

GEORGIA UPDATE

WEEKLY EDITION • 10 June 2010

A Publication of the Government of Georgia

www.georgiaupdate.gov.ge

TOP STORIES

- **Sarkozy Assures Georgia of French Support; President in Romania Deepens Ties on Energy, Security**
- **NATO Hails Elections as “Very Positive Step,” Final Tallies in Tbilisi Mayoral Race Confirmed**
- **Geneva Talks Take Place in Shadow of New Attack on Georgians in Gali**
- **Ukraine Refuses to Recognize Georgia’s Russian-Occupied Territories**
- **Government Simplifies Tax Code in New Business-Friendly Initiative**



French President Sarkozy and his wife, Carla Bruni, welcomed President Saakashvili and his wife, Sandra Elisabets Roelofs, to Paris this week, where the presidents discussed security issues and economic relations. “France is one of the main supporters of Georgia within the EU,” Sarkozy said. The French president also pushed for talks on closer ties between the EU and Georgia to begin in the coming months. Speaking to reporters after his visit to the Elysée Palace, President Saakashvili said that France “supports Georgia on every issue completely, absolutely, without any preconditions and reservations.”

INTERNATIONAL MEDIA ON GEORGIA

ECONOMIST: Plugging Tbilisi’s potholes

NEW YORK TIMES: Mayoral election helps Georgian president

WASHINGTON POST: The fruits of weakness

WEEKLY STANDARD: In Russia’s shadow

RADIO FREE EUROPE/RADIO LIBERTY: EU Plans to scrap South Caucasus, Moldova envoys

LE MONDE: Interview with President Saakashvili

RUSSIA PROFILE: Saakashvili’s second spring

BERLINER ZEITUNG: We want Russian tourists, not tanks

QUOTES OF THE WEEK

“I am very pleased to see that the local elections have been conducted successfully; it is a very positive step. I had expected successful local elections because I take it for granted that the political leadership in Georgia will do its utmost to carry through reforms of the democratic system.”

“I have no doubt that the Georgian defense minister will hear from all ministers that NATO’s door is still open to Georgia, firm commitment to Georgia’s territorial integrity, and our determination to carry forward our cooperation and our partnership.”

—NATO Secretary General Anders Fogh Rasmussen

“No matter what differences we and the ruling party have, this is a step forward for strengthening Georgian democracy, improving our integration into European institutions and bringing the population and citizens back into the political process.”

—Leader of the Alliance for Georgia Irakli Alasania

“France is one of the main supporters of Georgia within the EU.”

—French President Nicolas Sarkozy

UPCOMING MILESTONES

June 10-11: FM Vashadze visits Ukraine

Jun. 10-12: Speaker Bakradze attends IPU Assembly meeting in Cyprus

Jun. 11: Defense Minister Bacho Akhalaia visits Brussels to participate in NATO-Georgia Commission meeting

June 21-25: Deputy Defense Minister Vashakidze visits US

Jun. 21 – 24: PM Gilauri visits UK

TOP STORIES

Sarkozy Reassures Georgia of French Support; President in Romania Deepens Ties on Energy, Security

In the first-ever official visit of a Georgian leader to France, President Saakashvili met with counterpart Nicolas Sarkozy to build on the strong bilateral ties between the countries. "We have discussed all the issues, including assistance from the EU and France; issues related to Russia's non-fulfillment of the ceasefire agreement, as well as Georgia's further integration into NATO and bilateral relations," Saakashvili said after meeting Sarkozy at the Elysée Palace. "I think it is a very important visit for us because we this major state in the EU supports Georgia on every issue completely, absolutely, without any preconditions and reservations." Said Sarkozy: "France is one of the main supporters of Georgia within the EU." Saakashvili also discussed economic cooperation measures with PM Fillion and FM Kouchner.

Earlier, Saakashvili held talks with Romanian President Basescu on security and regional energy issues in Bucharest, where the Romanian president reiterated Bucharest's support for Georgia's accession to NATO. The leaders also advanced economic cooperation measures, discussing the Azerbaijan, Georgia, and Romanian Interconnection (AGRI) project at length. The three countries last month agreed to push ahead with plans to build a liquefied natural-gas terminal for exports to Europe. The \$7.3 billion joint-venture project envisages transporting nearly 7 billion cubic meters of Azerbaijani gas to Georgia's Black Sea port of Poti via pipeline. The natural gas will then be shipped across the Black Sea to the Romanian port of Constanta, making it available to European markets. It was also agreed that Georgia's Black Sea resort city of Batumi and Romania's port of Constanta will be connected by ferry in the near future to boost tourism and investment.

