

OPINION & ANALYSIS

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ECONOMICS

Geostat: Russia no longer Georgia's largest export partner



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BY NATALIA KOCHIASHVILI

US SENS. Ted Cruz member of the Senate Foreign Relations Committee, John Cornyn, along with Reps. Jodey C. Arrington and Markwayne Mullin, sent a letter, dated May 15, to Secretary of State Mike Pompeo and Treasury Secretary Steve Mnuchin requesting a briefing in response to concerns about governance issues in Georgia, specifically Georgian illicit financial ties to America's rivals and enemies, including ties with Iran, that threaten US national security and business interests.

In the letter, they asked to be briefed about: The current government of Georgia, led by the Georgian Dream, is trying to drive out the American businesses that are investing in Georgia's economy and future investment; Such actions are motivated by geopolitical considerations, including Bidzina Ivanishvili's alleged links to the Russian government; Black Sea Port Activities for a Critically Important American Interest in Threatening Georgia, including: The premeditated expulsion of American companies from the port project is connected with the protection of Russia's influence on the ongoing processes in Georgia. Deficiencies in the implementation of US sanctions, in particular, in the context of ports.

Letter said that Georgia is a strategic partner in the Caucasus and an aspiring NATO ally: "Militarily, the Georgians have provided resources to our mission in Afghanistan. Geographically, the country offers a critical route for trade and energy from the Caspian Sea to Eastern Europe. A robust US-Georgian partnership is a necessity for American interests, which in turn requires Georgia to return to and bolster good governance."

They wrote that over the last year, foreign direct investment into Georgia decreased by nearly 50%-while taxes and bureaucratic barriers have increased for Western businesses.

According to authors, these good gov-

American business in Georgia: Frontera's case

US AMBASSADOR MAKES THE FIRST COMMENT ON THE CONGRESSMEN'S LETTER



► After and in accordance with the Arbitration decision, Frontera says it has the intention to return lands to the state, claims the company has not been fined with \$100 million.

ernance issues have directly undermined the ability of American companies to operate in, and deepen our relationship with, Georgia. In the letter, the senators point out that the Texas company Frontera has become a target of restrictions and regulations by the Georgian government, and is currently facing possible expropriation. And in 2019, Conti Group was expelled from the port construction project in Anaklia, which has been suspended at this stage. The letter also spoke about the illicit trade. Authors reiterated Georgian businesses and the Georgian financial system have for years been notorious among the US sanctions officials as vehicles for circumventing American sanctions on Iran, citing the operation of a small bank by three Iranian citizens in Georgia in 2013, which involved air travel with financial transfers and the involvement of various companies. The letter mentions the port of Batumi as a target for Iran's illegal oil activities as well.

The Ambassador of the United States of America to Georgia Kelly Degnan made the first comment on the matter yesterday during the virtual press conference with the media.

She said as a representative of the executive team, she will refrain from commenting on the actions of other branches of government in the United States, because Congress is very independent, yet she noted that the statements about Georgia in the US are made by those who want to see a successful Georgia.

"What you can be sure of is that any comments that come from the US come from people, groups who sincerely want Georgia to succeed. They want Georgia to continue on the path to Euro-Atlantic integration. They want Georgia to fulfill its dream - to have a more free, strong democratic society that is also economically developed and offers its people a variety of economic opportunities that it deserves,"



► According to the US ambassador, the cooperation between Georgia and the United States on regional security issues is quite in-depth.

Degnan commented, adding that any kind of response that Georgia receives is imbued with this spirit and the desire to promote Georgia's success.

Asked if she had discussed the Georgian government's ties with Iran, the ambassador said she will discuss 'our relations with the Georgian government in a wider range.' According to her, countries have very good cooperation and communication, especially on issues related to international and regional security.

Among other things, the US Ambassador stressed the importance of the independence of the judiciary and said that its transparency and efficiency are important for both democracy and economic development. "Investors need to know that the contracts they sign will be enforced and the court decisions will be fair and timely. Therefore, if these steps are not taken, investors will invest their money in another country," said Degnan, adding that it is essential to create an

independent judiciary in order to attract foreign, including American, investment in Georgia.

