

Custom Report Excerpts

Georgia

Executive Summary

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

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

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

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

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

Table 1

	Year	Index or Rank	Website Address
TI Corruption		19 of	

Corruption Perceptions Index	2015	40 of 168	http://www.transparency.org/cpi2015#results-table
World Bank's Doing Business Report "Ease of Doing Business"	2015	24 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	73 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2015	35	http://www.geostat.ge/index.php?action=page&p_id=140&lang=eng
World Bank GNI per capita	2014	USD 3,720	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) of \$4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>.

Georgia's Millennium Challenge Corporation Country Scorecard is available online: <https://assets.mcc.gov/scorecards/score-fy15-english-georgia.pdf>

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

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

Other Investment Policy Reviews

The Organization for Economic Cooperation and Development (OECD) conducted an abbreviated Investment Policy Review in 2014, based on its Policy Framework for

Investment.

In January 2016, the World Trade Organization (WTO) concluded its second Trade Policy Review of Georgia, updating the organization's assessment of Georgia's trade and investment policies since the previous review in 2009. In this year's review, WTO members reiterated their approval of Georgia's broadly open, transparent and predictable trade and investment regimes. During the review period, Members noted that Georgia had undertaken an impressive range of reform initiatives aimed at streamlining, liberalizing and simplifying trade regulations and their implementation. The review lauded Georgia's trade openness and commitment to the multilateral system through its responsible contribution to the work of the WTO.

WTO Members commended Georgia for the ratification of the WTO's Trade Facilitation Agreement, which would benefit Georgia's role as a trade transit corridor in the region, and the related notification to the WTO of Category A, B and C commitments. Members also noted that Georgia was an observer to the Government Procurement Agreement and was currently assessing the prospects for joining the Agreement. Members welcomed the announcement that Georgia was considering joining the expanded Information Technology Agreement, which would constitute a significant step forward for attracting further investment. (see more at https://www.wto.org/english/tratop_e/tpr_e/tp428_crc_e.htm)

Laws/Regulations of Foreign Direct Investment

The U.S.-Georgia Bilateral Investment Treaty (BIT), in force since 1994, guarantees U.S. investors national treatment and most favored nation treatment. Exceptions to national treatment have been carved out for Georgia in certain sectors such as; maritime fisheries; air and maritime transport and related activities; ownership of broadcast, common carrier, or aeronautical radio stations; communications satellites; government-supported loans, guarantees, and insurance; and landing of submarine cables.

Georgia's legal system is based on civil law. Legislation governing foreign investment includes the Constitution, the Civil Code, the Tax Code, and the Customs Code. Other relevant legislation includes the Law on Entrepreneurs, the Law on Promotion and Guarantee of Investment Activity, the Bankruptcy Law, the Law on Courts and General Jurisdiction, the Law on Limitation of Monopolistic Activity, the Accounting Law, and the Securities Market Law.

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

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

Trademarks. Financial sector legislation includes the Law on Commercial Banks, the Law on National Banks, and the Law on Insurance Activities.

Business Registration

A. In general, the process of registering a business in Georgia is quick and streamlined, and Georgia tops the list of countries in the World Bank's Doing Business Report with regard to this particular component. The registration process takes only one day to complete. Registration of companies is carried out by the [National Agency of Public Registry](#) (NAPR) (webpage www.napr.gov.ge is in Georgian only), located in the Public Service Halls (PSH) under the Ministry of Justice of Georgia. The webpage of the Public Service Halls (<http://www.psh.gov.ge/main/page/2/85>) outlines procedures and requirements for business registration in English as well. For registration purposes, the law does not require a document verifying the amount or existence of the charter capital. A company is not required to complete a separate tax registration. Pursuant to Georgian legislation, the initial registration includes both the state and tax registration together. For several years running, Georgia is one of the easiest places in the world for registering property according to its high ranking in the World Bank's, Doing Business Report. The Public Registry provides purchase title registration in four business days for GEL 50 (USD 25), and offers expedited registration in 1 business day (1-2 calendar days) for GEL 150 (USD 75). Electronic extracts are available from the Georgian National Agency of Public Registry (NAPR) website for 10 to GEL 40 (USD 5-20) depending on the urgency.

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

Business registration process consists of two procedures:

1) Paying the registration fee and registering the company with the Entrepreneurial Register and obtaining an identification number and certificate of state and tax registration. Registration fees are: GEL 100 (around USD 45) for regular registration, and GEL 200 (USD 90) for expedited registration, plus GEL 1 (bank charges).

