



**CLDP**  
COMMERCIAL LAW DEVELOPMENT PROGRAM



საგარეო ურთიერთობების სამინისტროს  
ლევან მიქელაძის სახელობის  
დიპლომატიური საზღვაო ცენტრი  
LEVAN MIKELADZE DIPLOMATIC TRAINING CENTRE  
MINISTRY OF FOREIGN AFFAIRS OF GEORGIA

საქართველოს საერთაშორისო ეკონომიკური დიპლომატია  
**Georgian International Economic Diplomacy**



2014

# GEORGIAN INTERNATIONAL ECONOMIC DIPLOMACY

GUIDEBOOK  
FOR DIPLOMATS WORKING ON ECONOMIC ISSUES

# PREFACE

The present manual is a guide on commercial diplomacy and has been designed for diplomats working on trade and economic issues as well as for lecturers of the Diplomatic Training Centre in this field.

We hope that this manual will help diplomats carry out their jobs successfully. The book covers topics such as economic reforms and their features, trade regimes and trade policy procedures, import-export policy and technical regulations, and foreign investments regimes. In the manual one can find practical examples on international dispute settlement and the ways of conducting various economic activities. The end of the book provides a review of 2013 general statistics and Georgia's positions in international rankings, as well as useful links where a reader will be able to get information on updated statistical data. After the official launch of the manual, the electronic version will be available on the web-pages of the Diplomatic Training Centre and the Ministry of Foreign Affairs and will be regularly updated.

On behalf of the Diplomatic Training Centre of the Ministry of Foreign Affairs of Georgia, I would like to thank the U.S. Department of Commerce Commercial Law Development Program (CLDP) for supporting the implementation of the Commercial Diplomacy and World Trade programme over the last three years, for the development of the manual and for financing the printing of the manual. I would like to extend my gratitude to the Commercial Diplomacy and World Trade Programme core group members for their active involvement in the preparation of the manual at different stages and their input in successful completion of the seminars in Tbilisi.

Special thanks to the staff of CLDP, the United States Embassy in Georgia, the Ministry of Economy and Sustainable Development, the Ministry of Foreign Affairs and the staff of Levan Mikeladze Diplomatic Training Centre for their invaluable effort and contribution to the successful implementation of the programme.

**Maia Kipshidze**

Director

Levan Mikeladze Diplomatic Training Centre  
Ministry of Foreign Affairs of Georgia

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# INTRODUCTION

Currently, Georgian economic diplomacy is developing an efficient mechanism for achieving the country's foreign political and economic goals. Georgian economic diplomacy is carried out through coordination and agreement amongst all relevant governmental structures and agencies. The Ministry of Foreign Affairs of Georgia ensures the maximum effectiveness of economic diplomacy in the international arena.

One of the main goals of economic diplomacy is to facilitate implementation of an inclusive and sustainable economic policy, which will ensure that all societal groups and population sectors benefit from the country's development. Economic diplomacy plays a special role in the development of the Georgian economy and the full-fledged participation of the country in international economic processes. Some of the main goals of the Georgian diplomatic service is to promote investment opportunities and a favorable business environment in Georgia on an international level, attract foreign investment capital and technical assistance, facilitate Georgia's active participation in international projects, realize national, regional and international transport, energy, and investment projects of regional and international importance, and contribute to achieving preferential export conditions for Georgian production and diversification of export markets.

In order to tackle Georgia's economic, social, and environmental challenges, and to attract financing for infrastructural projects and technical assistance, it is important to maintain effective cooperation with international financial institutions, trade and economic-related bodies, and other relevant international organizations. The goal of the Ministry of Foreign Affairs is to actively participate in the ongoing world dialogue on global economic problems, as well as to share international experience and best practices for further modernization of the national economy and the introduction of innovative mechanisms of leading sophisticated markets. These steps should be aimed at obtaining maximum economic benefit from the current globalization process and should timely forecast the negative effects of the globalization.

Along with the development of local production, integrating with global liberal markets, which includes establishing free trade regimes, is an important leverage for the development of the national economy. The country's economic development in the coming years will largely depend on timely launch of the Deep and Comprehensive Free Trade Space with the EU, as well as the realization of the perspectives for free trade with USA and other important markets.

In order to achieve this objective, it will be important to deepen cooperation with donor countries and international financial institutions so as to attract additional financial and intellectual resources once the necessary decisions are made.

Actively attracting foreign companies to the Georgian market and ensuring functionality for Georgian companies in the international markets is an important priority for the foreign and economic policy of the country. In the Ministry of Foreign Affairs, the relevant units should remain engaged, on a daily basis and without interruption, in facilitating the work of the dimensions mentioned above. Based on this perspective, bilateral economic relations with partner countries is especially important. These relations should further be deepened through cooperation within the bilateral institutional framework as well as by utilizing new opportunities in bilateral trade and economic relations to the maximum extent possible. From this point of view, the participation of the Ministry of Foreign Affairs' relevant units in intergovernmental joint economic commissions and business fora is of particular importance. It should be noted that the number of the countries wishing to establish bilateral economic commissions and committees with Georgia is increasing each year.

For the purpose of successfully implementing the foreign economic policy of Georgia, structural optimization has been carried out within the Ministry of Foreign Affairs. In order to increase the focus on the foreign economic goals of Georgia, for the first time, a Department for International Economic Relations has been introduced as a separate entity. The main action priorities for the new structure are, on the one hand, attracting foreign investment and facilitating export and, on the other - developing multilateral and regional economic cooperation, as well as ensuring the agreed upon and coordinated action of all the relevant structures and units abroad involved in carrying out economic diplomacy.

# CHAPTER I

## RULE OF CARRYING OUT ECONOMIC DIPLOMACY BY DIPLOMATIC MISSIONS OF GEORGIA IN FOREIGN COUNTRIES

**The Economic Service at Diplomatic Missions is in charge of Georgia's economic issues abroad.** The main purpose of the Service is to facilitate events within the framework of Georgia's economic policy in host countries. According to the Law of Georgia on Diplomatic Service, the Head of the Economic Service, i.e. **person who is responsible for economic issues** should be appointed to a diplomatic position (specificity of a host country should be taken into consideration, as well as financial and human resources of the diplomatic mission. Position of the person responsible for economic issues should not be lower than a counsellor)

The appointee will carry out his/her economic activity **within the frame of general functions and obligations assigned to him/her** by the Ministry of Foreign Affairs or by the diplomatic mission. The appointee is under the direct supervision of the Head of Diplomatic Mission and is accountable to the Head of the Mission.

The person responsible for economic issues shall have periodic communication with the relevant unit(s) of various line ministries of Georgia. His/her general activity shall be coordinated by the Ministry of Foreign Affairs (*Foreign Economic Relations Department*).

The person responsible for economic issues shall have the following functions:

- Assess the general state and priority directions of the economic development in host country, as well as ways of strengthening economic cooperation with Georgia
- Assess national economic legislation of host country, analyze peculiarities of the economic policy and methods of economic regulation
- Analyze trade relations between the two countries and assessment of trade barriers
- Determine export opportunities on domestic market and provide relevant recommendations for Georgian companies interested in carrying out export operations
- Determine how to protect of the interests of the Georgian companies in the host country;
- Establish of business-relations with various domestic companies and promote their participation in joint events and investment projects
- Strengthen bilateral relations in various economic fields (e.g. Trade, tourism, transport, IT)
- Support of organization of exhibitions, trade-fairs, seminars and business-forums to increase awareness about georgian products, as well as about business, investment and tourism opportunities in Georgia
- Facilitate exchange of visits of official and business delegations
- Other activities that will support achievement mutual economic goals

# GUIDE FOR DIPLOMATS AT GEORGIAN EMBASSIES ON HOW TO WORK ON ECONOMIC ISSUES

## INSTRUCTION

Before arriving to the country of destination: the diplomat who is responsible for economic issues, should:

- Know main trends of economic policy of Georgia, achieved economic developments of the country and future priorities
- Know general information about general state and priority directions of the economic development of host country
- Be familiar and establish personal contacts with appropriate individuals in the executive economic institutions of Georgia
- Know the level of economic cooperation between the host country and Georgia, primarily the trade development (previous data and recent years data), the structure of export and import, and its share in total trade volume; information on the methods of facilitating the export from Georgia and the events planned in this respect
- Meet with producers and exporters of the goods and services exported from Georgia to the host country market, as well as other potential exporters (business associations). Be aware about the state of the production and situation at export (host country) market, problems in production process and marketing, obstacles for trade, obtain information about existing partners in the country of destination (contact person details)
- Consult with representatives of Georgia's private sector, which are interested in initiating and/or enhancing economic activity with destination country. To be aware of their plans and possible fulfillment methods
- Obtain and analyze the information about existing investments in Georgia from the country of destination (the volume, dynamics by sectors, list of investor companies), collect data about Joint-ventures establishment trends, activities of such companies and reasons causing mentioned dynamics
- Be familiar with Georgia's Government priorities and latest (mostly economic) trends regarding attraction and incentives of Foreign direct Investments, about existing investment projects in Georgia, as well as with details of investment and trade regimes of Georgia
- Be familiar with all bilateral agreements in economic field, as well as with all multilateral economic agreements, participants of which are both country
- Obtain national Laws and Regulations, which regulates foreign companies economic activities in Georgia, preferably in English
- Collect information on current developments in energy, agriculture, tourism, transport, industrial and IT sectors of Georgia from line ministries and get recommendations about trends of

- development of the given sectors, including recommendations about bilateral cooperation in this sectors with host country
- Present own vision and plan about ways of facilitation and promotion bilateral economic relations between Georgia and Host Country. Make consultations with line ministries to refine mentioned plan
  - Obtain all necessary training at the Ministry of Economy and Sustainable Development (if necessary) in order to carry out these tasks effectively. The Ministry of Foreign Affairs and the Ministry of Economy and Sustainable Development of Georgia will agree upon the duration and content of such training

## **DURING THE POSTING**

Upon arrival to the host state, the diplomat who is responsible for economic issues:

- Should find out information concerning the state and private organizations, which regulates activities in trade, tourism, investment or any other economic sector
- Should conduct all necessary meetings (possibly along with the head of diplomatic mission) and start establishing private contacts at the official and personal level in accordance with the local practice and rules
- Should become acquainted with rules and specifics of obtaining necessary information from the local statistics office for the period of his future activity
- Should establish contacts at the official and personal level with trade representatives, persons responsible for economic issues and with heads of economic sections at the locally accredited diplomatic missions
- Should study local market rules and conditions, which may include analyzing the taxation system, the conditions for obtaining permission for trade in foreign goods (including those from Georgia) in the given market, relevant licencing and customs procedures, legislation governing economic activity, the local investment policy environment, development of transport (air, land and sea) ties with Georgia
- Wherever possible, should develop and present an annual action plan at the Ministry of Foreign Affairs of Georgia (Foreign Economic Relations Department) for further adjustment with the relevant line ministries of Georgia
- Should prepare and regularly update general information about host country in accordance with the special form attached to this guide (Attachment 1)
- Should create bilateral export-import database, with contact information of exporting and importing companies
- Should prepare general description of the local market in order to increase awareness of Georgian exporters and producers. The description should include the assessment of the value and importance of domestic market, the share of Georgian products on it (in comparison with the competitor countries), as well as the demand, the conditions of Georgian products on the market (which products are more competitive, any potential impeding factors, etc.), the prospect and potential of the market for Georgian products, advantages and marketing methods of competitors, incentive methods, main importer and trade groups, Ways of protection from harmful advertising campaigns and prepare recommendations concerning valid advertisement

and marketing campaigns for Georgian exporters

- Should prepare and permanently update information on trade-fairs, presentations, business-forums, conferences and any similar events on domestic markets, and facilitate participation of Georgian companies at mentioned events

