

# GEORGIA UPDATE

WEEKLY EDITION • 15 December 2011

A Publication of the Government of Georgia

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

## TOP STORIES

- NATO Names Georgia an “Aspirant Country,” Applauds Reforms
- Fitch Upgrades Georgian Debt, Citing Strong Growth, Fiscal Progress, Structural Reforms
- Georgian Third-Quarter Foreign Investment Rises 66% on Year
- Ruling Party Offers Amendments to Draft of New Electoral Code
- US Ambassador Opens Gori Center for Civic Engagement
- Forbes Launches Inaugural Georgia Edition

**HAPPY HOLIDAYS & WARMEST WISHES FOR A PEACEFUL 2012!!!**

*Georgia Update will take a holiday break & will next appear on 5 January 2012*



Tbilisi, known since the 19<sup>th</sup> century as the “Paris of the Caucasus” for its thriving cultural life and its architecture, resembles its French counterpart in another way: It is literally a city of lights, no time more so than at Christmas. The city’s streets, buildings, and trees are festooned with elaborate, magical, brightly lit decorations, including chandeliers that overhang Tbilisi’s main avenues; the lights will stay on until the end of January. Georgia’s Christian Orthodox community follows the old Julian calendar, celebrating Christmas on January 7.

## INTERNATIONAL MEDIA ON GEORGIA

**WASHINGTON POST:** A clear message of Russian dissatisfaction with Mr. Putin

**WALL STREET JOURNAL:** “Russian Spring” has begun

**THE ECONOMIST:** Russia’s imperial agony

**REUTERS:** EU launches trade talks with Georgia, Moldova

**JERUSALEM POST:** Peres thanks Georgian president for pardon of Israelis

**COMMENTARY:** Medvedev gets caught telling the truth about Russian invasion

**SUEDDEUTSCHE ZEITUNG:** Titan’s hills—A new Georgian ski sensation

**GUARDIAN:** I’m not a spy or an oligarch, says Georgia’s secretive billionaire

**EURASIA DAILY MONITOR:** Russia defends Soviet annexation of Baltic States

**BLOOMBERG:** Georgia to build city of half a million people on Black Sea

**HUFFINGTON POST:** Georgia—the ultimate European back door

**NEW ZEALAND HERALD:** Sampling Georgia’s old world wines

## QUOTES OF THE WEEK

“We applaud the significant operational support provided to NATO by our aspirant partners in Macedonia, Montenegro, Bosnia and Herzegovina, and Georgia. We reaffirm our Open Door policy and our strong commitment to the Euro-Atlantic integration of our aspirant partners. We encourage them to continue to implement the necessary decisions and reforms to advance their Euro-Atlantic aspirations.”

♦ NATO statement after Brussels summit last week

“We will continue to engage Russia over Georgia, where Russia still needs to fully implement the commitments it made in the August and September 2008 agreements. In all our discussions with Russia, there are a number of issues that continue to be raised of which Georgia is clearly one.”

♦ EU foreign policy chief Catherine Ashton speaking Tuesday to the European Parliament

“Georgia has registered some important accomplishments this year in advancing human rights. Introducing jury trials, developing a national action plan for women, and passing legislation that improves the legal status of religious faiths practiced by a minority of the population. Some of these actions were easier, or less controversial than others, but all of them were important and necessary.”

♦ US Ambassador to Georgia John Bass

## UPCOMING MILESTONES

**Jan:** EU and Georgia begin talks on a deep and comprehensive free trade agreement

**Mar:** Next round of Geneva peace talks

**May 15-22:** NATO summit in Chicago

**May 26:** Parliament relocates to Kutaisi

**Oct:** Parliamentary elections

## TOP STORIES

**NATO Names Georgia an “Aspirant Country,” Applauds Reforms**

NATO last week named Georgia an “aspirant” country, marking a positive step forward in Tbilisi’s efforts to join the Alliance. “We applaud the significant operational support provided to NATO by our aspirant partners in Macedonia, Montenegro, Bosnia and Herzegovina, and Georgia,” NATO said in a communiqué following last week’s ministerial summit in Brussels. The statement marked the first time NATO grouped Georgia with the Balkans to classify their membership status. “We reaffirm our Open Door policy and our strong commitment to the Euro-Atlantic integration of our aspirant partners,” the Alliance noted, adding that it welcomed Tbilisi’s achievements in advancing democratic reform and regional stability.

