

FIRST ASSESSMENT OF THE IMPACT OF THE NEW COUNTRIES' ACCESSION -ESPECIALLY CYPRUS & MALTA- TO EU*

By

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Abstract

This paper deals first with the so-called wealth gap between EU-15 and CC-13, which is an important handicap that EU cohesion policy gives the lion's share and its primary attention. Concern is also expressed for the regional development and integration of regions and countries. New trade theory is mentioned and recommended for all CC-13 and for Cyprus and Malta. The disadvantages for and the advantages of accession are mentioned next. Specific reference to Cyprus and Malta is next attempted. Cyprus must become more a new City of London providing maritime services to Balkan group and Turkey. The know-how has to be bought not invited through FDI. In Maritime matters Cyprus is strong with 36 m dwt and behind Malta with 40 m dwt. Cyprus had made substantial pre-accession progress and improved MOU performance. Malta had better MOU performance in 2003. But progress must be made under the chapter of the adoption of certain key international conventions like Marpol (F15 L49).

1. Introduction

This paper will not deal with history as far as the accession procedures are concerned, but it will deal with the future of the enlargement, which is equal if not more important. Certain key points will be only next presented.

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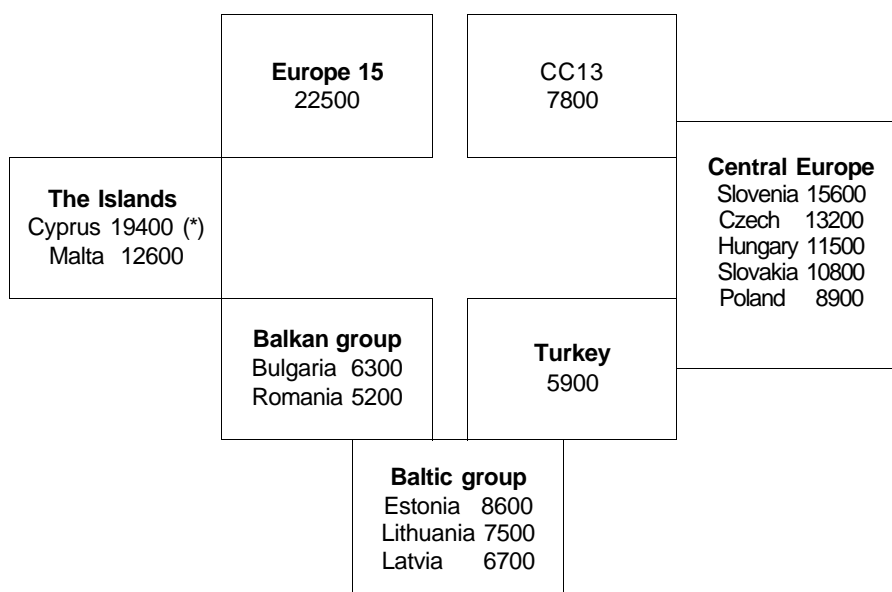
2. The wealth gap in the enlargement

The first important obvious issue of the enlargement-recognized by EU- is the great differences that exist in the level of incomes of the CC-13, a fact that is going to make difficult the equalization of incomes to those of EU-15, if ever. Regional development is also a problem within this problem, which concerns primarily Cyprus.

Europe-15 has a three times higher GDP per capita in 'purchase power standard' of 22500€ against 7800€ for the enlargement countries in 2000. The income profile of CC-13 is shown in diagram 1 below

DIAGRAM 1

The GDP per capita in pps in 2000 for the 13 countries in the enlargement



Source: Price Waterhouse. (*) The exact figure is not secure: One source gives 13000€ average GDP per capita (highest in Med. Area). Others: Well over US\$ 15000 (2001). Some other sources state 14000\$ or 14200€

DIAGRAM 2

New EU Cohesion Policy 2007-2013

Architecture of EU Cohesion Policy 2007-2013		
CONVERGENCE: FOR <75% OF EU GDP PER CAPITA: (264 BILLION). 79%	I REGIONAL COMPETITIVENESS I & EMPLOYMENT: 57.9 BILLION 17%	EUROPEAN TERRITORIAL CO-OPERATION: 13.2 BILLION, 4%

Source: http://europa.eu.int/comm/regional_policy/debate/forum_en.htm.
IP/04/972 15/07/04 & COM (2004) 101 & 107.

