



Newsletter

October – December 2011

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Dear Readers of the EUGBC Newsletter,

I wish you a Happy New Year and a lot of success. In fact, your business success is inevitably a success for Georgia too and for the common endeavours of Georgia and the EU.

A year difficult for everybody, 2011 brought the news of the start of the DCFTA negotiations, which are aimed at bringing Georgia much closer to the EU. I believe in 2012 we will see more and decisive developments in this sphere, and EUGBC as well as brother business community will contribute to this process.

I also believe that the reform process in general will go further and this will help all businesses feel better positioned and more secure during the coming year.

***Philip Dimitrov
Ambassador, Head of EU Delegation to Georgia***



Dear EUGBC Members & Partners,

In the spirit of the festive season, let us once again wish you a happy and successful year 2012!

We would like to take this opportunity to thank you for your partnership and cooperation throughout the past years. The progress we have made would not be possible without your continued support. Therefore, we look forward to working with you in the year 2012 and hope that this productive cooperation will continue for many years to come.

2011 was a remarkable year in EU-Georgia relations. During this year, several important agreements were concluded between EU and Georgia, such as Visa Facilitation and Readmission Agreements, Agreement for Mutual Protection of Agricultural Products and Other Foodstuffs. In addition, negotiation on the Association Agreement was successfully carried on and the decision to start negotiations on the Deep and Comprehensive Free Trade Area (DCFTA) was taken by the EU. It is our pleasure to note that EUGBC has been able to contribute a well-informed and constructive business perspective to all these important developments.

The preceding year was truly eventful for EUGBC and its members. The Council released a publication and held a well-received seminar on "Specific issues of the Export of the Organic Products from Third Countries to the EU Market". Throughout the year EUGBC continued an active dialogue with the Georgian authorities, diplomatic corps, international and non-governmental organisations and EU institutions.

We are happy to anticipate that 2012 will be another busy year in EU-Georgia relations and the EUGBC, with the support of its members, will continue to strengthen its contribution to this process.

Yours sincerely,

**Konstantin Zaldastanishvili
EUGBC Secretary General**



**Howard Chase
Chairman of EUGBC Board**



EUGBC Members held a meeting with the Ambassador of the Republic of Poland H. E. Urszula Doroszewska

On October 12, 2011 EU-Georgia Business Council (EUGBC) organized a roundtable meeting of its members with the Ambassador of the Republic of Poland in Georgia, H.E. Urszula Doroszewska and Secretary for Economic and Consular Affairs of Polish Embassy, Piotr Burzyński to discuss current political and economic trends in the EU as well as in Poland and state of the EU-Georgia and Poland-Georgia relations. The meeting took place at the premises of EUGBC member TBC Bank.



The meeting with Polish Ambassador was particularly interesting and timely as by that time the Republic of Poland was holding the presidency in the European Union. Besides, the meeting took place following the Eastern Partnership Summit and Eastern Partnership Business Forum held in Poland in the end of September, 2011.



The meeting was opened by EUGBC Secretary General, Konstantin Zaldastanishvili. The Secretary General greeted the Ambassador and thanked for her participation in the meeting. Mr. Zaldastanishvili underlined that at the Eastern Partnership Summit held in Warsaw support was expressed for launching the official negotiations on Deep and Comprehensive Free Trade Area with Georgia that will boost Georgia's further integration with the EU. The Secretary General highlighted that Poland is Georgia's big supporter and its presidency in the EU was a window of opportunity for Georgia to capitalise on its EU integration goal.

In the scope of the recent developments in EU-Georgia relations, the Ambassador Urszula Doroszewska and Secretary for Economic and Consular Affairs Piotr Burzyński discussed with the EUGBC members some important political and economic aspects affecting Georgia's integration with the EU:

- Results of the Eastern Partnership Summit (Warsaw, 29-30.09.2011);
- Results of the first Eastern Partnership Business Forum (Sopot, 30.09.2011);
- State of the negotiations of Association Agreement between Georgia and EU;
- Prospects of the Deep and Comprehensive Free trade Area between Georgia and EU;
- Implementation of the Visa Facilitation Agreement between Georgia and EU;
- Georgian-Polish bilateral relations.

In addition, EUGBC members raised important issues regarding the opportunities to export Georgian products to Poland, to set up a Polish export facility for Georgia, as well as to develop connection between Georgian and Polish stock exchange markets and thus create an opportunity for Georgian companies to appear at Warsaw's stock market.

The Ambassador and the members of EUGBC also stressed the importance of EUGBC in facilitating the economic relations between the EU and Georgia.

According to GEOSTAT Annual Inflation Slows to 4.6%

Year-on-year rate of inflation fell from 7,2% in August to 4,6% in September with consumer price index rising 0,6% month-on-month, according to the state statistics agency, GEOSTAT.

Fuel and transport prices were key drivers of inflation. Prices on transport services increased 23,8% y/y in September (same figure was reported for August) and fuel prices increased 17,3% y/y in September (20.5% in August).

Prices on food and non-alcoholic beverages increased 5,8% y/y in September down from 12% in August. Price rise was high on meat (24,9%); sugar (15,7%); milk, cheese and eggs (11,2%).

There was 7,6% y/y decrease in prices for communications services in September, according to GEOSTAT.



Georgian Foundation for Strategic and International Studies (GFSIS) and EU Delegation in Georgia organized a workshop: Developing Competition Policy in Georgia

On October 25, 2011 Georgian Foundation for Strategic and International Studies (GFSIS) and EU Delegation in Georgia organized a workshop: Developing Competition Policy in Georgia, which took place in Tbilisi, at the Hotel Ambasadori.

The event was a follow up of the Deep and Comprehensive Free Trade Area related discussion organized by GFSIS and EU Delegation in July 2011. This time the workshop focused on the modalities of the competition policy in Europe and reforms in Georgia aimed at convergence to respective EU policy.

On behalf of EUGBC Secretary General, Konstantin Zaldastanishvili and country representative, Tamar Khuntsaria took part in the event.



Georgian-Italian Business Forum was held in Tbilisi

On October 10, 2011 a Georgian-Italian Business Forum organized by Georgian National Investment Agency and Embassy of the Republic of Italy to Georgia took place at Radisson Blu Iveria hotel, Tbilisi.

The members of the Italian business delegation represented the following economic sectors: agriculture, finance, energy, telecommunications, infrastructure and tourism. The list of the participant companies is available at EUGBC website: www.eugbc.net – News.

The Forum was opened by Mr. Archil Kekelia, First Deputy Minister of Economy and Sustainable Development of Georgia, H.E. Federica Favi, Ambassador of Italy to Georgia, H.E. Konstantine Gabashvili, Ambassador of Georgia to Republic of Italy.

The event was concluded by B2B meetings of Georgian companies with Italian counterparts to explore future cooperation opportunities. On behalf of EUGBC, Secretary General, Konstantin Zaldastanishvili and several interested EUGBC members participated in the forum.

Business and Economic Centre (BEC) organized a discussion on the draft law on Free Trade and Competition in Georgia

On November 3, 2011, Business and Economic Centre hosted the working group meeting which discussed the draft law on "Free Trade and Competition" initiated by the Government of Georgia. The round table was attended by the deputy chairman of the parliament of Georgia, Levan Vepkhvadze, MPs from the committee on sector economy and economic policy and committees' staff members; also international and local NGOs, business associations and experts.



Aim of the meeting was to discuss the draft law, to share the comments and recommendations with the members of parliament about the pending legislative changes.

At the beginning of the meeting, representative of the Delegation of the European Union to Georgia, Virginie Cossoul, Project Manager, expressed the EU position on this draft document: Ms. Cossoul admitted that this draft was a step forward in comparison with the existing law on competition. But she admitted that this document still requires some amendments before adoption and implementation. Ms. Cossoul stated that Georgia is not the candidate country yet. So, full harmonization of Georgian legislation with the EU legislation is not necessary, but it requires the coincidence at the level of general principles.

