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"freedom fighters" were reclassified as terrorists. But in spite of this official change of policy, the Chechens continued to serve Georgia's political interests, in both domestic policy and in relations with the Russian Federation.

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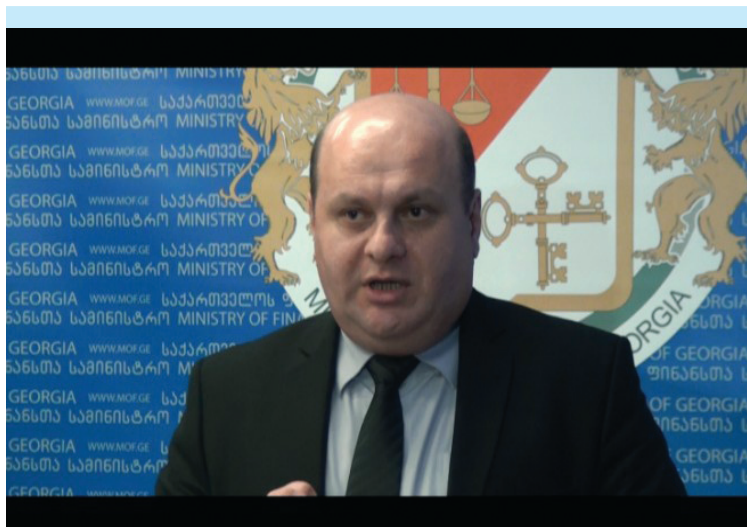
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Lapankhuri Special Operation: Possible Motivations and Blowback!

By HYMAN KAMENOWSKY, GT

Georgia's Public Defender, Ucha Nanuashvili, has called on the Parliament to set up an ad hoc investigative commission to look into an armed clash in the Lopota Gorge in late August, 2012 and the events leading up to the Lapankhuri Special Operation, in which eleven militants and three Georgian soldiers were killed, after his own probe has revealed facts which contradict the official version of events proffered by the previous government.

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FINGER POINTING AND RECRIMINATIONS

Giorgi Baramidze, the former EU and NATO Integration Minister who is still a member of Georgian President Mikheil Saakashvili's dwindling inner circle, recently claimed that the Public Defender's allegations about Georgia having possibly supported Chechen terrorists are merely Russian propaganda. "This is exactly the same thing the Russians are saying, that Georgia is preparing and training terrorist groups on its territory," he blasted.

This latest round in the never ending game of "truth or consequences" does not come as a

surprise. Saakashvili's minority party, the United National Movement (UNM), now plans to conduct a large public protest on April 19 to defend its position and show who are more trustworthy, the leadership of the UNM or the so-called Russian "stooges" of the majority Georgian Dream coalition, led by Prime Minister Bidzina Ivanishvili, which came to power in last year's October Parliamentary Elections.

LAWLESS PLACE, A "NO-GO ZONE"

Allegations of Georgia supporting Chechen fighters in the Pankisi Gorge date back 10 years. In the immediate post 9/11 period, a substantial public relations effort made Pankisi out to be a lawless place, a "no-go zone" - due to its supposed terrorist threat, the implication being that Georgia needed help. The US State Department was engaged, through figures such as President George W. Bush and Richard Boucher, a spokesperson who discussed the Georgian border and the need to beef up Georgia's ability to control the situation in daily press briefings. Little ever made it into the mainstream media about what was actually going on there - as access was denied to foreign reporters. The international media, including the Washington Post and others, simply accepted the official story.

The fear of Chechen terrorists, and allegations by Moscow that Georgia was hosting a terrorist camp, were used as justification for the United States to gain a larger toe hold in the region. The "lawless Georgia" allegations provided justification for direct US military support to the GoG under what became the much-touted 64 million USD Train-and-Equip Program, which helped prepare the Georgian military, not to combat terrorism, but to conduct a war with South Ossetia and Abkhazia, Georgia's two breakaway regions, in 2008, a move consistent with Washington's stated support for Georgia's territorial integrity and its policy of securing NATO's expansion into strategic areas of the former Soviet Union.



In retrospect, notwithstanding the official line, the Train-and-Equip Program can be seen as part of early US efforts to use Georgia as a base for supplying future wars in the region, including Iraq, waged as a precursor to an anticipated pre-emptive attack on Iran. Sovereign Georgia was basically being set up as a forward operation base for NATO and the US.

PROVERBIAL PANDORA'S BOX

Vano Merabishvili, the former Interior Minister and current spokesperson of the UNM, will share with those attending the UNM rally many "surprises and novelties" - perhaps the opening of a proverbial Pandora's Box. However, what pops out may be more than the PR spin doctors and their dubious foreign tutors may be able to handle.

Recriminations are already flying back and forth, and it is now apparent that those who lost the wind in their sails in the aftermath of the October 2012 Parliamentary Elections are hoping that they can throw enough mud to discredit those who won at the ballot box. They want to get back into the game - and perhaps save themselves too!

We at GT know something about these allegations from staff members who live in one of the buildings in the so called "conspiracy flats" on Vajza Pshavela Street, a working class district of Tbilisi where Chechens and others were warehoused last year.

A correspondent was collecting files about Chechens prior to the re-launch of this paper and

wrote, "What can I say about the Chechens living in my building, where they reside as a group? There is one older woman here and many young men and women with children. They own cars and purchase new ones rather often: black jeeps, Mercedes and other. The boys and girls play on bicycles in our yard; this happened a lot last year, in the autumn. The women wear headscarves and long dresses."

Using these notes and other sources, we will try to piece together some materials to shed light on the possible motivations for the killing of approximately 11 alleged Chechens, including ethnic Georgian Kisti Chechens, and the wounding of many others.

LAPAKHURI OPERATION

Mamuka Areshidze, an oft-quoted political pundit, recently wrote about how the previous government must admit its failings in connection with the Lapakhuri operation. He said that it is in the common interest to present a report based on the findings of investigative bodies.

"I have had a meeting with both parties who are actually working on the investigation of this question. They are professional and honest, but there are others who are interested in this case not being investigated. I mean by this members of the previous government, especially those who are also part of the investigative bodies," said Areshidze.

Areshidze said that the planning of the special operation was not carried out effectively and that is why they lost control of it... and "now they are trying to cover all this shame. That is why

they wish to distance themselves from the case. They are forgetting that living people witnessed this special operation. These witnesses are not testifying before a court and providing statements to investigative bodies but they are talking about what happened openly and in public forums and we have access to them."

He added that "the previous government must have had some purpose in mind for the operation, but this was not clear even to the Chechens; they themselves did not understand what was the real purpose for them being gathered in Georgia. Something went badly wrong, and that's why the operation was carried out on August 28 and not later."

Perhaps the operation's real intention was to somehow obstruct the elections. As Georgian experts and other observers maintain, hard evidence is lacking but it is clear that the government was seeking a particular result but the outcome was completely different than intended.

One Chechen explained, "I will tell you how we were betrayed by Georgian Defense Minister Bacho Akhalaia, Deputy Interior Minister Gia Lortkipanidze and Counterterrorist Department head Sandro Amiridze. In August we received a phone call from Guslik (a Muslim) who informed us that the Georgian Defense Ministry had opened up the corridor for all who were willing to participate in operations in Chechnya."

We decided to depart for Georgia after hearing such good news. At the beginning of March the first five people arrived in Georgia and at the airport we were met by representatives of the MIA. After this we were moved into flats. Chechens started arriving secretly from all over Europe. People from the Defense Ministry showed us possible targets. Bacho Akhalaia met with us on a daily basis; the Chechen fighters were supplied with weapons and licenses to carry them, he explained."

The Chechens arrived from many places, even Finland. Some were even accompanied by family or extended family members, as one correspondent

who lived in one of the buildings where the Chechens were warehoused informed GT.

According to another version, reported in the Georgian media, "those people, Ingush, Chechens and so on who lived abroad, were invited to Georgia with the false promise of being granted an open corridor to get back into the fight in Chechnya, but in return they were asked to murder Bidzina Ivanishvili. The fighters refused to do this; after this the Georgian establishment snared them into the Lapakhuri operation in the hope of eliminating all of them."

Merab Margoshvili, father of Aslan Margoshvili, one of the murdered young men, told the Georgian media that "In the run up to the elections people with ties to the Ministry of Internal Affairs... suggested killing Bidzina Ivanishvili in exchange for a free corridor into Chechnya... This was something that the Chechens in Georgia were not willing to do, they were categorically against it. That is why those in the establishment killed them, for not being willing to carrying out such a demand," he said.

As of this week, Ucha Nanuashvili, is still in the crossfire as a result of his serious claims, which not only implicate the previous government in the setting-up and apparent murder of Georgian citizens but calls into question its policy towards Russia; the report also raises concerns about whether or not Georgia may have covertly provided material support to terrorists.

It is becoming clear that Nanuashvili's access to firsthand accounts and other evidence may result in this case becoming newsworthy outside of Georgia - it may merit an international investigation as well. Ucha Nanuashvili is now calling upon the Georgian Parliament to reinvestigate the Lapakhuri operation and establish an investigative commission.

His 770 page Ombudsman's Report contains details of the many human rights violations which occurred in 2012, including those in the criminal justice system and the elections, and many instances of political persecution and other violations.

It is especially interesting that he has noted in his report that the training of terrorists was carried out on Georgian territory, and that those instructors involved in such training, who are named, were subsequently murdered by a special operation of the armed forces in what appears to be a cover-up by high-ranking security officials and with approval from the very top.

