

GEORGIA UPDATE

WEEKLY EDITION • 10 March 2011

A Publication of the Government of Georgia

www.georgiaupdate.gov.ge

TOP STORIES

- Russia Boosts Military Presence in Occupied Georgian Territories
- At Geneva Talks, Russia Refuses to Match Georgia's Pledge Not to Use Force
- Parliament Debates New National Security Concept
- Fitch Raises Georgia's Credit Rating to "Positive" on Improved Economic Outlook
- EU Approach to Georgia Free Trade Talks Is Flawed, Says Study
- US-Georgia Launch Joint Program on Judicial Reform
- Georgia, Turkish Firm Sign Deal on Three Hydro-power Plants



Georgian FM Grigol Vashadze met in Cairo last week with veteran Egyptian diplomat and Secretary General of Arab League Amr Moussa (above) and other Egyptian officials to share Georgia's experience in post-revolution transition. "Georgia's participation in international politics is becoming more and more important," Georgian Deputy FM Nino Kalandadze said. "We think that we can share our experience and as it seems, there is huge interest about it on the part of Egypt as well. We hope that we can give them interesting advice on how to move towards the path of democratic and successful development in a relatively short period of time."

INTERNATIONAL MEDIA ON GEORGIA

WELT AM SONNTAG: "We make the same mistake with Russia"

PROSPECT: Misha's freedom laboratory

THE TELEGRAPH: Russia goes on arms spending spree

AGENCE FRANCE PRESSE: Georgian president dons military fatigues

THE AMERICAN: What would happen if the US cut foreign aid in half?

ASIA TIMES: Georgian port a \$1 billion gamble

EURASIANET: Georgia—Love your country, love your chokha

BBC NEWS: Following South African farmers to Georgia

CEPS: Appraisal of the EU's trade policy towards its Eastern neighbors

IISS: Georgians in Gali

QUOTES OF THE WEEK

"Secretary Clinton referred to Russian occupation of Georgia. We don't know what else to call it. We respect Georgia's sovereignty and territorial integrity. We believe that Russia used disproportionate force and remains present in what we consider to be sovereign Georgia. So it's not meant to be a particular provocation, it's just a description of what we think the situation is."

♦ Philip H. Gordon, US Assistant Secretary of State for European and Eurasian Affairs, on March 3

"Georgia is the EU neighbor which has undertaken unilaterally the most dramatic reforms—with great success. In short, Georgia is the archetype of a neighbor which would immensely benefit from a strong EU support, and which—in return—would establish the reputation of the EU as a strong economic and political anchor."

"Georgia's track record for economic reform since the mid-2000s is outstanding by any standards. Since 2006, she implemented basic free trade unilaterally for her imports from the whole of the world, such that her average industrial tariff is now 0.3% compared with 4.6% for the EU."

"While Georgia has been acting fast and decisively, the EU for its part has responded only very slow and reluctantly."

♦ Study by the Center for European Policy Studies on the EU's Trade Policy toward Georgia

UPCOMING MILESTONES

Mar. 10-17: President Saakashvili visits NYC, DC

Mar. 15-16: Lithuanian FM & OSCE Chair in Georgia

Mar. 15-17: Parliament Speaker Bakradze in Israel

Mar. 15-17: State Minister for Reintegration Tkeshelashvili attends Brussels Forum 2011

Apr. 15-20: Parliament Speaker Bakradze attends IPU meeting in Panama

Jun. 7: Next round of Geneva peace talks

TOP STORIES

Russia Boosts Military Presence in Occupied Georgian Territories

Russia last week boosted its military presence in the Georgian territories it occupies, in the Kremlin's latest violation of the 2008 ceasefire agreement. Despite mounting international criticism about Russia's remilitarization and illegal occupation of Georgia, Moscow deployed an additional 300 soldiers to S. Ossetia. Russia also fortified its naval presence in Abkhazia, increasing the number of war ships stationed along the Black Sea coast from six to eight. Russia also has thousands of troops and a stockpile of ballistic missiles in Abkhazia. Meanwhile Russia's state-owned railway is charging full speed ahead with upgrades to a vast stretch of railway that connects Abkhazia to the Russian city of Sochi, further reinforcing Moscow's military infrastructure in the region. Since its signing nearly three years ago, the Kremlin has repeatedly refused to comply with the Sarkozy-Medvedev ceasefire agreement which calls for the withdrawal of Russian troops.

[DPA: Russia Boosts Military Presence in Georgian Regions](#)

[EURONEWS: Russia Makes Tracks in Abkhazia](#)

At Geneva Talks, Russia Refuses to Match Georgia's Pledge Not to Use Force

Peace talks came to a standstill in Geneva last week after Russia refused again to match Georgia's unilateral non-use-of-force pledge. "Russia's position on fundamental issues remains unchanged," Deputy FM Kapanadze said, adding that the Russian delegation's refusal to engage in "substantial discussions" was hindering the negotiating process. "They have no intention to undertake a non-use of force commitment," he added, referring to President Saakashvili's November 2010 pledge not to use force in to win back the occupied territories. The Georgian delegation expressed frustration with Russia's serial denial to allow international monitors to access the region. "There is no progress either in respect of international security mechanisms," Kapanadze said. "At this stage they are against an international presence in the occupied regions." He added that he hoped progress would be made in the next round of the talks in early June.

