Georgian Finance Minister Meets OECD Representative

BY THEA MORRISON

Dimity Kumsishvili, Georgia's First Vice-Premier and current Minister of Finance, met with Bill Thompson, the representative of the Organization for Economic Co-operation and Development (OECD) in the Eurasian Region.

At the meeting, the sides discussed the broad spectrum of the Georgian-OECD partnership, with particular attention paid to the projects implemented by the OECD in cooperation with Georgia, including in the direction of tax.

Future cooperation priorities were also discussed.

Kumsishvili introduced his guest to the current economic situation in Georgia and spoke about the planned reforms, in particular the Four Point Reform Plan of the Government of Georgia which envisages modifying Georgia’s income tax rules, improving governance, accelerating infrastructure projects and developing higher education.

The meeting highlighted the significant progress Georgia has made in combating both anti-corruption and tax fraud.

It was agreed by both Kumsishvili and Thompson to further develop mutual cooperation.

The OECD is an intergovernmental economic organization with 36 member countries, founded in 1960 to stimulate economic progress and world trade. It is a forum of countries describing themselves as committed to democracy and the market economy, providing a platform to compare policy experiences, seeking answers to common problems, identifying good practices and coordinating the domestic and international policies of its members. OECD is an official United Nations Observer.
Saakashvili “Triumphantly” Returns to Ukraine

**By Thea Morrison**

Former Georgian president and ex-governor of Ukraine’s Odessa region, Mikheil Saakashvili, has returned to Ukraine to reclaim his Ukrainian citizenship, which according to him, was illegally stripped by President Petro Poroshenko on July 26.

Saakashvili crossed the Polish-Ukrainian border on September 10, with the help of his Ukrainian supporters, despite being denied entrance due to his allegedly invalid documents.

Late on Sunday, a group of Saakashvili supporters broke through the line of security forces guarding the border and literally pulled Saakashvili from neutral territory between Poland and Ukraine onto Ukrainian territory. Ukrainian officials say he entered illegally, and 16 border guards and National servicemen were injured in the ensuing scuffle.

After crossing the border, Saakashvili thanked his supporters, naming them all “heroes.”


Yury Lutsenko, Prosecutor General of Ukraine, said late on September 10 that participants and organizers of the illegal border crossing in Shehyini will be held responsible.

“Fighting for power, Saakashvili’s supporters are destroying the State...The law requires the bringing of those who organized the illegal border crossing, led these actions, or promoted them...to criminal accountability,” he stated.

Meanwhile, Ukraine’s Interior Minister Arsen Avakov said that Mikheil Saakashvili needs to complete a form stating the fact of his border-crossing at the Shehyini checkpoint or immigration service. He added that all participants of the breakthrough process must appear at the police department.

“Border guards and police officers were prohibited from using weapons at the cross-point,” Avakov said.

The Lviv police started an investigation into Saakashvili’s border crossing. The Ukrainian police website posted a statement reading that the violators face from 5 to 8 years in prison.

Saakashvili was the third president of Georgia between 2004-2007 and again in 2008-2013. Poroshenko granted him Ukrainian citizenship in May 2015, when appointing him the Governor of Odessa. In December 2015, Georgian authorities stripped Saakashvili of Georgian citizenship as dual citizenship is not allowed in Georgia. In November 2016, Saakashvili quipped his post and formed an opposition party and was seen heavily criticizing the Ukrainian authorities, which led to a disagreement between Poroshenko and the ex-Georgian President. Poroshenko stripped Saakashvili of his Ukrainian citizenship in July.

The State Migration Service has said that Saakashvili submitted incorrect information when he applied for citizenship in 2015. “failing to state that he was under investigation in Ukraine or abroad”, while in fact he was being investigated in Georgia for various charges.

Saakashvili claims the President of Ukraine merely aims to rid himself of a political opponent, and that it was illegal to strip him of his Ukrainian citizenship.

“The Man without a Country” also denies charges raised against him in Georgia.

Last week, Georgia’s Prosecutor General’s Office sent a third request to the Ukrainian Justice Ministry and the Prosecutor’s Office, asking them to detain and extradite the ex-president to Georgia when he entered Ukraine.

