

# GEORGIA UPDATE

WEEKLY EDITION • 6 January 2011

A Publication of the Government of Georgia

[www.georgiaupdate.gov.ge](http://www.georgiaupdate.gov.ge)

## TOP STORIES

- **President's New Year Address: 2010 Was "Turning Point" for Georgian Economy, Politics, Foreign Policy**
- **Georgian Economy Grows 6.7%, as Budget Deficit and Foreign Debt Fall**
- **Russian Military Drills in Akhalkalaki Draw Condemnation**
- **Georgia Disappointed by Lack of Progress at 14th Round of Geneva Talks**
- **NSC Chief Says Tbilisi Concerned over Post-Election Situation in Belarus**
- **MEPs Ratify EU-Georgia Visa Easing, Readmission Treaties**



World renowned tenor Andrea Bocelli rang in the new year at a New Year's Eve gala in Georgia's Black Sea resort of Batumi. Bocelli performed for a packed audience in the town's Europe Square, along with the Sukhishvilebi Georgian Folk Ensemble, Cuba's Buena Vista Social Club, and others. In his New Year's address, President Saakashvili hailed 2010 as a turning point for Georgia, underscoring the country's progress made on the economic, political, and foreign policy fronts.

## INTERNATIONAL MEDIA ON GEORGIA

**FOREIGN AFFAIRS:** Letter from Tbilisi

**AFP:** Sweden wanted to kick Russia out of Council of Europe

**JAMESTOWN:** Moscow's two-track response to Tbilisi's constructive unilateralism

**LES ECHOS:** Interview with Georgia's economy minister interview

**REUTERS:** Georgia seeks customs deal before Russia joins WTO

**BLOOMBERG:** China in talks with Rakeen on Georgian port stake

**CITY JOURNAL:** Guilty of being right

**LE MONDE:** Georgia—All for tourism!

## QUOTES OF THE WEEK

“Senator Lieberman said that one element in evaluating Russian leaders is ‘how they treat Georgia.’ He urged the administration to spell out that ‘the Georgians are our allies’ and to be clear that ‘we are going to provide arms to defend themselves’,”

—US Senator Joseph Lieberman quoted in *The Washington Post*

“Although Georgia is a small country, we believe we can have a large impact. In the global fight against climate change, small countries have a critical role to play as laboratories for innovation—testing new ideas, setting ambitious targets, and serving as a model for others. Our overarching goal in Georgia is to show that lowering our consumption of fossil fuels can help us increase growth—and can do so in a sustainable way.”

—President Saakashvili speaking at the UN Climate Summit in Cancun

## UPCOMING MILESTONES

**Jan.12-14:** President Saakashvili visits Washington, attends memorial for Amb. Richard Holbrooke

**Jan.16:** FM of Lithuania visits Georgia

**Jan.17:** FM of Hungary visits Georgia

**Jan.18:** FM Vashadze visits Baku

**Jan.24-25:** GUAM ministerial meeting in Kiev

**Feb.1:** Eastern Partnership Ministerial Meeting in Brussels

**Feb 2:** FM Vashadze visits Luxembourg

**Feb. 4-6:** Munich Security Conference

**Feb. 25:** FM Vashadze visits the Czech Republic

**Mar. 3-4:** Next round of Geneva peace talks

## TOP STORIES

**President's New Year Address: 2010 Was "Turning Point" for Georgian Economy, Politics, Foreign Policy**

President Saakashvili, in his televised New Year address to the nation, celebrated the progress Georgia had made on the economic, political, and foreign policy fronts over the past year. The President reflected on Georgia's strong economic rebound despite high inflation and unemployment rates, saying the economy enjoyed "serious growth" in 2010. "This trend will definitely be continued at an even greater pace in 2011," he said, speaking from Mestia, a ski resort, on New Year's Eve. Last year also marked a "serious turning point for Georgian politics," he said, highlighting the significance of the May 2010 elections and the capital's first direct election of its mayor. "The elections were recognized around the world as a step forward for our democracy." The president noted an important shift in the country's political culture as well: "Politicians started doing openly what they have been doing previously covertly... and everything has been unveiled," he said. "This is a very healthy process for Georgian politics." Saakashvili also lauded Georgia's diplomats for their success in persuading the international community to recognize Russia as an illegal "occupier" of Georgia.