2) Opening a bank account (free of charge).

B. The Georgian National Investment Agency is a governmental institution accountable to the Prime Minister of Georgia. It plays a role of moderator between foreign investors and the Government of Georgia, ensuring that the investor receives different types of updated information and has means of effective communication with the Government bodies. The agency's webpage offers useful information (<http://www.investingeorgia.org/en/>), and any investor is eligible to use the Agency's services free of charge.

C. A micro-size business is defined as an individual entrepreneurship (economic activity of an individual, not involving employment of others), with annual income from this business not exceeding GEL 30,000 (around USD 13,000); A small business is defined as entrepreneurship with total annual proceeds not exceeding GEL 100,000 (around \$44,000). Such businesses enjoy reductions and VAT exemptions, which are equally applicable to local and foreign entities. In addition, there are a number of state programs providing benefits to micro and small enterprises.

Industrial Promotion

In 2013, Georgia launched the Georgian Co-Investment Fund (GCF) to promote foreign and domestic investments. GCF was announced as a reported USD 6 billion (equal to approximately 38 percent of Georgia's GDP) private investment fund, with the mandate to provide investors with unique access through a private equity structure to opportunities in Georgia's fastest growing industries and sectors. The GCF includes the international and domestic investment communities as Limited Partnerships (LPs), including sovereign wealth funds, major global corporations and private family offices from countries

including United Arab Emirates, China, Azerbaijan, Turkey, and Kazakhstan. Ivanishvili's personal contribution to the fund is reportedly USD 1 billion. The remaining 85 percent is held by the Abu Dhabi Group, the Ras Al Khaimah Investment Authority (both United Arab Emirates), Milestone International Holding from China, Mr. Alexander Moshkevich from Kazakhstan, capital from the estate of the late Badri Patarkatsishvili, Batumi Industrial Holdings (a subsidiary of KazTransOil), Çalik Holdings from Turkey, and the State Oil Fund of Azerbaijan (not SOCAR but SOFAR).

GCF is registered offshore; it intends to attract additional capital from other sources. Approximately 80 percent of the fund will be invested in Georgia over a period of five years (2013-2018). About 20 percent will be invested internationally. Priority areas are: energy; hospitality and real estate; agriculture and logistics; and manufacturing. Primary allocations have been announced from the outset:

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

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

- Sale to existing co-owners or partners of the project;
- Sale to external third parties;
- IPO on local and international stock exchanges.

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

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

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

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

Limits on Foreign Control

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

enterprises.

Privatization Program

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

Screening of FDI

In 2005, the government eliminated 84 percent of existing licensing requirements and created a one stop shop for licenses. By law, the government has 30 days to make a decision on licenses, and if the licensing authority does not state reasonable grounds for rejection within that time, the license or permit is deemed to be issued. The government only requires licenses for activities that affect public health, national security, and the financial sector. The government currently requires licenses in the following areas: weapons and explosives production, narcotics, poisonous and pharmaceutical substances, exploration and exploitation of renewable or non-renewable substances, exploitation of natural resource deposits, establishment of casinos and gambling houses and the organization of games and lotteries, banking, insurance, securities trading, wireless communication services, and the establishment of radio and television channels.

The law requires the state to retain a controlling interest in air traffic control, shipping traffic control, railroad control systems, defense and weapons industries, and nuclear energy.

Only the state may issue currency, banknotes, and certificates for goods made from precious metals, import narcotics for medical purposes, and produce control systems for the energy sector.

Competition Law

The agency in charge of reviewing transactions for competition-related concerns is the Competition Agency, an independent legal entity of public law, subordinated to the Prime Minister of Georgia. The agency aims to promote market liberalization, free trade, and competition. (www.competition.ge)

Georgia has also signed a number of international agreements containing competition provisions including the Partnership and Cooperation Agreement between the EU and Georgia, which was superseded by the EU-Georgia Association Agreement (AA) signed in June 2014 and ratified by the Georgian Parliament in July 2014.

The Deep and Comprehensive Free Trade Area (DCFTA) within the AA goes further than most FTAs, with elimination of non-tariff barriers and regulatory alignment, as well as binding rules on investments and services. The AA/DCFTA aims to integrate Georgia into the EU market, with priorities for cooperation in areas such as foreign and security policy as well as justice and freedom, leaving open the way for future progressive developments.