Sergy Petkho, Deputy Justice Minister, stated last week that according to the Georgian Prosecutor General’s Office, Saakashvili is accused of abuse of power committed by violence or use of weapons, deliberate infliction of grievous harm to health and abuse of office.

Winery Khareba Wins Gold at Mundus Vini

**By Kate R. Davies**

W inery Khareba won the top award, a gold medal, at the prestigious competition MUNDUS VINI International Wine Award 2017 in Germany, for its Mukuzani Dry Red Wine.

Nearly 164 international wine experts from 41 countries judged wines from more than 200 growing regions all over the world in the globally recognized MUNDUS VINI 2017 summer competition.

The gold medal winner was Mukuzani Dry Red Wine, made of the sapervari grape variety grown in the Mukuzani microzone, Kakheti, eastern Georgia where the winemaking tradition goes back to antiquity. With a dark ruby color, a fine fruity bouquet and a full, fresh and harmonious taste, it is best served with mutton and fresh vegetables.

10th International Forum of Local Economic Development to Be Held at The Biltmore

**By Kate R. Davies**

The two-day International Forum of Local Economic Development will be opened at The Biltmore Hotel Tbilisi on September 13, the 10th of its kind and the annual forum was established in 2007.

The Forum is said to be a unique regional platform for discussing issues related to the development of municipalities. In addition, forum participants have the opportunity to share ideas and experience and to establish future cooperation between the private and public sectors, local and international experts and members of civil society.

This year’s International Economic Forum for Local Economic Development is a large-scale event based on sessions of multilateral topics and numerous rapportees and will see representation from numerous countries: the US, Austria, the UK, Germany, Spain, Italy, France, Sweden, Moldova, Ukraine, Holland, China, Denmark, Jordan, Poland, Slovakia, Belgium, Israel, Turkey, Arctic, Azerbaijan, Armenia and Kazakhstan.

The forum will be attended by up to hundred international speakers, including Director General of the European Commission Neighborhood Policy and Enlargement Negotiation Director, Christian Danielsson, Asian Development Bank Knowledge Management and Vice President of Sustainable Development, Bambang Susianto; EBRD Chief Economist, Kathyl Twadt; EBRD Consultant, Robert Bailey; Executive Director of Barcelona Tourism Council, Jordi Williams Carnes, and more.

The conference part of the event will last for two days. Top Sessions will be held: Good Governance, Cities for Economic Growth, Urban Resilience, Resilient Future, Smart Environment, Energy Efficiency, Future Cities, Goals & Visions, International Relations, EAP & Enlargement, Invest in City Entrepreneurial Opportunities in Global Trade, City Tourism, Innovative Positioning and Branding Strategies, Integrated Approaches for Territorial Development, and Open Government Partnership.

16 moderators will moderate the forum, with around 100 presenters, including 50 invited international speakers.

As a result of the Forum, Tbilisi City will receive recommendations, consultations and specific projects for development of the city as well as economic, urban and environmental development: Developing international relations and establishing new contacts; city’s investment potential presentation; Introducing the wide range of activities in the field of electronic management in Tbilisi; Sharing successful experiences from different cities in energy efficiency and green towns; and future views of the city.

The ‘Green City Action Plan’ will be presented at the conclusion of the Forum and Tbilisi will be awarded the Club Membership Certificate for ‘Mayors for Economic Growth.’
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First New York Skyscraper in Tbilisi

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An ideal place for business meetings with a dedicated concierge service.

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Open park with secure access points.

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POOL
Olympic-size and kids swimming pools.

KINDERGARTEN
A colourful environment and caring teachers for the tiniest residents of Tbilisi Gardens.

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Quarter 3 Forecast Revised Downward but Strong Tourism & Export Performance Set to Boost Growth

BY DAVIT KESHELAVELA & YASYA BABYCH

ISET-PI has updated its forecast of Georgia’s real GDP growth rate for the third quarter of 2017. Here are the highlights of this month’s release:

- Geostat has recently released its rapid estimate of economic growth for the second quarter of 2017, which now stands at 4%. As a result, estimated real GDP growth for the first half of 2017 revised 4.2%.
- The ISET-PI real GDP growth forecast for the third quarter of 2017 was revised downward to 4.5%.
- Based on June data, we expect annual growth in 2017 to be 5.8% in the worst-case or “no growth” scenario, and 5.3% in the best-case or “average long-term growth” scenario. We started forecasting the annual growth rate at the beginning of 2014 (see our January 2014 and February 2014 publications for a note on methodology). Typically, the annual forecast accuracy improves significantly after the second-quarter data comes in.

