



## Doing Business in Georgia – An AmCham Perspective

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Located at the crossroads of Europe and Central Asia, Georgia is a bridge connecting several important economic regions with a total of **827 million people**. It is a key link in the shortest transit route between Western Europe and Central Asia for transportation of oil and gas, as well as dry cargo.



**Capital -Tbilisi**

**Area- 69,700 square meters**

**National Currency – Lari (GEL)**

**Population – 4.5 Million**

Georgians – 83.8%

Azerbaijanis – 6.5%

Armenians – 5.7%

Russians – 1.5 %

Abkhazians & Ossetians – 1.0 %

Others – 1.5%

## **Government:**

- Democratic semi-presidential republic
- The President is the Head of State and Prime Minister the Head of Government
- The supreme legislative body is the unicameral parliament elected every four years.
- 23 years of open economy to the world after gaining independence from the former Soviet Union
- Numerous economic reform initiatives and a strong legal system to protect investor rights have been undertaken to position the country as an attractive destination for foreign direct investment (FDI)

## **Economy:**

- Bridge between Europe and Asia
- Highly integrated with international markets
- Providing direct access to ~ 400 million market (with farther capacity of ~1 billion when Deep & Comprehensive Free Trade Agreement (DCFTA) with EU is utilized)
- GDP growth 4.8% (2014)
- GDP per capita US\$ 3680.8 (2014)
- Foreign Direct Investment was over USD 1 272.5 Million (2014).

Georgia is a member of several international organizations, including:

- The World Trade Organization (WTO)
- The United Nations (UN)
- The Organization for Security and Co-operation in Europe (OSCE)
- The International Monetary Fund (IMF)
- The Council of Europe
- The Organization of the Black Sea Economic Cooperation
- The Community of Democratic Choice
- The GUAM Organization for Democracy and Economic Development.

In June 2014 Georgia signed an Association Agreement with EU as well as DCFTA along with Ukraine and Moldova.

- **Hydro Power Hub**
  - Tremendous potential for renewable energy generation
  - Region's cheapest electricity supplier together with growing domestic demand and strong export capacity
  - Deregulated tariffs and license-free export opportunities
  - Modern transmission and cross-border infrastructure being developed
  - Pre-packaged investment projects
- **Tourism & Real Estate**
  - Tourism contributed 6.6% of GDP in 2014
  - Average growth rate of visitors coming to Georgia in 2007-2014 years was 23%. Number of visitors reached 5.6 Million in 2014
- **Regional Service Hub**
  - Ranks high among regional economies in terms of value added and trade
  - Services have major share of FDI inflow of ~ 41% in 2013

- **Manufacturing**

- Georgia offers competitive labor and energy costs, logistics network and business-friendly environment for serving the region, as well as certain raw materials. Average nominal salary in the manufacturing sector is 400 US\$/month. Furthermore, salaries can be expected to remain competitively low given the high level of unemployment in Georgia.
- With the establishment of Free Industrial Zones in Georgia, there are incentives and opportunities to produce and export goods with minimal tax burden, because in FIZ businesses are exempt from all tax charges except Personal Income Tax.
- Opportunities for assembly-type manufacturing.