The decision of the International Arbitration Tribunal on the Frontera case has been interpreted in different ways by both sides. On April 21st, the Oil and Gas Agency and the corporation, which launched the dispute in 2017, announced that the arbitral tribunal had supported their interpretation of the norms of the contract and had met the vast majority of their claims. They said the tribunal had found that Frontera had substantially violated the contract, which was reflected in the refusal to return the search area (99% of the entire licensed area) to the state.

According to them, Frontera was instructed to reimburse the amount of fee for the use of natural resources paid by the Oil and Gas Corporation, as well as the costs incurred by the plaintiffs in connection with the arbitration proceedings.

The company Frontera responded calling this information untrue and speculative, adding that the public statements made by some members of the Georgian government contained an inappropriate attempt to insult the US government and discredit both them and other supporters of American business like Frontera. Hours later State Oil and Gas Company announced about terminating the contract with Frontera, which they have the right of, based on an arbitral award. Even though Frontera says it's possible to continue cooperation, the contract will be automatically terminated on July 27th, 2020.

According to the President of Frontera Zaza Mamulaishvili, the arbitration did not meet the main requirements of the agency and the corporation which concerned the financial part and the payment of \$100 million, however, when asked, the company refused to publish the arbitration decision.

4 years after the murder of Giga Otkhзорia

By KHATIA BZHALAVA

Citizen of Georgia, Giga Otkhזורia in exile from the region of Gali was killed in the neighboring municipality (Zugdidi) of occupied Abkhazia on May 19th 2016 by Rashid Kanji-Ogli, an Abkhaz border guard. After the murder, The military prosecution of de-facto Abkhazia commenced an investigation, which was promptly terminated due to the absence of evidence. Kanji-ogli has been sentenced in absentia to 14-year imprisonment and is declared as internationally wanted by Georgian Court. The location of Kanji-ogli remains unknown for this day, However, some sources claim that he has been put up by Russia. The Georgian side has been demanding handing over of the accused from the Abkhazian side in vain. Neither of Kanji-ogli's companion border guards has been brought to justice by the de-facto authorities.

Otkhזורia was trying to transport food into the break-away region for a funeral ceremony of his late aunt on May 19th, 2016. Locals said the border guards demanded bribes from Otkhזורia in exchange for transporting the goods, which caused a dispute. Otkhזורia ran away from the border guards but was shot as he retreated.

Otkhזורia, father of two, was shot six times and died soon after he had been rushed to the hospital.

On May 19th 2020, on the day of 4th year death anniversary, Georgian Young Lawyers Association(GYLA) published a statement, laying all the responsibility of the murder and improper investigation on the



► Giga Otkhזורia.

Russian federation since "Russia is exercising effective control over Abkhazia."

As the statement notes, the case is presidential, since the court will have to consider whether the Russian Federation exercises effective control over Abkhazia and what responsibility is imposed on it for the actions of the de-facto authorities in Abkhazia. Successful completion of the case also has significant value for Otkhזורia's family members for restoring justice and their violated rights.

"The case of Otkhזורia – a violation of the right to life is being considered by the European Court of Human Rights. GYLA and EHRAC represent the interests of Otkhזורia's family



► "Even though the perpetrators of Otkhזורia's murder are known, they have not yet been brought to justice by the de-facto authorities," says GYLA.

members. The internal communication between the parties in the European Court has already ended and the announcement of the judgment is pending," reads the statement.

According to GYLA, the case of Otkhזורia clearly represents an alarming human rights situation in the territories of occupied Abkhazia and the Tskhinvali region and surrounding villages along the occupation line.

The complaint with regard to the case was submitted to the European court in January 2018. Prior to that, human rights defending organisations had applied to Russian Federation and the de-facto republic of Abkhazia to investigate the case, numerous times, However, as GYLA states, Russia avoided the responsibility by saying that Abkhazia is an independent state and the de-facto republic of Abkhazia did not even respond at all. Georgian opposition party European Georgia shares their approach to the case and states, that apart from the individuals committing murder, the occupation regime and Russian Federation are also responsible for the crime since they have been concealing the offenders and hindering the execution of justice.

