

GEORGIA UPDATE

WEEKLY EDITION • 27 October 2011

A Publication of the Government of Georgia

www.georgiaupdate.gov.ge

TOP STORIES

- In WTO Compromise, Georgia Agrees to Final Swiss Proposal; Awaits Russian Decision
- Georgia Climbs to 16th Spot in World Bank's Business Rankings
- European Parliament Advances New Resolution Condemning Russian Occupation, Ethnic Cleansing
- Germany, Georgia Reach Agreement on Development Cooperation
- Auction of Mining Licenses Bring \$57.5 Million to State Coffers
- Georgia to Build 15 New Hydroelectric Power Plants; European Bank Invests in 87-MW Plant



Georgian PM Gilauri led a delegation to Ottawa last week, where he was warmly welcomed by Canadian PM Stephen Harper and other Canadian officials. "We have good relations with your country, which has been a strong partner, particularly a partner with NATO," Harper said. Canada contributed \$3 million in emergency aid after Russia's 2008 invasion, and has been a steadfast supporter of Georgia's bid for NATO membership. "The geostrategic focus is the main driver behind warmer relations with Georgia," said Carleton University professor Piotr Dutkiewicz. "Canada is trying to support small countries to try to stabilize them, both politically and economically. And also, Georgia is a very, very strong US ally." www.canada.com

INTERNATIONAL MEDIA ON GEORGIA

AP: Boehner says Russia-Georgia border dispute a condition for Russia's entry in world trade group

REUTERS: US senators back Georgia in WTO talks with Russia

EDM: Ivanishvili and Georgia—From personal paternalism to state paternalism?

LE MONDE: Nicolas Sarkozy depicts himself as peace bringer

LA CROIX: Georgia in a hurry to modernize

LE FIGARO: Georgia—the hazards of an incomplete peace with Russia

FINANCIAL TIMES: Putin calls for new Eurasian Union

NEW YORK MAGAZINE: The Georgian Connection

THE AGE: Australia lashes Russia for exploiting Pacific island states

EURASIANET: US senators recommend stationing troops in Georgia

KOREA TIMES: Georgia looks to Korea for hi-tech development model

QUOTES OF THE WEEK

"The Swiss made a final proposal which is acceptable for Georgia. If Russia agrees, it will become a WTO member.... We told the Russians that we accept this proposal and we told them this is the moment of truth."

♦ Sergi Kapanadze, Georgia's deputy foreign minister and the lead Georgian negotiator on WTO

"The administration should resolve this stalemate in a manner that respects the territorial integrity of Georgia. Then—and only then—will movement on the WTO question be worth considering."

♦ US Speaker of the House John Boehner

"It should not come as any surprise that Georgian leaders are insisting on maintaining at least some semblance of territorial integrity through the customs process. Without such recognition, agreeing to Russia WTO accession could be tantamount to international ratification of a new border arrangement imposed by Russia through force of arms. We fail to see how this outcome could possibly be in the United States' national interest."

♦ US Senators Roy Blunt and James Inhofe

UPCOMING MILESTONES

Nov. 1-4: Parliament Speaker Bakradze visits US

Nov. 9-10: NATO Secretary General Anders Fogh Rasmussen and North Atlantic Council in Georgia

Nov. 23: 8th Anniversary of the Rose Revolution

May 15-22: NATO summit in Chicago

TOP STORIES

In WTO Compromise, Georgia Agrees to Final Swiss Proposal; Awaits Russian Decision

The Georgian government accepted a Swiss proposal this morning that would pave the way for Georgia to sign off on Russia's World Trade Organization membership. "We told the Russians that we accept this proposal and we told them this is the moment of truth," said Deputy Foreign Minister Sergi Kapanadze, the lead Georgian negotiator. He said the proposal was Georgia's final offer and, if Russia wants to proceed with its WTO accession on schedule, it will have to accept the Swiss terms.

