

EMBASSY OF INDIA  
YEREVAN

**TEXTILE INDUSTRY IN GEORGIA  
A MARKET SURVEY**

April 2005

GEORGIA – FACT SHEET

Location	South Caucasus
Area	69,500 sq km
Capital	Tbilisi (1.3 mn pop)
Neighbours and Boundaries	Armenia-164 kms, Azerbaijan – 322 kms, Russia –723 kms, and Turkey-252 kms
Coastline	310 kms
Ports	Poti, Batumi
Land	Largely Mountainous
Land use	Agricultural 42%, water 2% and forest 34%, Irrigated land 4000 sq. km
Economy	Traditionally agricultural, producing fruit, wine, oils, tobacco and spices. Industries include manganese and coal mines, crude oil and gas production and food processing.
Natural resources	Hydropower (26,000 rivers), manganese, non-ferrous and rare metals, minor coal and oil, forests, coastal climate and soils allow for important tea and citrus growth
Electricity (2001)	Production 7.2 bn kWh, consumption 7.6 kWh
Population (2003)	4.4 mn (Urban 2.8 mn), Growth rate: - 0.2 per thousand. Regular migration abroad. Estimated 280,000 Internally Displaced Persons. Male/female ratio: 0.9:1.0
Ethnic groups	Georgians 84%, Armenian 8%, Russian 6%, Azeri 6%, Ossetian 3%
Life expectancy	73 years
Literacy rate	99%
Religion	The Orthodox Church of Georgia is one of the oldest Christian communities in the world, dating back to 337. Most Georgians belong to this faith. There are small communities of Muslims, Catholics, Slav Orthodox believers, Armenian Apostolics and Zoroastrians. Orthodox 75% (Georgian Orthodox 65%, Russian Orthodox 10 %), Islam 11%, Armenian Apostolic 8%, others 6%.
Language	Georgian, with 33 alphabets, written in a unique rounded alphabet. It is the largest among the Ibero-Caucasian languages, a non-Indo-European group.
History	Georgian history dates back over 2,500 years and Georgian is one of the oldest living languages. Tbilisi, located in a picturesque valley divided by the Mtkvari River, is over 1,500 years old. Much of Georgian territory was besieged by its Persian and Turkish neighbours along with Arabs and Mongols from 7 <sup>th</sup> to 18 <sup>th</sup> centuries. After eleven centuries of mixed fortunes, including a Golden Age from 11 <sup>th</sup> to 12 <sup>th</sup> centuries, Georgia turned to Russia for protection. Russia annexed Georgia and exiled the royalty in 1801. Pockets of Georgian resistance to foreign rule continued, and the first Republic of Georgia was established in May 1918 after the collapse of Czarist Russia. By March 1921, the Red Army had reoccupied the country and Georgia became part of the Soviet Union. On 9 April 1991, the Supreme Council of Georgia declared independence.
Political system	Presidential Republic (President is Head of State and Executive)
State structure	Federal country consisting of two autonomous republics (Abkhazia and Ajara), and 12 regions divided further into rayons (Abkhazia has broken away as has another region South Ossetia)
Independence Day	9 April 1991
National Holiday	May 26 (coinciding with establishment of first Republic of Georgia on 26 May 1918)

