

- Chapter 1: Doing Business In …
- 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
Market Overview

- Georgia is a small transitional market economy of 4.5 million people with a GDP per capita of $3,520 (2012). Georgia is located at the crossroads between Europe and Central Asia and has experienced rapid economic growth since the Rose Revolution in 2003.

- In summer 2013, Georgia concluded negotiations with the European Union on the framework for an Association Agreement which also includes the establishment of a Deep and Comprehensive Free Trade Area (DCFTA). This Agreement is expected to be initialed in late-2013 and formally signed later once technical procedures are completed. It is expected that the DCFTA will come into force in around mid-2015. Through reduced tariffs and the removal of technical barriers to entry, the DCFTA will give Georgian products access to over 1.5 billion consumers in the EU. Conversely, products from the EU will enjoy easier access to the Georgian market.

- Following the launching of the Strategic Partnership Commission (SPC) between the U.S. and Georgia in 2009, the U.S. Department of State holds regular meetings with its Georgian counterparts across various working groups. One of these working groups is the Economic, Energy, and Trade Working Group which aims to coordinate Georgia’s strategy for development in these areas. In addition to the SPC, in January 2012 the U.S. and Georgia committed to a High-Level Trade Dialogue to strengthen the trading relationship between the two countries.

- 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 can offer a platform for trade and investment in the Caucasus and Central Asia and is ranked by the World Bank as 9th in the world (out of 185 countries surveyed) for ease of doing business in June 2012.

- The Georgian economy grew approximately 12 percent in 2007 based mainly on strong inflows of foreign investment and government spending. Because of the August 2008 war with Russia and subsequent global credit crisis, growth in 2008 slowed to roughly 2.1 percent. The economy shrunk by 4 percent in 2009, but the economy recovered in 2010 with annual growth of 6.5 percent, 7 percent in 2011, and 6.1% in 2012. These rates compare favorably to those of many of Georgia’s
neighbors during the same period. Economic growth slowed following parliamentary elections in October 2012, though it is expected to pick up in late-2013 following presidential elections.

- Because of an embargo imposed by its traditional main trading partner, Russia, Georgia has reoriented its trade patterns and continues to search for new trading partners in Europe, North America, and Asia. Following successful Swiss-mediated negotiations with Russia on Russia's WTO accession, some modest increases in wine and mineral water exports to Russia have occurred.

- Georgia's main exports are ferroalloys, gold, ammonium nitrate, scrap metal, wine, mineral water, nuts, aircraft, and copper. Georgia also re-exports automobiles within the region. Hydro-electricity is also a growing export.

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

- Georgia's main export markets are the countries of the former Soviet Union, the EU, Turkey and the United States. Turkey, Ukraine, Azerbaijan, China, and Germany are Georgia's main sources of imported goods. Oil and gas imports dominate the range of goods imported from Azerbaijan.

- The government of Georgia does not control the occupied territories of Abkhazia and South Ossetia. The situation on the administrative boundaries between Georgian-controlled territory and the separatist regions remains tense.

**Market Challenges**

- The Georgian Government has committed itself to further reducing 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 a 20 percent tax rate. The dividend tax was also decreased from 10 percent to 5 percent. However, the Georgian government recently levied an 18 percent VAT on imports.

- The main challenges to doing business in Georgia are linguistic and cultural differences. 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 are of great importance.

- Laws and regulations, especially in the areas of tax and customs, can be subject to uneven and arbitrary interpretation and enforcement by government employees.
A good local attorney is indispensable for anything other than simple transactions.

- While intellectual property rights legislation is quite advanced, enforcement of IPR is uneven. Georgia ranks poorly in certain indices of IPR protection.

**Market Opportunities**

- Despite a slowdown in the economy following the August 2008 war with Russia and the global financial crisis, among countries in the region Georgia remains an attractive market, and expects growth of around 3 percent in 2013.

- 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 booming across Georgia, presenting opportunities for producers of building equipment and materials and providers of architectural and engineering services. The Government has used a significant portion of the $4.5 billion in international assistance pledged in 2008 and more recent concessional loans to update infrastructure.

- While consumers’ spending power is somewhat constrained, consumers are principally interested in processed foodstuffs, 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 and USAID. The Millennium Challenge Corporation concluded its first compact for Georgia, and the second compact was signed in June 2013.

**Market Entry Strategy**

- Connecting with good local representation is the most successful way to enter 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.
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/index.htm

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

Return to table of contents
Using an Agent or Distributor

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

The United States Embassy in Tbilisi is ready to assist U.S. business inquiries. Apart from complimentary consultations, the Economic Section also offers commercially branded services such as “Gold Key Matching Service” for a small fee. More information on this service 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 www.economy.ge/?lang=eng. In addition, the Ministry also supports a website for privatizations and tenders at www.privatization.ge.

Establishing an Office
• 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 (www.napr.gov.ge). For the purpose of registration, 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 attorneys and accountants prior to opening a business in Georgia.

Franchising

• 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, and Pepsi all operate in Georgia. Wendy’s and Precision Auto have signed contracts and will soon be operational.

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

Direct Marketing

Direct marketing was 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, and DHL.

Joint Ventures/Licensing

• Joint ventures can be structured 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

- 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 5,000-200,000 ($3,000-125,000) are conducted through a simplified electronic tender which is a substitute to single-source procurement. Purchases above GEL 200,000 ($125,000) 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 $1.2M) for products and services, and GEL 4 million (around $2.5M) 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.


Distribution and Sales Channels

- 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.

- The majority of retail stores are sole proprietorships with one outlet, especially in the regions outside Tbilisi, but there are a growing number of mini-market chains such as Populi, Goodwill, Ioli, Smart and Nikora. Carrefour, currently operating one store in the capital, is planning to open several new outlets. Retail chain shops sell western brands of cosmetics, household goods, garments, and electronics.

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

Selling Factors/Techniques
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**

- E-commerce is gaining a foothold, although Internet penetration remains rather limited (over 30 percent penetration across the country, with higher rates in Tbilisi). Credit card penetration is also nominal, though trending upward. As of April 2013 there were 4.3 million debit cards and 1.1 million credit cards issued to Georgia's 4.5 million population. Cardholders can pay public utilities electronically and purchase limited amount of goods.

**Trade Promotion and Advertising**

- 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 Interior. Alcohol and cigarette advertising is 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 departments directly. There is one public television broadcaster (GPB that includes Channel 1, Channel 2), Batumi-based state funded television (Adjara TV), six independent commercial television stations (Rustavi 2, Imedi, Maestro, Kavkasia, Tabula TV, Ninth Cannel), and the television station of the Orthodox Patriarchate of Georgia (The Unanimity TV). There are also 26 local television broadcasters in different regions of Georgia which are unified under the Georgian Association of Regional Broadcasters.

- Four broadcasters have nationwide coverage:
  - **Georgian Public Broadcaster, GPB**: [http://www.gpb.ge/](http://www.gpb.ge/)
  - **Imedi (Georgian only)**: [www.imedi.ge](http://www.imedi.ge)
  - **Rustavi 2**: [http://www.rustavi2.com](http://www.rustavi2.com)
- Tbilisi-based television channels GPB, Rustavi 2, Imedi, and 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 daily 24 Saati, daily Akhali Taoba, daily Resonansi, daily Sakartvelos Respulika, thrice weekly Versia, thrice weekly Alia, and the weekly Kviris Palitra. Georgia Today, The Messenger and the Georgian Times are English language publications.