European Georgia accuses the Georgian government of ineffectiveness and remarks that they do nothing to punish the murderer as well as his accomplices and guardians even though their identities are known.

The Minister of Reconciliation and Civic Equality, Ketevan Tsikhelashvili stated that the government would not tolerate the impunity of the offenders. As she said the case of Otkhזורia is one of the main priorities in the agenda.

Promoting the "new normal" in public service delivery in Georgia

UNDP, UK AND SWEDEN HELP TO EXPAND ACCESS TO ELECTRONIC SERVICES FOR CITIZENS AND CIVIL SERVANTS

TBILISI. 20 May 2020 – As the COVID-19 pandemic renders "business as usual" impossible, the United Nations Development Programme, with support from the UK and Sweden, is helping public agencies in Georgia strengthen people-centred public service delivery and expand access to digital tools. This work is creating a "new normal" with

benefits for Georgia's citizens that will outlast the crisis.

With UNDP support, 36 new electronic services have been added to the Unified Service Portal, my.gov.ge, since the pandemic first reached Georgia. Administered by the Data Exchange Agency (DEA) of the Ministry of Justice of Georgia, the portal was already home to a range of e-services for Georgian citizens before the crisis. The newly added online applications enable citizens to receive critical public services without having to leave their homes, for example to obtain or renew biometric passports,

ID cards and marriage, birth, death and adoption certificates; to change names and surnames; and to register land and businesses.

"Georgia is the region's leader in creating a people-centred culture of public service delivery based on innovation and new technology," said UNDP Head Louisa Vinton. "These long-term investments in digital technology and e-governance contributed to the country's success in the pandemic response and ensured that public services could be moved online easily during the crisis. Expanded access to electronic services will enable Georgia to es-

tablish a beneficial 'new normal' for public service delivery after the lockdown is lifted."

Also with UNDP support, the Data Exchange Agency has launched an online platform e-learning.gov.ge to deliver cybersecurity and e-governance training for students and researchers.

"We are responding to the COVID-19 crisis by providing citizens with easier online access to almost all services available at the Public Service Halls and Community Centers," said Data Exchange Agency Chairman Nikoloz Gagnidze. "At the same time, with expanded use of online

tools, it's crucial to ensure that cyber hygiene and cybersecurity become a bigger part of our daily life both during the crisis and beyond."

UNDP assistance also extended to the Public Service Hall, where a series of online training courses on service delivery security and disability-sensitive service delivery has been launched for 800 front-line staff. Assistance to the Data Exchange Agency and the Public Service Hall is part of UNDP's wider support to Public Administration Reform in Georgia, implemented with funds from the UK and Sweden.

THURSDAY		MAY 21	
Day		Cloudy	
		High: 30°C	
Night		Cloudy	
		Low: 17°C	
FRIDAY		MAY 22	
Day		Thunderstorm	
		High: 31°C	
Night		Cloudy	
		Low: 16°C	

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Geostat: Russia no longer Georgia's largest export partner

IMPORT REDUCTION ANTIRECORD OF 38.5% DECREASE WAS DISPLAYED IN APRIL.

BY NATALIA KOCHIASHVILI

The National Statistics Office of Georgia (Geostat) released the preliminary data for the foreign trade turnover of goods in Georgia in January-April 2020, which excluding undeclared trade amounted to \$3,463.5 million, down by 11.8% from a year earlier.

According to preliminary data, exports in this period amounted to \$1 001.3 million. (11.9 %less), while imports amounted to \$2,462.2 million. (11.8 %less).

Georgia's negative trade balance in January-April 2020 amounted to \$1,460.8 million and accounted for 42.2 %of foreign trade turnover.

Georgia's exports fell by 27.9% in April. According to preliminary data, exports last month amounted to 223.2 million dollars, which is \$86.4 million (27.9%) less than in 2019. In total, exports in January-April amounted to \$1 billion, which is 11.9% less than the previous year.

