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GREEN RESORT PROMISES $185-MILLION INVESTMENT IN BLACK SEA TOWN

GEORGIAN CHEESE GAINS MOMENTUM

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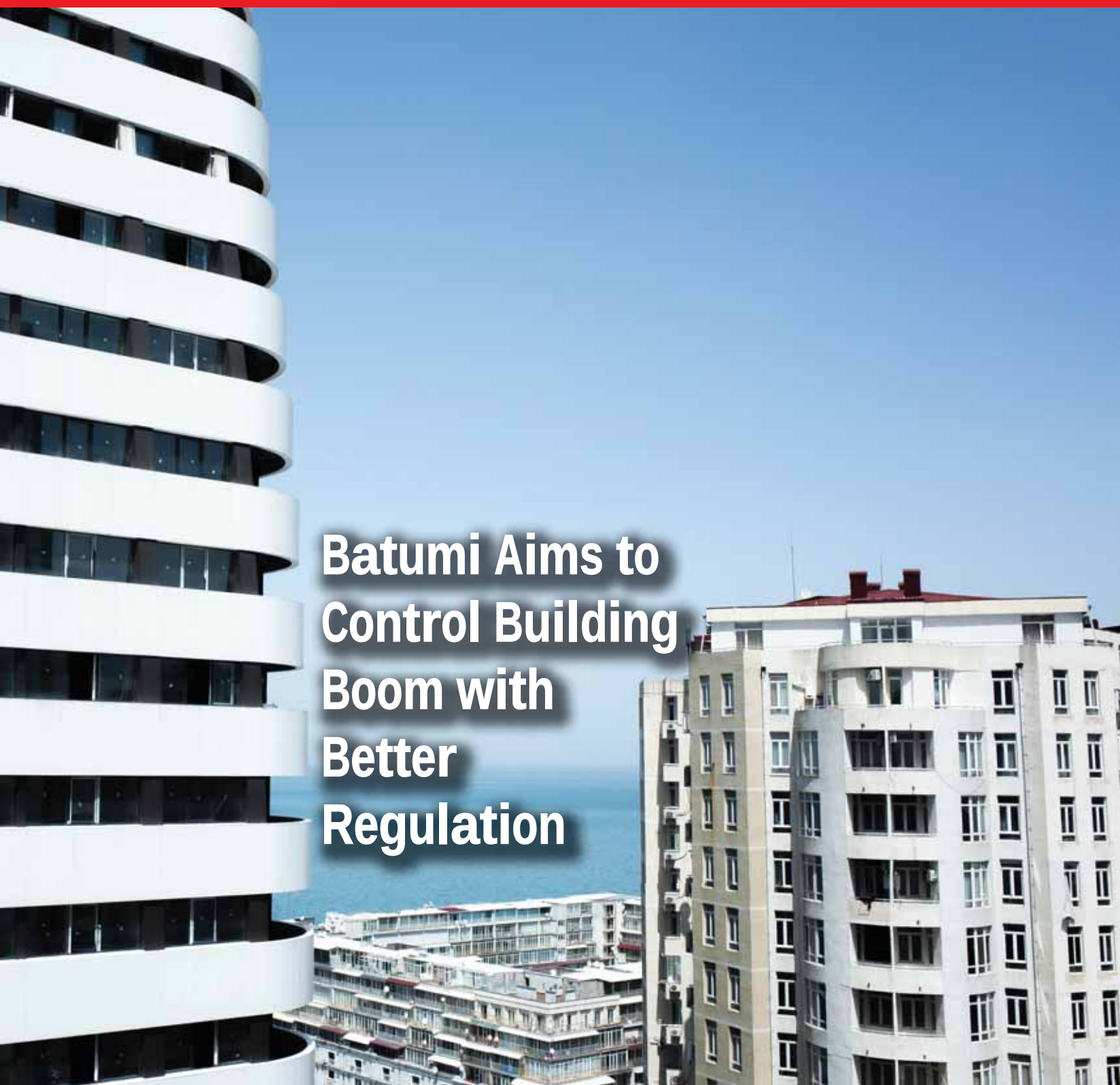
ISSUE 69 JUNE-JULY 2019



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INVESTMENT NEWS

INVESTOR.GE PROVIDES A BRIEF UPDATE ON INVESTMENTS AND CHANGES IN GOVERNMENT POLICY THAT COULD IMPACT THE BUSINESS ENVIRONMENT.

PASSENGER TRAFFIC UP BY 20 PERCENT AT GEORGIAN AIRPORTS IN JAN-APRIL

Georgian airports served 20 percent more passengers in January-April 2019 than they did in the same period of 2018, with a total of 1,450,847 passengers.

The largest increase in passenger flow was experienced by Kutaisi International Airport, where growth reached 89 percent in the first four months of 2019 in comparison to 2017, followed by Batumi International Airport with 30 percent and Tbilisi International Airport with 11percent.

The smaller regional airports of Queen Tamar Airport in Mestia, Svaneti, and Ambrolauri Airport in Racha experienced 16 percent and 20 percent growth respectively.

NUMBER OF TOURISTS VISITING GEORGIA INCREASES IN APRIL

The number of tourists traveling to Georgia in April 2019 jumped by 4.2 percent in comparison to the same time period in 2018, the Georgian National Tourism Administration reports.

The highest number of tourists were recorded from Uzbekistan, Thailand, Kazakhstan, Turkmenistan, China and the United Arab Emirates.

JAN-APRIL 2019: GEORGIA EARNS $63 MLN BY EXPORTING 26 MLN BOTTLES OF WINE

Georgia exported 26 million bottles of wine in January-April 2019 to 38 different countries, posting a 4 percent increase in bottle sales year-on-year, the Georgian National Wine Agency reports.

Profits from the sale of Georgian wine abroad rose 7 percent to $63.2 million.

The top five countries purchasing the most Georgian wine were Russia (16.8 million bottles) followed by China (2.19 million), Poland (1.17 million), Belarus

(604,000) and the USA (219,713).

More than 179 Georgian companies sold wine abroad in the reporting period.

UN TO SPEND $100 MLN ON PROJECTS IN GEORGIA IN 2019-2020

The United Nations plans to spend about $100 million on a number of projects in Georgia in between 2019 and 2020, the Georgian Public Broadcaster's First Channel reported in early May.

The money will largely go to projects in democratic governance, employment and social protection, education, health and community resilience.

PORTUGAL READY TO LEGALLY EMPLOY GEORGIANS

The government of Portugal has announced that it is ready to sign an agreement with Georgia to allow Georgian citizens to work legally in Portugal for pre-determined periods, according to set critera, before returning home.

Foreign Minister David Zalkaliani said that circular migration is in the interests of all parties, given that it will help reduce unemployment in Georgia and reduce illegal immigration in Europe.

Portugal will be the second country with which Georgia will have such a labour agreement after France.

175 MLN GEL IN GEORGIA'S ACCUMULATIVE PENSION SYSTEM

There were more than 740,000 people enrolled in Georgia's accumulative pension system also of late April, and 174 million lari (about $64 million) in the fund.

Of those enrolled in the new pension plan, 187,000 people work in the public sector, while slightly more than 581,000 are employed in the private sector.

There are 294,852 adults aged 40 and older who are allowed to opt out of the pension system if they desire.

As of late April, 2,915 people had opted out of the pension system.

WORLD BANK PROJECTS 4.6 PERCENT ECONOMIC GROWTH IN GEORGIA

Growth forecasts for the Georgian economy remain steady, as the World Bank projected 4.6 percent growth for Georgia in 2019, while the Asian Development Bank has put the indicator as high as 5 percent.

Forecasts differed in early April among the two financial institutions as to what will happen in the following years. ▸▸

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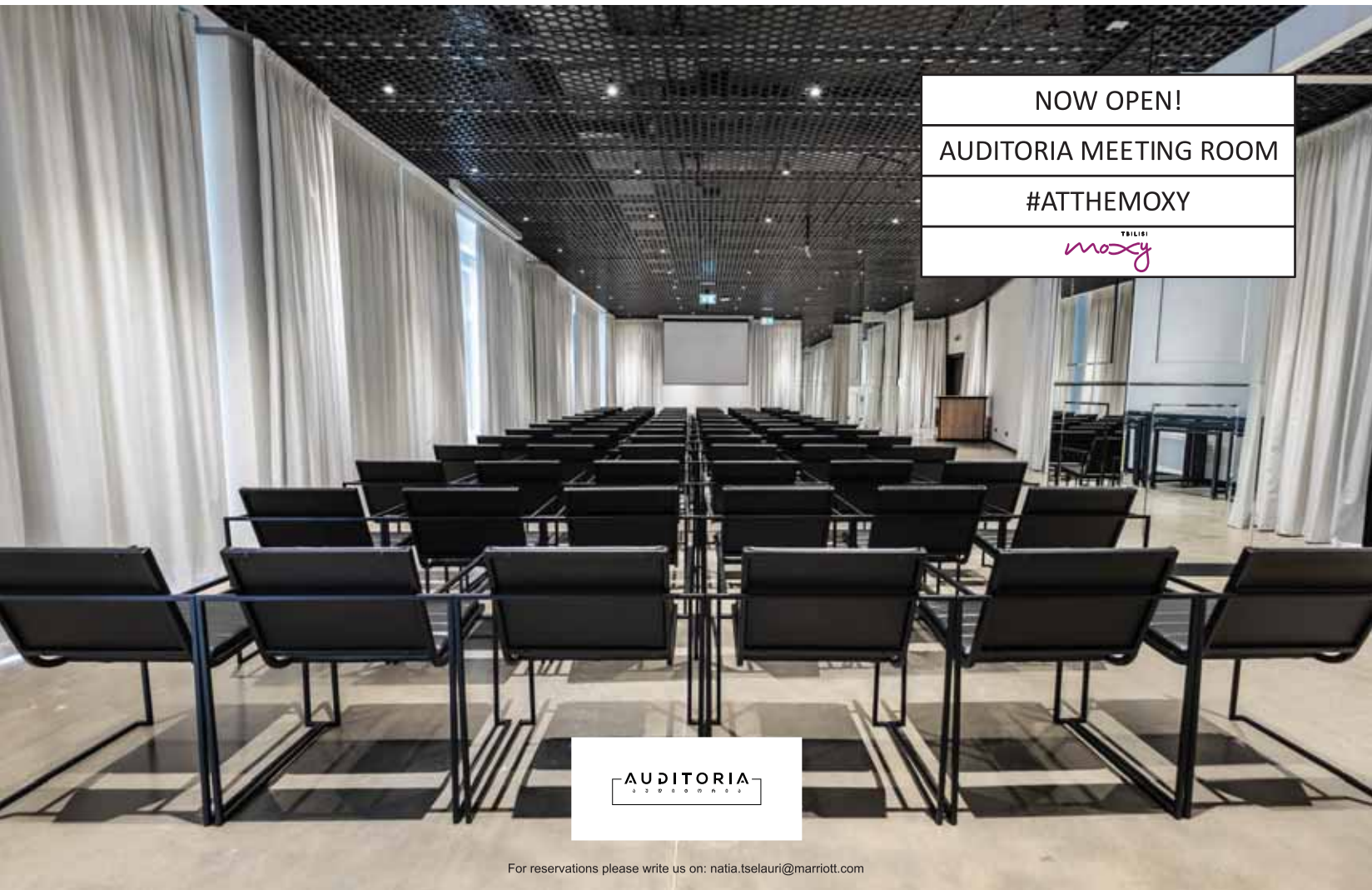