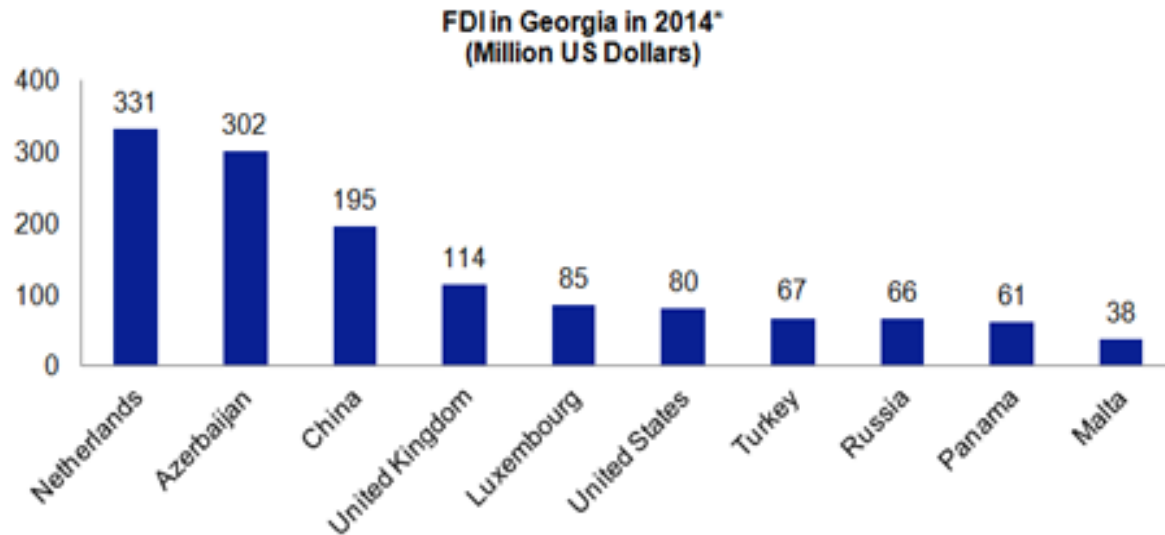
- **Agriculture**
  - Agriculture and agribusiness accounts for 8.4% of GDP, 53% of employment mostly in subsistence farming
  - Traditionally Georgia has strengths in wine, nuts, fruits which account for more than 60% of agricultural exports
  - Import substitution opportunities – meat, dairy products, wheat, vegetables, fruits, etc.
- **Regional Logistics Corridor**
  - Georgia serves as an entry gate to the Caucasus and Central Asia as well as a stepping stone to the region (and to the EU)
  - Around 80% of port cargo and 60% of freight rail are transits
  - Leveraging its location, Georgia's transport economy can benefit from land-locked resources, large addressable transit flows, and growing economies

It is believed that long-term growth will stem from Georgia's role as a transit state for pipelines. Three pipelines currently exist:

- **The *Baku-Supsa pipeline*** - runs 814 km from Baku to Supsa (44km in Azerbaijan and 370 km in Georgia) and transports "early oil" from the Caspian Sea region off the coast of Azerbaijan. Initial line capacity is 115,000 barrels per day but could be increased to approximately 200,000 barrels per day with additional pumping stations.
- **The *Baku-Tbilisi-Ceyhan (BTC) oil pipeline*** - extends 1750 km across Azerbaijan, Georgia, and Turkey and is designed to transport up to one million barrels of Azeri oil per day. The oil is transported via Georgia to the Turkish port of Ceyhan.
- **The *South Caucasus Pipeline (SCP)*** - project was completed in late 2006 and aimed to transport gas from the Shah Deniz field in the Azerbaijan through Georgia on to the Georgia-Turkey border. The initial capacity of the pipeline is 8.8 billion cubic mete (bcm) of gas per year. In 2014 South Caucasus Pipeline Expansion project was launched which will link this pipeline into other new pipelines to provide gas into Turkey and the European Union.