The detailed presentation was delivered by Ketevan Lapachi, representative of the International Black Sea University. This presentation covered the explanation of the basic principles of competition policy, general overview of the Georgian legislation on competition and the details of the draft law on free trade and competition. Presentation was followed by live discussion. As a result of this round table, experts have comments on different articles of the presented draft law, especially on the following issues: the field of the regulation of the law; aim of the law; definition of the terms; restriction on competition agreements; enforcement and appeal mechanisms.

Experts also expressed their general comments about the draft, that the language and the structure of the document needs improvement, some articles require amendments and some of them should be removed from the draft to avoid future problems in the process of implementation to businesses and competition agency itself.

The meeting was very dynamic. Experts, MPs and committees' staff were involved in the discussion process. At the end, participants decided that they will send their comments and recommendations to the relevant committees before the second committee hearing of the draft law. On behalf of EUGBC country representative, Tamar Khuntsaria took part in the meeting.

Prime Minister of Georgia, Nika Gilauri introduced government's 10-point action plan to business sector



On November 1, 2011 Prime Minister of Georgia, Nika Gilauri together with the Minister of Finance, Dimitri Gvindadze held a meeting with the representatives of Georgian business community and presented the main directions of the country's economic development proposed in the 10-point action plan. The meeting was organized by the Georgian Chamber of Commerce and Industry (GCCCI) and moderated by the GCCCI President, Kakha Baidurashvili. EUGBC was represented at the event by the country representative, Tamar Khuntsaria.

Prime Minister and the Minister of Finance focused on the government's support to the development of business-environment, reduction of unemployment, creation of new jobs, encouragement of private sector, macro-economic stimulation, as well as promotion of Georgia as a regional center.

PM Gilauri welcomed the economic improvement in Georgia, stressing that the country will easily attract investors with its successful economical directions. Announcing a 41% increase of visitors, the PM hoped that soon Georgia would become an interesting destination not only for neighboring countries, but also for Western Europe.

Sharing the plans for infrastructure changes PM promised interesting projects to Georgian people in road construction, water system and the energy sector, which would all improve the touristic potential of the country, attract more investors for carrying out further projects as well as create jobs locally.

Education and healthcare are among the main governmental points in the strategic document. Announcing the opening of new 150 clinics and hospitals in near future PM Gilauri stressed that these would be achieved in partnership between the state and private sector. Welcoming the positive results of the educational reforms the PM promised to continue improvements in this direction. Sharing plans for opening a new Technological University, sponsored by the Millennium Corporation, Gilauri explained that this university would be based on US standards and management style.

According to the PM, innovations in the agricultural field are also among priority issues. Sharing plans for increasing the export potential of the country PM Gilauri stressed that Georgia would soon produce and preserve enough products both for internal market and export, thus decreasing the import volumes. Important investments are being carried out in the agricultural sector through innovative technologies according to PM who promised to eradicate social problems even in the high mountainous regions in the near future.

EUGBC participated in the meeting of Working Group 2 of EU's Eastern Partnership Civil Society Forum on economic integration and convergence



Secretary General of EU-Georgia Business Council (EUGBC), Konstantin Zaldastanishvili participated in the meeting of Working Group (WG) 2 of EU's Eastern Partnership Civil Society Forum (EaP CSF) on economic integration and convergence as a member of the group. The meeting took place in Brussels on October 31, 2011.

The representative of the European External Action Service (EEAS), Maciej Stadejek presented the developments in Eastern Partnership and results of Eastern Partnership Summit hold in Warsaw on 29-30 October, 2011.

The activities of the WG 2 since the Berlin meeting of the Eap CSF (18-19 November, 2010) were also discussed at the meeting.

Members of the WG II also discussed the major subjects to be presented and debated during EaP CSF meeting in Poznan (28-30 November, 2011) in the plenary, during the meeting of WG 2 and in the side events with the Polish partners.

WG 2 approved the draft recommendations for the Poznan meeting of EaP CSF.



Statement by President Barroso on the conclusion of a bilateral agreement between Georgia and Russia on Russia's accession to the World Trade Organization (WTO)

"The EU welcomes the announcement that an agreement has been reached between Georgia and Russia on Russia's WTO accession. Russia is the EU's third largest trading partner and a very important market for EU exporters and investors.

Russia's WTO accession would bring a real qualitative change to the current trade regime.

The EU in this regard, appreciates the flexibility shown by both Georgia and Russia to find a compromise on a highly complex issue and encourages both parties to overcome the very last technical hurdles in order to formalize the deal.

The EU would like to praise the hard work, persistence and creativity of Switzerland in their mediation effort between the parties. The EU stands ready to contribute to the implementation of the agreement if requested to do so by the parties.

Russia's WTO accession will be an important step towards an even closer economic partnership between Russia and the EU. This will be to everyone's advantage. We will also continue our important work towards political association and economic integration with Georgia, including forming a Deep and Comprehensive Free Trade Area.

The EU now looks forward to seeing Russia's WTO accession finalized with a view to reaching a consensus decision at the WTO Ministerial Council meeting on 15-17 December, 2011 in Geneva."

Statement by the Head of Delegation of the European Union to Georgia Ambassador Philip Dimitrov on Russia's accession to the World Trade Organization (WTO)

"We are very pleased that Russia and Georgia appear to be close to an agreement which, in our view, will strongly benefit both sides.

We give full support to the Swiss-mediated efforts that recently made finding the solution likely.

The European Union would very much like to see a decision on Russia's accession to WTO ministerial this year. We encourage the parties to finalize the deal in the coming days."



Statement by the EUHR Ashton on the elections in the breakaway regions of South Ossetia in Georgia

The spokesperson of Catherine Ashton, High Representative of the European Union for Foreign Affairs and Security Policy and Vice President of the European Commission, issued the following statement on November 14, 2011:

"In view of the reports about the elections in the Georgian breakaway region of South Ossetia on the 13 November, this statement is to recall that the European Union does not recognize the constitutional and legal framework within which these elections have taken place.

The European Union reiterates its support to the territorial integrity and sovereignty of Georgia, as recognized by international law. The European Union would in this context like to emphasize the importance of the Geneva International Discussions in ensuring the security and stability in the region."

The EUHR Catherine Ashton visited Georgia

High Representative of the European Union for Foreign Affairs and Security Policy and Vice President of the European Commission, Catherine Ashton visited Georgia on 16 November, 2011 as part of her tour of the South Caucasus.

During the visit she held talks with President Saakashvili and Foreign Minister Grigol Vashadze; she also met the Head of the EU Monitoring Mission in Georgia (EUMM) Andrzej Tyszkiewicz.



Her talks with Georgia's president Mikheil Saakashvili focused on the prospects for the launch of negotiations on Deep and Comprehensive Free Trade Area, as an integral part of the Association Agreement, as well as further liberalisation of the visa regime. According to Ashton's assurances, discussions on visa-free travel for Georgian citizens are to begin in the spring of 2012.

"The main aim of my visit is to show the commitment of the European Union to the South Caucasus," Ashton said ahead of her South Caucasus trip. According to the High Representative of the European Union for Foreign Affairs and Security Policy, "Over the last year - in the context of the renewed European Neighborhood Policy and Eastern Partnership - we have engaged in a process of significant strengthening of our relations with Armenia, Azerbaijan and Georgia, including through negotiations of Association Agreements. We are very keen to see the three countries progress with the necessary reforms, with European values as the guiding light. We also want to see steps forward in the resolution of conflicts."

This was Catherine Ashton's second visit to Georgia. She visited the country in July, 2010 to open EU-Georgia Association Agreement talks.

