

Cyprus: A Leading Maritime Centre

Introduction

The history of the Sea and Shipping in Cyprus traces back hundreds of years. The island's expert knowledge of sailing and trading was acquired through the many civilisations that conquered Cyprus in the ancient years, such as the Egyptians, Greeks, Romans, French, Venetians and British. Cyprus's constant striving for perfection in the field of merchant shipping has also been naturally facilitated by its almost ideal geographic location, which is at the crossroads of three continents, Europe, Asia and Africa.

After the independence of Cyprus in 1960, the country's economy witnessed an upsurge with the modernisation of all business and commercial sectors. Consequently, the role of Cyprus as an international centre for business and commerce has evolved considerably and was stimulated by increased trade, a growth of offshore activities, and the rapid expansion of the economy of Cyprus. During that period a number of external factors that contributed in the establishment of Cyprus as a strategic and significant international business centre were the re-opening of the Suez Canal, the growing importance of the Arab oil in the global economy and the enhancement of the Middle East as a prosperous financial region.

Cyprus recognised, as early as 1963, the political, economic and social importance of shipping. Since then, Cyprus managed to attract shipping entrepreneurs and to develop the country into a fully-fledged shipping centre combining both a sovereign flag and a resident shipping industry, which is renowned for its high quality services and standards of safety.

The extension and diversification of all possible avenues of shipping activity in Cyprus is to a large extent attributed to the country's excellent shipping infrastructure, which was developed through the years by the Maritime Administration (the Ministry of Communications and Works, the Department of Merchant Shipping and the Ports Authority), the responsible government body for shipping in Cyprus, and the Cyprus Shipping Industry, which is represented by the Cyprus Shipping Chamber. All services, both public and private, which shipowners and investors require are not only well represented and organised, but also work to the highest quality standards.

Cyprus, combines a legal system closely modelled on its British counterpart, an efficient civil service, good labour relations, an outstandingly high level of professionalism in the legal and accounting sectors, an excellent banking system, state of the art telecommunications and air links to all important destinations, that form solid foundations for entrepreneurs to set up their business.

A number of fiscal and economic incentives are also available, such as competitive ship registration costs and annual tonnage tax, an EU approved favourable and very competitive tax regime for shipowning, shipmanagement, and chartering companies and a competitive corporation tax for other international business enterprises, availability of competent local employees and comparatively low operation costs, which prompted many European and other entrepreneurs to establish local companies with fully fledged offices in Cyprus.

Today, the Cyprus Registry is classified as the 10th largest merchant fleet globally and the 3rd largest fleet in the European Union with approximately 1000 ocean going vessels of a gross tonnage exceeding 19 million. The Cyprus Registry is continuously upgrading its services in order to offer a high standard of support to its flag users and maintain its reputation as a “Flag of Progress and Quality”.

Cyprus, and more particularly Limassol, is considered to be the largest third party shipmanagement centre in the European Union, and one of the largest in the world. More than 130 shipowning, shipmanagement and shipping related companies maintain fully-fledged offices and conduct their international activities from Cyprus. The vast majority of these companies are located in Limassol and are Members of the Cyprus Shipping Chamber. Some of the largest shipmanagement companies in the world have their headquarters and conduct their operations from Limassol. It is estimated that approximately 4% of the world's fleet is managed from Cyprus. Among the shipowning and shipmanagement companies established and operating from Cyprus, 87% are controlled by EU, including Cypriot interests.

Companies engaged in chartering, crewing, ship surveying, shipbroking, salvaging and marine insurance, are able to offer first class services to their customers worldwide from their offices in Cyprus. In addition, competent and reputable shipping agents, efficient clearing and forwarding agents as well as top class ship chandlers, freight forwarders, travel agents and other shipping related companies are located in Cyprus.

Contribution to the Cyprus Economy

The economic contribution of Merchant Shipping to the economy of Cyprus is considered very significant. As mentioned above, the Government of Cyprus is well aware that through Shipping, Cyprus has distinguished itself by achieving remarkable international ranking and recognition far beyond its size and boundaries.

According to the most recent official statistical data issued by the Central Bank, in 2009, the financial contribution of Ship-management alone to the Economy of Cyprus, stands at 4.5% of the Gross Domestic Product (GDP). Similarly, once the equivalent statistics for the Ship-owning Sector are also consolidated, the total Shipping Industry's contribution to the Cyprus Economy can easily reach 5.5% of the GDP, a percentage higher than most of the equivalent contributions made in other EU countries.