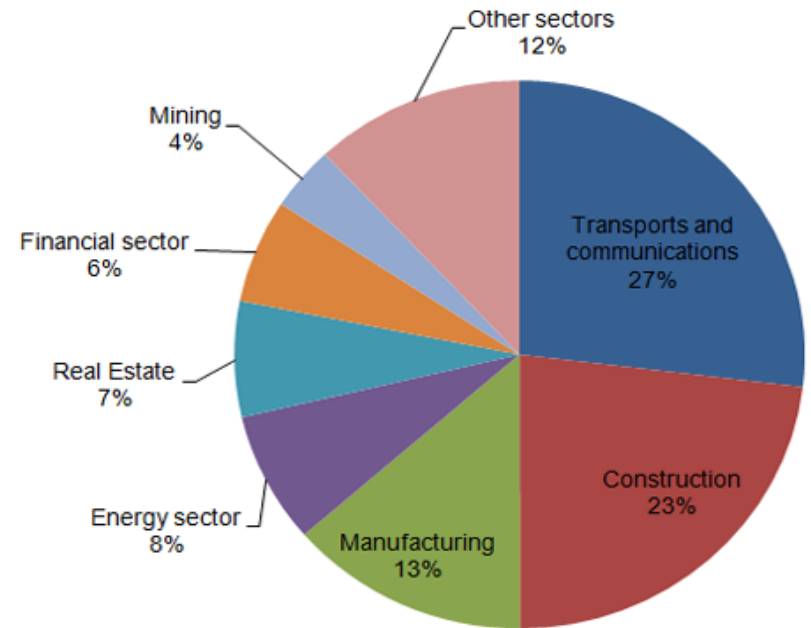


# Foreign Direct Investments in Georgia



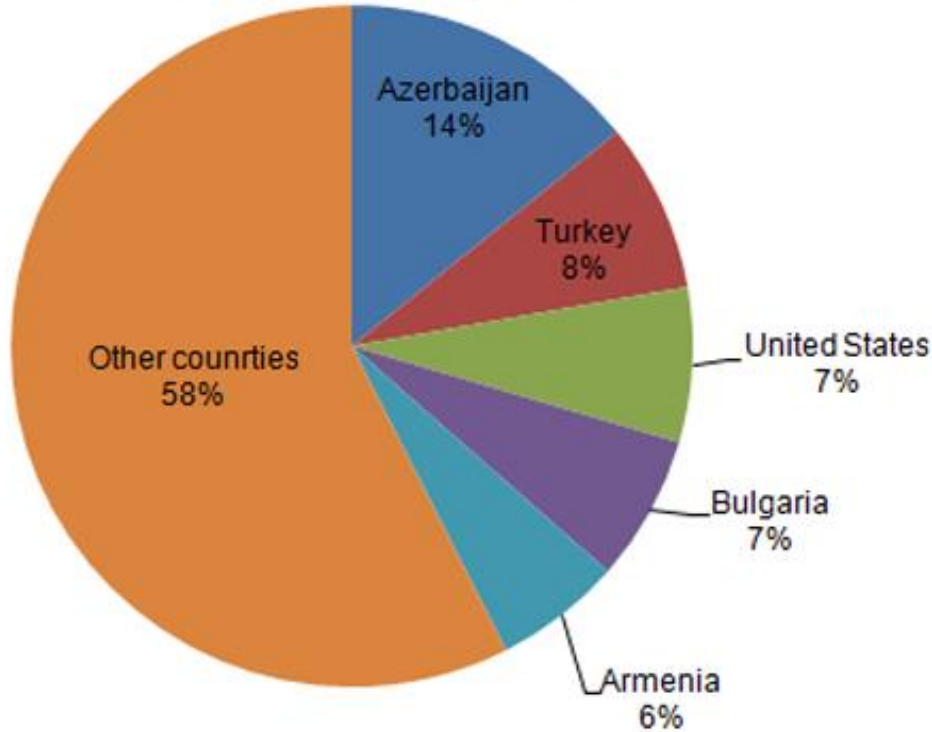
\*Preliminary data.