[CIVIL GEORGIA: Fifteenth Round of Geneva Talks Concluded](#)

Parliament Debates New National Security Concept

Georgian lawmakers launched discussions on an updated national security concept, which primarily focuses on threats linked to Russia's 2008 invasion and subsequent occupation and remilitarization of Georgia's territories. According to the draft, Russia's illegal occupation of S. Ossetia and Abkhazia is a "direct threat to Georgia's sovereignty, statehood, and represents the most important factor of political, economic, and social destabilization." Furthermore, Moscow's continual violation of the 2008 ceasefire agreement, refusal to allow international peacekeeping forces in the occupied territories, and persistent militarization has created a "risk of renewed military aggression by Russia," and is a major threat to Georgia's national security.

[CIVIL GEORGIA: Draft of Georgia's New National Security Concept](#)

Fitch Raises Georgia's Credit Rating to "Positive" on Improved Economic Outlook

International ratings agency Fitch raised Georgia's credit rating to "positive" last week as the country continues its impressive economic rebound following Russia's 2008 invasion and the global financial crisis. The upgrade in the country's long-term foreign and local currency issuer default ratings "reflects Georgia's strong economic recovery, a reduction in both the budget and current account deficits, and improvement in the financial sector's health and some easing of political risk," Fitch said. Political risk in Georgia also has eased over the past 18 months or so. Fitch predicted Georgia's economy to expand 5 percent this year. Moody's applauded Georgia last year for its economic reforms and pro-business environment "unique in the region." The Saakashvili administration has prioritized economic liberalization efforts to encourage economic growth and attract foreign investment.

[AGENCE FRANCE PRESSE: Fitch Agency Lifts Georgia's Rating](#)



They are laying down new tracks in Abkhazia—but it is Russia's state-owned railway that is carrying out the work. Moscow is helping Georgia's occupied territory finish a project to restore a vast stretch of line, helping to fortify Russia's military infrastructure in Abkhazia.

EU Approach to Georgia Free Trade Talks Is Flawed, Says Study

The European Commission's approach to deep and comprehensive free trade talks with Georgia is severely flawed and must be redesigned, a recent study on the EU's trade policy reports. "There is an urgent need to reshape the Commission's approach," said the report by the Centre for European Policy Studies. The EU's strategy is faulty on three grounds: it is a poor development policy for Georgia, and a flawed commercial and foreign policy for the EU. Despite Georgia's unilateral and "dramatic" reforms, the Commission "requires Georgia to adopt and implement an enormous amount of imprecisely identified EU internal market regulations going way beyond strictly trade related matters, with no attempt to identify those which make sound economic sense for Georgia," the report says. It adds that the EU's burdensome regulations were equivalent to taxing Georgian industrial production and are counterproductive to the country's economic growth. "The EU should encourage—not restrain—Georgia to pursue and develop her successful, ongoing unilateral reform."

[CEPS: An Appraisal of the EU's Trade Policy](#)

US-Georgia Launch Joint Program on Judicial Reform

The US and Georgia have launched a major joint program on judicial reform. The Judicial Independence and Legal Empowerment Project is a four-year, \$19 million US assistance program aimed at strengthening the judiciary, improving law practice and institutional capacity, and enhancing the quality of legal education. "The program will help perfect the application of justice in Georgia and ensure that the application of justice in Georgia reflects the participation and confidence of all the citizens of Georgia," US ambassador to Georgia John Bass said. "Our investment over next four years is very consistent with our broader investment and commitment to the people of Georgia to help everyone in this country to work together to develop better system."

[CIVIL GEORGIA: "Huge Steps" Made Towards Judicial Independence](#)

Georgia, Turkish Firm Sign Deal on Three Hydro-power Plants

Georgia has signed another key energy agreement with Turkey's Optimum Enerji Üretim A.Ş., which has agreed to build three hydro-power plants totaling 45 MW along the Paravani River in Georgia's southern region of Samtskhe-Javakheti. The Government last year also awarded a \$150 million hydro-power development project to Kolin Construction of Turkey to build a 106 MW hydro-power cascade in the Samegrelo region. Authorities say hydro-power generation in Georgia can attract \$5 billion over the next eight years. Over 80 percent of Georgia's total electricity generation comes from hydro-power sources, yet the country is using only 18 percent of its total capacity.

