

CYPRUS INDUSTRIAL STRATEGY

NEED FOR COOPERATION AND SPECIALIZATION

Professor Robin Murray talks to Tasos Anastasiades



The Planning Bureau in cooperation with the Ministry of Commerce and Industry a few years ago suggested that UNIDO, which is the specialised Organization of the United Nations for manufacturing, may be asked to help Cyprus to improve our industrial production. As a result of this suggestion a group of 8 experts headed by Prof. Robin Murray came to Cyprus many times in the last two years. In 1987 they came four times, in January, March, May and June. In January 1986 they came to Cyprus again to submit recommendations on the Cyprus Industrial Strategy.

This group of experts submitted a lengthy Report on the Cyprus Industrial Strategy. The basic essence of the recommendations is that Cyprus industry should introduce measures towards flexible specialization rather than volume production. This involves indentifying market niches, and putting a prime emphasis on design quality, reliability and a just-in-time system of production. At the same time the Employers Organization and the Trade Unions should agree to adopt a programme for the provision of common services.

Last June Prof. Murray came to Cyprus again, this time alone to evaluate the developments since the group of experts were here last January. We had the chance to meet with Prof. Murray who gave with great pleasure the following interview to us:

Q: Mr Murray we welcome you

back to Cyprus and we would like to ask you to tell us in brief the purpose of your visit.

A: I came back to Cyprus 6 months after our last mission in January. This is part of the long-term programme of implementation of our recommendations. Since then there have been some positive developments. Everybody interested in manufacturing is talking about the Cyprus Industrial Strategy including the President of the Republic Mr George Vassiliou, the Cyprus Chamber of Commerce and the Employers and Industrialists Federation. Now instead of talking of increasing productivity in abstract, cost cutting, and enlarging the companies now they are talking about upgrading the products, quality control and niche marketing.

Interested parties are also talking about the need for better design and the need for cooperation. With regard to cooperation I am particularly pleased. There is now emphasis on the need for cooperation and specialization, that is flexible specialization. For the first time that I have been in Cyprus I have found out that people do not feel an inferiority complex because of the small size of Cypriot industries.

The experience of Greece

I have recently read a study on the problems of Greek industrialization since Greece became a full member of the EEC in January 1981. What is now happening in Greece is similar to what we forecast would have happened here

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By Tasos Anastasiades

if we do not take the measures we recommended. The Greek furniture industry has been more adversely affected and there has been a move in Greece to cost cutting; but this led to the downgrading of the quality of the products. The ruinous competition between the firms has led to many bankruptcies. Many firms have tried to reduce cost by paying lower wages through domestic outwork. But when you pay very low wages you do not get the highly skilled workers and thus the quality of the products is downgraded.

The second adverse development in Greece is sub-contracting to European firms. This is something that some Cypriot firms have been doing. The designs come from Europe and the firm in Cyprus or Greece acts as a poor sub-contractor. In the case of Greece, German firms are using Greek firms for subcontracting and as a source of cheap labour. But this development does not offer a long-term hope. The Greek firms which adopted the recommendations we made for Cyprus have been able to survive and to successfully face the European competition. The consortia cooperation which we are recommending here has not been followed in Greece to face European competition.

Developments in Cyprus

As I stated above I have been impressed by what is happening in Cyprus and I appreciated what the President has stated at the International Fair opening and at the Chamber of Commerce Annual Meeting. People speak in favour of the recommendations for the new industrial strategy but the government has not moved fast enough to implement some of the recommendations. From the discussions I have had this week, however, I believe that measures will soon be taken to set up the Central Strategic Planning Council. I believe now that there is a basis for setting up this body which should be more flexible and more active than government departments, because it has to work more quickly and work more hours than government services and will be relatively independent. It has to work very quickly to implement and take action on various topics so as to finish a lot of work until 1992 when the common market will be completed.

Q: Who do you think must be the members of this Strategic Planning Council?

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Professor Robin Murray

A: I do not know what the government thinks but I believe it should be composed by all groups who are affected by the new strategy. This includes practising industrialists, the Trade Unions, the Export Promotion Council and the government departments. I also suggested that the Cyprus Consumers Association should also be a member. Its contribution should be an improvement of the quality of the products. The consumer is a key monitor of the quality. So I believe now that not only the Council will be set up soon, but also its support units. We also have suggested that all Ministries should have their own Strategic Planning Units and we have been discussing ways in which these units should be strengthened. The government should not be afraid to make mistakes provided the organization which is going to be set up is flexible enough to be adjusted according to the experience. If something goes wrong there must be a chance to change it. In the same way that a firm may enter a certain industry and then if it does not make profits it goes out, the government should also set up organizations which may be amended or even dissolved if they did not succeed. For example the Export Promotion Council has not yet been set up. It should be set up and if it does not succeed it may be closed down.