2. Conversion and Transfer Policies

Foreign Exchange

Georgian law guarantees the right of an investor to convert and repatriate income after payment of all required taxes. The investor is also entitled to convert and repatriate any compensation received for expropriated property. Georgia has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF Articles of Agreement, effective as of

December 20, 1996, undertaking to refrain from imposing restrictions on payments and transfers for current international transactions and from engaging in discriminatory currency arrangements or multiple currency practices without IMF approval. By accepting the obligations of Article VIII, Georgia indicates to the international community that it will pursue sound economic policies that will obviate the need to use restrictions on the making of payments and transfers for current international transactions. Parliament's 2011 adoption of the Act of Economic Freedom further reinforced this provision.

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

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

Georgia has a floating exchange rate. The Central Bank (National Bank of Georgia) does not intend to fix the exchange rate regime and does not generally intervene in the foreign exchange market, except under certain circumstances when the fluctuation has a high magnitude. Due to external shocks that led to a sharp depreciation of the GEL in Nov/Dec 2014, the Bank intervened four times in 2015.

3. Expropriation and Compensation

The Georgian Constitution protects property ownership rights, including ownership, acquisition, disposal, and inheritance of property. Foreign citizens living in Georgia possess rights and obligations equal to those of Georgia citizens. The Law of Procedures for Forfeiture of Property for Public Needs establishes the rules for expropriation. When the Georgian government uses its eminent domain powers to acquire property it is done for certain enumerated public needs, amidst adequate and fair compensation to the property owners. Recourse to the courts is available if necessary.

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

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

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Georgia's legal system is based on civil law. The Ministry of Justice's Public Service Halls provide property registration.

Georgia does not have an integrated commercial code. There are, however, a number of different laws and codes (Tax Code, Law on Entrepreneurs, and Law on Insolvency) that constitute the legislative body for regulating the commercial activity in Georgia.

Bankruptcy

The World Bank 2016 Doing Business report upgraded Georgia's ranking in the 'Resolving Insolvency' category (Georgia ranked 101 out of 189 economies), assessing that Georgia expedited the process of resolving insolvency by establishing or tightening time limits for all insolvency-related procedures, including auctions. However, the bankruptcy process remains clumsy. Various assessments of Georgia's insolvency law by the World Bank, the European Bank for Reconstruction and Development (EBRD) and USAID cited numerous systemic weaknesses and deficiencies with the law and its enforcement. The Ministry of Justice has been slow to implement the related reforms and so far, no substantial changes to the legislation have been submitted to the Parliament.

Investment Disputes

Georgian investment law allows disputes between a foreign investor and a government body to be resolved in Georgian courts or at the International Centre for the Settlement of Investment Disputes (ICSID convention); unless a different method of dispute settlement is agreed upon between the parties. If the dispute cannot be heard at ICSID, the foreign investor can submit the dispute to ad hoc international arbitration under United Nations Commission for International Trade Law (UNCITRAL model law) rules. The right to use ICSID or UNCITRAL model law is guaranteed under the U.S.-Georgia Bilateral Investment Treaty.

Georgia is a signatory to the convention on the Recognition and Enforcement of Foreign Arbitration Awards (1958 New York Convention). The Ministry of Justice oversees the government's interests in arbitrations between the state and private investors.

Disputes over property rights have at times undermined confidence in the impartiality of the Georgian judicial system and rule of law, and by extension, Georgia's investment climate. The government identified judicial reform as one of its top priorities and Parliament has passed reforms aimed at strengthening judicial independence. In May 2013, parliament reorganized the High Council of Justice, the institution charged with overseeing the administration of the judiciary, to make it more independent and free from political considerations.

Over the past 10 years, there have been five investment disputes involving U.S. citizens, and all of them were resolved through arbitral awards or out-of-court settlements.

International Arbitration

Georgia's Law on Arbitration went into force on January 1, 2010. The law is based on the UNCITRAL Model Law.

Georgia has signed bilateral investment treaties (BIT) with over 30 countries including

the U.S.

ICSID Convention and New York Convention

Since 1992, Georgia is a member state to the International Centre for Settlement of Investment Disputes (ICSID Convention), and a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention)

Georgia must accept international arbitration and recognize arbitral awards. The Ministry of Justice oversees the government's interests in arbitrations between the state and private investors.