[CIVIL GEORGIA: Saakashvili's New Year Address](#)

**Georgian GDP Grows 6.7%, as Budget Deficit, Foreign Debt Fall**

Georgia's economy showed strength in the third quarter of last year, expanding by 6.7 percent. Georgia's industrial sector was the main driver behind the growth, comprising 18 percent of the GDP. Meanwhile, the total value of trade for Georgia rose an annual 19 percent to \$5.8 billion through November last year, the statistics office said. Exports rose 37 percent, while imports increased 15 percent. Azerbaijan, Ukraine and Turkey remained the main trade partners. Government officials also projected a significant drop in the country's budget deficit and foreign debt in the new year. Georgia expects to narrow the budget deficit to 4.3 percent of GDP in 2011, down 2 percent from this year, by capping spending and cutting administrative expenditures. It also anticipates foreign debt to decrease in coming years: "We are able to keep the debt at the same level next year and reduce the foreign debt in 2012 to 41 percent of GDP, from 46 percent this year," the finance minister said.

[BLOOMBERG: Georgia Sees 2011 Budget Deficit Narrowing to 4.3%](#)

[BLOOMBERG: Georgia to Cut Foreign Debt to 41% of GDP](#)

[CIVIL GEORGIA: Georgia Says Q3 GDP Growth at 6.7% y/y](#)

**Russian Military Drills in Akhgori Draw Condemnation**

The Government last week condemned provocative military exercises by Russia in Georgia's Akhgori district, denouncing the move as a further violation of the 2008 ceasefire agreement. Russia last week deployed a military convoy of 40 armored vehicles in Akhgori, a village located near the administrative border of Georgia's occupied region of S. Ossetia, and another eight vehicles in the village of Akhmaji to conduct military drills. Last year, Russia announced plans to build two heliports in the occupied territories, including in the Akhgori district, despite Tbilisi's calls to stop the further militarization of Georgian territory. The MFA strongly protested Russia's actions and persistent violation of international law, calling on the international community to denounce the provocations and ensure the full de-occupation of Georgian territory.

[CIVIL GEORGIA: Tbilisi Condemns Russian Military Drills in Akhgori](#)

**NSC Chief Says Tbilisi Concerned Over Situation in Belarus**

Georgia expressed concern over Belarus' post-election environment after the arrest of five former presidential candidates and members of Belarus' opposition. "We hope that the arrested persons, including the candidates, will be released," said Giga Bokeria, Secretary of Georgia's National Security Council, calling also for continued dialogue between Belarus, the EU, and the US. "Belarus is Georgia's friend. These relations are very important for us. We strongly support its sovereignty," he said.

[CIVIL GEORGIA: Tbilisi Concerned over situation in Belarus](#)

**Georgia Disappointed by Lack of Progress at Geneva Talks**

Georgia expressed its disappointment at the lack of progress made by the Russian delegation at the 14th round of peace talks, held in Geneva last month. The Government had hoped Russia would pledge to refrain from using force in Georgia, responding to President Saakashvili's non-use-of-force declaration in November—a unilateral commitment that garnered international praise. Moscow instead resisted, insisting that its proxy regimes in Russian occupied Georgian regions of "South Ossetia" and Abkhazia sign the agreement. "Our firm position is that we are interested in the continuation of the Geneva talks, but there should be substantive discussions on those fundamental issues that pose a threat to security and that lead to violations of human rights," said Giga Bokeria, who heads Georgia's National Security Council. "We hope that the co-chairs will have a firmer and more clear-cut position in following rounds," he added, calling on the EU, OSCE, and UN co-chairs to persuade Russia to yield on its uncompromising position. The US also called on Russia to adopt a non-use-of-force pledge in the region: "We made clear that we believe that Russia should make such a statement," said Philip Gordon, US assistant secretary of state. "They have chosen so far not to do so, but we hope they will recognize that this would be a constructive thing to do."