EURO 19 million from the European Union for better regional development in Georgia

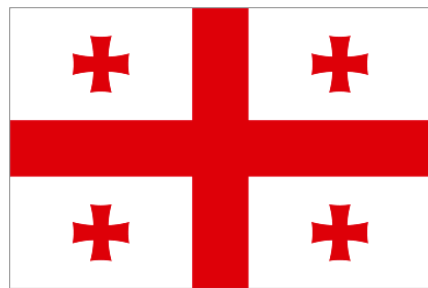
On 14 November, 2011 Ambassador Philip Dimitrov, Head of Delegation of the European Union to Georgia and Giorgi Baramidze, Vice Prime Minister, State Minister for European and Euro-Atlantic Integration, signed a Financing Agreement for allocating €19 million to support long-term reforms in regional development of Georgia. These funds will be transferred directly to Georgia's state budget in three installments, provided the conditions, agreed in advance, are met by the government. The payment of each tranche will be linked to the improvement of government's strategic planning capacities, regional development capacities, local and regional infrastructures as well as statistics and information systems. Additional €2 million of complementary technical assistance will also be allocated.

During the signing ceremony Ambassador Dimitrov said: "Regional policy is the main EU policy. It has allowed attracting investments in all European regions, fostering economic growth and creating jobs."

Provision of assistance to various sectors through direct transfers to the state budget is a new way of delivering aid and is known as Sector Budget Support program. The program is used for the regional development for the first time. The mechanism of transferring funds only when agreed conditions are met allows the Georgian authorities to choose the speed of reforms and achieve jointly agreed milestones. Each year, based on an independent evaluation, the EU assesses progress achieved as well as compliance with the program's requirements. The duration of the €19 million program is 3 years.

Expected results of this program tackle a wide-ranging set of issues including infrastructure development (hospitals, local roads, gas and water connection), improving regional strategic planning capacities, including the reinforcement of human resources and statistics. A better link between regional strategies and available funding will improve the consistency of investment - be it public or private - in the regions of Georgia.

Cohesion and competitiveness policies make about 65 % of the EU's 2011 budget. For more than two decades, EU Member States and the European Commission have gathered an in-depth experience of successfully running this unique regional integrated investment policy. Tangible results with regards to connectivity (transport networks and infrastructure), job creation, innovation and overall reduction of disparities between European Regions have been achieved.



The Slovak–Georgian Business Forum

On December 7, 2011 the Slovak–Georgian Business Forum was held in Tbilisi, Georgia. The event was organized by International Chamber of Commerce in Georgia (ICC Georgia) and Georgian Small & Medium Enterprises Association (GSMEA) in cooperation with Slovak Atlantic Commission.

Up to 10 representatives of different Slovak companies interested in investing/doing business in Georgia visited the country, plus there was a representative of the Slovak Agency for the Investments and Business Development (SARIO) and one representative of the Ministry of Foreign Affairs Department for Economic cooperation and Investments.



That first group of companies was comprised of those who were interested in finding business partners in Slovakia. The second group, and this was broader, were Georgian companies, working in the following sectors:

- Information Technologies (IT);
- Telecommunications;
- Energetic sector (energy related sectors – especially providers, support logistics for energy and companies dealing with the energy transportation).

There was an opportunity for other spheres of businesses to discuss possibilities of doing business with Slovakia as there were representatives of the Slovak Ministry of Foreign Affairs, Department for Economic cooperation and Investments and representatives from the SARIO agency.

On behalf of EUGBC country representative, Tamar Khuntsaria took part in the event.

European Parliament Adopts the Resolution on Georgia

On November 17, 2011 the European Parliament adopted the Resolution on Georgia in Strasburg. The resolution is based on a report presented by the Polish Member of European Parliament Lisek Krzysztof from the group of the European People's Party and contains set of recommendations to EU's key institutions, including its diplomatic service, European External Action Service (EEAS).



According to this resolution, Members of the European Parliament believe that:

- Russia continues to occupy the Georgian regions of Abkhazia and the Tskhinvali region/South Ossetia, in violation of the fundamental norms and principles of international law;
- ethnic cleansing and forcible demographic changes have taken place in the areas under the effective control of the occupying force (Abkhazia and the Tskhinvali region/South Ossetia), which bears the responsibility for human rights violations in these areas;
- Georgia has the right to join any international organization or alliance, while respecting international law;

- the negotiations with Georgia on the Association Agreement are progressing swiftly;
- Georgia is one of the best-performing partners of the Eastern Partnership in adopting reforms, although problems still persist as regards their implementation.

Members of European Parliament recommend the European Council, the European Commission and the European External Action Service to:

- recognize Georgia as a European state and base the EU's commitment and ongoing negotiations with Georgia on a European perspective, including Article 49 of the Treaty on the EU;
- strengthen the EU's support for the sovereignty and territorial integrity of Georgia;
- recognize Georgia's regions of Abkhazia and the Tskhinvali region/South Ossetia as occupied territories;
- intensify talks with the Russian Federation to ensure that it fulfills unconditionally all the provisions of the cease-fire agreement of 12 August 2008 between Russia and Georgia, particularly the provision stating that Russia shall guarantee EUMM full unlimited access to the occupied territories of Abkhazia and the Tskhinvali region/South Ossetia;
- welcome the agreement reached between the governments of Russia and Georgia on Russia's admission to the World Trade Organization (WTO), in the hope that this agreement treats Abkhazia and South Ossetia as integral parts of Georgia;
- call on Russia to reverse its recognition of the separation of the Georgian regions of Abkhazia and the Tskhinvali region/South Ossetia, to end the occupation of those Georgian territories and to fully respect the sovereignty and territorial integrity of Georgia as well as the inviolability of its internationally-recognized borders;
- launch as soon as possible the negotiations on Deep and Comprehensive Free Trade Agreement (DCFTA), and in this context provide the relevant assistance to their Georgian counterparts to conduct negotiations and subsequently implement the DCFTA after an accurate and thorough evaluation of its social and environmental impact;
- provide EU financial and technical assistance to Georgia in order to ensure the continuation of the legislative and institutional reforms needed in order to adapt to the DCFTA and to accelerate the process of implementation of the Key Recommendations set out in the EU-Georgia Action Plan;
- stress the importance of Georgia in improving EU energy security by promoting priority projects and policy measures for the development of the Southern Corridor (NABUCCO, AGRI, Trans-Caspian Pipeline, White Stream, EAOTC).

Full text of the [European Parliament resolution of 17 November 2011](#), containing the European Parliament's recommendations to the Council, the Commission and the EEAS on the negotiations of the EU-Georgia Association Agreement is available at www.eugbc.net - News.

The European Union provided €1,8 million to the Georgia Revenue Service to strengthen custom and sanitary-phyto-sanitary border control



On November 21, 2011 the media representatives were invited to the kick off meeting of the TWINNING project "Strengthening the National Customs and Sanitary-Phyto-Sanitary Border Control system in Georgia", at the Sheraton Metechi Hotel in Tbilisi.

The European Union granted the Georgian Revenue Service a €1,8 million (*GEL 4,1 million*) for the project aiming at strengthening the border control in Georgia. The project, which takes the form of twinning, will be led by Denmark (DANISH CENTRAL TAX AND CUSTOMS ADMINISTRATION, DANISH VETERINARY AND FOOD ADMINISTRATION), with Estonia (ESTONIAN TAX AND CUSTOMS BOARD, ESTONIAN VETERINARY AND FOOD BOARD) and Italy (ITALIAN CUSTOMS AGENCY) as junior partners. The project has two major components on customs and SPS control, (Sanitary and Phyto- Sanitary Control).

Customs

The present project will contribute to improvement of the administrative capacity of the Georgia Revenue Service, and will enhance the organization and procedures in the customs field. Activities in this sector will mainly target legislation, control procedures and training of civil servants. The activities are carried out by Italian, Estonian and Danish experts. The actions will take place at both central and regional level, as well as at the local offices (sea port, airport and land border crossing points). Several Study Visits will be held in the EU Member States. Training seminars, workshops and practical work will also take place on site in Georgia.

SPS

The purpose of the Sanitary and Phyto-Sanitary control component is to upgrade and improve the veterinary and plant health part of the border control in Georgia. In this regard, Danish and Estonian experts shall train the Georgian veterinary and plant health officers, both through study visits in the EU Member States and particularly through training seminars, workshops and practical work on site in Georgia.

