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**TURKISH REPUBLIC OF NORTHERN
CYPRUS**

MINISTRY OF ECONOMY AND ENERGY

**STATE PLANNING ORGANIZATION
ECONOMIC PLANNING DEPARTMENT**

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TURKISH REPUBLIC OF NORTHERN CYPRUS (TRNC) ECONOMY

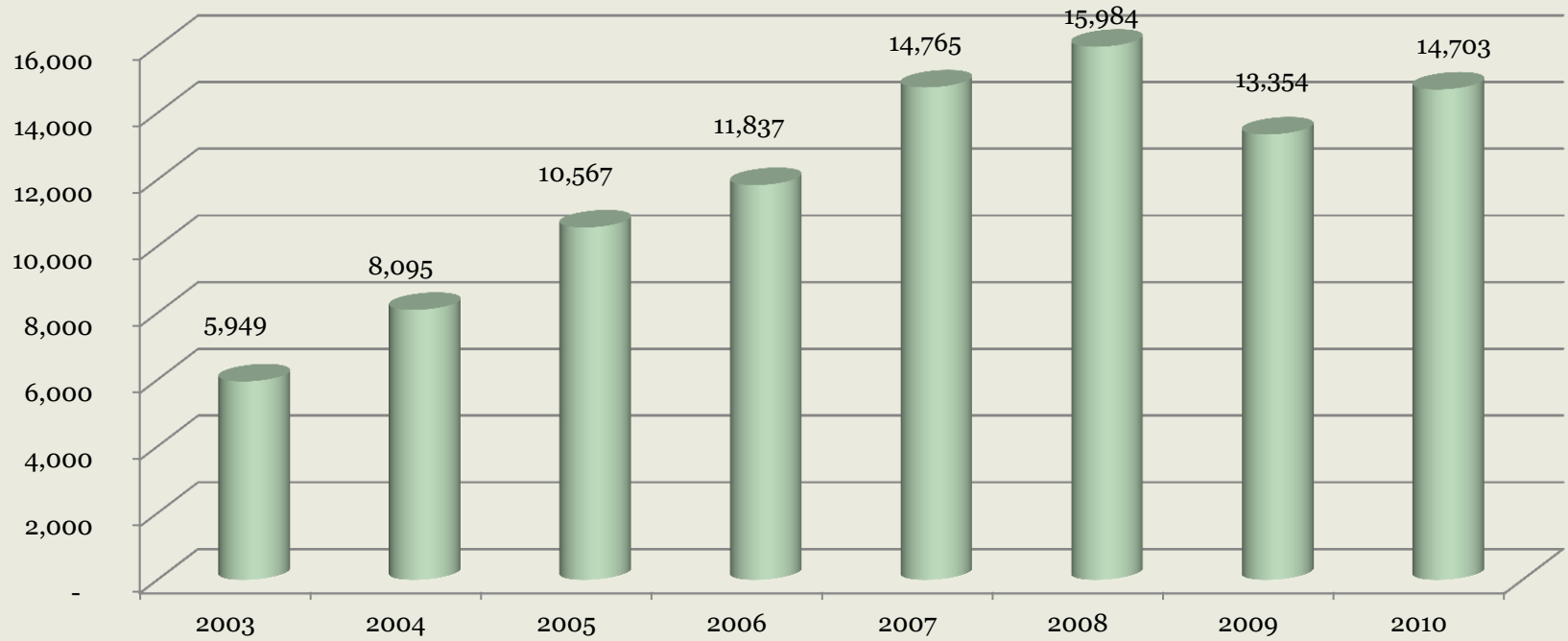
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- Turkish Republic Of Northern Cyprus(TRNC) had the real growth rate in the period 2000 - 2006 was increased from -0,6% to 13,2%, while for the years 2007 , 2008 and 2009 it was enormously decreased to 1,5% ,-3,4% and -5,6% respectively.
- The TRNC economy recovered in 2010 and it has a positive growth rate 3,6%.It is estimated that the TRNC economy will grow %4,2 at 2011.
- At the same time, the effort of reduction of inflation had as result a decrease from the 76,8 % in 2001 in the 2,7% in 2005 and 14,5% in 2008. In 2009 inflation rate was %5.7 and %3.27 in 2010, which were below the inflation rates in Turkey in those years.