The ADB put growth at 4.9 percent for 2020, while the World Bank predicts continuous growth – up to 4.8 percent in 2020 and 5 percent in 2021.

GEORGIAN HOTELS TO RECEIVE HOTELSTARS UNION RATINGS

Hotels in Georgia will now be rated according to an official five-star ranking system.

The ranking will be carried out by Hotelstars Union – an EU based organization that offers a harmonized rating system of hotel, restaurant and other tourism facilities.

Hotels will not be obliged to receive a ranking, however institutions interested in being included in the assessment must be a member of the Georgian Federation of Hotels, Restaurants and Cafes.

COUNTERFEIT BILL DATA RELEASED

The annual report of the National Bank says 100 lari notes are the most commonly counterfeited in Georgia. The report notes that counterfeit bills were down 5.5 percent in 2018 compared to 2017. The report says that last year, 9,030 bills and coins were inspected in Georgia, of which 6,737 were deemed counterfeits.

In addition to 4,865 lari banknotes and 870 lari coins, $608 banknotes and 198 euro bills were also found to be counterfeits.

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Georgia Eyes Energy Reforms, Renewables to Fill Growing Domestic Demand

ELECTRICITY CONSUMPTION IN GEORGIA IS EXPECTED TO DOUBLE BY 2030, ACCORDING TO GALT & TAGGART RESEARCH. WHILE GENERATION CAPACITY IS GROWING IN THE COUNTRY, IT IS NOT GROWING FAST ENOUGH TO MATCH RISING DEMAND. IN RESPONSE, THE GOVERNMENT HAS LAUNCHED NEW REFORMS TO DEREGULATE THE MARKET AND ATTRACT INVESTORS TO INCREASE ELECTRICITY GENERATION.

LIKA JORJOLIANI

Georgia is consuming more electricity than it produces, despite a steady increase in generation capacity over the past several years.

The growing demand means the country has become a net importer of electricity, despite being a net exporter from 2007 to 2011.

Economy Minister Natia Turnava has said that even by moderate predictions, demand for electricity will increase by 4.6 percent. Currently Georgia produces 12.5 billion kWh; by 2030, it will need to generate 21 billion kWh to meet domestic demand.

That means more investment is needed in generation capacity—and the country needs to become energy efficient, Turnava said.

The government has already secured some investment in electricity generation. There are reportedly some 150 ongoing projects (total capacity at 5.4 GW). While the projects have identified investors and are at various stages of development, Galt & Taggart has noted that, as government policy on energy projects has tightened "significantly" since 2016, not all projects will be completed.

"Nonetheless, we estimate that even partial implementation of these 150 projects will make Georgia a net exporter of electricity from 2021," the Galt & Taggart report says.

Turnava is a bit more cautious. In remarks at a conference earlier this year, she said Georgia has the chance to become an exporter of electricity by 2025.

"We also have a chance to cover our own consumption by 2030. With our realistic calculations, we will be able to produce as much electricity as we need and at the same time, we will have an opportunity to export 3.5 billion kWh taking into account our seasonal generation," she said.

TRANSFORMING THE ENERGY MARKET

To encourage more electricity generation—and to comply with Georgia's obligations as part of the EU's Energy Community—the government has started to reform the energy market.

"I think this reform will be a serious step towards strengthening Georgia's energy independence, increasing energy efficiency and restoring Georgian industry," Minister of Economy and Sustainable Development Natia Turnava said.

The reforms are a long-term proposition. Changes to the electricity market are being made gradually, over the span of several years. The first wave started in 2018; it is scheduled to be completed in 2025.

The reform will make the Georgian energy market more transparent and competitive, according to a report by Galt & Taggart. In addition, the reforms

will create a "path to a new type of investor."

The reform path includes several legislative changes—including a new energy law, a renewable energy law and secondary energy legislation—that the parliament is scheduled to discuss and vote on this year, according to the reform schedule.

One part of the reform, deregulating the energy market for industrial consumers, is already underway, however. The free energy market is not scheduled to open until 2020-21. The government has already created a model, based on the energy markets used in Turkey and European countries. Work is currently underway on the trade mechanism for electricity.

Despite the fact that the energy stock exchange is not open yet, as of May 1 large industrial consumers can buy electricity at market prices. Eventually the government foresees a market where industrial consumers can agree to purchase electricity in real time, for a number of hours or sign longer term contracts with producers.

Small business consumers and private families will not be affected by the deregulation reforms.

Over the next several years, the reforms will also diversify power trading channels by creating day-ahead and intraday markets. It will also ultimately increase the number of direct consumers, bolster the volume of power trading and unbundle the country's distribution and power supply, Galt & Taggart said.

"In the context of these upcoming changes, we believe that future market prices will be dictated by neighboring market prices and decisions on the integration of electricity generated from old regulated HPPs and from HPPs with Power Purchase Agreements," the research group said in a paper on the energy sector.

The ability to trade electricity on a daily basis should help reduce imbalances in the market caused by over generation at times when it is not needed. That should result in more accurate planning by electricity generation providers, the report said.

If the deregulation reforms continue on schedule, by 2025 Georgia should be in full compliance with the Energy Community Acquis.

Adopting the acquis, otherwise known as core EU energy legislation, became an obligation when Georgia joined the EU Energy Community in 2017.

The Energy Community Treaty seeks to:

- Establish a stable regulatory and market framework capable of attracting investment in power generation and networks;
- Create an integrated energy market allowing for cross-border energy trade and integration with the EU market;
- Enhance the security of supply to ensure stable and continuous energy supply that is essential for economic develop-

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ment and social stability;

- Improve the environmental situation in relation with energy supply in the region and foster the use of renewable energy and energy efficiency;
- Develop competition at a regional level and exploit economies of scale.

The acquis concerns all areas of energy policy, from energy supply to energy security.

It also includes a special section on renewable energy, a topic of particular interest in Georgia, where there is renewed interest in investing in hydro power plants, wind energy and solar energy.

RENEWABLES, PROJECTS IN THE PIPELINE

Georgia has the potential to produce 7.3 mw per capita in the field of renewable energy, which is higher than the potential of Norway and Canada, according to the director of the Georgian Energy Development Fund, Giorgi Chikovani.

In addition to the country's potential for hydroelectricity, there is also a natural and untapped "tunnel" for wind power in Georgia, he added.

"Georgia has a great potential for the development of wind energy, the average amount is estimated at 4 billion kWh," he told *Investor.ge*.

"The Black Sea and the geographically close location of the Caspian Sea, the Caucasus Mountains and the Trialeti complex all create the effect of a tunnel, which makes it possible to accommodate more powerful enough wind turbines on relatively small sites, which is economically advantageous."

Chikovani noted that there are a number of reforms underway to attract investments in renewable energy.

" If we talk about leverage to attract investors, then first of all, investors were attracted on the basis of the power purchase agreement (PPA) (contract and sale)," he said.

The PPA used to be the main mechanism to attract and carry out investment. But the PPA is no longer accepted by the EU, Chikovani said, because the contract is concluded by the government, and private companies sell and buy.

That is where Georgia's plans to create a free market for the trade of electricity come in, he said.

"To this end, it is necessary to create promotional tools and subsidize the generated renewable energy," he said.

Once the free market is operational, it is important that commercial consumers can purchase electricity by the hour at unregulated prices, Chikovani said.

"And after that, the market will determine how much energy costs. And what is the difference between the market price and the price of renewable energy.

"Only in this case can we discuss how many new sources of solar or wind energy should be planned and added.

"As of today, proceeding from our current system, it is difficult to plan something correctly. This requires the creation of a new system."

BLC Law Office

Please apply for the professional advice prior to relying on the information given in this Newsletter. BLC and its team shall be ready and pleased to provide any information, legal advice and specific recommendations regarding the subject matters covered by this issue of the Newsletter.