### **On the regular basis:**

- Should provide the host country's state bodies (line ministries and agencies) and private entities (chambers of commerce, business-consulting centers, associations, etc.) with information on Georgia's macroeconomic data, investment opportunities, investment projects, business environment, tax system, export production (information can be provided electronically)
- Should consistently write reports of the held meetings, indicating discussed issues and achieved results; should incorporate achieved results into the general action plan
- Should follow the current processes on local market, especially regarding market access rules and conditions, and properly/timely inform appropriate governmental structures
- Should focus on the participation of host country's government in the new investment or any other economic projects. Should prepare reports about such projects, including forms of participation and expected benefits. At the same time, he/she should assess the benefits of such projects for Georgia
- Should facilitate Georgia's participation in the local economic exhibitions, trade-fairs, official receptions or any other international events and promote business, tourism, export, and investment possibilities of Georgia
- Should carry out consultations with local importers and discuss the existing situation in the bilateral trade, including the possibilities of further improvement
- Whenever possible, should update bilateral export-import database quarterly, including contact informations of involved companies
- Should be actively involved in preparation of visits of business delegations
- Should coordinate such visits locally at the preparation stage as well as while its implementation
- Should discover and study possibilities of introducing modern local technologies to Georgia
- Should regularly observe local or international economic press and on this basis prepare weekly analysis and provide the Ministry of Foreign Affairs of Georgia and the Ministry of Economy and Sustainable Development of Georgia with recommendations regarding important issues and events
- Should regularly observe and study the distribution network at the local market
- Should prepare a quarterly report regarding his/her activities and at the end of the year prepare Annual Activities Report in accordance with attached (Attachment 2); The Report should include local market conditions, their impact on Georgia's, export strategy. Report also should include FDI attraction activities, description of performed work, level of achievement of initial goals, as well as a list of future activities and properly justified future action plan
- Should produce and maintain a relevant information bulletin for local business sector and potential investors. Update it periodically in accordance with the attached form (Attachment 3)
- Consult with the Ministry of Foreign Affairs (International Economic Relations Department) where it necessary and discuss performed work, ongoing initiatives, actual issues and future plans. Make necessary correction in the earlier agreed plans

# CHAPTER II

## TRADE POLICY

### INTRODUCTION

This document analyzes the reforms and results in trade policy made by the Government of Georgia from 2000-2013.

Today, as a result of reforms carried out by the Georgian Government, Georgia pursues one of the most liberal foreign trade policies in the world. This includes a liberal foreign trade regime and customs procedures, low import tariffs, and minimal non-tariff regulations.

The reforms have contributed to the creation of competitive market conditions and a business enabling environment. Additionally, these reforms have diversified international trade and Georgia's economic ties, thus generating growth and development.

The basic objectives of Georgian trade policy are defined as follows:

- Integration into the world economy, including the implementation of WTO membership obligations and obligations under other international agreements; the formation of liberal trade regimes with the world's leading markets and the modernization of the national economy
- Trade policy liberalization, facilitation of export and import procedures and non-tariff regulations
- Diversification of trade relations by establishing preferential regimes with main trade and regional partner countries

In 2013, compared to 2000, as a result of reforms, Georgia's gross domestic product (GDP) in current prices increased by 350% and estimated 27 billion GEL up from 6 billion GEL.

GDP per capita grew by 340% reaching 5.98 thousand GEL up from 1.36 thousand GEL.

Foreign trade shares of GDP increased from 16.7% to 40%.

Foreign trade went up by 980%, estimated 10.8 billion dollars, up from 1.0 billion. Further, exports rose by 803% (2.9 billion dollars) and imports increased by 1001% (7.9 billion dollars).

## **2.1 ECONOMIC REFORMS**

### **2.1.1 BASIC DIRECTIONS FOR REFORMS**

Georgia undertook a large number of reform initiatives targeted at streamlining, liberalizing and simplifying trade regulations and their implementation.

A primary direction in the set of reforms carried out by the Government of Georgia is trade liberalization. These reforms target the maximal openness and institutional deregulation of the economy where the private sector is the driving force for sustainable and broad-based growth.

For the effective development of reform program the following interrelated basic principles were determined:

- Eradication of corruption and red-tape
- Full introduction of market economy principles
- Liberal trade reforms and diversification of international economic relations
- Enhancement of transparency in the policy making process
- Reduction of the size of the bureaucracy and enhancement of professional qualification of civil servants
- The supremacy of the rule of law and equality of all before the law
- Protection of human rights and political liberties

### **2.1.2 LIBERAL TAX AND CUSTOMS REFORM**

The Georgian tax system was simplified and tax rates were reduced. An easily administered, flat, and simple tax system was introduced.

Instead of the previous 21, there are currently only 6 types of taxes: profit, property, income, VAT, excise, and import taxes. The income tax is 20% (instead of the previous 33%), VAT is 18 % (instead of the previous 20%), and the profit tax is 15% (instead of the previous 20%).

Georgia abolished import duties on almost 90% of goods (except some agricultural products and construction materials) and reduced the number of import duties from 16 to only 3: 0%, 5% and 12%.

The new Customs Code, which entered into force in January 2007, was an important step toward reducing corruption in customs, streamlining customs procedures, and bringing customs procedures in compliance with international standards. A Risk Management System was gradually introduced in all customs units in 2008. Since January 1, 2009, a risk management system and

risk analysis based customs control via the ASYCUDA customs declaration processing IT system covers import, export, customs warehouse and part of re-export. All customs check-points were modernized.

As a result of customs related changes, Georgia significantly simplified its customs procedures, reduced its foreign trade-related costs, established import and export procedures free of quantitative restrictions, and instituted customs terminals equipped with modern standards.

### **2.1.3 NEW TAX CODE**

On January 1, 2011, a New Tax Code, which incorporates tax and customs legislation, came into force. Accordingly, the forms of interaction between the entrepreneur and the state changed and the term micro-business and the practice of Business Ombudsmen were introduced.

The New Tax Code has significantly improved the business environment in Georgia. This improvement was achieved by considering the following approaches of international best practices:

- Ease of doing business
- Reduction of tax burden – simplification of tax administration
- Creation of steady and sustainable tax environment
- Principle of “Good Faith”
- Special tax regime for micro and small business
- Special trade zone (segmentation of trade units/trading places)
- Fixed tax

### **2.1.4 MODERNIZED SYSTEM FOR LICENSES AND PERMITS**

The Georgian business licensing system was modernized and simplified. A lot of unnecessary regulations, which were a source of corruption, were abolished.

The number of licenses and permits necessary for doing business was reduced by almost 85% and a business licensing “One single window” and “Silence is Consent” principle were introduced.

### **2.1.5 TECHNICAL REGULATION/QUALITY INFRASTRUCTURE SYSTEM REFORM**

In 2005, the Georgian Government initiated reforms to its standardization, metrology, and accreditation systems. The reforms were directed at the removal of technical barriers to international trade as well as to assurance of transparency in the field of technical regulations.

As a result, institutional and structural arrangement of the standardization and accreditation fields was optimized. Accordingly, a system of accreditation, quality control, standardization and technical regulation compatible with international standards was developed.

Moreover, a new system of voluntary standards replaced the one of mandatory standardization and the state's regulatory function in standardization decreased.

In 2006, Georgia accepted and officially allowed the use of EU and the Organization of Economic Cooperation and Development (OECD) technical regulations.

Aligning Georgia's system of technical regulations in line with international standards has helped to simplify import and export procedures.

The Georgian government is giving special attention to its compliance with international standards in order to reduce technical barriers to trade.

In 2012, the Agency for Technical and Construction Regulation was established. The Agency regulates and monitors units with excessive technical threats and issues permits on the construction of especially important units. The units are controlled in two ways: first by permit issuance and second by monitoring the implementation of permit conditions and periodical inspection.

### **2.1.6 INFRASTRUCTURE**

One of the factors in accelerating economic growth and productivity in the country is an adequate infrastructure. In this regard, a number of the measures implemented by the government were significant, such as steps toward the creation of new and the rehabilitation of old transport and energy infrastructure.

The Georgian energy system has become substantially more reliable in recent years and Georgia now enjoys a 24 hour a day electricity supply.

The Georgian Government's priority is to invest in rehabilitating existing hydropower plants and building a new one in addition to strengthening major transmission lines and enhancing energy cooperation with neighboring countries.

Rehabilitating existing hydropower plants enabled Georgia to cut imports entirely and to export power (even during winter months).

The construction of new hydropowers will in the future ensure more energy production and meet the increasing demand in and outside the region.

To liberalize air transport, Georgia pursued an “open sky” policy and on the basis of bilateral agreements with its partners, Georgia abolished restrictions that limit the number of passengers, destinations, and flight frequency.

In road transport, Georgia liberalized conditions by abolishing transit fees, quotas and other transit barriers. In maritime transport, the country is focused on diversifying its connections to the West via the Black Sea.

In the railway sector, a liberalized tariff policy, improved management, and prospective railway projects help Georgia to connect with its regional neighbors and contribute to its increased attractiveness as a transit route from the East to the West.

### **2.1.7 TOURISM**

Tourism is one of the fastest growing industry throughout the world. Tourism development tends to be one of the most important priorities for Georgia and the pace of tourism sector development continues to be high. The forecasts are very optimistic in this regard. Accordingly the number of employees occupied in this sector and the income derived from tourism will be growing in the coming years. Significant attention is paid from the side of the Government of Georgia to the development of infrastructure, country marketing, service quality improvement, attracting new airlines and hotel chains, diversification of tourist offers, etc.

Regarding the development of the tourism infrastructure, opening of the information centers is worth mentioning, where any tourist can obtain information regarding the tourist facilities and sites. 24-hour free hot-line (Tel: 0800 800 909) and the web site [www.georgia.travel](http://www.georgia.travel) are functioning to provide additional comfort for tourists.

Large-scale advertising campaigns are implemented for the rising of the awareness of the country; Georgia hosts press and info tours and also participates in the international travel fairs.

The number of airlines and new flights entering the Georgian market has sharply increased during the last period.

As for the accommodations, their quantity exceeds 1060 (36 431 beds). International brand hotels are operating in the Country and their number is rising hand in hand with the increasing demand.

### **2.1.8 PRIVATIZATION**

In 1993, Georgia launched a privatization process, which mostly involved small and medium scale entities (commercial, household servicing establishments, drug stores, etc). The most

active phase of the privatization process started in 2004 and ended at the end of 2006. The Government opened all sectors of the Georgian economy for privatization, including energy, transport, and communications. Currently, almost all major state-run companies were privatized. In an effort to attract more foreign investments in Georgia, the Government plans to continue a transparent yet aggressive policy of privatization.

Currently, purchasing ownership rights on state property by natural or legal persons or their unions is done by auction.

The disposal of state property by means of auction is done electronically and/or by public auction. The auction information is available on the website of the person disposing of the state property: [www.privatization.ge](http://www.privatization.ge) and [www.eauction.ge](http://www.eauction.ge).

## **2.2 TRADE REGIMES**

### **2.2.1 INSTITUTIONAL FRAMEWORK**

The Ministry of Economy and Sustainable Development of Georgia is the central body of executive authority which determines, implements, and coordinates state policy in the field of trade.

The Ministry coordinates with all the state bodies working on issues of trade policy in Georgia.

The Department for Foreign Trade and International Economic Relations of the Ministry of Economy and Sustainable Development of Georgia is exclusively involved in the formulation of foreign trade policy. As a part of its daily functions, the department closely cooperates with the responsible bodies under the Ministry and collaborates with the other responsible entities and bodies including entities in the private sector.

### **2.2.2 THE MAIN FEATURES OF TRADE POLICY AND TRADE REGIMES**

Based on the customs tariff application rules, Georgia applies both an ordinary trade regime and a preferential trade regime.

