



Competitive Trade Regimes

Georgia's foreign trade has been growing rapidly since 2003 as a result of aggressive policy reforms to make it easier and less expensive to trade across borders. In 2007, total trade turnover increased by 38%, reaching US\$6.5 billion, with exports increasing by 25% and imports by 42%. For the last few years, there has also been an upward trend in the number of Georgia's trading partners, now standing at 132 countries.

Among the key features of Georgia's progressive trade policy are the following:

- **Low Import Tariffs:** Import tariffs have been abolished on almost 90% of goods, and only three low rates remain (0%, 5% and 12%) instead of the previous 16. Georgia levies no import tariffs on machinery and equipment. The 12% and 5% import tariff rates are levied on certain types of agricultural products and construction materials. Tariffs are also applied to imports of alcoholic beverages and passenger vehicles.
- **No quantitative restrictions (quotas) on imports or exports.**
- **Equal VAT on imported and local goods.**
- **Equal excise tax on most imported and local goods.**
- **Very limited number of export/import licenses and permits required:** As of 2006, the number of permits for import and export was reduced from 14 to 8.

Georgia offers a number of favorable trade regimes that make it an attractive production platform form to serve other markets.

- **MFN Tariffs with WTO Members:** Most of Georgia's trade partners are members of the World Trade Organization (WTO). Trade relations with them are based on Most Favored Nation (MFN) trade status, which provides lower tariffs for WTO members.
- **GSP with the USA, Canada, Switzerland and Japan:** Georgia benefits from a Generalized System of Preferences (GSP) when trading with the USA, Canada, Switzerland and Japan. Accordingly, lower tariffs are applied on goods exported from Georgia to those countries.
- **GSP Plus with the EU and Turkey:** Georgia is one of the only two CIS beneficiaries (besides Moldova) of the new EU GSP Plus trading regime, and one of only 15 beneficiaries worldwide. GSP Plus status allows Georgia to export 7200 products to the EU market duty free. From January 2006, Georgia also enjoys GSP Plus status with Turkey as well.
- **Free Trade with CIS Countries:** Georgia has a free trade regime with CIS countries resulting in duty free trade of goods and services. CIS countries account for 36% of Georgia's foreign trade turnover and 38% of Georgia's exports are to these markets.
- **Free Trade with Turkey:** In November 2007, Georgia and Turkey signed a Free Trade Agreement. It is expected that agreement will continue to facilitate increasing trade between the two countries, particularly in the agricultural sector.
- **In order to further liberalize its foreign trade relations, Georgia is actively working with the EU, the European Free Trade Association (the "EFTA") and the Gulf Cooperation Council to encourage free trade negotiations.**

Georgia also has an extensive and growing double taxation treaty network:

- Georgia has entered into double taxation treaties with the following countries: Armenia, Austria, Azerbaijan, Bulgaria, Belgium, China, Great Britain, Greece, Iran, Italy, Kazakhstan, Latvia, Lithuania, Netherlands, Poland, Romania, Turkmenistan, Ukraine, Uzbekistan and Czech Republic.
- Georgia has signed and ratified double taxation treaties (but they have not been entered into force yet) with Germany, Russia, Denmark, Estonia, France, Turkey, Finland and Luxembourg.
- Negotiations with Switzerland, Kyrgyzstan, Kuwait, Ireland, Spain, Israel and Cyprus are currently underway.