Fears of Further Separatism as Georgia Mulls Ratifying European Minority Languages Charter

By LISA TONAKANYAN, GT

Threat of secessionism or just another document that will bring Georgia closer to dreamed EU integration, the European Charter for

Regional or Minority Languages (ECRML) has become a subject of heated discussion in Georgia, dividing society into supporters and opponents of the document's ratification.

Georgia's wish to live up to European standards by ratifying the ECRML has stirred up discontent among wide sections of the local population. Lack of awareness and misinformation has raised questions as to the efficacy of granting rights to mi-

nority language groups. There is a fear that providing formal status to some languages might promote separatist tendencies in Georgia.

The Georgian Orthodox Church called the Charter "unacceptable", claiming "it will

strengthen separatist movements and create new and grave problems for the country". Mikael Botkoveli, Secretary of Patriarch Ilia II expressed his dismay that the Patriarchy's statement raised questions on the authority of the Church to inter-

vene in such important secular issues.

"Do you think the Church shouldn't be interested in the situation in the country?"

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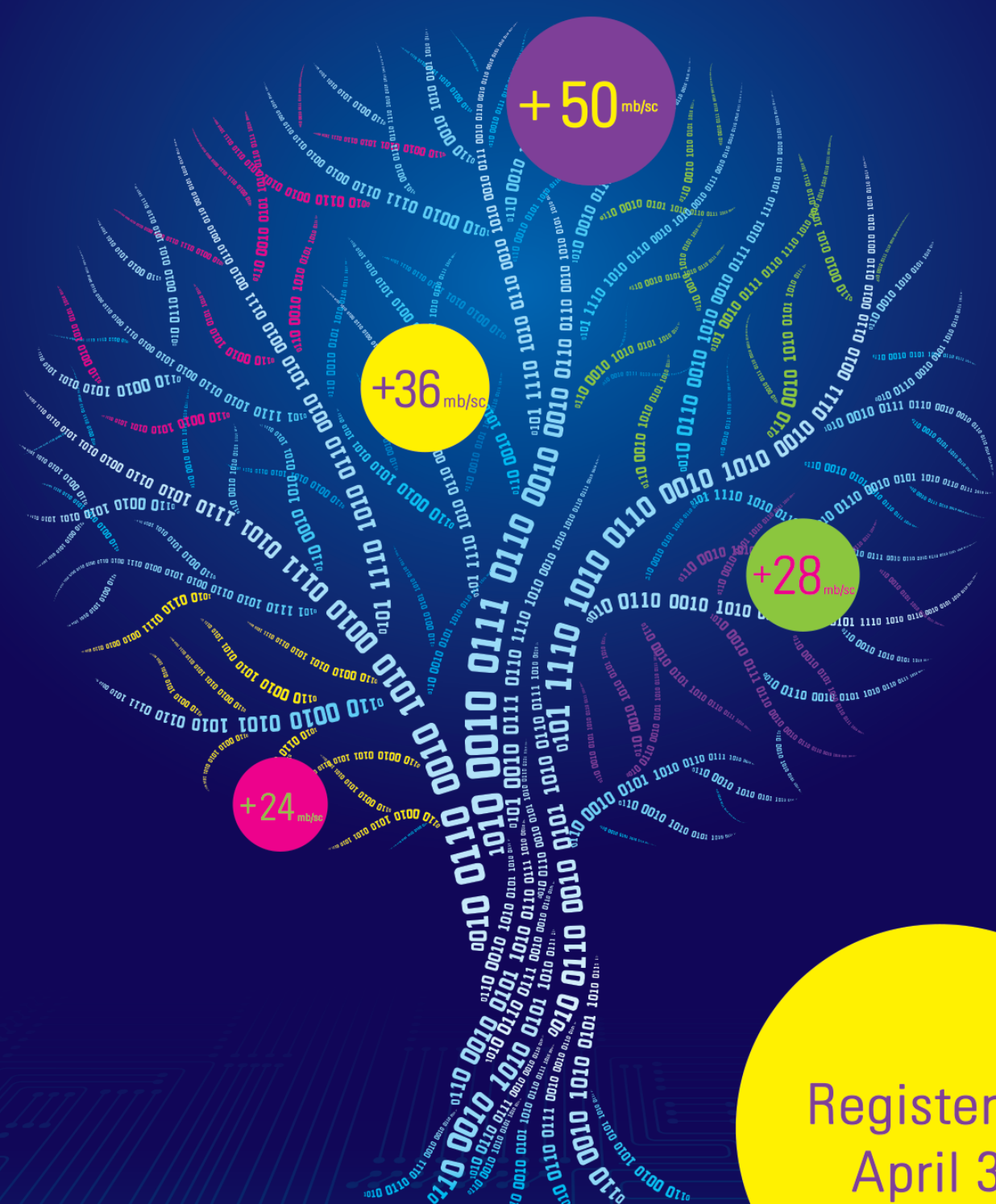
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Nodar Khaduri: Private Property is Untouchable

By EMMA BAIRAMOVA, GT

According to Nodar Khaduri, Georgia's Finance Minister of Georgia, the new government has an unrelenting desire to make sure that Georgia becomes an attractive designation for investors. They should be assured that there is no threat to their businesses and the new government will not repeat the mistakes of the old. In this interview Khaduri explains how the government will encourage foreign investment in Georgia and address the concerns of those who have had bad experiences.

The previous government initially encouraged investment in Georgia, but after a short while its promises became a farce. What promises is the current government making?

Yes, we have found ourselves in a really difficult situation due to failed promises. Georgia had no formal bureaucratic barriers to business development, but everything was still made much more difficult than it needed to be. We did not respect private property rights: investors were invited to Georgia, began working here and were then deprived of their property. Naturally no serious investor will come here under those circumstances. Since 2007 a serious decrease in the rate of foreign investment in Georgia has been obvious.

Now encroachment on private property rights is not occurring and will not be tolerated. Our government is not going to reverse this policy: private property is untouchable, and we will guarantee that Georgia becomes an interesting country for foreign investors. Moreover, investment in Georgia must be secure and economically profitable. It is clear that those who make investments in Georgia and manu-

facture products here must have guarantees and they must be allowed to sell their products and turn a profit. Many factors are involved in expanding the market and being successful. Georgia is a small country both in terms of size and population, and unfortunately its economy is not strong. This is why we must provide a toe hold for strong countries, so they can enter here and work for our development. I mean the EU, US and so on. Our main aim is to broker trade agreements with these countries and we are working in this direction. It is also essential to regain the Russian market. As you know, negotiations on this are underway and already some exports to Russia have resumed (alcoholic beverages, fruit and vegetables and so on). It is the uncompromising desire of our government that Georgia becomes interesting to investors, and that they know that there is no threat to their businesses here.

How are you going to convince people who have had a bad business experience in Georgia to return?

The best way is to let them know that the Georgian people made a choice on October 1, 2012, and rejected a violent government which was not telling the truth, confiscating property and depriving people of the right to conduct business. Of course, not much time has passed since then, only half a year. This is a relatively short period in which to bring about complete change and thus change the opinion of foreigners. But it is the fact that the new government is not going to take away anybody's private property, intervene in the market or cream off a share. The GoG is not going to repeat the mistakes of the former regime.

Will the Financial Police stay away from business?

The Financial Police no longer exists. It has been replaced by the Investigative Service of the Finance Ministry, which is not a

punitive service by nature. It is a fiscal service, which investigates possible tax and economic crimes; we are not going to manipulate this service in the way the previous government did. Political or other motives will not direct its work. This service is going to act in a civil fashion. It is also essential to help entrepreneurs fulfil their Georgian dreams, and this means we are going to create a strong and beautiful Georgia.

What are you going to do with projects left over from the previous government?

It depends on the project: many of them are important for the country. Naturally projects such as road construction, strengthening of coastal barriers and the construction of water protection and sewerage systems will continue, and their funding will be increased. In fact such projects will now be undertaken in all Georgian towns, as we have started working with the World Bank on updating the local infrastructure of Tskhaltubo, for example. We will build roads, and as you know this year the East-West Highway will be extended to Khaduri. We are also studying the road from Khaduri to Zestafoni, and the construction of the bypasses in Kutaisi and Kobuleti is ongoing. These are some of the main projects which will continue. However there are also previous government projects we are not going to implement, as to do so would mean throwing good money away. For instance, we will abandon the building of Lazika, which it was claimed would have a population of 500,000. It is clear that it is impossible to build a city with such a population in that place. There are also several projects where we are studying the effectiveness of some unrealistic projects which will not be carried out. All the necessary projects will be implemented and we are going to take interesting initiatives of our own as well.

What kind of programs will the Ministry of Finance under-

take to reduce poverty?

Our aim is to ensure that every family feels the benefits of economic growth in Georgia. We need to take on ourselves a social responsibility. Before coming to power the Georgian Dream coalition promised pension increases, bringing them into line with subsistence levels. We'll work on this.

How would you assess the work of the Social Service Agency, which under the previous government is believed to have operated ineffectively?

According to this agency's own figures the number of people who need social assistance increases incredibly just prior to each election and decreases after the election. Therefore the previous government used social welfare for political purposes, and did not seek to help people who really need social help. We therefore have to review the work of this agency and the list of people needing social assistance.

According to research conducted by international organizations the poverty level in Georgia is 17-20%. Do you accept this?