[CIVIL GEORGIA: Tbilisi "Disappointed" with 14th Round of Geneva Talks](#)

**MEPs Ratify EU-Georgia Visa Easing, Readmission Treaties**

The European Parliament last month approved EU-Georgia visa facilitation and readmission agreements. The visa facilitation agreement will simplify procedures for Georgian citizens seeking to obtain EU visas by cutting the visa fee from €60 to €35 and waiving fees for children and family members of Georgian citizens residing in the EU, as well as for representatives of civil society organizations. The visa facilitation agreement applies to all EU member, excepts the UK and Denmark. Meanwhile, the readmission agreement defines the rules and procedures for Georgian authorities to follow when readmitting Georgian citizens who are illegally residing in EU member states. The two agreements move to the EU Council for approval before they enter into force.

[CIVIL GEORGIA: MEP's Ratify EU-Georgia Visa, Readmission Treaties](#)

**Georgian Christmas**

Taking in the holiday spirit, Georgians walk in front of a Christmas tree that stands before the Parliament building in Tbilisi. Tomorrow is Christmas in Georgia, which celebrates the Feast of the Nativity according to the Julian calendar. President Saakashvili last week also visited a Catholic congregation in the capital to congratulate Catholics on their Christmas holiday, celebrated 13 days before Georgian Christmas. "It is symbolic that people of all confessions live in Georgia, but we are united by one thing—love of our motherland, faith in God, and faith in the future of our motherland," he said.

## INTERNATIONAL MEDIA ON GEORGIA

### FOREIGN AFFAIRS: Letter from Tbilisi

President Saakashvili outlined his vision of a “united Caucasus” at the United Nations this past September. “We might belong to different states and live on different side of the mountains,” he said, “but in terms of human and cultural space, there is no North and South Caucasus; there is one Caucasus, that belongs to Europe and will one day join the European family of free nations, following the Georgian path.” If Saakashvili succeeds and the peoples of the N. Caucasus do indeed follow his “Georgian path”—which, for Saakashvili, means democratization, open markets, free media, and friendship with the West—then Russia’s influence would be extinguished along its southern border. The Georgians genuinely have the possibility of creating a capital for the Caucasus. It remains to be seen, however, if they have the responsibility to wield the power that such a role would give them.

[www.foreignaffairs.com](http://www.foreignaffairs.com)

### AGENCE FRANCE PRESSE: Sweden wanted to kick Russia out of Council of Europe

Sweden wanted to kick Russia out of the Council of Europe following the 2008 Russian-Georgian war and had US support to do so, according to a US diplomatic cable released by recently. According to the document, Sweden, Britain, Belgium, Denmark, the Baltic states, Slovenia, Slovakia, and Bulgaria wanted “a strong statement against Russian action.” Those countries disagreed with France, Germany, Ireland, the Netherlands, Malta, and Cyprus, for whom the priority was to “stop the suffering and ensure the ceasefire is respected.”

[www.swedishwire.com](http://www.swedishwire.com)

### JAMESTOWN: Moscow’s two-track response to Tbilisi’s constructive unilateralism

Russia seems to be using a two-track approach toward Tbilisi. On one side, it has proxy regimes in the occupied territories of Georgia through which it reacts diplomatically to Tbilisi’s peace offers and, on the other, it continues to strengthen its military presence in the occupied lands in order to underpin the “proxy” diplomatic response. The irony is that the regimes in de-populated Abkhazia and the Tskhinvali region/S. Ossetia are mere extensions of the Russian state structure and by no means do they represent the local populations, the majority of whom live in other parts of Georgia as victims of the two-decade-old ethnic cleansing.