The first Study Visit for officials of Georgia Revenue Service took place in Denmark in the beginning of November 2011. The Estonian Ambassador, H.E. Toomas Look, the Italian Ambassador, H.E. Ms. Federica Favi, The Deputy Head of the EU Delegation to Georgia, Mr. Boris Iarochevitch and the Danish Honorary Consul, Esben Emborg attended the meeting. The second visit was organized in Estonia in the end of November, 2011.

Georgian Authorities were represented by Mr. Dimitri Gvindadze, Minister of Finance and Mr. Giorgi Baramidze, State Minister of Georgia on European and Euro-Atlantic Integration. The Georgian project leader, Ms. Lily Begiashvili, the Deputy Director General of Georgia Revenue Service, the Danish project leader, Mr. Poul Hansen as well as the two Resident Twinning Advisers, Mr. Antonio Lo Parco (Italy) and Mr. Allan Bagge (Denmark) addressed the audience.

Background

Twinning is an EU instrument for institution building and support to countries included in the European Neighborhood and Partnership Instrument, ENPI. For more information visit:

http://ec.europa.eu/enlargement/how-does-it-work/technical-assistance/twinning_en.htm



Roundtable on EU-Georgia Economic Relations and Doing Business in Georgia was organized by EUGBC in Brussels

In scope of the visit of the Georgia based Board Members to Brussels, EU-Georgia Business Council (EUGBC) organized a roundtable meeting on EU-Georgian Business relations and doing business in Georgia. The event took place on November 23, 2011 in Brussels.

The roundtable was moderated by Howard Chase, Chairman of EUGBC Board, Director of European Government Affairs for BP.

Senior representatives of Georgian business community presented their experiences of doing business in Georgia in the context of broader EU-Georgia relations. Badri Japaridze, Vice Chairman of EUGBC Board and Vice Chairman of the Supervisory Board of TBC bank informed the participants of the meeting on the current achievements and challenges in the banking sector in Georgia. Neil Dunn, Core Member of EUGBC, General Manager of BP-Georgia delivered a presentation on BP's 15 years' experience of doing business in Georgia. George Chirakadze, Member of EUGBC Board, President and CEO of United Global Technologies (UGT) discussed the overall business climate in Georgia.



EU-officials and Deputy Chief of Mission of Georgia to the EU talked about negotiations on Association Agreement with Georgia and prospects of Deep and Comprehensive Free Trade Area (DCFTA) that is essential part of Association Agreement.

Per-Enar Enarsson, Desk Officer for Georgia in European External Action Service (EEAS) provided his view on current state of negotiations on Association Agreement between EU and Georgia. According to the representative of EEAS, 7 plenary sessions were held since launching the negotiations on July 15, 2010 and there is an essential progress in this process.



Philippe Cuisson, Deputy Head of Unit for Europe (non-EU) and Central Asia in DG Trade, overviewed the prospects of opening negotiations on Deep and Comprehensive Free Trade Area (DCFTA) with Georgia that is essential part of Association Agreement. According to the representative of DG Trade, European Commission and EEAS are currently assessing the fulfillment of key recommendations by Georgian side and hopefully the negotiations can be launched by the end of 2011.

David Solomon, Deputy Chief of Mission of Georgia to the EU discussed the current state of EU-Georgia relations. He underlined Georgia's aspirations and its

long-term strategic foreign policy goal – full integration into the EU. Georgian diplomat stressed that during upcoming years Georgia will be able to fully enforce four freedoms of movement (goods, capital, services and people), leading to such a level of the European integration, which excludes only participation in the EU institutions' decision-making processes ("everything, but the institutions").

Birgit Arens, Advisor on International Affairs in EUROCHAMBERS and East-Invest Project Manager spoke about implementation of East Invest project carried out by consortium led by EUROCHAMBERS and funded by the European Union in scope of Eastern Partnership (EaP) Initiative.

The presentations of the speakers were followed by increasing number of questions and a lively discussion. The event was concluded by networking and conversation over a glass of Georgian wine. Please refer to the internet link <http://gallery.me.com/gleamlight#100752> to view the photos of the Roundtable.

EUGBC organized high profile events in Brussels

On 23-24 November 2011, in the scope of the visit of EUGBC's Georgia-based Board Members to Brussels, EUGBC organized several high profile events. Howard Chase (*Chairman of EUGBC Board, BP Europe*), Badri Japaridze (*Vice Chairman of EUGBC Board, TBC Bank*), Geir Westgaard (*Member of EUGBC Board, STATOIL*), George Chirakadze (*Member of EUGBC Board, UGT*), Nick Gvinadze (*Member of EUGBC Board, Gvinadze and Partners*), David Loladze (*Member of EUGBC Board, Mtkvari Energy*), Konstantin Zaldastanishvili (*EUGBC Secretary General*), Neil Dunn (*EUGBC core member, BP Georgia*), Gia Gvaladze (*EUGBC core member, BP Georgia*) and Thierry Reveau de Cyrières (*EUGBC core member, TOTAL*) participated in the meetings on behalf of EUGBC.



On November 23, 2011 the Meeting of EUGBC Board took place. At the meeting several important issues, including EUGBC activities and financial plan for 2012, creating of working Group on EU-Georgia trade issues and East-Invest Twinning Program were discussed.

On the same day, EUGBC held a Roundtable Meeting on EU-Georgian Business Relations and Doing Business in Georgia (for complete information please refer to the previous news).

The first day of the visit was concluded by an official dinner with Vice Prime Minister of Georgia, State Minister for European and Euro Atlantic Integration, Giorgi Baramidze and Head of Division for Eastern Partnership countries in European External Action Service, John Kjaer. Following topics were discussed at the dinner: doing business in Georgia, EU-Georgia relations vis-à-vis priorities of European Neighborhood policy and Eastern Partnership in Georgia, state of negotiations on EU-Georgia Association Agreement, EU-Georgia DCFTA prospect, visa facilitation, etc.

On November 24, 2011 David Solomonias, Minister Plenipotentiary and Deputy Head of Georgian Mission to the European Union received the representatives of EUGBC in the Georgian Embassy. Senior Georgian diplomat and EUGBC representatives discussed the current state of EU-Georgia relations and prospect of opening negotiations on DCFTA with Georgia.

On the same day, EUGBC organized a working lunch on energy issues with German Marshal Fund of US (GMF) and European Policy Center (EPC). Policy Analyst in EPC, Amanda Paul, and Senior Program Officer for Climate & Energy Program in GMF, Thomas Legge took part in the working lunch together with the representatives of EUGBC.

Commissioner for Enlargement and European Neighborhood Policy Stefan Füle Meets Georgian Vice-Prime Minister and State Minister on European and Euro-Atlantic Integration, Giorgi Baramidze

Commissioner for Enlargement and European Neighborhood Policy Stefan Füle met with Georgian Vice Prime Minister and State Minister on European and Euro-Atlantic Integration Giorgi Baramidze on November 24, 2011 to discuss the implementation of the European Neighborhood Policy Review and the follow-up to the recent Eastern Partnership Summit.



"In our talks we focused on how our partner countries, which are most engaged in reforms, will benefit more from their relationship with the EU, in line with the "more for more principle", Mr Füle said after the meeting. Such benefits are expected to include: closer political association, deeper gradual economic integration in the EU market and increased EU support more generally, including in the domain of assistance. Commissioner Füle welcomed the progress made in Georgia in this regard. At the same time he also emphasized that Georgia needs to consolidate democracy and work hard to create a tolerant and pluralistic political culture. According to Commissioner the upcoming parliamentary elections in 2012 and presidential election in 2013 will be important test cases for Georgian democracy, which the EU will closely follow.

Vice Prime Minister Baramidze informed his European counterpart about the progress made in Georgia in preparing for the start of negotiations on a Deep and Comprehensive Free Trade Area (DCFTA), as integral part of the ongoing Association Agreement negotiations with the EU. He also provided information about the implementation of the visa facilitation and readmission agreements between Georgia and the EU.

