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Lazika: New City, New Investment

President Mikheil Saakashvili announced plans to build a new city in western Georgia in a new bid to bolster investment and development on the Black Sea coastline.

Lazika, the proposed name for the new city, will reportedly cost as much as 900 million lari. 200 million lari of which is to be allocated from the national budget. The government is reportedly looking for foreign investors from Europe and Asian investment groups to cover the rest of the cost.

Few details about the planned city are publicly known: Saakashvili announced construction would begin in 2012 and should house 500 thousand people by 2022. While there are no design plans available, the president has called on Georgian migrants to return to their home region (see below) and live in the city which is supposed to become the country's main port and trading center.

The location of the project – as well as the planned cost – has been a source of controversy. Currently slated to occupy several square kilometers between the Anaklia resort and Poti, Lazika will be located directly down the coast from Abkhazia, the separatist region that is currently occupied by Russian troops.

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Investment Brief

Housing Project to Receive \$20 million Funding from the Netherlands

FMO (the Netherlands Development Finance Company) will provide \$20 million to finance a housing project by SBRE, Bank of Georgia's real estate subsidiary. The goal of the investment is to provide affordable housing to middle-low income families in Tbilisi, creating a new product for people who were shut out of the construction boom due to high costs.

SBRE, with assets of 41.4 million lari as of June 2011, has a history of developing mid-range property in Tbilisi.

New Airlines to Enter Georgian Market in 2012

From February 1, Qatar Airways will offer flights from Doha to Tbilisi and Baku. Connections will include flights to East Africa, and to Uganda and Rwanda starting from March. In addition, Alitalia, Estonian Air, and Air Arabia plan to start flights in Georgia later this year. Currently, 20 foreign airways operate in Georgia.

In 2011, Tbilisi International Airport served 1,058,679 passengers, a 29 percent increase from 2010.

Oldest Armenian Bank Coming to Georgia

AMERIA Bank announced plans to expand to Georgia in 2012. Founded in 1910, AMERIA bank is the oldest Armenian bank; its largest shareholder (96 percent) is Holdings Limited, a partner of the Russian investment group Troika Dialog.

Government and World Bank to Invest 100 million lari in Kakheti

Government of Georgia, together with the World Bank will invest 100 million lari for the development of the Kakheti region in 2012. Economic Minister Vera Kobalia said the funds, half of which come from the World Bank, will be financed through grants and credit. The investment is part of the government's Year of Kakheti Tourism project.

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TEDx in Tbilisi: The Long View

On February 11, Tbilisi will host its first TEDx event, MCed by Ketí Sidamonidze, with Georgian-born singer Katie Melua, photographer Justyna Mielnikiewicz, and blogger Neal Zupancic are part of a line up the organizers hope will inspire people to embrace the power and potential of creative minds.

The all-day event, hosted by Tbilisi State University, should help people tune into the long view, the quiet potential of the city and the country that tends to get lost in soci-

ety's focus on "now," explained Deborah Fairlamb. "There is so much going on in modern life, but especially in Georgia: people asking, "what is going on in politics this week?" or "what building is going up this week?" she said.

"There is a tendency to be so focused on the now that you lose sense of the long view."

Fairlamb said the organizing committee, which was created over the summer wanted to make people think about creativity, and how to cultivate the potential to make things "grow" in the long term.

"There is a tendency to start narrowing focus, especially when you live in one place and get used to it," she said, adding that the 18 minute Ted-style talks should help people break out of those patterns.

The TEDx events are an off-shoot of the original TED talks that were started

in 1984 as a conference to bring people together from three different – but very creative – industries: Technology, Entertainment and Design.

The goal was to bring people who are passionate about what they do to a forum to inspire others. There are no visuals during the talks; nothing to distract the audience from the ideas being expressed.

Fairlamb said the organizing committee sought to choose foreigners and Georgians, a mixture of creative, talented people who can inspire others.

Although seating at the event is limited, the whole day is going to be uploaded onto the TEDx Tbilisi site in real time. Then, the entire website will be moved to the main TED site, enabling people from around the world to access the videos.

For more information, please visit www.tedxtbilisi.com.

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Flat Tax, New Cash Registers for 2012

Parliament is considering several new measures for small businesses designed to ease the burden of tax compliance.

MAIA EDILASHVILI

Under the package of amendments under consideration in parliament, there will be a prototype of “alternative taxation” models for two types of small entrepreneurs.

The first type of businesses – those providing services like beauty salons, car repair or small bakeries - will be able to pay a flat tax every month – or every quarter - as defined by the government “in accordance with the specifics of each business.”

Service providers eligible for the flat tax rate will be exempted from the Revenue Service’s other new initiative, GPRS- model cash registers: Entrepreneurs engaged in trade that earn over 30 thousand lari (approximately \$18,000) are required to utilize new GPRS cash registers and to pay three

percent of their turnover, based on their receipts, to the Revenue Service in lieu of VAT (an 18 % tax). The reforms dovetail with the government’s efforts to streamline tax legislation. Georgia was ranked 42 out of 183 countries in the World Bank’s Paying Taxes 2012 survey – a marked improvement on its rank (62 out of 183) last year because of efforts to streamline procedures for reporting value added tax and introducing electronic filing and tax payment systems.

Nearly 95 percent of the businesses registered in Georgia are small or medium sized, according to the official definition. While taxes are relatively low in the country, the burden of detailed accounting was creating unnecessary expenses and stress for small businesses, noted Jaba Ebanoidze, head of the Revenue Service.

“When going for the flat tax, owners of small stores [as well as small service providers] will not be obligated to keep accounting materials and therefore will be exempted from having to pay out for an accountant,” explained Ebanoidze at a press conference on December 12.

Davit Narmania, the executive director of the Caucasian Institute for Economic and Social Research (CIESR), a local think tank, said the initiative could help shop owners avoid fines. He noted there were “many violations” among tax payers because small businesses simply did not understand their obligations.

“There have been many violations because the system has been too complicated for small businesses; and the number of the fined people who became critical of the government has been high. So the reform will be useful for both the businesses and the government,” Narmania said.

There is another “relief” for those entrepreneurs that opt for the fixed tax rate, noted Ebanoidze. Even if the store’s annual income later exceeds 100,000 lari, the owner will be allowed to keep paying a flat rate and not become a VAT payer.”

The government now hopes that the “alternative taxation” will make relations between small businesses and the Revenue Service even simpler and further ease the administrative burden.

One tax payer, however, believes more information is needed. At a small store in Saburtalo, one of Tbilisi’s central shopping districts, a shop owner bemoaned the lack of information about which taxes she needs to pay.

“We need information [on] how we will be taxed,” she said, refusing to give her name.

More documentation and brochures, she noted, would be very “helpful.”

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Giorgi Pertaia

Anti-trust Legislation: Too little, too soon?

The government has introduced a new law to tackle anti-trust and monopoly concerns, but local analysts and pro-business advocates believe the legislation was passed too fast and with too little input to be effective.

NINO PATSURIA

After years of allegations of lax regulations over monopolies, the Georgian parliament is set to adopt a new law, strategy and action plan. The new legislation is part of Tbilisi's efforts to sign a free trade agreement with the European Union.

But the new anti-trust plans are overshadowed by persistent concerns that the law puts too much control with the government, and lacks strong oversight mechanisms.

A core concern focuses on the independence of the government body empowered with regulating monopolies, the Agency for Trade and Free Compe- ►►

- titution. Under the proposed legislation, the agency will oversee procurement and enforce anti-trust regulations, a potential conflict according to Transparency International.

Shota Murgulia, an economic analyst with the Center for Strategic Research and Development, believes the law does not provide enough independence for the new agency.

“The prime minister assigns and dismisses the head of the agency; the government defines priority sectors to be regulated by the law, which stipulates that complaints from the non-prioritized sectors can be ignored. That is discriminatory,” he said.

Giorgi Pertaia, the tax-payers’ ombudsman agree. He said by not forcing the agency to investigate all complaints, the legislation creates an opportunity for businesses engaged in monopolies to merely negotiate a settlement with the company lodging the complaint.

Murgulia also says that the fines for not providing information to the agency are too small to be effective.

“The penalty rates [are] one to three thousand lari, which is a trivial sum for those big businesses with a turnover of several million that may prefer to pay penalties and continue violating market rules. Penalties should be adequate in order to be effective.”

Murgulia added that the agency cannot be effective since it can only initiate an investigation if a complaint is lodged. It does not have the power to start monitoring a business on its own initiative.

It also lacks the authority to make decisions as final judgment is left to the courts.

But the government argues that the law gives the agency enough independence to judge each case “uniquely.”

“Of course, the agency’s activity will be outlined in law enactments which will be drawn up by the government at a later date, but the agency will not be an administrative body that fines based on, let’s say, quantity criteria; each case will be unique,” noted Vakhtang Lezhava, the head of the Advisors’ Group of the Prime Minister of Georgia for Management and Economic Affairs.

“No law is consummate immediately. The legislation system is

As this article goes to press, the AmCham Commercial Law and Tax committee has started its own research on this proposed legislation and will offer AmCham’s position shortly.

perfected only after it has had sufficient practice [on the market].”

Pertaia also worries that the law was passed too quickly, especially since important secondary legislation is still not ready. The government was required to pass a law dealing with anti-trust and monopolies in order to start talks with Brussels on the Deep and Comprehensive Free Trade Agreement (DCFTA).

Boris Iarochevitch, the deputy head of the Delegation of the European Union to Georgia, told Investor.ge that work on the law “is not over” yet. Negotiations, which start this year, will focus on “specific concerns that will

be raised and discussed among experts and will allow for subsequent changes if the parties agree that such changes are deemed necessary.”

Pertaia agreed that more discussion is needed, especially with the business community.

“The draft project is not ready for approval because the business sector was not involved in the discussions,” he said, noting that the draft was sent to business associations right before the holiday – a time when few foreigners are in town.

In addition, the secondary legislation- the laws that determine how the legislation is implemented- are not ready so no one has a clear idea yet of how the law will impact businesses operating on the market today. For example, under the current legislation, the agency determines a monopoly based on a company’s share of the market: if it believes a company owns over 40 percent of the market, the company is liable for fines and further regulations.

Pertaia noted, however, that the law is unclear about how the agency determines a company’s market share.

“If the agency says ‘You have more than 40%’ for example but I say ‘no, I have only 25%’, how can I argue through the court? ...Abroad they have much better statistics and market research company data. At the end of year, all companies report their financial data ... Here businesses are scared by past experience with the tax service and with the investigation service; they perceive this agency as a new controlling body. It is not good to approve a law in this context,” he said.

“Businesses need to see the entire picture beforehand to feel safe...Now [the business community] does not know what to expect.”



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Tbilisi Real Estate Primed for Comeback

Before the crisis, real estate was one of Georgia's fastest growing sectors: housing costs increased more than 400 percent between the years of 2003 and 2007. The end of the building boom took the bottom out of the market in 2008. Today, however, the sector is showing signs of a comeback.



Drawing courtesy of Axis

MAIA EDILASHVILI

Three years after it crashed, Tbilisi's building sector is warming up. Despite the scores of

half-constructed carcasses of planned apartment complexes and building centers, there are tepid signs of life in the capital's real estate sector.

The numbers are strong and growing:

for instance, the number of construction permits granted over the first nine months of 2011 in Tbilisi – 3895 – is nearly three times as high as the number of permits in 2009.

In addition, the Financial Stability Report 2011, prepared by the National Bank of Georgia (NBG), states that in 2010, the volume of completed residential buildings increased by 52 % compared to 2008, while the volume of newly launched construction declined by 70 %.

The sector is also showing signs of strength in the country's GDP: construction was up at 7.3% of GDP in the third quarter of 2011, marking a turnaround from its negative growth just two years ago.

The biggest push for real estate has been through the banks, noted local developers.

In 2008, the capital's building bubble burst after the war and the global financial crisis caused banks to cut of f



Drawing courtesy of Axis

financing. Since both developers and buyers depended on loans to lubricate sales, the end of lending sent the market into a tailspin.

Giorgi Kapanadze, the director of Axis, a large developer in Georgia, noted that banks were “skeptical” about giving loans in 2009. The boom-era had bolstered sales of “apartments in the air” – the practice of selling apartments before the building was completed. While pre-construction sales were a bonanza for developers during the height of the bubble, once the market crashed, banks were left with half-completed buildings and outstanding mortgage loans on their books. Today, however, Kapanadze stressed, developers are focused on completing projects – not just starting new ones. He said that, prior to the 2008 crisis, all of their sales were for buildings that had not been finished. Now the demand has changed: clients and banks expect completed projects.

“In 2011, banks started to give loans again,” Kapanadze said, noting that Axis has resumed construction on all its pre-crisis projects and expects to have them finished by 2013. “We have succeeded in finishing our head office and shopping center on Kazbegi Avenue. In all these areas the demand outweighs the supply [so the market is good].”

George Kananshvili, Managing Partner and CEO of Dexus Management Company, which now owns Center Point – one of the hardest hit developers, confirms that home sales are good if they are completed or close to completion. He notes that during the high season (September-October) an average of two apartments were sold every day.

When Dexus took over Center Point in September 2010, there were 55 unfinished buildings throughout Georgia and 6,200 disappointed homebuyers.

“On some buildings grass was already growing,” Kananashvili noted. Now he says that, thanks to “good management,” they have already finished eight buildings and resumed construction on an additional 15.

While not every customer is happy, Dexus is in on-going negotiations with those who have not received their homes yet; the company has pledged to give money back to anyone who is not happy with the new terms for their contracts.