Duration of Dispute Resolution

While the law limits the duration of investment/commercial disputes to 15-18 months, in some cases, primarily due to a shortage of specialized judges, proceedings have lasted up to three years.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Georgia has been a member of the World Trade Organization (WTO) since 2000 and consistently meets the Agreement on Trade Related Investment Measures (TRIMs) requirements and obligations.

In January 2016, the WTO announced that Lesotho and Georgia are the two newest members to have ratified the Trade Facilitation Agreement (TFA). The WTO Secretariat received the countries' instruments of acceptance on January 4th. These two ratifications bring to 65 the number of WTO members that have formally accepted the TFA.

Investment Incentives

Low labor costs contribute to the attractiveness of Georgia as a foreign investment destination. It is also increasingly recognized as a regional transportation hub that provides access to the New Silk Road trade corridor linking Asia and Europe.

Georgia's free trade regimes with a number of regional countries, as well as the recently signed Association Agreement with EU and related Deep and Comprehensive Free Trade Agreement, provide easy access for goods produced in Georgia to foreign markets. Foreign investors can benefit from these agreements if their investments are targeted at the production of goods to be exported to these markets.

Research and Development

Georgia's Innovation and Technology Agency (GITA) has developed research and innovation centers across Georgia and provides training in a variety of technical fields. More information is available at: <http://gita.gov.ge/eng.html>

In December 2015, the Government of Georgia launched the "Tbilisi Technology Park Free Industrial Zone" a large-scale project aimed at developing technology and innovation. The Technology Park is foreseen to be a place for business and inventors to cooperate. It will also give Georgia an opportunity to create local branches of international companies and attract foreign investments. The new facility consists of small incubators, educational centers and laboratories, large offices for companies, conference rooms and recreational areas.

Performance Requirements

Performance requirements are not a condition of establishing, maintaining, or expanding an investment, but have been imposed on a case-by-case basis in some privatizations. Conditions include: commitments to maintain employment levels or to make additional investments within a specified period of time. The scope and time limit on licenses to

extract natural resources have been a topic of dispute, and the Ministry of Energy has rescinded several mining licenses then re-auctioned them. In other instances, there have been disputes between the government and concessioners regarding production-sharing agreements. While many privatizations have proceeded smoothly and regularly, there are allegations that the previous government used non-fulfillment of performance requirements to justify rescinding privatizations and re-selling enterprises, usually for higher prices, sometimes to the benefit of other interested parties. Most types of performance requirements are prohibited by the U.S.-Georgia Bilateral Investment Treaty.

Data Storage

The government does not follow forced localization policy; foreign investors have no obligation to use domestic content in goods or technology.

In addition, there are no requirements for foreign IT providers to turn over source codes and/or provide access to surveillance.

The Data Exchange Agency (DEA), a principle entity of the Ministry of Justice, aims to coordinate e-governance development processes data exchange infrastructure, unified governmental networks, informational and communication standards, and cybersecurity policy. The DEA requires any company managing critical data to implement a number of security protocols to protect that information. (www.dea.gov.ge)

6. Protection of Property Rights

Real Property

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

The government has developed an electronic registry system for recording land titles and is cooperating with international donors to improve land cadaster in order to promote the development of Georgia's land market. Only 25% of land in Georgia has a clear title, and the government has suggested set of measures to simplify land registration and title clarification processes.

Foreign individuals and companies may buy non-agricultural land in Georgia. However, Parliament has amended legislation to place some new restrictions for non-Georgian citizens (including Georgian entities with foreign minority shareholders) from purchasing or inheriting agricultural land. According to the new bill, foreigners may own agricultural land only if they: inherit the land; co-own the land through marriage to a Georgian citizen or by being a member of a Georgian citizen household; or hold a residence permit. If foreign agricultural land owners can no longer meet the requirements for agricultural land ownership, the alien must sell the agricultural land within six months or the government could seize the land. Also, agricultural plots owned by foreigners must be no larger than 20 hectares. For entities founded by foreigners, the land plot is limited to 200 hectares. Restrictions on land plot size do not apply to international financial institutions, commercial banks and microfinance organizations. Lastly, the bill stipulates that all agricultural land sales to foreigners require a notarized contract. The notary must check if the alien, or the entity registered by an alien under Georgian jurisdiction, meets all the legal requirements for agricultural land ownership.

