

Investor.ge



A MAGAZINE OF THE AMERICAN CHAMBER OF COMMERCE IN GEORGIA

ISSUE 21

JUNE-JULY 2011

FT Financial Times
www.ft.com

Includes articles from the FT

10 Year Visas to America
.....

The End of Aggressive Audits?
.....

Boys (and Girls) of Summer
.....

Viva Batumi
.....



Tbilisi Finding its Niche



პროკრედიტ ბანკი
ProCredit Bank

Georgia

What are the important things to know about Banking Services?



Find out in our bank!

www.procreditbank.ge



20 22 22

Investor.ge CONTENT

**Investment/
Development****6 Grabbing the FDI Opportunity**

EPI's investment promotion specialist Rodrigo Ortiz says Georgia is at a strategic moment to attract investment.

6 Ten Year Visas to the United States

A new visa policy from the U.S. government extends the validity of visas, but does not affect criteria for applicants.

8 Improved Regulations for Securities Market Could Help Georgian Business

Victor Kipiani, a partner at Mgaloblishvili, Kipiani, Dzidziguri (MKD) law firm, analyzes changes to the Georgian securities market.

9 Can a Leopard Change its Spots?

The Georgian Revenue Service is changing, what does this mean for your business?

12 Attitude Toward Business Shifting

Attitudes toward the business community are improving.

14 Berta, Georgia's New Manufacturing Adventure

A case study of Berta, a new joint-venture light industry production plant.

18 A Blossoming Business

Greenhouses in Georgia are inching into the country's import-driven flower market and cultivating a demand for landscaping.

20 New Owner, New Plans for Poti Port

APM Terminals, part of Moller-Maersk Group, purchased 80 percent of Poti Sea Port in April from RAKIA

21 Trouble Shopping? Tbilisi has Plans

New malls and brand franchises might change shopping in Tbilisi.

24 Privatization Planned for Parliament?

What will happen to the building on Rustaveli Avenue?

26 In Brief

A new feature on new investments and business news by Eteri Maisuradze

26 A New Plan for Tbilisi

City Hall, together with the World Bank, is working on a strategy for the city's development.

26 Analyzing Investment: How Cities Position Themselves for FDI**27 Georgian E-Healthcare, Education and Training****52 Wine and Tourism Delegation to the USA****30 Health: A New Frontier for Investors**

This is the second of three articles dedicated to the health industry.

32 The Financial Times Medvedev Seen to Target Capital Flight as Election Bid Evolves

Russian President Dimitri Medvedev is targeting new investments.

33 Microsoft's Skype Gamble

Analysis of Microsoft's decision to buy Skype for \$8.5 billion.

36 FIFA Hit By New Bribes Claims Over World Cup Bid

New allegations of accepting bribes dog FIFA's executive committee.

38 Intel Hails 3D Chip Technology

Intel to start production on chips this year.

Culture**39 Overcoming the Lack of Cooperation – Social Capital in Georgia**

CRRG analysis the role of social capital in Georgia, and its potential to influence economic growth.

41 Economic Crime and the Spirit of Capitalism**44 Viva Batumi**

Officials hope a summer full of festivals and concerts in Batumi will help boost the region's allure as a destination.

47 Team Georgia

Far from the cries of fanatic fans, the World Series and foot-long hot dogs, America's favorite pastime is going strong, thanks to a Georgian enclave of enthusiastic players and dedicated coaches.



AmCham Georgia Patron Members:



ExxonMobil



Investor.ge

AmCham Executive Director George Welton

Editor in Chief Molly Corso

Copy Editor Fiona Coxshall

Marketing & Promotion Bella Makaridze, Diana Karibova

Promotional Design Levan Baratashvili

Magazine Design and Layout Giorgi Megrelishvili

Writers Nick Clayton, Molly Corso,
Andrew Coxshall, Maia Edilashvili,
Monica Ellena, Victor Kipiani,
Eteri Maisuradze, George McGurn,
FT Special Reports

Photographs Molly Corso, Adjara Department of Tourism

Cover Batumi House of Justice

Special thanks to the AmCham Editorial Board – Irakli Baidashvili, Betsy Haskell, Badri Japaridze and Stephanie Komsa – the AmCham staff, Nino Kacharava, Michele Dunn, Sarah Williamson, and The Financial Times

© The American Chamber of
Commerce in Georgia, 2011

All rights reserved. No part of this magazine may be re-printed, or reproduced or utilized in any form or by electronic, mechanical or other means now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system without permission.

The opinions expressed in this magazine do not reflect the opinion of the American Chamber of Commerce in Georgia nor its Board Members or staff, unless otherwise stated. AmCham Georgia neither endorses, nor can be held liable for any eventuality arising from the use of any product or service advertised within the pages of this issue.

Investor.ge is printed by CEZANNE

AmCham Georgia

36a Lado Asatiani Street, 3rd floor

Tel: 22-69-07

amcham@amcham.ge

editor@amcham.ge, www.amcham.ge

www.investor.ge

YOU HAVE BUSINESS GOALS

WE KNOW HOW TO ASSIST YOU IN SUCCESSFULLY REACHING THEM



- Consulting and Complex Projects
- Business Applications
- Software Development
- Professional and Technical Services
- Computer Hardware and Software



17a Chavchavadze Avenue, Tbilisi, Georgia

Tel: +995 (32) 220505

Microsoft®

hp
invent

CISCO

Sun
microsystems

VERITAS
BUSINESS WITHOUT INTERRUPTION™

ORACLE®

SAP®

IBM

AVAYA

Check Point
SOFTWARE TECHNOLOGIES LTD.

Microsoft Dynamics

symantec.

Grabbing the FDI Opportunity

Georgia is at a strategic moment to attract investment but it needs a target and consistent approach, says Rodrigo Ortiz, a senior investment promotion specialist with USAID's new Economic Prosperity Initiative.

Rodrigo Ortiz paints a tantalizing future for Georgia; a future that follows Costa Rica and Singapore – countries that seized a policy to attract foreign investors, and keep them coming.

And the secret of successful policy, Ortiz said, is a strategy that evokes images of a complex dance: the perfect timing, message, and organization -- plus consistency.

"It is all about promotion ... it is all about having a consistent and sustained approach ... And it is not something that is going to happen in three months," he stressed.

"It is going to happen in the next two or three years and if you stay in the

market place, it will keep growing and growing."

Organization is also vital, Ortiz added. The Georgian National Investment Agency is at the core of the country's efforts to promote investment, but its real power could be in the structure of its board. Ortiz noted that the GNIA is overseen by a powerful group of ministers and Prime Minister Nika Gilauri – a cross section of decision makers that should make it easy for the government to identify and resolve obstacles for investors quickly.

Ortiz warned however that the GNIA should readjust its approach.

Promotion has to be "laser" – direct and proactive, tailored to target 100

thousand CEOs and decision makers who should be interested in Georgia, not the umbrella of CNN watchers.

"This is not a mass consumption audience," he said. "You probably want to target 100 thousand key executives in the whole world."

It is not politics, Ortiz stressed, but the potential for profits that will bring business to Georgia – and keep it here.

That means the government has to figure out its precise – "consistent" -- message to businesses, Ortiz noted.

And once Georgia captures businesses' attention, decision makers need to have access to information, like average pay. That data, he said, is currently difficult to obtain.

Georgia, he stressed, is in a "strategic moment of time" when it is on the world's radar screen.

"But you won't stay there for very long," he warned. "So there is an opportunity to go in there and play in the game. Or just watch it."

U.S. Government: Ten Year Visas for Georgians

A new, ten year visa for Georgians traveling to America simplifies travel but does not affect the long standing laws on who is eligible and how visa applications are approved.

Georgians traveling to the United States will now receive multiple-entry business-tourism visas valid for ten years – up from the 12 month visas issued previously.

The program is a reflection of fewer visa violations, and a visa waiver system in Georgia for American citizens.

"The main point there is actually reciprocity," Patrick Wingate, the consular chief at the embassy, told Investor.ge: Georgia allows Americans to stay for up to 360 days without a visa.

But the change does not signal a shift in how visas are issued or how the embassy determines who is eligible for a visa, since the law remains unchanged.

The process of determining who fits that criteria is not "a formula," Wingate explained – underscoring a persistent impression that the application process is erratic.

"It is on a case-by-case basis," he said – and boils down to demonstrating social and economic ties.

The ten-year visa is also potentially significant for Georgian citizens who have a US Green Card – but currently reside in Georgia.

Green Cards are "a benefit" that allows people to stay indefinitely. The catch, however, Wingate noted, is Green Card holders are "expected to stay".

"Do not apply for a green card as an expeditious way to get to the United States and avoid the visa process," he said.

"If they don't plan on living in the United States right now and they are married to an American citizen, then wait... go ahead and travel on the ten year visa."

The consular section also works for American citizens, ranging from the final visa for adoptions to for-a-fee notary services. For more information on citizen, and non-citizen, services, visit georgia.usembassy.gov

In addition, the consular section has a registration system for US citizens visiting the country – the Smart Traveler Enrollment Program (STEP): travelregistration.state.gov

Be in Clover



WE WILL DRIVE YOUR BUSINESS: Corporate & Business Law; Mergers & Acquisitions; Investments & Securities; Infrastructure Projects & Cross-Border Financing; Lending & Restructuring; IP & Labor Law; Litigation & Arbitration;

71 Vazha Pshavela Ave., floor 4th, office 24
0186 Tbilisi, Georgia
Tel: +995 32 55-38-80/81, 97-38-80/81
Fax: +995 32 97-38-84
www.mkd.ge


MGALOBlishvili, KIPiani, DZIDZIGURI
მგალობლიშვილი, კიპიანი, ძიძიგური

A Purely Georgian with Regional Coverage

Improved Regulations for Securities Market

Victor Kipiani, a partner at Mgaloblishvili, Kipiani, Dzidziguri (MKD) law firm, analyzes changes to the Georgian securities market that could help companies.

Easing regulation on securities trading could be a huge source of investment capital in Georgia. Recent changes to the regulation of securities could open new opportunities for Georgian businesses and the local stock market. Specifically a new initiative by the National Bank to streamline the issuing of securities and their registration. The first step towards enhancing the securities trade profile was the 2008 order to issue government securities for raising funds on international capital markets. This move that permitted denominating local securities in foreign convertible currency. Previously, there were no domestic regulations specifically addressing procedures for public placement of government securities on stock markets.

Georgian law is silent however, on

the possibility of placing local currency denominated government debt securities.

In December 2010 the National Bank of Georgia took an even more radical step when the bank's president presented a list of "foreign recognized" stock exchanges – opening them up to the local securities market. This was not merely a legal act, but substantiated various provisions of the Georgian law on capital markets and signaled a further step forward, bridging the gap between domestic and international stock exchange regulation.

The National Bank's decision replicates the law that issuing securities in Georgia has to be pursuant to the rules of the Georgian stock exchange - but with no additional regulations if they have already been registered on "foreign recognized stock exchanges".

This decision paved the way for further integration of Georgian capital market regulation with the world regulatory regime. However some technicalities remained streamlining the admission of overseas securities to a local stock exchange or, even more importantly, providing a clear and exhaustive list of those stock exchanges which, under the law, will be treated as "recognized".

As already mentioned, the key advantage of the current legal regime is that an owner (or holder) of securities placed on a recognized foreign stock exchange is free to proceed with publicly offering his securities in Georgia without applying for approval by the National Bank of Georgia – the regulator of the local capital market.

In practical terms, what is required before offering such shares in Georgia is serving a formal notification to the regulator and filing a set of documents as evidence that the securities are being

placed with a recognized foreign stock exchange.

If, however, the transaction occurs through a stock exchange licensed under Georgian law, there is no need to notify the National Bank of Georgia: a locally licensed stock exchange contacts the regulator to notify it about the placement of securities on the recognized foreign stock exchange.

So, by granting nearly free and unrestricted access to securities on recognized foreign stock exchanges, Georgian policy makers are trying to entice investors with extra incentives in order to boost the domestic capital market.

This business-oriented approach is similar to other successful cases, which have contributed to the development of capital markets in some small jurisdictions by allowing fast-track, efficient and cost-effective listing procedures to facilitate the listing of securities (whether equity or debt).

The goals of the current local trend are to:

- Develop the Georgian platform for trading with securities into an investment exchange in a potentially major regional economy or a significant regional financial centre; and
- Adopt proper and financial arrangements for financial regulations that meet internationally accepted standards in the industry.

The above-mentioned regulations are a huge step in bringing the local securities regulatory environment closer to international standards. However, the practical results of these changes have yet to be seen since they greatly depend on a number of factors, including, among others, who will eventually run the local stock exchange.

Can a leopard change its spots?

The Georgian Revenue Service is changing, what does this mean for your business?

ANDREW COXSHALL,
MANAGING PARTNER,
KPMG SOUTHERN CAUCASUS

One of the biggest complaints from businesses already in Georgia is the selective application of the tax laws and the aggressive manner in which tax audits are carried out. The Georgian Revenue Service (GRS) is seen as a predator waiting to pounce on its unsuspecting prey.

For those of you who have seen a leopard in the wild or watch nature programs you may know that sometimes a leopard does not kill its prey instantly, but may drag its victim out of sight, keeping it alive until it is ready to feast. Some business people are of the opinion that the GRS is like a leopard when it comes to tax audits. However recent events would indicate that the leopard is trying to change its spots...

A new leader of the pack

In March 2011 a new Head of the GRS was appointed – Mr. Jaba Ebanoidze. Having previously worked as the Head of the National Agency of Public Registry (NAPR), the Deputy Minister of Justice and the Head of the National Bureau of Enforcement, Mr. Ebanoidze immediately set about implementing some reforms, one of the most important of which is the outsourcing of tax audits announced by the Prime Minister on April 13th.

However, more importantly for the longer term, Mr. Ebanoidze's appointment signals a change in the tone at the top of the GRS and hopefully an improvement in the tax environment in Georgia.

Outsourcing of tax audits

The idea of outsourcing tax audits is not new but neither is it widespread

around the world. The concept of getting a private company or individual to carry out a tax audit on a business rather than the tax authorities exists in some shape or form in the United Kingdom, the Netherlands, Turkey and Pakistan to name a few examples.

While each country seems to have its own methodology for the execution of the audits, the selection of the auditors and the liability of the auditor and auditee, the basic idea is the same.

The basis for such a move is trust and transparency – the GRS has to trust the taxpayer and the tax auditors to act correctly and the system of audits needs to be transparent.

The consultation process

The GRS has held several meetings with accounting companies, tax consultants and others to try to figure out what is workable in the short and ►►

ADVERTISEMENT





CEZANNE
PRINTING HOUSE

140 Tsereteli ave., 0119 Tbilisi, Georgia
Tel: (995 32) 357002, 357005. Fax: (995 32) 357004
www.Cezanne.ge

**PRINTING HOUSE
CEZANNE**

- longer term. Due to the revolutionary nature of this reform it is taking a while for everyone to fully understand how it will work in practice. Consequently there have already been many variations on the precise nature of the tax audit outsourcing. The key points of the scheme are set out below, however by the time you read this article these points may well have changed.

Current GRS thinking

As of today the GRS plans to let private tax, audit and consulting companies and individuals (tax auditors) conduct pilot tax audits over the next few months on a limited number of medium-sized tax-paying companies (taxpayers). The taxpayer would request the tax auditors to carry out a tax audit on historic data (probably for the three years to 31 December 2010) and conclude a contract with the tax auditors. For audit companies the audit would be carried out in accordance with International Standards on Auditing (probably ISA 800 – Special purpose audit engagements) and the audit opinion would be provided to the taxpayer. For “consultants” the “audit” would be carried out in accordance with their own methodology.

So what's in it for my company?

On the face of it asking for a tax audit does seem a bit like a turkey voting for Christmas! However, asking a private tax auditor to carry out a tax audit (which the taxpayer has to pay for) in return for a lower risk rating from the GRS and a reduction in any fines and penalties sounds a lot more attractive.

Firstly, having the tax authorities in your offices can be very disruptive and unsettling for staff, customers and suppliers, whilst having a private tax auditor carry out the work should be a

lot less stressful. Secondly, GRS staff may not be that well informed on the latest tax laws and regulations and are very unlikely to be well versed in modern risk-based, systems-based auditing methods, whereas tax auditors (especially professionals from the “Big 4” audit companies) have been through substantial obligatory training and their knowledge must be completely up to date otherwise their clients will not pay for the services they provide.

Thirdly, although the taxpayer will have to pay the tax auditors for the work they do, these costs should be more than offset by any reduction in fines and penalties that would be made available by the GRS.

Lastly, by voluntarily requesting a tax audit to be carried out the GRS is more likely to view the taxpayer as a lower risk taxpayer and hence less likely to be subject to tax inspections in the future.

It's a jungle out there

The above all sounds good but it is important to be aware of the many potential traps which need to be avoided. Firstly the system will only be as good as the tax auditors who are carrying out the work, secondly there needs to be oversight from the GRS before the pilot project is rolled out for all tax audits and thirdly there needs to be tough sanctions for tax auditors and taxpayers who abuse the pilot program.

Currently in Georgia there is no proper regulation of audit companies, accountancy companies and “consultants”. Whilst a lack of regulation makes it easier for companies to do business, when you are dealing with professionals such as auditors and accountants a regulatory framework is essential to maintain standards.

Unfortunately the quality of work of some accountants/auditors is not

of an acceptable standard; also fundamental considerations such as client confidentiality, professional ethics and independence are often absent from some players in the market. This leaves the system open to abuse; one can envisage the situation where a tax auditor agrees (for a small sum) to “turn a blind eye” to a taxpayer’s tax issue and give a clean audit opinion so that the taxpayer ends up with a smaller tax assessment or maybe none at all.

Secondly, these changes are revolutionary and there will inevitably be teething problems during the implementation phase, so the GRS will need to have oversight of the process and make the necessary changes before the new system of tax audits is rolled out for all taxpayers.

Lastly, if taxpayers and/or tax auditors are found to have acted improperly then the necessary action (fines/prosecution) should be taken against them and in a very public way as such actions are a breach of the very trust which is the foundation of such a system.

What next?

The pilot tax audits are due to start very soon with up to 50 taxpayers being subject to tax audits over the next 7 months with the audits carried out by tax auditors approved by the GRS.

The results of these tax audits (which can take from two or three weeks up to several months depending on the number of years to be audited and the nature of the Company) will be known later in the year and it will be up to the GRS to decide whether or not to roll the program out for all taxpayers.

Whatever happens the next few months will be an interesting time for the GRS, taxpayers and tax auditors as the exact scope and extent of the tax audits are clarified. ■



cutting through complexity™

Taking your next steps in Georgia? Need some help?

