



Review of Georgian Electric and Electronic Product's Market



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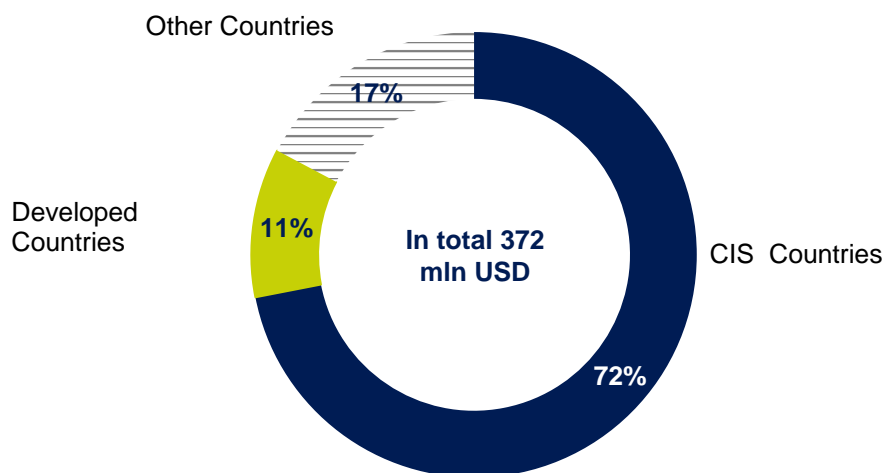
Electric and electronic products are defined as products which needs electricity or electromagnetic field in order to work properly. This report highlights which electronic products are involved in trade and also who Georgia's major exporting and importing partner countries of electric and electronic products are. The document will allow the readers to understand the central dynamics of Georgia's electric and electronic market and the main challenges the market currently faces.

Georgia's electric and electronic product market is characterized by several features:

- Poor production of electric and electronic products;
- Exporting electric and electronic products primarily to developing countries;
- The main export driver of electric and electronic products is re-export;
- The domestic market is not regulated to modern European standards.

Since gaining independence Georgia has been gradually implementing western political and economic values. However, this has been a slow process as it has proven difficult for the country to completely shed the soviet legacies of its past. Georgia remains dependent on former Soviet countries (CIS countries) for export. Evidence of this can be seen in Georgia's electric and electronic product export data from 2017:

Export distribution by countries (mln USD)



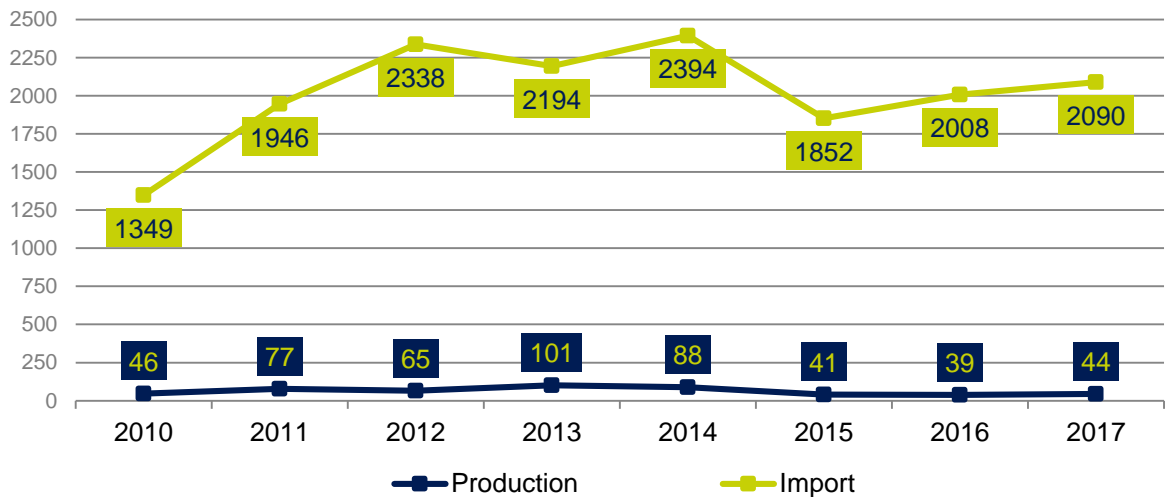
Source: Comtrade.un.org

Over reliance on CIS countries for export has negatively affected the economy given the low demand and poor purchasing power of these states. These countries predominately have limited safety regulations on their electrical products, as such Georgian manufacturers have had little incentive to produce high quality products. Furthermore, the domestic market is not regulated to European standards making developing countries a natural export block for Georgia.