- The economy of TRNC is dominated by the services sector (78.7% of GDP in 2010), which includes Trade-Tourism, Transport-Communication, Financial Institutions, Ownership of Dwellings, Business and Personal Services, Public Services and Import Duties.
- In 2010 Industry (light manufacturing & construction) contributes 9.8% of GDP and agriculture 5.9%.

GNP Per Capita(\$)

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- Export from TRNC to EU countries is quite low due to the embargoes and disability to direct trade, on the other hand, export to Turkey and Middle East countries are high.
- Looking at the import data, import in 2010 has increased by %30 from 2009 to 2010.

Export Products for TRNC(\$)

Products	2010(\$)	2011(\$)	% exchange
Citrus(kg)	27,166,238	31,403,502	16
Dairy Products (kg)	25,826,381	26,915,239	4
Rakı(lt)	7,669,936	10,309,496	34
Scrap(kg)	6,476,706	14,303,827	121
Confection	4,022,957	3,724,569	-7
Concantrated (kg)	3,007,110	2,906,639	-3
Chicken meat (kg)	2,747,256	5,194,539	89
gypsum(Ton)	1,889,140	2,803,425	48
Total (+other)	96,419,909	115,706,735	20

Import Products for TRNC(\$)

Products	2009(\$)	(2010\$)	% Exchange
Transportation means	110,733,801	117,320,193	5,9
Medicine	29,086,914	32,828,272	12,8
Furniture	23,443,271	31,850,521	35,8
Confection	32,326,015	38.178,881	18
Reinforcing iron	24,858,369	29,600,999	19
Electrical equipmnet	17,322,067	20,268,820	17
Fual oil	72,879,792	97,518,380	33,8
Total (+others)	1,326,165,192	1,604,180,665	30

Total Exports by Islamic Countries(\$)

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Tear	Total	A changed compared the previous year(%)
2007	9,702,231	
2008	14,220,271	31
2009	13,833,521	-2.7
2010	31,104,188	55

Total Imports by Islamic Countries(\$)



Year	Total	A changed compared the previous year(%)
2007	66,253,726	
2008	56,482,297	-17
2009	52,507,371	-7,5
2010	69,000,395	25

The economic links with Turkey as the biggest trading partner.

- The export rates to Turkey increased since then and became %54.1 of total exports in 2009 and %46.4 of total exports in 2010. Looking at the import data, again Turkey is the biggest import partner of North Cyprus.
- The statistica data shows that about %70 of the imports were from Turkey in 2010.
- The most important export goods of TRNC are citrus and milk products and these products can only be exported to EU countries through Turkish ports which increase the costs of the producers in North Cyprus.

Green Line Regulation

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- From North to South regulates the transportation of ;
 - Goods
 - People
 - Services
- It does not regulate the transportations that is from South to North.

What are the products?

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- Products which are produced in TRNC
- While raw materials of the products comes from abroad:

They have gone their last, substantial, economically justified processing or working in an undertaking equipped for the purpose in TRNC