Georgia applies an ordinary trade regime to the countries in the following circumstances:

- If it does not have a different trade regime on the basis of bilateral and multilateral agreements
- If it does not have different trade relations as a benefit from being a member of an international organization

Georgia applies the preferential regime in the following circumstances:

### **Most Favored Nations (MFN)**

The majority of Georgia's trade partners are members of the **World Trade Organization (WTO)**. Among the 160 WTO Member States, trade relations are regulated on the basis of MFN principles.

### **Generalized System of Preferences (GSP)**

The major purpose of the Generalized System of Preferences is to lower or eliminate the base import tariff rates on goods imported from beneficiary countries. This facilitates the access of goods from developing countries to the markets of developed countries.

In July 2005, Georgia became the beneficiary of a new GSP+ scheme. The previous scheme granted Georgia the opportunity to access the EU market with the preferential regime for 6900 types of goods. Out of the 6900 products, 3300 of their tariffs were nullified. After receiving the GSP+ beneficiary status, Georgia now has the right to enter the EU market tariff free for 7200 products.

Georgia is also a beneficiary of the GSP regime for the following countries: USA (temporarily terminated), Japan, Canada, Switzerland, and Norway.

### **Free Trade Regime**

The Free Trade Regime implies the liberation of trade from customs-import taxes among the contracting parties, except for the agreed upon exceptions.

Georgia has a free trade regime with all the Commonwealth of Independent States (CIS) countries and Turkey.

### **Certificate of Origin**

A Certificate of Origin is a document which is issued in the exporting country in order to benefit from trade preferences. There are two kinds of Certificates of Origin: Preferential and Non-Preferential.

Certificates of Origin in Georgia are issued by the Ministry of Economy and Sustainable Development of Georgia (<http://www.economy.ge>), the LEPL Revenue Service (<http://www.rs.ge>) under the Ministry of Finance of Georgia, the Ministry of Finance and Economy of Autonomous Republic of Adjara (<http://www.mofea.ge/>), and the Georgian Chamber of Commerce and Industry (<http://www.gcci.ge>), except the products of grape origin, Certificates of Origin are issued by the National Wine Agency under the Ministry of Agriculture (<http://www.nwa.ge/>).

The following certificates are issued for preferential regime on the export of goods:

- Certificate of Origin Form “A” – issued for certain products exported to GSP granting countries (USA, Canada, EU, Japan, Switzerland, Norway)
- Certificate of Origin “CT-1” – used for trade between Georgia and CIS countries
- Certificate “EUR-1” – used for trade between Georgia and Turkey

Non-Preferential Certificates of Origin are issued in the following cases:

1. While exporting to the abovementioned countries when a product does not satisfy preferential rules of origin
2. While exporting to any country other than those mentioned above
3. While re-exporting products

Documents necessary to obtain a Certificate of Origin:

1. Exporter’s application form
2. Origin declaration
3. Contract (agreement)
4. Invoice

The main characteristics of the Foreign Trade Policy of Georgia:

- Low import tariffs
- Limited number of export/import licenses and permits
- No quantitative restrictions on exports and imports
- Elimination of duties on exports and re-exports
- Elimination of indirect taxes on exports
- Simplified export and import procedures

## **2.2.3 TRADE AGREEMENTS AND MULTILATERAL TRADE ORGANIZATIONS**

### **World Trade Organization**

On June 14, 2000, Georgia became a member of the World Trade Organization. This was a significant step toward Georgia’s integration into world trade. Georgia became the 137th member country. It was the fourth former Soviet Republic to become a member of the WTO (after the Kyrgyz Republic, Latvia and Estonia). Upon its entry into the WTO, Georgia was granted the Most Favorable Nation (MFN) treatment by all WTO member states and it conferred MFN treatment in return.

Georgia is a party to all WTO Agreements except the Government Procurement Agreement (GPA). Nevertheless, the Law on Government Procurement fully complies with the WTO requirements and has been in force since 2006. As such, Georgia will be ready to join the GPA in the near future.

### **CIS Free Trade Agreement**

Georgia has been a party to the Commonwealth of Independent States (CIS) multilateral

agreement of April 15, 1994 on the creation of a free trade zone. The agreement was ratified by all CIS member countries except Russia.

The agreement became the basis for the bilateral Free Trade Agreements between CIS countries. Georgia has eight bilateral FTAs with Azerbaijan, Turkmenistan, Armenia, Ukraine, Kazakhstan, Moldova, Uzbekistan, and Russia.

Protocols on the exceptions to free trade were concluded only with the Russian Federation and Kazakhstan. In 2004, according to the bilateral negotiations in the framework of Kazakhstan's accession to the WTO, the parties abolished the protocol.

### **Free Trade Agreement with Turkey**

Turkey has been Georgia's largest trading partner since 2006. Negotiations on concluding a free trade agreement started in January 2007. In November 2007, a free trade agreement between Georgia and the Republic of Turkey was signed. It came into force on November 1, 2008.

According to this agreement customs tariffs on industrial products have been fully eliminated. Both countries maintain certain types of tariffs on agricultural products. Also on the Turkish side, some agricultural products are subject to tariff quotas.

### **Free Trade Agreement of GUAM**

GUAM is a regional organization of four states (Georgia, Ukraine, Azerbaijan, and Moldova). For a short period of time (1999-2005), the organization was named GUUAM due to Uzbekistan's membership. Uzbekistan withdrew from the organization in 2002 and later in 2005, officially left the organization. Since that time, the organization has been known as GUAM.

During a GUAM summit held on May 22-23, 2006 the new Organization for Democracy and Economic Development, based on GUAM, was established.

The cooperation and coordination on an intergovernmental level under GUAM is based on seven working groups which includes an intergovernmental working group on trade and economic issues.

The group works on the implementation issues of the agreement and other trade related issues regarding the creation of a free trade zone. Under GUAM, talks on the creation of a free trade zone concluded in 2002.

This agreement is more liberalized than the CIS agreement on free trade and does not envisage the exceptions in free trade.

### **Black Sea Economic Cooperation Organization (BSEC)**

The Organization of Black Sea Economic Cooperation (BSEC) consists of 12 countries. According to the BSEC establishing document, the member countries collaborate in various

spheres such as trade and economic cooperation, banking, agriculture, healthcare and pharmaceuticals, environmental protection, tourism, science and technology, and they also exchange information on various sectors.

## **European Union**

Trade relations with the European Union are one of Georgia's major priorities for foreign trade.

The legal basis for EU-Georgia relations is the Partnership and Cooperation Agreement (PCA). The PCA was negotiated while Georgia was going through the process of WTO integration and was completed on April 22, 1996. The agreement came into force in 1999 (for 10 years). The agreement aims to foster cooperation, not only on trade related issues, but also in political, environmental, and cultural areas.

The EU-Georgia European Neighborhood Policy Action Plan, signed in November 2006, envisages further enhancements of bilateral trade relations including a possible conclusion of a Free Trade Agreement between the EU and Georgia.

After six rounds of negotiations and as a part of the EU-Georgia Association Agreement, Georgia concluded negotiations with EU on the Deep and Comprehensive Free Trade Agreement (DCFTA) on July 22, 2013. The text of the agreement was initiated during the Eastern Partnership Summit held in Vilnius on November 29, 2013.

After the Agreement's entry into force (signed on 27 June 2014), Georgia will be able to export to the EU under the free trade regime not only goods, but services as well, which is of high importance to Georgia.

DCFTA will give Georgian entrepreneurs, who meet the requirements, the opportunity to access the largest market of 28 countries and more than 500 million consumers. The free movement of services and goods will increase Georgia's export potential.

Georgia actively participates in the new Eastern Partnership initiative of the European Union.

In December 2008, the European Commission announced plans to enhance its relationship with Georgia (as well as Armenia, Azerbaijan, Moldova, and Ukraine) as part of a new Eastern Partnership Initiative, which involves gradual integration into the economy of the EU. The initiative envisages the signing of Association Agreements with partner countries.

For Georgia, like for other countries with economies in transition, the opportunity to use the Generalized System of Preferences (GSP) has been of crucial importance. It provides a preferential tariff regime for products imported from Georgia.

Since 1995, Georgia has benefited from the GSP scheme granted by the EU.

In 2005, the EU provided Georgia with an expanded opportunity to make use of tariff privileges (GSP+), which consists of granting tariff free regimes on the importation of approximately 7200 products.

### **United States**

In June 2007, Georgia and the US signed a Trade and Investment Framework Agreement (TIFA).

The TIFA sets up a joint U.S.-Georgia Council on Trade and Investment that addresses a wide range of trade and investment issues including trade capacity building, intellectual property, labor, and environmental issues.

The Council will also help to increase commercial and investment opportunities by identifying and working to remove impediments to trade and investment flows between the United States and Georgia.

The U.S. – Georgia Charter on Strategic Partnership was signed in January 2009 and combines four modes of partnership including trade and economy.

This document explores the possibility of a free trade agreement between Georgia and the US. It also considers the issue of concluding a new bilateral agreement on the reciprocal protection of investments.

### **Other Agreements and Arrangements**

Georgia has different types of bilateral agreements with 131 countries. Of those countries, 50 have signed bilateral agreements on trade and economic cooperation with Georgia.

Georgia is a signatory of up to 480 multilateral trade agreements and international conventions. Among them the following important documents should be mentioned:

- Paris Convention for the Protection of Industrial Property
- Madrid Agreement Concerning the International Registration of Marks
- Patent Cooperation Treaty
- United Nations Convention on Contracts for the International Sale of Goods

## **2.2.4 FOREIGN TRADE REGULATORY LEGAL BASES**

The main instrument regulating foreign trade in Georgia is the Tax Code of Georgia. Chapter 28 of the Tax Code defines objects subject to import taxation, import rates of products, customs regimes and procedures, as well as the discharge of certain goods from import duty and other import regulations.

Also, the Tax Code defines the list of products subject to excise control and excise rates as well as the norms of VAT taxation of imported products.

**The Law of Georgia on Entrepreneurial Activity** regulates legal forms of entrepreneurial activities and defines equal and non-discriminative norms for local and foreign entrepreneurs.

**The Law of Georgia on Licenses and Permits** regulates spheres of licenses and permits and determines a comprehensive list of licenses and permits, including types of import and export products. The law also determines rules on issuance of licenses and permits, and making amendments and revoking them.

**The Code for Food Safety and Free Movement of Georgia** determines the requirements for labeling. The code ensures that necessary, authentic and comprehensive information for consumers is provided. Imported products are also subjected to the Code.

Further, the Code encompasses the general requirements for food safety including the requirements for packaging, marking, and labeling procedures and production. It defines the rules, general principles, and characteristics for production and its methodology.

The code is based on the following principles:

- Market allocation of safe products
- Prevalence of international standards in the field of standardization
- Allowance of technical barriers to trade only for human health, safety, and environment protection purposes
- Establishment of procedures harmonized with an international system of conformity assessment
- Promotion to the development of infrastructure and a market surveillance system

**The Code for Food and Animal Safety, Veterinary and Plant Protection** covers food/animal food production, processing and distribution subject to state control and implemented on Georgian territory. It also covers the initial production, animal health, veterinary preparations, plant health, pesticides and agri-chemicals.

The Code also regulates the safety control of food and animal food, and veterinary and phytosanitary control related to product movement through the customs border (import, re-export, export and transit).

**Intellectual Property (IP)** creation (invention, useful model, entrepreneurial sample, trademark, geographical indication, topography of intellectual microchips, author's and related rights), IP utilization and legal protection, and arising property and private non-property relations in Georgia are regulated by legislative acts: **Law of Georgia on Patent, Law of Georgia on Trademarks, Law of Georgia on the Indication of Place of Origin and Geographical Indicators, Law on Topographies of Integrated Circuits, Law of Georgia on Authors' and Related Rights, and Law of Georgia on Bordering Measures of Intellectual Property.**

**The Law of Georgia on Control of Export and Import Products of Armament, Military Equipment, and Dual Use Items** determines the rules and grounds for conducting control on exporting and importing products of armament, equipment for military purposes, raw materials, materials, equipment, technologies, scientific-technical information and their production.