Based on the data provided by the National Statistics Office of Georgia the manufacturing of electric and electronic products in Georgia amounts to about 1 % of the country's total manufacturing industry, which is equal to somewhere between 0.2-0.7 % of total Georgia's GDP between 2010-2017. Currently there are registered 28 companies in Georgia which manufacture electric and electroic products.

Domestic companies are mainly small in scale and most work based on separated orders rather than mass production. However, there are several companies who have adopted modern European standards and are planning to export their products abroad. These type of companies are: LTD Energe, JSC Sackable and JSC Geotech. Nonetheless, this practice remains an exception as most of domestic market is represented by imported electric and electronic products, not domesticity manufactured products.

Import and domestic production (mln USD, 2010-2017 years)

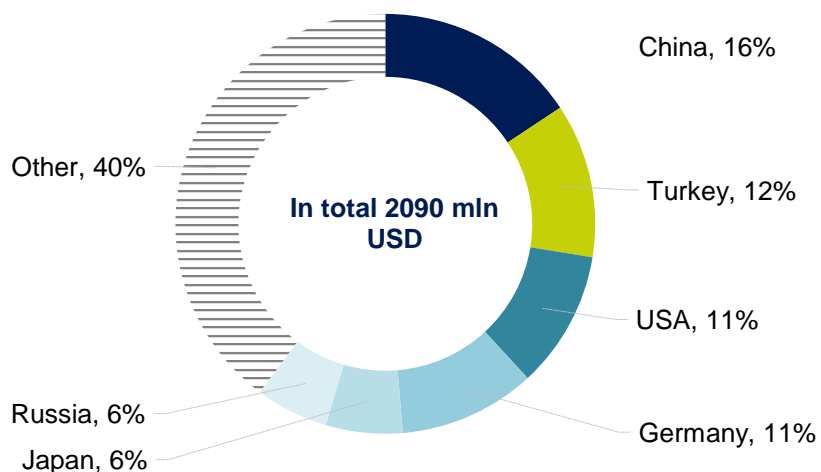


Source: Comtrade.un.org, Geostat.ge

The increased demand for safe products makes developing production standards and technical regulations an issue of central importance for Georgia. However, there is a lack of data on the amount of products produced in Georgia which are of high standards. This can be partly addressed by analyzing the market regulations of importer countries. The study assumes that products imported from developed countries have a higher probability to meet European standards compared to products imported from developing countries.

As such, products exported to develop countries can be assumed to meet a high standard and those sent to developing countries can be assumed to be of low quality. The structure of importer countries is presented in the graph below:

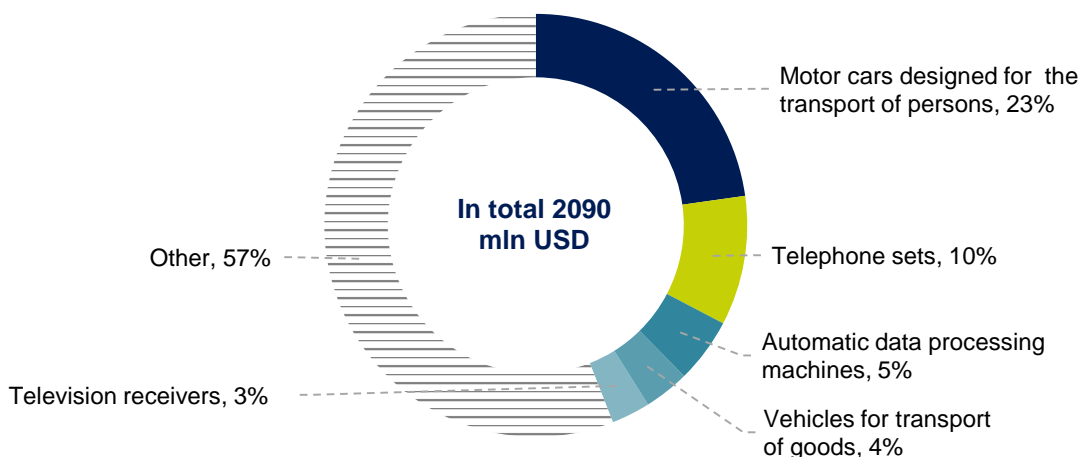
Importer Countries (mln USD, 2017 year)