“1,750 households have already received homes and 1,200 more will get housing within the next several months,” says Kananashvili, adding that the company plans to spend 95 million lari over the next two years, and plans to satisfy housing claims by all remaining Center Point customers by 2013.

Forecasts for higher demand for living space

The nascent growth trend should get stronger as demand for housing increases, according to the Georgian National Investment Agency (GNIA), which published a real estate ‘snap shot,’ based on 2010 figures.

The GNIA report estimates that Tbilisi has the lowest average living space per capita in Eastern Europe: according to their calculations, Tbilisi has just 16 square meters of living space per person – compared with 24 square meters in the ten European states that joined the EU, and 36 square meters in Western European capitals.

Dexus’s Kananashvili anticipates that demand, and price, will continue to grow especially at the top end of the market. But, he noted, the nature of buyers will change as people move from investing in real estate as a business to purchasing apartments for their own use.

“Previously, two thirds of the apartments that were purchased were purchased for investment purposes,” he said.

“Now the buyers are final customers, which has made them more demanding in details like the size and brand of the elevator, exterior, facade and surroundings.”

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Walking on Gold

New reforms in Georgia's mining legislation could help open the country to investment from gold exploration companies who believe there could be bullion buried beneath our feet.

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A Soviet-era mining code could be preventing Georgia from cashing in on its gold. Concerns about fees and the licensing process, which depends on auction, have complicated the sector, say mining professionals.

While the government is in the process of reforming the law, however, in-

vestors like Tim Coughlin, the president and CEO of Lydian International, believe Georgia is at risk of losing potential investment to neighboring countries.

Coughlin followed an 'arc' of volcanic ash—a geological sign of possible gold deposits—from Turkey into Armenia and Georgia. While he already struck gold in Armenia, the convoluted process of navigating Georgian mining laws has taken a lot longer.

It took just one year for Lydian to go from exploration to hitting gold in

Armenia: it entered the market in 2005 and discovered a vein of gold, a reported 2.5 million ounces (worth USD 4 billion at today's prices) just one year later.

In Georgia, however, the first team came in 2010 but it took an entire year to obtain licenses for the site they discovered in Adjara, a southern region of the country that borders the Black Sea.

"I've spent my career in just about every country in South America, worked in Eastern Europe, Turkey, Russia, Armenia, Africa—now in Georgia. The

Georgian mining law has got to be pretty close to the bottom of the list,” Coughlin said in a phone interview from London.

Giorgi Tatishvili, deputy head of the Agency of Natural Resources at the Ministry of Energy and Natural Resources, agrees that reform is needed.

Tatishvili inherited the mining law, along with the forests and other natural resources, when the portfolio was shifted from the Ministry of Environment to the energy ministry in March 2011.

While Tatishvili said it is too early to specify what changes would be addressed by the reformed code, he stressed that the agency is serious about exploring Georgia’s potential to attract gold mining companies. Research is already under way into codes from a variety of countries with strong mining sectors, including South Africa, Canada and legislation in Colorado and Wyoming, he said.

Concerns about the law, and its effect on Georgia’s ability to develop its mining sector, have prompted the World Bank and the European Bank of Reconstruction and Development (EBRD) to work with the government to improve it.

EBRD is also an investor in Iyidian International’s exploration projects in the region.

“There is nothing wrong or dubious [about the law] – it is just inadequate. But in the case of the Georgian government which is looking for foreign direct investment, in such a potentially promising sector inadequacy must be urgently dealt with,” insisted Paul-Henri Forestier, the EBRD director of the Caucasus, Moldova, and Belarus.

A top concern is the character of the licenses, since they combine exploration with extraction – two very different processes, which, in other countries, are licensed separately. By combining the processes, exploration costs are much higher in Georgia than in other countries. For instance, one hectare of land costs 500 lari (approximately \$300) a steep investment when it is unclear if the land holds viable deposits or not.

Major mining countries like Australia charge a fraction of that, said Professor Alexander Tvalchrelidze, deputy general director of Georgian Minerals, Ltd. He noted that even the United States, considered one of the most expensive in the sector, charges just \$20 per hectare.

In practice, that makes it too expensive to explore for new gold deposit sites, he said.

Other issues include how the license cost is calculated, and the lack of any guarantee that companies which find gold will win the right to explore and extract the site: since the Georgian government issues licenses through an auction, the company that discovered the stake has no guarantee that it will receive ►►

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► the right to develop it.

Mining countries like Chile have moved away from the auction process in mining sectors like gold because the act of calling for an auction for extraction rights undermines the confidentiality of a new find.

A major hurdle is the auction process itself, remarked Tvalchrelidze, the deputy general director of Georgian Minerals, Ltd.

“It is the hugest obstacle because ...no one will invest in exploration if they have no guarantee that they will ultimately acquire the license,” Tvalchrelidze said, noting this issue has hurt the sector’s development in Georgia.

“That is why only little dots are licensed now and nobody is performing huge, country wide exploration.”

These types of “inadequacies” in the law cause unnecessary uncertainties for investors, said Forestier.

“The resources are in the ground. No one can challenge that. The only issue is how you are going to convince people to come and extract them,” he said.

“Armenia’s code, which was actu-

ally approved very recently, appears to be more ...adapted to what business is looking for. It is not a question of being more generous, it is a question of knowing exactly what you get for what. In the extraction industry, whether it is mining or oil or gas, you basically have two phases; one is exploration where you are taking a huge risk, and the other is development, where you are making a huge investment.”

Coughlin believes that many other potential investors have walked away.

“There are plenty of people who have looked at Georgia,” he said. “In Turkey there are copper ore deposits which extend right into Georgia... [but] the mining law just doesn’t work for exploration. It has closed the door for a lot of people.”

Other issues with the law include a formula that allows the government to reassess the cost of a mining license if a serious find is discovered.

Forestier explained that potential investors are looking for stable conditions when they invest in exploration, a risky and expensive enterprise that may leave

the company with nothing.

“If the odds of hitting a commercially viable deposit are one in ten, then you want to make sure that your investment in achieving this is commensurate with the expected find,” he said.

Tatishvili noted, however, that despite issues with the mining law interest in Georgia’s potential gold deposits has been high.

During the last four months of 2011, the agency issued licenses worth a total of over 100 million lari. Two more auctions have already been planned for 2012, one for a small plot in Racha and another for a large plot in Kakheti.

“We have some prospective areas, but without exploration work, without drilling, without some analysis it is difficult to say now about the prospects for the industry,” he said, noting that the government will have a “clearer picture” of possible deposits once new license holders’ submit their reports.

“We are just now in the process... [of] working with experts; World Bank experts; EBRD experts. Let’s see [what happens].” ■



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Tbilisi: The future Shopping Mecca of the Caucasus

City Hall has declared that Tbilisi will become the shopping destination for the region. While the idea has merit, retailers warn high costs and limited goods are serious obstacles to the mayor's initiative.

MAIA EDILASHVILI

From Cartier on Rustaveli Avenue, to Mexx on Pekini Street and Mango on Chavchavadze Avenue, Tbilisi is a city bristling with brand names. But shopping in the capital often offers more style than substance: prices are astronomical compared to similar shops abroad, and poor selection means shoppers are limited in their choice of cuts, colors and styles.

But Tbilisi is harboring dreams of shopping grandeur. Tbilisi Mayor Gigi Ugulava is opening new malls, new shopping districts and even a new shopping festival to bolster the city's image as a one-stop destination for discerning shoppers.

"[O]ne of the key potentials for Tbilisi is turning it into the regional shopping center," Ugulava, said on December 9, as he opened the capital's first shopping festival.

By promoting the city as a shopping mecca, Tbilisi will create a new clientele for local shops and, more importantly, additional revenue.

Dea Machavariani, marketing director of Tbilisi Central, located in Vagzlis Moedani, said shopping festivals are



good for business. But in order to recreate itself as a regional shopping destination, Tbilisi needs to do more, she stressed: it needs to meet "certain" standards like increased variety and brands.

"Until the number of brands grows, [it is] too early," she told Investor.ge. "The brand number is what matters most [now]." To attract more brands, the city is working on creating more shopping space, including the newly reconstructed Aghmashenebeli Avenue. In addition, new malls are opening in the city center and suburbs, the latest being the 78,592 square meter Tbilisi Mall, opened in Dighomi last year.

Authorities also expect a further 140,000 square meters of shopping center space to be built over the next two or three years, adding to the current stock which ranges between 85,000 and 95,000 square meters – low by European standards.

City Hall is now promoting the new shopping district on Aghmashenebeli Avenue, an anticipated competitor for Pekini Street and Chavchavadze Avenue – the city's current shopping districts.

But the focus on creating new shopping space should not threaten Tbilisi's existing shopping districts, noted Arisi

Bochoidze, head of the Tbilisi City Hall's Architecture Service.

Bochoidze commented that city officials are not planning to create a single shopping district; they want to create a shopping city. He pledged that opportunities will be equal for new stores, malls and parking spots – all urgently needed if the retail shopping industry is going to develop in Tbilisi.

"[W]e do not think that any particular neighborhood should develop [specifically] as a shopping area," Bochoidze said. "Tbilisi is a big city and development is planned for all areas."

Lela Sinjikashvili, head accountant for Accessorize shops in Tbilisi, agreed that the city's plans will bolster the retail industry in the capital if they can bring in foreign shoppers.

"Pekini Street has been considered as Tbilisi's number one shopping street for 10 years already, while Chavchavadze and Rustaveli Avenues have been considered [shopping districts] for five years," she said, adding Aghmashenebeli Street will become another shopping district soon.

"If the number of foreign visitors grows, all these streets will take on a new function as shopping destinations."

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New Trade Deals to Bolster Exports and Ties

Georgia is moving closer to a trade deal with the United States after President Barack Obama spoke of a potential agreement during his January meeting with President Mikheil Saakashvili. In addition to future negotiations with Washington, the Georgian government is slated to start talks with the European Union on the Deep Comprehensive Free Trade Agreement.

Sophie Panjikidze, Zakaria Shvelidze, Aleksandre Bluashvili and the AmCham staff analyze how potential trade deals with the US and the EU could help improve Georgia's laws while bolstering the country's economic and diplomatic ties to the West.



On January 30, Presidents Barack Obama and Mikheil Saakashvili discussed the prospects of deepening trade relations, including a possible Georgia-America free trade area. While the details of the deal have yet to be worked

out, a free trade agreement could be a significant boost for Georgian development. Georgia exported \$143 million to the United States in 2011. Georgia's main exports include manganese, fruit juice and mineral water. In addition, a

free trade agreement would put Georgia on the short list of countries the United States has singled out for special trade relations; currently there are just 11 countries with free trade agreements with the US, according to the International



Trade Association. The United States is also by far the largest economy in the world. The second biggest country, China, is only 1/3 the size. As a result, close trade relations with the United States have significantly helped many

developing countries to grow, including Asian 'tigers' like Japan, South Korea and Taiwan. "A free trade agreement is not just about the movement of goods and services," noted AmCham Georgia's Executive Director George Welton.

"America's willingness to enter into negotiations with Georgia on this subject is a re-statement of the strength of the relationship between the two countries and the confidence that the United States has in Georgia's future."



Government Proposes Amendments to “Refine” Labor Laws

On January 24th 2012, senior members of the Georgian government testified to the US Trade Representative on the subject of the Georgian labor code. This testimony was a defense of the code against criticisms offered by the large US labor union, the AFL-CIO.

However, the government also offered some suggested amendments to the code that may help to bring Georgia more in line with international standards and set a positive tone for the upcoming DCFTA discussions.

AMCHAM STAFF

In September 2010, the AFL-CIO, a large US Labor Union, lodged a petition to the Federal Government

suggesting that Georgia was failing to live up to its labor protection commitments.

If the petition is upheld, the consequences could be severe. Since 2001,

Georgia has enjoyed a General System of Preferences (GSP) agreement with the United States. Under this program, Georgia has preferential duty free access to US markets for 4,800 different products.

However, as part of this system, Georgia is committed to uphold worker rights and if it is judged to be in breach of this commitment, GSP access to US markets could be withdrawn.

“It is unlikely that the US Government will withdraw GSP. That would be a very big step and does not happen very often,” George Welton, executive director of AmCham, said. “But all sides in Georgia need to take this issue seriously nevertheless.”

Defense of the Labor Code

In its response, the government of Georgia denied the charges, noting that

workers earn more and enjoy more independence in dealing with the management under the current labor code than they ever had in Georgia before.

“The reformed labor markets facilitated economic restructuring, promoted productivity, increased competitiveness, and cushioned the economy against supply and demand shocks,” officials noted in the response.

“Nominal earnings in all sectors rose on average by 375 percent (2003-2010) while the consumer price index rose only by 63 percent, resulting in a large increase in real earnings. In eight sectors, nominal earnings rose by more than 400 percent, and in five of those sectors, by more than 500 percent.”

The government also pointed out that, according to the ILO, the proportion of Georgia’s that is unionized work-force is higher than that of most EU countries and the United States, and more than a quarter of its population submit to collective bargaining.

In addition to the government’s response, over a dozen local and foreign economists, business organizations, think tanks and non-government organizations, offered a defense of the Georgian Labor Code. These organizations included the American Chamber of Commerce of Georgia, The Heritage Foundation, and The Georgian Employers Association.

The American Chamber of Commerce argued that Georgia’s current code needs to be seen as a massive improvement from the one that preceded it and that any remaining problems result from the implementation of the labor law, rather than the law itself.

As AmChams representation explained, “the appropriate response to those concerns [with the labor code] is not to withdraw GSP, but for the US Government, along with partners like

the American Chamber of Commerce in Georgia, to continue working with the government to resolve these implementation issues’.