It depends on what we call the poverty level, and who is considered poor. For example, till 2007 the poverty level was calculated on the basis of how many people were earning the minimum amount of money needed to live on, which at that point was approximately 115-120 GEL a month. Fifty-four percent of the Georgian population was considered to live below the poverty level on this basis. Then the United National Movement reduced by half the number of the people who lived below the poverty level by setting the minimum amount at 75 GEL, regardless of whether you could actually meet your living expenses with such an income. Those whose monthly incomes were between 75 and 115 lari were dropped from the list, and the government thus declared that just over one third of Georgians (26 percent) lived below the poverty line. The real situation is actually much worse. Up to 400,000 families live below the poverty line. This is almost half the population. The situation in the villages is especially difficult, because the cultivation and production of agricultural products in pointless



when there are no markets to sell them in. It does not matter whether the poverty level is 20% or 25% because the number of poor people is still very high whatever the figure. Our aim is to create real jobs and sources of income for such people.

Did you really find an empty budget when you were appointed Minister?

The amount of free cash in the state budget is over 100 million GEL. Of this, approximately 360 million GEL must be set aside for servicing foreign debt. We have already collected this sum and will pay it soon. But when I was appointed Minister on October 26, the state budget had only 200 million GEL in its coffers. We did our best to fill them in November and December. However January, February and March have been quite successful. Both small and big businesses are growing, and we hope that this year we'll be able to fulfil all our promises. The pension has already increased to 125 GEL, and from September 1, it will be 150 GEL.

What are you going to do about income tax?

The Ministry of Finance is not going to increase income tax. On the contrary, we do not exclude decreasing it after a certain period. We have introduced a new earnings threshold which means that those whose monthly income is 600 GEL (or less) will receive 30 GEL per month back at the end of the year. For example, a teacher whose salary is 400 GEL takes home just 320 GEL of this sum, as he pays 80 GEL income tax. From next year they will take home 360 GEL. For teachers, medical staff etcetera this is quite a significant gain. The health insurance process has also begun and almost all Georgians are now insured. From this summer the insurance package will change and become not minimal but baseline, giving many people additional medical services for their money.

What are your future plans?

We are certainly very optimistic. It is very important that the number of small and medium-sized enterprises is increasing. Exports have also increased, and thus we are observing positive economic growth tendencies in Georgia.

IN THE SPOTLIGHT

Fears of Further Separatism as Georgia Mulls Ratifying European Minority Languages Charter

Continued from p. 2

The Patriarch simply warned the government of the possible outcomes and called on it not to make any hasty decisions. We need to take preventive measures not to let secessionist moods take root. I think under the current conditions, when Georgia already lacks territorial integrity, the Patriarch's position should be hailed by society," he told the Georgian Times, emphasizing that "the majority of European countries didn't join this Charter as they approached this issue with great caution."

However, 33 out of 47 Council of Europe members states have joined the Charter. Several signatories (France, Italy, Russia, Macedonia, Moldova and Azerbaijan) signed the document but haven't ratified the document. Only 11 members of the CoE (Ireland, Belgium, Estonia, Latvia, Lithuania, Portugal, Greece, Albania, Bulgaria, Turkey and Georgia) have outright refused to adopt the Charter.

Linguists and specialists allege that the Charter itself carries no danger to Georgia's territorial integrity. Giorgi Sergia, an expert working with the European Cen-

tre for Minority Issues in Tbilisi says that Georgia has to ratify the Charter sooner or later as it took this commitment in 1999 in order to become a member of the CoE. "The Charter doesn't imply adopting regional languages. Its purpose is protecting threatened [local] languages like Assyrian or Udi, as well as preserving and developing the languages of minorities. I don't really understand why such a stir was created; why should we expect that ratification of the agreement will lead to separatism. Of course, there is such a threat in Georgia but this is not linked to the Charter," he told GT.

Kakha Gabunia, a linguist from the Center of Civil Integration and Inter-Ethnic Relations (CCIIR), agrees that the Patriarch's offer to postpone the issue was right and timely but stresses that the Charter has been demonized and misinterpreted, as it is absolutely an apolitical document. "Now we have two ways to proceed - either we refuse it along with Council of Europe membership, or we ratify it. The second option doesn't mean that we need to grant regional language status to Georgia though. This is the prerogative of the state," he told GT,

adding the issue should be discussed in academic circles.

According to Gabunia, lack of language skills among national minorities is a legacy of the Soviet era, when the first language to learn was Russian and Georgian was downgraded to a secondary role in society. No integrated approach to teaching minorities the state language has been made, even after the collapse of Soviet Union. "During the short presidency of Zviad Gamsakhurdia, some programs requiring knowledge of Georgian were launched. This process was positive but the implementation and results were unsatisfactory. The government of Shevardnadze didn't care about it at all. There were some scattered programs aimed at teaching Georgians in the regions after the Rose Revolution but they were ineffective. Today, our minorities see the necessity of learning the state language and this is a huge progress," he notes.

The biggest minority groups in Georgia - Armenians and Azeris - express a wish and readiness to learn Georgian. Zuzur Gurbanli, an ethnic Azerbaijani and former MP, claims that about 70 percent of the youth in south-

eastern Kvemo Kartli region know at least spoken Georgian. However, it might take some 15-20 years until the majority of this region's population will become proficient in the state language. "We want our kids to participate in social and political life and of course they must know Georgian, but this should be achieved step-by-step," he told GT.

According to Gurbanli, at this stage the adoption of the Azeri language as a regional language would greatly benefit locals because it would facilitate communication on all levels. "For instance, if a woman of 80 years wants to apply for assistance to an official department, she must write a statement in Georgian, which she likely doesn't know. This is the legacy of the Soviet Union. Now we are oriented towards the European Union, so we should not be afraid of accepting the Charter. However, pseudo-democratic statements that Mr. Mamuka Areshidze and others make raise fears in Georgian society that the ratification of the document will lead to separatism in the country. To me it's also unacceptable when the Patriarch opposes the adoption of the Charter. It will not harm the


country's national interests, and it will bring us closer to the EU," he emphasized.

Levon Isakhanyan, a representative of Armenian community and Head of the Legal Department of the Armenian Diocese in Georgia says that language is one of the key tools used to help ensure human rights are protected, and linguistic minorities should have the chance to use their native languages in those regions where they live. "The majority of Italian Trentino-Alto Adige region's population is of Austrian origin. Their native language is German and they have the right to address local authorities in German. This is a normal democratic practice and I don't see how it would be bad if the same will be allowed here in Georgia," he told GT.

Isakhanyan has also addressed the Georgian government, asking to take more care in spreading and popularizing the state language in areas predominately inhabited by ethnic minorities. "Making Armenian a regional language will not prevent locals from learning Georgian. People who say this intend on creating a negative background around national minority issues. They also

claim that there is a secessionist mood in Samtskhe-Javakheti region. I can say with confidence that there has never been such an attitude there, and it remains the case today. This was mentioned even in International Crisis Group's report. All this talk about separatism is just speculative. I think Georgia can only benefit from adopting the Charter and by harmonizing it with local legislation," he stresses.

Discussion on the Charter was resumed in Akhalkalaki's self-government institution by representatives of the Republican Party, which supported the adoption of the document. The approach was split, with the authorities - the Georgian Dream Coalition - dissociating itself from the views of Republicans, while Minister of Reintegration Paata Zakareishvili agreed that the Charter must be ratified as it is part of country's international commitments. He said that the previous government was trying to paper over this issue, instead of taking any substantial steps to resolve it. At the same time Vano Merabishvili, Secretary General of President Saakashvili's United National Movement accused the new government of failing to properly handle the situation on the ground in the predominantly Armenian populated region. Merabishvili asserted that when the UNM was in power "this issue was not put on the agenda at all". However, the issue was in fact raised in 2010 under the previous government.

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Public Defender Demands Investigation into Lopota Armed Clash

By LIKA MOSHIASHVILI, GT

The previous government bears criminal responsibility over the armed clash in Lopota Gorge in late August, 2012, as stated the Public Defender's annual report on the human rights situation in Georgia, presented on April 1. Ucha Nanuashvili demands that parliament open an investigation into the special operation carried out in Lapankuri village by the Ministry of Internal Affairs, in which eleven militants and three Georgian soldiers were killed.

The report says that in February 2012 senior officials from the Georgian Interior Ministry contacted some "veterans of the Chechen war" and members of the Chechen diaspora seeking to convince them that the Georgian authorities were ready to allow armed militants free pas-

sage into Russia's North Caucasus via Georgian territory.

"Officials working for Mikheil Saakashvili brought Chechens living in Europe to Georgia and prepared them for sending to the North Caucasus", explains Akhmed Zakayev, a former emissary of the Chechen separatists who now lives in exile in Europe. Dukvakha Dushuyev, a former bodyguard of Akhmed Zakayev, was among the group of 11 Caucasus fighters killed by Georgian Special Forces.

The Public Defender's report says that Deputy Interior Minister Gia Lortkipanidze and two other senior figures at the Ministry, Sandro Amiridze and Zurab Maisuradze, were in charge of handling these groups. "This allegation is absurd and slanderous," says Lortkipanidze, who calls it "the new government's political retribution against the former government."

Two days before the clash, units of the Georgian special task force were flown by heli-

copter to the Dagestani section of the Georgian-Russian border, presumably to prevent the militants from infiltrating into Russia's North Caucasus region.