Commissioner Füle made clear that the preparations in Georgia for DCFTA negotiations were in the final stages and that the Commission was now assessing the implementation of the preconditions. Commissioner Füle also made the point that it was important for Georgia now to start focusing beyond the start of DCFTA negotiations and to continue the crucial reform and modernization efforts for EU approximation. He also explained the Commission's assessment that if Georgia continued with the effective implementation of the Visa Facilitation and Readmission agreements, a visa free dialogue with Georgia could be opened, possibly before the summer 2012.



EU–Georgia Cooperation Council twelfth meeting took place in Brussels

On December 1, 2011 the Cooperation Council between the European Union and Georgia held its twelfth meeting. The EU was represented by Mr Radosław Sikorski, Minister of Foreign Affairs of Poland, acting on behalf of the High Representative of the European Union for Foreign Affairs and Security Policy Catherine Ashton and Mr Štefan Füle, Commissioner for Enlargement and European Neighborhood Policy. The Georgian delegation was led by Mr. Grigol Vashadze, Minister of Foreign Affairs of Georgia, acting as chair of the Cooperation Council meeting.

This meeting took place following the visit of EUHR Ashton in Tbilisi on 17 November which reconfirmed EU's strengthened commitment to Georgia and the wider South Caucasus region.

The Cooperation Council took stock of the progress made in the bilateral relations between EU and Georgia after its 11th meeting held in Brussels on December 7, 2010:

- The entry into force of the Visa Facilitation and Readmission Agreements on 1 March, 2011 and the effective implementation of these agreements so far. This is part of the gradual steps that are taken to enhance mobility of Georgian citizens and towards a visa free regime in a secure and well managed environment in due course;
- Four rounds of Association Agreement negotiations, with good progress made and broad agreement already reached on the elements covering political dialogue and foreign and security policy and justice, freedom and security, and in many chapters on economic and sector cooperation.
- Intense preparations for the start of negotiations on a Deep and Comprehensive Free Trade Area as an integral part of the future Association Agreement;

- The appointment of a new EU Special Representative for the South Caucasus and the Crisis in Georgia, Mr. Philippe Lefort, and the extension of the EU monitoring mission, to continue to support the further stabilization and normalization efforts of the situation after the war in 2008. The Council also followed up the Eastern Partnership Summit held in Warsaw on 29-30th of September, 2011, which reconfirmed the EU commitment to closer relationship with its Eastern partners.

The Council also discussed the development of a road map for Georgia that would list objectives, instruments and actions and guide and monitor their implementation until the next Eastern Partnership Summit in the second half of 2013.

The EU welcomed Georgia's European aspirations and commitment to the goals of political association and economic integration with the EU as well as supported the continuation of democratic reforms in Georgia and the need to consolidate democratic institutions, encourage political pluralism and enhance media freedom.



EUGBC Participated in the 3rd Annual Assembly of Eastern Partnership Civil Society Forum

The Eastern Partnership (EaP) Civil Society Forum (CSF) was established in 2009 following the Prague Summit launching the Eastern Partnership. The EaP CSF aims to support the further development of civil society organizations and promote contacts between them as well as facilitate their dialogue with public authorities.

The CSF is an integral part of the EaP, which forms the Eastern dimension of the European Neighborhood Policy (ENP) and addresses Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova and Ukraine.

The 3rd Annual Assembly of the EaP CSF had an extended format (from 1,5 up to three days) which was made possible thanks to the European Commission/European External Action Service and the generous support of Poland's Ministry of Foreign Affairs.

Around 300 participants and guests from civil society sector from Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine and EU gathered in the 3rd Annual Assembly of EaP CSF held on November 28–30, 2011. Because of the Polish Presidency of the Council of the European Union, the meeting was held at the Presidency venue in Poznan International Fair. The EU-Georgia Business Council (EUGBC) was represented at this event by the Secretary General, Konstantin Zaldastanishvili.



Štefan Füle, European Commissioner for Enlargement and European Neighborhood Policy, Mikołaj Dowgielewicz, Secretary of State for European affairs and economic policy of the Republic of Poland, Patricia Flor, Ambassador and Special Envoy for Eastern Europe, Caucasus and Central Asia of German Federal Foreign Office (former German Ambassador to Georgia) welcomed the participants of the event and participated in the first panel discussion "Towards a new strategy for civil society engagement in the Eastern Partnership".

In his [speech to the EaP CSF](#), Commissioner Štefan Füle recalled the Eastern Partnership Summit held in Warsaw on 29-30th of September, which had set out a renewed agenda for the initiative with the core EU values of democracy, human rights and freedoms at its heart. He also highlighted the agreement to extend cooperation in a range of important sectors, including economic integration. In all of these areas, the Commissioner emphasized that civil society must play a crucial role if these ambitious goals were to be achieved. The Commissioner also stressed that the EU was keen to provide support for this important work. In particular, he highlighted the recent creation of the Neighborhood Civil Society Facility, which has a budget of €65 million to support the work of civil society over the next two years. He also noted the ongoing work to create a European Endowment for Democracy, which will provide additional support for those fighting for democratic causes in neighboring countries. In Belarus, in particular, he noted that continued cooperation with civil society organizations would be essential in supporting the work to secure basic rights and freedoms in the country.

Radosław Sikorski, Minister for Foreign Affairs of the Republic of Poland addressed the participants of the forum on the topic "Two Years of the Eastern Partnership and the EaP Civil Society Forum" on 29th of November.

During three days of intensive agenda participants to the 3rd Annual Assembly of EaP SCF summarized all the initiatives of the civil society undertaken throughout 2011, discussed different questions of civil society engagement in Eastern Partnership, challenges and prospects for further development of EaP CSF, including strategic roadmap for civil society in the Eastern Partnership, strategic concept of the EaP CSF and issue of Forum registration as a legal entity. The forum also provided opinions and recommendations supporting the promotion of democracy, human rights and the rule of law, as well as good governance and market economy principles in EaP countries.

The EaP CSF adopted the resolution in which the Forum participants call upon EU institutions and EU Member States to take measures toward the release of Ales Bialiatski and other political prisoners in Belarus, as there should be no political prisoners in the countries that have signed the Eastern Partnership Declaration. The Forum participants demand from Belorussian authorities the immediate and unconditional release and full rehabilitation of Ales Bialiatski (on 24 November 2011, a politically motivated verdict was pronounced in Belarus against a prominent human rights defender, leader of the Human Rights Center "Viasna", Vice-President of the International Federation for Human Rights (FIDH), Ales Bialiatski).

At the 3rd Annual Assembly of the EaP CSF, a resolution was adopted towards the 17th Conference of the Parties to the UNFCCC (United Nations Framework Convention on Climate Change) in Durban, South Africa. The calls on the European Union to take a leading role in preserving and promoting the second commitment period of the Kyoto Protocol on limiting green-house gas emissions until the adoption of a comprehensive legally binding agreement.

Participants of the EaP CSF made an appeal to the President and Prime Minister of Ukraine, and to European Commissioner for Enlargement and Neighborhood Policy Štefan Füle, calling upon the EU and Ukraine to conclude negotiations on the EU-Ukraine Association Agreement, to initial the Agreement, and make the text available to the public.

Besides the Plenary Sessions, participants of the Forum met in the scope of following four working groups (WG) to elaborate the recommendations of the forum:

- WG 1 - Democracy, human rights, good governance and stability;
- WG 2 - Economic integration and convergence with EU legislation;
- WG 3 - Environment, climate change and energy security;
- WG 4 - Contacts between people.

EUGBC Secretary General participated in the WG 2. After two days of active consultations, members of the WG 2 elaborated and agreed on a set of recommendations to the EU and Eastern Partner countries (see attached).

On November 29, 2011 a new 17-member Steering Committee was elected by the Civil Society Forum. The mandate of this Steering Committee is one year. The Forum also elected Country Coordinators for EaP countries and Coordinators for Working Groups. Manana Kochladze, Chairperson of the Association Green Alternative was elected as a country coordinator for Georgia. Vugar Bayramov, Director of the Center for Economic and Social Development (CESD) from Azerbaijan and Andrzej Adamczyk, representative of European Economic and Social Committee (Brussels) and International Secretary of the National Commission at NSZZ SOLIDARNOSC Trade Union from the Republic of Poland were elected as coordinators of WG 2 (Economic integration and convergence with EU legislation).