In April 2020, Georgia's imports fell by 38.5%, the sharpest drop in imports in recent years. Against the background of limited economic activity, Georgia has purchased a total of \$ 458 million worth of products from abroad in the past month, which is \$ 286.8 million less than in the same period of 2019. In total, imports in January-April amounted to \$ 2.46 billion, which is 11.8% less than in 2019.

At the same time, in January-April, copper ores and concentrates took the first place in the top 10 exports from the commodity groups, the second place is occupied by cars \$134.8 million, and on the third - ferroalloys \$ 91.8 million. According to Geostat, exports without re-exports (local exports) accounted for



► Due to the economic shock caused by COVID-19, Georgia's exports fell by a total of 11.5% to \$ 1 billion in January-April.

71.2% of total exports. This figure decreased by 2.9 %compared to the same period last year and amounted to \$713.0 million.

As for imports, the largest import commodity group in January-April 2020 was represented by cars, whose imports amounted to \$186.1 million. The second place was occupied by oil and oil products \$171.2 million, while copper ores and concentrates are in the third place with \$166.1 mln.

The share of the 10 largest exporting countries in Georgia's total exports amounted to 78.1%. According to the agency, the first place in the largest export trio is Azerbaijan - \$145.2 million, followed by China. Georgia's exports to China increased by 207% to \$ 135.5 million in January-April 2020. This is the largest increase in exports in the country since the entry into force of the Free Trade Agreement with China. At the same time, exports decreased by 29.3% in the Russian Federation and amounted to \$125.6 million. Due to this reduction, Russia ranked 3rd in the list of exporting countries (in 2019 it was in first place).

At the same time, in the first 4 months of this year, the share of the 10 largest countries in

Georgia's total local exports was 80.2%. In this regard, the largest export partners are China (share in total exports - 18.4%), Russia (15.9%) and Bulgaria (15.6%).

Compared to the same period last year, a large increase in exports was observed in China (260.8%), Spain (275.3%) and Switzerland (48.3%). The decrease in exports was observed in Ukraine (27.2%), Russia (23.3%) and Turkey (22.9%).

It should be noted that last year Georgia's largest export partner was Russia and it accounted for 20% of total exports, while China accounted for only 5% of total exports.

The main local export goods are still copper ores and con-

centrates. Their share in total exports is 30.2%. In second place is ferroalloys, which account for 12.9% of total local exports.

The volume of exports of ferroalloys decreased by 21.8%. The downward trend was also observed in the export of natural grape wines, its volume decreased by 12.4% compared to the previous year and amounted to \$55.4 million.

Deputy Finance Minister Giorgi Kakuridze said at a meeting of the Finance and Budget Committee that exports will probably decrease by 15 to 20% during the year: "This means that export-oriented companies have reduced their sales, so they need fewer employees to provide the services they used to provide," he explained, adding that the main goal is to help companies maintain more jobs, even with reduced salaries.

The share of the 10 largest import partner countries in Georgia's total imports amounted to 68.9%. The top 3 include: Turkey - \$406.0 million, Russia - \$270.1 million and Azerbaijan - \$221.8 mln.

Geostat reports that in January-April 2020, the share of the 10 largest trading partners in Georgia's total foreign trade turnover was 70.1%.

According to Geostat, in April 2020, the price index of industrial producers increased by 1.5% compared to the previous month, and by 10.1% compared to the previous year.

Agency observed a 2.5 %increase in prices compared to the previous month for the manufacturing group of manufacturing industries, and its contribution to the overall index of percentage change in the index was 2.01 %. Among the products in the group, there was a significant increase in prices for beverages, which increased by 3%, for other non-metallic mineral products - 4.5% and for basic metals - a 2.1% increase.

According to Geostat, over the 12 month period, the main influence on the formation of the index was the change in prices for the following products: products of the manufacturing industry, where prices rose by 10.9 %. Prices also rose in the following subgroups: food products - 13.1% increase, beverages - 9.4%, other non-metallic mineral products - 14.3% increase.

In terms of mining and quarrying, there was a 15.5% increase in prices. Prices for electricity, gas, steam and air conditioning rose 3.7%.