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

Intellectual Property Rights

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

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

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

In January 2015, the Government of Georgia and Microsoft signed an agreement for the sale of Microsoft's Genuine OS Licenses and Enterprise Licensing for all Georgian government workstations. Georgia will be the first post-Soviet country to have legal, licensed Microsoft programs.

Georgia is not listed in USTR's Special 301 report. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

- Charles F. Seten
- Economic Officer
- (995) 32 227 7629
- SetenCF@state.gov

For a list of lawyers in Georgia, please visit
http://georgia.usembassy.gov/list_of_attorneys.html.

- American Chamber of Commerce in Georgia
- 36a Lado Asatiani St., 0105, Tbilisi, Georgia
- Tel: (995) 32 222 6907
- E-mail: amcham@amcham.ge

7. TRANSPARENCY OF THE REGULATORY SYSTEM

The Georgian government has committed to greater transparency and simplicity of regulation. The government publishes laws and regulations in Georgian in the official gazette, the Legislative Messenger. Since 2004, the government has reduced the number of taxes from 22 to 6. The tax on corporate profits is 15 percent. The Value Added Tax is 18 percent. The tax on personal income is 20 percent. The dividend income tax rate is 5 percent. Most goods, except for some agricultural products, have no import tariff. For those with tariffs, the rates are 5 or 12 percent, except in cases where FTAs exist.

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

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

International accounting standards became binding for joint stock companies in Georgia as of January 1, 2000. For other institutions, such as banks, insurance companies and companies operating in the field of insurance, as well as limited liability companies, limited partnerships, joint liability companies, and cooperatives, the standards became binding on January 1, 2001. Private companies are required to perform accounting and financial reporting in accordance with international accounting standards. Sole entrepreneurs, small businesses, and non-commercial legal entities perform accounting and financial reporting according to simplified interim standards approved by the Parliamentary Accounting Commission. Despite the legal requirement, the conversion to international accounting standards is going slowly, in part because in the past, many businesses operated in the shadow economy or maintained two sets of books. Qualified accounting personnel are also in short supply. The previous government abolished anti-monopoly service in the country, which resulted in dominant positions for certain companies, especially in pharmaceutical, petroleum, and other sectors.

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

environment.

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

On February 2016 the Legislative Herald (a public entity under the Minister of Justice) published a draft law to reform the system of corporate income taxation. The draft law, still under discussion by the government and private sector, envisages a fundamental reform of corporate income taxation. It replaces the current tax on corporate income with a tax on the distribution of profits (referred to as the Estonian model of corporate taxation). This means that corporate income will be taxed only at the time of distribution, instead of at the time of earning, while income reinvested in the company's business activities will be exempt. The new corporate income tax rules would not apply to commercial banks, insurance organizations, micro-finance organizations, pawnshops and nonprofit organizations.

7. Transparency of the Regulatory System

No information in this section. Please see the full country report for more.

8. Efficient Capital Markets and Portfolio Investment

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

The Georgian Stock Exchange (GSE) is the only organized securities market in Georgia. Designed and established with the help of USAID and operating under a legal framework drafted with the assistance of American experts, the GSE complies with global best practices in securities trading and offers an efficient investment facility to both local and foreign investors.

The GSE's automated trading system can accommodate thousands of securities that can be traded by brokers from workstations on the GSE floor or remotely from their offices. As of January 1, 2016, 128 companies were trading on the GSE, with total market capitalization of USD 651.2 million. In 2015, however, 129 companies traded a total of USD 1,154.8 million. A total of 2,284.7 million securities were traded on the Stock Exchange and OTC market last year (which is a considerable growth compared to 85.4 million securities of 2014) at a value of USD 394.8 million. In 2015 the value of transactions made at the stock exchange trading sessions amounted to USD 0.67 million.

No law or regulation authorizes private firms to adopt articles of incorporation or association that limit or prohibit foreign investment, participation or control. Cross-shareholder or stable-shareholder arrangements are not used by private firms in Georgia. Georgian legislation does not protect private firms from takeovers. There are no regulations authorizing private firms to restrict foreign partners' investment activity or limit foreign partners' ability to gain control over domestic enterprises.

Banking is one of the fastest growing sectors in the Georgian economy. As of February 1, 2016, 19 commercial banks, including 17 foreign-controlled banks and one branch of non-resident banks, made up the banking sector in Georgia. In January 2016, the total assets of Georgian commercial banks totaled 25.3 billion GEL (around USD 10.5 billion). The banking sector's own funds (equity capital) were equal to 3.5 billion GEL, or 13.9 percent of commercial banks' total assets.