[LE FIGARO: Paris Warms up its Relations with Georgia](#)
[AGENCE FRANCE PRESSE: Romania reassures Georgia on security](#)

NATO Hails Elections as "Very Positive Step," Final Tallies in Tbilisi Mayoral Race Confirmed

Incumbent Gigi Ugulava was confirmed as Tbilisi's first-ever directly elected mayor in a landmark vote that continues to earn praise from the international community. Final results showed Ugulava winning in a landslide with 55 percent, followed by the Alliance for Georgia's Irakli Alasania, with 18 percent, Christian Democratic Movement candidate Gia Chanturia with 12 percent, and the National Council's Zvidad Dzidziguri with 8 percent. Echoing the OSCE observation mission's findings, the US Department of State said the May 30 local elections marked progress towards meeting international standards for democratic elections.

NATO Secretary General Anders Fogh Rasmussen praised Georgia's professionalism and commitment to democracy in last week's elections, saying they had "a positive impact" on NATO-Georgia relations. "We have closely followed the local elections in Georgia. I am very pleased to see that local elections have been conducted successfully; it is a very positive step," Rasmussen said at last week's NATO Parliamentary Assembly in Riga. The US State Department echoed NATO's assessment: "We are encouraged by the Central Election Commission's efforts to increase transparency and responsiveness to electoral concerns," it said in a statement.

[CIVIL GEORGIA: U.S. on Georgia's Local Elections](#)
[CIVIL GEORGIA: NATO Secretary General on Georgia's Local Elections](#)

Geneva Talks Take Place in Shadow of New Attack on Georgians in Gali

The Geneva talks resumed under the shadow of a deadly new attack on Georgians in Gali. The Georgian government said authorities in the Russian-occupied Abkhazia killed three people and injured dozens while conducting a security sweep in the villages of Dikhazurga and Repi. Said Pierre Morel, the EU envoy who chaired the Geneva talks: "The participants expressed concern with the recent incidents in the Gali district. They regretted the loss of lives and urged for the need to avoid further destabilisation or an increase of tensions on the ground." In response to the incident, the delegations agreed to convene early next week a meeting of the incident prevention and response mechanism in Gali. "The situation remains difficult, sometimes dangerous, including in the zones which were not conflict zones two years ago," Morel said.

Meanwhile, in the eleventh round of the Geneva talks, Moscow's insistence on new agreements met with resistance. Georgia demanded Russia meet its unfulfilled commitments in the existing ceasefire agreements, noting that while Tbilisi was fully implementing them, Russia remained far short of doing so. "This agreement also includes the commitment by Russian forces to withdraw from Georgia," said First Deputy Foreign Minister Bokeria. "So if there is any new agreement, which we are ready to work on with the Russian Federation, it should comply with all of those points which already exist in the 12th of August agreement." The US delegation, led by Assistant Secretary of State Philip Gordon, also insisted on compliance. "Full implementation of that agreement—which we still await from the Russian Federation—would render an additional agreement unnecessary," a U.S. statement said.

[AP: Georgia protests security raids that killed 3 in Abkhazia](#)
[REUTERS: Russia, Georgia hold tense Caucasus talks](#)

Ukraine Refuses to Recognize Georgia's Russian-Occupied Territories

Ukrainian President Yanukovich last week refused to recognize the independence of Georgia's Russian-occupied territories, dashing Moscow's hopes of generating support for its occupation. "I have never recognized Abkhazia, S. Ossetia or Kosovo as independent states," Yanukovich said. "This is a violation of international laws and norms." He added: "According to international law, any violation of the territorial integrity of any state is forbidden." Yanukovich's comments appear aimed at emphasizing his vision of Ukraine as a neutral, non-aligned state—which, while putting aside the previous government's aim to join NATO, will also not join Russian-led military alliances. The international community has stood firm in support of Georgia's territorial integrity, defying Moscow's attempt to legitimize its unpopular occupation.

[AGENCE FRANCE PRESSE: Ukraine disappoints Russia on Georgia](#)

Government Simplifies Tax Code in New Business-Friendly Initiative

Georgian Finance Minister Kakha Baidurashvili last week unveiled a proposal to simplify the tax code, thus further smoothing the path for businesses in the country. "The new tax code will make doing business easier, more predictable, and fairer by removing unnecessary obstacles," he said. The proposed code also makes it easier for individuals and companies to dispute tax bills and increases the responsibility of tax officials for mistakes, he said, adding that the business community backed the proposal. Under Georgia's current tax code, introduced in 2005, the number of taxes was cut from 21 to six, including a flat personal income tax rate of 20 percent that will fall to 15 percent by 2013. The country has no capital gains, inheritance, or social taxes. In April 2008, the government created its first tax-free special economic zone in the Black Sea port of Poti.