Growth in the second quarter of 2017—good enough, but lower than expected. According to the recent release, the official estimate of growth, which is based on VAT taxpayers’ turnover data, now stands at 4%. The official estimate is 1.8 percentage points below ISET-PI’s forecast. The forecast error comes from the unusual low GDP growth figures in April (only 2.1%) that significantly hampered the quarterly growth rate. This puts the government well within reach of the 4% annual growth target, although the Q2 figure is still low by historical standards anticipated by the ISET-PI forecast. Consequently, the Q3 forecast has been revised downward to 5.3%. Other factors that influence the ISET-PI forecast model continue to show remarkable stability. However, a handful of variables have demonstrated significant monthly and yearly changes. In particular, increased money supply, improved external sector statistics, and recovered business and consumer confidence all had a positive impact on the Q3 forecast, while high inflation remains a negative contributor to growth predictions.

The first set of variables that had a significant positive effect on our forecast are related to currency in circulation. Facing increased appreciation pressure on the exchange rate, the National Bank of Georgia purchased $70 mln worth of foreign exchange reserves in four separate auctions. Overall, all monetary aggregates increased by around 5% relative to the same month of the previous year. In particular, the largest M3 and M2 aggregates increased by 17% and 14% respectively in yearly terms, while the most liquid Currency in Circulation (CCIR) went up by 16% year on year. According to economic theory, increased money supply encourages business expansion and consumption spending, which leads to a rise in aggregate demand. The other set of variables that had a significant positive effect on the predicted GDP growth were related to the external sector. In June, exports increased by 37.4% in yearly terms (the main contributor was re-exports of copper and concentrates), while imports experienced a moderate annual reduction of 0.03%. As a result, net exports (the trade balance) improved by 13.3%. Overall, the reduction in the trade deficit made a significant positive contribution to the real GDP growth forecast.

Remittances and tourism, together with the foreign direct investment (FDI), are among the main sources of foreign funds coming into Georgia. In June, remittances increased by 12% relative to the same month of the previous year. Once again, the main contributors to this growth were Israel and Russia. Regarding the number of visitors, Georgia experienced a 28.5% increase in yearly terms. Moreover, inbound tourism increased by 43% year on year. As Georgia is among those countries in which remittances and income from tourism form an important part of household income, their growth had a positive impact on the projected real GDP growth.

Recovered business and consumer confidence were among the other positive contributors to the real GDP growth forecast. The Georgian Business Confidence Index (BCI), a barometer of business sentiment in the country, shows yearly improvement for the first three quarters of 2017. It is notable that businesses seem to be much more optimistic this year than they have been in recent years. In addition, the Consumer Confidence Index (CCI) shows some recovery. As a result, we observe a notable increase in consumer credit-related variables. For instance, in June, the Total Volume of Commercial Bank’s Consumer Credit increased by more than 30% relative to the same month of the previous year. The level of consumer confidence is an important factor that determines consumer willingness to spend, borrow, and save. A higher level of consumer confidence will encourage a higher marginal propensity to consume, leading to more vibrant consumption and an improved growth environment. In June, six months had passed since the Georgian government increased excise on a variety of goods. As a result, the annual inflation rate reached 7.3% (the highest level in the past three years). Furthermore, inflation-related goods reached an even higher rate of 9.8%. In the meantime, core inflation (which excludes fuel and food prices) was lower than general inflation and amounted to 4.5%. The excise tax increase is temporary and will have a one-time effect on the price level (it is expected that this effect will be exhausted by the end of the year); nevertheless, our forecasting methodology excludes it from the GDP growth.