Credit from commercial banks is available to foreign investors as well as domestic clients, although interest rates are high. Banks continue offering business, consumer, and mortgage loans.

The International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD), U.S. Overseas Private Investment Corporation (OPIC), Millennium Challenge Corporation (MCC), Asian Development Bank (ABD), and other international development agencies have a variety of lending programs that make credit available to large and small businesses in Georgia. In the beginning of 2016 there were up to 70 microfinance organizations operating in Georgia, with total assets of around USD 672 million, making small credit available to businesses.

The limited number of foreign banks operating in Georgia reflects, in part, the small size of Georgia's financial market. Foreign investment in the sector, however, is significant, and is present in 16 out of 19 banks. More specifically, Russian, Kazakh, U.S., German, French, Chinese and UAE capital was invested in Georgian banks in 2015.

Money and Banking System, Hostile Takeovers

Georgian banks remained solvent during the global credit crisis largely due to the central bank-mandated 13 percent capital reserve requirement and conservative lending practices. The National Bank of Georgia (central bank) relaxed the capital reserve requirement to five percent in the aftermath of the 2008 Russo-Georgian war and in response to the global credit crisis to try to inject liquidity into the market and spur new lending. In order to promote development of the interbank money market and restore the relationship between interest rates, the NBG increased the reserve requirements for GEL-denominated funds to 10 percent starting from April 2010. Legislation entering into force in January-February 2011 gradually increased reserve requirements for foreign liabilities from 5 to 15 percent.

The government and Central Bank (National Bank of Georgia) respect IMF Article VIII and impose no restrictions on payment and transfers in current international transactions.

In June 2014, Georgia's TBC Bank debuted on the London Stock Exchange, the first Georgian company to go public since the Bank of Georgia did so in 2006. TBC priced so-called global depository receipts at USD 13 apiece, valuing the company at USD 640 million. <http://blogs.wsj.com/frontiers/2014/06/06/georgian-banks-london-ipo-highlights-investor-confidence/>

9. Competition from State-Owned Enterprises

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

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

During 2012, 100 percent of the assets of Georgian Railways, Georgian Oil and Gas Corporation (GOGC), Georgian State Electrosystem, and Electricity System Commercial Operator LLC, were placed into the Partnership Fund, a state-run fund to facilitate foreign investment into new projects. In addition, the fund controls 25 percent of shares in TELASI Electricity Distribution Company, but has stated its intention to sell those shares. In the

coming period, the government plans to convert the Partnership Fund into the Sovereign Wealth Fund (SWF). The latter will be composed of two components reflecting their separate functions: SWF for asset management and SWF for investment. This move follows the recommendations of international financial institutions to mitigate risk with the strategic assets owned by the Fund, particularly those that issue bonds. Under the new organization, they will be completely independent arms and the SWF will have more flexibility over investments and an increased flexibility to shape its investment portfolio. It also plans to hire the World Bank's International Finance Corporation as a consultant for the SWF.

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

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

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

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

OECD Guidelines on Corporate Governance of SOEs

Georgia encourages its SOEs to adhere to OECD's Guidelines on Corporate Governance for SOEs as they are sufficient to ensure a level playing field between SOEs and private sector enterprises.

Sovereign Wealth Funds

Georgia does not have a Sovereign Wealth Fund (SWF). The government plans to convert the Partnership Fund into a Sovereign Wealth Fund, but the exact timing is still uncertain.

10. Responsible Business Conduct

While the concept of Corporate Social Responsibility (CSR) is not highly developed in Georgia, it is growing. Most large companies engage in charity projects and public outreach as part of their marketing strategy. In 2012, in order to promote the awareness of, and standards for, responsible business conduct, the Ministry of Justice, together with the Canadian International Development Agency, launched a "Former Prisoners Re-socialization-Rehabilitation" program. The program, which relies on the participation of the business sector, has provided jobs and social rehabilitation opportunities to thousands of former inmates. The program and a related social campaign "Change Scenario"

continues to date.