Source: Comtrade.un.org

Developed countries make up a sizable portion of Georgia's trade partners for electronic and electrical products. Developed countries make up 66.5 % of trade while developing countries account for the remaining 33.5%. It is interesting to review the electric and electronic product Georgia is importing from these countries:

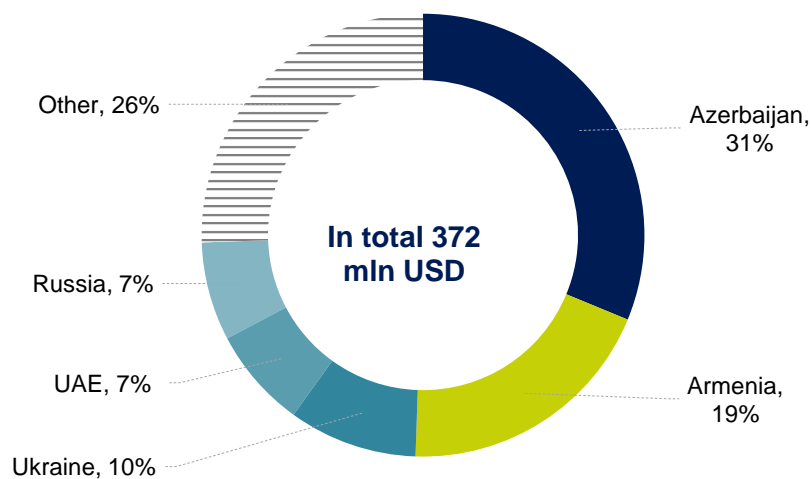
Major imported electric and electronic products (mln USD, 2017 year)



Source: Comtrade.un.org

Georgia is exporting its electric and electronic products primarily to neighboring countries for two major reasons: logistical factors and similarities in consumer demand and technical requirement. Georgia exports electric and electronic products to the following countries:

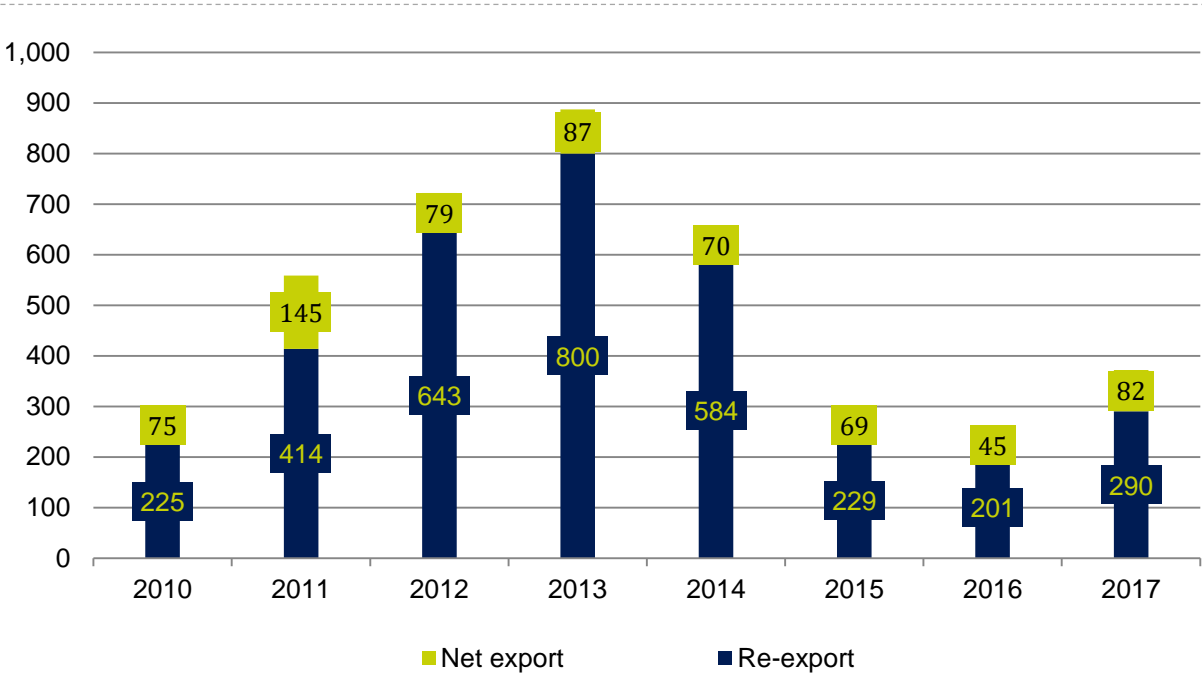
Exporter countries (mIn USD, 2017 year)