Zurab Japaridze, the director of the Institute for Strategy and Development, also wrote in favor of the labor code. He stressed that the current labor code is one of the country’s “major” reforms, and it allows businesses – and employees – the flexibility and independence to negotiate without government interference.

“The employee has the right to demand anything he wants to be put in the contract and the employer also has the right to put anything he decides is appropriate in the contract. And if they agree, and this agreement is voluntary, then, for me, it is just.”

The Georgian Government Offers a Way Forward

The government’s response did not simply offer a defense of the code. In a section of its representation entitled ‘The Way Forward,’ they also accept a range of areas where the government could see areas for improvement.

The intention of these developments, the government response says, is to ‘further develop and refine the labor laws of Georgia so that they are in line with the international labor standards’.

The concessions they offer are intended to offer even greater clarity and practical protections for those who want to collectively organize, bargain or strike. It also offers greater clarity on Georgia’s code in order to offer greater protections to children.

Proposals to effectively “develop” collective bargaining include plans to “ensure a clear and better articulated prohibition of discrimination based on trade union membership during pre-

contractual as well as contractual labor negotiations.”

Amendments to “provide effective and dissuasive sanctions against acts of interference into trade union activities” are also briefly outlined.

Other possible changes include changes to the laws concerning strikes to “streamline” workers’ rights to participate in protests or sympathy strikes; There are also plans to “further ensure acceptable conditions at work” by clarifying the provision on employer’s rights to make “insubstantial” changes to the work contract.

While it is too soon to know whether the response will prove effective in protecting Georgia’s GSP status, it has been viewed positively at home and abroad.

Paata Beltadze, head of staff at the Georgian Trade Union Confederation (GTUC), said the GTUC was not part of the AFL-CIO’s petition, and is not in favor of Georgia losing GSP status.

The government’s proposals, Beltadze noted, might be a positive step toward improving the situation if they lead to more discussions on better labor relations. “I assure you that, once there is a genuine political willingness and a structured dialogue between the parties with different positions [but with one aim: to find common interest and to build around their positions in a compromise, then it can happen,” he said.

Welton, from AmCham, says that the government’s response has been extremely well received. ‘In their response, the government demonstrated a willingness to be engaged, flexible and serious on a core issue. This should be seen as an extremely positive sign as Georgia moves into a wide range of international negotiations, from the DCFTA to the US Free Trade Discussions’.



Flexibility in the Labor Code: a positive sign for European integration?

As Georgia takes a historic journey back to its European routes, with the recently launched Deep and Comprehensive Free Trade Area (DCFTA) negotiations, a lot of emphasis is naturally being put on approximation of its standards and practices with those prevailing in the European Union.

While the country has already succeeded in a number of important areas and fast reforms are still underway, criticism is often heard that more progress is needed in harmonizing Georgia's labor law with its international commitments. This article will consider the way recent developments in this area might be seen within the context of increasingly close ties with Europe.

SOPHIE PANJIKIDZE AND
ZAKARIA SHVELIDZE

Labor Discrimination – Pre-Contractual Relationship

If discrimination in the hiring process is to be avoided, then the sanctions against labor discrimination need to apply to the pre-contractual period. This is one area where the Georgian labor law has been considered weak. However, recent announcements by the Georgian Government suggest that this will soon change.

Unsurprisingly, prior to the reformation of labor law in 2006, the pre-existing soviet-era labor legislation did not contain any regulation on discrimination at all, so this was a central novelty of Georgia's new Labor Code. Arguably, however, a number of important aspects

have yet to be brought in line with European standards.

The general ban on discrimination, which is found in Article 2.3 of the Labor Code, provides that it applies only to "labor relationship" i.e. from the moment of conclusion of the respective employment contract. This means that any pre-contractual relations fall outside the scope of the application of Article 2.3. This is problematic as the pre-contractual stage is when the risk of labor discrimination is particularly high.

Arguably, this legislative gap is bridged by Article 1.1 of the Labor Code, providing that "the present Code regulates labor and associated relations on the territory of Georgia". However, whether "associated relations" cover the recruitment/selection process would be subject to a court's interpretation in each

individual case, and therefore would not guarantee uniform interpretation and application in all cases.

The problem in question was scrutinized by the International Labor Organization (ILO), where the ILO Committee notes that:

...taking into account the Government's statements that the legislation is meant to cover all forms of discrimination in employment and occupation, including discrimination in respect of recruitment and selection, the Committee strongly recommends that the existing non-discrimination provisions of the Labor Code be amended to clarify that the prohibition of discrimination also applies to recruitment and selection.

Interestingly, while these issues remain outstanding, the government of Georgia has recently signaled its preparedness to consider this issue, at least in specific instances, in their representation to the US Trade Representative. The AFL-CIO, an American labor union, had pointed out, as part of a representation to the US Government that union membership protections in

If discrimination in the hiring process is to be avoided, then the sanctions against labor discrimination need to apply to the pre-contractual period. This is one area where the Georgian labor law has been considered weak. However, recent announcements by the Georgian Government suggest that this will soon change.

the Georgian labor code did not clearly apply to the pre-contractual period. In response, the Georgian Government has said that they will:

Ensure a clear and better-articulated prohibition of discrimination based on trade union membership during pre-contractual as well as contractual labor negotiations.

This is clearly a positive step in relation to trade-union protections, but may

signal a broader acknowledgement of the importance of pre-contractual rights.

Labor Discrimination - Burden of Proof

Another significant shortcoming, that some have suggested in the context of labor discrimination, is that the burden of proof rests with the employee/claimant who has to prove the fact of discrimination from the side of the employer/respondent. In this regard, the Georgian courts normally follow the default rule of the Georgian civil procedure, whereby the claimant is required to prove the facts on which the claim is based.

Conversely, in both the EU and the US, the burden of proof is specifically shifted towards the employer, and it is for the employer/respondent to prove that there has been no breach of the fundamental principle of equal treatment in the employment context. This contrast also helps explain why Georgian case law is so uniquely homogeneous - in the negative sense that not a single case can be quoted where existence of labor discrimination was successfully proved. ►►



- The routine finding in all cases is that the plaintiff failed to prove the existence of discrimination.

Despite the above grim picture, optimism can be drawn from a recent decision by the Georgian Supreme Court where it reads that, in cases related to dismissal...the employer bears the burden of proof. Namely, where the employee argues that termination of employment was a discriminative action, the employer shall prove the legitimacy of his will on dismissal and the existence of nondiscriminatory grounds for termination.

In essence, this seems to accept that in certain cases the burden of proof should be reversed, and therefore, suggests that Georgian law may be naturally aligning itself with European standards.

Regulation of Working Time

According to Article 14.1 of the Labor Code, the regular weekly working hours of an employee (excluding breaks and rest time) are up to 41 hours a week. The problem is that the parties remain free to agree a different number of hours

Another significant shortcoming, that some have suggested in the context of labor discrimination, is that the burden of proof rests with the employee/claimant who has to prove the fact of discrimination from the side of the employer/respondent. In this regard, the Georgian courts normally follow the default rule of the Georgian civil procedure, whereby the claimant is required to prove the facts on which the claim is based.

as a matter of their employment contract.

That the maximum weekly working time is, in practice, so flexible is inconsistent with the EU's working time Directive which sets 48 hours as the limit for a legal working week. This is problematic because, in 2005, Georgia ratified certain articles of the European Social Charter and therefore undertook to harmonize its

domestic legislation with the provisions of the Charter, while the EU's assessment of these provisions has suggested that Georgia is currently in conflict with it.

Similar to the situation with working time, the conditions of overtime labor are left entirely to the agreement of the parties to the employment contract, according to Article 17 of the Labor Code. Thus, the Labor Code does not provide any imperative regulation as regards remuneration for overtime work or its maximum duration. These important conditions are subject to party agreement and, consequently, the employer is obligated to remunerate overtime work only where the employment contract contains a specific clause.

According to Article 4.2 of the European Social Charter, with a view to ensuring the effective exercise of the right to a fair remuneration, the Parties undertake to recognize the right of workers to an increased rate of remuneration for overtime work.

In the ECSR's 2010 Report, they conclude that "the situation in Georgia





is not in conformity with Article 4.2 of the Revised Charter on the grounds that: (i) the Labor Code permits employers and workers to agree on overtime hours without limitations; (ii) the Labor Code does not guarantee workers the right to an increased remuneration or a longer rest period in compensation for overtime work”.

Interestingly, while this does seem to be in conflict with the European Social Charter, the EU as a whole may be in a process of revising its position on this issue, as the EU, faced with financial crisis starts to dismantle some of its less affordable social protections.

Termination of Employment

By virtue of Article 38.3 of the Labor Code, if employment is terminated at the initiative of the employer, an employee is entitled to a severance pay equivalent to at least one month's salary. Subject to this modest severance pay, the Labor Code empowers the employer to terminate the employment contract without notice for any reason or for no reason.

The Labor Code grants the employer

the unrestricted right to terminate employment at its absolute discretion without giving any explanation or advance notification to the employee. Such one-sided and freewill termination of the employment relationship is justified by the liberal views of labor relations taken by the Georgian Government.

However, court practice is not yet finally settled on how to interpret these norms, as demonstrated by a number of conflicting judgments rendered by the Georgian courts in various instances, where immediate dismissal of the employee in the absence of any reasoning and advance notice is sometimes justified, and sometimes challenged and ruled unlawful.

Unsurprisingly, ECSR declared in its 2010 Conclusions that “the situation in Georgia is not in conformity with Article 4.4 of the Revised Charter because the Labor Code does not specify any period of notice for termination of employment”. ECSR has asked Georgia to provide information with a view to ascertaining that the only exception that exists in law and practice is the immedi-

ate dismissal for serious offences.

These clarifications have not, as yet, been forthcoming. However, what is increasingly clear is that the Georgian Labor Code is open to more Europe-friendly interpretation than has often been thought.

Furthermore, the Georgian Government, in its discussion with the USTRade Representative has shown a degree of flexibility which suggests that pragmatism may ultimately trump its fire-brand libertarian reputation. As a result, the negotiations on labor issues in the upcoming DCFTA negotiations may be easier than many people expect.

Sophie Panjikidze and Zakaria Shvelidze are Senior Associates with Gvinadze & Partners, a leading Georgian business law firm.



The Cost of Trade: An analysis at the Deep and Comprehensive Free Trade Area

Brussels and Tbilisi will start negotiating a Deep and Comprehensive Free Trade Agreement (DCFTA) in March. One major challenge for Georgia is ensuring the benefits of the deal will be worth the cost of the new regulations that Georgia will have to implement as part of the agreement.

Aleksandre Bluashvili

Seeking a golden balance

Meeting certain preconditions for Georgia to sign DCFTA could be costly. Since only Ukraine has agreed with the EU on a DCFTA deal (NB: it is not yet signed!), however, it is hard to anticipate the exact format of a potential agreement with Georgia.

Based on the priorities set during the preliminary talks, Georgia has to improve several major areas of state regulation including food safety and sanitation, standards, labor regulations, and intellectual property rights.

The Georgian government has already taken steps to bring its labor code into compliance with International Labor Organization (ILO) standards. The main concerns, including protecting workers from discrimination, are already under discussion; amendments that the government proposed under its discussions with the US Trade Representative this month [see page 24]. Additional issues

like equal pay and holiday pay have been flagged by the ILO [see page 26]. Comment: we would be much more cautious in the so-called “steps undertaken”.

For small and medium businesses, however, one of the most painful requirements could be the reforms to strengthen food safety regulations. In Poland, for example, the number of slaughter houses declined by 50 percent from 2.6 thousand in 1999 to 1.2 thousand in 2006.

Tamar Kovziridze, the chief advisor to Prime Minister Nika Gilauri and the head of the advisory council on foreign relations at the Prime Minister’s Office, said it is “essential” to find a balanced approach that will benefit all sides.

“It is essential for us to, on the one hand, ensure compliance with the EU requirements and on the other hand the make sure that the new regulation is introduced in such a way that Georgian businesses benefit rather than have difficulties in coping with it,” she said.

“European regulation allows for certain flexibilities in this respect. We will continue to have intensive consultations with the business community throughout the negotiation period.”

Konstantine Zaldanishvili, the secretary general of the EU-Georgia Business Council, agreed the process “is not going to be easy” for businesses.

He stressed that a continual dialogue between businesses and the government during the negotiation process will be important.

“The government of Georgia must guarantee the active involvement of the Georgian business sector in the negotiations process,” he said in an email interview. “[B]usinesses must be fully

informed in order to get ready for new regulations and provide recommendations for parties.”

Kovziridze met with AmCham members in January to discuss the talks.

Currently EUGBC and its partners are creating a working group to actively cooperate with both the Georgian government and the EU during the negotiation process. In addition, the working group will enhance business involvement in the process and generate recommendations on problematic issues.

Virginie Cossoul, the EU Trade Officer at the EU Delegation to Georgia, noted that integration into the EU market will “imply short-term costs but that it will bring long-term benefits.”

She also recalled that Brussels does not demand that a country meet all the standards immediately.

“Implementation of the requirement indeed involves short term costs for Georgian SME-s although we speak about gradual economic integration in order for the process to be bearable for businesses. The negotiation process is not a short process (in the case of the Ukraine it took four years), but we expect it to be faster in the case of Georgia,” she said.

“Besides, the EU provides support for Georgian institutions. The overall assistance to Georgia represents approximately 40-60 million Euro per year and will contribute to helping Georgia in implementing the reforms. Different training programs are organized by experts from the EU to share the experiences with their Georgian colleagues. Additionally the EU is technically supporting various Georgian agencies such

as the National Safety agency, GEOSTM.”