The annual revenue of the Government of Cyprus from fees and taxes paid by shipping companies is estimated at around 8.5 million Euro, which mainly consists of tonnage tax from shipowning and shipmanagement companies, registration fees and fees from other services as well as for the registration of shipping companies by the Registrar of companies.

Another important contribution of the Cyprus Shipping Industry is that it has created many employment opportunities for Cypriots. The total number of gainfully employed persons by Cyprus Shipping ashore is approximately 4,500, representing 2% of the total gainfully employed population, and approximately 40,000 seafarers of different nationalities are employed onboard vessels controlled or managed by shipping companies located in Cyprus, Members of the Cyprus Shipping Chamber.

Department of Merchant Shipping

The Department of Merchant Shipping was established and started functioning as a distinct entity in the Ministry of Communications and Works, in 1977. The service existed, however since 1963 and functioned under the Department of Ports. The headquarters were situated in Famagusta, which was also the Port of Registration of Cyprus ships. Following the Turkish invasion in Cyprus in 1974 and the subsequent occupation of Famagusta area by the Turkish Army, Limassol replaced Famagusta as the Port of Registration of Cyprus ships. At the same time the port of Famagusta, as well as other smaller ports in the occupied area of Cyprus, were declared closed to international maritime traffic due to the fact that the Cyprus Government could not physically exercise control in the safe operation of these ports.

The establishment of the Department of Merchant Shipping inaugurated a new era of development of Cyprus in this important sector. The registration of ships became just a part of an all round effort to establish a sound infrastructure which would facilitate not just the registration of ships but also shipmanagement and other shipping related activities in Cyprus. The Cyprus Registry has shown phenomenal growth in the last twenty years.

The Department of Merchant Shipping is responsible for the development of maritime activities which include: registration of ships, administration and enforcement of the Merchant Shipping Laws, control of shipping and enforcement of international conventions ratified by the Cyprus Government, investigation of accidents involving Cyprus ships or seafarers serving on those ships or foreign ships sailing within the territorial waters of Cyprus, resolving labour disputes on board Cyprus ships and training and certification of seafarers.

Special emphasis has also been given to the speed and efficiency in providing services to the fleet as well as to the shipping community and in that respect, the administrative capacity of the Department of Merchant Shipping has been substantially strengthened with the tangible assistance of the Cyprus Shipping Chamber. This has been achieved both with additional staff and with the utilisation of the latest computer and telecommunications technology. The hours of work of the Department have been extended and urgent matters may be dealt with after office hours. The Department's overseas offices both in Europe and in the U.S.A can also offer their services whenever they are requested.

It is expected that the Computerisation of the Department of Merchant Shipping, which is now nearing completion, when fully implemented will make the Cyprus Registry one of the most technologically advanced registries globally, and greatly enhance the ability of the Department to offer speedy and efficient services to the users of the Cyprus Flag.

Maritime Safety and Security

The main efforts of the Government of Cyprus are focused on the continuous improvement of the existing maritime infrastructure, the incentives available to resident shipping companies and the enhancement of the international reputation of the Cyprus flag as a maritime flag.

With regard to safety and pollution prevention, Cyprus has fully harmonised its legislation with that prevailing in the EU. From an implementation point of view, the

Cyprus Maritime Administration is continually being strengthened with specialised personnel at the Shipping Department. Similarly, a network of inspectors of Cyprus ships has been set up at the most important ports around the world which has contributed substantially to the increase of inspections of Cyprus flag ships.

With such setup, the control mechanisms of the Department of Merchant Shipping have been substantially improved with a direct impact on the number of detentions of Cyprus ships around the globe, in particular with regard to detentions for serious deficiencies. This improvement was particularly felt when the significant drop in detentions of Cyprus flag ships enabled Cyprus to enter the Paris and Tokyo Memoranda of Understanding (MoU) on Port State Control "White Lists". In addition, following a joint effort by the Cyprus Shipping Chamber and the Maritime Administration, the Cyprus flag has been removed from the United States Coast Guard (USCG) targeting system, something which clearly indicates that Cyprus is committed to high operational and safety standards.

In view of the increasing danger of ships being used or being a target for terrorist activities, the Department of Merchant Shipping attaches particular importance to maritime security. The International Ship and Port Facility (ISPS) Code has been adopted and has been effectively implemented. All ships under the Cyprus flag, as well as all port facilities in Cyprus have been duly certified as complying with the requirements of the ISPS Code.