On August 28, 2012, the Ministry of Internal Affairs began a so-called anti-terrorist operation in Lopota Gorge near Lapankuri village, in the Kakheti region of eastern Georgia. The MIA says the operation was a response to the kidnapping of five young villagers in Lapankuri forest on August 26. The MIA alleged that a group of armed people had taken the young men hostage. On August 29 the MIA said that eleven gunmen and three Georgian special services personnel, including a military doctor, had been killed in a clash following the hostage-taking incident.

Mamuka Areshidze, an expert on Caucasus issues, believes that the armed clash in Lopota Gorge might have been designed to force the cancella-

tion of the last year's October 2 Parliamentary Elections. "Those who took part in this, Merabishvili and Lortkipanidze, are trying to distance themselves from it," stated Areshidze. "But there are people who do not want to hide the truth, those who were in Lapankuri during the operation. I am sure they will speak up," he continued.

Majority MPs say that an investigative commission is likely to be established. Minority MPs claim that the report in which the special operation is highlighted serves Russia's interests. "[Nikolai] Patrushev [Secretary of Russia's security council] has voiced similar allegations," commented Vano Merabishvili, Secretary General of the United National Movement, who at the time of the Lapankuri operation was the Georgian Prime Minister. "These are very idiotic, harmful, anti-state allegations and I feel sorry for those people, who follow the direct orders of the

Russian special services," he added.

The report also states that nine militants survived the clash, and that several days later the survivors left Georgia with the help of Georgian Interior Ministry representatives and entered Turkey through the Vale border crossing point.

The Public Defender says that his findings are based on information gathered from "confidential sources" and the relatives of some of those killed in the armed clash. He has called on the Chief Prosecutor's Office to launch an investigation into the alleged involvement of former senior Interior Ministry officials in setting up illegal armed groups in 2012.

The Public Defender has also called on the prosecutors' office to investigate the reported intimidation of relatives of the murdered militants in the Pankisi Gorge. His report states that bodies of the militants were handed over to their relatives several days later on condition

that they were buried without a traditional funeral service, quietly and anonymously.

"We did not have any hope during the previous government that this case would be investigated," said Tamar Margoshvili, the aunt of Aslan Margoshvili, one of the alleged terrorists killed in the Lopota clash. "Now we believe the new government will study this incident properly and our children will no longer be listed as terrorists," she added.

Mamuka Areshidze also believes it would be better if a parliamentary commission presented a conclusion on the special operation due to the high public interest in this case. Zakayev stated in an interview with *First Radio* that a specially established commission has already finished investigating the incident. "What happened in Lopota Gorge in 2012 is thoroughly outlined in this document and it will be made available to the public very soon," he concluded.

REGIONAL ISSUES

Russia's Black Sea Military Drills: Confrontation or Deterrence?

By DR. VAKHTANG MAISAIA, GT

Russian launched unexpected military drills on the Black Sea in late March involving about 7,000 servicemen, mostly infantry, 250 armored vehicles, over 20 military aircraft and about 30 warships of Russia's 49th Army. The Russians claim that these operations are part of a mission intended to promote security and stability in the region and strengthen relationships with littoral states.

Officially, the main goal of the multilateral maneuvers through April 23 was to provide operative-strategic defense for the Sochi Olympics in 2014 and for the key Russian coastal regions of Novorossiysk and Gelenjik. Considering the scope and size of the drills (similar to the large-scale "Caucasus-2012" exercises held in Novem-

ber of 2012 under the command of the 58th Army), the Kremlin is demonstrating its ability to reinforce its geostrategic presence, and not only at the local level i.e. the Northern and Southern Caucasus regions, but also at the regional level, which includes the Black Sea to the Middle East zones.

The broader Black Sea geopolitical area is closely linked to Russia's current national interests. Russia has been keeping a close eye on American military expansion in the region over the past decade and considers such maneuvers and presence of its former opponent, especially in Georgia as a key threat to its foreign policy objectives in the Southern Caucasus region as a whole (Georgia, Azerbaijan and Armenia).

The drills are timely in that they can be viewed as quick and adequate response to the joint

US-Georgian Agile Spirit-2013 military drills recently held near Tbilisi, Georgia on March 29. Moreover, they demonstrate ongoing Russian resolve to deter for any calls for foreign military intervention in Syria, something Moscow has adamantly opposed since an insurgency has destabilized the regime of President Bashar Al-Assad and threatened Russian influence in the country.

The drills are being performed in line with Russia's military strategic "sea-land" and "land-air" conceptions. The current Russian leadership seeks to demonstrate its resolve by being able to demonstrate its military might, and its larger operational plans envisage full rearmament of the national Armed Forces with at least a 60% combat readiness level by 2015. This four-year 19 billion Ruble (600 million USD) program underscores how the



Kremlin is flexing its muscles in light of its new policy direction.

In addition, Russia and Belarus will hold joint military exercises in the same area of the current Black Sea drills as a component of a more full-scaled military strategic exercise "WEST-2013" in September, 2013. This military exercise seeks to raise the stakes at further NATO enlargement. The joint drills will be performed by special forces and will involve more than 9,000 servicemen from the Rapid Reaction Forces of the Collective Security Treaty Organization, a Moscow-backed military alliance which effectively acts as a post-Cold War counterbalance to NATO.

The various war games and drills are part of massive mili-

tary planning measures aimed at reaffirming Russia's geopolitical preeminence in the region and letting it be known that this is a critical region for its national security interests. Current exercise is but a sign of more to come, and more and larger drills can be expected in Mediterranean Sea with participation of warships from the Black Sea Fleet.

Such drills transcend simple local boundaries and aim to harmonize military readiness within a specific geopolitical strategy. Russia is fully aware of NATO plans and appears to be reacting to up-coming high-profile official visits of the North-Atlantic Council and members of the NATO's Military Committee of on issues of the regional security that are to be held in Tbilisi Georgia between

April and June, 2013.

All what is transpiring is reminiscent of the Cold War period, a time when the Soviet Union and its allies were at odds and the region was the frontline of a possible full-scale conflict.

By Dr. Vakhtang Maisaia – *ex-political prisoner, USIA Alumni, an international defense fellow and doctorate student at the U.S. Air Force Academy (1998), graduate from GIPA and George C. Marshall College of International and Security Studies, a Counselor at Georgian Mission at NATO HQ and a rapporteur to the NATO IS PASP Security and Defense Economics Directorate (2004-2008), visiting Professor at Bratislava State University and "Caucasus International University", director of the "Georgian Times" Strategic Studies Center "Azri".*

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TOP 50 Companies in Georgia Named by The Georgian Times and GORBI

The order of the following is a list of participants has no significance

- LTD Heidelberg Cement Georgia
- LTD Zedazeni 2012
- "Goodwil" Chain of supermarkets
- JSC Georgian Bank
- LTD Gaz-Energy
- Company Geocell
- LTD Sokar Enegy Georgia
- JSC TBC Bank
- "PSP Pharma"
- LTD "Raddisson Blue Iveria"
- LTD "Aversi Pharma"
- LTD "Rustavi's Azot"
- JSC Wissol Petroleum Georgia
- LTD Barambo
- GIG-Georgian Industrial group
- JSC Nikora
- "T and K" restaurants MacDonaldds
- San Pertoleum Georgia Gulf
- LTD Coca-Cola Bottlers Georgia
- Carrefour Chain of Markets
- JSC Bank "Kartu"
- Zestaphoni Manufacture "Fero"
- JSC Telasi
- JSC ProCredit Bank
- JSC Telavi Winery
- Rustavi Metallurgical Company
- LTD VTB Bank
- Silknet
- JSC "Davit Sarajishvili and Eniseli"
- Company Caucasus Online
- LTD Marshe
- Dairy products manufacturing company "Ecofood"
- GWP "Georgian Water and Power"
- LTD Georgian Sugar
- "Sante GMT Products"
- "Natural Mineral Water - Nabeghlavi"
- Georigan Bear company Natakhtari
- LTD "Lukoil Georgia"
- "Aldagi BCI" Insurance company
- GPS Pharm Company
- JSK Smart Retail
- LTDRompertol Georgia
- LTD Elit Electronics
- Bank Republic
- JSC Bagrationi 1882
- GPI Holding
- Company Beeline
- LLC "Barvil Georgia"
- JSC Madneuli Mining
- Georgian Carriage Builders Holding

We Cordially Present to you

In announcing the annual business rating, with pleasure we are presenting the 14th rating of the TOP 50 Georgian businesses; it includes the TOP 25 business companies and showcases the Georgian best companies and top businesspersons for 2012.

The 14th business ratings reveals and showcases the TOP 50 Georgian businesses and the TOP 25 business companies, and highlights Georgia's best companies and businesspersons in 2012 continues as an annual event.

Nodar Khaduri, Georgian Finance Ministry, Fadi Asli of the International Chamber of Commerce, Amy Denman



conduct an annual business rating in showcasing the most outstanding companies and businesspersons of the year.

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Starting in 1995 till now, the

are presented as they foster closer relations between businesses operating in Georgia and on the international level. More importantly, this continued event attracts the attention of world business community's interest towards Georgia.

Georgian companies, among them, your company, as it was nominated.