After 18 months of pre-negotiations with the EU, there are indications that Georgia is already having some success meeting its requirements. The 2010 EU Country Report noted that Georgia is improving across the board although issues remain on how the legislative reforms are enforced.

Cossoul noted that it is important to think about the long term benefits when calculating short term costs. “What is at stake is not simply the increase of trade flows between the EU and Georgia, but market development, consumer protection and product quality... Importantly, EU trade related regulatory standards are used by many other countries in the world... so compliance with those standards will help not only trade with the EU but with other significant partners of Georgia.”

A boost to trade

Currently less than half of Georgian export to European Union (EU) enjoys preferential trade conditions, i.e. no tariffs, or reduced duty fees. Any deal that provides additional preferences with the EU should create substantial economic gains for both sides.

These benefits build on the preferences that Georgian currently receives under the EU’s General System of Preferences Plus (GSP+).

In its essence, the agreement would address barriers to trade and ensure across the border regulation compliance, facilitating free movement for goods and capital between the EU and Georgia.

Reducing these barriers, noted Cossoul, will increase the number and quality of goods available to Georgian consumers. It will also “encourage specialization [in the Georgian market], thereby lowering the costs and generating innovation.”

EU-Georgia Business Council’s Zaldastanishvili stressed that Georgian producers will benefit more under the DCFTA because it addresses border regulations, not just tariffs.

“[The GSP+ program] did not result in a substantial increase of Georgian exports to the EU. This is because GSP+ removes only tariff barriers, the while main impediment to trade is beyond the border regulations like standards, sanitary and phytosanitary requirements, etc,” he said.

“After Georgia shares a free trade area with the EU, we will have new EU rules of business in the country and, consequently the European market will open up for Georgian producers.”

While the agreement falls short of completely opening the EU’s agricultural market to Georgian exports, analysts anticipate the DCFTA could increase trade between the EU and Georgia by 13.5 percent over the next five years.

Cossoul said that DCFTA is ambitious and aims to substantially cover all trade, which is to say to liberalize around 95% of products.

“I think that Georgian agriculture has huge potential, especially organic agricultural production and Georgian wine. The textile industry could also grow significantly,” she said.

“However, it is hard to focus on one particular sector, as, by raising the quality of Georgian production and attracting investments, all sectors of the economy should benefit from this agreement and become more competitive.”

Research by the Center for Social and Economic Research (CASE) indicated that specific sectors, including textile production, metallurgy, wood production and plastic goods production could grow the 19-55 percent due to the deal.

The agreement has the potential, according to Cossoul, to “create a favorable business climate and attract investors, thanks to its positive impact on eliminating or streamlining complicated, unpredictable and often poorly implemented business regulations.”

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NABUCCO - Pilot flame flickers on gas pipeline project

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The consortium behind one of Europe's most ambitious infrastructure projects - the Nabucco gas pipeline - is considering ways of scaling back the venture after recent moves carried out by Turkey and Azerbaijan raised questions about its viability.

The reassessment of the project comes as a BP-led consortium prepares to choose a transport route to bring gas from Azerbaijan to European markets,

with Nabucco as one of the candidates.

Named after the Verdi opera, Nabucco was first mooted 10 years ago as a means of reducing the European Union's dependence on Russian energy imports by bringing gas from the Caspian Basin into the heart of Europe via a new southern corridor.

But its €8bn price tag is high and its investors, which include Austria's OMV and German utility RWE, have so far failed to sign any supply contracts. Some critics wonder if they will ever have enough gas to fill the pipeline.

"You can't build a business plan based on wishful thinking," says Elio Ruggeri, chief executive of a rival project - the Interconnector-Turkey-Greece-Italy (ITGI). "Lenders want to see a contract where the Azerbaijanis, Iraqis and Turkmen commit to supply gas."

Nabucco's fate is wrapped up in a big gas field in Azerbaijan's sector of the Caspian Sea called Shah Deniz. A

consortium of oil producers that includes BP, Statoil, Total and the Azeri state energy company SOCAR is spending up to \$22bn to develop the second phase of the field, which will produce 16bn cubic metres of gas a year from 2017.

Some 6bcm a year of that will go to Turkey and the rest will go to Europe. Nabucco would have initial overcapacity of 31bcm.

Last year, the Shah Deniz partners launched a tendering process to select a transport option for moving their gas to Europe. Three pipeline projects submitted their final tariff offers - Nabucco, ITGI and the Trans-Adriatic Pipeline (TAP). BP and its partners were supposed to choose a winner by the end of 2011, but the decision was put off until the first quarter of this year.

In recent months, the outcome of the tender has become more unpredictable. Late last year, Turkey and Azerbaijan injected a new variable into the equation by launching the Trans-Anatolian gas pipeline project (Tanap), which would run from Turkey's eastern border with Azerbaijan to its western border with Bulgaria - in effect copying the Turkish section of Nabucco.

Tanap, which is backed by the US, would be able to take volumes from Shah Deniz 2 and could be expanded to take additional Azeri production in the future.

BP has also put forward its own solution - the South-East Europe Pipeline - which would start in western Turkey and cross Bulgaria and Romania to reach Hungary's eastern frontier.

Meanwhile, Nabucco's shareholders insist that they are still in with a chance. "We think Nabucco is realistic," says Stefan Judisch, chief executive of RWE Supply and Trading, the utility's pipeline arm. "The mere fact that we've not had a decision in favour of any other pipeline shows this." He says Nabucco offers "the

best basis for a compromise, one which could bring all interests under one hat".

Mr Judisch insists that RWE has no intention of withdrawing from Nabucco but acknowledges that the announcement on Tanap has "created a new situation".

A person close to the Nabucco consortium says that the partners could pitch a slimmed-down version of the pipeline, provisionally called "Nabucco West", which would form an extension to Tanap and would cost 60 per cent less than the full project.

That would suit RWE, which is burdened by the cost of Germany's exit from nuclear power and has been divesting assets to reduce its debt and protect its credit ratings.

The company has hinted as much. Mr Judisch has said that RWE appreciates the opportunity that Tanap creates to "substantially lower our capital commitment".

However, many analysts think that the Shah Deniz partners could ultimately eschew Nabucco altogether and instead choose a combination of Tanap and ITGI, TAP or the BP South-East Europe Pipeline.

TAP, backed by Norway's Statoil, Germany's Eon Ruhrgas and Switzerland's EGL, says that its advantage is that its capacity can be expanded to take in more gas from other sources as and when it becomes available.

"TAP would allow Azerbaijan to transport all of Shah Deniz phase 2 gas to market, but can also be scaled up to allow for additional volumes from Azerbaijan, or Iraq and Turkmenistan in the future," says Michael Hoffmann, the head of external affairs at TAP. "And it can do that more economically than Nabucco."

ITGI, backed by Edison of Italy and the Greek gas company DESFA, also thinks its smaller scale is a selling point. "Between now and 2020, Europe

doesn't need that much additional gas, so a medium-sized project that serves southern Europe and the Balkans is a good pitch," says Mr Ruggeri.

If the Nabucco project is rejected, it could deal a hefty blow to the European Union's energy plans according to analysts, writes Guy Chazan.

The EU originally backed Nabucco because it proposed a "superhighway" to deliver large volumes of gas from Azerbaijan, the wider Caspian region and the Middle East, including Turkmenistan and Iraq. If the Shah Deniz consortium opts for a small-scale pipeline, that could close off the more ambitious option.

Günther Oettinger, the EU's energy commissioner, has stressed that whichever pipeline is chosen, there must be mechanisms to allow gas from Turkmenistan to enter Europe. Nabucco's rivals - ITGI and TAP - insist they can be "scaled up" to take in extra volumes from Turkmenistan and elsewhere.

But some analysts say only Nabucco is large enough to handle the vast quantities of Caspian and Middle Eastern gas.

There are also concerns that choosing an option other than Nabucco or the BP South-East Europe Pipeline could undermine the EU's priority of finding new sources of gas for the Balkans and eastern Europe - the area worst affected by the Russia-Ukraine dispute in 2009 that led to interruptions of Russian gas supply in the middle of winter.

In a report Wood Mackenzie, the oil consultancy, says Nabucco offers the potential to redraw the energy landscape of south-east Europe. "The reality is that if a large capacity Nabucco-type pipeline does not proceed, then European security of supply will be the loser," the analysis says.

*Additional reporting by Joshua Chaffin
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Emerging market currencies off to flying start



ALICE ROSS AND STEFAN WAGSTYL
IN LONDON

Emerging market currencies are on track for their best start to the year since the turn of the century as risk appetite among investors improves.

The Mexican peso, Brazilian real and Indian rupee have outstripped currencies in the world's most industrialised nations to gain more than 5 per cent against the US dollar this year, bouncing back from sharp falls in recent months.

"It has been a spectacular start to the year for emerging market currencies," said Benoit Anne, currency analyst at Societe Generale.

The peso and the rupee have both risen 7 per cent this month against the dollar, while the real and the Russian rouble are up 6 per cent since the start of the year.

The 15 main emerging market currencies have each risen more than their historical average performance for the first month of the year this century. In contrast, the euro, yen and pound have risen less than 1.5 per cent against the dollar.

Emerging market equities have risen in tandem with currencies as international investors' appetite for risk rose sharply and fund managers saw buying opportunities after last year's deep price declines.

Investors poured more money into



emerging market equity and bond funds last week than at any time since April last year, committing \$4.4bn, according to EPFR Global, a data provider. The dollar-denominated MSCI emerging markets' equities index, which lost 21 per cent in 2011, is up 10.2 per cent this year.

Individual markets have done better still: crisis-hit Egypt is up 25 per cent in dollar terms, making it the top performer among emerging equity markets. It is followed by Hungary, up 21 per cent, and Turkey, up 19 per cent.

The JPMorgan EMBI+ index of emerging market hard currency bonds is up 1.2 per cent on the month. Local currency bonds have done much better, with investors profiting from the currency upswings in key markets, including Turkey, South Africa and Brazil.

However, most emerging market currencies have still not recouped last year's losses after investors withdrew from Asian and Latin American countries in the latter half of last year, when fears of a eurozone break-up intensified.

Currency analysts at investment banks have said emerging market currencies will outperform the dollar and the euro this year.

Global currency investors have been using the euro to fund emerging market positions, with the single currency rising in popularity as a so-called "carry" currency thanks to its lower interest rates.

JPMorgan has reported that many of its clients have been switching from the dollar to the euro to fund bets on the Mexican peso and the Brazilian real. Analysts at UBS have recommended clients borrow euros to invest in higher-yielding currencies, including the South African rand and the Turkish lira.

But emerging market currencies remain at risk of central bank intervention this year. Analysts say policymakers are likely to take steps to limit currency appreciation to aid exports if global growth slows, while a reversal in risk appetite could see investors withdrawing funds again.

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Russia: decline and fall

FT News, analysis and
comment from the
Financial Times

CHARLES CLOVER

When trying to explain Russia's declining population, Yuri Krupnov gives the example of the birth of his two children.

The first time his wife gave birth, in 1988, there was almost no room in the crowded maternity ward, and his wife was kept instead on a cot in the hallway. The second time, four years later, "she had the ward almost to herself. There was no one there," says the chairman of the Moscow-based Institute for Demography, Migration and Regional Development.

The end of communism in Russia and the economic chaos that engulfed the country in the 1990s, led to a sharp slide in birth rates and a surge in death rates; a "real catastrophe" in the words of Vladimir Putin, Russia's former president and now its prime minister. Indeed,

Putin devoted the bulk of his 2006 yearly address to both houses of parliament to the theme of the decline of Russia's population.

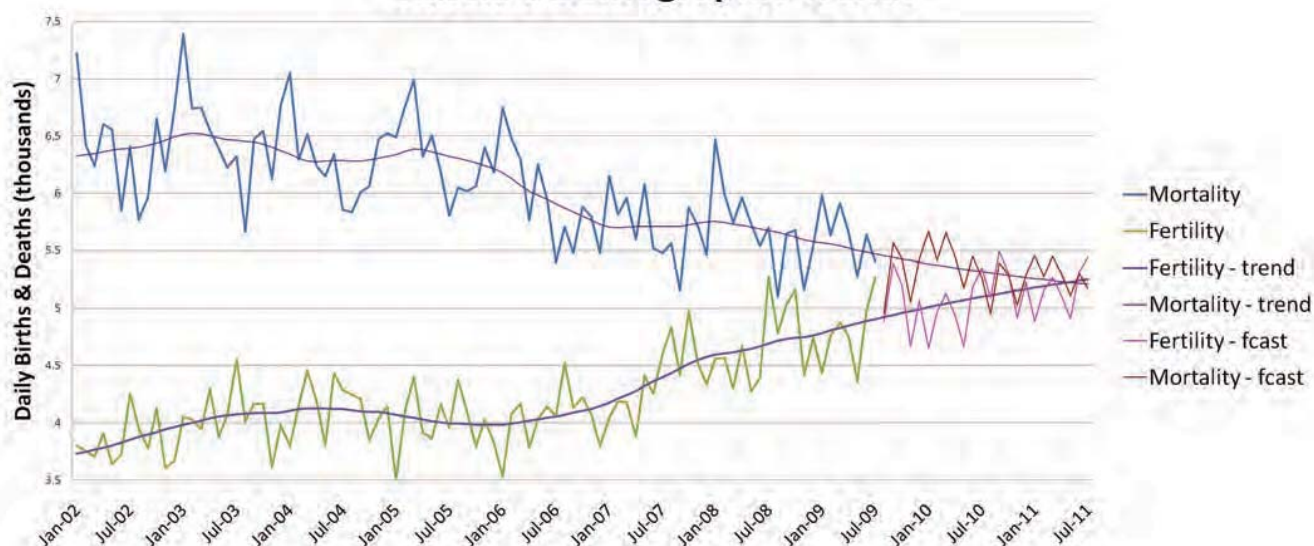
Since then, the government has announced a raft of policies designed to address this - with mixed success. The decline appeared to stabilise after the government implemented the "mother capital" reform that paid mothers roughly \$10,000 to have more than one child.