LONG AWAITED BILL ON OWNERSHIP OF AGRICULTURAL LAND FINALLY IN THE PARLIAMENT

On 27 February 2019, the new bill of Organic Law on Ownership of Agricultural Land and related package of legislative amendments were lodged to the Parliament of Georgia.

As widely discussed in our previous newsletters, under currently effective Constitution of Georgia, agricultural land is considered an important State resource that can be owned only by the State, local self-government, citizens of Georgia or their unions, save where otherwise permitted by the organic law. The bill therefore aims to broaden the list of permitted owners of agricultural lands and allows foreigners to own such lands if acquired: through inheritance, on the basis of respective investment plan and Government consent or through a local entity where foreigner owns less than 50% shares or has no decision-making powers. Such ownership is qualified with the requirement to operate the land for agricultural purpose and in accordance with the investment plan, where such plan is required. If the owner breaches such obligation, he/she will have to alienate the lands, otherwise the lands shall be transferred to the State. Notably, where the land is transferred to the State, the law does not stipulate any compensation mechanism, although the explanatory note to the bill envisages such compensation.

IFIs and local financial institutions with foreign participation are allowed to hold agricultural land if acquired through foreclosure of collateral or otherwise, as a result of their permitted activity. They are also entitled to hold security interest over agricultural lands. Notably, the local financial institutions with foreign participation may hold the agricultural land for maximum period of 2 years and have to alienate the land within this period.

Most importantly, certain provisions of the proposed organic law may have retroactive effect. If approved, the new law shall come into full effect from 1 January 2020.

NEW LAW ON MEDIATION IS UNDERWAY

On 13 March 2019, the draft Law of Georgia on Mediation was published on the website of the Parliament of Georgia. Under the DCFTA, Georgia undertook to develop alternative means of dispute settlement, with emphasis on mediation and arbitration. Therefore, the bill aims to promote mediation as an alternative method of dispute resolution in Georgia by way of setting up an adequate legal and institutional framework. As noted in the explanatory note to the bill, the draft Law on Mediation was prepared with active involvement of donors (USAID, UNDP, CIZ), local practitioners and academics, as well as foreign experts and is in full compliance with international standards. The bill covers mediation carried out based on the agreement of the parties, as well as the judicial mediation prescribed by the courts. The bill has successfully passed the first hearing and, if adopted, shall become effective from 1 January 2020.

AMENDMENTS TO THE LAW ON INSRUNCE – MORE TRANSPARENCY AND REGULATION

On 27 March 2019, the bill of amendments to the Law of Georgia on Insurance was presented to the Parliament. The bill introduces certain regulations for the insurance brokers, such as capital adequacy, reporting and other requirements in relation to disclosure of material terms of offered insurance packages to their consumers. In addition to the above, the proposed amendments oblige insurance companies to make their corporate structure transparent for general public. Namely, insurance companies have to disclose their direct, as well as beneficial shareholders who hold at least 10% of their shares. If successfully passed in the Parliament, the amendments will become effective gradually and enter into full force from 1 August 2019.

For more information and advise please contact us:

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175 Million Lari and Counting:

An interview with Head of the Georgian Pension Agency Levan Surguladze

GEORGIA'S NEWLY CREATED PENSION AGENCY HAS ACCUMULATED 175 MILLION LARI SINCE JANUARY, WHEN THE NEW MANDATORY PENSION LAW WENT INTO EFFECT. CURRENTLY, 748,000 PEOPLE ARE PAYING INTO THE FUND. INVESTOR.GE SPOKE TO THE HEAD OF THE FUND, LEVAN SURGULADZE, ABOUT HOW THE FUNDS WILL BE MANAGED – AND HOW THE NEW LAW WILL HELP PEOPLE SAVE FOR RETIREMENT.

NINO BAKRADZE

- The Pension Agency was created to manage pension savings by investing them wisely. What strategy will the Pension Agency use to achieve its goals?

- In order to make investments, first we need to form an investment council. We have already announced vacancies… The parliament should confirm five council members. Later the council will appoint an investment officer, too. Simultaneously we are working to form a risk assessment department, which will check each transaction. We have only two months to form the council and the risk department. Meanwhile, we need to accumulate the proper amount of money to allow us to make low-risk investments. Later, beneficiaries will be able to decide if they want to make medium or high-risk investments with their savings.

- Will information about investments be public, at least for beneficiaries?

- Each participant of the fund will have access to information about the investments made with their savings on their personal accounts [in the pension agency system]. This data will be available on our webpage as well. Today savings are held in 10 commercial and national bank accounts. Right now the interest rate is seven percent, but after we make low-risk investments, we are planning to recive 8-10 percent rate.

- How can the pension savings be used, other than making investments?

- The law regulates this issue and we are not able to invest savings directly. That means we are not able to issue loans or become a shareholder in companies. The only thing we can do with ▸▸

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this money is invest it into reputable and experienced financial institutes.

- Do you have a draft of the list of places where you will invest savings?

- According to the law, 80 percent of the pension savings should be invested in the Georgian economy, the other 20 percent can be invested in foreign financial institutions. The law determines the categories and assets where we can make investments and where we cannot. The investment council will prepare more detailed instructions about the investment procedures.

- What guarantees are in place to insure that the investments you make will generate a profit?

- Our main goal is to make low-risk investments and earn a secured profit. If we make a high-risk investment, profit will be higher but riskier. Investing the money wisely will be the main job of the investment council. They should control each transaction, assess the risks and make the right decisions.

- The devaluation of the Georgian lari is a serious problem. How could that affect the pension fund, especially when you invest pension savings abroad?

- Currently, the average inflation rate is three percent. Today our savings, which are placed in different banks, are earning seven percent profit, which covers inflation costs. Later, when we make low-risk investments, we are planning to receive 8-10 percent profit, which will cover inflation as well. If inflation increases and becomes 12 percent, then the profit rate will also increase and, in this scenario, we plan to earn an average 18 percent profit.

- The second most discussed issue in Georgian society has been the calculation method you used. You stated that the average annual growth of salaries was four percent. And savings were calculated based on this variable. How did you arrive at four percent as a salary growth indicator? What kind of methodology did you use? Georgians do not agree that their salaries are growing that fast.

- Average annual growth does not mean that a salary is growing by 4 percent every single year. For instance, your salary is 1,000 lari today and you have no growth for the next 3 years. But one day you get a different job and your salary increases by 100 lari. It means that your salary is growing and our calculation is based on this assumption. How likely would it be for a 20-year-old to maintain a 500 lari salary until retirement? This would be a very rare case and we did not take into consideration such exceptions. Since inflation is three percent, salary growth by four percent is absolutely normal. Our calculations are based on local and international experience.

- When are you going to pay pensions through the accumulated savings?

- Two weeks ago we had our first pension payout. This person retired three months after the [pension] reform started and we served him as the legislation intended. We do not have a complete analysis of how much our payments are as of today because we are still finalizing the number of participants. As you know, people over the age of 40 can quit the program. After that, we will make a report and publish it on our website too.

- You note that people over 40 can stop participating. How many of them are going to quit? What numbers do we have today?

- Right now we have over 287,000 beneficiaries over the age of 40, but we do not think that all of them will quit. We try to communicate with them very actively and inform them as much as possible about the social and economic benefits of this project.

- How do you communicate with them?

- Face-to-face communication is the most effective. We already met with dozens of large corporations and we have also held meetings in the regions, where we present our goals and plans through printed materials, TV and radio programs. In short, we use all possible communication channels and try to deliver as much information as possible to the public.

- Why should we trust this reform? Why will it makes people's lives better?

- This program should bring social and economic benefits to the entire country. Social benefits mean that people will live better after they retire, and that they will have proper savings and incomes. Our calculations show us that this is possible. In terms of economic benefits, I would say that this is the first time when we have such a huge capital base to help the Georgian economy to grow. 80 percent of these savings will be invested in Georgian institutions, which will allow people to create new jobs and receive better incomes. Such pension funds exist in every developed country and are very successful. The accumulative pension fund is the most protected asset a human being can have. A personal pension account is untouchable even if other accounts are frozen... If you rule out the apocalypse, a pension account is the safest.

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14TH ICC INTERNATIONAL COMMERCIAL MEDIATION COMPETITION
Paris, 7-13 February 2019

The University of Georgia wins the 3rd award prize at ICC Commercial Mediation Competition

ICC commercial mediation competition is the ICC's largest educational event, ICC's international centre for ADR brings together professional mediators and academics from all over the world.

The ICC International Commercial Mediation Competition lasts seven days and is held in Paris. Every year, 66 university teams from across the globe are specially selected to participate. They will compete in mock mediation sessions.

The University of Georgia (UOG) participates in competition since 2016. in 2019 after six days and fast-paced mock mediation sessions, the University of Georgia – Giorgi Gujabidze, Sopio Nozade, David Kvitini, Jaba Agulashvili, Coaches: Nata Sturua, Ana Khurtsidze has been crowned as the 3rd prize award winners of the 14th ICC Commercial Mediation Competition.

In Preliminary rounds the team from the UOG had to compete against the following teams: Benjamin Cardozo School of Law (USA), Sao Paolo Law School (Brazil) Aarhus University (Dania) and National Academy of Legal Studies and Research Nalsar (India).

The preliminary rounds were successful, and the UOG team placed among the best 16 teams. In the final eight, UOG went against Canada's University of Montreal and ended up victorious. OUG team advanced to the quarterfinals. In the final 8 teams, UOG competed against a Texas university – South Texas College of Law Houston and also won.

UOG team advanced into the best 4 and in the last round played against the tournament favourite New Zealand's University of Auckland. The game with them was very spectacular, although the UOG team did not advance to the finals, UOG lost to the winner of the competition.