- 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). There are a variety of magazines in Georgian: the quarterly Amarta, the glossy monthly Tskheli Shokoladi, and its sister publication bi-weekly analytical magazine Liberali, Tabula, etc. The Association of Regional Publishers, founded by regional newspapers, is based in Tbilisi. 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 service, advertising banners placement, and links on its website.

### Pricing

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.

### Sales Service/Customer Support

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

### Protecting Your Intellectual Property

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 IP enforcement. Companies who 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 United States 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, basically, 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 by 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 US 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 Embassy Tbilisi’s list here: http://georgia.usembassy.gov/list_of_attorneys.html.

While the U.S. Government stands ready to assist, there is little we can do 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 USG 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 always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Georgia require constant attention. Work with legal counsel familiar with Georgian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

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 stop 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
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 US and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at [www.StopFakes.gov](http://www.StopFakes.gov).

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: 1-800-786-9199.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: 1-202-707-5959.

- 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](http://www.stopfakes.gov).

- For US small and medium-size 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, Russia, and . For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/iprprogramConsultation.html](http://www.abanet.org/intlaw/intlproj/iprprogramConsultation.html)

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://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. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Georgia at: [http://moscow.usembassy.gov/business-info.html](http://moscow.usembassy.gov/business-info.html).
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.

**Local Professional Services**

The Political and Economic Section of the U.S. Embassy in Tbilisi offers a range of assistance to U.S. firms interested in developing market opportunities or increasing their business in Georgia.

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, management and shareholder information, to local and foreign partners. For the past 10 years, the company provided business information to leading global players in the business information field such as D&B (Duns & 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 provided for fee.

Other Business Consulting and Support Services:

- **American Chamber of Commerce in Georgia:** [http://www.amcham.ge](http://www.amcham.ge)
- **DLA Piper Rudnick Gray Cary:** [http://www.dlapiper.com/Georgia/content/overview](http://www.dlapiper.com/Georgia/content/overview)
- **Ernst & Young:** [http://www.ey.com](http://www.ey.com)
- **Georgian Chamber of Industry and Trade:** [http://www.gcci.ge](http://www.gcci.ge)
- **Institute for Polling and Marketing:** [http://www.ipm.ge/](http://www.ipm.ge/)
- **Georgian Research Institute for Scientific and Technical Information:** [http://www.tech.caucasus.net](http://www.tech.caucasus.net)
- **Tbilisi Business Service Center:** [http://www.tbsc.ge](http://www.tbsc.ge)
- **UBC International:** [http://ubc-i.com](http://ubc-i.com)

**Web Resources**

*America Georgia Business Council (AGBDC):* [http://www.agbdc.com](http://www.agbdc.com)
*Civil.ge (news):* [http://www.civil.ge/eng/](http://www.civil.ge/eng/)
ExpoGeorgia: http://www.expogeorgia.ge
Georgia.gov: www.georgia.gov.ge
Georgia Department of Tourism: http://www.gnta.ge/?lan=en
Georgia National Investment and Export Promotion Agency: http://www.investingeorgia.org
Ministry of Economic Development: www.economy.ge
Privatizations: http://www.privatization.ge
Tbilisi Information: http://info-tbilisi.com
Tbilisi Yellow Pages: http://www.yell.ge
United State Embassy: 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 good climate are favorable for 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 which are primarily for domestic consumption. Georgia relies on imported powdered milk, meat products, and wheat imports. The share of agribusiness in the output of total economy was 7.5 percent in 2012.

For Georgia, agriculture remains an important yet declining sector in terms of GDP contribution. In 2012, agriculture accounted for 7.5 percent of GDP, down from 8 percent in 2011, 8.4 percent in 2010, and 9.4 percent in 2009. However, the sector still provides an important safety net for the rural population, employing some 50 percent of the labor force. Small farmers comprise 95 percent of all farmers, typically cultivating around 1 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 1 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 the reform 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 slowing 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. A new law on Privatization of State-owned Agricultural Land was passed in July 2005 and is expected to increase efficiency and output in the agricultural sector. A second wave of privatization is underway and as a result, an additional 360,000 hectares of mostly arable agricultural land will be privatized.
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. Legislation attempting to curb these practices is pending in parliament.

The Georgian government sees 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 US.

**Food Processing and Packaging**

Georgia’s location makes it 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, thus negatively affecting the economy. 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, labor) enable Georgia to become an exporter of the agricultural goods to the broader region, including Europe. 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 the former Soviet Union, and improved bottling and packaging now allows Georgian firms to sell to a wider export market. The USAID-sponsored Economic Prosperity Initiative program supports local value added enterprises by promoting agricultural products aimed at international markets.

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 juice 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**

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

Georgia has 4.55 million metric tons of proven oil reserves as of January 1, 2013, but only a marginal amount has been exploited. In 2012, production of crude oil was almost 49,000 tons. Domestic natural gas reserves are estimated at 2.64 billion cubic meters as of January 1, 2013; however, little natural gas is being produced. Only 9.15 million cubic meters were produced in 2012. Most of country's demand for oil and gas products is met through imports.

In April 1999, the Baku-Supsa pipeline was opened to transport oil from the Caspian Basin to markets in the west 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. When operating at full capacity it will transport up to 16 billion cubic meters of gas per year. The pipeline is currently operating at about one-quarter capacity. BP-Amoco is responsible for the operation of the Baku-Supsa, BTC, and Shah Deniz pipelines. Domestic gas transit is in the hands of the Georgian Oil and Gas Corporation while most gas distribution companies have been privatized. A recently completed USAID-financed gas pipeline makes available industrial levels of natural gas to the Poti Free Industrial Zone adjacent to Poti port. 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, though 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.

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. The National Agency for Oil and Gas (NAOG) http://www.naog.ge/ (Georgian Language with some tenders in English) is responsible for announcing tenders for oil and gas exploration and production licenses and also participates in negotiations with investors. 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/?lang=eng. By law, GOGC participates in all exploration and extraction through production sharing agreements 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
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 the EBRD, KFW, and the EIB, Georgia has launched construction of an electricity interconnector project with a possible completion time in the summer of 2013 that will allow for the export of electricity to more lucrative markets with high demand such as Turkey and Western Europe. With assistance from the 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. The U.S. Government financed the 2011-12 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.

**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, the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank, the Japan Bank for International Cooperation (JBIC), and Kreditanstalt fuer Wiederaufbau (KfW).

**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 USSR, primarily in 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. USAID finances a Hydropower Investment Promotion Program that is designed to facilitate foreign investment in new medium-sized hydropower projects.

**ELP Resources**

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 Soviet times, 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, EU and other donors are examining ways to improve the transport, water supply, and wastewater treatment infrastructure. The European Union helped start the Transport Corridor for Europe, Caucasus, and Asia (TRACECA). To date, nine countries are participating in TRACECA: Georgia, Azerbaijan, Turkmenistan, Uzbekistan, Kyrgyzstan, Kazakhstan, Ukraine, Bulgaria, and Romania. These countries have signed bilateral agreements on a preferential trade regime and cargo treatment.