The US echoed NATO’s statements and called for “keeping the door to NATO membership open” for Georgia, urging the Alliance to send a strong signal of support at its upcoming Chicago summit. Meanwhile Georgian officials underscored the importance of NATO’s shift: “[It was] the first time Georgia was named in an official NATO document as having the status of a NATO membership candidate country,” said Georgia’s Euro-Atlantic Integration Minister Giorgi Baramidze. The Kremlin immediately condemned NATO’s language and issued a menacing statement: “I openly warned our colleagues that they may unwittingly push Georgia’s current regime toward a repetition of its August 2008 adventure, which occurred shortly after the NATO summit in Bucharest, where it was written down categorically that Georgia would be a NATO member,” Russian FM Lavrov said.

**CIVIL GEORGIA: Lavrov Slams NATO for Calling Georgia “Aspirant”**

**Fitch Upgrades Georgian Debt, Citing Strong Growth, Fiscal Progress, Structural Reforms**

Fitch Ratings today upgraded Georgia’s sovereign debt ratings to BB, following a similar move earlier this month by S&P. “The upgrade reflects Georgia’s strong growth performance, the government’s progress in reining in the fiscal deficit, a reduction in inflation and a rise in foreign exchange reserves,” said Charles Seville, Director in Fitch’s Sovereign team. Georgia has reduced its budget deficit to an estimated 3.7% of GDP in 2011, from 6.6% of GDP in 2010. The recently passed 2012 budget targets a deficit of 3.6% of GDP and the high share of capital spending and the government’s current surplus gives it further flexibility if needed. General government debt is set to decline in 2012-13 from the peak of 37% of GDP reached in 2010. While 79% of debt is in foreign currency, higher than most sovereigns, Georgia can still borrow from multilateral and bilateral sources, drawing on a pipeline of funds pledged in 2008. Real GDP is set to grow by an average of 5.5% in 2012-13, faster than the BB median, as Georgia reaps the benefits of past structural reforms. Georgia is investing in infrastructure that will enable it to take full advantage of its role as a transit country for the region. Growth areas include hydroelectric power and tourism. Exports are diversified by product and by market, affording some resilience to slower global growth. Inflation also has fallen sharply.

**REUTERS: Fitch ups Georgia to ‘BB-’; outlook stable**

**Georgian Third-Quarter Foreign Investment Rises 66% on Year**

Georgia’s third-quarter foreign direct investment rose 66 percent from a year earlier to \$266 million, the National Statistics Office in Tbilisi said this week. The government expects FDI flows to reach \$1 billion this year after investment shrank 65 percent in the past two years, Economy Minister Vera Kobalia said. Total FDI for January-September of this year stands at USD 643.1 million, an increase of 7.1% year-to-year, according to Geostat’s preliminary figures. The Netherlands, the US, and Turkey topped the list of the largest foreign investors in the third quarter, mainly in energy, manufacturing and financial investments, the statistics office said.

**BLOOMBERG: Georgian Third-Quarter Foreign Investment Rises 66% on Year**



*President Saakashvili met with French counterpart Nicolas Sarkozy in France last week to discuss issues of bilateral concern and to promote tourism and investment in Georgia. “Batumi and Anaklia are reminiscent of Cannes and Nice,” said while in Cannes, where Georgian tourism was honored by the American Academy. “You can see the most beautiful architecture of the 19th century in this city, but there are also a lot of modern buildings,” he said, noting that Batumi was originally built by the same architect who designed Nice. The president also highlighted the country’s unique geography and its UNESCO world cultural heritage sites: “Georgia is a country where you can ski and swim on the same day,” he said, referring to Batumi and the nearby ski resort of Mestia, adding that tourists can ski in the summer months.*