"It's quite obvious the text cannot change. We have exhausted the creativity; this addresses the red lines of both sides," he said. Without Georgian agreement, Russia cannot join the WTO, which admits members based on unanimous consensus. The talks had been stymied due to a disagreement over how the flow of goods between Russia and Georgia would be monitored, and how any disputes over monitoring would be adjudicated. The deal does not address the political status of the disputed territories of Abkhazia and S. Ossetia.

The latest Swiss proposal—the one the Georgians have accepted—represents a compromise on both points. It stipulates that monitoring on the Russia-Georgia border would be done by a private company chosen by either the Swiss or the EU. The Russians had wanted to choose the company, while the Georgians had wanted the monitoring to be done by an international organization, not a private firm. Any disputes over the customs monitoring would go to third-party arbitration, according to the Swiss deal. The Russians had wanted disputes to go to a process of non-binding "conciliation." The Georgians had wanted disputes to be adjudicated within the WTO. The arbitration scheme is a compromise between those positions, said National Security Adviser Giga Bokeria. "All the major principles are there, it's up to the Russians to say yes," he said. "They haven't said yes, they haven't said no."

The Atlantic Council's Executive Vice President Damon Wilson, who recently released a report on Georgia's integration with the West, said the Russians could have easily solved the dispute but set initial terms that were unfair to Georgia. "This whole issue didn't have to become so politicized," Wilson said. "If Russia really wanted to get into WTO without humiliating Georgia in the process, they could have made a deal quietly and a long time ago."

FOREIGN POLICY: Georgia to Russia on WTO—Take it or leave it
AP: Georgia OKs Swiss plan in WTO talks with Russia

Georgia Climbs to 16th Spot in World Bank's Business Rankings

Georgia placed 16th globally in the World Bank's annual ranking on global business environments, climbing one spot from last year. According to the Bank's "Doing Business 2012" report, Georgia is the only transition economy in the top 20 and the highest-ranked economy in Central and Eastern Europe. Georgia improved its scores in eight of the 10 indicators used to assess business and regulatory environments in 183 economies worldwide.

The report also praised the Georgian government for significant reform achievements made in recent years, calling Georgia the most successful country in the period of 2005-2011: "Georgia continued its broad program of reform by simplifying business start-up and expanding access to credit," the report said, adding that the government's broad judicial, property, and credit reforms had a significant impact in creating a more favorable business climate. "For the first time, Georgia leads the ranking in 'Registering Property,' being #1 worldwide," the report added. Economies were ranked based on 10 key indicators: starting and closing a business, construction permits, electricity availability, property registration, access to credit, investor protection rights, taxes, cross-border trading and contract enforcement.

WORLD BANK, IFC: Ease of Doing Business in Georgia

WORLD BANK: Georgia Number One Worldwide

European Parliament Committee Approves New Resolution Condemning Russian Occupation, Ethnic Cleansing

The European Parliament's Committee on Foreign Affairs (AFET) last week delivered a firm message of support for Georgia's territorial integrity, approving a draft resolution condemning Russia's illegal occupation and ethnic cleansing in Georgia. The text, which includes a series of recommendations to the Council and the European Commission, used the term "occupation" to describe Russia's illegal military presence in Georgia's territories—the Union's first-ever use of the term in the context of Georgia—and urged Moscow to withdraw its troops from Abkhazia and S. Ossetia. AFET also applauded Georgia's reform achievements and its steadfast commitment to Euro-Atlantic integration, calling on Europe to advance ties with Tbilisi. European leaders should strengthen support for Georgia's sovereignty and territorial integrity by immediately launching a deep, free trade agreement with Georgia, the resolution says. Georgia meanwhile hailed the draft as a critical step forward in EU-Georgia relations: "The EP intends to ratify a resolution on Georgia, and it is very important for us that this document strongly supports Georgia, helps us reestablish our security and assist Georgia in the European integration process," said Parliament Chairman Bakradze. The EP's plenary session will discuss and vote on the resolution next month.

EUROPOLITICS: Parliament Adopts Recommendations on Tbilisi
RUSTAVI: Georgian Authorities Hail Resolution on Georgia

Germany, Georgia Reach Agreement on Development Cooperation

Germany and Georgia concluded negotiations last week on a new development cooperation agreement. The sides agreed to invest a total of \$35 million in economic, social, and agricultural projects in Georgia. The agreement will fund projects aimed at protecting biodiversity, developing hydropower resources and environmentally-friendly waste-management systems, expanding access to agricultural credit, and improving living conditions for IDPs.

