Investor.ge

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Includes articles from the FT

More Cheese, Please

Georgia's First World Standard Gulf Course

American Baseball Fans Send Uniforms for Little League

Ski Georgia!

A look at investment in winter destinations

Season's Greetings!

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Investments In Brief

Georgian microfinance organization JSC MFO "Crystal" receives equity investment from international financial institution DWM

JSC MFO Crystal and Developing World Markets Group (DWM) successfully closed an equity investment in October, 2011. The DWM investment vehicle became the largest shareholder of Crystal through a $2 million investment in the company's equity.

With the additional funding, Crystal will be able to provide affordable loans for more middle and low income families.

"Geolive" To Broaden Area of Olive Groves in Georgia

Geolive, a Georgian-Turkish company, plans to expand its operations in Kakheti. "Geolive," founded in 2009, has plantations in Kakheti, Imereti, KvemoKartli and Guria. According to management, the first seedlings were a success so they are planting an additional 25 hectares to their 40 hectare plantation. There are also plans for a processing plant; 80 of their harvest will be used to produce olive oil.

Gulf buys several small scale petrol stations in the regions of Georgia

"Gulf" management announced the company is ready to expand and is purchasing small stations throughout the country.

Over the next three years "Gulf" plans to construct 150 petrol stations. "Gulf" entered the Georgian market this year, taking over several existing players on the market including "Sun Petroleum Georgia", "Senta" and "Magnat."

French Grocer in Georgia

Group Auchan SA, a French grocer, is considering the purchase of Goodwill and G-mart in Georgia. The two hypermarkets recently announced the merger whereby stores of G-mart ▶

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will start operating under the Goodwill brand, although they will remain separate legal entities with their own management.

The deal will be confirmed once Auchan tests its products on the Georgian market.

Auchan has placed about 1000 kinds of goods in Goodwill stores to test the local market. A spokesperson for Goodwill said a final decision will be made after the company has assessed the demand for their products in Georgia.

Auchan has been in the grocery business for 50 years and operates a chain of super and hyper markets in twelve countries around the world.

Japan to Finance Grassroots Development Projects

Japan is providing $265,486 to improve the lives of Georgians living in rural areas. The funds will be spent on three projects: $83,763 to set up new poultry farm for 1500 hens, including an incubator for 7500 eggs - in Dzevera village, near Gori in ShidaKartli region; in Akhaktsikhe, $73,312 will be spent on the purchase of two tractors for local farmers; and $108,411 will be used to build a 40-bed rehabilitation centre for people with disabilities in Ureki, Guria.

The Japanese government has provided $362 million to assist development in Georgia since 1998, funding a broad range of sectors from economic infrastructure to human resources development.

"Rakeen Development" to open biggest shopping mall in Tbilisi

Uptown Tbilisi, Rakeen Georgia's shopping mall development, on November 23rd. Starting from April, major brands will be sold at the mall, including Zara, Bershka, Stradivarius, Massimo Dutti, Pull and Bear, Oysho, Gap, Banana Republic, and NewLook. In addition, Carrefour plans a hypermarket at the mall.

Georgia-moving up in economics/business ratings

Georgia is now the 16th easiest country to do business in, according to the World Bank's 2012 Doing Business report. Registering property - a procedure requiring two days at the cost 0.1% of property value - helped buoy the country's rating this year. Other improvements include access to credit and paying taxes. Trading Across Borders remains an issue, however: Georgia moved down from 34th to 54th compared to the same indicator last year. For more information on Georgia's ratings and the survey, see www.doingbusiness.org.

"Fitch International Ratings Agency" has changed Georgia's Sovereignty Outlook from "Stable" to "Positive." The agency, which predicts Georgia's GDP will grow by 6% next year, granted Georgia a B+ rating.

EBRD to finance Georgian commercial banks

Bank of Georgia, TBC, VTB and Procredit Bank are set to receive EBRD funding to finance loans for agrobusiness. The program, worth 40 million euro, is the first for the Caucasus. Loans will be available in lari to help protect banks from currency risks.

First Pro Golf Club in Region to open in Georgia

"Primera Golf Club" will be Georgia's first 18-hole championship golf course. The course and club, a $15 million investment, is slated to be fully operational by 2013. Grupo Pastor, a Spanish development company with extensive experience in the construction of luxury homes, villas and residential areas, will manage the "Primera Golf Club" project together with its partners Getinsa and LV Salamanca.

"New Cement" opened factory in Kutaisi

The factory will produce a new type of cement that was developed in Georgia. At full capacity, the factory should produce 100 thousand tons of cement a year starting from 2012. An estimated $750 thousand investment, the product was launched on the Georgian market after months of development and testing in Germany.

EU-Georgia free trade negotiations launched

On December 12, 2011, the Prime Minister of Georgia Nika Gilauri signed an agreement to start negotiations of DCFTA deal with the EU. The first round of negotiations will take place in January 2012. Currently EU accounts for the 26% share of Georgia's total foreign trade, and the government hopes a free trade agreement with the EU will further strengthen EU-Georgia ties.

Alitalia to start service to Tbilisi

TAV Georgia reported that the Italian airline will start biweekly flights between Tbilisi and Rome; pricing and schedule are still to be determined.

Alitalia is the latest international air carrier to start a service to Georgia over the past year. Air Astana, China Southern Airlines and Fly Dubai have also started flights from Tbilisi. Qatar Airlines is slated to start flights next year. ■

Georgia on Google Maps

Georgia on Google maps www.maps.google.com will make the country more accessible for businesses and travelers alike. The data, collected by JumpStart – an NGO in Georgia, is being used to create user-friendly maps for everything from streets to water supplies and bus routes.

Georgia is no longer just a white spot on Google, thanks to JumpStart, a Tbilisi-based NGO. JumpStart launched the project in February 2010. With the help of approximately a thousand volunteers, the team was able to create a "comprehensive e-map", according to Davit Gogishvili, the Geographic Information System analyst and project manager at JumpStart.

He said that they initially did not plan to send the data to Google maps, and only decided to following a meeting with Google in San Francisco during the 'Where 2.0' conference.

"Google did not use all of the data that we sent them... out of 30,000 objects that we provided, only some are placed on 'Google maps'," noted Gogishvili. He added that while some villages and small settlements are not included in the Google version, all the information is accessible at mapspot.ge.

Georgia on Google maps represents an additional source of information for foreigners. They can learn more about cities and villages in Georgia, plan their trips more easily, choose their desired means of transportation and find the most appropriate routes.

Google maps also opens up new possibilities for businesses, allowing them to place themselves on the map so potential clients can find them more easily. Developers can prepare different applications using 'Google Maps API' that provides a programming interface.

In addition, JumpStart is using the mapping data to make other types of information more accessible. There are three new projects including. 'OpenTaps' – an initiative to make it easy to use thedatabase for information relating to water supply.; MapSpot 2.0, an upgraded version of MapSpot online which will include bus routes and street numbers. In addition, the data is being used to support TbiliCity – an access to information project funded by JumpStart together with Open Society Georgia.

Tbilisi, the City that Loves You - Even Without a Car

The city of Tbilisi, together with the Asian Development Bank (ABD), is investing heavily in improving public transportation in Tbilisi, including English language signs and maps.

MAIA EDILASHVILI

Like all densely populated cities, Tbilisi is plagued with traffic jams, pollution and out-dated public transportation.

"Tbilisi lies on a fairly complex landscape in terms of urban development," Giorgi Kiziria, ADB Country Coordinator in Georgia told Investor.ge in an email.

"The capital's long shape, two rivers – Mtkvari and Vere, and various hills and mountains, while contributing to the uniqueness and glamour of the capital, create obstacles to urban transport development and require very creative and at times costly transport solutions."

In 2010, ADB approved a $300 million loan to help the city develop the Transport Master-Plan for Tbilisi. The financial assistance also includes creating a roadmap for further transport related interventions by the government and interested donors including ADB.

Over the course of the eight year program, specific projects like the new tunnel on Gorgasali Avenue, to ease traffic to Abanotubani, will be built. There are also plans to extend the subway on the Saburtalo line by two kilometers on Vazha Pshavela and to build a new bridge over the Mtkvari River.

Funds from the city budget are also being used. Over the past year, Tbilisi City Hall has built additional roads and pedestrian crossings to help ease transportation in the city. However the lack of English-language signs and maps remains a problem.

It is "very difficult" [to get the right directions] if you don't read Georgian, Maria Jose Riquelme del Valle, a journalist from Spain comments.

"I think bus stops need maps so people know where they are going and it would be wonderful if there could be a website [with a timetable] to know travel options," she says after spending several months in Tbilisi.

A program to provide English translations for public transportation is already underway, noted the press service of the Tbilisi City Hall.

Signs have already been installed in select metro stations and more are planned.

In addition, station names are announced in English on the subway trains.

Electronic signs with English translations have also been installed on major roads in central Tbilisi with more signs planned for 2012, according to the press service.

This year Tbilisi Municipality has also installed 100 bi-lingual boards throughout Tbilisi to show directions in the city and there are plans for bi-lingual maps and bus routes.

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Bring Manufacturers To Georgia: A New Plan

Georgia is becoming an increasingly attractive destination for light manufacturing companies. The country's location, business reforms and lower costs have already convinced several Turkish manufacturers to open factories here – and the Georgian government is hoping focused marketing will build on the trend.

MAIA EDILASHVILI

Made in Georgia

Georgia's annual apparel and textile production has increased in value from about 8 million lari in 2004 to around 40 million lari in 2010. The sector, comprising 200 – mostly small – enterprises, employs approximately 5,000 people throughout Georgia.

The biggest employer is Turkey: the top four factories – BTA textile, Adjara Textile, Batumi Tex and Georgian textile – are Turkish investments based in the Adjara region, employing 4,200 people. And all four are growing. Adjara Textile, which currently employs 600 people and holds a 21% share of Adjara's exports, is due to open a new 300-man plant to produce clothing for Adidas. BTM Textile, with a 31% export share, will soon start a jeans line employing up to 100 people in addition to the current 632 employees. Recently, Koton and Karden, two leading Turkish producers, have placed orders for Georgian plants.

Low costs, better trade regimes

Georgia's attractive trade regimes with Turkey, CIS countries, EU, US, Canada, Japan, Norway and Switzerland, are driving the interest – and the Georgian government is eager to encourage the trend.

The Georgian National Investment Agency (GNIA) recently launched the website www.apparel.ge that promotes other incentives for companies to move their factory operations to Georgia, notably low operating costs.

While the average minimum wage in Turkey is approximately $605 per month, average apparel wage rates in Georgia are around $250 per month, according to the Value Chain Assessment report, prepared by USAID's Economic Prosperity Initiative (EPI) – a four-year, $40 million project aimed at increasing Georgia's competitiveness.

Other lower operating costs include the price of electricity, which is half that of Turkey, and the corporate income tax rate which is 5% lower.

Another advantage, noted the report, is the fact that Turkey has implemented a tariff on imported textiles and clothing. "To continue domestic production at current rates, Turkish apparel manufacturers have to either switch to local textiles or face higher expenses on imported ones. This is an important development and Turkish manufacturers can realize significant cost savings by either establishing operations in Georgia or by outsourcing production to Georgian manufacturers."

To capitalize on its competitive advantages, GNIA is bringing in delegations from leading Turkish manufacturing companies – introducing them to the country, educating them about Georgia's trade regimes and business reforms, and highlighting inexpensive investment opportunities in western Georgia. The chairman of the Turkish Clothing Manufacturers Association (TGSD) and representatives of Koton, Seleksiyon Tekstil, Negreti Tekstil, Ogretmen Corap (PENTI), and Istanbul – factories that produce clothing for major brands like Cavalli, Mango, GAP, H&M and Scervino – have already visited Georgia to meet with GNIA officials.

Keti Bochorishvili, director of GNIA, hosted the delegation and stressed that building relations with the clothing manufacturing association is key to bringing more investment into

Georgia's clothing industry.

"For us cooperation with TGSD is crucial as it has approximately 400 members, all of which are leaders in the Turkish apparel industry," she said, "…if some of the companies are interested in starting businesses in Georgia it will create hundreds of additional jobs in our regions, combined with an inflow of new technologies and the opening of factories."

Free training to overcome low production

The EPI report pointed out four concerns regarding Georgia's potential to develop the apparel sector: lower productivity per employee, heavy dependence on imported inputs, poor market information and little evidence of horizontal collaboration.

However, the government has created a package of incentives to convince investors to take the risk; including offering land in western Georgia as well as full access to roads, electricity, water supply and natural gas.

Bochorishvili added that the government plans to reimburse onsite labor training costs after a factory has been operating for one year.

For BTM Textile and the Georgian subsidiary ATK Textile, a Turkish company that supplies Tommy Hilfiger, Mexx, Zara, Marks & Spencer, Puma, Lotto and others with clothing produced in Georgia, the move to Adjara has already proved a success.

The company opened its Georgian plant in Batumi in 2007 and since then has invested up to $10 million in this business.

Ladies and children's wear produced by BTA textile is among the 800,000 individual items of clothing – sportswear, shirts, blouses, coats and other ready-to-wear garments – that cross the Georgian-Turkish border on their way to European markets every month.