The team of The University of Georgia made history. This is the great success of the University of Georgia and of the country as well. Not a single competitor from Georgia was able to achieve getting into the best 16 teams.

The way to success was not easy, already in October 2018, the team was selected and under the direction of Nata Sturua, and Ana khurtsidze started the preparatory work. The team got their first insight into the world of negotiation; the participants were guided by proven negotiation and mediation techniques and were able to practice in mediation games.

The UOG Team ware able to convince the jurors with profound knowledge of the mediation process and proved that they were able to pursue their own interests very well and develop them further in the course of negotiation. The UOG team got not only the competitions' prize but an ample amount of the first-hand experience, advice from and connections with world-renowned mediators.

This experience is very important for the country because nowadays Georgia needs lawyers with good negotiation skills, lawyers who know how to protect the interest of the client and on the same time negotiate and rebuild the relationship between the opposition parties. UOG team believes that their success is a good example for another student and they should believe in hard work and mediation.

Green Resort promises $185-million investment in Black Sea town

A CZECH-SLOVAK DEVELOPMENT GROUP HAS ANNOUNCED A 500 MILLION LARI ($185 MILLION) DEVELOPMENT PROJECT IN GEORGIA'S BLACK SEA RESORT TOWN OF KOBULETI. INVESTOR.GE INTERVIEWED THE PROJECT REPRESENTATIVE IN GEORGIA, GIORGI SHERAZADISHVILI, ABOUT THE DEVELOPMENT.

The project, known as the Green Resort, was announced by Prime Minister Mamuka Bakhtadze in late March. The prime minister said the development would be the first in the country to be built on the principle of a green city.

He also said it would be the "largest investment ever made in Adjara" and would become a "calling card for Georgia."

Green Resort's representative in Georgia, Giorgi Sherazadishvili, said the project is already underway and will host its first visitors in three years.

"The parent company of Green Resort, L&R, is no stranger to Georgia. We've been investing here since 2014 – we currently have another large luxury hotel-resort project in Kobuleti. We know the local landscape well," Sherazadishvili said.

One of the first questions that might come to mind is the location – Kobuleti is already one of the west coast's most developed tourism towns, and the addition of another project raises issues of overcrowding and overtourism (a problem faced by many Georgian holiday and tourism destinations already).

Sherazadishvili, however, said overcrowding won't be an issue.

"Our plan is a little bit different from Batumi. We don't plan to build massive skyscrapers for thousands of families. Everything will be low and covered in

greenery.

"Moreover, Green Resort will be a part of Kobuleti, but it will also be in its own little bubble, just a few minutes by car to Kobuleti proper," he said.

"As for Kobuleti, we like the area. We've known for a long time that it is an attractive destination and recreational area – we've been building in both Shekvetili and Kobuleti.

"What was important for us was the local landscape. It's hard to find a land plot without trees or excessive vegetation – now we want trees, we want lots of greenery, but we want to be able to design the space ourselves…" Sherazadishvili said.

The project is ambitious, and plans to include a large five-star hotel with over 200 rooms, more than 100 villa-style apartments, a nine-hole golf course, sports grounds, a gym, a recreational complex, shopping centers and the "biggest spa in Europe."

"Green Resort hopes that the array of activities and services available to guests and apartment owners will make it a four-season destination.

"People will want to stay here throughout the year, not just the summer. In winter there will be helicopter flights to take tourists and residents to ski resorts, while a Czech company will be brought in to provide trips across Georgia as well in other seasons."

Batumi Aims to Control Building Boom with Better Regulation

THE BLACK SEA RESORT TOWN IS PULLING IN THE REIGNS ON CONSTRUCTION AS IT PREPARES A CITY MASTER PLAN.

KAY UNDIS

Soaring tourism in Georgia's glitzy, beachside town of Batumi has brought with it a construction boom. But now the question has arisen: is construction in Batumi booming too fast?

The general consensus of both real estate developers and citizens is, yes. The construction industry is outpacing tourism growth and apartments that were once booked through the summer have become unmarketable.

Concerns over market saturation are legitimate, but luckily the future of Batumi will not be limited to stucco buildings and ghost apartments. Thanks to efforts to mature the tourism market, there is a demand for better quality apartments and hotels that has not yet been capitalized on, and the government is working to ensure the city moves in this direction.

PICKING 'LOW-HANGING FRUIT' IN BATUMI

Twenty years ago Batumi was a very different place from the seaside casino resort town it is now.

Developers and citizens alike have described the former Batumi with less than flattering terms, the very least of which include "no electricity, no gas, and no water."

Batumi boasted historical sites and physical beauty, but it lacked the infrastructure to cater to the out-of-the-region, upper-middle class tourist. The city couldn't develop into a luxury tourism destination overnight, but there was still low hanging fruit to be picked.

After the Rose Revolution, the new Georgian government cleaned up the city -- both in the hygienic and criminal sense -- and built apartments and casinos to accommodate the regional tourist looking for a cheap vacation.

David Ruebush, director of real estate development firm Batumi Paradise, explains this phenomenon.

"Batumi's entire real estate market was designed for the family with a thousand dollars. You come over here, you get a cheap flat for twenty dollars a night,

you spend some time on the beach, you eat in your apartment, because you can't afford to go to a restaurant, and then you go back home."

When Batumi's tourism economy started booming the real estate industry could not respond fast enough. Suddenly there were thousands of tourists coming to Adjara each year. The idea of the government and investors was to build, and to build fast.

The city developed to accommodate regional tourists, but without a vision for the city's aesthetic development, nor a plan for the maturation of the tourism economy. The 2017 UN report states "a big strategic issue for Batumi is the lack of general planning documents for the city's development. There is no Master Plan that integrates the strategic objectives for the city's future."

As a result, low-quality stucco high rises clutter Batumi's skyline. In downtown Batumi on Shartava Street hundreds more apartments will enter the market this year. Construction projects began around 10 years ago, without the foresight to anticipate a market saturated with thousands of apartments of the same style.

Today, this hyper-construction poses a danger to the economy. "Tourism is rising at about 18% a year in Adjara but real estate is doubling every year, so it is outpacing the rise of tourism," says David Ruebush.

Meanwhile urban planners like Suzanne Harris-Brandts, PhD candidate at MIT, claim poor design and low quality materials of these buildings deter buyers from an already saturated market:

"Floor plan layouts may be poorly considered, making interior spaces uncomfortable or less useful (too much hall space, columns in the wrong place, etc.), and thus undesirable to buyers."

Other buildings have poorly coordinated front entrance areas that are neither aesthetically pleasing nor functional—think turf, nonexistent lobbies, and coin slot elevators. Buildings that offer Western amenities, such as parking and mailboxes, are also few.

In black and white carcass buildings often too much freedom is left to individual buyers, whose construction decisions can affect the marketability of the entire building. For instance, most black carcass units do not have the infrastructure for cable TV, which means its ▸▸

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installation is left to the buyer. This results in hallways webbed with wires and hodge podge modems that deter buyers.

Another frequent problem is developers rarely coordinate with each other in terms of how their respective projects may connect or block views. Often waterfront lots are divided in such a way that views become obstructed.

One strategy of real estate developers is to buy the backlot for cheaper, build and sell quickly before the next building comes up.

Since there is little commercial activity in the surrounding areas, these formerly seaview apartments become unmarketable.

If the government wants to improve the marketability of buildings some regulation and government censure over projects will be needed.

"Regulations for construction do exist in Batumi," explains Harris-Brandts, "but when they are breached, developers are not always effectively being punished,"

Unfortunately the same holds true for cultural heritage laws. Though there are rules defining a building of cultural heritage, citizens complain construction continues in historic parts of the city.

"The criteria defining a building of cultural heritage is not respected and the (Ministry of Culture and Monument Protection) claims the rules are not clear. They are very clear. Within a 150 radius of the object of cultural heritage there can't be any large scale projects," says Irma Zoidze, a local journalist and campaigner for preservation.

Activists worry if more is not done to protect the city's unique cultural heritage, Batumi risks losing the old world charm that draws foreign investment and international tourists to Georgia in the first place.

"We insisted that the municipal authorities come up with a city plan reflecting what specialists say about what parts of the city should be the old city—what kinds of buildings constitute the old city. This document should have already come into being, but it will take a while still."

Indeed, the future city plan offers hope. The Batumi City Hall promises urban development and the approval of projects will become more transparent.

Head of Architecture and Urban Planning at Batumi City Hall Mirian Metreveli says the municipality is currently conducting research that "will allow us to identify the major problems in [Batumi's] urban development. Only after that can we come up with a city plan."

Metreveli says that another important process is the creation of a clearer procedure to designate historical buildings and zones in the city.

BATUMI AIMS FOR HIGH-HANGING FRUIT THROUGH REGULATION

Bitter experience with unaesthetic high rises and ghost apartments means the citizens of Batumi are suspicious of new construction projects, which are often protested. But real estate developer David Ruebush says Batumi's urban landscape is evolving in a positive direction to accommodate the maturing travel market.

Four years ago feasibility studies on the tourism market were conducted by firms in Turkey and London, which concluded Georgia had yet to capitalize on its potential for nature tourism, sports tourism, and cultural and heritage tourism.

To develop the sports tourism market, the construction of Batumi Stadium commenced on January 21 on the order of the local Ministry of Economy and Finance.

"This very important project will enable us to host very important events in Batumi," said Georgian PM Mamuka Bakhtadze.

"This is very important not only for sports events but to attract more tourists to the city and Adjara. In addition, we have plans to encourage the urban development of Batumi and to establish European standards. A stadium is a necessary attribute of any successful European city." Meanwhile, as the market shifts in this direction the government is starting to look for high-hanging fruit.