EU launched negotiations on Deep and Comprehensive Free Trade Agreement (DCFTA) with Georgia



On December 5, 2011 the EU decided to launch negotiations on Deep and Comprehensive Free Trade Area with Georgia and Moldova in order to boost economic growth and investment with the Eastern European partners. The negotiations will tackle a broad range of trade and economic issues so as to achieve a closer economic integration with the EU.

"We want to establish a stable and solid framework for closer economic ties with Georgia and Moldova" said EU Trade Commissioner Karel De Gucht. "A deep and comprehensive free trade area will help Georgia and Moldova to become more competitive and enjoy the benefits of the EU Single Market."

"This kind of economic integration is one of the cornerstones of our relations with countries of Eastern Partnership," Commissioner for Enlargement and European Neighborhood Policy Štefan Füle said. "Moldova and Georgia have achieved sufficient progress with the necessary reforms and have fulfilled a set of conditions to be able to proceed further in the gradual economic integration with the EU internal market." Mr. Füle Said.

These free trade areas will be part of the Association Agreements, under negotiation with Georgia and Moldova since July 2010 and January 2010, respectively, in the framework of the Eastern Partnership and the European Neighborhood Policy.

The EU aims to enhance political stability and security in these two countries by means of closer economic integration with the EU. The free trade areas are expected to diversify and strengthen Georgia and Moldova's export capacity and effectively open the EU market of 500 million consumers.

Both countries need to continue their work toward stability, transparency and predictability of the legislative regimes. These are essential to improve foreign direct investment inflows, bring jobs and long-term growth. Projected gains for Georgia and Moldova lie therefore behind the border and as such will impact their long-term development perspective. At the end of this process the two countries could see their GDPs significantly enhanced.

Both countries currently enjoy preferential access to the EU market through autonomous lower import duties through the Generalized System of Preferences with further incentives for good governance ("GSP+") (Georgia) and Autonomous Trade Preferences (Moldova).

The EU Ambassador, Philip Dimitrov delivered a speech to mark the Human Rights Day

On December 9, 2011 [the EU Ambassador, Philip Dimitrov delivered a speech](#) to mark the Human Rights Day at Europe House.

The Ambassador highlighted the EU's continued engagement in a fruitful dialogue with the Georgian Government and civil society. Mr. Dimitrov also stressed the importance of the EU instruments like the European Instrument for Democracy and Human Rights in promoting human rights in Georgia.



Ambassador Dimitrov stated that as a member of the Council of Europe and signatory of most international Human Rights conventions, Georgia has committed to upholding the rights of the individuals. According to Mr. Dimitrov the progress has already been made. There are expectations, both in Georgia and abroad, in regard of the upcoming parliamentary and presidential elections as well as with respect to how Georgia works towards the creation of a tolerant and pluralistic political culture.



Interview with Secretary General of EU-Georgia Business Council was published in Georgian Journal

Negotiations on much anticipated free trade agreement with the EU started on December 12, 2011. To find out benefits of the upcoming negotiations as well as summarize business climate ups and downs in the year of 2011 [Georgian Journal interviewed the Secretary General of EU-Georgia Business Council \(EUGBC\), Ambassador Konstantin Zaldastanishvili](#) on December 15, 2011.

With senior representation from European and Georgian businesses at the Board of Directors level and an experienced management team, the EUGBC as a Brussels based business association with representation in Georgia is uniquely placed to provide ideal platform for businesspeople to inform the key decision makers of their ideas and concerns.

Q: Mr. Zaldastanishvili, according to Georgian government, negotiations on Deep and Comprehensive Free Trade Area (DCFTA) with the EU started. What are the prospects for the DCFTA negotiations, when is it supposed to be completed finally and what benefits Georgia should expect out of this trade agreement?

A: First of all, it has to be stated that decision to start the negotiation on DCFTA between Georgia and EU was taken by the EU on December 5, 2011. There is no defined time and nobody can say at this stage for how long the negotiations will last and when DCFTA between Georgia and EU will enter into the force. I am confident that negotiation process will be intensive and its success will be very much depended on readiness and political will of the sides to fulfill the obligations and meet necessary standards and requirements. In order to mark its exceptional and far-reaching ambitions, the future free trade area with Georgia has been called 'Deep and Comprehensive'. Traditionally, standard free trade agreements foresee mutual opening of markets for goods and services. DCFTA will go much further – Georgian trade-related legislation and standards will be made compatible with those of the EU. EU is Georgia's main trading partner, therefore Free Trade Agreement is expected to bring high gains for Georgian economy and increase the welfare implication. DCFTA would involve a more complete elimination of barriers to trade and investment throughout various sectors of the economy. In addition to removing more tariff barriers to trade, DCFTA will also provide an opportunity to address non-tariff barriers. DCFTA will create commitment to the reform of domestic policies of Georgia in the direction of

EU standards which is crucial for further economic integration with EU. Moreover, it will further enhance economic ties with the EU and provide for full integration of Georgia with the EU's internal market. The implementation of the future DCFTA is of key importance for gaining full access to the 3 freedoms of movement out of 4 (goods, capital and services). To meet successfully with all necessary prerequisites of DCFTA, such as perfection of legislation, effective functioning of relevant institutions, ensuring high standards of quality control on Georgian products and other, it is very important that the business community is closely involved in the evolving EU-Georgia trade relations including negotiation process of DCFTA. Therefore, close cooperation between business community, the Government of Georgia, European Commission and other stakeholders is crucial.

Q: How important the EU is to Georgia as a market and economic partner?

A: As I have mentioned, the EU is Georgia's major trade partner. The share of trade with the EU accounts for approximately 30% of Georgia's total foreign trade. The EU market has become even more important for Georgia after 2006 Russian embargo. Russia's such action once again clarified the necessity of export market diversification. For the development of Georgian export it is crucial to penetrate the EU market that is one of the largest, richest, civilized and predictable, but at the same time strictly regulated market.

Q: Georgian government frequently refers to a Singapore economic model and sets it as a model to Georgia. On the other hand, Georgia declares its political will to be integrated in the EU economic space that radically differs from Singapore model. How realistic is a strategy to twin these substantially different economic models in one country, what would be the recommendation to this end?

A: Clearly, defining a country's economic and political priorities, or choosing the country's economic and political development path, is the prerogative of the authorities of respective country. It is impossible to follow two cardinaly different development paths simultaneously. Since regaining independence, Georgian authorities have repeatedly declared integration in the EU as a major priority of the country's foreign policy. Let me remind you that in the late 90s, ratification of the Partnership and Cooperation Agreement (PCA) between EU and Georgia was unanimously supported by then at that time quite "multi-colored" Georgian parliament. This means that at every stage of the country's development Georgian political spectrum has been united around the crucial issue – prioritizing close relationship with the EU. The fact that today Georgia starts negotiations with EU on DCFTA is once again indication of Georgian authority's clear choice. It is noteworthy that the negotiation process implies asserting certain obligations and accepting the European "rules of the game". I think that Georgian authorities acknowledge this very well.

Q: One of key challenges that Georgian government tried to settle this year was to make tax code more business-friendly. As far as I am aware of EUGBC was involved in the process. The underway tax code was acknowledged as a breakthrough in 2005 by Rose-revolution government as it reduced tax burden to business, however entrepreneurs have been claiming they would rather have paid more if tax code had been more readable and tax administration easier. How successful do you think was this time governmental attempt to make tax code more business-orientated?

A: I don't think that anywhere, including in Georgia, business wishes to pay more taxes than required from the authorities. I agree, however, that transparency of the tax code and its unequivocal interpretation by the tax authorities is very important for business development in the country. Surely, perfection of the tax code is a permanent process, which will be successfully provided that government and business cooperate tightly. Obviously, this should not imply formal cooperation only. Respective government bodies should take into account the business' legitimate interests and its substantiated proposals when amending the tax code. I hope that such cooperation will prevail considering that without a strong business sector not a single government can be successful in a long term perspective.

