

収集資料リスト

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現地調査において産業省から提供された資料

- 1) Export Capability Figures of Mining productions of Georgia Copper concentrate of JSC Madneuli.
- 2) The Georgia mining enterprises annual output (GEL national currency) during 2000-2005.
- 3) Industry of Georgia (Short Summary).
- 4) Structure of Ministry of Industry of Georgia.
- 5) Structure of State Geological Department of Georgia.
- 6) The information on metallurgical plants of Georgia.
- 7) Information on technical education of Georgia.
- 8) Mineral Resources of Georgia.
- 9) From the number of useful minerals to be mined in Georgia the most important for the national economy is manganese, ore of non-ferrous metals, mining-chemical raw material, non-ore raw materials, construction materials.
- 10) The main technical-economical data within 24 years of JSC Madneuli.
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- 20) Proposals of Georgia State Geological Department on cooperation in geological research study of the mineral wealth and exploitation of mineral resources deposits of Georgia.
- 21) Distribution map of fuel minerals, metallic minerals and non-metallic minerals.
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- 24) Conception of Industry Policy of Georgia.
- 25) Useful entrails deposits situation / location scheme.
- 26) The scheme of useful entrails / deposits.
- 27) Plan of mineral deposits location.
- 28) Compact Disc on Georgia including as follows;
 - General Information.
 - History.
 - Culture.
 - Music.
 - The Executive Power of Georgia.
 - Parliament of Georgia.
 - Economy.
 - Transition to Market Economy and Future Development up to 2000.
 - Industrial Policy and Trade Regime in Georgia.
 - Taxation Guide for Foreign Businessmen.
 - Privatization Process in Georgia.
 - Georgian Economic Trend.
 - Mineral Resources of Georgia.
 - Natural Resources of Georgia and problems of their rational utilization.
 - The ideas concerning Rehabilitation, Strength Development of the Georgian.
 - Railway Network and development of the Georgian railway network.
 - Role of Poti Region in Cooperation of Transcaucasian Countries.
 - Survey of Social and Economic Policy in Georgia.
 - Law.
- 29) Floppy disc including as follows;
 - The Executive Power of Georgia.
 - Privatization Process in Georgia.
 - Taxation Guide for Foreign Businessmen.
 - Resolution of the Parliament of Georgia regarding the Concession Law of the Republic of Georgia.
 - Law of Georgia on the Investment Activity Promotion and Guarantees
 - Outline of Content of Mining Master Plan for Georgia.
 - Law of the Republic of Georgia on Entrepreneurs.

Natural Resources of Georgia and Problems of their Rational Utilization.

30) Ministry of State Property Management of Georgia : Investment Opportunities in Georgia 1999.

現地調査において国家地質局から提供された資料

- 1) Organization chart of Department of Geology.
- 2) Distribution map of copper and gold deposits.

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- 1) The Law of Georgia on Environmental Permits.
- 2) Law of Georgia on State Ecological Examination 1996.

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- 巻末1 Conception of Industry Policy of Georgia
- 巻末2 Law of Georgia on Promotion and Guarantees of Investment
- 巻末3 Law of Georgia on Entrails
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卷末 1 Conception of Industry Policy of Georgia

საქართველოს მრეწველუბის სამინისტრო

**საქართველოს სამრეწველო
პოლიტიკის კონცეფცია**
КОНЦЕПЦИЯ ПРОМЫШЛЕННОЙ
ПОЛИТИКИ ГРУЗИИ
CONCEPTION OF INDUSTRY
POLICY OF GEORGIA



თბილისი

Decree Of The President Of Georgia

№ 537 September 15, 1999 Tbilisi

About The Conception Of The Industrial Policy Of Georgia

For the due settlement of the exceptionally important tasks facing industry of Georgia and for its further development:

1) The Conception of the Industrial Policy of Georgia and "The Strategic Programmes for the Development of Industrial Enterprises of Georgia in 2000-2005" shall be approved. It shall be emphasized, that the Conception of the Industrial Policy of Georgia and "The Strategic Programmes for the Development of Industrial Enterprises of Georgia in 2000-2005" based on it, shall be the basis for the industry state policy of Georgia.

2) The orienting points determined under the Conception of the Industrial Policy shall be taken into consideration in drafting corresponding normative acts, in elaborating drafts of the state budget and of indicative plans, in working out investment programmes and projects.

3) Ministry of Industry of Georgia in coordination with corresponding Ministries and Departments shall provide for the conformity of the programmes and other documents adopted earlier

in the field of industry of Georgia with the Conception of the Industrial Policy of Georgia.

E. Shevardnadze

CONCEPTION OF THE INDUSTRIAL POLICY OF GEORGIA

"If we want Georgia to become modern and civilized state with dynamically developed economy, we must turn industry into the backbone of the economy".

E. Shevardnadze

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B A C K G R O U N D

In the process of building democratic society in Georgia and transition to new economic relations many problems have been accumulated. The reorganization of the management system of the branches of the national economy, the privatization of the means of production, the restructuring of the whole economy and its separate branches, the forming of the market structures and other radical changes are going on. Industry, being the leading branch of the national economy, occupies its special place in these events. It significantly developed by the end of the 1980-ies, its share in the formation of the state budget exceeding 50 per cent. It accounted for 36.7 per cent of the national state income, 32.8 per cent of the whole fixed production assets of the national economy and 34.3 per cent of the circulating funds. Almost 460 thousand people were employed in the industry. It held an important place in the economic potential of the former Soviet Union and the eastern European states. Despite the scale of Georgia, it had the whole spectrum of the modern industry with sufficiently developed infrastructure: machine building industry, chemical industry, metallurgy, electrical engineering and wood-processing industry, light and food industry, etc. The industrial enterprises produced in lots main line electric locomotives, air planes, heavy tracks, launches, machines for agriculture and food industry, metal processing machine-tools, equipment of computer system engineering and automatic control system, etc. Corresponding scientific-research, projecting institutes and design offices, having high qualification scientific and engineering staff, were set up for the development of these diverse and mainly science-capacious branches. The whole activities of the industrial complex were regulated by the principles of the planned economy.

Now, under the conditions of the independent development of Georgia, this industry is faced with the qualitatively different task of fundamental im-

portance: how to change and develop, preserving the existing experience and advantages, on the one hand, and adapting its scale and function parameters to the market conditions, on the other hand.

In the first place, the aims and the goals of the industrial development of the country, the ways of their achievement and settlement should be properly defined, proceeding from the external economic and industrial potential and in correspondence with each given stage of the economic development of the country. Consequently, corresponding industrial policy should be drafted and consecutively implemented, the state regulation efforts should be directed at the maintenance of the efficiency of the home industry and the competitiveness of its production, the optimum structure of industry should be formed, taking into account the economic peculiarities and traditions of the country, the settlement of the social problems should be accelerated.

The herein Conception, drafted in accordance with the program Speeches of the President of Georgia and the "Parliament Initiatives", is based on the principle, that under the conditions of the market economy the basic decision-making is the prerogative of the market subjects, while the role of the state is the creation of the advantageous environment for the industry functioning by means of the regulation tools. It takes into account the experience of the foreign countries, the analytical and conception recommendations of the Georgian scientists and experts, the considerations of the industry leadership.