As shown in the above diagram there are serious disparities between the per capita GDP between EU 45 and CC -13.

This has also been recognized by Commissioner Peter Balazs who stated that: "one of the main, common objectives of an enlarged European Union should be the reduction of the wealth gap" (IP/04/925-15/07/2004). This will be done using three objectives as shown in diagram 2 below.

The investment of cohesion funds will be on a limited number of priorities reflecting the Lisbon and Gothenburg agendas. The lion's share of funds-79%-will concern those countries/regions having of **less than** 75% of the community average in per capita GD. These funds is believed that they will help growth and employment as well as competitiveness with a view to converge to EU's GDP per capita.

The Commission wishes too to promote **regional development** for the anticipation and promotion of economic change by strengthening competitiveness and more over at creating **more and better jobs**². The work force has to be adapted to economic change too. Commission wishes for regions to **cooperate** at a cross-border, transnational and interregional level for integration. As shown in the diagram 1 the Balkan Group, the Central Europe group and Baltic group on basis of geography, they may be integrated faster and easier with Sweden, Denmark, Germany, Austria, Italy and Greece. Greece (Crete, Rhodes) may create a shipping line with Cyprus and Italy with Malta. Turkey with Cyprus and Greece may be as well integrated.

The EU's policy is a standard economic policy applying to the **customs** and **economic unions**. The 28 member countries must form eventually a single market with uniform prices, interest rates, incomes, public debts, inflation rates and one currency (€). Unemployment if too high must be diminished and **mobility of all factors of production** must be attained in a **sustainable**³ and fast way. Thus economies of scale will be attained due to the further extend of the market (75.5 million consumers of CC-11 will be added to 376.5 million of EU-15) and prices will be reduced only this way, and if the cost of production is diminished as a consequences of competitiveness. Other means will not be possible as e.g. with the aid of the change in parity of the national currency to foreign currencies.

Cyprus however and the other countries-in our personal scientific position-must apply the **New Trade Theory** about developing **non-resources based industries** (Goulielmos, 2004a). What all countries must pay attention is that prices and the cost of living is quickly adapting to the general situation in Europe based on price of imports and relatively more dear labour, but incomes are gradually adapting in a slower pace, if ever. This means that countries will soon reach the cost of living of Europe, but incomes will remain far below. Surely, there will be no trade barriers, which are positive, and minorities will be protected.

The diverse effects to the enlargement countries will be in addition: (a) The diminution of the sovereign power of all national institutions as unanimity in the decision-making is impossible, while centrality is real. (b) Sharing costs of the enlargement so that to receive more than pay. (c) 51 regions of CEEC-10 need boost of income at expense perhaps of Spain, Ireland, Portugal and Greece. (d) In manufacturing it might happen an acceleration of globalization and relocation of labour intensive industries to places of excess cheaper labour supply. An inflow of immigrants may be not avoidable. (e) Labour productivity is at 1/2 of EU-15 with the existence of less skilled labour. (f) Schooling range to increase from 11-13 to 14-16 with higher education quality. (g) Increase 10 times in value terms (!) the physical capital and replace obsolete one that exists in CEEC. The pleasant fact is that the foreign direct investment in CEEC-10 increased to 24% (+4% than in EU). Exports to EU increased 41/2 times between 1988 and 1998.

