



Doing Business in Georgia: 2015 Country Commercial Guide for U.S. Companies

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- [Chapter 1: Doing Business In Georgia](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations, Customs and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

Chapter 1: Doing Business in Georgia

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

Market Overview

[Return to top](#)

Market Overview

Georgia is a small transitional market economy of 3.7 million people with a per capita GDP of \$3,681 (2014). Georgia is located at the crossroads between Europe and Central Asia and has experienced economic growth over the past twelve years.

In June 2014, Georgia signed an Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA) with the European Union. Through reduced tariffs and the removal of technical barriers to entry, the DCFTA gives Georgian products access to over 500 million people in the EU. Reciprocally, products from the EU now enjoy easier access to the Georgian market.

Following the launch of the U.S.-Georgia Strategic Partnership Commission (SPC) in 2009, the U.S. Department of State holds regular meetings with its Georgian counterparts across various working groups. One of these dialogues is the Economic, Energy, and Trade Working Group which aims to coordinate Georgia's strategy for development in these areas and to explore ways to expand bilateral economic cooperation. In addition to the SPC, in May 2012, the U.S. and Georgia launched a High-Level Trade Dialogue with a view to expanding the bilateral trade exchange.

From 2003 forward, the World Bank has recognized Georgia as one of the world's fastest reforming economies and as a leader in fighting corruption. Georgia's strategic location makes it a natural logistics and transit hub along the "New Silk Road" linking Asia and Europe via the Caucasus and is ranked by the World Bank as 15th in the world (out of 189 countries surveyed) for ease of doing business.

The Georgian economy has grown at approximately 5 percent for the past five years. However, external shocks in the region, such as the Russia-Ukraine conflict and related international sanctions, have had a negative impact on Georgia's economy and contributed to a 2015 growth forecast of 2-3 percent.

Due to a 2006 embargo imposed by Russia, Georgia reoriented its trade and continues to search for new trading partners in Europe, North America, and Asia. In 2012 the embargo was partially lifted. Following successful Swiss-mediated negotiations with Russia on Russia's WTO accession in 2012, and government efforts to normalize relations with Russia, exports to Russia have expanded rapidly and Russia reemerged as Georgia's third largest

export market in 2013 and 2014. The majority of trade is related to significant increases in exports of Georgian wine, mineral water, and other agricultural products to Russia.

At present, Georgia's main export markets are Azerbaijan (13%), Armenia (7%), Bulgaria (8%), Turkey (8%), and the United States (6%). Turkey (18%), China (9%), Azerbaijan (9%), Russia (8%) and Ukraine (6%) are Georgia's main sources of imported goods. Oil and gas imports are the primary imports from Azerbaijan.

Georgia's main imports are petroleum products and natural gas, automobiles, medicines, sugar, turbines for power generation, and wheat. After years of declining domestic manufacturing, most consumer goods are imported from abroad as well. The majority of inputs are imported.

The government of Georgia does not control the separatist territories of Abkhazia and South Ossetia, which have been occupied by Russia since the 2008 Georgia-Russia war. The situation along the administrative boundary line (ABL) between Georgian-controlled territory and the separatist regions remains tense, with ongoing borderization efforts and continued detentions of those allegedly "illegally" crossing the ABL.

Market Challenges

[Return to top](#)

The Georgian Government continues to work to further reduce obstacles to doing business in Georgia. It has already reduced all but a few tariffs to zero, and in 2008 it reduced both personal and corporate income taxes by 5 percent to 20 percent. The dividend tax was also decreased from 10 percent to 5 percent. Depending on the type of goods custom tariffs could be 0%, 5% or 12%. The majority of imports are subject to an 18% value added tax (VAT) and some products such as alcohol, tobacco and automobiles are also subject to an excise tax.

Most business is conducted in Georgian, official laws and regulations are printed in Georgian, and products must be labeled in Georgian. However, many Georgians involved in international business speak English and its use is becoming more widespread.

Communications and marketing skills are still developing, and personal connections remain of great importance.

Consulting an attorney licensed to practice in Georgia is always advisable before any substantial business transaction.

While intellectual property rights legislation is quite advanced and the government recently completed an agreement with Microsoft for the sale of Microsoft's Genuine OS Licenses and Enterprise Licensing for all Georgian government workstations, enforcement of intellectual property rights (IPR) remains uneven.

Georgia ranks poorly in several indices of IPR protection. As part of its commitment under its Association Agreement and Deep and Comprehensive Free Trade Area with the European Union (EU), Georgia is working to bring its IP practices up to European standards.

Market Opportunities

[Return to top](#)

Georgia remains an attractive market among countries in the region. The government has increased its focus on developing the tourism and agriculture sectors and international donors are looking to support these sectors as well. Furnishings and equipment for these sectors will be in demand.

Construction of roads, energy distribution infrastructure, water systems, hotels, and office space is expanding across Georgia, presenting opportunities for producers of building equipment and materials and providers of architectural and engineering services. The Georgian government has spent a significant portion of the \$4.3 billion in U.S. assistance provided since 1992 and more recent concessional loans on updating infrastructure. Infrastructure remains the second largest expenditure in the national budget.

Since consumers' purchasing power is somewhat constrained, consumers are principally interested in processed foodstuffs, used automobiles, and aftermarket accessories. The food processing industry holds particular opportunities given Georgia's agricultural potential, and agricultural machinery and processing lines are in demand.

Information technology, systems, and software are needed to support new business growth.

International organizations and foreign governments have procurement needs that can be filled by U.S. exporters. These agencies include the IMF, the World Bank, European Union, Asian Development Bank, European Bank for Reconstruction and Development (EBRD), and USAID. The Millennium Challenge Corporation (MCC) concluded its first compact for Georgia; the second compact was signed in June 2013 and entered into force in 2014. As part of that second compact, Georgian students will be able to receive a degree in science, technology, engineering and mathematics (STEM) fields from the San Diego State University campus in Tbilisi.

Market Entry Strategy

[Return to top](#)

Connecting with good local representation is recommended before entering the Georgian market. American exporters should consider visiting Georgia before signing a sales or representation contract. There are several U.S.-trained and licensed attorneys and Western consulting firms operating in Georgia.

[Return to table of contents](#)

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

(The following is the new link to the Background Notes)

<http://www.state.gov/r/pa/ei/bgn/5253.htm>

[Return to table of contents](#)

Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

Using an Agent or Distributor

[Return to top](#)

Using an Agent or Distributor

Several business associations operating in Georgia can serve as a resource for obtaining information about local companies, distributors, wholesalers, and retail outlets. The American Chamber of Commerce (AmCham), Georgian Business Association, International Chamber of Commerce (ICC), and Georgian Chamber of Commerce are available to assist interested investors. Practical information is also available on www.yellowpages.ge

The U.S. Embassy in Tbilisi regularly fields inquiries from U.S. businesses. Apart from complimentary consultations, the Economic Section also offers on behalf of the Department of Commerce services such as “Gold Key Matching Service,” “International Partner Search,” or “Single Company Promotion” for a nominal fee. More information on these services can be found at http://export.gov/salesandmarketing/eg_main_018195.asp. Information may also be available from the Ministry of Economic Development’s Business Information Centers, as well as from the Ministry website at <http://www.economy.ge/en/home>. In addition, the Ministry also supports a website for privatizations and tenders at www.privatization.ge.

Establishing an Office

[Return to top](#)

Business entities include sole proprietorships, joint liability companies, limited partnerships, limited liability companies, joint stock companies, and cooperatives.

In general, the process of registering a business in Georgia is quick and streamlined. The registration process takes only one day to complete. Registration of companies is carried out by the National Agency of Public Registry (NAPR) (www.napr.gov.ge). For registration purposes, the law does not require a document verifying the amount or existence of the charter capital. A company is not required to complete a separate tax registration. Pursuant to Georgian legislation, the initial registration includes both the state and tax registration together.

The following information is required to register a business in Georgia: personal information on the founder and principal officers, articles of incorporation, and the company's area of business activity. Other required documents depend on the type of entity to be established. Registration fees are minimal.

Current legislation does not consider a representative of an international company as a legal entity. However, the registration procedure is the same as for other types of enterprises. Companies should consult with licensed attorneys and accountants prior to opening a business in Georgia.

Franchising

[Return to top](#)

Franchising is gaining popularity in fast food, production of soft drinks, and retail trading of consumer goods, cosmetics, and apparel. Coca-Cola, McDonald's, Curves, Pepsi, Wendy's, Subway, Dunkin' Donuts, KFC, Domino's Pizza, Precision Tune Auto Care, Best Western, Burger King, Marriott and Holiday Inn, all operate in Georgia.

Franchise relationships are governed by contract and by normal commercial laws.

Direct Marketing

[Return to top](#)

Direct marketing was previously considered difficult in Georgia because of poor postal services and limited use of the Internet. However, it is growing together with improvements in the respective sectors. Express courier services operating in Tbilisi include FedEx, UPS, TNT, and DHL.

Joint Ventures/Licensing

[Return to top](#)

Joint ventures can be founded as any of the available entities for doing business in Georgia and operate subject to normal commercial laws.

Licensing is regulated by contract and by the Law on Enterprise Activity Licensing & Basis of Permission Issues.

Selling to the Government

[Return to top](#)

The Competition and State Procurement Agency (CSPA) is a state organization that governs government procurement through the e-tender system introduced in 2011. State purchases in the range of GEL 5,000- to 200,000 (\$2,500-100,000) are conducted through a simplified electronic tender which is a substitute to single-source procurement. Purchases above GEL 200,000 (\$100,000) mandate a call for a regular e-tender.

The Law on State Procurement requires an international tender announcement for contracts exceeding GEL 2 million (around \$1 million) for products and services, and GEL 4 million (around \$2 million) for public works projects.

Budgetary constraints limit the government's purchasing power. International organizations and foreign governments finance many major procurement purchases.

Credit terms are one of the most important factors in government purchasing decisions. Product quality and supplier reputation are other factors.

The time allowed for preparing bids after the announcement of a tender is frequently short and documentation requirements, including Georgian translations, can be onerous for companies not based in Georgia.

Information about tenders is available from the *Georgian Competition and State Procurement Agency*, <http://procurement.gov.ge/>, and individual ministries such as the *Ministry of Defense*, <http://www.mod.gov.ge>. Please see the full listing in Chapter 9. *Business Information Data Base*, <http://bids.state.gov/map.html>

Distribution and Sales Channels

[Return to top](#)

Specialists in distribution services are in their infancy. Most importers handle their own distribution. However, several distribution companies have established networks for selling food, cosmetics, consumer goods, and other products.

A significant part of retail stores are sole proprietorships with one outlet, especially in the regions outside Tbilisi, but there are a growing number of market chains such as Foodmart, Goodwill, Ioli, 2Steps, Fresco, Smart, and Nikora. Carrefour, which currently operates three stores in the capital, is planning to open several new stores across the country. Retail chain shops sell Western brands of cosmetics, household goods, clothing, and electronics.

Turkish trading companies successfully operate in Georgia and opportunities may exist to form alliances with these companies and use their networks.

Selling Factors/Techniques

[Return to top](#)

American goods enjoy an excellent reputation. Price is usually the consumer's principal purchasing decision factor.

Local entrepreneurs often request concessionary payment terms or credit. American exporters should be wary of extending credit before establishing a long and satisfactory trading history with a customer, as well as limiting exposure. Cash in advance or the use of irrevocable letters of credit through a reputable local correspondent bank is advised. Enforcement of contractual rights by the local court system remains uneven.

Electronic Commerce

[Return to top](#)

E-commerce is gaining a foothold, although Internet penetration remains rather limited (over 60 percent penetration across the country, with higher rates in Tbilisi), but is increasing, especially with mobile Internet usage. In April 2015, the Ministry of Economy and Sustainable Development of Georgia announced an expression of interest for the selection of a company to provide fiber-optic cables system across the country ensuring high-speed internet for 2,000 settlements in Georgia. The company responsible for establishing the system would be obliged to provide central networks throughout the country in the course of three years. Subsequently, smaller providers would bring internet service to individual users. By the end of 2017, high-speed internet will be available throughout the country. This initiative will play an important role in Georgia's socio-economic development.

Credit card penetration is also increasing rapidly. As of June 2015 there were 4.5 million debit cards and 1.3 million credit cards issued across Georgia's population of 3.7 million people. Cardholders can pay public utilities electronically and purchase goods. Electronic payment of utilities is widespread through a growing network of electronic payment kiosks, particularly in larger cities. Electronic transactions over the last 4 years have increased 20%-30%.

Trade Promotion and Advertising

[Return to top](#)

The Advertising Law sets advertising standards in Georgia. Advertisements must be in Georgian, and trademarks in a foreign language need to be accompanied with a text in Georgian. Pharmaceutical and medical equipment advertising requires a permit from the Ministry of Health. Advertising of firearms—including firearms used for sport—requires special permission from the Georgian Ministry of Internal Affairs. Alcohol and cigarette advertising is also subject to restrictions in the Advertising Law. Municipalities supervise and monitor compliance with the Advertising Law.

There are several advertising agencies in Georgia, but businesses usually contact television, press, and radio advertising agencies directly. The Tbilisi-based Georgian public broadcaster—GPB—includes Channel 1, Channel 2 as well as the Batumi-based Adjara TV (also a part of GPB); all three are funded from the state budget. There are also a number of independent commercial television stations, such as Rustavi 2, Imedi, Maestro, Kavkasia, Tabula, GDS, and TV3. The Georgian Orthodox Church also operates a satellite-based television station called *Unanimity*. Two more channels—*Kvirike* and *Georgian Channel*—are also considered to be affiliated with the Georgian Orthodox Church. There are 26 regional television broadcasters across Georgia that are members of the Georgian

Association of Regional Broadcasters (GARB) and that seek to strengthen the regional media's capacities and distribution of regional products.

Four broadcasters have nationwide, terrestrial coverage:

-Rustavi 2: <http://www.rustavi2.com>

-Imedi: www.imesi.ge

-Georgian Public Broadcaster, GPB: <http://www.gpb.ge/>

-Adjara TV: <http://www.adjaratv.ge/en/>

The Tbilisi-based television channels Rustavi 2, Imedi, GPB, and the Batumi-based Adjara TV have formed the National Association of Broadcasters, while smaller regional television channels have formed an Association of Regional Broadcasters.

The major newspapers are the weekly newspaper Kviris Palitra, weekly tabloids Asaval-Dasavali and Kviris Qronika, the daily tabloids Alia, Akhali Taoba, and Resonansi, and the thrice weekly paper Versia. Georgia Today, The Messenger, the Georgian Journal, and the Georgian Times are English language publications. Major analytical magazines—in print and online—are the weekly Tabula and Liberali, and major online publications include Netgazeti, IPN, Civil Georgia, and DFWatch.

Major periodicals are *The Georgian Business Week* (in Russian and English), *Bank and Finance*, *Banki Plus*, *Finance*, *Macro-Micro Economics*, and *Economics* (in Georgian and English). The Association of Regional Publishers is based in Tbilisi and was founded by regional newspapers. The American Chamber of Commerce in Georgia publishes the bimonthly *Investor.ge* magazine in English.

Expo Georgia, a local exhibition and conference center, offers online advertising services including banner placement and links on its website.

Pricing

[Return to top](#)

Because of limited consumer purchasing power, pricing is the primary factor which drives sales. In a sector where American exporters do not enjoy a technological advantage, there is significant price competition from low-cost suppliers in Turkey, Iran, and East Asia. Imports of taxable goods and taxable operations at every stage are subject to an 18 percent value added tax (VAT).

Sales Service/Customer Support

[Return to top](#)

A growing number of official distributors and individual retailers offer delivery and installation services, as well as issue their own warranties on big-ticket items, usually for up to one or two years. American firms entering the Georgian market should consider the logistics of supporting their products in-country.

Although Georgia has signed all relevant treaties and enacted legislation in compliance with its international obligations, as a practical matter protection and enforcement of intellectual property rights is weak in Georgia. *See Chapter 6 for more information on intellectual property (IP) enforcement.* Companies that intend to invest or trade in Georgia might be affected by intellectual property rights issues and are invited to discuss the matter with the Political and Economic Section of the U.S. Embassy in Tbilisi.

Protecting Your Intellectual Property in Georgia:

Several general principles are important for effective management of intellectual property (IP) rights in Georgia. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Georgia than in the U.S. Third, rights must be registered and enforced in Georgia under local laws. Your U.S. trademark and patent registrations will not protect you in Georgia. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified through international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Georgian market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Georgia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Georgian law. The U.S. Commercial Service can provide a list of local lawyers upon request or you may consult the U.S. Embassy in Tbilisi’s list here: http://georgia.usembassy.gov/list_of_attorneys.html.

While the U.S. government stands ready to assist, its options are limited if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries rights holders who delay enforcing their rights on a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and prevent counterfeiting. There are a number of these organizations, both Georgia or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)

- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues including enforcement issues in the U.S. and other countries call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199** or visit their website at www.uspto.gov.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: **1-202-707-5959** or visit their website at www.uspto.gov.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For U.S. small- and medium-sized companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, and Russia. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries). The U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for webinars on protecting IP.
- The U.S. Department of Commerce has placed IP attachés in key markets around the world. For information on the IP attaché who covers Georgia, please visit: <http://moscow.usembassy.gov/business-info.html>.

