

## **The 6<sup>th</sup> Limassol Economic Forum**

### **Business Leaders' Interview**

**Elias Neocleous, Vice-Chairman**

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#### **Opening speech**

One of the enduring memories of George W Bush's presidency is his 2003 speech aboard an American warship celebrating a "job well done" in Iraq, against the backdrop of a banner reading "mission accomplished".

I am often reminded of that speech when I hear our political leaders celebrate the rehabilitation of our economy and our return to the sunlit uplands of prosperity. The uncomfortable reality is that, far from being complete, the job is just beginning.

This is not to belittle for a moment the progress that has been made. We have begun to reform our institutions and we have modernised our legal framework, particularly regarding business rehabilitation, insolvency and debt recovery, which are critical elements for dealing with non-performing debt and putting the banking system back on track.

But putting the legal framework in place is only the beginning. We have to implement it, and implement it rigorously and effectively, to carry out the task for which it is needed. So far we have built the boat that we hope will take us across the sea. Now we have to leave the safety of dry land and begin our voyage.

There is little doubt in my mind that implementing the new legislation is going to cause hardship and distress to many borrowers in the short term, but it is essential if we are to restore the viability of our banks and our economy.

To paraphrase the chief executive of Bank of Cyprus, who I congratulate for the progress he has achieved, business, and life in general, depends on people meeting their obligations and commitments. We cannot afford a return to the old ways of favouritism, indulgence and sweeping inconvenient things under the carpet.

In the past couple of years there has been an influx of what are termed "value investors" into Cyprus, people who see opportunities to improve the long-term profitability of underperforming businesses. Of course, they are primarily motivated by their own interests, but if they succeed everyone benefits, including the employees of the businesses they invest in and the economy as a whole. We must welcome these investors and deal with them transparently and fairly; otherwise they will simply look elsewhere.

Our nascent energy industry, whose prospects seem to ebb and flow from month to month, should have taught us that we cannot rely on quick, outside fixes. There is no substitute for carrying through the reforms that we have set in motion, and building a modern, transparent economy.

The financial and professional services sector, in which I work, is well placed to contribute to Cyprus's long-term prosperity. There are challenges in our traditional markets and we need to reduce our

dependence on the traditional “bread and butter” work from Russian and Eastern European businesses, but there are also great opportunities, for example in arbitration and alternative dispute resolution services, where there is a clear regional gap. Development of the funds sector is another priority area.

Because of our geographic position and our own recent history, we are heavily influenced by external factors outside our control. In the circumstances the sensible course of action is to make our economy and the businesses that comprise it as fit, efficient and competitive as possible.