3. Cyprus and Malta

Cyprus is the wealthiest country of CC-13 (followed by Slovenia). Central European countries are better off than the rest (diagram 1). The lower boxes show the poorer countries. The population of Cyprus is thin -about 757.000 - (26% living at capital Nicosia)- with dependence on imports of raw materials, capital goods and energy. It is a prosperous country with a sustainable growth (GDP): The growth rate between 1986 and 1995 was 4.4%), for 1997-1999 was 4% and 4.8% at 1st three months of 2002. Inflation was on average 2.53 in 1997-99 and 2.4% for 1st three months of 2002 and unemployment 3.375 in 1997-2000 and 4.2 in 1st three months of 2002.

Cyprus underwent its transformation from a rural underdeveloped economy into one with a strong Service sector (tourism etc.). **This of course is a wrong development plan**, as we will explain below. Cyprus is the major trade partner of EU (54% of trade volume) and Middle East.

It is an international business center with a focus on offshore commercial and financial services as well as on the establishment of shipping companies on its ground. This means that Cyprus has the ingredients to become a new City as that of London. Moreover, English is widely spoken and understood and is regularly used in commerce and government. Cyprus has a high standard of living, level of education and wages, and a well qualified labour force and a dynamic and a family type of enterprises like those in Greek Shipping.

Malta is too a small country of 382,525 (2000, 1/2 that of Cyprus) inhabitants and its economy is based on Shipping and Tourism (2/3 of GDP; 1180145 arrivals in 2001; 110 m \$ gross inflow). Is an agricultural country and the manufacturing is connected with Agriculture. Unemployment is low and round 3.5% & 4% (6.5% 2001). There is an external debt. Ineffective tax system. Dependence of the economy on the imported technology and on exporting semi-conductors. Lack of industrial policy, of water and of own energy resources. Also here the development plan has to be changed.

4. Philosophy of the enlargement

The philosophy of the enlargement can be summarized as follows: Europe will be safer and more stable. New markets will be opened up. A high level legislative framework will rule. This enlargement is considered as the largest so far in terms of population and production (Europe's population increased by 1/3 and the Europe's GDP increased by only 10%). The new countries as men-

tioned show many disparities: Slovenia is as rich as Greece, but both are the poorest in Europe. New countries have the 25% of EU's average GDP and below 15% of the average of EU's income per capita. Moreover, there will be an issue as far as regards the future freedom of movement of workers from the accession CC-13.

5. Maritime Europe-15 & Maritime Enlargement

(A) General view

Maritime Europe with 15 members, owning 8987 vessels⁴ of 244.7 million dwt (as at 01.01.1999) has 'invited' another 13⁵ countries. The most 5 important however maritime countries in Europe are shown in table 1. The most important by far is Greece with over 50% share in total tonnage.

TABLE 1
Maritime Europe, 1.1.1999.

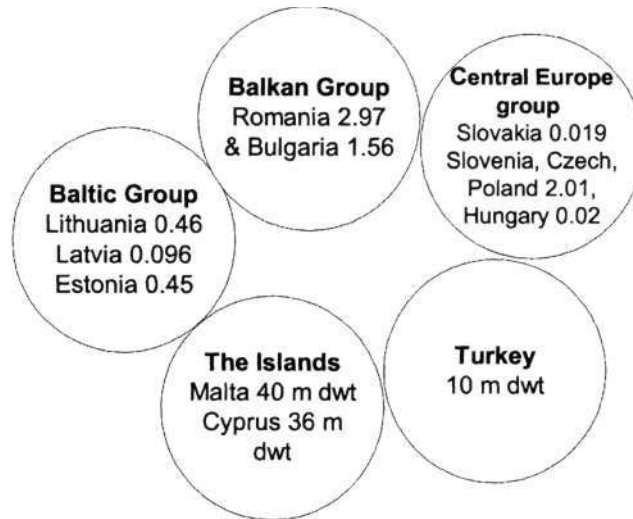
Maritime European 15 Countries	No of Vessels	Dwt	%
1. Greece: 2.6 b € 31000	3233	127.4	52.2%
2. Germany: 6.3 b€ 14500 ⁷	1791	26.1	10.7
3. Sweden: 3-3.3 b€ 14000	409	21.1	8.6
5. Denmark: 4.2€ ⁸ 16000	621	13.0	5.3
4. G. Britain: 8.3b€ ⁹ 33500	760	19.2	7.8
Sub-total: 24.7b€ 109000	6814 76%	206.8	84.6
Italy, Belgium, France, Netherlands, Spain, Finland, Austria, Portugal, Ireland & Luxembourg: 20.3b€ 75420 ¹⁰	2173 24% 8987 100	37.9 244.7	15.4 100
Total			

Source: Policy Research Corporation NV & ISL.

