Investor.ge

AMCHAM A Magazine Of The American Chamber Of Commerce In Georgia

ISSUE 100 OCT.-NOV. 2024

celebrates its 100th issue!

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Celebrating the Success of AmCham's Magazine

The 100th issue of Investor.ge is another impressive milestone for AmCham. Last year, on our 25th anniversary, we noted that AmCham's impact has been considerable over its long history. Founded at a time of adversity, the magazine was an early part of AmCham's offering. Quickly, it became not only a means for us to communicate to our members, but an impressive and independent source of business and economic news for the country as a whole.

This evolution was probably inevitable. An independent and fact-driven press has always been a cornerstone of American democracy and business development, so contributing to that media environment was clearly a natural role for AmCham.

Over the years, we have covered more or less every corner of the Georgian economy—every type of Georgian business and many other topics of interest to our English-speaking and West-leaning readership.

This has included cornerstones of the Georgian economy, like the transformation of the tourism business into a major driver of Georgia's economic growth; the growth and public listings in the financial service sector; and the recent growth in start-ups and technology-oriented companies.

We have also covered almost every area where there have been changes in the regulatory environment—from the dramatic shifts in tax-policy and tax-implementation, to the many (often stalled) efforts at judicial reform and the root-and-branch changes of government administration.

In all of these areas we have benefitted not only from a dedicated team of editors and journalists, but the input and insight of our members. This has allowed us to offer a level of expertise and practical insight on almost any business subject that would have been impossible for other organizations.

We have also focused on the major shifts in the economy and the opportunities and challenges we have faced. From political changes to war and financial crashes and recovery, we have been proud to offer reliable information and far-sighted commentary.

In recent times, this focus has shifted to the opportunities offered by potential EU membership. By looking at historic examples, we have been able to demonstrate the huge benefits that are offered to the economy by joining the EU. We have also been able to communicate AmCham's enthusiasm for the EU membership project as it aligns entirely with our democratic, business and pro-Western instincts.

Moving forward, we will continue in this vein. Over the last 100 issues of Investor.ge, the economy and the country of Georgia have transformed, westernizing and modernizing in the process. Investor.ge has supported that trend by communicating the experiences and insights of the business people who were crucial to the changes. In the next 100 issues, we will continue to support this direction of economic transformation as it brings Georgia closer to its natural European home.

Sincerely yours,

Irakli Baidashvili,
AmCham Georgia President

Investment News

Investor.ge provides a brief update on investments and changes in government policy that could impact the business environment. Information in this issue was taken from *Agenda.ge* and other sources.

Georgia Secures Visa-free Travel to Hong Kong

Starting September 30, Georgian citizens can travel to Hong Kong without a visa for 30-days, according to Georgia's Ministry of Foreign Affairs.

Georgian citizens have been able to travel to China without a visa since May 28, 2024. Hong Kong, a special administrative district, has autonomy over its immigration and visa policy.

Asian Development Bank Forecasts Boost in Georgia's Economic Growth in 2024

The Asian Development Bank predicts Georgia's gross domestic product (GDP) will grow by seven percent this year, up two percent from its April forecast. The two-point increase is driven by strong growth in the service sector and domestic consumption.

The report also noted low inflation, the relatively stable exchange rate and cautious fiscal policy, which it says helped Georgia avoid faster price increases.

The Asian Development Bank underlined the increased political instability and geopolitical risks for the exchange rate and current account.

The forecast for 2025 remains constant at 5.5 percent.

Service Industry Drives Economy Growth

Galt&Taggart reports that Georgia's economy is growing faster than expected, driven by the services sector. Prior to the 2020 pandemic, the main economic driver was consumption. A shift to investment driven growth was noted in 2022-2023, according to Galt&Taggart.

The report argues that further growth in productivity in the service sector is critical for economic growth. The sector is the largest employer with 71.2 percent of total employed workforce. ▸▸

Galt&Taggart notes that, in 2023, real GDP created by one worker in the service sector amounted to 45,000 lari (compared to 35,000 lari in 2017), in industry – 49,000 lari (compared to 40,000 lari), in agriculture – 17,000 lari (compared to 11,000 lari).

FDI in Georgia Up in Q2 of 2024

Foreign direct investment increased by 10.3 percent in Q2 of 2024 compared to the same period last year, according to the national statistics office.

The estimated FDI equaled $574.3 million in Q2, with growth driven by equity investments and debt obligations. The statistics office noted that reinvestment made up 78.6 percent of the total FDI or $451.3 million, down 8.9 percent year-on-year. Equity investments accounted for 17.6 percent, or $101 million, increasing by 36 percent year-on-year. FDI in the finance and insurance sector rose by 38 percent to $300.1 million compared to Q2 of 2023.

Trade accounted for 13.8 percent of the total FDI, or $79.2 million (a year-on-year reduction of 4.6 percent). Manufacturing was next with $55.5 million, a year-on-year growth of 36 percent.

New Direct UK-Georgia Flights Announced

On September 18, British Airways and budget airline EasyJet announced new direct flights between the UK and Georgia starting in spring 2025. British Airways is scheduling four flights a week and EasyJet is planning two flights a week.

Georgian Government Approves Two Wind Farm Projects

The Georgian government approved agreements on wind farms' feasibility study, construction, ownership and operation with LLC Karis Nakadi (Zemo Imereti wind farm) and LLC Kari Energy (Terjola wind farm).

The agreements now move to the Ministry of Economy and Sustainable Development, where the minister is expected to sign them.

Georgia Assessed at Tier 2 in Global Cybersecurity Index

The Global Cybersecurity Index for 2024, published by International Telecommunication Union (ITU), scored Georgia 91.92 points, placing it at Tier 2 (Advancing). The country received the maximum 20 points in legal measures and cooperation measures; technical measures was scored at 19.25, organizational at 16.35, and capacity development received the lowest score at 16.32.

Average Salaries Increase in Georgia

In Q2 of 2024, the average salary in Georgia rose by 11.1 percent year-on-year to 2,004 lari per month, Georgia's official statistics body reported.

The sectors with the highest salaries were information and communications (3,963 lari, 4.3 percent y-o-y growth); finance and insurance (3,642 lari, 14.5 percent growth); and construction (2,946 lari, 13.7 percent growth).

In a study of salaries in August, PMCG found that 28.9 percent of employed individuals in Georgia receive a monthly salary of 2,400 lari—five percent higher year-on-year. ■

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US Representative Joe Wilson (R-S.C.)

A Friend in Need, a Friend indeed

Members of the U.S. Congress have initiated two bills with the power to change US-Georgia relations fundamentally—if Tbilisi takes advantage of the opportunities presented.

On May 23, 2024, U.S. Rep. Joe Wilson (R-S.C.) introduced the Mobilizing and Enhancing Georgia's Options for Building Accountability, Resilience, and Independence (MEGOBARI) Act in the House (megobari means 'friend' in Georgian). On the same day, U.S. Senators Jeanne Shaheen (D-N.H.), James Risch (R-Idaho), Ben Cardin (D-MD), and Pete Rickets (R-Neb.) introduced the Georgia People's Act in the Senate. At the time of writing neither of these have been passed—though the U.S. government is already taking some of the steps outlined in these Acts.

The MEGOBARI Act details a series of actions the US government will take, depending on the Georgian government 's behavior before and during the upcoming Georgian parliamentary election.

As Rep Joe Wilson said after the bill was introduced, "The MEGOBARI Act clearly and simply demonstrates the seriousness with which we take our obligations to the Georgian people...This legislation will highlight the high costs of further attacks on Georgia's democracy, but also demonstrate our commitment to revitalizing the bilateral partnership."

The act is basically a set of carrots and sticks. Much has been made of the stick and there has been intense speculation in Georgia regarding the circumstances under which the U.S. government may be willing to implement sanctions against key individuals, to withhold funding or even military support

▸▸

AmCham Georgia President Irakli Baidashvili and AmCham Board of Directors meeting with U.S. Assistant Secretary of State Jim O'Brien

Less has been said about the carrots. While there are sanctions suggested for transgression of democratic principles or evasion of the Russia sanctions, the act also has positive provisions. According to the Act, the Secretary of State, USAID and other agencies have 60 days to "establish a democracy monitoring task force with, as practicable, a significant presence within Georgia, to publicly assess, monitor, and promote the pre-election democratic environment in Georgia."

If Georgia is found to have made "significant and sustained progress toward reinvigorating its democracy, evidenced at a minimum by substantially fair and free elections and a balanced pre-election environment," the U.S. Trade Representative can start working on the carrots.

These include:

- preferential trade regime between the two countries
- improved visa liberalization between the U.S. and Georgia
- an economic development and modernization package for Georgia to be developed by the U.S. and international partners
- a policy package to be developed to enhance people-to-people contacts and academic exchanges.

Separately, the Secretary of Defense would be tasked with preparing a new defense assistance package for Georgia that would include:

- security and defense equipment ideally suited for territorial defense against Russian aggression
- training, maintenance, and operations support for the equipment.

As Representative Wilson has pointed out, this package of expanded engagement could constitute a roadmap for future relations with the United States, which would provide opportunities for economic, social and democratic progress to match the support being offered by the EU under EU membership talks.

For a start, preferential trade access could be a game changer. While Georgian exports to the US have been modest, generally between $100 million and $250

AmCham Georgia delegation at SELECT USA Summit with U.S. Ambassador to Georgia Robin L. Dunnigan

million over the last 10 years, the US remains significantly the biggest economy in the world and one that is increasingly using trade barriers as a tool of its foreign policy. This creates an opportunity.

As AmCham Georgia President Irakli Baidashvili notes, "A preferential trade regime has been a request of the American Chamber of Commerce in Georgia, since it was founded 26 years ago. This would represent an unparalleled opportunity, because it would allow Georgia access to the US-market at a time when this access is particularly valuable."

Georgia's two biggest export growth categories in recent year have been agricultural products and apparel. Both offer huge opportunities if they could gain access to the U.S. market. Large producers in Georgia already produce under contract for U.S. companies like Nike, but not for the U.S. market because of high import tariffs. If these tariffs were removed, production in Georgia could expand and the employment generation opportunities would be huge.

A visa liberalization regime would also be transformative. Obviously, it is already the case that high-level Georgian business people can travel back-and-forth to the US. However, due to high demand, gaining a US visa can be an expensive and difficult process and due to high levels of Georgian visa violations, the number of rejections is also high.

However, efforts to improve this situation could make it easier and cheaper for mid-level company representatives to gain visas for study, travel and work in the United States.

In addition to making the lives of many people easier, this can have material business benefits. Companies that want to outsource elements of their business abroad often demand ease of travel with the partner company to allow employees to come to the company headquarters for major meetings or trainings.

As many companies in the region continue to reorganize in the context of Russian sanctions and China's worsening relations, this could also be a huge opportunity and drive relocations to Georgia for business process outsourc- ▶

U.S. Senator Jeanne Shaheen (D-N.H.)

ing like IT development, architectural services and accounting services.