Our forecasting model is based on the Leading Economic Indicator (LEI) methodology developed by the New Economic School, Moscow, Russia. We constructed a dynamic model of the Georgian economy, which includes all economic variables, including the GDP itself, are driven by a small number of factors that can be extracted from the data well before the GDP growth estimates are published. For each quarter, forecasting the GDP growth rate increase as a negative contributor to future GDP growth.
Minister of Economy Participates in International Transport Conference in Ukraine

By Nino Gugunishvili

Giorgi Gakharia, Minister of Economy and Sustainable Development of Georgia, participated in the International Transport Conference in Odessa, Ukraine. Volodymyr Groysman, Prime Minister of Ukraine, opened the forum, which has a focus on establishing competitive advantages of the transport links between Europe and Asia.

Topics of discussion included transit corridors, connections between countries and their economies, and the corridor linking the Chinese market to the European.

Apart from Georgia and Ukraine, Romanian, Bulgarian, Azerbaijani, Kazakh, Polish, Lithuanian and Chinese official governmental delegations and private sector representatives participated in the conference. Georgian Railway, Batumi Port, and Batumi Container Terminal representatives also attended.

Georgian Railway CEO, Mamuka Bakhtadze, made a presentation at the forum. "This is a strategic direction for the development of our economy," said Giorgi Gakharia. "We discussed the vital role Georgia plays as a gateway [between East and West] which may have an important function on both eastern and western, and on the south-north corridors. That's why we're always present at such forums, trying to convert talks into concrete results, results like the Baku-Tbilisi-Kars railway, Anaklia Deep Sea Port and more". During the conference, a plenary session was held with the participation of the Prime Minister of Ukraine. The development of the integrated European and Asian transport corridors, transport policy harmonization and the formation of transport flows in the direction of Europe and Asia were discussed.

Number of Passengers in Georgian Airports up by 47.92% January-August

The latest statistics from the Georgian Civil Aviation Agency of the Ministry of Economy and Sustainable Development of Georgia show that in the period of January-August 2017, Georgian airports served 2,703,187 passengers, which is 47.92% higher than the data of the previous year. In 2016, in the same period, Georgian airports received 1,827,393 passengers.

In the given period, Georgia's three main airports: Tbilisi Shota Rustaveli International Airport, Batumi International Airport and Kutaisi David Agmashenebeli International Airport, served 875,724 passengers more y/y.

Kutaisi International Airport served 282,945 passengers throughout the first eight months of 2017, 82.59% more y/y; in 2016, it served 154,966 passengers.

Tbilisi International Airport alone served 2,071,720 passengers between January-August, which was a 42.78% increase.

The Batumi International Airport served 342,264 passengers during the first eight months of 2017, a 56.36% higher indicator compared to the same period of 2016.

The Airport of Mestia, Svaneti served 4,933 passengers, which was a 98.03% increase y/y.

Ambrolauri Airport opened mid-January and in its first eight months served 1,255 passengers.

The Civil Aviation Agency statistics also read that usage of Georgian air space increased by 15.00%. In the first eight months of 2016, the number of overflights amounted to 83,196, while this year the number reached 95,677.

“Growth was also recorded in terms of freight transportation. The volume of cargo transported by air is 23,182.669 tons, which is 4,060.25 tons or 21.23% higher compared to the cargo transported during the same period of the previous year,” the Ministry of Economy states.
First International Competition of Qvevri Wine Announces Winners

BY THEA MORRISON

The fourth International Symposium of Qvevri Wine, held at the Ikalto School-Academy, Wine, held at the Ikalto School-Academy, held at Bordeaux, France, where the exhibition ceremony took place the Ikalto Monastery Complex.

Top Rosneft Manager Caught Accepting Bribe

By David Drummers

One of the top managers of Rosneft was this weekend caught in an act of bribery. The head of a subsidiary of Rosneft, RN-Sakhalinmorneftegaz, Andrei Bardin, was detained on receiving 1 million Rubles from a Moscow businessman.

"According to the investigation, the General Director of RN-Sakhalinmorneftegaz entered into a criminal conspiracy with a group of persons aimed at illegally obtaining money through commercial bribery," the press release of the Investigative Committee, whose employees, together with employees of the Security Service of Rosneft, stopped the crime.