According to figures of UNCTAD as at 1.1.1998 the fleet arrives at 252.51 dwt. The number of ships is more than 9058. Droussiotis (2003) listed about 23 m GT for Cyprus (2001, or 31%) and 74.4 m GT for Europe. This can be transformed to 34.5 m dwt (31%) & 112 m dwt (69%) for EU. Europe calculates this as equal to 37% of the world merchant fleet (from 34%). The fleet of Cyprus

DIAGRAM 3

The Five Maritime Groups of the enlargement as at end of 1998
(million dwt)



Source: Goulielmos from data from Unctad (1999).

varies according to source: some state that is 25 m GT and 1500 ships (Financial Times). Cyprus fleet gives employment to 5000 persons and 40000 seamen of which only 400 Cypriots. Contributes by 2% to the GDP of 100 m C Pounds.

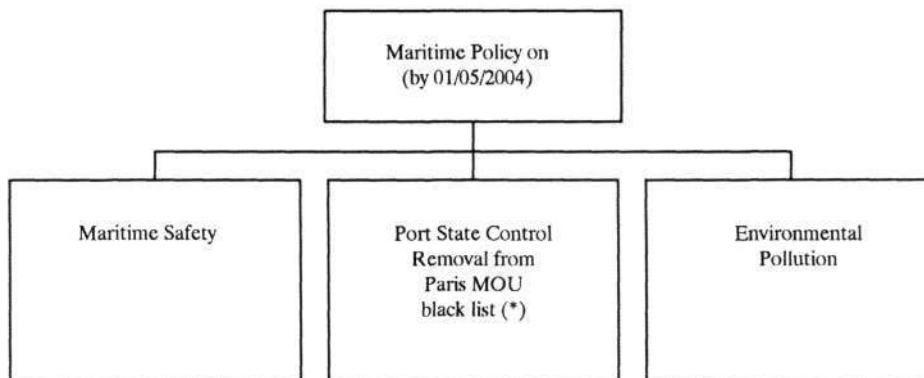
The composition of the enlargement is very synthetic: it comprises by 5 groups as shown in diagram 3 below.

As shown in the diagram 3 and diagram 1 as well the five groups are: (1) The Baltic group with Lithuania, Estonia and Latvia. (2) The Balkan group with Romania & Bulgaria. (3) The islands group with Malta & Cyprus. (4) The Central European group consisting of (Slavic countries) Slovakia, Poland, Czech Rep., Hungary & Slovenia and (5) Turkey.

As shown in the graph, the most powerful group is "the islands" with some 76 m dwt at the end of 1998. Then comes Turkey with 10 m dwt. Next are the Balkan countries with 4.53 m dwt. The total is about 94 million dwt, which is 37% of that of Europe. Europe will arrive at 346 million dwt after enlargement. This is 1/2 of the world of 725 million dwt (ships 1000 grt & over).

DIAGRAM 4

Malta & Cyprus and CC-11 for a new maritime policy from 2004.



Source: Paris MOU on Port state control, Annual report 2001.

(B) How EU-15 sees the Maritime Enlargement?

The common problem is the follow up and enforcement of the maritime acquis in the areas of maritime safety and Port State Control especially for Cyprus & Malta, as being the maritime powers in the maritime enlargement. Moreover, another problem is the flag performance under the Paris MOU. EU doubts¹¹ the staffing and effective administrative capacity to achieve the compulsory 25% of minimum inspections and apply an efficient reporting system from CC-13. One must recognize the efforts made by Cyprus in maritime issues (www.go2.com.cy) since 2001. Also a delocalisation of jobs is expected by EU-15 that will happen with seafarers from CC-13.