Other elements of the law are also important. An economic modernization package from the US would have the dual benefits of pushing forward greater opportunities for better paid jobs with greater opportunities. At the same time, it would work to reinforce Georgia's EU aspirations. This could create extremely positive multipliers for the country.

As Ketti Kvartskhava, Managing Partner of BLC Law Firm and Member of the AmCham Georgia Board, said, "The best part is that we are not going to be alone on the path to the European Union, which is going to take time. On the way, we will have a very powerful—the strongest country in the world—supporting our economy, supporting our society and everything that is important for this country."

Building people-to-people ties through academia, culture and education have also always been a vital part of the puzzle. Historically, Georgia was a huge recipient of FLEX, Global Undergraduate Exchange Program, and Muskie grants. These took some of Georgia's best and brightest and enhanced their skillsets while helping them build relationships in the West. This allowed them to thrive when they returned. Redoubling efforts to build relationships in this way would help Georgia create its next generation of leaders.

Finally, US relations have been the cornerstone of Georgia's defense preparedness for a generation. Georgian troops have been trained and equipped by the US under numerous NATO programs and through defense exercises and have built strong fraternal relations with Western partners in the battlefields of Afghanistan and Iraq. Georgia's defensive capability has been positively transformed by this relationship, and, in the context of Russia's invasion of Ukraine, this becomes even more important. Altogether, the series of positive measures included in the acts highlights the preparedness of Georgia's friends in the US to creatively build on the existing strong relationship and move forward to enhance Georgia's future.

As AmCham Georgia board member Kvartskhava notes, "When reading the MEGOBARI Act, the impression is that it reminds me of the actions the US took to rebuild, for example, Germany after the Second World War. That scale of support—I don't think I have seen any other declarations for any other country, regardless of whether the countries are members of the European Union or not. So it is a very unprecedented gesture, which requires also the adequate reaction from us and the government as well."

Along with EU membership, this could represent a once in a generation opportunity. As AmCham Georgia President Baidashvili explains, "On the one side, we have the EU prepared to consider Georgia for EU membership. On the other side, we have the USA offering unparalleled opportunities for support and partnership. These are the most economically powerful groups in the world—as well as the greatest proponents of democracy and human rights. There can be no question that this is opportunity of a lifetime, and our children will not forgive us if we miss it." ■

Anaklia, Georgia

Chinese Investor's Role in Major Port Raises Concerns in Tbilisi

Diplomats have questioned the government's decision to award the port tender to a Chinese-Singaporean consortium.

The idea of building a new Black Sea Port in Georgia has a storied history that reaches far back into Georgia's Soviet past. Today, it is seen by some as a vital piece of new transport and logistics' infrastructure; particularly since the Russian war with Ukraine re-routed cargo traffic to Russia's south. Now, the project is mired in controversy, because the Georgian government has selected a consortium led by a Chinese State controlled entity.

It is argued by advocates that this proposed $2 billion deep-sea port would allow larger ships to transport increased volumes at a more efficient rate, and could significantly improve the Middle Corridor's prospects as an alternative trans-Eurasian route that bypasses Russia. As an additional route, it may be attractive for China, which is in the throes of building global commercial maritime networks for its exports and raw material needs.

Most of the current outcry is based on Georgia's choice of Chinese finance to be arranged for the government by state-controlled China Communications Construction Company (CCCC) as the leader of the construction consortium. The plan is for CCCC to hold 49 percent of the project, investing and constructing it, alongside its Singapore-based subsidiary China Harbor Engineering. The Georgian government will hold 51 percent of the project.

First Vice Prime Minister Levan Davitashvili has downplayed the concern, announcing in July that part of the Anaklia project, a construction contract, had gone to Jan De Nul, one of the world's "Big Four" port construction companies, which owns 80 percent of the global dredging fleet.

"We have completed the selection process for the port construction company. Jan de Nul possesses the world's largest dedicated fleet for port construction, including both dredging and breakwater installation. This is the core, universal maritime infrastructure that will be useful in different configurations as the port develops," the minister said. Construction work is due to start in September, and the hope is that the port will be taking in container traffic in 2029.

Although Jan De Nul is a Belgian in- ▸▸

ternational port constructor, its involvement "does not change or reduce the risks associated with the Chinese consortium as investor for the port project," says Georgian Tbilisi State University-based think-tank ISET-PI. Flashing warning lights in a policy paper, it says that while details of Chinese financing were unclear, it sees dangers in "several high-risk and high-impact uncertainties" on the project. Key reason is the expected financial structure.

Specifically, ISET-PI warns that the port may not secure sufficient cargo volume to generate the foreign exchange cash to meet its obligations to cover finance servicing. It says the extent of stress-testing studies on potential cargo volume flows "remain unclear."

The money needed is substantial. The first phase in Anaklia costs $600 million and encompasses constructing a wharf, which can handle an annual seven million tons of cargo and be operational three years from commencement of work. The whole $2 billion project is envisioned to span 49 years.

If it does not generate enough revenue, it is unclear who will bear the costs. Generally, the Chinese push for revenue guarantees and, if this happens, losses could be shouldered by Georgian taxpayers, according to ISET-PI.

"China debt financing through the SOE [state-owned enterprise] and the contingent liabilities stemming from utilizing off-take guarantees and asset pledges could result in direct debt obligations for the state budget, potentially leading to Georgian taxpayers covering the debt service using the NBG foreign exchange reserves. These fiscal risks could intensify if the pension fund opts to invest in the Anaklia project," ISET-PI said in the brief.

Or—as in the case of Sri Lanka, which failed to service a Chinese debt for port-construction—a solution might be a debt-for-equity swap. In Sri Lanka's case, such a deal led to its granting of a 100-year lease on the port to China. This deal gives China freedom of movement, which commentators say possibly threatens Sri Lanka's sovereignty and independence.

Sri Lanka's experience has been raised in US warnings from Ambassador Robin Dunnigan as a cautionary tale. She also pointed out that China is a major financier of the Russian military and that the CCCC "does not have a good reputation globally."

Other diplomats have raised concern about the opportunities the port opens for China.

"If you have China building such a key point, then you are giving them the capacity and opportunity to control a very important route for trade between Europe and Asia," noted Romana Vlahutin, a fellow at the German Marshall Fund and former European Union ambassador-at-large for connectivity, in an interview with Radio Free Europe. "This is not good news for the EU, and I think the fact that [China is now building] the port shows a lack of strategic thinking in Brussels."

China's growing maritime reach

Ironically the controversy over Anaklia has escalated at a time when Western business is just waking up to the fact that China is the world leader in commercial shipping, controlling movement of goods as well as leading on port automation, shipping IT systems and ship financing. Despite the widespread international reservations about China, it has succeeded in investing in two-thirds of the world's largest container ports, including holding a majority stake in two key European ones.

PORT (COUNTRY)	INVESTMENT TYPE	OWNERSHIP	INVESTOR	YEAR TAKEN
Antwerp (Belgium)	Container terminal	25%	China Cosco Shipping	2004
Piraeus	Container terminal	Concession	China Cosco Shipping	2008
Marseille (France)	Terminal Link	49%	Cine Merchant Group	2023
Zeebrugge (Belgium)	Container terminal	23%	China Cosco Shipping	2024
Rotterdam (Hollando	Container terminal	35%	China Cosco Shipping	2026
Vado Ligue (Italy)	Container terminal	40%	China Cosco Shipping	2016
Vado Ligure (Italy)	Container terminal	9.9%	Qingdao Port Int.	2016
Piraeus (Greece	Port Authority	67%	China Cosco Shipping	2016
Zeebrugge (Belgium)	Container terminal	76%	China Cosco Shipping	2017
Bilbao (Spain)	Container terminal	51%	China Cosco Shipping	2017
Valencia (Spain)	Container terminal	51%	China Cosco Shipping	2017
Hamburg (Germany)	Container terminal	24.99%	China Cosco Shipping	2023

Source: https://www.porteconmics.eu

Securing control of ports is a key factor in China's global commercial strategy. It has made "investing in overseas ports a top priority for the twenty-first century," states international news platform Modern Diplomacy. As they continue, "China plans to use outward port developments to create an efficient and well-coordinated transport-trade system, harnessing its dominant position in international shipping."

"The world's largest trading country, and second-largest economy, China conducts about 95 percent of its international trade by sea," says Christopher R. O'Dea, a fellow at the Washington research center Hudson Institute and author of the book Ships of State: China's New Maritime Empire. Writing in the Diplomat, he refers to a much lesser known component of China's Belt and Road Initiative (BRI): the 21st Century Maritime Silk Road. This is where the ports come in.

The Maritime Silk Road launched at the 2013 summit of the Association of Southeast Asian Nations (ASEAN). The announcement stated that to accommodate expanding maritime trade traffic, China would invest in port development along the Indian Ocean, from Southeast Asia all the way to East Africa and parts of Europe. Ten years later the Maritime Silk Road connects 50 marine countries. It traverses from Hanoi to India, then East Africa, through the Suez Canal to the Mediterranean and on to the northern Italian hub of Trieste, with its international free port and its rail connections to Central Europe and the North Sea.

Driving China's export strategy is the need to create overseas market growth to keep its factories going. Its high levels of production result from the country's economic model, with supply-side targets set out in five-year plans cause factories to produce more than the Chinese themselves can buy. "To continue its domestic growth trajectory, currently around five percent annually, China must sell overseas the goods it can't consume at home," states Intereconomics. However, rising Chinese imports mean lower sales of other foreign goods as well as domestically produced items and there have been recurring conflicts.

Jürgen Matthes at the German Economics Institute, writing on China's Trade Surplus for Intereconomics, states that "China's merchandise trade surplus has reached an all-time high and is likely to rise further. A key driver appears to be a policy push to further bolster Chinese domestic manufacturing production, implying the danger of significant overcapacities…."

Another assessment of China's maritime strategies, published in a recent paper from the Greenberg Center of Geoeconomic Studies, part of the US Council on Foreign Relations, states that without being a global naval power, China "has become a leading commercial power that wields significant geoeconomic influence over international sea lanes and commercial ports, underpinning the global flow of goods."

To date closer relations with Beijing have had a limited impact on the Georgian economy. Chinese exports to Georgia are expanding and are five times higher than Georgia's exports to China. Georgia's exports to China, currently at $145 million, are declining and have very little local added value—mainly raw materials (metals ores, herbs, and spices). ■

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HIDDEN EXPROPRIATION AND INVESTMENT PROTECTION – GLOBAL BEST PRACTICES AND GEORGIA'S PATH FORWARD

Georgia has long been committed to becoming a regional leader in attracting foreign investments. Achieving this goal requires excellence in many areas, but the competition for foreign capital is largely a competition of attractive legal frameworks. Investors are naturally drawn to jurisdictions that offer clear, robust guarantees of their rights, along with swift dispute resolution by competent and impartial bodies.

Among the most crucial guarantees for investors are protections against uncompensated seizure, nationalization, or the loss of economic value of their investments. This uncompensated "expropriation," as referred to in legal documents, can take many forms:

- **Direct expropriation** occurs when an investor is deprived of the ownership of an investment or when the investment is physically and permanently seized.
- **Indirect expropriation**, while not meeting the formal criteria of direct expropriation, has the equivalent economic effect, effectively "hollowing out" the elements of ownership.