The Conception of the Industrial Policy of Georgia is the system of the long-term strategic purposes, that should determine the state approaches towards the development of industry. It presents the aims and the directions of the industrial policy, its basic principles being the following:

- Settlement of the strategic tasks of the social and economic development of the country;
- Gradual and consecutive implementation of the economic reforms;
- Utilization of the program approaches in the achievement of the set purposes and drafting of the mechanism corresponding to its realization;

- Settlement of the tasks of the industrial development on the basis of differentiated approaches, taking into consideration industrial, branch, regional and other aspects.

Proceeding from the basic principles of the conception "Strategic Programs for the Development of the Industrial Enterprises of Georgia in 2000-2005" have been drafted, forming, together with the Conception, the basis of the Georgian state policy in the field of industry.

I. PRESENT STATE OF INDUSTRY

The change of the old system of economy and the hardships of transition to new economic relations, under the conditions of acute political and social reconstruction, has posed the country and its industry in the grave situation. As a result of crisis events taken place in the economy, the volume of industrial production decreased 6-fold in 1990-1994, reaching critical denominator in 1994. It is true, that the gradual growth of the production started in 1995-1998, but the utilization indicator of the whole existing industrial potential increased only to 8-9 per cent.

The fall of the level of the industrial production and consequent reduction of the specific weight of industry in the gross inner product has led the country to dis-industrialization, which is clearly seen in the dynamics of concrete production. As a result of prolonged idleness the technical bases of the industrial enterprises have been out-dated, as their renewal and re-equipment haven't been practically accomplished. The most part of the fixed assets have been damaged or plundered. In addition, acute shortage of the working capital requirement of the high qualification staff, insufficient readiness of the managers of the enterprises to work under the new conditions, reduction of the regulation role of the state in the development of the branch and other negative processes have mainly conditioned the gravest crisis state of the industry of Georgia.

Besides, during the privatization of the industrial enterprises and organizations the campaign and hasty approaches have been observed, causing management disintegration of the industry, derangement of the entire system of regulation, disorganization of the traditional economic ties.

The inner branch structure of industry is extremely non-optimum. The specific weight of the traditionally export-oriented branches have essentially decreased. The most part of the production is manufactured by the branches oriented at the inner market (food industry, electric power industry). Every

fourth enterprise is idle, while the most part of the enterprises is insignificantly loaded. The number of the people employed in industry decreases permanently. The specific weight of the shadow economy is still high in the industrial sector.

The analysis of the present situation shows, that the existing situation in the industry of this country is caused not only by derangement of the economic and industrial relations and objective hardships of transition to the market economy, but mostly by absence of the transition period economic reforms and the well-considered and well-ground program.

The objective estimation of the existing situation in the industry makes the identification of the weak points of its functioning possible:

- Absence of the development strategy;
- Low efficiency of the enterprises;
- Absence of the management system and low qualification of the majority of the managers;
- Insufficient knowledge of the market conjuncture and the problem of the sales market;
- Out-dated industrial-technical base, backward technology;
- Existence of poor credit market under the conditions of extreme scantiness of the internal source of financing of the working capital;
- Acute shortage of the power resources.

Despite the above-mentioned difficulties, there are certain positive changes in the industrial sector of the country: the macro-economic and legal environment of the industrial activities has been improved, the enterprises have gained certain experience under the conditions of market economy, the degree of their independent functioning has increased, the privatized sector is gradually gaining strength, the stratum of private entrepreneurs is being formed, the process of the enterprise restructuring is going on, a number of the state support measures to industry have been elaborated and put in action, forming necessary prerequisites for drafting of the real industrial policy at the present stage and for its more purposeful and coordinated implementation.

Realization of the industrial policy should provide for further deepening of the market economy restructuring in the industrial complex, active functioning of the industrial enterprises and achievement of their stable operation, being the necessary premise for the steady and safe development of the national economy and for the settlement of the social problems.

II. STRATEGY, AIMS AND PRIORITIES OF THE INDUSTRIAL POLICY

The industrial policy of Georgia determines the principal aims and tools of the state policy to be pursued in the field of industry, based on the principles of market economy. Besides, the state regulation excludes comprehensive interference in the economic activities, it implicates creation of the favorable conditions for the achievement of the stable economic and social development of industry by means of effective market levers.

In the process of changing the old socialist economic system into the market economy, in the so-called "transition" period, the state role in the maintenance of optimum functioning of industry is changed together with the economic system. Consequently, new comprehension of the essence of the state industrial policy is necessary. Under the conditions of the market economy, the traditional industrial policy implicates the selective approach to the branches, meaning determination of the priorities and concentration of the state supportive measures at these priorities. The aims of the industrial policy are the orienting points in the selection of directions of industrial and commercial activities by the economic subjects.

By means of corresponding levers the state improves the market structure, removes the contradictions between the micro and macro levels of the economy, reduces the negative results caused by the cyclic character of development, coordinates the activities of the regions.

Under the conditions of post-industrial development of the economy principally new industrial policy bases have been exposed. The "policy of industrial competitiveness" growth" has been drafted, somehow limiting the above-mentioned tools of the traditional industrial policy, i.e. the state investments into the economy and the selective approach to the branches. Instead, the approach of enterprise competitiveness being conditioned by the strategy

pursued by an enterprise itself, and the state role being the creation of the universal favorable environment for enterprise functioning, is offered. According to the Conception, the state influence on the economy can be exercised by regulation of the institutional structure, modification of the short-term economic tendencies and maintenance of the long-term economic growth.

The state influences the short-term tendencies by means of the macro-economic policy, while it maintains the long-term economic growth by means of the strategic industrial policy. The state regulates the institutional framework of the economic strategy by means of the laws drafted by the Parliament.

In the elaboration of the Conception of the Industrial Policy the modern approaches to the industrial development have been taken into account, together with the real factors existing in the Georgian economy:

- Backwardness of the market structure;
- Grave situation formed in the industry;
- Limited means of the state stimulation.

Taking into consideration these factors, the approach embracing, on the one hand, the elements of the traditional industrial policy, formation of the priorities and the corresponding supportive measures (with the natural resources, the production experience and traditions, the scientific-technical potential taken into account), and, on the other hand, the complex of measures exercised by the state to rise the efficiency and the competitiveness of the domestic industry despite the specificity of the branch and the ownership forms of the enterprises, has been offered at the first stage of the rehabilitation of industry.

The above-mentioned approach envisages the transition from the regulation of the universal macro-economic level of industry to the regulation of its micro-economic level, followed by the differentiated policy towards the separate industrial branches and other concrete measures of micro-economic stabilization, that will be revealed in the process of structural reorganization.