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, Alitalia, Qatar Airways, China Southern Airlines, Azerbaijani Airlines, AirBaltic, Ukrainian International Airlines, Siberian Airlines, Iranian ATA Airlines, Air Astana, and low-cost Pegasus, FLY GEORGIA, Wizzair, 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 a depth 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. Two other ports, both up to the best international standards, are at Supsa (operated by BP) and Kulevi (Owned by Azeri Socar Company), and exclusively handle oil products.

Roads and Railroads Rail cargo volumes are constrained in western Georgia because of technical issues such as limited track capacity, and lack of access to Russian markets because of the conflict in Abkhazia. Georgian Railways depends heavily on transport of petroleum products to the Black Sea ports from Azerbaijan. Construction on a new railway...
from Akhalkalaki, Georgia to Kars, Turkey began in 2008 and is expected to be completed in late 2014.

**TRN Best Prospects/ Services**

Georgia is receptive to private foreign investment to upgrade its transport infrastructure. The State Department of Roads of Georgia and 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 Government of Japan, and the United States, are providing funding for secondary and related road infrastructure.

**TRN Opportunities**

Major opportunities in this area are in the proposed construction and upgrading of the Kars-Akhalkalaki 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.

**TRN Resources**


*Ministry of Economic Development:* [http://www.privatization.ge](http://www.privatization.ge)

*Tbilisi Yellow Pages - Transportation Section:* [http://yell.ge/dir.php?id=25&lan=2](http://yell.ge/dir.php?id=25&lan=2)

**Tourism Infrastructure Services (TIS)**

Georgia has substantial potential for tourism development. Great natural beauty, varied topography, 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. New development is taking place in Batumi and at ski resorts in Gudauri, Bakuriani and Mestia. The largest number of tourists come from Armenia and other countries of the former Soviet Union, though European travelers are beginning to discover the country. In 2011, 2.8 million visitors came to Georgia, 40% increase over 2010 and almost 8 fold increase compared to 2003. The seaside region of Adjara saw 1.7 million visitors. To facilitate tourism, the Government of Georgia has eased its visa regime, started rehabilitation of roads, privatized infrastructure and hotels, improved safety and established limited tax incentives for tour operators. Progress toward a peaceful resolution of separatist conflicts will also encourage further growth in this sector.

**TIS Best Prospects Services**

Georgian tour operators report growth in demand both summer and winter, particularly in the niche of 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 seaside Anaklia and Kobuleti north of Batumi and Mestia in the mountainous Svaneti region by building necessary infrastructure and offering concessionary terms to potential investors.

**Opportunities**

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

The World Bank’s roads rehabilitation and construction project aims to help tourism by decreasing travel time and increasing auto safety. 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.

**Tourism Resources**

*Georgian National Investment and Export Promotion Agency:*
http://www.investingeorgia.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/](http://www.silkroadgroup.net/)

**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 the U.S., Korea, Turkey, and Israel. There are three international cellular phone companies: Magti (U.S.), Geocell (Turkey) and Vimpelcom (doing business as Beeline) (Russia). All use the GSM system. There were 4.43 million mobile phone subscribers by the end of 2011 compared to 800,000 in 2005. Cellular phone penetration rate was 99%. Number of mobile phone subscribers is defined by number of active SIM cards. Geocell was a leader with 41.7% market share, followed by MagtiCom – 37.9% and Beeline – 20.4%. In 2011, Georgians continued to increase their consumption of mobile phone services by 58%. In addition there are 590,845 subscribers of wireless fixed network, about 47% penetration rate by households and 13% by total population.

Today, the Georgian market offers three types of Internet: Mobile, Cable and Fixed Wireless. Number of subscribers to internet service (among them DSL, fiber optic, EVDO, WiMax, WiFi, CDMA 1x and dial-up technologies) providers increased from 307,277 in 2010 to 403,370 in 2011, according to figures available in GNCC report. DSL remains the most common technology for Internet access across Georgia (204,074 subscribers with half of
them in capital Tbilisi; in Batumi and Kutaisi 10% each and Rustavi – 4%), followed by fiber (125,686 – now available only in Tbilisi and Rustavi).

The rate of internet penetration is increasing rapidly and is around 35% throughout the country compared to 7.5% 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; MagtiCom is the current industry leader in this service. The cellular system is rapidly modernizing, bringing 3G services and WIMAX to most of the country. The recent initiative of Tbilisi Municipality is to create municipal wireless network, which will cover the entire capital city with free WiFi access before the end of this year. Municipal wireless networks are already available in few neighborhoods of Tbilisi.

**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 Magti and Geocell. Total revenue of mobile telecommunication companies in 2011 was GEL 441 million (roughly $273 million) marking slight decrease over 2010 due to reduced service fees.

**TEL Resources**

*Tbilisi Yellow Pages ‐ media and communications section:* [http://www.yell.ge/dir.php?id=7&lan=2](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, although access outside of Tbilisi is generally poor, but improving. Internet usage in remote areas and households in the villages is limited because of low income, poor infrastructure and low bandwidth.
In order to speed up modernization of the country, the government of Georgia has come up with a new initiative in 2012 and founded the 'Computer Literacy Society', which aims to open 300 centers for computer courses in the regions of Georgia, where local residents will be able to acquire computer skills and use the internet for educational purposes.

A fiber optic cable under the Black Sea has been constructed and connects Georgia with Europe via a high-bandwidth link.

**CVS 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 solutions in the field of information and communication technology. Currently negotiations are underway between the Ministry of Economy and Sustainable Development of Georgia and Hewlett-Packard (HP) on establishing an IT shared services center in Georgia. In the first phase it is planned that this center will 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. All this, once again will encourage growth of 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 corporations. USAID’s Economic Prosperity Initiative has an emphasis on developing the information and communications technology (ICT) sector.

**CSV Resources**

*Ministry of Economic Development:* [http://www.privatization.ge](http://www.privatization.ge)

*Tbilisi Yellow pages - computer companies:* [http://www.yell.ge/dir.php?id=8&lan=2](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-Ceyhan, 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 four and five-star hotels are scheduled to be built in Tbilisi in the next 2-3 years, though some have been delayed due to the August 2008 conflict with Russia and the global credit crisis. More than 20 hotels, including a five-star hotel, primarily for tourists will be constructed 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 real estate market development. Construction standards are undergoing reforms. Construction of the Trump Tower Batumi, a 47-story luxury residential building in Georgia's Black Sea resort of Batumi will start within a year and is expected to be completed by late 2014. 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.

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 growth is still evident especially for commercial development and office space. Competition in residential construction, particularly apartments, is likely to intensify.

**ACE Best Prospects/Services**

There is significant activity in building and upgrading housing, hotels, restaurants, offices and infrastructure projects which have stalled since the 2008 conflict.

**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. Because of the possibility of earthquake damage, firms with expertise in building to standards that improve resistance to earthquakes are in demand. The Tbilisi city government is redeveloping Tbilisi’s picturesque Old Town.