<b>Constitution:</b>	Adopted August 1995						
<b>Head of State:</b>	President Mikheil Saakashvili elected President in January 2004. President is Head of State and Government, elected by popular vote for a maximum of two five-year terms						
<b>Legislative branch</b>	Unicameral Supreme Council (235 seats); last elections: March 2004.						
<b>Currency</b>	Georgian Lari ( US\$ 1 = 1.83 Lari April 2005)						
<b>GDP (2004)</b>	US\$ 5.4 bn (US\$ 12 bn ppp)						
<b>Per capita GDP (2004)</b> <b>Per cap GDP ( PPP)</b>	US\$ 1,200 (app) US\$ 2,500						
<b>GDP growth rate(2004)</b>	8.5% (2203=11.1%)						
<b>GDP-composition</b>	Agriculture:20%; Industry:23%, Services: 57%						
<b>Unemployment</b>	Officially 10.8%, actually close to 50%						
<b>External debt (2004)</b>	US\$ 2.4 bn						
<b>Reserves end-2004</b>	US\$ 300 mn						
<b>Avg. monthly wage (2004)</b>	US\$ 50						
<b>Major crops</b>	Potatoes, hazelnuts, tea, citrus fruits, grapes (excellent wines)						
<b>Industry</b>	Some 72 power plants, breweries and distilleries, chemical, petrochemical ("tea kettle" refineries), food processing and shipbuilding (at Batumi), cement (at Kaspi and Rustavi) are main industries. Surviving relics of Soviet era include SU aircraft factory, Kutaisi Auto Plant, machine tools, textiles, shoes, chemicals and wood products. Privatisation began after independence in 1991 and large-scale sell-offs of infrastructure enterprises are continuing						
<b>Transport &amp; Communication</b>	Railways 1613 kms, Highways 21,000 kms, Airport- Tbilisi connected with all major European Countries						
<b>Exports (2004)</b> US\$ 515 mn (est)	Scrap metal, machinery, chemicals; fuel re-exports; citrus fruits, tea, wine, textiles. Major buyers are Russia, Turkey, Armenia, Azerbaijan, Switzerland, Ukraine						
<b>Imports (2004)</b> US\$ 1.25 bn (est)	Fuels, machinery and parts, transport equipment, grain and other foods, pharmaceuticals. Major imports from Russia, UK, Turkey, Azerbaijan, US, Germany, Ukraine, France						
<b>Business opportunities for Indian companies</b>	Mahindra Bolero vehicles assembled at Kutaisi Automobile Plant. Pharmaceuticals, small and medium scale industries, Information Technology and agriculture (tea, silk farming and meat) are priority sectors.						
<b>International Organisations</b>	Member of the CIS, OSCE, UN, WTO, Black Sea Economic Cooperation Organization, GUUAM, IMF, World Bank and NATO's Partnership for Peace Programme.						
<b>Bilateral trade (US\$ mn)</b>	1998	1999	2000	2001	2002	2003	2004
<b>India's exports</b>	0.7	1.4	1.2	2.1	4.2	5.5	5.77
<b>India's imports</b>	0.4	0.3	1.3	4.6	1.9	5.9 (scrap)	6.03 (scrap)
<b>Main items of bilateral trade</b>	India's major imports are scrap (aluminum and copper) while major exports are pharmaceuticals, polyesters, meat, machinery, tobacco, coffee and (since 2003) sugar						

### **General Overview of Georgia**

Georgia occupies approximately 70,000 square kilometers, with a population of 5.11 million. The climate is subtropical, with warm summers and mild winters. The High Caucasus Mountain Range forms the northern border with Russia, while the southern boundaries with Turkey, Armenia and the eastern boundary with Azerbaijan are formed along the summit of the Lesser Caucasus Mountains. The western boundary is the Black Sea, with several ports - Batumi, Supsa, and Poti prominent among them. Melting snow in the spring and summer rainfall feed numerous rivers flowing into the valleys and provide

abundant water for irrigation and hydroelectric power. The lowlands of the West are subtropical and are the centers of tea and citrus production, while grapes and fruits grow abundantly in the uplands.

Approximately 56 percent of Georgia's population resides in urban areas, of which about one-third live in Tbilisi, the capital. The ethnic composition is roughly 70% Georgian, 8% Armenian, 6% Russian and 6% Azeri. 75% of the population is Orthodox (65% Georgian Orthodox, 10% Russian Orthodox), 11% Muslim, and 8% Armenian Apostolic. The nationwide literacy rate is 99%. The national language is Georgian, although Russian can be used in almost all situations. English is now the favored language of study.

Investors can benefit from the high level of education of the labor force, one of the highest in the former Soviet Union.

Due to its strategic geographical position between Europe and Central Asia, Georgia remains the gateway for land transportation across the Caucasus, using its ports as bridges; its location on the Black Sea is one of the country's foremost natural assets.

The name of the country in Georgian - the official language, is *Sakartvelo*.

Word Georgia derives from the name of Saint George long time appreciated as one of the guardians of the nation. His image in the battle with a snake appears on the modern gerb of the Republic of Georgia.

### ***Tbilisi***

The word Tbilisi derives from "tbili" meaning warm in Georgian. According to a legend, Georgian king Vahtang Gorgasaly was falcon hunting in the area where he was going to build a new capital. His falcon caught a bird, but dropped it. The bird was found later in a hot stream almost boiled and ready to be served for lunch. Those hot streams turned to be very healthy mineral sources long used in Tbilisi Turkish baths 19th and 20th centuries

### **Overview of the Textile and Garment Sector**

Georgia had built up significant capability in the Textile and Garment Industry sector, prior to the collapse of the Soviet Union. It had 50 major companies in the sector including 40 in garments and 10 in textiles. In addition it had a large number of medium and smaller firms operating in both sub-sectors. Georgia has a long tradition of business in the sector and in addition to an established manufacturing bases, it has an established skill base, together with an established technical and university support system.