**FDI by major economic sectors in 2014\***



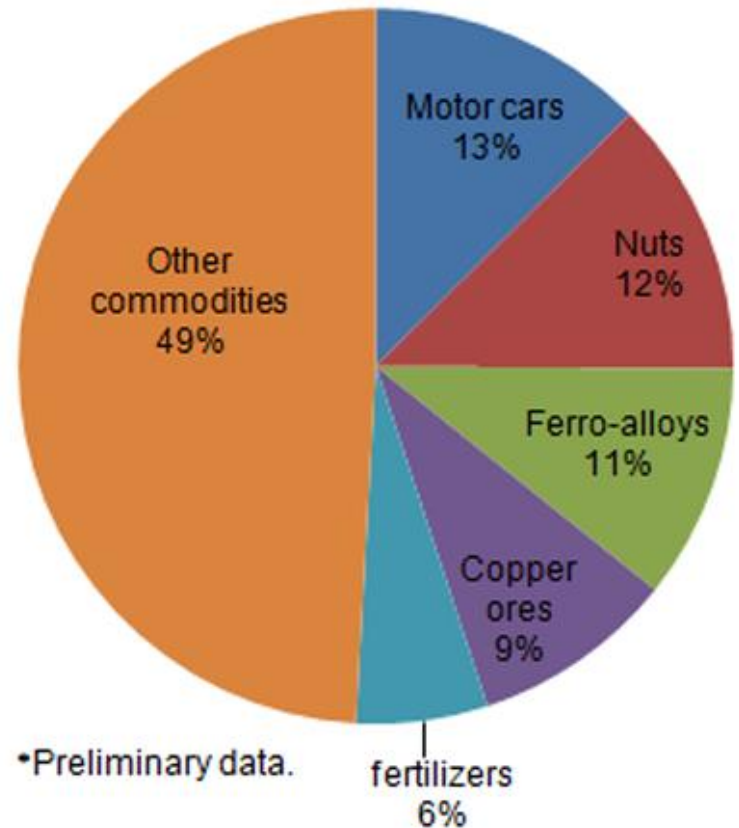
\*Preliminary data.

Share of the top trading partners in total exports  
January-February 2015\*



\*Preliminary data.

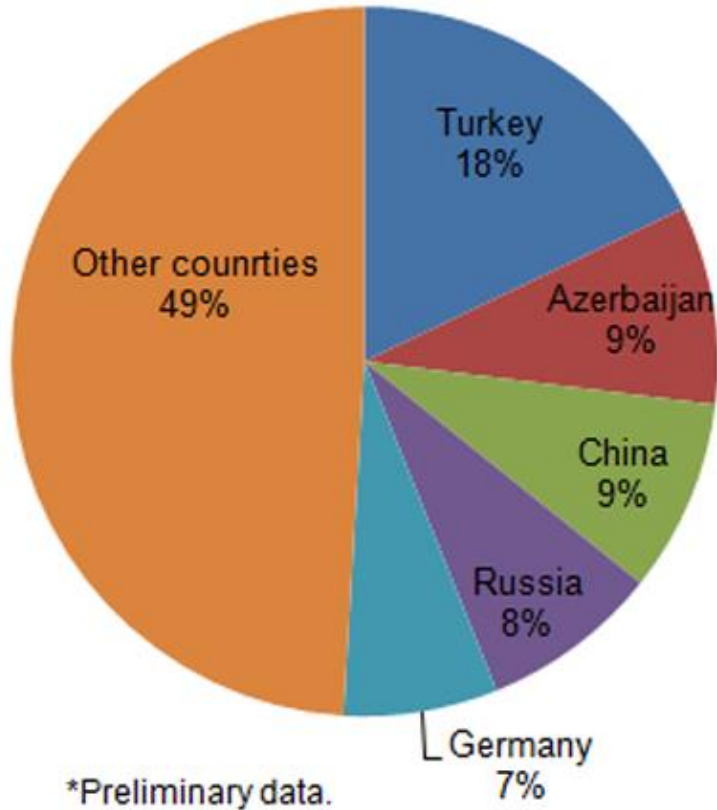
Share of major commodity positions by exports  
January-February 2015\*