Due Diligence

[Return to top](#)

Information on potential business partners and clients can be difficult to obtain in Georgia. Laws and regulations are subject to change. Local attorneys and consulting firms can be of assistance. A list of attorneys is available from the U.S. Embassy in Tbilisi. Please also see the lists below.

The Economic Section of the U.S. Embassy also offers Department of Commerce services such as “Gold Key Matching Service,” “International Partner Search,” “Single Company Promotion,” etc. for a nominal fee. More information on these services can be found at http://export.gov/salesandmarketing/eg_main_018195.asp.

Local Professional Services

[Return to top](#)

The Political and Economic Section of the U.S. Embassy in Tbilisi offers a range of assistance to American firms interested in developing market opportunities or increasing their business in Georgia. For further information, please visit: <http://georgia.usembassy.gov/business.html>.

JSC Business Information Agency (BIA) is a leading business information provider in Georgia that develops, processes, issues, and distributes company profiles, marketing lists, industry databases, and management and shareholder information, to local and foreign partners. For the past decade, the company has provided business information to leading global players in the business information field such as Dun & Bradstreet (USA) and Coface (France). BIA has developed the largest and continuously updated online business information database - Business Catalogue, encompassing information on active legal entities in Georgia. Visit www.bcat.ge to obtain business information such as company profiles, company classification across industries, annual sales, number of employees, export-import data, and key contacts for around 10,000 companies registered in Georgia. Viewing their general listings is free of charge, while the more detailed information is fee-based.

Web Resources

[Return to top](#)

American Chamber of Commerce in Georgia: <http://www.amcham.ge>

America Georgia Business Council: <http://www.agbdc.com>

Civil.ge (news): <http://www.civil.ge/eng/>

Deloitte & Touche: http://www.deloitte.com/view/en_ge/ge/index.htm

DLA Piper Rudnick Gray Cary: <http://www.dlapiper.com/Georgia/content/overview>

Ernst & Young: <http://www.ey.com>

ExpoGeorgia: <http://www.expogeorgia.ge>

Georgia.gov: www.georgia.gov

Georgia Department of Tourism: <http://www.gnta.ge/?lan=en>

Georgian Chamber of Industry and Trade: <http://www.gcci.ge>

Georgian Opinion Research Business International (GORBI): <http://www.gorbi.com/>

Georgia National Investment and Export Promotion Agency: <http://www.investingeorgia.org>

Georgian Research Institute for Scientific and Technical Information:
<http://www.tech.caucasus.net>

Institute for Polling and Marketing: <http://www.ipm.ge/>

Ministry of Economic Development: www.economy.ge

PricewaterhouseCoopers: <http://www.pwc.com/us/en/index.jhtml>

Privatizations: <http://www.privatization.ge>

Tbilisi Business Service Center: <http://www.tbsc.ge>

Tbilisi Municipal Portal: <http://www.tbilisi.gov.ge/>

Tbilisi Yellow Pages: <http://www.yell.ge>

U.S. Embassy in Tbilisi: <http://georgia.usembassy.gov>

[Return to table of contents](#)

Chapter 4: Leading Sectors for U.S. Export and Investment

Agribusiness

Georgia's fertile soil and favorable climate support production of a wide variety of high-value agricultural products including grapes and wine, nuts (hazelnuts, almonds, walnuts, and chestnuts), citrus fruits, apples, peaches, and apricots. Russia traditionally received most of Georgia's exports, but new European markets are developing. Georgia also grows an increasing quantity of crops, including vegetables and corn, for domestic consumption. Georgia relies on imported powdered milk, meat products, and wheat imports, but does produce some fresh milk domestically.

For Georgia, agriculture remains an important sector in terms of GDP contribution. In 2014, agriculture accounted for 9.2 percent of GDP, up from 8.3 in 2013. The sector also provides an important safety net for the rural population, employing around 56 percent of the labor force. Small farmers comprise 95 percent of all farmers, typically cultivating around one hectare of land with low output.

During the Soviet era, the state held legal title to all agricultural land. Under land reforms beginning in 1992 and lasting until the 2000s, almost one million hectares of agricultural land was privatized. Land was distributed to rural households free of charge. A large number of agricultural land parcels distributed through these actions created small subsistence farms with limited economic potential. A small portion of farmers interested in larger scale commercial farming could only enlarge their holdings through leases of state-owned land.

A lack of an efficient title registration system until the mid-2000s meant that bank credits for agricultural development were unavailable. The lack of proper title prevented farmers from using the land as collateral to expand or improve their holdings. Despite a limited commercial market for agricultural land, consolidation is slowly taking place. Plots still average less than one hectare. However, the government has completed work on registration and titling of small farms in order to allow transfer from the state, except in the Russian-occupied regions of Abkhazia and South Ossetia. Several international donors, most notably the U.S. and German governments, have sponsored micro lending programs in an effort to extend credit to farmers, as the lack of local credit sources has also constrained development in this sector.

As a result of land reform, the Georgian government has privatized over 25 percent and leased out about 30 percent of the country's agricultural land. The amount of privately held arable land is much higher at 55 percent. The law on Privatization of State-owned Agricultural Land was passed in July 2005 which increased efficiency and output in the agricultural sector.

Acquisition of land by foreigners has become a controversial issue as the previous government attempted to promote foreign investment by giving preferential terms to foreigners. Parliament passed a law in June 2013 banning the sale of agricultural land to non-Georgians through December 31, 2014. It subsequently passed an amendment

permitting the sale of these lands to banks, micro-credit institutions, and international finance institutions (IFIs). Parliament is considering a new bill, expected to pass in 2015, which describes the conditions for foreign agricultural land ownership. According to the bill, foreigners may own agricultural land if they: inherit the land; co-own the land through marriage to a Georgian citizen or by being a member of a Georgian citizen household; or hold a residence permit. If foreign agricultural land owners can no longer meet the requirements for agricultural land ownership, the alien must sell the agricultural land within six months or the government could seize the land. Also, agricultural plots owned by foreigners must be between 5 and 20 hectares. For entities founded by foreigners, the land plot must be between 20 and 200 hectares. Restrictions on land plot size do not apply to international financial institutions, commercial banks and microfinance organizations. Lastly, the bill stipulates that all agricultural land sales to foreigners require a notarized contract. The notary must check if the alien or the entity registered by an alien under Georgian jurisdiction meets all the legal requirements for agricultural land ownership.

The Georgian government identified agriculture as a priority for development and has increased funding for agriculture by 60 percent. It has also set up the Agriculture Investment Fund to support the sector by providing credits for farmers. This may create additional demand for equipment and inputs to be supplied from abroad, including from the U.S.

Food Processing and Packaging

Georgia's location positions it to be an ideal exporter to markets in Russia and the EU, offering high-quality raw materials and a good location for food processing. The sector has suffered from the collapse of traditional links among post-Soviet states, decades of negligence towards state-owned enterprises in the sector, obsolete equipment, lack of investment, and lack of current technical knowledge. Georgia imports 80 percent of its packaged food products which has a significant negative impact on its trade balance. However, the food processing industry is growing steadily but slowly following the privatization of state enterprises and an increasing demand for locally produced goods. In addition, a number of foreign aid programs (including USAID, MCC, etc.) target agricultural development and provide financial or material support to individual farmers or bigger enterprises to enable them to meet the requirements of international markets. Opportunities for growth in the sector are ripe, as natural conditions (climate, soil, widely available labor) enable Georgia to become an exporter of agricultural goods to the broader region, including Europe and Asia. This sector is growing steadily with a proliferation of Georgian-brand products - wine, beer, dairy, nut, sausages, fruit juices and mineral waters - filling local stores and beginning to find new export markets. Several years ago Georgia imported the majority of such products. Georgian wines and spirits have long enjoyed an excellent reputation in Russia and CIS countries, and improved bottling and packaging now allows Georgian firms to sell across a wider export market.

There are opportunities for U.S. exporters of food processing and packaging equipment for fruits, nuts (particularly hazelnuts), vegetables, citrus, and meat and dairy products. Currently many of the existing processing plants use old Soviet equipment which does not provide for high productivity or technical safety. Existing alternatives mostly include Turkish technologies or second-hand lines from Europe. Based on information provided by local authorities and managers, the best sales prospects are for small and medium capacity bottling lines, production plants for wine and juices and machinery for tea processing and

packaging. Additional prospects involve seed crushing and oil refining machinery. There is also demand for mini-bakeries and machinery for the manufacture of confections. Price and payment terms are important factors affecting customers' purchasing decisions. In many cases, the lease or purchase of used equipment may be a means by which local enterprises can acquire plant machinery and equipment for restarting production.

Agriculture Resources

How to Buy Land in Georgia: <http://www.aplr.org/?lang=eng>

Ministry of Agriculture: <http://moa.gov.ge/>

Tbilisi Yellow Pages - Agriculture Section: <http://www.yell.ge/dir.php?id=21&lan=2>

Georgian Oil, Gas, Mineral Production/Exploration Services (OGS)

Georgia has 2.2 million metric tons of proven oil reserves (category 1P) as of January 1, 2015, but only a marginal amount has been exploited. In 2014, production of crude oil was almost 43,000 tons. Domestic natural gas reserves are estimated at 1.9 billion cubic meters (category 1P) as of January 1, 2015; however, little natural gas is being produced primarily due to retracted production activities. Only 15.6 million cubic meters were produced in 2014. Most of country's demand for oil and gas products is met through imports.

Together with business partners, BP has been operating energy transit projects in Georgia for 19 years. BP in Georgia is the lead investor and operator of Baku-Tbilisi-Ceyhan (BTC) pipeline, South Caucasus gas Pipeline (SCP) and Western Route Export Pipeline (WREP) also known as Baku-Supsa pipeline.

In April 1999, the Baku-Supsa pipeline was opened to transport oil from the Caspian Basin to Western markets via Georgia's Black Sea terminal at Supsa. The Baku-Tbilisi-Ceyhan (BTC) oil pipeline opened in 2006, transporting oil from Azerbaijan to Ceyhan, a Turkish port on the Mediterranean Sea. The South Caucasus (Shah Deniz) natural gas pipeline opened in 2007 and runs from Baku to Erzurum in Turkey through Georgia.

BP invested more than USD 1.5 billion into energy projects and sustainable development initiatives in Georgia. Major part of BP's contribution to Georgia is in providing gas from SCP for domestic use as well as local employment and taxes. BP employs more than 500 people and generates business for local suppliers and contractors. Recently BP has started expansion of the SCP bringing additional gas supply opportunity and USD 2bn investment to the country.

A recently completed USAID-financed gas pipeline makes available industrial levels of natural gas to the Poti Free Industrial Zone adjacent to Poti Port. For more information on GOGC see: <http://www.gogc.ge/?lang=eng>.

In July 2013, BP announced the selection of the Trans-Adriatic Pipeline (TAP) as the chosen route for gas from the Shah Deniz II oil field in the Caspian Sea basin. The TAP will carry gas from Turkey, through Greece and Albania, and across the Adriatic Sea to Italy, but not before passing through Georgia. To construct this new pipeline and related infrastructure, BP plans to spend around \$2 billion in Georgia alone over the next few years, the largest ever foreign investment in the country. Gas from Shah Deniz II is expected to begin flowing in 2019.

OGS Best Prospects/Services

The government would like to attract more international companies for exploration and development of on and offshore oil and gas reserves. Three companies, Georgian Gas International Corporation, Georgian International Oil Corporation, and Georgian National Oil Company (Saknavtobi), have been merged into one, the Georgian Oil and Gas Company (GOGC): <http://www.gogc.ge/en/home>. By law, GOGC participates in all exploration and extraction through production sharing agreements (PSAs) and operates the major domestic gas transmission pipeline.

With three major pipelines crossing Georgia, pipeline maintenance services and equipment are in demand. Other oil and gas infrastructure require similar attention.

OGS Resources

BP Caspian: <http://www.bp.com/lubricanthome.do?categoryId=6070>

Georgian Oil and Gas Corporation: <http://www.gogc.ge/en/home>

Ministry of Energy: <http://www.minenergy.gov.ge/>

Tbilisi Yellow Pages - Energy & Energy Resources Section: <http://yell.ge/?lan=2>

Electrical Power Systems (ELP)

Georgia is a potential exporter of electricity with significant additional export potential, especially to markets in Turkey and Europe. Georgia also serves as a transit country for electricity flowing between Azerbaijan, Russia, and Armenia. With assistance from USAID, European Bank for Reconstruction and Development (EBRD), Kreditanstalt für Wiederaufbau (KfW), and the European Investment Bank (EIB), Georgia completed construction of an electricity interconnector project that will allow for the export of electricity to more lucrative markets with high demand such as Turkey and Western Europe. With assistance from KfW, a new high voltage transmission line is under consideration that will connect Georgia and Armenia and will allow for greater power flow between those countries. The government of Georgia has aggressively undertaken efforts to attract investments in the hydro power sector. During 2011-2012, the U.S. government financed the rehabilitation of transmission lines that are an important part of the infrastructure for facilitating exports and assisting Georgia in the establishment of the Georgia Electricity Market Model of 2015 that will facilitate an electricity trading mechanism with Turkey and others. The related legal and regulatory framework developments are underway, along with regional electricity transmission planning and regional regulatory assistance for the cross-border trading of electricity. The U.S. government also supported the development of the Energy Strategy for Georgia which was partly based upon the Market Allocation Model (MARKAL). In June 2015, the U.S.-based Schulze Global Investments private equity firm launched \$100 million investment fund in Georgia that will mainly focus on hydropower projects and clean energy.

ELP Best Prospects/Services

The best opportunities for U.S. companies in this sector are in electricity power generation – specifically hydroelectric power, transmission, and distribution projects. There are also export opportunities for U.S. manufactured equipment and services during construction and

rehabilitation of facilities, and management and upgrades of existing power infrastructure. Opportunities for U.S. suppliers are also available in projects financed by multilateral financial organizations and bilateral assistance: the World Bank, EBRD, the Asian Development Bank, the Japan Bank for International Cooperation (JBIC), and KfW.

Other opportunities exist in demand side energy management for the electricity distribution companies that serve electricity market end-users. These opportunities are for smart grid, metering and intelligent energy management systems for the distribution grid operators, industrial, commercial users and lesser extend for the residential users, as the country develops better incentives for energy efficiency.

ELP Opportunities

Georgia currently does not produce power generation and transmission equipment, with the exception of some small capacity hydroelectric turbines and electricity meters. Most current equipment was produced in the Soviet era, primarily in present-day Russia. Current efforts of the Government of Georgia to develop hydropower generation infrastructure and construct new power transmission infrastructure should create demand for equipment and opportunities for U.S. investors and exporters. All medium and large hydroelectric generation facilities except Enguri and Vardnili hydropower plants have been privatized. Between 2009 and 2014, USAID's Hydroelectric Investment Promotion Project (HIPP) and Hydro Power and Energy Planning (HPEP) project worked with the Georgian Ministry of Energy to address gaps in Georgia's regulatory framework in an effort to encourage private sector investment and create the market rules to enable electricity exports, primarily to Turkey. A follow-on project, the energy component of the Governing for Growth (G4G) project supports market-based initiatives to promote and secure international investment into Georgia's small- and medium-sized run-of-river type hydroelectric power market. The program aims to facilitate power transit among the Caucasian countries and the rest of Europe through the harmonization of Georgian trading rules and regulations with EU standards.

ELP Resources

European Bank for Reconstruction and Development: <http://www.ebrd.com/>

Georgian Ministry of Energy: <http://www.minenergy.gov.ge>

Georgian National Electricity Regulatory Commission: <http://www.gnerc.org/?lng=eng>

Georgian State Electrosystem: <http://www.gse.com.ge/>

Japan Bank for International Cooperation: <http://www.jbic.go.jp/en/>

Kreditanstalt für Wiederaufbau Bank: http://www.kfw.de/EN_Home/index.jsp

World Bank: <http://www.worldbank.org>

Transportation Services (TRN)

Georgia continues to use its geographically strategic location to develop transportation routes in and out of the Caucasus and Central Asia, including oil and gas pipelines. Georgian infrastructure, developed during the Soviet era, was not designed to handle large volumes of east-west transport. Years of inadequate maintenance have resulted in serious deterioration of these assets. Nevertheless, the Georgian Government has identified Georgia's geographic location as a competitive advantage to exploit. The government has proposed a "Eurasia Corridor" that will require substantial investment in refurbishment

and expansion of transportation infrastructure including roads, rail, seaport, and civil aviation services. USAID, World Bank, EBRD, the EU and other donors are examining ways to improve transport, water supply, and wastewater treatment infrastructure.

