

GEORGIA UPDATE

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- **World Bank: “Georgia’s Success Destroys Myth That Corruption Is Cultural,” Gives Hope to Others**
- **Georgian Trade Turnover Up 36% in 2011**
- **Wine Exports Soar as Georgian Vintners Open New Markets**



“Under the President’s leadership, I think that they’ve made enormous strides,” said President Obama after meeting with President Saakashvili in the Oval Office on Monday, adding that Georgia’s reform achievements were a “model of democracy and transparency” for the region. “We think that with continued progress over the next several years that a lot of countries will say to themselves that if Georgia can perform these transformations, then we can as well,” he added. The US President also expressed gratitude for Georgia’s “extraordinary contributions” to the NATO-led mission in Afghanistan, and reiterated support for Georgia’s NATO aspirations. The sides also discussed strategies for deepening trade and defense relations, which include advancing a free-trade agreement. While in Washington, Saakashvili also is meeting with dozens of members of Congress and delivering speeches at the World Bank, the US Institute of Peace, and Georgetown University.

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QUOTES OF THE WEEK

“I think Georgia should be extraordinarily proud of the progress that is made in building a sovereign and democratic country... Under the President’s leadership, I think that they’ve made enormous strides. And we will continue to look for opportunities to strengthen what is already a very strong bilateral relationship.”

“We appreciate the model of democracy and transparency that they’ve been setting not just for their own country but also for the region as a whole. And we think that with continued progress over the next several years that a lot of countries will say to themselves that if Georgia can perform these transformations, then we can as well. They’ve been a responsible player on the world scene and in multilateral fora.”

“We’ve agreed to is a high-level dialogue between our two countries about how we can continue to strengthen trade relations between our two countries, including the possibility of a free trade agreement.”

◆ President Obama after meeting President Saakashvili in the Oval Office

“What was unique about Georgia was strong political commitment, backed by the comprehensiveness, pace, boldness, and sequencing of the reforms and, most important, the strong role of the executive in implementing them.”

“Georgia’s success destroys the myth that corruption is cultural and, gives hope to reformers everywhere who aspire to clean up their public services.”

◆ New World Bank study on “Fighting Corruption in Public Services—Chronicling Georgia’s Reforms”

UPCOMING MILESTONES

- Feb. 2:** President Saakashvili addresses Georgetown University School of Foreign Service
- Mar 28-29:** Next round of Geneva peace talks
- May 15-22:** NATO summit in Chicago
- May 26:** Parliament relocates to Kutaisi
- Oct:** Parliamentary elections

TOP STORIES

Presidents Obama: Georgia Should Be “Extraordinarily Proud” of Progress; “Model of Democracy”

US President Obama welcomed President Saakashvili to the Oval Office on Monday, praising Georgia as “model of democracy and transparency” for the region and pledging to pursue a free-trade agreement with Georgia. “I think Georgia should be extraordinarily proud of the progress that is made in building a sovereign and democratic country,” Obama said, highlighting Georgia’s institution-building progress and efforts to protect minority rights. “Under the President’s leadership, I think that they’ve made enormous strides. And we will continue to look for opportunities to strengthen what is already a very strong bilateral relationship.”

President Obama also called on others to draw on Georgia’s experience: “We appreciate the model of democracy and transparency that they’ve been setting not just for their own country but also for the region as a whole,” Obama said. “And we think that with continued progress over the next several years that a lot of countries will say to themselves that if Georgia can perform these transformations, then we can as well.”

Obama expressed gratitude for Georgia’s contributions to NATO operations in Afghanistan and reiterated American support for Georgia’s NATO membership: “They have been one of the most dedicated contributors outside of NATO to the ISAF effort, and in fact have taken on some significant casualties as a consequence of those efforts,” Obama said. “We have talked about how we will continue to strengthen our defense cooperation, and there are a wide range of areas where we are working together. And I reaffirmed to the President and assured him that the United States will continue to support Georgia’s aspirations to ultimately become a member of NATO.”

President Saakashvili underscored that Georgia’s progress would not have transpired without strong US support, and he pledged to continue the reform effort. “Nothing can take Georgia away from this track of progress, nothing can bring us back to a less democratic, corrupt, retrograde political system, or political actors,” he said, adding: “There is a very good understanding at a number of levels, we are grateful for your support for our NATO aspirations, we are very grateful for elevating our defense cooperation further and talking about Georgia’s self-defense capabilities and developing it because that is also of course an important message back to my nation.”