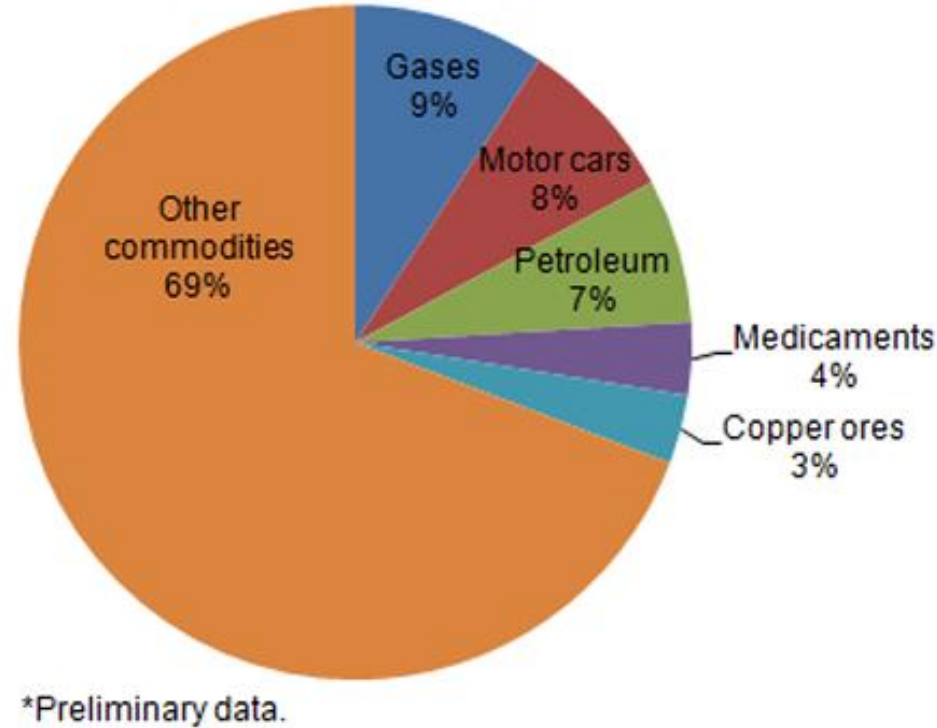
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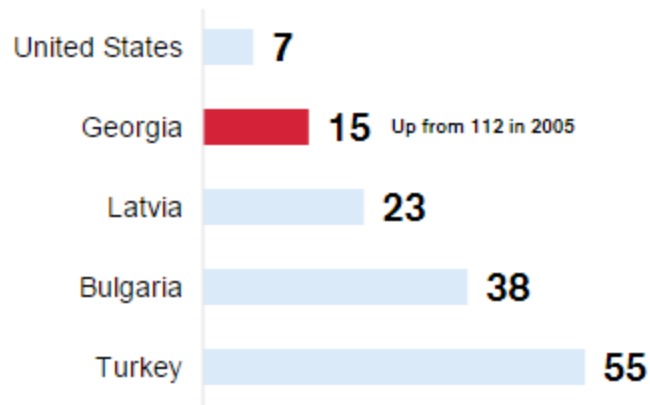
# External Trade - Import

Share of the top trading partners in total Imports  
January-February 2015\*



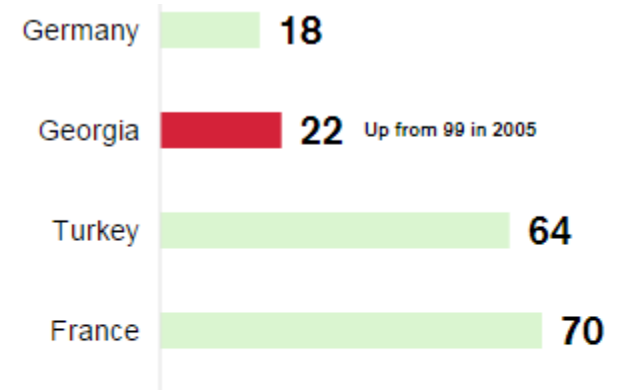
Share of major commodity positions by imports  
January-February 2015\*