Let our internationally experienced audit, tax and advisory team based here in Tbilisi help you make the most of Georgia's opportunities.

KPMG professionals have significant experience of the Georgian environment (audit, tax, accounting and finance) and can help your business reach new heights.

We are already working with many of the biggest and best companies to help them succeed in Georgia.

Contact us:

KPMG in Georgia
3rd Floor Besiki Business Centre
4 Besiki Street
Tbilisi 0108
Georgia

Tel.: + 995 (32) 93 57 13 / 93 56 95
+ 995 (32) 95 07 16 / 95 07 19

E-mail: general@kpmg.ge

kpmg.ge

© 2011 Tbilisi branch of KPMG CIS Limited, a branch incorporated under the Laws of Georgia, a subsidiary of KPMG Europe LLP, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.
KPMG and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Attitude Toward Business Shifting

Attitudes toward the business community are improving, thanks to economic growth and a dramatic policy shift to build trust and communication.

NICK CLAYTON

Despite a rocky relationship with business in the past, the government is working hard to create better ties with the private sector.

New state initiatives - including a business ombudsman to advocate for tax-payer rights and a business council in parliament - are easing tensions between the government and business.

Last December, President Mikheil Saakashvili said in a speech that there were “many deficiencies” in the relationship between the government and the private sector, admitting that business leaders felt that “the State does not listen to them appropriately and treats them unfairly”.

The speech marked a step in the president’s year-long campaign to repair the frayed relations – damaged, in large part, by a period of increasingly aggressive raids and hefty punishments for tax crimes at the hands of Georgia’s Financial Police.

Lawrence Sheets, International Crisis Group’s Caucasus project manager, said in an interview with Investor.ge that the government’s ballooning foreign debt, which is projected to reach 43.2 percent of GDP in 2011, put pressure on the authorities to increase tax collections, resulting in a soar in both the frequency of tax raids and amounts of the eventual fines. Georgia’s economy also contracted by 3.9 percent in 2009 following its 2008 war with Russia, further straining tax revenues.

The government responded to the growing gulf of distrust between the public and private sectors by first hiring former AmCham customs specialist Giorgi Pertaia to advise the prime minister’s office and serve as a

“bridge” between business interests and government authorities.

Then, as tax revenues began to rise once again late last year, the president announced a package of tax reforms. Also under discussion is a provision giving businesses the right to opt for a third-party auditor to carry out tax inspections and determine appropriate fines.

“If implemented properly, [allowing the use of third-party auditors] would greatly help to put up a firewall between the government that wants to freely pursue its own tax collections, and the business community that feels under attack by the inspections,” Sheets said.

There has also been a societal shift in attitudes toward business, commented Koba Turmanidze, country director for the Caucasus Research Resource Council - which he noted, could be another reason for the government’s softening stance towards business.

Turmanidze said that most Georgian respondents speak positively about wealth and are generally indifferent towards inequality, unlike in many other post-Soviet countries – Russia in particular.

During the chaotic boom-and-bust 1990’s when a small number of crafty – and often unscrupulous entrepreneurs – amassed conspicuously massive wealth in Russia, such individuals did not exist in Georgia, he said. All the business opportunities were in the north, and the Georgian businessmen who did go to Russia to make their millions usually returned to Georgia keeping quietly out of the spotlight and not intruding upon national politics.

“In the nineties there was no serious business to speak of; people were struggling for survival,” he said.

The speech marked a step in the president's year-long campaign to repair the frayed relations

“People equated big business with being corrupt because if you wanted to make any money you had to pay someone off, which was pretty much true.”

Today, he said that perception is still present in the interviews and opinion surveys conducted by CRRC, but it has largely moved into the background. In CRRC's 2010 Caucasus Barometer report, which surveyed South Caucasus residents on

a wide variety of topics, in Georgia, banks scored well in questions measuring the public's trust in local institutions. Despite a variety of scams and bank failures in Georgia since the fall of the Soviet Union, only 10 percent of Georgian respondents said that they either “rather distrust” or “fully distrust” banks.

On the contrary, 13 percent said they “fully trust” banks – a higher percentage than that received by any of

the branches of government, the media, or NGOs. Furthermore, when asked what was the single most important factor in getting a job in Georgia, connections and education came a near tie with 25 percent and 24 percent respectively. Just one year earlier, in 2009, respondents overwhelmingly chose connections with 43 percent, while options like hard work, talent and work experience continue to register only in the single digits.

ADVERTISEMENT

www.pwc.com/ge/DipIFR

ACCA Diploma in International Financial Reporting (DipIFR)

PwC Georgia
#7 Bambis Rigi Street
Business Center Mantashevi
Tbilisi 0105, Georgia
T: +995 (32) 50 80 50
F: +995 (32) 50 80 60

Preparation course
for DipIFR
Dec. 8, 2011 exam!





Berta, Georgia's new manufacturing adventure

The creation and growth of Berta's new facility in Tserovani suggests that light industry in Georgia can be a successful business for export and import substitution.

MONICA ELLENA

TSEROVANI –Vasil Sulkhanishvili seems almost diffident when talking about his job. The 39 year-old, reserved, smartly dressed Georgian measures his words carefully. But when he speaks about the challenge of taking over as general director of Berta, the biggest producer of household and personal care products in the Caucasus, his calm manner reveals steely pride. After all, he was used to challenges: having

gained experience from the United States to Germany, from oil to consumer goods companies, going back home was a natural move. Now, Berta's results make him confident about the future.

"An investment of US\$35 million went into setting up Berta – an unprecedented move for the Georgian manufacturing sector. We are planning to add new lines to the existing products, bring in more machinery and additional capital investment. This is just the beginning," he smiles.

The Swiss-Georgian partnership behind the company set up headquarters in Tserovani in 2009. Berta's four lines of products hit the shelves on March 22nd and the company's logo is now present in both big supermarkets and small retailers across the country. The management team is working hard on new products to expand the range.

Location location location

The machinery at the industrial plant never stops moving: select and sort, pour and pack. The constant flow of powder and liquid into cardboard packets and plastic containers is managed by precise conveyor-belts and quick human hands.

The factory covers about 7 hectares of land in Mtskheta, on a hill overlooking the internally displaced person (IDP) settlement at Tserovani. The high rate of unemployment amongst the 6,000 or so people living in the village has been an issue since the settlement was set up in the aftermath of Georgia's war with Russia in August 2008. The new industrial complex provides much-needed jobs. That's no coincidence.

"The original plan was to locate in Tbilisi's Lilo district," explains Sulkhanishvili," but our plan changed after the war. We believe that employing ►►

SCIENCE AND CREATIVITY IN BUSINESS



contact@act-gr.com **51 Sairme Hill** +995(32)422 322

Through science and creativity, ACT provides you with the knowledge, idea and confidence to make effective decisions and achieve best results.

Successful 2010

ACT maintains leading position - ACT is undoubtedly a leader of marketing research and consulting market and takes up its 34%. At the same time, the volume of its incomes is growing yearly, the growth indicator of company gross income reached 35.5% in year 2010.

Consulting direction became a priority at ACT - In 2010, the company carried out more than 10 successful consulting projects.

ACT becomes owner of Golden Brand third time- ACT has become owner of Golden Brand third time already, which means that its activity, quality and competitive advantage is globally recognized and affirmed.

ACT already in Azerbaijan - ACT has made the most important strategic decision for its irreversible development and advancement: in 2010, for the purpose of gaining the company new business areal and new partners, the company opened a representative office in Baku.

Joint initiative of ACT and CSB – ACT and CSB have been partners from year 2009. In 2010 a memorandum was issued between them, which represents a pact of holding a joint Baccalaureate programme in marketing research and analysis specialization for next 10 years.

New Business – Global Call Center - It is an absolutely independent, functional and growing company with a strong material-technical base, qualified and experienced human resources and variety of service types, the demand on which is constantly growing.

4th Best Logo in the World - On the world's most famous and prestigious logotypes and design awards, the WOLDA, ACT logo was awarded the status of world's 4th and Georgia's first best logo.

New office for larger business - Today ACT has a 700 square meter office in Tbilisi, equipped with newest technologies. Apart from this, parallel to owning the head office in Tbilisi, ACT has representational offices in all the main cities of Georgia – Kutaisi, Gori, Batumi, Rustavi, Telavi, Akhaltsikhe, Zugdidi and Poti.

www.act-gr.com



► people from Tserovani has been a good social-based decision. We are a socially-responsible business. Being an active player in the Georgian economy means producing and providing employment.”

Berta currently employs 250 people, half of whom come from the settlement. The company shuttle bus picks up the workers according to their shifts.

“A multi-national team of professionals manages the quality control and the research and development units,” explains Sulkhanishvili, “and the machinery is state of the art in the sector.” Since the company is still in the start-up phase, Berta currently operates at about 40% of total capacity: the machinery in place can produce up to 35,000 tonnes of powder and 8,000 tonnes of liquid a year.

That’s enough to keep the country clean, and more. Berta is already in the process of signing agreements with neighboring Armenia and Azerbaijan. CIS countries are the immediate target for the company, which is also eyeing big markets like Ukraine.

“We have the capacity to produce and distribute beyond the national borders,” comments Sulkhanishvili. “Our main competitors in Georgia are imports: our

challenge is to convince customers here that they can get premium quality in locally manufactured products.”

Investment needed

Berta is yet another sign that slowly, but steadily, something is moving in the manufacturing sector. According to official statistics, over a thousand manufacturing plants have opened since 2008. Some of this is driven by foreign direct investment (FDI): over US\$90 million in FDI went into industry in 2010, according to Geostat, the National Statistics Office of Georgia. Transport and communication got the biggest share of FDI with over US\$193 million. These figures however are a fraction of the amounts in previous years. According to Geostat data in 2009 FDI was US\$658 million, while in 2007, at the height of investment nearly 25% of the US\$2.01 billion in FDI went to the manufacturing sector. Berta can be the green light that Georgia is ready to return to the 2007 figures.

“Yes, Georgia is ripe for investment,” explains Stephanie Komsa, a Tbilisi-based business consultant for foreign investors and Georgian companies seeking funds to set up enterprises. “With the

good business environment that’s been established in what is still a very under-developed market, there are great opportunities in Georgia. And I think over the past several years, Georgia has been attracting investors who see this, slowly but steadily – perhaps a better sustainable approach than a major influx in investment – and I think the trend is set to continue.” Komsa has witnessed a number of business ventures involving US and other foreign investors prove successful. One example is Open Revolution – a US group that recently launched MobiPay, a new mobile payment network, with Georgian partners. Having been quite satisfied and successful thus far, Komsa believes the group is planning to build Georgia into their regional headquarters.

“Most of what I’ve encountered have been smaller ventures than the Berta project,” she adds, “but I think Berta will be setting an important precedent for other private investments of such scale. It will also demonstrate that beyond its principal sectors of agriculture, tourism, the pipeline, and hydro-power, Georgia offers an attractive base for establishing light manufacturing and other industries.”



Direct non-stop flight
Tbilisi – Almaty

EMBRAER 190

Central Asia's Best Airline**

Comfort and Safety

Over 50 international and domestic routes

Air Astana welcomes you on the hospitable soil of Kazakhstan. Fly to Almaty 3 times a week on the board of our brand new aircraft Embraer 190 with comfortable business and modern economy class on Mondays, Thursdays and Saturdays. Air Astana offers convenient connections to international destinations such as Beijing, Delhi, Kuala Lumpur, Bishkek via Almaty.

Economy class return fares:

to Almaty
from 150 €*

to Astana
from 225 €*

to Beijing
from 470 €*

to Delhi
from 270 €*

to Kuala Lumpur
from 490 €*

to Bishkek
from 325 €*

* fares exclude airport taxes

**Skytrax Awards 2010



A Blossoming Business

Greenhouses in Georgia are inching into the country's import-driven flower market and cultivating a demand for landscaping.

MAIA EDILASHVILI

With a market worth an estimated US\$2.55 million, the imported fresh flower business in Georgia is attracting interest from foreign and local investors.

Ivo Bakhuijzen, general director of Dutch Design Garden, said the high proportion of imported flowers translates into higher prices for local customers.

"Currently most of the plants and flowers are all being imported. That means consumers have to pay 5 lari for one rose, which is a lot." Flowers are blooming into a serious business: early this year Dutch Flowers D&D, a joint venture between Georgian and Dutch businessmen supported by the Dutch government and Tbilisi Municipality, announced plans to construct a 10,000

square meter hothouse in Orkhevi, near Tbilisi. Vako Togonidze of D&D told journalists that modern technology at the greenhouse will enable them to sell fresh flowers and plants at 30-35 percent cheaper than the Dutch imports.

Today, the majority of Georgia's fresh flower supply comes from Turkey and Ecuador. According to official statistics these two countries exported 178 thousand and 115 thousand tonnes respectively, to Georgian dealers in 2010, while in total, Georgians bought 331 thousand tonnes of imported flowers last year – up from 238 thousand tonnes in 2007. Bakhuijzen says that he has noticed a "gradual increase in demand" in Georgia for fresh flowers, but there is a lingering misconception about landscape architecture.

The lack of professionals in this field, specialists believe, has led to mistakes as cities and towns try to create green space and parks around the country.

"Landscape architecture and design requires huge knowledge – not all trees and flowers can be planted in a one place. In general we have lots of problems with regard to this in Tbilisi," says Lena Kiladze, who holds PhD in Architecture and completed her Fulbright and post-doctoral research at the Yale School of Architecture and Columbia Graduate School of Architecture Planning and Preservation.

According to Kiladze, Georgia's

gardening tradition should be revived.

The American Friends of Georgia (AFG), where Kiladze serves as executive director, helped set up the Institute of Ecology and Decorative Gardening in Tbilisi in 2006. The three year program is based on the curriculum of the University of Bonn (Germany) and is supported by the Georgian Patriarchate's Office.

There is no tuition fee at the Institute. Every year up to 100 students are accepted, although only 60 percent are successful enough to be awarded the Landscape Designer Diploma.

According to Mother Tekle, all the graduates of Institute have found jobs and some were hired as lecturers, including Marine Sikharulidze, aged 39.

The future landscape designers studying at the Institute have an opportunity to hone their skills with practice at the Patriarchate's greenhouses. For instance, together with their teachers, they designed the huge terraces and squares of the St Trinity Cathedral. In addition, the students are engaged in the preservation and cultivation of Georgian and Caucasian endemic species.

Sikharulidze, who studied in Germany and has worked at greenhouses in Poland, sees a future in the industry – and a chance to help nature and urban dwellers.

"We see Tbilisi being designed in a pitiful way. Some flowers die just a month after they were planted," she said.

Dear Members!



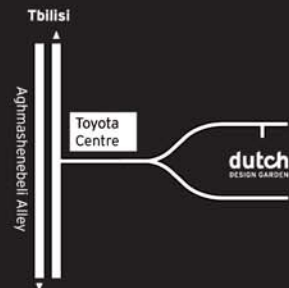
AmCham Georgia kindly asks you to inform the office - amcham@amcham.ge - of any changes to your address and contact details to ensure the timely delivery of the Investor.ge and other important correspondence.

OK

Seeking comfort?

Seeking an outside space which is both beautiful and functional? Look no further! Dutch Design Gardens can create a tailor-made extension to your home.

Martin Velkamp's garden designs (pieces of art in themselves) can transform your outdoor space into a valuable asset, ensuring years of enjoyment and pleasure. Let us take care of all your needs from the development of the initial design concept and luxuriant yet practical planting, through effective garden lighting and original water features, to furnishing your new space with modern and long lasting garden furniture and beautiful accessories.



dutch
DESIGN GARDEN



GCCA

GOSSELIN CAUCASUS & CENTRAL ASIA
GEORGIA - MEMBER GOSSELIN GROUP

**International removals
Warehousing & Storage
Customs Clearance
Freight forwarding**



Gosselin Caucasus & Central Asia Georgia
Didi Dighomi, 3rd Micro-region
0131 Tbilisi – Georgia
T: +995 (32) 59 66 01/02/03 | F: +995 (32) 59 66 00
info@georgia.gosselinwrm.com
www.gosselingroup.eu

**Your preferred partner
in moving & logistics!**

ADVERTISEMENT

New Owner, New Plans for Poti Port

APM Terminals, part of Moller-Maersk Group, purchased 80 percent of Poti Sea Port in April from RAKIA.

NICK CLAYTON

Since acquiring an 80 percent share of the Poti port earlier this year, APM Terminals now plans to invest \$100 million on upgrading the port facilities, and is eyeing additional investment projects in the region, company officials said.

APM Terminals, part of the Moller-Maersk Group, announced that it had acquired an 80 percent share of the Poti Sea Port in April, and officially took over from UAE-based RAKIA, in May.

APM Terminals' Senior Vice President and Head of New Terminals, Peder Sondergaard, said APM intends to "add value" to the port, meeting the demand for a "high-quality port infrastructure in the Black Sea." In the same press release, he also said APM would be investing \$100 million in the port facilities over the next five years.

RAKIA continues to operate the Poti Free Trade Zone (FTZ), which occupies about 100 hectares adjacent to the port. RAKIA, which bought the zone in 2008, hopes to develop it into a major logistics and industrial center, pledging a \$200 million investment.

APM Terminals' Vice President for Business Development, Hans-Ole Madsen said in an interview with Investor.ge that the first stage of APM's development plan has already begun, with engineers surveying the port's existing equipment and determining which terminal cranes will be updated and which will be scrapped.

In this initial stage, APM will also be looking to find ways to make the facilities safer and more efficient, and Madsen said he is confident that the port renovations will accelerate under APM's watch.

The volume of cargo processed by Poti port increased between 2007 and 2010 by 13.5 percent to 210,000 TEU (Twenty-Foot Equivalent Units, the industry standard of measure), according to government statistics. Still, this volume represents a paltry number compared to other ports around the world, with the world leader, Singapore, processing 25.9 million

TEU in 2009, and even the 50th-ranked port, Nagoya, Japan, which processed 2.1 million TEU the same year, according to the American Association of Port Authorities.

Madsen said that APM's secondary objective for the port is to find ways to better serve markets in Armenia and Azerbaijan. In addition to the 50 ports APM Terminals currently manages, it also runs 122 inland logistics facilities, and, while APM is currently taking things "one step at a time," he said Georgia has the potential to develop into not only a regional trade hub, but a hub for trade between Europe and Central Asia as well.

At the moment Caspian Sea countries are developing rapidly and looking for routes to export their energy goods. While most currently export through Russia to ports on the Baltic Sea, he said he would like to see the South Caucasus compete to offer an alternative.