Then in 2009, Rosstat, the government statistics agency, measured a small uptick at last: the population rose by 23,000 compared with a year earlier, the first annual rise since 1992.

This statistic was, however, controversial among professionals. Igor Beloborodov, director of the Demographic Research Institute in Moscow, is one of a number of experts who believe the increase was arrived at by a statistical sleight of hand - the rules on the registration of immigrants were changed prior to the study. "They relaxed a number of criteria, and voila!, there was growth," he says.

"It was [politically] impossible that ►►

Russia's Demographic Trends



Graph by Anatoly Karlin

- so many policies could be announced and they would have no effect,” he says, “so they had to make some effect happen.”

Rosstat denied the charge, insisting its methodology was credible. Since then the population has resumed its downward trend. Figures released last month revealed that the population of the Russian Federation declined by 80,000 in the first eight months of the year, to 142.8m, and births fell from 1.27m over the same period to under 1m.

While Russia’s population began to fall in absolute terms in 1992, the seeds of the decline were planted two decades earlier. In the mid-1960s, when Stalin-era policies to promote childbirth ended, birth rates began to decline and death rates edged up.

Indeed, the birth rate today of 12.5 per 1,000 people is less than half the Stalin-era high of 26.9 in 1950. The death rate, at 14.2 per 1,000 people, is also almost double that of 1960, when the figure was 7.4.

Krupnov believes the total number of premature deaths that can be attributed to the collapse of the economic system is in the order of 10m-20m people. This compares with the figure of roughly 22m deaths in the second world war.

The problem is not just confined to Russia. Serious population decline is also affecting other eastern European countries, including Ukraine, Bulgaria and Hungary.

Most strikingly, the death rate for Russian men in the age group of 22-45 has risen sharply - to a rate that is three to five times that of western Europe. Alcohol-related accidents and disease account for a large proportion, though Krupnov says the reasons for this lie deeper. “If you suddenly plunge a knife into your heart, the cause of your death is the knife. But that is not the reason. The reason for all these deaths among males

is not alcohol - that is just a symptom.”

He blames the structure of the economy for a surge in male depression which has caused death rates to soar “There are simply fewer career paths, fewer ways for men to realise themselves, fewer chances to be a professional and gain respect and recognition,” he says.

“Today, the biggest problem we are facing is male mortality.”

Another culprit is the high abortion rate - an average of 53 abortions per 1,000 women, the highest in the world. There were 2m abortions in Russia last year. “If we cut this in half, suddenly we’d have a baby boom,” Beloborodov says.

He does not advocate banning abortions, but “lowering this figure does depend on addressing the reasons why people have abortions”, he says.

“We’ve had 70 years of communism, where the two enemies of the party were the family and the church. This has led to moral degradation. Now we have a consumer society where everything is judged by price and people judge their happiness as paramount. The level of egoism is catastrophic. People don’t want to have children because it is a sacrifice and people do not want to sacrifice,” he says.

Moscow has set a target of lifting the country’s population to 145m by 2025 (from the current level of 142.8m). Most experts, however, believe this to be unrealistic. Indeed, many believe that if the population is to grow, this can be achieved only through immigration.

Russia has already begun to take in migrants on an unprecedented scale, with both recorded and unrecorded migrants swelling the population of Moscow alone by 8m in the past decade, according to estimates.

However, immigration presents problems for stability, as demonstrated by

ethnic riots in Moscow between Russians and migrant youths in December, which were barely contained by the police.

Further migration - which is being driven by a booming Russian economy attracting labour from the comparatively poor central Asia and Caucasus regions - could lead to radical shifts in the country’s ethnic make up. This is helping to fuel tensions which just 20 years ago caused the collapse of the Soviet Union.

Beloborodov believes that taking into account illegal - that is, unregistered - migrants, Russia’s population could already be 25 per cent Muslim, well above the official figure of 14 per cent.

This could increase further in future, due to immigration from Muslim-dominated former Soviet republics. Birth rates in Russia’s mainly Muslim south are the highest in the country, with war-torn Chechnya topping the list.

More immigration could also come from overpopulated China. The entire eastern third of Russia, the vast region of Siberia, is home to fewer than 10m people, and the solution is obvious to many - more Chinese immigrants.

This is something that Russian politicians dread. Beloborodov estimates that by 2080, as many as 70 per cent of Russia’s population could be immigrants or the children of immigrants. “It will be a very different country, that’s for sure,” he says.

For Beloborodov, the danger level is if the population falls below 80m - that is the point at which Russia as a country stops being viable.

“At this level Russia becomes unstable politically. Such a vast expanse of territory needs a certain population density,” he points out. Below that level and “we could see the break up of Russia into five or six regional states,” he warns.

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GIOGIE

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2012

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Konstantin Megrelishvili, Commercial Manager, **Batumi Oil Terminal Ltd**

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- Ministry of Environment Protection of Georgia
- Senior representative from the GOGC
- **Ambassador Roland Kobia**, EU Delegation to the Republic of Azerbaijan

• **Orhan Mertoglu**, President, Turkish Geothermal Association

• **John Roberts**, Energy Security Specialist, Platts

• **Dr. Liana Jervalidze**, Independent Energy Analyst in Tbilisi & Research Fellow, Ilia State University

• **Dr. Elnur Soltanov**, Azerbaijan Diplomatic Academy

• **Murman Margvelashvili**, Director for Energy Studies, World Experience for Georgia

• **Dr Iulia Platona**, President, Pivex Platform Black Sea

• **Thomas Lubeck**, Regional Head for the Caucasus, International Finance Corporation (IFC)

Programme

Day 1

Security of supply – Southern gas corridor
AGRI LNG project
Georgia's oil and gas market

Day 2

Energy policies
Regulations and cross-border energy trading
Hydro Power in Georgia
Financing energy developments

Topical Lunch

New to the GIOGIE programme is the topical lunch, which comprises a live and interactive workshop during lunch on both days of the conference and will focus on LNG technology, Green technology and the Smart Grid.

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THE WORLD 2012

Looking for reasons to be cheerful? The list is longer than you might think



CHRIS GILES

After a second half of 2011 characterised by economic disappointments and geopolitical paralysis, it is no surprise that predictions for 2012 have become much gloomier. Such was the slowdown in the world economy that the latest economic forecasts see much weaker growth in all advanced economies in 2012 and a contraction in the eurozone.

The political front looks little better. Even as the need for international co-ordination has grown, the spirit of global co-operation has waned, having been replaced by conflicting domestic concerns. The downgrading of France and other countries' sovereign debt from its AAA rating, along with continued wrangles over private sector debt for - giveness of Greece, highlights some of the political perils ahead. Yet such has been the change in mood towards the negative, it might have gone too far. As with 2010, this year might surprise everyone with benign, or even positive, economic developments. Forecasts, after all, are not persistently Pollyanna-ish and make as many mistakes with pervasive pessimism.

At the start of what seems like a difficult year, an important question therefore is what could work well for the global economy in 2012. The list is longer than you might think.

While the eurozone appeared to be staring into the abyss late in 2011 and international meetings such as the Group of 20 summit broke up in failure, companies were actually becoming more positive. Measured by the global purchasing managers' indices, services companies reported the strongest business conditions for nine months in December while manufacturers said activity rates were at a five-month high. Improvements in each of these indicators was spread around the world, with particular strength in the US. At least for now, momentum has returned to the global economy.

A moderation in energy prices has been fuelling the recovery in advanced, mostly oil-importing economies. Not yet falling, the lack of a price rise has halted the relentless squeeze on corporate and household incomes and will enable a little more spending and investment. If weather-related food supply issues moderate, income gains will also spread further to poorer countries, improving purchasing power greatly.

Even though 2011 was a year that demonstrated - with the eurozone crisis and US budgetary standoff - that politics can imperil prosperity, there is a chance leaders have learnt some lessons. China has long stated it wants a rebalancing of demand from exports to consumption. Its administration might seek to put some action behind the words. Record levels of employment in Germany might finally encourage greater domestic spending and investment. Enough voices in the eurozone have diagnosed the problem that politicians might start working on solutions rather than displacement activities such as a financial transactions tax.

And non-financial companies, the entities with by far the strongest balance sheets, could see a brighter future and seek fresh investment opportunities rather than aiming to hoard cash.

There were sufficient examples in 2011 of investors eager to back real solutions with hard cash, enabling small, positive steps that could create a virtuous circle in financial markets, reducing liquidity strains for European governments and banks. For that to continue, investors need to show money can be made by betting on good rather than bad outcomes. The huge bounce in global equity markets in late November on the back of central banks' globally co-ordinated, but tiny, cut in interest rates on dollar loans to Europe's banks demonstrated the hunger for a positive equilibrium in financial markets.

All of these positive surprises might happen this year. But the most important word in that sentence is "might". We do not know. And 2012 might be another 2008 - far worse than anyone imagined. By looking at the upside risks, the prize that is available can be seen.

It is one worth fighting for.

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Let it Snow, Let it Snow, Let it Snow

Here's hoping that the weather will be frightful: Georgia is full of great skiing locations, with slopes and resorts that cater to everyone, from the super black-diamond mogul racer to a toddler's first go at the lifts. Investor. ge's Aleksandre Bluashvili breaks down the country's ski options, with travel tips, accommodation hints and even a short list of places to dine.

Gudauri

Gudauri is Georgia's most well-known ski resort due to its proximity to Tbilisi; just 90 kilometers from the capital. The ski resort's base is 2200 meters above sea level but it boasts lifts as high as 3285 meters above sea level. Extreme sports like helisking are also available (see "Things to Do").

How to get there:

It is easy to reach Gudauri, either by taxi, car or minibus. Minibuses depart from Didube station four times a day: 9:00 am, 9:30 am, 6:00 pm and 6:30 pm, at a cost of just six lari (approximately \$3) per person. Taxis charge 100 lari, one way, although it is best to negotiate the price up front to avoid surprises. If you prefer not to haggle, local taxi agencies offer fixed prices. The trip takes about 1.5-2 hours, depending on road conditions. The road is fairly well maintained, but in extreme conditions the patrol police may not allow all vehicles to attempt the ascent.

Accommodation:

Prices of accommodation vary from 50-500 Lari per night. More information about housing options can be found on the web-site: www.georgia.travel or <http://www.info-tbilisi.com/travel/>.

Things to do:

The ski slopes are extensive and range from bunny slopes to expert trails. Six ski lifts-including a rope tow, chairlifts and a gondola-service the runs, operating from 10am to 5pm. Lift passes are available at the resort and at Smart supermarkets in Tbilisi: a day pass costs 30 lari (\$18), or a ten day pass – valid for any time during the season – costs 260 lari (\$157).

Ski equipment can be rented in Gudauri, the average price of rental is 25 lari (\$15) per hour, although it is more advisable to rent equipment in Tbilisi, which will be drastically cheaper compared to the prices at the resort itself. Snowboards and skis can be rented from the following addresses in Tbilisi: Mogzauri + at

91, Vazha Pshavela Street, 231 91 01. The price of daily rental varies from 15-30 lari (\$ 9-18), bring a Georgian friend since the rental requires copy of a Georgian ID.

For the adventure skier, helisking is available at Gudauri. For more information, contact (+995 32) 2243 503, (+995 32) 2243 504, e-mail: info@heliksir.com.

Entertainment:

Gudauri offers a variety of dining and entertainment options, including:

"Caucasus Restaurant"
(+995 32) 220 2901
"Gradusi" (on the slope)
(+995 32) 220 2901
"Vitamini"
(+995 599) 174 422.

Bakuriani

Located on the northern slopes of the Trialeti range, Bakuriani is known as Georgia's family ski resort but don't be put off by the bunny slopes, adventure skiers: with ski runs coasting at 2,255 meters, there is plenty of extreme terrain for powder buffs of all levels and aptitudes.

How to get there:

Driving from Tbilisi to Bakuriani ►►



- will take about *three hours*. The road is well maintained and newly renovated, although in case of heavy snow and ice, snow chains are highly recommended.

Another option is the railway; the train from Tbilisi to Borjomi departs at 7:00 a.m. from Tbilisi Central Station and takes about four hours to reach Borjomi. Once travelers arrive in Borjomi, they have to catch the small local train, known as the Kukushka, to Bakuriani, a two hour ride. While the trip is long, it is pleasant and picturesque. The Kukushka travels through a beautiful fir tree forest, so take a camera to record the lovely scenery. If train travel is too slow

however, there are also *minibuses* and taxis to rent. The mini-bus departs from Didube bus station at 8:30 am every day. It takes approximately 3 hours, half the time needed to get to Bakuriani by train. A taxi will cost travelers about 100-150 lari (\$ 60-90).

Accommodation:

Prices of accommodation vary from 50-500 Lari per night, more information about housing options can be found on the web-site: www.georgia.travel or <http://www.info-tbilisi.com/travel/>.