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.

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 Chiatura region for over a hundred years, and are processed and exported for use in a variety of products. 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


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. Major importers of the equipment are local companies, which 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 recent expansion of domestic corporations and the entry of international investors, including in western hotels, banks, and real estate developers. 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 licensing from the Ministry of Justice and a permit from the Ministry of Defense. Some technologies, including video monitoring equipment, require licensing from the Ministry of Interior, while telecommunication devices require licenses from the Georgian National Communications Agency.

**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 the local companies, there are opportunities of selling anti-terrorist equipment and technologies to the large scale public and infrastructure development projects: 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](http://www.mof.ge/en/3862)
- **Ministry of Interior**: [http://www.police.ge/?lng=eng](http://www.police.ge/?lng=eng)

**Automotive Parts/ Service and Equipment (APS)**

Motor cars, vehicles, bicycles, tractors and parts constitute the largest import group for Georgia, with a volume of $920 million in 2012, a 30 percent increase over 2011. Motor vehicles are reexported from Georgia on a large scale: $637 million in 2012, also a 30
percent increase over 2011. Georgia has no automobile manufacturing, so these statistics show 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. 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.

In 2007 and 2008, 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 and 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**

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, 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 and 60 EUR for goods valued above GEL 3000. As of January 1, 2009, the customs tariff on passenger cars will remain 0.05 GEL 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 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 30kg, and a total value of less than 500 GEL.

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

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

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

U.S. Export Controls

The exporter in the United States must file a "Shippers Export Declaration" 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

Temporary importation procedures allow for the use of foreign goods imported on 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 2 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
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**

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**

- Overview
- Standards Organizations
- Conformity Assessment
- Product Certification
- Accreditation
- Publication of Technical Regulations
- Labeling and Marking
- Contacts

**Overview**

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**

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 Internet URL: http://www.nist.gov/notifyus/
Conformity Assessment

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

Product Certification

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
- Radio engineering products

Accreditation

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

Publication of Technical Regulations

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

Labeling and Marking

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

National Agency for Standardization, Technical Regulations and Metrology:  

Ministry of Agriculture of Georgia:  http://moa.gov.ge
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 at the end of 2010, but was reapproved by Congress in 2011. 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. Georgia has concluded negotiations with the EU in summer 2013 on a Deep and Comprehensive Free Trade Area (DCFTA) and is expected to initial this agreement in late-2013 and formally sign it later following the conclusion of technical procedures.

Web Resources  

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

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

Introduction

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 2012. Through dramatic police and institutional reforms, the government has all but eradicated low-level corruption with, according to a 2012 poll, less than one percent of the population reporting having to pay a bribe in the previous year to get a government service or decision. The government eliminated 84 percent of licensing requirements in 2005, and Georgia ranks 9th in the World Bank’s Ease of Doing Business Index. Fiscal and monetary policy is focused on low fiscal deficits, low inflation, and a stable real exchange rate.

Parliamentary elections in October 2012 ushered in Georgia’s first ever democratic transfer of power. Bidzina Ivanishvili’s Georgian Dream coalition won a parliamentary majority and formed its own government, while President Saakashvili of the United National Movement continues to be hold office until October 2013. While the cohabitation between President Saakashvili and the Georgian Dream-led government has been difficult, Georgia has burnished its democratic credentials with a democratic election resulting in a strong multi-party system for the first time since independence.
The Ivanishvili Government has pledged to continue Georgia’s low-regulation, low-tax, free market policies, while modestly increasing social spending, strengthening anti-trust policy, amending the labor code to make it more worker-friendly, and formalizing the government/business relationship to avoid improper government pressure on companies.

The Georgian government under Ivanishvili also successfully negotiated the reopening of the Russian market to Georgian wine, mineral water, and agricultural exports in June 2013.

While the election produced little reaction on the currency market, risk spreads, or bank deposits, many companies have opted to wait on new investments until the willingness and ability of the President, opposition, and new government to cooperate on business and other issues becomes clearer. This uncertainty over political developments may lead to a slowdown in private sector borrowing and investment in the last quarter of 2012 and beginning of 2013. Companies in past years reported occasional issues 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 new government has pledged to address these issues. Despite these remaining challenges, Georgia stands far ahead of its post-Soviet peers as a good place to do business.

On January 30, 2012, President Obama announced after an Oval Office meeting with Georgian President Saakashvili that the two countries had agreed to create a high-level dialogue to strengthen trade relations, including the possibility of a free trade agreement. Since this meeting, the U.S. and Georgia have established a High-Level Dialogue on Trade and Investment to identify measures to increase bilateral trade and investment. The U.S. and Georgia signed a Bilateral Investment Treaty in 1994, and Georgia can export many products duty-free to the U.S. under the Generalized System of Preferences (GSP) program.

**Openness to Foreign Investment**

Georgia is open to foreign investment, and the Georgia National Investment Agency ([www.investingeorgia.org](http://www.investingeorgia.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.

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 40 countries. These countries are Armenia, Austria, Azerbaijan, Bahrain, Belgium, Bulgaria, China, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Iran, Ireland, Italy, Israel, Kazakhstan, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Norway, Poland, Qatar, Romania, Singapore, Slovakia, Spain, Switzerland, Turkey, Turkmenistan, UAE, Ukraine, UK, and Uzbekistan. Double taxation avoidance treaties have been ratified but have not yet entered into force with Kuwait, Egypt and Cyprus. Treaties have been negotiated but are awaiting signing or ratification with Slovenia, Portugal, Croatia, Serbia, and Sweden. 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.

Georgia does not 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 privatizations has at times been an issue, however. No law specifically authorizes private firms to adopt articles of incorporation which limit or prohibit foreign investment.

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.

The government of Georgia has privatized the majority of the largest formerly state-owned enterprises in the country. 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, e-mail: info@investingeorgia.org. Further information is available at a website maintained by the American Chamber of Commerce in Georgia, www.investmentguide.ge, and the Chamber’s website, www.amcham.ge.

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.

Georgia’s rankings in terms of economic performance were as follows:

<table>
<thead>
<tr>
<th>Measure</th>
<th>Year</th>
<th>Index/Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>TI Corruption Perceptions Index</td>
<td>2012</td>
<td>51 out of 176</td>
</tr>
<tr>
<td>World Bank Doing Business</td>
<td>2013</td>
<td>9 out of 185</td>
</tr>
<tr>
<td>MCC Government Effectiveness</td>
<td>2013</td>
<td>0.99 (97%)</td>
</tr>
<tr>
<td>MCC Rule of Law</td>
<td>2013</td>
<td>0.30 (72%)</td>
</tr>
<tr>
<td>MCC Control of Corruption</td>
<td>2013</td>
<td>0.50 (84%)</td>
</tr>
<tr>
<td>MCC Fiscal Policy</td>
<td>2013</td>
<td>-4.1 (40%)</td>
</tr>
<tr>
<td>MCC Trade Policy</td>
<td>2013</td>
<td>89.2 (100%)</td>
</tr>
<tr>
<td>MCC Regulatory Quality</td>
<td>2013</td>
<td>1.00 (100%)</td>
</tr>
<tr>
<td>MCC Business Start UP</td>
<td>2013</td>
<td>0.993 (100%)</td>
</tr>
<tr>
<td>MCC Land Rights Access</td>
<td>2013</td>
<td>0.92 (93%)</td>
</tr>
</tbody>
</table>
Note: MCC is the Millennium Challenge Corporation; TI is Transparency International. The MCC rankings show Georgia’s score and percentile ranking in its income peer group (0% is worst; 50% is the peer group median; 100% is best). For TI and the World Bank, it is Georgia’s rank among the countries covered by the respective surveys, with the #1 rank being best.