Bardin is said to have demanded a bribe to the amount of 1 million Rubles not to interfere with the participation of one of the capital city’s companies in a tender, apparently announced by RN-Sakhalinmorneftegaz. Bardin went to Moscow to get the money, at which point he was arrested "red-handed" on September 9.

Bardin is to be charged by the Moscow department of the UK-instituted criminal proceedings under Part 8 of Article 204 of the Criminal Code for Commercial Bribery. If the top manager is found guilty, he can receive from seven to twelve years imprisonment with a fine of up to fifty times the amount of the commercial bribe.

Based in Yuzhno-Sakhalinsk, Russia, LLC RN-Sakhalinmorneftegaz produces oil and gas. As of June 2006, the company has been operating as a subsidiary of the Open Joint Stock Company Rosneft Oil Company.

Sakhalinmorneftegaz operates on Sakhalin Island as an operator for more than 30 licenses for the development of Sakhalin’s oil and gas fields. All oil produced by Sakhalinmorneftegaz is transported through a pipeline to the Komsomolsk Refinery located on the Amur River. Gas is supplied to domestic customers via the Daltransgaz pipeline. RN-Sakhalinmorneftegaz is the operator of development of the Odoptu-Sea offshore oil and gas field (the Northern Dome).

Foreign Direct Investments at $346.6 million in Q2 2017

By Nino Gugunishvili

The National Statistics Office of Georgia (Geostat) published preliminary data on the Foreign Direct Investments (FDI), according to which $346.6 million was invested in the second quarter (Q2) of 2017, down 14.3% y/y.

Geostat states that topping the list of major investor countries in Q2 2017 in Azerbaijan, followed by the Netherlands, Turkey, United Kingdom, Czech Republic, Panama, Luxemburg, United States and China.

The share of the FDI by top three major direct investor countries is: Azerbaijan (36.6%), the Netherlands (12.4%) and Turkey (11.3%). Geostat claims the share of foreign direct investment by the top three economic sectors, transport, communications and construction, reached 66.3% in Q2 2017, with the largest share of FDI said to have been allocated to transport and communications ($130.4 million), with the construction sector in second place ($70.3 million), and hotels and restaurants allocated $29.3 million.
Singapore & China Host Georgian Wine Festival

BY THEA MORRISON

Singapore and Chinese cities Shanghai and Hong-Kong hosted the Georgian Wine Festival August 28-September 1. It was attended by local wine importers, masters, representatives of media, restaurants and hotel chains.

The festival was organized by Debra Melburg, Master of Wine and head of the Georgian National Wine Agency (NWA) contractor company Melburg Wine Media. Melburg assessed the festival as successful, especially in Singapore, where Georgian wine tasting was organized for the first time in such a format.

“Both during and after the festival, the majority of Singaporean importers expressed interest in Georgian wine,” Melburg said, adding that she had presented 10 Georgian wines and their pairing with five local meals at the tasting.

In China, Melburg arranged a tasting and seminar on Georgian wines in Shanghai and Hong-Kong.

Fuel Prices Up in Almaty, Kazakhstan

BY DIMITRI DOLABERIDZE

Gasoline prices have grown in Almaty, Kazakhstan by an average of 2 Tenge ($0.0059).

In the networks of large petrol stations in Almaty, there is a rise in the price of both gasoline and diesel fuel.

At gas station KazMunayGas, the cost of a liter of AI-92 gasoline since the beginning of August has risen by 3 Tenge, up to 144 Tenge ($0.42). Gasoline brand AI-95 also went up by 3 Tenge to 158 Tenge ($0.46), diesel increased in price by 4 Tenge from the beginning of August to 144 Tenge per liter.

The prices for gasoline at the gas stations of Royal Petrol are, for AI-92: 145 Tenge per liter (in comparison with 143 Tenge in August), while diesel now costs also 147 Tenge, having risen by one Tenge, and fuel of mark AI-95 stands at 159 Tenge ($0.47).

At the gasoline station Sinooil, a liter of AI-92 went up by 2 Tenge, to 144 Tenge per liter. At refueling stations, Helios AI-92 is sold at 145 Tenge, diesel fuel - 146 Tenge, and A1-95 gasoline went up by 1 Tenge to 144 Tenge, having risen by one Tenge.

