

INFORMATION FOR INVESTORS FROM GEORGIA'S GOVERNMENT

There has never been a better time to invest in Georgia as the business climate is significantly improving and new opportunities are opening for international businesses. According to the World Bank "Ease of Doing Business" survey Georgia occupies 8th place in 2014. The country is outstanding in terms of low corruption level and the economic freedom index. The tax system is unique in its simplicity and fairness. According to "Forbes Tax Misery Index" Georgia runs 4th in terms of minimal tax burden just after Qatar, UAE and Hong Kong, which are almost tax free countries.

Due to its unique strategic location and liberal trade regimes Georgia is seen as the place of choice for any company that would like to operate in our part of the world and do business profitably, interacting with lean-working, corruption free administration.

Georgia is a natural hub connecting several important regions with a total population of 827 million people. Favorable trade regimes are established by Free trade with CIS countries and Turkey, GSP with EU, US, Canada, Norway, Switzerland and Japan. Georgia is seen as a gateway not only to South Caucasus, but also Central Asia, the CIS, the Gulf and Middle East, as well as Eastern Europe.

The Association Agreement, including the Deep and Comprehensive Free Trade Area (DC FTA) offers elimination of tariff barriers as well as non-tariff barriers in trade with the EU and regulates the wide range of trade related issues (e.g. food safety, production security, competition policy, the intellectual property rights, customs administration, state procurement, etc.). The DCFTA implies approximation of the trade related legal framework and the institutions to the EU regulations and administrative structures.

Establishment of the Deep and Comprehensive Free Trade Area between Georgia and the EU will finalize the formation of the Georgian trade system compatible with the EU's requirements; - growth of Georgia's investment attractiveness; - diversification and expansion of the export markets for the Georgian products; - reduction of export related expenses; - protection of Intellectual Property Rights.

It has also been assessed that the DCFTA will contribute to the growth of the GDP, by 1,7 % in the short-term and by 4,3% in the long-term. It will increase Georgia's export by 9% and import by 4,4% in the short-term perspective, while in the long-term, the export will increase by 12% and the import by 7,5%.

As a result of the approximation in the areas of sanitary and phytosanitary measures and technical barriers to trade, the national systems of quality infrastructure for food safety will be established in Georgia, which is a key to ensure free export of Georgian agricultural and industrial products to the EU, as well as for supply of safe products to the domestic market.

The Georgian side has already reached an important agreement with the EU on tariff liberalization. As soon as the Agreement enters into force, the export of all goods of Georgian origin will be exempt from customs tariff.

The approximation to the EU Acquis in the area of public procurement will ensure maximum transparency of Georgia's procurement market. It will also provide Georgian suppliers and service providers the full access to the EU public procurement markets.

Georgia has a diverse, liberal and dynamic economy. Several industries are showing positive growth dynamics and bear a huge investment potential. Hydro energy, agriculture, lights industry, infrastructure, real estate and tourism are among those sectors of economy which are ready to attract an increasing number of investments.

Main Macroeconomic Data of Georgia for 2014

GDP

- 2012: *GDP US\$ 15.85 bln. real growth rate +6.2% . GDP per capita US\$ 3,523*
- 2013: *GDP US\$ 16.13 bln. real growth rate +3.2% . GDP per capita US\$ 3,597*
- 2014: *Georgian government prediction +5%; World Bank prediction + 6.3%;*

Inflation^[1]

- 2013 Annual Inflation -1,6% (2013 January to 2012 January)
- 2014 Annual Inflation 2.9% (2014 January to 2013 January)

Unemployment

- 2012: Unemployment rate was 15.0% (305 Thousand – 0,1% drop from 2011)
- 2013: Unemployment rate was 14.3% (according ILO data)

Government Budget

In 2014 Georgia's new 2014 State Budget was set at 9 080.0 million GEL on December 11, 2013, with the General Government Budget revenues projected at 7,230.0 million GEL.

Government Budget Deficit

- 2012: Budget deficit towards GDP was 2.8%;
- 2013: Budget deficit towards GDP was 2.7%;

External Debt

- 2012: **Total Public Debt** to nominal GDP was 34.9%
External Public Debt to nominal GDP was 27.6 %.
- 2013: **Total Public Debt** to nominal GDP was 34.5% (decreased by 0.4%)

External Public Debt to nominal GDP was 27% (decreased by 0.6%).

As of December 31, 2013, the **Gross External debt** amounted to 13.6 Billion USD (1% growth compared to the same period of the previous year).

NOTE: The Public Debt data does not exceed 60 percent of GDP and, therefore, comply with the Maastricht Criteria, as well as the fiscal limits stipulated by the law of Georgia on Economic Liberty (Economic Liberty Act).

Foreign Direct Investment

- 2012: FDI amounted to 912 mln USD
- 2013: FDI amounted to 914.4 mln USD

By sector: Energy-22%, Financial service-19%, Transport and Communication-15%, Manufacturing-13%, Construction-6%, Mining-4%, Agriculture-3%, Other-18%

By origin: Netherlands-20%, Luxemburg-16%, China-11%, Azerbaijan-10%, Turkey -8%, USA-6%, International Organizations-6%, UK-5%, Malta-5%, UAE-4%, Other-10%;

Trade Turnover

- 2012: US\$ 10,220 bln. Growth + 10.5%
- 2013: US\$ 10.784 bln. Growth + 5.5%

Export

- 2012: Total export - US \$ 2.38 bln. Growth + 8.6%
- 2013: Total export - US\$ 2.91 bln. Growth + 22.4%

Main Export Products: Motor cars, Ferro-alloys, Nuts, Copper ores and concentrates, Mineral/Chemical fertilizers, Wine of fresh grapes, Mineral water, Brandy, Gold, Bars and rods of iron or non-alloy steel.

Main Export markets: Azerbaijan, Armenia, Ukraine, Russia, Turkey, USA, Kazakhstan, Canada, EU.

Import

- 2012: Total import - US \$ 7.84 bln. Growth + 11.1%
- 2013: Total import - US\$ 7.88 bln. Growth + 0.4%

^[1] CPI Percentage Change over Corresponding Month of Previous Year,%

Main Import Products: Petroleum and petroleum oils, Motor cars, Petroleum gases, Medicaments put up in measured doses, Wheat and meslin, Telephone sets, Copper ores and concentrates, Cigars, cigarettes, Automatic data processing machines, Motor vehicles for the transport of goods

Main Import Source: Turkey, Azerbaijan, Ukraine, Russia, China, EU, Japan, USA

Foreign Trade

Trade Turnover with: Billion USD	2011	2012	2013	2014 (January-February)*
All countries	9.2	10.2	10.8	1.55
Change (y-o-y)	33.3%	10.5%	5.5%	N/A
Export	2.2	2.4	2.9	0.45
Import	7.0	7.8	7.9	1.1
EU	2.5	2.8	2.9	0.4
Change (y-o-y)	27%	27.5%	27%	N/A
Export	0.4	0.4	0.6	0.1
Import	2.1	2.4	2.3	0.3
Import	0.25	0.21	0.25	0.04

Preferential Trade Regimes:

- FTAs with CIS countries and with Turkey (350 million customers);
- DCFTA with EU will be signed in June 2014 (about 500 million customers);
- FTA with USA is under consideration by the parties;
- GSP+ with EU - 7200 products to the EU market duty free; GSP with USA (suspended), GSP with Norway, Switzerland is planned to resume this year;
- Canada, Japan - lower tariffs are applied for 3400 goods exported from Georgia to these countries;
- In Georgia 90 percent of goods are free of import tariffs (for the rest, 5%, and 12%); No quantitative restrictions for import.