Indirect expropriation typically occurs when an investor retains ownership or possession of the investment, but state measures deprive the investment of its economic value and purpose. Such measures may serve legitimate public interests, such as regulations for environmental protection, health, or taxation. However, they may also constitute unjustified and uncompensated expropriation.

For instance, arbitral tribunals have, on numerous occasions, found that regulations imposed for environmental, health, or taxation purposes led to expropriation, even when the investor technically remained the owner. These regulations stripped the investment of its economic value, effectively hollowing out the investor's ownership rights.

By its nature, indirect expropriation is concealed, making its detection and proof significantly more challenging. Importantly, there is no mechanical formula to distinguish it from genuine regulation.

INTERNATIONAL TRENDS IN DEFINING "INDIRECT EXPROPRIATION"

Although most international treaties and laws governing investor-state relations protect against indirect expropriation, they often leave the term undefined, subjecting it to tribunal interpretation.

According to the Organisation for Economic Co-operation and Development (OECD) – one of the primary contributors to global investment policies – 82% of international investment treaties in force as of 2021 provided protection against indirect expropriation without specifying the scope or conditions of the concept.

However, this status quo is evolving. In May 2003 the first treaty definition of "indirect expropriation" was agreed upon between the United States and the Republic of Singapore. Since then, more treaties have included definitions of what constitutes indirect expropriation.

Currently, 24 percent of bilateral international investment treaties define indirect expropriation, and this figure rises to 73 percent in multilateral treaties. Notably, the trend is accelerating, with nearly all recently concluded treaties including a definition of indirect expropriation.

"INDIRECT EXPROPRIATION" IN GEORGIA AND FUTURE PROSPECTS

Expropriation in the absence of pressing social need and without compensation is prohibited by the Constitution of Georgia. Moreover, protections against expropriation are commonly found in Georgia's international treaties. However, what constitutes hidden or "indirect" expropriation remains largely unaddressed.

This may soon change. The draft Law of Georgia on Investment Protection, which is expected to replace the current Law of Georgia on the Promotion and Guarantees of Investment Activity, is anticipated to include a definition of indirect expropriation. As a result, this national law will directly define indirect expropriation, offering clarity and protection to all investors, regardless of their country of origin or any applicable bilateral investment treaty (BIT).

This development means that courts and tribunals will have a clear set of criteria for determining whether indirect expropriation has occurred. Additionally, Georgia's executive and legislative branches will have guidelines for future regulations, and investors will have a better understanding of the feasibility of their potential disputes.

Ultimately, this will create a clearer, more predictable legal environment for investors, contributing to a more competitive business climate in Georgia. BLC Law Office, under a mandate from the international donor organizations, and in collaboration with the Ministry of Economy and Sustainable Development of Georgia, continues to support this important initiative by adapting global best practices to the Georgian context.

Giga Batlidze
Partner of BLC Law Office

Giorgi Leluashvili
Associate at BLC Law Office

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From Safe Fuel Regulations to Bacteria Phages:

100 issues promoting Georgia to Investors

Investor.ge celebrates its 100th issue with a look at the challenges it overcame and its plans for the future.

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Former editor Allison Ekberg Dvaladze, former executive director Amy Denman, former editor Molly Corso, and former editor Susanne Channon

When former AmCham Georgia Executive Director Amy Denman started the AmCham newsletter in her apartment in 1998, the goal was to attract members—not create one of the longest serving English-language publications in Georgia.

"We were trying to promote our association because, beyond going and knocking on doors, there weren't a lot of avenues for promotion at that point beyond the support of the American Embassy," she recalled. "So we just wanted to publish a small newsletter."

The layout was straightforward, printed on her home computer: four to six black and white pages about AmCham: what it was, what it was doing, and contact information.

However, over time, it became clear that this four-to-six page newsletter had the potential to become much, much more.

"We realized there was very little English-language news at that time in Georgia," Amy recalls. "We decided that we wanted to make it a broader economics magazine...not only did we want to get the information about AmCham out, but we also wanted to publish information that would remain relevant about Georgia. We wanted to have information for new potential investors, current investors, visitors. It was a calling card."

There were technical hiccups and challenges along the way. Electricity was still sporadic and the digital revolution had stalled at CD-ROMs. But a small group of dedicated AmCham staff—usually just Amy, the current editor, and Levan Baratashvili—managed to put the magazine out regularly with the help of designer Giorgi Megrelishvili.

"That is the most amazing thing about this: the sheer tiny amount of staff that was put on it and the enormous amount of content that came out," Amy says.

By 2001, the newsletter had transformed into the AmCham News, a full-fledged glossy magazine, full of hard-hitting news articles on major challenges for businesses—like illegal gas stations selling doctored or stolen petrol—and interviews with the Georgian and foreign businesses who were creating the modern economy.

"When I started working on it...there was certainly nothing like a glossy magazine to get news and information about things that mattered... So I think it was a quite a useful publication when it got going because it covered issues that mattered to people," noted Susanne Channon, who was the editor from 2001-2002.

Allison Ekberg Dvaladze, who was the editor during the 2004 Rose Revolution, noted the magazine's ability to dig in deep into the issues instead of having to chase the headlines. That was especially true since it was published bimonthly, giving the staff plenty of time to identify the stories that mattered and develop them.

"We were writing in Georgia at a time when it was really protecting the media. Not that bad things didn't happen—we know that they did. But in the region, Georgia was sort of a model of really allowing the media to be free. And that was an amazing time to be there," she says.

The freedom to report on the issues that were concerning AmCham's business members as well as the wider community meant that the magazine delved into topics like controversy surrounding the AES Telasi electricity provider privatization and concerns about power sharing the Enguri hydro power plant with separatist Abkhazia.

"There really was nowhere else to find those stories in English. That's what set us apart," Dvaladze adds. "When you look back, we were documenting a lot of history. The newspaper caught the day-to-day, but we were capturing all that other stuff...how people were living and going about trying to keep everything going as normal as possible."

For AmCham Georgia, supporting the magazine became a strategic decision: even without any fulltime staff, it was a major drain on resources. However, it also provided a platform to advocate for policies that affected members and increase interest in Georgia, as the country tackled tough economic reforms.

"It was an avenue for us to explain to people our thoughts on our policy stance," Amy says. "We always wrote from both sides because we didn't want to be seen as pro anything. We would

approach things—always there are two sides of the story and we always told both sides."

Warren Hedges, who served as editor after Allison, recalls the years immediately following the Rose Revolution as a time when there was a huge push to reform.

"Having spent time outside of Tbilisi, I had many conversations with people who didn't believe business or government could improve. It has stuck with me that the members of AmCham dedicated time and energy to building a better place to get work done, to invest, and to build a better future for Sakartvelo," he recalls. "Everyone felt the painful need for reform and breaking out of corruption and poor government that was stifling business and simple everyday life. We were giving a perspective on what was changing and what else needed to change so people and their businesses could succeed and grow."

When I was hired as editor, at the end of 2006, the magazine was already an established name in Georgia, with a strong history of reporting on the stories that mattered. During my 12-year tenure, the executive directors and editorial board made sure we covered issues that affected the business climate and Georgia's Euro-Atlantic ambitions. At times, that meant the magazine didn't resemble publications put out by other AmChams.

Current editor Mackenzie Baldinger and her husband Giorgi Jangiani

As current AmCham Executive Director, George Welton, points out, "The Investor.ge magazine has always been able to provide a great mix of hard-hitting business and economic stories, with articles that, particularly a Western-oriented and English speaking audience might appreciate; with articles on the reform of the energy sector with pieces about the growth of artisanal carpet making, or the export of new kinds of Georgian cheese."

Ari Neumann, who served as editor during the 2020 pandemic, noted the magazine was at the forefront in Georgia, providing real analysis on the policy issues affecting business.

"I think business media started going around the time I started as editor...I remember looking at Investor.ge and being proud that we were one of the only analytical outlets for business news," he said.

"The fact is that we have a huge business community behind us, and every once in a while the priorities and concerns of the business community would boil up and come on our radar at a time when other business magazines might be reporting the news rather than fishing around in the depths. We found out 'what is the bottleneck here, what is not working there, how do we actually improve policy?'"

As AmCham moves forward, there is no doubt that the Investor.ge magazine will continue to be a central product produced by and for the Chamber. It will continue to entertain and hopefully inform its diverse readership. As AmCham President Irakli Baidashvili says,

"Investor.ge continues to be a unique offering. Moving forward, we will make every effort to utilize its excellent journalism to add value for our members. We will also ensure that it is seen by more people online. At a time of dangerous disinformation, the best defense is independent and well-written fact-based journalism. That is what Investor.ge has always offered." ■

Former editor Ari Neumann

Georgians Increasingly Turning to High-Income, Western Countries For Work

The jump in working-age Georgians immigrating in search of work has skyrocketed, even as total remittances fell in July 2024.

SALLY WHITE

Remittances, a boon for household budgets, family businesses and government coffers, have dropped from the $3 billion high registered in 2021-22. However, the overall decrease hides a new trend of higher numbers coming from high-wage economies in the West, underscoring the number of Georgians leaving for jobs abroad.

The latest National Bank of Georgia (NBG) numbers show a total for July of $283 million, down 1.3 percent on a year ago, largely due to a drop in transfers from Russia, Ukraine, and Belarus. The inflow of bank transfers from those countries peaked in the months following Russia's 2022 invasion of Ukraine and have since dropped, although they remain higher than before the invasion.

For the Georgian labor market, the figures indicate a new, and perhaps troubling, trend: inflows from several countries—including the US, up 16.9 percent annually at $50.3 million and the largest contributor in the month, and Italy, up 6.6 percent at $48.9 million—are climbing.