The professional selection jury in its appraisal of the best companies used the following criteria:

- Defence of the interests of manufacturers
- Public image
- Effective management
- Charity/patronship
- Effectiveness of advertising
- New technologies
- New jobs created
- Stability of business activities
- Growth and business potential
- International recognition
- Public Relations
- Effective marketing
- Financial transparency
- Professional level of the team

- Attractiveness for potential investments

The highly-qualified jurors have announced the 2nd stage, Georgian TOP 25, and best business companies among them will be awarded the title of the "Best Company of the Year and "Best Businessperson of the Year and the national business award [ORDER]. Other companies and businesspersons will be awarded with different nominations.

The following are the business rating award winners since 1995:

- TBC Group - Mamuka Khazaradze;
- Coca-Cola Bottlers Georgia - Temur Chkhonia;

- Khazbegi - Gogi Topadze;
- Khazbegi castel - Gogi Topadze;
- GWS - Levan Gachechiladze;
- LTD Samgori 94- Avto Tsereteli
- LTD Tbilaviamsheni - Pantiko Tordia
- TBC Bank - Vakhtang Butskhrikidze



საქართველოს ბანკი BANK OF GEORGIA

- United Georgian Bank - Vano Chkhartishvili;
- LTD Samgori 94 - Avto Tsereteli;
- Geocell - Osman Turan
- Geocell - Osman Turan
- Geocell - Osman Turan and Georgian Bank - Irakli Gilauri

The following experts took part in determining Georgia's TOP 50 companies:

- Marika Toidze - journalist;
- Irakli Leqvinidze - Economic expert "Georgian business & Political inside";
- Badri Beraia - expert in economic questions;
- Mikheil Jibuti - economic expert;
- Akaki Gogichaishvili - journalist;



Executive Director of American Chamber of Commerce in Georgia, George Chiragadze, leader of the Georgian Business Associate, Merab Pachulia,

main goal of the business-rating is: to determine the most successful spheres of business on the national level; supporting dialogues between business,

Political leaders also recognize that important contribution of the business rating to the continued development and shaping of the future, adding to the popularization of Georgian business as a whole.

The Income and Revenue Service of the Georgian Finance Ministry has provided the "Georgian Times" with the list of companies which are enriching the Georgian budget with 1,000,000 GEL and more. Various experts, journalists and others working in the economic area, representatives of NGOs, investment funds, manufacturers and tax payers unions, social research services (see the list in appendix) at the 1st stage have collectively revealed the TOP 50 best and most successful



Director, Georgian Opinion Research Business International and Malkhaz Guliashvili, President of the media holding The Georgian Times continue to

government organizations and the society as a whole, thus shaping the new image of the Georgian business climate. New and up and coming companies



Last Year's Winners



- Zurab Gvasalia – President of Georgian banks association;
- Ramaz Sakvarelidze – expert;
- Shalva Ramishvili - journalist;
- Eka Mishveladze - journalist;
- Giorgi Giorgadze – newspaper “Banks and Finances”;
- Devi Khechinashvili – Chairman of Georgian insurance association;
- Soso Tsiskarishvili - political scientist;
- Soso Archvadze - expert in economic questions;
- Giorgi Tevdorashvili - Editor in Chief of “Kviris Palitra”
- Vajza Beradze – newspaper “Banks and Finances”
- Maya Edilashvili – newspaper “Georgia Today”



Association of Young Business and Financial Managers
• Giorgi Gigolashvili - President

- Maya Purtseladze – editor in chief of newspaper “New Version”;
- Tea Shvelidze – journalist TV Company Channel 9;
- Beqa Baramidze – journalist TV company Channel 9;
- Emzar Jgerenaia – economic expert.

The award ceremony of the business rating will be held in the nearest future. A wide range of companies and businessmen who win in the different categories will be recognized with



awards. The best of them will be chosen by you at the event's venue, by ballot. The winner will be awarded by the national business award, handmade exclusive



metals: gold (31,5gr) and silver (12gr) natural leather, natural stones - brilliant (1 unit)



blue sapphire (1 unit), turquoise 4 unit zircon (2 units) green pomegranate (2 units).

In attendance for the award ceremony will be clergy, members of non-parliamentary bodies, legislative, administrative and judicial branches, representatives of foreign missions, businesspersons; representatives of the local and foreign mass media, among others.



- Maya Misheladze – newspaper “Versia”
- Levam Kalandadze – economic expert;
- Vano Mtvarelashvili – Chairman of Petroleum Products Importers Union;
- Tako Pkhakadze – “Prime Time” journalist
- Khatuna Lagazidze - expert
- Lia Eliava – expert in economic questions;
- Nodar Chichinadze –



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Rabati – A Castle of Contention

By LIKA MOSHIASHVILI, GT

A round table meeting related to the Rabati castle was launched at the Georgian Ministry of Culture and Monument Protection on April 4. The discussion was held in response to statements of Georgian President Mikhail Saakashvili and Secretary General of the opposition United National Movement Vano Merabishvili, who slammed some parts of current Government's planned deal with Turkey on cultural heritage. Together with the Minister of Culture and Monument Protection of Georgia Guram Odiasashvilia, art critics, archeologists and other experts, Merabishvili and former Head of National Agency for Cultural Heritage of Georgia Nikoloz Vacheishvili attended the round table meeting.

"We also want good relations with Turkey... We were the initiators of restoration and protection of Turkish monuments on our territory, but the Georgian government's proposal is completely different – this is very dangerous and unacceptable for our country, which the Georgian president will never agree on," stated Manana Manjgaladze, the pres-



ident's spokeswoman at the press conference on April 2.

The Rabati castle dates back to the 13th century and lies in the town of Akhaltsikhe, in southern Georgia. It underwent large-scale renovation in 2011-2012, overseen by then interior minister Vano Merabishvili, and was opened to visitors in August of last year.

The complex with its multicultural architecture, citadel, castle and other facilities, covering a rocky hill overlooking Akhaltsikhe, also includes the 18th century Ahmadiyya Mosque, which has also been restored but is not used for religious services.

The agreement currently negotiated by the Georgian gov-

ernment with Turkey foresees changing the color of the dome and removing stone steles with engraved crosses from within the mosque; bringing back the older lattices, modifying the drainage system around the buildings and if needed, improving facing material.

"We think that it would actually amount to destroying the Rabati fortress, which represents one of the major cultural and tourist destinations on this territory... We do not think that it's a demand or an intention of the Turkish side. It is a misunderstanding, caused by the Georgian government," explained Manjgaladze.

According to her this document is about demolition and

destruction. "It is about removing Christian symbols, which require special care, like symbols of Islam, of course. This is not a Turkish-Georgian problem. This is a continuation of a trend which we are seeing and hearing recently – leveling to the ground and destroying everything that has been built in recent years," the president's press speaker told journalists.

Deputy Minister of Culture, Marine Mizandari, dismissed allegations that the complex or part of the complex would be destroyed as "ludicrous".

"On the contrary, we want to rectify those mistakes and shortcomings, which were made in the process of restoration;

keeping these shortcomings will be incompatible with preservation of historical heritage," Mizandari commented, adding that "standards and methodology" of restoration of historical monument were violated because the castle's renovation works were carried out "hastily" and "thoughtlessly".

She also added that removing of stone steles with engraved crosses was a request of the Turkish side and representatives from the Georgian Patriarchate are not against it; she said that these steles would possibly be placed in a museum in the Rabati complex.

On April 5, Turkish ambassador Levent Murat Burhan told journalists that no final decision has been made yet, but he confirmed that experts from Turkey have visited Rabati castle and requested certain 'changes and improvements' for the complex.

Secretary General of the United National Movement Vano Merabishvili told government representatives at a roundtable meeting that he would "not allow anyone to demolish the dome or remove crosses from the mosque" of the Rabati complex.

"When I was coming here, I thought things were simple, but now I see everything is complicated. It seemed to me that I was at a meeting of inquisitors, but thank God it is the 21st century," commented Mera-

bishvili after the meeting. In an interview with journalists, the Secretary General said he is going to set up a public movement along with his friends in order to save the Rabati castle. "We will not surrender even a tiny part of the castle," stated Merabishvili.

The exact date of restoration works is not known yet but as Mizandari comments "the decision of replacement of the color of the dome and improvement of the facing material is already made and it will not change."

According to the Bishop of Akhaltsikhe who also attended the round table meeting, "it is possible to remove the cross from the mosque but it should be done with the agreement of the Architecture Council of the Georgian Patriarchy."

Georgian President Mikheil Saakashvili left on working visit to Turkey on April 6 where he is expected to discuss the Rabati castle reconstruction with Turkish president Abdullah Gul and Prime Minister Recep Tayyip Erdogan.

A yet-to-be signed agreement with Turkey on cooperation in the sphere of cultural heritage addresses issues related to restoration of Georgian Orthodox Churches – Ishkhani and Oshki, now located in north-eastern Turkey, as well as the possible construction of a new mosque in Batumi, Georgia.

Village of Hope for Returning Georgian Emigrants

By TAMAR TCHOKHONELIDZE, GT

There is a now a very real reason for Georgian emigrants to return to their homeland. Free houses in village "Imedi" (hope) being constructed by Charitable Fund "Amaghleba 2012".

Imedi village will be located in Gardabani region near Tbilisi. Comprising several hectares, the land plot was donated by Temur Chomakhashvili, the founder of "Amaghleba 2012" and the head of the project.

"The construction process of village "Imedi" has already begun. Construction costs for each house is about 27,000 USD and at first we are going to build ten two-story houses. Families of Fereydani Georgians have already been identified to live in Imedi village. Concerning their employment, we will develop cattle-breeding and greenhouse agriculture," Chomakhashvili stated.