Recently, Cyprus participated voluntarily in an Audit Scheme undertaken by the IMO. The completion of the Audit revealed that the Department of Merchant Shipping has substantially complied with the IMO Assembly principles established under Resolution A. 974(24) and with the Code for the implementation of the mandatory IMO instruments included in Resolution A.973 (24). This voluntary scheme portrays Cyprus image as the only Open Registry having achieved this and as the second country worldwide being voluntarily audited. The Department of Merchant Shipping has already in place a complete system for adopting and implementing the IMO's Conventions and therefore the IMO Audit Scheme is viewed as a means of identifying weaknesses for the purpose of refining and perfecting the system.

As a result of the above measures taken and the positive results achieved, Cyprus will be setting a new course, taking a lead role, bringing added importance to European as well as International Shipping, and expanding and developing Cyprus Shipping and the Flag even further. Thus, any unfounded accusations of the past concerning the Cyprus Flag or Cyprus Shipping in general, such as the Cyprus Flag being a so-called "flag of convenience" or a substandard flag, clearly can no longer be substantiated.

Cyprus Ports

Geographic position is considered as the most important factor in the port business. Cyprus is strategically located in the north-eastern corner of the Mediterranean basin, at the intersection of major international and regional shipping lanes. Such a location has made the Cyprus ports a natural place of call for vessels sailing in and out of the Mediterranean region. Thus, despite of shipping consortiums and the relatively small size of the external trade of the country, some 100 different lines service Cyprus regularly, providing wide, regular and frequent connection between the Island and the rest of the world.

Seaborne traffic in Cyprus is served by a modern and highly integrated national port system composed of the new multipurpose ports of Limassol and Larnaca, the new

industrial port of Vassiliko and the three specialized oil terminals at Larnaca, Dhekelia and Moni.

All port facilities of the Island are under the jurisdiction of the Cyprus Ports Authority and their activities and development are centrally planned, coordinated and supervised for efficiency and effectiveness purposes. The Cyprus Ports Authority is a public autonomous organisation responsible for the management and operation of the ports of the country. Its jurisdiction extends over all port areas of Cyprus, covering ownership and running of the major port installations of the island.

Cyprus ports are located within an area of less than 40 nautical miles and by being part of the same enterprise, complement each other in terms of facilities and traffic, constituting one larger port in effect. In combination, they serve all types of cargo and jointly catering to the country's local and transit traffic requirements as if they were a single port.

Cyprus fulfils the role of a hub for a number of key trading areas of world significance. Cyprus is a natural transshipment centre for the Europe-Far East trade. The various shipping markets situated along the coasts of the Levant, North Adriatic and Black Sea can easily be accessed from Cyprus with minimum diversion from the main arterial route. Equally, Cyprus is a hub for other main-line deep sea trades traversing the Mediterranean, as well as for inter-regional maritime traffic.

The island is a pioneer in the development of purpose built container terminals in the Eastern Mediterranean and one of the first countries in the region to use specialised container gantry cranes. Following the completion of the new multimillion port development programme to be fully implemented by the year 2010, Limassol will become one of the most modern container ports in the Mediterranean Sea. Currently, Limassol port can handle a total annual capacity of 600.000 TEUs.

In recent years, Cyprus has become one of the most important cruise centres in the Eastern Mediterranean. It serves inter alia as the home base for a number of modern cruise ships. Enriching the islands tourist product, they carry out excursions in the region for locals and tourists on a regular basis for at least nine months of the year. The island is also included in the itineraries of most of the international cruise liners sailing in the Mediterranean region.

Current emphasis is being placed on the development of Cyprus ports as turnaround cruise ports. The proposed development of Larnaca port into a major cruise port is towards this direction. Larnaca Port is located only five kilometres away from Larnaca International Airport.

Favourable geographical location, a most safe environment for cruise ships and passengers and the high standard of tourist, business and port services available all contribute in making Cyprus the most attractive option both as a port of call and as a base for ships cruising in the Eastern Mediterranean.

Turkish Illegal Restrictive Measures Against Cyprus and EU Shipping

Since 1987, Turkey introduced restrictive measures that concerned exclusively the prohibition of Cyprus flag vessels to call in all Turkish ports. At that time, the Turkish Authorities justified the said measures as a counteraction to the adoption by Cyprus in 1974 of a lawful Order proclaiming the ports located in the occupied north part of Cyprus as closed ports.