**The Law of Georgia on Commodity Exchange and Trade Exchange** defines trade related legal relations of commodity exchange (and its branches) and trade exchange and provides their legal guarantees.

**Decree №420 of the Government of Georgia** regulates the criteria for determining countries of origin and forms of certificates of origin. Decree №420 also regulates the ways for filing and issuing the certificates.

**The Law of Georgia on Government Procurement** defines the legislative, organizational, and economic principles for the implementation of government procurement.

## 2.3 TRADE POLICY

### 2.3.1 CUSTOMS PROCEDURES

The Revenue Services of the Ministry of Finance of Georgia carried out several serious reforms with regard to customs check-points, improving service quality, and fighting corruption. Currently, the customs system is based on a system of risk management. After the reforms came into force, administrative barriers were limited and customs registration procedures were simplified for business sector.

After reforms were implemented, the 15 initial types of procedures decreased to seven :

- Import
- Transit
- Warehousing of goods at customs
- Processing of goods on customs territory
- Temporary import
- Processing of goods out of customs territory
- Export of goods

In accordance with Georgian legislation, customs procedures and related documentation are overseen by the Tax Code of Georgia, which was implemented by Governmental Decree and by legislation and legal decrees passed by the Ministry of Finance of Georgia.

Any type of goods entry and passing of which is not forbidden within the customs territory of Georgia, can move through customs checkpoints.

Customs procedures for goods moving through customs border-points are carried out by the Revenue Services of Georgia ([www.rs.ge](http://www.rs.ge)).

For customs registration to import and export goods, the following documents and information must be presented to the corresponding customs body, along with the customs-cargo declaration:

- A Document certifying the authority of declarant to present customs freight declaration
- A Contract or another relevant document, issued between subjects of international economic relations
- An Invoice
- A Document certifying the ID number of tax payer
- Transport documents certifying the fact of the movement of goods
- A Certificate of Origin of the goods (in case of import)
- A Certificate of Conformity on those goods that are subject to obligatory certification
- A License or permission issued by corresponding body on those goods, export or import of which are subject to licensing

### **1.3.2 TARIFF POLICY ON IMPORT**

Georgia has the world's most liberalized and competitive trade regime. According to the legislative amendments, since September 1, 2006, import tariff rates have gone down from 16 to 3 (0; 5; 12). Import tariffs were abolished on almost 90% of products. In addition, there are no more seasonal tariffs. Tariff rates on imported products are set according to Chapter 28 of the Tax Code of Georgia.

There is a fixed tax rate on alcoholic beverages which varies from 0.2 Euros to 1.5 euros per liter. The import of light automobiles is subjected to specific taxation. The import tax rate is 0,05 GEL on every cubic centimeter of automobile engine capacity added by the 5% of import tax for every year an automobile has been in exploitation.

The following products are under the 12% taxation regime: meat and meat products, dairy products, eggs, honey, fruits, vegetables, tea, wheat flour, prepared meat products and cans, fruit and vegetable cans, fruit juices, plastic products, construction material, jeweled products and parts, and timber.

The following products are under the 5% taxation regime: pork, cheese and cottage cheese, prepared chocolate products, hair products and cosmetics, surface active organic materials, other sorts of plastic products, and electric cables.

The following are exempt from import taxes:

- Imports from CIS countries and Turkey, except for the products on the exception lists of free trade regimes with the Russian Federation and Turkey
- Imports aimed at humanitarian support or in times of natural calamities or catastrophes
- Imports funded by grants or by preferential credit provided by a foreign country state body or an international organization, which includes not less than 25% of the grant
- Imports valued at 500 GEL and weighing up to 30kg of overall weight by natural person, which is not destined for economic activities
- When mailing imports under HS groups 28 and 97 with a value of 300 GEL and up to 30kg of overall weight, which is not destined for economic activities
- Imports of children’s products and diabetic food products marked and ready for wholesale and retail trade
- Imports aimed at implementing international aviation and international maritime trips
- Imports of facility-equipment, facility transportation, spare parts, and material destined for oil and gas production operations in line with the Law of Georgia on “Oil and Gas”
- Imports of tobacco raw material and products until January 1, 2015
- Temporary imports

### **2.3.3 TAX POLICY ON EXPORT**

According to Georgian legislation, exports (except iron scrap) and re-exports from Georgia are exempted from custom taxes.

Since September 1, 1997, according to the principle of the destination country, Georgia has used the taxation for value added tax (VAT). Respectively, exports from Georgia are exempted from VAT taxation.

The service rate is set for the export of black and light metal scrap or for the waste of black and light metal:

- for the export of black and light metal scrap or the waste of black and light metal – 160 GEL per ton (except black metals production waste and crude alloys of light metals)
- for the export of black metal production waste – 40 GEL per ton
- for the export of light metal crude alloy – 50 GEL per ton

### **2.3.4 INDIRECT IMPORT TAX**

According to Georgian Tax Code, the rates of value added tax and excise tax on domestic and imported production is equal to:

- Value added tax (VAT) - 18%
- Excise – fixed tax according to differentiated product

According to Article 188 of the Tax Code of Georgia, the following products fall under the excise category:

- Beer
- Ethyl spirits
- Alcoholic beverages
- Tobacco products (except for tobacco raw material)
- Automobiles
- Oil gas and natural gas (except for transported in pipes)
- Other oil products

### **2.3.5 IMPORT-EXPORT NON-TARIFF REGULATION**

**The Law of Georgia on Licenses and Permits** does not consider non-tariff limitations in foreign trade (licenses, quotas, prohibitions, and other) except when restrictions are necessary for healthcare, security, and environment protection purposes. Specifically, the following licenses and permits are issued:

- Permits for importing goods subject to phytosanitary and veterinary control (Ministry of Agriculture of Georgia, [www.moa.gov.ge](http://www.moa.gov.ge))
- Licenses for exporting and importing for means of electronic surveillance (Ministry of Internal Affairs of Georgia, [www.police.ge](http://www.police.ge))
- Permits for importing, exporting, re-exporting or the transmission of materials of limited circulation (Ministry of Environment and Natural Resources Protection of Georgia, [www.moe.gov.ge](http://www.moe.gov.ge))
- Permits for on importing, exporting, or the transmission of nuclear and radioactive objects, nuclear materials, radioactive substances, radioactive wastes and minerals (subsoil) (Ministry of Environment and Natural Resources Protection of Georgia, [www.moe.gov.ge](http://www.moe.gov.ge))
- Permits for importing, exporting, re-exporting, and the transmission of arms and ammunition (Ministry of Defense of Georgia, [www.mod.gov.ge](http://www.mod.gov.ge))
- Permits for importing, exporting, re-exporting, or the transmission of dual use items (Ministry of Finance of Georgia, [www.mof.ge](http://www.mof.ge))
- Permits for importing or exporting medicines and pharmaceuticals subject to special control (Ministry of Labor, Health and Social Affairs of Georgia, [www.moh.gov.ge](http://www.moh.gov.ge))
- Permits for on importing non-iodized salt (Ministry of Labor, Health, and Social Affairs of Georgia, [www.moh.gov.ge](http://www.moh.gov.ge))
- Permits for importing, exporting, re-exporting, and introducing oceanic species , their parts and derivatives included in the Annexes of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (Ministry of Environment and Natural Resources Protection of Georgia, [www.moe.gov.ge](http://www.moe.gov.ge))

The regulation of the export and import of goods of cultural property is implemented based on permits given by the Ministry of Culture and Monument Protection in line with the Law of Georgia on export and import of goods of cultural property.

According to Georgian legislation, the transit, export, re-export and import of any radioactive waste with any objective on the whole territory of Georgia is prohibited.

### **2.3.6 EXPORT PROMOTION POLICY**

Export promotion policy is implemented by the Department for Investment and Export Policy in the Ministry of Economy and Sustainable Development of Georgia. Export promotion does not imply its artificial raise from the Government by means of subsidies and by means of interference in specific trade talks. Trade bargaining is done by the private sector because the private sector is its own product supplier.

Export promotion is therefore streamlined to develop the capacity building of producers so that they may communicate with importers to obtain, penetrate and survive in these markets.

Over 700 Georgian export products are registered with the Export National Portal ([www.tradewithgeorgia.com](http://www.tradewithgeorgia.com)) under the Department's supervision.

Georgian foreign trade leans toward a negative trade balance. Exports hold 20-30% of foreign trade turnovers for a number of years.

One of the main priorities for the Georgian Government in economic development is to determine the strategic steps toward export promotion and growth. This will encompass raising export capacity and the quality of growth.

The following principles are fundamental for the export strategy of export oriented economies:

1. Maximum value added before the border – means the export of the finalized product instead of raw material and respectively leaves the maximum possible share of cost of manufacture in the country's economy.
2. Minimum risk beyond the border – Export includes many risk factors from which important is a single export or high concentration on a single market and prevention of these circumstances seems to be the crucial part of export strategy.

Diversification of the market and export production lessens the risk for collapse, which could enormously damage Georgia's economy and particularly its private sector. One such example is the 2006 collapse resulting from the Russian embargo on Georgian wine, when more than 78% of the wine was assimilated by a single market.

As indicated above, export promotion policy is implemented by the Department for Investment and Export Policy in the Ministry of Economy and Sustainable Development of Georgia. Its practical realization at the public level is complicated. Considering this, the Government plans to set up an LEPL “Entrepreneurship Development Agency” to develop domestic industry and encourage export.

### **2.3.7 OTHER TRADE RELATED MEASURES**

#### **Technical Regulation**

Georgia is almost fully aligned with the WTO requirements in terms of the removal of additional barriers for imported goods. At the same time, despite reforms carried out in the sphere, a number of important measures need to be implemented to ensure the quality of Georgian goods and in turn to meet the requirements of foreign markets and to promote Georgian exports.

Certification in Georgia is voluntary whereas mandatory certification is only allowed under circumstances defined by Law.

In accordance with the WTO Agreement on Technical Barriers to Trade (TBT), member countries should ensure that their technical regulations, voluntary standards and procedures for conformity assessment contribute to human safety and health and environmental protection. Practical experience shows that standards and conformity procedures often effectively impede market entry, even in the absence of tariffs and quotas.

An efficient national quality infrastructure is a prerequisite for the facilitation of trade in goods and services while ensuring public protection and fair competition.

Because of the above mentioned procedures, the Governmental Strategy of Georgia of 2010 was passed based upon the standardization, accreditation, conformity assessment, technical regulations, and the in-field metrology and governmental program on legislative reforms and technical regulations (TBT program).

In 2012, major legislative changes were carried out in the field of technical regulations. Specifically, certain laws were abolished and common norms were consolidated in a single Code for the Safety and Free Movement of Goods.

For future harmonization of Georgian and EU legislation, new and global EU directives are currently being introduced in national technical regulations.

The Metrology Institute is currently updating its physical infrastructure. The Quality Management System has been drawn out and implemented in conformity with international standard ISO 17025, In January 2013, within a framework of mutual cooperation between

Georgia and Germany, the Etalon laboratory of electric measurements, equipped in accordance with international standards, was established.

In 2013, with the support and recommendation of EU experts, the unified national body of accreditations Accreditation Centre implemented new accreditation norms and procedures. These implementations were based on international best practice and were within the framework of the EU TWINNING Project.

The Accreditation Center Management System is in compliance with the requirements of international standard ISO/IEC 17011, EA (European Cooperation for Accreditation), ILAC (International Laboratory Accreditation Cooperation) and IAF (International Accreditation Forum). These changes were evaluated in a positive manner by EU experts.

### **Sanitary and Phytosanitary Measures**

Georgian Legislation on Sanitary and Phytosanitary measures is in compliance with WTO requirements. Except for activities concerning the import, re-export, and transit of goods with regard to human health care and animal and plant protection, this legislation does not define any restrictive licensing activities.