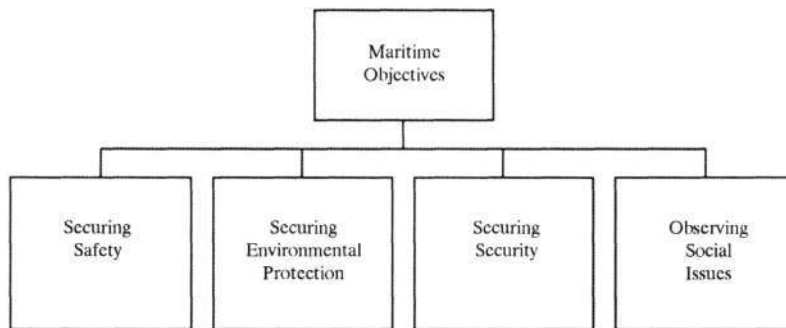
So, EU-15 will ensure-by proof reading legislations-the gradual adoption by all and with no exception of all Acquis Communautaire on Maritime Transport. Moreover to reinforce the controls and legal instruments for guaranteeing its effective enforcement by all EU member states. Apply strict measures for the sensitive areas of maritime policy as shown in diagram 4 below

(*) Malta is on the black list in 2001 with medium risk with 527 detentions in 1999-2001 out of 4934 inspections. Also in 2003¹² remains in the black list with 364 detentions in 2001-3 out of 4696 (medium risk) & Cyprus is too with 397 (instead of 319) detentions out of 4167. In 2001-2003 Cyprus remain in the

black list with 300 detentions out of 3792. Turkey (503/2463) & Romania (35/186) are in the very high risk, and Bulgaria (30/284) is in the black list, too (medium risk). This system however is not objective (Goulielmos, 2001), as it takes no account of the size of the fleet (Cyprus 1675 or 2664 ships, 6th world position, 24m GT or 28 m GRT Naftemporiki 2001 including 562 yachts and all

DIAGRAM 5

Maritime objectives of EU-15 required from CC-13 and especially from Malta and Cyprus.



other types).

In the above diagram is clear that all CC-13 but especially Malta & Cyprus -and I would add Romania, Bulgaria and Turkey- must adapt to the EU requirements on maritime Policy¹³. EU makes the point more clear that some from CC-13 are either in the black list or on the grey list. These then are different from most of the MS. Quality shipping is the future motto and its enforcement and promotion can only be achieved by strengthening the controls and applying the adequate sanctions. The objectives are shown in diagram 5 below

Source: Unknown, titled enlargement and the maritime. There is also the idea of establishing an EU Coast Guard!

The benefits that EU-15 see from accession of Malta & Cyprus is that these countries will be bound to observe EU-15's legislation with a louder voice at IMO and ILO due to the increased tonnage. Shipping companies will also increase in EU-15 by at least 150 from Cyprus.

Malta & Cyprus however have to retain their present maritime importance. This is not to be guaranteed (Goulielmos, 2004b). This will be in line with most of other

M-S that became competitive by re-flagging. Moreover a substantial increase of a generally well-qualified EU seafarers' community is expected vis a vis shortage of officers and may be and ratings in EU-15. In addition is the importance of shipbuilding in certain CC-13 and those countries in the next enlargement.

EU wants to see UNCLOS article 94 par. 3 should be substantially observed. As far as the status regarding the conventions adopted we may say that as at 31/12/2002, Cyprus has not ratified the Stockholm 1996 agreement, the CSC convention 1972, SFV protocol 1993, STCW-F convention 1995, the facilitation convention 65, Marpol 73/78 annex iii & iv, 97 annex vi, the London convention protocol 96, the intervention convention 69 & protocol 73, all PAL conventions and protocols, Nuclear 71, LLMC, Salvage 89, OPRC 90 and HNS 96. We think that Cyprus should ratify the PAL 74, & 76 protocols, the LLMC 76, the SUA 88 and protocol 88, the salvage 89 & OPRC 90 and those underlined above. For Malta the situation is even worse for the Marpol annexes iii-vi are not ratified which are important. Turkey for example has ratified 18 conventions & protocols out of 50. The following table gives an idea

TABLE 2

Convention status as at 31/12/2002 in EU-15 and CC-13.