Madsen said that Georgia has been doing what it needs to in terms of easing customs restrictions and creating the best trade environment possible, but much more work needs to be done to shore up the region's infrastructure.

Georgia is already a regional exporter of numerous products including cars and food stuffs, and many projects are currently in the works to increase the efficiency of transit through the country.

Last October, the Georgian government streamlined its border process with Turkey and estimates that the new procedures will decrease crossing times by 50 percent. The government is currently working on similar deals with Armenia and Azerbaijan. Meanwhile, the Baku-Tbilisi-Kars railway, which will connect the region to the European rail network, is slated to become operational in 2012 and Georgian Railways hopes to triple overall train speeds through the country in the next five years.

Trouble Shopping? Tbilisi has Plans

The high prices and limited selection of clothes is a common complaint in Tbilisi. But a slew of new malls and western brand franchises are hoping to reshape the city's shopping.

MAIA EDILASHVILI

New malls, new brands, new retail outlets: Tbilisi has declared war on its reputation as a tough neighborhood to find a good deal.

Kote Gabrichidze, a market analyst at the Institute for Polling and Marketing, noted it is "very hard" to convince foreign brands to open a branch in Tbilisi, so the success of the stores already in the market – including Motherhood, Dika, Puma, Giordano, and Chicco – is paramount.

"[There] is the lack of diversity [of international brands in Tbilisi]," he said. "However, I see positive trends – recently I hear quite frequently that yet another international brand has come [to Tbilisi]."

In May, for example, Bloomberg reported that the French supermarket chain Carrefour announced plans to open a shop in Rakeen's Uptown Tbilisi Mall, which is scheduled to open later this year.

Glamour for Fashionistas

Some new franchises are targeting the fashion-crazy, in the hope that local shops with high-end brands will keep people from purchasing fashion items online or overseas.

Athina Imnaishvili, the director of Georgian Trade Corporation (GT Corp), opened Style Avenue, a super multi-brand store on Tabidze Street, in May to entice shoppers with a local selection from Gucci, Alberta Ferretti, Versace, Stella McCartney and other designer labels.

Visitors to Style Avenue can find mostly semi-casual clothes, though in limited stocks and in medium sizes, which according to Imnaishvili, usually "sell the best".

Even with such glamorous labels, GT Corp tries to seduce shoppers with a wide array of prices, ranging from 5 to 750 lari.

Gabrichidze agreed that identifying consumers' price 'soft spot' can help stores – and shopping centers – survive a fickle market.





Tbilisi: Ripe for New Retail

According to 2010 research by the Kiev office of DTZ, one of the world's most famous property advisory companies, the retail property market in Tbilisi has been extremely immature and undeveloped by Western and Eastern European standards.

As of 2009 the supply was 51 square meters per 1000 citizens. In comparison, in Warsaw it was over 800 square meters, in Prague – over 600 square meters and in Bratislava – 1,800 square meters.

DTZ's projection is that retail stock of approximately 170-220 square meters per 1,000 inhabitants "may be sustainable in Tbilisi".

- He noted that a range of price options helps engage the whole spectrum of shoppers. Low end malls, such as Kidobani and the Passage in Didube, offer lower prices, while new malls are positioning themselves for the middle to high end of the market.

The Return of the Mall

Gabrichidze, a marketing specialist, has helped over half a dozen shopping malls in Tbilisi develop marketing strategies specific to their type of mall.

He stressed the right kind of tenants is critical – for the mall itself, the foreign brand entering the market, and for consumers. He is currently working with Axis, developing a mall in Saburtalo to target middle-income earners, and explains it would be foolish to lure high-end brands such as Paul&Shark, an Italian sportswear company because, he noted, "neither consumers nor the company would be happy".

With a total commercial space of 20,300 square meters, in addition to shops, the mall 'Tbilisi Central' offers fast-food restaurants, bank services and recreational facilities including a bowling

center. Retail outlets include Milavitsa, a Minsk-based ladies' lingerie store; Mavi Jeans, (Turkey-based); Steve Madden – a US footwear company and Sancho, Levanto and Sinequanone, which all offer men's and women's collections, as well as kidsOOLL by Collezione; Roniko, a Georgian retailer of imported glasses and lenses and many others.

The mall is also home to household appliance stores Elit Electronics, Euro-technics and Beko, and according to the mall's marketing director, Dea Machavariani, appliances are one of the biggest draws to Tbilisi Central.

Axis Shopping Mall, located on Kazbegi Avenue, will officially open in September. To date the first floor has already been leased by some world renowned brands, mostly Italian and French, such as Cop-Copine, Roberto Bravo, Evita Peroni and Levis.

While some tenants have moved into the Axis mall from other locations around the city, others are newcomers to the market including Coincaza, Italy's well-known home decor store. According to Zura Chikviladze, manager of the Axis Mall, negotiations have also been

successfully concluded with tenants for the second floor. For the time being, however, he said the names of the new stores are confidential.

The mall has a total area of 7,000 square meters. Daily customer flow at the Axis Mall reached 2,000 during the New Year period and is presently, on average, around 600 people a day. This is considered "normal" for a mall which is still under construction. The goal is to reach 2,000 shoppers a day after one year.

Customer flow is five times higher than at Tbilisi Central, which also opened last year. Located at Vagzlis Moedani, it shares its building with the Central Railway Station, so not all those passing through are shoppers – but its design encourages travelers to stop and browse while waiting for their train, and perhaps be tempted to make a purchase.

Axis, however, is hoping the draw of "international", affordable brands – and super sales – will attract shoppers.

"These brands offer huge seasonal sales – with discounts of up to 80%, which people love," Chikviladze said. "So this would work as a filter ... and stimulate sales."

STYLE AVENUE

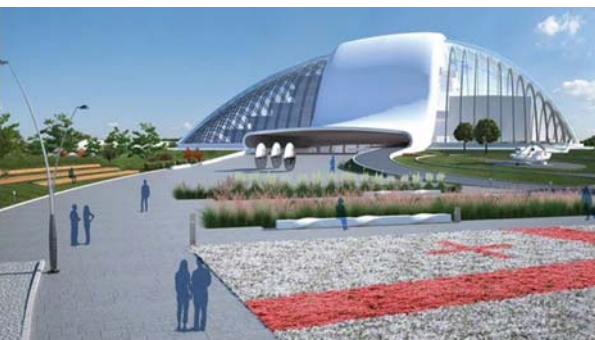
Fashion fades - Style remains



3/5 Tabidze Str.
+995 32 99 08 18

D&G Dior Gucci Bally Trussardi Alberta Ferretti Juicy Couture Patrizia Pepe
Moschino Andrea Morelli Blumarine Azzaro Versace Verri Stella McCartney

Privatization Planned for Parliament?



With the Georgian Parliament slated to move to Kutaisi in 2012, there are lingering questions about what will happen to the parliament building on Rustaveli Avenue.

MAIA EDILASHVILI

Starting in 2012, Tbilisi will share its duties as the country's political capital with Kutaisi, when the Georgian Parliament moves 221 kilometers west to its new home.

At an estimated cost of 55 million lari (\$32.7 million), moving the parliament is not cheap, but the government hopes the decision will pay off big in economic development in western Georgia, and, perhaps, through the sale of the Soviet-era building in Tbilisi that currently holds the legislative body.

Media speculation over the Parliament Building's possible privatization started on May 17, when members of parliament created a committee to determine the fate of the building.

Since the Saakashvili government launched a massive privatization program in 2004, the resulting revenues have been the primary source for financing the country's budget deficit.

According to the Financial Stability Report 2010 issued by the National Bank of Georgia, in 2006 and 2007 privatization proceeds made up 17 percent and 15 percent of budget expenditure, respectively.

However, the aftermath of the global financial crises together with the August war caused a downward trend in 2009 pushing the receipts from privatization down to 358 million lari, just 5.6 percent of the total budget spending.

Privatization proceeds are expected to decline further over the coming years. According to official figures, in 2011 the state budget will receive 150 million lari in revenues from selling state-owned assets.

In 2010 Georgia's budget deficit fell to 6.6 percent of GDP from 9.2 percent of GDP in 2009. This year the government is aiming to bring the budget deficit

below the 4.0 percent level.

Despite the media speculations however, the Parliament Building has not appeared on the recently published list of properties offered for sale by the Ministry. The building, constructed over 15 years (1938-1953), partly with German POW labor, is considered one of the best architectural treasures of the Soviet Union, according to the Parliament web page. Tea Bolkvadze, spokesperson for the Ministry of Economy and Sustainable Development, which is in charge of selling state-owned properties, told Investor.ge that there were no immediate plans to put Parliament up for auction.

The list of state-owned assets currently on sale includes the former Ministry of Justice on Rustaveli Avenue, the former Ministry of Finance on Abashidze Street, a former Publishing House on Kostava Street, the former Ministry of Economy on Chanturia Street, the former Physical Education Institute on Chavchavadze Avenue and the Clinic Hospital of Ivane Javakhishvili Tbilisi State University on Aghmashenebeli Avenue.

The lowest priced building at US\$4.5 million is the two-story former Finance Ministry, while the former Physical Education Institute has the highest price tag, at US\$15 million.

Selling, selling, sold: Privatization continues

Privatization sales continue, especially in the health sector and in the regions. A brief update from Investor.ge's Eteri Maisuradze. Information is based on public records published by the Ministry of Economy and Sustainable Development.

Tbilisi Endocrinology Center LLC was sold on April 4. The initial list price was 190 thousand lari; the winning bid – from an individual – was 210 thousand lari.

Land Plots

Tbilisi, Tevdore Mgvdeli Street. An individual purchased 91.24 square meters of land on April 19. The initial list price was 120 thousand lari; the winning bid was 128 thousand lari.

Gori, Shindisi Highway. A legal entity purchased a 1258.84 square meter site on May 4. The initial list price was 36 thousand lari; the winning bid was 40 thousand lari.

Gori, Karaleti Village. An individual purchased a 495.6 square meter site on May 4. The initial list price was 23.5 thousand lari; the winning bid was 24 thousand lari.



BESIKI BUSINESS CENTER

4 Besiki St. Tel: (+995 99) 506 996, (+995 99) 752 662
natalia@bbc.ge; www.bbc.ge



PROFESSIONAL OFFICE & RESIDENTIAL SPACE FOR RENT OR SALE

on a quiet street in the city centre

- ♦ Office spaces available between 33m2 and 400m2
- ♦ Parking space of 150 spots in the basement
- ♦ City Line Café with European cuisine
- ♦ A short walking distance from the Parliament, Tbilisi Marriott Hotel, etc.



In Brief

A brief synopsis of new investments and business news compiled by Investor.ge's Eteri Masuradze. Reports are based on briefs published by Georgia Today, The Commercial and The Financial.

Trains to be built in Rustavi

In April Georgian Railway LLC contracted Locomotive Plant Company to construct and repair 185 train cars, including locomotives. This will be the first time trains have been built in Georgia, with the 40 million lari investment creating 600 new jobs.

First Credit Union opens in Georgia

Starting from April, Georgians now have another choice for banking in Tbilisi: a credit union. Members of the union will receive 17 percent interest on deposits. There are an estimated 200 million members of credit unions in 100 countries around the world.

ADB loans US\$25 million to bolster trade

The Asian Development Bank will loan US\$25 million to Bank of Georgia and TBC Bank as part of its Trade Finance Program. The program provides guarantees and loans through banks to support international trade in developing member countries.

Air Astana launches Tbilisi-Almaty flights

On June 2, Air Astana started direct, non-stop flights from Tbilisi to Almaty. The airline is planning on three flights a week: Monday, Thursday and Saturday.

TBC buys 80 percent of Constanta Bank

Georgia's second largest bank purchased a controlling stake in Constanta Bank in April. Constanta will continue operations as an independent bank, while TBC Bank will use its experience and resources to help the bank expand. The remaining shares belong to OikoCredit (13 percent) and individual investors (7 percent).

A New Plan for Tbilisi

The parliament is moving, new shopping malls are going up and roads are going down. To help manage the change, City Hall, together with the World Bank, is working on a strategy to cultivate a creative, sustainable solution for Tbilisi's future development.

Creating a plan for Tbilisi has never been easy, especially after decades of top-down orders that paid little attention to the realities on the ground.

But now the capital is in need of a new vision, according to Zviad Archuadze, the head of the Economic Policy Agency at City Hall.

Archuadze, working in partnership with the World Bank, is creating a new urban development strategy for Tbilisi – an umbrella plan that will map out concrete projects and goals to assist the city's development. People, not plans, are at the heart of the strategy, he stressed. Over the past two years, the city administrators have been working with World Bank advisors like Ahmed Eiweida, a sector coordinator for sustainable development in the South Caucasus. They have researched the city and created a vision for its development. The analysis of the city – its people and its problems – is an integral part of the process.

In May, the partnership offered its vision to the public for their opinion. Over the course of the May 3-5 Tbilisi Local Economic Development Forum, Archuadze and Eiweida led public discussions about the future of Tbilisi.

Bringing people into the process is crucial, Eiweida said, to create a plan that is sustainable. He noted that during the Soviet Union, urban planning hinged on a city's master plan – a physical map that outlined a space for agriculture and a place for industry.

"[There was] no consultation," he said. "Now we start with the brain, not the muscles. The brain is the people and the economy."

Over the next three months city administrators will meet with people to flesh out the public's views on how Tbilisi should develop. The city has some concrete projects for the future: moving the railway track to the Tbilisi Sea, relocating the zoo, renovating Rose Revolution Square. But the vision of the city itself, Archuadze stressed, depends largely on the creativity of the Tbiliselebi and the ideas they put forward.

"We must find something new, something innovative for us," Archuadze said. "This is the important thing for us, this is the challenge for us: find a new niche, find a new idea for Tbilisi."

Analyzing Investment: How Cities Position themselves for FDI

On May 3-5, Tbilisi hosted its fifth annual Local Economic Development Forum (LED). Investor.ge interviewed Dr. Ronald Wall, a panelist during the conference, on the best practices for a city to attract investment.

Good Data, Good Decisions

Data, and good analysis, are at the heart of attracting investment, according to Dr. Ronald Wall, an economic geographer and a specialist in urban development at the Institute for Housing and Urban Development Stud-

ies at Erasmus University Rotterdam.

Wall, a speaker at the LED conference in Tbilisi, has made an in-depth study of the investment inflows – and outflows – of two municipalities in the Netherlands.

A city government needs to understand its own social, economic and environmental “indicators” – and how they are related to the larger picture of global investment. The key is comprehensive research and data, Wall noted.

“Too many cities make important policy decisions based on very local, piecemeal and often incidental data and analysis,” he said in an email interview.

“In a globalizing world it becomes essential to understand how a city’s local qualities (supply – or what a city has to offer) relate to the needs of global and regional investors (demand – what firms are looking for).”

For instance, a city’s market size is only relevant, he noted, if the investor is looking to sell locally.

Know Thy Competition, Know Thyself

Wall pointed out that one of the most important issues city governments need to consider is the competition - which cities are their competitors, and why.

Competitor cities do not have to be in the same geographic region, and do not have to be completely the same.

Wall explained that cities are competitors if they attract the same types of investors, the investors are the same size and the sector breakdown in the city is similar.

This analysis is important, he said, because it allows cities to identify potential investors and focus on how to improve their ability to attract them.

The Larger Picture

A city cannot compete, however, if it does not understand how it fits into the larger neighborhood and region, he said.

“[City] administrators most importantly need to know that local knowledge is not enough,” Wall stressed.

“They need to know the “relative” importance of their city amongst all other cities of the region, or in fact, the world.”

GEORGIAN E-HEALTHCARE EDUCATION AND TRAINING: Leveraging Investment Opportunities

GEORGE W. MCGURN

What is the Demand?

Georgia’s chosen path toward economic development relies on securing private investment and attracting foreign investment flows as witnessed by its progress in the financial, energy and telecommunications sectors.

Georgia has been less successful in attracting investment for its privatization, rehabilitation and construction of hospitals though notable efforts have been made and a foundation laid for significant and rapid progress. The legacy of Soviet healthcare still permeates the entire health-care system.

If, however, the right choices for e-health technologies and human capital investment are built on recent achievements Georgia’s healthcare system can jump-start the fragile gains it has achieved and become a 21st century model for other emerging economies.

What is the Constraint Analysis?

A rare and coveted decision to sustain Georgia’s development momentum was made on January 5, 2011. The Board of the US Millennium Challenge Corporation designated Georgia eligible to elaborate proposals for a second MCC compact. In April the GoG released a final draft of its Constraints Analysis - a solid look at current economic constraints that hinder the country’s future development. It is the government’s first official step toward a 2nd MCC Compact.

Infrastructure and human capital were identified as the two binding constraints. In the case of healthcare each of these constraints apply significantly with many ramifications. For example, foreign investment that requires ex-pats to relocate families to Georgia is less likely due to real concerns over ex-pat access to widespread, quality healthcare. Tourism is a major growth sector but without access to quality healthcare its potential will not be realized.

What Has Been Done?

Georgia has two prominent centers for medical education: Tbilisi State Medical University (TSMU) and AIETI Higher School of Medicine. The former is a full-fledged medical institution that has benefited from several international partnerships, especially the one with Emory Univer- ►►

- sity. This partnership has brought about revised curricula, the establishment of nurses' training and the professional respect traditionally lacking, the retraining of administrators and Soviet-educated doctors, and the introduction of emergency medical and administrative procedures to current healthcare operations.

AIETI is an undergraduate medical school that places its most successful graduates in US internships for eventual accreditation. In many respects its results are exemplary but its vision of establishing an American Hospital in Tbilisi is as yet unrealized.

Its sixty-five plus graduates currently practicing in the States are reluctant to return to a healthcare environment that is foreign to their present professional reality. It is often inimical to the few AIETI graduates who have returned.

In March the Central Public Health Reference Laboratory opened a new US-funded \$100 million facility in Georgia that is closely allied to the celebrated Atlanta-based National Centers for Disease Control and similar US promoted facilities in Bangkok and Nairobi. This new facility is steered by three US-trained Georgian healthcare professionals.

Georgian insurance and pharmaceutical companies along with Czech, German, Polish and British businesses and entrepreneurs operating within the country have participated in the government's privatization and construction projects and opened new clinics.

Insurance schemes are slowly improving services for those living below the poverty level. As new and renovated hospitals and clinics become operational emergency service delivery is improving. Georgia's remarkably stable and well-developed NGO sector has provided very good and reliable recommendations to Georgia's healthcare stakeholders. Especially notable is the Curatio Foundation whose insight and advice Georgian decision-makers and several regional and global clients prize.

What Could Be Done?