After a 2017 hotel fire tragedy, the government introduced new regulatory norms for construction in Georgia, which include stricter demands for fire safety standards.

"The government has implemented a lot of laws as far as building, fire, safety and precautions… So it's much better now. All these buildings that they're building right now in the future will be a lot better," says one aparthotel supervisor in Batumi.

Because of these stricter provisions, from 2016 to 2017 the total number of permits decreased from 303 to 284.

David Ruebush explains the government has done a lot to mature the market, but the demand has not been fully met by real estate developers.

"About 2.5 million tourists are coming to Adjara each year. 225,000 are now coming from America, Japan, South Africa, Australia, Saudi, Dubai, Lebanon - they have a budget of five to six thousand dollars.

They want to take tours. They don't want a 30 meter flat with everyone sleeping on cots, they want a nice room. So there's market demand for that now, and that demand is undersupplied."

Because of these shifts in the market, Batumi now awaits a variety of new projects: Rooms hotel Batumi, the University Tower Hotel, Ruebush Gardens, and the Silk Tower.

Georgian Wine Expands International Reach

GEORGIAN WINE BRANDS ARE INCREASINGLY TARGETING NEW MARKETS, LEADING TO HIGHER EXPORTS.

SALLY WHITE

Georgian wine is on a roll. Georgia is exporting the highest volume of wine it has in the past 30 years with well over 100 companies now active in overseas markets. And its qvevri wines have become a darling with the trendy international "orange" wine crowd.

In addition, Georgia was invited by France to launch its €80 million iconic Bordeaux world wine exhibition halls, then Japan followed suit with another major exhibition to showcase Georgian historic wine culture.

Small artisan wine makers are winning almost as many international prizes as Georgian films, Georgian wine tours are offered by off-beat holiday travel companies worldwide and the National Museum is working with the US National Aeronautics and Space Administration (NASA) to put Georgians vines on Mars. (In response to a call from NASA in the US to help facilitate human life in space, Georgia's Business and Technology University initiated a project with a start-up called Space Farms.)

Yet, pride could come before a fall, as Georgia's wine companies know only too well after the switchback ride their businesses have had since the 1990s, with Russian embargos, lack of capital, climate change, and so on. Perils could lie ahead for both exports and domestic production. To secure its future, Georgia, as leading wine writer Decanter Magazine wine writer Andrew Jefford has written, needs to find the resources and markets to secure the cushion of higher profits with "more high quality, higher-priced wine".

A major shadow, and one the Ministry of Agriculture has been trying to tackle, is that Georgian wine exports are still heavily dependent on low-priced former Soviet Union markets: the $203 million-worth of exports made in 2018 went principally to Russia , with 54 million bottles out of a total of 86 million. Another traditional market, Ukraine ▸▸

(11 million bottles) followed in size. Although Chinese demand has grown rapidly, coming next at seven million bottles, that is a long way behind (though the Chinese Association for Exports and Imports predicts it will become the world largest importer by 2020.) Next in size are Kazakhstan and Poland, both with around 5.6 million bottles, and then Latvia with 1.7 million.

While head-line catching wine fairs, prizes and high prices are mainly on offer in Europe and the US, Georgia is doing much less business in Western markets compared to its traditional partners, albeit the percentage increases being achieved are great. Exports to the US have expanded well in the first four months of 2019, up 108%, but were still just 219,713 bottles. Canadian exports rose 70% to just 66,960 bottles. Exports to the next most important destination, France, were 43,938 bottles, though up 81% and then came Netherlands, with 40,930 bottles, up 37%.

The missing driver, accounting for lagging Western interest, is lack of familiarity. Western customers find new wine countries mainly through holiday travel. Tourists in Georgia have been largely from neighbouring, mostly former Soviet, countries—Russia, Azerbaijan, Turkey, Armenia and Iran—and this is continuing. Russian tourist numbers were up 6 percent in April at 113,138. While visitors from the EU were up 28.7 percent, in numbers that was only 33,000 visitors and Germany and Poland were driving growth.

"The problem for Georgia's wine producers is that traditional markets like Russia and Ukraine remain preponderantly low-value, and the China trade could easily slide in the same direction," commented Andrew Jefford. And he quoted one of the largest Georgian wine companies, Tbilvino: "Most of Georgia's existing external wine trade is below $2 a bottle. That is not good for Georgia."

The domestic production problem is that Georgia has far from recovered from the ravages of the Soviet and immediately post-Soviet years on its agricultural land. For a start, thousands of hectares of vineyards were ploughed up for wheat and potato production and, as Olaf Malver at Danieli Winery said from his Kakheti marani "Georgia has limited good terroirs." Then, he adds, much of the land is "overworked, eroded, polluted

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The new era of mediation in Georgia

On 13 March, 2019 several years after the introduction of the court annexed mediation, the Government of Georgia initiated a bill of law on Mediation along with its accompanying legislative package. Pursuant to the explanatory note to the draft of the bill, the Government of Georgia intends not only to honor the Association Agreement with EU, but also to develop Alternative Dispute Resolution mechanisms in Georgia. Furthermore, the explanatory note specifically indicates, that one of the reasons for advocating an adoption of the law on Mediation is - to ease the caseload of the paralyzed common courts of Georgia. Due to the ever-increasing number of cases and lack of sufficient number of judges, the time of the pending cases before the court is extended far beyond statutory limitations, and thus, effectiveness of entire court system is hindered.

Whilst Nodia, Urumashvili and Partners welcomes above legislative processes towards the adoption of the new law on Mediation, and intends to actively facilitate its adoption, it has identified several omissions and drawbacks to the law that require further consideration. For the attention of the reader, only some of the identified issues are listed below:

- The new bill neglects cross-border mediation altogether and excludes it from the scope of the law. For instance, under the proposed amendments, a party can file the application for the enforcement of the mediation settlement at the court in accordance with its place of residence. Ultimately, such regulation restricts a foreign domiciled party to request an enforcement of the settlement agreement in Georgia; thus, provided party has no place of residence in Georgia, the common courts of Georgia will not have a jurisdiction necessary for enforcement of such settlements.
- The law does not address certain deadlocks that may arise between the parties. For instance, unlike other jurisdictions, the draft law does not indicate, how many mediators will be appointed in case of absence of party agreement in this regard.
- Contrary to the practice of other European Jurisdictions, the draft law establishes a sole regulatory body in a form of the LEPL Mediation Association and prohibits entrance into the profession by requiring a mandatory accreditation and the certification from the association as a precondition to enrollment into the mediator's registry.
- Unlike other jurisdictions, the Georgian draft of the bill does not specify whether a mediation agreement can be concluded via electronic or other means. Therefore, it still remains a question, whether conclusion of such agreements will constitute a written form for the purposes of the law

Although Nodia, Urumashvili and Partners welcomes an adoption of the law on Mediation, together with its accompanying package, the firm hopes that the draft law will be significantly improved in forthcoming hearings, and our recommendations, together with recommendations of other stakeholders will be shared by the relevant authorities.

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and unnurtured." Plus, the majority of the grape production in the major vineyard area, Kakheti, is "in the hands of small farmers whose resources are limited."

That causes quality issues. Major companies such as Tbilvino and Telavi Wine Cellars may be adding hundreds of hectares to their vineyards to meet soaring Russian and Chinese demand, but still rely on a network of small growers to supply a large percentage of their needs. As Zurab Ramazashvili, co-owner of Telavi Wine Cellars told The Morning Claret blog slot: "We cannot really control farmers' grape growing techniques."

Accumulating are the threats created by climate change, as the weather becomes more volatile and temperatures slowly rise, exposing the weaker vines to disease and insect infestations.

In the first two months of 2019, official statistics show that Georgia earned $30 million by exporting 12 million bottle of wine. However, an accurate read of the financial strength or weakness of this sector in the Georgian economy is almost impossible as just about all of the vineyards are privately owned. The many tiny companies, particularly the kvevri ones run by young Georgian winemakers, are too new to show much, if any, profit. It is also worth nothing that a lot of them also have guesthouses to provide family revenue. While there are a number of large and highly commercial companies servicing the Russian, Ukrainian and Chinese markets, these are investing heavily to increase their hectares (available either only in tiny parcels from villagers or from the state) and to update their technology. Plus, many have loans and the marketing costs in the major export markets are rising.

Having spent most of his career in the wine industry (Mildiani, Schuchmann and the Agriculture Ministry's Wine Agency) Minister of Agriculture Levan Davitashvili is only too aware of the problems. The ministry has been spending heavily to tackle them compared to a few years ago, stepping up international marketing, hiring PR firms, inviting wine and tourism journalists and bloggers, educating the farmers, fighting bugs, lifting the tax burdens, making loans available and so on.

"To give you an idea of how big this change is, the total budget for agriculture was ten times less in 2012," he said at a press conference last year.

Globally, however, all wine markets are becoming more difficult and competitive, as economic insecurity is forcing consumers to cut back everywhere, switching to drinking less often even if choosing better quality wines. Purchases are increasingly being made online and the markets are rationalising, with large and powerful distribution companies dominating. The same trends can be seen from the US, through Europe to the Ukraine, and are making trade more challenging even in Russia and China.

Alcohol is a major driver for one of Russia's newest billionaires, Sergei Studennikov. He earned his fortune by building his booming Krasnoe & Beloe chain into the fastest growing major retailer in the country, with around 7,000 outlets in nearly 60 regions. His strategy is to tack a small array of food items onto a large assortment of beverages, giving space to whichever supplier has the cheapest price. Plus, he likes increasing the competition by selling international wine. All that, news agency Infoline commented, "is disrupting the Russian market." (Although Georgia wine producers have a little protection via their strength in Russia's ubiquitous Georgian restaurants.)