Q: Do you think Mr Murray that a new industrial bank should be set up or, given that the Cyprus Development Bank (CDB) has the basic infrastructure and experience, it should rather be expanded?

A: All the discussions now are about the expanding of the CDB and I am glad

about that. But its capacity has to be expanded.

Another development for which I am glad is that the Ministry of Finance has set up an inter-departmental committee to examine the existing tax incentives, to amend them and shift the incentives from the hardware to the software.

Q: Mr Murray we would like now to request you to tell us whether, besides the above positive developments, there have been any undesirable ones.

A: There are certain problems which have to be faced out in the second half of this year. The first is the controversy about the Export Promotion Council. The money needed for this Council, as the President himself said, is very little. On the other hand the need is very great. The time taken to set it up has been even greater. The Council should be set up as soon as possible and should be set up in such a way that it will be easy to be closed down if it does not work. Within 3 to 5 years there should be an assessment and if it does not work efficiently and it is not worth the money spent on it, it should be possible to close it down. That is the time when the industrialists should start opposing it, not now. But the Council should be set up immediately because every day it does not work the Cyprus industry loses. I am really sorry that the Export Promotion Council which should have been the first to be implemented has been delayed. The view of some industrialists about this Council is very short-sighted.

Competition instead of cooperation

The second problem which worries me is that in both the private and the public sector there must be co-operation. But if we take the case of the Cyprus Chamber of Commerce and Industry and the Employers Federation they are competing instead of co-operating, sometimes in the negative way. Because of this rivalry between these two bodies firms in the private sector are competing in a negative way also. The two organizations should decide to get together and to cooperate. This is because it is an unproductive rivalry. If there is to be competition it should be competition of a productive nature, that is who is going to set up more consortia. The heads of these two organizations should get together and declare a moratorium of negative rivalry.

The government departments also have their own unproductive rivalry. This includes not only the departments but also some of the organizations associated with the departments. So the government has to set up coordinating institutions between the government departments which will have a synthetic forward movement, that can bring everyone together in a team. But this has not yet happened.

Also the civil servants trade unions should co-operate in making the government service more flexible. They have security of jobs which I fully support, but there must be much greater flexibility. Services which do not serve any more a useful need should be run down and move on to something else. So the Trade Unions should co-operate with the government to close down services which they no more serve a useful purpose. If a government service is to survive it must be productive and innovative. The civil servants trade unions have a particular responsibility to help in this respect. So even government departments should introduce flexible specialization and learn to cooperate between them. They should even

introduce common services between them.

The third problem that I would like to mention is finance. I hope that the third financial protocol with the EEC will produce enough money to finance the changes we are suggesting. But if the money is not enough then the government should try to raise the money needed. Some of it will have to be raised from the industry but some of it should come from the government because it affects the whole society.

With regard to the inadequate supply of labour one measure which has been suggested is the importation of workers from abroad. Personally I think that this is not an advisable step. One solution lies in solving the problems that women have, like more child care and kindergartens, nurseries etc. It may also be necessary to provide a better public transport and even to subsidize bus fares to get more workers, especially female workers, from rural areas.

Also to save scarce labour, tourism should stop expanding so fast. Cyprus should concentrate more on quality tourism. The quality of labour should be improved and the quality of

vacations should be upgraded, activity related tourism introduced etc. So in the same way that we recommend upgrading your products in manufacturing you should also upgrade the quality of your tourism.

Q: But don't you think Mr Murray that the expansion of tourism also helps in expanding manufacturing, because it creates demand for manufactured products?

A: Yes I think so, provided it is properly coordinated and that is one of our suggestions. There must be much more co-operation between hotels and manufacturing firms.

One last point I would like to make is that the good performance of the economy in 1987 and 1988 should not lead to the disappearing of the sense of urgency that we felt 18 months ago. This is because tariffs are going down and competition is increasing. So we need to introduce the new industrial strategic and everyone should realise that the collective interest is much more important than the private interest. This is because the pursuit of the personal interest depends to a large extent on the promotion of the public interest.