Total Exports, According the Green Line regulations

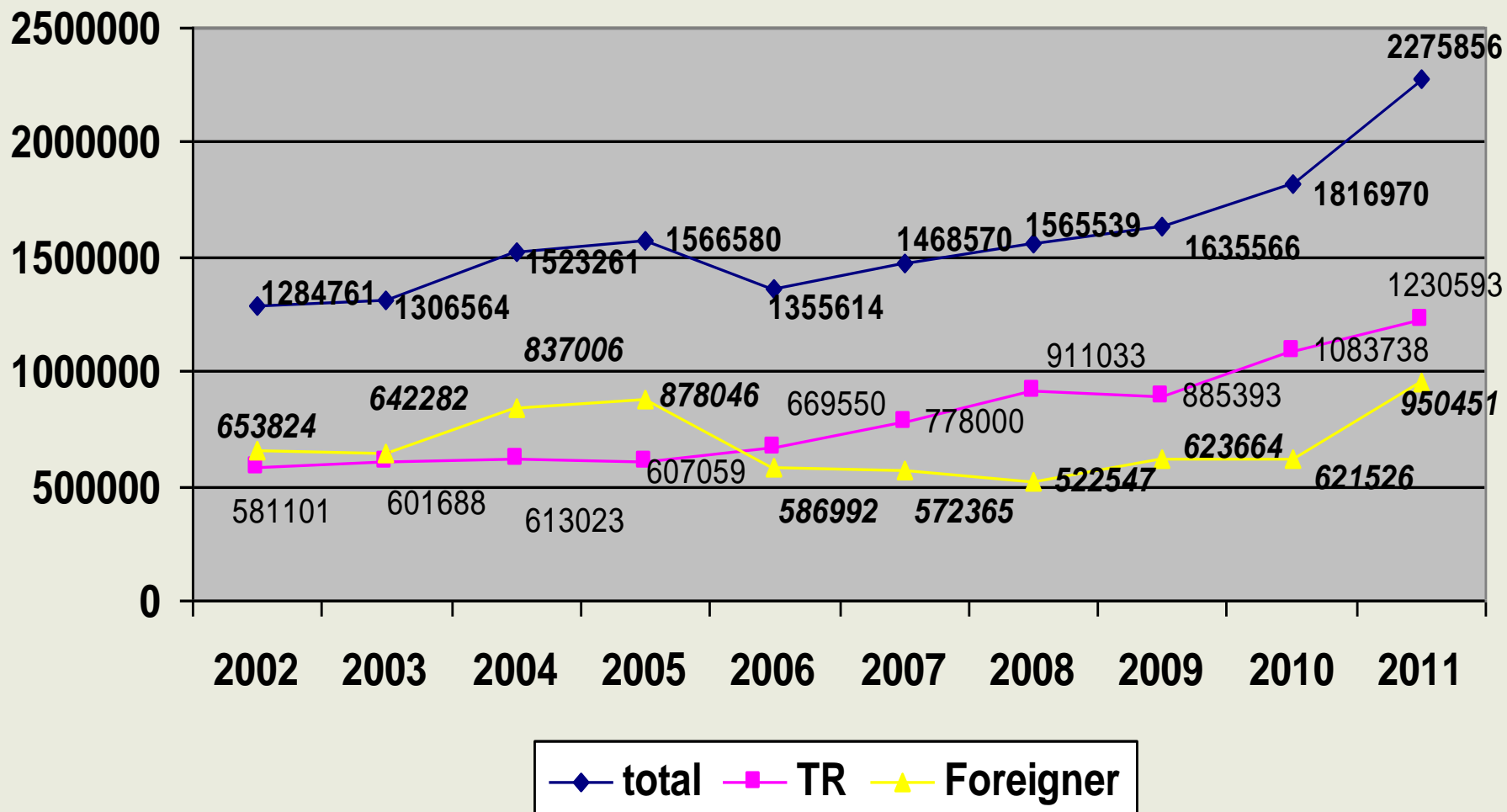
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	2008	2009	2010	2011
Total	7,172,115.72	6,006,856.14	5,875,254.77	29,954,867.19

2011(July, August, September electricity
export total export: 24,085,774.55 €)