[jamestownfoundation.blogspot.com](http://jamestownfoundation.blogspot.com)

### LES ECHOS: Interview with Georgia’s economy minister

Vera Kobalia, the young Georgian minister of economy and sustainable development, says Georgia is making every effort to strengthen its commercial links with Europe. “We need partners in order to develop our economy,” she said in an interview, highlighting the country’s efforts to implement a vast privatization plan that encourages foreign entrepreneurs to invest in Georgia. Further promoting Georgia’s business-friendly environment, Kobalia also discussed the country’s three free economic zones, its Black Sea ports that provide access to European markets, and the government’s rigorous anti-corruption efforts

[www.lesechos.fr](http://www.lesechos.fr)

### REUTERS: Georgia seeks customs deal before Russia joins WTO

PM Gilauri said Georgia was insisting on “transparency” on its border with Russia, parts of which lie outside Tbilisi’s control in the Moscow-backed regions of Abkhazia and S. Ossetia. “We are ready without any preconditions to sit down at the table and talk with the Russian side,” he said. “I don’t know if any country will veto or not. But the fact is, all we are asking for is transparent border crossings. It is a very normal request to have. It’s just part of WTO basic rules and regulations.”

[www.thedailyherald.com](http://www.thedailyherald.com)

### BLOOMBERG: China in talks with Rakeen on Georgian port stake

Chinese investors are in talks with Rakeen, a developer owned by the Gulf emirate of Ras al-Khaimah, on acquiring a stake in Georgia’s Black Sea port of Poti. “The Chinese have a huge interest in Poti and they’re in discussions,” Georgia’s economy minister said. “And they’re not the only ones who are interested.” The names of the Chinese investors were not released.

[www.bloomberg.com](http://www.bloomberg.com)

### CITY JOURNAL: Guilty of being right

Consider the next the strategic fiasco in Russia: the ferocious war Putin renewed against the N. Caucasus in 2000 is not over. Despite 200,000 deaths and the installation of a merciless puppet dictatorship (complete with the persecution of opponents, torture, executions, corruption, and Islamization), instability has spread to neighboring republics. Russia has suffered many unforeseen diplomatic setbacks. Her troops penetrated little Georgia’s defenses, but the subsequent annexation of 20 percent of Georgia’s territory has received no legitimatization from global opinion or the Kremlin’s subjugated neighbors. President Saakashvili, the *bête noir* for the Russians, is neither dead nor deposed.

[www.city-journal.org](http://www.city-journal.org)

### LE MONDE: Georgia—All for tourism!

Batumi changes from one day to the next. Restaurants crop up, sometimes extravagant like the Acropolis, a Greek temple complete with colonnades where clients can enjoy sea breams imported from New York every week. At night, along the seafront, one discovers a play of fountains and lights. All of this is not solely a matter of cosmetics, but rather a genetic transformation launched by the government, which has no natural resources to assure free income, unlike Russia. PM Gilauri says that with tourism, “Georgia has found a niche market. It is an essential element of our development.” The country no longer wants to be associated with the difficulties that plague the Caucasus, but with leisure instead. “The war of 2008 with Russia gave bad press to the country,” says Irakli Matkava, head of the National Investment Agency, “Yet Georgia has two great qualities: its geographical position, and the facilities it affords in business.”

<http://www.lemonde.fr>

### THINK TANKS/NGOs

#### UN HIGH COMMISSIONER FOR REFUGEES: Georgia project leads the way for socio-economic integration of refugees

The UN refugee agency has joined forces with the UN Development Program (UNDP) to launch a project that should ease the socio-economic integration of Chechen refugees in Georgia as well as benefit their host communities. The project, in the Pankisi Gorge region, could become a model for other operations. “It is now time to start responding to the needs of everyone who lives in this picturesque but impoverished valley in north-east Georgia, and not just the refugees,” said UNHCR’s representative in Georgia.

[www.unhcr.org](http://www.unhcr.org)