The Government of Cyprus introduced this closed ports measure in order to uphold and maintain the sovereignty of Cyprus over its ports and due to the fact that safety of navigation could no longer be guaranteed in the area illegally occupied by Turkey. The above decision of the Cyprus Government was officially communicated to the International Maritime Organisation (IMO). Furthermore, any illegal calls at the closed ports constitute also a serious infringement of relevant international law instruments.

During 1997, Turkey issued new instructions to its ports to clarify uncertainties arising from the application of the restrictions, thus extending them against vessels under a foreign flag sailing to Turkish ports directly from any Cypriot port under the effective control of the Republic of Cyprus or against ships of any nationality related to Cyprus in terms of ownership or even sometimes shipmanagement. The immediate effect of these instructions was to restrict the use of Cypriot ports for transshipment operations of shipping lines in the Mediterranean Sea. It should be stressed though that, Cyprus fully complies with its international and EU law obligations vis-a-vis Turkish flag ships, as these ships can freely call at any Cypriot port under the effective control of the Cyprus Government.

Although the Turkish ban has for many years now adversely affected the development of Cyprus' ports, reduced the trade and hindered the growth of the Cyprus Registry, the issue has gained a new dimension since Cyprus is now a full member of the European Union. Now this illegal embargo is applied to EU flag ships and not just Cyprus flag ships, and therefore, it has become an "EU Shipping Problem" and not a bilateral shipping problem between Cyprus and Turkey, as was the case all these years.

With the beginning of Turkey's accession negotiations with the EU in October 2005, unfortunately once again the Embargo has not been lifted. The report in the Counter-Statement of the European Union to the Turkish Statement of not applying the Customs Protocol as regards to Cyprus, that the lifting of the Embargo "should take place in 2006", despite the fact that it was a very positive development, unfortunately, it had not been materialised. In December 2006, the European Council decided that the Embargo on Cyprus flag will have a detrimental effect on the EU accession course of Turkey.

With the Turkish Embargo still in force, a shipowner / shipmanager may at any time find his interests seriously prejudiced in case there is any connection with Cyprus. Clearly, such provisions constitute an obstacle to the trade between EU ports and Turkey, affecting all the parties involved in the transportation of goods by sea and all operations incidental to the proper operation of the vessel.

The Turkish Embargo distorts the application of the principle of fair and free competition in shipping trade with the EU, adversely affects the merchant fleets of EU Member States, and causes substantial increases in transportation costs. The Turkish measures restrict or threaten to restrict free access of EU shipping companies or ships to cargoes in ocean trades. Furthermore, the Turkish embargo undermines the economic development and cooperation of the region, within the framework of the EuroMediterranean Partnership.

The implementation of EU – Turkey Customs Union Agreement and the extension of the additional protocol to Cyprus will lead to the lifting of the Turkish ban against Cyprus and EU shipping with very positive economic effects for the Cyprus, EU and regional shipping.

Cyprus and the European Union

Cyprus through its very attractive legislative and operational shipping infrastructure has the potential and the advantages to develop into an even greater pole of attraction for first-rate shipping companies, both from countries within and outside the EU. In addition, the Cyprus flag, being in effect (together with Malta) the only "Open Registry" within the EU, will attract an even larger number of quality tonnage to Cyprus.

The accession of Cyprus to the EU had a substantial positive impact on both the European and Cypriot maritime industries. There is an important contribution of the private and the governmental sectors in terms of shipping know-how in the fields of ship registration and shipmanagement, which several European partners lack. This know-how is channelled through the active participation of Cyprus in the various EU bodies, such as the European Maritime Safety Agency (EMSA), the Committee on Safe Seas and the Prevention of Pollution from Ships (COSS), and the European Community Shipowners' Associations (ECSA).

In addition, the European merchant fleet capacity has increased upon Cyprus' accession due to the Cyprus fleet contribution. Cyprus fleet constitutes approximately 15% of the EU fleet. This means that Europe's voice in the main international shipping regulatory bodies (IMO and ILO) is strengthened along with a stronger position with regard to the entry into force of new regulations or amendments of existing laws.

Finally, Cyprus is transformed as the Europe's "watchdog" in the Eastern Mediterranean region. Cyprus will have to install and operate a Vessel Traffic Monitoring and Information System (VTMIS), which will have the full capability to monitor, process and provide information on maritime traffic that enters the Middle East border of the EU, with positive effects for the whole region in respect of illegal immigrants traffic intercepting, reduction of accidents and protection of the marine environment. Also, Cyprus as Europe's Eastern Border constitutes a bridge of communication and cooperation between Europe and the countries of the Middle East.