Things to do:

Skiing: There are three main ski runs available at Bakuriani. The central, a 25

meters ski run near the center of town, is designed for beginners and is served by several soviet-era rope lifts. Lift tickets are inexpensive, ranging from 50 -70 tetri. Ski rentals are available near this slope, and vary in price depending on style, age and negotiating ability. The average price is 8-10 lari (\$5-6) per hour, although multi-day packages are also available. The Didveli run, which offers three separate ski trails for skiers of a wide range of abilities, is about two kilometers in length. The trails are serviced by a modern, gondola-style lift that costs three lari per ride. A day pass is also available for 20 Lari (\$12). Skis



are available at a ski rental facility near the gondola, but the prices are higher than at the center.

The Koxta-Gora ski run has steeper slopes and it is designed for experienced skiers. Lift tickets are also three lari a piece, and lines can be long since the run is serviced by a single, two-seater ski lift.

Excursions:

The local tourism center offers several excursions around Bakuriani. Most day trips include Bakuriani-Tabatskuri, Bakuriani-Mitarbi and Bakuriani-Tsikhisdjvari.

Trips can be arranged with the local tourism center coordinator: 593 335 058,

e-mail: bakurianitourism@gmail.com.

Entertainment:

Although people do not travel to Bakuriani for its night life, there are local clubs, bars, billiard halls and casinos available for those who are not tuckered out after a full day on the slopes. Casinos like the one near the Hotel Eurika could soon be popping up all over the sleepy village, however, since Bakuriani no longer requires a gambling license to open a casino.

Mestia

Mestia, Georgia's newest skiing paradise is – at 400 kilometers – a bit far from the capital. But whether you are going for skiing, climbing, sightseeing or just to sample authentic kubdari (Svan meat pies), it is worth the trip. The base altitude of the local ski lift is 1 800 meters above sea level, with the highest run at 2350 meters.

How to get there:

Planes, trains and automobiles will bring you to Mestia. The scenic route, by car, takes a solid seven hours, nonstop, depending on the weather. Road conditions are good until Zugdidi and a new road is under construction up to Mestia, but can be hazardous in bad weather. Minibuses to Mestia depart daily from 7, Tevdore Mgvdeli Street in Tbilisi at 7:00-8:00 am. Trains run from Tbilisi to Zugdidi, with a connection to Mestia via minibus or taxi, as well. Daily trains from the capital leave from the Central Railway Station at 22:15 pm. Ticket prices vary from 5,5 to 15 lari (\$3,5-9). The fastest way to get to Mestia is to fly: Canadian-built airplanes, with seats for 19, make the trip every Monday, Wednesday, Friday and Sunday at 11 am, although flights depend on the weather. A roundtrip ticket is 150 lari (\$90). For more information, call (+995 32) 2400 400 extension 517 or 509.

Accommodation:

Hotel rooms vary from 40-300, a list with contact details of the hotels and guesthouses can be accessed on the following link: www.travel-tbilisi.com/hotels-in-mestia

Things to do:

Mestia offers three ski routes, serviced by one lift. The nearly five kilometers of runs vary in difficulty from bunny

to advanced. Skis can be rented close to the chairlift. Snowboards and safety equipment, however, are impossible to find in Mestia, so it is better to rent it in Tbilisi beforehand. Average price of daily ski rental in Mestia is 20 lari (\$12).

Compared to Bakuriani or Gudauri, Mestia is unique because of its historical and cultural heritage: skiing was popular in Mestia during the Soviet period but languished following independence. Now, with fresh state and private investment, this tiny mountain hamlet offers visitors a unique view into Svan culture, including the region's delicious cuisine and fascinating towers. There is a newly opened tourism information center with English speaking staff to help plan excursions in Mestia and neighboring villages. Center staff can be reached at (+995 0790) 35 73 75; the center is open every day from 10 am to 6 pm.

Gomarduli

What Gomarduli, the new ski resort in Adjara, lacks in modern infrastructure, it makes up for with unique nature and local culture. There are limited facilities but adventure travelers will enjoy the pristine mountain views and delicious local food.

How to get there:

Buses traveling from Batumi to Gomarduli depart daily at 5:00 pm, with tickets costing 5 lari (\$3). Traveling by bus takes about two hours, depending on the road conditions. The road is only accessible to 4WD vehicles in bad weather however, and is subject to closure.

Things to do

The length of Gomarduli's one ski trail is only 500 meters and it is served by the 250 meters long platter lift (rope tow) that is free this season. Skis can be rented in the village of Gomarduli at 5 laris (\$3) per hour. Batumi Tourism Information Center has information on excursions and other entertainment near the village. The staff speaks English, Russian and Turkish: 577 909093, info@toursimadjara.ge.

Accommodation

Accommodation in Gomarduli includes family hostels and cottages. Family hostels cost about 35 lari (\$21) per night including meals; cottages charge 30 lari (\$18) a night, meals excluded. ■



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Irakli Alasania: "If we want them to see us as a democracy, we need to get this election right"

More reforms are needed to tap into Georgia's potential for investment and economic growth, according to Irakli Alasania, the leader of the opposition party Free Democrats. Alasania spoke to AmCham members during an extra roundtable event at the Tbilisi Marriott on December 15. It was the first in a planned series of roundtables with political leaders from a range of parties as the country prepares for the 2012 and 2013 elections. Georgia's former representative to the UN, Alasania left the ruling party following the August 2008 war. He has since joined an alliance with Bidzina Ivanishvili and the Republican Party.

Alasania noted that President Mikheil Saakashvili and the United National

Movement have had some success, namely the reforms against low level corruption and the police. But he stressed more needs to be done to create "a new political culture" and reassure investors that Georgia is a stable country.

His platform includes plans to subsidize agriculture while the sector "gets its feet on the ground," and create strong anti-monopoly legislation to help support small and medium size business growth. Alasania also stressed the need to create a real system of "checks and balances" in the government, which will help create a real independent judiciary, media and facilitate trust in the business community - and among investors - which will lead to growth.

Global Compact Annual Meeting and Presentations on CSR

The FINANCIAL and the Global Compact Local Network in Georgia held a special meeting on CSR on Monday, December 19 at the Courtyard by Marriott.

The meeting featured live presentations of Georgian companies implementing CSR projects, including AmCham, Global Compact, BP, Bank Constanta, Madneuli, Radisson, Geoplant, Geocell and SCRDBG. Print, digital and online media representatives were invited to the event alongside with global compact member companies and partners. Working language of the meeting was Georgian and some consecutive translation was provided for English-speaking guests. The event was followed by a cocktail reception.

Note: The FINANCIAL dedicated a special edition to this meeting that highlighted social activities of Georgian businesses and described how Georgian companies manage the business processes to produce an overall positive impact on society.

AmCham Georgia Members' Appreciation Reception at the Holiday Inn Hotel

In the tradition of American Thanksgiving and the holiday season, the American Chamber of Commerce in Georgia held a special Members' and Partners' Appreciation reception at the Holiday Inn hotel. The festive evening included Holiday Inn's delicious canapés and desserts, a Christmassy ambience, a beautiful echo of the String Quartet, and notable pictures depicting AmCham's activities in year 2011 projected on the walls of the venue.

About 120 guests were met with special Mimosa cocktail and departed with an AmCham branded bottle of sparkling wine we made with the help of our member wine companies - Chateau Mukhrani and Teliani Valley.

President of AmCham Georgia, David Lee, gave the welcome speech and thanked the chamber's members and partners, board and staff. A delicious surprise-cake was gifted to AmCham by The Financial, a partner organization.

As part of the Chamber's Corporate Social Responsibility efforts, second year in a row, we housed our member, Salvation Army's "Angel Tree" display. We proudly state that nearly every Angel was picked up by the guests. This means that many children and elderly in Georgia will receive exactly those gifts they asked for!

Thank you, and looking forward to working together in 2012!



Georgia Seeks "Middle Road" in DCFTA Negotiations

The Georgian government is working closely with Brussels to negotiate a free trade agreement that will bolster economic growth, according to Tamar Kovziridze, the chief adviser to the Prime Minister of Georgia and the head of the Advisory Group on Foreign Economic Relations. Kovziridze spoke to members during the monthly roundtable, held on January 18 at Betsy's Hotel. She presented a broad overview on the trade talks following a frank discussion on Georgian-US relations, led by US Embassy Deputy Chief of Mission Bridget Brink.

Georgia started official negotiations

on the trade agreement with the EU this year; it is the third country to enter talks for a Deep and Comprehensive Free Trade Agreement with Brussels.

Kovziridze stressed that Tbilisi is focused on negotiating terms that allow the country's developing economy to reap benefits from the agreement – and not be unnecessarily burdened by regulations and requirements that would stifle growth.

The key to negotiations, she noted, is the regulation. Since Georgia has eased its own tariffs and trade regimes, the biggest change for non-agriculture trade will be new safety and health standards.

How to Dial from a Georgian Landline:

To call a landline in Tbilisi	Simply dial the 7 digit number
To call a mobile number:	0599-55-26-40
To call outside of Tbilisi within Georgia:	0-(region/city code)+(tel. number)
To call another country:	00-(country code)+(city/area code)+(telephone number)

How to Dial from a mobile phone:

To call a landline in Tbilisi:	032-227-7000
To call another mobile phone:	599-55-26-40 (no change)

Community Liaison Office (CLO)

US Embassy Tbilisi, +995 (8)32 2277158, CLOTbilisi@state.gov

Commercial Law and Tax Advocacy Project Meets with Senior Government Officials

In order to ensure clear lines of communication with the government, and as part of their legal and tax advocacy project, the Commercial Law and Tax (CLT) committee has been conducting high level meetings with the Georgian Government this month.

So far members of the committee, including co-chairs Ted Jonas and Justin Bancroft have met:

- David Bakradze, Parliament Chair, along with other colleagues from the Parliament
- Dimitri Gvindadze, Minister of Finance
- Giorgi Kadagidze, Head of the National Bank
- Jaba Ebanoidze, Head of the Revenue Service
- Giorgi Pertaia, Georgia Business Ombudsman



A meeting is also scheduled with Tina Burjaliani, First Deputy Minister of Justice.

In these meetings the committee members discussed its work as well as the priority areas that the committee has chosen to focus on. These initial meetings are part of a continuing dialogue with the government on commercial law and tax issues.

The Commercial Law and Tax Committee is currently helping to guide the Commercial Law and Tax Project, which is funded through a grant awarded to AmCham by USAID, through Eurasia Partnership Foundation and East West Management Institute under the Judicial Independence and Legal Empowerment Project

Legal and Tax Committee Discusses Current Trends, Obstacles

Committee co-chair - Mr. Ted Jonas, with other committee members facilitated the discussion about four commercial and tax issues suggested by committee legal staff during a Legal and Tax Committee meeting on January 13.

Along with the upcoming articles and reports, committee members talked about the Third Public Forum of the Coalition for an Independent and Transparent Judiciary. If any AmCham member wishes to join the monthly committee meetings, please contact Committee Coordinator and Legal Analyst Gigi Liluashvili, g.liluashvili@amcham.ge.

AmCham Discusses Labor Code

Members discussed the Chamber's position on the labor code in a meeting led by AmCham Georgia's Executive Director George Welton following the AmCham meeting on December 15.

The meeting was the first membership-wide discussion about AmCham's representation to the US Trade Representative on the issue of GSP and the labor code. A public hearing on Georgia's eligibility for the GSP program was held on January 24. A follow up hearing is planned for February. For more information, please visit www.amcham.ge.



Small Grants, Big Difference

CARE grant programs help IDPs rebuild their lives.

Taliko Bedukadze and her husband lost everything when they fled their village of Berula during the August 2008 war. Among the most devastating losses to the avid readers were their collected books, which burned along with the rest of their possessions.

But today Bedukadze is slowly rebuilding her library with the money she earns by offering beauty services to clients at the government settlement where she lives.

Bedukadze is the recipient of a small business grant provided by a CARE International in the Caucasus project that has helped 84 displaced women find new livelihoods and gain some measure of empowerment. Bedukadze used her grant of about \$970 to buy equipment to launch her business.

The grant is part of the Stabilization and Integration of IDPs into Mainstream Georgian Society (SIIMS) project which helps integrate Georgians displaced by the war in the towns and villages where they have been resettled.

The project also seeks to reduce poverty and conflict with local communities.

Start-up grants for women affected by the conflict, a part of the project, support the livelihoods of internally displaced women and their families by providing them with entrepreneurship training and grants to establish small businesses.

The grants program is part of CARE's initiative to support entrepreneurship and empower women across the South Caucasus by challenging traditional stereotypes about the role of women in these male-dominated patriarchal societies, especially about women as economic actors and family breadwinners.

More than 80 businesses have been created so far, of which more than 90 percent are still operating and supporting the livelihoods of women entrepreneurs and their families. The SIIMS director Vakhtang Piranishvili attributes the businesses' success to a rigorous selection process, intensive monitoring, and on-site consultations from a dedicated support staff.

"We are demonstrating that good ideas can work, even with small amounts of money," said Piranishvili.

Small money; big difference

Small amounts of money can make a big difference to Georgia's internally displaced population (IDP). According to a 2009 survey carried out for SIIMS, the average income of IDP households is around 180 lari per month—just over USD \$100; the average Georgian monthly wage is about 550 lari. Women entrepreneurs in the program now bring

in between 400 and 600 lari per month, or about USD \$240-360—a significant increase.

Within the successful businesses that have been started, a variety of products, services and business models have proved to be viable. This, in turn, has helped create markets with goods and services in IDP settlements that previously did not exist. Bedukadze's epilation business, for example, provides convenient access to a much-needed service at a reasonable price.

"There are about 400 young ladies in this settlement," Bedukadze observed, "so demand is high. In spite of the fact that they don't have much money, women try to look after their face. They are happier after this service."

