

## E-EMPORIO

*Increase SMEs export skills through e-learning*

LLP-LdV/TOI/2013/RO/012



### DESK RESEARCH IN CYPRUS

#### WP2 – Research and Analysis

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## Contents

1. Introduction.....	3
2. Cyprus Exports.....	6
3. Organizations supporting exports .....	9
3.1 Trade service .....	9
3.2 Chambers and Associations.....	9
4. Factors that make exports difficult .....	11
5. Training needs of the employees of the SMEs - Skills Needed/ Skills shortages .....	12
6. Available training material .....	13
7. Available training courses .....	14
8. Limitations of material/ courses.....	15
9. Added value of E-EMPORIO in relation with the training offer in the field .....	16
10. References.....	17

## 1. Introduction

Cyprus is located in the extreme northeast corner of the Mediterranean, at the crossroads of Europe, Asia and Africa with population of 865,878 (Eurostat - 2013) citizens. The island lies 71 km south of Turkey, 105 km west of Syria, and some 800 km east of Greece and covers an area of 9,251 sq. km. The climate of Cyprus is **Mediterranean**, with long, warm, dry summers from May to October and mild winters with occasional rain, lasting from December to February. This specifies the fruit and vegetable production, thus the exports and imports, as well as the main activity and income of the island which is tourism.

Because of the size, place and climate, Cyprus is mainly importing than exporting, even though this is changing due to the economic crisis. It is noticed that the exports are increasing and the imports are decreasing over the last year.

The Desk Research contains secondary data and information regarding the research questions. Results and numbers about the exporting in Cyprus, as well as the organizations providing help and training regarding exporting, and the training and skills needs of the exporting SME's are stated in this document. It was found that there are a lot of needs in specialised training for export, and that there is not that much materials and options.

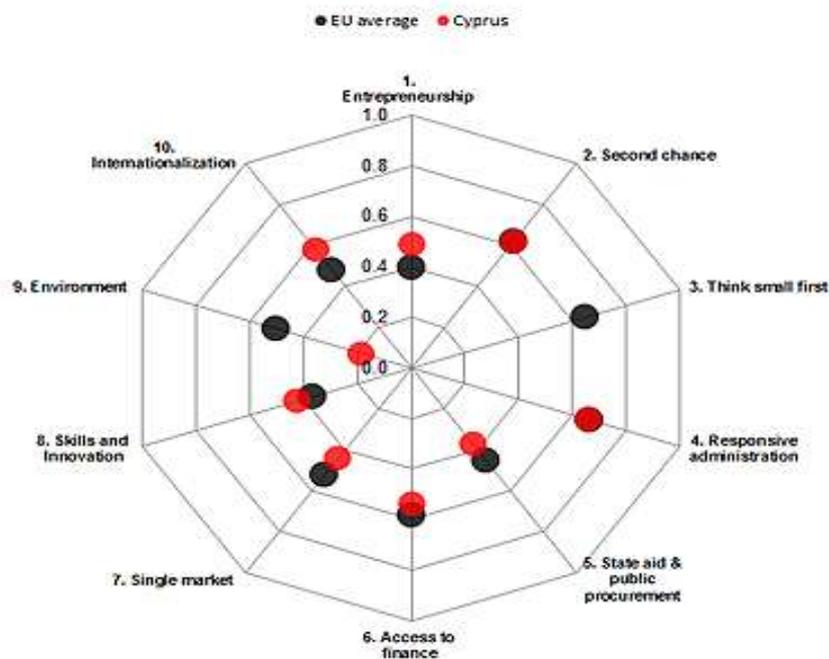
The data sources that were used for the Desk Research are Web resources, Internet, Articles (or other publications), Studies and Magazines/ Newspapers

In the below graphs there are general numbers about the SME's, number of SME's, employees, added values and type of SME's, as well as well as the manufacturing sector.