The Textile and Garment Industries of Georgia offer attractive conditions for investment. Raw materials are available together with a competitive and skilled work force, a defined legislative framework for investment, a well developed manufacturing base, and good access to EU markets.

Raw Materials: Fabric is produced from natural and synthetic yarns which are primarily woven from home produced and imported silk and wool. Georgia has an existing strong capacity in wool production and has a long tradition in silk production although there are opportunities for improvement and for investment in both these areas.

Products: The enterprises in the sector produce a wide range of textile and garment products such as silk, woolen and cotton fabric; finished clothing and knitted garments; ladies and men's outfits/suits; textile haberdashery; half-finished products; and carpets. At present, some of the enterprises are making raincoats, jackets, suits and upper knitted garments for German, Korean and Italian companies. Many of these enterprises wish to establish contacts with foreign investors and are willing to undertake joint venture investments or production contracts with them. A number of firms already have production and marketing links with foreign firms and others are seeking similar links. At present, some of the larger enterprises are producing garments for European companies on a CMT (cut, make and trim) basis.

Privately Owned: Almost 85% of the companies in this sector are privatized: they are either joint stock companies, or companies with limited liability.

Modern Technology: A number of companies in the sector are equipped with modern technological machinery of Japanese, German, Swiss, Italian, English and Hungarian production such as: PUFF, JUKI, SAVIO, INTERPLASTIC, REMOLDI, JUMBURKA, TISS, TEXTIMA, OTTO-GALI. Re-equipment of most factories in the sector was carried out in 1989-1991.

FDI Welcomed: Foreign investors are free to establish 100 per cent foreign owned companies or they can enter into joint ventures or other arrangements with local companies. A number of foreign manufacturers have already established links with local enterprises. In the process investors can produce high quality products, at low unit cost, and achieve high rates of return on their investments.

Georgia is a country with a variety of natural and material resources, and with a favorable geo-political location on the cross-roads of Europe and Asia. These features make the country attractive for investment in many activities.

Moreover, the Government's main policy targets are aimed at establishing an open economy in the country, and considerable progress has been made in this direction.

A new and liberal investment framework is established in law, the majority of economic activities became private, a freely convertible currency has been established, and several major international agreements are signed. These policies are bearing fruit and all major economic indicators are positive with growth rate running at 10-12 per cent annually. In addition inflation is modest, the currency is stable, and profits can be repatriated abroad with no limitations.

At present Georgia has agreements on trade and economic co-operation with 20 countries; agreements on promotion and mutual protection of investments with 16 countries - among which are the USA, Great Britain, Germany, China, Greece, Israel, Russia, Ukraine, Kazakhstan, Turkmenistan.

In 1996, the European Union and Georgia signed a Partnership and Co-operation Agreement, and Georgia became an associative member of the European Council. Also In 1996, the World Trade Organization granted Georgia observer status. And Georgia has been a member of the Multinational Investment Guarantee Agency (MIGA) since December 1992.

Against this background of policy reform and a strong economic recovery the country offers good investment opportunities in several sectors including textile and garments.

Some of the major companies in this sector are:

**Chichnauri JSC (Light industry)**

Address:	52 Chavchavadze Street Telavi 383330 Kakheti Region
Tel:	(995-352) 32293; (995-32) 001235 ext. 7019
Fax:	(995-32) 001235 ext. 7019; (995-32) 931945
Year Established:	1926
Ownership:	100% Private 0% State
Products:	Natural silk thread, silk waste
Staff:	150
Export Countries:	Egypt, Turkey, China, Japan, Switzerland, Korea
Owner	Gela Kirvalidze
Working Languages:	Georgian, English, Russian

**Colkhети JSC (Articles of clothing)**

Address:	87 Chkondideli St Tbilisi 380092
Tel:	(995-32) 692509; (995-32) 663121;(995-32) 663120
Fax:	9995-32) 692509
Year Established:	1937
Ownership:	100% Private 0% State
Products:	Women's, men's and child clothing
Staff:	550
Export Countries:	USA, Germany, Greece, Turkey
General Director	Valeian Gegidze
Working Languages:	Georgian, Russian

**Georgian Fashion Center JSC (Articles of clothing)**

Address:	2 Saarbrueken Square Tbilisi 380002
Tel:	(995-32) 221167; 986042
Fax:	(995-32) 985933
Year Established:	1949
Ownership:	100% Private 0% State
Products:	Women's and men's clothing: suits, coats, jackets
Staff:	300
Export Countries:	Germany
President	Grigol Beradze
Working Languages:	Georgian, Russian, German, English