**Ruling Party Offers Amendments to Draft of New Electoral Code**

Georgia’s ruling party offered to amend the electoral code, paying heed to a number of key recommendations by the Council of Europe’s legal advisory body, the Venice Commission. The governing United National Movement proposed to allow independent candidates to compete for majoritarian seats in Parliament and on city councils, including for mayor. A five-member group would nominate an independent candidate to run for office—a departure from the current system, which requires candidates to be nominated by political parties. The UNM also adopted the Commission’s recommendation to annul a blanket ban on prisoner suffrage. The amendment allows prisoners with sentences of less than five years to vote in elections. Senior ruling party MP Pavle Kublashvili said lawmakers were still in discussion on the proposed amendments and that a new draft would be finalized in coming weeks.

**CIVIL GEORGIA: Ruling Party Offers Amendments to Electoral Code**

**US Ambassador Bass Opens Gori Center for Civic Engagement**

Ambassador John Bass marked the opening of the US-funded Center for Civic Engagement in Gori last week, offering Georgians a new forum to debate issues of public concern. Bass underscored the center’s importance in fostering dialogue and improving transparency in Georgia. Operated by USAID, the Gori center is the first in a series of 10 public halls that will be built in Georgia. Civil society organizations, media organizations, political parties and citizens can use the centers for meetings and events. Each center has a main hall, conference rooms, libraries, and public computers with internet access. The US is investing \$5 million to build nine other centers in Ozurget, Telavi, Zugdidi, Batumi, Akhaltsikhe, Rustavi, Marneuli, Gurjaani, and Kutaisi, Parliament’s new seat.

**US STATE DEPARTMENT: Ambassador Bass Opens Gori Center**

**Forbes Launches Inaugural Georgia Edition**

Forbes last week launched Forbes Georgia in partnership with regional publishing house Media Partners Georgia. “Forbes Georgia is happy to join efforts with the global Forbes team in identifying and reporting on the people, ideas, and technologies that are changing the world,” said Editor-in-Chief, Revaz Sakevarishvili, adding that a corresponding website will accompany the magazine’s print edition. Forbes Georgia is the first international business magazine in Georgia.

**FORBES: Forbes to Launch Forbes Georgia in December 2011**

## INTERNATIONAL MEDIA ON GEORGIA

**WASHINGTON POST: Editorial—A clear message of Russian dissatisfaction with Mr. Putin**

Russians have made a contribution to what has been a global outpouring in 2011 of popular dissatisfaction with rulers—particularly in authoritarian countries. The Obama administration should be prepared to defend likely Putin targets, such as the democratic government of Georgia. In the meantime, the democratic world can hope that Sunday was the beginning, and not the end, of a Russian awakening.

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

**WALL STREET JOURNAL: “Russian Spring” has begun**

The regime's last resort is to inflate outside threats from Russia's eternal enemies—NATO, the West, and the US. Mr. Putin recently claimed that Russians demanding his resignation receive instructions directly from Hillary Clinton and are funded by U.S. sponsors. Mr. Medvedev has said the US intends to strip Russia of its nuclear capabilities. And Nikolai Makarov, chief of the Russian General Staff, told Russian news agencies that “the pro-NATO and anti-Russian policies of the Baltic states and Georgia could lead to local and regional military conflicts including using nuclear weapons.”

<http://online.wsj.com>

**THE ECONOMIST: Russia's imperial agony**

Russia's intervention in 1993 resulted in Georgia's defeat. But the wounds left by the wars never healed. They were reopened in 2008, when Russia attacked NATO-aspiring Georgia over S. Ossetia and Abkhazia. Russia analyst Dmitri Trenin convincingly argues that Russia is not a neo-imperialist state, but a post-imperialist one that lacks both vision and appeal, and the economic and human resources for any expansion.

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

**REUTERS: EU launches trade talks with Georgia, Moldova**

The EU said last week that it will launch talks early next year on a free-trade area with Georgia and Moldova. Both countries already have preferential access to the EU market, but the 27-nation bloc says they have made enough progress on regulatory reforms to negotiate greater access. EU Trade Commissioner Karel De Gucht said that “a deep and comprehensive free trade area will help Georgia and Moldova to become more competitive and enjoy the benefits of the EU single market.”