**Conversion and Transfer Policies**

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 has indicated 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. The Act of Economic Freedom that Parliament adopted in 2011 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 exchange, 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 three 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 $18,200).

**Expropriation and Compensation**

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 the citizens of Georgia. 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 associated the creation of tourist zones by the previous government with illegal revocation of historic ownership rights in Svaneti, Anaklia, Gonio, and Black Sea-adjacent territories. There were also reports that the previous government improperly used eminent domain to seize property in Tbilisi at unfairly low prices, particularly associated with the Tbilisi Railway Bypass Project.

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**

Georgian investment law allows disputes between a foreign investor and a governmental 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. 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 evade 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 weaknesses in the Georgian court system. Litigation can take excessively long periods of time. 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 new government has identified judicial reform as one of its top priorities, although it is too early to assess progress toward that goal.

**Performance Requirements and Incentives**

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 pulled several mining licenses then re-auctioned them. While many privatizations have proceeded smoothly and regularly, 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.

The Georgian government actively seeks U.S. investment and in 2011 established a Partnership Fund (www.partnershipfund.ge), capitalized with shares of state-owned companies. The fund contributes capital or loans for new foreign investment projects, in partnership with private foreign companies. The government aggressively promotes foreign investment in targeted areas that hold growth potential, including hydro-electric power, agriculture, tourism, and apparel manufacturing. Georgia promotes itself as a transit and logistics hub for trade throughout the region. As part of this, the government may offer investors state-owned land and structures at concessional prices, provide utility connections, construct/repair roads, and fund worker training. The government has invested significant resources into infrastructure development since 2004, building new roads, railroads, utilities, and airports.
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. Agricultural land may only be purchased by Georgian citizens or companies in their own name. Foreign individuals may, however, purchase agricultural land by forming a Georgian corporation that may be up to 100 percent foreign-owned.

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 inability 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 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**

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. Foreign investors’ interests have sometimes been harmed by biased court proceedings and by legislation and decrees by the former government that clearly favor 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 new government has pledged to enforce rules in an even-handed manner.

Protection of New Varieties of Plants. Georgia is a party to the Bern Convention, 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.


Georgia has brought its intellectual property legislation into line with international standards, but enforcement remains extremely weak and 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. Although some government ministries have begun to purchase legal software, use of unlicensed software in government offices, private organizations, and businesses is widespread. Internet service providers host websites loaded with unlicensed content free for users to download or stream. The Ministry of Economy and Sustainable Development is responsible for WTO compliance. The Customs Department has developed an Intellectual Property Objects Register to assist in identification of counterfeit goods at the border, but the Register does not work as effectively as it could. IPR awareness is low and until now enforcement has been hampered by a lack of political will.

**Transparency of Regulatory System**

The Georgian government has made a commitment 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 has been reduced from 25 percent to 20 percent, but further planned reduction to 18 percent in 2013 and 15 percent in 2014 has been postponed to ensure adequate government revenue. The dividend income tax rate dropped in 2009 from ten to five percent, however its planned reduction to three percent in 2013 and zero percent in 2014 has been also postponed. Legislation in 2008 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. Nearly all goods, except for some agricultural products, have no import tariff. For those with tariffs, the rates are five or twelve percent.
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 removed. The new tax code also includes tax benefits for micro and small business. 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 new 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, 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, rules of litigation, etc. Although the Business Ombudsman’s Office has assisted numerous companies since 2010, some businesses continued to complain of government pressure and selective treatment based on political affiliation under the previous government. The new government has indicated that it may dissolve the Office of the Business Ombudsman, but had not taken any action to do so as of the end of 2012.

In July 2011 the Parliament passed the Act of Economic Liberty, which imposes fiscal constraints on the government to reinforce the confidence of local and foreign businesses in the stability of Georgia’s economy. This law prohibits the executive branch from moving away from its current fiscally conservative policies. It mandates that the budget deficit stay below three percent of GDP, total public debt below 60 percent of GDP, and budgetary expenditures below 30 percent of GDP. The Liberty Act bans introduction of new state taxes or increases in existing taxes (excise tax being an exception) by means other than a nationwide referendum. The Act also reiterated the Georgian government’s commitment to free movement of capital by banning limitations on repatriation of money or exchange control for residents and non-residents, except in cases involving criminal liability or other instances defined by Georgian legislation.

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. The Business Information Centers are also conducting an ongoing public-private dialog to facilitate communication between regulators and the business community.

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, 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. Despite the legal requirement, the conversion to international accounting standards is going slowly, in part because in the past, many businesses operated in the shadow economy, or maintained two sets of books. Qualified accounting personnel are also in short supply.

Banking is one of the fastest growing sectors in the Georgian economy. As of June 2013, 19 commercial banks were registered in Georgia. HSBC withdrew from Georgia in 2011-2012 as part of its global restructuring.

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). As of November 2012, total assets of the country's 19 commercial banks (16 of which have foreign capital) were around $8.5 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 2011, there were 62 microfinance organizations operating in Georgia making small credits 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 2011. 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.

Georgian banks remained solvent during the current global credit crisis largely due to the central bank-mandated 13 percent capital reserve requirement and conservative lending practices. The National Bank of Georgia (central bank) relaxed the capital reserve requirement to five percent in the aftermath of the war and in response to the global credit crisis to try to inject liquidity into the market and spur new lending. In order to promote development of the interbank money market and restore the relationship between interest rates, the NBG increased the reserve requirements for lari-denominated funds to 10 percent starting from April 2010. Legislation entering into force in January-February 2011 gradually increased reserve requirements for foreign liabilities from 5 percent to 15 percent.

The National Bank of Georgia regulates the securities market. All market participants submit their reports in line with international standards, bringing market participants closer to international investors and partners. All listed companies must make public filings, which are then uploaded on the National Bank's website, allowing users to evaluate a company's financial standing. The Georgian securities market includes the following licensed participants: a Stock Exchange, a Central Securities Depository, nine brokerage companies, and six registrars.