The EU helped start the Transport Corridor for Europe, Caucasus, and Asia (TRACECA).*

**TRACECA is an internationally recognized program aimed at strengthening of economic relations, trade and transport communication in the regions of the Black Sea basin, South Caucasus and Central Asia owing to active work based on political will and common aspirations of all member-states. Today the TRACECA route comprises the transport system of the 13 member-states of the "Basic Multilateral Agreement on International Transport for Development of the Europe-the Caucasus-Asia Corridor" (MLA TRACECA): Azerbaijan, Armenia, Georgia, Iran, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkey, Ukraine and Uzbekistan.*

Airports

The five principal airports of Georgia are located in Tbilisi (3,000 meter runway), Kutaisi (2,500 m), Batumi (2,420 m), Senaki (2,400 m), and Poti (1,500 m). Several smaller airports are currently inactive. Tbilisi airport is the principal international airport, and is served by a Georgian flag carrier Georgian Airways (formerly Airzena), Lufthansa, Turkish Airlines, FlyDubai, Czech Airlines, Lot Polish Airlines, Aegean Airlines, Alitalia, Qatar Airways, China Southern Airlines, Azerbaijani Airlines, AirBaltic, Belavia, Ukrainian International Airlines, Aircompany SCAT, Siberian Airlines, Air Arabia, Air Astana, Atlas Jet and Pegasus Airlines among others. A major rehabilitation and expansion of the Tbilisi and Batumi airports has begun. A new airfield was constructed in Mestia (in the mountainous Svaneti region). Charter flights to different destinations in Russia are operated by Russian and Georgian carriers.

Ports

The two major Black Sea ports are located in Poti and Batumi, with depths of 11 and 12 meters and annual cargo turnover of 8 million and 9 million tons respectively. Georgia has rail ferry links with Ukraine, Romania, Russia, and Bulgaria. In 2008, Poti port was privatized and sold to the Ras al Khaimah Investment Authority (RAKIA), UAE. In April 2011, APM Terminals, a subsidiary of the Danish conglomerate Maersk, purchased an 80 percent stake in the Port of Poti. RAKIA continues to operate and develop the Free Industrial Zone adjacent to the port. In May 2015, APM Terminals announced that it is to expand capacity at its container terminal in Georgia's Poti Sea Port by nearly 70 percent to keep pace with rapid traffic growth in the Black Sea region and to accommodate larger vessels. Two other ports, both up to the best international standards, are located in Supsa (operated by BP) and Kulevi (Owned by Azeri Socar Company), and exclusively handle petroleum products. The Georgian government commissioned a feasibility study for the construction of deep sea port north of Poti in Anaklia to expand the overall capacity of Georgia's ports and the Caucasus transit corridor. In July 2014, Georgia's Prime Minister Irakli Garibashvili officially announced the Georgian government would develop a deep sea port in Anaklia. After a subsequent bidding process two American companies were among the firms shortlisted and under consideration by the government to develop the new port.

Roads and Railroads

Rail cargo volumes are limited in western Georgia because of technical issues such as limited track capacity and lack of access to Russian markets because due to the conflict in Abkhazia. Georgian Railway depends heavily on the transport of petroleum products from Azerbaijan to Georgia's Black Sea ports. Construction of a new railway linking Georgia to Turkey called the Baku-Tbilisi-Kars (BTK) Railroad began in 2008 and is expected to be completed in 2015. Once finished, the BTK will provide a direct rail link from Asia to Europe via the Caucasus.

TRN Best Prospects/ Services

Georgia is receptive to private foreign investment to upgrade its transport infrastructure. The Georgian Roads Department and the Transport Reform and Rehabilitation Center implemented a World Bank financed roads rehabilitation and construction project on all major trunk roads in Georgia. A second World Bank program is underway to rehabilitate secondary roads in various Georgian regions. A number of other donors including the Asian Development Bank (ADB), Japan, and the U.S. are providing funding for secondary and related road infrastructure.

TRN Opportunities

Major opportunities in transportation services exist with the construction and upgrading of the Akhalkalaki-Kars rail link with Turkey, upgrades to Georgia's major east-west highway, and various other smaller scale infrastructure upgrade projects. Significant construction inputs and services will be needed for all these projects. Construction and operation of a new deep sea port would present significant opportunities for American companies.

TRN Resources

Millennium Challenge Georgia: <http://www.mcc.gov/pages/countries/program/georgia-compact>

Ministry of Economic Development: <http://www.privatization.ge>

Tbilisi Yellow Pages - Transportation Section:

<http://yell.ge/categories.php?lan=eng&nav=24>

Tourism Infrastructure Services (TIS)

Georgia has substantial potential for tourism development. Great natural beauty, varied topography, a pleasant climate, and rich culture and history helped Georgia attract over 3.5 million tourists a year in Soviet times. This number fell precipitously after the collapse of the Soviet Union. Tourism infrastructure deteriorated, leaving most resorts in a state of near-collapse. To facilitate tourism, the government of Georgia eased its visa regime, began widespread rehabilitation of roads, privatized infrastructure and hotels, and established limited tax incentives for tour operators. New development taking place in Batumi, at ski resorts in Gudauri, Bakuriani and Mestia, the winegrowing region of Kakheti, and other areas are turning Georgia again into an attractive tourism destination. Amidst this development, Georgia received record numbers of international visitors in 2014.

The number of foreign visitors to Georgia increased 2 percent year-over-year (y-o-y) in 2014 for a total of 5,515,559 visitors. Citizens from Georgia's neighboring states made up the largest share in total visits in 2014. Turkish citizens lead the pack with 1.4 million

entries (10 percent y-o-y decrease), followed by Armenian citizens with 1.3 million entries (3percent y-o-y increase); Azerbaijani citizens with 1.2 million visits (19 percent y-o-y increase increase); and Russian citizens with 811,621 visits (6 percent y-o-y increase). The number of visits by Ukrainian citizens to Georgia increased 13 percent y-o-y in 2014 reaching 143,521. The number of visits to Georgia by citizens from EU member-states increased 10.8 percent y-o-y reaching 229,523 in 2014.

TIS Best Prospects Services

Georgian tour operators report growth in demand both in summer and winter, particularly in adventure and cultural tourism. Despite this interest in travel to Georgia, suitable accommodations outside of the capital and the major resort areas are still scarce because facilities have not been maintained or do not exist. The seaside resorts of Batumi and Kobuleti are undergoing rapid development. Major privatizations of resort properties in 2005 attracted foreign investors, particularly from Kazakhstan, including the company Silk Road Group. More than 20 new hotels are being constructed in the area. To develop new tourism destinations, the government is promoting the seaside areas of Anaklia and Kobuleti (north of Batumi) and the mountainous town of Mestia by building necessary infrastructure and offering concessionary terms to potential investors.

Opportunities

Development of tourism infrastructure will require significant investment and rehabilitation of assets such as hotels, restaurants, sport facilities, and ski resorts. Rehabilitation of several recently privatized hotels is underway in Tbilisi and Adjara and additional opportunities may be found in the ski resorts of Gudauri, Bakuriani, and Mestia.

The World Bank's roads rehabilitation and construction project aims to promote tourism by decreasing travel time and increasing auto safety as well as facilitating the transport of goods across the country. The World Bank is implementing a long-term program aimed at nature conservation, cultural heritage preservation, and sustainable tourism development. USAID's new Economic Prosperity Initiative includes an emphasis on increasing investment in and returns from the tourism sector.

The state-owned Partnership Fund and privately held Georgian Co-Investment Fund (GCIF) are looking at investment opportunities in tourism infrastructure in Tskaltubo (Imereti region), Adjaram (Kakheti region), and other places. These funds are interested in partnering with interested investors in these projects.

Tourism Resources

Georgian National Investment and Export Promotion Agency:

<http://www.investinggeorgia.org/>

Georgian State Department of Tourism: <http://www.dotr.gov.ge/?lan=en>

Georgian Tourism Association: <http://www.tourism-association.ge/>

Silk Road Group: <http://www.silkroadgroup.net/>

Partnership Fund: <http://www.fund.ge>

Georgian Co-Investment Fund (GCIF): <http://www.gcfund.ge>

Telecommunications Equipment (TEL)

The officially independent, self-financed Georgian National Communications Commission (GNCC) regulates telecommunication and postal services in Georgia. The commission sets up service fees for license holders, auctions and regulates the radio frequency spectrum, regulates interconnection of the telecommunication networks, and provides certification, standardization, and metrology services.

Major international investors in this sector have been from the U.S., South Korea, Turkey, Israel and Sweden. There are three international cellular phone companies: MagtiCom (U.S.), Geocell (Sweden) and Vimpelcom (operating as Beeline) (Russia). All use the GSM system. There were 4.94 million mobile phone subscribers at the end of 2015 compared to 800,000 in 2005. Cellular phone penetration rate was 133.5 percent. The number of mobile phone subscribers is defined by the number of active SIM cards. MagtiCom was a leader with a 38 percent market share, followed by Geocell (36 percent), Beeline (24 percent) and Silknet (2 percent). In addition, there are 590,845 subscribers of wireless fixed network services, representing a 47 percent penetration rate by households and 11 percent by total population.

Today, the Georgian market offers three types of Internet: mobile, cable, and fixed wireless. The number of subscribers to Internet service providers who use DSL, fiber optic, EVDO, WiMAX, WiFi, CDMA 1x, and dial-up technologies continues to steadily increase. WiFi is the most dynamically growing technology.

The rate of Internet penetration is increasing rapidly and is around 60 percent throughout the country compared to 7.5 percent in 2006. Internet access is significantly higher in the capital and other big cities than in the regions where it remains limited. The number of mobile internet users is growing and MagtiCom is the current industry leader for this service. The cellular system is rapidly modernizing to provide 4G services and WiMAX across most of the country.

Best Prospects/ Services

Telecommunications has become one of the most attractive sectors for foreign investors as a result of growing market demand and revenues generated by local operators. Expansion of telecommunications infrastructure at the national, regional, and international levels is seen as an integral part of Georgia's economic development and its successful integration into the global economy.

Opportunities

Cellular telecommunication services have been the most profitable sub-sector. Georgia does not produce telecommunications equipment. The two main cellular telephone operators in Georgia are MagtiCom and Geocell (TeleaSonera Group). The total revenue of mobile telecommunication companies in 2014 was GEL 455 million (roughly \$198 million), a 0.1 percent decrease from 2013.

TEL Resources

Beeline (Vimpelcom): <http://beeline.ge/en/index.wbp>

Geocell: <http://www.geocell.ge/en/>

Georgian National Communications Commission:

http://www.gncc.ge/index.php?lang_id=ENG&sec_id=10050

Magti: <http://www.magticom.ge/index.php?section=8&lang=eng>

Tbilisi Yellow Pages - media and communications section:

<http://www.yell.ge/dir.php?id=7&lan=2>

Computer Services (CSV)

Georgia is a modestly computerized country with a good supply of professional, inexpensive labor and a number of companies involved in information technology. The IT sector is experiencing impressive growth in Georgia. Internet use in rural areas is concentrated among international NGOs and private companies. A majority of all organizations and businesses have access to the Internet. Internet usage in remote areas and households in the villages is limited because of low incomes, poor infrastructure, and low bandwidth.

In order to speed up modernization of the country, the Georgian government launched the 'Computer Literacy Society' in 2012 which aimed to open 300 centers for computer courses in the regions of Georgia. At these locations, local residents are able to acquire computer skills and use the Internet for educational purposes.

A fiber optic cable under the Black Sea was built by American firm Tyco linking Georgia with mainland Europe via a high-bandwidth link. It is currently owned by Caucasus Online.

CSV Best Prospects/Services

The majority of IT companies are involved in retail trade, including software producing companies. Computers assembled in Georgia remain a popular sales item. There are service centers for Hewlett-Packard, Compaq, APC, and Xerox. Several companies provide network installation. The following network providers offer Internet services: United Telecom of Georgia, Telenet, Wanex, Caucasusnet, SilkNet and Geonet. American-owned United Global Technologies provides information and communication technology solutions. The first phase plans to provide IT services to all state owned organizations. As a part of establishing this center, HP plans to launch an initiative together with the government to encourage the development of the IT sector in Georgia. According to the Letter of Intent, this initiative will include such activities as training programs for IT specialists, support of IT innovations in universities, and active cooperation in the process of development of an IT incubator. The initiative ultimately aims to encourage economic growth and Georgia's competitiveness on the international IT market and improve Georgia's position as a location for foreign direct investment across of a number of industries.

CSV Opportunities

The IT sector is experiencing impressive growth: the number of IT companies, computer users, and internet users has been growing year-by-year. The demand for quality IT services and products has increased significantly over the last several years. Major end-users of IT products are Georgian government agencies, banks and other large- and medium-sized corporations.

CSV Resources

Ministry of Economic Development: <http://www.privatization.ge>

Tbilisi Yellow pages - computer companies: <http://www.yell.ge/dir.php?id=8&lan=2>

Architecture/Construction/Engineering Services (ACE)

New construction and renovation in Tbilisi and Batumi and construction of the Baku-Supsa, Baku-Tbilisi- Çeyhan, and Shah Deniz pipelines have led a revival of the construction industry in recent years. Other energy related construction and rehabilitation projects are under consideration. In addition, necessary upgrades of transportation and tourism infrastructure will continue to create demand for construction services and building materials for the near future.

Several mid-range hotels are scheduled to be built in Tbilisi over the coming years. Numerous hotels have been built or are under construction in Batumi and Kobuleti along the Black Sea coast. Commercial banks with new mortgage lending and joint projects with construction companies are playing an important role in the real estate market's development. Construction standards are undergoing reforms. The property will be developed by the Silk Road Group (SRG), a Georgian conglomerate whose businesses range from transportation and telecommunications to banking and real estate. Another Trump Tower is planned for Tbilisi. In May 2015, Hilton Hotels opened a 247-room hotel in Batumi and a 165-room Hilton Garden Inn is currently under construction in Tbilisi. In addition, Marriott International will open its third hotel under the flagship Marriott-Moxy brand in Tbilisi by 2017.

The Georgian Co-Investment Fund (GCIF) announced in March 2014 its plans for a \$1.3 billion multi-faceted development project in Old Tbilisi involving multiple hotels, retail spaces, and other commercial real estate.

Significant reforms have been carried out in recent years to simplify the system of issuing permits in the construction sector, and construction businesses are now permitted to use the technical regulations of the OECD and the EU member countries for their construction projects. The government has also eliminated the need for construction licenses and has simplified the process for the issuing of construction permits. The government and municipal authorities further facilitated and liberalized the paperwork to connect newly built construction projects to utility services.

There are a number of reputable construction and development companies in Georgia. A list of companies can be found at the following website:

<http://www.market.ge/directory/architecture.html#top>

In architectural design and technical solutions, local companies still generally rely on foreign specialists. It is common practice to solicit the provision of certain services for major construction projects through international tender. The Government of Georgia has initiated several projects for the rehabilitation of the old city of Tbilisi, with the participation of several banks and developers, to stimulate the construction sector. Georgia depends heavily on importing construction material. Locally available materials include cement, wood, and concrete. Resources such as tiling materials, roofing, and exterior-interior design staff are primarily imported from Europe and Turkey. USAID's Economic Prosperity Initiative is working to develop Georgian production of basalt and perlite products for use in construction.

Despite the recent slowdown of previously soaring real estate prices, demand is still growing, especially for commercial development and office space. Competition in residential construction, particularly apartments, is likely to intensify.

ACE Opportunities

The modest growth of the middle class and easier access to credit has increased the demand for quality housing, corporate/business infrastructure, and real estate in general. Prices have increased by 200 percent for residential and 300 percent for commercial real estate since 2003. Demand is still expected to grow in the next few years. Georgia is located in an active seismic zone, so firms with expertise in building to standards that improve resistance to earthquakes are in demand. Tbilisi and other Georgian cities such as Batumi and Kutaisi feature many buildings in the Art Nouveau architectural style in need of significant rehabilitation.

ACE Resources

Georgian National Investment and Export Promotion Agency:

<http://www.investingeorgia.org/>

Ministry of Economic Development: <http://www.privatization.ge>

Tbilisi Yellow Pages - Construction and Real Estate Section:

<http://www.yell.ge/dir.php?id=14&lan=2>

Mining Industry (MIN)

Georgia has a wide spectrum of mineral resources and there is potential for development in the mining industry. In 2013, the Florida-based Georgian American Alloys, Inc. a leading manufacturer, supplier and trader of ferroalloys, acquired 100 percent ownership interest in Georgia-based Georgian Manganese, LLC and Vartsikhe 2005 LLC the country's top producer and exporter of standard and high-grade silicomanganese.

MIN Best Products/Services

U.S. equipment and technology have an excellent reputation in Georgia. Presently existing mining technology and equipment are either obsolete or inoperable, with a few notable exceptions, including manganese processing.

MIN Opportunities

Any foreign company or person can obtain the right to mine unexplored deposits. Georgia has significant deposits of high-grade manganese which have been extracted from the Chiatara region for over a hundred years, and are processed and exported for use in a variety of products, most notably steel. There are deposits of coal in Tkibuli, Ambrolauri, and Ochamchira regions, and non-ferrous metal ores such as copper, lead, and zinc in Kvaisa and Kazreiti. There are also some deposits of arsenic, cobalt, tin, aluminum, and other non-ferrous and rare metals such as gold and silver. There are deposits of a number of high-quality raw materials used in the chemical industry such as barite, diatomite, agate, bentonite, clays, andezite, talcum, and calcite. Georgia's Ministry of Energy and Natural Resources is in charge of regulating issues related to extraction of mineral ores. The

Department of Natural Resources under the Ministry of Environment and Environment Protection now issues licenses for mining activities. Previously, these licenses were granted by the Ministry of Energy and Natural Resources.