Georgia's advantageous geopolitical situation, its participation in the func-

tioning of the Europe-Caucasus-Asia transport corridor create favorable conditions for the rehabilitation and the development of the domestic industry, allowing the industrial enterprises to take part in the formation and the service-maintenance of the transport corridor (the transport communications and the corresponding infrastructure). Besides, it's very important, that the transport corridor not only maintains two-way movement of the traffic (not only heavy traffic), but it is also an advantageous area, creating real opportunities for utilization of the industrial potential of the country. Here belong the processing of the transit raw material (e.g. oil) and its further inclusion in the transport current, the intermediate procession of the transit commodity under the conditions of economic expediency (production of assembly parts, final installation of the industrial production, etc.). Besides, the transport corridor will rise the investment attraction, will widen the economic relations with foreign partners, being an important factor for setting the industrial potential of the country in motion.

The determination of the aims and priorities of the industrial policy is based on the really existing favorable conditions for the development of industry in Georgia, namely:

- The existence of a certain raw material base (mineral and agricultural);
- The possibility of participation of the local industry in the creation and the service-maintenance of the Euro-Asian transport corridor;
- The creation and selling experience of the traditional export production;
- The existence of the industrial potential for the internal market demand;
- The developed scientific-technical potential and a certain experience of industrial activities;

- The possibility of utilization of qualified and comparatively cheap labor force;

- The existence of demand on the defense production and the possibility of its partial satisfaction by the domestic industry;
- The existence of the infrastructure elements necessary for industry;
- The existence of the potential demand of the agrarian sector on the

industrial production;

- The potential competitiveness of the food industry production in the internal and external markets;

- The favorable natural-climatic conditions and the prospects of the industrial service-maintenance of the health resort and tourism.

Taking into account the above-mentioned factors, the priority directions for the development of industry in Georgia should be:

- Preservation and further development of the existing raw material base for the industrial production (manganese and copper ore, gold-containing and mining raw material, natural building and facing raw material, medical plants, timber, leather, silk-production raw material, wool, raw material received from southern and sub-tropic cultures);

- Creation of the favorable environment for the export production (copper and manganese concentrates, steel pipes, constructive rolled metal, copper, nitrogen fertilizer, cyanide-salts, Ferro-alloys, manganese-bearing products, arsenic-bearing products, synthetic fibers, mining production, certain production of the machine-building complex, natural medicines, natural facing materials, food production);

- Development of the electro-technical and the electric power generating sector on the basis of the local raw material, development of non-traditional energetic resources, optimum utilization of hydro-energetic resources, development of the fuel industry, production of the equipment for the minor energetic sector, the utilization of the renewal energy resources included;

- Development of the branches oriented at the high standards of the Euro-Asian transport corridor exploitation demands (transport, road technique, signal-emergency equipment, construction materials for special construction);

- Rehabilitation and development of the food industry enterprises, production of the corresponding products (wine and wine products, tea, drinking and mineral waters, tinned fruit and vegetables, ethereal oils);

- Taking into account the specificity of Georgia, the production of the equipment for the agriculture and food industry (small mountain-plain agri-

cultural equipment for cultivation and processing of tea, grapes, technical cultures, fruit, tobacco, etc);

- Functioning of the defense industry in the frameworks determined by the Doctrine of National Defense;*.

- Production of the industrial goods of the light industry and the consumer service, oriented at the local and external markets. It should be mentioned, that Georgia is comparatively poor with the raw material necessary for the light industry. Wool, leather, cocoon, chemical fiber and thread are manufactured in small amounts in this country. Production of some raw materials can be significantly increased in future. The production of cocoon and chemical fibers can really be rehabilitated in the first place, together with the traditional branches connected with them.

The implementation of the industrial strategy and policy is based on the modern industrial approaches with compulsory taking into account the measures of environment protection. Namely, maintenance of the stable development of industry, "pure production", drafting and inculcation of the standard management system of environment protection, eco-marking and other necessary aspects of environment protection.

The implementation of the industrial policy is a long and gradual process. Under the conditions of limited resources, the priority ranging is necessary for the due settlement of the top-priority tasks facing the branches at certain stages, taking into consideration the state and the economic possibilities of the branches, their realization by means of the state special purpose programs.

Under the priorities determined by the herein Conception of the Industrial Policy and taking into account the stages of their realization, changes of the enterprise ownership forms, the restructuring rate and the possible scale of the investment attraction, the total industry volume growth is prognosticated 1.9-2.1 fold by 2001 in comparison with 1996 in compliance with

* The development strategy of the defense industry is given in the separate chapter of the Conception (the closed section).

the prior estimation.

It is also presumed, that the following branches will have the higher rates: the metallurgical industry (4-fold), the chemical industry (2-fold), the machine-building industry (2.5-fold), the industry of building materials (3.9-fold), the light industry (1.9-fold). The electric power engineering and the food industry will have comparatively lower rates of the industry volume growth (respectively 1.5-fold and 1.4-fold). Such growth rates of the separate branches of industry will ensure the formation of the improved branch structure of industry. This, in its turn, will facilitate the settlement of the tasks facing industry on the whole.

III. NATURAL SOURCES OF RAW MATERIALS

The natural sources of raw materials of the country should ensure the development of the raw material consumer industrial-economic complexes, Georgia has necessary potential for.

The mineral-resource potential of Georgia consists of 450 deposits with reserves registered on the state balance.

Manganese, copper and other raw materials necessary for the metallurgy can be extracted on the territory of Georgia. Among them the manganese and copper deposits are of utmost importance.

90.7 per cent of the reserves of the manganese ore is deposited in the Chiatura region with 244.74 mln. Tons are being reserved.

Copper, lead-zinc, gold, silver and other minerals necessary for the development of the non-ferrous metallurgy can be mined on the territory of Georgia. Among them, the copper polymetal deposit of Madneuli with the present reserves of 213.5 thousand tons is metallic copper.

There are several lead and zinc deposits in Georgia. Besides, there are other raw materials in Georgia, being necessary for the metallurgy. Among them are dolomites, fluxing limestone, etc.

Georgia is also rich with the mining minerals. For instance, the overall reserves of barite exceed 9174 thousand tons, out of which 3662 thousand tons are registered in the complex geographical conditions of the Apshti deposit. Thus, the real reserves of barite in Georgia are 5512 thousand tons. There are also the deposits of bentonite clay. Their overall reserves are almost 17 mln. tons. Out of the mining raw materials the arsenic deposits should be specially stressed. The mining raw material of great importance is diatomite. The quality of the diatomite from Kisatbi deposit, situated in Akhaltsikhe, is as good as of the world-famed diatomite from Lampock deposit (USA). Besides, the country has rich raw material base for the development of the

chemical pharmaceutical industry.

Georgia has good raw material base for the development of the industry of building materials. There are three prospected deposits of limestone with the overall reserves of almost 200 mln tons and three deposits of clay with the reserves of 75 mln tons for the cement production. They can provide for the cement production for no less than 50 years. There are almost 60 deposits of brick clay with the reserves of 46.5 mln kbm. The said reserves can provide for the brick production at least for 20 years.

There is the pearlite deposit in Georgia (the Paravani deposit), having the reserves of 14 mln kbm. It has wide spectrum of utilization (the food industry, construction materials industry etc.) and there is great export demand on it.