Countries	No of conventions ratified	Missing No of Conventions and Protocols	
Austria	15	35	70%
Belgium	33	17	34
Bulgaria	24	26	52
Cyprus	30	20	40
Czechs	16	34	68
Denmark	43	7	14
Estonia	25	25	50
Finland	38	12	24
France	39	11	22
Germany	39	11	22
Greece	37	13	26 Base?
Hungary	20	30	60
Ireland	31	19	38

Countries	No of conventions ratified	Missing No of Conventions and Protocols	
Italy	36	14	28
Latvia	34	16	32
Lithuania	18	32	64
Luxembourg	23	27	54
Malta	26	24	48
Netherlands	39	11	22
Norway	44	6	12 Base ?
Poland	33	17	34
Portugal	31	19	38
Romania	23	27	54
Slovakia	23	27	54
Slovenia	26	24	48
Spain	40	10	20
Sweden	43	7	14
Turkey	18	32	64

Source: Status of conventions 31/12/2002.

If we pick Norway as a basis for comparison, then none country from the above is better. If we take Greece, then 19 countries fall behind it. Thus there is a lot of way to go in the chapter of Conventions for the CC-13. For Cyprus I would prefer Norway's status though not in the EU.

Matter of concern as mentioned is too the possibility of reduction of employment of crews in the European ferry trades- currently supplied by 90% from existing EU MS-if existing standards are not acceptable and host nation market rates of pay not accepted (MIF, 2001).

6. Further Analysis

(A) *Impact of Accession on Cyprus*

Cyprus is perhaps the most ready country to converge fast to EU-15 as far as income per capita is concerned (65% of EU-15). The only problem will be to boost the poorer region of the island.

The geographical handicap of the island must also be studied and reversed by integrating the island into the European transport networks and short sea shipping. General cargo ships on average seem that they fall to 6493 GRT, which is within a short sea shipping size. Passenger ships are (2001) 36 with 236000 GRT. Thus the short sea fleet of the island up to 20000 dwt must be boosted and connections with Greece (Crete at least) and Turkey must be promoted. The island may be further prepared on the basis of a plan to become a City of London for the wider area, providing maritime services to at least CC-13 and EU-15, including Maritime Education and P+I clubs services. A seafarers' school may be established for CC-13 in Cyprus.

As far as the development strategy is concerned, Cyprus must have a complement to the old development theory of exploiting natural endowments and resources like tourist and other services. Instead of only inviting foreign direct investment¹⁴ in Cyprus to buy know-how in non-resource based industries. So, Cyprus will be able eventually to export products that today Cyprus is considered unsuitable on the basis of old Trade Theory and international specialization. Example is the trade between France and Germany. Investments of Greeks in Cyprus in 2001 accounts for 15.4 m CP, while of Cypriots in Greece about 50 m CP.

On Maritime domain Cyprus may choose to be a City of London. Then to boost safety and security of shipping by adopting many more conventions and the ISPS. The ideal will be to reach Norway, which is the most successful country in this aspect. If not, then to reach Greece. This will be watched by EU. Moreover, the Caesar's wife must be and look honest. This means that very bad ships-that may be few- that destroy country's performance under MOU may be considered to be expelled from Registry or/and at least warned out. The table below gives Cyprus' record on ships' detentions

TABLE 3
Cyprus ships on detentions in Paris MOU, 1995-2003

Years	1995	1996	1997	1998	2000-2001	2001-2003
% detentions	22.15	21.85	20.65	18.42	8.85	7.91

Source: Paris MOU.