MIN Resources

Ministry of Environment and Natural Resources: http://moe.gov.ge/index.php?lang_id=ENG

Security Safety Equipment (SEC)

Security and safety equipment in Georgia represents a rapidly growing and promising sector for U.S. manufacturers and suppliers. The import of home, car, and commercial security systems has grown significantly in recent years. However, with appropriate marketing of products, reasonable prices, and reliable service, the market has the potential to grow even more rapidly.

Georgia has no local production of security and safety technologies. Local companies are major importers of the equipment and offer installation and security services to customers. Larger corporations, hotels, and banks maintain their own security staff and purchase equipment and after-sale services directly from international suppliers.

The number of potential customers has grown with the recent expansion of domestic corporations and the entry of international investors, including in western hotels, banks, and in real estate. Small and medium retail and hospitality businesses are major clients of the local companies offering security and safety equipment and services.

The import of certain security equipment requires licenses from the Ministry of Justice and a permit from the Ministry of Defense. Some technologies, including video monitoring equipment, require licenses from the Ministry of Interior, while telecommunication devices require licenses from the Georgian National Communications Commission (GNCC).

SEC Best Prospects/ Services

Security devices and alarms, including car and house alarm systems, locks, cameras, safety boxes and safes, radio equipment, access control systems, metal and smoke detectors, and equipment for detection of explosives are all in demand. In the medium term, demand is expected to grow for security software and various automated systems.

SEC Opportunities

In addition to supplying security and safety equipment to residential and commercial customers through local companies, there are opportunities to sell anti-terrorism equipment and technologies for large-scale public and infrastructure development projects such as airports in Batumi and Tbilisi, buildings of the central government, proposed rail and port development projects, etc.

SEC Resources

Customs Department: <http://www.mof.ge/en/3862>

Georgian National Communication Commission:

http://www.gncc.ge/index.php?lang_id=ENG&sec_id=10050

Ministry of Internal Affairs: <http://www.police.ge/?lng=eng>

Ministry of Justice: <http://www.justice.gov.ge/>

Tax Department: <http://www.mof.ge/en/home>

Automotive Parts/ Service and Equipment (APS)

Automobiles, other vehicles, bicycles, tractors, and parts constitute the second largest import group for Georgia, with a volume of \$904 million in 2014, a slight decline (1.4%) from 2013. Georgia has no automobile manufacturing, so these statistics reflect the growing importance of Georgia as a transit point for the shipment of used motor vehicles, primarily from the U.S., Japan, and Germany onward to Armenia, Azerbaijan, and the Central Asian republics. However, recent changes to standards for imports in some of these countries may affect this business model. The Georgian government has adopted an efficient and simple procedure for buying and registering cars and is proud of the flourishing used car trade. Quality parts and accessories from manufacturers are supplied by car dealerships and agents. Small retailers offer cheaper parts shipped from Turkey and UAE.

The market for new cars dramatically increased due to increasing incomes and improved terms of bank loans for purchasing cars. The demand for original automotive parts increased as well. The U.S. share of the market of new cars is increasing steadily.

Significant opportunities exist for sales of after-market accessories as well as new and used cars.

Shipping of used cars and accessories from the U.S. has become viable in recent years. Japan has increased its share of the market by shipping used cars and offering new Japanese cars and accessories through local dealerships. Currently the largest exporter of used cars to Georgia is the United States. The second largest exporter of used cars in Georgia is Germany followed by Japan.

APS Best Prospects/Services

There is no local production of cars, parts, nor accessories in Georgia. Price and credit terms remain major factors affecting the purchasing decision of the client. Availability of parts and accessories is also important. The demand for quality after-sale and warranty services offered by official dealerships has grown in the last two years. The following brands have local agents and service centers in Tbilisi: Nissan, Opel/Chevrolet, Hyundai, Chrysler/Jeep/Dodge, Ford, Toyota, Suzuki, Renault, Peugeot, Mercedes-Benz, BMW, Volkswagen, and Skoda.

APS Opportunities

The best sales prospects are under Harmonized Tariff Schedule (HTS) 8708. Parts and accessories for motor vehicles including bumpers, aluminum wheels, brakes and brake pads, shock absorbers, bodies and chassis for passenger cars, and other parts are covered under (HTS) 87089998000.

APS Resources

Tbilisi Yellow Pages - Transportation Section: <http://www.yell.ge/dir.php?id=25&lan=2>

[Return to table of contents](#)

Chapter 5: Trade Regulations, Customs and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

Import Tariffs

[Return to top](#)

Rates of duty on imported goods fall into three bands; 0 percent, 5 percent, and 12 percent. Nearly 90 percent of goods benefit from a zero rate of duty. Import of agricultural goods, food products, clothes, construction materials, wood and wood products, plastics, wire and cable, iron, steel, soap, organic surface-active agents, and washing preparations which are produced in Georgia in whole or in part, are major areas of goods taxed at higher rates. A combined rate of customs tariffs are applied to alcoholic beverages. A fee of 5 EUR is charged per customs declaration for goods valued below 3000 GEL (\$1,310) and 60 EUR (\$67) for goods valued above GEL 3000. As of January 1, 2015, the customs tariff on passenger cars will remain 0.05 GEL (\$0.022) per cubic centimeter of the engine capacity plus 5 percent of the amount of the customs tariff per each year of the use of a vehicle.

An 18 percent value added tax (VAT) applies to most imported goods. Fixed excise tax rates apply to certain goods such as alcoholic drinks, ethyl alcohol, ethyl petrol for cars, and cigarettes. The customs value of goods for customs clearance is defined based on the customs declaration. Export, transit, and reexport of goods are exempt from customs duties and fees. Chapter 39(1) of the Georgian Tax Code defines the amount of the customs tariffs and exemptions.

Once every 30 day period, individuals are allowed to import the following goods free of customs duties, VAT, and excise duties within the following limits:

Import of vegetables, fruit (including dried), tea, coffee, macaroni, bakery, sugar, confections (with the exception of chocolate), sausages, milk and dairy products that have a maximum total weight of 30 kg, and a total value of less than 500 GEL (\$222).

Import of 200 cigarettes, or 50 cigarillos, or 50 cigars, or 250 grams of tobacco product or any combination of these for personal use is permitted, but must not exceed 250 grams in total weight.

Trade Barriers

[Return to top](#)

Georgia has no quantitative restrictions (quotas) on trade (except on ozone depleting substances). Only medical products, firearms, explosives, radioactive substances, dual use goods, industrial waste, and a few types of agricultural chemical products are subject to import/export licensing. In 2005, the number of permits for import and export was reduced from 14 to 8. Excise taxes and VAT apply equally on imported and domestic products.

Import Requirements and Documentation

[Return to top](#)

At a minimum, imports require a declaration, an invoice, and transport documentation. The Customs Code of Georgia does not require financial guarantees from importers to Georgia prior to the customs clearance, except for the temporary entry of goods.

U.S. Export Controls

[Return to top](#)

The exporter in the United States must file a "Shippers Export Declaration" with the U.S. Department of Commerce for items exceeding \$2,500, but waivers are available for certain merchandise. There are restrictions on sales of military and defense equipment, including dual use items. For more information, please see <http://www.export.gov/regulation/index.asp>.

Temporary Entry

[Return to top](#)

Temporary importation procedures allow for the use of foreign goods imported into the customs territory of Georgia for return in an unaltered state, with total or partial exemption from import charges (except for customs duties) and without being subjected to trade policy measures for a certain period, except for changes due to wear and tear, and losses due to normal conditions of transportation or storage.

The period during which goods may remain under the temporary importation procedure shall not exceed two years. The Revenue Service of the Ministry of Finance of Georgia may however provide for different time limits for certain types of goods.

Labeling and Marking Requirements

[Return to top](#)

All cosmetics, pharmaceutical, chemical, processed food and utility products must have Georgian language labeling at the sales point. Alcoholic drinks and tobacco products require excise stamps.

Prohibited and Restricted Imports

[Return to top](#)

Georgia prohibits the import of goods that pose a threat to the health and safety of Georgia or its citizens, including for example, narcotics, pornography, or nuclear materials. Weapons and ammunition have complex licensing requirements, and interested parties should contact the Ministries of Justice and Internal Affairs prior to any importation.

Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)
- [Contacts](#)

Overview

[Return to top](#)

The government has adopted a system of “voluntary” standards and certification, whereby the importer can choose to conform his products to Georgian standards or the standards of any EU or OECD member country. If foreign standards are chosen, they must be registered by the importer in the National Agency for Standardization, Technical Regulations and Metrology. Standards for food products are administered by the Ministry of Agriculture.

Standards Organizations

[Return to top](#)

The main standards organization in Georgia is the National Agency for Standardization, Technical Regulations and Metrology.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at:

<http://www.nist.gov/notifyus/>

Conformity Assessment

[Return to top](#)

Conformity assessment is one of the functions of the National Agency for Standardization, Technical Regulations and Metrology.

Product Certification

[Return to top](#)

If the importer chooses to comply with Georgian standards, there are about 100 test laboratories accredited in the following fields in Georgia:

- Electrical Products;
- Products from the chemical, perfume and pharmaceutical industries;
- Food, drinking water and mineral water, alcoholic and non-alcoholic beverages;
- Composition of soil and mineral resources;
- Oil and mineral oil products;
- Glass products;
- Paints and dyes;
- Building materials; and,
- Radio engineering products.

Accreditation

[Return to top](#)

Certification offices are accredited by the National Accreditation Office of the National Agency for Standardization, Technical Regulations and Metrology.

Publication of Technical Regulations

[Return to top](#)

Publication of technical regulations is the responsibility of the National Agency for Standardization, Technical Regulations and Metrology.

Labeling and Marking

[Return to top](#)

All cosmetics, pharmaceutical, chemical, processed food and utility products must have Georgian language labeling at the sales point. Alcoholic drinks and tobacco products require excise stamps.

Contacts

[Return to top](#)

National Agency for Standardization, Technical Regulations and Metrology:

<http://www.economy.gov.ge/en/minister/deputy-minister/georgian-national-agency-for-standards-and-metrology>

Ministry of Agriculture of Georgia: <http://moa.gov.ge>

Trade Agreements

[Return to top](#)

As a member of the WTO, Georgia has Most Favored Nation trading relationships with all WTO member countries. Georgia benefits from Generalized System of Preferences reductions in tariffs on a wide range of products with Switzerland, Norway, Canada, and Japan. The United States' GSP program expired in 2013 and has yet to be reauthorized. The EU grants Georgia GSP+ treatment, with duty free treatment for more than 7,000 products. Georgia has free trade regimes with countries of Commonwealth of Independent States and Turkey. In June 2014, Georgia signed an Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA) with the European Union.

Georgia Customs Department: <http://www.mof.ge/en/3862> (tax/customs contents page)

U.S. Government Export Controls: <http://www.export.gov/regulation/index.asp>

[Return to table of contents](#)

Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Competition from State Owned Enterprises](#)
- [Corporate Social Responsibility](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)
- [Web Resources](#)

Executive Summary

Georgia has made sweeping economic reforms since the “Rose Revolution,” moving from a near-failed state in 2003 to a relatively well-functioning market economy in 2015. Through dramatic police and institutional reforms, the government has mostly eradicated low-level corruption. According to a 2015 Georgia Messenger poll, only 2 percent of the population reported that they had to pay a bribe in the previous year to receive a government service or decision. The government eliminated 84 percent of licensing requirements in 2005, and Georgia ranks 15th in the World Bank’s 2014 Ease of Doing Business Index. Fiscal and monetary policy are focused on low deficits, low inflation, and a floating real exchange rate, although the latter has been affected by regional developments, including sanctions on Russia and other external factors such as a stronger dollar and weaker regional economies.

Parliamentary elections in October 2012 ushered in Georgia’s first democratic transfer of power when former Prime Minister Bidzina Ivanishvili’s Georgian Dream coalition won a parliamentary majority and formed a government. The October 2013 Presidential elections in Georgia were viewed by international observers as highly competitive with fair electoral processes and facilitated Georgia’s second peaceful transfer of power in a little over a year. Ivanishvili resigned as Prime Minister in November 2013, and was replaced by Irakli Garibashvili. Subsequent local self-government elections in 2014 further consolidated Georgia’s record of electoral democracy and were acknowledged by the international community as yet another step towards strengthening democratic processes in Georgia.

The current government has continued the previous government's low-regulation, low-tax, free market policies, while increasing social spending, strengthening anti-trust policy, amending the labor code to strengthen protections for workers, and consulting the private sector in the development of sound economic policies.

In early 2014, the government published its medium-term economic strategy "Georgia 2020" that outlines Georgia's economic policy priorities. It stresses the government's commitment to business friendly policies such as low taxes, but also pledges to invest in human capital and to strive for inclusive growth across the country, not just in Tbilisi. The strategy also emphasizes Georgia's geographic potential as a trade and logistics hub along the "New Silk Road" linking Asia and Europe via the Caucasus.

Companies in past years reported occasional problems arising from a lack of judicial independence, lack of intellectual property rights enforcement, lack of effective anti-trust policies, selective enforcement of economic laws, and difficulties resolving disputes over property rights. Georgia's government has pledged to address these issues and, despite these remaining challenges, Georgia stands far ahead of its post-Soviet peers as a good place to do business.

In June 2014, Georgia signed an Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA) with the European Union. Following President Obama's January 2012 meeting with former Georgian President Mikheil Saakashvili, the U.S. and Georgia established a High-Level Dialogue on Trade and Investment to identify measures to increase bilateral trade and investment. The U.S. and Georgia also discuss economic cooperation within the bilateral Strategic Partnership Commission's Economic Working Group. Both countries signed a Bilateral Investment Treaty in 1994, and Georgia is eligible to export many products duty-free to the U.S. under the Generalized System of Preferences (GSP) program, although the program is still awaiting re-authorization by Congress.

Openness to Foreign Investment

[Return to top](#)

Attitude toward FDI

Georgia is open to foreign investment, and the Georgia National Investment Agency (www.investingorgia.org) is implementing an aggressive marketing campaign to encourage more foreign investors to come to Georgia. Legislation establishes favorable conditions for foreign investment, but not preferential treatment for foreign investors. The Law on Promotion and Guarantee of Investment Activity protects foreign investors from subsequent legislation that alters the condition of their investments for a period of ten years.

Laws/Regulations of FDI

The U.S.-Georgia Bilateral Investment Treaty, in force since 1994, guarantees U.S. investors national treatment or most favored nation treatment, whichever is better, in the establishment, operation, and sale of their investments. Exceptions to national treatment may be made by Georgia for investments in maritime fisheries; air and maritime transport and related activities; ownership of broadcast, common carrier, or aeronautical radio stations; communications satellites; government-supported loans, guarantees, and insurance; and landing of submarine cables.

Legislation governing foreign investment includes the Constitution, the Civil Code, the Tax Code, and the Customs Code. Other relevant legislation includes the Law on Entrepreneurs, the Law on Promotion and Guarantee of Investment Activity, the Bankruptcy Law, the Law on Courts and General Jurisdiction, the Law on Limitation of Monopolistic Activity, the Accounting Law, and the Securities Market Law.

Georgia has concluded agreements for avoidance of double taxation with 46 countries. These countries are Armenia, Austria, Azerbaijan, Bahrain, Belgium, Bulgaria, China, Czech Republic, Croatia, Denmark, Estonia, Egypt, Finland, France, Germany, Greece, Hungary, India, Iran, Ireland, Italy, Israel, Kazakhstan, Kuwait, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Norway, Poland, Qatar, Romania, San Marino, Serbia, Singapore, Slovakia, Slovenia, Spain, Switzerland, Turkey, Turkmenistan, UAE, Ukraine, UK, and Uzbekistan. A double taxation avoidance treaty has been ratified, but has not yet entered into force with Portugal. Treaties have been negotiated but are awaiting signing or ratification with Cyprus, Lebanon, Sweden, Oman, Liechtenstein and Iceland. Treaties negotiations have started with Belarus, South Korea, Jordan, Montenegro, Saudi Arabia, Vietnam, Iraq, Argentina, Indonesia, Malaysia, Mexico, Albania, Colombia, Moldova, Mongolia, Morocco, New Zealand, Peru, the Philippines, Tajikistan, Uruguay, Brazil, Cuba, Ecuador, Canada, and South Africa. Georgia and Russia signed a double taxation avoidance treaty in 1999, which the Georgian Parliament ratified in 2000. Although it has not been ratified by the Russian Duma, Russia regards it as an active agreement.

Ownership and privatization of property is governed by the following acts: the Civil Code, the Law on Ownership of Agricultural Land, the Law on Private Ownership of Non-Agricultural Land, the Law on Management of State-Owned Non-Agricultural Land, and the Law on Privatization of State Property. Property rights in extractive industries are governed by the Law on Concessions, the Law on Deposits, and the Law on Oil and Gas. Intellectual property rights are protected under the Civil Code and the Law on Patents and Trademarks. Financial sector legislation includes the Law on Commercial Banks, the Law on National Banks, and the Law on Insurance Activities.