In both the Russian and Chinese markets the good news is that urban, well-off millennials are anxious to try new and fashionable "quirky" wines, such as kvevri wine. In this spending category in Russia, another new element is that women are boosting the numbers of wine consumers. "The Russian wine market created in the '90s by and for men is changing. While serious wine buyers still tend to be male, women are now making many more wine purchasing decisions," wine importer and distributor Classica, told *Bloomberg*.

In China, around 20 percent of wine is sold via e-commerce sites, and this proportion is expected to rise to 50 percent within a decade, again according to *Bloomberg*. Tmall.com (part of the Alibaba internet empire) is No.1 with 50 percent of the alcohol trade, it says. Chinese retailers such as Tmall have been spreading their net to pull in imports from all over the world, keeping the level of competition high. While the more adventurous young drinkers go on line and are open to new wines, wining on the highly digitally literate Chinese market needs "a high level of internet marketing and social media skills! "

Yet, never let it be said that Georgians cannot rise to a challenge. Historically, as long ago as the third millennium BC Georgians opened up new areas for Georgian grapes by immigrating, and taking their vines with them.

In a 21st century take on this, Kakheti-based Badagoni has set up a joint project in China to develop its brand. Badagoni's founder Giorgi Salakaia is teaming with a Chinese partner who is spending $30 million.

He already opened five Georgian culture centres in various cities, including Beijing, Taijiu, Tianjin, Datong and others. Salakaia commented: "We believe that this will dramatically increase the popularity and sales of both Badagoni and Georgian wine on the huge Chinese market."

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Georgian Cheese Gains Momentum

LIKE GEORGIA'S FAMOUS WINE, THE COUNTRY HAS BEEN MAKING CHEESE FOR THOUSANDS OF YEARS. BUT SHORT-SIGHTED AGRICULTURE POLICIES UNDER THE SOVIET GOVERNMENT ALL BUT DESTROYED GEORGIA'S CHEESE CULTURE. TODAY THE DOMESTIC CHEESE INDUSTRY IS SLOWLY GAINING STRENGTH. IT IS RETURNING TO ITS HISTORIC ROOTS, BUILDING DOMESTIC DEMAND FOR LONG-FORGOTTEN CHEESE SORTS – AND EYING THE POTENTIAL FOR FOREIGN EXPORT.

Fifteen kilometers from the nearest road, Alaznistavi Agriculture Collective is making cheese that is destined for the United States.

Smelly and salty Tushetian Guda cheese is one of Georgia's traditional cheeses, a treasured treat passed down by generations of farmers high in the mountains in Tusheti, in north-east Georgia.

But a couple of years ago the founders of the Alaznistavi collective realized people had forgotten the traditional way to make the cheese.

For example, producers were making it using plastic bags, not sheep skins, which fundamentally changed the flavor and meant the new generation did not know how to properly make the cheese.

So Giorgi Abuladze and his father decided to restore the craft. They began making Tushetian Guda cheese the traditional way.

That sentiment is nothing new to Ana Mikadze-Chikvaidze. The head of the Georgian Cheese Guild, Mikadze-Chikvaidze has widely been credited with saving Georgian cheese making traditions. At the heart of her efforts is her campaign to educate people about the country's traditional cheese types.

Mikadze-Chikvaidze remembers a time in the not so distant past when just four types of cheeses – Sulguni, Imeruli, Karkhunli (factory-made Imeruli) and Guda – were widely recognized in Georgia.

In truth, however, the country has a tradition of cheese making that includes dozens of types of cheeses – and stretches back over 8,000 years.

Mikadze-Chikvaidze was the first to start to dig into that past, traveling through Georgia's regions, into villages and tiny hamlets, searching for the women who were single handedly preserving the country's cheese making traditions.

She told georgiastartshere.com that it is impossible to know how many types of Georgian cheese exist – or, at least, once existed. "It could be anywhere from 80 up to 150 or more … I have personally found 32 varieties, well lost and done with, had I not found them," she was quoted as saying.

Recipes, stories and flavors in hand, Mikadze-Chikvaidze has been blazing a trail for Georgia's foodies, chefs and cheese producers to follow.

But it is not an easy path.

While Georgia has an ancient tradition of making cheese, oppression during the Soviet era reduced the country's rich culinary heritage to just a handful of dishes – including four cheeses.

"The socialist economy didn't have room for the cheese industry—at least not smallbatch, artisanal, aged cheese," Mikadze-Chikvaidze told *Saveur* magazine.

"Sulguni and Imeruli were mass produced and churned out the next day. It was all about feeding the people, not about savouring food. That was considered too bourgeois. In the Soviet period, and a decade or so after, there was the attitude that if it wasn't for sale at the market, then it didn't exist. It's a very Soviet mentality. When I'd turn up in a village and

ask about artisanal cheese, they'd stare at me blankly and then point me to the supermarket to get some Sulguni or Guda. People were afraid of being punished for making something that wasn't within the system."

It was not just a cut in the types of cheese that was allowed to be produced; the quality also suffered.

In an interview with *Investor.ge*, Mikadze-Chikvaidze recalls a conversation with a foreigner. After she lists off the names of some well-known Georgian cheeses, the foreigner shakes his head, saying "'no, you only have three types of cheese – salty, very salty and very very salty,'" she said.

Not long ago, Mikadze-Chikvaidze took a *Saveur* journalist for a country-wide cheese sampling, via kitchens and dinner parties in rural communities from Svaneti to the Turkish border.

The journalist, David Farley, clearly captivated by the cheeses, draws readers on a journey around the country, from kitchen to kitchen.

-- In Svaneti, he tries Narchvi cheese, which he says has "a deeply funky aroma, buttery texture, sweet initial flavor, and lingering saline quality"

-- Near the Turkish border, he sampled Pashvis Nagbiani, aged three months in a goat's stomach with the texture of aged Parmigiano and a "flavor reminiscent of a sharp cheddar." In the same village, he meets one of the last three women who make Tenili, a spun cheese dipped in heavy cream and stored in clay pots.

-- In central Kartli, he tried Sushvela, a type of cheese traditionally made in the western Autonomous Republic of Adjara, on the Black Sea. The community that knew how to make it, however, was relocated to Kartli after a landslide decimated their village.

A woman named Meri Makaharadze makes Sushvela for Farley to try, telling him that she and the women in her community were making it for themselves for generations before Mikadze-Chikvaidze found them. She invited them to her annual cheese festival in 2016 and, since then, Makaharadze and the rest of the Disveli Female Cooperation have been selling it to high-end restaurants in Tbilisi.

Other traditional cheeses have also gained an audience in the capital and at local supermarkets.

"Cheese became popular in the last ten years for two reasons: One is the proper promotion of Georgian cheese and cheese makers. This was initiated by Anna Mikadze-Chikvaidze, who started cheese festivals which are taking place in Georgia every year. Farmers from nine regions present different types of cheese," Nino Zambakhidze, head of the Georgian Farmers Association and who owns a cheese factory in Akhaltsikhe, told *Investor.ge.*

"The second reason is an increase the in the number of tourists. Khachapuri (cheese bread) is a Georgian traditional dish, and you will not find any tourist who has tried it and didn't like it. So demand has increased and farmers have begun producing more cheese."

But Alaznistavi's Abuladze notes it has ▶▶

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been difficult to win over local customers.

Consumers, he said, are plagued by a "mentality" that foreign food is better, including cheese.

With the help of an exporter, he has found an audience among Georgia's diaspora and fans from other parts of the Soviet Union. Alaznistavi cheese is currently exported to the United States, as is cheese made in Tsalka, Georgia, under the brand Tsezari.

In the US, Israel and throughout the former Soviet Union, people know and remember the cheese, Abuladze said.

In the Georgian market, cheese still faces several major obstacles. These challenges, warns Mikadze-Chikvaidze, mean the local cheese industry is not ready to export on a massive scale.

For one, there is not enough raw milk to support the domestic demand for cheese, let alone produce more for export.

Mikadze-Chikvaidze stresses that today only 30 percent of the cheese sold in the country is made with real milk. The rest is made using milk powder.

There are other problems related to quality and supply chains, the lack of farming collectives and general know-how.

There is hope that things are improving, however.

Mikadze-Chikvaidze highlights new regulations for food safety as positive developments.

The sector has also benefited from several internationally financed programs to strengthen milk and dairy production in the country. One of the most recent efforts, a joint program financed by the European Bank for Reconstruction and Development and the Food and Agriculture Organization (FAO), works to support the sector by developing Geographic Indications (GIs). The project is being implemented together with the Georgian Ministry of Environmental Protection and Agriculture, the National Intellectual Property Centre of Georgia (Sakpatenti), Swiss organization REDD and the Georgia-based Biological Farming Association ELKANA.

Elkana's Tamar Noniashvili told *Investor.ge* that 13 types of cheese have been registered as GIs in the National Intellectual Property Center of Georgia: Sulguni, Megrelian Sulguni, Svanetian Sulguni, Tenili, Kobi, Georgian cheese, Chogi, Guda, Tushetian Guda, Adjaran Chlechili, Meskhetian Chechili, Imeretian cheese and Dambalkhacho.

GIs can help countries develop tourist industries, create jobs and help small-scale producers earn higher prices for their products, according to a press release published by the FAO.

"A successful GI can protect the cultural heritage and distinct biodiversity of the area and, therefore, promote the sustainable development of rural economies," said Mamuka Meskhi, Assistant FAO Representative in Georgia.

"FAO and the EBRD have been supporting the development of GIs in various countries throughout the region, and Georgia is a good example of our successful collaboration on the ground."