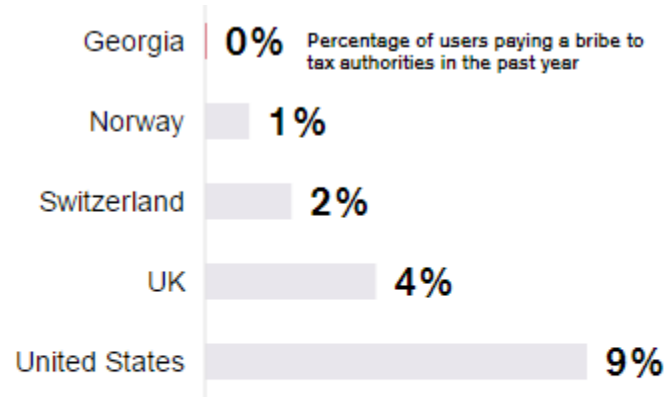
## Ease of Doing Business

Source: World Bank, 2014 (Rank out of 189 countries)



## Index Of Economic Freedom

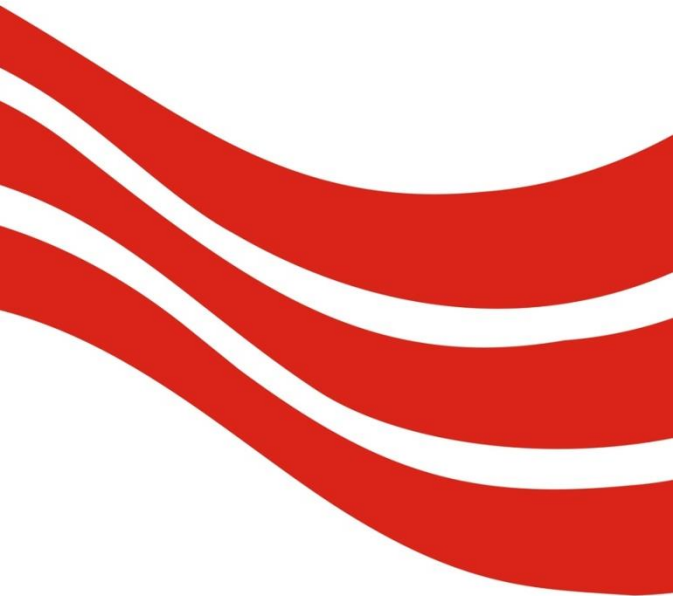
Source: The Heritage Foundation, 2014 (Rank out of 178 countries)



## Global Corruption Barometer

Source: Transparency International 2013 (GLOBAL CORRUPTION BAROMETER)

