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## [Free Economic Zones in Georgia](#)

Economic free zones in Georgia are no longer a necessary, helpful, or even relevant option for Georgia's economic development according to a [GFSIS article](#) written by [Vladimer Papava](#). A free economic zone is a discreet area of a country's economy designated by the government and bestowed with certain benefits and privileges. In general there are two different varieties: a strictly territorial one, and the regime-based variety, which is limited to functional categories such as trade, customs, and scientific and technological zones. Why use free economic zones? Theoretically, low or nonexistent customs duties and the relaxation of barriers to trade can bring in foreign revenue. They can be used as testing grounds for breeding free economy principles within regions as an incremental process, but this can also lead to the harboring of offshore funds and dirty money.

Georgia has implemented a number of free economic zones since independence but their benefits and importance may be declining in light of economic development in the region and the globalization of trade and finance transactions. By way of history, post-independence, Aslan Abashidze (the exiled former leader of Adjara) turned Adjara into a free economic zone with few restrictions on trade, and customs duties and revenues went to the Adjara government rather than Tbilisi. His economic policies were generally viewed as successful when taken out of context from his authoritarian rule.

Since the Rose Revolution, however, on a macro-level there has been more liberalization with the taxation regime on imports, visa requirements for certain foreigners have been lifted, and the bureaucratic procedures for the establishment of businesses have been relaxed. The manufacturing of goods in a free economic zone necessitates considerable costs, and because of the aforementioned privileges granted only within the free economic zones, the transport of goods from one territory to another in-country territory necessitates the same treatment that is afforded to imports. According to Papava this can lead to a restriction in the movement of the country's citizens and the possible necessitation of special licensing.

Papava thinks the idea of creating free economic zones within Georgia is "senseless," and that in this state of Georgia's development it would more appropriate to create a regime applicable to the whole country. He believes that if the government were to reestablish any free economic zones it would weaken Georgia's relationship with international financial institutions and may lead to the possible ousting of Georgia from the WTO