[BLOOMBERG: Finance Minister Unveils Plans to Simplify Tax Code](#)

INTERNATIONAL MEDIA ON GEORGIA

ECONOMIST: Plugging Tbilisi's potholes

The main result of Georgia's local election is a change in the country's political culture. The vote was not perfect, but was probably Georgia's fairest yet. Opposition leaders who advocated street politics and set up tents a year ago on the streets of Tbilisi demanding Saakashvili's resignation have been marginalised. The mayoral candidates campaigned on issues such as jobs and health care rather than swearing at each other and brawling. The lead opposition candidate Alasania acknowledges that television coverage of the campaign was balanced. The government also worked with the opposition to produce a new electoral code.

www.economist.com

NEW YORK TIMES: Mayoral election helps Georgian president

The elections were a solid victory for President Mikheil Saakashvili, whose leadership was called into question after the 2008 war with Russia. A report from the Organization for Security and Cooperation in Europe said the weekend elections were handled in a "professional, transparent and inclusive" manner. Despite minor shortcomings, opposition candidate Alasania did not contest the results, or call for protests. "No matter what differences we and the ruling party have, this is a step forward for strengthening Georgian democracy, improving our integration into European institutions and bringing the population and citizens back into the political process," he said.

www.nytimes.com

WASHINGTON POST: The fruits of weakness

Rising powers, traditional American allies, having watched this administration in action, have decided that there's no cost in lining up with America's enemies and no profit in lining up with a US president given to apologies and appeasement. They've watched America acquiesce to Russia's re-exerting sway over Eastern Europe, over Ukraine (pressured by Russia into extending for 25 years its lease of the Black Sea naval base at Sevastopol) and over Georgia (Russia's de facto annexation of Abkhazia and South Ossetia is no longer an issue under the Obama "reset" policy).

www.washingtonpost.com

WEEKLY STANDARD: In Russia's shadow

Last week's local elections appear to signal that President Saakashvili's reforms are taking root. Georgia wants to join Western institutions such as NATO and the EU, but it first must demonstrate that it can function as a Western-oriented nation-state. "We lost two years because of war and economic crisis, but now we are recovering," said Gia Baramidze, minister for European and Euro-Atlantic integration. A visit to Georgia suggests he's right. Wouldn't it be nice if someone in the West Wing actually noticed?

RADIO FREE EUROPE/RADIO LIBERTY: EU Plans to scrap South Caucasus, Moldova envoys

In a signal of waning interest in its eastern neighborhood, the EU's foreign policy chief, Catherine Ashton, has reportedly proposed abolishing the posts of EU special representatives for the S. Caucasus and Moldova. Diplomats critical of the new plan point out that Ashton wants to retain special representatives for Sudan, the Great Lakes area, and Central Asia. All are geographically more distant than the S. Caucasus. The move, these diplomats say, could therefore be read as a signal of the bloc's waning interest in the S. Caucasus.

www.rferl.org

LE MONDE: Interview with President Saakashvili

"We continue to receive reassurances from Washington as to the defence of our territorial integrity," President Saakashvili said last week in an interview. "Georgia will be one of the crucial points discussed during President Obama's upcoming visit to Moscow." The President also addressed Russia's influence on former Soviet states: "The reality is that Russia's sphere of influence has diminished dramatically," he said. "This whole sphere is in a state of transition. It is a historical process, almost irreversible, and is breathtaking." Speaking of Georgia's ties to Russia, he said: "We have an immense affection for Russian culture, but the key to enhanced relations is the modernization of Russia," and added: "Either Russia's feudal system will end up in true liberalism and democracy or the country will face enormous problems."

mondediplo.com

RUSSIA PROFILE: Saakashvili's second spring

Saakashvili's strong performance in last week's local elections sends a defiant message. "Two months ago people were talking about the possibility of the opposition forces winning the elections," said Alexei Malashenko, a Caucasus expert for the Carnegie Moscow Center. "It turns out they could do nothing. These last elections in Tbilisi prove that Saakashvili's team is a strong one." Meanwhile, the ruling United National Movement's performance in the local elections has shaken one of the main tenets of Russia's line on Georgia. "The Russians are definitely not happy with the results because the model they have always put forward is that Saakashvili is one thing and that the nation is another thing. They say: 'get rid of Saakashvili and the Georgians and Russians will love each other'," said Alex Rondeli, director of a respected Georgian think-tank. "It's a magic formula for them." Now that the UNM has garnered 66 percent of the vote, it is unrealistic to draw a distinction between the leadership and the people.

www.russiaprofile.org

BERLINER ZEITUNG: We want Russian tourists, not tanks

President Saakashvili, in an interview, says Russian tourists are welcome in Georgia. "The more Russians come to Georgia, the safer Georgia becomes. But we need Russian tourists, not tanks." The President also underscored Germany's critical role in advancing EU relations with former eastern bloc countries, adding that he hoped Berlin would assume a leading role in promoting the EU's "Eastern Partnership" with these countries.

www.news.az

THINK TANKS/NGOS**JAMESTOWN FOUNDATION: Secrets behind Saakashvili's spectacular victory in Georgia's municipal elections**

This past weekend represented Georgia's first round of elections since the Russian invasion in August 2008 and thus, they were a test both for the country's democratic maturity and for the level of support President Saakashvili's modernization and westernization agenda enjoys. It appears that this Caucasus nation of five million has made a vigorous step forward in both directions. The international organizations that sent their observers to Tbilisi have hailed the Georgian ballot as fair and democratic.

jamestownfoundation.blogspot.com