Sanitary and phytosanitary measures are regulated by the Code on food/feed safety, veterinary and plant protection and by other acts derived from this Code.

The comprehensive strategy on food safety was elaborated in 2010. In 2012, after the legislative amendments were implemented, the Code on food/feed safety, veterinary and plant protection came in force.

Considering the DCFTA provisions, the strategy was expanded to be in harmonization with Georgian and EU legislation. According to this strategy, legislation is anticipated to be harmonized in 8 years.

Phytosanitary and veterinary control is implemented by the LEPL "Revenue Service" and the LEPL "Food Agency".

With the assistance of the Comprehensive Institution Building Program, the capacity of the "National Agency of Food Safety" was increased and the skills and knowledge of the staff were strengthened. Trainings were held on food safety, state control, risk analysis, and plant protection issues. Qualified experts visited the agency to provide technical assistance in aligning the process of food safety law with WTO and EU regulations. The CIB program, IT capacity and the physical infrastructure as a whole were developed.

## **Trade Measures in Foreign Trade**

There is no domestic legislative instrument that regulates foreign trade in Georgia. According to the obligations taken under the WTO accession protocol at the time of its accession, Georgia cannot use trade remedies in foreign trade until after the legislative-normative base is in line with WTO requirements.

Currently, the Ministry of Economy and Sustainable Development is in the process of aligning this legislation.

## **Government Procurement**

In compliance with the requirements of the WTO GPA Agreement, new legislation on Government Procurement entered into force in 2006. Procedures are carried out to sign WTO GPA Agreement, by which final obligation foreseen by the accession document of the WTO will be undertaken.

In Georgia, an electronic system of procurement is in place, which is the major instrument to register governmental contracts. It is also one of the most effective and transparent models in the world. The Competition and State Procurement Agency (CSPA) is a state organization that governs government procurement through the e-tender system introduced in 2011 (<http://procurement.gov.ge/>).

## **Protection of Intellectual Property Rights**

In Georgia, there is an adequate legislative base in the sphere of intellectual property protection, which corresponds with the WTO TRIPS agreement (Trade-Related Aspects of Intellectual Property Rights) and international standards requirements. The Georgian National Intellectual Property Center ("Sakpatenti") is responsible for all the issues related to intellectual property protection.

All of the property and non-property issues related to the creation, usage and legal protection of objects of intellectual property (inventions, utility models, industrial designs, trademarks, topographies of integrated circuits, copyright and related rights) are regulated by respective legislative acts: the Patent Law, the Law on Trademarks, the Law on Appellations of Origin and Geographical Indications of Goods, the Law on Topographies of Integrated Circuits, the Law on Copyright and Related Rights, and the Law on Border Measures Related to the Intellectual Property.

According to Georgian legislation, foreigners have the same rights and privileges as citizens of Georgia in the field of intellectual property.

Based on the documents issued by the responsible authority, namely “Sakpatenti”, the rights holder has the right to implement, permit or forbid utilization of an object under his/her protection. In order to protect his/her rights, the rights holder can refer to the provisions of the civil, criminal or administrative codes.

After accession to the International Convention for the Protection of New Varieties of Plants, the Parliament of Georgia abolished the Law on the Protection of Selection Progress and two new laws were adopted: the Law on Protection of New Varieties of Plants and the Law on Protection of New Varieties of Animals.

At the customs border, rules for registering as a possessor of Intellectual Property Rights (IPR) and the product itself are regulated by the Georgian Law on Border Measures on Intellectual Property.

Currently, several trademarks are registered by the Revenue Services and their import and export is under control.

Customs Administration of the Revenue Services joined public members of the interface (IPM – World Customs Organization Initiative).

IPM combines “databases of authentic and counterfeit products”, by means of which IPR owners can provide reliable information about the products to the economic customs officers. This will make it possible to distinguish authentic and counterfeit products.

IPM does not replace administrative procedures, including the application process. IPM provides additional information that economic customs officers can use to fulfill further procedures foreseen by the legislation.

## **2.4 FOREIGN INVESTMENT REGIME**

There has been broad public and political consensus in Georgia regarding integration into the international economy through opening the Georgian economy for international businesses and creating a favorable investment environment. Based on this consensus, the Parliament of Georgia has been working since 1995 on the development of a liberal business legislation package. National treatment is applied to all investors and there is no specific regulation that oversees discrimination. All sectors of the Georgian economy are open for investments.

The Law of Georgia on Investment Activity Promotion and Guarantees, which has been in place since 1996, defines the legal basis for realizing both foreign and local investments and their protection guarantees in the Georgian territory. The purpose of the Law is to establish an investment-promoting regime. Except for the ownership of agricultural land, the Law

secures equal treatment and rights for Georgians and foreign investors. Foreign legal and physical persons are allowed to purchase land in Georgia, except agricultural land.

Aiming to further optimize procedures necessary for investing and entrepreneurial activities, the Law on State Support to Investments was adopted in 2006.

The foreign direct investment (FDI) policy is formulated by the LPEL Georgian National Investment Agency (<http://www.investinggeorgia.org/>) (GNIA). GNIA acts as “one-stop shop” agency for investors, assisting them in setting up their businesses in Georgia, helping in project implementation, performing a liaison role with the Government, providing information on investment opportunities in the country, as well as informing them on investment related regulations and laws.

The National Investment Agency organizes on-site introductions and project acknowledgments for investors.

The Department of Investment and Export Policy under the Ministry of Economy and Sustainable Development of Georgia carries out the export promotion policy. Its competency is to take steps toward improvement of investment and export climate for the organs of legislative and executive authorities. In particular:

- To build and maintain close contacts with the economic institutions (chambers, associations etc.), business communities, and local media of the host country
- To take part in country marketing activities and to increase the reputation of the home country
- To record all relevant business activities in the CRM (Customer Relationship Management) system for future management
- To identify potential investors
- To launch contacts with them and to follow up with these contacts
- To formulate suggestions for the participation in investment conferences, seminars and other events
- To organize Georgian participation at these events in cooperation with relevant state institutions
- To keep continuous contacts with potential investors’ management

In its export promotion activities, the Department helps to find markets for products, undertakes market studies and seeks out partners for joint ventures aimed at increasing the volume of exports and development of Georgian enterprises.

Georgia has signed bilateral investment promotion and protection agreements with 32 countries and agreements on avoidance of double taxation with 42 countries.

## CONCLUSIONS

To summarize, during the reporting period Georgia undertook intensive trade liberalization activities. As a result of the subsequent and coherent reform measures, tariff and non-tariff barriers to trade were largely eliminated, export and import procedures were simplified, and trade flows were increased and diversified.

Streamlined business and trade regulations contributed to substantially diversified international economic relations for Georgia, including trade and investment. This has in turn made Georgia's economy extremely resilient to internal and external shock.

After the DCFTA comes into force, liberal trade policies, preferential trade regimes, and access to the EU market will be the solid foundation for local industry development, exports promotion, and foreign direct investment.

## CHAPTER III

# INTERNATIONAL COMMERCIAL DISPUTE RESOLUTION

### INVOLVEMENT OF THE THIRD PARTIES IN DISPUTE RESOLUTION

It is desirable to resolve any dispute arising between two parties without the involvement of any third party by reaching the desirable agreement peacefully. This will facilitate further relations among parties. Nevertheless, in some cases the parties are interested in merely settling their dispute and they do not plan the development of their further bilateral relations. In such cases, each party tries to resolve the dispute through methods and conditions beneficial for the party, which may lead to a serious confrontation (war). In such cases, third party involvement is inevitable.

A widespread form of private dispute resolution is using the court system as a third party. Initiating a court proceeding, however, does not preclude the right of the disputing parties to resolve the dispute bilaterally, on a negotiable basis.

Disputing parties may address the third party with a dispute resolution request. Arbitration is the most convenient mechanism for private dispute resolution in internal as well as international relations. Additionally, arbitration is the only convenient form.

#### 3.1 ARBITRATION AS A TOOL FOR DISPUTE RESOLUTION

##### **Definition of 'Arbitration'**

Article 2 of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) states: 'Each Contracting State shall recognize an agreement in writing in which the parties undertake to resort to arbitration'. However, the Convention does not explain what 'arbitration' is. Neither is a full definition of the term provided in the internal national legislation of member states. The definition of 'arbitration' is also not provided by the so-called Model Law on International Commercial Arbitration adopted by the United Nations Commission on International Trade Law (UNCITRAL).

Basic characteristics of arbitration:

- Arbitration is a tool for dispute resolution
- Arbitration occurs on a consensual basis

- Arbitration is a private procedure
- Arbitration serves as a final and enforceable judgment in respect of the rights of the parties and their obligations

### **Arbitration - a mechanism for dispute resolution**

#### *No dispute - no resolution!*

Like in a court case, disputes can be resolved by arbitration only after legal proceedings are initiated. If the parties reach a dispute resolution agreement during the proceeding or the arbitration tribunal resolves the dispute.

In the event that the parties demand and the arbitration tribunal gives its consent, an arbitration decision can be made concerning the conditions agreed by the parties. The judgment passed in this form has the same legal status as the arbitral decision on the merits.

#### **Arbitration occurs on a consensual basis**

Arbitration occurs on the basis of mutual agreement between the parties. This means that not only that the consent of the parties is necessary to transfer the dispute to arbitration but also arbitration rights are restricted to the context of the agreed upon dispute resolution agreed by the parties. Therefore, the decision of the tribunal applies not only to the dispute presented by the parties for resolution but to any other issue or dispute that may arise between those parties.

In accordance with the New York Convention, any party may reject the acceptance and enforcement of an arbitration decision if the latter party refers to issues that were not a part of the dispute presented by the party subject to the tribunal award.

As a rule, the parties agree to the so-called 'arbitral clause', which means that they agree to settle any future disputes through arbitration.

Therefore, in the event of any dispute, the parties do not need to additionally agree on the form of dispute resolution. In practice, however, one of the parties will often expressly desire to resolve the dispute in national court. According to the New York Convention, the court of any party should terminate the proceeding if it ascertains that there is an active arbitration agreement between the parties (Article 2).

If the defendant refuses to participate in arbitration, the plaintiff has a right to continue the process and the arbitration tribunal will make an award on the basis of the evidence presented.

#### **Arbitration is a private procedure**

Arbitration is not a part of the national court system. As mentioned above, it occurs on the basis of an agreement between the parties although it has the functions similar to a court. The final result

is an award, which is carried out by the court in a manner similar to a court judgment. The interest of a state to resolve disputes by means of arbitration over any other alternative mechanism is quite clear and is often illustrated by incorporating the law of arbitration in the Civil Code of Procedure (e.g. Germany). According to the modern approach, the parties and the arbitration tribunals have full freedom and autonomy in the process of dispute resolution, which is confirmed by Article 18 of the so-called Model Law on International Commercial Arbitration: 'Parties will be treated with equality and given a full opportunity of presenting their case.' National courts may refuse to recognize an arbitral award and enforcement if they consider that the relevant compulsory arbitral procedures were violated in the awarding process.

Considering that international commercial arbitration is used for the purpose of dispute resolution between two private subjects who can also settle disputes on the basis of negotiation or any other private mechanism, personal, private arbitration implies the preservation of confidentiality.

As an exception, parties may demand court involvement. In accordance with Article 30 of the Rules of Arbitration, unless the parties otherwise agree in writing, all the parties preserve the confidentiality of the award and the material in this connection. This includes any material presented by another party unless the sharing of confidential information is mandatory under an obligation to protect any other legal rights connected with the process of the national court or any other court authority.

An increasing number of arbitration proceedings lead to the involvement of the state or state institutions in the process. The issues considered in such arbitration proceedings are often of public interest, especially in the event of any investment disputes. Notwithstanding the fact that arbitral awards do not establish a precedent, there is a big interest with respect to arbitral legislation regulating international commercial relations and the legal definitions of the relevant procedure.