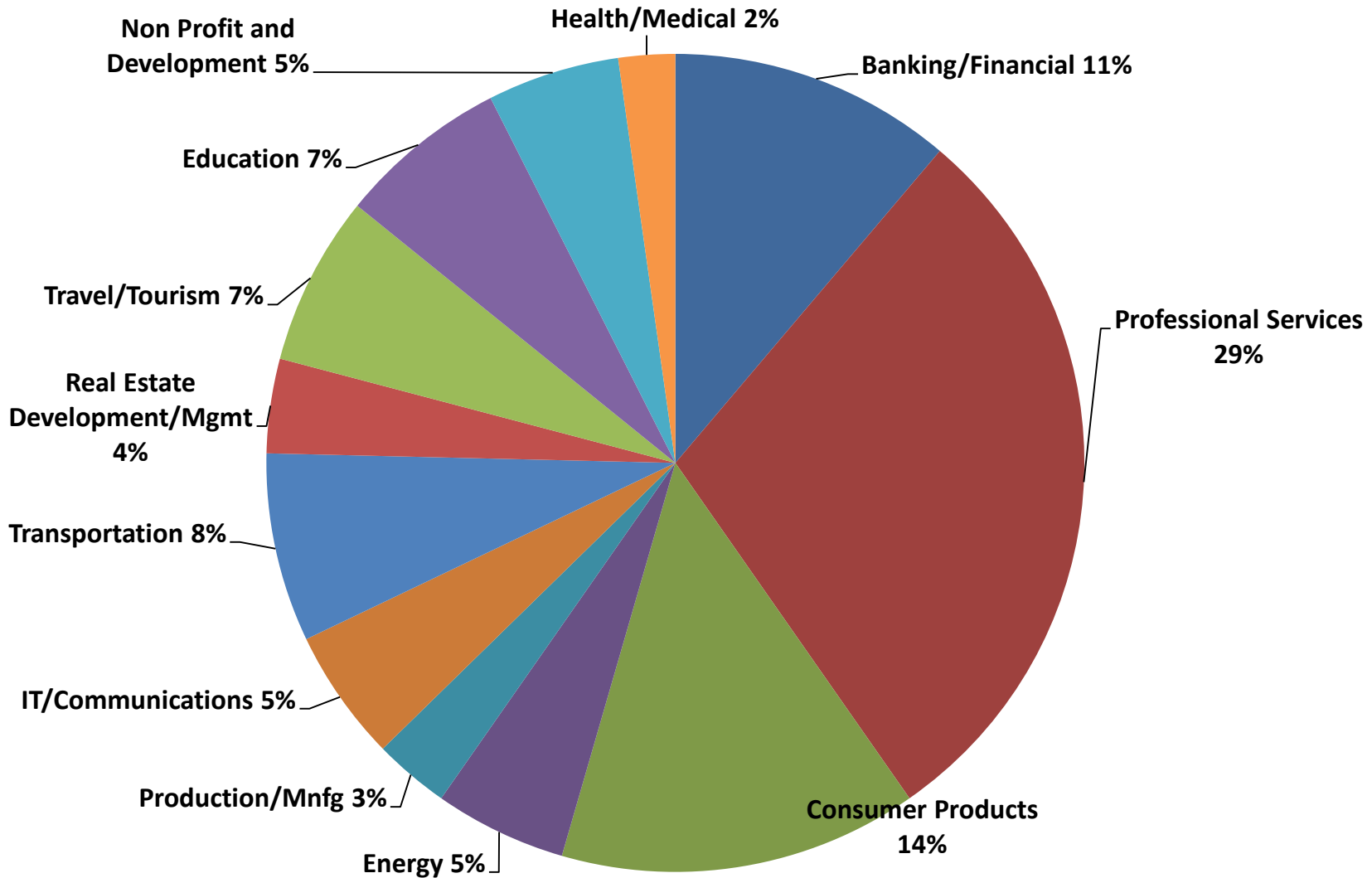
- Independence of the Judiciary
- Labor Code Reform
- Competition Law
- Empowerment of Parliament
- Checks & Balances of Government Branches
- Georgia 2020 Economic Plan
- Investor Incentives
- Economic Council



**AmCham Georgia**

- Founded in September 1998 (joined US Chamber in 2000)
- Independent and self-supporting organization, dependent on dues from its members, companies operating in Georgia
- The largest and the most active foreign business association and chamber in Georgia with over 160 members
- Up to 30 roundtable meetings, luncheons and other events initiatives every year
- Actively engaged in policy issues on behalf of its members
- Benefits from a strong relationship with the US Embassy

# Members by Sectors





- Analyzing and working on changes in policy through active **committees**
- **Networking** opportunities for member companies at regular social events
- Helping members to stay **informed** about what is happening in Georgia, the region and globally that affects their businesses
- **Magazine** Investor.ge, the only business and investment magazine published in English in Georgia
- Point of contact for existing and new potential **investors** in the country

Our committee work acts as a platform for intensive analyses of particular sectors and business-related issues. By becoming involved in the committees, members can engage in constructive dialog with the government on a range of subjects.

- Commercial Law and Tax (CLT)
- Agribusiness
- Trade and Transport
- IT and Telecom
- Corporate Social Responsibility (CSR)
- HR and Training
- Tourism
- Energy, Mining & Utilities (EMU)



**Thank You**