This table indicates a substantial improvement in 2000 and after. Precaution is better than cure here. Ships must be inspected and conformed before

are caught by MOU. I think that Cyprus will be successful in the requirements of EU. The only reservation is for the regional development and the full integration of the country.

(B) Impact of accession on Malta

Malta too has tried to adapt and it did so including its effort to un-label itself as a flag of convenience (http://www.invan.gr/news_details.asp?newsid=45875). Being mainly an agricultural and services country based on shipping and tourism has to pay efforts to industrialization via buying know-how and with emphasis on non-resources based industries. The income gap is wider in this case and dependence on foreign firms and UK is stronger than in Cyprus. Integration can be achieved with Italy via short sea shipping and European transport networks. In ports Malta is strong with Marsaxlokk (www.mma.gov.mt/ports_mainports.htm) and Valetta. It may expand ship-building as well. In maritime affairs we understand and expect that Malta through stricter safety standards, it will loose ships from its register. It has also to adopt more international conventions than Cyprus.

7. Conclusions

This paper first presented the so called 'wealth gap' which is the phenomenon of great differences in incomes that exist between CC-13 and EU-15, and which will prevent integration and the **new single market** to be formed for the common good and welfare. Moreover, there are regions within CC-13 that exhibit more acute problems than income inequality. Peace (and protection from terrorism?) may be secured in EU-28 by the EU Army in future. But **real union** of 28 will never be achieved, as the one thing that unites is absent and all things that separate are present.

EU is a wealthy well-educated, well regulated, with important institutions, legal systems, a skilled and disciplined family that admits some members that are not so. The success of the whole try is fast adaptation.

The main benefit that EU offers is non-returnable funds (grants) that for certain countries are substantial unilateral transfers and which may be devoted to productive **big** endeavors that cannot be accomplished from national budget- before or after accession. Funds should be not cut to pieces that is often the temptation, and wasted away, and should be allocated from President's/Prime Minister Office. The main criterion of allocation between uses is

the reduction of cost and time to the productive units that provide well paid employment.

Cyprus as an economy is mostly ready to adapt and soon be equal among equals. The problem of Cyprus is to understand the new peripheral role that may play. Cyprus must integrate herself and neighboring countries to EU-15. It has a geographical disadvantage as being an island and as being far away from Brussels. Transportation in its sustained form may integrate Cyprus and the rest to Europe via short sea shipping and early links to European transport networks and /or TINA.

Cyprus may become more a second City of London for Shipping and establish connections with Crete, Rhodes and Turkey. Here infrastructure is important¹⁶. It may be an educational center for Balkan Group (especially Romania and Bulgaria) and Turkey.

The next benefit is the **wider market** provided for economies of scale, competitiveness and growth, but also the danger of some one stronger in taking over the weaker. For people, the economic environment will be stable-prices, incomes increasing only by productivity, interest rates, inflation, structural unemployment, public debt and the likes. All these will be stable. Reduction of cost will be the only way to sell and not foreign exchange parity. Cost of living soon will adapt to that of Europe as subsidies will not be allowed and cost of imports will be fast incorporated due to the reduction of tariffs. But what if incomes are not able to adapt to those of Europe? We have advanced a warning. Cyprus and the other countries must abandon the old development policy of FDI or at least not rely only on that, but try to buy know-how especially in non-resource based industries and export to Europe products that you import following the example of France-Germany trade in electronic products.

In Maritime matters Cyprus and Malta are strong and have made remarkable progress the last 3-4 years at the expenses-we believe-of a plethoric registry. Safety and security must be observed and certain important international conventions like Solas, Marpol and ILO 147 must fully be ratified the soonest possible in all their annexes and protocols after study. The Cyprus as well Malta will be closely watched from May 2004 on. Environment is a new tax collector which you cannot disregard as you may wanted. You have to pay. And EU will too watch.

Notes

1. According to other sources the per capita incomes are: EU=22000€, 5400 Czechs, 3800 Estonia, Hungary 4900, Latvia 3300, Lithuania 3300, Malta 9000, Poland 4400, Slovakia 3900, Slovenia 9800 and Cyprus 14200 (2002).