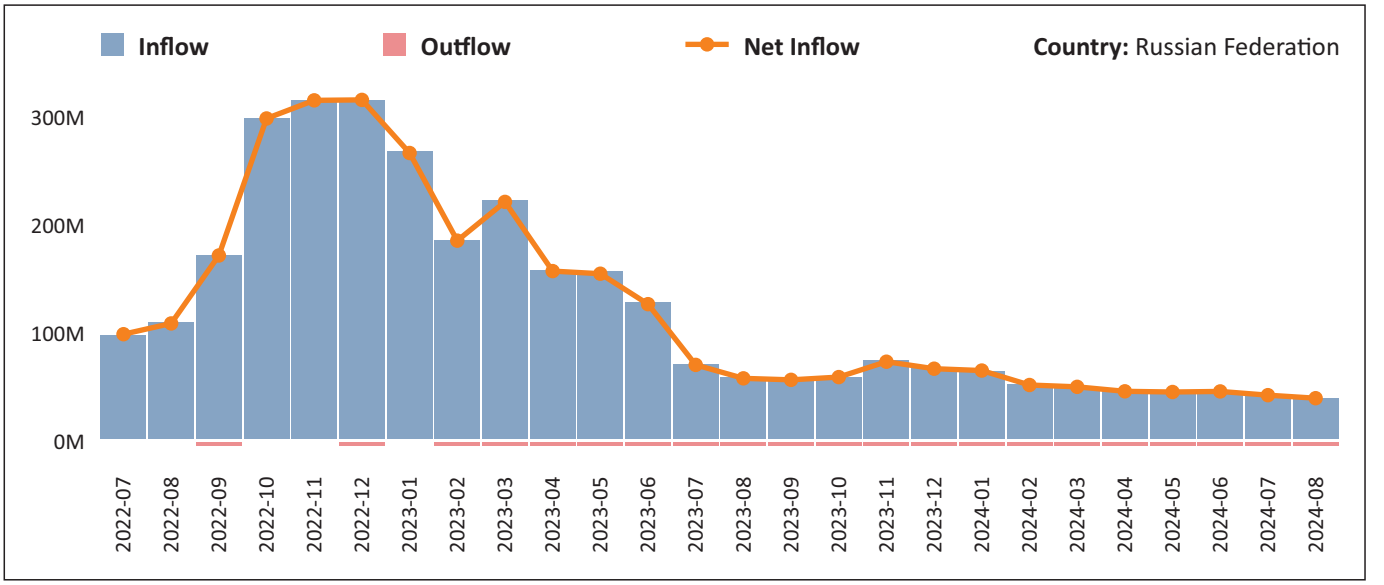
Other chunky sources of inflows in July were Germany (at $24.7 million, up 18 percent), Greece ($23.2 million, up six percent), and Israel ($21.7, up seven percent).

The bump in remittances from these countries reflects the growing number of working age Georgians leaving the country since 2022.

'A country of emigration'

The Organization of Economic Corporation and Development (OECD) classifies Georgia as a "country of emigration." Well over half – 58 percent – of Georgians have immediate relatives living abroad, according to a Caucasus Barometer survey carried out this spring. Data released by the National Statistics Office of Georgia show that total migration from Georgia increased by 96 percent last year with 245,000 people leaving the country. The great majority of them were of working age, and half were Georgian citizens. The reminder was largely made up of Russian, Turkish, Ukrainian and Belarusian citizens.

The size of the Georgian population now is largely guesstimate. The last population census was taken some years ago (2019), and until the next census (scheduled for later this year) is published, it is uncertain exactly how many of the then 3.72 million people remain and their ethnicity. A previous census, conducted in 2014, also showed 3.7 million people, but Georgia is shrinking: the population numbered 4.4 million in 2002, down from 4.8 million in 1994. A 2022 study by Georgian consultants PMC Research



stated that since 2010 nearly a quarter of the Georgian population had moved abroad for work. The EU states that over half of those leaving are women.

Underlining the importance of these money inflows to the Georgian economy, the PMC Research study says that "over the last decade Georgia's economic dependence on remittances increased notably. From 2013 to 2022 the percentage of remittance inflows as a share of GDP grew from 11 to 16 percent." Of course, the latter number was boosted by the inflow from Russia, Ukraine and Belarus, but remittances have always been an important component. The World Bank gives the historic share of remittances in Georgia's GDP between 1997 and 2023 at an average of around 10 percent.

Some have blamed the exodus of workers on the ease with which Georgians can travel to Europe, where entry does not require a visa. Money transfers from the EU have shot up considerably since 2017, when the visa-free regime for Georgian citizens was introduced. Italy, where careers for the elderly are in high demand, is an increasingly popular destination for women. However, the EU visa regime is supposed to be used for visits, not for prolonged stays, and work permits are limited and require separate, country-based, applications. So, many of the Georgians in the EU are working illegally, notes PMC Research, although in most industries they are welcome as labor shortages are acute, especially in just about all aspects of construction and services.

Georgians taking the risky and costly option of entering the US, joining the influx crossing over the Mexican border, have also excited media comments, even though there are no firm numbers. While Russia continues to host the most Georgians (113,000 ethnic Georgians according to the 2021 Russian census, but Georgian diaspora organizations claim up to a million live and work there), it is no longer the most favored destination.

News in recent weeks shows why Russia is falling from favor, despite a RIA Novosti report of a 35 percent rise in construction workers' salaries in H1 2024 as labor shortages bite. Online news source Havli is reporting spiraling anti-migrant sentiments across Russia, despite thousands of jobs vacancies. A factor, too, is that Russian policy is conflicted as, despite a labor crisis, foreigners are banned from working in many sectors of the economy.

Seeking higher wages

A look at the average monthly wages of the countries to which Georgians are moving, published in TBC Capital's Macroeconomic Outlook for 2024, show another facet of the story—the US offers around $6,000 a month, Israel $4,000, Italy $2,700, Poland $2,000, and Greece $1,500, compared to the Russia average of $1,130. According to international emerging market

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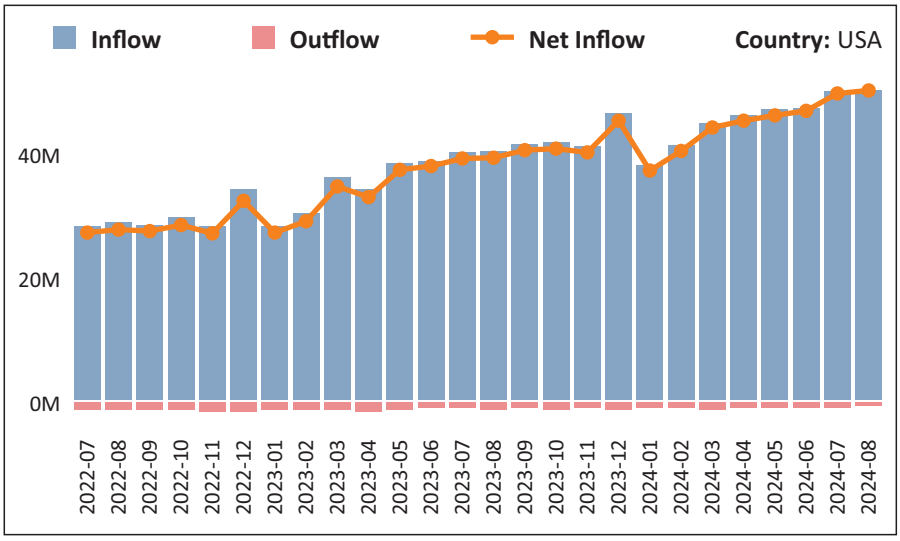


research group, CEIC Data, the Georgian figure is $728; Enterprise Georgia's website reports the monthly average as $410.

Not surprisingly, with the Georgian economy currently recording average real GDP growth for January-May 2024 of 9.3 percent, Georgia's demand for labor is high. However, it remains unsatisfied, with around half of the companies surveyed earlier this year by the Business Association of Georgia (BAG) indicating that labor shortages were a hindering factor to business. Despite this fact, the IMF notes in its May report on Georgia that wages grew by 17.3 percent in 2022 and 16.8 percent in 2023.

A 2023 EU study, Socioeconomic Stability For Georgian Labor Migrant Women, states: "...the rising need for domestic labor in the international job market drives women's labor migration from Georgia, a phenomenon shaped by socioeconomic challenges. If unemployment and low wages are the major reasons for migrating, structural issues, such as a weak health and social welfare system, expensive bank loans, housing challenges, and other issues contribute to the reproduction of poverty, aggravate households' economic hardships, and thus, render migration inevitable while creating significant barriers for return and sustainable reintegration."

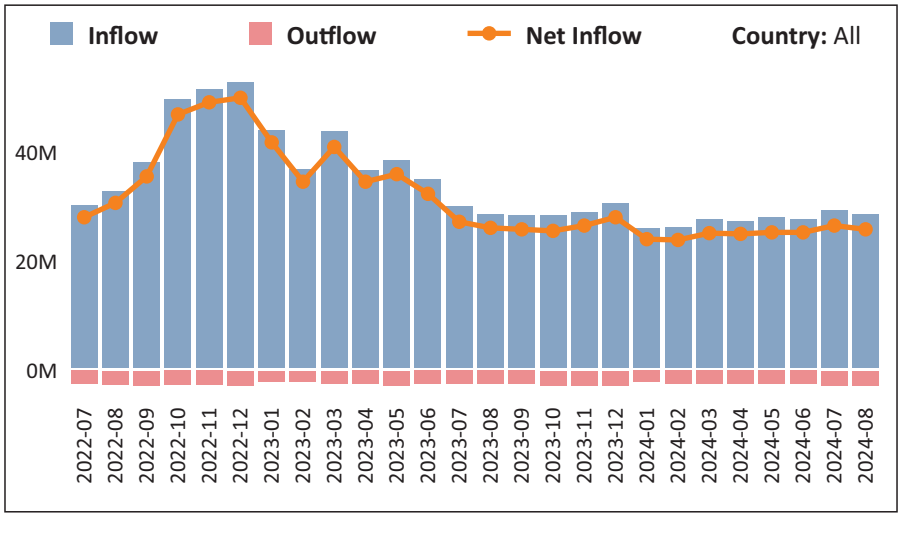
Gender data for labor migration is not available, it observes, but most of the remittances by women workers come from Italy and Greece and are used to provide for the family. The EU adds: "Studies show that in the last decade, remittances constituted an important share of recipient households' income, although the sustainable impact on the economy is questionable, since the greatest share of remittances is spent on primary needs, such as food (79 percent), utility bills (63 percent), and clothing (53 percent). Only seven percent of those receiving remittances manage to collect savings for starting a business or buying fixed or unfixed assets."

This EU study, designed to help female migrant workers return to Georgia, looks at the underlying human stories of the remittance numbers. Drawing on social research it states: "...on the one hand, a mother's emigration improves children's chances for material well-being and access to education, while on the other, causes a deficiency of physical and emotional care, thus negatively affecting the processes of socialization and self-realization among the children left behind."

The report notes that too often the women find they are trapped "after providing for children, migrant women continue their efforts in migration to provide for grandchildren."

Georgian households receiving remittances have fluctuated in number, but PMC Research gives a proportion of 5.5 percent in 2020 and 6.6 percent in 2022. On average, it says, from 2013-2022, the amounts sent home averaged GEL 573 monthly or 41 percent of those households' total monthly income. Households receiving remittances, it states, had an income of 1,398 GEL, 28 percent higher than those not receiving remittances. Only 38 percent of households receiving remittances had income from hired employment.