"Georgia has pretty nice conditions for the development of apparel manufacturing," noted Metin Yagli, general director of BTM Textile Ltd in an e-mail interview.

"Our [Turkish] investments in the construction and apparel sectors here have yielded quite good results."

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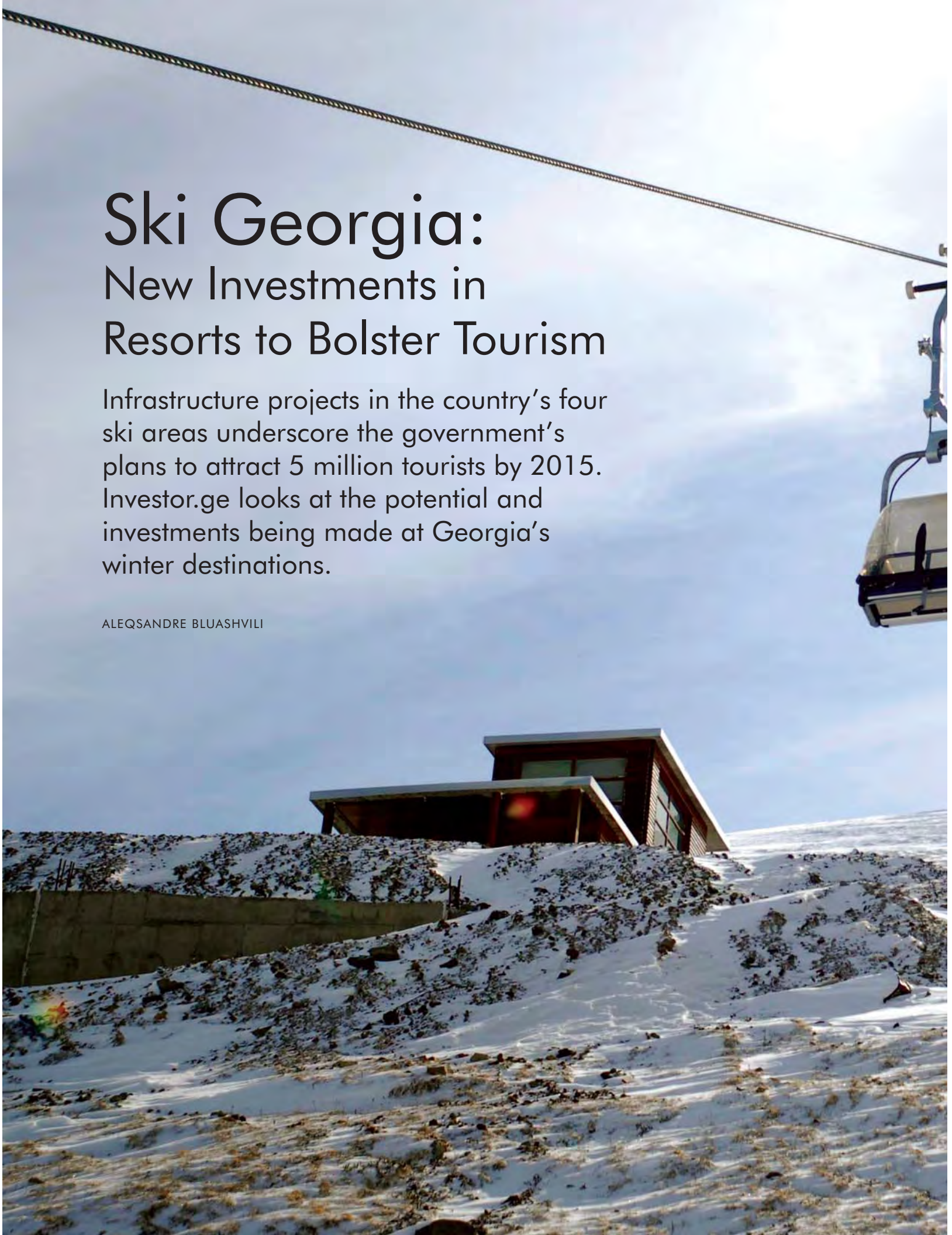

Ski Georgia:
New Investments in Resorts to Bolster Tourism

Infrastructure projects in the country's four ski areas underscore the government's plans to attract 5 million tourists by 2015. Investor.ge looks at the potential and investments being made at Georgia's winter destinations.

ALEQSANDRE BLUASHVILI

Proposed development plans for Gudauri

Bakuriani

Bakuriani, one of Georgia's top winter destinations, is adding to its attractions for families. The ski lift on Koxta Gora ski trail was renovated. GRDC, the development company that operates the ski lift, invested 498 thousand lari ($300 thousand) for its reconstruction. In addition, GRDC plans to add three more kilometers of ski runs to the Mitardi trails. "Currently we are working with the investors to finance the project," Levan Akhvlediani, GRDC's chief financial officer, told Investor.ge.

The new runs are tentatively planned to open next season.

There is also a new private ski park open for the 2011-2012 season in Bakuriani's central park.

Joyland, a private park, is opening a special ski area for beginning skiers, and a tubing run for both children and adults. The park is an 830 thousand lari ($500 thousand) investment, with 25 percent coming from foreign capital.

Gudauri

A perennial favorite with skiers from Tbilisi, Gudauri is ramping up its ski runs and lifts for the 2012 season.

Just seven months after Tbilisi took over management of the hamlet, the resort boasts 57 kilometers of ski runs, more than double that of last year. The extra trails make Gudauri one of the 20 largest ski resorts in Europe.

Other improvements include refurbished ski lifts and a new, 2450 meter lift with 72 gondolas. The lift, built by Eagle Helicopters, a Swiss company, cost 15.6 million lari ($9.38 million) and was paid for largely with budgetary funds.

Tbilisi City Hall took over Gudauri's development in May 2011 for five years. With a budget of 3.9 million lari ($2.35 million), the Gudauri Development Project plans to work with the Ministry of Regional Development and the Ministry of Environmental Protection to renovate roads, parking lots, and water lines at the resort.

Over the past eight months, Black Sea Group has built 1.5 kilometers of new road at the resort, and four kilometers of new water lines.

"Gudauri should become a favorite winter destination for all types of visitors, starting from families with children to extreme adventure seekers… Our goal is to lay the foundation for private investors and then they should drive the development of Gudauri resort," said Giorgi Tskhakaia, the deputy mayor in charge of the project.

Private investors appear to be eager to join the project: Kalasi, a Georgian construction company, is investing 3.5 million lari ($2.11 million) in a new hotel at the resort. Financing for the hotel is from the Bank of Georgia.

In addition, Nicke, a development company, is investing 4.98 million lari ($3 million) in a new apartment complex. Funding comes from TBC Bank, and the project will be completed by September 2012.

"Gudauri is becoming an outstanding ski destination among post-soviet countries…increasing interest to skiing among Georgians, coupled with a growing number of tourists, creates a bigger demand on the real estate and we are trying to fill the gap in the market," noted Nicke Director Irakli Beridze.

Mestia

Investment in the Svaneti ski resort continues apace, with two new ski trails on the Hatsvali slope, for a total of five kilometers of ski runs at the resort.

In addition, two platter lifts – also known as j-bar lifts – were built at Hatsvali making it more accessible for skiers.

The government also invested heavily in road, water, and sewer systems in the region, partially financed by a $5 million grant from the Asian Development Bank. A new road from Zugdidi to Mestia is under construction, reducing travel time from nearly seven hours to five. The 51 million lari ($30.7 million) project is nearly complete. An additional 49 million lari ($29.5 million) is earmarked in the 2012 budget for development projects in Upper Svaneti, together with 40 million lari (18 million euro) in French investment. The French funds will be used to build a mini meteorological station on Tetnuldi Mountain, as well as being used for other projects slated for final approval in spring 2012.

New hotels are also under construction in Mestia to house the anticipated demand for 2012: a 20-room hotel on Zuruldi Mountain is under construction for next season and 85 new hotel rooms will be opened when the new hospitality complex is built in Mestia.

Currently, Mestia can provide accommodation for 1000 tourists; 42 thousand tourists visited the resort last year, according to government data.

Adjara Mountains

The newest of Georgia's ski resorts, the slopes in mountainous Adjara, are getting more attention from skiers and private investors.

Goderdzi mountain resort shows the most promise out of the region's three existing ski resorts. In 2011, the government spent one million lari ($600 thousand) on a new road to the resort and a new master plan for its development. An additional 10 million lari ($6 million) is earmarked for infrastructure projects in 2012.

Gomarduli and Kedlebi, Adjara's remaining ski resorts, have attracted 600 thousand lari ($361 thousand) in private investment and, according to projects by the autonomous region's government, investment should double in 2012.

There is an increased interest in the two resorts – the number of visitors doubled from a thousand in 2010 to 2000 last year.

Hotels: High Occupancy, High Expectations

High seasonal occupancy rates are bolstering expectations for a boom in the hotel sector.

MAIA EDILASHVILI

Over the last few years the Georgian government has made huge efforts to build a new image for Georgia as an attractive tourist destination both regionally and globally. Experts, however, say the potential still remains untapped.

There are 52 hotels with approximately 2,400 beds in Tbilisi, including guest houses, family houses and five international franchises in the capital – Courtyard Marriott, Tbilisi Marriott, Sheraton Metechi Palace, Radisson Blu and Holiday Inn. Two also operate in Batumi – Sheraton Batumi and Radisson Blu Batumi.

This past summer saw high occupancy rates and during the peak of the tourist season there were not enough rooms and in particular not enough three and two star hotel rooms to meet the demand. And with international events planned such as the 2015 Summer European Youth Olympic Festival in Tbilisi, there will be an even greater need for three and five star accommodation.

Caltrider Advisors, a consultancy firm that published an industry analysis for the hotel sector, found that there is "an immediate need" for new hotel investment to support these events.

The Caltrider Advisors report notes that if the current growth trend continues, the supply of available high-quality accommodation "will not be sufficient to serve market demand, and new hotel investments will be required to satisfy that demand."

Keti Bochorishvili, director of the Georgian National Investment Agency (GNIA), which is part of the Ministry of Economy and Sustainable Development, says that the construction of three and five star hotels will be the government's priority in the coming years.

For investors who would take the initiative, the government is offering several state-owned facilities in downtown Tbilisi for sale. These include the 3-storey former Physical Education Institute on Chavchavadze Avenue; the 2-storey former Finance Ministry building on Abashidze Avenue; the 11-storey former Ministry of Economy and Sustainable Development on Chanturia Street and the 2-storey Clinical Hospital of I. Javakhishvili Tbilisi State University on Agmashenebeli Avenue.

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Good Inspector, Bad Inspector: New Programs Seek to Ease Tax Evasion

The Georgian Revenue Service (RS) is betting on two new programs to eradicate a lingering "mentality" problem about paying taxes. Investor.ge spoke with the RS about how the new policies are working.

The Georgian Revenue Service is enlisting paid informants to combat tax evasion.

The new Private Tax Inspector program empowers civilian recruits to report on stores for not issuing receipts.

Around 150 trained inspectors work around the country, purchasing things at stores and restaurants – and reporting on proprietors who don't use the cash register.

But the program, which rewards trained recruits for finding wayward tax payers 100 lari per fine, could hamper confidence building between the Georgian Revenue Service (RS) and the business community.

The Revenue Service maintains the initiative is just one more cost effective innovation to combat tax evasion, a new chapter in Tbilisi's fight to erase decades of bad habits and low tax returns.

"We were aware that nobody would like these kinds of inspectors because they are bothering businesses, they are pushing businesses to bring themselves into compliance to the tax legislation … It means that the tax inspectors would not be loved by any of the tax payers – there is absolutely nothing strange about this," noted the RS's Lily Begiashvili.

"It is not so easy to change the mentality of tax payers in Georgia."

Begiashvili, the deputy head of the service's tax and customs administration, said the program is a "clever" way to change the lingering "mentality" that taxes are optional.

"At large, it serves to increase the culture of increasing voluntary compliance, changing the mentality of every shop – large businesses, small businesses. Just to bring them closer to compliance with the tax legislation," she said. "Everybody should know throughout Georgia that those kinds of people are among them and anybody can enter into the shops."

The program seeks to resolve a common problem for tax inspectors: exposure.

The new inspectors' anonymity is their greatest strength, noted Begiashvili, adding that since the inspectors are paid based on the number of violations they find, they are less susceptible to bribes and corruption.

The service, she stressed, includes an internal mechanism to follow up on the inspectors' reports and insure they are valid.

A second program to build relations with tax payers, Begiashvili added, is being unrolled in parallel to the secret tax inspectors.

District tax inspectors are being trained to work neighborhoods, visiting businesses and stores and educating proprietors and clerks about changes to the tax code – and their responsibilities as tax payers.

The focus is on education, not penalties, she stressed: district tax inspectors are going through four weeks of training so they will be service providers, not tax police.

Unlike the secret tax inspectors, the district unit cannot fine a business. Currently based in Tbilisi, Kutaisi and Batumi, district tax inspectors will be consulting tax payers in every major city in the country by the end of the year.

"Those two projects work together. …tax payers should understand that they should obey tax legislation and also they should get the feeling from us that we really are partners and friends for them," Begiashvili said.