The Georgian Stock Exchange (GSE) is the only organized securities market in Georgia. Designed and established with the help of USAID and operating under a legal framework drafted with the assistance of American experts, the GSE complies with global best practices in securities trading and offers an efficient investment facility to both local and foreign investors. The GSE’s automated trading system can accommodate thousands of securities that can be traded by brokers from workstations on the GSE floor or remotely from their offices. As of January 2013, 133 companies were traded on the GSE. In 2012, a total of 59.1 million securities were traded at a value of GEL 735 million (around $443 million). The value of transactions made at the stock exchange trading sessions amounted to GEL 8.8 million (around $5.3 million). 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.
After the fall of the Soviet Union, the new Georgian government privatized most state-owned companies. As of the end of 2012, 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 Hydro power 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 June 2012, Georgian Railway floated Eurobonds of $500 million with a 7.750 percent coupon, maturing in 2022. As part of its Eurobond issuance, it does regular financial reporting. In 2012, the government was considering an initial public offering (IPO) for a minority stake in Georgian Railway, but decided against it citing unfavorable market conditions. The company has been criticized at times for charging expensive rates on rail transit, but does not compete directly with other rail companies given its monopoly position. During 2012, 100 percent of the assets of Georgian Railways, Georgian Oil and Gas Corporation, Georgian State Electrosystem and Electricity System Commercial Operator LLC were put into the Partnership Fund, a government fund to help facilitate foreign investment in new projects. In addition, the fund also controls 25 percent of shares in TELASI electricity distribution company.

Corporate Social Responsibility

While the concept of Corporate Social Responsibility (CSR) is not highly developed in Georgia, 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 companies conduct business in a socially-responsible manner.

Political Violence

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 portions 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, thus far only Russia, Venezuela, Nicaragua, and the small island nations of Nauru and Tuvalu have recognized 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.

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.

**Corruption**

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies’ acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person’s Guide at: [http://www.justice.gov/criminal/fraud/](http://www.justice.gov/criminal/fraud/)
Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html) [Insert information as to whether your country is a party to the OAS Convention.]

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on
Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.) [Insert information as to whether your country is a party to the Council of Europe Conventions.]

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and transnationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: http://www.ustr.gov/trade-agreements/free-trade-agreements.]

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at tcc.export.gov/Report_a_Barrier/index.asp.

**Guidance on the U.S. FCPA:** The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the
FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans_anti_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

POST INPUT: Public sector corruption, including bribery of public officials, remains a major/minor challenge for U.S. firms operating in xxx xxx. Insert country specific corruption climate, enforcement, commitment and information about relevant anticorruption legislation.

**Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:


- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html](http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: [http://www.oecd.org/dataoecd/11/40/44176910.pdf](http://www.oecd.org/dataoecd/11/40/44176910.pdf).

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans_anti_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy_research/surveys_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See [http://www.transparency.org/publications/gcr](http://www.transparency.org/publications/gcr).

The World Economic Forum publishes the Global Enabling Trade Report, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/s?s=global+enabling+trade+report.

Additional country information related to corruption can be found in the U.S. State Department’s annual Human Rights Report available at http://www.state.gov/g/drl/rls/hrrpt/.

Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements

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.

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. In December 2011, Georgia and the European Union agreed to begin negotiations on a Deep and Comprehensive Free Trade Agreement. Georgia has ongoing free trade
agreement consultations with Belarus, Kyrgyzstan, the Cooperation Council of Gulf Arab States, and Tajikistan.

OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) is the U.S. Government’s development finance institution. Since 1993, OPIC has committed $418 million in financing and political risk insurance for 39 projects in Georgia. OPIC investment in Georgia has focused on the following sectors: credit for small and medium-sized enterprises, and projects in the education, manufacturing, tourism, agriculture and financial services sectors. A recent example is OPIC’s $3.5 million commitment to finance the first permanent campus for Georgian American University. In the agriculture sector, OPIC has made a $625,000 loan to a cheese producer, an $8 million loan to expand a winery operation, and $3.9 million to build a cold storage facility that will have a significant impact on logistics for food products in the region.

Labor

Georgia offers an abundant supply of skilled and unskilled labor at attractive costs compared not only to Western European and American standards, but also to Eastern European standards. The labor force is among the best educated and most highly trained in the former Soviet Union. 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. Unemployment remains high (official indicators stood at 15.1 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 been a particular challenge.

The labor market in Georgia is one of the world’s freest. Wage negotiations take place between employees and employers and trade unions are not powerful. Labor, health, and safety laws are not considered an impediment to investment.

President Saakashvili signed a new labor code into law in July 2013. The new code strengthens protections for workers, particularly in areas such as the requirements for employment contracts between an employer and an employee, and the conditions for overtime pay.

In the past, the government has failed to enforce a number of minimum ILO standards, and 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. On 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. As of mid-2013, discussions between the new Georgian government and USTR on the GSP petition are ongoing.

The new Labor Code, contains key changes to the terms for termination of employment contacts over the prior Code. Under the new Code, employees must give thirty days’ written notice of his or her resignation. Employers must also give their employees thirty days’ written notice prior to terminating an employee per grounds listed in the new labor code. The employer must then pay the terminated employee one month’s severance pay. If the employer terminates the employee per grounds listed in the labor code with only three days’ written notice, the employer is required to pay the employee two months’ severance pay. Employees are entitled to up to 126 days (four months) of paid maternity leave and, together with unpaid leave, up to 16 months. Leave taken for reasons of 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 on to the employee. The state social security system provides modest pension and maternity benefits. The minimum monthly pension is 100 lari ($61), although the new government announced plans to increase it to 150 lari ($91) as of January 2013. The average monthly salary in Georgia in 2011 was 636 lari ($388). The average monthly salary for state sector employees was 589 lari ($360) and for the private sector 670 lari ($408). In Q2 of 2012, employees (as distinct from self-employed workers) were earning average 723 lari ($438). The minimum wage for government employees is 115 lari ($70) per month. The official minimum wage in the private sector has not changed since the early 1990s and stands at 20 lari ($12) per month, but is not applied in practice.

Georgia has signed multiple International Labor Organization 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

**Foreign-Trade Zones/Free Ports**

In June 2007, the Parliament of Georgia adopted a 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 and foreign companies operating in free industrial zones will be exempt from taxes on profit, property and VAT. UAE-based RAK Investment Authority (Rakia) purchased 100 percent of the shares of LLC Poti Sea Port in 2008 and began development of a free economic zone on 300 hectares of land adjacent to the port. Rakia sold 80% of the Port to APM Terminals, based in the Netherlands but part of the Danish A.P. Moller-Maersk group, in 2011, but maintains the largely undeveloped free industrial zone.

Georgia’s second free industrial zone is a 27 hectare plot in the city of Kutaisi. The Egyptian company Fresh Electric constructed a kitchen appliances factory in 2009 in the free industrial zone. The company has committed to build about one dozen textile, ceramics, and home appliances factories in the zone, and announced its intent to invest over $2 billion. Information on Georgia’s free industrial zones is available at: www.georgia.gov.ge.

**Foreign Direct Investment Statistics**

Foreign Direct Investment (FDI) in Georgia dramatically increased during the periods of 1997-1998, 2003-2004, and 2006-2008. The first two peaks were related to 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.