The facing materials explored in Georgia are of high industrial value and quality. Among them the deposits of Kursebi (teshenite), Bolnisi (tuf), Moli-ti, Sadakhlo and Saliati (marble and marble-like limestone) are the largest. There is great amount of gypsum, porcelain clay, chalk-like limestone and other building materials.

The state forest fund occupies 2988 thousand hectares, while the area covered with the wood amounts to 2752 thousand hectares, i.e. 39.6 per cent of the territory. The Georgian woods are rich with various species of trees. A lot of them are used in the timber industry and other branches. The reserves of beech (179.9 mln kbm) should be mentioned specially. But the main massive of the forest are located on the mountain slopes. Thus, they have water-preserving, soil-protective, sanitary-hygienic and recuperative functions, first of all. Consequently, wood-cutting bears limited character in this country.

At present, comparatively small part of the raw material resources of the country is included in the industrial turnover. Activities are practically going on at the deposits of Bolnisi and Chiatura.

The present demand of the joint-stock company "Ferrous" on the manganese ore amounts to 80-100 thousand tons. According to the long-term development program of the joint-stock company, the growth of demand on the manganese concentrate is envisaged within the confines of 340 thousand tons.

The utilization of the mining resources is also limited in scale in the joint-stock company "Madneuli", which processes gold, copper and concentrates of tellurium-bearing copper (12 thousand tons of copper concentrates per annum). After the renewal of the fixed assets of the joint-stock company "Madneuli", the copper production can grow to 40 thousand tons.

The state raw-material and resource policy should be oriented at the formation of the organic ties among the branches studying, exploring, processing mineral resources and production-making branches. It will facilitate achievement of the economic balance in the country and create necessary prerequisite for its stable development.

Further acceleration of the economic development of Georgia will mainly depend on the macro-economic model it chooses for the formation of the closed system of industry on the basis of utilization of the existing natural resources. In this connection the Ministry of Industry together with the State Department of Geology works on drafting of the special purpose state program.

Besides, proceeding from the principles of market economy we must pass from the approach of pragmatic estimation of the raw material base of the country to the basically economic approach, considering mineral resources as a form of real estate, participating in the international market relations with all economic indices of these relations.

IV. INDUSTRY REGULATION AND MANAGEMENT SYSTEM

Before transition to the market economy relations there was a system of branch vertical management in industry, based on the principles of central planning. The state bodies of a branch determined the production volume, its distribution, maintained cooperation and material-technical cooperation, etc.

In the transition period these functions have been directly imposed on the enterprises, being inexperienced under the market conditions and obliged to adapt themselves to these conditions.

The form of joint-stock company is mostly spread in the field of industry.

At the present stage the council of observers have less responsibilities for the results of the economic activities and for the enterprise efficiency in the joint-stock companies, where the share of state property is big. On the part of these management groups the strong motivation of the protection of the state interests is necessary, being main prerequisite for the efficiency increase in the joint-stock companies.

The development of market structures is urgent for the efficiency increase of the enterprise management. This is necessary for further distribution of the ownership rights, so that the privatization process be a multiple, objectively developing process, regulated by the modern civilized methods of market economy. It is necessary to form stock exchanges, being the real evaluation mechanism of the shares of joint-stock companies and not existing yet. Stock market doesn't exist either; there exist neither sellers (the present owners have actually purchased shares unconditionally and in minimum prices), nor buyers, being short of corresponding means and not interested, as industry is in the stagnation, it cannot sustain foreign competition, organizational-technical restructuring has not taken place.

Efficient estimation system of the functioning of joint-stock companies

(with the state share participation), with improved mechanism of protection of the state interests, should be set up.

In this connection, the status and the functions of the state representation, the participation level of the bodies pursuing the industrial policy in this process and exercising control over the realization of the privatization obligations with the strict observance of the corresponding contract terms, without restriction of the rights granted to the industrial enterprises by the law, should be newly comprehended.

Some marked tendencies should be mentioned, that have been revealed during the functioning of big joint-stock companies, being privatized under the investment programs, as these programs make possible the control maintenance over the privatization obligations. Great attention should be paid to the level of preparation of the tender terms, to their publicity, to taking into account the mutually acceptable interests of the ruling companies, investors, enterprise leadership and labor collectives, to the proper guidance of these processes on the whole, so that intensification of their joint activities be ensured and the stable (profitable) functioning of enterprises be achieved in the final count.

The state conducts special measures of stimulation in a number of important directions, among them:

Ensurance of the Economic Security.

In accordance with the Conception of the State Economic Security, the state ensures the protection of the national interests and the realization of the development strategy, the determination of the priorities, the preparation of the legal bases for the system functioning, the support for the attraction of investments and credit resources, the improvement of the mechanism of the state purchases and the implementation of other compulsory measures.

The ensurance of the conformity of the state strategy with the efficient economic policy, and gaining confidence to this policy in the country and on the international level, should be considered to be the criterion of the economic security.

In industry the economic security indicators show its development tendencies, economic efficiency, etc. In particular, the negative tendencies of security are manifested in the reduction of the production growth rates, in the decrease of the specific weight of industry in the gross national product, in the dangers of accidents and disasters, in the growth of production expenses, in the reduction of the export potential, in the growth of unemployment and in other concrete indices: Their improvement and the overall support of the smooth functioning of industry is the principal task of the state industrial strategy and the main goal of the ~~state~~ industry regulation as at present, so in the period of further development of the market economy.

• **Management Development.**

On the basis of strategic management, market analysis and rational financing, the system of training and re-training of managers and intermediate level leaders should be organized, the means of domestic and international financial organizations should be attracted for the provision of the training programs. The courses and the seminars organized with the aid of investment funds and international financial organizations, should be attended by the leaders of industry and big enterprises, representatives of the intermediate level.

As the enterprises cannot provide for training of managers independently, the state should ensure its active participation in the process.

Besides, as the enterprise management forms directly proceed from the specificity of the country, its social, economic and cultural traditions. Consequently, along with the training of the key personnel abroad, the principal orientation should be taken at the elaboration of special training programs with these factors being considered. These programs should be drafted on the basis of the international experience and the creation of the necessary training base in the country. In these activities the inclusion of the wide net of the commercial educational institutes will be expedient.

The said programs should be prepared with joint participation of Ministry of Education, Ministry of Labor, Social Protection and Employment, Min-

istry of Industry and other concerned Ministries and Departments.

The function of coordination of the maintenance of the training of the qualified key personnel for industry should be imposed on the Ministry of Industry with all other terms being equal. It should embrace not only the state enterprises and organizations, but the sphere of the private business as well.

• **Small and Medium Enterprises Functioning Support.**

The state support to the small and medium enterprises is the decisive factor for successful reforming and development of industry, being the ultimate task for the state policy of industry.

The results of the activities of the small industrial enterprises prove, that this sector has high potential and vitality.

In 1998 the volume of commodities and services produced by 2143 small enterprises according to their principal activities amounted to 128.6 mln. lari (15.8 per cent of the whole industrial production), exceeding by 90 mln lari, i.e. by 7.6. percent the indices of the previous year.

Elaboration of the state program for the stable development of this sector and for the creation of new jobs should be considered to be the task of the state support to small and medium enterprises.