The FAO also stated that GIs can "transform the agrifood sector, making it more efficient, sustainable and inclusive, and reassuring consumers that what they are buying is safe and of high quality."

"Product quality, safety and traceability are increasingly important for consumers of Georgian products, both locally and abroad," Victoria Zinchuk, Head of Agribusiness Advisory of EBRD, was quoted as saying.

"Promoting a regulatory environment for Geographic Indications can enable local Georgian producers to differentiate their products and win consumers' trust. Ultimately, this leads to enhanced profitability and long term competitiveness of Georgian products."

Elkana's Noniashvili told *Investor.ge* that the variety of cheeses – and consumer demand for high-quality products – is increasing every year in Georgia.

She pointed to the agriculture ministry's marketing and branding efforts to protect and promote Georgian products.

"Products that fulfil requirements of respective production standards defined in Georgian regulations can be labelled with the national quality marks: PGI (Protected Geographical Indication), PAO (Protected Appellation of Origin), 'Traditional Product,' 'Georgian Quality,' and 'Handmade,'" she said.

"Various types of cheeses with these marks can already be found on the Georgian market."

From Bollywood to Hollywood:

Georgia's future as a film location

GEORGIA HOSTED A DELEGATION OF HOLLYWOOD PRODUCERS AND CINEMATOGRAPHERS FROM APRIL 28-MAY 1, PART OF THE GOVERNMENT'S ONGOING EFFORTS TO ATTRACT FOREIGN FILMMAKERS TO THE COUNTRY. INVESTOR.GE SPOKE TO FILM IN GEORGIA'S PROJECT MANAGER TATIA BIDZINASHVILI ABOUT THE GOVERNMENT'S EFFORTS TO ATTRACT FILMMAKERS AND THE GROWING INTEREST FROM US STUDIOS.

Georgia's film industry is moving from strength to strength, with local directors picking up international awards for artistic and documentary work. Now the government is increasing its efforts to attract international filmmakers to Georgia.

A recent delegation from Hollywood underscored Georgia's growing prominence in the international film community.

The delegation included representatives from companies such as Universal Pictures and HBO, with their work spanning from Transformers, Star Wars: the Force Awakens, Sky Fall and others.

Hollywood producers and filmmakers travelled from Tbilisi to Rustavi, Kazbegi, Chiatura and Batumi to check out Georgia's potential film locations. ▸▸

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Girls of the Sun (Les filles du soleil)

They also learned about the government's incentives to attract filmmakers to Georgia under the state-run Film in Georgia program.

American interest has been steadily growing in Georgia, says Tatia Bidzinashvili, the project manager at Film in Georgia, the agency dedicated to promoting the cinema industry in the country.

"The delegation's visit was a big step forward in the process. We have expectations that soon we will start [seeing the implementation of American projects] in Georgia.

I also want to note that the composition of this delegation was unprecedented, as it included top managers of these companies. Some projects are already being negotiated on."

The Film in Georgia programme was launched in 2016, and its main aim is to promote the filming of TV series and films in Georgia, in addition to animation and documentary works. In doing so, the programme seeks to create new jobs in the country, stimulate the growth of the local film industry and promote the country and what it has to offer abroad.

The programme has introduced a cash rebate mechanism, allowing filmmakers to get up to 20-25% back on the amount of money they spend in the country. While both international and local production companies can make use of the programme's advantages, the minimum cost of a project must exceed 500,000 lari to be eligible for cash back.

Bidzinashvili notes that Film in Georgia does more than just offer financial incentives to shoot in the country.

"We work on the principle of a one-stop shop...we assist in organizational matters. For example, if a road needs to be blocked for filming, we take care of the issue and settle it with the local municipality.

"Moreover, we offer location-scouting services. As soon as the scriptwriters, producers or directors decide what landscape or building they will need to work in outside the studio, the search

My Happy Family

for a suitable location begins. We can quickly compile a database of interesting locations. It all depends on what type of movie they are shooting and what type of script.

"These days, films that take place during World War II are very popular. In this case, we have a number of buildings that are appropriate for 'filming' the Soviet period. But if a film needs more European-style streets, then David Aghmashenebeli Avenue and Sighnaghi, in Kakheti, are very suitable for this.

"If they need to shoot in mountain areas, we have Kazbegi and Svaneti. That is, we have many opportunities in just a small area, all this makes the system flexible for foreign producers."

Currently, Bidzinashvili says, 22 projects have already been implemented, of which the majority have been Georgian-European co-productions.

Of those, several documentary films have already been made that have received acclaim both at home and abroad.

An artistic film called *And Then We Danced*, a Swedish-Georgian production, was shot in Georgia and nominated at the Cannes Film Festival.

Two years ago, the film *Girls of the Sun (Les filles du soleil)* was also shot in Georgia, and presented at the Cannes Festival.

A Georgian drama film filmed by Nana Ekvtimishvili and Simon Gross titled *My Happy Family* – a Georgian-German project that was shown in the 2017 World Cinema Dramatic Competition section of the 2017 Sundance Film Festival – has also been quite popular.

As for the resources the programme has brought in, Bidzinashvili says 57 million lari ($20.8 million) has been spent ▸▸

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The Search

since the beginning of the programme in 2016. A number of projects are in the pipeline.

The programme has also attracted attention further afield than Europe and at home.

"We also have a good relationship with Asian producers. The budget of one of the latest large-scale projects carried out by Bollywood in Georgia exceeded 10 million lari. Chinese film producers shot a series in Georgia called *Mask*. All the episodes of this Chinese series were filmed in Georgia, however, it is possible that the series will continue, and in the future there may be a Chinese company shooting in Georgia."

How to Sell a War

As for the future of the programme, Bidzinashvili is confident it will continue strongly.

"Today there is very high competition, since many countries offer similar mechanisms and this is no longer a novelty. However, Georgia has an advantage, because it is not an established market and it is very diverse. And we can offer competitive prices. It can be said that shooting costs three times cheaper in Georgia than in any other European country."

FINCA Bank Georgia Continues to Fully Adhere to the Smart Campaign Client Protection Principles

FINCA Bank Georgia successfully completed the Smart Campaign certification surveillance audit and was awarded with the certificate for the second time. FINCA Bank received certificate as recognition for its commitment to the best interests of clients.

SMART Campaign's two-year surveillance audit validated, that FINCA Bank continues to adhere to Client Protection Principles and is in compliance with 7 main principles of clients' protection, which are following - fair and respectful treatment of clients, over-indebtedness prevention, privacy of client data and mechanisms for complaint resolution, appropriate product design and delivery.

FINCA Bank is the first financial institution in Georgia to receive the SMART Campaign Certificate in 2016. The Smart Certification status is valid for four years; however certified institutions must undergo a check-in process at the two year mark and has to prove that organization's policy meets the clients' protection principal standards. FINCA Bank once again has successfully proved that organization's internal policy is in full compliance with the clients' protection international standards and is based on fair and ethical approaches.

FINCA Bank CEO Vusal Verdiyev mentioned, that receiving certificate once again emphasizes how important it is for FINCA Bank to protect consumers' rights. *"We are very pleased that we got internationally recognized certificate for the second time for our best client protection standards. This action shows how it is important for us have strict internal standards and policies and highlights our commitment always to treat clients fairly and ethically. We are extremely proud that we offer customers a responsible banking service ".*

FINCA Bank Georgia has been offering responsible financial services to small and medium-entrepreneurs for more than 20 years. FINCA Bank Georgia continues to be the part of financial institutions globally having received the certificate for being leaders in client protection.

AMCHAM

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US CHARGÉ D'AFFAIRES TO GEORGIA MEETS AMCHAM MEMBERS

The US Chargé D'Affaires to Georgia, Ambassador Ross Wilson provided an overview of current events at AmCham's regular business roundtable on May 1 at the Holiday Inn. Ambassador Wilson discussed US-Georgia relations as well as current issues in Georgia, the United States and the wider region. USAID/Georgia Mission Director, Peter Wiebler was also a guest at the event. He provided an overview on USAID's Private Sector Engagement Efforts. He also led a lively discussion about the program.

USAID has recently been redoubling its efforts to engage with the private sector to ensure the broadest impact for their projects and sustainability for development work in the longer term. AmCham will be helping to facilitate this work, so we really want members to be informed and to provide their input.

There was a Q&A at the end of the presentation for members to ask the guests questions.

AMCHAM MEETING WITH CEO OF ANAKLIA DEVELOPMENT CONSORTIUM

AmCham hosted CEO of Anaklia Development Consortium Levan Akhvlediani and CEO of JSC Anaklia City Keti Bochorishvili on April 4 at theSheraton Grand Tbilisi Metechi Palace Hotel as guests at the Chamber's monthly luncheon. Both representatives discussed the significance of the Anaklia project for the country, progress that has been made and future development plans. They answered members questions about the projects following the presentations.

GLOBAL COMPACT NETWORK GEORGIA PRESENTATION

AMCHAM MEMBERS WERE INVITED TO A PRESENTATION BY ALEXANDRA TARAZI, GLOBAL OPERATIONS MANAGER, UN GLOBAL COMPACT AND MOLLY LIEN, HEAD OF SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY IN GEORGIA ON MAY 7 AT THE HOLIDAY INN IN TBILISI. THEY SPOKE ABOUT NEW GLOBAL TRENDS IN RESPONSIBLE BUSINESS AND WHAT THE UN GLOBAL COMPACT NETWORK CAN OFFER GEORGIAN COMPANIES.
THE PRESENTATION WAS FOLLOWED BY A COCKTAIL RECEPTION.