"That is the first reason the district tax officer was created and, as you know, the district tax officers are not allowed to fine. They only go to the business and advise them."

Georgian Wine:
To Hong Kong and Beyond

While the WTO agreement with Moscow might reopen the Russian market for Georgian wine, Tbilisi is focused on opening new markets in the east, particularly the fast growing markets in Hong Kong, China and India.

Finding a new, large market for Georgian wine – like China – would be a coup for the Georgian government, which is grappling with high unemployment in rural, wine producing regions such as Kakheti and mountainous Racha.

In November, Kindzmarauli Marani's Saperavi 2006 Vintage won the grand prize at the Hong Kong International Wine and Spirits Competition, a large contest that attracts wines from around the world, including France and Australia.

In Tbilisi, the success is viewed as a signal that this could be the right time for a marketing push into Asia.

Tina Kezeli, the head of the Georgian Wine Association said the win in Hong Kong is particularly important because Hong Kong is "a hub" for the region.

"… if you are present in the Hong Kong market it means at the same time that you are in the Chinese market – if you work properly in the right direction," she said.

The Georgian National Investment Agency (GNIA) is already trying to cultivate fans among Chinese wine connoisseurs. Keti Bochorishvili, head of the agency, said a special iPhone application that matches Georgian wine with food dishes is in the works.

In addition, the GNIA tapped Lisa Perroti- Brown, a master of wine from Hong Kong, who presented at the November alcoholic beverage expo in Tbilisi. Perroti -Brown is a well respected authority on the Asian wine market, Bochorishvili noted, – and her participation in the Georgian expo gave the event additional importance for wine importers and enthusiasts in China and neighboring countries.

According to Kezeli, since China is a new market for Georgia, the expo was a good opportunity for Georgian producers ▸▸

to understand Chinese and Asian tastes in wine.

"The thing is that now many new markets have opened up and this is the moment when you need a huge, sustained approach to enter strongly into these markets," she said.

"I don't see any markets as a real substitute and there shouldn't be any market substitutes… You have to be known on different markets…"

In 2009, the Chinese drank 1.2 billion bottles of wine – a 104% increase from 2004, according to a study by Vinexpo.

Giorgi Gaganidze, the head of Georgia's former export agency, said if Georgian wine exporters can tap into the Chinese market, the potential volume of sales would help buoy up an industry that is currently focused on niche markets in North America and Europe.

"The major problem for Georgian wine is the question where should Georgia go," he said, noting that just 90 thousand tonnes of wine was produced in Georgia last year.

Breaking into the Chinese market would offer Georgian wine makers a potentially safer alternative than the resuming of mass exports to Russia. While the new WTO agreement with Moscow could reopen Russian markets to Georgian wine producers, potential exporters should be cautious about returning there, Kezeli said.

"…of course Russia is a very important market and I should be glad to make use of it – but there should be a very careful strategy of how, who and when… this is not so easy," she said.

"… in this situation, I think they [wine producers and exporters] will be waiting and looking at the market… Russia should be handled, in my opinion, like any other potential market. No special preference – no difference."

Wine exports to new markets, like the United States and the EU, have increased, but the volume of wine sales has never reached its pre-embargo height. In 2005, Georgia exported $81 million worth of wine. Last year wine exports were roughly half that, $39.2 million.

While the Russian market was "important" for Georgian producers, Irakli Matkava, a deputy economy minister said diversification has made Georgian exports stronger.

Matkava was speaking from South Korea – on one of the latest in a year of trips to Asia that underscore the government's new focus. Prime Minister Nika Gilauri traveled to the region in September, and the Georgia National Investment Agency (GNIA) has participated in three beverage expos in Hong Kong and China over the past year.

Georgian exports to China and the Southeast Asian markets have increased over the past three years from just under $12 million in 2007 to over $39 million in 2010.

Bochorishvili said the Chinese market is a natural choice for Georgian producers.

"In the Asian market, the consumption of alcoholic drinks is increasing – especially in China. Of course there is opportunity and the market is not really mature at all so it is easier for us, and less expensive, to achieve results," she said. ■

Russia's Entry to the WTO: What does it mean for Georgia?

Georgia can only benefit from having Russia in the World Trade Organization, according to Giorgi Shengelia, a senior associate at BG Capital.

Years of negotiations over Russia's entry to the World Trade Organization (WTO) could prove to be a boost for both Georgia and Russia, Shengelia said.

While it is unlikely that Georgia will immediately resume high volumes of trade with its estranged northern neighbor, Shengelia noted that the WTO's rules and procedures should make Moscow a more reliable trading partner in the future.

"Before Russia's embargo on the Georgian products in 2006…more than 60% of Georgian agricultural products exports – mostly wine and mineral water, went to Russia," he said.

" We probably won't see trade volumes with Russia picking up to the pre-embargo levels straight away - due to capacity restrictions for producers as well as existing commitments with current export markets - but in the long term Russia will probably reemerge as one of Georgia's main trading partners."

He added, however, that it is unlikely Georgian companies will "expand their businesses" to Russia due to the strained relations between the two countries.

But indirectly, the WTO deal between Tbilisi and Moscow could help Georgia attract more foreign direct investment, Shengelia noted.

"[Russia's entry to the WTO] may have a positive effect in attracting investors in Georgia, as they will have an opportunity to operate their business in the most liberal market environment in the region and will also have the possibility of exporting their products to Russia."

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Recycling in Georgia: A Wasted Opportunity or an Opportunity for Waste?

MONICA ELLENA

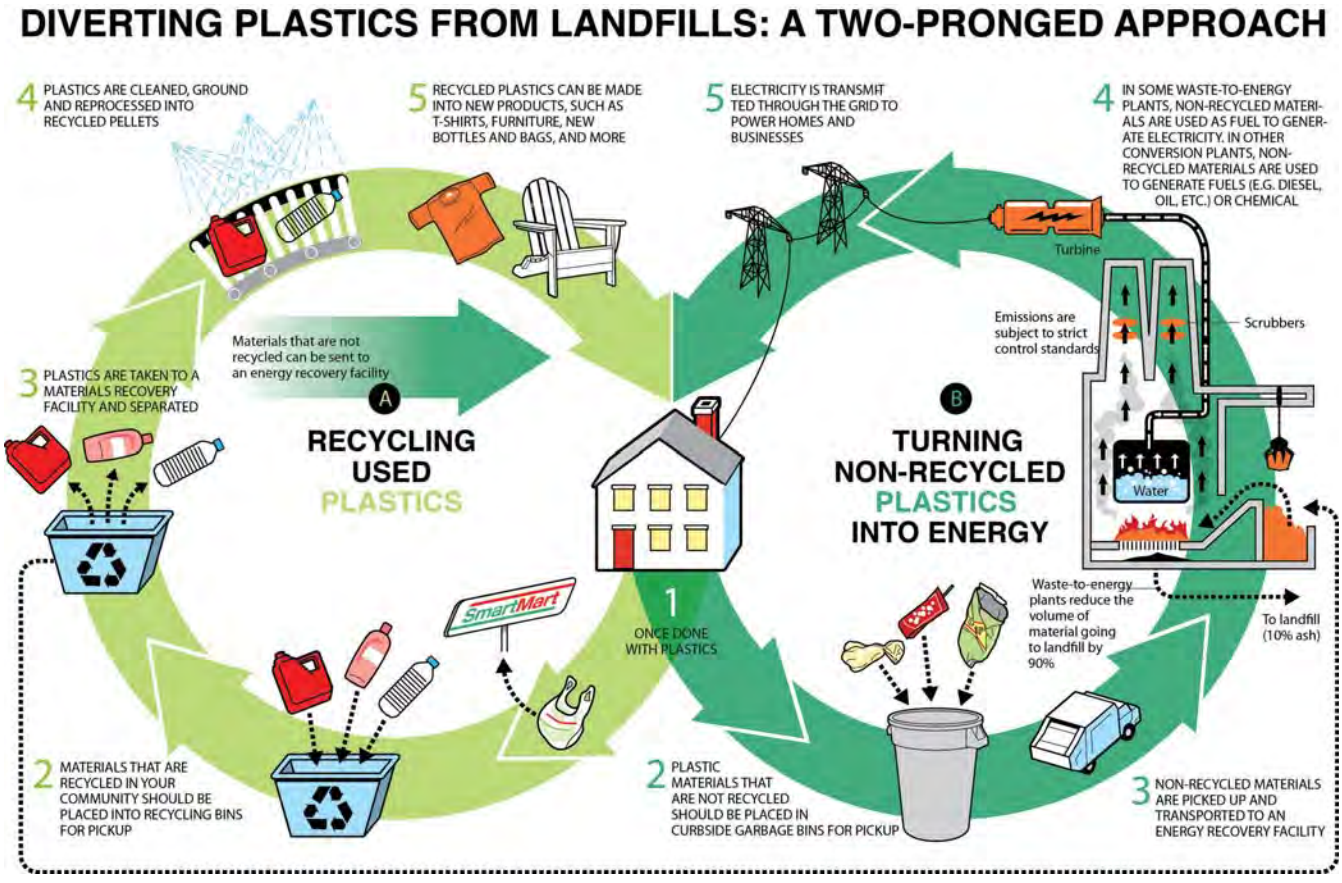
"Just one word... plastics!" When Benjamin, the Dustin Hoffman character in the 1960 film "The Graduate", was looking for career advice, plastics were the hot new thing. Since then millions of graduates have gone into plastics. Now, decades later, millions of people across the world are looking at how to get out of them, through recycling.

But you won't find many of them in Georgia. As the lack of colored containers to separate household waste suggests, recycling is low on the country's agenda.

It is not as if Georgia is not short of trash. A recent study by the Caucasus Environmental NGO Network (CENN) suggested that there is the necessary base resource for developing a strong and economically viable recycling sector. Tbilisi alone produces about 0.6-0.7 kg of trash per capita per day (around 60 percent of the EU average), while regional municipalities are responsible for about 0.4-0.5 kg. 100% of the municipal solid waste which is sent to landfills.

"There is no national policy, no strategic plan," says Tamuna Gugushvili, environmental expert at the Aarhus Center, a environmental NGO. "We lack the mechanisms to support the recycling business, such as reduced tax or cost of utilities. The landfill in Lilo, operational for a year now, allocates an area for recycling, but so far there is no developed infrastructure for the collection and separation of recyclable rubbish."

The Georgian Ministry of Environment Protection has completed a draft new legal framework on environmental



plasticsmakeitpossible.com

protection that includes a national strategic waste management policy.

"The document has been drafted with international consultants; it is mostly harmonized with EU directives and requirements," explains Khatuna Chiviladze, head of the Waste and Chemical Division of the Ministry.

Recycling is also included, but limited resources mean it may struggle to take off.

A Wasted Opportunity?

"The lack of legislation is not the main obstacle though; there is no real legislation on scrap metal either, but it is still Georgia's third largest export," says Alan Saffery, component leader for the manufacturing and services sectors of the USAID-funded Economic Prosperity Initiative (EPI). "One of the key issues is that trash is perceived to have no value. Once we know how much and what types of waste are being thrown out and have a clearer idea of market demands, then I'm sure the private sector would jump in," he adds.

Perhaps the best way to implement an effective recycling system is to look at commercial waste first and move to residential households over time. "It's easier to train people: experience in Europe showed us that educating households requires more time," says Saffery. "It is also more cost effective as we talk about higher volumes."

One of the easiest commercial entry points for recycling is packaging. To further understand the potential for growth within Georgia's packaging sector, EPI undertook research on the profile and capacities of paper, glass and plastic packaging companies.

Poor market linkages were the first problem they found. Production volumes are low because there is limited demand for domestically produced packaging; hence the majority of packaging is imported.

"With companies undertaking little marketing," Saffery explains, "they have little clear awareness of market needs in terms of quality, style, strength, design and utility." Consider paper: Georgian companies produce low quality toilet paper and napkins, but struggle to sell them in a market saturated with imported products. Reliance on imports also undermines domestic production of plastics, wood and articles of wood, cork, wood pulp, paperboard, printed materials and glass.

Indeed, in one EPI report, a Tbilisi-based freight forwarder admitted to throwing away significant quantities of waste cardboard, at cost, despite the fact there were cardboard manufacturers willing to pay for waste cardboard.

The monopoly power of some local companies reinforces the status quo.

"There is a business lobby to keep business-as-usual," states Nana Janashia, CENN's director. "There are certain local companies well-connected with government who definitely prefer things to continue as they are since the situation brings quite good money with little effort."

Saffery adds that "there appears to be a lack of support from Tbilisi Municipality for the development of industry or a public municipal-wide recycling collection system."

Opportunities for Waste

In theory, Georgia's advantages should enable it to reduce its reliance on imports. The cost of labor and energy are very competitive when compared with Turkey and Ukraine, and raw material costs are similar. There are no tariffs on the importation of machinery and/or equipment. Even after factoring in transportation, producing packaging in Georgia may be as much as 20 percent cheaper than anywhere else.

Some ad hoc initiatives show the way forward. CENN, for example, signed the first ever organized paper recycling programme in Georgia called "Green Office". It ran for almost ten years with over a hundred organizations handing over their waste paper to be recycled. Now it has been transferred to the Ministry of Youth.