Marine Beruashvili used her grant money to buy a chair, three pairs of scissors, an electric razor, and a tiny metal building to house her barber shop.

Nearly 80 percent of the people from her home village of Eredvi moved to the Koda settlement, and many of them continue to use her services. In addition, she has begun to attract customers from Koda village, which means that she has more business than ever before.

Similarly, Lala Basishvili has attracted both IDP children and those from Koda village. She used her grant money to buy a shiny upright piano, which she uses to teach piano lessons.

Music lessons are the only source of income for Basishvili, whose husband, emotionally devastated after the war, left her when she was three months pregnant with her second daughter.

Settled at her keyboard, Basishvili closes her eyes and begins to sing and play a haunting melody.

"I have nine years experience working as a music teacher," Basishvili said. "There was nothing else to do. For me, the only way out was to do my job."

TBC CSR Profile

KETI KHUKHUNASHVILI

TBC Bank is frequently associated with attention-grabbing, memorable marketing and customer-oriented service. The Bank is also well-known for its original social initiatives, such as a literary award Saba that has become one of the most anticipated events in the Georgian literary circles. Since its first ceremony in 2003, Saba has recognized 74 authors and awarded up to GEL 240,000 in monetary prizes.

In fact, TBC has been involved in community work from its very founding. It is the only organically grown bank in the country and has an impressive track record of performance. TBC is also quick to respond to emerging trends, as well as its customers' changing preferences. Fortunately, Georgian business and social sectors have now started to recognize the importance of responsible corporate citizenship. Correspondingly, TBC is setting a precedent on the Georgian market for intrinsic, organic growth, development, responsibility and sustainable, solid performance. The Bank is distinguished with its dedication to attracting and nurturing the best talent in the country, as well as its unwavering commitment to integrating long-term

CSR into the chore of the company. All of the TBC CSR initiatives aim to maintain the country's traditions and cultural heritage, developing and funding projects that yield long-lasting results. As TBC Bank's Director of External Relations and Media Communications, Tamar Kirvalidze explained, TBC's criterion for social projects is three-fold: new initiatives need to be "long-term, result-oriented and based on existing national and social values in the country".

Unsurprisingly, TBC Group has an unrivalled portfolio of meaningful and sustainable CSR projects. Spreading over such sectors as education, arts, sports, tourism, health, and culture, the unifying feature of all CSR conducted by the Bank or its subsidiaries is that TBC is always there to invest in and support its community's development for the long-term. TBC Bank's patronage of the IDP communities after the 2008 war (TBC Fund), development of arts and literature (literary award Saba and the TBC Art Gallery), and extensive restoration projects (the Poka Monastery, Poti Cathedral and the Bagrationi Historical Stable) are only few of the projects that answer both immediate and long-term needs of the Georgian community.

Among the most notable and recent

large-scale initiatives were the ones implemented in the internally displaced persons (IDP) settlement Tserovani. Even in the wake of a crisis, which was augmented by the 2008 war with Russia, TBC managed to master funds to support those who were less fortunate in the face of the tragedy TBC Fund which was founded by TBC Bank in 2008 built a new public school and offered social, psychological and medical support programs to the IDP communities.

True to its long-term agenda, TBC continues its patronage of the school, introducing new and innovative ways to stay present and helpful in the lives of the children in the settlement. Such initiatives include professional training for young IDPs carried out by leading Georgian companies that later offered a chance of employment to the students; sports classes that promoted fitness and healthy life choices, and integrated, English-language classes in a secondary school. Most notably, TBC created the first wind orchestra of young IDPs, providing them with instruments and training courses.

In total, TBC Bank spent GEL 800,000 in 2011 on charity and CSR. TBC donated another GEL 7 million to TBC Fund that has been working on the IDP settlement projects since 2008. However, what counts more than the numbers, is the special commitment to traditions and future progress that TBC shares with its customers. Whether by sponsoring special edition books or hosting unique exhibitions at its gallery, by supporting children who otherwise would not be able to get adequate education and medical coverage or by renovating historical sites that would otherwise be lost to the future generations, TBC does live by its motto. This partnership with its customers makes TBC a stronger bank.





Dewey & LeBoeuf
Corporate A Member

Dewey & LeBoeuf is a leading global law firm providing its diverse client base with national and cross-border solutions to all of their legal requirements. The company has also earned a reputation for its deep firm-wide experience in numerous sectors, including energy, financial services, insurance and technology.

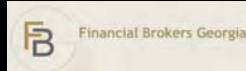
www.dl.com



Business Legal Bureau
Corporate B Member

For nearly 15 years Business Legal Bureau has been one of the most widely recognized legal names in Georgia. The company represents many major international clients as well as some of the largest Georgian corporations. Company's primary goal is to be the law firm of choice for clients with respect to their most significant business transactions, the most challenging legal issues, and the most critical disputes they face.

www.blb.ge



Financial Brokers Georgia
Corporate B Member

Financial Brokers Georgia is insurance broker, that helps corporate clients in drafting and monitoring insurance policies. FBG carefully studies all the risks of the clients that must be covered by policies, organizes professional tender, and solves problematic issues of the client in duration period of insurance. We cooperate with all major insurance companies in Georgia, and do not overprice the product with our service.

www.financial-brokers.ge



MFO Crystal JSC
Corporate B Member

JSC MFO Crystal is a dynamically growing microfinance organisation supporting micro and small businesses in Georgia with objective of poverty reduction and sustainable economic development. Through the expanding network of offices, Crystal offers a wide range of financial services to low-income and economically viable entrepreneurs. Committed to good corporate governance, Crystal aims to keep the balance between social objectives and uncompromised financial performance.

www.crystal.ge



Rustavi Azot JSC
Corporate B Member

Half of century's experience chemical enterprise "Azot" is the only manufacturer of nitrogen fertilizers in the region of South Caucasus. The company specializes in the production of mineral fertilizers, ammonia, sodium cyanide, nitric acid, ammonia water and other products.

www.azot.ge



**Georgian Resources
Company LLC**
Corporate B Member

Georgian Resources Company obtained a license for exploration and possible mining of the resources in the areas of Guria Region, village Zoti. Lydian (The 100% owner of Georgian Resources) has had Georgia in its sights since early 2006 and has conducted various in-country investment and geological reviews.

www.georgianresources.com



Saunders Group
Corporate B Member

Saunders Group aims to fill the gap in professional management of infrastructure & urban planning projects. With over 20 dedicated specialist staff covering all aspects of urban infrastructure and planning, financial and project management and consultancy, the company provides the most professional local service for East Europe and Central Asia.

www.engsg.com



**Silk Road Group
Investments LLC**
Corporate B Member

The Silk Road Group (SRG) has enjoyed significant growth in Central Asia. SRG's success is attributed to its high quality service, provided in a challenging environment. SRG has done this through: Secure and reliable service based on regional relationships and experience; Tracking, tracing, and reporting technology; Scalability, capacity, and flexibility to meet client needs and growing demands.

www.silkroad.ge



**Care International in the
Caucasus**
Non Profit Organization

Care is one of the world's largest international non-governmental humanitarian organizations, committed to helping families in poor communities improve their lives and achieve victories over poverty. Care International in the Caucasus assists socially and economically disempowered individuals to realize their potential and find lasting solutions to their most threatening problems.

www.care-caucasus.org.ge

NEW MEMBERS

AmCham Company Members as of February 2012

PATRON MEMBERS

APM Terminals

52 D. Aghmashenebeli St., Poti
Tel: 493-20660; Fax: 493-20688
www.apmterminals.com

BP Exploration Georgia

38 Saburtalo St.
Tel: 2593400; Fax: 2593488
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: 2508050; Fax: 2508060
www.pwc.com/ge

UGT

17a Chavchavadze Ave., 7th floor
Tel: 2220211; Fax: 2220206
www.ugt.ge

CORPORATE A MEMBERS

ABRIS Distribution AG.

21 Liublana St.
Tel: 2527271;
www.abrisdc.com

Alliance Group Holding, JSC

47/57 M. Kostava St., 0179
Tel: 2424181; Fax: 2998112
www.agh.ge

Avon Cosmetics Georgia LLC

117 Tsereteli Ave..
Tel: 2226805; Fax: 2226806
www.avon.com

F H Bertling Georgia Ltd.

9 Tarkhnishvili St.
Tel: 2443356; Fax: 2443376
www.bertling.com

Betsy's Hotel / Prosperos Books

32/34 Makashvili St. / 34 Rustaveli
Ave.
Tel: 2987624, Fax: 2923592
www.betsyshotel.com

Booz Allen Hamilton, Inc.

7 Bambis Rigi St., 0105
Tel: 2439072; Fax: 2439059
www.boozallen.com

British American Tobacco

71 Vazha Pshavela Ave.
Tel: 2399103/01/02; Fax: 2399104
www.bat.com

Catoni & Co. Georgia

3 Lesia Ukrainka St. Apt.7
Tel: 2989230; Fax: 2922264
www.hapag-lloyd.com

Caucasia Trading

5/7 Navtlugi St., Office #1
Tel: 2277323; Fax: 2277377
www.caucasiatrading.com

Caucasus University

77 Kostava St., Bld.6, 4th fl.
Tel: 2941691; Fax: 2253814
www.cu.edu.ge

CH2M Hill

5th Floor, GMT Plaza, Freedom
Square
Tel: 2474040; Fax: 2470210
www.ch2m.com

Chartis Europe S.A. Georgia Branch

7 Bambis Rigi St., 0105
Tel: 2439025;
Fax: 2439026
www.chartisinsurance.com

Chemonics International

6a N. Ramishvili St., 0179
Tel: 2234311; Fax: 2234309
www.chemonics.com

Deloitte

36a, L. Asatiani St., 0105
Tel: 2244566; Fax: 2244569
www.deloitte.ge

Dewey & LeBoeuf

Meidan Palace, 44 Kote Abkhazi St.
Tel: 2438953
www.dl.com

Diplomat Georgia

65, Kakheti Highway
Tel: 2984950
www.diplomat.ge

DLA Piper Georgia LP

10 Melikishvili St.
Tel: 2509300; Fax: 2509301
www.dlapiper.com

Economic Prosperity Initiative (EPI)

6 Samghebro St.
Tel: 2438924
www.epigeorgia.com

Ernst & Young

44 Leselidze St.
Tel: 2439375; Fax: 2439376
www.ge.ey.com

Georgian American University

21a Chavchavadze Ave.,
2d Arch #3
Tel: 2915003; Fax: 2915004
www.gau.ge

Georgian Audit & Consulting Company

47 Kostava St. Suite 29
Tel: 2984039; Fax: 2438352
www.gacc.com.ge

GMT Group

4 Freedom Square
Tel: 2988988; Fax: 2988910
www.gmt.ge

Greco Group

1 Nutsubidze St.
Tel: 2393138; Fax: 2311107
www.greco.ge

GT Group

48 B. Cholokashvili St.
Tel: 2740740
www.gtgroup.ge

Hall, Booth, Smith & Slover, P.C.

41 Vaja Pshavela Ave. 0177
Tel: 2394417, Fax: 1-404-9545020
www.hbss.net

Iberia Refreshments, JSC

Tetri Khevi Hesi District, Orkhevi
Tel: 2241091; Fax: 2241090
www.pepsi.ge

Imedi L International

20 Chavchavadze Ave.
Tel: 2223520; Fax: 2293075
www.imesi-l.com.ge

KPMG CIS Ltd. Tbilisi Branch

3rd Floor, Besiki Business Center,
4Besiki St., 0108
Tel: 2935713; Fax: 2982276
www.kpmg.ge

Levon Travel

20 Chavchavadze Ave.
Tel: 2250010; Fax: 2232399
www.levontravel.ge

Maersk Georgia LLC

6 Khetagurov St.
Tel: 2200800; Fax: 2200815
www.maerskline.com

Magticom

5 Politkovskaya St.
Tel: 2171717; Fax: 2171171
www.magticom.ge

Marriott Hotels, Resorts & Suites

13 Rustaveli Ave.
Tel: 2779200; Fax: 2779210
www.marriott.com

Metromedia International Group

8000 Tower Point Dr., Charlotte, NC
28227
Tel: 2171201; Fax: 2210101
www.metromedia-group.com

Microsoft Georgia LLC

6 Marjanishvili St.
Tel: 2424478
www.microsoft.com

Mobipay (OpenRevolution Georgia)

19 T. Abuladze St. 0162
Tel: 2235403
www.mobipay.ge

MSD (Schering Plough Central East AG)

44 K. Abkhazi St. 0105
Tel: 2438978
www.merck.com

Pfizer Luxembourg SARL Representation Office in Georgia

58 I. Abashidze St.
Tel: 2252986
www.pfizer.com

Philip Morris

7 Bambis Rigi Str., 0105
Tel: 2439001; Fax: 2439005
www.philipmorrisinternational.com

ProCredit Bank

154 Agmashenebeli Ave.
Tel: 2202222; Fax: 2202222-2226
www.procreditbank.ge

Radisson BLU Iveria Hotel

1 Rose Revolution Sq.
Tel: 2402200; Fax: 2402201
www.radissonblu.com

Salford Georgia

44 Leselidze St.
Tel: 2505400-03; Fax: 2505406
www.salford.com.ge

SEACOR Response

9 Khvichia St. 0160
Tel: 2244141, 2382825
www.seacorresponse.com

SEAF Management LLC

7, Niko Nikoladze St. II Floor.
Tel: 2998115; Fax: 2923533
www.seaf.ge

Sheraton Metechi Palace Hotel

20 Telavi St.
Tel: 2772020; Fax: 2772120
www.sheraton.com/tbilisi

T&K Restaurants (McDonald's Georgia)

1 Dzmebi Kakabadze St.
Tel: 2921246; Fax: 2251422
www.mcdonalds.ge

TBC Group

7 Marjanishvili St.
Tel: 2272727; Fax: 2228503
www.tbc.com.ge

TBSC Consulting

6 Marjanishvili St.
Tel: 2959019; Fax: 2420215
www.tbsc.ge

CORPORATE B MEMBERS

AGV Czech Republic Ltd

63 Kostava St.
Tel: 2242559; Fax: 2242549
www.agv-czech.com

Aliance Georgia Ltd

33 Samurzakano St.
Tel: 2243773
www.groupaliance.com

Alioni-99 Holding Company

12a Kazbegi Ave., 0160.
Tel: 2922993; Fax: 2389737
www.alioni99.ge

GZ American Academy in Tbilisi

37a Chavchavadze Ave.
Tel: 2227441; Fax: 2227889
www.aat.ge

Bagebey City Group

49b Chavchavadze Ave.
Tel: 2913152; Fax: 2290169
www.bagebeycity.com

Baker Tilly Georgia Ltd.