[THE WHITE HOUSE: Remarks by President Obama and President Saakashvili of Georgia After Bilateral Meeting](#)

[BLOOMBERG: Obama Says U.S. May Explore Georgia Trade Pact as Country Seeks NATO Entry](#)

Georgian Trade Turnover Up 36% in 2011

Georgia’s foreign trade turnover climbed to \$9.2 billion in 2011, jumping 36% year-on-year. According to Geostat, the state statistics agency, exports increased 39% from last year to \$2.2 billion—a 93% increase from 2009, a year marked by economic stagnation following Russia’s 2008 invasion and the global financial crisis. At \$1.5 billion, Turkey remains Georgia’s top trading partner, followed by Azerbaijan (\$1 billion), Ukraine (\$847 million), China (\$554 million), and Germany (\$530 million). Ferro alloys, fertilizers, nuts, ferrous waste, and the re-export of motor vehicles continue to be the country’s top exports, while the biggest import items were petroleum products and motor vehicles. Imports, meanwhile, grew at a slightly slower rate of 35% to \$7.05 billion, keeping Georgia’s trade balance deficit on its downward trend. Meanwhile, global demand for Georgian nuts skyrocketed in 2011 by 103 percent year-on-year, giving Georgian exports an added boost, said Geostat.

[CIVIL GEORGIA: Georgia’s 2011 Foreign Trade up 36%](#)

**New World Bank Study: “Georgia’s Success Gives Hope to Reformers Everywhere”**

A new book from the World Bank heaps praise on Georgia’s progress on corruption, and says the country can be seen as a model for others tackling pervasive corruption in their public sectors. “Corruption is sometimes seen as endemic, a product of traditional local culture, and, as such, inevitable, said Philippe Le Houérou, the bank’s vice president for Europe and Central Asia, at the launch of the study Tuesday at the Bank’s headquarters in Washington. “Georgia’s experience shows that the vicious cycle of endemic corruption can be broken and, with appropriate and decisive reforms, can be turned into a virtuous cycle.”

President Saakashvili, who spoke at the launch, underscored that “fighting corruption is not just one reform among many others—it is the linchpin to the establishment of credible institutions, democracy, and economic growth.” The book lays out 10 factors it says drove Georgia’s progress, including exercising strong political will, establishing credibility early, limiting the role of the state, adopting unconventional methods, and harnessing technology. Proof of the country’s progress since 2003 is in the pudding, the book says. Corruption sunk its teeth into nearly every aspect of a Georgian’s life then. Since the Rose Revolution in late 2003, the country took a “zero-tolerance” approach toward graft in the public sector and indicators place Georgia among more advanced European countries. For example, Transparency International’s Global Corruption Barometer ranked Georgia first in the world in 2010 in terms of the relative reduction in the level of corruption.

Another example comes from the World Bank itself: In its 2012 Doing Business rankings, Georgia ranked 16th, vastly improved from the ranking of 112th in 2005. Georgia “did particularly well in the rankings most closely related to anti-corruption reforms: registering property, dealing with construction permit and starting a business,” the book said. “Although every country has a unique set of initial conditions and the nature of the corruption problem and the type of political economy differ, many elements of Georgia’s story can be replicated in other countries,” the book concluded.

[WORLD BANK: Fighting Corruption in Public Services—Chronicling Georgia’s Reforms](#)

[WALL STREET JOURNAL: World Bank Recognizes Georgia’s Progress On Corruption](#)

Wine Exports Soar as Georgian Vintners Open New Markets

Wine exports soared 38% last year to \$54.1 million, as global demand for Georgian vintages grows and supply increases. According to state statistics agency Geostat, the country exported 16.9 million liters in 2011—up 12.1 million liters from last year—marking the highest wine exports since Russia’s 2006 trade embargo. “Georgia has weathered the embargo and is making sound progress,” said Deputy Agriculture Minister Ia Janashvili. The industry swiftly recovered by improving quality and expanding new markets. Ukraine, Belarus and Kazakhstan topped the list of customers. Wine exports comprised of 2.5 percent of Georgia’s total exports last year, which clocked in at \$2.19 billion.

[BLOOMBERG: Georgian Wine Exports Reach \\$54.1 Million](#)

INTERNATIONAL MEDIA ON GEORGIA

WALL STREET JOURNAL: Editorial—the AFL-CIO targets Georgia

President Saakashvili is scheduled to meet President Obama in Washington this week, and with luck they'll have better things to discuss than AFL-CIO attempts to micromanage Georgia's labor market. Georgia's a small country, but it has also become an important symbol of a few things the West has traditionally stood up for, like democracy, free markets, and the sovereignty of small states threatened by large and aggressive neighbors. That common agenda is worth defending against busybodies and interventionists everywhere, whether they're in Moscow or Washington.

online.wsj.com

FOREIGN POLICY: Inside the other Georgian lobbying effort in Washington

Ivanishvili's ties to Russia are not only political, but economic. He made his fortune in Russia in the 1990s, and still maintains at least a 1 percent stake in Gazprom, the semi-state controlled energy behemoth. Ivanishvili's view that Georgia should look toward Russia, not the West, is shared by Alasania. "The main priority for our national interests is to normalize relations with Russia," Alasania said in a recent interview. "We must refrain from pushing the issue of military-political alliances.... In general, we must pursue a realist policy... joining NATO is an unattainable goal."