There are currently a handful of operational recycling plants, mainly in and around Tbilisi, focusing on paper, plus one for PET (polyethylene terephthalate, the most common consumer plastic) and one for glass.

An estimated 200,000 tonnes of PET are produced every year in Georgia, according to Enrico Mosulishvili, executive director of the Caucasian PET factory in Rustavi. This Italian-founded company supplements its production with recycling, as it enables the company to re-use some of its own raw material.

The numbers show how much room there is for growth. "But without proper political support, recycling cannot become a profitable business like it is in Europe," Mr. Mosulishvili says. Other barriers to entry include high bank interest rates and the absence of economic and environmental incentives.

Perhaps the biggest change needs to take place in people's minds. If the Georgian public were more aware of the benefits of recycling, then they would pressure the government to make more effort, thinks Nana Janashia. If that happens, perhaps future Georgian graduates can start to think about careers to get out of plastics – with or without Mrs. Robinson.

More Cheese, Please!

The passion of a ethnographer for Georgian cheese is giving the country its latest international calling card.

HELENA BEDWELL

Ana Mikadze asks me to try the Vaio Imeruli Cheese, made at an altitude of 2,200 meters somewhere in the Georgian mountains by Catholic Meskhs.

Today Ana and her 'Farmer's Assistance Association' – a non-governmental organization are selling 25 varieties of cheese at the shop and are ready to supply as many as 60 on demand from 26 different farmers nationwide, with the help of her business partners.

"Each cheese has its own distinctive name and history," she says.

As a hostess, Ana is bubbly and full of energy, greeting me at her new boutique "Cheese Corner" located on a busy Tbilisi street.

"I am crazy," Mikadze, 40, says, "I talk to my cheese; this is how much I love what I am doing today and everyone should experience how pleasurable it is to watch how cheese is born right before your eyes!"

Georgia was once considered 'the bread basket of the Soviet Union' because of its cuisine and agricultural products and was popular for its four kinds of cheese: Standard Imeruli, Sulguni, Guda (smelly cheese) and normal factory cheese.

"Georgian's became used to this false idea that there are only four types of cheeses," Ana says. "The Soviet Union was mostly to blame because as many as 80 varieties of cheese making traditions were lost over several generations. It was easy to lose those traditions, because true cheese making requires care and dedication, while during Soviet times the strategy was to make and sell cheap cheese."

Ana's endless curiosity for cheese took her across Georgia in search of lost recipes. An ethnographer by education, she says that she started to turn her passion for cheese into a business after traveling to other countries, where she saw just how many kinds of cheeses there are, so she said to herself, 'Why not us?' When she returned to Georgia she started to explore the entire country looking for forgotten cheese recipes.

She spent years living with villagers and shepherds in almost every region of Georgia and describes her attempts to obtain these recipes as very difficult, joking that sometimes she had to extract them almost by force. Through these endeavors, however, she acquired those ancient cheese making recipes.

With all this information she made a large cheese map denoting the areas where each cheese is made, which hangs proudly on the wall in her shop.

Some of the methods of making cheese were learned when she watched with fascination how the monks and shepherds made their variety of cheeses. "After the cheese is made and then matured, they used several methods for the final flavoring, this was because they have time and dedication to store their cheeses," Ana said.

"We found out that they bury some cheese; they also hang others in the woods somewhere and then come back for them after a period of time; or store them in honey – the list is just endless," she added.

Ana's odyssey into Georgia's rich cheese culture has turned into a mission to turn cheese into a Georgian calling card, bringing tourists and cheese connoisseurs to the country.

But the problem of an inconsistent milk supply chain is an obstacle for Ana and other cheese producers. It is important for local farmers and milk producers to supply healthy milk with the relevant certification, she stressed.

Former Georgian Agriculture Minister Bakur Kvezereli noted, however, that more and more farmers are registered with the government's agricultural department and are open to the inspection of their facilities, which will result in better quality milk on the market, in a bid to make the cheese safe to consume.

He added that Georgian cheese has "its niche" in the global agricultural market, and the ministry plans to trademark the names of Georgian cheeses to preserve their originality in foreign markets.

In 2009, Georgia exported 5 tonnes of cheese; while in 2010 the amount increased to 53 tonnes, according to Georgian government statistics.

During the first six months of 2011 cheese exports from Georgia reached 18 tonnes, with the products mainly being sold to Ukraine, Kazakhstan and Belarus.

For Ana, the interest is clear: tourists and cheese lovers visit her cheese boutique every day.

Their favorites are the organic cheeses that look and taste exotic, with names the cheese enthusiasts have never heard of. The shop's selection includes a large smoked cheese which looks like a wheel – Skibu – hanging from the ceiling; Tenili, – the shredded cheese strips, sometimes also made inside a large head of cheese; Gebzhalia – a cheese roll with cream and mint;, and Sulguni, matured in Saperavi wine or stored in honey, which gives it a slightly sweet taste that becomes stronger with age.

The most expensive cheese sells for $18 per kilogram at the boutique, which sell 100 kilograms daily.

Ana said that she will struggle further to discover more cheese recipes across the country and favors the idea of linking her findings with wine tourism.

"Imagine a tourist who comes to Georgia for its wine; why not offer them our cheese map as well, along with the wine route?" she muses.

GITI Conference: Showcasing Georgia's Potential as an IT Hub in the Caucasus

For its second article in a three-part series about the IT sector, Investor.ge spoke with Giga Shubitidze, the president of the ICT Business Council and co-organizer of the GITI Conference and Award Ceremony, about how the event is helping Georgia build a reputation as an IT innovator in the region. For more information please contact Molly Corso, editor, at m.corso@amcham.ge.

The fourth annual GITI Conference is one more sign the Georgia has its sights on becoming an IT powerhouse in the Caucasus.

IT professionals, policy makers and analysts from 18 countries attended the event, which focused on cyber security and innovative IT solutions.

Guests included neighboring countries like Armenia, Azerbaijan and Turkey, as well as the United States, the UK and South Korea.

Giga Shubitidze, a co-organizer of the event, noted that the conference has helped build Georgia's reputation as a regional IT hub. "We definitely believe that Georgia could become a regional hub not only for IT competencies, but that we could provide a much more complex experience to our neighbors - We have accumulated a lot of knowledge during the reforming process," he said during an interview via Skype.

The conference is one way the government is trying to reach out to potential investors, and sell the story of how IT helped Georgia streamline procedures and improve the business climate.

The Data Exchange Agency of the Ministry of Justice of Georgia, the conference's other co-organizer, has been on the forefront of using technology to simplify registration procedures and access to vital documents.

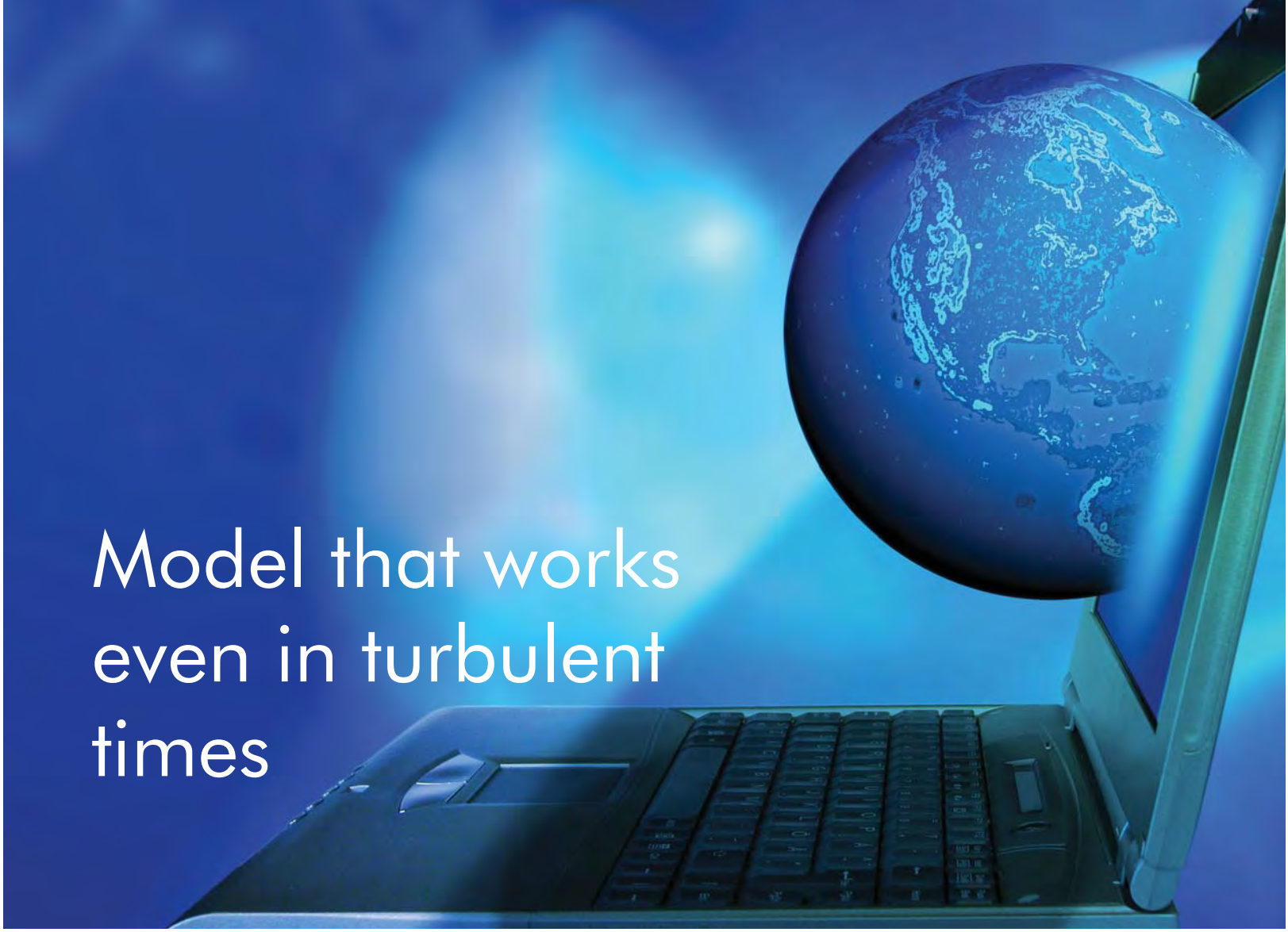
Those reforms have helped Georgia win accolades from investors and international business climate surveys like the World Bank's Doing Business Survey.

After four years, however, the conference is evolving into more than just a forum to exchange success stories and IT solutions for governments.

For the past two years, the event has dedicated a day to seminars on cyber security, an issue that has gained prominence since the cyber attacks Georgia suffered during the August 2008 war.

"During the past two years we have seen rapidly growing interest to discuss cyber security problems, to share solutionss," Shubitidze said.

"We see that the conference has established a [reputation] … GITI is already important event in the region."



Model that works even in turbulent times

FT News, analysis and comment from the Financial Times

PAUL TAYLOR

In the 25 years since such western multinationals as Eastman Kodak, GE, Citibank and American Express began to outsource their IT operations, the global IT services industry has grown into an $820bn behemoth and outsourcing has gone mainstream.

"Outsourcing is no longer a novel business tactic where companies are forced to farm out a function they cannot manage internally," says Jagdish Dalal, managing director of the 110,000-member International Association of Outsourcing Professionals.

"Outsourcing is providing companies with alternative business models, whereby they can manage a small but market-differentiating core while engaging expert third parties to perform the necessary work.

"This 'atomic' business model is helping them not only weather the [economic] storm, but create a market advantage - even in these turbulent times."

Companies, big and small, also use outsourcing to give them flexibility as they expand their markets.

In March, Royal Haskoning, an Netherlands-based engineering and environmental consultancy, signed a multiyear, multimillion IT infrastructure outsourcing deal with India's Tata Consultancy Services.

TCS is providing a full suite of IT infrastructure services, including a multilingual service desk, datacentre hosting and management, end-user computing services and application support services.

"Royal Haskoning is planning to grow, not only in our home countries but across emerging markets," explains Eric Overvoorde, chief information officer.

"We face interesting challenges, so consistent experience of service delivery is essential for us to be successful."

With TCS taking care of Royal Haskoning's IT infrastructure, its management will be able to focus on business performance and international growth plans in Europe and elsewhere.

As Royal Haskoning demonstrates, IT outsourcing is no longer the preserve of big multinationals.

The market has expanded to embrace ▸▸

relatively small and medium-sized companies.

In the UK, for example, Everest, a provider of double glazed windows, wanted to upgrade its network and IT infrastructure but did not want to commit to a long-term deal.

"Initially, we needed a supplier with system expertise but with flexibility in its approach," explains Dave Gordon, IT services manager. Last year, Everest selected Calyx, a US-based independent managed service provider for the project.

"We agreed a one-year contract with Calyx that had the merit of minimal set-up costs," says Mr Gordon.

"Once we had worked with Calyx for a while, its team's ability to innovate while retaining a flexible approach in day-to-day operations was obvious.

"We have been pleased with the team's input and extended the managed services agreement and this is helping us ensure enhanced wide area network (WAN) capabilities for our departmental users."