Georgia has invested substantial intellectual, financial and political capital in the reform of its healthcare system. The final outcome of such long-term reforms involving so many public, private, local and international participants is difficult to envision and communicate to a reform weary citizenry.

In several in-depth market surveys Georgians continue to express formally and informally dismay with their healthcare system. Yet, an interesting and consistent fact emerges – 90% of Georgians are satisfied with their personal physicians.

The ingredients for real and rapid improvement in Georgia's healthcare system seem to be in place.

The addition of recent developments in e-healthcare delivery, the leveraging of past healthcare initiatives and Georgia's relatively advanced communications infrastructure will benefit Georgia as it contends with healthcare delivery, cost and financing.

Envision a Georgian public/private, revenue-generating entity that joins all the previously mentioned stakeholders in the provision of e-healthcare technology and provides training for healthcare professionals and consumers.

This entity would foster a Georgian healthcare community able to unite all Georgians, including the contractual involvement of the Georgian medical diaspora that prospers abroad.

Within Georgia such an entity would greatly improve healthcare delivery while increasing employment and reducing the incidence of poverty.

Beyond Georgia such an entity could provide consulting services in e-healthcare to the region and to other emerging economies.

Iveri Kutsnashvili, General Director of Golden Fleece Capital, has envisioned such a future for Georgia's healthcare system.

He asserts: "After the appropriate

protocols and guidelines are documented, the appropriate education programs implemented, and the human capital and other resources properly managed, e-health can catapult Georgia to the forefront of leading edge healthcare delivery. GFC is committed to do just that."

Can Georgia Invent a Replicable Model for 21st Century Healthcare Education and Training?

The GoG Economic Constraint Analysis declared that innovation is negligible and unlikely to contribute to Georgian economic development. One can agree with this statement as it reflects the present situation but it overlooks the existing potential for innovation. Georgia could design and launch educational and training programs that would place it in the forefront of 21st century e-healthcare delivery.

It will take the promotion of the appropriate vision, the mobilization of the above named public/private entity, and the sourcing of private and international donor funding.

If it succeeds Georgia can provide an e-healthcare system to benefit the Georgian citizen, the ex-pat, the potential tourist and, most importantly, re-energize the dedicated professional who has labored under difficult conditions without ever losing the confidence of patients or the Georgian healthcare diaspora's commitment to return home.

Faced with similar challenges and constraints, many dynamic emerging economies will be watching the Georgian experiment closely.

George W. McGurn is an internationally recognized Professor of Management and innovative entrepreneur in transitional economies. He is Dean emeritus of Boston University's School of Management and former Visiting Professor of Globalization at Moscow State University's Business School. ■



Sheraton
Metechi Palace
HOTEL
TBILISI



SHERATON

GETTING
better
ALL THE
time

Health: A New Frontier For Investors

Investor.ge is starting a new series of sector overviews to provide background, summaries, and analysis of priority industries for investors in the Georgian economy. This is the second of three articles dedicated to the health industry. For more information, please contact Molly Corso, editor, m.corso@amcham.ge.

New private clinics, hospitals, and training centers underscore the growing role for private medical universities to provide cutting edge skills and the latest methodologies. The government's plan to create 100 new hospitals, largely through its cooperation with insurance companies, creates a demand for highly trained medical staff and health administrators.

In its second article in a series about business opportunities in the health sector, Investor.ge focuses on education, and the role private medical schools and education centers are playing to help Georgian doctors and nurses learn the latest methodologies and skills.

A 2009 World Health Organization performance assessment of Georgia's health sector found that Georgians are largely satisfied with the level of care and attention they receive from doctors. Nearly two decades of training and education programs have had a "positive" impact on how Georgian physicians do their job: recovery rates for tuberculosis rose from 40 percent in 2003 to 65 percent in 2007. The report noted, however, that "[the] development of human resources, training and ongoing education have yet to achieve modern standards."

While the government continues to work on strengthening the curriculum at state-run medical schools, private businesses – and donors – are investing

in pilot programs to fill the gaps in the Georgian medical field, namely nurses, health administrators and emergency care.

Private schools are a logical starting point for innovative change in medical education, noted Dr. Levan Tvildiani, the rector of AIETI Medical School in Tbilisi.

While the government works to change the curriculum at state run medical universities and institutes, the private sector can quickly adapt the international programs and methodologies needed.

Tvildiani said, given the proper education, Georgian physicians are able to compete at an international level.

AIETI Medical School uses American textbooks and prepares students to pass the United States Medical Licensing Examination (USMLE). Approximately 33 percent of the school's graduates have gone on to study in the United States – many staying on as practicing physicians in American hospitals.

"Education ... is a continuing process and without good education, it is impossible to make a good practice," he said.

"[Making] changes in the curriculum is not easy and it means the staff changes, the student number changes and the budget changes. ... we are a small university with a small staff and we are really compliant with any changes we need to make in the curriculum...when

the organization is huge it is a very painful and hard process."

Despite the challenge, medical education is a priority for the government, stressed Health Minister Andrew Urushadze – especially creating a cadre of modern nurses.

"[N]urses' qualification improvement is one of the main priorities of health reform," he was quoted as saying during a speech to mark International Nursing Week in May.

"I think nurses have a leading role in the health sector."

Outsourcing new trainings and continuous education to the private sector is one way the government is trying to make an immediate impact.

Urushadze was speaking at a graduation ceremony for nurses who received training at the Archil and Sergo Kobaladze Center for Research and Experiential Learning.

The center was founded by Dr. Kenneth Walker, together with Emory University and Partners for International Development, in 2009 to introduce new skills and methodology to Georgian nurses and doctors.

Over 1100 nurses have been trained by the center, which has received support from the Georgian government and USAID. Educating nurses is a basic step to providing more efficient health care for Georgian patients..

Nurses trained at the center will be able to take a more active role in health care, freeing up doctors to spend their time on diagnosis and treatment, Dr. Walker noted.

"[I]f you want to really improve the health care of a country you not only need to have well trained physicians, but you need to have well trained nurses who fill this larger role," he said. "This is the kind of thing the government is supporting for nurses."

Love how you work.®



Our goal is to help you. **Our job is to make your job easier.** Whether you design spaces, manage them or work in them, we're passionate about helping people create spaces they love to work in.

Steelcase is the global leader in the office furniture industry; we design and manufacture architecture, furniture and technology products. We are a global company with approximately 11,000 employees worldwide, manufacturing facilities in 28 locations and more than 650 dealer locations around the world.



Steelcase

Office Technologies · 4 Freedom Square · 0105 Tbilisi Georgia
Tel: +995 32 999 980 · www.officetechnologies.ge



President Barack Obama and Russian President Dmitry Medvedev Attend the U.S. - Russia Business Summit
Stock Photograph by White House Public Domain

Medvedev seen to target capital flight as election bid evolves

FT News, analysis and
comment from the
Financial Times

CATHERINE BELTON AND CHARLES
CLOVER IN MOSCOW,

Russia has failed to improve its investment climate amid growing capital flight, a top aide to Dmitry Medvedev has said, as the president draws up economic reform plans on which to base a possible re-election bid.

Mr Medvedev came to power in 2008, following his mentor, Vladimir Putin, who became prime minister after hitting the constitutional limit of two successive presidential terms.

In recent weeks Mr Medvedev has begun laying markers for a re-election campaign, upsetting assumptions that he might clear the path for Mr Putin to

return as president in 2012.

"The assessment by the president is that we did not have real progress in improving the investment climate," Arkady Dvorkovich, Mr Medvedev's top economic adviser, told the Financial Times in an interview. "We need progress now in the short term. Investment is very low and capital flight is high."

Mr Dvorkovich said the president would soon unveil new measures to improve the situation for investors.

Central bank data showed a net \$21bn fled Russia in the first quarter of this year, in spite of near-record oil prices. Fresh central bank data on Thursday showed a further \$1.6bn left last week, bringing total outflows in April to \$5.3bn, up from \$4.3bn in March, according to estimates by Goldman Sachs.

The increased capital flight is blamed by investors on mounting uncertainty over who will contest the 2012 election.

Mr Medvedev has made little head-

way in spurring economic development, in spite of pledging early in his presidency to root out graft and diversify the economy through innovation.

Instead, Russia has slid to its lowest rating on Transparency International's corruption index, at 154th out of 178 countries, while remaining ever more dependent on oil and gas.

"Some kind of enduring reform of the financial and judicial system is needed because currently the rate of capital outflow is unsustainable," said Chris Barter, co-chief executive of Goldman Sachs in Russia.

Mr Medvedev began his investment climate drive last month, with measures including the replacement of government officials from the boards of state companies, a move that aimed to strike at the heart of the system of state capitalism built under Mr Putin.

(c) 2011 The Financial Times Limited



Microsoft's Skype gamble

FT

News, analysis and
comment from the
Financial Times

RICHARD WATERS IN SAN FRANCISCO
AND TIM BRADSHAW AND MAIJA
PALMER IN LONDON

Microsoft took a bold step in the battle for control of the consumer internet on Tuesday with a \$8.5bn (€5.9bn) acquisition of online telephone service Skype, its biggest acquisition and a deal that broadens its competition with Google and Apple.





► The sale of one of the world's best-known internet brands will hand a windfall profit of some \$5bn to a group of investors who bought the company only 18 months ago, making it one of the biggest paydays in the buy-out industry.

The sharp increase in price in such a short period prompted warnings from some analysts that a new internet bubble was building, though Microsoft's share price slipped only marginally on the news.

Putting together Skype, which has 145m active users in an average month, with users of its existing devices and software platforms would boost the attractions of Microsoft's products, said Steve Ballmer, Microsoft's chief executive. Customers of devices such as the Xbox games console, as well as people who use Windows Phone and Outlook e-mail software, would be able to communicate more easily with each other and people on the wider Skype network, he added.

However, he promised that Skype would continue to be available on rival

software platforms such as Apple's iOS, which is used in the iPhone and iPad, and Google's Android smartphone operating systems.

The acquisition follows a late move by Microsoft after Skype held preliminary discussions with Google and other companies about possible deals, according to people familiar with the discussions.

However, those talks did not lead to any offers and separate talks with Facebook were limited to extending a partnership between the two companies, these people said.

The acquisition follows the late-2009 buy-out of Skype from online retailer Ebay by a group led by Silicon Valley investment firm, Silver Lake. The company filed for an initial public offering late last year but the share sale was delayed as it discussed possible deals with other companies. Ebay retained a 30 per cent stake in the company, giving it a share of the

latest windfall. Microsoft and Skype suggested that the deal could give the software company a bigger foothold in the booming social networking business, using Skype's list of contacts and status updates as the foundation for a network to link users.

"Skype is that inner circle of friends - 8 to 10 folks they talk to every day," said Tony Bates, Skype's chief executive, who will head a new division that Microsoft is creating to house the business. "How that intersects with social [media] is really exciting for us." However, other companies, notably Google, have struggled to build wider services on top of online communications networks, analysts cautioned.

Microsoft said it would place more video advertising in Skype to boost revenues at the business. The acquisition follows a spate of IPO filings from other internet companies that have raised the valuation level for consumer internet companies.

(c) 2011 The Financial Times Limited ■



QUALITY MAKES DIFFERENCE

Do you think that quality makes difference
when it comes to the legal support of your Georgian operations?
Welcome to **Gvinadze & Partners** - global quality legal services, at local cost



Fifa hit by new bribes claim over World Cup bid



ROGER BLITZ IN LONDON,

Football's governing body was hit by fresh bribery allegations after the former chairman of England's failed 2018 World Cup bid accused four members of Fifa's executive committee of unethical behaviour.

Speaking before a parliamentary committee on Tuesday, Lord Triesman provided details of conversations that took place during England's campaign to gain support from the 24 members of

the governing body's committee.

"There were some things put to me which in my view didn't represent proper and ethical behaviour on the part of exco [executive committee] members," he said.

The committee said it would publish new evidence submitted last week by the Sunday Times, a British newspaper that last year carried out an undercover investigation into the World Cup bidding process.

The MPs said that Qatar, which ended up winning the 2022 vote, paid two other Fifa members \$1.5m each.

Under UK law, members of parliament cannot be prosecuted for claims made during parliamentary proceedings.

Last year, a Fifa investigation into other Sunday Times allegations led to two of the 24 members, Amos Adamu and Reynald Temarii, being banned.

Speaking in Zurich, Sepp Blatter, Fifa president, said he would send any evidence from the parliamentary hearing to the body's ethics committee.

"I cannot say they are all angels or they are all devils," he said of the accused members. "We must have the evidence and then we will act immediately against all those [who] would be in breach of the ethical code rules."

Mr Blatter is seeking re-election next month, but is challenged by Mohammed bin Hammam, who led the Qatar bid.

(c) 2011 The Financial Times Limited



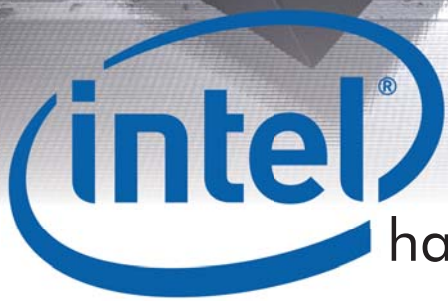
WHAT MATTERS TO YOU, MATTERS TO US

BDO, the Georgia Member Firm of BDO Network, is the fourth largest audit and advisory firm in the country. With over thirteen years of experience and qualified professional staff, BDO provides the local and international companies with high quality services in:

- Audit
- Tax
- Accounting
- Risk Advisory
- IT Consulting
- Valuation
- Legal

BDO is a world wide network of public accounting firms, called BDO Member Firms. With more than 1,082 offices in over 120 countries and \$5.28 billion combined free income in 2010, BDO is the fifth largest such network in the world.





hails revolution in 3D chip technology

FT News, analysis and
comment from the
Financial Times

Intel has claimed the biggest breakthrough in microprocessor design in more than 50 years, potentially raising the stakes significantly for rivals in the increasingly capital-intensive global chip industry.

The world's biggest chipmaker said on Wednesday that it would begin producing chips later this year using a revolutionary 3D technology that has been nearly a decade in the making, and which it said would act as the foundation for generations of computing advances to come.

The new technology represents one of Intel's biggest gambles in the race to maintain and even extend its long-standing lead over other chipmakers in making chips smaller and faster, while breathing fresh life into the remorseless

cycle of chip improvements on which the modern computing and electronics industries are founded.

The impact of Intel's attempt to push ahead of the rest of the industry was felt more widely on Wednesday, as Applied Materials, which supplies Intel with manufacturing equipment, announced a \$4.9bn acquisition to keep up with the new technology.

The US equipment maker said it would buy Varian Semiconductor Equipment to give it the capability to handle chips of greater complexity than those whose circuits are only 22 billionths of a metre wide - the scale at which Intel said it would begin manufacturing before the end of this year.

Intel called its new chip design the most significant advance since the introduction in the 1950s of the silicon transistor, the building block in electronics. It said the breakthrough would also extend Moore's Law - the accurate 1965 prediction by Intel co-founder Gordon Moore that the number of transistors on

a chip could be doubled roughly every two years.

That exponential rise in processing power has formed the basis for the steady advances in electronics since, though many in the industry fear that the chipmakers are approaching the limits of their ability to continue the improvements.

"For years we have seen limits to how small transistors can get, this change in the basic structure is a truly revolutionary approach," said Mr Moore in a statement. "Amazing, world-shaping devices will be created from this capability as we advance Moore's Law into new realms," said Paul Otellini, Intel chief executive.

Applied Materials announced that its agreement to acquire Massachusetts-based Varian for \$63 per share in cash - a 55 per cent premium to its closing price on Tuesday - was aimed at helping it solve the problems of ever increasing chip complexity, transistor scaling and 3D designs. Intel shares were trading 0.91 per cent higher at \$23.26

(c) 2011 The Financial Times Limited

Overcoming the Lack of Cooperation – Social Capital in Georgia

GAVIN SLADE &
HANS GUTBROD, CRRC

Societies thrive most where individuals collaborate best. The positive impact of such collaboration across society is linked to economic prosperity, a more sophisticated democracy, better education, safer neighbourhoods, and even health and happiness.

The propensity to collaborate for mutual benefit is referred to as social capital – people working together to achieve common aims.

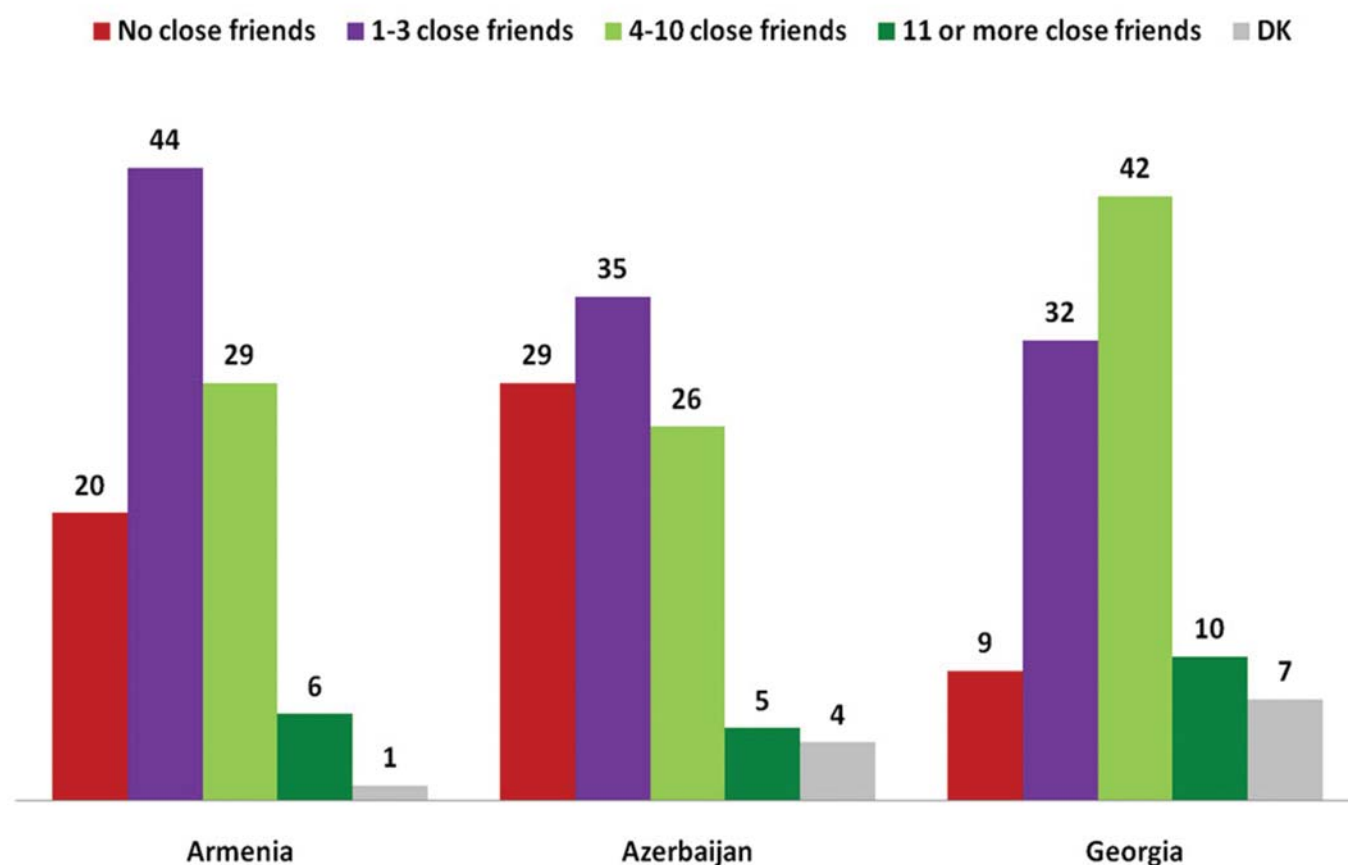
So how does Georgia fare in terms of this collaboration? The Caucasus Research Resource Center (CRRC) has recently completed a report on social capital in Georgia that provides an assessment and outline of the main challenges to unlocking Georgia's

collaborative potential.