<http://thecable.foreignpolicy.com>

COMMENTARY: Georgia & NATO—Is the West out of excuses?

President Obama made a verbal gesture toward Georgia that everyone pretends to be reassured by even though it's usually utterly meaningless: He reaffirmed American support for Georgia's acceptance into NATO. But in this case, Obama's NATO comments are actually important, whether the NATO bid goes anywhere or not. That's because the reasons to keep Georgia out of NATO have disappeared, and we'll find out whether the West's commitment to its allies and to global security are all, as Obama might say, "just words." So, Russia's concerns have been tended to. Germany's excuses have dissipated. Georgia's good-faith gestures, however, thus far have been unilateral. Unless Barack Obama's gift for diplomacy cannot even convince our allies to support our other allies, what's the holdup?

www.commentarymagazine.com

DEUTSCHE WELLE: Iran crisis worries Armenia

Armenia's transport routes to the north, to its military ally Russia, run through Georgia. But this corridor is partially blocked due to the strained relationship between Tbilisi and Moscow. The railway line through Georgia's occupied region of Abkhazia is also interrupted. Moscow recognized Abkhazia, as well as S. Ossetia, as independent countries after Russia's August 2008 invasion. Georgia, however, still considers the regions part of its national territory.

www.dw-world.de

MOSCOW TIMES: Why Putin is mad at me

Prime Minister Putin got very angry last Wednesday when he met with the editors-in-chief of Russia's top media outlets. He began by saying that if the US deploys radar installations for a missile defense system in Georgia, Russia might be forced to aim some of its missiles at Tbilisi. The problem with that argument is that Washington has no plans to deploy any radar facilities in Georgia.

www.themoscowtimes.com

XINHUA: Georgia's 2011 foreign trade turnover up 36%

Georgia's foreign trade turnover totaled \$9.2 billion in 2011, up 36% from the previous year. Over that period, exports and imports grew 39% and 34% to reach \$2.2 billion and \$7.1 billion respectively, said Georgia's statistics agency GeoStat. The top exporting items were re-exported motor vehicles, ferro-alloys, and fertilizers, while the biggest import items were petroleum products and motor vehicles.

english.cri.cn

**AMERICAN CINEMATOGRAPHER: Firsthand impressions of the Golden Eye Festival in Batumi**

With its rich history and marvelous architectural mosaic of spires, medieval towers, and modern courtyards, Batumi, Georgia, is an especially fitting place for almost any kind of international gathering, particularly the Golden Eye Film Festival. The Golden Eye is a unique event—a gathering of camera people, an exhibition of their work, and showcase of the most modern filmmaking technologies. The event also featured captivating performances of ancient Georgian dances and songs, and traditional Georgian dinners. More than 100 films from Western Europe, Africa, India, the US, and the Caucasus were submitted to the weeklong festival.

www.theasc.com

XINHUA: Turkey remains Georgia's largest trading partner in 2011

Turkey remained Georgia's largest trading partner in 2011, said Georgia's statistical agency GeoStat. Georgia's total trade turnover with Turkey stood at \$1.5 billion, followed by Azerbaijan with \$1.03 billion. Georgia's other major trading partners in 2011 included Ukraine, China Germany, Russia, and the US.

news.xinhuanet.com

SACRAMENTO BUSINESS JOURNAL: BloodSource to help Georgia

Sacramento-based BloodSource is teaming with a leading international nonprofit in a 5-year program to improve the safety of blood transfusions in Georgia. The country collects less than 40% of the volume of blood recommended by the World Health Organization for proper medical care of a population of 4.6 million. BloodSource and Global Healing will be working with the Jo Ann Medical Center in Tbilisi, Georgia, and the National Center for Disease Control in Georgia to increase voluntary, unpaid blood donations through mobile collections and donor recruitment.

www.bizjournals.com

THE NATIONAL: Renny Harlin on making "5 Days of War"

In his new film on Russia's war with Georgia, Finnish filmmaker Renny Harlin is behind a different type of action film, one that draws on a very real conflict. "5 Days of War" stars Rupert Friend as Thomas Anders, an American war journalist whose life is saved in Iraq by a Georgian soldier. Later, Anders goes to Georgia to cover Russia's 2008 invasion of Georgia. However, when he is caught in the crossfire as the conflict worsens, it becomes clear that his desire to report what's going on has now become a fight for survival.

www.thenational.ae

DER SPIEGEL: Nino Haratishvili's extraordinarily poetic new play

The new play "Three Seconds" by Georgian playwright and director Nino Haratishvili is both moving and poetic. "Some sentences of this play sound more poetic than some entire plays," said one German critic, commending Haratishvili's enormous linguistic strength. "Three Seconds," which was both written and directed by the award-winning playwright, premiered in Bremen this week. Haratishvili has already published two novels, but her main focus is on the theater.

www.spiegel.de