BMZ: Germany, Georgia Conclude Agreement on Cooperation

Auction of Mining Licenses Bring \$57.5 Million to State Coffers

Georgia secured a record \$57.5 million in a state auction of mining and extraction licenses. Georgia's natural resources agency awarded the license to the Caucasian Mining Group, which out-bid the Anglo Georgian Mining Company. A subsidiary of a Cyprus-registered company, the Georgian-registered group won a 30-year license to extract ferrous, noble, and barite at sites located in Bolnisi, Marneuli, Dmanisi, Tsalka, and Tetrtskaro.

CIVIL GEORGIA: Mining Licenses Auctioned for GEL 93.5 mln

Georgia to Build 15 New Hydroelectric Power Plants; European Bank Invests in 87-MW Hydropower Plant

Construction on 15 new hydroelectric power plants (HPPs) will begin next year as foreign investment in the country's energy sector booms. Over \$3.5 billion has been invested in the new HPPs, which are expected to generate over 2,000 MW of electricity once completed. Construction is already underway on another 10 HPP with a total capacity of 300 MW. More than 1,200 people have been employed to build the 10 power plants, said Georgia's Energy Ministry.

Meanwhile, the European Bank for Reconstruction and Development has announced plans to invest \$5 million towards a groundbreaking hydroelectric project in Georgia, supplementing a \$52 million loan made earlier this year. Allocated to Georgia Urban Energy, a subsidiary of Turkey's Anadolu Group, the credit will fund the construction of an 87 MW hydropower plant on the Paravani River in Georgia's Samtskhe/Javakheti region. The project is a landmark transaction as it is the first cross-border private power generation project in Georgia, said EBRD official Oliver Descamps. The plant will supply electricity to Georgia during the winter months and will export energy to Turkey during the remainder of the year.

HYDROWORLD.COM: European Bank Invests in Construction of Georgia's 87-MW Paravani

TREND DAILY NEWS: Georgia to build 15 new hydroelectric plants

INTERNATIONAL MEDIA ON GEORGIA

AP: Boehner says Russia-Georgia border dispute a condition for Russia's entry in world trade group

House Speaker Boehner said Tuesday the Obama administration shouldn't consider Russia's decades-long bid to join the WTO until Moscow settles its border dispute with Georgia. "The administration should resolve this stalemate in a manner that respects the territorial integrity of Georgia," he said. "Then—and only then—will movement on the WTO question be worth considering." Boehner said there have been "alarming reports" of the Obama administration pressuring Georgia to accept Russian boundaries set after the 2008 war.

www.ap.org

REUTERS: US senators back Georgia in WTO talks with Russia

In a letter to Secretary of State Clinton and Trade Representative Ron Kirk, Senators Roy Blunt and James Inhofe came down strongly on the side of Georgia. "It should not come as any surprise that Georgian leaders are insisting on maintaining at least some semblance of territorial integrity through the customs process," they said. "Without such recognition, agreeing to Russia WTO accession could be tantamount to international ratification of a new border arrangement imposed by Russia through force of arms."

af.reuters.com

EDM: Ivanishvili—personal paternalism to state paternalism?

The tycoon Bidzina Ivanishvili announced his intention to become Georgia's political leader: "I have promised the Georgian people that I will come to power. I will certainly do so," he said. Beyond this, Ivanishvili promises, "I will ensure the prosperity and the well being of every Georgian citizen." He aims to win an absolute majority in the May 2012 parliamentary elections, and change the constitution.

www.jamestown.org

LE MONDE: Nicolas Sarkozy depicts himself as peace bringer

Sarkozy enumerated the lingering problems with Russia's occupation, "contrary to the commitments made" in 2008: "significant military forces" remain stationed in Georgia, IDPs from Abkhazia and S. Ossetia cannot return to their homes, and EU observers still do not have access to the occupied territories. "France is not resigned to the fait accompli," he said. That was balm to the soul of the Georgians, especially to Saakashvili, who faces elections in 2012 and 2013.