The state program should be the complex of mutually linked arrangements, envisaging normative-legal, staff and financial-credit maintenance measures, creation of infrastructure elements, improvement of the registration and taxation system, informational and technical aid. After necessary conditions being prepared, the creation of the components of the industrial zones (business-incubators, innovation centers, business supportive agencies, etc.) should be expedient.

The small and medium enterprises state supportive program should take into consideration the regional aspect, as these activities are mainly oriented at the local market and based on the utilization of the local raw materials and labor resources.

• **Development of the Industrial Infrastructure.**

The development of the infrastructure, characteristic of the market rela-

tions and necessary for its functioning, should provide for the development of different directions of industry, and of different types of enterprises, production and business; for support of cooperation between the enterprises, for broadening of import-substituting production using local raw-materials.

The market service structures like stock exchange, investment, financial and insurance companies, audit, leasing, consultation and engineering services, etc. should be formed for the rehabilitation and the development of industry.

• Monetary and Taxation Systems.

The formation of optimum fiscal and monetary policy should provide for the growth of capital investments. Proceeding from the stability achieved in the monetary system, the monetary policy should be gradually modified in future, facilitating the production of competitive export goods and, in the final count, the growth of capital investments in industry (and in other branches of material production). The indicator of the improvement of the taxation policy should be the improvement of the taxation administration and the simplification of the tax-collecting mechanisms under the conditions of broadening taxation base, being necessary, first of all, for the creation of export supportive environment and for the stimulation of the priority directions.

• Scientific-Technical Progress.

The restructuring of the scientific-technical potential should provide for the development of the priority directions, for mastering of the ecologically safe technique and technologies, for broadening of the production of the competitive commodities.

• Standardization, Metrology, Certification.

The principal essence of the improvement of the system of standardization, metrology and certification is gradual change of inter-state standards of the CIS-countries with the standards and the technical regulations of the European Union, ensurance of the environment protection and safety demands in the process of production and processing, the utilization of the modern principles of marking, the protection of the consumer market from the low-

quality production and falsification.

• Improvement of Record-Keeping and Accounting.

International financial and accounting standards should be introduced in the field of industry by means of corresponding program maintenance and computer technique.

• Reduction of the Shadow Economy Scales And Implementation of the Measures Protecting Consumer Market from the Low-Quality Products.

The implementation of measures directed at the improvement of customs' mechanism is of utmost importance. It will stop the intrusion of the non-standard consumer goods in dumping prices into the country. The market protective legislative and statutory acts should be prepared with mechanisms, that won't create obstacles to the participation of Georgia in the World Trade Organization.

• Ministry of Industry is the Highest State Body of Industry Management and Regulation.

Ministry of Industry is authorized to elaborate and implement the state policy in the system of industry. It is the body of functional management, facilitating the development of industry with its activities and maintaining the elaboration and due implementation of the measures determined by the state policy. With this aim it elaborates the development strategy for the separate branches and drafts recommendations for their implementation. Ministry of Industry exercises its functions in close cooperation with other functional Ministries, Departments and the territorial government Administrations.

V. STRUCTURAL ADJUSTMENT POLICY

At present one of the main factors of the industry revival is the problem of adaptation of the enterprising units to the market conditions. The enterprise reforms are very slow from the viewpoint of legal, financial, management, technological and marketing reorganization. The greatest part of the fixed assets need renewal, some of them should be liquidated. The quantity of existing capacities greatly exceed the market demands on the corresponding production. Mostly, there doesn't exist professionally drafted micro-economic policy, or corresponding strategy for the production functioning.

Restructuring is a complex process aimed at the maintenance of profitable functioning of the industrial subjects under the conditions of the constantly changeable economic environment, technological development and competition.

Consequently, restructuring is the main lever for the efficiency-rising in Georgia.

In accordance with the world practice, the efficient restructuring is anticipated by the privatization of enterprises. It is accepted, that implementation of structural changes is directly connected with financial and property interests of an enterprise owner.

The micro-economic level restructuring measures are the competence of enterprising subjects. The state role in the restructuring process is the formation of the macro-economic environment, the acceleration of privatization, the development of the industrial infrastructure, the provision of the restructuring with methodological and consultation services, and manager training.

It's natural, that mostly big enterprises were affected by the economic crisis, caused by their comparatively low mobility and drawing character of their restructuring process. Consequently, the greatest part of the industrial capacities remained unloaded.

Principal directions for restructuring of such enterprises should be deter-

mined to be their dismemberment in accordance with the technological process, the reduction of capacities and the correction of the production volume proceeding from the market conjuncture.

At present 75-80 per cent of the fixed assets concentrated in the field of industry is unused. Their activation depends on the restructuring of the industrial sector. Even at best, there will be the problem of a lot of "surplus property", that should be redistributed by means of the market economy mechanisms. In this direction, the adoption of the law about the activities of the commodity exchanges and its implementation in the economic practice is urgent.

The state role in the utilization of the "surplus funds" should be limited to the support of the activities of the corresponding market structures, and to the acceleration of the process of the restructuring of enterprises and the realization of surplus property assets. In this connection, the registration of the temporarily unused fixed assets of strategic importance and the implementation of the preventive measures against illegal infringement on them is of utmost significance.

One of the tasks of the state regulation is the settlement of the problem of further employment of the surplus labor force released as a result of restructuring.

The existing employment state system and its implementation forms are alienated from the processes taking place in the economy, especially in the field of economy. Under the conditions of restructuring principally new employment policy should be drafted, ensuring the redistribution of the labor resources from the depressed fields into the economically active fields.

The industry restructuring is the complex, multi-component process not limited only to the interests of industry. It is connected with education, labor, social, financial, legal, regional and other fields. Proceeding from the above, its restructuring should be conducted in accordance with the joint approaches and principles with the demands of the common state economic policy taken into consideration.

Accordingly, the restructuring should be conducted on the basis of the following principles:

- Preservation, activation and efficiency increase of the utilization of the vital and prospective parts of the inherited economic potential;
- Gradual implementation of the structural changes, selection of priorities and their consecutive realization;
- Resource maintenance of the structural reorganization and elaboration of the rational mechanisms of its realization;
- Constant support of the process of restructuring taking place in enterprises and its stimulation;
- Gaining of the worthy place in the international and inter-regional labor distribution for the industry of Georgia and its further broadening;
- Strengthening of the defense potential of the country;
- Maintenance of the ecological security.

VI. SCIENTIFIC-TECHNICAL PROGRESS AND THE INNOVATION POLICY

The modern development of industry, the competitiveness of its production on the internal and external markets, the achievement of the proper technical and organizational level is impossible without corresponding scientific-technical base. Accordingly, the innovation policy, being the part of the common state scientific-technical policy, should maintain activation of the technical potential and mastering of the advanced technologies by carrying out legal, economic and organizational measures and by intensification of the innovation activities.