In the past, outsourcing mainly focused on IT services, but one of the fastest areas of growth over the past decade has been business process outsourcing (BPO).

As with IT outsourcing, there are many reasons why companies such as Microsoft, the US software group, and pharmaceutical companies including AstraZeneca have chosen to hire external help with business processes.

Microsoft set out to re- engineer its global finance processes and operations under its 'OneFinance initiative', launched in 2006.

As part of this effort, the company outsourced back-office finance transactions in 95 countries to Accenture, the consultancy, under an agreement designed to promote a commitment to "mutual gains and performance improvements". More recently, in 2009, Genpact (the Indian BPO company that was spun out of GE) signed a five-year contract with AstraZeneca to provide the pharmaceutical group with global finance and accounting services, which it did not consider to be a "core competency".

Tony Glynn, AstraZeneca's senior director for transformation global transactional finance, explains: "We had entered into a period when the whole pharmaceutical industry was changing and getting ready for greater competition, more uncertainty around patent expiries and so forth."

Mr Glynn initially identified some six BPO providers that could offer the transactional finance processing services that he was looking for and finally chose Genpact.

"We signed a contract in November 2009, and we are now about 80 per cent of the way through the transition of our activities across to Genpact," he says.

Like most other big pharmaceutical companies, AstraZeneca has also outsourced much of its IT.

"We have also signed a contract to outsource some of or human resources work, and we've already done some selective outsourcing of some of our R&D work," explains Mr Glynn.

Mr Dalal points out that the pharmaceutical industry is full of examples of companies that outsource their R&D activity for drug development.

On the other hand, he says: "real estate outsourcing provides companies with options for conserving their capital instead of investing in a building." And IT departments have long used outsourcing to provide innovation and fill skills gaps.

"Manufacturing outsourcing [also] provides many examples of converting fixed cost base for production to a more variable cost basis," he says.

A recent survey of more than 2,500 chief information officers conducted by PA Consulting and Harvey Nash, the recruitment business, reached similar conclusions.

While cost reduction was the rationale most often given for outsourcing, companies reported that the second most important reason was to to access skills not found in-house.

The same survey also underscores the growing popularity of IT outsourcing.

Almost a third of CIOs said they would spend up to a quarter of their entire IT budget this year on outsourced activity and more than one in 10 said they will spend 50 per cent of their budget on outsourcing.

Software application development remains the most popular outsourced activity, although external help/service desks are now being used by 40 per cent of CIOs worldwide.

Do companies also have an eye on the growth of enterprise cloud computing?

"Cloud computing is one form of outsourcing," says Daryl Plummer, of Gartner, the research company.

"The difference is in the types of contracts and terms applied.

"In cloud computing, there is one contract that is applied to all customers in the same way."

Mr Plummer believes cloud computing and traditional outsourcing will both continue to exist side by side.

"Some companies need the customised delivery of services that traditional outsourcers deliver.

"Some need more commoditised services at the large scale that cloud computing delivers.

"But as the cloud model continues to grow, it will steal more and more attention away from traditional outsourcing models."

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'Tis Not the Season To Be Shopping

FT News, analysis and comment from the Financial Times

TIM HARFORD

I'm one of those old-fashioned types who reckons the Christmas season should begin late. I like to put the Christmas decorations up the Sunday before Christmas at the very earliest, and I even enjoy working on the morning of Christmas Eve - there's something more magically Dickensian about taking just that afternoon off and heading home with beribboned parcel, rather than taking up residence on the sofa a week beforehand. Christmas Day should be the beginning rather than the end of the festive celebrations.

Commercial logic points in a different direction. There is little profit for Selfridges or Dixons or Hamleys trying to get people in a Christmassy mood at the very last minute. Indeed, the economist Emek Basker has found that in the US, where the Christmas shopping season varies between 26 and 32 days depending on the date of Thanksgiving, longer seasons mean more overall spending (about USD8 per person per extra day). Daily spending rises in November after Thanksgiving, but is just as high in December even during the most protracted shopping seasons.

The economist Joel Waldfogel, author of Scroogenomics, estimates that the extra spending on Christmas and Hanukkah in the US in 2007 was USD66bn - a substantial sum, and relative to the size of the economy it is even larger in the UK.

No wonder that at this time of year, everyone hurries to publish articles about how the Christmas spending rush is good for retailers. But this is odd. Imagine how much easier life would be for retailers if that extra USD66bn was spread evenly across the year.

For a hint at the inconvenience, I spoke to Derek Hayes, of Oxfordshire-based Skyline Promotions. Hayes runs the ultimate seasonal business: a British company producing firework displays. This year was particularly challenging because Bonfire Night fell at the weekend. (Wednesdays are easiest, because they spread the workload across two weekends and midweek.)

Skyline employed 42 people to run 16 firework displays on Saturday, November 5. Because most of Hayes' staff have unrelated day jobs, the 14 displays on Friday the 4th were even more challenging. But contrast that peak of 42 workers with much of the rest of the year, when Hayes works alone. To cope this year, he called in favours from old associates who travelled from Cornwall and Leeds. He even organised a post-fireworks reunion party.

Firework displays are, of course, particularly challenaging: they are extraordinarily seasonal, cannot be stored, and require skilled staff. But other businesses must cope with versions of the same challenge.

Does this matter? The economist Jeffrey Miron pointed out in The Economics of Seasonal Cycles, published more than two decades ago, that a perfectly efficient market will cope just fine: prices, wages and rents will rise at peak times to cover the very real costs of seasonal booms. Customers will either willingly pay extra, because they value the convenience of the timing, or will instead buy Christmas presents in the January sales, order cocktails during happy hour, and organise weddings on Wednesdays in October.

In practice, Miron argued, things are not quite so simple. For various reasons - some cultural, some legal - there are limits to how flexible prices and wages tend to be, and how responsive people can be in return. Some office Christmas parties are successfully moved to January, but few family Christmases are. And most schools will not applaud parents who seek a cheaper holiday by pulling their children out of class. As a result, shops will remain congested and staff harassed during Christmas, and managing inventory will be a logistical nightmare.

My Christmas decorations may be going up late in the season, but I did most of my Christmas shopping early. It was the least I could do.

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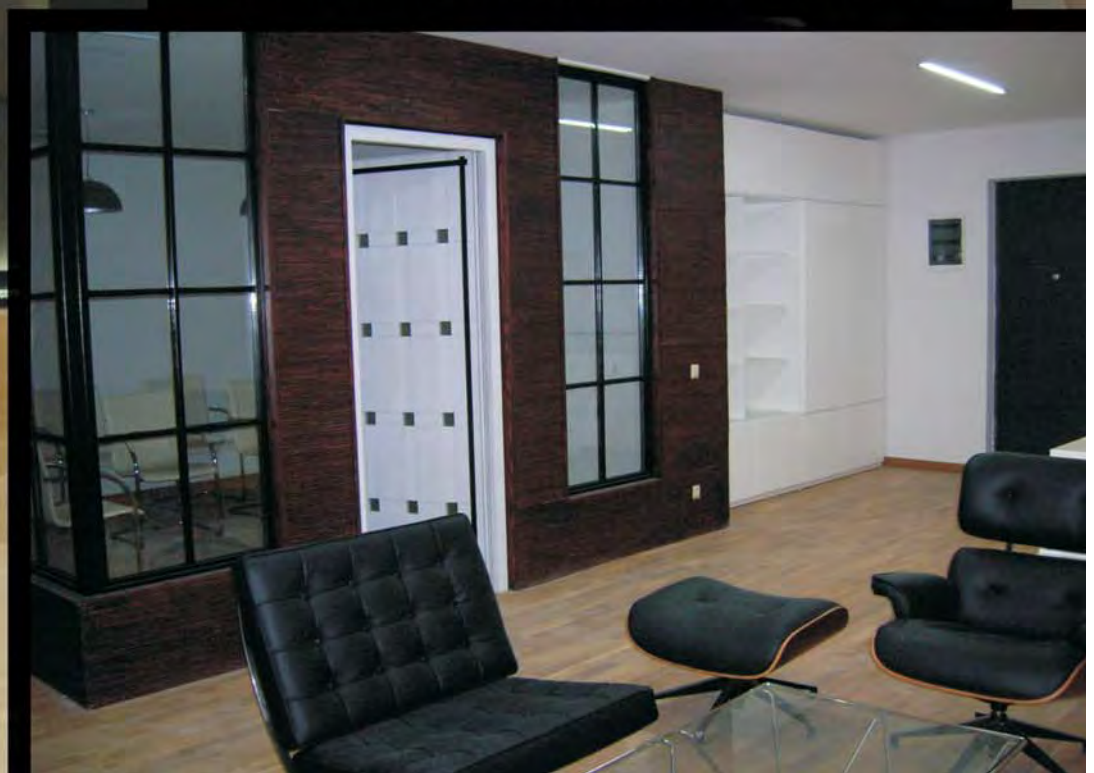

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Low-key leaders may unlock new problems for banks

PATRICK JENKINS

UBS, Intesa, BNP Paribas, Deutsche Bank and potentially Lloyds Banking Group - the roll call of Europe's big banks that are in the process of changing chief executive is pretty lengthy. Good thing? Bad thing?

On the face of it, all five banks have very different reasons for switching their man at the top. UBS was cleaning up after a trading scandal; Intesa is replacing a recruit to the Italian cabinet; the changeovers at BNP and Deutsche follow long-term stints by outgoing chairmen and chief executives; and Lloyds is a special case, with the newly arrived chief on medical leave, possibly to return at the end of the year, possibly not.

Despite the differences, there is one common cause behind these moves - crisis. Oswald Grübel's decision to resign from UBS, just like the earlier-than-expected departures of Josef Ackermann from Deutsche and Michel Pébereau from BNP, were at least partly motivated by a realisation that the bleak state of the markets was not going to improve any time soon, giving them no more attractive retirement date to aim for in the future. As for António Horta-Osório, the Lloyds chief who was signed off work by his doctors a month ago with stress and exhaustion, the painful consequences of the crisis environment are all too plain.

A similar trend is evident lower down the banks, too. Top investment bankers have been moving to new roles in less stressful locations, quitting banking for jobs in the "real" economy, or simply retiring and living off the accumulated pay of 10 or 20 good years.

If this is the impact of the global financial crisis, mark II, a very similar trend was evident three or four years ago with the mark I version - that time with a US bent - when the heads of Citigroup, Merrill Lynch, Lehman Brothers, Bank of America and Morgan Stanley all disappeared in quick succession. The only big European casualty of the day was RBS's Sir Fred Goodwin, though the other UK bank bosses - at Barclays, HSBC and Lloyds - as well as the head of Italy's UniCredit, had all gone by the beginning of this year.

The wipeout of top management purged a wealth of experience, too - and the inevitable consequence has been a rapid promotion of some relatively lowly bankers to fill the gap. A change of style is perfectly welcome. The slick, arrogant bosses who blew up their banks in 2008 never imagined they were putting their own institutions at risk, let alone the world economy. So if the bank chief in the mould of Sir Fred at RBS, Dick Fuld at Lehman Brothers and Chuck Prince at Citigroup has been broken, then so much the better. More sobriety is welcome.

But that is just what Bank of America said in 2008. When Brian Moynihan - a lawyer with no pretensions and an image to match - succeeded Ken Lewis, he was supposed to return the US's biggest bank to health with a measured plan to simplify the business. Since then, largely thanks to blow-ups in the operations he inherited (notably the beleaguered Countrywide subprime mortgage unit), he has lurched from one mishap to another. His reputation - internally, with investors and with the authorities - has taken a battering. The message from the BofA succession should have been clear - low-key may well equal second-rate. Yet at UBS, Deutsche and now Lloyds, the lesson appears to have been ignored.

UBS has an enormous task ahead - shrinking its business methodically and in a way that allows it to prosper as a global force in wealth management and albeit less risky investment banking. Yet the two most powerful executives - new chief Sergio Ermotti and investment bank boss Carsten Kengeter - have been promoted repeatedly in rapid succession, with question marks over their proved abilities. Mr Ermotti's biggest plus was his Swiss passport.

Deutsche, too, has found it difficult to break with a nationalist agenda. Alongside Anshu Jain - long the obvious candidate to replace Josef Ackermann - it has insisted on a co-chief executive in the form of Jürgen Fitschen, a perfectly nice chap with plenty of banking experience, but someone who would never have dreamed of being a big bank chief even a few months ago.

At Lloyds, plan A was impressive. But if Mr Horta-Osório cannot return from medical leave in the new year, the plan B of resorting to David Roberts - a second-tier banker with stints at Barclays and Austria's Bawag under his belt - will hardly inspire shareholders.

Low-key chief executives might soften banks' images - under attack from politicians and the general public - and they might seem a good low-risk option. But if they are unable to lead the vast, complex institutions they head, the bank boards that appoint them could well rue a generation of second-rate bank bosses as much as they did the pre-crisis superheroes.