The benefits to Georgian households, as set out by PMC Research, is that remittances appear to give Georgian households income above their daily needs "enabling them to save money, acquire property and tighten their financial security." ■



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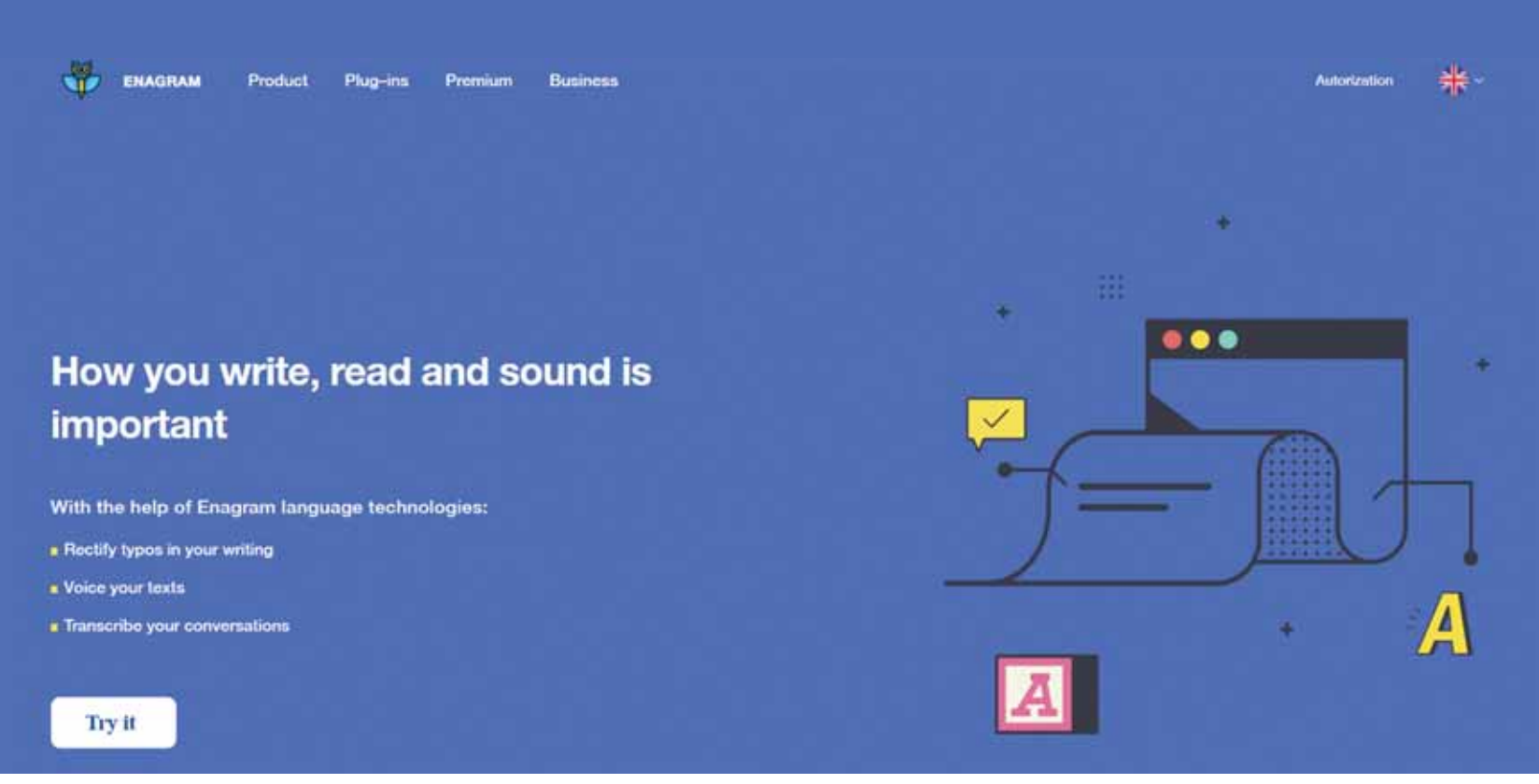

Enagram: Creating Georgian Digital Resources for the Gen AI Era

Investor.ge interviewed Rati Skhirtladze, CEO and Founder of Data Analysis Laboratory, about the team's AI-powered platform, Enagram.ai, and the critical need to digitalize low-resource languages like Georgian.

GIGA BERUASHVILI

As the world increasingly turns to AI and digital technology, low-resource langauges like Georgia are struggling to stay relevant across sectors and industries. The Georgian-created Enagram.ai,an AI-powered platform, is using creative methods to bolster the language's online presence and provide 21st-century digital solutions for Georgian speakers.

The global AI landscape presents challenges, especially for languages like Georgian that lack digital resources.

"LLMs [large language models] like ChatGPT and Gemini, are based on large datasets in the English language. Creating an LLM for the Georgian language is very challenging because there simply aren't enough digital resources available to train a language model," Data Analysis Laboratory CEO and founder, Rati Skhirtladze, explains.

UNESCO estimates that at least 50 percent of the world's more than six thousand languages are losing speakers and, in most world regions, about 90 percent of the languages may be replaced by dominant languages by the end of the 21st century. The Georgian language is also under a significant risk, although not entirely on the line to extinction, according to Skhirtladze. "The Georgian language is also under threat, although it is relatively protected due to its status as the official state language," he says. "However, if Georgian is not equipped with modern technologies, it too will face risks."

The challenges facing languages like Georgian in the digital world are significant. While LLMs like ChatGPT work well with high-resource languages like English and Spanish, languages like Georgian lack such digital material, creating a gap that threatens its future competitiveness in the global technological landscape.

"This is evident in the fact that when leading researchers at Google publish a paper, speakers of high-resource languages, like English or Spanish, can immediately use and apply it, resulting in new publications and products," Skhirtladze says. "However, when you don't have these resources for low-resource languages, you can't create similar products."

Developing an LLM of that scale and quality is extremely difficult. Nevertheless, Enagram's team has approached

these limitations with creativity—crafting custom datasets for their language tools, even hiring voice actors to build their text-to-speech functionalities. It's also important to note that the architecture of LLMs allows for high-accuracy results in specific domains, such as the medical or banking fields. These principles and architecture can achieve excellent results for narrow tasks, which is what the DAL Team is working on.

Enagram is the culmination of over 20 years of experience and research in language technologies, led by a team of dedicated experts. The platform's founders began their work with traditional grammar systems. Before Enagram, in 2006 Rati Skhirtladze and a friend started Ena.ge, an extensive digital platform offering language resources for the Georgian language. That project slowly transitioned to AI-powered solutions as artificial intelligence evolved. They developed the first Georgian spell-checker integrated into Microsoft Word, building upon their experience to craft innovative tools like the platform's highly accurate text-to-speech tool.

Skhirtladze says the platform continues to grow, adding new modules and capabilities regularly. Looking forward, Enagram plans to enter the U.S. market, as well.

The AI technologies on the platform have wide-ranging applications across industries. In the medical field, for instance, doctors can dictate notes and documents through speech recognition, saving time and enabling them to see more patients. Globally, professionals are turning to AI tools to maintain a competitive edge, and Enagram offers Georgian users access to these groundbreaking advancements, helping businesses and individuals alike work smarter, not harder.

CEO Rati Skhirtladze (PHOTO BY DataFest TBILISI 2024)

For example, text-to-speech capabilities can help people with impaired vision access information that would otherwise be unavailable, broadening their engagement with the world.

Additionally, tools like speech-to-text allow students to easily transcribe lectures, offering them the flexibility to review and search specific content quickly and efficiently.

Enagram's significance lies in its potential to make things easier at work and in private life, Skhirtaladze says.

"This is especially true for people with disabilities, particularly for the blind...for whom sound is the only source of receiving information, as Braille is quite limited," he explains. "Social media can use this text-to-speech technology, which was impossible before the development of artificial intelligence." ■

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UM Georgia, the official representative of the global network UM Worldwide in Georgia, has turned 21

Curiosity and continuous development are the keys to success in the advertising world. UM Georgia, a company that embodies these qualities, has been a leading force in the Georgian market for the past 21 years.

Today, UM Georgia is a full-service media agency with a wealth of experience working with both local and international brands. Our team of 21 highly skilled specialists stays at the forefront of industry trends and innovations, offering clients a comprehensive range of services. From traditional advertising (TV, radio, print, outdoor) to digital marketing, PR strategy development, and influencer marketing.

Nino Bestavashvili, the Executive Manager of UM, will provide us with more detailed information about the company.

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Nino, please walk us through the history of UM Georgia, its development, and its transition into a network advertising company

UM Georgia has been operating in Georgia since 2003 and is a part of the global advertising network, Universal McCann Worldwide, Inc., which, in turn, is a member of the American advertising and marketing company Interpublic Group of Companies (IPG). The main reason for the network media agency to enter our market was the increased marketing activity of global brands in Georgia, and they needed an agency with international experience that could offer high-quality services to these brands. Therefore, by opening a network media agency by the founder of the company, Mr. Gia Alikhanashvili, and with the support of global UM, sharing their experience in the local team, we further strengthened our positions in the market.

Globally, UM has over 120 offices in nearly 100 countries worldwide and more than 3,000 employees who create innovations for global clients, including brands such as Accenture, American Express, CVS, General Mills, GoPro, Henkel, Johnson & Johnson, Levi Strauss & Co, Mattel, and Upfield. Our headquarters is located in New York.

What primary services does UM Georgia currently offer to its clients?

The agency provides comprehensive media and creative services to its partner companies, encompassing strategic media planning and placement, digital and social media placement and advertising, content marketing, design and copywriting, PR strategy development and implementation, as well as influencer marketing

What is the main niche for which companies choose to partner with you?

We have been operating on the market for 21 years and naturally, over the years we have accumulated the kind of experience that always appeals to our partners and most importantly, creates valid trust on their side. Additionally, our qualified team is always ready to bring effective solutions to the table that always result in success for our partners and respective parties.

I would like to highlight one important advantage, due to which we have many years of successful cooperation with the majority of our clients - this is the provision of full range of marketing and advertising services for partner companies, because our group, together with UM Georgia, also represents 5 agencies, which are united under the Advertising.ge. These agencies are:

- UM Georgia - Media
- McCann Tbilisi - cretive/marketing
- STV Digital/McCann – digital media
- Kedi/Momentum - organization /production of events
- Adss Print - advertising production /printing

An important competitive advantage of our company is that we offer our clients integrated marketing and advertising services via "Single Window System", which means that our partner has one account manager and all services under advertising.ge (5 agencies) our partner gets via one account manager. This is huge comfort, transparency and most important financial saving for our partners. This scheme is very convenient especially for big clients who need a full range of services and don't want to spent time communicating with different agencies or persons to get different kind of marketing and advertising services - starting with creative production, media, digital media, event management, print or other advertising materials production.

What are UM Georgia's future plans?

Regarding our future goals, we plan to further strengthen our team, particularly in digital media direction. We will achieve this by expanding our services and adopting new digital technologies, such as AI marketing.

Throughout our company's history and into the future, our aim has been to offer our existing and potential client's competitive prices, financial transparency at every stage of our collaboration, and innovative media planning to achieve the best business results for brands.