### **An arbitration makes the final award with compulsory enforcement with respect of the rights and obligations of the parties**

Many arbitration rules, such as International Chamber of Commerce (ICC) Arbitration Rule 28(6), specifically provide that:

'Each award is mandatory for the parties. By following these rules, presenting a dispute in arbitration, the parties immediately take an obligation to immediately carry out the award...'

A procedure that does not finally and necessarily define the rights and obligations of the parties is not arbitration.

Article III of the New York Convention obliges the parties to the agreement 'to recognize arbitral awards as compulsory in accordance with the procedural rules of the territory where the award was made...'. This is the fundamental norm or basis of international trade arbitration.

### 3.2 OTHER MECHANISMS OF DISPUTE RESOLUTION

The ICC refers to 'Alternative Dispute Resolution (ADR) and amicable solutions of disputes. ICC ADR differs from arbitration and court hearings in that ICC ADR does not lead to an award that, if carried out, would carry a legal obligation. ADR procedures are aimed at concluding an agreement between the parties that will lead to a dispute resolution. The agreement reached as a result of ADR procedures is a contractual in nature.

Lawyers of a more frequent use of ADR method, underline that both litigation and arbitration are backward looking and have as their principle function to determine the responsibility and the cost for something that went wrong in the past. The ADR technique is generally considered to be forward oriented and aims to resolve disputes in such a way that the parties are able to continue their relations in harmony after the dispute resolution.

There are alternative mechanisms for resolving various disputes:

- Conciliation
- Mediation
- Small court
- Expert estimation
- Dispute Resolution Board

#### **“Commercial”**

‘The term ‘commercial’ should be broadly interpreted to cover matters arising from all commercial relationships whether contractual or not. Commercial relationships include, but are not limited to, the the following transactions: any trade transactions for the supply or exchange of goods or services; distribution agreements; commercial representation or agency; factoring; leasing; construction of works; consulting; engineering; licensing; investment; financing; banking; insurance; exploitation agreements or concessions; joint ventures and other forms of industrial or business cooperation; carriage of goods or passengers by air, sea, rail or road.

#### **Foreign arbitration and international arbitration is not one and the same thing**

Arbitration in state A is foreign arbitration in state B. The courts of state B must follow the New York Convention and enforce the arbitral award on the territory of the state.

#### **Domestic and international arbitration**

Generally, arbitration is covered by the legislation of a country in which it takes place. Accordingly, for all the states on whose territory arbitration functions, is a domestic arbitration in that State. The basic difference between the international and domestic arbitrations is determined by taking into consideration the nature of the dispute. For example, in some countries, complaints in connection with the violation of anti-monopoly laws can be presented in international arbitration instead of in domestic arbitration.

The difference between domestic and international arbitration is the question of legislation. There is no generally accepted difference and there does not need to be, since the New York Convention covers foreign arbitral awards as well.

### **Definition of international arbitration**

There are two basic methods to define international arbitration. One is focused on transactions and determines whether the transaction was carried out in a state other than the one where arbitration is located or whether the transaction was made in two or more states. The second method considers whether the parties are the citizens of different states.

According to the Model Law, arbitration is international if:

1. The parties to an arbitral agreement have places of business in different states.

According to this provision, if the local office of the multinational company of state B located in the state A enters a contract with the company of state A that requires arbitration in state A, then international arbitration takes place in the state A.

2. The place of arbitration specified in the arbitral agreement is located beyond the borders of the state in which the parties conduct their business.

According to this provision, two parties from state A can agree to have arbitral proceedings in state B. If state B has adopted the Model Law, international arbitration shall take place in state B.

3. The place where a substantial part of commercial relations occur or the place most closely connected to the object of the dispute is located outside the state in which the parties conduct their business.

According to this provision, arbitration between the two parties from state A in connection with the construction project located in state B shall be considered international arbitration.

4. The parties have clearly agreed that the object of arbitral agreement concerns more than one country.

The Model Law broadly determines what brings an international nature to arbitration, but this definition should be applied in context. This is relevant only when a state accepts model legislation restricting the usage of international commercial arbitration. The state that accepted model legislation for every type of arbitration need not define the term 'international' since it does not serve any purpose.

### 3.3 WHY DO THE PARTIES ADDRESS COMMERCIAL ARBITRATION

#### **Arbitration**

Arbitration provides parties an opportunity to choose the persons with specified knowledge for hearing their disputes. It is less probable that the state court judges have the same understanding of the technical aspects of the transactions considered as compared to the lawyers who represent the parties and who can later be arbitrators of similar transactions. Engineers, architects as well as lawyers can serve as arbitrators in the arbitration in connection with the construction case.

There is no freedom to choose arbitrators with specified knowledge in the states with restricted arbitration laws. In such state, only persons with a legal education are allowed to serve as arbitrators.

Arbitrators are chosen to settle specific disputes. An arbitration decision cannot be appealed.

Arguments in favor of arbitration include hasty receipt of the arbitral award and decreased costs (Swiss Rules, Article 42). On the other hand, if the parties desire to use all possible procedural means for hearing a case, the costs of arbitration will be as high as they would have been in case of court hearing.

#### **International Commercial Arbitration**

For any party, the most advantageous situation in disputes over international transactions is to hear the case in a court located where the transaction occurred. In such cases, a party's dispute can be heard in its home state, with the involvement of its defense lawyers, in accordance with familiar procedures and in its native language.

While hearing a case in foreign court might be advantageous for one of the parties of the transaction, it creates difficulties for other party. Difficulties arise because the case is heard using the procedures unknown to some parties, in a language potentially foreign to those parties, or in a language that may not have been used in the contract. Additionally, the favored party will have an opportunity to use the company lawyers.

The American Arbitration Association offers an interesting example. The Association has a long and exceptional history as a local arbitration services provider. The Association's International Center for Dispute Resolution, which has a European office in Dublin, Ireland, provides arbitral services for international dispute resolution.

There is a special attitude in respect of a bias when one party is a state. When a state is a party, it is advantaged by bias. A state can leverage its influence over the court for a decision in its favor against a foreigner.

International arbitration is popular because it offers an arbitral award enforcement mechanism more flexible than that of a foreign state. In the absence of a bilateral international agreement

on the recognition and enforcement of an arbitral award on the territories of one another, a court has no international obligation to enforce an award. There is a great number of bilateral agreements on the recognition and enforcement of arbitral awards. Similarly, there is a multilateral agreement between EU member countries. Additionally, 135 states are members of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

### **3.4 SUMMARY**

The term 'International Commercial Arbitration' has yet to be explained although there is a clear agreement on its constituent parts. The most important element is arbitration. This dispute resolution procedure, like any hearing in a national court, causes a final and compulsory result, which is transferred to courts for execution. The main differences between arbitration and a court hearing is in that arbitration is of a consensual (agreement-based) nature and that the final arbitral award may only refer to those issues presented by the parties to the arbitration.

The New York Convention gives a state the right to declare that it will use the Convention only in connection with issues it finds "commercial" according to its legislation.

The question of whether arbitration is international or domestic, may be important for the determination of the issues that can be heard by an arbitration tribunal. In some states, antimonopoly issues may be addressed in international arbitration even if they would otherwise not be allowed in domestic arbitration. Similarly, some countries allow the state or its representative body to present a case only in international arbitration.

A dispute between private persons resolved by arbitration can be a family dispute, it can be connected to labor relations or it can be between two commercial courts. In the past, such disputes were almost purely domestic and the development of arbitration systems was reflected in the nature of certain societies. In some states, in particular, in Latin America and Britain, arbitration was considered an expansion of the state system of court hearings. Even when the law did not require the domestic court procedures to be followed by arbitration, the habits of the lawyers in court were transferred to arbitration.

Economic enterprises were, by their nature, a part of government administration. While mechanisms of dispute resolution between these enterprises was often called arbitration, they were actually a sort of administrative court decision with a high level of administrative and political control over the organizations created for the resolution of such disputes.

In this environment, there were few proceedings that could be considered international commercial arbitration. Even if one party to a dispute was a foreigner, arbitration proceedings would remain domestic in nature. Domestic national legislation was used in proceedings as well as in respect of the content of a dispute. This was most vivid in England before the Act on Arbitration of 1979 was adopted.

### **3.5 DEVELOPMENT OF ARBITRATION OF INVESTMENT DISPUTES**

Disputes connected with foreign investments create quite subtle issues.

On the one hand, a foreign investor makes long term investment of considerable sums of money in a state while he has no trust in its government system, courts or political stability. It is understandable that an investor may require guarantees that he might need in his own country. An investment will often be in the form of a company organized by the state of location.

It is natural that the government of the country where an investment is made will not want to treat a foreign investment differently from its local investments.

In 1965, the World Bank started a new initiative on settling investment disputes between states and the investors of another state by adopting the Washington Convention. Since then, investment disputes can be presented for arbitration under the International Centre for Settlement of Investment Disputes (ICSID).

The practice of concluding bilateral investment agreements between countries was established in the 1950's. Investment agreements are of a very specific nature but share one important characteristic:—they provide a state investor investing in another state with a right to use arbitration in the event of any dispute in connection with the investment.

If any party to the agreement is a member of the Washington Convention, it cannot offer a foreign investor to settle a dispute under the International Centre for Settlement of Investment Disputes (ICSID).

# CHAPTER IV

## GENERAL STATISTICAL INTERNATIONAL RANKINGS OF GEORGIA

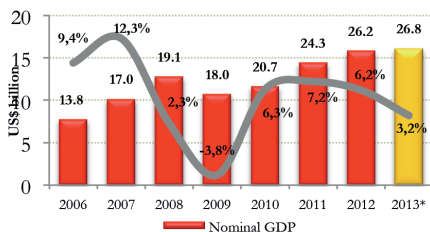
### GROSS DOMESTIC PRODUCT OF GEORGIA

In 2013, Georgia's Gross Domestic Product (GDP) at current prices totaled GEL 26 824.9 mil, up 2.5 percent y-o-y.

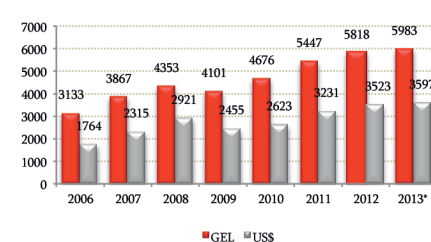
In the same period, the real growth of Georgia's GDP amounted to 3.2 percent and the deflator decreased by 0.7 percent y-o-y.