Size of Enterprises	% of Enterprises		% of Employment	
	Cyprus	EU	Cyprus	EU
Very Small (0-9 employees)	94.8	92.5	40.0	32.4
Small (10-49 employees)	4.4	6.3	18.0	18.9
Medium (50-249 employees)	0.7	1.0	15.7	15.1
Total SME's	99.9	99.8	73.7	66.4
Large ( 250+ employees)	0.1	0.3	26.3	33.6

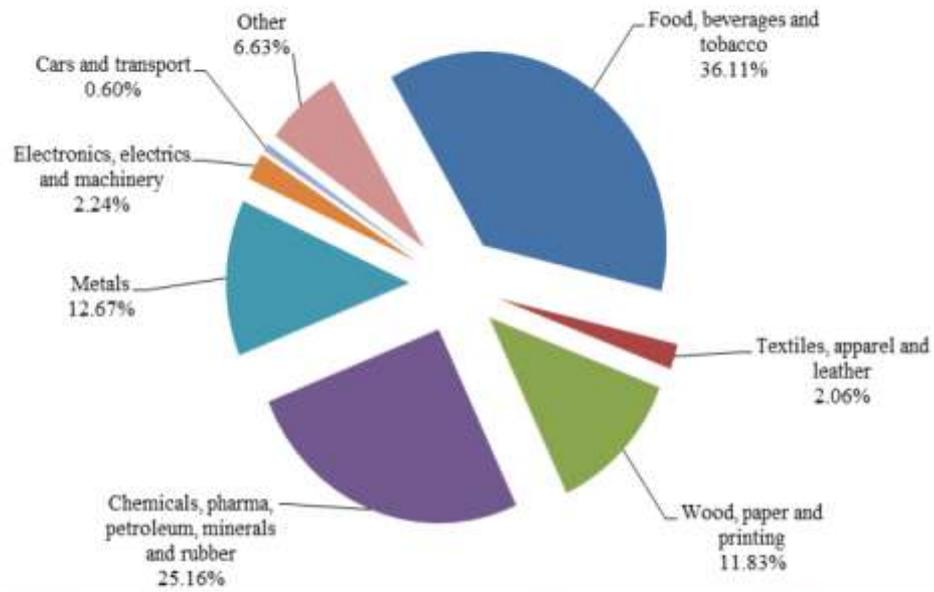
Basic Figures - 2013

	Number of enterprises	Number of employees	Value added (Billion €)
Micro	43,156	91,314	2
Small	2,815	53,700	2
Medium-sized	512	48,951	2
<b>TOTAL SMEs</b>	<b>46,483</b>	<b>193,967</b>	<b>7</b>



The majority of the Cypriot enterprises are family businesses, around 90%, where the “death” percentage of new enterprises (up to the first 3 years) is around 50%. Numbers and type of SME’s are shown in the above graphs.

The graph below presents the manufacturing sector of Cyprus for the year 2010.



*Note:* No data available for sectors C12 (tobacco products), C19 (coke and refined petroleum products), C26 (manufacture of computer, electronic and optical products) and C27 (manufacture of electrical equipment)  
*Source:* Eurostat

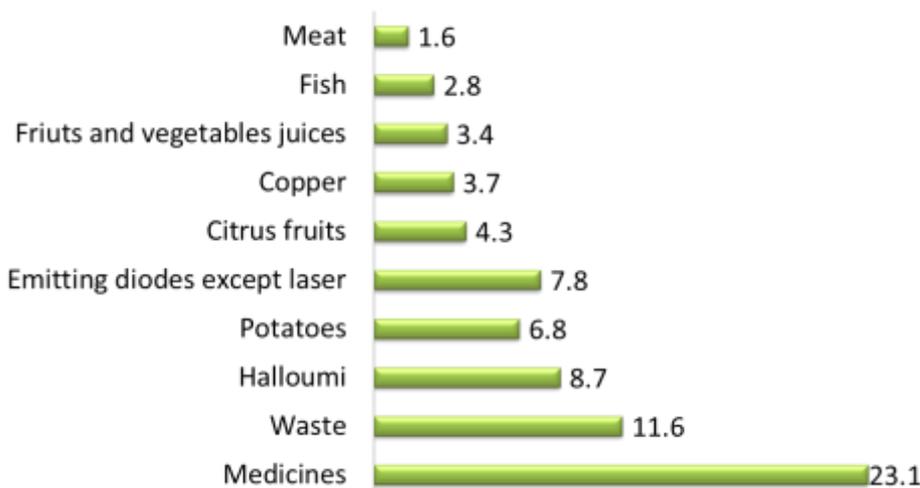
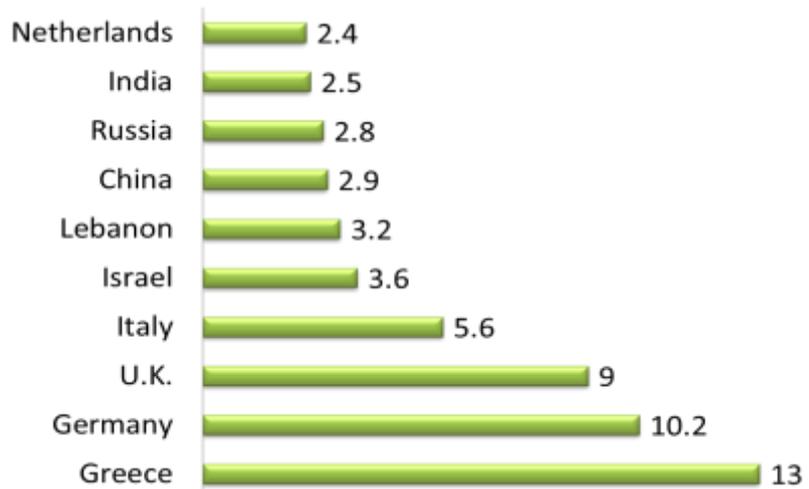
## 2. Cyprus Exports