Q: Georgian Journal holds the Best Diplomat of the Year award on December 15, 2011 and plans to make it traditional annual event. How do you appreciate the introduction of such award?

A: I certainly consider this is an interesting idea. In order to overcome one of the major problems currently prevailing in the country, restoration of the territorial integrity, it is vitally important to acquire international support. This is a permanent concern of Georgian diplomacy. Another important function of

diplomatic corps is to support the development of country's foreign economic relations. Respectively, it is desirable to better acquaint society to those people who pursue this very important tasks for the country.

The Prime Minister of Georgia, Nika Gilauri paid a working visit to Brussels

On December 12, 2011 the Prime Minister of Georgia, Nika Gilauri paid a working visit to Brussels. Within the framework of the visit, negotiations on Deep and Comprehensive Free Trade Area (DCFTA) were launched between Georgia and the European Union.

The Prime Minister of Georgia, Nika Gialuri, met with the European Commissar on trade issues, Karel de Gukht, The Minister of Foreign Affairs of the EU Chairman country, Poland, and the Prime Minister of Moldova, Vladimir Filat.



"This is the beginning of agreement on free trade with the European Union, which is the most important step forward for economy of the country. This means that more and more new jobs will be created in Georgia.

From the next year, Turkish, Chinese, Armenian and any other non-European companies will start construction of new enterprises, in order to trade more easily to Europe through Georgia. Consequently, this will create thousands of new jobs in Georgia.

During the last three years, Russian party has tried to isolate Georgia. This day has proved that there attempt has been an absolute failure. Today, Georgia is nearer to Europe than it has ever been.

This day proves that Georgia becomes a full member of Europe, actually, of the European Union, as free trade means economic integration of Georgia and the European Union. Under the background, when Russia tries to isolate Georgia from Europe, the European Union, on the contrary, declares that Georgia and the EU will sign joint free trade agreement, integration of their economies.

On the background when political condition in Russia deserves criticism of the whole world, the statement is made that Georgia will become a country having free trade with the European Union.

This is an expression of support from Brussels and the European Union, that gives additional comfort to investors and a greater number of investors will arrive to Georgia from the European Union, as well as from other countries.

This means that produce brought to Europe from Georgia will be more competitive than produce brought to Europe from other countries that finally will be expressed in making more investments in Georgia, growing of production in Georgia and exporting more products from Georgia to the European Union," – declared the Prime Minister of Georgia after the meetings held in Brussels.

Ashton calls Russia to fully implement the commitments it made with respect to Georgia in August and September 2008

At the EU-Russia summit held in Brussels on December 14-15, 2011 Georgia was among the foreign policy issues discussed.

"We will continue to engage Russia over Georgia, where Russia still needs to fully implement the commitments it made in the August and September 2008 agreements," she said while speaking about the upcoming EU-Russia summit before the European parliamentarians in Strasbourg on December 13, 2011.

During the debates at the Summit, following Ashton's opening remarks, MEPs mainly focused on Russia's internal issues, involving the December 4 parliamentary polls and post-election developments. Polish MEP Marek Migalski thanked Ashton for intending to raise Georgia at the EU-Russia summit.

"In all our discussions with Russia there are number of issues that continue to be raised of which Georgia is clearly one," Ashton said in her closing remarks during the debates.



The European Union supports Georgia in facing challenges in two key sectors: Internally Displaced People and Education

The European Union has disbursed €26.22 million in favor of the Georgian Treasury.

The EU has paid:

- **€ 21.1 million** out of an overall support of € 43.5 million that has been transferred to Georgia for the so called "special measures" the Government of Georgia is taking in support to Internally Displaced People. This support will help Georgia in achieving objectives set by the Georgia's IDPs Action Plan – 2009, like: resettlement of IDP families and construction of new apartments in Poti, Batumi, and Tskhaltubo;
- **€ 5.1 million** out of the € 19 million pledged in 2009 in support to the vocational education and training sector. The European Union puts emphasis on education and training as key sectors in the EU-Georgia dialogue for cooperation. Education and training is an integral part of the process sustaining human capital development as it endows people with skills, knowledge and attitudes that enhance their employability and improve their adaptability to changing and flexible labor markets.

The EU will make further payments foreseen by these programs of support to the Georgian state budget if conditions set in the respective bilateral agreements are met.

Budget Support is an instrument utilized by the EU and other donors to assist governments in implementing their key strategy reforms in full ownership. It consists in providing funds to the treasury following the realization of the key objectives of a given reform program in addition to contribution to the government efforts. Budget Support stimulates the establishment of a policy dialogue between the beneficiary country and the EU.

For more information please visit <http://eeas.europa.eu/delegations/georgia>

The East Invest Project Management Committee approved twinning proposal submitted by EUGBC and its partners from EU and Georgia



The twinning proposal prepared by EUGBC and its EU and Georgian partners was approved by the East Invest Project Management Committee on December 22, 2011. The implementation of this project will start in 2012.

EUGBC is a member of the Consortium led by EUROCHAMBERS implementing the East Invest Project funded by the European Commission in scope of Eastern Partnership (EaP) Initiative.

The East Invest project seeks to facilitate and encourage economic co-operation between the EU and the Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). In line with this objective, various activities are being implemented focusing on transfer of know-how and best practices and the development of a long term relationship to the benefit of both sides.

To cooperate closely with one of its members, the *Georgian Chamber of Commerce and Industry (GCCCI)*, EUGBC as a European member of the East Invest consortium, in cooperation with *the Hague Chamber of Commerce, the Federation of Belgian Chambers of Commerce, and Chamber of Commerce and Industry of Birmingham* has applied to participate in one of the components of the East Invest - the twinning's program. Twinning program will encourage concrete and sustainable cooperation between the EU and EaP business support organizations (BSOs) by supporting the implementation of joint projects.

Name of the program is *Capacity building of the Georgian CCI on sustainable international services*. Overall budget of the program stands at EURO 79.200,00. Overall duration of the program is 12 months. Implementation of the program starts: from 1st of January 2012. The overall objective is fostering a stronger partnership between the Georgian Chamber of Commerce and Industry, the Hague Chamber of Commerce, the Federation of Belgian Chambers of Commerce, EU-Georgia Business Council and the Birmingham Chamber of Commerce and Industry.

The red tape of this twinning is the Learning by Doing. The officers and staff of the Georgian Chamber of Commerce will be trained on the job.

The goal of this twinning is to achieve progress in the following fields for cooperation: International market access (GSP, FTA, standards, certification); Electronic certificates of origin (COs); SME promotion, business matching, export promotion; Organizational development, particularly Quality Management, strategic planning, financial planning; Membership development strategies; Services / fee-based services; Communication management, PR, website, conduct of survey; Advocacy, lobby.

The Twinning Partnership will also look to work with appropriate partners and stakeholders in delivering successful outcomes and as an integral part of the sustainability process. The program also envisages SME Internationalization and export opportunities through the creation and provision of focused workshops on project planning, market selection, routes to market, SME preparation and related sustainable products and services. In addition, the program will provide comparative analysis on electronic certification and documentation – ease, cost and validity of installation - with a view to creating a sustainable business service to members and the wider business community.

Throughout the program, amongst other activities representatives of Georgian Chamber of Commerce and industry will have an opportunity to visit EU BSO and European companies to see and interact with likeminded and similar organizations; Trade mission from Europe to Georgia will be organized; Seminars on trade facilitation will be organized in Georgia.

EUGBC will be actively involved in the implementation of the abovementioned activities.

TBC Bank was awarded "Bank of the Year 2011"

At an annual award ceremony in London, The Banker magazine announced TBC bank as the winner of the "Bank of the Year" award of 2011 in Georgia. The Awards celebrates those banks in 147 countries that have risen to the challenge, displaying innovation and economic efficiency.



Criteria for choosing the winners included growth in assets, profitability, strength of capital, technology projects and customer initiatives. This is the second international award TBC Bank has received this year after it was named the Best Bank in Georgia by Euromoney.