	2012	2013
GDP at current prices (mil. GEL)	26 167.3	26 824.9
GDP at current prices (mil. US dollars)	15 846.8	16 126.4
GDP per capita (GEL)	5 818.1	5 982.6
GDP per capita (US dollars)	3 523.4	3 596.6
Real GDP growth (%)	6.2	3.2
GDP deflator (%)	1.2	-0.7

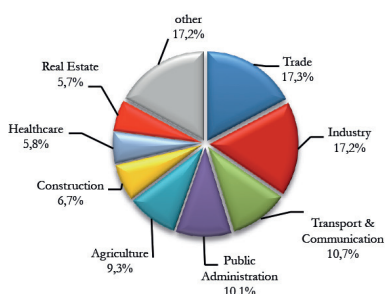
**Nominal GDP and Real Growth**



**Nominal GDP Per Capita**



**Components of Nominal GDP 2013**



**Components of Nominal GDP 2013**

Financial Intermediation	11.4%
Agriculture	9.4%
Manufacturing	8.4%
Real Estate	7.5%
Financial Activities	7.4%
Hotels and Restaurants	7.2%
Households	5.6%
Transport	4.9%
Education	4.6%
Electricity, Gas and Water Supply	4.0%

## GEORGIAN FOREIGN TRADE TURNOVER

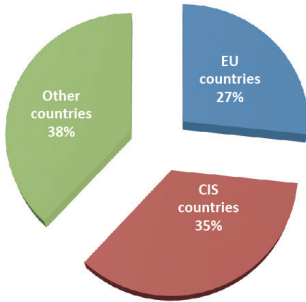
Total Trade Turnover – 10,784 mln. USD (5.5% growth)

– Export – 2,909 mln. USD (22.4% growth)

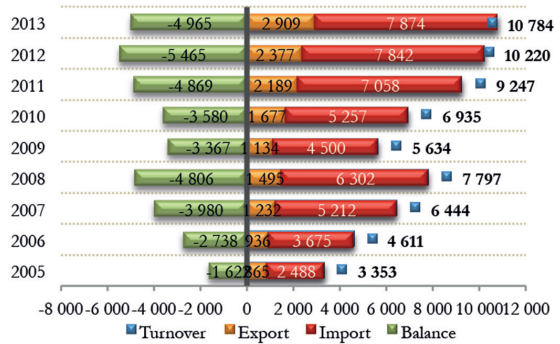
– Import – 7,874 mln. USD (0.4% growth)

– Balance – -4,965 mln. USD

Share of country groups in total Georgian trade turnover in 2013



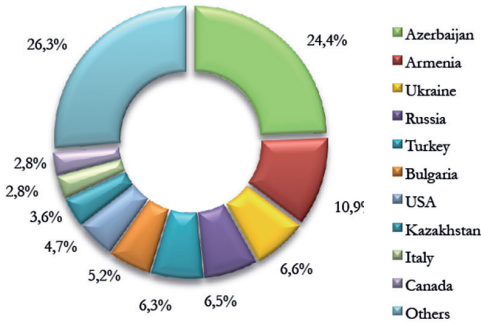
Foreign Trade (US\$ million)



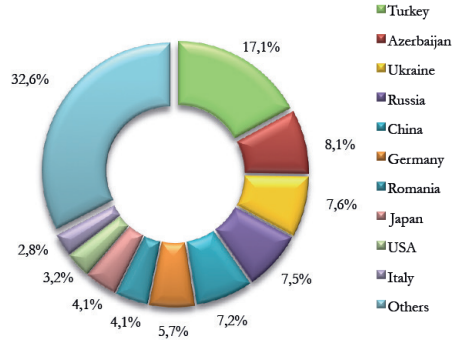
10 main Trade Partners, 2013



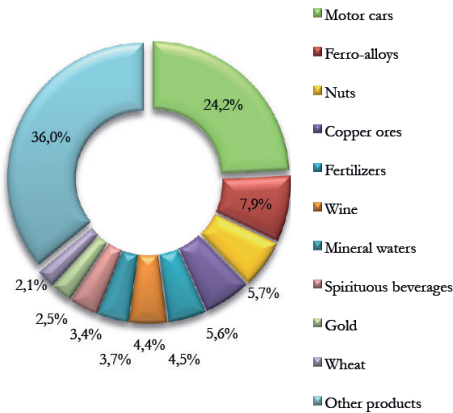
### Georgian Exports by Country (2013)



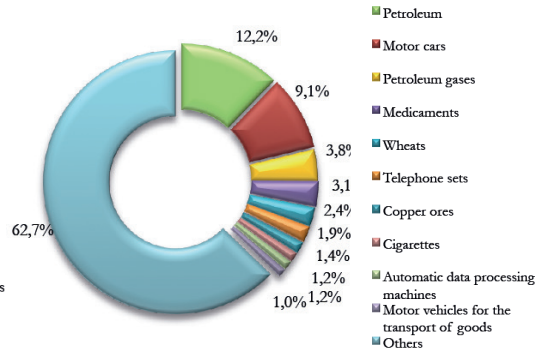
### Georgian Imports by Country (2013)



### Georgian Exports by Commodity Group (2013)



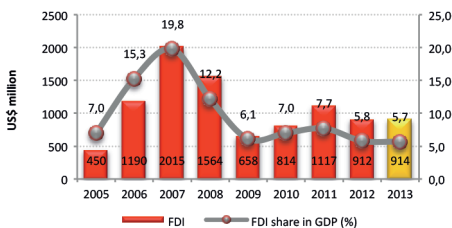
### Georgian Imports by Commodity Group (2013)



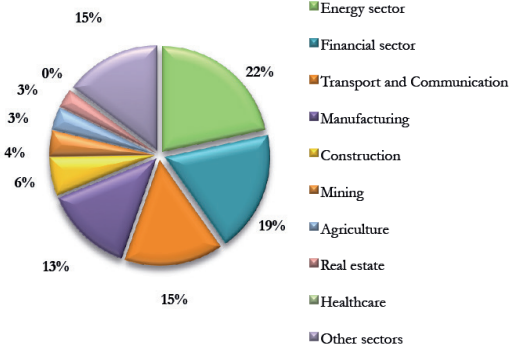
## FOREIGN DIRECT INVESTMENTS

- FDI 2013\* - 914,4 mln. USD (growth - 0,3%)
- FDI 2012 - 911,6 mln. USD

### FDI inflows



### FDI by Sectors 2013



## FDI by Countries

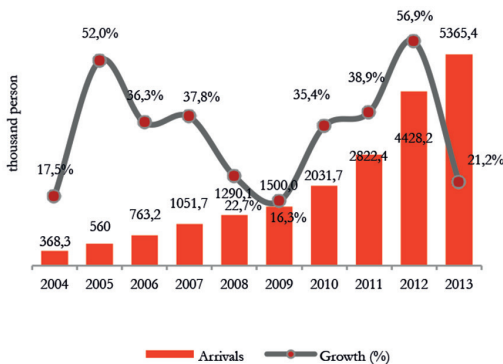
2013		2013	
Germany	15,2%	Netherlands	19,6%
United Kingdom	10,3%	Luxemburg	15,8%
Turkey	8,9%	China	10,7%
International Organizations	7,0%	Azerbaijan	10,4%
Azerbaijan	6,5%	Turkey	8,1%
Luxemburg	4,6%	USA	6,2%
Saudi Arabia	4,3%	International Organizations	5,8%
Cyprus	4,2%	United Kingdom	5,2%
China	4,0%	Malta	4,6%
Netherlands	3,9%	United Arab Emirates	3,6%
Subtotal	69%	Subtotal	90%
Other	31%	Other	10%
Total 100%		Total 100%	

## TOURISM

**In 2012, the number of visitors to Georgia amounted to 5,365,356 people. Compared to the same period last year, visitors increased by 21%.**

The New York Times ranked Georgia 6<sup>th</sup> out of 41 of the best countries for a tourism destination.

### Arrivals of non-resident visitors



Country	2012	2013
EUROPE	4 225 635	5 148 490
AMERICAS	33 898	32 450
EAST ASIA/ PACIFIC	123 987	114 586
MIDDLE EAST	17 141	62 699
AFRICA	7 110	5 009
OTHERS	20 450	1 855
Total	4 428 221	4 421 111

## “DOING BUSINESS”

**“Doing Business 2014” (WB & IFC) – 8<sup>th</sup> place (12<sup>th</sup> place in 2012)**

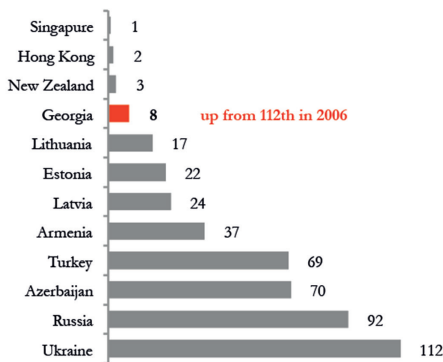
Top Improver since 2005 in EE&CA and globally with 35 institutional reforms Georgia is among the TOP 10 countries in following areas:

- Registering Property - 1st place
- Dealing with Construction Permits – 2nd place
- Getting Credit – 3rd place
- Starting a Business – 8th place

In 2014, due to implemented reforms in recent years, Georgia improved in 3 areas, measured by Doing Business

- Paying Taxes
- Trading Across Borders
- Resolving Insolvency

**“Doing Business 2014”**



**INDEX OF ECONOMIC FREEDOM**

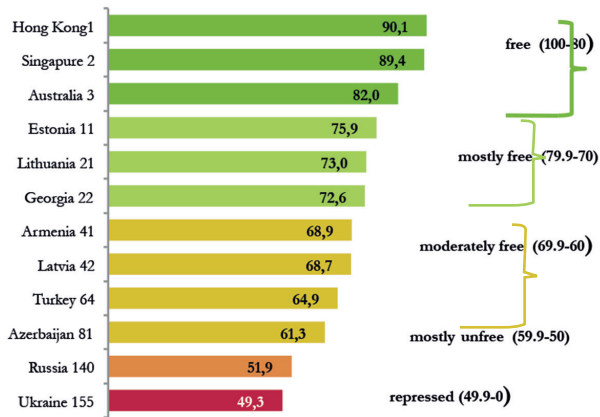
**“Index of Economic Freedom 2014” (Heritage Foundation) – 22<sup>nd</sup> place – Mostly Free 12<sup>th</sup> place in Europe (out of 43 countries in region)**

“Index of Economic Freedom 2013” (Fraser Institute) – 25<sup>th</sup> place (76<sup>th</sup> place in 2003)

Improved scores in:

- Size of Government – 52 (up by 31 steps)
- Sound Money – 53 (up by 9 steps)
- Freedom to Trade Internationally – 8 (up by 3 steps)
- Regulation – 27 (up by 5 steps)

## Index of Economic Freedom, 2014



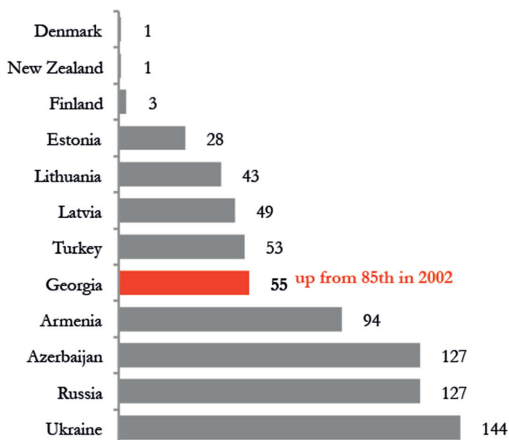
## CORRUPTION PERCEPTION INDEX

**“Corruption Perception Index 2013” (Transparency International) – 55<sup>th</sup> place (up from 85<sup>th</sup> in 2002)**

Improved positions because of:

- Highly effective reforms in earning public confidence
- Highly effective steps in improving country’s international image
- Decrease of petty corruption

## Corruption Perception Index, 2012



## GLOBAL ENABLING TRADE INDEX

**“Global Enabling Trade Index 2012”(World Economic Forum) – 38<sup>th</sup> place (amongst 132 countries)**

- Market Access – 9<sup>th</sup> position
- Border Administration – 33<sup>rd</sup> position
- Transport and Communication Infrastructure – 66<sup>th</sup> position
- Business environment – 50<sup>th</sup> position

## IN 2013 PAYING TAXES

The Global Picture’s “Ease of Paying Taxes”– 33<sup>th</sup> place out of 185 countries (up from 61 in 2011)

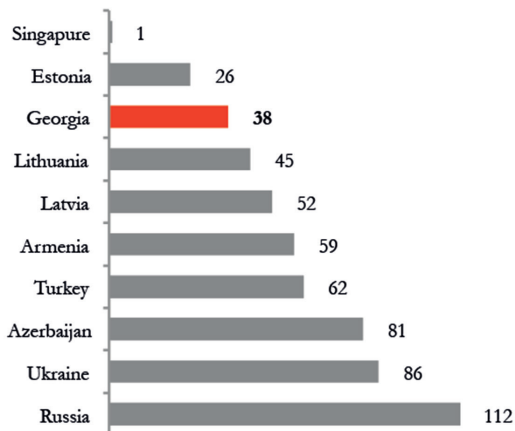
## “BEST COUNTRIES FOR BUSINESS 2012”