The American Chamber of Commerce in Georgia has a Corporate CSR committee that works with member companies on CSR issues. The Global Compact, a worldwide grouping of UN agencies, private businesses, and civil society groups promoting responsible corporate citizenship, is active in Georgia. The Eurasia Partnership Foundation (EPF) launched in 2014 a program on corporate social investment promoting greater engagement of private companies in addressing Georgia's development needs. EPF has sponsored CSR classes at five Georgian universities and Global Compact Georgia is currently focused on educating Georgian companies on the benefits of such policies. Other notable initiatives include the Students for Social Changes Project developed by the British Council, the Eurasia Partnership Foundation and the Center for Strategic Research and Development of Georgia to promote CSR in business schools, including the publication in 2012 of a Corporate Social Responsibility Manual to serve as a textbook on CSR for business faculties; and a number of workshops and events around these programs and projects. Civil society organizations working on labor and environmental issues have become increasingly strong and vocal over the past few years, pushing to ensure that companies conduct business in a socially responsible manner.

OECD Guidelines for Multinational Enterprises: The Government of Georgia undertook an OECD CSR policy review in 2014, based on the OECD Policy Framework for Investment. Despite the ongoing economic and social reforms that aim to reduce the gap with international standards in fields such as human rights, labor relations, and the environment, actual CSR-specific initiatives are generally undertaken by private actors. In 2010, as part of the UNDP/Global Compact activities in Georgia, a coordinating group of different stakeholders from the private sector and civil society developed a Corporate Social Responsibility Handbook featuring case studies from Georgia and other part of the world. It provides guidance to Georgian enterprises and other relevant stakeholders as to how better translate CSR principles into daily operations. This CSR Handbook gives an overview of best practices by national enterprises in such areas as workplace, marketplace, environment and community, as well as providing examples of international CSR initiatives.

11. Political Violence

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

Violent street protests in Georgia are rare, though some smaller political skirmishes have occurred. In recent years, police have fulfilled their duty to maintain order even in cases of unannounced protests.

12. Corruption

In 2015, Georgia's CPI score was 52 and it ranked 48th out of 168 countries surveyed in the Corruption Perception Index. Georgia is ahead of its regional and Eastern European peers in this regard, as it outscores Hungary, Croatia, Slovakia, Greece, Romania, Italy, Turkey, Russia, Armenia or Azerbaijan. Through reform of the police and citizen service agencies in the mid-2000s, the Georgian government has largely eliminated low-level corruption. Georgian citizens and business owners can quickly and efficiently obtain an array of government documents from Public Service Halls, which have become emblematic of the government's low-corruption, business friendly reputation. The business ombudsman's office and the Investors Council have also proven to be effective ways for businesses to air complaints or clarify confusion over the government's business-related policies and decisions.

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

UN Anticorruption Convention, OECD Convention on Combatting Bribery

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

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

Resources to Report Corruption

Government agency responsible for combating corruption:

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

Non-governmental organization:

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

13. Bilateral Investment Agreements

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

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

Following President Obama's January 2012 meeting with former Georgian President Mikheil Saakashvili, the U.S. and Georgia established a High-Level Dialogue on Trade and Investment, a bilateral dialogue aimed toward identifying measures to increase bilateral trade and investment. The U.S. and Georgia have shared a Bilateral Investment Treaty since 1997, and Georgia can export many of its products duty-free to the U.S. under the Generalized System of Preferences (GSP) program.

Bilateral Taxation Treaties

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

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

14. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) is the U.S. Government's development finance institution. OPIC finance and political risk insurance programs assist U.S. companies to invest overseas. Since 1993, OPIC has committed over USD 500 million in

financing and political risk insurance for more than 50 projects in Georgia. OPIC investment in Georgia has focused on the following sectors: credit for small and medium-sized enterprises, and projects in the franchising, education, manufacturing, tourism, agriculture and health care sectors. Some recent examples are OPIC's USD 18 million loan commitment to finance a Marriott branded hotel in Tbilisi, a USD 10 million loan commitment to finance a Radisson branded hotel in Kakheti, and an USD 18 million loan commitment to finance a hospital in Tbilisi.

15. Labor

Georgia offers skilled and unskilled labor at attractive costs compared not only to Western European and American standards, but also to Eastern European standards. Skilled labor availability in the engineering fields remains underdeveloped. Unemployment is over 12 percent in 2015, but unofficial unemployment is considerably higher, especially in rural regions where subsistence farmers are considered employed for statistical purposes and job creation has remained a particular challenge. Recently, some investment agreements between the Georgian government and private parties have included mandates for contracting of local labor for positions below the management or executive level.