Georgians are generous in their solidarity between each other, often putting the needs of others before their own, especially in immediate social circles. To the extent that they move outside these circles, Georgians much prefer to keep things personal and informal. However, this can have negative effects, stifling the growth of collaborative organisations of wider



How many close friends do you have (N3) By Country (%)



Georgians have more friends than Armenians or Azerbaijanis, but turning friendship into cooperation remains a challenge. Data from the Caucasus Barometer, 2010

- use beyond personal relationships.

Those familiar with Georgia will be aware of the symptoms of this in everyday life. Tbilisi's neatly-appointed apartments contrast sharply with the dark, often semi-derelict communal areas found beyond their steel doors. Farmers with small landholdings fail to co-operate, strangling productivity. Parents cannot be persuaded to engage with school boards of trustees. Professional associations so far do little to set standards in their fields.

There are, in other words, few areas of economic, political and social life that are not affected by low levels of formalized collaboration. In improving the situation in Georgia, four key challenges stand out.

Firstly, disillusionment with harsh post-Soviet realities and the trauma of forced collaboration under communism fuel apathy.

If people do not care about or do not believe in the potential benefits that collaborative action could bring, this makes it much more difficult for potential social entrepreneurs – those who actually bring others together to achieve change – to succeed. Increasing awareness of the activities of collective associations, demonstrating and publicizing success will be crucial in meeting this challenge. As the head of a recently-founded agricultural organization said, “I force people to talk about their problems, I beg to help them”.

Secondly, potential association members are inclined to think that

leaders are essentially ‘in it’ for personal gain, and so feel less inclined to join. This is particularly true where government is involved. Leaders will need to be thick-skinned, successfully organize and implement projects and demonstrate hard work to build trust. A realistic timescale here is months and years, not days or weeks.

Thirdly, people might see joining an association as a way to access the resources and work of the group without pitching in themselves – otherwise known as free riding. When this occurs it can act as a strong disincentive on potential social entrepreneurs to be proactive. According to the World Values Survey, though, Georgians maintain a strong sense of fair play, which social entrepreneurs can draw on in ensuring enforceable rules for membership.

Fourthly, Georgia is a relatively poor country. Forty-two percent of employed Georgians claim to only make enough money for food, but not enough for clothes, according to a 2009 CRRC survey. A reluctance to take on the costs of collaborative action deters people. What is more, a fear of failure also puts off potential social entrepreneurs while an aversion to jeopardizing relationships with friends and family through engagement in long-term activities with mere acquaintances compounds this. However, using start-up money provided by donor organizations can give collaborative associations breathing space to prove their worth to potential members and thus to attract

fee-payers. There are also areas in which government intervention could make collaborative association less costly. For example, currently the tax structure discourages the establishment of agricultural co-operatives; reorganization in this sphere would remove one barrier outright.

Utilising the propensity of Georgians towards sociability in increasing levels of social capital is itself a complex collaborative undertaking. Yet Georgia has produced successful social entrepreneurs in fields as diverse as wine tasting, banking and promoting Georgian tea. These can provide powerful role models for those seeking to bring other people together. Georgians repeatedly defied skeptical stereotypes, and have shown that they could get electricity distribution organized, street corruption eliminated, seatbelts worn, to name just a few unexpected changes over the last few years. Arguably, the same might be possible in organizing successful collaboration, for mutual benefit, and for the benefit of Georgia as a whole.

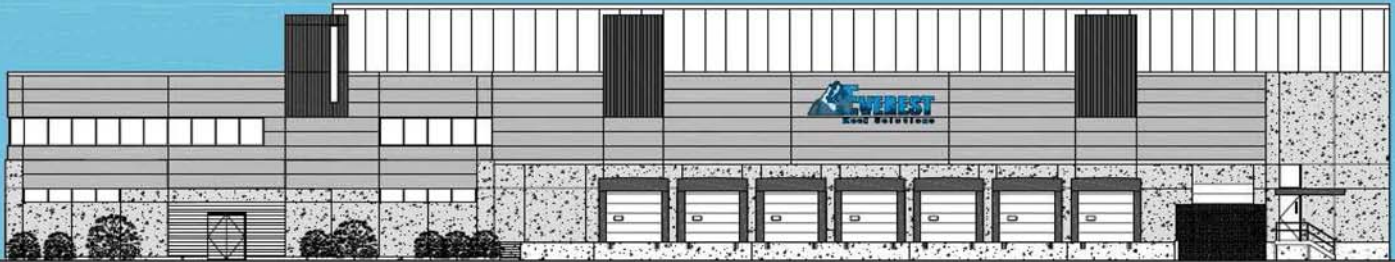
This is the first in a series, with future articles focusing on the role of business and government in promoting social capital. The longer reports are available on request from CRRC. Write to hans@crccenters.org. This research was made possible through the support of the United States Agency for International Development (USAID). The contents are the responsibility of CRRC and do not necessarily reflect the views of USAID or the United States Government. ■

“The article “Walk and Chew Gum” of April-May 2011 issue on page 39 incorrectly stated Dana Marca’s position as a Romanian Deputy Minister of Foreign Affairs. Dana Marca is not a Deputy Minister of the Ministry of Foreign Affairs of Romania. She was representing Women in International Security-Romania.”

Poti, Republic of Georgia

Temperature-Controlled Facility

Opening July 15, 2011



- 9,000 racked pallet positions
- 8 dock doors
- 6,500 square meters of temperature-controlled space at -23°C to +3°C
- Refrigerated loading dock
- Rail siding
- Custom bonded

- Computerized temperature monitoring
- Real time warehouse management system
- Lift equipment with onboard computers
- Video surveillance system
- HACCP approved



4 Second Larnaka Drive
4401 Poti, Republic of Georgia
Phone: +995 32 19 38 23
Contact: Mr. Robert Lockie
rlockie@everestkool.com
www.everestkool.com

Economic Crime and the Spirit of Capitalism: Georgia in the Late Soviet Period

GAVIN SLADE

Textile factory number four was opened in Tbilisi in 1960. By 1968 large-scale embezzlement was taking place at the plant. That year, 33 workers were tried for the misappropriation of over one million rubles worth of state property. The conspirators included the directors, engineers, accountants, the warehouse foreman and supervisors of various units. The method of embezzlement involved false accounting and the misappropriation of clothing made at the factory. Of the 33 who were brought to trial, 12 were so-called *del'tsi*, businessmen or speculators, who grouped at the factory. According to the prosecutor's report, the *del'tsi* were connected to networks of salesmen who could sell the misappropriated goods on the black market in order to realise the profits.

Narrowly focusing on such cases as economic crime misses the incredible level of coordination, division of labour, entrepreneurialism and risk-taking involved – features of illicit economic activity that had become commonplace within Georgia in the later Soviet period. Under communism, private economic activity was by definition criminalised, yet the fading legitimacy of the Soviet state in the last decades of its existence blurred any moral notion of wrongdoing in misappropriating state property. Black marketeers then, though technically criminals, made up an entrepreneurial class born out of the collision of a high

demand for conspicuous consumption in a deeply status-conscious society with the supply-side inefficiencies of the drab and sluggish Soviet planned economy.

Of course, Georgia was in no way unique in fostering a burgeoning second economy, often with the connivance of local communist authorities. However, the best estimates of historians suggest that Georgia indeed had the largest second economy of any of the Soviet republics proportionate to its size. By 1970, the average Georgian's savings were twice as large as the Soviet average while in rural Georgia as much as 32% of personal income was derived from the second economy.

Gregory Grossman concurs with these figures in his 1977 article entitled *The Second Economy of the USSR*. According to Grossman, in Georgia second economy activities were carried out on an 'unparalleled scale and with unrivalled scope and daring'.

In the later Soviet period then, possibly more than anywhere else in the Soviet Union, the entrepreneurial spirit was again blowing through Georgia. In the second economy, many Georgians sharpened their business acumen, perhaps unaware of just how useful this would be in the decades ahead.

Long before the official coming of a market economy, many Georgians, known as *tsekhoviki*, had successfully engaged in setting up their own small private enterprises known as *tsekhi* that either produced illegal goods on legitimate production facilities or siphoned off

the legitimate goods intended for the state shops and instead sold them for private profit. The authorities discovered an example of such a *tsekhi* in 1978 when one group, operating at a fruit juice works in the Terjola region, made over half a million rubles through falsified documents by which they procured fruit, created a fake juice product and sold it through a trade network. Meanwhile, the Lazishvili brothers in Tbilisi became some of the richest people in the Soviet Union through producing textiles from fibres misappropriated on a vast scale. Certainly, these examples suggest that a propensity for spotting gaps in the market and the capacity to meet demand are traits that Georgians could turn to their advantage in the current atmosphere of de-regulated markets – the *tsekhoviki* of Terjola would find a large market for a cheap local fruit juice in today's Georgia.

However, in Soviet times the spirit of capitalism mainly manifested itself, of necessity, as economic crime from generation to generation.

Reports on the fight with crime for 1984 include analogous cases of embezzlement as those committed at the Tbilisi textile plant in 1968 in the towns of Samtredia and Kutaisi among others. By this time however, the reports note that the Georgian *del'tsi* had made tight "business" connections in other Soviet republics where they engage in 'various ruses and dubious trade deals.' In the late Soviet period, then, Georgian black marketeers were expanding outwards, engaging in activities ahead of their time.

Executive Weekends @ Sheraton Batumi



Outdoor Pool is Open
as of June 1st



Become a Club Lounge guest and get exclusive benefits!

Executive room rate

\$ 129] per room
per night



Offer Includes:

- Executive room accommodation
- Unlimited Club Lounge benefits:
- Complimentary breakfast
- Afternoon happy hours and variety of beverages
- Complimentary use of office supplies: WI-FI/A copier/fax/printer
- Late check out - at 4pm
- Complimentary use of Spa facilities: Indoor /Outdoor and Kid's pool, Sauna, Jacuzzi and Hammam
- 20% off for all SPA treatment
- 100\$ chip for casino.

Terms & Conditions

- Rate is per room, per night, based on double occupancy
- Free accommodation for kids under 6
- Extra person charge is 30\$
- Above mentioned rate is subject to 18% VAT
- Hotel promotion is valid as of 1st April until 30th of June and is based on room availability

For the additional information, please contact us directly at + 8 422 29000 sheraton.com/batumi



Viva Batumi

The Conference City of the Caucasus, the Las Vegas of the Black Sea, the Garden of Georgia: Batumi is a city teeming with superlatives. While growing pains are plainly present, the official dream to remake Adjara's port town into a regional resort appears to be taking off, one casino, concert and festival at a time.

Georgia's Summer Capital

At night, Batumi appears to be all lights, glitter and sparkle—a shimmering island of cutting-edge architecture, dramatically lit parks and the red-white streak of passing cars.

A city for hipsters and jetsetters set against the backdrop of mountains and the sea.

Casinos dot the boulevard, and—with looming cranes and the pounding of construction—the boulevard throbs with activity.

The line-up of concerts and events for this summer adds to the image. The season kicks off on July 3 when Chris Botte and Sting will perform at Piazza Square. Later in the month, Macy Gray is headlining the annual Black Sea Jazz

Festival. Even more festivals are planned for later in the season, including the Golden Key talent contest. Earlier this year, the government even announced plans to host a MTV concert in Batumi over the summer.

Over the past few years, notes club owner Giorgi Bochorishvili, Batumi has become the place to be.

“I was going to Batumi every year for 15 or 20 years because it is our local resort and stuff. This last five years it has completely changed. It is really getting very nice,” he said.

The construction boom along the Black Sea shoreline has produced a chain of stunning hotels, casinos, cafes and walking parks that wrap around the coast like a chain of bright pearls.

The atmosphere of fun and sun sells: in 2010 there were 950 thousand local and foreign tourists to Batumi and the surrounding region, according to official statistics. Investors from Turkey, Azerbaijan, the United States and others are building even more – side by side with government projects for the aquarium and dolphinarium.

The city is also launching a velo-bicycle for rent – program this summer and a city pass card to entice visitors to step away from the beach for an afternoon and enjoy the city's famous botanical garden and collection of museums.

The transformation has not been cheap: officials estimate the state has spent 300 million lari on government-led projects to improve roads and infrastructure.

Hundreds of millions more has gone into private projects, like the InterContinental Hotel, Sheraton – and the new Radisson, scheduled to open in July.

Promotion for the region is also not cheap: the autonomous region has a 2.5 million lari budget for marketing in 2011 – up from just 100 thousand lari a few years ago.

Bochorishvili, who is part owner of The Bamba Rooms, a night club in Tbilisi, was impressed with the number of people coming – and the investment the government is making the city. He opened a Batumi version of The Bamba Rooms last year to check the market.

Open for just a month last season, The Bamba Rooms averaged between 200-400 clubbers a night – and some nights pulled in as many as 800.

This season Bochorishvili plans to open earlier and keep the club going into September, the tail end of the summer season.

He said that Batumi has the potential to pull in tourists – local and foreign – despite the more established Turkish

resorts down the coast.

“If you go ten times to Turkey, you have to find some other place to go. So we will be part of the resorts,” he said.

“You cannot make Las Vegas in five years or in ten years. You definitely need a good plan, good investments and you can reach your goal.”

Part of that plan, according to Giorgi Marr, a director with SRG Investments, should be marketing Batumi as a city destination – a place for conferences, sporting events and cultural festivals that can attract tourists from around the region.

SRG Investments, part of the Silk Road Group, is opening the Radisson in Batumi this summer and recently signed a licensing deal with The Trump Organization to build a Trump Tower on the Batumi Boulevard.

While casinos are pulling in gamblers from Turkey, Azerbaijan and elsewhere in the region – and the beach brings tourists in the summer -- Batumi needs to attract events and large conferences to bring large crowds all year round.

“The biggest challenge is to create something that will attract people outside of the high season to Batumi,” Marr said.

“It is not purely a sun and beach type of resort. It is more a city destination.”

Launching Destination “Batumi”

Vaja Diasamidze, the acting director of the Adjarian Department of Tourism, agrees that the future of development for the tourism sector lies in promoting the region through Batumi – and creating a year-round image for the seaside town.

“We are paying more attention to Batumi because Batumi is more famous, more people know about Batumi than Adjara,” he said, noting that the influx of tourists from Iran has already pushed the number of visitors up 75 percent,

compared to the same period last year.

Diasamidze said the regional authorities are partnering with foreign tourism agencies to promote the city – and surrounding area – as an all-year, all-season vacation spot.

They created Expo Batumi, a tourism exhibition, to promote the region and its potential for eco-tourism, wine tourism, culinary tourism – and historic tours.

Planes, Trains and Automobiles...and Cruises

But the current number of hotels – and restaurants, cafes, flights and other tourism services – is not enough to support large scale growth, tourism analysts and event planners say.

Mikheil Giorgadze, the director of Eastern Promotion – the event organizers responsible for the Chris Botti/Sting show and the Black Sea Jazz festival – said Batumi is a great venue for concerts and festivals.

But, while demand for events is high, logistics is still a headache.

Diasamidze said the government is working on all fronts: encouraging investors to build hotels – in Batumi and elsewhere -- and building new roads for car traffic and arranging for more frequent train and bus routes. In addition, they are investigating how to bring in more flights, at better rates.

Officials from Adjara also recently traveled to Miami to discuss bringing large cruise ships to Batumi.

More options for travel to Batumi is vital for its success as a destination, Giorgadze stressed.

“[W]hen these kinds of names come to Georgia, it is a direct message to the world that this country is okay, its cool,” he said.

“When we talk about international tourism, we have to give these international tourists a way to come here.”

The Batumi Miracle – for Investors

Over the course of 2004-2010, the government spent 294.5 million lari to facilitate Batumi's miraculous make-over. New streets, new water and sewer pipes...new investors. Now they are laying the groundwork for a Free Trade Zone in Adjara, a new investment agency in Batumi and a regional "bank" to promote small and medium business, says the region's Deputy Economic Minister.

The list of investors pursuing projects in Batumi is impressive: Sheraton, Radisson, Hilton and the Ritz Carlton – to name a few. Tourism is definitely at the heart of Adjara's development, stressed the autonomous region's Deputy Economic Minister, Giorgi Tsmalashvili.

But the authorities' plans do not stop there. A new investment agency – Batumi Invest – launched in May, and negotiations for a possible Free Trade Zone not far from the port city are underway,

Tsmalashvili said.

The goal, he explained, is to create jobs. "We realized that tourism is the major industry for development in the region."

"About 50 percent of investments in the region go to the tourism sector, about 20 percent go to construction and about 25 percent of investments last year went to industry," he added.

"[But] there is about 20 percent unemployment in region; after Tbilisi we are in second place in Georgia in this

figure. This is a big challenge for us."

Negotiations on the potential zone are still ongoing, but Tsmalashvili noted that with nearly every major hotel brand present in, or planning to enter Adjara, the government is looking at how tourism-related industries can be developed.

"Of course our concern is growing more and more towards not building hotels because we can say this goal has already been achieved...The bigger concern is how to provide these hotels with food," he said, adding, "We are now looking for investors who will create more agriculture products... Also we want to develop good conditions for tourists who come here, apart from the hotels we want to first of all have better infrastructure – transportation infrastructure."