Forbes - 50<sup>th</sup> place out of 141 countries (up from 50<sup>th</sup> place in 2010 amongst 134 countries)

Improved position because of:

- Technology component
- Energy sector

## Global Enabling Trade, 2012

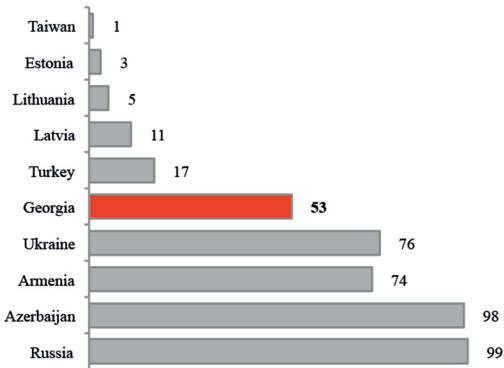


## “BERTELSMANN TRANSFORMATION 2012”

(Bertelsmann Foundation)

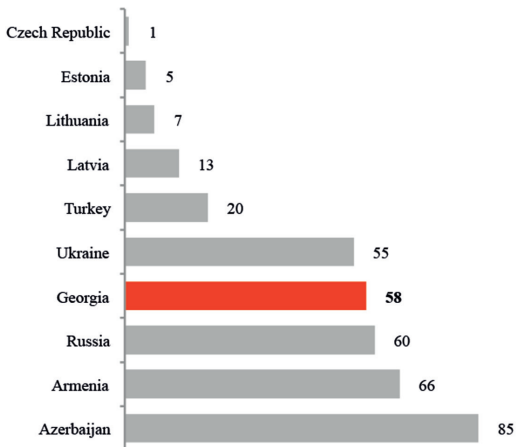
### Management Index, 2012

Management Index – 53<sup>rd</sup> place (up from 95<sup>th</sup> place in 2003)



### Status Index, 2012

Status Index – 58<sup>th</sup> place (up from 79<sup>th</sup> in 2003)



### “FITCH RATINGS 2012”

- Long-term foreign and local currency Issuer Default Ratings (IDRs) – “BB-” (in 2010 – “B+”)
- Short-term foreign currency IDR – “B”
- Country Ceiling – “BB”
- Unsecured debt - “BB-” (In 2010 - “B+”)
- Outlook – Stable

### **“STANDARD AND POOR’S RATINGS 2011”**

- Long-term foreign and local currency Issuer Default Rating (IDR) – “BB-” upgraded from “B+”
- Short-Term Sovereign credit ratings – ‘B’
- Transfer & Convertibility assessment – ‘BB’
- Outlook – Stable

### **“MOODY’S INVESTORS SERVICE 2012”**

- Not-Prime foreign and local currency issuer rating (affirmed) – Ba3
- Outlook - Stable

### **REFERENCES**

Georgian Legislation (can be viewed in CODEX):

1. Tax Code (17.09.2010)
2. Code for Food Safety and Free Movement (05.05.2012)
3. Code for Food/Animal Safety, Veterinary and Plant Protection (05.05.2012)
4. Law of Georgia on Entrepreneurial Activity (28.10.1994)
5. Law of Georgia on Licenses and Permissions (24.06.2005)
6. Law of Georgia on Free Trade and Competition (03.06.2005)
7. Law of Georgia on Assistance and Guarantees of Investing Activities (12.11.1996)
8. Law of Georgia on State Support to Investments (30.06.2006)
9. Law of Georgia on Author’s and Allied Rights (22.06.1999)
10. Law of Georgia on Patent (05.02.1999)
11. Law of Georgia on Trade Marks (05.02.1999)
12. Law of Georgia on Origin of Goods and Geographic Indications (22.06.1999)
13. Law of Georgia on Commodity Exchange and Exchange Trade (23.06.1999)
14. Law of Georgia on State Procurement (20.04.2005)

### **INTERNATIONAL CONVENTIONS AND AGREEMENTS**

15. General Agreement on Tariffs and Trade – GATT (15.04.1994)
16. General Agreement on Trade in Service GATS (15.04.1994)
17. Trade Related Intellectual Property Aspects TRIPS (15.04.1994)
18. Technical Barriers to Trade TBT (15.04.1994)
19. Sanitary and Fitosanitary Measures SPS (15.04.1994)
20. International Convention on Plant Protection (12.11.1997)
21. CIS Multilateral Agreement on Establishment of Free Trade Zone (15.04.1994)
22. free trade agreement between Georgia and the Republic of Turkey
23. GUUAM Multilateral Agreement on Establishment of Free Trade Zone (15.04.2002)
24. Partnership and Cooperation Agreement between Georgia and EU (22.04.1996)
25. Trade and Investment Framework Agreement (TIFA) between Georgia and US (20.06.2007)
26. US-Georgia Charter of Strategic Partnership (09.01 2009)

### **Other**

27. Working Party Report on Georgia’s accession to the WTO (1999)

# ATTACHMENT 1

## SPECIAL FORM FOR GENERAL INFORMATION ABOUT HOST COUNTRY

### 1. GENERAL INFORMATION

#### **GEOGRAPHY**

- Area and Population (list by categories)
- Official language
- Main Industrial and commercial regions/regional centres
- Climate and peculiarities of geographical area

#### **STRUCTURE OF STATE AND GOVERNMENT**

- The constitutional order of the state (republic, federal, monarchy or other)
- Sharing of responsibilities between central and local government
- Political climate
- Economic and social policy
- Main state bodies implementing economic policy of state

#### **MAIN ECONOMIC DATA**

- National currency, exchange rate, degree of stability
- Balance of payment, foreign exchange reserves, foreign debt
- GDP and GDP pc
- Inflation rate, consumer and wholesale price indexes
- Industrial Share in GDP
- Unemployment rate

### 2. MARKET ACCESS

#### **MAIN IMPORT POLICY**

- Preferential regimes (membership of the Customs Union, participation in free trade area or a specific trade regime)
- Non-tariff barriers (import licenses, permissions and quotas - requirements and procedures)
- import tariffs (classification, rates)
- Special customs conditions/regimes

## **REGULATIONS CONNECTED WITH TRADE**

- Licensing
- Procedures and rules for income transfers
- Capital repatriation
- Currency conversion ability
- Anti-Dumping and de-minimis regulation mechanism
- Local taxes
- Political restrictions/bans
- Regulations for food and health security
- Labeling and packaging requirements on domestic market
- List of perspective bilateral cooperation directions

## **TRANSPORT AND COMMUNICATIONS**

- Maritime transport (main ports, annual capacity, existing sea connections with Georgia, etc)
- Air Transport (International and domestic airports, annual statistics of passengers and cargo, existing air connection with Georgia)
- Road Transport (length of main roads and highways, shipment companies, annual statistics for cargo turnover, perspectives and possibilities for road connection with Georgia)
- Railway transport (length of railroads, railroad gauge, annual transportation capacity, railroad connection with Georgia)

## **FOREIGN TRADE DATA**

- Total volume of export and import
- Trade turnover
- Import (According the funding sources)
- Unfair competition and trade related barriers
- Taxes and Duties
- Legislation

## **3. OTHER USEFUL INFORMATION**

- Technical regulations (local measuring standards, electricity and etc)
- Main sectors of the Industry and its annual capacity/productivity
- List of local producers, trade unions and trade associations
- List of advertisement/promoting agencies and media companies
- List of business consulting companies (marketing, trade facilitation, advertisement)
- List of leading banks
- General responsibilities and work description of state bodies and agencies, which are responsible for economic issues

- Free economic zones
- Varieties of local economic profile NGO's, their work specifics, description of structure (national and regional Chambers of Commerce, Industrial unions and etc)

### **MAIN EXPORT PRODUCTS**

- List of exported products, indicating annual volume and value for each product categories
- List of export countries, indicating volume and value for each country

### **MAIN IMPORT PRODUCTS**

- List of imported products, indicating annual volume and value for each product categories
- List of import countries, indicating volume and value for each country

### **TRADE WITH GEORGIA**

- Export to Georgia, indicating annual volume and value for each product categories
- Import from Georgia, indicating annual volume and value for each product categories

# ATTACHMENT 2

## FORM OF THE ANNUAL ECONOMIC ACTIVITIES REPORT FOR GEORGIA'S DIPLOMATIC MISSION ABROAD

### TRADE - ECONOMIC OVERVIEW OF THE HOST COUNTRY

- Main directions of the national economic policy, overview of the objectives and plans, general overview of the host country's economic development plan
- Main economic achievements during the reporting period
- Overview of the import policy and priorities, and changes to the previous reporting period
- Country's foreign trade (volume of import - export, trends, main products and providers), indicating the areas which show an increase dynamics
- Participation of international financial institutions in investment and development projects on local market

### BILATERAL ECONOMIC RELATIONS

- Overview of bilateral statistical data
- Basic overview about the importance of domestic market for Georgia (market size, growth prospects, political situation, etc.)
- Overview of local financial system, marketing and distribution systems, incentives mechanisms, characterization of customer groups and organizations
- Analysis of advantages of competitors on local market
- Preparation of recommendations for Georgian exporters regarding the actions aimed local market access and existing market share increase
- Overview of host country's tourism sector development level and its share in GDP. Possibilities of bilateral cooperation in tourism sector
- Work program of previous reporting period, after reporting period regarding to the objectives of the chronological analysis of the forecasts for identifying the factors which affect the quality and non-compliance with the goals set out in their elimination
- Justification of any change in the future working plan and reasons for such a changes;
- Recommendations regarding the future reporting period

## OVERVIEW OF PERFORMED ACTIVITIES

- Overview of the economic orders / requests from Georgia (from the state sector, from exporters, and from other interested agencies, etc.), indicating quantity of such requests and implementation status
- Overview of the requests received from the host country's representatives regarding economic development of Georgia, indicating implementation status
- Overview of the visits and events (in economic field) to Georgia from host country (timing, quantity, size and level of delegation, aim of the visit or event, results)
- Proposals and offers regarding the improvement of bilateral trade relations
- List of new importers from Georgia, indicating their activities
- List and brief description of the agreements (in the field of investment, trade, taxation and etc) prepared and carried out with the direct participation of the economic sector of diplomatic mission of Georgia
- List and brief description of the events aiming attraction of FDI to Georgia and results of such events
- List and brief description of the events aiming promoting the tourism potential of Georgia and results of such events
- The list of all exhibitions and fairs, indicating participation of Georgian side and preparation of the recommendations for the next year
- The amendments and changes to the existing bilateral legal framework
- List of obtained personal contacts from the local business community, government and state agencies, indicating their personal responsibilities

# ATTACHMENT 3

## POTENTIAL INVESTORS IN GEORGIA GUIDE

### RESOURCES

- Geographical location
- Natural resources (raw materials, energy resources, water resources, conditions for land use and expenditures)
- Human resources (skilled labor, labor costs)
- Financial resources (internal and external funding opportunities, creditworthiness assessment)

### CHARACTERIZATION OF THE INTERNAL ENVIRONMENT

- Infrastructure (export advantages in terms of production - road, rail and maritime infrastructure development, quality, utilities (electricity, water) costs, environmental problems, telecommunications)
- Institutional infrastructure (banks, insurance system, custom services, etc.)
- Living conditions for foreigners (visa procedures, climatic features, schools, residence, etc.)

### INVESTMENT CLIMATE

- Political stability
- International ratings
- Monetary and economic stability
- Legislation regarding property rights for foreigners in Georgia
- Conditions for Investment promotion
- Investment project approval procedures
- Tax legislation (bills)
- Earnings and capital repatriation rules

### INVESTMENT OPPORTUNITIES

- Local investment organizations or industrial partners and the and preparation of investment projects and potential of its implementation