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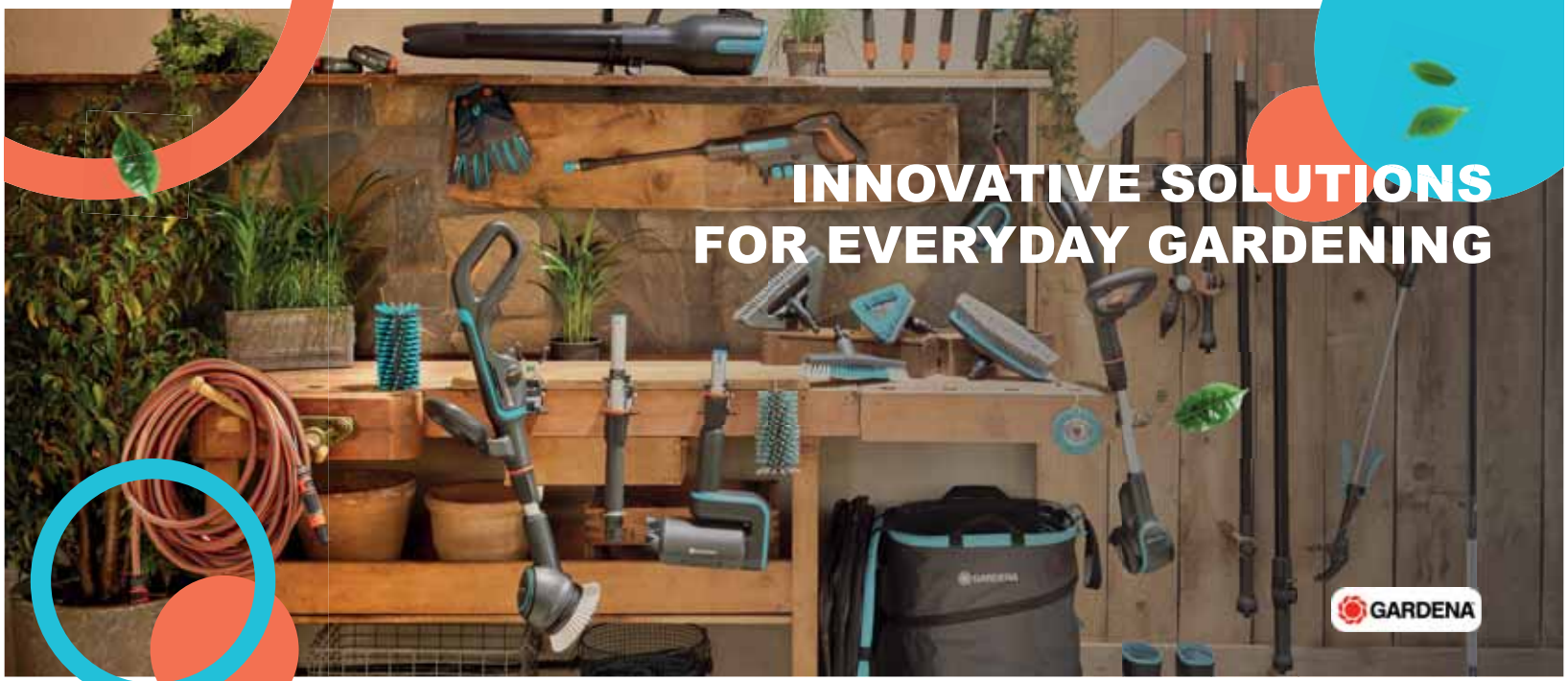

Transporter, a prominent player in the Georgian market, takes pride in its status as an official reseller of Gardena and Husqvarna, two well-known gardening products. These companies are well-known throughout the world for their creative approaches that improve and simplify outdoor living. Gardena provides a wide range of goods that are perfect for both professional and home gardeners, ranging from intelligent irrigation systems to useful tools for maintaining lawns and gardens. Conversely, Husqvarna, a brand recognized for its robust and long-lasting outdoor equipment, offers a variety of goods, ranging from chainsaws to lawnmowers, to meet a variety of landscaping requirements. At Transporter, we make sure that our customers have easy access to the best tools for conveniently and effectively maintaining lovely, well-kept green landscapes.

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TBC CAPITAL

Retail grocery stores gaining market share

TBC Capital's latest fast moving consumer goods (FMCG) report shows the market is steadying after years of one-off disruptions. While competition between store chains remains high, growth in the so-called organized market—established retail market brands—is gaining against the unorganized market, or family-owned shops and open markets. This trend is expected to continue in 2024 largely due to regional expansion.

Market stabilizing

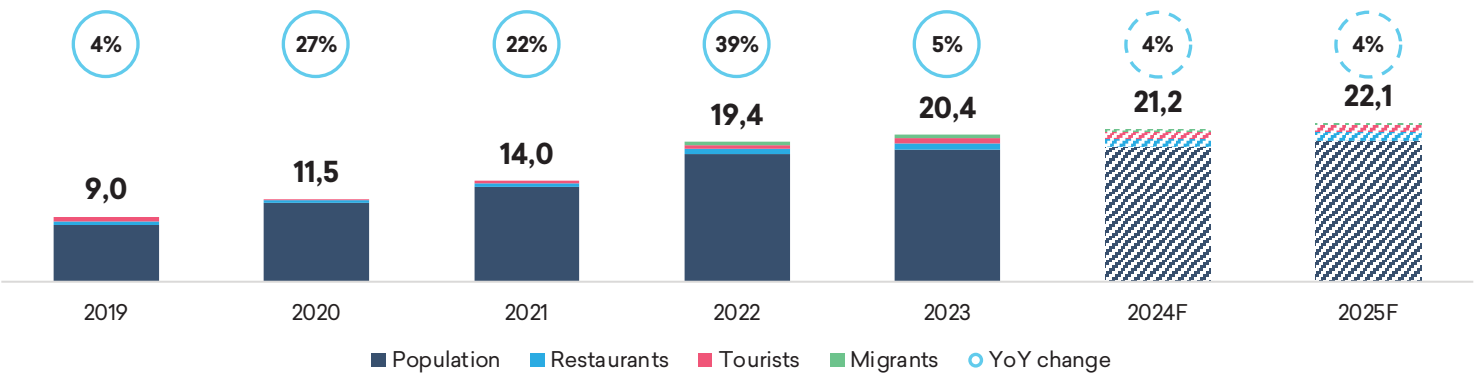
The report, which covers 2023 and five months of 2024, found that FMCG market revenues will stabilize this year after several years of strong growth.

"We expected the overall market to normalize. If we look from 2020, [growth] was 27 percent followed by 22 percent in 2021 and 39 percent in 2022. And after these three consecutive years with really high growth, we expected the market to normalize," noted TBC Capital Senior Associate Andro Tvaliashvili, one of the authors of the report.

"The main argument behind this expectation was that there were several one-off events starting with the pandemic."

For instance, there were high inflation rates in 2021, reaching around 15 percent on FMCG products. In 2022, the migrants' influx from Belarus, Russia, and Ukraine created an influx of around 500 million lari, Tvaliashvili said. "It is not a huge number just looking at it by itself. But if we take into consideration that it was a segment that did not exist in previous years, on an annual basis, it played a huge role in the growth."

FMCG market revenues, GEL bn (including VAT)



Growing organized market

The report also found that the organized FMGC market is continuing to grow on the back of the unorganized market. "The organized market grew substantially even in 2023. The annual growth rate was 26% percent," Tvaliashvili said. "If you look from 2019 to 2022, the organized market was also growing but it was in line with the growth of the overall market. In 2023, the huge difference in the growth rates resulted in a six-percentage point increase in the share of organized market. We expect this trend to continue in coming years, in 2024 and 2025."

He said there is an expectation the organized market to reach around 45 percent by the end of 2025, which is more or less in line with the Eastern European numbers.

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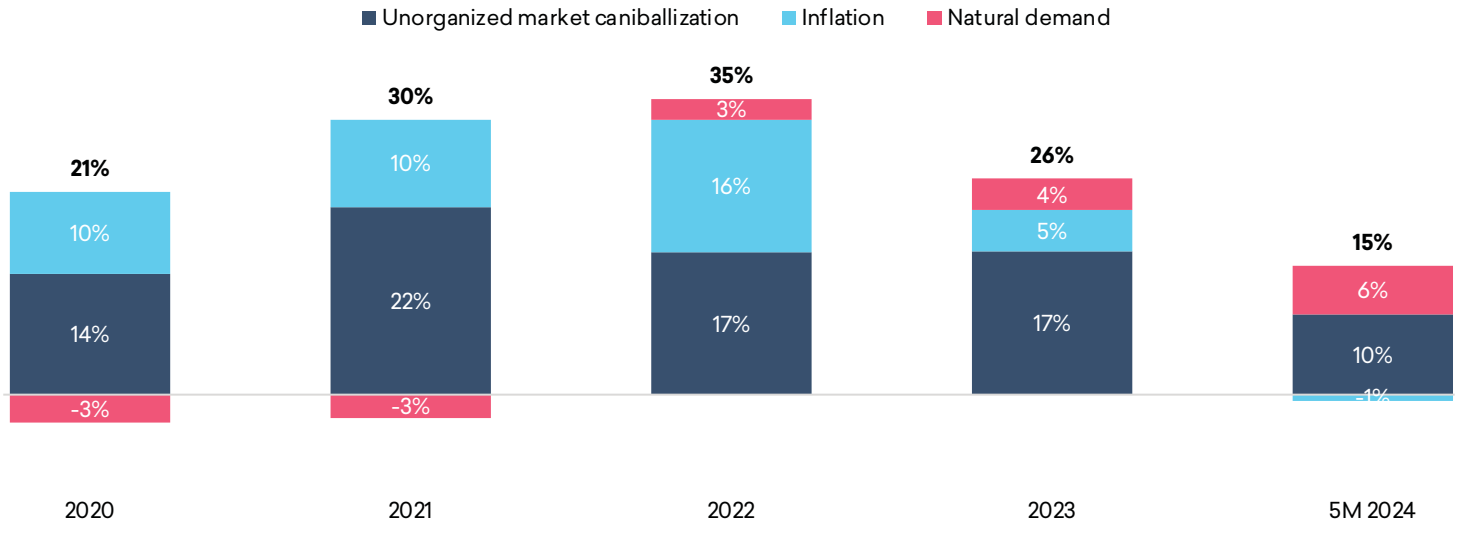
In 2023, the organized market was around 60 percent in Tbilisi—on par with Western European country averages, Tvaliashvili explained. Outside of the capital, however, the numbers are lower.

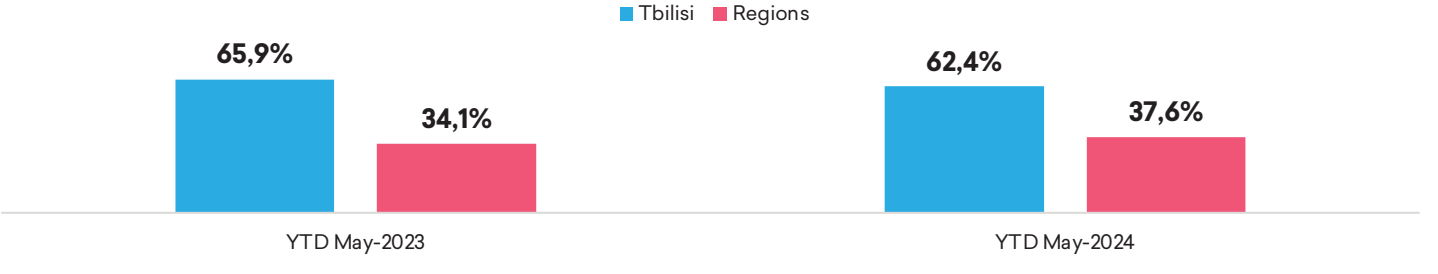
"For example, western Georgia has more large cities like Kutaisi, Zugdidi, and Batumi. The share of the organized market there is 39 percent but in eastern Georgia, the penetration numbers are really low and the organized market is only 18 percent of the total market," he said, adding that the lower penetration in eastern Georgia is due, in part, to local consumer habits.