The highest price was recorded in the network of gas stations Gazprom Neft-Kazakhstan where AI-92 is sold for 147 Tenge, having risen in price by 2 Tenge, diesel fuel, after a rise in price, for 147 Tenge per liter, and AI-95 gasoline for 159 Tenge ($0.49).

In the first half of 2017, Kazakh oil refineries processed 7.4 million tons of oil. This is 5.4% more than in the same period in 2016. Pavlodar Petrochemical Plant processed 13.1% more oil than last year – 260.7 thousand tons, Shymkent Refinery 19.8% less at 1.895.5 thousand tons, and Atysa Refinery 91.6% more than in 2016 with 2.588.3 thousand tons.

New Projects to Be Launched Following Expo 2017

BY DIMITRI DOLABERIDZE

Expo 2017 is an International Exposition which took place from June 10 to September 10, in Astana, Kazakhstan, focusing on Future Energy, and aiming to create a global debate between countries, nongovernmental organizations, companies and the general public on the crucial question: “How do we ensure safe and sustainable access to energy for all while reducing CO2 emissions?”

On September 10, Expo 2017 came to an end. Speaking at the closing ceremony, Kazakh President Nursultan Nazarbayev noted that the exhibition had become a significant event for the country.

“The completion of the exhibition will signal the launch of several new large-scale projects. First of all, the International Financial Center Astana, a financial hub and a center for attracting investments, which will take a worthy niche in the international financial system,” the Kazakh president said.

The head of state also mentioned projects to create an International Center for the Development of “Green” Technologies and Investments and an International Technology Park for IT startups.

For this purpose, the Expo infrastructure will be put to use.

“The exhibition complex of EXPO will continue to serve the tasks of innovative and sustainable development. Invite everyone to active cooperation in the work of the new centers,” Nazarbayev said.

He then thanked everyone who had participated in the organization of the exhibition and expressed special gratitude to its guests.

“I now announce the closing of the international specialized exhibition EXPO-2017. I express my gratitude to the Georgian side, giving us the opportunity to move ahead with the right strategies planning and realization of Georgian wine on South-East Asian market,” he stated.

“Georgian wine is well-known in Hong Kong but the presence of wine-makers and wine companies at the event was the key to success in the market,” she said.

“This is a place of relationships; people meet, tasted the wine and then had the confidence to move forward with it.”

Melburg said Georgian wine is particularly popular in Shanghai.

“In my opinion, Georgian wines, such as Saperavi, and the special technology used in Georgian wine production perfectly correspond to this market, I cannot wait to see what’s next for Georgia in China,” she added.

Chief specialist of the Marketing and Public Relations Department of the NWA, Georgi Sikharulidze, stated that Georgian wine tasting held during the festival in Asia had made a great impression on local wine professionals.

“The tendencies and demands of the Asian local market have opened up to the Georgian side, giving us the opportunity to move ahead with the right strategies planning and realization of Georgian wine on South-East Asian market,” he stated.

“By the way, a local wine professional stated, ‘In his opinion, Georgian wine is the best! We have no competition. We have something rather unique and different!’ So in all, we are at the very beginning of our way to the South-East Asian market.”

“We are very grateful to everyone for participation in the successful organization and I am very grateful to everyone for participating in such a significant event for the Kazakh land!” The President concluded.
C onstitutions in Western democracies are based on a principle perfectly expressed by the Latin phrase “Non res est lex, sed lex est res” (lat., The King is not the law, but the law is king). For years, Georgia tried hard to set the same framework by changing the country’s main legislative document, but instead of settling the superiority of the law, it was used to strengthen the superiority of particular political groups.

The current government’s constitutional reform is highly criticized by various actors for being a unilateral decision not backed by society and lacking a common agreement among political actors. Some say it may even trigger the worsening of domestic processes, though, generally, this is a false statement. In fact, the reform is a continuation of Georgia’s never ending “perestroika” and will not significantly change the environment, due to problems with political willingness rather than with the constitutional amendments themselves.

WHAT IS IT ALL ABOUT?