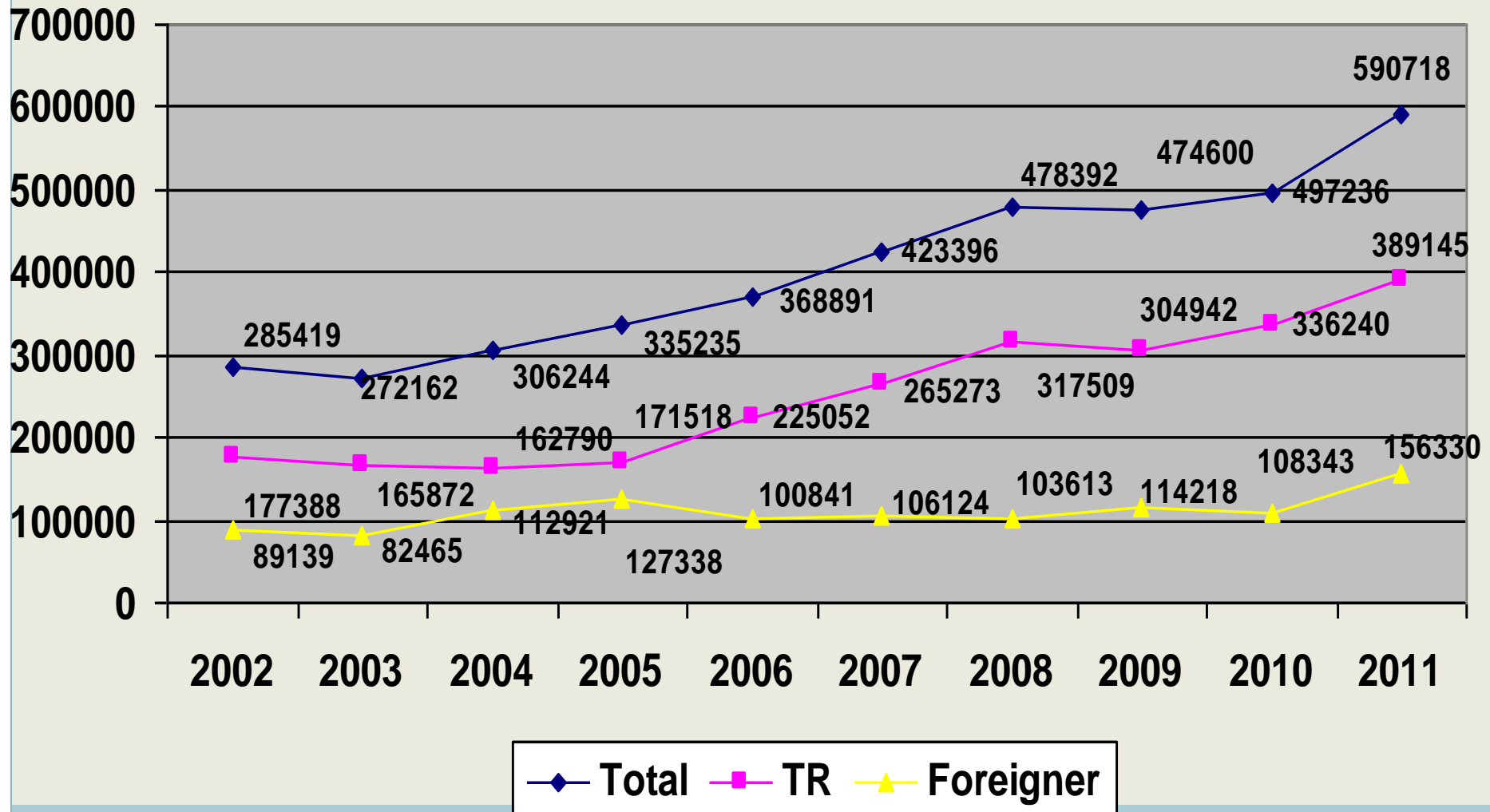
The Tourism Sector, Total Number Of Bednights