Meidan Palace, 44 Kote Abkhazi St.
Tel: 2505353; Fax: 2505353
www.bakertillyinternational.com

Bank of Georgia

3 Pushkin St.
Tel: 2444134; Fax: 2983269
www.bog.com.ge

Bank Republic

2 Gr. Abashidze St.
Tel: 2925555; Fax: 2925544
www.republic.ge

Basis Bank JSC

1 Ketevan Tsamebuli Ave.
Tel: 2922922; Fax: 2986548
www.basisbank.ge

■ **Batumi Oil Terminal**
GMT Plaza, 4 Freedom Sq.
Tel: 2241818; Fax: 2241817
www.batumiport.com

■ **BDO LLC**
42 Kazbegi Ave.
Tel: 2545845; Fax: 2399204
www.bdo.ge

■ **Beeline (Mobitel Ltd.)**
6 Gorgasali St.
Tel: 2200606
www.beeline.ge

■ **BGI Advisory Services Georgia**
18 Rustaveli Ave., II fl.
Tel: 2997292; Fax: 2996615
www.bgi.ge

■ **BLB (Business Legal Bureau)**
1 Shevchenko St, Apt.1
Tel: 2995797
www.blb.ge

■ **BLC Law Office**
4 Gudiasvili St.
Tel: 2922241; Fax: 2934526
www.blc.ge

■ **Casino Adjara**
1, 26 May Sq.
Tel: 2335519; Fax: 2334520
www.casinoadjara.com

■ **CaucasTransExpress**
10a Tashkent St. 0160
Tel: 2375715
www.cte.ge

■ **Caucasus Online LLC**
71 Vaja-Pshavela Ave.
Tel: 2480048; Fax: 2480048
www.caucasus.net

■ **Château Mukhrani, J.S.C.**
III floor, Didube Plaza,
116 Tsereteli Ave.
Tel: 2201878; Fax: 2201878;
www.mukhrani.com

■ **Citadines Apart'Hotel**
4 Freedom Sq. 0105
Tel: 2547030; Fax: 2547040
www.citadines.com/en/georgia/tbilisi/
freedom_square.html

■ **Crystal, MFO JSC**
72 Tamar Mepe St. Kutaisi, 4600
Tel: 431253343
www.crystal.ge

■ **Dika Ltd.**
40 Rustaveli Ave.
Tel: 2990994; Fax: 2990994

■ **Donut Stop Cafe**
10/12 Abashidze St.
Tel: 2251466; Fax: 2999252

■ **Dutch Design Garden**
20 km, Agmashenebeli Alley
Tel: 2530779
www.dutchdesigngarden.com

■ **Education and Training International Ltd.**
4 Kuchishvili St.
Tel: 2250945; Fax: 2250945
www.educatrain.ge

■ **Financial Brokers Georgia**
112 Iv. Javakhishvili St.
Tel: 2969123
www.financial-brokers.ge

■ **GeoCapital Microfinance Organization Ltd.**
Z. Gamsaxurdia Ave. 19/32. Kutaisi,
4600
Tel: 431 267070
www.geocapital.ge

■ **Geocell**
3 Gotua St.
Tel: 2770100, ext. 7435;
Fax: 2770119
www.geocell.ge

■ **GeoEngineering LLC**
15a Tamarashvili St.
Tel: 2311788; Fax: 2311787
www.geoengineering.ge

■ **Georgian Airways**
12 Rustaveli Ave.
Tel: 2999730; Fax: 2999660
www.georgian-airways.com

■ **Georgian Resources Company**
3-5 Kazbegi St.
Tel: 2936676
www.georgianresources.com

■ **Globalink Logistics Group**
14-A Shartava St, 2nd fl, Suite 7
Tel: 2253262; Fax: 2439002
www.globalinkllc.com

■ **Goodwill**
1 Parnavaz Mepe Ave. 0131
Tel: 2243673; Fax: 2243673
www.goodwill.ge

■ **Gosselin Georgia**
3 M/D, Didi Digomi
Tel: 2596601/02/03; Fax: 2596600
www.gosselingroup.eu

■ **Gvinadze & Partners LLC**
44 Leselidze St, Tbilisi 0155
Tel: 2235683, Fax: 2438971
www.gvinadzeandpartners.ge

■ **Holiday Inn**
1, 26 May Sq., 0171
Tel: 2300099
www.hi-tbilisi.com

■ **HRG Georgia "Sky Travel LLC"**
Meidan palace Business Center,
44 Kote Apkhazi St.
Tel: 2438958
www.hrgworldwide.com

■ **Intourist Palace Hotel**
11 Ninoshvili St., Batumi
Tel: 422-75525, Fax: 422-76606
www.intouristpalace.com

■ **Ioli Supermarket**
13 Abuseridze-Tbeli St.
Tel: 2745053
www.gastronomia.ge

■ **JTI Caucasus**
15 Kipshidze St.
Tel: 2604111
www.jti.com

■ **Kor-Standard Bank JSC**
43 Chavchavadze Ave.
Tel: 2507700, Fax: 2507707

■ **Legal Partners Associated LLC**
Office #203, Besiki Business Center,
4 Besiki St. 0108
Tel: 2200203; Fax: 2250458
www.lpa.ge

■ **Liberty Bank JSC**
74 Chavchavadze Ave.
Tel: 2555500; Fax: 2912269
www.libertybank.ge

■ **Madneuli JSC**
3/5 Kazbegi Street, 0179
Tel: 2474545, ext. 55
www.madneuli.ge

■ **Mgaloblishvili, Kipiani, Dzidzigi (MKD) Law Firm**
24 Suite, IV Floor,
71 Vaja-Pshavela Ave.
Tel: 2973880; Fax: 2973884
www.mkd.ge

■ **Mina JSC**
4 Besiki St.
Tel: 2449981/82/83; Fax: 2449980
www.mina.com.ge

■ **New School - Int'l House**
35 Tskneti Highway, Bagebi
Tel: 2231728
www.newschoolgeorgia.com

■ **Oriflame Georgia**
57 Uznadze St.
Tel: 2911064; Fax: 2911068
www.oriflame.ge

■ **Overall Management Group (OMG) Inc.**
12 M. Javakhishvili St.
Tel: 2436052; Fax: 2436052

■ **Publicis Hepta**
17 V. Jorbenadze St.
Tel: 2745672; Fax: 2745671
www.publicishepta.com

■ **Rakeen Development LLC**
2 Baratashvili St. 0105
Tel: 2933393; Fax: 2933993
www.rakeen.ge

■ **Rentals Ltd.**
46 Rustaveli Ave.
Tel: 2454566
www.rentals.ge

■ **Romp petrol Georgia Ltd.**
39 Navtlugi St.
Tel: 2910727; Fax: 2910763
www.romp petrol.com

■ **Rustavi Azot, JSC**
2 Mshvidoba St. Rustavi-3702
Tel: 995341270900
www.azot.ge

■ **Saunders Group**
24 G. Tabidze St.
Tel: 2182112
www.engsg.com

■ **Silknet Ltd.**
95 Tsinamdzgvrishvili St.
Tel: 2910345;
www.silknet.com

■ **Teliani Valley JSC**
2 Marshal Gelovani Ave.
Tel: 2313245; Fax: 2313249
www.telianivalley.com

■ **VD Capital**
77 Kostava St., 0175
Tel: 2363672; Fax: 2364302

■ **Wimm-Bill-Dann Georgia Ltd**
Village Ponichala, Tbilisi 0165
Tel: 2475290
www.wbd.ru

■ **Wings and Freeman Capital**
Green Building, 6, Marjanishvili St.
Tel: 2940051; Fax: 2940053
www.wfcapital.ge

■ **Wissol Georgia**
74b Chavchavadze Ave.
Tel: 2915315; Fax: 2915615
www.wissol.ge

NON PROFIT ORGANIZATIONS

■ **American Friends of Georgia**
77 Nutsuclidze St.
Tel: 2397174; Fax: 2388495
www.afgeorgia.org

■ **CARE International in the Caucasus**
49b Chavchavadze Ave, 3rd Fl.
Tel: 2291941
www.care-caucasus.org.ge

■ **East West Management Institute, Inc (EWMI)**
3rd Floor, 5 Marjanishvili St.
Tel: 2505404; Fax: 2202441
www.ewmi-gpac.org

■ **The Eurasia Partnership Foundation**
29/31/33 Chavchavadze Ave.,
2nd Floor, 0179
Tel: 2253942; Fax: 2252763 (ext. 112)
www.epfound.org

■ **Foundation - Centre for Training and Consultancy**
34 Al. Kazbegi Ave., Plot #3, 0177
Tel: 2206774
www.ctc.org.ge

■ **Georgian Wine Association**
5 Marjanishvili St.
Tel: 2505456

■ **International School of Economics at TSU**
16 Zandukeli St.
Tel: 2507177; Fax: 2984815
www.iset.ge

■ **QSI International School of Georgia**
Village Zurgovani, Tbilisi
Tel: 2537670; Fax: 2322607
www.qsi.org

■ **Save the Children Federation Inc. Georgia Country Office**
20 Gotua St.
Tel: 2244520
www.savechildren.org

■ **The Salvation Army**
16 Ikalto St.
Tel: 2333786; Fax: 2330227
www.salvationarmy.org

SOCIAL PAGE

Former General Manager Toni Toshev passed the golden key to his successor, Andreas Heidingsfelder. Sheraton Metechi Palace Hotel bid a fond farewell to Toshev, thanking him for his work toward the hotel's success. It also extended a warm welcome to Heidingsfelder.



The American Friends of Georgia's annual charity gala was held in memory of Constantine Sidamon-Eristoff on January 21 at the Radisson Blu Hotel in Tbilisi. Eristoff founded the AFG in 1994; all proceeds from event went to help the build an education and culture center for children in Nikozi.



SOCIAL PAGE



AmCham hosted its annual member appreciation reception at the Holiday Inn in Tbilisi.



APM Terminals Poti supported the New Year Concert performance of Snow White and the Seven Dwarfs for children at Tetri Tolia in Poti. Children from a local orphanage took part in the performance and received gifts. This was the 20th year Poti Port has celebrated New Years with a concert for the community.

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.



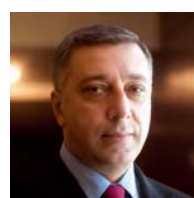
R. Michael Cowgill, Vice-President & Treasurer

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 Braeckveldt, Director

John Braeckveldt 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.



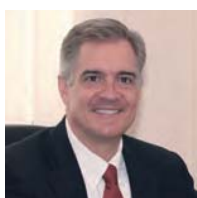
Esben Emborg, Director

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 since October 2008. He has 30 years of experience in the oil and gas industry, having various engineering and operations assignments.



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.



John Ashworth, Ex-Officio Member

John Ashworth is the Deputy Chief of Political and Economic Affairs and Senior Economic/Commercial Officer at the U.S. Embassy. He worked previously in Uzbekistan, Barbados, and on the State Department's India Desk in Washington.



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, Exec. 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.



EXPERTISE

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BGI is top-ranked in Georgia by all the leading international legal directories in every practice area covered.

LEGAL 500:

'BGI Legal ... is commended by international clients for its 'extremely professional, timely and valuable advice'. The firm's two founding partners, Lasha Gogiberidze and Zaza Bibilashvili, are considered 'outstanding', and noted for their 'excellent communication skills, native level of English and 24/7 availability.'

CHAMBERS GLOBAL:

'This firm continues to benefit from its long-standing ties with international corporate clients and financial institutions, handling some major engagements over the past year'...Singled out as "a highly sophisticated practitioner" and "one of the brightest lawyers" in the market, Lasha Gogiberidze acted for several international financial institutions ... Interviewees pointed to Zaza Bibilashvili's "fantastic client relation skills."

CHAMBERS EUROPE:

'This firm attracts praise for its instrumental role in the development of the Georgian legal market. Its 20-lawyer group enjoys a long track record in business litigation.....Zaza Bibilashvili acts for high-calibre clients ... handling tax and customs litigation as well as arbitrations.... regulatory guru, Giorgi Kavlashvili is admired as a leader in white-collar criminal defense work as well as commercial litigation.

IFLR 1000:

'Thanks to universal praise from competitors and clients alike, BGI sits comfortably in the top tier ..."In terms of local law firms," says one competitor, "BGI [is] still a leader." Clients agree, with one saying: "I have seen up-close work done by ... the other leading law firms in Georgia ... I have a strong preference for BGI..."'

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