This idea "Let's build village Imedi together!" was inspired by a documentary film aired by TV Company "Imedi". The film's main character Vakhtang Toradze, a historian and the rector of the Georgian Academy of Art and Sciences, teaches Fereydani Georgians who returned to Georgia and helps them find work and

he expects nothing in return.

During the Persian invasion of Georgia in the XVI-XVII centuries, about 300,000 ethnic Georgians were exiled to Fereydan, a region in central Iran. Despite many hardships the Fereydani Georgians managed to maintain their Georgian language. In 2006, small groups of the Fereydani Georgians started to return to Georgia to study based on the initiative of the Georgian Ministry of Refugees and Accommodation and many of them have remained in the country since. Toradze has been helping them settle down and has been caring for them like a father.

"This project is very important as it is connected to our historical past and Georgian emigrants have dreamt about coming back to their country for centuries. If we manage to found at least one village for them it will mean that the wish of the emigrants isn't futile and we have realized it in this century," journalist Goderzi Sharashia, author of the documentary film, said.

Large-scale flight of Georgians from their country started after the collapse of the Soviet Union. Many left in order to study abroad, find work and support their families back home. Official statistics of the Geor-



gian emigrants does not exist.

There are three main categories of emigrants. The first includes historical emigrants living in Fereydan, Iran, and Saingilo and Kakh, Azerbaijan. They are Muslim Georgians who still maintain their Georgian language and use old Georgian words in their everyday speech. The second category encompasses those emigrants who left Georgia in the 1920s during a time of revolutionary upheaval. Their descendants live mainly in France, Germany and the United Kingdom. The third category relates

to the present migration that started in the 1990s. At the time, the country's borders were loosely controlled and the departure of most emigrants went unregistered. During this time, many ethnic Georgians fled the country's war-torn breakaway regions of South Ossetia and Abkhazia as well.

The number of historical Georgian emigrants comprises several million while the number of the modern, present-day emigrants is approximately 1.5 million, the largest amount living in Russia. Though official-

ly there are 350,000 Georgians in Russia, the real figure is thought to be closer to 800,000. After Russia, the largest numbers of the Georgian emigrants are registered in Greece, Turkey, the United States, Italy, Spain and Portugal.

The Imedi village project is supported by the Patriarchy, the Ministries of Diaspora Issues, Economy and Energy, TV Company Imedi, the Development Fund of Arts and Culture "St. Andrew's Cross," Vocational College "Spektri" and representatives of Georgian society. A bank account has been opened for donations to fund the construction of Imedi village.

Georgian emigrants living in Chicago, U.S. were informed about the construction of the village. They expressed their interest in this idea and some have supported the ongoing project financially. "This project is of the utmost importance for the Georgian emigrants living abroad. We are ready to support the idea and participate in making it a reality," Vazha Orjonikidze, a Georgian living in Chicago, said.

"Our visit in Chicago was very successful; Georgian emigrants expressed great interest in the idea and many of them are willing to be involved in charitable activities regarding the construction of the village," Levan Mer-

abishvili, the project manager, stated.

A charitable concert was held at Kote Marjanishvili State Drama Theatre. The money donated during the concert will be used for the construction of the village.

"I believe that all of us with our joint forces will be able to build the village where emigrants will live. This Imedi village will be considered as a village of the future," Mate Takidze, supporter of the project, said.

As the Minister for Diaspora Issues Konstantine Surguladze explained, after Georgia's 2012 parliamentary elections, many Georgian emigrants became interested in investing in Georgia. Under the previous government many investors were disappointed as the purported security and safety of the country's business environment turned out to be misleading.

According to the head of the Imedi project Temur Chomakhashvili the project is not limited to building only one village: "We are going to continue the project based on government support and people's donations, and in the future more and more emigrants will come back to their homeland. We will continue to visit Georgian emigrants abroad and inform them about the real opportunity to return to Georgia."

Dexus offers Relief to Georgia's Fledgling Real Estate Market

By EMMA BAIRAMOVA, GT

Dexus is a business group focused on distressed asset management, development, construction and property management. One of the company's major projects was the turnaround of Center Point, the largest residential property developer in Georgia before the 2008 crisis. Center Point surprisingly terminated its management contract with Dexus ten months ahead of schedule. Dexus states that Center Point was one of its projects and termination of the contract will not affect its long-term goals.

GT interviews Irakli Kilauridze, Managing Partner and Co-Founder of Dexus.

It now clear that your management contract with Center Point is terminated. What are your next projects?

Dexus is a real estate business group with four main businesses: distressed asset management, development, construction and property management. One of the distressed asset management projects was the turnaround of the Center Point. Aside from this project, we have similar projects in our distressed asset management portfolio, for instance Isnis Savane. We also continue to underwrite new turnaround property projects in Georgia. As for the Center Point, we were determined to complete the turnaround as per agreement but apparently owners of the Center Point felt that they would be able to handle the rest of the recovery on their own. I can say that today Center Point is in much better shape than it was when we started rehabilitation. Having worked on the recovery for 30 months, we managed to complete apartments for around 4,000 customers, that is circa 2/3 of total Center Point customer base. Additionally we created approximately 20 million USD worth of finished property that can be sold, 10 million USD of contracted receivables, 10 million USD receivables to be contracted and 10 million USD in land bank, so total of circa 50 million USD of current assets, which is more than enough to complete all the pending projects. Center Point has if managed correctly.

We understand that Dexus works in four areas of property business, can you tell us more about these business lines?

The main business for to-



Irakli Kilauridze, Managing Partner and Co-Founder of Dexus

day is distressed asset management; we also have a development company, which manages new development projects, we have also have construction company and finally property management business which

tion which ensures that our group can manage newly developed facilities, service and expertise vastly lacking in Georgia.

We believe that if you develop something you have to

differentiate us from other players on the local market.

As part of development business, we are currently undertaking development of two end railway stations in Tbilisi, East Station in Didube and West Station in Navtlugi, part of so called Tbilisi Bypass Project. Unfortunately this project is currently on hold due to change of management and supervision in Georgian Railway Company, but we hope that after transition period, development will recommence.

Another very important initiative of Dexus is the creation of a special fund in which Dexus, along with its foreign partners, will invest in the Georgian real estate sector. This initiative will create investment vehicle for investors to participate in highly profitable real estate projects in Georgia and on the other hand will play vital role in developing real estate sector in Georgia. Through the fund we also plan to work with other local developers to finance their projects as well if proposed projects will suffice with fund's investment requirements. The fund will focus on investing in Georgia's large and resort cities, such as Tbilisi,

long term capital, equity and debt. Because of lack of equity in this sector, local commercial banks are unwilling to lend money to developers, so in total capital flow into the sector currently is very limited.

It was once rumoured that banks were refusing to finance development companies, was this for the reason you have suggested?

I think the position of banks toward real estate sector in terms of lending is well justified. Banks have responsibility toward their depositors and shareholders. If banks start lending money to risky projects they might damage the bank, its shareholders and depositors as well. Banks have already had more than their fair share of bad experiences of financing developers in Georgia, and the same developers and the same people who were unable to pay back their bank loans are coming back for more. It is fair to say that some of developers went into trouble because of many objective reasons but most of them went under because of poor management and inappropriate dividend policies.

Didn't the banks have con-

tate businesses? Are you familiar with the new government's strategy in this area?

I don't think it is right to wait for the government to find a way out of a difficult situation. We ourselves, private sector, have to find ways to improve the situation. Businessmen should talk to the banks and persuade them to extend them loans as before. Banks are part of the private sector too, and have their own reasons to be distrustful. In general crisis is a learning curve where everybody starts thinking differently and we have to face that.

What is the future for real estate in Georgia?

The real estate business in Georgia needs long-term financial resources, mainly equity. Banks will not refuse to give loans if equity investments underpin real estate projects. For example, if a project costs \$10 million and you or your investors have already invested \$5 million cash as equity, the bank would lend you the remaining \$5 million, but if developer has no equity in the game, off course banks would be reluctant to extend financing. For this very reason we thought that strategy for Dexus for years to come is to attract long term capital in form of equity through the fund and work with local banks to leverage our investments in real estate projects.

What would be your message to investors who are considering investing in the fund?

Now is the time to buy distressed real estate projects at a bargain prices and complete them. Today there is a huge demand for finished apartments. People do not want to pay in advance for unfinished apartments. Very few companies are currently able to provide finished apartments to the market due to the lack of capital. All this creates great opportunity for investors to invest and gain huge profits in 5 to 7 year horizon.

Do you already know which investors you will work with?

We have a group of investors who, along with us, will provide seed capital in the fund, the rest will follow.

Finally, what will happen if several development companies merge in order to combine forces to complete unfinished projects?

Unfortunately, in Georgia, many companies have negative equity. Therefore the consolidation of these companies, and their limited resources, will have no effect.



is a new venture for us. In construction business our general approach is to invest in people, systems and know how rather than in equipment. We think nowadays it is more important to have well-established construction management systems than a particular number of bulldozers and other construction machinery. As mentioned we also have a property management direc-

take care of it and maintain it for your customers to prevent the building declining in value. Unfortunately, owners of apartments and office building do not have the skills or ability to work with various stakeholders and effectively manage properties and that is when our property business steps in. Complex approach to property business gives certain advantages to our company and dif-

Batumi and Bakuriani, we might also look into projects in Kutaisi.