ADVERTISEMENT



**თბილისის
ივერია
IVERIA TERRACE**

Summer at Iveria Terrace
Meet our new Chef and try our delicious grill menu.
Enjoy live music evenings 7 days a week.

Radisson Blu Iveria Hotel, Rose Revolution Square 1; 0108 Tbilisi, Georgia

tel: 00995 322 402 200

radissonblu.com/hotel-tbilisi



Team Georgia: Baseball Catches On

The Georgian National team practices all winter in a boiler room, breaking bats and wearing out balls over hours of drills every week.

Far from the cries of fanatic fans, the World Series and foot-long hot dogs, America's favorite pastime is going strong, thanks to a Georgian enclave of enthusiastic players and dedicated coaches.

MOLLY CORSO

On a makeshift field, high in the Tbilisi suburbs, the Georgian National Baseball team is going through its drills.

Their warm-up run covers the field's parameters: a wall of broken car parts borders the first base line; a rusted soccer field goal marks the end of the outfield; a deep ditch for rainwater delineates the end of left field.

The boys – a dozen or so hardcore enthusiasts aging from 15 to 25 – pair off for a quick round of calisthenics as Coach Nugzar Kapanadze digs holes for the team's bright, white, American-bought bases.

"Stop your chattering," he yells at the boys, who are giggling and cutting up –

excited to be out on the field after months of cramped, winter workouts in their makeshift, boiler room batting cages.

Kapanadze, a swimming coach and all-round athlete, was one of the Soviet Union's first baseball players and, he said, his love for the game has not wavered since the first time he saw the game – a moment in a French film that made it past the Soviet censors.

"The first time I saw baseball was in a French film...other than that I had never seen anything about baseball," he said.

"And when I saw the photograph of the pitcher [in a newspaper ad calling for tryouts], I simply liked the way he stood. That pose."

Olympic Aspirations

Baseball came to Georgia by way of an alpinist and champion fencer named Gela Chikhradze.

Chikhradze, now the head of the Georgian YMCA, heard about the game around a campfire during a mountain climb in the mid 1980s. From the secluded world of Soviet Georgia, he was attracted by the game's exoticness – and

the principal that the strength of the team came from the players' ability to work together, not from just one or two superstars.

He was inspired to learn the game and, despite the fact he did not speak English and there was no baseball in the Soviet Union, he managed to get a copy of "The Dodger Way to Play Baseball" and translated it word for word.

Kapanadze was the first to sign up when Chikhradze created the first Soviet baseball team in 1986 and he hit the first ball of the first Soviet baseball game – Tbilisi vs. Kyiv in 1987.

To learn the game – initially encouraged by the Soviets because it became an Olympic sport – the men recruited foreign exchange students from Cuba, Central America – and even one from the United States – to teach them.

The game even took them to America, and in 1991, a retired Major League player, Randy Brown, traveled to Tbilisi to help.

Brown, a former pitcher, said he was "blown away" by the two men's passion and commitment during his first trip. ►►



Coach Nugzar Kapanadze teaches the boys the warm up stretches and drills he learned at spring training sessions in the US.

► “They were playing in the middle of a horse track. They had two bats, balls older than me, gloves they had from Cuba – real, real thick leather... The kids were having a blast,” he said.

The secret to their success, Brown stressed, has been Kapanadze and Chikhradze’s “passion” for the game.

“They respect baseball – they respect how hard it is to play and they respect how much work it takes to be good at it,” he said, noting that Kapanadze is teaching the boys “professional baseball”.

“They don’t know how to play bad baseball.”

Brown helped them to create a Little League and start the Georgian YMCA – and the nascent league is expanding to include softball, a rare chance for Georgian girls to play a competitive sport.

Gia Kemoklidze, a coach at QSI School in Tbilisi, has been working to develop softball in Georgia ever since.

For Kemoklidze, also one of the first Georgian baseball players, the sport’s limited funding in Georgia – now that it is no longer an Olympic sport, baseball is not a priority for the government – has forced him to find creative ways to convince officials that the kids deserve resources to play.

The girls have a small diamond to play on near the Tbilisi Sea because, in 2005 when the then US President George W. Bush was coming to Georgia, Kemoklidze petitioned the local

government, explaining that the lack of a baseball field would be an insult to the American president.

A Second Chance

In July, the Georgian National team will be on the road again, after more than a year of not competing, to play in the European Baseball Championships qualifiers in Tel Aviv.

Kapanadze admits the team’s current conditions are a “minus” – with no uniforms and no-one to play against, the boys practice six on/six off, pick-up game style.

The outfield, he laughed, is “wide open” but the experience feeds on the boys’ ability to play multiple positions – and keeps egos to a minimum.

If the team triumphs in Tel Aviv, it will not be the first time they have come from behind to topple better financed baseball clubs.

In 2009, the team – then playing as a little league ball club – outclassed better financed European teams to compete in the finals at the Grosseto tournament in Italy.

The team is a labor of love for Kapanadze, who volunteers his time to recruit and coach every boy on the roster – some of them for 15 years as he developed the latest national team.

Today, members of the first Soviet Georgian team – Kapanadze, Kemoklidze and Giorgi Broladze – have

started two new little league teams in Tbilisi to develop new players who will, eventually, be the next generation of the national team.

Zura Talakvadze, a former member of the national team, said Kapanadze “is like a father” for ball players in Georgia.

“Our head coach – I don’t know how to describe all of his positive [traits],” he said. “We just love him; he is like a father for us.”

But support and enthusiasm is not enough to create a successful ball team, Talakvadze noted, adding that the team is underfinanced and largely ignored by the ministry of sports.

“You can’t win games and you can’t practice seriously by only fun, you know. You should have something else beside your passion and besides your love for the game.”

Americans – Peace Corps volunteers and Jackie Koney, a co-author of the baseball book ‘It Takes More Than Balls: The Savvy Girls’ Guide to Understanding and Enjoying Baseball,’ are hoping some homegrown ingenuity and a little funding can help sustain the game.

Peace Corps volunteers secured a grant from USAID to repair the girls’ softball field in Tbilisi and hold a series of clinics to give them a chance to play. Koney is working with Kemoklidze to build a family entertainment center, the proceeds of which would be used to finance the game.

Continuing the game and making the sport sustainable so younger generations can learn is important for Kapanadze and his colleagues.

The game’s “philosophy” has hit a chord with the nation, Kemoklidze said, since it is reminiscent of so much of Georgia’s history.

“When you are leaving home, you try to pass through many problems and return home,” he laughed. ■



Farewell – and Thank you!

- | | | |
|--|---|--|
| 50 H.E. Philip Dimitrov: Changes to Georgia “Impressive” | 52 CSR Specialist Molly Hall Meets AmCham, BAG Companies | 53 Welcome, New Executive Director George Welton |
| 50 Davit Bakradze: New Relationship with Business “a Two Way Street” | 52 Georgian Wine and Tourism Industry Delegation to the USA – NY/California | 54 Member Profile: Philip Morris International |
| 50 New Board Members Elected | 52 New Coalition to Advocate for Independent Judiciary | 55 Member Profile: ISET |
| 51 Storage and Import Substitution Vital for Georgian Agriculture | 53 IT and Telecom Committee Discuss AmCham IT Skill Demand Inventory | 56 New Members |
| 51 The Economist Plans Tbilisi Summit | 53 Trade and Transport Committee Meeting with the Head of the Revenue Service | 57 Resource Page: a directory to flights, emergency numbers, local transportation and more |
| 51 Farewell – and Thank you! | | 58 Membership Directory |
| 52 AmCham and BAG co-host a presentation by McKinsey & Company | | 60 Social |

H.E. Philip Dimitrov: Changes to Georgia "Impressive"

H.E. Philip Dimitrov, the head of the delegation of the European Commission in Georgia, spoke to AmCham members about his impressions of the country as a new appointee during an exclusive lunch at the Radisson.

Dimitrov, a former prime minister of Bulgaria and a former ambassador to the United States, visited Georgia in 2004. He said that the changes over the past seven years are "impressive."

During his tenure in Bulgarian politics, Dimitrov oversaw controversial reforms, including agriculture and land reform - an experience that gives him a unique



perspective on the challenges, and shortcomings, of the Georgian government.

Dimitrov responded to member questions on free trade regime talks with the European Union, and visa requirements, as well.

AmCham President David Lee introduced the new executive director of AmCham, George Welton, to the membership.

Other announcements included a special member offer for Besiki Business Center and a reminder from TBSC to fill out a survey to provide insight for the strategic development of Marjanishvili Theater.

New Board Members Elected



Neil Dunn

BP Georgia General Manager Neil Dunn was elected to the AmCham Georgia Board of Directors during the General Assembly Luncheon on June 8.

Badri Japaridze, the deputy chairman of the Supervisory Board of TBC Bank, was re-elected during the vote, as well. Japaridze - a long time director of the board - also serves as the vice president of Georgian Glass and Mineral Water Co.



Badri Japaridze

A general election for the president of the board, the officers and seven directors, is planned for next year. The June 8 vote was held for two director positions that fall on an alternative schedule.

For more information about the AmCham Board of Directors, please contact AmCham Georgia:

amcham@amcham.ge.

Davit Bakradze: New Relationship with Business "a Two-Way Street"

Parliamentary Speaker Davit Bakradze told AmCham members that the government is committed to a new policy of "partnership" between the state and business during the monthly luncheon on April 5.

Speaking to AmCham members at the Sheraton Metechi Palace Hotel, Bakradze noted that the new policy is being conducted in "the spirit of partnership" - a level of openness that the business community should benefit from, but not take advantage of.

During the question and answer period, Bakradze spoke about the government's priorities for education and job growth, as well as free trade talks with the United States and the European



Union. Irina Sak, the CEO Publicis Caucasus, announced the Golden Talent 2011 event in Batumi - an international TV competition of pop music performers.

The Economist Plans Tbilisi Summit

The Economist Group is planning a summit on investment and business in Georgia this November, AmCham members were informed during the monthly roundtable meeting at the Courtyard Marriott. Ambassador John Bass opened the meeting with his monthly overview to AmCham members. He spoke about the United States' latest human rights report, the parliamentary elections planned for 2012 and other aspects of US-Georgia relations.

Scott Munday, a representative of The Economist Group in charge of Business Development in the CEE, Russia, CIS and Central Asia, spoke to members about the group's planned summit in November. He stressed that the summit - which is not sponsored by the government - is an opportunity to meet with potential investors from countries around the region, including Western Europe and the Middle East.

The event will be a "dialogue" between government officials, think tank analysts, specialist from The Economist Group, and business leaders. For more information, visit www.amcham.ge for

a copy of the presentation.

Dr. Alexander G. Tvalchrelidze, a professor of Geology & Mineralogy, of the Georgian Academy of Natural Sciences, and the executive director of the IFSD, spoke about the latest trends in Georgia's economic and social development over the past 20 years.

He highlighted disturbing trends in the agriculture, mining and industry sectors - and proposed possible government solutions, including access to inexpensive loans for businesses - during his brief presentation.

Dr. Tvalchrelidze stressed that reopening mines and industry that flourished during the Soviet Union could alleviate some of Georgia's chronic unemployment and trade deficit problems.

Wings & Freeman Capital also made a short announcement during the meeting: OPIC has agreed to a \$58 million financing deal for Mtkvari HPP. The deal is the largest single financing agreement from OPIC in Georgia - and the first time the U.S. investment agency has financed a renewable resource project in the country.

Storage and Import Substitution Vital for Georgian Agriculture

Deputy Minister of Agriculture Malkhaz Akishbaia detailed the government's plans for developing leasing, financing, insurance and investment in agriculture during the May 4 AmCham roundtable at Holiday Inn.

Akishbaia, and the ministry, is working with international donor organizations - like USAID's Economic Prosperity Initiative (EPI) program - to create a strategy of development for farmers and potential investors. The agriculture sector employs over half the working population of Georgia. Dennis Zeedyk, Agriculture Sectors Component Leader, EPI, outlined the program's plans for the sector. Research indicates that the market is primed for import substitution, especially in the spring when the local products are unavailable. For more information, visit www.amcham.ge for a copy of the presentation.

Additional announcements were made by member company Sky Travel, a full service travel agent and Alliance Group Holding. QSI and the American Academy also presented their annual summer schools.

Farewell – and Thank you!

On Friday, May 13, AmCham Georgia hosted a farewell reception for members of the U.S. Embassy's political and economic team. The event, a champagne cocktail party, gave AmCham a chance to thank the dedicated embassy employees who have worked closely with the board and members over the past several years.

AmCham President David Lee and Vice President Sarah Williamson presented the team with gifts of appreciation, especially Erika Olson, the Ex-Officio Member for the AmCham board during her term at the embassy.

For more photographs of the event, please go to page 60.



Georgian Wine and Tourism Industry Delegation to the USA – NY/California

From May 30 to June 8, 2011 a 15 member delegation of Georgian wine company owners and heads of prominent Georgian Tourism companies will be visiting the US as part of a wine tourism development project. The project was initiated by AmCham Georgia's Tourism Committee, chaired by Betsy Haskell, and the Georgian Wine Association, headed by Tina Kezeli and organized by the U.S. Department of Commerce and USAID's Economic Prosperity Initiative.

The group will visit the Finger Lakes region of New York State, New York City and Sonoma and Lodi counties in Northern California.

The purpose of the trip is to illustrate how cooperative efforts on the part of the wine industry, educational institutions and local governments can enable a region to provide an unforgettable tourist experience. Commenting on the project, David Lee, the President of AmCham, said "Wine tourism in Georgia is relatively under-developed and will remain so until the winery owners understand what is needed to attract international tourists. AmCham, through its Tourism Committee and our member, Georgian Wine Association, is doing everything it can to assist the development of wine tourism in Georgia".

On Thursday, June 2nd, AmCham will host the First Official Tasting of the finest Georgian wines in New York City at the Baryshnikov Arts Center. In the evening of the same day, American Friends of Georgia, in collaboration with CORUS Imports and the Georgian Wine House, will also host a Georgian wine reception for 150 invited guests.

New Coalition to Advocate for Independent Judiciary

Prominent lawyers and heads of legal aid non-government organizations celebrated the official opening of the Coalition for an Independent and Transparent Judiciary on April 29.

Ted Jonas, a member of the board of the American Chamber of Commerce in Georgia, and its representative to the coalition, said it must push for a fair, independent and clean court system from civil society. In addition, he noted that the coalition needs to support the training of judges and work with officials on top to create framework for – and the reality of -- a fair and independent court system.

Jonas noted that – just in the week of April 25 – local newspapers published

three articles from international media outlets slamming the Georgian judicial system for biased rulings and low credibility.

"Our members have had numerous problems with these same issues in the courts," he said. "AmCham is ready to help in this effort, and go the distance to get it done."

The event was organized by the Eurasia Partnership Foundation and was supported through the USAID-funded Judicial Independence and Legal Empowerment Project, which the Foundation is implementing through a partnership with the East-West Management Institute.

AmCham and BAG co-host a presentation by McKinsey & Company

Information and communication technology (ICT) is critical for the economic growth of a country, according to McKinsey's Sergio Sandoval.

Direct and indirect effects of ICT impact GDP, employment, trade and investment.

However, even though ICT has been growing strongly in Georgia at ~16% annually, penetration levels remain low and global reports indicate significant opportunity to further leverage the potential of the sector.

Of almost 20 various sectors, ICT is the fourth most positive contributor to society after healthcare, agriculture and utilities, according to a global consumer

survey. There are several mechanisms through which ICT boosts economic growth, among them: fostering innovation, reducing transaction costs, and creating access to new markets.

The American Chamber of Commerce in Georgia and the Business Association of Georgia co-hosted a presentation by McKinsey & Company, a global management consulting firm listed in the top 10 on Fortune magazine's World's Best Companies for Leaders. The meeting took place at the Holiday Inn Hotel on May 10.

AmCham members can request a copy of the presentation by email. Please call Bella Makaridze: 2305426.

CSR Specialist Molly Hall Meets AmCham, BAG Companies

On May 10, American Chamber of Commerce in Georgia, Business Association Georgia and Global Compact Georgia Network held a special Corporate Social Responsibility meeting. Specialist Molly Hall discussed CSR and Environmental Sustainability. The meeting was attended by the representatives from BP, Wissol Georgia, Georgian

American University, UGT, TBC Bank, Financial Brokers Georgia, The Financial and the Ministry of Environment Protection of Georgia.

Ms. Hall is visiting Georgia through the U.S. Department of State funded U.S. Speaker program. The meeting was hosted by the Public Affairs Section of the U.S. Embassy at the Holiday Inn.

New Executive Director



AmCham is pleased to introduce George Welton as its new Executive Director.

George brings a range of experience in business, research and public policy to the role. Following a degree in economics, George trained in business with KPMG before returning to school to complete a Masters degree and PhD in International Relations.

He moved to Georgia in 2004 on an academic fellowship program, but for the last 5 years he has worked as a professional research consultant. In this capacity he has worked for the private sector as well as large not for profit organizations. He started his own research company, called GeoWel Research, in 2009.

Trade and Transport Committee Meeting with the Head of the Revenue Service

The Co-Chairs of the Committee John Braeckevelt, and Ivo Bakhuijzen, facilitated a discussion about the different cases with Jaba Ebanoidze, the head of the Revenue Service. Other AmCham

members also spoke about their concerns regarding the customs and trade regulations. For details, contact Gigi Liliashvili, policy advisor and committee coordinator.

IT and Telecom Committee Discuss AmCham IT Skill Demand Inventory

The AmCham IT and Telecom Committee has drafted a skills demand inventory – a survey that will analyze potential shortage in IT-professional skills, based on member companies' experience, to present to the government and NGOs.

Committee Chairperson Wouter Metz facilitated the meeting on May 25 about the document. All feedback from the survey should be submitted before the end of June.

If any AmCham member wishes to join the monthly committee meetings – or for more information about the survey --please contact Gigi Liliashvili, g.liliashvili@amcham.ge.



9th AMCHAM US INDEPENDENCE DAY PICNIC

Saturday, July 2 2011, 6 – 10 pm, at US Embassy



The American Chamber of Commerce in Georgia in cooperation with the American Embassy Community invites you to celebrate the 235th anniversary of the signing of the Declaration of Independence at the US Embassy. The American style picnic with food and soft drinks

**LIVE MUSIC, BAR-B-Q, GAMES
COLD BEER & ...FIREWORKS!**

Bring your own coolers, blankets, lawn chairs, hand sanitizers, badminton, footballs, softball, etc.