2. The unemployment index varies too as expected. Czechs 9.3, Latvia 8.2, Hungary 5.6, Estonia 6.5, Malta 5.1, Lithuania 12.9, Poland 18.1, Slovakia 19.7 and Slovenia 11.8. The last four countries have a higher index than EU-15 (9.3). Serious is the problem with countries with large populations like Poland with 39 million, Hungary 10 million and Czechs 10 million. All countries except Lithuania have higher inflation rates than EU-15 of 2.7%! Especially Slovenia (8.1) and Hungary 6.2. All countries have lower average wage than EU-15 as to 1/3 in most cases with best Slovenia at 60%.

3. This means with pollution targets complying with Kyoto Protocol. Sustainable mobility and fast transportation were the targets of the EU now and for some years. New countries must proceed to the European Transport networks and the idea of Short Sea Shipping. Cheap and clean Mobility is the physical prerequisite for the free movement of factors of production from places of abundance to places of scarcity. Otherwise equalization of incomes and prices will be no possible.

4. 300 gt & over. The figures are underestimates of the actual figure from at least 6% to 10%.

5. Bulgaria, Cyprus, Czech Rep., Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovak Rep., Slovenia and Turkey.

6. From ship owners for 1998 and 1997 for employment. These figures are underestimates. The employment must be about 140,000 and 40000 at shore. The inflow must be 12 b€ in 2003.

7. For 1998. The employment figures are for 1998. But 10000 persons at shore are not included. Other estimates give 47000 for 1997.

8. For 1995. The owners give 23000 for 1998-99. Also the turnover was 6.8 b € to 1993.

9. Other estimates give 7b€ and add employment of 24200 persons at shore (1996).

10. No uniform figures exist. Most important is Italy for 1997 with 30000 persons. Then comes France with 1996 4.14b€ and 12100 persons. Then comes Belgium and Finland.

11. Mr Droussiotis (2003) mentioned the need of additional marine surveyors and officers, full computerization, tougher policy on substandard vessels, more ship inspections by DMS and independent surveyors. There are today 35 inspectors in 25 ports in 14 countries (2001). However the Paris MOU performance is not the one desired at least in 2003 as mentioned above.

12. In 2003 Cyprus gets 7.4% of detentions while all countries have 7.05. Malta gets 6.25. Worse than Cyprus are (%): Belgium 10, Estonia 12.64, Romania 11.11, Slovakia 57.14, Spain 7.62, & Turkey 17.49. Lithuania is close 7.32, Poland 5.08, Bulgaria 5.68.

13. Mr Droussiotis had (2003) the same expectations like: reduction in detention rates for Cyprus ships, resolve the image problem, not being/ or treated as a flag of convenience any more, attract more quality ships, more shipping companies setting up business with an ambition for Cyprus to be the major shipping power within EU (after Greece I presume).

14. The countries that have been benefited so far from FDI are: Czechs, Hungary, Poland, Slovenia and Estonia. It is considered important as it helps the acquisition of plants and equipment and the transfer of technology using local inputs and delivering know how but local producers are phased out. In these countries the first stage is privatization of state assets as done in Hungary and Estonia but not equally well in Czechs and Slovenia. The FDI and trade had the following shares: Czechs 62%, Hungary 67%, Poland 45%, Slovakia 63% and Slovenia 58%.

15. We understand that Lemesos port has been extended by 2001 and is under improvement and the 24hours provision of services is a fact by now. Larnaka port is to follow, especially as a Cruisers' port. They have accepted 4000 ships and 15 m NRT and handled 3.5 m tons of cargo incoming or transit. These are distribution and warehousing ports and also transshipment centers. They may of course improve their services by providing just in time services and more effective free zones allowing computerized warehousing and assembly potentials within the port in competitive terms in relation to private firms in certain industrial activities. Also may get ISO 9001 of 2000.

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