Today the country has the scientific-technical potential formed in the past and significantly preserved up-to-now (staff, scientific-research and project-constructive organizations), it has main preconditions for its further broadening and development, i.e. high professional level, traditions, etc. Notwithstanding the above-mentioned, today the actual development of the innovation activities is very limited. Main problem is the negative tendency formed in the field of science and scientific service as a result of the grave social and economic situation existing in the country: on the one hand, the extreme reduction of the demands on scientific-technical innovations and on the market of novelties as a result of the decay of the branches of economy and the absence of the investment funds in the field of production; on the other hand, abandoning of the scientific-technical activities by sufficiently great part of the staff, as a result of the absence of financing sources of the scientific-research activities and material incentives necessary for the activities in this field. Consequently, even in the strong branches and sectors the science-capacious production is driven out by simple and cheap production. Further deepening of these tendencies is one more serious and considerable factor of disindustrialization of the country.

Considering the crisis situation formed in the field of science and science-

tific service, special science supportive state system should be founded, introducing preferential duties in the field, with wide utilization of the progressive rules of financing(guaranteed financing of the actual, fundamental and applied programs and researches), with necessary material stimulation of important research works by the state, with social support of the scientists, etc.

For the scientific-technical development of the industry of Georgia and for the implementation of the principal aims of the innovation policy the following should be done:

- Efficient scientific-innovation policy should be conducted taking into consideration present economic and political situation;
- The state and public support should be ensured for the restructuring of the scientific-research activities and for the selective privatization of the scientific organizations, taking into account the preservation of their scientific potential and its purposeful utilization;

The non-budget and budget funds should be attracted, special funds should be created to support the formation of the market of the scientific production and service, to facilitate the receipt of the financial means necessary for mastering of new equipment and technologies;

- The legal basis should be maintained for the innovation activities (protection of intellectual property, licensing, certification, etc);
- The resource-saving and small-waste environment protective technologies, recognized by the international conceptions and the recommendations on ecologically pure productions should be utilized in cooperation with the international organizations;

- Competitive system of innovation projects and programs should be introduced, the state support should be ensured for the realization of small and quickly repaying innovation projects;

- Foreign-economic activities aimed at the creation of the joint ventures and at the production of science-capacious goods, at spreading information and advertisements about domestic innovations in the foreign countries, at

improvement of the exhibition maintenance, at ensurance of corresponding quotas for innovation infrastructures in foreign credits, etc. should be supported;

- The state supportive system for innovation activities should be set up with participation of private investors and in coordination with corresponding special services of the European Union and the European Union countries;

- For its legal maintenance the laws "On the Innovation Activities and the Innovation Policy", and "On the Protection of the Intellectual Property" and other normative documents should be drafted.

VII. INVESTMENT POLICY

The implementation of the proper investment policy is of utmost importance for the development of industry in this country, because industry cannot develop without serious investments.

Under the conditions of sharp decay of the industrial production, the most part of the financing received by the enterprises is used to cover current expenses. The majority of enterprises are short of funds to make investments. As a result of high venture the long-term investments seem less attractive.

The privatization of enterprises has not yet entailed the investment activities of the desirable level. In some cases the enterprises (purchased at zero auctions) proved to be dismembered among small owners lacking the knowledge and the capital for its development.

The factors, hindering the mass attraction of investments into the industrial sector, are the following: the grave financial situation of the enterprises, technical and technological backwardness, imperfect record-keeping. The lack of knowledge (or disregard) of the market conjuncture, the low level of management and drafting practice of the enterprise development business-plans are also aggravating factors.

The grave ecological state of the enterprises, making investment programs considerably expensive and less attractive for foreign investors, is one of the hindering factors.

Under existing conditions two-stage implementation of investments is predictable. The first stage investor can be conventionally called as a "tactical" investor with comparatively limited investment possibilities and active management directed at the strengthening of financial and technological discipline of an enterprise, at raising the production quality and at introduction of market mechanisms in its realization. Thus, the investment attraction will increase and the premise will be formed for the attraction of a strategic investor.

Taking into consideration these circumstances, temporary assignment of the management right to a "tactical" investor on preferential terms will be expedient.

The attraction of the strategic investments will facilitate the acceleration of the foreign-economic relations and the regulation of inter-state agreements, the settlement of the mutual protection of the investments and of the questions of double taxation. To accelerate and to broaden the scale of investment process the following activities should be implemented:

- Purposeful investment policy should be conducted in respect of the international-financial organizations and the organizations of the donor-countries;
- On special occasions the state guarantee should be provided for the foreign investments;
- The state budget funds should be utilized to finance the state programs of the priority directions;
- The investment policy of the banks should be stimulated;
- The regime of preferential duties should be introduced for the investment funds directly belonging to the enterprises;
- The formation of the securities exchange and the stock exchange should be accelerated to extend the financial sources for the investment activities;
- The marketing research should be improved;
- The single investment fund should be founded for the development of enterprising with observance of the requirements of the Law in force and the means should be attracted for the replenishment of its assets in prescribed manner.

VIII. INTERNATIONAL ECONOMIC COOPERATION

Proceeding from the present orientation of Georgia, special importance is attached to the broadening of the international economic integration and, within the framework of the cooperation, at the implementation of the projects creating the favorable environment for the rehabilitation and the development of industry.

At present about 30 agreements have been concluded on the state level in the field of industry, but their practical return is very low, as the efficient mechanism of the realization of the concrete obligations and terms envisaged by the agreements (the preferential terms included) has not been elaborated, and the analysis of the potentialities of the separate countries has not been conducted.

Proceeding from the above, the activities should be directed mainly at rising the efficiency of the international-economic cooperation. The activation of the favorable conditions of the commercial and economic treaties concluded with the separate countries and the international organizations should be ensured. It means overall support to the practical realization of the legislative powers and the bilateral obligations envisaged by the free trade regime with different countries, by "The Cooperation of Enterprises" within the CIS, by "The Tariff System Preferences" and other concrete agreements. It also implicates the creation of the efficient control system of their realization.

In the preparation of new agreements and treaties special attention should be paid to the analysis of the legislative basis of different countries, the customs and taxation legislation, to the ways and costs of transportation and to the drafting of the profitable versions in this direction, to the maintenance of the corresponding information materials, etc.

The agreement concluded with the European Union about entering the

European market is of utmost importance and requires proper study. The ratification of this agreement will grant Georgia the right to import the competitive production to the European market without any quotation. Proceeding from the above, one of the principal tasks of the Ministry of Industry is the maximum orienting of the industry branches and the programs of the strategic development of enterprises at the production of the competitive production, their bringing in correspondence with the new requirements.

Taking into consideration of the norms, standards, requirements and tariffs obligatory for the future membership of Georgia in the World Trade Organization is the necessary premise for the wide-scale development of industry. Proceeding from the peculiarities of the transition period the optimum conformity of the domestic production to these norms and their gradual introduction with maximum protection of the entrepreneurs should be considered expedient.

IX. LEGISLATIVE MAINTENANCE OF THE INDUSTRIAL POLICY

The legislative basis of industry proceeds from the constituent laws in force on entrepreneurship, privatization, taxation, customs, anti-monopoly regulation, price and price-formation, bankruptcy, restructuring of the budget liabilities, investments, minerals, etc.