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

**JERUSALEM POST: Peres thanks Georgian president for pardon of Israelis**

Israeli President Shimon Peres called his Georgian counterpart last week to thank him “from the bottom of my heart” for the pardon and release of two Israeli businessmen sentenced to prison in Georgia for attempted bribery. “I know this was your personal decision,” he said. “It was a generous gesture and I have tremendous respect for it,” said Peres. He added that Israel and Georgia could “return to the good and deep ties that were significant for both sides.”

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

**COMMENTARY: Medvedev gets caught telling the truth about Russian invasion of Georgia**

The US should stick by its allies, no matter how tiny, and stand for the principles of liberty and democracy. Sacrificing Georgia to satiate Russia's desire for overwhelming influence in any area it considers its near abroad is not in the American interest. Given how many commentators and diplomats were willing to throw tiny Georgia under the bus, perhaps it's time for some real reflection in Washington, in light of Medvedev's candor. In November, Medvedev, in a rare moment of honesty, revealed the real reason why Russia invaded tiny Georgia: to prevent Georgia from joining NATO: “We have simply calmed some of our neighbors down by showing them that they should behave correctly in respect of Russia and in respect of neighboring small states,” he said

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

**SUEDEDEUTSCHE ZEITUNG: Titan's hills—A new ski sensation**

Georgia offers a wide array of tourist destinations and its ski resort of Gudauri is one of them. Gudauri—with its trails just expanded from 21 to over 50 kilometers—is the best destination for winter sports in the high Caucasus, boasting long sublime slopes above the tree line, heli-skiing opportunities on glaciers and fabulous ridges, guaranteed snowfall, and low prices due to the absence of mass-tourism.

[www.sueddeutsche.de](http://www.sueddeutsche.de)

**THE GUARDIAN: I'm not a spy or an oligarch**

Bidzina Ivanishvili pays the pensions of some 3,000 artists, sports stars, writers and scientists. Patronage on this scale prompts accusations that he wants to buy his country's favor. A more damaging charge is that Ivanishvili will not be able to make the leap from philanthropist to political leader. “You can't run a country as a charity,” says one expert.

[www.guardian.co.uk](http://www.guardian.co.uk)

**EDM: Russia defends Soviet annexation of Baltic States**

The Russian MFA's interpretation of past invasions conveys some “lessons of history” for Russia, the countries concerned, and their allies. First, that Russia feels entitled to take “preventive” military measures against smaller neighbors, on the excuse that these are somebody else's “outposts.” Second, the countries that fail to heed Russian warnings, and turn into “forward bases,” risk Russian retaliation. Third, that Moscow accepts the moral and political liabilities attached to the use or threat of force, “pragmatically” calculating that strategic goals outweigh image liabilities in importance. Such “lessons of history” seem relevant to Moscow's current occupation of Georgian and Moldovan territories.

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

**BLOOMBERG: Georgia to build new city on Black Sea**

Georgia plans to build a city of half-a-million people on its Black Sea coast to promote business in the region and attract foreign investment. Construction of the city, to be called Lazica, will start in 2012 and may take 10 years. The first buildings may appear as early as 2013.

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

**HUFFINGTON POST: Georgia—the ultimate European back door**

Knowing what I do now about Georgia, my only regret is that I didn't visit sooner. We gazed out over magnificently beautiful Tbilisi, marveling at the fact that our only company up here was a sleeping dog, the resident monk's beehive, and an elderly Georgian man doing his daily exercises. As we listened to the cold wind whistle through the ancient rocks and trees, we giggled at our good fortune at having this place to ourselves.

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

**NEW ZEALAND HERALD: Sampling Georgia's old world wines**

Georgia was the first place to cultivate grapes. The traditional Georgian way to make wine is with a *kvevri*. Putting the grapes—with the skins still on—into a big clay pot and burying it in the ground. Now I'm not going to pretend to be a wine expert, but I drink enough of the stuff and I know what I like. And I like Georgian wine.

[www.nzherald.co.nz](http://www.nzherald.co.nz)