14



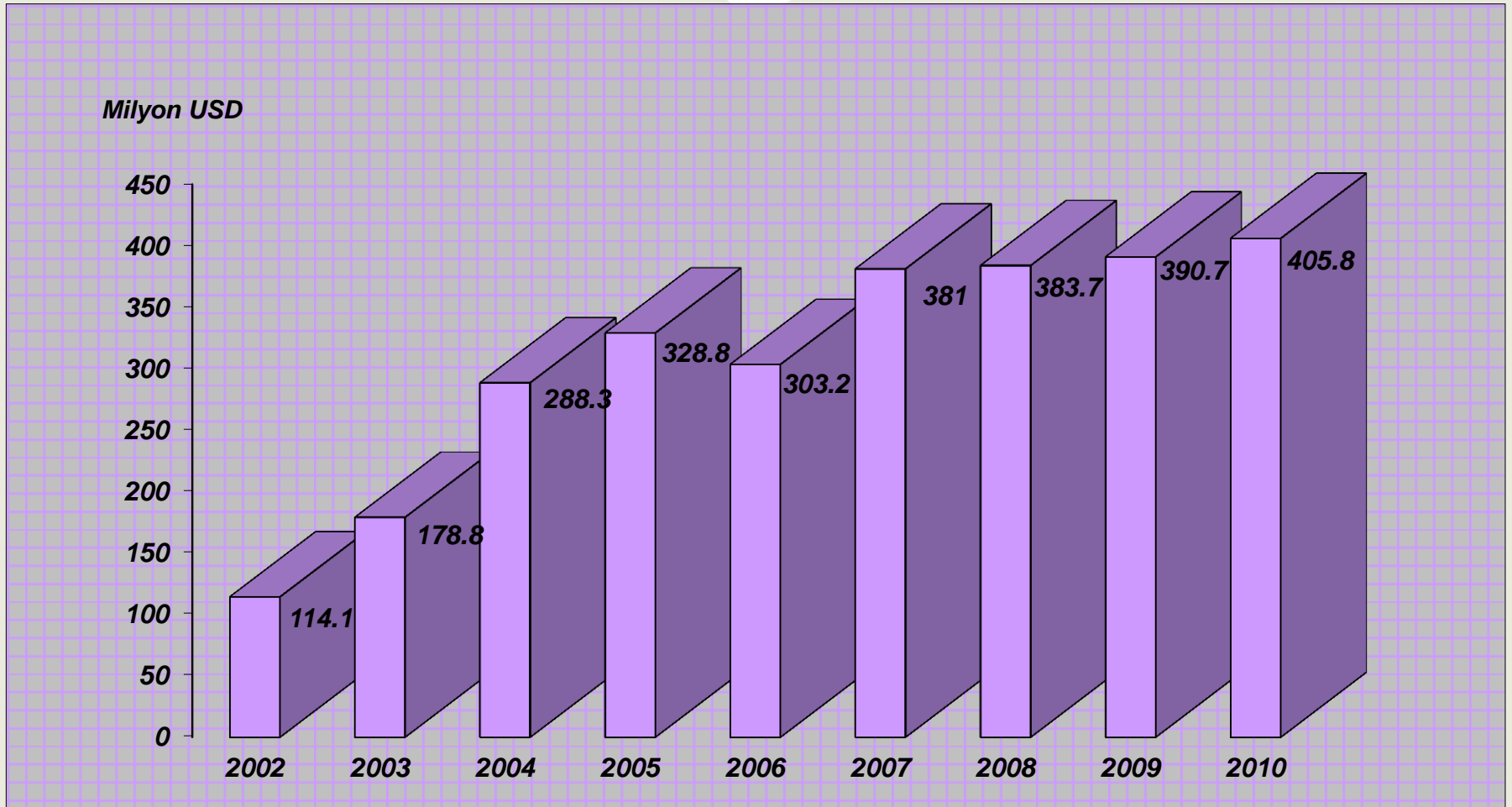
The Number Of Tourists In Tourist Accomodation Establishments