Laws/Regulations of FDI

Georgia does not formally screen foreign investment in the country, other than imposing a registration requirement and certain licensing requirements as outlined below. Foreign investors have participated in most major privatizations of state-owned property. Transparency of privatization has at times been an issue. No law or regulation authorizes private firms to adopt articles of incorporation or association that limit or prohibit foreign investment, participation or control. "Cross-shareholder" or "stable-shareholder" arrangements are not used by private firms in Georgia. Georgian legislation does not protect private firms from takeovers. There are no regulations authorizing private firms to restrict foreign partners' investment activity or limit foreign partners' ability to gain control over domestic enterprises.

Legal overhauls in 2005 simplified the business registration process, reducing paperwork and fees and shortening the processing time. The government proudly advertises that an entrepreneur can start a business in three days. All companies are required to register with the Ministry of Finance, providing founders' and firm principals' names, dates and places of birth, occupations, and places of residence; incorporation documents; area(s) of activity; and charter capital. This information is made public and any person may request and

review such information. Business registration and tax registration are separate procedures handled by the same department within the Ministry of Finance.

Privatization Program

Georgia's government has privatized most large, formerly state-owned enterprises. Successful privatization projects include major deals in energy generation and distribution, telecommunications, water utilities, port facilities, and real estate assets. A list of entities available to be privatized can be found on the website www.privatization.ge. Information on investment conditions and opportunities can be obtained from the Georgia National Investment and Export Promotion Agency. Further information is also available at a website maintained by the American Chamber of Commerce in Georgia, www.amcham.ge.

Screening of FDI

In 2005, the government eliminated 84 percent of existing licensing requirements and created a “one stop shop” for licenses. By law, the government has 30 days to make a decision on licenses, and if the licensing authority does not state a reasonable ground for rejection within that time, the license or permit is deemed to be issued. The government only requires licenses for activities that affect public health, national security, and the financial sector. The government currently requires licenses in the following areas: weapons and explosives production, narcotics, poisonous and pharmaceutical substances, exploration and exploitation of renewable or non-renewable substances, exploitation of natural resource deposits, establishment of casinos and gambling houses and the organization of games and lotteries, banking, insurance, securities trading, wireless communication services, and the establishment of radio and television channels. The law requires the state to retain a controlling interest in air traffic control, shipping traffic control, railroad control systems, defense and weapons industries, and nuclear energy. Only the state may issue currency, banknotes, and certificates for goods made from precious metals, import narcotics for medical purposes, and produce control systems for the energy sector.

Table 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or Value	Website Address
TI Corruption Perceptions Index	2014	50 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2015	22 of 178	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2015	15 out of 189	http://www.doingbusiness.org/rankings
Global Innovation index	2014	74 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2013	USD 7,270	http://data.worldbank.org/country/georgia

Table 1B- Scorecards

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or \$4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards, are available here: <http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf>.

Conversion and Transfer Policies

[Return to top](#)

Georgian law guarantees the right of an investor to convert and repatriate income after payment of all required taxes. The investor is also entitled to convert and repatriate any compensation received for expropriated property. Georgia has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF Articles of Agreement, effective as of December 20, 1996, undertaking to refrain from imposing restrictions on payments and transfers for current international transactions and from engaging in discriminatory currency arrangements or multiple currency practices without IMF approval. By accepting the obligations of Article VIII, Georgia indicates to the international community that it will pursue sound economic policies that will obviate the need to use restrictions on the making of payments and transfers for current international transactions. Parliament's 2011 adoption of the Act of Economic Freedom further reinforced this provision.

Under the U.S.-Georgia Bilateral Investment Treaty, the Georgian government guarantees that all transfers relating to a covered investment by a U.S. investor can be made freely and without delay into and out of Georgia.

Foreign investors have the right to hold foreign currency accounts with authorized local banks. The sole legal tender in Georgia is the lari (GEL), which is traded on the Tbilisi Interbank Currency Exchange and in the foreign exchange bureau market. There is no difficulty in obtaining foreign currency, nor are there significant delays in remitting funds overseas through normal channels. Several Georgian banks participate in the SWIFT and Western Union interbank communication networks. Businesses report that it takes a maximum of 3 days for money transferred abroad from Georgia to reach a beneficiary's account, unless otherwise provided by a customer's order. There are no known plans to change remittance policies. Travelers must declare at the border currency and securities in their possession valued at more than 30,000 lari (approximately \$13,300).

The official exchange rate of the lari is calculated based on transactions secured on the interbank foreign exchange market. Interbank trading with foreign currencies is organized in an international trading system (Bloomberg). Taking into consideration the secured transactions, the weighted average exchange rate of the lari against the USD is calculated and announced as the official exchange rate for the next day. The official exchange rate of the Georgian lari against other foreign currencies is determined according to the rate on international markets or the issuer country's domestic interbank currency market on the basis of cross-currency exchange rates. The cross-currency rates are acquired from the Reuters and Bloomberg information systems and the corresponding webpages of central

banks. The information is automatically received, calculated, and disseminated from these systems.

Georgia has a floating exchange rate regime. The Central Bank (National Bank of Georgia) does not intend to fix the exchange rate regime and does not generally intervene in the foreign exchange market, except under certain circumstances when the fluctuation has a high magnitude.

Expropriation and Compensation

[Return to top](#)

The Georgian Constitution protects property ownership rights, including ownership, acquisition, disposal, and inheritance of property. Foreign citizens living in Georgia possess rights and obligations equal to those of Georgia citizens. The Constitution allows restriction or revocation of property rights only in cases of extreme public necessity, and then only as allowed by law.

The Law on Procedures for Forfeiture of Property for Public Needs establishes the rules for expropriation in Georgia. The law allows expropriation for certain enumerated public needs and provides a mechanism for valuation and payment of compensation, and for court review of the valuation at the option of any party. The Georgian Law on Investment allows expropriation of foreign investments only with appropriate compensation. Recent amendments to the Law on Procedures for Forfeiture of Property for Public Needs allow payment of compensation with property of equal value as well as money. Compensation includes all expenses associated with the valuation and delivery of expropriated property. Compensation must be paid without delay and must include both the value of the expropriated property as well as the loss suffered by the foreign investor as a result of expropriation. The foreign investor has a right to seek review of an expropriation in a Georgian court. In 2007, Parliament passed a law generally prohibiting the government from contesting the privatization of real estate sold by the government before August 2007. The law is not applicable, however, to certain enumerated properties. While expropriation disputes in Georgia are not common, some reputable NGOs claim that the creation of tourist zones by the previous government involved illegal revocation of historic ownership rights in Svaneti, Anaklia, Gonio, and Black Sea-adjacent territories. There were also allegations that the previous government improperly used eminent domain to seize property in Tbilisi at unfairly low prices during the Tbilisi Railway Bypass Project, though in March 2014 the government announced a two-year moratorium on this railway construction project until 2016 to allow for further cost-benefit analysis.

The U.S.-Georgia Bilateral Investment Treaty permits expropriation of covered investments only for a public purpose, in a non-discriminatory manner, upon payment of prompt, adequate and effective compensation, and in accordance with due process of law and general principles of fair treatment.

Dispute Settlement

[Return to top](#)

Georgian investment law allows disputes between a foreign investor and a government body to be resolved in Georgian courts or at the International Center for the Settlement of Investment Disputes (ICSID), unless a different method of dispute settlement is agreed upon between the parties. If the dispute is not considered at ICSID, the foreign investor has the

right to submit the dispute to any international arbitration body set up by the United Nations Commission for International Trade Law (UNCITRAL) to resolve the dispute in accordance with the rules set forth by the treaty with the investor's host country. The right to use ICSID or UNCITRAL arbitration is also guaranteed in the U.S.–Georgia Bilateral Investment Treaty.

Georgia is party to the International Convention on the Recognition and Enforcement of Foreign Arbitration Awards (New York Convention). As a result, the government in principle agrees to accept binding international arbitration of investment disputes between foreign investors and the state, although in at least one instance investors claimed the government attempted to avoid its obligation. The Ministry of Justice oversees the government's interests in arbitrations between the state and private investors.

It is recommended that contracts between private parties include a provision for international arbitration of disputes because of ongoing judicial reforms in the Georgian court system. Litigation can be protracted. Disputes over property rights have at times undermined confidence in the impartiality of the Georgian judicial system and rule of law, and by extension, Georgia's investment climate. The government identified judicial reform as one of its top priorities and Parliament has passed reforms aimed at strengthening judicial independence. In May 2013, parliament reorganized the High Council of Justice, the institution charged with overseeing the administration of the judiciary, to make it more independent and free from political considerations.

Over the past 10 years, there have been 5 investment disputes involving U.S. citizens, and all of them have been resolved through court ruling or agreement between the state and an investor.

Performance Requirements and Incentives

[Return to top](#)

Performance requirements are not a condition of establishing, maintaining, or expanding an investment, but have been imposed on a case-by-case basis in some privatizations such as commitments to maintain employment levels or to make additional investments within a specified period of time. The scope and time limit on licenses to extract natural resources have been a topic of dispute, and the Ministry of Energy has rescinded several mining licenses then re-auctioned them. In other instances, there have been disputes between the government and concessioners regarding production-sharing agreements. While many privatizations have proceeded smoothly and regularly, there are allegations that the previous government used non-fulfillment of performance requirements to justify rescinding privatizations and re-selling enterprises, usually for higher prices, sometimes to the benefit of other interested parties. Most types of performance requirements are prohibited by the U.S.-Georgia Bilateral Investment Treaty.

Right to Private Ownership and Establishment

[Return to top](#)

Foreign and domestic private entities may freely establish, acquire, and dispose of interests in companies and business enterprises, and engage in all forms of remunerative activity. Some specific laws regulate business activity in the banking, agribusiness, energy, transport,

and tourism sectors. To the extent that public enterprises compete with private enterprises, they do so on the basis of equality.

Foreign individuals and companies may buy non-agricultural land in Georgia. However, from June 2013 to December 2014, Parliament placed a temporary legal ban restricting non-Georgian citizens (including Georgian entities with foreign minority shareholders) from purchasing or inheriting agricultural land.

Parliament is considering a new bill, expected to pass in 2015, which describes the conditions for foreign agricultural land ownership. According to the bill, foreigners may own agricultural land if they: inherit the land; co-own the land through marriage to a Georgian citizen or by being a member of a Georgian citizen household; or hold a residence permit. If foreign agricultural land owners can no longer meet the requirements for agricultural land ownership, the alien must sell the agricultural land within six months or the government could seize the land. Also, agricultural plots owned by foreigners must be between 5 and 20 hectares. For entities founded by foreigners, the land plot must be between 20 and 200 hectares. Restrictions on land plot size do not apply to international financial institutions, commercial banks and microfinance organizations. Lastly, the bill stipulates that all agricultural land sales to foreigners require a notarized contract. The notary must check if the alien or the entity registered by an alien under Georgian jurisdiction meets all the legal requirements for agricultural land ownership.

The United States Government (and the majority of the international community) does not recognize the jurisdiction of the de facto authorities in either the Abkhazia or South Ossetia regions, and warns American citizens against undertaking business ventures in those Russian-occupied regions. Furthermore, due to the volatility of the political situation, reported high levels of crime, and the limited ability of embassy personnel to travel to the Abkhazia or South Ossetia regions to assist American citizens in distress, the U.S. embassy also strongly discourages travel to these areas for any purpose. Land for sale in those regions may rightfully belong to internally displaced persons forced to leave the breakaway regions in the early 1990s and may have been placed improperly on the market. In such cases, the government of Georgia considers the sale of property in Abkhazia and South Ossetia illegal and the property could be reclaimed by original owners at a future date.

Protection of Property Rights

[Return to top](#)

Real Property:

Secured interests in both real and personal property are recognized and recorded. However, deficiencies in the operation of the court system can hamper investors from realizing their rights in property offered as security. In the past, foreign investors' interests have sometimes been harmed by biased court proceedings and by legislation and decrees that clearly favored a Georgian entity or partner involved in the enterprise. It is recommended that contracts between private parties include a provision for international arbitration of disputes. Additionally, some observers believe economic regulations were inconsistently enforced under the previous government based on the company's relationship with the government.

The government has developed an electronic registry system for recording land titles and is cooperating with international donors to improve land cadaster in order to promote development of Georgia's land market.

Intellectual Property Rights:

Georgia acceded to the World Trade Organization (WTO) and the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement in 2000. The Ministry of Economy and Sustainable Development is responsible for WTO compliance. In 2004, the Georgian Parliament ratified the Rome Convention for Protection of the Rights of Performers, Producers of Phonograms and Broadcasting Organization, and the Lisbon Agreement on Denomination of Origin. In 2005, Georgia joined the World Intellectual Property Organization's (WIPO's) International Convention for the Protection of New Varieties of Plants. Georgia is a party to the Bern Convention, a member of two WIPO digital treaties – the Copyright Treaty and the Performance and Phonograms Treaty-- The Hague Agreement, and the Budapest Treaty Concerning the International Recognition of the Deposit of Microorganisms for the Purpose of Patent Procedures.

For several years running, Georgia is one of the easiest places in the world for registering property according to its high ranking in the World Bank's Doing Business Report. The Public Registry provides purchase title registration in four business days for GEL 50 (\$22), and offers expedited registration in 1 business day (1-2 calendar days) for 150 GEL (\$66). Electronic extracts are available from the Georgian National Agency of Public Registry (NAPR) website for 10 to 40 GEL (\$3-17) depending on the urgency.

Six laws regulate intellectual property rights (IPR) in Georgia: the Law on Patents, Law on Trademarks, Law on Copyrights and Neighboring Rights, Law on Appellation of Origin and Geographic Indication of Goods, Law on Topographies of Integrated Circuits, and Law on IP-Related Border Measures. Georgian law now provides retroactive protection for works of literature, art, science, and sound recordings for 50 years.

Georgia has aligned its intellectual property legislation with international standards, but enforcement remains weak as judges and lawyers lack sufficient knowledge of IPR laws and IPR issues. Pirated video and audio recordings, electronic games, and computer software are freely sold in Georgia. Internet service providers host websites loaded with unlicensed content free for users to download or stream. In January 2014, the Georgian National Intellectual Property Center "Sakpatenti" launched an electronic platform for streamlining the registration, processing, and viewing of IPR objects. In general, while compliance with IPR laws across the public and private sectors is inconsistent, the number of patent filings during the last year showed a dramatic increase and Sakpatenti remains an active and engaged partner of the U.S. on trainings to educate the public on IPR issues.

In January 2015, the Government of Georgia and Microsoft signed an agreement for the sale of Microsoft's Genuine OS Licenses and Enterprise Licensing for all Georgian government workstations.

Georgia is not listed in USTR's Special 301 report.
Embassy point of contact: Charles Seten setenCF@state.gov

Local lawyers list: http://georgia.usembassy.gov/list_of_attorneys.html

The Georgian government has committed to greater transparency and simplicity of regulation. The government publishes laws and regulations in Georgian in the official gazette, the Legislative Messenger. Since 2004, the government has reduced the number of taxes from 22 to 6. The tax on corporate profits is 15 percent. The Value Added Tax is 18 percent. The tax on personal income is 20 percent. The dividend income tax rate is 5 percent. 2008 legislation abolished social taxes and set dividend and capital gains tax rates at zero with respect to publicly traded equities (defined as having a free float in excess of 25 percent). There are excise taxes on cigarettes, alcohol, and fuel. In 2010, the government levied an excise tax on mobile telecommunication. Most goods, except for some agricultural products, have no import tariff. For those with tariffs, the rates are 5 or 12 percent, except in cases where FTAs exist.

In 2010, the Georgian Parliament passed a new Tax Code aimed at increasing transparency in both policy and implementation. The Revenue Service began implementing the Code in early 2011. The Code introduced several new concepts into Georgian tax law including giving the Ministry of Finance the authority to issue legally binding advance rulings to companies on tax questions. Additionally, the Revenue Service will now consider the intent of a company when a tax mistake is made, and if the mistake is deemed to have been innocent, fines can be reduced or waived. The new Tax Code also includes tax benefits for small and micro-businesses. In 2011, the Revenue Service took further steps to ease relations with businesses, including introducing a program of “alternative audits,” to allow companies to choose to outsource their tax inspection to private auditing companies, allowing declaration of technical losses, and regulating the process of writing down fuel expenses. The government plans to phase out the “alternative audit” program over the next few years, as the Revenue Service develops sufficient capacity to conduct all audits itself.

The new Tax Code established the Office of the Business Ombudsman as an independent body accountable to the Prime Minister. It is authorized to investigate complaints filed by taxpayers with his office. The website www.businessombudsman.ge was launched in November 2011 to publish information on business registration, amendments to tax legislation, liabilities on cash counters’ use and rules of litigation, etc.

The Georgian National Investment and Export Promotion Agency has established Business Information Centers in Tbilisi and other Georgian cities. These centers are intended to provide domestic and foreign businesses with a standard package of information about doing business in Georgia. They also provide specific information tailored to the needs of individual businesses. Business Information Centers also facilitate a public-private dialogue to improve communication between regulators and businesses.