Patrick Jenkins is the Financial Times' Banking Editor

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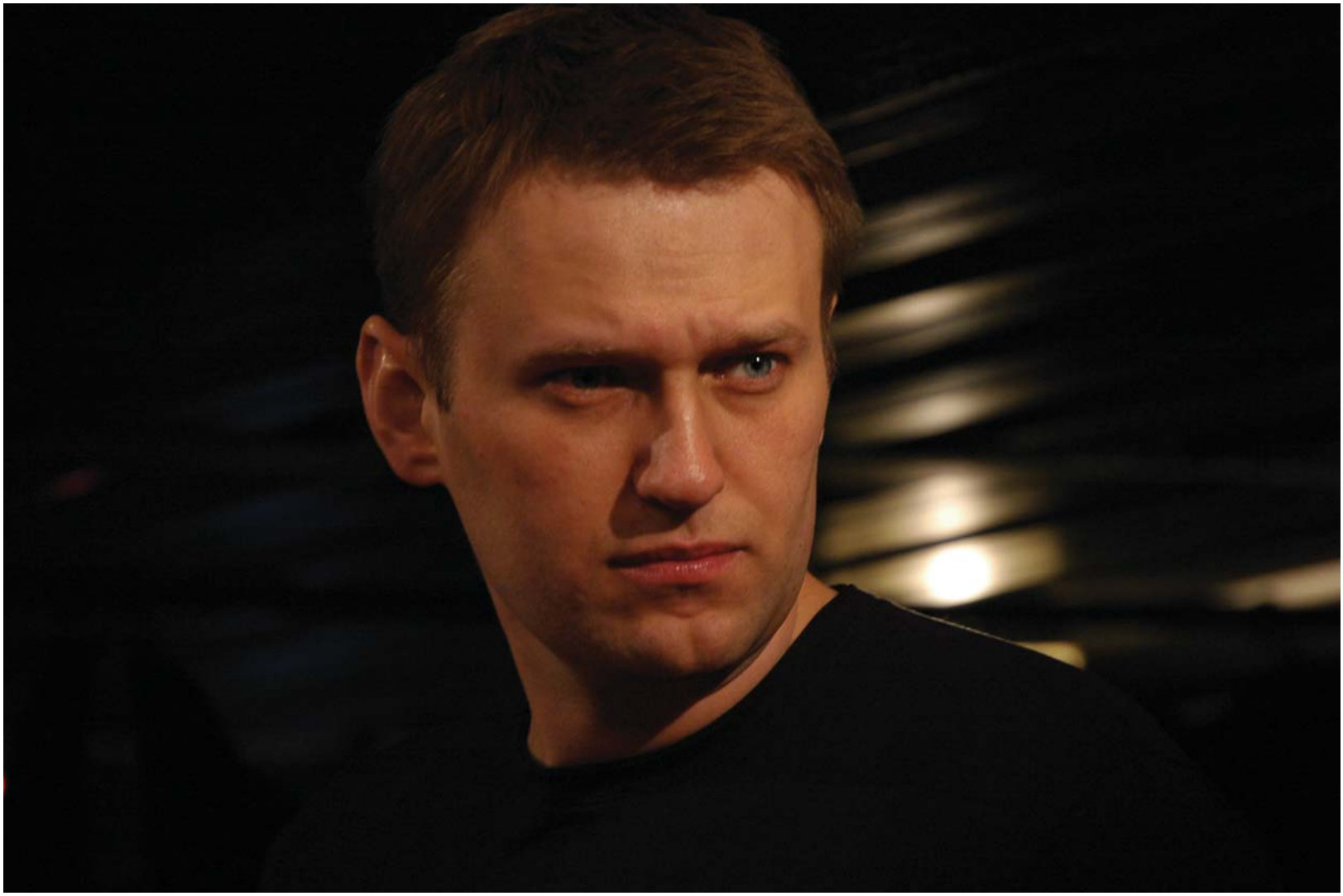

Man in the News: Alexei Navalny

FT News, analysis and comment from the Financial Times

CHARLES CLOVER AND CATHERINE BELTON

He may have been dubbed Russia's Julian Assange but outwardly there is little Alexei Navalny seems to have in common with the enigmatic founder of WikiLeaks. He dresses in polo shirts and jeans rather than Mr Assange's trademark cream-coloured designer suits. He lives not in monastic seclusion but loves the hurly-burly of public life and debates. His hardline stance on gun-control and immigration grates with Moscow's smug liberal elite.

But that's fine with him, it seems. Behind his dolphin-like smile and casual manner is an ambitious operator, whose website, rospil.info, has gained notoriety throughout Russia, publishing documents which purport to show the pervasive corruption at the heart of the decade-old regime of former president, now prime minister, Vladimir Putin. This

week his ascent into the stratosphere of Russian public life was heralded in a way wearily familiar to human rights lawyers: the prosecutor's office launched a fraud case against him dating back to 2009 - a charge he calls "absurd".

Russia's criminal justice system is notoriously inverted. With charges regularly levelled by the ones accused of committing the crimes against the ones investigating them. But Mr Navalny says with relish that visits to his website, and donations, have rocketed since his latest troubles. "Our prosecutors are doing their best to promote Alexei's image," laughs his friend, Ilya Ponomarev, a deputy from the Just Russia party. "Many people try to portray him as a Che Guevara type of guy," he says. "But he is not a revolutionary at all. He is very pragmatic - and successful."

Mr Navalny has made a political and media career as an activist shareholder, buying shares in the large, untransparent state-controlled companies that run Russia's economy, such as Gazprom and Rosneft, and then trying to exercise his legal rights as a minority shareholder. His accounts of his efforts have led to his becoming the hottest political blog in Russia, a nation of 40m internet users, even though Mr Navalny admits that reading ìt is a "bit boring".

Visitors to the site can download minutes of board meetings, official audits and legal correspondence with some of Russia's biggest companies, won in court battles or leaked by whistleblowers. "It's like an online show. It's a show about a person who is confronting the system," he says of rospil - "pil" means to saw, as in to saw off part of a contract as kickback.

Born on June 4 1976, Mr Navalny grew up enthralled by politics, watching the Soviet Union's collapse from his family home in a military town outside Moscow where his father served in a missile defence unit. As the first independent political broadcasts and newspapers appeared, he says he was drawn into heated political discussions with his parents. But his first flirtation with real politics ended in disappointment when he left the liberal Yabloko party after being accused of being a nationalist.

He starting blogging on corruption in 2008 because, as he put it, he had "had enough". "In Russia, everyone talks about the so called vertical [system] of power," he says. "But it's really just a vertical of corruption." His investigations have turned up billions of dollars in alleged embezzlement at Transneft, the state oil pipeline monopoly, where, he claims, former managers handed artificially bloated construction contracts to what appear to be related parties. Transneft denies any wrongdoing. At VTB, Russia's second biggest state bank, his digging uncovered a scheme in which the bank's employees allegedly overpaid $150m for 30 drilling rigs with the funds mysteriously squirrelled through a Cyprus firm. VTB, too, denies any wrongdoing, but the officials involved have since been replaced.

Mr Navalny's rise has been watched with trepidation by the Kremlin. He has been hounded by Russia's Federal Security Service. A list of all the donors to his website was seized last month by the security services and released to the Kremlin-backed Nashi youth group, who have begun harassing his donors.

"They are convinced I am working on behalf of the CIA to undermine Russian institutions. They don't believe that 15,000 people would donate 400 roubles apiece to my site. They are convinced that it is just a way to legalise money for the CIA, MI6 or Mossad."

While his attempts to prod federal prosecutors to launch criminal investigations into the money disappearing from state companies have fallen on deaf ears, the authorities have instead turned their attention to the blogger. On Tuesday, the prosecutors' office said they were opening a criminal case against him on suspicion of defrauding a state-owned timber company of more than Rbs1m ($32,000) for allegedly urging it to make what turned out to be a lossmaking deal.

He faces up to five years in jail if convicted. His wife goes around with a sheet of paper with phone numbers to call if he is arrested, but he insists he is not afraid. When a mob of football hooligans - presumed to have been sent by the Kremlin - invaded a debate he was hosting at a Moscow nightclub in 2007, he shot one of them with an air pistol. He wasn't aiming for the head so it was OK, he says.

Mr Navalny is not a typical Russian dissident, of the type the west is used to - like Garry Kasparov - who have made much of their liberal, western-leaning credentials. He is a nationalist, having helped found a movement known as Narod or "People" dedicated to saving "Russian civilisation". He wants to limit immigration and favours cordoning off the troublesome north Caucasus region.

The blend of nationalism and anti-corruption fervour is hugely popular. "Today, you are a politician if you engage in politics, which is what I am doing every day with my website and my debates." For the moment, the internet is the only platform in the country free of censorship. "I am having my 15 minutes of fame, as Andy Warhol put it," he says. "But I know that those 15 minutes will not last."

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Stage Right: Bollywood Directors Spotlight Growing Interest in Georgian Film

A growing interest in Georgia from foreign film producers and directors in Bollywood and Europe could mean more investment, more tourism and greater access to resources for Georgian films.

From Hollywood to Bollywood, there are an increasing number of foreign films being produced in Georgia. While the productions are a boost for the country's image as a film destination, a new agreement with the European Union's Eurimages could mean more resources for Georgian films.

Filming for two Indian movies – Bilia 2 and Double Trouble – initially scheduled for October and November, and Georgian officials and film directors hope more will follow.

Chakri Toleti, the director of Bilia 2, estimated a budget of roughly $500 thousand for his 20 day shoot in November.

Georgia, he noted, is a new location which is a commodity for an industry that produces, on average, nearly two films a day.

Toleti and his colleagues are following a long tradition of filming in Georgia. A favorite backdrop for Soviet directors for decades, the country's diverse climate and good weather have the potential to compete with Prague, noted the international award winning Georgian director, Nino Kirtadze.

Kirtadze, now based in Paris, said Georgia's climate – which varies between the sea and the mountains within a matter of kilometers – could be a magnet for film makers looking for exotic locales on a budget.

"In a very small country you can have totally different and landscapes. You can have a desert, you can have a mountain… you have sea, you have cities. You can shoot Iran, for example, in Georgia," she said.

But producer Gia Bazgadze noted that stunning backdrops alone are not enough for Georgian cinema to "break through" to the international film market.

"The industry is moving slowly, but moving forward, in the direction of improvement in Georgia. More films are shot, more producers are showing themselves on the market; you see more directors, more studios and more production companies," he said.

But Bazgadze, who is also a partner in the largest chain of movie theaters in Georgia, noted that tax incentives are vital for the industry to attract foreign film-makers.

"To make this country attractive for film-makers, you need some tax incentives to be established here and have the rebate system that is happening in many countries, including European countries," he said.

The Ministry of Culture and the Georgian National Film Center are currently working on a draft law that will create tax incentives for film production teams, he added.

A new agreement between the European Union's Eurimages grant co-financing progam and Georgia is also "highly important," Bazgadze said.

"It is very important that Georgia makes coproduction go international. For that, the best news is that Georgia became part of Eurimages. I think this is the most important achievement that happened over the past several years."

Eurimages will give Georgian filmmakers a chance to reach a wider audience, noted Georgian National Film Center Director Tamara Tatiashvili. The center played a pivotal role in bringing Eurimages to Georgia.

"Being a member of Eurimages means that Georgia is part of the wider European scene in a way, so it has equal rights, like the Romanians or French to co-produce together," said Tatishvili.

"I think it is very important and motivating for young Georgian producers and directors to have this opportunity to be equal with their peer colleagues from European countries."

Director Ketevan Machavariani, who debuted her movie 'Salt White' at the prestigious Karlovy Vary Festival, agreed that Eurimages would be an essential help for filmmakers.

"Eurimages really should be a big support and big issue for Georgian film," she said.

"Last year, after Georgia became an eligible member of Eurimages, we went to Sarajevo. The trip was organized by the Georgian film center…everyone, every European producer during the meeting mentioned that Georgia is now a member of Eurimages and that it is a good opportunity to start cooperation and collaboration with Georgian producers and film directors."

The program will also help with financing, and could prove to be a boost to filmmakers who are struggling to fund their projects. The film center provides subsidies and grants for Georgian filmmakers, but Tatishvili noted the budget is much smaller than the film industry's potential.

"Georgian film makers will be successful if they tell truly Georgian stories as long as they show them in a way that is appealing to an international audience," she said. "This is the language of cinema."

The more exposure Georgian films receive – either through co-productions, festivals or awards – the more the world will learn about Georgia, noted Machavariani.

"Any appearance of Georgian movies ▸▸

on international venues is important to let people know that Georgia exists…it is a promotion of the country," she said.

Bazgadze noted that films have helped tourism develop around the world, from the explosion of tourists to New Zealand following the Lord of the Rings series to a new call for monuments in Europe after the Da Vinci Code blockbuster.

"The government should be treating film-making as a business," he said. "One of the benefits of film is for developing a country's tourism industry: you already have many examples where a film substantially increased a country's tourism potential."

Keti Bochorishvili, the director of the Georgia National Investment Agency, believes Bollywood directors can introduce Georgia to a whole new audience of film-goers.

"[In] Bollywood there are about 500 new movies a year; at least two movies a day. So when one producer discovers [a location], they have a pulling effect," Bochorishvili said.

"[The movie business] is really good for the budget in two ways. Whatever investment comes into the country, it stays in the country… everything stays in the country. It makes the economy move forward."

