

GEORGIA UPDATE

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First Lady Sandra Elisabeth Roelofs visited Washington this week to attend the first-ever Georgia-US health conference. Organized by the Georgian embassy, the health ministry, and Mrs. Roelofs, "Georgian Health Care 2020: MEDEA 2011" brought together US officials, including Secretary of Health Kathleen Sebelius, Georgian officials, and a host of representatives from international, private sector, and non-governmental organizations to address the critical challenges facing Georgia's health care system. Central to the conference were dozens of Georgian doctors and other health professionals practicing in the US. "We hope that, through brainstorming with the brightest minds in the US and Georgian health care communities, we can assess where we've made progress and where we can continue to make the greatest strides toward achieving our humanitarian goals," she said.

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QUOTES OF THE WEEK

"It is no surprise, given the efforts Saakashvili has made to insulate his country from the Kremlin's icy-winds, that he sees Georgia's future as part of, not only NATO, but the European Union as well. His frustration at the lack of progress the country has made towards full membership of either organization is clear to see, describing Georgia as 'the best pupil in the class, yet the only pupil who isn't allowed to go on to the next grade' as a result of fear among Western European states at the possible reaction of Russia to such a move."

—Dan Hamilton interviewing President Saakashvili in "Conservative Home"

"Taking into consideration the military actions carried out by Russia in the occupied territories, we believe that the intention of Russia is to create military infrastructure in order to ensure the deployment of armored equipment and military personnel on the occupied territory of Georgia.... The Ministry of Foreign Affairs of Georgia expresses its strong protest over Russia's military build-up in the occupied territories of Georgia."

—Foreign Ministry statement on Russia's deployment of Russian military and railway personnel to Abkhazia and on the further militarization of Georgian territories.

UPCOMING MILESTONES

Feb. 2: FM Vashadze visits Luxembourg

Feb. 3-6: President Saakashvili visits Germany to attend the Munich Security Conference; meets with Chancellor Merkel

Feb. 25: FM Vashadze visits the Czech Republic

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

TOP STORIES

Georgia Protests Deployment of Railway Team in Abkhazia, New Missiles in S. Ossetia

Georgia last week condemned the deployment of Russian military and railway teams in Abkhazia, as Moscow continues its mass military build-up and implicit annexation of Georgia's occupied territories. "The Ministry of Foreign Affairs expresses its strong protest over Russia's military build-up on the occupied territories of Georgia," a ministry statement read regarding Moscow's decision to deploy three Russian brigades, including 800 railroad specialists, to Georgia's Russian-occupied region of Abkhazia to repair strategic sections of the Abkhaz railway. According to an announcement by Russian-backed proxies in Abkhazia, several teams of Russian military personnel will be sent over the next three months, with the first having arrived last week.

The announcement coincided with reports on the same day by Russia's Interfax news agency on the deployment Tochka-U short-range ballistic missiles and other offensive weapons on a Russian military base in S. Ossetia. The offensive arms shipment reinforced last month's deployment of Smertsch rocket launchers to the region, drawing strong protests from Tbilisi. Meanwhile, Russia this week launched military exercises with S. Ossetian militias, instructing forces on combat operations. "By taking such actions Russia follows through with its aggressive policy directed towards the destruction of the Georgian statehood and elimination of the peaceful population of Georgia, as well as towards causing large-scale instability in the Caucasus and throughout the Black Sea region," the MFA statement read, urging the international community to hold Russia to the 2008 ceasefire agreement, which called for downscaling Russian armed forces to pre-conflict positions.

[CIVIL GEORGIA: Tbilisi Protests Deployment of Russian Railway Team](#)

[CIVIL GEORGIA: Russia Repairs Abkhaz Railway](#)

[CIVIL GEORGIA: Tbilisi Condemns Deployment of Tochka-U](#)

New Television Station Aims to Seed Media Pluralism in Caucasus Region

The Georgian public broadcaster last week relaunched its satellite news channel, First Caucasus News (PIK), in an effort to diversify the media landscape in the greater Caucasus region. GPB's Russian-language station is led by veteran, award-winning Western journalists and will focus on regional developments. The station's director-general, former BBC correspondent Robert Parsons, said that the government had given absolute assurances that it would not interfere with PIK's editorial decisions. "There is no way that we are going to let this channel be a propaganda channel," he said, nonetheless noting that he expects Russia will be skeptical of the station. "It's not our intention to antagonize Moscow. But of course, if you have a monopoly over information and somebody arrives on the scene and breaks your monopoly, you're going to find it irritating." Under the new management of Key One, a private company co-founded by Parsons, PIK representatives also emphasized the station's commitment to providing objective and unbiased reports on regional issues. The channel was briefly on air a year ago, before Paris-based satellite operator Eutelsat abruptly rescinded its transmission contract just days before Europe's leading satellite operator signed a lucrative deal with Russia's Gazprom Media Group.