Decomposition of annual growth in the organized FMCG market



Tvaliashvili noted that regional expansion has driven organized market growth. "If we look at the shares in terms of revenue—how the revenue is broken down into capital and the regions—if you look at the first five months of 2023, the breakdown was 66 percent in the capital and 34 percent in the rest of the country. As for 2024, the share shifted to 62 percent for the capital and 38 percent in the region," he said. "So we see the numbers evolving in the direction that going forward, regional penetration has to be the driver for the organized market."

Distribution of the organized FMCG market revenue by the capital and regions of Georgia



Untapped potential in regions

He said the number of stores is another indicator of untapped demand. "If you look at the annual change in the number of stores in Tbilisi, it is around 15 percent growth, which is still a huge number. But if we compare this number to the regional expansion, the increase in the number of stores is 34 percent in just one year. If we look at it in absolute numbers, there are around 1500 organized retail stores in the capital and it is the same number for the rest of the country. So, we see that the regions are really underpenetrated as of now."

TBC Capital develops the annual report to inform FMCG sector players about the developing market, Tvaliashvili explained. While the report is not intended to macroeconomic analysis, it does provide some insight.

"A key takeaway is that at this point of economic development, our expenditures on FMCG products are really high," he said. "Going forward, there is still a certain time left when these expenditures will grow compared to other goods and services, before we reach a certain level of development."

Playing Detective: A popular startup taps into Georgia's nascent board game industry

A team of six college students has turned a class assignment into a successful company and created a new market for Georgian detective games.

GIGA BERUASHVILI

When a group of friends created Damnashavis Logika (A Criminal's Logic) as a class assignment, they had no idea it would turn into a successful startup that inspired spinoff games and a new generation of mystery fans.

The game, which empowers players to take on the role of detective, forensic scientist and prosecutor to solve a mystery, has tapped into Georgians' growing love for board games.

"Board games have this ability to unite people and take them out of the virtual world," notes Mariam Buadze, who created the game in 2022 with her five GIPA classmates—Anano Chikhladze, Anuki Shatakishvili, Mariam Khukhunashvili, Mariam Lazaria and Nuka Koridze.

"They bring people together for hours at a time and it's a great bonding opportunity, as well."

Even though no one on the team was a hardcore game lover, they found themselves drawn to the idea the more they thought about it. The assignment had to be something physical, and they wanted to create something that connected people in real life, not online.

As a child, Mariam always loved playing classic board games, like Monopoly and its Georgian counterpart, Manager. Soon the team found they shared an interest in mysteries, too.

Once they decided to integrate this shared love for mystery and make the game about being a detective, they quickly determined there was a gap in the board game market in Georgia. There is little available statistical data on companies developing Georgian language board games. Globally, the industry is growing and is estimated to be worth $12 billion by 2028, according to the Global Board Game Market Overview 2024-2028.

Creating a new world

Each A Criminal's Logic game comes with a criminal (mostly murder) case and can be played by one or multiple players. The box contains everything needed to solve the crime: suspect photos, witness testimonials, map of the crime, fingerprints, evidence, etc. To win the game players have to solve the case. Each game includes a QR code to check if the solution was correct.

The learning curve was steep for the team as they developed the game. No one had any experience with law enforcement or criminal law, so they mined their social networks and families for professional contacts to sound out ideas and give them tips. The first production also coincided with the pandemic, so searching for supplies and printers was complicated—as was making sure they

could generate ₾1000 in income from the first batch, one of the stipulations of their assignment, with their initial budget being just ₾750.

For the first batch, they decided to create 50 units for the price of 39 lari a piece so they could recover their costs. The batch sold out in the first couple of days.

The first sense they got of success was when they started to hear from satisfied customers on social media. Parents would write how happy they were that their children were off their phones. Players would rave about being fully captivated by the game, excited by the chance to "be Sherlock Holmes."

Since the group was still in college, they weren't sure it was worth continuing—until they saw the demand when they presented their board game at the Caravan, a small business promoting event in Tbilisi. "We have no idea how we even ended up there, to be honest," Buadze says. "We were running on fumes in terms of our product stock and we had like only half of the stall, but we were there." That led to a feature article on them in a TBC Bank publication about startups.

"We realized that this wasn't just homework anymore and what we were doing mattered," Anano says. "People have told us that playing our game has helped them pick their future professions, that they've found themselves, which is even just a reason enough to do this."

A Criminal's Logic has been on the market for more than two years now, which is evidence in itself of its success. "Despite the fact that we're still newcomers on the market and judging by our social media analytics, we're not household names yet, everywhere we go we meet people who have heard of our game," notes teammate Anuki Shatakishvili.

The games can be purchased online and most sales are through social media. In person events, like Caravan, are great for the startup. "When the games are presented physically at the market stalls, the sales go significantly higher, comparable to online sales only when our content goes viral on social media platforms like Tiktok," Mariam explains. "There have been days when we've sold up to 120 units when they were displayed at the markets."

Today, A Criminal's Logic is on its fourth series, preparing for the fifth edition. The case ideas are very loosely based on real life criminal cases, movies and documentaries, and the team members' imaginations. "When we start working on the case, we're like 'I have this idea, let's see how this works out' and then we all work around it, kind of making it up as we go and making sure it all makes sense," Anano says.

Creation of each case is always the same process as the first one: research, research and more research. Even though the concept of the game is roughly based on American "Unsolved Cases," they had to completely remake the concept based on Georgian laws, customs and practices. As a result, the team constantly relies on law student friends, relatives in the medical field, parents and other acquaintances who work in law enforcement, medicine and forensics for help.

Today the team is developing a new, different game to address fans' complaint that A Criminal's Logic can only be played once. The Secret 187 will be a more classic board game experience, inspired by "Mafia" type games but defined by the style the team has developed across four A Criminal's Logic games.

The experience has been complicated by the fact that everyone on the team has graduated and is developing their own careers, although they remain committed to building their gaming company. Co-founder Mariam Buadze notes that through A Criminal's Logic, each member has developed new skills and interests. For instance, she built the website for the game herself.

Teammate Anano became the de facto graphic designer for the game—an experience that inspired her to think about it as a potential profession.

"This business nudged us in different directions and helped us see what we wanted to do in the future, for our professions," she says.

Teammate Anuki Shatakishvili adds, "If we could do this, what can't we do?" ■

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London Art Dealer Elevates Georgian Artists on International Market

Katrine Levin fell in love with modern Georgian art. Today she is working hard to help others do the same.

SALLY WHITE

Mamuka "Dideba" Didebashvili, "Prometheus", 2024

Two Georgian artists, Levan Lagidze and Mamuka Dideba, have broken through the noise of the $2.9 billion international art market to find fame in major art capitals—like New York and London. Their success in navigating the art world owes much to the support of London-based art dealer Katrine Levin.

"Georgia generally is impossible not to like. I was stunned by so much creativity—unique, unexpected, wonderful. The surreal sense of humor. The warmth and generosity," she says. Her interest, however, was captivated not by the origin of the artwork but by the talent of the artists.

"At the end of the day, it's not so much about whether it's Georgian art but whether it's extraordinary art—and people recognize great art when they see it."

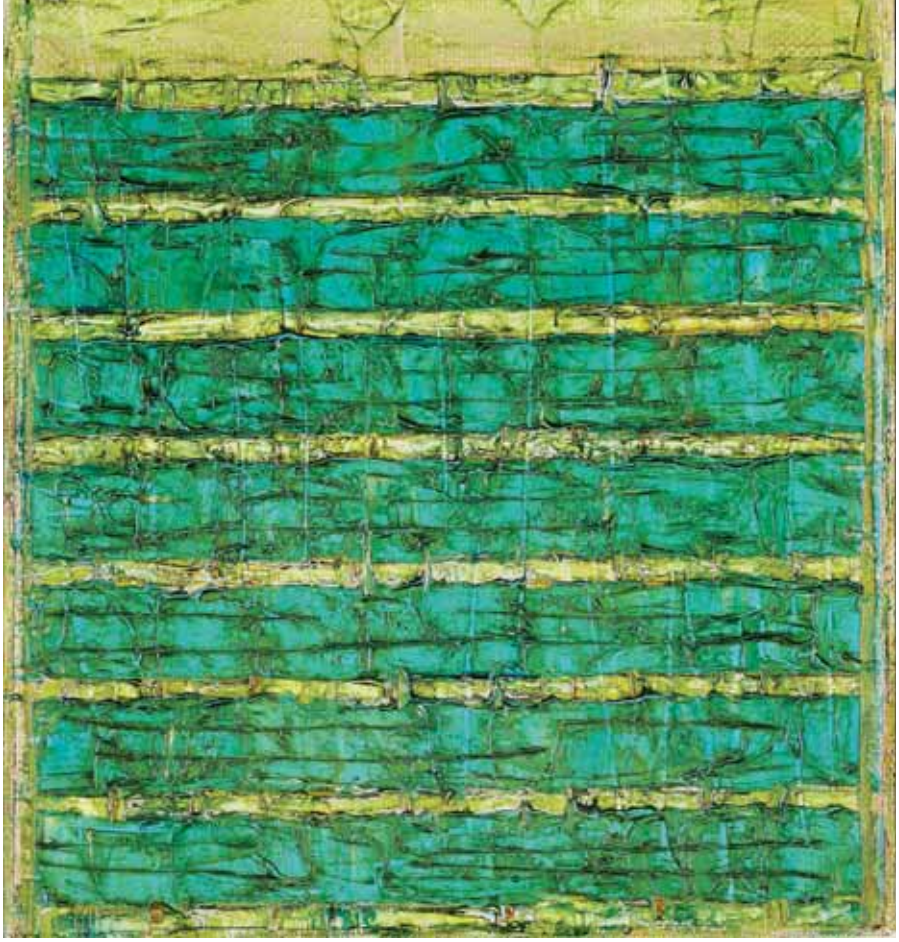
A chance beginning

Katrine discovered Georgian art by chance, when her mother introduced her to Mamuka "Dideba" Didebashvili's work. "I was just starting my gallery at the time and she insisted that I represent him. In doing so I have not only been exposed to extraordinary art, but also gained a lifelong friend and a gateway to Georgia," she says.

"After meeting Mamuka I set off to discover other talents in Georgia, and fate and extraordinary good fortunate led me to the studio-gallery of Levan Lagidze, the collaboration with whom over these many years has enriched me both personally and professionally."