She added that the government is also hoping to cash in on the Bollywood effect: the apparent power of Indian films to draw scores of Indian tourists to the countries where their favorite films are shot."We want this sector to develop in Georgia; for Georgia to become a film production location… the biggest result that it will create is an awareness of the country," she said, noting the number of Indian tourists that have flocked to Switzerland to visit the backdrop of their favorite films.

"We would expect increased numbers of tourists coming to Georgia… and it will be easier for us to talk about Georgia after this movie than it was before this movie."

Toleti said that Georgia has the makings of a new international filming location."I think that once we expose Georgia to our film industry, others will want to come," he said in a telephone interview from his office in India. ■

Stage Left: The potential of the Georgian film industry

Investor.ge spoke with Gia Bazgadze, a producer and part owner of Light Bank productions – as well as the largest chain of cinemas in Georgia, about Georgian film as a business and the potential of being part of Eurimages.

Georgian film is making a slow but steady comeback, thanks in a large part to the enthusiastic support of cinema lovers like Gia Bazgadze.

A managing partner at Ernst&Young in Georgia, Bazgadze's first foray into the film industry was strictly business: he and his partners started buying, renovating and reopening movie theaters in Tbilisi. Now they have the largest chain of movie theaters, as well as their own production company - Light Bank - that makes films for the local market.

Several years ago, however, Bazgadze decided he wanted to do more: so he became a producer.

Today, he has three art house films on his resume, and an impressive array of accolades from international festivals.

But not many of his business colleagues have followed in his footsteps.

"It is not easy to cover the expenses of the film with the small number of screens that are in Georgia. The market is limited and the number of screens is also limited," he said.

"If you want to make a Georgian film commercially successful, you have to expand this market, you have to go outside…either to Russia or international."

The Georgian film industry, Bazgadze notes, is not yet commercially viable for any production with a budget over 200 thousand lari.

But agreements with Eurimages, an EU-driven program that supports films, should make it easier for Georgian films to gain wider exposure in European markets, which is an important step toward commercial success, he noted.

"[F]ilm making is a risky thing. It is like gambling. Of course every business person wants to make a profit, and the more guarantees the better. That is why they are not jumping to invest in film-making as a business," he said.

"Most of the businesses that are investing now, invest because they want to help this business, they have some patriotic incentives or something like that. I was the same. When I started this, I like the cinema, I really wanted to help young directors – I really wanted this business to move forward and I think I contributed something to that, together with others."

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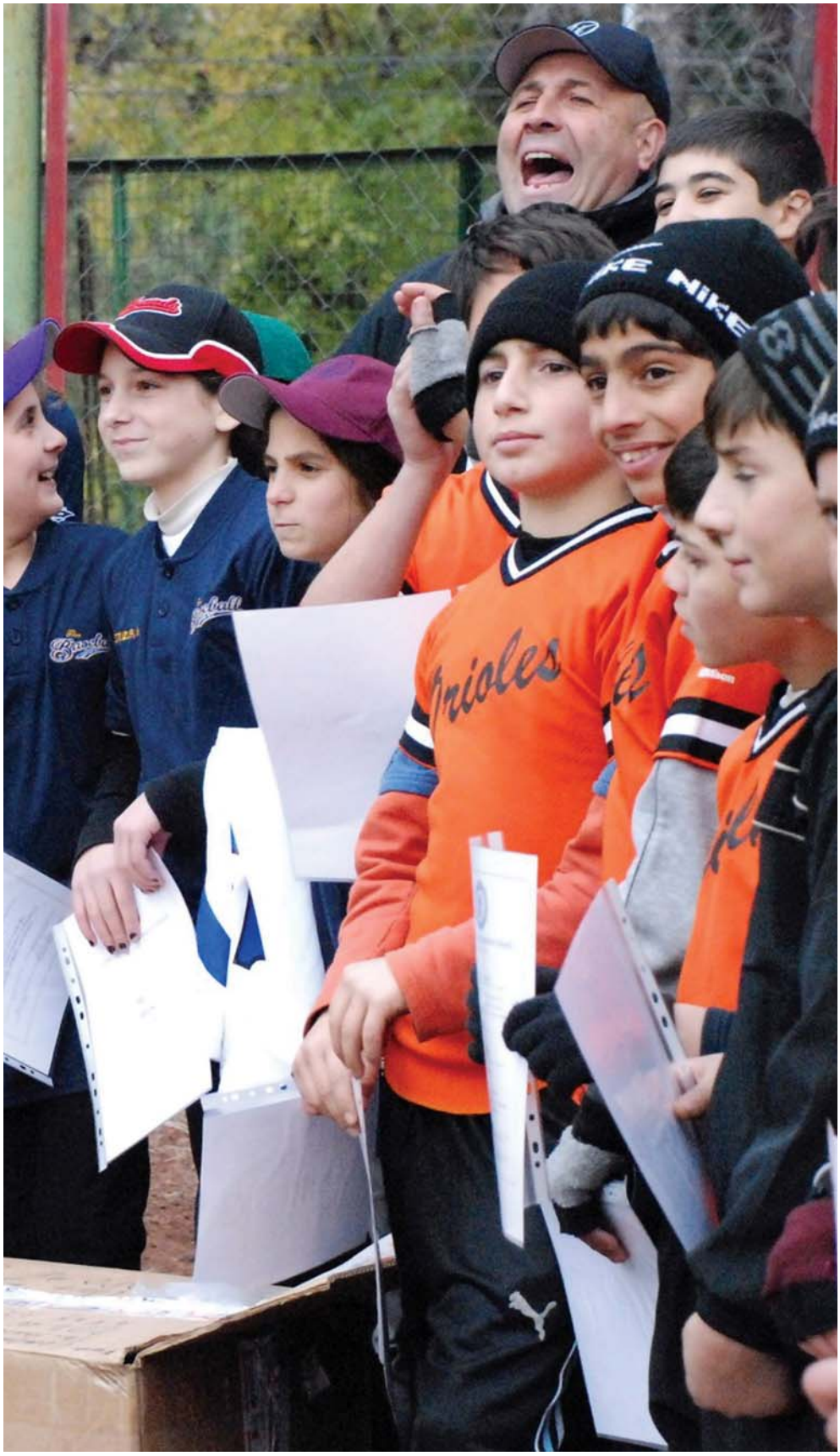

NY Baseball Fans Donate Gear and Uniforms to Georgian Players

New batting tees, uniforms and gloves will help struggling Georgian baseball enthusiasts.

Photos by Jackie Koney

Georgian baseball players have new gloves, uniforms and safety gear thanks to the generosity of New York baseball fans.

After reading about the plight of Georgian baseball teams on EurasiaNet.org (an adapted version of the article was reprinted by Investor.ge in June), Lincoln Mitchell decided to organize a gear drive.

Mitchell, an associate at Columbia University's Harriman Institute and former chief of party for the National Democratic Institute (NDI) in Georgia from 2002-2004, has strong ties to Georgia – and baseball.

"I am a big baseball fan and am intrigued by the spread of baseball internationally. I am often struck by how little many people know about how many countries play baseball. Countries that we don't think of as baseball countries at all like Australia, the Netherlands or Italy have increasingly serious baseball programs," he said in an interview via Skype.

"I approached Gia [Kemoklidze, one of the founders of Little League in Georgia –ed] in May when I was in Tbilisi about ways that I could help baseball in Georgia. An equipment drive seemed like a natural thing to do. I coach Little League in New York and have two sons who are big youth baseball programs so I know how much fun this can be for kids."

The Baseball Center in Manhattan, where his two sons play for the traveling team, made a call for gear and, several weeks later, seven boxes of gear – including 20 new baseball gloves, uniforms and a catcher's mask – arrived in Tbilisi.

For Georgian players, the matching uniforms and gear means they can look like proper teams, noted Jackie Koney, president of the Tbilisi Little League and co- founder board member of Friends of Georgian Baseball and Softball.

She said the donations will help "keep the game alive" in Georgia.

"From a practical standpoint, it's tough to play proper ball without gloves and balls and it's dangerous to play without safety equipment like batting helmets and catcher's gear. These are items you just can't get in Tbilisi and it's out of reach, price wise, to order and send from abroad," she said in an email interview.

"From an emotional standpoint, knowing that there's a connection to people in NYC who love the game and want to share it with us here is just really exciting … There was an immediate and palpable sense of pride when the kids gathered for photos -- they looked and felt like a "real" team."

Mitchell noted that there are tentative plans for more gear drives, and, perhaps, clinics or player exchanges in the future. He said building relationships around baseball is another way to teach Georgians about American culture.

"I have spent a number of years working in and studying Georgia. The Georgian people and leadership often mention how they love America, but too frequently this is just limited to American powers and ideals… For me, loving America means loving, not just democracy and equality but also things and people like Bob Dylan, Walt Whitman, James Baldwin, Jazz music, and, frankly, as much as anything else, baseball," he said.

"The opportunity to share this with Georgian Little League and, with luck, to engender a lifelong passion for baseball in a few Georgian young people is a way for me to help introduce the young people of a country that, while not mine is very close to my heart, to another part of America."

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Third American Citizen Information Night

Around two hundred American citizens came to the US Embassy to meet with the Embassy staff and various service providers during the Third Annual American Citizens' Information Night that took place on November 10. The event, which was co-hosted by AmCham Georgia, allowed citizens to get answers on a variety of questions.

The purpose of the event is to inform the US citizens living and working in Georgia of various goods and services that are of direct relevance to their needs in this country. Over thirty information providers presented their goods and services, ranging from the Embassy departments and Georgian government

agencies to international educators and medical companies, real estate, postal and relocation services, hospitality and charities. Ambassador John Bass hosted the event and addressed fellow Americans with welcoming remarks.

AmCham Georgia and the US Embassy are grateful to the generous sponsors of the event who provided snacks and drinks for the event: Borjomi, Chateau Mukhrani, McDonalds, Natakhtari, Pepsi, and Texas Chicken.

AmCham Members Meet New USAID Mission Director

Stephen Haykin, the new country mission director of USAID, and Tina Mendelson, the chief of party for the Economic Prosperty Initiative (EPI) gave members an in-depth look at the two programs during the November 22 luncheon at Tbilisi Marriott. Haykin's presentation "USAID/Caucasus: Past, Present & Future," provided an overview of the aid organization's accomplishments in Georgia – as well as its long term strategy until 2017. Please visit www.amcham.ge to view the presentation.

Mendelson also provided a comprehensive overview of EPI's four year program in Georgia. Four areas - manufacturing and services, agricultural sectors, investment promotion, access to finance, workforce education and business enabling environment – will be priorities during the program. Her presentation "EPI: Latest Developments" is also available on www.amcham.ge.

Deloitte Georgia, TBSC Consulting and The Salvation Army made announcements at the end of the meeting.

AmCham Office-Warming Party

On October 10, the American Chamber of Commerce hosted an office-warming party for its members on the building's terrace overlooking old Tbilisi.

The event was kindly supported by Deloitte.

Members had an opportunity to meet and network in a relaxing atmosphere, as well as explore the new office. In his welcoming speech, AmCham Georgia President David Lee stressed that the Chamber is always there to serve its members' needs as a reliable partner on the ground.

Civil Registry Agency was awarded four prizes at the GITI Awards 2011

More than 350 participants from eighteen countries participated in the three-day Fourth Regional Georgian Cyber and ICT Innovation Conference on November 17-19, an annual event that focuses on sharing IT best practices in public and private sectors.

Several companies and government bodies were awarded for innovative projects.

The star of the awards was The Civil Registry Agency of the Ministry of Justice of Georgia. The agency received four awards this year: The Most Successful Infrastructure Solution, The Best IT Management Entity, The Best Information Security Management and the superprize - the IT Agency of the Year. The master of ceremony of the GITI Awards 2011 for the 4th time in a row was Keti Sidamonidze from the American Chamber of Commerce in Georgia.

Other companies and government agencies were also recognized, including the Ministry of Justice for using innovative IT solutions to streamline business processes; the Georgian computer producers Algorithm for its laptops for first graders program; CHS Vericel Service won the award for software of the year; and the State Revenue Committee of the Government of the Republic of Armenia won an award for the most "widely applicable e-service."

For more information about award winners, and photographs from the event, please see page 54.

Winners of the Georgian IT Awards 2011 were revealed during the Gala Reception at the Tbilisi Marriott Hotel. The purpose of the award ceremony was to credit governmental and private entities for good work and best practices and encourage them and others to invest their time and energy in further development of the IT field. This year the panel of judges was comprised by: Alexander Jejelava, Management Academy; Shota Gvinianidze, Magticom; Ana Nakashidze, Silknet; Ramaz Kvatadze, Georgian Research and Education Network Academy; Vahan Hovsepyan, Union of Information Technology Enterprises.

The event was organized by the ICT Business Council of Georgia and the LEPL Data Exchange Agency of Ministry of Justice of Georgia and held at the Courtyard Marriott.

Doing Business in Georgia: "Quick, Cheap and Right Now"

From tourism to textiles, Georgia is full of opportunities for businesses willing to invest now, according to Keti Bochorishvili, the director of the Georgian National Investment Agency (GNIA). Bochorishvili presented a wide range of investment possibilities to AmCham members during the October 12 roundtable meeting at the Radisson Blu Iveria Hotel.