Georgia's Labor Code defines the minimum age for employment (16), work hours (41 per week), annual leave (24 calendar days), and leaves other wage and hour issues to be agreed between the employer and employee. Amendments to the Labor Code in July 2013 defined grounds for termination; the code defines severance pay for an employee at the time of termination of a labor relation and its payment term. An employer is obliged to give compensation of not less than a month's salary to an employee within thirty (30) days. According to the amendments, an employer is obliged to give to the dismissed employee a written description of the grounds for termination within 7 days after an employee requests it. The labor code also prescribes rules for paying overtime labor (over 41 hours), which must be paid at an increased hourly rate.

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

Employees are entitled to up to 183 days (six months) of paid maternity leave which can be up to 24 months when combined with unpaid leave. Leave taken for pregnancy, childbirth, childcare, and adoption of a newborn is subsidized by the state. An employer and employee may agree on additional compensation. Under the Labor Code, a contract of employment may bar an employee from using the knowledge and qualifications obtained while performing his duties with another employer. This provision may remain in force even after the termination of labor relations.

Employers are not required to pay social security contributions for employees. Employees pay a flat 20 percent income tax. The state social security system provides modest pension and maternity benefits. The minimum monthly pension is 160 GEL (USD 70). The average monthly salary across the economy in Georgia in the fourth quarter of 2015 was 1163 GEL (USD 506). The minimum wage requirement for state sector employees is 115 GEL (USD 70)

per month. Legislation on the official minimum wage in the private sector has not changed since the early 1990s and stands at 20 GEL (USD 8) per month, but is not applied in practice and is not being used for reference.

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

Information on labor related issues is also available in the State Department's annual reports:

Human Right Report: <http://georgia.usembassy.gov/officialreports/hrr.html>

Child Labor Report: <http://www.dol.gov/ilab/reports/child-labor/georgia.htm>

16. Foreign Trade Zones/Free Ports/Trade Facilitation

In June 2007, the Parliament of Georgia adopted the Law on Free Industrial Zones, which defined the form and function of free industrial/economic zones. Financial operations in such zones may be performed in any currency. Foreign companies operating in free industrial zones are exempt from taxes on profit, property, and VAT. UAE-based RAK Investment Authority (Rakia) purchased LLC Poti Sea Port in 2008 and began development of a free industrial zone on 300 hectares of land adjacent to the port. In 2011, Rakia sold 80 percent of the Port to APM Terminals, based in the Netherlands and part of the Danish A.P. Moller-Maersk group, but maintains 100 percent ownership in Poti Free Industrial Zone, the first of its kind in Georgia and the whole Caucasus region. More information is available at www.potifreezone.ge.

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

The third Free Industrial Zone, established in 2015 in the western city of Kutaisi, is being developed by the Chinese private corporation "Hualing Group," founded in 1988 in Urumqi, China. Hualing Group launched its investment in Georgia in 2007 and has realized eight large projects in infrastructure, hospitality and other areas, totaling \$500 million. (<http://hualing.ge/language/en/hualing-georgia/>)

17. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross	2015	13,960	2014	16,530	http://data.worldbank.org/indicator/NY.GDP.MKTP.CD

Domestic Product (GDP) (\$M USD)					
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2015	35	2014	1	http://bea.gov/international/factsheet/factsheet.cfm?Area=337
Host country's FDI in the United States (\$M USD, stock positions)	n/a	n/a	2013	0	http://bea.gov/international/factsheet/factsheet.cfm?Area=337
Total inbound stock of FDI as % host GDP	2014	9.6	2014	7.7	

* GeoStat (Georgia National Statistics Office)

Table 3: Sources and Destination of FDI

The IMF's calculations of foreign direct investment (FDI) in Georgia differ from the Georgian government's official calculations. The most recent IMF statistics available regarding Georgia's FDI are from 2014.

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	13,262	100%	Total Outward	N/A	100%
United States	1,408	11%			
Netherlands	1,370	10%			
United Kingdom	1,270	10%			
Azerbaijan	1,043	8%			
Turkey	999	8%			

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

IMF Coordinated Portfolio Investment Survey data are not available for Georgia.

18. Contact for More Information

- Charlie Seten
- Economic Officer
- U.S. Embassy Tbilisi
- Georgia
- Telephone: +995-32-227-7629
- Email: setenCF@state.gov