On the basis of preliminary estimates for Foreign Trade of Cyprus in October 2013, total imports / arrivals were €418,7 mn, of which €311,9 mn were arrivals from other Member States of E.U. and €106,8 mn imports from Third Countries. Total exports/dispatches were €147,5 mn of which €73,6 mn were dispatches to other Member States of E.U. and €73,9 mn exports to Third Countries.

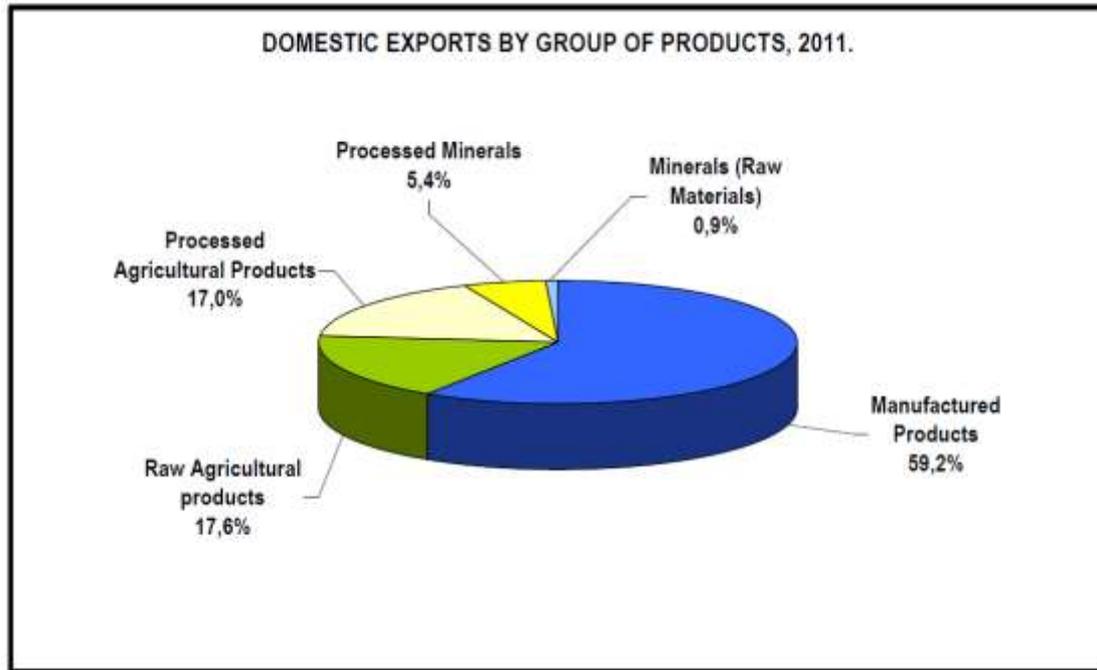
In total, the export in euro were for 2012,1.406 bilion and the imports in euro are 6.261 billion, with total Trade Balance in euro - 4.85 billion. (2012 results)

Because of the small size of the island there are no significance differences in the exporting activities of each region.

As shown in the graph on the right, Greece, Germany, UK, are the three main exporting destinations, where Italy, Israel, France, China and the rest of the main markets in which Cyprus is exporting



The main exporting industries and goods are shown on the left to be Medicines, Waste, Halloumi (Cyprus cheese) Potatoes and Emitting diodes except laser.



The main exporting industries and goods divided in groups, are shown in the above graph, with manufactured products to be on the first position, and Raw and Processed Agricultural Products to have the second and third place respectively.