► Food prices rose by 13.1% in the 12-month period, and beverages' - 9.4 %. Photo: Forbes.ge

Changes in Forest codex

BY KHATIA BZHALAVA

The Environmental Protection and Natural Resources Committee of Parliament supported changes in the Forest codex on the third hearing. The codex represents the most important part of the forestry sector reform, which is a result of 6-year preparation with the assistance of the EU, world bank, and the government of Georgia. Aside from the EU association agreement, the legislation responds to the governmental plans and national forestry conception adopted by the Parliament of Georgia in 2013. It settles principles of forest's sustainable management.

The main purpose of the legislation is to maintain and protect the ecosystems in the forest and to use social and economical benefits reasonably.



► Deputy Minister of Environmental Protection and Agriculture of Georgia, Nino Tandilashvili.

According to the Deputy Minister of Environmental Protection and Agriculture of Georgia, Nino Tandilashvili, for the last year Forest Codex has been discussed with almost every NGO and

there have been some corrections made. She believes that the condition of the codex in which it is presented today, will play a fundamental and considerable role in defending the environment

and the further development of the forests. The changes consider handing the Patriarchy at most 20 Hectare of the forests that surround the churches.

Tandilashvili dismissed the opinion, as if giving forests to the churches was a part of the electoral campaign and explained that the purpose of the project is to take care of the forests and preserve them for future generations.

"If the churches receive a certain quantity of forests, they will have more duties than the rights. Duties such as keeping, recovering, sustainable managing of the forest, hiring forestry specialists and other range of responsibilities," said Tandilashvili.

After the support of committees, the changes should be unveiled to the plenary session and only after the deputies approve them will the patriarchy be able



to receive the forests, 20 hectare at most per church. NGOs shared various statements with regard to the Forest Codex, resisting changes in this manner. According to the Tolerance and Diversity Institute (TDI), the initiative grants already-dominant religious organisation with additional property and financial privileges. As the Human Rights and Monitoring Center (EMC) states, the changes are in resistance with fundamental constitutional principles and creates an unfair experience of managing and sharing strategically natural resources.

Both TDI and EMC believe that this initiative of empowering the patriarchy by granting privileges is a matter of gaining their loyalty prior to the elections.

Vakhtang Tsitsishvili – *Country of Liquid Sun*

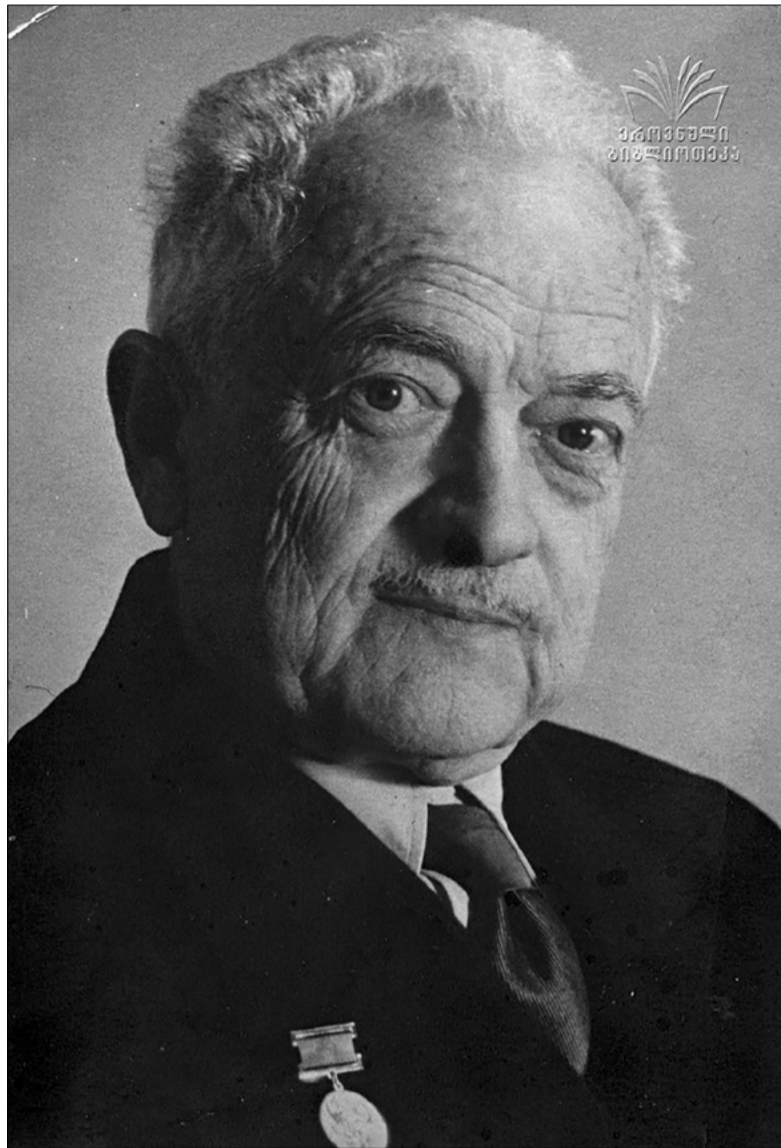
Vakhtang Tsitsishvili, after graduation from the Dijon (France) Higher Agricultural School, worked in the position of Assistant Specialist at the Sarajishvili Cognac Factory from 1915. Between 1924-1949, he was the Chief Specialist and then Technical Director of the Cognac Factory. In 1949, he was invited to be the Chief technologist at the newly established Cognac Complex. From 1953, he continued his activities at the “Samtrest” cognac enterprise where he worked as its Chief Technologist until the end of his life.

