

Investment Development Path and Motivations for Foreign Direct Investment in Georgia

Authors : Vakhtang Charaia, Mariam Lashkhi

Abstract : Foreign direct investment (FDI) plays a vital role in global business. It provides firms with new markets and advertising channels, cheaper production facilities, admission to new technology, products, skills and financing. FDI can provide a recipient country/company with a source of new technologies, capital, practice, products, management skills, and as such can be a powerful drive for economic development. It is one of the key elements of stable economic development in many countries, especially in developing ones. Therefore the size of FDI inflow is one of the most crucial factors for economic perfection in small economy countries (like, Georgia), while most of developed ones are net exporters of FDI. Since, FDI provides firms with new markets; admission to new technologies, products and management skills; marketing channels; cheaper production facilities, and financing opportunities. It plays a significant role in Georgian economic development. Increasing FDI inflows from all over the world to Georgia in last decade was achieved with the outstanding reforms managed by the Georgian government. However, such important phenomenon as world financial crisis and Georgian-Russian war put its consequence on the over amount of FDI inflow in Georgia in the last years. It is important to mention that the biggest investor region for Georgia is EU, which is interested in Georgia not only from the economic points of view but from political. The case studies from main EU investor countries show that Georgia has a big potential of investment in different areas, such as; financial sector, energy, construction, tourism industry, transport and communications. Moreover, signing of Association Agreement between Georgia and EU will further boost all the fields of economy in Georgia in both short and long terms. It will attract more investments from different countries and especially from EU. The last, but not least important issue is the calculation of annual FDI inflow to Georgia, which it is calculated differently by different organizations, based on different methodologies, but what is more important is that all of them show significant increase of FDI in last decade, which gives a positive signal to investors and underlines necessity of further improvement of investment climate in the same direction.

Keywords : foreign direct investment (FDI), Georgia, investment development path, investment climate

Conference Title : ICMBEF 2017 : International Conference on Management, Business, Economics and Finance

Conference Location : Tokyo, Japan

Conference Dates : November 13-14, 2017