The exporting trend in Cyprus is changing, as in every country that is in economic crisis and under the help of the IMF. Until 2012 the imports were increasing and the exports were decreasing, which resulted the increase of the negative result of the trade balance. After March 2013, the entrance date of Cyprus in the IMF, this trend started to change and resulted to a significant increase of the exports and an even more significant decrease of the imports.

Cyprus trade deficit for the first ten months of 2013 recorded a significant drop, according to Eurostat data. In the respective period of 2012, the deficit was down by 900 million euro. Furthermore, Eurostat notes that the annual harmonised inflation fell for a third consecutive month in December 2013 in Cyprus.

The total value of Cyprus exports in January-October 2013 reached 1.3 bn euro, recording an increase of 11% compared to the respective period of 2012. Furthermore, imports were down by 18%, reaching 3.9 bn euro in value from 4.8 bn euro in the same period of 2012.

Cyprus total deficit for the first ten months of 2013 reached 2.7 bn euro, compared with 3.6 bn euro in the same period of 2012.

Other facts about the Cyprus economic culture are the:

- Very high percentage of very small and family companies (1-4 persons), around 90%,

- High percentage of graduates from Higher Education (highest in Europe in comparison with the rest EU countries),
- Conservatism in regards to new and innovative products and ideas, tendency to imitate successful cases.

### **3. Organizations supporting exports**

The main organizations that support the exporting activities of the Cypriot SMEs are the Ministry of Energy, Commerce, Industry and Tourism, through the Trade Service, the Cyprus Chamber of Commerce and Industry, the local Chambers, and the Employers' and Industrialists' Federation.

#### **3.1 Trade service**

The mission of the Trade Service is the promotion of exports of products and services of Cyprus abroad and in general the coordination of the external commercial policy of Cyprus. For the accomplishment of this objective the Trade Service is cooperating with the Trade Centres of the Ministry abroad, the Cyprus Chamber of Commerce and Industry, the Employers' and Industrialists' Federation, various other Associations, foreign Embassies in Cyprus as well as the Business World.

The major activities of the Trade Service include the export promotion of agricultural products, of manufactured products, of services, the promotion of international trade Relations, the participation in working groups of the European Union that are responsible for the formulation and implementation of the Common Commercial Policy of the EU and the Imports and Exports Licensing.

The Ministry of Energy, Commerce, Industry and Tourism offer a variety of funding schemes in order to support SMEs to export their products. There are funding schemes that are specialized for participation in exhibitions in other countries in order to promote and exhibit their products in new markets. Moreover, there is economic support to SMEs that seeks new market to export their goods.

The target group of all the above schemes and in general of all the activities of the Trade service is all the SMEs that are exporting or they are willing to export

#### **3.2 Chambers and Associations**

The role of the Chambers of Commerce is to promote the interests of their members in Cyprus but also outside Cyprus. One of their tasks is to help and advice local enterprises on how to export their goods and how to establish their exporting nature. They also provide training in specific and specialized areas related to all the areas of trading.

The Chambers of Commerce and Industry, which operate in Cyprus, in national and local level are:

- Cyprus Chamber of Commerce and Industry – CCCI
- Nicosia Chamber of Commerce and Industry – NCCI
- Limassol Chamber of Commerce and Industry – LCCI
- Larnaca Chamber of Commerce and Industry – LCCI
- Paphos Chamber of Commerce and Industry – PCCI
- Famagusta Chamber of Commerce and Industry – FCCI

There are also a lot of Associations, specialised in various sectors of the economy, which provide help of any kind to their members for a lot of trading services, including exports. The biggest and most power full is the Employers’ and Industrialists’ Federation.

#### 4. Factors that make exports difficult

Due to the size of Cyprus but mainly due to the high cost of living, the main obstacle for exporting is the high cost of production. In some cases, products produced in Cyprus, can cost more than the same products which are imported and this makes the exporting of Cypriot products impossible because they cannot compete other competitive and similar products.

Moreover, due to the nature of the economy of Cyprus, it is more difficult to export products. The main income and economic activity of Cyprus SMEs is tourism and services like accounting, logistics and law services. This restricts the size of exporting companies.

Another main issue is the financing, which became even more difficult after the entrance of Cyprus in the International Monetary Fund (IMF). Financial institutions minimized the financing which makes it difficult for new companies to explore new markets.

Other constrained factors have to do with the Governmental support initiatives; Even though there are some funding schemes and initiatives aimed to support SMEs' ability to export, this is not enough sometimes. There are bureaucratic issues related to financing and licensing exports, which complicates the exports procedures.