[REUTERS: Georgia launches Russian-language Caucasus TV](#)

[AFP: Georgia relaunched Russian-language TV](#)

[CIVIL GEORGIA: Relaunch of Georgia's Russian Language Channel](#)

Central Bank, Government Tune Policy to Fight Inflation

Georgia has fine-tuned its monetary and fiscal policies to fight inflation, expecting price pressures to ease later this year. Georgia's central bank expressed its readiness to raise its main rate to stop expectations of higher inflation getting entrenched. According to central bank governor Georgy Kadagidze, the contribution of food in total inflation last year was around 9.5%, while inflationary pressure from the demand side was quite low. The government also has been encouraging the agricultural industry to boost production to counter rising food and transport costs, and expects to cut the current inflation rate from 11% to 7%.

[BLOOMBERG: Georgia Targets Cut to Single-Digit Inflation](#)

[REUTERS: Interview—Georgia Central Bank May Raise Rates](#)

Georgia's Foreign Trade Soars in 2010

Georgia's foreign trade turnover climbed 21 percent year-on-year to \$6.7 billion, the country's statistics offices said. According to Geostat, Georgia bumped up exports by 40 percent in 2010 to \$1.6 billion, and increased imports by 17 percent, compared to 2009, to a total of \$5 billion. Turkey remains Georgia's largest trading partner with \$1.1 billion, followed by Azerbaijan (\$708 million), Ukraine (\$662 million), Germany (\$361.7 million), China (\$359 million), the US (\$354 million), Russia (\$314 million), Armenia (\$206 million), Bulgaria (\$194 million), and the UAE (\$187 million). Ferro-alloys, followed by the re-export of vehicles, and ferrous scrap metal continue to be the country's top exports, while oil products and hydrocarbons, vehicles, medicine, and wheat were at the top of the imports list last year.

[CIVIL GEORGIA: Georgia's Foreign Trade Up by 21% in 2010](#)

Government Reaches Out to Diaspora in New York, London

The government last week appointed two representatives to head diaspora offices in the US and Great Britain, as part of a wider effort to fortify relations with Georgian expatriates. Georgia's ministry for diaspora affairs selected Paata Abzhandadze and Mako Abashidze to connect with Georgian diaspora communities in New York and London, respectively. The envoys will serve as liaisons between the government and Georgian nationals residing in the US and Great Britain, aiming to harness the influence and success of Georgia's diaspora for the further development of their native country. Abzhandadze and Abashidze also will be responsible for organizing various cultural and social events. The ministry plans to open similar offices in former Soviet republics as well.

[RUSTAVI: Diaspora Ministry to have representatives in NY, London](#)



PM Gilauri visited the US this week, holding numerous meetings with US senators and senior officials. The PM discussed key components of the US-Georgia strategic partnership agreement and regional security issues with Sen. Marco Rubio (above), Sen. Lindsey Graham, and Sen. Daniel Inouye, chairman of the U.S. Senate Committee on Appropriations, among others. Gilauri also met with Millennium Challenge Corporation CEO Daniel Yohannes to discuss Georgia's progress in implementing its first MCC compact. The MCC last month selected Georgia as eligible to receive a second set of grants to help advance economic and enterprise development and alleviate poverty.

INTERNATIONAL MEDIA ON GEORGIA

NEW YORK TIMES: Still fighting Russia, this time with words

The Georgian government has already lured 1,000 English speakers to Georgia as part of a national language initiative to teach students English, supplanting Russian as the dominant second language. Dimitri Shashkin, minister of education and science, said that Georgia would prosper economically only by significantly improving its educational system. Ensuring that every child knows English is a major part of that objective, he said. "Georgia doesn't have natural gas or oil," he said. "The resource that we have is our human intellectual potential. So we need to use that potential as much as possible."

www.nytimes.com

EUROPOLITICS: EU urges Moscow to fully engage in regional conflict resolution

The EU wants Russia to renew its efforts to improve its strained relations with Georgia. In a statement released after the EU-Georgia Cooperation Council meeting, which took place on the same day of the EU-Russia summit in Brussels, the EU reiterated its strong commitment to "Georgia's security and stability, based on full respect for the principles of independence, sovereignty and territorial integrity." It also welcomed the declaration of non-use of force made by President Saakashvili in his speech to the European Parliament in November, "as a positive step towards peaceful conflict resolution."

www.europolitics.info

POLITICO: Long way from the White House

Former White House Counsel Greg Craig has turned his skills to the defense of an unlikely client: An Israeli businessman jailed in Georgia after being caught on tape apparently offering a seven-figure bribe to a Georgian official. "It's interesting that the defendants would hire a well-connected uberlawyer with a flair for public relations that is unable to practice law in the Georgian courtroom for their case—when there's no US law, no interest, and no US citizen involved," said one source.