The existing legislative basis cannot meet the tasks of implementation of the industrial policy in full and needs further expansion. New laws should be adopted and necessary amendments should be inserted into the laws in force.

The adoption of the following new laws will facilitate the improved realization of the industrial policy:

- The Law "On The Georgian Popular-Artistic Handicraft", forming legislative basis for the revival and the preservation of the popular artistic handicraft, being the part of the national culture.
- The Law "On Military-Industrial Complex", regulating the legislative basis of the revival and the development of the existing potential of the defense industry in accordance with the real defense maintenance state policy requirements.

- The Law "On The Innovation Activities and The Innovation Policy", facilitating the scientific-technological maintenance of the priority directions of the industry development and the acceleration of the technical modernization of the industrial enterprises on the world standard level;

Together with these laws the special importance should be attached to the implementation of the active policy of enterprise restructuring by means of wide inculcation of the leasing operations under the conditions of the vast capacity market. In this connection a number of normative acts of compulsory and recommendation character should be set in motion.

The maintenance of the legislative correspondence of the industrial poli-

cy to the modern requirements is constantly renovating process. In the course of time adoption of new laws, or introduction of necessary amendments into the legislative acts may prove urgent.

X. REGIONAL ASPECTS OF THE INDUSTRIAL POLICY

The improvement of the territorial distribution of industry is one of the pressing problems. For the maintenance of the optimum development of industry in Georgia, the state industrial policy should be based on the principles of regional regulation.

Taking into consideration the peculiarities of the geographical situation of Georgia and of the demographic processes, the priority in drafting of the regional aspects of the industrial policy should be attached to:

- The acceleration of the social and economic development of the territorial units by means of the utilization of the local natural, industrial and labor potential, of the economic traditions of the population, by stimulation of the enterprising activities and the minor business;
- The maintenance of the optimum compatibility of the branch and territorial aspects of the economic regulation;
- The correspondence of the economic and social development programs of the regions to the requirements determined by the industrial policy; the reflection of the demands proceeding from the specificity of the development of the separate regions in the principal approaches of the industrial policy.

Consequently, the basic forms of the cooperation with the regions should be:

- The support of the complex utilization of the local natural resources in the industrial purposes;
- The ensurance of the participation of the regions in the priority investment projects of industry;
- The state support of the regional programs of the development of industry;
- The support to the formation of the local market of industrial products;

tion, to the development of the cooperation, dealer, distribution, common market structures, to the implementation of the informational and the methodological activities.

In accordance with these tasks, the Ministry of Industry will closely cooperate with the local authorities, will coordinate the drafting and the realization of the activities of compatible development of the industrial and social infrastructure of the separate regions proceeding from the requirements of the implementation of the common industrial policy in this country.

卷末 2 Law of Georgia on Promotion and Guarantees of Investment

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Law of Georgia

"On Promotion and Guarantees of Investment"

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Law of Georgia

"On Promotion and Guarantees of Investment"

The Law determines legal grounds of realization of both foreign and domestic investments and guarantees of their protection. The target of Law is establishment of instrumental legal regime of investments.

Chapter I.

General Provisions

Article 1. Investment

1. Investment is any kind of property or intellectual value or right contributed and used within the entrepreneurship implemented on the territory of Georgia for earning of possible income.
2. Such value or right may be:
 - a) funds, shares, stocks and other securities;
 - b) movable and immovable property - land, buildings, equipment and other material values;
 - c) land tenure or right to use other natural resources (concession, as well), patent, license, "know-how", experience and other intellectual value;
 - d) other legally recognised property and intellectual value or right.

Article 2. Subject (Investor) and Object of Investment

1. Investor is any physical or legal person, or international organization realizing investments in Georgia.
2. Foreign investor may be:
 - a) a citizen of foreign country (alien);
 - b) a stateless person not permanently residing on the territory of Georgia;
 - c) a citizen of Georgia permanently residing abroad;
 - d) a legal person registered outside Georgia.
3. Rights of an enterprise with at least 25% of foreign investor's share are equated to the rights of a foreign investor.
4. The investment on the territory of Georgia may be contributed into an object of any legal type investing in which is not prohibited by clause 9.1. of the present Law. Investing in objects listed in Article 9 and 12 of the present Law may be realised on the grounds of appropriate special permit or license.

Chapter II.

Legal Statute of Subjects of Investment

Article 3. Investor's Rights

1. A foreign investor whilst executing investment and entrepreneurship shall enjoy rights and guarantees in limits not less the those granted to a physical and legal person of Georgia.
2. An investor is entitled to open current and other accounts in any currency with any banking institution on the territory of Georgia.
3. An investor is entitled to take a loan in any banking and finance institution, or from physical or legal persons both in Georgia and abroad.
4. An investor is entitled to acquire stocks, bonds and other securities and property existing both on the territory of Georgia and abroad.
5. A foreign investor after payment of taxes and other charges is entitled to convert the earnings (income) gained after investments as well as other funds at the market exchange rate in bank institutions of Georgia as well as to repatriate them abroad without any limitation.

Those funds include:

- a) any contribution to the capital stock of an object established with foreign investment;
 - b) any profit and dividend as well as assets remained after the entire or partial sale or liquidation of foreign investment;
 - c) payments related to contractual obligations and acknowledgements of debt;
 - d) property use right tax which shall be determined as percentage of profit gained after use of other's property, including natural resources, copyright, patent - royalty, as well as management and other rent.
6. A foreign investor is entitled to take his owned property abroad.
 7. The right provided by Clause 5.5. may be restricted because of bankruptcy, commission of crime recognised by the court or in connection with non-fulfilment of civil duties, as provided by the law.

Article 4. Investor's Duty

The investor shall carry out his activity in accordance with the applicable law, including laws concerning environment and health protection.

Chapter III.

Promotion of Investment and Registration

Article 5. Promotion of Investment

Working out of state program for promotion of investment and of state policy related to its implementation shall be executed by the Ministry of Economy of Georgia together with appropriate departments.

Article 6. State Registration of Foreign Investment

1. A foreign investor shall within 60 days following the investing register the investment in amount not less 100,000 dollars USA (or its equivalent) at the Foreign Investment Agency existing at the Ministry of Trade and Foreign Economic Relations of Georgia. Otherwise he shall be banned on investment. The aim of registration is creation of a single statistic base of investments realised in Georgia.
2. A foreign investor shall once a year (till the end of a fiscal year) to submit information of amount of additional investments to the Foreign Investment Agency.
3. For registration a foreign investor shall submit:
 - a) full title of investment objects; brief description of main directions of investment;
 - b) copy of certificate on corporation of appropriate enterprise;
 - c) certificate on investment value;
 - d) special permit, including licence, for events stipulated in Articles 9 and 12 of this Law.
4. The agency has no right to require on submission of any other data from the investor except those listed in Clause 3 of this Article.
5. In 5 days following the submission of application for registration the Foreign Investment Agency existing at the Ministry of Trade and Foreign Economic Relations of Georgia shall pass a foreign investment through registration. Should the agency not examine the matter of registration within the fixed term such investment will be considered as registered under the law.
6. Refusal of state registration may be given only in the event if investor does not meet requirements specified in Clauses 1 and 2 of Article 9 of this Law.
7. Refusal of state registration may be appealed against according to the order established by Article 16 of this Law.