15

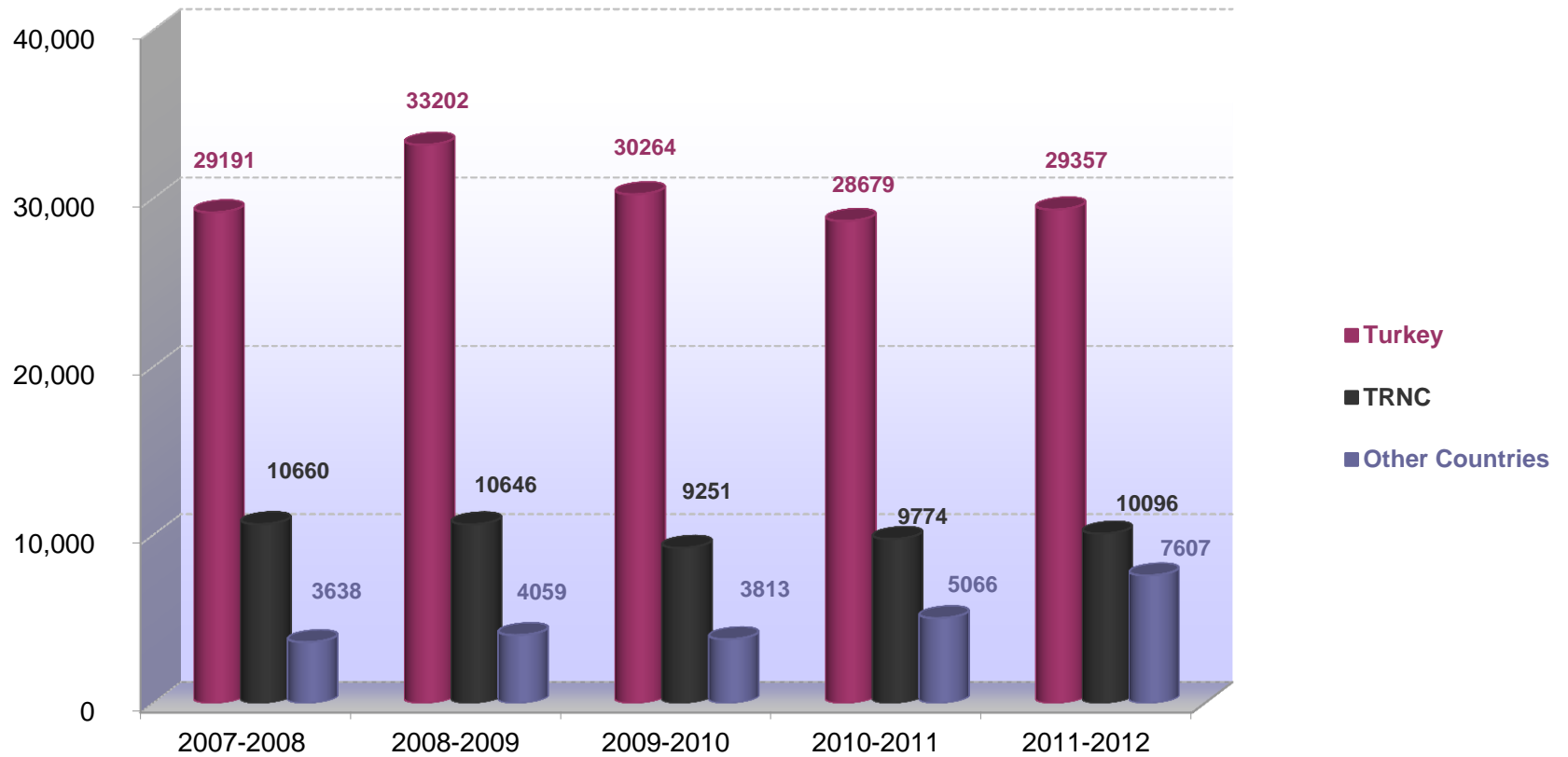


Net Tourism Income

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Higher Education



Why TRNC Universities?

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- Appropriate student fees
- Comfort and affordability of residential facilities
- Foreign language education
- Established and accredited universities
- Secure environment

INCENTIVES FOR INVESTORS

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- The Law numbered 47/2000 is named as “Incentive Law”.
- This Law includes the regulations and rules for local and international investors and entities contributing to social and economic developments in the country.
- Those real or legal investor that would like to benefit from incentive has to apply to Economic Planning Department of SPO and fill out the Feasibility Form and other requested information.
- The feasibility of the project is reviewed by the Department and Incentive Certificate is issued after the evaluation of its contribution to the economy and employment, its profit rate and repayment period for the project.