france.mfa.gov.ge

LA CROIX: Georgia in a hurry to modernize

President Saakashvili, who regained Adjara in 2004, is pragmatic and has abandoned the aggressive conquest rhetoric. The young head of state has set his priorities on modernizing, at great speed, and on changing the daily lives of Georgians, developing the economy—notably tourism on the coast and in ski resorts—and on affirming the Western character of his country, by aiming for integration with the EU.

www.la-croix.com

LE FIGARO: The hazards of an incomplete peace with Russia

Three years later, what remains of the August 2008 ceasefire, which was meant to restore the pre-war status quo? First and foremost: the Russian armed forces have never withdrawn from the zones occupied during the war. They occupy 20 percent of Georgia's territory. And Russia has since reinforced its military presence in the two territories

www.lefigaro.fr

FINANCIAL TIMES: Putin calls for new Eurasian Union

Putin called for the creation of a "Eurasian Union" with Belarus and Kazakhstan in his first major foreign policy statement since revealing his return as president next year. The article provides important clues to what a third Putin presidential term could bring. His call comes as the EU is deeply divided over the extent to which it is prepared to embrace former Soviet republics—and when its economic problems have made it less attractive to potential new members.

www.ft.com

**NEW YORK MAGAZINE: The Georgian Connection**

Georgians are world-class foodies, renowned as much for their distinctive diet as for the legendarily Bacchanalian pleasure they take in it. A new Georgian restaurant, Mtsketa Café, opened in Brooklyn, New York, earlier this year, offering guests a Transcaucasian taste of home. If you're unacquainted with the pleasures of the Georgian table, here's a primer: Walnut sauce is to the cuisine as red sauce is to Italian-American, and at Mtskheta (named for the ancient capital city), various renditions of the stuff can be found massaged into a delectable eggplant roulade, puréed into a garlicky spinach dip, and blanketing a toothsome platter of fried chicken. Georgians are artful bakers as well, and while Mtskheta's *khachapuri*, or cheese bread, was sufficiently gooey, and the lavash crusty and chewy, we were most taken with the *mchadi*, or corn bread, which should be ordered with some slabs of squeaky mild cheese that melt when you stuff them inside—a Georgian mozzarella, if you will.

www.nymag.com

THE AGE: Australia lashes Russia for exploiting Pacific islands

Australia has lodged a formal complaint with Russia over a push to have tiny Pacific island countries accept the independence of Georgia's Russian-occupied territories of S. Ossetia and Abkhazia. "What we are seeing here is really the exploitation of one of the smallest countries in the world," said Australia's Richard Marles, parliamentary secretary for Pacific island affairs. Georgia's FM Vashadze held talks with Marles in Geelong 10 days ago and said his country would not engage in a bidding war with Russia over recognition of its territories.

www.theage.com.au

EURASIANET: US senators recommend stationing troops in Georgia

"We have a reset policy with Russia, we are moving forward there on a variety of issues that are of concern to the US," said US Senator Jeanne Shaheen at the release of a report on Georgia by the Atlantic Council. "We also have a variety of interests in Georgia, and we need to look at ways in which we can support Georgia's emergence as a strong democracy. We are already helping them in terms of providing training and assistance with respect to their military services, and I think we need to look at our interests in Georgia as a separate issue."

www.eurasianet.org

KOREA TIMES: Georgia looks to Korea for hi-tech development

"When you don't have natural resources, you need to learn how to create a hub," said Vera Kobalia, the 30-year-old Georgian minister of economy and sustainable development. "Korea's industries developed into making electronics and high-tech goods," she said. "This is something we want to implement in the future." Kobalia has flown to the other end of Asia to look for investment and partnerships and has met with, among others, KOGAS, Kolon, and SK representing Georgia as a place of high potential and great opportunities. "The business environment is easy, clean and cheap." Georgia has made respectable advances in its energy industry and leveraged its key asset, its geographical location, in exporting it.

www.koreatimes.co.kr