When do you plan to set up the fund?

In May we will officially announce our plans to set up the fund; today the largest problem in Georgia is a lack of equity in the real estate sector. Real estate is not fast turning business that generates profits shortly; this business needs

control mechanisms in place which would have reduced the risk they incurred?

One of the mistakes the banks made was betting too much on start-up developers and projects that were managed by inexperienced people. Banks took the risk in exchange of making profits and now they are paying the bills.

How will the change of government affect the real es-

Is Georgia Seeing Fewer Tourists?

By UTA BITSADZE, GT

Tourism was a claimed priority of the previous Georgian government, perhaps for the sake of bringing in tourism revenues or milking development banks and international development organizations for projects. The new government has different priorities: agriculture, healthcare and education. However, the importance of tourism development is still recognized as essential for the overall economic well-being of Georgia.

There is also the question of what the government should be doing in developing tourism in the first place, other than making it easier for tourists to arrive and ensure their safety. Tourism development is something that is left to the private sector in a normal country and not subject to centralized planning as was the case during the period of the Soviet Union.

Much has been written and rosy claims made about tourism, even the actual numbers are confusing - and this may not be accidental, but rather a way to justify spending so much of the national budget on pet projects. Nonetheless, Georgia cannot put all its eggs into one basket. Tourism is suffering on an international level and more is needed - sustainable development and a tourism policy that is more substance and less PR for outside consumption.

Consequently a smaller portion of the 2013 state budget is devoted to tourism development: 11.370 million GEL were allocated last year, compared to 6.4 million GEL this year. The government has been severely criticised by President Saakashvili's United National Movement for reducing the tourism budget. The president has been telling journalists that fewer tourists are visiting, saying that the small number of visitors to winter resorts is the result of the erroneous policies of the current government. He failed, however, to mention the reduced snowfall as a contributing factor.

"I brought us 5 times more tourists. We built Mestia, and I was there all the time monitoring the construction and had an apartment there. Now they have taken my residence but don't visit the city themselves - are Mestians happy with this?" Saakashvili told journalists.

They might be happier if the land that was confiscated from them would be returned or they would be financially compensated for their losses. It seems



that many benefited from the credit lines from the Asian Development Bank and others but not the locals themselves.

As with many figures generated by the former government, the UNM allegations about reductions in tourist numbers are not confirmed by the Information-Analysis Department of the Ministry of Internal Affairs. The Ministry says that in February and March 2013 Georgia saw 17% more tourists than in the same months of the previous year. The National Tourist Agency also maintains that there has in fact been an increase in the number of tourists since last year. It states that tourism remains one of Georgia's priorities and there has been no decline in the number of visitors.

"The total number of tourists to Georgia in the first three months of 2013 was 928,898, a much higher number than we saw in the corresponding period of last year. In January a reduction in the pace of tourism growth was apparent, but this was expected and might be repeated in other years. Tourism is still one of the priorities of the country and government officials have said this many times," says Giorgi Bregadze, Coordinator of the Research-Analysis Centre of the Tourism National Agency of Georgia.

Experts say that exact tourist numbers have never been identified in Georgia, as the MIA figures are not specifically of those entering the country for tourism purposes but all foreign passport holders crossing the Georgian border, which includes truck drivers and workers transiting to Turkey. It is naive to think that citizens of a foreign country who merely travel through Georgia in transit should be counted as

tourists, as was the practice of the previous government. However, First Deputy Economy and Sustainable Development Minister *Dimitri Kumsiashvili* is quoted in the Georgian media as saying the new government worked out the methodology for quantifying actual tourist numbers some months ago, and in the future Georgia will know exactly who is a tourist and who not.

The main problem facing tourism development is the lack of flexibility in the Tax System, Paata Sheshelidze told *The Georgian Times*, "It is important for the government to develop the tourism sector in a different way: businesses and local authorities should take care of this. Local officials should be able to make decisions on how to develop their own areas. If we want to contribute to the development of this sphere, we should consider fiscal decentralisation and tax competition. It is essential to set different tax rates for big and small business."

More is needed, however, as in terms of price and quality. Georgians like to be served but not served and the level of service in Georgia is very low. One only needs to go to Turkey to see the difference and many of the foreign tourists arriving only provide a replacement for those Georgians who take their vacations in Turkey, where they get better deals - value for the money. It is clear that instead of counting tourists in a questionable manner that the former government should have placed an emphasis on the hospitality industry, and that means more than just waiting on tables with a smile.

Ensuring the safety of tourists is one of the main challenges for the government, as what

happens if someone gets sick or faces a criminal situation. The Information-Analysis Department of the Ministry of Internal Affairs has made public a report covering January-September 2012 which states that

528 tourists incurred losses from crime during this period. This represents 181 more such cases than in the same period of 2011.

Some analysts say that it is in fact unjustifiable to make

tourism a priority sector, as there are several more important sectors the government must address to strengthen the Georgian economy. Although tourism was the number one priority of the outgoing government, Georgia does not have the relevant infrastructure in place to achieve the numbers it desires. It does not have qualified service staff and is still not a safe place for tourists. The state had been mostly interested in attracting foreign hotel chains to Georgia, and consequently it's become expensive to stay here. Analysts say that it is essential to help small businesses to develop the tourism sector, and building 2-3 star hotels will make holidays cheaper.

The question is - can Georgia declare tourism a priority while the above-mentioned problems remain, and can it compete with neighbouring states such as Greece and Turkey, where the tourist industry is well-developed? There is also the issue of domestic tourism that is not addressed, and to develop tourism for Georgians so they will not have to travel outside the country for a normal vacation at a reasonable price with good service.

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Mtkvari River still brings Trash to the Capital

By LIKA MOSHIASHVILI, GT

A large quantity of trash, mostly in the form of plastic bottles and uprooted trees, has been floating down the River Mtkvari in Tbilisi, the country's main artery, over the last few weeks. According to ecologist Nino Chkhobadze incorrectly set up landfill sites and porous drainage systems are primarily responsible. "If this alarming situation continues the fish and other living organisms in the Mtkvari basin will die in the near future," she claims.

The snow on the mountains melts in spring, swelling the

river, while the trash thrown into it by people in Samtskhe-Javakheti, a region in southern Georgia, accumulates and flows into the capital. Tourists are thus treated to beautiful views of Old Tbilisi on the one hand and the polluted Mtkvari River on the other.

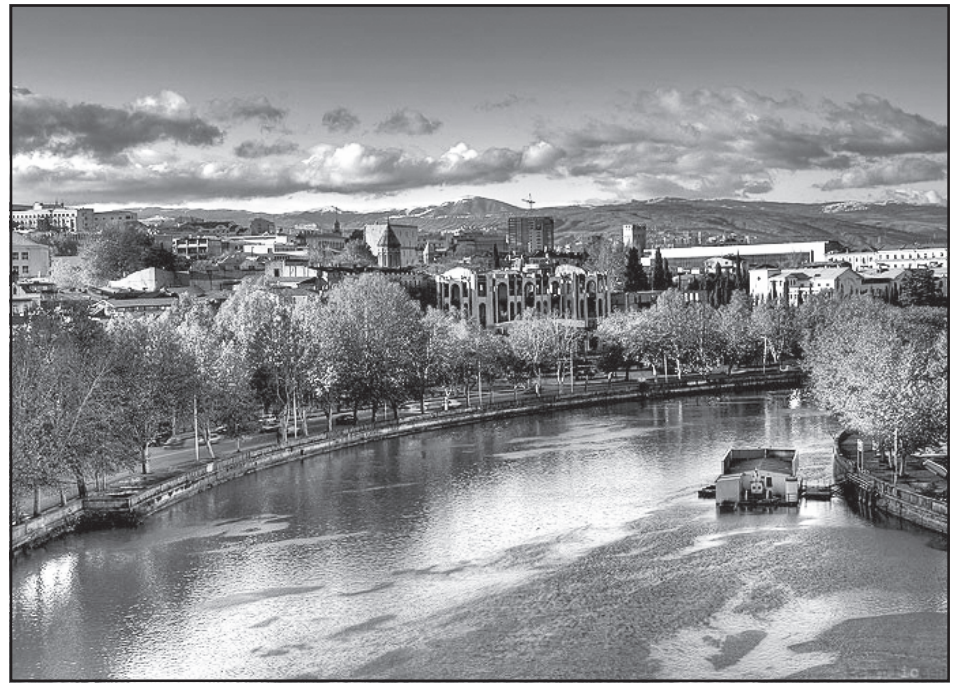
"The public services do not function properly in Georgian villages and therefore people usually throw garbage into the river, rather than leave it to be collected. This is a problem not only for Tbilisi but the whole country," says Nana Dvali, a resident of Gori, the capital of the Shida Kartli region in eastern Georgia.

Marina Makarova, Head of Water Resource Management at

the Ministry of Environment Protection, says that one of the reasons for the water pollution is that sewer pipes are directly connected to the river basin in Tbilisi.

"Pollution control facilities are not working properly in the capital," Makarova told *The Georgian Times*. "Georgian Water and Power (GWP), the company which supplies water to the population of Tbilisi and its neighborhood, is responsible for cleaning the Mtkvari and also ensuring that drainage water flows into the pollution control facility and not directly into the river basin," she maintains.