Deputy Director of the U.S. Agency for International Development (USAID) Joakim Parker also briefed members on political and economic developments, including the recent National Democratic Institute (NDI) survey and planned meetings in Washington.

Bochorishvili stressed that government initiatives for investors, like the free land, free design and free casino license for Anaklia hotel proposals that meet certain criteria, are an opportunity that will not last forever.

"Doing business in Georgia is quick, cheap and right now," she said, noting that eight hotels are already set to launch in the new resort over the next two years.

Tasked with bringing in new investment, GNIA is transforming from an agency that promotes awareness about Georgia to a service provider that creates sector-specific proposals for potential investors.

For more information about GNIA's projects and investment incentives, please see AmCham's website, www.amcham.ge.

Alliance Trading also announced its partnership with LGM Cold Storage. For more information, please see www.amcham.ge.

Commercial Law and Tax Committee Created

AmCham re-launched the Commercial Law and Tax (CLT) Committee on October 1. The committee includes members from BDO, BGI, BLC, Deloitte, DLA Piper, Ernst and Young, GSMEA, HBSS, KPMG, LPA and PWC. The committee is working to guide a new project that is run by three lawyers employed by AmCham, intended to analyze developments in the area of commercial law and tax and identify ways in which the law and its implementation can be improved.

The project is funded by USAID through Eurasia Partnership Foundation and East-West Management Institute.

One of the central elements of this project is to hear the experiences of businesses in Georgia in their dealings with the Courts and the Ministry of Finance. The project is not intended to offer free commercial law or tax advisory services, but if cases are ongoing, legal staff of the CLT committee will be happy to discuss the details and see if there is any possibility to help in securing an equitable resolution.

AmCham CLT committee already has held three meetings where the committee has identified a number of judicial and tax issues that the project will work on. However, the committee is in the process of setting its priorities and so is open to the discussion of any concerns that businesses may bring to their attention.

If you have experiences you would like to share please contact our Project Coordinator & Legal Analyst Gigi Liluashvili – g.liluashvili@amcham.ge.

AmCham Commercial Law & Tax Committee meets the U.S Treasury Department

Committee Co Chair Mr. Justin Bancroft led a meeting of the tax and legal committee with representatives from the U.S Treasury Department. Recent changes in tax administration and the newly adopted tax code were discussed.

Head of Revenue Service Jaba Ebanoidze Meets AmCham Trade and Transportation Committee

During the committee's regular meeting with RS management, Head of Service Jaba Ebanoidze presented an overview of recently adopted changes to the tax legislation, including customs issues. Co-chairs of the T&T Committee John Braeckveldt and Ivo Bakhuijzen facilitated the discussion regarding various issues related to the customs regulations in Georgia during the October 13 meeting.

To view the presentation, please visit www.amcham.ge.

For any inquiries please contact Committee Coordinator Gigi Liluashvili, g.liluashvili@amcham.ge.

Commerical Law & Tax Committee Discusses Tax and Commercial Cases

Justin Bancroft, the co-chair of the committee, facilitated the November 18 meeting. Committee talked about the existing problems in the legislation as well as concrete tax and commercial cases. Future action plans and concrete proposals were also discussed at the meeting. If any AmCham member wishes to join the monthly committee meetings, please contact Committee Coordinator and Legal Analyst Gigi Liluashvli, g.liluashvili@amcham.ge.

Commerical Law and Tax Committee Discusses Communication Strategy

Ted Jonas, the co-chair of the committee, led a discussion about different commercial and tax problems revised and amended by committee legal staff during the meeting on December 2. Committee members talked about the priority ares to focus on, as well as discussed the communication strategy. If any AmCham member wishes to join the monthly committee meetings, please contact Committee Coordinator and Legal Analyst Gigi Liluashvli, g.liluashvili@amcham.ge.

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Reforms Seek to Streamline Customs Warehouse, Tax Administration

Simpler regulations for customs warehouses are one of many changes the Revenue Service has implemented this year, according to Ia Mikhelidze an advisor at the service.

Mikhelidze, speaking at the November Amcham roundtable event on November 9, gave AmCham members an in-depth overview of a multitude of changes to the tax and customs codes - both implemented and planned - that ease the burden on businesses.

Some of the most significant changes affect custom warehouses: just five documents are necessary to apply for a permit - down from over a dozen required previously.

In addition, now there are just two technical requirements, a significant reduction. For more details, please visit www.amcham.ge.

Ambassador John Bass opened the meeting with a candid assessment of the latest political and economic developments in the country and the United States, particularly negotiations on Russia's potential WTO membership and billionaire Bidzina Ivanishvili's decision to enter Georgian politics.

AmCham will co-host the annual American Citizen's Information event at the embassy on November 10. For more information, please contact the AmCham office.

Other announcements included the planned Slovak-Georgian business conference on December 10 and the IOM job fair at Expo center on December 2. In addition, tickets for the annual Panto production - Sleeping Beauty on December 2-4 - are currently on sale. For information about any of these events, or other AmCham activities, please contact b.makaridze@amcham.ge.

AmCham Georgia Creates Agro-business Committee

AmCham's new agro-business committee met on November 22 at the AmCham office conference room. Introductions were made by David Lee and Irakli Baidashvili, the Co-chairs of the Committee.

Members of the agro-business committee include: MagtiCom, GMT Group, GAU, TBSC, Teliani Valley, Mobipay, Alliance Group Holding, Sense Selection, ISET, Cold Brook Ventures, Krtsanisi, EPI, Financial Brokers Georgia, VD Capital, Georgian Wine Association, SEAF, CRRC, Gosselin Moving, HBSS, Gastronomia - Ioli Supermarket, Chateau Mukhrani, CARE International, Goodwill, Wimm Bill Dann and Caucasus University.

A range of issues were highlighted at the meeting, including: lack of knowledge, forward contracting, insurance, finance, registration of land plots, fertilizer and herbicide input prices and quality. In the coming months the committee shall focus on:

- looking at and reviewing the Agro strategy for the country as a whole, on the condition that the government releases one;
- finding ways to improve the legislative environment for agrobusiness – including issues like land, tax, enabling environment for insurance, etc.;
- looking at business issues – banking and insurance support; availability of FDI; helping finding partners and suppliers/markets; some specific queries of our members, etc.

If you wish to join the committee or for more information please contact the AmCham Agri-business Committee Coordinator and AmCham Projects Team Leader/Manager Keti Sidamonidze: k.sidamonidze@amcham.ge.

The Tbilisi Summit: Georgia's Potential from the Ground

Georgia's business climate reforms – for better and for worse - were on display during The Economist's Tbilisi Summit on November 17.

Highlights included a frank discussion with Kakha Bendukidze, who is largely credited as an architect for Georgia's efforts to improve the business climate and streamline the government.

Prime Minister Nika Gilauri was the key speaker, stressing Georgia's economic success despite the global financial crisis and the 2008 war.

Other speakers - investors and policy makers - were largely upbeat about Georgia's progress and potential after seven years of reforms. Panel discussions featured several AmCham businesses and board members, including BP's Neil Dunn. Dunn, the general manager of BP Georgia, told participants that the energy giant plans to stay in Georgia, noting that the company has been "operating already for 15 years in Georgia and we plan to stay even longer."

He noted, however, that more vocation education is needed to create a skilled labor force.

Jobs and employment featured in several panel discussions. Former Economic Minister Davit Onoprishvili, now a member of the opposition, questioned the government's policy but investors like Rakeen's Khater Masaad said the in expensive and flexible labor force is Georgia's "biggest advantage."

NEW MEMBERS

Pfizer Georgia

Pfizer, Inc. is an American multinational pharmaceutical corporation that has remained dedicated to discovering and developing new, and better, ways to prevent and treat disease and improve health and well being for people around the world. The company is based in New York City, New York with its research headquarters in Groton, Connecticut, United States.

www.pfizer.com

JTI Caucasus

JTI - Japan Tobacco International is the international tobacco business of Japan Tobacco Inc., a leading international tobacco product manufacturer, with a global market share of almost 10%.

www.jti.com

EPI Project

USAID's Economic Prosperity Initiative (EPI) is a four-year program designed to improve enterprise, industry, and country-level competitiveness in Georgia. EPI assists private firms across various sectors to increase investment, open new markets, raise productivity, drive domestic and export sales, and create jobs. EPI facilitates a consultative process between businesses and government agencies to further improve Georgia's business enabling environment.

www.epigeorgia.com

Beeline (Mobitel Ltd)

"Mobitel" Ltd. is a Georgian cellular communication operator. The company has the license for providing cellular communications services. JSC "VimpelCom" has 51% share in "Mobitel" Ltd. The VimpelCom Group's license portfolio covers a territory with a population of about 340 million. Geographically it covers the whole territory of Russia as well as the entire territories of Kazakhstan, Ukraine, Uzbekistan, Tajikistan, Georgia, Armenia as well as Vietnam and Cambodia.

www.beeline.ge

GeoCapital

GeoCapital is a Georgian registered company, managed by US citizens. It also has US citizens on its board of directors and accepts investments in the form of loans from people in the US.

www.geocapital.ge

Save the Children

Save the Children is the leading independent organization creating lasting change in the lives of children in need in the United States and around the world. Recognized for our commitment to accountability, innovation and collaboration, its work takes the otganization into the heart of communities, where it helps children and families help themselves. Save the Children works with other organizations, governments, non-profits and a variety of local partners while maintaining its own independence without political agenda or religious orientation.

www.savethechildren.org

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Save the Date and Join us at

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On Saturday, January 21th, 2012, 6.00 p.m
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The evening will include cocktail reception, dinner, concert, live auction of contemporary art by prominent Georgian artists, raffle prizes and a dance party.

All proceeds from the event will support American Friends of Georgia's charitable work with most needy children in Georgia: Children effected by war '08 (Particularly at Nikozi village).

www.afgeorgia.org

Book early, seats are limited!

For more information please contact Lena Kiladze at: lenakiladze@hotmail.com , 599 90 12 34

SOCIAL PAGE

More than 350 participants from eighteen countries participated in the three-day Fourth regional Georgian Cyber and ICT Innovation Conference on November 17-19, an annual event that focuses on sharing IT best practices in public and private sectors. Award winners included: The Civil Registry Agency the Ministry of Justice of Georgia; AzRy LLC; SouthTech Consulting, Inc., Branch of Armenia; CHS Vericel Service; Armenian Software LLC; Algorithm; A-LIVE Ltd.; Ministry of Justice of Georgia; Ministry of Labour, Health and Social Affairs of Georgia; The State Revenue Committee of the Government of the Republic of Armenia; The Georgian National Agency of Public Registry; Armenian ICT Industry Association was given the award for the Distinguished Partner of GITI.
The master of ceremony of the GITI Awards 2011 for the fourth year in a row was Keti Sidamonidze from the American Chamber of Commerce in Georgia.

KPMG celebrated its 10th anniversary in Georgia with a reception at the Rustaveli Theater Ballroom on December 6.

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On December 2-4 Tbilisi International Players Foundation presented "Sleeping Beauty" Panto by Richard Lovelock in English at the Tbilisi Kote Marjanishvili Drama Theatre. It was the third annual Panto performance. Traditionally revenue from performances goes to children's charity. This initiative is supported by TBSC consulting, Radisson, Natakhtari, KPMG, McDonalds, Microsoft, AmCham Georgia, Gosselin Moving Georgia, Georgian American University (GAU) and Dutch Design Garden.

"Clothing Others Against the Snow'' distributed coats to approximately 200 children during its second annual event on November 12 at the Radisson Blue Iveria Surface Bar. Children from Tbilisi Children's Crisis Center and the Child and Environment Centers – Sapovnela in Rustavi, Tsisartkela and Begurebi in Tbilisi attended the event. Student-volunteers from New School International School of Georgia, QSI, American Academy, Ecole Fransise du Caucase, and the Robert Schuman European School helped children pick out clothes and coats.

Surplus clothing is distributed to others in need by the Salvation Army, MAC (McClain Association for Children), and Maya Frank-Hennig of the German Embassy via EUMM.

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"Chateau Mukhrani" and "TBC Bank" organized traditional harvest celebration in Mukhrani village, hosted by Mr. Mamuka Khazaradze, the owner of TBC bank, on 15th of October .

Diplomats and the representatives of foreign companies attended the celebration. They had chance to experience Georgian style vintage and for those who wished – there was also an opportunity to ride a horse. The guests were offered to taste unique Georgian wine from Château Mukhrani.

SOCIAL PAGE

Around two hundred American citizens came to the US Embassy to meet with the Embassy staff and various service providers during the Third Annual American Citizens' Information Night that took place on November 10. The event was co-hosted by AmCham Georgia.

AmCham Georgia and the US Embassy are grateful to the generous sponsors of the event who provided snacks and drinks for the event: Borjomi, Chateau Mukhrani, McDonalds, Natakhtari, Pepsi, and Texas Chicken.

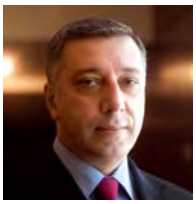
Dutch Design Gardens held its annual holiday open house on November 27.

Board Of Directors 2011

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

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

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



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

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

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

Neil Dunn, Director
Neil Dunn is the general manager of BP Georgia 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.

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Lasha Gogiberidze
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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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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."

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."

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