[GEORGIAN BUSINESS WEEK: Georgia to Launch Sixteen HPP Projects in 2011 Following 2010's Five Projects](#)

INTERNATIONAL MEDIA ON GEORGIA

WELT AM SONNTAG: “We make the same mistake with Russia”

The EU should have engaged much earlier in the Arab states where the current revolutions are taking place because human rights had been violated there for a long time, French philosopher Andre Glucksmann says, criticizing the EU for neglecting human rights while prioritizing business relations with these regimes. EU-Russia relations exemplify the EU’s restrained response to promoting human rights in the name of business, says Glucksmann, adding that the EU was doing business with the leadership in Moscow while journalists were killed and corruption was at its highest levels. Meanwhile the EU was not supporting Georgia, “the only place of democracy in the Russian sphere of influence.”

www.eu-russiacentre.org

PROSPECT: Misha’s freedom laboratory

President Saakashvili believes that Georgia’s future lies in Western-style economic and political freedoms. But can one small country in the Caucasus make them work? Though the country is home to only 4.2 million people, Saakashvili aims to use its “soft power” to make it a beacon of political and economic freedom—much like west Berlin during the cold war—and an alternative to the region’s historic Russian master.

www.prospectmagazine.co.uk

THE TELEGRAPH: Russia goes on arms spending spree

Russia has unveiled the biggest rearmament program since the fall of the Soviet Union, saying it intends to buy 600 planes, 100 ships, and 1,000 helicopters within the next decade. With oil prices rising, Russia, the world’s biggest energy exporter, feels confident it can afford to upgrade its dilapidated Soviet-era military and believes it urgently needs to do so to confirm its self-proclaimed status as a leading world power. In addition to building two new French Mistral warships to boost its naval presence, Russia’s air force, which performed inconsistently during the country’s brief and victorious invasion of Georgia in 2008, will also be refitted and be given 600 more planes and 1,000 helicopters before 2020.

www.theprovince.com

AGENCE FRANCE PRESSE: President dons military fatigues

President Saakashvili and his five-year-old son donned military fatigues for a training session last week in an unusual attempt to promote the armed forces. Local television showed pictures of Saakashvili going for a morning run with troops at a military base in Georgia, watched by his equally camouflage-clad son, Nikoloz. “It’s a great honor to serve with you guys because we are all soldiers for our motherland,” Saakashvili said.

www.google.com

THE AMERICAN: What would happen if the United States cut foreign aid in half?

Georgia’s leaps toward prosperity did not begin with signing its first \$295 million compact with the MCC in 2005. Instead, they began through what President Saakashvili calls a “mental revolution” at home. Saakashvili says his citizens made a conscious decision to reform governance and become a meritocracy. This set them on the right path. Several years later, the US came in through the MCC and provided needed support by building roads and helping farmers increase their productivity, for example.

www.american.com

ASIA TIMES: Georgian port a \$1 billion gamble

Georgian investors have begun work on a \$1 billion port facility in the town of Supsa on the Black Sea coast. “This is a very big project. Supsa will become the number one port in Georgia,” Black Sea Product’s director Shalva Tsakadze said. “This is because the mouth of the River Supsa, where the port is being built, is much deeper than other Georgian ports,” he added. “At 18 to 20 meters deep, it will allow us to service any vessel capable of passing through the Bosphorus.”

www.atimes.com



Members of a chokha society meet at the Sameba Cathedral in Tbilisi.

EURASIANET: Georgia—Love your country, love your chokha

France may be known for its berets, and Spain for its mantillas, but few national costumes are linked to as strong a sense of national pride as Georgia’s chokhas. Dating from the Middle Ages, the chokha is a calf-length, wool coat for men inherent to the Caucasus, distinguishable by the bandoliers sewn across the breast and its tapered waist cut. Accessories typically include a hood, tall leather boots, and a belt holding a long, embossed dagger, called a khinjali.

www.eurasianet.org

BBC NEWS: Following South African farmers to Georgia

In the former Soviet Union, farms were collectivized; so many farmers lost their traditional skills. Now they need advice and access to affordable loans to become productive again. Some worry that the government’s effort to attract richer, S. African farmers will put Georgian farmers at a competitive disadvantage. Yet despite the internal controversy surrounding the government’s initiative, many of the S. African farmers we spoke to have been impressed by how they’ve been received. And if our experience out in the countryside is anything to go by, any farmers who do end up settling here should get a warm welcome.

www.bbc.co.uk

THINK TANKS/NGOs

CENTER FOR EUROPEAN POLICY STUDIES: Appraisal of the EU’s trade policy towards its Eastern neighbors—the case of Georgia

A new study by CEPS says there is an urgent need for the European Commission to reshape its approach to negotiating a free trade agreement with Georgia. The authors argue that Commission’s trade policy toward Georgia is a poor development policy for the former Soviet state, and is a flawed commercial trade and foreign policy for the EU. “The EU should open negotiations with Georgia without further delay since Georgia has more than satisfied the relevant subset of preconditions,” the report says.

www.ceps.eu

INTERNATIONAL INSTITUTE FOR STRATEGIC STUDIES: Georgians in Gali

Ethnic Georgian returnees face a number of problems that loom large in their decision whether to return to Russian-proxy controlled Gali or leave for good. Personal security and protection from crime is a daily anxiety, and guaranteeing returnees’ security and upholding law and order in Gali has proved difficult. This is largely due to the weakness in the rule of law and administration of justice in the area. The international community should increase its efforts to convince the de facto authorities of the need for an on-the-ground, international presence in Abkhazia.

www.iiss.org