	34.0	+ 42.3
3. Change in stocks	3.6	5.8	5.8	+ 26.9
4. Net foreign sector	- 20.7	- 13.2	- 27.9	+ 16.1

Source : Ministry of Finance, Economic report 1977

South CyprusMain domestic exports (1)

	1975		1977		1978	
	ooo C£	%	ooo C£	%	ooo C£	%
Potatoes	7 725	15.8	19 435	17.7	10 772	10.4
Fresh vegetables	846	1.7	2 192	2.0	2 518	2.4
Citrus, grapes	7 546	15.5	9 377	8.6	10 179	9.8
Clothing	3 450	7.1	11 983	10.9	16 322	15.8
Footwear	1 758	3.6	5 933	5.4	7 104	6.9
Portland Cement	5 980	12.3	10 556	9.6	8 306	8.0
Asbestos	2 127	4.4	4 381	4.0	3 724	3.6
Wine, grapemust	3 780	7.7	6 147	5.6	5 778	5.6
Cigarettes	1 321	2.7	3 815	3.5	5 915	5.7

(1) excl. re-exports

Source : Ministry of Finance, Imports & Exports Statistics

South Cyprus  
Imports by origin

%

	<u>1975</u>	<u>1977</u>	<u>1978</u>
EEC	45.9	45.3	50.8
Eastern bloc	9.7	8.2	7.0
Arabian Countries	9.5	8.5	8.1
Greece	12.2	8.3	6.3
Japan	3.9	5.0	5.4
Other	18.8	24.7	22.4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Exports by destination

%

	<u>1975</u>	<u>1977</u>	<u>1978</u>
EEC	43.6	38.8	36.4
Greece	4.2	2.0	1.7
Arab Countries	27.7	44.4	44.1
Eastern bloc	10.9	6.7	7.0
Other	13.6	8.1	10.8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source : Ministry of Finance, Imports & Exports Statistics



South CyprusMAIN AGRICULTURAL PRODUCTS

	<u>Tons</u>			<u>Value 000 C £</u>		
	1975	1976	1977	1975	1976	1977
1. Citrus	82 601	82 296	104 658	3 669	3 955	5 041
2. Fruit, nuts	20 879	21 488	23 520	1 732	2 147	2 726
3. Grapes	172 720	167 640	155 448	6 239	6 880	7 451
4. Olives, carabs	33 528	42 672	27 940	4 520	4 008	4 464
5. Vegetables	187 793	273 275	295 882	12 174	23 777	24 417
6. Cereals	83 312	90 424	80 264	4 374	4 717	4 474

Source : Ministry of Finance, Agricultural Census 1973

Northern Cyprus  
1977 Gross Domestic Product  
(in current prices)

	<u>in mn TL</u>	<u>%</u>
1. Agriculture	709.1	19.3
2. Industry	363.4	9.9
- mines and quarrying	15.4	
- manufacturing	287.4	
- electricity and water	60.6	
3. Construction	156.9	4.3
4. Trade	801.9	21.8
5. Transport and communications	253.3	6.9
6. Rents	257.7	7.0
7. Banking and private services	135.8	3.7
8. Public services	773.2	21.0
9. Import duties	228.2	6.2
 Total	 3 679.5	 100

Source : Turkish Cypriot administration

Northern Cyprus1979 Budget

- mn TL -

1. Revenue	
- Local	1 234.6
- Aid from UNHCR	67.0
- Aid from Turkey	378.0
- Foreign aid	634.3
	<hr/>
	2 313.9
2. Current expenditure	1 241.3
Transfers	688.6
	<hr/>
	1 929.9
3. Current surplus	384.0
4. Capital expenditure	503.5
- Infrastructure, incl. water	274.1
- Agricultural development	71.4
- Trade, industrial development	19.5
- Tourist development	5.0
- Social services (education, refugees, etc.)	133.5
5. Overall deficit	199.5

Source : Turkish Cypriot administration

Northern CyprusForeign Trade

	<u>1977/78</u>		<u>1978/79</u>	
	<u>mn TL</u>	<u>%</u>	<u>mn TL</u>	<u>%</u>
<b>1. EXPORTS</b>				
Agrumes	319.7	66.5	639.3	72.8
Potatoes	32.5	6.8	54.2	6.2
Other agricultural products	39.0	8.1	89.1	10.1
Manufactured products	52.3	10.9	68.7	7.8
Mining products	37.0	7.7	27.3	3.1
<u>Total</u>	480.5	100.0	878.6	100.0
<b>2. IMPORTS</b>				
Food and beverages	666.1	44.0	941.0	42.2
Fuels and lubricants	75.4	5.0	168.9	7.6
Fertilizer and seeds	10.6	0.7	48.9	2.2
Machinery, equipment	287.6	19.0	391.6	17.6
Intermediate products	473.7	31.3	679.9	30.5
<u>Total</u>	1 513.4	100.0	2 230.3	100.0

Source : Turkish Cypriot administration

Northern Cyprus

Balance of payments

- mn TL -

1.3.77-28.2.78

Estimate  
1.3.78 - 28.2.79

Exports	480.5	878.6
Imports	1 513.4	2 230.3
Trade deficit	- 1 032.9	- 1 351.7
Tourism receipts	825.0	1 035.0
Tourism expenditure	330.0	460.0
Other invisibles (net)	- 167.0	- 200.0
Invisible balance	328.0	375.0
Current account deficit	- 704.9	- 976.7

Source : Turkish Cypriot administration