International accounting standards became binding for joint stock companies in Georgia as of January 1, 2000. For other institutions, such as banks, insurance companies and companies operating in the field of insurance, as well as limited liability companies, limited partnerships, joint liability companies, and cooperatives, the standards became binding on January 1, 2001. Private companies (excluding sole entrepreneurs, small businesses and non-commercial legal entities) are required to perform accounting and financial reporting in accordance with international accounting standards. Sole entrepreneurs, small businesses, and non-commercial legal entities perform accounting and financial reporting according to simplified interim standards approved by the Parliamentary Accounting

Commission. Qualified accounting personnel are also in short supply. The previous government abolished anti-monopoly service in the country, which resulted in dominant positions for certain companies, especially in pharmaceutical, petroleum, and other sectors.

On March 21, 2014 the Parliament of Georgia adopted the bill "Amendments to the Law of Georgia on Free Trade and Competition." This law was developed as part of the anti-monopoly reform and aims to promote a free, competitive marketplace. The law provided for the establishment of an independent structure named the Competition Agency to exercise effective state supervision over a free, fair, and competitive market environment.

Georgia upgraded from 72 to 69 in a new Global Competitiveness report 2014-2015, which measures competitiveness landscapes in 144 economies.

Efficient Capital Markets and Portfolio Investment

[Return to top](#)

Banking is one of the fastest growing sectors in the Georgian economy. As of January 2015, 19 commercial banks were registered in Georgia.

The banking system currently consists of domestically based small- and medium-sized banks, a handful of large banking institutions based in Tbilisi with subsidiaries (e.g., Societe Generale, Vneshtorgbank, Privat Bank), and two foreign banks with branches (Turkish Bank Ziraat and the International Bank of Azerbaijan). According to the National Bank of Georgia, as of January 2015 the total assets of the country's 19 commercial banks (16 of which have foreign capital) were around \$12 billion. Credit from commercial banks is available to foreign investors as well as domestic clients, although interest rates are high. Banks continue offering business, consumer, and mortgage loans.

The International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD), U.S. Overseas Private Investment Corporation (OPIC), Millennium Challenge Corporation (MCC), Asian Development Bank (ABD), and other international development agencies have a variety of lending programs that make credit available to large and small businesses in Georgia. In the beginning of 2015 there were up to 70 microfinance organizations operating in Georgia, with total assets of around \$650 million, making small credit available to businesses.

The limited number of foreign banks operating in Georgia reflects, in part, the small size of Georgia's financial market. Foreign investment in the sector, however, is significant, and is present in 16 out of 19 banks. More specifically, Russian, Kazakh, U.S., German, French, and UAE capital was invested in Georgian banks in 2014. A private Chinese company, Xinjiang Hualing Industry and Trade Group, purchased a 90 percent equity stake of JSC BasisBank from the European Bank for Reconstruction and Development and other Georgian shareholders. With this move, Basis Bank became the first Chinese-owned bank in Georgia.

For information about the securities market and the Georgian stock exchange, please see the next section: "Money and Banking System, Hostile Takeovers."

Competition from State Owned Enterprises

[Return to top](#)

After the fall of the Soviet Union, the new Georgian government privatized most state-owned companies. At the end of 2013, the major state-owned companies were Georgian Railways, Georgian Oil and Gas Corporation (GOGC), Georgian State Electrosystem (GSE), Electricity System Commercial Operator (ESCO), and Enguri Hydropower plant. Of these companies, only Georgian Railways is a major market player. The energy-related companies largely implement the government's energy policies and help manage the electricity market. There are also a number of Legal Entities of Public Law (LEPLs) -- independent bodies that carry out government functions, such as the Public Service Halls.

In May 2012, the GOGC successfully priced its first-ever 144A/RegS corporate bond of \$250 million. In June 2012, Georgian Railways floated Eurobonds of \$500 million with a 7.750 percent coupon, maturing in 2022. As part of its Eurobond issuance, this organization conducts regular financial reporting.

During 2012, 100 percent of the assets of Georgian Railways, Georgian Oil and Gas Corporation (GOGC), Georgian State Electrosystem, and Electricity System Commercial Operator LLC, were placed into the Partnership Fund, a state-run fund to facilitate foreign investment into new projects. In addition, the fund controls 25 percent of shares in TELASI Electricity Distribution Company, but has stated its intention to sell those shares. In the coming period, the government plans to convert the Partnership Fund into the Sovereign Wealth Fund (SWF). The latter will be composed of two components reflecting their separate functions: SWF for asset management and SWF for investment. This move follows the recommendations of international financial institutions to mitigate risk with the strategic assets owned by the Fund, particularly those that issue bonds. Under the new organization, they will be completely independent arms and the SWF will have more flexibility over investments and an increased flexibility to shape its investment portfolio. It also plans to hire the World Bank's International Finance Corporation as a consultant for the SWF.

Despite state ownership, state-owned enterprises (SOEs) act under the general terms of the Entrepreneurial Law. Georgian Railway and GOGC have supervisory boards, while GSE and ESCO do not. Major procedures and policies are described in the charters of respective SOEs. Georgia particularly encourages its SOEs to adhere to OECD's Guidelines on Corporate Governance for SOEs as they are sufficient to ensure a level playing field between SOEs and private sector enterprises.

The senior management of SOEs report to Supervisory Boards where such exist (GRW, GOGC); in other cases they report to the line ministries. Governmental officials can be on the supervisory board of the SOEs and the Partnership Fund has five key governmental officials on its board. SOEs explicitly are not obligated to consult with government officials before making business decisions, but informal consultations take place depending on the scale and importance of the issue.

To ensure the transparency and accountability of state business decisions and operations, regular outside audits (in case of large SOE, that by a "big four" auditing company) are conducted and annual reports are published. SOEs with more than 50 percent state ownership are obliged to follow the State Procurement Law and make procurements via public tenders. The Partnership Fund, GRW and GOGC are subject to valuation by international rating agencies. There is no legal requirement for SOEs and sovereign wealth funds to publish an annual report or to submit their books for independent audit, but this is

still practiced. In addition, GRW and GOGC are Eurobonds issuer companies and therefore required to publish reports.

SOEs are subject to the same domestic accounting standards and rules and these standards are comparable to international financial reporting standards. There are no SOEs that exercise delegated governmental powers.

Corporate Social Responsibility

[Return to top](#)

While the concept of Corporate Social Responsibility (CSR) is not highly developed in Georgia, it is growing. Most large companies engage in charity projects and public outreach as part of their marketing strategy. The American Chamber of Commerce in Georgia has a Corporate Social Responsibility committee that works with member companies on CSR issues. The Global Compact, a worldwide grouping of UN agencies, private businesses, and civil society groups promoting responsible corporate citizenship, is active in Georgia. The Eurasia Partnership Foundation has sponsored CSR classes at five Georgian universities and Global Compact Georgia is currently focused on educating Georgian companies on the benefits of such policies. Civil society organizations working on labor and environmental issues have become increasingly strong and vocal over the past few years, pushing to ensure that companies conduct business in a socially responsible manner.

Political Violence

[Return to top](#)

Georgia suffered considerable instability in the immediate post-Soviet period. After independence in 1991, civil war and separatist conflicts flared up in the areas of Abkhazia and South Ossetia. The status of each region remains contested, and the central government does not have effective control over these areas. The United States supports the territorial integrity of Georgia within its internationally-recognized borders. In August 2008, tensions in the region of South Ossetia culminated in a brief war between Georgia and Russia. Russia invaded and occupied areas of undisputed Georgian territory, destroyed portions of vital infrastructure, blocked the main east-west highway, and blockaded the Georgian port of Poti. Nearly all damaged infrastructure has been repaired and commerce has returned to normal. While the separatist regions of South Ossetia and Abkhazia – where Russian troops and border guards have established a long-term presence -- have declared independence, only Russia, Venezuela, Nicaragua, and the island nation of Nauru recognize them. Tensions still exist and there are occasional reports of limited violence both inside the breakaway regions and near the administrative boundary lines, but other parts of Georgia, including Tbilisi, are not directly affected.

Violent street protests in Georgia are rare, though some smaller political skirmishes have occurred. In recent years, police have fulfilled their duty to maintain order even in cases of unannounced protests. While violent street protests in Georgia are rare, police have used excessive force to disperse protests in the past. Leading up to strongly contested parliamentary elections on October 1, 2012, there were isolated cases of political violence at campaign rallies. On May 17, 2013, dozens of counter-protesters violently attacked activists demonstrating in support of the International Day Against Homophobia (IDAHO) at a rally in central Tbilisi.

Under the leadership of President Saakashvili, Georgia took dramatic action to reduce petty corruption. Saakashvili's anti-corruption efforts resulted in the arrests of former officials, the radical downsizing of state bureaucracies, and effective crackdowns on smuggling. Consequently, state revenue collection has increased by about 250% since 2004. The government completely disbanded the notoriously corrupt traffic police in mid-2004 and citizens' service agencies have been reformed into Public Service Halls where citizens can efficiently obtain numerous government services in a single building. They are considered a showcase of Georgia's successful reforms.

Following transfers of power in 2012 and 2013, then Prime Minister Bidzina Ivanishvili and his successor Prime Minister Irakli Garibashvili both pledged to strengthen Georgia's anti-corruption stance. Alleging elite corruption under the previous government, the new government launched a number of investigations and prosecutions against former officials, although the parliamentary opposition has alleged these prosecutions are politically motivated. As of May 2014, many of these cases are ongoing.

Articles 332-342 of the Criminal Code criminalize bribery. Senior public officials must file financial disclosure forms which are posted online and Georgian legislation provides for civil forfeiture of undocumented assets of public officials who are charged with corruption offenses. Penalties for accepting a bribe start at six years in prison and can extend up to 15 years depending on the case's circumstances. Penalties for giving a bribe can include a fine, a minimum prison sentence of two years, or both. In aggravated circumstances, when a bribe is given to commit an illegal act, the penalty can be from four to seven years. Abuse of authority and exceeding authority by public servants are criminal acts under Articles 332 and 333 of the criminal code and carry a maximum penalty of 8 years imprisonment. The definition of a public official includes foreign public officials and employees of international organizations and courts. White collar crimes such as bribery fall under the investigative jurisdiction of the Prosecutor's Office.

UN Anticorruption Convention, OECD Convention on Combatting Bribery:

Georgia is not a signatory to the Organization for Economic Cooperation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Georgia has, however, ratified the UN Convention against Corruption. Georgia cooperates with the Group of States Against Corruption (GRECO) and the OECD's Anti-Corruption Network for Transition Economies (ACN).

Following its assessment of Georgia in October 2009, the OECD released a report in March 2010 that concluded Georgia had significantly reduced corruption levels over the past four years. In September 2013, the OECD conducted its third monitoring of Georgia and its report noted that further progress had been made since the 2010 monitoring round. The 2013 report credited Georgia's efforts from 2010-2013 in implementing anti-corruption reforms, specifically for publishing an anti-corruption strategy and action plan, ensuring the autonomy of criminal prosecutions, excluding the Minister of Justice from the prosecutorial hierarchy, and establishing a legislative framework for the system of internal audits in the public sector. However, the report suggested that reforms should continue in order to strengthen the Anti-Corruption Interagency Council and improve judicial integrity. The full

report is available at

<http://www.oecd.org/corruption/acn/GEORGIAThirdRoundMonitoringReportENG.pdf>

Since 2003, Georgia has significantly improved its ranking in Transparency International's Corruption Perceptions Index (CPI) report. In 2014, Georgia's CPI score was 52 and it ranked 50th out of 175 countries surveyed in the Corruption Perception Index.

Resources for reporting corruption:

Government agency responsible for combating corruption:

- Mr. Zurab Sanikidze
- Head of Analytical Department
- Ministry of Justice of Georgia
- 24 A Gorgasali Street, Tbilisi , Georgia
- zsanikidze@justice.gov.ge

Non-governmental organization:

- Ms. Eka Gigauri
- Director
- Transparency International
- 26, Rustaveli Ave, 0108, Tbilisi, Georgia
- +995-32-292-14-03
- ekag@transparency.ge

Bilateral Investment Agreements

[Return to top](#)

Georgia has bilateral agreements on investment promotion and mutual protection with 32 countries, including the United States, Armenia, Austria, Azerbaijan, Belgium, Bulgaria, China, Czech Republic, Estonia, Egypt, Finland, France, Germany, Greece, Iran, Israel, Italy, Kazakhstan, Kyrgyzstan, Kuwait, Latvia, Lithuania, Luxemburg, Moldova, Netherlands, Romania, Sweden, Turkey, Turkmenistan, Uzbekistan, the United Kingdom, and Ukraine. Negotiations are underway with the governments of 24 countries: Bangladesh, Belarus, Bosnia and Herzegovina, Croatia, Cyprus, Denmark, Iceland, India, Indonesia, Jordan, Korea, Lebanon, Malta, Norway, Philippines, Portugal, Saudi Arabia, Slovakia, Slovenia, Spain, Switzerland, Syria, Tajikistan, and Qatar. In 2007, Georgia signed a Trade and Investment Framework Agreement (TIFA) with the United States.

On June 27, 2014, Georgia signed an Association Agreement (AA) and Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union. A free trade agreement is in force with the Commonwealth of Independent States and others exist bilaterally with Ukraine, Russia (though trade is restricted by the Russian Government), Kazakhstan, Azerbaijan, Armenia, Moldova, Turkmenistan, and Turkey. An agreement is signed, but not yet ratified, with Uzbekistan. Georgia has ongoing free trade agreement consultations with Belarus, Kyrgyzstan, the Cooperation Council of Gulf Arab States, and Tajikistan.

Following President Obama's January 2012 meeting with former Georgian President Mikheil Saakashvili, the U.S. and Georgia established a High-Level Dialogue on Trade and Investment, a bilateral dialogue aimed toward identifying measures to increase bilateral trade and investment. The U.S. and Georgia signed a Bilateral Investment Treaty in 1994,

and Georgia will be able to resume export of many products duty-free to the U.S. under the Generalized System of Preferences (GSP) program when that program is re-authorized by Congress.

Bilateral Taxation Treaties:

The U.S. and Georgia are beneficiaries of the U.S.-Georgia Bilateral Taxation Treaty as Georgia is one of the former Soviet Republics which is covered under the U.S. treaty with the Commonwealth of Independent States (CIS), formerly known as the Union of Soviet Socialist Republics (USSR). Double taxation issues are covered under the “Convention with the Union of Soviet Socialist Republics on Matters of Taxation” of 1973 (<http://www.irs.gov/pub/irs-trty/ussr.pdf>). The Georgian government has expressed interest in renewing the agreement.

Georgia has concluded agreements for avoidance of double taxation with 46 countries. These countries are Armenia, Austria, Azerbaijan, Bahrain, Belgium, Bulgaria, China, Czech Republic, Croatia, Denmark, Estonia, Egypt, Finland, France, Germany, Greece, Hungary, India, Iran, Ireland, Italy, Israel, Kazakhstan, Kuwait, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Norway, Poland, Qatar, Romania, San Marino, Serbia, Singapore, Slovakia, Slovenia, Spain, Switzerland, Turkey, Turkmenistan, UAE, Ukraine, UK, and Uzbekistan. A double taxation avoidance treaty has been ratified, but has not yet entered into force with Portugal. Treaties have been negotiated but are awaiting signing or ratification with Cyprus, Lebanon, Sweden, Oman, Liechtenstein, and Iceland. Treaty negotiations have started with Belarus, South Korea, Jordan, Montenegro, Saudi Arabia, Vietnam, Iraq, Argentina, Indonesia, Malaysia, Mexico, Albania, Colombia, Moldova, Mongolia, Morocco, New Zealand, Peru, the Philippines, Tajikistan, Uruguay, Brazil, Cuba, Ecuador, Canada, and South Africa. Georgia and Russia signed a double taxation avoidance treaty in 1999, which the Georgian Parliament ratified in 2000. Although it has not been ratified by the Russian Duma, Russia regards it as an active agreement.

OPIC and Other Investment Insurance Programs

[Return to top](#)

The Overseas Private Investment Corporation (OPIC) is the U.S. Government’s development finance institution. OPIC finance and political risk insurance programs assist U.S. companies to invest overseas. Since 1993, OPIC has committed over \$500 million in financing and political risk insurance for more than 50 projects in Georgia. OPIC investment in Georgia has focused on the following sectors: credit for small and medium-sized enterprises, and projects in the franchising, education, manufacturing, tourism, agriculture and health care sectors. Some recent examples are OPIC’s \$18 million loan commitment to finance a Marriott branded budget hotel in Tbilisi, a \$10 million loan commitment to finance a Radisson branded hotel in Kakheti, and an \$18 million loan commitment to finance a hospital in Tbilisi.

Labor

[Return to top](#)

Georgia offers skilled and unskilled labor at attractive costs compared not only to Western European and American standards, but also to Eastern European standards. While some of

the best-qualified professionals and technicians emigrated from Georgia (mostly to Russia, the United States, and Europe) after the Soviet Union's collapse, many have remained in the country or returned from abroad and are attempting to find a new role in Georgia's market economy. However, skilled labor availability in the engineering fields remains underdeveloped. Unemployment remains high with official indicators at 14.6 percent in 2013. However, unofficial unemployment is considerably higher, especially in rural regions where subsistence farmers are considered employed for statistical purposes and job creation has remained a particular challenge. Recently, some investment agreements between the Georgian government and private parties have included mandates for contracting of local labor for positions below the management or executive level.