In addition to the above, Cypriot SMEs lack of specialized training and skills in how to approach and establish their brand in new markets, but more importantly, on how to develop their strategic planning on how to go and be established international. Furthermore, the lack of networking channels and other relevant means with foreign companies or Chambers of Commerce is also another important factor which makes export difficult.

## 5. Training needs of the employees of the SMEs - Skills Needed/ Skills shortages

There are no specialized training programs which deal with the training needs of the SME's and the development of the relevant skills of the employees or improving their shortages.

The training needs, which are usually identified and presented in training programs which are primarily being organized by the Chambers of Commerce and Associations of SMEs are summarized below:

- Export & Project Management
- International marketing
- Market research
- Trade financing
- Partnering
- Language & Culture
- International Trade Law
- Taxation issues
- Environment
- European Union Issues
- Labour relations

In addition, skills which are needed to be further developed are:

- Knowledge of the language and the culture of the target countries for exporting. This also affects the marketing skills which are needed to promote their product in those countries.
- Communication skills
- Proactive approach skills
- Working fast under stress

## 6. Available training material

There are a lot of training materials available for the training of staff on exports. The unfortunate thing is that the majority of those materials are not related or targeted directly to exports.

These materials are mainly available by training organizations, publications and books from authors all over the world. Almost all those materials are not free of charge. Only some scientific articles and references in financial newspapers and magazines are free and can be found online.

The subjects which those materials cover are mainly the ones referred in the previous chapter, since these are the main training needs and skills needed by SMEs' staff for making export a success.

## 7. Available training courses

The organizations which provide this kind of training are mainly Universities (Public and Private) as well as private training organizations. Also, some expert training is provided by the Chambers of Commerce and other Business Associations.

Only few of these training are direct, specialized for exporting and the majority of the trainings are indirect.

The Universities which offer these trainings are:

Name	Place	Type
<a href="#">University of Cyprus</a>	Nicosia	Public
<a href="#">Cyprus University of Technology</a>	Limassol	Public
<a href="#">Open University of Cyprus</a>	Nicosia	Public
<a href="#">University of Nicosia</a>	Nicosia, Limassol, Larnaca	Private
<a href="#">European University of Cyprus</a>	Nicosia	Private
<a href="#">Frederick University</a>	Nicosia, Limassol, Larnaca	Private
<a href="#">The Cyprus Institute</a>	Nicosia	Private
<a href="#">CIIM – Cyprus International Institute of Marketing</a>	Nicosia - Limassol	Private
<a href="#">CIM – Cyprus Institute of Marketing</a>	Nicosia - Limassol	Private

Other institutions which provide direct or indirect training programs are:

Name	Place	Type
Cyprus Chamber of Commerce and Industry – CCCI	Cyprus	Chamber
Nicosia Chamber of Commerce and Industry – NCCI	Nicosia	Chamber
Limassol Chamber of Commerce and Industry – LCCI	Limassol	Chamber
Larnaca Chamber of Commerce and Industry – LCCI	Larnaca	Chamber
Paphos Chamber of Commerce and Industry – PCCI	Paphos	Chamber
Famagusta Chamber of Commerce and Industry – FCCI	Famagusta	Chamber
Employers' and Industrialists' Federation - OEB	Cyprus	Association
Private training institutes		Private
SMEs associations		Associations

There is a variety of seminars, conferences, diplomas, bachelors and masters degrees that are offered, with the vast majority of them to be delivered in face to face lectures and organized regularly, based on the type of training. The subjects covered are again the ones mentioned in chapter 5 above.

## **8. Limitations of material/ courses**

The main limitations of the above materials and courses are the materials and courses themselves.

As mentioned above, the vast majority of the materials and courses are indirectly relevant about export, for instance MBA degree which is directly relevant to managing exporting products.

Since there are only few choices of materials and courses which deal specifically with exports, this narrows down the choices that an SME has.

Moreover, almost all the materials offered in Cyprus are not using e-learning method, something that it is not helping SMEs' staff to obtain training regarding exporting in an efficient way.

## **9. Added value of E-EMPORIO in relation with the training offer in the field**

As it is mentioned above, even though there are a lot of materials and courses, indirectly related to exports and provided by various organizations, there are no materials provided especially for exports.

It is believed that this gap will be fulfilled by the outcomes of the E-EMPORIO project. The e-learning materials will be something new and innovative for the SMEs who are willing to start exporting or increase their exports. It is expected that it will cover a lot of the training and skills needs mentioned above.

## 10. References

1. <http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/>
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