The Mtkvari is the longest river in the Caucasus. Rising in



northeastern Turkey, it flows through Turkey and Georgia to Azerbaijan, where it receives its tributary the Aras and empties into the Caspian Sea. It is 1,515 kilometers long.

Makarova says that Azerbaijan has the same problem, as after passing through the Mingachevir reservoir the Mtkvari is polluted even more.

"At the end of this year Georgia and Azerbaijan will sign a cooperation agreement on water resource management. Within the framework of this the two countries will develop

a common rivers management policy and we hope this improves the situation in the Mtkvari," Makarova told *The Georgian Times*.

Research conducted by Ministry of Environment Protection has revealed that there is also microbiological pollution in the Mtkvari basin.

"For instance, in February 2013 there were much higher than permissible E-coli levels near Gori, Khashuri, Tbilisi and Rustavi," stated Marina Arabidze, Head of Environmental Pollution Monitoring at the

National Environment Agency.

Nino Chkhobadze told *The Georgian Times* that, "If this kind of pollution of the Mtkvari continues all the living organisms in the river will die. This industrial and municipal waste and its pollution make the river dangerous for those who use its water for everyday purposes (drinking, fishing and irrigation). The Georgian government must be more attentive to this problem. It must adopt a proper law on waste management and water flow regulation in the river."

New Georgian Labor Code to Maintain Preferential Trade Terms with U.S.

By TAMAR TCHOKHONELIDZE, GT

American labor unions have filed an administrative lawsuit against the Republic of Georgia demanding that the country be deprived of its status as a beneficiary of the U.S. Generalized System of Preferences due to its blatant failure to defend the workers' rights stipulated in its labor code. In response, Georgia hopes to maintain its special trade ties with its closest ally by modifying its labor code while at the same time making further efforts to improve trade with its traditional partner, Russia.

Labor Unions of the U.S. first filed their lawsuit against Georgia on September 10, 2010. They believe that the Georgian labor code doesn't correspond with international standards and that the Georgian legal system is unable to defend the fundamental rights of employees.

Georgia's current labour code allows an employer to fire employees without having or giving any reasonable cause, thus breaching workers' rights. Although Georgia still enjoys

the status of GSP beneficiary country at present, if the lawsuit is successful it will prevent Georgia exporting about 7,000 products duty free, and 3,600 with preferential tariffs, to the United States.

The GSP is a US program which promotes economic growth in the developing world by providing preferential duty-free entry for up to 5,000 products imported from 127 beneficiary countries and territories. Georgia has been included on this list of countries since July 29 2001. The products which can be imported duty free include manufactured items, various types of chemicals and minerals, jewellery, carpets, agricultural products, etc. Georgia exports to the U.S. agricultural products, walnuts, hazelnuts, condiments, cherry jam), manufactured and industrial items (wooden doors, ferromanganese), handicraft textiles, ceramic and glass articles, wine, mineral water and non alcoholic beverages. Georgia has also been granted GSP privileges by the EU, Japan, Canada, Switzerland, Turkey and Norway.

Aleksandre Baramidze, Georgia's Deputy Minister of Justice, recently attended a dis-

ussion of the petition against Georgia at the Office of the US Trade Representative. At this he presented the draft of a new labor code. He said that Georgia has already taken initiatives to better protect workers' rights and the draft of the new labor law will soon be discussed by the Georgian parliament. Consequently the U.S. will continue to hold consultations with the Georgian delegation and monitor the discussion of the new labor code.

"The American side demands from us that we take concrete steps to defend workers' rights. For this reason the Ministry of Justice has already drafted a new labor code and introduced it to the legislature. The amended code will significantly improve the working conditions of employees in Georgia. I hope that in the event of the ratification of the new code Georgia will maintain its preferential conditions of trade partnership with the U.S.," Baramidze stated.

In the presence of representatives of the U.S. State Department, the Chamber of Commerce and the Labour Department, the American side confirmed that if Georgia ratifies the new labour code the lawsuit will be dropped, thereby enabling the country to take

full advantage of the preferential conditions provided by the existing trade partnership.

"Our most compelling argument was the new labour code, which sets a higher standard for the defence of the rights of employees. This has turned out to be crucial for the resolution of this issue at the US Trade Representation," Baramidze said.

The Parliament of Georgia is discussing amendments to the labor code with the Labour Unions of Georgia. The lawmakers seek to balance the rights of employers and employees in the new code, i.e. to give employers more obligations to fulfil when recruiting and dismissing staff.

Georgia has also been a fully-fledged member of the World Trade Organisation since 2000. Georgia's trade relations with member countries of the WTO are based on its Most Favoured Nation (MFN) status, under which goods imported from Georgia won't be treated under less favourable terms than goods from many other WTO member countries. Among other advantages this status gives, member countries reduce import tariffs on MFN countries' products.

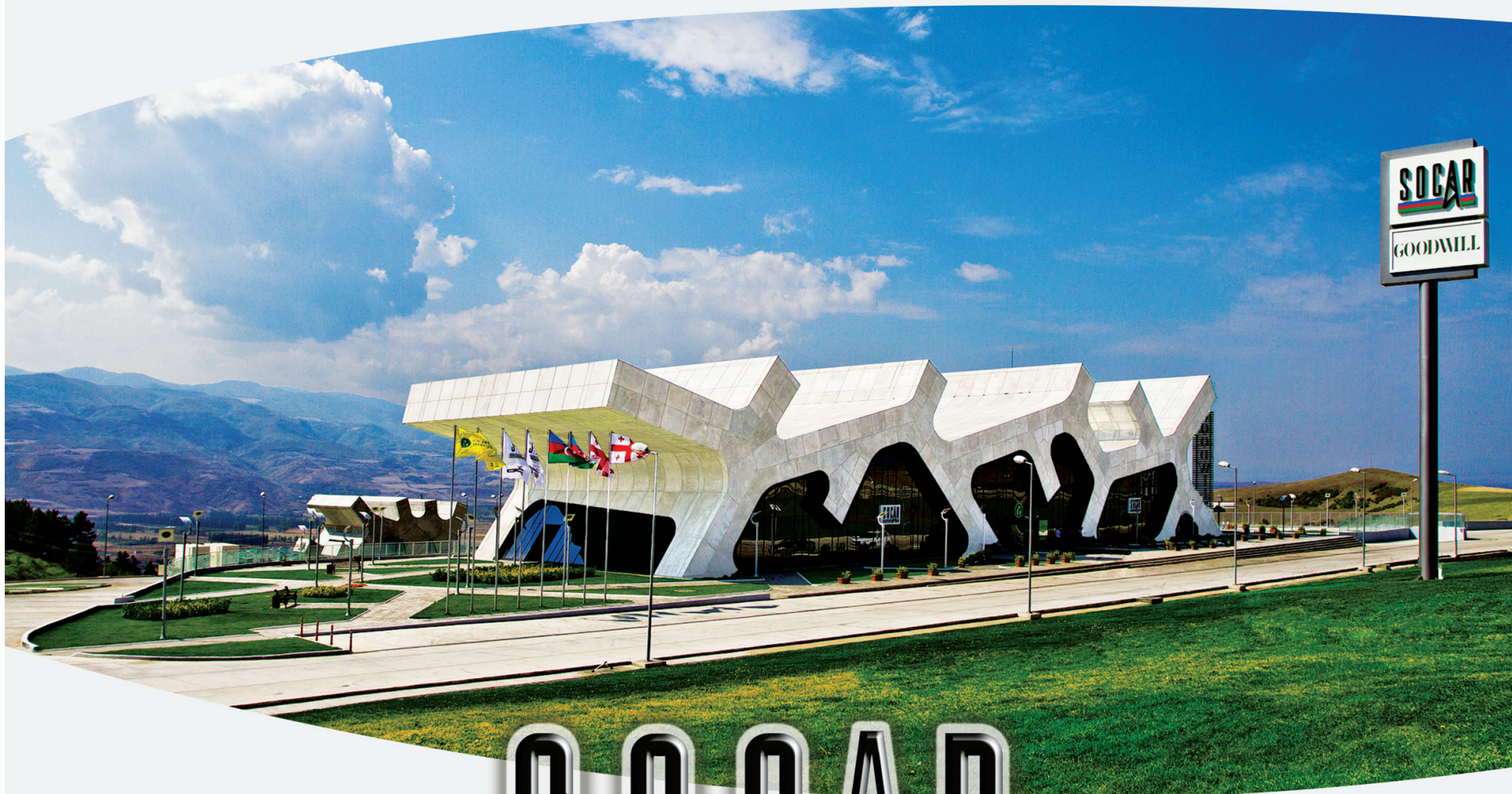
While efforts to boost trade with the US have been



setback by the lawsuit, at least momentarily, Georgia is restoring its trade ties with the Russian Federation. Russia banned the import of Georgian agricultural products, wine and mineral water in 2006, but following the October 2012 parliamentary elections the new Georgian government has been trying to re-establish normal trade relations. A Georgian delegation, led by Zurab Chekurishvili, the head of the National Food Agency, recently held a meeting with the Russian side in Moscow. This was suc-

cessful, as the sides reached an agreement to allow Georgian products to enter the Russian market. A delegation of specialists from Russia's Sanitary Inspection Service is now studying sanitary-hygiene conditions in Georgian wine and mineral water production facilities. According to the National Wine Agency the Russian experts are collecting information for Russia's Chief Sanitarian Gennady Onishchenko, who is expected to deliver his report on this inspection in the near future.

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