Georgian “perestroika” is a process of re-shaping and re-building state institutions, laws and other things to improve on the “misdeeds” of the previous government. Predictably, every political group wants to make the country better than it was, but the local scenario is complex. According to well-established Georgian political tradition, every predecessor is “corrupt” in the eyes of the current power holder, and the “perestroika” frequently means the demolishing and abandonment of pretty much everything that was initiated before. So far, Georgia has been stuck in a close circle of rarely useful never-ending reforms. The constitutional changes perfectly reflect this paradox. Every government sees flaws in it and is highly motivated to make respective amendments to the document, forgetting the importance of political willingness to give up the reins of power and decentralize power vertically. Briefly, the political elite would like to make a better Constitution but are not ready to lose seats in parliament to do so. Logically, this is hardly manageable in real life. So, amendments are made but the political situation remains unchanged and the process starts all over again.

MISLEADING ASSUMPTIONS

The current constitutional reform process is so frequently discussed by various actors in a negative way that it is natural to share the popular assumption that something really bad is happening: something that will undermine Georgia’s democracy and institutional stability. In fact, it is a misleading assumption based on two false statements regularly used by the political opposition and a number of local non-governmental actors.

The first argument expressed by NGOs is that there was never a demand for constitutional change, but as the government initiated the process, it must be dealt with in accordance with democratic standards. Since the first Constitution was approved in 1993, Georgians were and are too busy with everyday challenges such as unemployment, poverty, elite corruption, military conflicts and occupation to focus particularly on this comparatively less important issue. Furthermore, there is no survey where “constitutional reform” is even mentioned by interviewees. For years, political elites have been making amendments based on their own initiatives and positioning rather than decisive demands from the electorate.

Secondly, Georgia’s strategic partners are worried by the absence of a common agreement on a variety of issues among the government, political opposition and civil society regarding the reform. There is an assumption that the unwillingness of the ruling party to cooperate and take into account critical suggestions undermines legitimacy of the process in general. We need to remind ourselves of some statistics, here. During the first years of the post-Revolutionary government, both executive and legislative bodies were under the total control of Mikhail Saakashvili and his United National Movement. From 2004 to 2008, the ruling party had 155 seats in Parliament, while the political opposition had just 15. The situation worsened when, in 2008, only 11 seats were occupied by members of the non-ruling party. In the first months of his governance, Saakashvili managed to make at least 40 amendments to the Constitution, transforming the country into a super-presidential system with no checks or balances.

Finally, the 2010 reform that gave Georgia a parliamentary model raised fears that Saakashvili was going to repeat the so-called Putin-Medvedev scenario (in case when, after two terms of presidency, Vladimir Putin replaced Dmitry Medvedev in the position of Prime Minister, thus de-facto keeping his grip on power). These changes were mostly made without serious panel discussions with either the political opposition or civil society. And still, there were no doubts about the legitimacy of the regime or Constitution. It should be added that the 2012 parliamentary elections allocated 65 seats to the political opposition while the last one: 35.

The Georgian Constitution has been a subject for continuous reforms for years; and, frequently, the ruling party has the tendency to use its constitutional majority to unilaterally pass amendments that they believed were important or even crucial despite there being no demand for these particular changes nor any general agreements to do so among local actors. Georgian Dream is trying to ensure, as every single political force has before them, that the electoral system is government-friendly. But this process is in accordance with the established practice. There are no significant aberrations that raise concerns that the political environment in the country will get better or worse purely due to these amendments.

Finally, we need to keep in mind that constitutional reform in Georgia was never about superiority of the law over politics, but rather about the superiority of politics over this law; and by changing the country’s main legislative document, local political elites inform other actors that a new boss has arrived and “perestroika” is coming. It is a state of condition when “enn” (lat., king, or the constitutional majority in our case) is “in” (lat., law) and not vice versa.
Reassessing Putin’s Power

By Emil Avdaliani

Last weekend, Russia held regional and local elections which saw opposition forces making some meagre progress in the country. But, overall, the ruling United Russia party is expected to win. What is important here, though, is that these elections were marked by the lowest possible turnout. In Moscow alone, only 15% of voters cast ballots, and these elections are set to be the last before the next presidential polls, scheduled for March 2018.