Georgia's labor market was one of the world's freest as the Labor Code of 2006 set only minimal requirements and liberalized labor regulations. The Code defined the minimum age for employment (16), work hours (41 per week), annual leave (24 calendar days), and left the rest to be regulated by agreement between the employer and employee. However, the code did not prove an effective tool for job creation and Georgia attracted criticism by international human rights and labor organizations due to persistent sub-standard labor conditions and harassment of union leaders. Labor disputes also frequently resulted in strikes.

To respond to multiple complaints from domestic and international organizations, the government passed a number of amendments to the Labor Code in July 2013, which included regulations on the termination of employment contracts and mass dismissal and increased the role of the state in the collective dispute resolution process. Grounds for termination of employment relations were further elaborated; the code defines severance pay for an employee at the time of termination of a labor relation and its payment term. An employer is obliged to give compensation of not less than a month's salary to an employee within thirty (30) days. According to the amendments, an employer is obliged to give to the dismissed employee a written description of the grounds for termination within 7 days after an employee requests it. The labor code also proscribes rules for paying overtime labor (over 41 hours), which must be paid at an increased hourly rate.

The new labor code now specifies the essential terms for labor contracts. These terms include: the starting date and the duration of labor relations, working hours and holiday time, location of workplace, position and type of work, amount of salary and its payment, overtime work and its payment, duration of a paid and unpaid vacation and leave, and rules for granting leave. The code states that the duration of a business day for an underage person (ages 16 to 18) should not exceed 36 hours per week. New regulations prohibit interference in union activities and discrimination of an employee due to union membership. The amendments also mandate that the government reestablish a labor inspectorate to ensure adherence to labor safety standards as the previous inspectorate was abolished by an earlier government. In March 2015 the government officially established the inspectorate under the Ministry of Labor, Health, and Social Affairs via Prime Ministerial decree, but had not yet specified what issues inspectors would be responsible for monitoring. International donors, including the USG, have been engaged with the Georgian government on setting up this agency.

Employees are entitled to up to 183 days (six months) of paid maternity leave which can be up to 24 months when combined with unpaid leave. Leave taken for pregnancy, childbirth, childcare, and adoption of a newborn are subsidized by the state. An employer and

employee may agree on additional compensation. Under the Labor Code, a contract of employment may bar an employee from using the knowledge and qualifications obtained while performing his duties with another employer. This provision may remain in force even after the termination of labor relations.

Employers are not required to pay social security contributions for employees. The former 12 percent income tax paid by employees and 20 percent social security tax paid by employers on their employees' wages was merged into a unified personal income tax at the rate of 20 percent in 2009, shifting the employer's tax burden to the employee. The state social security system provides modest pension and maternity benefits. The minimum monthly pension is 150 GEL (\$75) and is scheduled to increase slightly in September 2015. The average monthly salary across economy in Georgia in Q4 of 2014 was 950 GEL (\$546). The average monthly salary for state sector employees was 1361 GEL (\$783). The minimum wage requirement for state sector employees is 115 GEL (\$70) per month. Legislation on the official minimum wage in the private sector has not changed since the early 1990s and stands at 20 GEL (\$10) per month, but is not applied in practice and is not being used for reference.

In recent years, the government failed to enforce a number of minimum ILO standards, largely because there was no inspectorate charged with handling labor issues. The relationship between the government and labor organizations has historically been contentious. Organized labor has complained that the government interfered in dues collection and in workers' ability to organize and bargain collectively. Between 2006 and 2010 relations between employers and labor unions were so bad that some union leaders received death threats and feared for their personal safety. As a result of a petition the teachers' union filed to the ILO, in September 10, 2010, the AFL-CIO registered a petition against the government requesting Georgia's removal from the Generalized System of Preferences (GSP) program that gives duty-free treatment to most Georgian goods due to the government's unwillingness to enforce Labor Code standards as required by ILO conventions. After the U.S. Trade Representative accepted the petition and held a hearing in Washington on January 24, 2012, the Georgian government pledged to make changes to its labor laws and Parliament enacted limited changes to the Labor Code in the summer of 2012. While 2013's amended labor code addressed many of these concerns, a major component for further improvement of labor conditions rests with the reestablishment of the labor inspectorate, a project still in progress. Discussions between the Georgian government and USTR on the GSP petition are ongoing.

Georgia has signed multiple ILO agreements, including the Forced Labor Convention of 1930; the Paid Holiday Convention of 1936; the Anti-Discrimination (Employment and Occupation) Convention of 1951; the Human Resources Development Convention of 1975; the Right to Organize and Collective Bargaining Convention of 1949; the Equal Remuneration Convention of 1951; the Abolition of Forced Labor Convention of 1957; the Employment Policy Convention of 1964; and the Minimum Age Convention of 1973.

Foreign-Trade Zones/Free Ports

[Return to top](#)

In June 2007, the Parliament of Georgia adopted the Law on Free Industrial Zones, which defined the form and function of free industrial/economic zones. Financial operations in such zones may be performed in any currency. Foreign companies operating in free

industrial zones will be exempt from taxes on profit, property, and VAT. UAE-based RAK Investment Authority (Rakia) purchased LLC Poti Sea Port in 2008 and began development of a free industrial zone on 300 hectares of land adjacent to the port. In 2011, Rakia sold 80 percent of the Port to APM Terminals, based in the Netherlands and part of the Danish A.P. Moller-Maersk group, but maintains 100 percent ownership in Poti Free Industrial Zone, the first of its kind in Georgia and the whole Caucasus region. More information is available at www.potifreezone.ge.

Georgia's second free industrial zone is a 27-hectare plot in Kutaisi, where the Egyptian company Fresh Electric constructed a kitchen appliances factory in 2009. The company has committed to building about one dozen textile, ceramics, and home appliances factories in the zone, and announced its intention to invest over \$2 billion.

Foreign Direct Investment Statistics

[Return to top](#)

Foreign direct investment (FDI) in Georgia increased dramatically during the periods of 1997-1998, 2003-2004, and 2006-2008. The first two peaks were connected with the construction of the Baku-Supsa and Baku-Tbilisi-Ceyhan oil pipelines that bring Caspian oil and gas to European markets. FDI inflows in 2006-2007 hit historic highs due to the privatization of many state-owned enterprises and the impact of economic reforms. FDI totaled \$1.1 billion (15.3 percent of GDP) in 2006, more than doubling the 2005 total of \$0.4 billion. In 2007, FDI almost doubled again to \$2.0 billion. The August 2008 conflict with Russia, however, undermined investor confidence and the subsequent global financial crisis further restricted FDI. 2008 and 2009 saw sharp decreases in FDI. In 2010, FDI rose to 814 million, and rose again to 1.12 billion in 2011. FDI slowed down in 2013 following the change of government, but increased again in 2014 by 35%. Transportation and communication sectors attracted the largest share of investments, reflecting Georgia's advantageous location along the so-called "New Silk Road" energy and trade corridor linking Europe and Asia. Second and third positions were taken by construction and manufacturing sectors respectively. Other sectors of interest were agriculture and energy, which the government has identified as priority development areas. With the launch of a second gas pipeline by British Petroleum (BP), investments in the construction area are expected to increase in 2015 and 2016.

	GeoStat (Georgia National Statistics Office)		USG or international statistical source		USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) <i>(in millions of USD)</i>	2014	\$16,529	2014	\$16,140	World Bank
Foreign Direct Investment	GeoStat (Georgia National Statistics Office)		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country <i>(in millions of USD)</i>	2014	79.9	2014	1.0	<u>Bureau of Economic Analysis (BEA)</u> <ul style="list-style-type: none"> • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States <i>(in millions of USD)</i>	n/a	n/a	n/a	n/a	<u>Bureau of Economic Analysis (BEA)</u> <ul style="list-style-type: none"> • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP <i>(calculate)</i>	Amount 7.7	Insert 2014	Amount 5.9	Insert (2013)	

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	9,651	100%			
United States	1,162	12%			
United Kingdom	1,013	10%			
Turkey	812	8%			
Netherlands	808	8%			
United Arab Emirates	604	6%			
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF, "Coordinated Direct Investment Survey," 2011

The IMF's calculations of foreign direct investment (FDI) in Georgia differ from the Georgian government's official calculations. The most recent IMF statistics available regarding Georgia's FDI are from 2011.

19. Contact Point at Post for Public Inquiries

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Web Resources

[Return to top](#)

Georgia National Investment Promotion Agency: <http://www.investinggeorgia.org>

Ministry of Economic Development: <http://www.privatization.ge>

American Chamber of Commerce in Georgia: <http://www.amcham.ge>

Investment Guide from AMCHAM: <http://www.investmentguide.ge>

World Bank's "Doing Business 2014" PDF, Georgia Section:

<http://www.doingbusiness.org/data/exploreeconomies/georgia>

Association for Protection of Landowners' Rights: <http://www.aplr.org/>

How to Buy Land in Georgia: <http://www.aplr.org/?lang=eng&id=263>

Government of Georgia: <http://www.georgia.gov.ge>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

How Do I Get Paid (Methods of Payment)

[Return to top](#)

Large Georgian banks service foreign trade transactions. Methods of payment generally include a letter of credit or advance payment. To carry out transactions through banks, buyers and sellers must have a written contract. Because of high interest rates and short-term lending offered by local banks, most enterprises prefer to purchase equipment through supplier-financed transactions.

How Does the Banking System Operate

[Return to top](#)

The central bank, the National Bank of Georgia (NBG), sets monetary policy, issues licenses, and supervises the activities of banking institutions and currency exchange offices. To regulate circulating money and encourage deposits in lari, NBG requires commercial banks to keep a certain percentage of their foreign currency deposit liabilities in reserve.

The U.S. government has assisted the NBG to accelerate financial sector development in Georgia. NBG and most commercial banks use SWIFT to process international payments and messages. There are no restrictions on the number of bank accounts individuals and enterprises may hold with Georgian banks. The cost of lending remains high but may decline as Georgia's banking sector develops.

The banking system currently consists of domestically based small- and medium-sized banks, a handful of large banking institutions based in Tbilisi with subsidiaries (e.g., Societe Generale, Vneshtorgbank, Privat Bank), and two foreign banks with branches (Turkish Bank Ziraat and the International Bank of Azerbaijan). According to the National Bank of Georgia, as of January 2015 the total assets of the country's 19 commercial banks (16 of which have foreign capital) were around \$12 billion. Credit from commercial banks is available to foreign investors as well as domestic clients, although interest rates are high. Banks continue offering business, consumer, and mortgage loans.

Foreign-Exchange Controls

[Return to top](#)

The lari (GEL) is the only legal tender in Georgia; it has no informal or parallel exchange rates. Foreign businesses may convert lari into hard currency at the market exchange rate

and freely transfer the proceeds abroad without limitation. One may hold foreign exchange in bank notes or on deposit in designated bank accounts. There are no limitations on these accounts' operation.

Since 1998, the lari has maintained a floating currency and despite lari's sharp depreciation which resulted in the loss of nearly thirty percent against the U.S. dollar since November 2014, Georgia has no plan to change this monetary policy.

All Georgian banks accept and issue credit cards. Credit cards are accepted at many hotels, restaurants, and stores in Tbilisi, but some small stores or establishments do not accept them. ATMs are available throughout Tbilisi and in other cities, including Kutaisi, Poti, and Batumi.

U.S. Banks and Local Correspondent Banks

[Return to top](#)

There are no U.S. banks with branches in Georgia, though most Georgian banks have correspondent accounts with U.S. banks.

Project Financing

[Return to top](#)

Banking is one of the fastest growing sectors in the Georgian economy. As of January 2015, 19 commercial banks were registered in Georgia.

The banking system currently consists of domestically based small- and medium-sized banks, a handful of large banking institutions based in Tbilisi with subsidiaries (e.g., Societe Generale, Vneshtorgbank, Privat Bank), and two foreign banks with branches (Turkish Bank Ziraat and the International Bank of Azerbaijan). According to the National Bank of Georgia, as of January 2015 the total assets of the country's 19 commercial banks (16 of which have foreign capital) were around \$12 billion. Credit from commercial banks is available to foreign investors as well as domestic clients, although interest rates are high. Banks continue offering business, consumer, and mortgage loans.

The International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD), U.S. Overseas Private Investment Corporation (OPIC), Millennium Challenge Corporation (MCC), Asian Development Bank (ABD), and other international development agencies have a variety of lending programs that make credit available to large and small businesses in Georgia. In the beginning of 2015 there were up to 70 microfinance organizations operating in Georgia, with total assets of around \$650 million, making small credit available to businesses.

In September 2006, the U.S. Export-Import Bank (Ex-Im) opened its lines of business to Georgia and offered a full range of programs for both the public and private sectors in Georgia. Ex-Im bank is available to finance projects in Georgia and transactions from Georgian buyers of U.S. goods and services in the short-, medium-, and long-term.

For project financing and risk insurance, American investors and exporters may contact the Overseas Private Investment Corporation (OPIC), which provides direct financing and

insurance coverage against political risk, currency inconvertibility, expropriation, and political violence.

For more information on federal export assistance programs, contact the Trade Information Center (TIC) in the U.S. Department of Commerce or see their website:

http://export.gov/exportbasics/eg_main_017458.asp. The TIC provides information on sources of international trade and export promotion, financing and counseling, international market research and trade leads, overseas and domestic trade events and activities and documentation and licensing requirements.

The Economic Section of the U.S. Embassy in Tbilisi can provide contact information and assistance to any U.S. firm about export financing, insurance, local and domestic business associations and partners, and business climate information.

The Georgian Co-Investment Fund (GCF)

In 2013 the government created the Georgian Co-Investment Fund (GCF) to promote foreign and domestic investments. GCF is a reported \$6 billion (equal to approximately 38% of Georgia's GDP) private investment fund, with the mandate to provide investors with unique access through a private equity structure to opportunities in Georgia's fastest growing industries and sectors. The GCF, which was initiated by ex-PM Ivanishvili, includes the international and domestic investment communities as Limited Partnerships (LPs), including sovereign wealth funds, major global corporations and private family offices from countries including United Arab Emirates, China, Azerbaijan, Turkey, and Kazakhstan. Ivanishvili's personal contribution to the fund is reportedly \$1 billion. The remaining is held by the Abu Dhabi Group, the Ras Al Khaimah Investment Authority (both United Arab Emirates), Milestone International Holding from China, Mr. Alexander Moshkevich from Kazakhstan, capital from the estate of the late Badri Patarkatsishvili, Batumi Industrial Holdings (a subsidiary of KazTransOil), Çalik Holdings from Turkey, and the State Oil Fund of Azerbaijan (not SOCAR but SOFAR).

GCF is registered offshore; it intends to attract additional capital from other sources. Approximately 80% of the fund will be invested in Georgia over the next five years. About 20% will be invested internationally. Priority areas are: energy; hospitality and real estate; agriculture and logistics; manufacturing and agriculture. Primary allocations have been announced from the outset:

- Energy – up to \$3 billion
- Hospitality and Real Estate – up to \$1 billion
- Agriculture and Logistics – up to \$0.5 billion
- Manufacturing – up to \$1.5 billion
- Other – up to \$0.5 billion

GCF's minimum internal rate of return (IRR) threshold for investment in projects is 17% and it intends to invest 25 – 75% of the total equity investment, with a minimum investment of \$5m. GCF is expected to retain its ownership interest in the Portfolio Companies for up to seven years, extendable to a maximum of nine. During that period the Fund will exit from its investments by selling its ownership interest through different ways:

- Sale to existing co-owners or partners of the project;

- Sale to external third parties;
- IPO on local and international stock exchanges.

In 2014, the government implemented the state program "Produce in Georgia." The program aims to develop and support entrepreneurship, encourage creation of new enterprises and increase export potential and investment in the country. The program is coordinated by the Ministry of Economy and Sustainable Development of Georgia through its Entrepreneurship Development Agency, National Agency of State Property, and Technology and Innovation Agency of Georgia. The project provides the following support:

- Access to finance
- Access to real property
- Technical assistance

For more information please visit the website: <http://qartuli.ge>

Within the framework of this program the National Agency of State Property is in charge of the Physical Infrastructure Transfer Component, i.e., free-of-charge transfer of government-owned real property to an entrepreneur under certain investment obligations.

Partnership Fund

The Partnership Fund (PF) established in 2011 is a 100% state owned entity with equity value of 2.3 billion GEL (\$1.0 billion). The fund aims at facilitating cooperation between the public and private sector, creating investment projects with ensuing job creation and attracting foreign investment. The fund is managed by its supervisory board chaired by the Prime Minister, and includes Ministers of Economy, Energy, Finance, Justice, and chief executives of 4 banks: TBC, KSB, Bank of Georgia and Liberty bank as board members.

PF has a mandate to invest only in Georgia. PF's strategy is aimed at attracting and supporting private investors. Energy, agriculture, manufacturing, real estate/tourism and logistics/infrastructure sectors are on the top of the priority list as these sectors are largely untapped and have great potential for further development. PF co-invests in commercially viable investment projects with an experienced partner or specialized operator. PF acts as financial partner for private investors and provides mid to long-term financing. PF provides Greenfield as well as Brownfield financing and acts as a "Sleeping Partner" with a predetermined, clear exit strategy. Moreover PF enables projects to attract senior financing from commercial sources or International Financial Institutions (IFIs).