Vakhtang Tsitsishvili introduced a number of innovations into Georgian cognac-making technology. Primarily, he introduced the aging of cognac spirits by means of a step-by-step filling method which provides for the filling of old cognac spirits by relatively young spirits which is very important in that it allowed for the creation of a large stock of high quality spirits.

Tsitsishvili created well-known Georgian brand cognacs, like Eniseli, Gremi, Saiubileo-20. Tbilisi, Saiubileo-40 and Vartsikhe, amongst others, based upon local raw material. Since 1930 and under his direct leadership, the assortment of Georgian liqueurs has also been extended which, together with Benedictine and Chartres, include new Georgian brand liqueurs such as Vardi, Kolkhida, “sitrusis Kvavili, Samxretis Kvavili, Mocco and Shokoladi, amongst others, which have met with great approval.

Tsitsishvili was the first one who applied marketing approaches and finally achieved the bottling of Georgian liqueur, vodka and cognac in different bottles with improved cork quality and a focus upon the external appearance of the product. It was in the 1830s that the first brand bottles for cognac, Dzalian Dzveli, and the liqueurs, Benedictine and Vardi, appeared.

One story, involving Winston Churchill and Georgian cognac, still goes around as a legend to this day. In the neighbouring country of Armenia, officially or unofficially and in the press or publicly, the fact that Churchill, allegedly, used to drink the Armenian cognac. Dvin, is subject to a number of different interpretations, even today. In fact, what happened in reality was this: In 1945, at the Yalta Conference, the leaders of the Great Three -America, England and the Soviet Union- were served drinks after the completion of the event's official part. Churchill



► Vakhtang Tsitsishvili

was offered cognac. He tried it, did not like it and set it aside. According to Stalin's order, the rejected drink was replaced by Georgian cognac. Churchill tasted it and said: “But this one is excellent, is it French?” Stalin noted: “It's not French, but Georgian.” “But it might

be made by French specialists at least,” Churchill tried to insist upon his opinion. It was later explained to him that no foreigners were working in the Georgian cognac industry.

The cognac Eniseli is called the pride of Georgian cognacs. “Eniseli is the water of im-

mortality.” That is how the representatives of the Italian commercial firm, Anjelo Guala, have referred to the Georgian brand cognac. Furthermore, the President of the firm, Pierrot Dzavataro, applied to the

administration of “Samtrest” Georgian in 1978 with the request for a regular supply of Georgian cognac provided that the words “Aqua Vitae” that is, the water of life, would be added to the label.



► Vakhtang Tsitsishvili with Samtresti employees.



► Wine congress in Tbilisi. Vakhtang Tsitsishvili (right), Baron Pierr le Roy