<table>
<thead>
<tr>
<th>Country</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>658,400</td>
<td>814,497</td>
<td>1,117,244</td>
<td>865,202</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>29,824</td>
<td>57,962</td>
<td>138,016</td>
<td>72,683</td>
</tr>
<tr>
<td>Cyprus</td>
<td>-1,612</td>
<td>40,388</td>
<td>10,359</td>
<td>39,632</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>45,679</td>
<td>24,213</td>
<td>46,598</td>
<td>-33,835</td>
</tr>
<tr>
<td>Denmark</td>
<td>-427</td>
<td>18</td>
<td>97,107</td>
<td>3,588</td>
</tr>
<tr>
<td>Egypt</td>
<td>55,750</td>
<td>18,000</td>
<td>11,788</td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td>------------------</td>
<td>------</td>
<td>-------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>India</td>
<td>271</td>
<td>14,887</td>
<td>16,27</td>
<td>6,120</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>-31,972</td>
<td>-16,574</td>
<td>5,175</td>
<td>11,797</td>
</tr>
<tr>
<td>Netherlands</td>
<td>32,586</td>
<td>73,362</td>
<td>241,8</td>
<td>87,549</td>
</tr>
<tr>
<td>Russia</td>
<td>10,253</td>
<td>47,881</td>
<td>55,435</td>
<td>25,558</td>
</tr>
<tr>
<td>Turkey</td>
<td>97,939</td>
<td>91,787</td>
<td>75,5</td>
<td>87,064</td>
</tr>
<tr>
<td>UAE</td>
<td>162,756</td>
<td>55,531</td>
<td>-52,358</td>
<td>22,965</td>
</tr>
<tr>
<td>UK</td>
<td>72,313</td>
<td>58,964</td>
<td>55</td>
<td>66,782</td>
</tr>
<tr>
<td>USA</td>
<td>-10,026</td>
<td>135,818</td>
<td>28,106</td>
<td>33,804</td>
</tr>
<tr>
<td>Virgin Is(Brit)</td>
<td>35,434</td>
<td>40,236</td>
<td>42,120</td>
<td>10,675</td>
</tr>
</tbody>
</table>

FDI by Sector (thousands of USD):

<table>
<thead>
<tr>
<th>Sectors</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>658,400</td>
<td>814,497</td>
<td>1,117,244</td>
<td>865,202</td>
</tr>
<tr>
<td>Agric/fishing</td>
<td>22,327</td>
<td>8,632</td>
<td>14,908</td>
<td>24,610</td>
</tr>
<tr>
<td>Industry</td>
<td>139,805</td>
<td>228,771</td>
<td>160,567</td>
<td>204,394</td>
</tr>
<tr>
<td>Energy</td>
<td>-2,131</td>
<td>21,878</td>
<td>203,952</td>
<td>171,406</td>
</tr>
<tr>
<td>Construction</td>
<td>105,219</td>
<td>4,706</td>
<td>48,112</td>
<td>-2,296</td>
</tr>
<tr>
<td>Hotels/restaurants</td>
<td>37,542</td>
<td>17,122</td>
<td>22,706</td>
<td>17,530</td>
</tr>
<tr>
<td>Transpt/cmnc</td>
<td>98,432</td>
<td>215,116</td>
<td>126,517</td>
<td>149,071</td>
</tr>
<tr>
<td>Real estate</td>
<td>147,410</td>
<td>199,253</td>
<td>222,776</td>
<td>28,922</td>
</tr>
<tr>
<td>Financial</td>
<td>49,663</td>
<td>107,406</td>
<td>167,702</td>
<td>155,571</td>
</tr>
<tr>
<td>Health</td>
<td>289</td>
<td>1,182</td>
<td>16,827</td>
<td>56,123</td>
</tr>
</tbody>
</table>

Web Resources

- Georgia National Investment Promotion Agency: http://www.investingeorgia.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
- 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: www.georgia.gov.ge

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)

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

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 five largest commercial banks hold 77.5 percent of total capital in the sector. Two foreign banks have branch offices in Georgia: Ziraat Bank (Turkey); and the joint commercial "Transcaucasus Development Bank" (Azerbaijan). Several other prominent foreign banks have subsidiaries located in Tbilisi (Society General, Vneshtorgbank, Privat Bank, etc). Other banks, including the country's largest, Bank of Georgia and TBC, have significant investments of foreign capital.

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.

Foreign-Exchange Controls

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 managed float.

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**

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

**Project Financing**

Georgian banks mostly extend short-term loans for trade or for working capital financing. Total assets in the banking system have risen and the maturity of loans is gradually lengthening. However, local credit sources for Georgian importers are limited because of high annual interest rates - from 7 to 21 percent - and the short-term nature of loans offered by local banks.

Following the August 2008 conflict with Russia, 4.5 billion USD were pledged by international donors to help Georgia recover from the war and its aftermath. Many donors have provided funds for project finance through credit lines to banks for expansion of medium to low-range mortgages, and small and medium enterprise development. In the immediate aftermath of the 2008 conflict with Russia and the global financial crisis, consumer lending dropped sharply. While still not as easily available as they were before these events, consumer loans have become much easier to obtain.

A major source of project financing in Georgia is through credit lines to selected Georgian banks from multilateral and bilateral financial institutions and funds: European Bank for Reconstruction and Development (EBRD), World Bank (WB), European Union’s TACIS program, Kreditanstalt fuer Wiederaufbau (KfW), and the International Financial Corporation (IFC). Private investors have taken equity positions in and extended credit lines to Georgian banks, including for expansion of mortgage and leasing activities.

In September 2006, the U.S. Export-Import Bank 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. 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.

**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 most recently opened OPIC-backed fund with an office in Tbilisi is the Soros Investment Capital, Ltd. OPIC provided its first direct loan here for $26 million to develop two Marriott hotels; Tbilisi Marriott opened in 2002; Courtyard Marriott opened in 2004.

OPIC’s Small Business Center (SBC) initiative provides financing and political risk insurance to small businesses with annual revenue less than $35 million. The U.S. small business must own at least 25 percent of the overseas project, but OPIC may be able to finance up to 65 percent of the total project costs. Most recent OPIC projects in Georgia are guarantees for a mortgage lending facility and small business loans to build a cold storage facility in Poti and to expand dairy manufacturing in Georgia.

**The 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 continues to provide 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, and engineering oversight aimed at enhancing energy security for Georgia in light of increased demand as a result of future economic growth. USAID also supports 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 EU Acquis.
Municipal Infrastructure: USAID plans to invest $9.5 million to rehabilitate primary and secondary irrigation canals in the Shida Khartli area. A design build contract was signed for rehabilitating irrigation infrastructure for 20,000 hectares of farmland (project duration: May 31, 2012 – Nov. 1, 2012). USAID intends to invest $34 million to rehabilitate IDP housing. A design build contract was recently signed to renovate 10 empty buildings – 248 apartments (project duration: May 25, 2012 – June 1, 2012). Procurement is underway for designing renovation work for 28 collective centers and 8 empty buildings, as well as for providing water, sanitation, and drainage for approximately 1,900 cottages. Another $11.5 million will be used to rehabilitate infrastructure in at least five municipalities bordering the area of South Ossetia. Procurement is underway for the rehabilitation of six roads projects and the design of flood mitigation and potable water service.

**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. 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 education.