www.politico.com

DIE WELT: South African farmers gravitate to Georgia

Attracted by Georgia's ideal climate, fertile soil, long tradition of winegrowing, and government farming subsidies, Boer farmers are increasingly looking to emigrate to Georgia in the wake of South Africa's agrarian reform. The Georgian government has been taking active efforts to recruit South African farmers to Georgia and plans to provide 200,000 acres of farmland at €15 per acre, a fraction of the price of land in South Africa. Georgia last year and the Boer organization TLU SA founded a joint project to establish and enhance relations with investors.

www.welt.de

EURASIANET: Armenia, Georgia—baking bread, building understanding

They may differ sharply at times over language origins, territory, churches, viticulture, and more, but, at last, Georgia and Armenia have found one point on which they can agree—a passion for *puri*, as traditional Georgian, clay-baked bread is known in Yerevan. Baking bread within Georgia is as much an art as baguettes are within France. Not to be approximated. And not to be wrapped in cellophane or dosed with preservatives, dyes, or what one *puri* baker loosely terms "vitamins." Now, that reverence for *puri* appears to have traveled to Yerevan.

www.eurasianet.org

REUTERS: Bank of Georgia posts \$47 million net profit in 2010

The Bank of Georgia last week reported a net profit of \$46.7 million for 2010; deposits grew and bad loan provisions fell as the country's economy recovered. The bank, Georgia's largest by assets, said that in 2010 it grew at a much faster pace than the banking sector in Georgia due to its strong franchise and solid balance sheet. "The Bank of Georgia is well positioned to take advantage of economic growth as we are observing an improving economic environment in Georgia," said its CEO, Irakli Gilauri.

www.reuters.com

RADIO FREE EUROPE: Can Ukraine follow Georgia's lead in reforms?

Post-Soviet countries could have something to learn from Georgia's playbook. A 2002 IFC Enterprise Survey indicated that more than 70 percent of firms in Georgia expected to pay bribes to public officials to get things done. In 2008, that number dropped to just 4 percent. To implement reforms, "you need to create a new set of rules and for Georgia, it was explicit," says Irakli Porchkhidze, formerly Georgia's deputy national security advisor, who earned his master's degree at Columbia University's School of International and Public Affairs. "We wanted to create a modern government, a government that was accountable, forward-looking, small-government-oriented, fast-moving, and service-providing."

www.rferl.org

LE DAUPHINÉ LIBÉRÉ: Georgia's first deputy minister of economy draws inspiration from Courchevel

Archil Kekelia, Georgia's deputy economy minister, is not in France's Courchevel ski resort solely to draw inspiration from the resort's success in order to apply it to Mestia, Georgia's budding ski destination. The minister is here to attract interest from foreign investors. Mestia, with peaks rising to 5,000 meters, is located in the region of Svaneti, whose beautiful towers are listed as UNESCO world heritage sites. It also will soon be a mere two hours from the Black Sea as new roads are being built. Tourists will thus have the choice, in the same day, between the beach and the mountain. "We aim to develop a year-round tourism, with the possibility of hiking and of discovering our heritage during the summer."

france.mfa.gov.ge

BLOOMBERG: Georgian businessman to construct \$30 million Hilton hotel

Georgian businessman Lasha Papashvili said he completed talks with Hilton to construct a \$30 million hotel in Tbilisi as a part of his \$120 million plan to build hotels nationwide. "We have plans to build several hotels in Georgia, while one of them will be a Hilton-managed hotel in the city center," Papashvili said last week. "Construction should be complete by 2013." Papashvili is a 10 percent shareholder of Bank Republic and manages real-estate company Redix in the Georgian capital.

www.bloomberg.com

DEUTSCHLANDRADIO: Breakdown and development

A new Georgian-German cooperation initiative, within the framework of an EU twinning project, aims to support the modernization of Georgia's national museum. German project coordinator Manfred Nawroth praised the cooperation with his Georgian colleagues: "Everything is done enormously fast. In Europe, much more planning effort and funding is necessary to create something comparable." Once restoration efforts are complete, the modernized museum in Tbilisi will become a "showpiece" of European standards. Georgia is the first EU neighborhood country with a twinning project in the field of culture.

www.miz.org

THINK TANKS/NGOs

UN DEVELOPMENT PROGRAM: Microloans offer new starts in war-torn regions

In regions of Georgia left in tatters after Russia's 2008 invasion, a microfinance program has given a second breath to residents still struggling to rebuild their lives. With funding from the EU, the UNDP teamed up with seven local microfinance institutions to assist displaced persons, women entrepreneurs, small-scale farmers, and other socially and economically vulnerable communities to start up small businesses. "These loans were the perfect instrument to rekindle dragging local economies, using energy and creativity that were already here," said Inita Paulovica, deputy head of UNDP Georgia. From July 2009 to June 2010, the program issued more than 3,000 microloans to people living in the three regions of Georgia hit hardest by the armed conflict: Shida Kartli, Samegrelo and Mtskheta-Mtianeti.

content.undp.org