THANK YOU TO THE SPONSORS SO FAR:





Philip Morris International: A Pioneer in the Georgian Tobacco Market

Today tobacco industry in Georgia is one of the most competitive and agile among Fast Moving Consumer Goods sector. All major International tobacco players are operating in the country. They were the first among other international companies who entered the Georgian market during 90's and brought here their international expertise and standards in sales, marketing, general business management and manufacturing.

Philip Morris International (PMI) has been operating in Georgia since 1996. As of 2002 PMI local partner OGT started license manufacturing of PMI brands L&M and Congress. Currently Philip Morris Georgia is the market leader holding up to 26.4 percent market share within tobacco industry*.

Following the development of Georgian economy, significant improvements in fighting against contraband, customs procedures simplification and decrease of number of taxes as of 2010 Philip Morris Georgia has started importation and wholesale of tobacco products under trademarks owned by PMI. The company operates from a state of the art warehousing facilities in Lilo1 terminal.

Currently Philip Morris Georgia imports Parliament, Marlboro, Muratti

and Bond Street from EU and Ukraine. L&M and Chesterfield cigarettes are produced in Georgia by local company OGT under license manufacturing agreement with PMI.

At a glance

PMI is the leading international tobacco company, with products sold in approximately 180 countries. In 2010 PMI held an estimated 27.6 percent share of the international cigarette market excluding the People's Republic of China and the U.S.; Comparing to 2009 PMI net revenues increased by 9.1% and reached \$67.713 billion, excise taxes on products - by 9.3% to \$40.505 billion and operating income - by 11.6% to \$11.2 billion.

With its Operations Center based in Lausanne, Switzerland, PMI owns 7 of the top 15 brands in the world and has a mix of international and local products, which are produced in more than 60 factories around the world. PMI employs more than 78,000 people worldwide.

PMI's main brands are Marlboro, Parliament, L&M, Philip Morris, Muratti, Bond Street, Chesterfield, Lark, Multifilter and Virginia Slims. Marlboro is the world's number one selling brand.

**Data AC Nielsen retail audit Tbilisi*

Bidzina Gamtsemlidze

Work Experience:

- 08.1996-07.1999** Rothmans International Georgia
- Business Manager
- 08.1999-07.2001** British American Tobacco Georgia
- Distribution Manager
- 08.2001-08.2003** Philip Morris Estonia - Sales Manager
- 09.2003- 01.2005** Philip Morris Ukraine - Key Account Manager
- 02.2005-10.2007** Philip Morris Ukraine - Sales Manager
- 10.2007-04.2010** Philip Morris Ukraine
- Marketing Manager Caucasus and Moldova
- Since **05.2010** Philip Morris Georgia - Field Manager



zations, universities and governments for capacity building, outreach and training purposes.

In order to support Georgia as it progresses towards a fully functioning market economy and to meet local business needs, ISET will be expanding and diversifying its research, training and outreach activities.

Currently, ISET successfully partners with public agencies, private sector firms and international organizations for trainings, research and analysis needs as well as job placement for our students. These organizations include: the National Bank of Georgia, Ministry of Labor, Health and Social Affairs, the Foreign Relations Department for the Ministry of Finance in Georgia, ProCredit Bank, ACT Research, TBSC Consulting and VTB Bank among others. In addition, ISET now enjoys partnerships with a variety of international organizations, such as the World Bank and the European Bank for Reconstruction and Development, to ensure its students have rewarding and beneficial internship experiences.

ISET welcomes the opportunity to support and partner with the Georgian business community through internship and job placements as well as trainings and provision of research and analysis. For more information, please visit our web-site at www.iset.ge or contact Ms. Ariela Shapiro at a.shapiro@iset.ge.

“ISET: Creating a Better Georgian Economy”

In 2005, the Government of Georgia collaborated with the World Bank and Tbilisi State University (TSU) to create and implement a modern economics university modeled upon the graduate “centers of excellence” in Moscow, Kiev, Budapest and Prague. This partnership resulted in the creation of the International School of Economics (ISET) at Tbilisi State University in 2006. Since its inception, ISET has promoted economic growth, integration and the capacity building within the Southern Caucasus region. ISET provides high-quality economic training and research facilities to a new generation of economists including policymakers, academics, researchers, business leaders, and government officials with a thorough grounding in market-based economics.

ISET students are citizens of Armenia, Azerbaijan, and Georgia and come from a variety of backgrounds such as: graduates from local universities; young professionals from the Central Banks, the Ministries of Finance, and other government agencies in Georgia, Armenia, and Azerbaijan; and junior faculty from local universities. To gain admission, students must pass rigorous admission exams in mathematics and English as well as demonstrate their commitment to advancing their knowledge of economics. ISET makes every effort to ensure that its program costs will not

deter talented students from receiving an excellent education and subsidizes 90% of attending students.

Through its academic curriculum as well as policy relevant research and outreach activities, ISET fills the gap between the skills and knowledge of local economists and complex economic issues within Georgia. ISET is creating a new generation of economists for Georgia through education, research and partnership building through a variety of programming including:

- A two year Master’s Program in Economics with all concentrations taught by international PhD economists with instruction in English.
- A research program providing students with practical experience in applying their studies to “real life” scenarios.
- Multiple partnerships with like-minded stakeholders, non-governmental organizations, community based organi-

ISET can also serve the Georgian business community by providing research and training activities through its new think-tank: the South Caucasus Institute for Business and Economic Research (SCIBER). The SCIBER think-tank will address the major gaps in policy research and training in Georgia while also meeting private sector consulting and training needs. SCIBER will support the Georgian government and local businesses to implement revenue generating and lucrative business plans to navigate these current economic times. The analysts and faculty at ISET-SCIBER have expertise in the following areas: institutional reforms (impact on economic growth, equity and efficiency), competition and regulation in particular sectors of the economy, and trade policy and economic integration with Europe (benefits from greater openness, free trade zones, infant industry protection).



MobiPay

OpenRevolution provides mobile transaction solutions that enable its partners and clients to deliver optimized payment services across m-commerce ecosystems and value chains.

www.openrev.com



Holiday Inn

The hotel is conveniently located on 1, 26 May Square, in the heart of the business and commercial district of the capital and easily accessible by car and public transportation. Everything is designed to meet and exceed your expectations, including an immense parking lot dedicated for 200 vehicles.

www.hi-tbilisi.com



Goodwill Ltd

Since 2004, the Goodwill Company has been a leading brand on the Georgian retail market. On the top of expanding the range of products and sales, Goodwill is increasing its own production capacities.

GOVERNMENT ADDRESSES

Investor.ge is publishing a list of government addresses and contacts as a reference. If there are other government agencies or state organizations you are looking for and cannot find, please let us know: editor@amcham.ge.

State Minister for European and Euro-Atlantic Integration, Vice Prime Minister GIORGIO BARAMIDZE

www.eu-nato.gov.ge
7 Ingorokva Str. Tel: 93 28 67

Minister of Regional Development and Infrastructure RAMAZ NIKOLAISHVILI

www.mrdi.gov.ge
12 Al. Kazbegi Ave. Tel: 51 05 91, 51 06 88

Minister of Finance KAKHA BAINDURASHVILI

www.mof.ge
16 V. Gorgasali Str. Tel: 26 14 44

Minister of Education and Science DIMITRI SHASHKIN

www.mes.gov.ge
52, D. Uznadze Str. Tel: 43 88 19

Minister of Environmental Protection and Natural Resources GIORGIO KHACHIDZE

www.moe.gov.ge
6 Gulia Str. Tel: 72 57 00, 72 57 20

Minister of Economic and Sustainable Development VERA KOBALIA

www.economy.gov.ge
12 Chanturia Str. Tel: 99 77 77

Minister of Energy ALEKSANDRE KHETAGURI

www.minenergy.gov.ge
2 Baratashvili Str. Tel: 35 78 00

Minister of Justice ZURAB ADEISHVILI

www.justice.gov.ge
24 Gorgasali Str. Tel: 40 52 02

Minister of Foreign Affairs of Georgia GRIGOL VASHADZE

www.mfa.gov.ge
4 Sh. Chitadze Str. Tel: 28 47 47

Minister of Agriculture BAKUR KVEZERELI

www.moa.gov.ge
6 Marshal Gelovani Str. Tel: 37 80 13, 37 80 09

Minister of Labour, Health and Social Affairs ANDRIA URUSHADZE

www.moh.gov.ge
144 A. Tsereteli Ave. Tel: 36 90 26



CTC Foundation

Centre for Training and Consultancy (CTC) is a Georgian foundation working since 1999. CTC wants to contribute to social and economic development in Georgia by strengthening local human and organizational capacity and promote the ideas of best practice management and good governance.

www.ctc.org.ge



Intourist Palace Hotel

Over nearly 70 years our staff has built a depth of reliability, trust and connection with our guests. Located in the middle of Batumi, opposite the beautiful sea side boulevard on the Black Sea coast. Hotel has 3 conference rooms, 2 restaurants, 2 bars, nightclub, spa center and casino.

www.intouristpalace.com



CaucasTransExpress

Caucastransexpress (CTE) started operating as an international freight forwarder in Tbilisi, Georgia in 1999. Nowadays the company expands into all mode of land, sea and air transport and Central Asia and many ports of Black sea, including Poti, Batumi, Illichevsk, Odessa and Istanbul.

NEW MEMBERS

EMBASSIES

Embassy of Armenia

4 Tetelashvili Street
Tel: + (995 32) (2) 951 723, 959 443
Fax: + (995 32) (2) 964 287
E-mail: armemb@caucasus.net

Embassy of Azerbaijan

2 Kipshidze Street, Building 1
Tel: + (995 32) 252 639, 253 523
Fax: + (995 32) 25 00 13
E-mail: tbilisi@mission.mfa.gov.az
URL: www.azembassy.ge
VISA Application:
Tel: + (995 32) 253 526

Embassy of France

15 Gogebashvili Street
Tel: + (995 32) 999 976, 934 210;
Fax: + (995 32) 953 375, 987 115
E-mail: ambafrance@access.sanet.ge
URL: www.ambafrance-ge.org
VISA Application:
Tel: + (995 32) 922 851, 922 850

Embassy of German Federal Republic

20 Telavi St, Sheraton Metechi Palace Hotel
Tel: + (995 32) 447 300
Fax: + (995 32) 447364
E-mail: info@tiflis.diplo.de
URL: www.tiflis.diplo.de
VISA Application:
166 Agmashenebeli Ave, 0112, Tbilisi, Georgia
Tel: + (995 32) 435 399
Fax: + (995 32) 911 651

Embassy of Italy

3A Chitadze Street, 0108, Tbilisi, Georgia
Tel: + (995 32) 996 418
Fax: + (995 32) 996 415
E-mail: embassy.tbilisi@esteri.it
URL: www.ambtbilisi.esteri.it

Embassy of Russian Federation

Embassy of Switzerland Georgia, Consular service at the Russian Federation Interests Section
Tel: +995 32 91 27 82, 91 26 75

Embassy of the United Kingdom in Georgia;

51 Krtsanisi St, 0114, Tbilisi, Georgia
Tel: + (995 32) 274 747
Fax: + (995 32) 274 792
E-mail: british.embassy.tbilisi@fco.gov.uk
URL: ukingeorgia.fco.gov.uk/en
VISA Application:
Tel: + (995 32) 274 775
Fax: + (995 32) 274 779
E-mail: tbilisivisaenquiries@fco.gov.uk

Embassy of the United States of America

11 G. Balanchine St, 0131, Tbilisi, Georgia
Tel: + (995 32) 277 000
Fax: + (995 32) 277 701
URL: georgia.usembassy.gov
VISA Application:
Tel: + (995 32) 277 724
American Citizen Services: askconsultbilisi@state.gov
Non-Immigrant Visas: tbilisivisa@state.gov
Immigrant Visas: tbilisiimmigrant@state.gov

EMERGENCY CALLS AND ADDITIONAL INFO

- Fire 01
- Emergency Medical Service: 033
- Gas Emergency- 04
- Electric Emergency, Telasi- 25 52 11
- Airport Information Bureau-433141
- Railway Station- 564,760,566,253
- Technical Aid on Roads-899305503
- Taxi- 511, 74- 74-74, 929, 201-201
- City Telephone-Informational bureau- 08, 09
- International Phone Calls, Long-Distance phone calls- 07.
- Tbilisi Water – hotline, 931111
- Fire Departement Alarm 011
- Police 022; 99 55 79
- Mediclub Ambulance- 25 19-91
- City Hall Special Situations 45 74 79
- Gas Works 93 64 42
- Electricity Works 92 22 01, 92 03 16, 93 55 27, 98 85 79, 25 52 11
- City Buses – www.info-tbilisi.com/usefulinfos/busroutes
Yellow buses run to most parts of Tbilisi. Tickets

are 50 tetri flat fare irrespective of the length of the journey. Passengers should have the exact amount as no change is given. Plastic swipe cards can also be used on buses; they are available on sale at cashier's offices of any Metro station in Tbilisi, see "Metro" for more information.

• Metro- www.info-Tbilisi.com/usefulinfos/undergorund

Trains run roughly every five minutes. Passengers can buy a plasti token for 50 tetri, or buy a swipe card issued by th Bank of Georgia, available at metro stations and other places, for 2 GEL and recharge as necessary. The swipe cards, using the same system are valid on both metros and buses.

• Trains-International trains run regularly from the Central Railway Station to both Baku(Silk Road Express) and Yerevan. Destinations in Georgia include Mtskheta, Gori, Zestaponi, Kutaisi, Batumi, Poti, Borjomi, Akhaltsikhe and Zugdidi. There are both day and night trains to Batumi. Day train departure time is 08.50, arrival time, 15.30. Trains

are not fast.
Tel:54 47 60, 56 62 60, www.georgianrailway.ge

• Flying - Tbilisi Airport
Tel: 31 02 61, 31 04 61, 43 32 22
Booking office 18 10 01
www.airport.ge
Flights: timetable: <http://www.airport.ge/Tbilisi-Airport-Seasonal-Timetable.html>
Trains from the airport run to the railway station and back 4 yimes each 24 hours. There are no fixed hours for the trains
Natakhtari Airport is located in the village of Natakhtari, Mskheta District.
Tel. 42 74 27, 42 94 29, 899 45 25 25

• Taxi 09
GAG Taxi 78 78 78
Toyota Taxi 511
Information office : 62 15 10
general cost 5-7 GEL, city centre to airport 25 GEL

AmCham Company Members as of June 2011

PATRON MEMBERS

BP Exploration Georgia

38 Saburtalo St.
Tel: 593400; Fax: 593488
www.bp.com

Exxon Azerbaijan Ltd

Landmark Suite 300, 95 Nizami St.,
Baku, AZ1010 Azerbaijan
Tel: (994-12) 4982460; Fax: (994-12)
4982472
www.exxonmobil.com

PricewaterhouseCoopers

7 Bambis Rigi St., 0105
Tel: 508050; Fax: 508060
www.pwc.com/ge

UGT

17a Chavchavadze Ave., 7th floor
Tel: 220211; Fax: 220206
www.ugt.ge

CORPORATE A MEMBERS

ABRIS Distribution AG.

21 Liubliana St.
Tel: 527271;
www.abrisdc.com

Advanced Engineering Associates Georgia

Apt 3, 20 Kipshidze St., 0162
Tel: 913892; Fax: 252762
www.aeai.ge

Alliance Group Holding, JSC

47/57 M. Kostava St., 0179
Tel: 424181; Fax: 998112
www.agh.ge

Avon Cosmetics Georgia LLC

117 Tsereteli Ave..
Tel: 226805; Fax: 226806
www.avon.com

F H Bertling Georgia Ltd.

9 Tarkhnishvili St.
Tel: 443356; Fax: 443376
www.bertling.com

Betsy's Hotel / Prosperos Books

32/34 Makashvili St. / 34 Rustaveli Ave.
Tel: 987624, 923592; Fax: 923592
www.betsysotel.com.ge

Booz Allen Hamilton, Inc.