Chapter IV.

Investment Protection Guarantees

Article 7. Inviolability of investment

1. The investment is entirely and unconditionally protected in Georgia by the applicable law.
2. Investment may be withdrawn in cases directly specified by the law only, by court ruling or in case of emergency established by the fundamental law and with appropriate compensation.
3. Decision on withdrawal of investment as well as compensation terms may be appealed against at the court, and if the investor is an alien, the matter shall be settled in accordance with order established by Article 16 of this Law.

Article 8. Compensation for Withdrawal of Investment

1. Compensation to be given to the investor shall correspond to the real market value of the withdrawn investment by the very moment of the withdrawal.
2. Compensation shall be given without any delay and shall estimate those losses which have occurred from the moment of withdrawal till the payment of a compensation amount.
3. A foreign investor has right to convert the compensation amount at the market exchange rate in the bank institutions of Georgia and transfer it abroad freely and without delay.

Article 9. Ban and Restriction in the Sphere of Realization of Investment

1. The list of those fields and branches where investing is prohibited shall be approved by the Parliament of Georgia after nomination of the President of Georgia.
2. An investor has no right to carry out the following activity without permit or license of appropriate department:
 - a) preparation and sale of the arms and explosives;
 - b) preparation and sale of medicines and substances subject to special control;
 - c) use of forestry and entrails;
 - d) arrangement of casinos and other games of chance and lotteries;
 - e) banking activity;
 - f) insurance activity;
 - g) issue of marketable securities, stocks and bonds;
 - h) wireless connection service and creation of broadcast channels;
 - i) other activity determined by the legislation of Georgia in force.

Article 10. Labour Terms, Social Protection and Pension Provision

1. An investor has right to take an alien on work in accordance with the applicable law of Georgia. The alien not permanently residing in Georgia has right after payment of taxes and charges to transfer or take his income abroad without delay and hindrance.
2. No mandatory minimal number of citizens of Georgia to be elected or assign to the governing bodies of enterprise may be fixed.
3. The legal requirements for social insurance, mandatory payment of taxes and contributions for social and pension welfare shall not be applied to those foreign employees who permanently not reside in Georgia.

Article 11. Taxation on Investment

Regime and conditions of taxation related to the investment shall be regulated by the tax legislation of Georgia.

Article 12. Obtaining Property Right on Land and Other Natural Resources

Obtaining property right on land and other natural resources as well as the right on treatment and development of natural resources shall be regulated by the Laws of Georgia "On Ownership of Land for Agriculture Use", "Concerning the Lease of Land for Farming", "Concession Law", "On Entrails" and other legal acts.

Article 13. Legal Regime of Foreign Investment Having Been Realised

Enterprises established with foreign investments and having obtained the foreign investment license in accordance with the applicable law before the putting into force of the present Law, shall reserve benefits determined by the Law of Georgia "On Foreign Investments" of 30.06.1995 in the field of activity provided by the issued foreign investment license within 5 years from the day of the issue of license.

Article 14. Protection of Investment in Time of Martial Law and Armed Conflict

A foreign investor suffered within the period of martial law and armed conflict shall enjoy the terms of loss compensation not worse than the domestic investor.

Article 15. Guarantees under Change of Legislation

1. A new legal act worsening the terms of investment established by the present Law shall not be applied to the investment having already been realised, within 10 years of its taking the effect. In such event the investor shall carry out his activity in accordance with the laws applied till the coming in force of a new legal act.

2. Articles 7,8,14 and 16 of the present Law shall not be subject to legislative modification in future.

Article 16. Rule of Resolution of Disputes

1. Disputes between a foreign investor and enterprise registered in Georgia shall be settled by amicable agreement as established by procedure or by the court of Georgia.
2. Disputes between a foreign investor and governmental body, if the order of its resolution is not agreed between them, shall be settled at the court of Georgia or at the International Centre for the Resolution of Investment Disputes. Should dispute be not considered in the International Centre for the Resolution of Investment Disputes the foreign investor is entitled to refer a dispute to the additional institution of the Centre or to any international arbitration established in accordance with regulations provided by the arbitration and international agreements of the Commission of the United Nations for International Trade Law - UNCITRAL.
3. The award of the international arbitration mentioned in Clause 2 of this Article is final and shall be without appeal. Its enforcement shall be provided by the state.

President of Georgia

Eduard Shevardnadze

Tbilisi

12.11.1996

No. 473-Is

Resolution

of the Parliament of Georgia

Concerning Law "On Promotion and Guarantees of Investment"

The Parliament of Georgia resolves:

1. The Law of Georgia "On Promotion and Guarantees of Investment" shall come into effect on promulgation.
2. From the day of promulgation of this Law the Law of Republic of Georgia "Concerning Investments" of 10.08.1991 ("Bulletin of Supreme Council of Georgia", 1991, N 8, Art. 588), the Law of Republic of Georgia "On Foreign Investments" of 30.06.1995 ("Bulletin of Parliament of Georgia", 1994-1995, N 27-30, Art. 654) and other legislative acts which contradict this law shall be declared null and void.
3. To require from President of Georgia to submit the list of those fields where investments will be prohibited, to the Parliament of Georgia for consideration till December 15.
4. To charge the Finance and Budget Committee of the Parliament of Georgia together with Committee for Economic Policy and Reform and appropriate departments with working out of proposals concerning modification in tax legislation till December 20, 1996 for attraction and promotion of investments.

Deputy Chairman

of the Parliament of Georgia

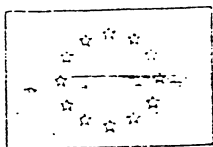
(signed)

Edward Surmanidze

Tbilisi

12.11.1996

N 474-Is



EUROPEAN COMMISSION
DIRECTORATE GENERAL I

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NOTE VERBALE

The Directorate-General I of the Commission of the European Communities presents its compliments to the Mission of the Republic of Georgia to the European Communities and has the honour to refer to the Agreement on trade in textile products between the Republic of Georgia and the European Economic Community initiated on 17 November 1993, and in particular to Protocol A, Title I, Article 1, Paragraph 1.

The Directorate-General has the honour to inform the authorities of the Republic of Georgia that, after due examination, the competent authorities of the Community have established the classification of textile products indicated in the Annex TEXT. CL/01/96 (photograph 544). These classifications apply to the importation into the Community of the textile products concerned in conformity with the Agreement.

The date of this Note Verbale is to be considered as the date of the communication within the provisions of Protocol A, Title I, Article 1, Paragraph 2 of the above mentioned Agreement.

As far as the classification of these products is concerned as well as their description, any further information may be obtained from the Directorate-General XXI of the Commission (Division B/4).

The Directorate-General I of the Commission of the European Communities avails itself of this opportunity to renew to the Mission of the Republic of Georgia to the European Communities the assurance of its highest consideration.

Brussels,

17.03.96

001484

Mission of the Republic of Georgia
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