- Before issuing Incentive Certificate, projects have to go through the City Planning Department, Environment Protection Department and the Ministry related with the sector. Once the negative opinion is given by any of the institutions, SPO does not issue the Incentive Certificate.
- If the investor cannot finalise the investment within the time period stated in the Incentive Certificate, the investor can apply to SPO with the valid justifications and the period can be extended 3 times.
- Incentive legislation is for those projects that provide value added production and not for trade.
- The Incentive Law treats the local and foreign investors equally once they set up the company at the Company Register Office.

Investment Incentives Applied Under the Incentives

- **Law**

The following incentives are applied to investments with ,incentive certificates, regardless of whether an investor is local or foreign. Incentive Certificates are granted from the State Planning Organization.

- **Investment Allowance**

Investment allowance is **200%** on the initial fixed capital investment expenditure for the investments in Priority Development Regions and in sectors with special importance.

Investment allowance is **100%** on the initial fixed capital investment expenditure for the investments in other sectors and regions.

Güzelyurt and Karpaz were determined as Priority Development Regions by the Council of Ministers.

Investment Incentives Applied Under the Incentives

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- **Exemption From Custom Duties and Funds**

Import of machinery and equipments concerning the project are exempt from every kind of custom duties and funds in accordance with Incentive Certificate. Regulations on importation of raw materials and semi-finished goods are specified by the Prime Ministry and is subject to the approval of the Council of Ministers.

- **Zero Rate VAT**

Zero rate VAT is applied for both the imported and locally purchased machinery and equipment in accordance with the Incentive Certificate.

Investment Incentives Applied Under the Incentives

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- **State Owned Land and Building Lease**

State owned land and building lease is possible for the investments that are granted Incentive Certificate in accordance with the regulations in force.

- **Fund Credits**

Long term and low rate investment credits are available from the Investment and Export Incentive Fund.

- **Exemption From Construction Licence Fee**

Investments that are granted Incentive Certificates are exempt from all kinds of taxes and fees related with construction licence.

Investment Incentives Applied Under the Incentives

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- **Reduction of Stamp Duty for Capital Increase**

Reduction of stamp duty concerning capital increase is provided for the investments that are granted Incentive Certificate.

- **Reduction of Fee on Mortgage Procedures**

Reduction of stamp and registration fees is applied on mortgage procedures necessary when using bank credit for the investments that are granted Incentive Certificate.

Incentive Certificates Issued Under 47/2000 Law According to Sectors

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<i>SECTOR</i>	Health	Education	Industry	Tourism	Transportation	Press-Release	Communication	TOTAL
2001	1	1	1	-	-	-	-	3
2002	4	8	40	38	4	1	2	97
2003	1	-	27	9	-	-	-	37
2004	1	-	26	13	-	-	-	40
2005	-	11	28	18	-	-	-	57
2006	1	20	22	13	-	-	-	56
2007	3	3	20	4	-	1	1	32
2008	3	1	13	10	-	-	1	28
2009	1	-	15	10	-	-	-	26
2010	1	-	21	8	-	-	1	31
2011	-	-	13	7	-	1	-	21
TOTAL	16	44	226	130	4	3	5	428

Incentive Certificates Issued Under 47/2000 Law According to Sectors (2001-2011)

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SECTOR	PCS	FIX CAPITAL INVESTMENT	THE SHARE OF FIXED CAPITAL INVESTMENT
Health	16	209.697.426	4,72%
Education	44	234.919.967	5,29%
Industry	226	678.468.432	15,27%
Tourism	130	3.249.286.988	73,13%
Transportation	4	20.418.250	0,46%
Press-Release	3	33.006.040	0,74%
Communication	5	17.193.130	0,39%
Total	428	<u>4.442.990.233 TL</u> <u>(\$2.613.523,52)</u>	<u>100,00%</u>

Thank you

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Department