AMCHAM COCKTAIL RECEPTION AT MERCURE HOTEL TBILISI

AMCHAM GEORGIA HOSTED A COCKTAIL RECEPTION AT MERCURE HOTEL TBILISI ON MARCH 29. AMCHAM VICE-PRESIDENT IRAKLI BAIDASHVILI GREETED THE GUESTS AND ANNOUNCED UPDATES AND THE UPCOMING EVENTS OF AMCHAM. MEMBERS USED THE OPPORTUNITY TO RECONNECT WITH FRIENDS, COLLEAGUES AND FELLOW REPRESENTATIVES OF MEMBER COMPANIES AND ENJOYED MOJITO COCKTAILS AND GEORGIAN WINE ALONG WITH DELICIOUS FOOD AND DESSERTS.

M2 PRESENTS HOSPITALITY LINE UPDATE AT ROOMS HOTEL

AMCHAM GEORGIA AND MEMBER COMPANY M² REAL ESTATE ORGANIZED A FRIDAY COCKTAIL EVENT ON FRIDAY MAY 17 AT ROOMS HOTEL. TAMUNA GULEDANI, THE DEPUTY CEO OF THE COMPANY'S MANAGING HOSPITALITY BUSINESS LINE, PRESENTED COMPANY'S HOSPITALITY LINE UPDATE AND 5-YEAR OUTLOOK, INCLUDING PARTNERSHIPS WITH INTERNATIONAL HOTEL OPERATORS AND UPCOMING LOCATIONS COUNTRY-WIDE. MEMBERS HAD AN OPPORTUNITY TO ASK MS GULEDANI QUESTIONS AFTER HER PRESENTATION.

NEW MEMBERS

Arriba / Marsh
Corp A

World's biggest insurance and reinsurance broker company provides its clients with innovative solutions risk management, insurance and reinsurance covers.

www.arriba.ge

Capitol HPS / Best Western Hotels and Resorts - Area developer in Georgia
Corp A

The main goal of "Capitol HPS" is to promote the development of tourism and its infrastructure in Georgia. The company was established in 2016 and is part of the "Capitol Group" alongside other ventures established by private Kazakh investments in various sectors (agriculture, industry, construction, development, management, tourism, etc.)

"Capitol HPS" is the official representative in Georgia of the well-known American "Best Western Hotels & Resorts" brand of hotels, which is the largest chain of its kind in the world, currently uniting under its 13 brands more than 4,200 independent hotels in over 100 countries.

The main task of "Capitol HPS" is to facilitate the expansion of "Best Western Hotels & Resorts" in Georgia. Nowadays the company has already six operating hotels under "Best Western Hotels & Resorts" network and plans to have one more in Gudauri.

The company also helps and edvises individuals and companies interested in invesing in the tourism sector with issues such as construction, the equipment and management of hotels and other types of tourism infrastructure, also considers full-package services - from searching for interesting real estate for potential projects to the management of completed ones.

www.capitolhps.com

Simetria Ltd.
Corp A

Simetria Ltd. a real estate development company, which is operating since 2011, is member of Capitol Group. Currently, company's activities cover a wide range of real estate development, including: residential complexes, hotels, business and shopping centers. Simetria offers a complete range of services to the investors, which include concept creation, implementation and offering the final projects to the clients.

Current total investments:

- Residential projects - 40 million USD
- Commercial, business and shopping - 17.4 million USD
- Hotels - 26.5 million USD.

Ongoing projects:

- Simetria Park - premium class residential complex in Okrokana
- Simetria Lisi - residential
- Holiday Inn Express hotel in Tbilisi
- International branded hotel in Bakuriani
- Shovi resort development

www.simetria.ge

Mr. Umit Hakki Aydogan
Individual

Based in Georgia since 2013, worked as GM at Mina (Glass Production), as BDM at GIG and Magro. He has also worked in Turkey, Uzbekistan, Kazakhstan, Ukraine and Russia, mainly for Şişecam. He is a graduate of Bosphorus University in Istanbul with a major in finance, and later moved to sales and then general management, managing production companies.

NEW MEMBERS

Insta LLC
Corp B

Insta is a full-service electrical LV/MV solutions provider. Services include project assessment, planning, engineering and design services, installation/implementation and maintenance.

Areas of expertise include low and medium voltage systems, switchboard and control panel assembly, fire alarm, emergency power systems, building management system (BMS), guest room management system (GRMS), telecommunication and data networks, A/V systems, industrial automation & smart home solutions, lighting solutions.

Today, Insta is a leading provider of turn-key electrical solutions for a wide variety of facilities on the Georgian and South-Caucasus markets, including new and upgraded commercial, industrial, hotel and residential complexes. The company owns a modern logistical center with a large array of electrical installation material permanently in stock, as well as retail stores in Tbilisi. The internal quality management system has been certified according to ISO 9001:2015 and is externally audited on yearly basis by German Tüv Süd.

Insta is Eaton's official distributor in Georgia. Other partners include but are not limited to Siemens, Phoenix Contact, Rittal, Wago, Tyco Electronics, OBO Betterman, Arno Canal, Insterel, Stahl, Jung, RZB, Osram, Mennekes, Lapp Kabel, Draka Cable. Recently one of the most important German cable manufacturers "Lapp" announced Insta as "The Best Partner of the Year 2017". Insta currently employs around 160 persons, counting many professionals, among them senior engineers with 30+ years experience.

www.insta.ge

Mosmieri LLC
Corp B

Chateau Mosmieri is a boutique style winery in Kakheti, located in Tsinandali micro zone. The whole touristic complex, which consists of traditional qvevri marani, contemporary winery, restaurant and soon with a hotel, is surrounded by its own vineyards. The complex started operations from September 2017, soon after opening it became very popular among the tourists and local guests. Mosmieri wines are now exported to U.S. market. Saperavi, Saperavi Rose, Kaskhuri, made of autochthonous grape varieties - these wines can be found in the wine cards of the famous Georgian restaurants of U.S.

www.mosmieri.ge

Eastern European Centre for Multiparty Democracy (EECMD)
Non-Profit

The Eastern European Centre for Multiparty Democracy (EECMD) is an independent, non-partisan democracy assistance organization, which works to enhance democratic traditions, strengthen democratic political parties and create strong grassroots capacities for democracy in Eastern Europe. EECMD is a successor organization of the regional, Eastern European Neghborhood Office of the Netherlands Institute of Multiple Democracy (NIMD), which was established in 2009 in Tbilisi, Georgia. Over the years this regional office has implemented a range of programs and projects in support of democratic transformations in Armenia, Azerbaijan, Georgia and Ukraine. In July 2017, the regional officeNIMD was transformed into the independent NGO - EECMD, which continues to benefit from the institutional experience with NIMD and its staff as well as from the membership and partnership with NIMD network, the membership in the Global Partnership for Democracy (GPMD) and for beneficial interactions with its other global partners around the world. EECMD currently carries out three major programs in Georgia: 1) Political Party Assistance Program, which focuses on enhancing intra-party democracy, policy-making and organizational effectiveness of partner political parties, democracy movements and NGOs; 2) Democracy Education (Democracy Schools) Program, which is aimed at providing political education to democracy and political activists, Journalists and NGOs across the country and 3) Political Dialogue Program aiming at facilitating multiparty dialogue in Geogria among senior political party leaders on the issues of democratic reforms and participation in Georgia.

www.eecmd.org

AmCham Cocktail Reception

AMCHAM GEORGIA HOSTED A COCKTAIL RECEPTION AT MERCURE HOTEL TBILISI ON MARCH 29. MEMBERS USED AN OPPORTUNITY TO RECONNECT WITH FRIENDS, COLLEAGUES AND FELLOW REPRESENTATIVES OF MEMBER COMPANIES AND ENJOYED MOJITO COCKTAILS AND GEORGIAN WINE ALONG WITH DELICIOUS FOOD AND DESSERTS.

Cocktail Reception for UN Global Compact Network

A PRESENTATION BY ALEXANDRA TARAZI, GLOBAL OPERATIONS MANAGER, UN GLOBAL COMPACT AND MOLLY LIEN, HEAD OF SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY IN GEORGIA ON MAY 7 WAS FOLLOWED BY A COCKTAIL RECEPTION AT THE HOLIDAY INN IN TBILISI.

AFG Charity Gala Event

AMERICAN FRIENDS OF GEORGIA HELD ITS ANNUAL CHARITY GALA AT THE HOTEL SHERATON GRAND METECHI PALACE ON MARCH 30. AFG TEAM WOULD LIKE TO THANK GALA 2019 SPONSORS. THE MONEY RAISED WILL BE USED TO HELP DZEGVI SHELTER COMMUNITY – THE ONLY FREE MIXED TYPE OF SHELTER IN GEORGIA AND THE FIRST FREE HOSPICE AND PALLIATIVE HOMECARE PROGRAM.

Cocktail Reception

AMCHAM GEORGIA AND MEMBER COMPANY M² REAL ESTATE ORGANIZED A FRIDAY COCKTAIL EVENT ON FRIDAY MAY 17 AT ROOMS HOTEL. THE EVENT FOLLOWED A PRESENTATION BY TAMUNA GULEDANI, THE DEPUTY CEO OF THE COMPANY'S MANAGING HOSPITALITY BUSINESS LINE, ON THE COMPANY'S HOSPITALITY LINE UPDATE AND 5-YEAR OUTLOOK, INCLUDING PARTNERSHIPS WITH INTERNATIONAL HOTEL OPERATORS AND UPCOMING LOCATIONS COUNTRY-WIDE.

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Photos from Batumi on cover and inside pages 20-24 by Kay Undis

Special thanks to all the contributors to the magazine, AmCham Georgia staff, and all our contributors. This magazine would not be possible without your help.

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Investor.ge is printed by CEZANNE

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