Source: Comtrade.un.org

Re-exported goods make up a dominant percentage of Georgia's total exports in this field. This is a result of poorly developed domestic production as well as Georgia's favorable geographical location:

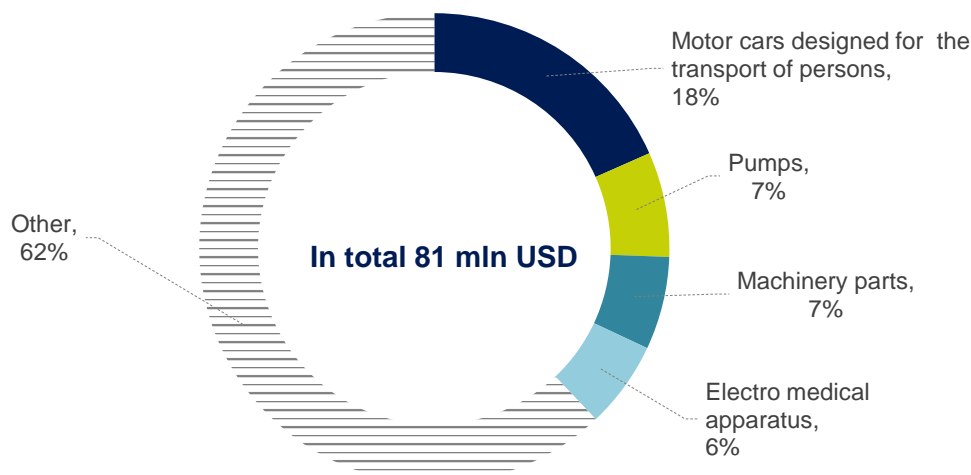
Ratio between net export and re-export (mln USD, 2010-2017 year)



Source: Comtrade.un.org

It is worth mentioning that net export data is not free from re-exporting. If an imported product remains in Georgia for longer than six-months and is then re-exported then the National Statistics Office counts this as purely an export statistic (rather than a re-export statistic). This skews the data available somewhat and suggests that re-export may make up an even larger proportion of Georgia's electric and electronic product trade. If re-export is excluded from the stats the main exported electric and electronic products for Georgia are as follows:

Major exported electric and electronic products (mln USD, 2017 year)



Source: *Comtrade.un.org*

One of the major parts of the Government of Georgia's policy is to harmonize the country's regulatory framework to European regulatory framework. It is planned that Georgia will regulate its market with European regulative tools, as a part of this plan Georgia's electrical market will be regulated using European directives. Implementation of these directives aims to establish European standards and decrease the presence of unsafe products within the marketplace.

The next article will focus on the characteristics of these directives and identify challenges that they may create for Georgian manufacturers and importers. It will also evaluate the readiness of Georgian manufacturers and importers and consumers' decision making process. Finally, it will review possible solutions to help manufacturers and importers deal with these challenges.

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