**Imeri JSC (Articles of clothing)**

Address:	119 Asatiani Street Kutaisi 384016 Imereti Region
Tel:	(995-331) 74496; (995-331) 72157; (995-331) 26162
Fax:	(995-331) 74496
Year Established:	1928
Ownership:	100% Private 0% State
Products:	Men's and women's clothing, jackets, women's suits, separates: skirts and jackets, jackets and trousers, jackets, trousers and vests
Staff:	444
Export Countries:	Germany
Head of the Supervisory Board	George Chikhladze

Director:	Tsisana Sanodze
Working Languages:	Georgian, German
<b>Marionella Fashion Salon Individual Enterprise (Articles of clothing)</b>	
Address:	1 Pushkin Street Kutaisi 384000 Imereti Region
Tel:	(995-331) 43121
Year Established:	1994
Ownership:	100% Private 0% State
Products:	Wedding dresses and accessories, women's, men's and children's wear
Staff:	25
Export Countries:	USA
Owner	Lela Turdzeladze
Working Languages:	Georgian, English, Russian
<b>Maudi JSC (Light industry)</b>	
Address:	140 Tsereteli Avenue Tbilisi 380019
Tel:	(995-32) 943567
Fax:	(995-32) 943567
E-mail:	<a href="mailto:maudi@ti.net.ge">maudi@ti.net.ge</a> <a href="mailto:G.Sakharov@ti.net.ge">G.Sakharov@ti.net.ge</a>
Year Established:	1929
Ownership:	100% Private 0% State
Products:	Wool fabrics for women's and men's apparel; wool; yarn
Staff:	94
General Director	Omar Tetrashvili
Working Languages:	Georgian, Russian
<b>Oxino JSC (Articles of clothing)</b>	
Address:	12 Bagdadi Street Tbilisi 380013
Tel:	(995-32) 774479; 771991
Fax:	(995-32) 778788
E-mail:	<a href="mailto:oxi@caucasus.net">oxi@caucasus.net</a>
Year Established:	1995
Ownership:	100% Private 0% State
Products:	Women's, men's and children's knitted clothes: jumpers, pullovers, jackets
Staff:	500
Export Countries:	CIS
Head of the Supervisory Board	Tamaz Tsintsadze
Working Languages:	Georgian, Russian

## **Advantages for Investors in Georgia**

*Among the main advantages which Georgia offers investors are the following:*

- Stable Democratic Government
- Solid legal framework
- Low corporate tax of 20 per cent
- Europe-Asia Gateway: shortest transport route from Europe to Azerbaijan, Armenia, Iran and Central Asian countries, situated along shortest gas and oil pipeline route to the west from new fields of Azerbaijan and Central Asia
- EU Access: Preferential access to EU markets
- Right for tax-free and unrestricted repatriation of profits and capital

- Excellent entrepreneurial tradition; well-educated, skilled and low-cost labor force

*Textile and Garments:*

- Low Cost and Skilled Labour
- Quota free access to EU markets under a bilateral agreement signed in November, 1993;
- Preferential duties on goods exported to EU, Czech Republic, Slovakia, Japan, Canada and Switzerland under Generalized System of Preferences (GSP);
- Imports used in goods which are re-exported are tax free.

***Marketing and Other Recommendations***

The best alternative for marketing in Georgia is TV, though it depends on the product of marketing and one can use boards, shows, fairs and other sources for marketing. Most of the Georgian enterprises did not have funds for marketing and they use word-of-mouth system. As you might have noticed from the company information provided the demand market in Georgia is not big, but providing careful and thorough investigations will help companies to increase their sales. Depending on the quality and price of the proposed materials they will switch to new sources of raw materials. As the country itself is in a transition period, its economy and industry are at the same position. Georgian companies are not financially strong enough to bring Indian raw materials themselves and it is worth thinking to hold an exhibition/sale of Indian products here in order to let Georgian companies get familiar with Indian finished products and raw materials and I believe Georgian entrepreneurs will be quite impressed and fascinated in expanding business relations with their Indian partners and would suggest some very worthy ideas for cooperation.

**Ref:**

- Materials from the Parliament of Georgia;
- Georgian Export Promotion Agency information;
- American Chamber of Commerce and Georgian Chamber of Commerce information;
- Information from Statistics Department of Georgia;
- All secondary and primary sources of information;