While working on new marketing concepts, Katrine is currently focused solely on her existing artists. She says: "I select artists whose artwork touches me emotionally, that I really resonate with, that makes me want to look, and look, and look, and then look some more."

Under her mantra, Extraordinary Art from Places Less Explored, Katrine has drawn collectors from Europe, the UK, the US, and diaspora Georgians for the solo exhibitions of the two Georgian artists in her "pop-up" galleries. She usually shows artists' work in two or three solo



Levan Lagidze, "Composition 1", My Journey series, 2023

exhibitions a year.

Growing market value

The marketing impact of Katrine's presentations of her artists has come in recent years from regular solo exhibitions. Her first for Mamuka Dideba was an acclaimed London show in 2019.

"His worlds are magical—the ingenious interplay of light, shape, and deep, resonating colors in his abstractions; in his figurative works, the portraits of quirky characters existing outside of time and space yet feeling so alive as if they are about to step off the canvas and engage me in conversation. His extraordinary mastery of the Northern Renaissance technique in contemporary expression. There is a deep philosophy and an enchanting timeless element to his art that are irresistible," she explains.

Her exhibitions for Georgia's legendary Levan Lagidze—for decades now one of Georgia's most well-known living artist—have been held in prime central London locations, including Mayfair, Pall Mall and Kensington, and in New York, increasing his profile and leading to critical acclaim. His pictures are listed in collections globally.

She says Levan Lagidze, whose work in the permanent collections of major museums in Georgia, Russia and the US, "shares common experiences while playfully looking deeper beneath the surface is at the core of his textured and multifaceted art."

"Lagidze looks at the world from the height of the cosmos," she notes. "And from that perspective, all elements are equally important and every detail contains within itself an expression of the whole."

She adds: "He paints within paintings—art within artworks. His complex palette reflects the multicolored nature of the world, with blocks of color both in the forefront and hidden, allowing for endless discoveries. His art takes me to another dimension, as if falling through into the very origin of the universe. I can spend hours looking at his paintings and the more I look, the more I see."

The strong base of international collector support Katrine has established has enabled the price range for a Levan Lagidze to reach £25,000 for a larger format work with even his smallest (35x32cm) selling out at £3,800. Katrine believes that Lagidze's larger works "are still at a quarter of their full near-term potential." For Mamuka Dideba the prices currently range from £2,800 - £6,000 for an abstract work and £8,000 - £19,000 for his figurative work. She says, "given the overwhelming response, these are also likely to rise quickly." ■

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Liquid Gold: Kisturi Beer, a Chechen Tradition and Domestic Pankisi Export

Georgia's eastern Kakheti region is famous for wine. Less well-known but equally authentic non-alcoholic beer is the beverage of choice in the region's Pankisi Valley, and a local brewery is offering tours and expanding distribution to promote the fresh taste to beer lovers around the country.

ELIZABETH LAVIS

The Pankisi Valley is a splendid slice of Eastern Khaketi. It's a logical waypoint for trekking or horseback riding to Tusheti via the Samkinvrostsveri Pass and an often-overlooked part of Georgia. While many people rush through Pankisi on their way to the epic hikes and pastoral villages of Tusheti or forgo it for more popular spots in Khaketi, it's well worth sticking around, enjoying Kist hospitality, and sampling a cold bottle of Kisturi beer.

Kisturi is a traditional, non-alcoholic Chechen beer with a nuanced blend of herbs, spices and plenty of honey. It's an excellent alternative to alcoholic beverages and the sip of choice in Pankisi. It's also worth noting that the Kist people do not consume alcohol, and it's forbidden to bring alcoholic beverages into the valley. Fortunately, Kisturi is a fabulous alternative and a great way to celebrate after a long day of horseback riding or cycling through Pankisi's idyllic smattering of towns.

Kisturi Beer: A Tradition Passed Down Through Generations

As most Kist people do not drink alcohol, homebrewed, fermented beverages and non-alcoholic beers are common. These recipes are generally passed down through families, and households only produce enough for their consumption. Shengeli Tokosashvili and his Kisturi brewery are notable exceptions. He is the only person in Pankisi to bottle and distribute traditional Chechen beer for mass consumption.

For Shengeli Tokhosashvili, brewmaster and owner of Kisturi, the beverage is an essential link to his ancestry and heritage, and he got the chance to honor his culture through a USAID/Zrda grant. "In 2018, USAID funded a training course where we learned how to write

business plans," he says. "We won as the best business idea and were awarded $1,000. This was the first step to starting our family business and making non-alcoholic beer."

Kisturi beer comes in two flavors: rosehip and black hawthorn, although Tokhosashvili has plans to expand his selection. "In the future, we want to make non-alcoholic beer from traditional wheat, as well as lemonade," he says. Currently, you can buy Kisturi beer in the Pankisi Valley, Tbilisi, and Batumi. You can also order it on Wolt in Tbilisi from places like Beer and Craft.

Although a cold Kisturi on the couch is a great way to wind down after a long day, it's worth going straight to the source, where you can meet Tokhosashvili and take a brewery tour, which you should book in advance. Tokhosashvili also notes that larger pre-orders are available. The brewery is relatively small, easily accessible by bicycle or car from nearby Jokolo or Duisi, and has a welcoming, family-friendly vibe that invites you to sample several drinks and soak in the nature of the Pankisi Valley.

Visiting the Pankisi Valley

The Pankisi Valley is two to three hours from Tbilisi, depending on whether you drive or rely on a combination of marshrutkas and taxis to get there. An easy and common way to go is to grab a marshrutka from the Ortachala Bus Station in Tbilisi and take it to Telavi. There you'll find plenty of shared marshrutkas, buses, or taxis making the hour-long trip to the Pankisi Valley.

Pankisi has several small places to stay, including Nazy Guest House, Guest House Melissa, Alina's Guest House, and Leyla Guest House. You'll enjoy traditional home-cooked Kist cuisine, an ultra-relaxing small-town atmosphere, and fresh air—perfect for a refreshing weekend trip.

Rent a bike and explore Jokolo, Duisi, and Birkiani on two wheels, or book a horseback riding trip to Batsara Nature Preserve. You can also take a walking cultural tour and watch the Zikr ceremony, an ancient rite with Sufi mysticism roots, every Friday at the Old Mosque.

Tasting Kisturi and meeting Tokhosashvili will be one of the highlights of your trip, and since, the Pankisi Valley hasn't quite hit the tourist map yet, you can enjoy the phenomenal nature, fine hospitality, and delicious non-alcoholic suds without the crowds. ■

Want to know more? Five tips to get started

Getting to the Pankisi Valley: The Pankisi Valley is a more accessible alternative to nearby Tusheti, as seasonality doesn't limit access. You can drive from Tbilisi to the Pankisi Valley in just over two hours, or take a marshrutka from Tbilisi to Telavi and grab shared transportation or a taxi from there. The Pankisi Valley is an hour away from Telavi.

Know Before You Go: The Pankisi Valley is a very conservative place; its residents, the Kists, predominately practice Sufi Islam. Men and women should avoid wearing shorts or anything too revealing. Alcohol is prohibited in the Pankisi Valley.

Visiting Kisturi Brewery: Kisturi Brewery is located in Duisi, a few blocks from the Duisi Old Mosque near the Alazani River. It's about a twenty-minute bike ride or an hour's walk from Jokolo. The hours of operation vary, but they are generally open from 10 a.m. to 6 p.m. Booking a tour in advance is advisable. Call: 598 50 31 29.

Top Guesthouses: Nazy Guest House, Guest House Melissa, Leyla's Guest House, Alina's Guest House

Places Outside Pankisi to Sample Kisturi: You can find Kisturi in Tbilisi at places like The Creek (Tbilisi), Abrabi Bar (Tbilisi), Leyla's Guest House in Jokolo, and at the brewery itself.

AmCham

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Committee Meetings

AmCham Georgia held two committee meetings in August-September: the CLT Committee, which met on August 26; and the FMCG Committee, which met on September 2. At the CLT Committee meeting, members discussed commercial arbitration and recent developments in this area. The FMCG Committee discussed ongoing communication with the National Food Agency.

Social: AmCham Members' Rafting Trip

On August 7, AmCham members enjoyed a rafting trip along the Aragvi River. The day included a tree-top obstacle course and a BBQ.

AmCham Georgia Board Meeting

The AmCham board met on September 17 at the Radisson Blu Iveria Hotel, which hosted the event. Led by AmCham President Irakli Baidashvili, the board discussed the AmCham scholarship program, the project for promoting US-investment in Georgia and upcoming events. The board accepted three new members.

AmCham Launches Meetings with Major Political Parties

On September 24, AmCham Georgia started a series of meetings with major political parties in advance of the parliamentary elections. The first of these meetings was with Mr. Mamuka Khazaradze and Mr. Badri Japaridze, representing the "Strong Georgia" Coalition, which includes the Lelo, For People, Citizens parties, and the Freedom Square political movement.

Social: AmCham Hosts Wine Reception

On September 17, AmCham hosted a wine reception with the U.S. Embassy Political and Economic team at the Radisson Blu Iveria Hotel. The event provided AmCham members and the U.S. Embassy team with the opportunity to network and discuss current events.

Social: Back to Business Cocktail

On September 19, AmCham Georgia hosted a Back to Business Cocktail Reception for its members at the Radisson Red. AmCham President Irakli Baidashvili welcomed the guests and thanked the Radisson Red for hosting the event. Mr. Baidashvili also updated attendees on AmCham's upcoming events. The reception was attended by AmCham members, friends, and heads of foreign diplomatic missions. It provided members the perfect opportunity to reconnect after the long holiday season.

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The USAID Middle Corridor Transportation and Logistics Program (the Program) is a five-year project funded by the United States Agency for International Development (USAID) that aims to generate value for Georgia's economy by strengthening the Middle Corridor, catalyzing mass passenger transport, and reducing the climate impact of Georgia's transport and logistics sector, thereby reducing the economic dependence of Georgia, the South Caucasus, Central Asia, and Europe on the Russian Corridors.

The Program will apply a market-based, facilitative approach to overcome deficiencies faced by the transportation and logistics sector by engaging a wide range of stakeholders and promoting dialogue to reach the consensus necessary to execute national strategies. The Program will strengthen the capacity and incentivize public and private change agents to co-create and implement reform initiatives.

The Program will help Georgia create a globally competitive transport and logistics sector that will lead to creation of high-value jobs and spur income growth from new trade activity generated by the increase in transit cargo. The Program's actions will also improve rural mobility and, thereby, access to social and market opportunities for women and marginalized populations. These actions will also bring Georgia closer to European Union (EU) membership.

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SPECIAL THANKS TO ALL THE CONTRIBUTORS TO THE MAGAZINE, ESPECIALLY DATAFEST TBILISI2024 FOR USE OF PHOTOS, OUR MEMBER COMPANIES FOR THEIR CONTRIBUTIONS, AMCHAM GEORGIA STAFF AND ALL OUR CONTRIBUTORS.

THIS MAGAZINE WOULD NOT BE POSSIBLE WITHOUT YOUR HELP.

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