**The 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 support government reforms to achieve long-term economic growth. The current Country Partnership Strategy (CPS) envisages total World Bank support of over $750 million for the period FY 2010 – 2013. The CPS progress report prepared in March 2011 noted the continued relevance of the CPS in: (i) meeting the post-conflict and vulnerability needs; and (ii) strengthening competitiveness for post-crisis recovery and growth. The lending in FY13 comprises: (i) a Development Policy Loan (DPL) with the first installment ($60 million) delivered in July, 2012; (ii) the Regional Development Project II ($30 million) approved by the Board in November, 2012; and (iii) the fourth East-West Highway Project ($70 million) expected to be delivered May 2013. Current portfolio consists of 7 investment operations with total commitments of about $512 million. Total Bank assistance comprises $1.82 billion covering 55 projects.

The World Bank continues to support investments in infrastructure, deepening of reforms in social assistance and health coverage for the poor, improvements in business environment, revitalizing regional development, and strengthening public financial management. Analytical and advisory services further contribute to the World Bank program. The International Finance Corporation (IFC), a member of the World Bank Group, focuses on the banking sector, infrastructure, and small and medium enterprises as key drivers for development. The Bank plans to start consultations in February 2013 with the government, civil society, and other stakeholders on the framework for the next CPS covering the period from FY 2014 to 2017.
International Finance Corporation (IFC) Georgia became a member of IFC in 1995. Since then, IFC has invested $607 million in 49 projects across various sectors and supported regional projects developed in the country. IFC’s priorities in Georgia include stabilization of the banking sector, facilitation of investment in infrastructure and support for SMEs to alleviate the economic impact of the 2008 conflict.

IFC has introduced a number of innovative instruments and services to Georgia’s financial sector, including investments and advisory programs to develop leasing and housing finance. In 2007 and 2008, IFC provided financing to support Bank Republic’s SME, housing and education lending programs and provided a subordinated loan to support the bank’s capital base. In 2004, IFC made a subordinated loan to TBC Bank, the first time this instrument was used in Georgia by an IFI, and in 2003, signed an agreement with TBC allowing sophisticated interest rate and currency swaps. To reach SMEs, IFC helped establish ProCredit Bank of Georgia, the country’s first bank specializing in lending to micro and small enterprises, and provided credit lines to TBC Bank and Bank of Georgia.

Following the 2008 conflict, IFC responded quickly to support its banking clients, promoting stability in the sector and signaling IFC’s continuous engagement in the country. Most recently, IFC provided a trade finance line to the Bank of Georgia.

To support improvements in infrastructure for tourism and travel, IFC supported Turkish TAV’s construction of airport terminals in Tbilisi. IFC provided debt and equity to Rakeen Georgia for construction of retail and office infrastructure in Tbilisi, and senior debt to GRDC to transform the Tbilisi Central Railway Station into a mixed use commercial space. In the oil and gas sector, IFC, in partnership with EBRD, financed the construction of the Baku-Supsa pipeline and the Baku-Tbilisi-Ceyhan pipeline.

European Bank for Reconstruction and Development (EBRD) The 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 to 2012 the EBRD signed 146 projects in Georgia (with total project value of EUR 4.9 billion), 81% of which were in the private sector. 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 (TRACECA). It is also focusing on credit to small, medium and micro-enterprises.

Asian Development Bank (ADB) ADB established a resident mission in Georgia and began operations in December 2008. An interim operational strategy approved
in 2008 guides ADB’s investments in the country until a new country partnership strategy is launched in 2013. ADB and Georgia will continue to implement three large, multi-year partnerships—the Urban Services Improvement Investment Program, the Sustainable Urban Transport Investment Program, and the Regional Road Corridor Investment Program. The foundations have been laid for the new directions of ADB’s assistance consistent with the objectives set out in the interim operational strategy. This includes support to enhance managerial capacity of urban utilities to improve access to key urban services. The government and ADB are also exploring opportunities to help Georgia tap its abundant renewable energy resources and to promote the country’s role as an emerging regional energy hub. Consistent with government efforts to boost agriculture sector development, ADB will explore opportunities to improve market logistics and related infrastructure. Financial intermediation and renewable energy generation are priority areas for private sector development. (http://www.adb.org/countries/georgia)

Web Resources

Millennium Challenge Georgia:  http://www.mcc.gov
European Bank for Reconstruction and Development:  http://www.ebrd.com/
OPIC:  http://www.opic.gov
SBA’s Office of International Trade:  http://www.sba.gov/oit/
USDA Commodity Credit Corporation: http://www.fsa.usda.gov/FSA/webapp?area=home&subject=landing&topic=landing
World Bank:  www.worldbank.org

Return to table of contents
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.

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:  
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 businesspersons 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/visa/
Consular Section, U.S. Embassy Tbilisi:
http://georgia.usembassy.gov/consular/non-immigrant-visas.html

Telecommunications

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

The condition of most main roads in the country is average, though 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 and low-cost Pegasus, Wizzair, FLY GEORGIA, Fly Dubai from Amsterdam, Vienna, Paris, Tel-Aviv, Rome, Athens, Moscow, Kiev, Paris, Riga, Brussels, Dusseldorf, Tehran, Tel Aviv, Urumqi, Baku, Minsk, Dubai, Antalya (charter flights in summer), Astana, Almaty, Munich, Sharm al sheik, Erbil, Cairo, and Tehran.
A new airport has opened in Batumi, which offers international connections to Istanbul, Baku, Kiev, Minsk, Moscow (charter flights), Kharkov, and Bensbach (summer only). Other regional airports are undergoing major reconstruction. A new airport in Kutaisi became operational by the end of 2012 and offers flights to Kiev, Kharkov, and Donetsk.

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 by 2014, will facilitate rail transport to Turkey and Europe in the future.

Language

The official language is Georgian, but almost all business executives speak Russian. English is the most widely used language after Russian and is gaining in popularity. Interpreters are widely available and are relatively inexpensive.

Health

Elderly travelers, travelers with chronic medical conditions, and travelers 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 then on to London or another 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/hospitals. Travelers should check with their health insurance company to inquire about overseas coverage.

Although Georgia has pediatric immunization program it is advisable that travelers check with 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.
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:
- 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
- March 8 Good Friday
- 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 Svetiskovloba (Day of the Saint)
- November 23 St. George's Day

Temporary Entry of Materials and Personal Belongings

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 $18,181) 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.

**Web Resources**


*Georgian Language:* [http://www.armazi.com](http://www.armazi.com)


*International Medical Support Services:* [http://www.imss.ge/services.html](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

Ministry of Economy and Sustainable Development:  http://www.economy.ge/?lang=eng
Ministry of Agriculture and Food:  http://moa.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/3862
Georgian National Investment and Export Promotion Agency:  http://www.investingeorgia.org
National Bank of Georgia:  http://www.nbgr.gov.ge/?lng=eng
State Department of Statistics:  http://www.geostat.ge/
U.S. Embassy Tbilisi Commercial Information:  http://georgia.usembassy.gov/

Trade Associations

Georgian Chamber Commerce and Industry:  http://www.gcci.ge
American Chamber of Commerce in Georgia:  http://www.amcham.ge
America Georgia Business Council:  http://www.agbdc.com

Market Research

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

Please click on the link below for information on upcoming trade events.
http://www.export.gov/tradeevents/index.asp
http://www.biztradeshows.com/georgia/
http://www.eventseye.com/fairs/event_l1281.html

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