



# NEOCLEOUS

## THE 6<sup>TH</sup> LIMASSOL **ECONOMIC** FORUM

Wednesday | 21 October | 2015  
Four Seasons Hotel | Limassol | Cyprus

### The Future of the European Economy

The 6th Limassol Economic Forum, which took place on 21 October 2015, was hailed as a great success by attendees and received extensive media coverage in Cyprus and abroad. The Forum was organised by InBusiness and IMH and attended by a wide range of businesspeople, professionals and other senior decision-makers from the public and private sectors. Prominent figures from the world of politics and economics, including several ministers and ex-ministers, gave the audience their views and analysis of recent economic developments in Europe, conveying thought provoking ideas and stimulating extensive debate on the topic of economic recovery. Andreas Neocleous & Co LLC had an active role in the panel presentations and coordination of discussions. We have supported the Forum since its inception and have seen it become Cyprus's premier business event, and we look forward to continuing our successful collaboration.

#### **The current economic situation in Cyprus: Haris Georgiades**

The Minister of Finance, Mr Haris Georgiades, gave a presentation regarding the current financial programme and the terms and conditions which Cyprus must meet in order to "keep its house in order". In Mr Georgiades's view, good economic governance requires the creation of a fiscal reserve during good times, which can be utilised as a safety net during bad times. Discussing the 2016 government budget, the Minister announced that there will be no increases in taxes or spending in the coming year. He concluded that Cyprus still has some way to go before the economy is fully recovered, but progress is steady and commitment to Cyprus's financial programme is strong.



## **New normal or old normal? Prospects for the world economy**

Lord Lamont, who served as United Kingdom Chancellor of the Exchequer between 1990 and 1993, discussed the international political economy and the prospects for development. He contrasted the period from 1990 to 2010, in which development on a global scale was implemented both by developed and emerging markets, with the period after 2010 during which, in his view, growth has become concentrated in developed countries. Lord Lamont also discussed the upcoming UK referendum for continuing membership in the EU. The referendum is likely to take place in 2017 in order not to clash with the German and French national elections in 2016. Lord Lamont's analysis of the factors affecting the UK referendum provided interesting ground for discussion, particularly his view that the conditions under which the UK entered the European Union in 1975 were very different from the conditions which have shaped membership in recent times. While no monetary union was ever discussed back in 1975, the idea of the monetary union as it exists today seems weak without further integration at a fiscal level.





### **What of Europe's dream?**

The Chairman of the Forum, Mr Gavin Hewitt, Chief Correspondent, Europe Editor, journalist, author and presenter for the BBC, discussed the European dream as manifested through its values and freedoms. Mr Hewitt's analysis of the refugee crisis was particularly interesting. In his opinion it has exposed the weaknesses of European borders and has brought to the fore the survival of the notion of open borders. While the refugee crisis is a humanitarian issue, Mr Hewitt commented that European Member-States need to re-define their policies in order to accommodate refugees constrictively and efficiently without breaking social cohesion.

### **Greece and the Euro**

A very interesting and thorough presentation was given by Mr Mujtaba Rahman, who analysed the recent and dramatic events related to Greece's bailout programme and the possibility of a Greek exit from the euro and perhaps the EU. Mr Rahman commented that Greece's continuing membership in the EU was a matter of legacy for the German Chancellor Mrs Angela Merkel and was highlighted by her overarching concern about geopolitics and Germany's place in history. While a Grexit in August 2015 would have been seen as due to Germany's inflexibility, the fact that the Greek government agreed to a programme, shifts the responsibility and any blame for a potential exit onto Greece. Mr Rahman analysed the positive and negative parameters in completing the current financial programme. On the positive side he commented that Alexandros Tsipras now enjoys political immunity, has cleared opposition within his party and is faced with a parliamentary opposition which has traditionally positioned itself as pro-European and pro-reform. On the negative side, the current programme still remains as a programme which has been forced on the Greek people, at odds with the ideological base of his government and with a small 4-seat majority to ensure parliamentary legislation is approved. Overall, there is the question of competence and discipline, which has long troubled Greek governments in fiscal reforms and transparency.



### **Business Leaders Interview: The Cypriot Economy and Business- Return to Growth**

This year the Limassol Economic Forum presented for the first time the Business Leaders Interview panel, composed of Elias Neocleous, vice-chairman and advocate at our firm, Nicos Kyriakides, partner and head of financial advisory services at Deloitte Cyprus and Savvas Constantinou, country director for Barclays Bank, Cyprus. Mr Gavin Hewitt, Chairman of the Forum was the panel's moderator. The three panellists thoroughly discussed the current economic situation in Cyprus and provided insightful commentary on the way forward and return to growth. Elias Neocleous commented that while progress has been made, Cyprus still has to implement new legal frameworks rigorously. He characteristically mentioned that business and life in general depends on people meeting their obligations and commitments and that we cannot afford a return to the old ways of favouritism, indulgence and sweeping inconvenient things under the carpet. Mr Kyriakides agreed and commented that Cyprus has made considerable progress but must deal immediately with the pressing issue of non-performing loans (NPLs). Mr Constantinou also discussed the topic of NPLs and commented that such loans can attract sound and serious investment into Cyprus. The panel accepted questions from the audience, particularly regarding investing in Cyprus. All three panellists agreed that the oil and gas industry is a vital aspect of reinforcing Cyprus's brand as an international business centre. Mr Kyriakides also responded to a question on start-ups and highlighted the need to create a framework to support the start-up ecosystem through incentives and stakeholder support.



### **Why robots won't steal our jobs- lessons from history**

The final presentation of the Forum was a different type of presentation which concentrated on technological advances and employment. Ian Stewart, partner and chief economist at Deloitte, UK,

presented his unique research on how technology and employment interact; data presented showed that while today's wave of innovation will not render humans obsolete, technology affects employment in various ways. According to a recent survey by The Economist, there are several professions which technology could potentially "destroy" by 2023 such as telemarketers, accountants and retail salespersons. The interaction is not negative, as some may have thought, since technology complements labour, leading to improved outcomes in sectors which subsequently expand and generate new demand for labour while the lower costs of production and prices enable consumers to shift spending to more discretionary goods and services, generating new demand for labour. Mr Stewart commented that while technology has taken over many aspects of human labour, humans still excel in four qualities: empathy, relationships, creativity and agility. Machines do not possess such abilities. As an overarching theme, Mr Stewart also discussed how technological advances have driven people to spend more on luxury goods as opposed to a less technologically advanced society. His presentation provided food for thought and enabled the audience to think outside the box as well as consider human resource, employment and productivity strategies.

### **Outcomes and conclusions**

Gavin Hewitt, Chairman of the Forum, closed the event and thanked all the attendees and speakers for a constructive dialogue. The conclusion he took from the Forum was that the European Union both as a formal entity and as a value system has been greatly challenged during the last year. The possibility of a Grexit and the upcoming British referendum have brought to the fore the weaknesses of the system and highlighted the need for deep reforms to the core of the Union. It remains to be seen whether a more integrated Union will be the answer for the survival of a monetary union and how Member-States will react to further surrender of their sovereign power to the European dream. Amidst a pressing refugee crisis which has exposed the broken chains of the humanitarian system, the EU must re-define itself, both systemically and ideologically.