"It is always an honor to be recognized as the Bank of the Year. Receiving this prestigious award for the sixth time since 2002 is an outstanding achievement. We are deeply grateful to our employees who made this all possible"- said Mr. Vakhtang Butskhrikidze, CEO of TBC Bank.

In 2011 TBC Bank has further strengthened its position as a leading universal bank in the country. The Bank outperformed the market, with an impressive growth in total assets of 32%, total loans of 28% and total deposits of 30% in the first 9 months of 2011. Such remarkable expansion boosted its market shares, reaching 25.0% in total assets, 25.7% in total loans and 28.8% in total deposits. The growth was supported by the improving profitability indicators for the period - return on equity ratio reached 24.2% and cost to income ratio improved from the previous annual indicator of 54.9% to 51.6%.



Bank Republic JSC announced the acquisition of HSBC Bank Georgia retail portfolio

EUGBC Member Bank Republic JSC, as a subsidiary of the international ranking Société Générale Group, in line with its current strategy, is striving to further improve client relationships, extend the network, design innovative products and deliver a high quality service to the customers.



As part of its current strategy, the bank is constantly seeking new challenges and opportunities to drive progress and success. On December 6, 2011 the Top Management of Bank Republic officially announced the acquisition of HSBC Bank Georgia JSC's retail portfolio. In addition, Bank Republic Directors shared

with the audience the opinions of future partnership and team spirit Bank Republic will have with HSBC's retail clients.

In September 2011, HSBC announced about plans to withdraw from Georgia, where it is represented through its wholly-owned subsidiary, by early 2012 as part of its strategy to retreat from markets where it lacks scale. Following this strategic decision HSBC wished to ensure its clients would continue to receive a high quality service, and chose Bank Republic, a subsidiary of international ranking Société Générale Group, to purchase the retail portfolio. The amount of the deal with Bank Republic was not disclosed. HSBC, however, said that the value of the gross assets to be sold was about USD 4,5 million as of November 23, 2011.

With effect from December 3, 2011 all HSBC Bank Georgia retail clients will continue to enjoy modern banking products and solutions, as well a high level of service from Bank Republic. Furthermore, all HSBC retail clients will be able to apply for full range of offers and banking services of Bank Republic.

Bank of Georgia signs a five year Georgian Agricultural Finance Facility with EBRD

JSC Bank of Georgia (LSE: BGEO) (the "Bank"), the leading bank in Georgia and the European Bank for Reconstruction and Development (the "EBRD") have signed an Agricultural Finance Facility agreement for a Georgian lari loan of the equivalent of US\$ 14,492,000 in Georgian lari. "I am very pleased that the EBRD is continuing its track record of support for the Bank. This long-term lari funding will enable Bank of Georgia to enhance its lending to Georgia's agriculture sector", commented Irakli Gilauri, Chief Executive Officer.

JSC Bank of Georgia announces its move to new Headquarters, the launch of its new website and its brand restyling

JSC Bank of Georgia (LSE: BGEO) (the "Bank"), the leading bank in Georgia announced that it has completed its brand restyling which has been carried out in order to update the Bank's corporate brand. The new corporate-endorsed brand architecture unites the group's banking sub-brands such as retail banking, corporate banking, wealth management and Solo brand and the group's non-banking businesses under one umbrella, while retaining the Bank's well-established logo which incorporates the Bank's signature orange lion.



A new slogan, rolled out as part of the brand restyling campaign, "Feel the Future" conveys the Bank's innovative corporate spirit and the Bank's ambition to be ahead of its competitors by offering new products and services and support for its clients by financing their respective needs that will shape their future.

The Bank also announces the launch of its new-look corporate website, which has been redesigned to reflect the Bank's brand restyling. Relevant changes to the website include improving the ease of navigation through the website in order to provide simple and relevant information to the Bank's wide-ranging customers and shareholders.



The Bank's brand restyling and the launch of its new website coincide with the Bank's move to its new HQ in November 2011. Constructed in 1975, the former Ministry of Highway Constructions building is a recognized landmark of Soviet-era Architecture. The Bank believes that the new building will meet the growing needs of its business and provide professional facilities for the Bank's clients and employees. Approximately 600 employees of the Bank, including back-office staff previously spread across 12 offices rented by the Bank in Tbilisi, will now relocate to the new HQ and will be able to take advantage of its 14,881 square meters of modern and professional facilities. The President of Georgia was a special guest at the opening ceremony of the Bank's new HQ.

"The Bank's new brand concept, new website and new headquarters symbolize its continued development as we enter the future and the growing role of Bank of Georgia as the leading bank in the country. The Bank has played an important part in the rapid growth of the Georgian economy in recent years and the opening of our new headquarters not only reflects our confidence in the country's prospects but also brings immediate benefits, as we consolidate our locations to improve efficiency and reduce our rental costs", commented Irakli Gilauri, Chief Executive Officer.

Bank of Georgia announces its upgrade by Fitch Ratings and Standard & Poor's

JSC Bank of Georgia (LSE: BGEO) (the "Bank"), the leading bank in Georgia, announces that Standard & Poor's and Fitch Ratings raised their respective ratings on the Bank of Georgia on 16 December 2011. Standard & Poor's raised its long-term rating on Bank of Georgia to 'BB-' from 'B' and affirmed 'B' short-term rating. The Bank remains the only financial institution in Georgia rated by Standard & Poor's. Fitch Ratings has upgraded the Bank's Long-term Issuer Default Rating from 'B+' to 'BB-'. It also upgraded Bank's Viability Rating ("VR") from 'b+' to 'bb-', currently the highest VR of any Georgian bank. The rating agencies noted Bank's business position, capitalization, liquidity, profitability and strong corporate governance and management teams as the drivers for the rating upgrades. The outlook according to both agencies is Stable.

The upgrades follow the recent sovereign rating upgrades by both Standard & Poor's and Fitch Ratings, as announced on November 24, 2011 and December 15, 2011 respectively. "Georgia has been delivering strong macroeconomic fundamentals over the last few years with impressive growth in both real GDP and foreign reserves together with a declining budget deficit and low debt to GDP. I am pleased that the two rating agencies have recognized the much improved macroeconomic environment in Georgia and the financial strength and business fundamentals of Bank of Georgia at a time when global macroeconomic conditions remain challenging. Bank of Georgia's long-term rating by both rating agencies are now rated at the sovereign level", commented Irakli Gilauri, Chief Executive Officer.

Bank of Georgia launches Express Banking

JSC Bank of Georgia (LSE: BGEO) (the "Bank"), the leading bank in Georgia, announced on December 15, 2011 the launch of Express banking, represented by small-format service points where ATMs and self-service terminals are located and access to internet banking is provided. The Bank's clients will be able to receive expedited services when opening small deposits or receiving small instant cash loans at nine Express service points in key locations in Tbilisi. Clients will also be able to apply for and receive instant debit cards at any of the Express service points.

"We believe that transactional banking at our Express service points will free our flagship branches to increase sales of higher value-added services and products. Additionally, our Express service points will educate our clients in the use of internet banking and other distance channel services, so enhancing efficiency through the increased use of these channels", commented Irakli Gilauri, Chief Executive Officer.

AmCham re-launched the Commercial Law and Tax (CLT) Committee

On October 1st 2011 EUGBC member AmCham re-launched the Commercial Law and Tax (CLT) Committee, which includes members from BDO, BGI, BLC, Deloitte, DLA Piper, Ernst and Young, GSMEA, HBSS, KPMG, LPA and PWC.



The committee is working to guide a new project that is run by three lawyers employed by AmCham, intended to analyze developments in the area of commercial law and tax and identify ways in which the law and its implementation can be improved. The project is funded by USAID through Eurasia Partnership Foundation and East/West Management Institute.

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

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

EUGBC members and partners interested to share their experiences are welcome to contact us in Tbilisi at tel: +995 32 2593607, cell: +995 595 989916, tamar.khuntsaria@eugbc.net.

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