7 Bambis Rigi St., 0105
Tel: 439072; Fax: 439059
www.boozallen.com

British American Tobacco

71 Vazha Pshavela Ave.
Tel: 399103/01/02; Fax: 399104
www.bat.com

Catoni & Co. Georgia

3 Lesia Ukrainka St. Apt.7
Tel: 989230; Fax: 922264
www.hapag-lloyd.com

Caucasia Trading

5/7 Navtlugi St., Office #1
Tel: 277323; Fax: 277377
www.caucasiatrading.com

Caucasus University

77 Kostava St., Bld.6, 4th fl.
Tel: 941691; Fax: 253814
www.cu.edu.ge

Chartis Europe S.A. Georgia Branch

7 Bambis Rigi St., 0105
Tel: 439025;
Fax: 439026
www.chartisinsurance.com

Chemonics International

6a N. Ramishvili St., 0179
Tel: 234311; Fax: 234309
www.chemonics.com

Deloitte

36a, L. Asatiani St., 0105
Tel: 244566; Fax: 244569
www.deloitte.ge

Diplomat Georgia

65, Kakheti Highway
Tel: 984950
www.diplomat.ge

DLA Piper Georgia LP

10 Melikishvili St.
Tel: 509300; Fax: 509301
www.dlapiper.com

Ernst & Young

44 Leselidze St.
Tel: 439375; Fax: 439376
www.ey.com

Georgian American University

21a Chavchavadze Ave.,
2d Arch #3
Tel: 915003; Fax: 915004
www.gau.ge

Georgian Audit & Consulting Company

47 Kostava St. Suite 29
Tel: 984039; Fax: 438352
www.gacc.com.ge

GMT Group

4 Freedom Square
Tel: 988988; Fax: 988910
www.gmt.ge

Greco Group

1 Nutsubidze St.
Tel: 393138; Fax: 311107
www.greco.ge

GT Group

48 B. Cholokashvili St.
Tel: 740740
www.gtgroup.ge

HSBC Bank Georgia JSC

15 Rustaveli Ave.
Tel: 177777
www.hsbc.com

Iberia Refreshments, JSC

Tetri Khevi Hesi District, Orkhevi
Tel: 241091; Fax: 241090
www.pepsi.ge

Imedi L International

20 Chavchavadze Ave.
Tel: 223520; Fax: 293075
www.imesi-l.com.ge

KPMG CIS Ltd. Tbilisi Branch

3rd Floor, Besiki Business Center,
4Besiki St., 0108
Tel: 935713; Fax: 982276
www.kpmg.ge

Levon Travel

20 Chavchavadze Ave.
Tel: 250010; Fax: 232399
www.levontravel.ge

Maersk Georgia LLC

6 Khetagurov St.
Tel: 200800; Fax: 200815
www.maerskline.com

Magticom

5 Politkovskaya St.
Tel: 171717; Fax: 171171
www.magticom.ge

Marriott Hotels, Resorts & Suites

13 Rustaveli Ave.
Tel: 779200; Fax: 779210
www.marriott.com

Metromedia International Group

8000 Tower Point Dr., Charlotte, NC
28227
Tel: 171201; Fax: 210101
www.metromedia-group.com

Microsoft Georgia LLC

6 Marjanishvili St.
Tel: 424478
www.microsoft.com

Mobipay (OpenRevolution Georgia)

19 T. Abuladze St. 0162
Tel: 235403
www.mobipay.ge

Motorola

19 Gamrekeli St.
Tel: 253371; Fax: 253371
www.motorola.com

MSD (Schering Plough Central East AG)

44 K. Abkhazi St. 0105
Tel: 438978
www.merck.com

Philip Morris

7 Bambis Rigi Str., 0105
Tel: 439001; Fax: 439005
www.philipmorrisinternational.com

ProCredit Bank

154 Agmashenebeli Ave.
Tel: 202222; Fax: 202222-2226
www.procreditbank.ge

Radisson BLU Iveria Hotel

1 Rose Revolution Sq.
Tel: 402200; Fax: 402201
www.radissonblu.com

Salford Georgia

44 Leselidze St.
Tel: 505400-03; Fax: 505406
www.salford.com.ge

SEACOR Environmental Services International (SESI)

9 Khvichia St.
Tel: 244141, 386673
www.ses.seacorholdings.com

SEAF Management LLC

7, Niko Nikoladze St. II Floor.
Tel: 998115; Fax: 923533
www.seaf.ge

Sheraton Metechi Palace Hotel

20 Telavi St.
Tel: 772020; Fax: 772120
www.sheraton.com/tbilisi

T&K Restaurants (McDonald's Georgia)

1 Dzmehi Kakabadze St.
Tel: 921246; Fax: 251422
www.mcdonalds.ge

TBC Group

7 Marjanishvili St.
Tel: 272727; Fax: 228503
www.tbc.com.ge

TBSC Consulting

6 Marjanishvili St.
Tel: 959019; Fax: 420215
www.tbsc.ge

CORPORATE B MEMBERS

AGV Czech Republic Ltd

63 Kostava St.
Tel: 242559; Fax: 242549
www.agv-czech.com

Aliance Georgia Ltd

33 Samurzakano St.
Tel: 243773
www.groupaliance.com

Alioni-99 Holding Company

12a Kazbegi Ave., 0160.
Tel: 922993; Fax: 389737
www.alioni99.ge

GZ American Academy in Tbilisi

37a Chavchavadze Ave.
Tel: 227441; Fax: 227889
www.aat.ge

Bagebey City Group

49b Chavchavadze Ave.
Tel: 913152; Fax: 290169
www.bagebeycity.com

Baker Tilly Georgia Ltd.

Meidan Palace, 44 Kote Abkhazi St.
Tel: 505353; Fax: 505353
www.bakertillyinternational.com

Bank of Georgia

3 Pushkin St.
Tel: 444134; Fax: 983269
www.bog.com.ge

■ **Bank Republic**
2 Gr. Abashidze St.
Tel: 925555; Fax: 925544
www.republic.ge

■ **Basis Bank JSC**
1 Ketevan Tsamebuli Ave.
Tel: 922922; Fax: 986548
www.basisbank.ge

■ **Batumi Oil Terminal**
GMT Plaza, 4 Freedom Sq.
Tel: 241818; Fax: 241817
www.batumiport.com

■ **BDO LLC**
42 Kazbegi Ave.
Tel: 545845; Fax: 399204
www.bdo.ge

■ **BG Capital**
23 Chavchavadze Ave, 3rd fl. 0179
Tel: 444687; Fax: 235804
www.bgcapiatl.ge

■ **BGI Advisory Services Georgia**
18 Rustaveli Ave., II fl.
Tel: 997292; Fax: 996615
www.bgi.ge

■ **BLC Law Office**
4 Gudiasvili Sq.
Tel: 922491; Fax: 934526
www.blc.ge

■ **Casino Adjara**
1, 26 May Sq.
Tel: 335519; Fax: 334520
www.casinoadjara.com

■ **CaucasTransExpress**
10a Tashkent St. 0160
Tel: 375715
www.cte.ge

■ **Caucasus Online LLC**
71 Vaja-Pshavela Ave.
Tel: 480048; Fax: 480048
www.caucasus.net

■ **Château Mukhrani, J.S.C.**
III floor, Didube Plaza,
116 Tsereteli Ave.
Tel: 201878; Fax: 201878;
www.mukhrani.com

■ **Citadines Apart'Hotel**
4 Freedom Sq. 0105
Tel: 547030; Fax: 547040
www.citadines.com/en/georgia/tbilisi/
freedom_square.html

■ **Development Solutions LLC**
37 Rustaveli Ave.
Tel: 241555; Fax: 241552
www.ds.com.ge

■ **Dika Ltd.**
40 Rustaveli Ave.
Tel: 990994; Fax: 990994

■ **Donut Stop Cafe**
10/12 Abashidze St.
Tel: 251466; Fax: 999252

■ **Dutch Design Garden**
20 km, Agmashenebeli Alley
Tel: 530779
www.dutchdesigngarden.com

■ **Education and Training International Ltd.**
4 Kuchishvili St.
Tel: 250945; Fax: 250945
www.educatrain.ge

■ **Geocell**
3 Gotua St.
Tel: 770100, ext. 7435; Fax: 770119
www.geocell.com.ge

■ **GeoEngineering LLC**
15a Tamarashvili St.
Tel: 311788; Fax: 311787
www.geoengineering.ge

■ **Georgian Airways**
12 Rustaveli Ave.
Tel: 999730; Fax: 999660
www.georgian-airways.com

■ **Georgian Lottery Company LLC**
34 Chavchavadze Ave.
Tel: 649649
www.georgianlottery.com

■ **Globalink Logistics Group**
14-A Shartava St, 2nd fl, Suite 7
Tel: 253262; Fax: 439002
www.globalinkllc.com

■ **Goodwill**
1 Parnavaz Mepe Ave. 0131
Tel: 243673; Fax: 243673
www.goodwill.ge

■ **Gosselin Georgia**
3 M/D, Didi Digomi
Tel: 596601/02/03; Fax: 596600
www.gosselingroup.eu

■ **Holiday Inn**
1, 26 May Sq., 0171
Tel: 300099
www.hi-tbilisi.com

■ **HRG Georgia "Sky Travel LLC"**
Meidan palace Business Center,
44 Kote Apkhazi St.
Tel: 438958
www.hrgworldwide.com

■ **Intourist Panace Hotel**
11 Ninoshvili St., Batumi
Tel: 75525, Fax: 76606
www.intouristpalace.com

■ **Kor-Standard Bank JSC**
43 Chavchavadze Ave.
Tel: 507700, Fax: 507707

■ **Kutaisi Free Zone, Georgian Int'l Holding Ltd**
6 Shio Mgvimeli St.
Tel: 232997, Fax: 232997

■ **Liberty Bank JSC**
74 Chavchavadze Ave.
Tel: 555500; Fax: 912269
www.libertybank.ge

■ **Madneuli JSC**
3/5 Kazbegi Street, 0179
Tel: 474545, ext. 55
www.madneuli.ge

■ **Mgaloblishvili, Kipiani, Dzidziguri (MKD) Law Firm**
24 Suite, IV Floor,
71 Vaja-Pshavela Ave.
Tel: 973880; Fax: 973884
www.mkd.ge

■ **Mina JSC**
4 Besiki St.
Tel: 449981/82/83; Fax: 449980
www.mina.com.ge

■ **Navigator Ltd Publishing House**
34 Anton Katalikosi St.
Tel: 923615
www.navigator.ge

■ **New School - Int'l House**
35 Tskneti Highway, Bagebi
Tel: 231728
www.newschoolegeorgia.com

■ **Oriflame Georgia**
57 Uznadze St.
Tel: 911064; Fax: 911068
www.oriflame.ge

■ **Overall Management Group (OMG) Inc.**
12 M. Javakhishvili St.
Tel: 436052; Fax: 436052

■ **Poti Seaport Corporation**
52 D. Agmashenebeli St., Poti
Tel: 293-20660; Fax: 293-20688
www.potiseaport.com

■ **Publicis Hepta**
4 Kuchishvili St.
Tel: 443474; Fax: 443474
www.publicishepta.com

■ **Rakeen Development LLC**
2 Baratashvili St. 0105
Tel: 933393; Fax: 933993
www.rakeen.ge

■ **Rentals Ltd.**
46 Rustaveli Ave.
Tel: 454566
www.rentals.ge

■ **Rompelrol Georgia Ltd.**
39 Navtlugi St.
Tel: 910727; Fax: 910763
www.rompelrol.com

■ **Silknet Ltd.**
95 Tsinamdzgvrishvili St.
Tel: 910345;
www.silknet.com

■ **Statoil Azerbaijan AS**
96 The Landmark Building, Nizami Street, Baku AZ 1010.
Tel: +994 (50) 2168981; Fax: +994 (12) 4977 340
www.statoil.com

■ **Tbilisi Airport City**
7 Bambis Rigi.
Tel: 890-185000; Fax: 439328

■ **Teliani Valley JSC**
2 Marshal Gelovani Ave.
Tel: 313245; Fax: 313249
www.telianivalley.com

■ **VD Capital**
77 Kostava St., 0175
Tel: 363672; Fax: 364302

■ **Wimm-Bill-Dann Georgia Ltd**
Village Ponichala, Tbilisi 0165
Tel: 475290
www.wbd.ru

■ **Wings and Freeman Capital**
Green Building, 6, Marjanishvili St.
Tel: 940051; Fax: 940053
www.wfcapital.ge

■ **Wissol Georgia**
74b Chavchavadze Ave.
Tel: 915315; Fax: 915615
www.wissol.ge

NON PROFIT ORGANIZATIONS

■ **American Friends of Georgia**
77 Nutsbidze St.
Tel: 397174; Fax: 388495
www.afgeorgia.org

■ **American Institutes for Research**
Apt 28, 42 Abashidze St.
Tel: 290644; Fax: 290644
www.vep.org.ge

■ **East West Management Institute, Inc (EWMI)**
3rd Floor, 5 Marjanishvili St.
Tel: 505404; Fax: 202441
www.ewmi-gpac.org

■ **The Eurasia Partnership Foundation**
3 Kavsadze St., 0179
Tel: 223264; Fax: 223264
www.eurasia.org.ge

■ **Foundation - Centre for Training and Consultancy**
34 Al. Kazbegi Ave., Plot #3, 0177
Tel: 206774
www.ctc.org.ge

■ **Georgian Wine Association**
5 Marjanishvili St.
Tel: 505456

■ **International Relief and Development Inc.**
75 Paliashvili St.
Tel: 250106; Fax: 224837

■ **International School of Economics at TSU**
16 Zandukeli St.
Tel: 507177; Fax: 984815
www.iset.ge

■ **QSI International School of Georgia**
Village Zurgovani, Tbilisi
Tel: 537670; Fax: 322607
www.qsi.org

■ **The Salvation Army**
16 Ikalto St.
Tel: 333786; Fax: 330227
www.salvationarmy.org

SOCIAL PAGE

AmCham
hosted a
farewell
party for U.S.
Embassy staff
in May



Sheraton
Metechi Palace
celebrated
its 20th
anniversary in
May



SOCIAL PAGE



"Georgia for Japan" raised approximately 65 thousand GEL to aid recovery in the wake of the earthquake and tsunami that hit Japan in March. All funds raised will be distributed among those affected by the earthquake and tsunami through the Japanese Red Cross Society.

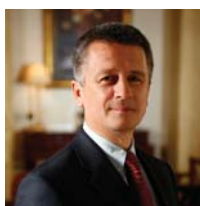
The event committee-- Michele Dunn, Sarah Williamson-Chirakadze, Charlotte Emborg, Betsy Haskell, Nana Keinishvili, Fumi Marata and Teona Natsvlishvili -- worked with Mrs. Junko Kamohara, wife of Masayoshi Kamohara, Ambassador of Japan to Georgia, who donated her personal collection of rare and beautiful Japanese art to raise funds at the April 14 auction at Marriott Tbilisi.

As honorary hostess, Sandra E. Roelofs, First Lady of Georgia, was very supportive to Mrs. Kamohara and the fundraising effort. Neil Dunn, BP Georgia General Manager, emceed the event. A special thank-you to Georgia Red Cross Society "Fundraising Campaign to Help Japan", CARITAS Georgia, Tbilisi I.W.A., Child and Environment, New School International School of Georgia, Parnas Café, and "Sing for Japan" karaoke fundraiser in Zugdidi, Georgia.

Board Of Directors 2011

David Lee, PRESIDENT

David Lee is the General Director of Magticom, the largest telecommunications operator in Georgia and took up his position March 2004. David is also the Chairman of the Eurasia Partnership Foundation and is a Chartered Accountant with an MBA from Warwick Business School. A Russian speaker, he has worked extensively in the former USSR and served as a Royal Naval Officer for 9 years.



Sarah Williamson, First Vice-President

In Tbilisi since June 1998, Sarah Williamson is the co-owner and Vice President of United Global Technologies (UGT), the largest IT company in Georgia.



R. Michael Cowgill,

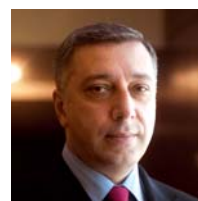
Vice-President & Treasurer

In his 12th. year in Georgia, Michael Cowgill is currently the President and co-founder of Georgian American University's business and law schools in Tbilisi, Georgia.



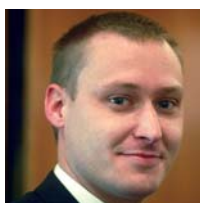
Irakli Baidashvili, Director

Irakli Baidashvili is the Senior Vice President of GMT Group. The company is one of the largest US direct investments in Georgia, the owner of two Marriott hotels, production facility SANTE and several major real estate sites in Tbilisi.



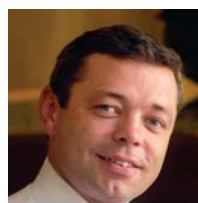
John Braeckeveldt, Director

John Braeckeveldt arrived in Georgia in 2003 as the General manager for GOSSELIN in the Caucasus region. In recent years John also started up a customs brokerage company, building new European style warehouse in Tbilisi for freight forwarding/storage solutions and customs bonded warehousing for diplomatic goods.



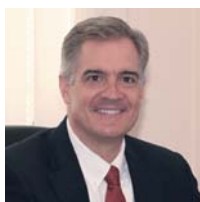
Esben Emborg, Director

Esben Emborg has been in Georgia since 1999. He has worked a General Manager for Caucasus Region for Cadbury Schweppes and Nestle until 2008. Now he is working as Principal Partner for an Investment Fund (SEAF) that is currently managing a 30 mil USD portfolio of investments all over Georgia.



Neil Dunn, Director

Neil Dunn is the general manager of BP Georgia. He has 28 years of experience in the oil and gas industry with Amoco and BP, having various engineering and operations assignments. Neil has most recently been the North Slope Infrastructure Manager



Badri Japaridze, Director

Badri Japaridze has been the Deputy Chairman of the Supervisory Board of TBC Bank since 1999 and the Vice-President of Georgian Glass and Mineral Water Co. (GG&MW) since 1995.



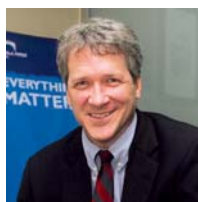
Steve Johnson, Director

Steve Johnson is the proprietor of Prospero's Books and the General Manager of The Hotel Betsy. Prospero's Books and Caliban's Coffee House is the leading English language bookstore in Georgia.



Ted Jonas, Director

Ted Jonas is the Managing Partner of DLA Piper's Tbilisi office. He advises clients on international business transactions, energy and infrastructure projects, government relations, and dispute resolution.



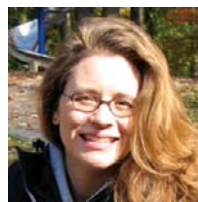
Ivo Bakhuijzen, Director

Ivo Bakhuijzen spent 9 years in the military, 5 of which as an officer within the airborne infantry; with missions in the former Yugoslavia and Afghanistan. Ivo has been in Georgia since 2008 as the director of Dutch Design Garden, a sister company of the famous Dutch landscape architect Martin Veltkamp.



Erika Olson, Ex-Officio Member

Erika Olson is the Deputy Political Economic Chief, and senior Economic/Commercial Officer, at the U.S. Emb. She has also served at the U.S. Embassy in Bishkek, Kyrgyzstan, U.S. Embassy in Tashkent, Uzbekistan (where she was an ex-officio member of the AmCham Board of Directors) and at the State Department in Washington, D.C.



Betsy Haskell, Founding Advisor

Betsy Haskell is an 18 year resident of Georgia who started four successful businesses, and is currently developing a resort hotel and villas in the wine country. For the past 15 years, she has been the Georgia Contractor for Metrica, Inc, a US Treasury Department sub-contractor.



George Welton, Exe. Director

George Welton came to Georgia as a university lecturer in 2004. Soon after arriving he started working as a professional researcher and founded GeoWel Research in 2008. His company conducts research and analysis for non-profits like KfW, GIZ, UNDP, Dfid, CARE International and some private companies.





**UNIQUE SYNERGY OF
INTERNATIONAL EXPERIENCE
AND KNOWLEDGE OF
LOCAL ENVIRONMENT**

EXPERTISE
XPERIENCE
FFICIENCY

BGI IS GEORGIA'S LEADING INDEPENDENT FULL SERVICE LAW FIRM

18, Rutaveli Ave, 0108 Tbilisi, Georgia; Tel.: (995 32) 99 72 92, Fax: (995 32) 99 66 15; e-mail: bgilegal@bgi.ge; www.bgi.ge





LOCAL FOCUS GLOBAL REACH

From start-ups to multi-nationals, we help businesses achieve success at regional, national and international levels.

We do business where you do business
4,200 lawyers in 76 offices throughout the world

www.dlapiper.com

EVERYTHING MATTERS



Ted Jonas – Office Managing Partner (ted.jonas@dlapiper.com) | Otar Kipshidze – Partner (otar.kipshidze@dlapiper.com)
10, Melikishvili Street, Tbilisi 0179, Georgia | **T** +(995) 32 509 300 | **F** +(995) 32 509 301

DLA Piper is a global law firm operating through various separate and distinct legal entities.
Further details of these entities can be found at www.dlapiper.com