PF provides equity financing, mezzanine and in some cases subordinated loan (both convertible and non-convertible). PF's participation in projects is limited to minority share (up to 50%). PF co-finances companies and assists its partners and management teams in developing plans to create sustainable long-term value.

In the coming period, the government plans to convert the Partnership Fund into the Sovereign Wealth Fund (SWF). The latter will be composed of two components reflecting their separate functions: SWF for asset management and SWF for investment. This move follows the recommendations of international financial institutions to mitigate risk with the strategic assets owned by the Fund, particularly those that issue bonds. Under the new organization, they will be completely independent arms and the SWF will have more

flexibility over investments and an increased flexibility to shape its investment portfolio. It also plans to hire the World Bank's International Finance Corporation as a consultant for the SWF. www.fund.ge

U.S. Trade and Development Agency (USTDA)

USTDA funds various forms of technical assistance, investment analysis, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services. USTDA has funded feasibility studies for a power transmission line, a cold storage facility, and other projects in Georgia.

Overseas Private Investment Corporation (OPIC)

The Overseas Private Investment Corporation (OPIC) is the U.S. Government's development finance institution. OPIC finance and political risk insurance programs assist U.S. companies to invest overseas. Since 1993, OPIC has committed over \$500 million in financing and political risk insurance for more than 50 projects in Georgia. OPIC investment in Georgia has focused on the following sectors: credit for small and medium-sized enterprises, and projects in the franchising, education, manufacturing, tourism, agriculture and health care sectors. Some recent examples are OPIC's \$18 million loan commitment to finance a Marriott branded budget hotel in Tbilisi, a \$10 million loan commitment to finance a Radisson branded hotel in Kakheti, and an \$18 million loan commitment to finance a hospital in Tbilisi.

U.S. Export-Import Bank (Ex-Im)

Ex-Im is also open for business and provides trade financing for the purchase of American goods, mainly through bank guarantees.

U.S. Agency for International Development (USAID)

Energy Infrastructure and Oversight: USAID completed over \$120 million to rehabilitate and rebuild Georgia's high pressure east-west gas pipelines network from Kutaisi to Poti, construction of transmission infrastructure including the 59 kilometer 220 kV double circuit Senaki high voltage transmission line, related connection work in substations in Menji and Tskaltubo, activities to enhance the reliability of the transmission work as part of smart grid improvements. The U.S. government assistance to the Georgian Oil and Gas Corporation (GOGC) resulted in the construction of the 149 km Kutaisi-Poti gas pipeline with additional sections between Gori-Kareli and Zestafani-Kutauisi. As of December 31, 2014, 4, 703 residential customers and 52 commercial consumers received natural gas in Poti. USAID also supported the promotion of Georgia's hydropower potential through assistance for pre-feasibility studies for "run-of-river" projects, promotional activities aimed at attracting private investment in the sector, and assistance to Georgia in establishing an energy trading mechanism with their neighbors in compliance with the EU Acquis.

Millennium Challenge Corporation (MCC)

In September 2005, the U.S. signed a five-year, \$295.3 million compact with Georgia that was later increased by \$100 million as part of the \$1 billion in USG assistance provided to Georgia after the August 2008 conflict with Russia. The compact's projects included rehabilitating roads, pipelines and water systems. It also provided credit and grants for small and medium businesses involved in tourism and agriculture. In January 2011, the MCC board approved Georgia's eligibility to compete for a second compact. This second compact, signed in 2013, provides \$140 million to be spent primarily on teacher training, student assessment, school rehabilitation, vocational training for Georgian workers and higher education, with an aim to improve the competitiveness of the Georgian workforce. Starting in 2015, Georgian students will have the opportunity to obtain a U.S. bachelor's degree without leaving Georgia. San Diego State University (SDSU), initially with \$30 million MCC Compact funding (managed by the Georgian government through the Millennium Challenge Account – Georgia (MCA Georgia), will offer high quality, internationally accredited (ABET, ACS, WASC) programs in Science, Technology, Engineering and Math (STEM) fields.

World Bank

Georgia became a member of the World Bank (WB) in 1992 and the International Development Association in 1993. The World Bank Group mission in Georgia is to help end extreme poverty and boost shared prosperity in a sustainable manner. The new Country Partnership Strategy (CPS) for 2014-17 foresees total financial support by the World Bank Group of around US\$1.2 billion, comprising sovereign loans from the International Bank for Reconstruction and Development (IBRD), private sector investments from the International Finance Corporation (IFC), and investment insurance from the Multilateral Investment Guarantee Agency (MIGA). Since Georgia joined the World Bank in 1992, a total of 62 projects comprising over US\$2.27 billion of IDA credits and grants and IBRD loans have been provided to the country. The current portfolio consists of eleven active investment projects and one development policy operation for a total of around \$848 million.

International Finance Corporation (IFC)

Georgia became a member and shareholder of IFC in 1995. As of December 31, 2014, IFC has provided a total of about \$665 million in long-term finance, including \$272 million mobilized from partners, supporting 51 projects in the financial, agribusiness, manufacturing, services, and infrastructure sectors. In addition, IFC has supported trade flows worth more than \$292 million through its trade finance program. IFC has also implemented a number of advisory projects focused on private sector development.

European Bank for Reconstruction and Development (EBRD)

EBRD is helping Georgia develop a dynamic private sector, particularly through financing micro, small and medium-sized enterprises (MSMEs), and helping transform the county into a regional transportation and natural resources hub. Other key activities focus on developing infrastructure, reforming the financial sector, restructuring the corporate sector and introducing sound corporate governance. From 1994 through 2014 the EBRD signed 175 projects in Georgia (with total project value of EUR 2.3 billion (\$2.6 billion). Current portfolio of projects stands at Euro 618 million. The EBRD currently focuses on developing the financial sector, the power and energy sector, and transport infrastructure to support

the development of the transport corridor linking Eastern Europe, the Caucasus and the Central Asia. It is also focusing on credit to small- medium-, and micro-enterprises.

Asian Development Bank (ADB)

The Asian Development Bank (ADB) has been supporting the Government of Georgia since 2007. ADB is one of Georgia's largest multilateral financiers, assisting with the development of public infrastructure and services through funding from both the concessional Asian Development Fund (ADF) and ordinary capital resources (OCR). In 2014, ADB approved Georgia's graduation from access to ADF resources, taking effect from 1 January 2017. As of 31 December 2014, the sovereign assistance of ADB to Georgia amounted to \$1.42 billion in approved loans—\$765 million in ADF loans, and \$651 million in OCR loans. Nonsovereign assistance amounted to \$200 million. <http://www.adb.org/publications/georgia-fact-sheet>

Web Resources

[Return to top](#)

Millennium Challenge Georgia: <http://www.mcc.gov>

European Bank for Reconstruction and Development: <http://www.ebrd.com/>

Export-Import Bank of the United States: <http://www.exim.gov>

OPIC: <http://www.opic.gov>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

Trade and Development Agency: <http://www.ustda.gov>

U.S. Agency for International Development: <http://www.usaid.gov>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/about-fsa/structure-and-organization/commodity-credit-corporation/index>

World Bank: www.worldbank.org

[Return to table of contents](#)

Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

Business Customs

[Return to top](#)

The development of personal rapport is an important part of business relationships in Georgia. Business meetings tend to be relatively relaxed affairs. Although tardiness does not necessarily reflect a lack of respect, foreign visitors should be punctual. Business lunches are less common than in the U.S. and Europe. Elaborate dinners -known as "Georgian tables" or "supras" - are generally long affairs, at which numerous, informal and impromptu toasts are often required of both host and honored guests. Wine is an important part of Georgian culture, and is a part of any meal. Georgians take great pride in their reputation as gracious hosts.

Travel Advisory

[Return to top](#)

U.S. State Department Georgia Travel Information Sheet:

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1122.html

Visa Requirements

[Return to top](#)

A passport is required. U.S. citizens visiting for 90 days or less do not need a visa. Armenian and Azerbaijani visas are no longer valid for transit through Georgia. For further information on visas, please contact:

Georgian Embassy to the U.S.:

1101 15th Street, NW Suite 602,

Washington DC, 20005

Tel: (202) 387-2390, fax: (202) 393-4537 Website:

http://usa.mfa.gov.ge/index.php?sec_id=38&lang_id=ENG

U.S. Embassy Tbilisi encourages visiting Americans to register with the Consular Section of the U.S. Embassy in order to obtain updated information on travel and security within Georgia.

Travel information about Georgia:

<http://georgia.usembassy.gov/info-for-travelers.html>

U.S. companies that require travel of foreign businesspeople to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links:

State Department Visa Website: <http://travel.state.gov/content/visas/english.html>
Consular Section, U.S. Embassy Tbilisi:
<http://georgia.usembassy.gov/consular/non-immigrant-visas.html>

Telecommunications

[Return to top](#)

Georgia enjoys direct-dial long distance service for international calls. The capacity and quality of landlines was limited but respective infrastructure is being improved continuously. Cellular phones are ubiquitous and relatively inexpensive. BlackBerry service is now available. Internet access is available at large hotels and at internet cafes and parks in Tbilisi and some other towns. Subscriber Internet service is available through several local providers and is also moderately priced by regional standards. However, Internet access might be limited outside of Tbilisi and other major cities.

Transportation

[Return to top](#)

The condition of most main roads in the country is average, but remains poor in rural areas. Within the capital there are many new and inexpensive buses, trolleybuses, taxis, and "marshrutka" minibuses. There is also a functioning subway system in Tbilisi. A cab ride from the airport to the center of Tbilisi should cost approximately \$20.

Georgia's principal international airport is Tbilisi International Airport, which can handle 1,000-1,200 passengers per hour. Currently there are several local airlines including the state flag carrier Georgian Airways, which operates three Boeing aircraft. International direct flights to Tbilisi are available via Georgian Airlines, Lufthansa, Alitalia, Siberian Airlines, Turkish Airlines, Arkia, Czech Airlines, Lot Polish Airlines, Qatar Airways, China Southern Airlines, Azerbaijani Airlines, Aegean Airlines, Belavia, AirBaltic, Ukrainian International Airlines, Air Astana, Erbil Fly Dubai, and Pegasus. Direct flights from Tbilisi include those to Almaty, Amsterdam, Antalya (summer charter flights only), Astana, Athens, Baku, Brussels, Cairo, Dubai, Dusseldorf, Kiev, Minsk, Moscow, Munich, Paris, Riga, Rome, Sharm al sheik, Tehran, Tel Aviv, Urumqi, and Vienna.

A new airport has opened in Batumi that offers international connections to Baku, Istanbul, Kiev, Minsk, Moscow (charter flights), and Kharkov(summer only). Other regional airports are undergoing major reconstruction. Kutaisi's David the Builder International Airport

opened in 2012 and offers flights to Baghdad, Donetsk, Istanbul, Katowice, Kharkov, Kiev, Minsk, Moscow, Vilnius, and Warsaw.

Georgia's railroad system is relatively slow and unreliable. Presently about 90 percent of freight traffic travels on the main Trans-Caucasus route between the Black Sea ports of Poti and Batumi through Tbilisi to Yerevan (Armenia) and Baku (Azerbaijan). Construction of a railway from Akhalkalaki to Kars in Turkey, scheduled to be completed in 2015, will facilitate rail transport to Turkey and Europe.

Language

[Return to top](#)

The official language is Georgian and the most widely spoken across the country. English is gaining in popularity and Russian is also used but, on the wane. Interpreters are widely available and are relatively inexpensive.

Health

[Return to top](#)

Elderly travelers, travelers with chronic medical conditions, and travels with young children are advised to purchase overseas medevac insurance and bring an adequate amount of medication for the duration of their stay.

Medical services in Georgia are in a state of transition with many positive changes over the past year. Small private, well-equipped hospitals like MediClub of Georgia in Tbilisi and Medina in Batumi are fully operational. These facilities have well-trained staff, practicing evidence-based medicine. Many state hospitals remain in poor repair but have the capability to stabilize and transfer patients to a higher level of medical care in Georgia and on to London or other western European destination.

Tricare health insurance for active duty and retired U.S. military is accepted at many facilities. Cigna International is also accepted at many private clinics and hospitals. Travelers should check with their health insurance company to inquire about overseas coverage.

Although Georgia has a pediatric immunization program, it is advisable that travelers check with the Centers for Disease Control and Prevention (CDC) (<http://www.cdc.gov>) for the latest vaccine recommendation for travel to Georgia. Prevalent diseases include Hepatitis A and Rabies.

The U.S. Embassy maintains a list of English-speaking physicians. Travelers may obtain further information on health matters from the Centers for Disease Control and Prevention's International Travelers' Hotline at (404) 332-4559, or at <http://www.cdc.gov>.

Local Time, Business Hours, and Holidays

[Return to top](#)

Standard time zone for Georgia is: UTC/GMT + 3 hours during summer time and UTC/GMT + 4 during wintertime. Georgia does not observe daylight savings time. Although the

business day runs from 9:00 a.m. to 6:00 p.m., the best contact time is 10:00 a.m. to 5:00 p.m. Business leaders and senior government officials tend to start work around 10:00 a.m., work into the night, and often break for a late working dinner.

Georgia has 14 national holidays – 2015 Holiday Calendar:

- January 1-2 New Year's Day
- January 7 Christmas (Orthodox Church)
- January 19 Epiphany (Orthodox Church)
- March 3 Mother's Day
- March 8 International Women's Day
- April 9 Memorial Day/Good Friday
- April 17 Good Friday
- April 20 Easter Monday (Recollection of Deceased)
- May 9 Victory Day
- May 12 St. Andrew's Day
- May 26 Independence Day
- August 28 Day of the Virgin (Orthodox Church)
- October 14 Svetitskovioba (Day of the Saint)
- November 23 St. George's Day

Temporary Entry of Materials and Personal Belongings

[Return to top](#)

Travelers to Georgia must fill out a customs declaration upon arrival and present it to customs officials upon departure. Travelers must declare on the customs form all items of value, including currency; failure to do so may result in fines or other penalties. If your customs form is lost or stolen, please report the loss to the police to obtain a certificate to show to customs officials upon departure.

Georgia's customs authorities may enforce strict regulations on the temporary importation into or export from Georgia of items such as alcohol, tobacco, jewelry, religious materials, art or artifacts, antiquities, and business equipment. Only personal medications with a doctor's prescription can be imported without the permission of the Georgian Department of Healthcare.

U.S. citizens may not import firearms into Georgia; however, hunting weapons may be brought into the country for a two-week period based on valid Georgian hunting licenses. While there is no limit to the amount of currency that can be imported, travelers bringing more than 30,000 lari (approximately \$13,263) in cash are required to make a declaration. If more money is exported than was declared at the time of entry, the traveler is obligated to prove it was legally obtained. There are limits on the amount of exported Georgian currency.

The Department of Expertise and Evaluation under the Ministry of Culture and Science must license any valuables being taken out of Georgia such as artwork, antiques, jewelry, paintings, etc. This license describes the object, assesses its value, and provides permission to export it from Georgia. The U.S. Embassy in Tbilisi, Georgia can provide more specific information on quantities of items that can be imported duty free, as well as duties for specific items. It is also advisable to contact the Embassy of Georgia in Washington, D.C. for specific information regarding customs requirements.

Tbilisi Weather: <http://www.wunderground.com/global/stations/37549.html>

Info-Tbilisi: <http://www.info-tbilisi.com>

Mediclub Georgia: <http://www.mediclubgeorgia.ge/default.aspx>

International Medical Support Services: <http://www.imss.ge/services.html>

[Return to table of contents](#)

Chapter 9: Contacts, Market Research and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

Contacts

[Return to top](#)

Ministry of Foreign Affairs:

http://www.mfa.gov.ge/Home.aspx?sec_id=161&lang_id=GEO&lang=en-US

Ministry of Finance: http://www.mof.ge/Default.aspx?sec_id=2537&lang=2

Ministry of Economy and Sustainable Development: <http://www.economy.ge/?lang=eng>

Ministry of Agriculture: <http://moa.gov.ge>

Ministry of Energy: <http://www.menr.gov.ge/>

Ministry of Justice: <http://www.justice.gov.ge/>

Ministry of Environment and Natural Resources: <http://moe.gov.ge/>

Ministry of Labor, Health and Social Affairs: <http://www.moh.gov.ge/>

Tax and Customs Department: <http://www.mof.ge/en/4677>

Georgian National Communication Commission:

http://www.gncc.ge/index.php?lang_id=ENG&sec_id=10050

Georgian National Investment and Export Promotion Agency:

<http://www.investingeorgia.org>

National Bank of Georgia: <https://www.nbg.gov.ge/index.php?m=2&lng=eng>

State Department of Statistics: <http://www.geostat.ge/>

U.S. Embassy Tbilisi Commercial Information: <http://georgia.usembassy.gov/>

Trade Associations

American Chamber of Commerce in Georgia: <http://www.amcham.ge>

America Georgia Business Council: <http://www.agbdc.com>

Georgian Chamber Commerce and Industry: <http://www.gcci.ge>

Market Research

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>
<http://www.biztradeshows.com/georgia/>

[Return to table of contents](#)

Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov.

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center at (800) USA-TRAD(E).**

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

[Return to table of contents](#)