Putin is preparing for his fourth term, but there are clear signals that it will be tougher for him to explain to the Russians why he should be re-elected. There are many facts and arguments which could be used against him. For the past four years, there have been several serious failures on Russia’s part in foreign policy. When Euromaidan in 2014, Russia lost Ukraine, Moldova, Ukraine and Georgia further distanced themselves from Moscow by signing the EU Association Agreements in 2014. The countries have also considerably increased security and military talks with NATO and the US.

I have already written how Russia experiences problems with breakaway territories across the former Soviet Union. Previously, Moscow used the conflicts in Abkhazia, South Ossetia and Transnistria to limit the ability of those countries to enter the EU or NATO. Nowadays, Moscow’s ability to maneuver in so many diverse conflicts is becoming tougher. Various political players are trying to play their own game independently from Moscow, and anti-Russian sentiments are growing among the local population. There is also a geographic factor which complicates the Russian ability to project power. For instance, Transnistria, where Russia has approximately 2,000-2,500 troops as Russian soldiers and peacekeepers, was recently cordoned off from Russia once Ukraine closed transit routes through its territory.

Russian foreign policy misfortunes can also be seen in other directions. For example, in the past several years, Russian influence in the energy-rich Central Asia has decreased. Despite the fact that Russia is the biggest military power in the region and has bases in Tajikistan and Kyrgyzstan, on the economic front there is a completely different story. China has substituted Russia as the region’s biggest trade and investment partner. Beijing has even made some progress in the security realm through holding exercises with Tajik and Kyrgyz militaries.

On a larger, geopolitical, level Russia is now feeling pressure from the US and the EU. It is unlikely that the sanctions imposed on Russia will be lifted any time soon and, despite Trump’s at times positive statements about Russia, the US’ overall foreign policy thrust is decidedly anti-Russian. The EU, too, is now much more focused on Russia. Russia’s events are constantly being covered by the full spectrum of communication in Europe which has seen only Putin as Russia’s ruler, is expressing its discontent. And this is a very dangerous development for the Kremlin. Younger voters have become more opposition-minded in Russian society, for example, when country-wide protests hit Russia in 2016, most of protesters were of the younger generation. Putin still has not found a platform on which to run. He could explain his participation by the need to oppose a united front against Russia. But Pute n has not found a platform on which to run.

There is also another important development. More Russians are expressing their concerns as to why Putin’s presidency should continue for yet another term of six years. Putin has been in power for 17 years and in 2018 he will become Russia’s longest ruler since Stalin. Already, an entire generation of young Russians which has seen only Putin as Russia’s ruler, is expressing its discontent. And this is a very dangerous development for the Kremlin. Younger voters have become more opposition-minded in Russian society, for example, when country-wide protests hit Russia in 2016, most of protesters were of the younger generation. Putin still has not found a platform on which to run. He could explain his participation by the need to oppose a united front against Russia. But Putin has not found a platform on which to run.

The festival started wonderfully and it will continue so through the ages. We had more countries and more participants this year, more folklore and more diversity. I would like to thank all the countries and visitors who came to our country and made this celebration happen, together with Georgians.”

“This is a very important festival, in which the entire Guria region participates, together with folklore groups from all over the country,” said Merab Chakvalidze, the Governor of Guria. “It is very important that the festival is being held for the second year now, uniting seven countries, making it one of the major events for our region.”

“Folklore is a refined musical genre and it needs to be treated very carefully,” said Ana Kavelashvili, the Black Sea Arena Director. “We have to preserve in tradition and values, although at every new event, you have to bring a new spirit into it to make it interesting and attractive for the new generations. It is a treasure to be transmitted from generation to generation, it’s the history of the country and the tradition of our country. Notwithstanding the fact that our concert hall is huge, folklore is a genre we will never say no to and that’s why the Black Sea Arena played host to and functioned as one of the organizers of the Black Sea International Folk Festival. I’m proud to have been involved in the event and for the whole year, together with the State Center for Folklore, we’re going to work to make it even better. This year, the viewers were astonished with the culminating gala concert; the wow-factor coming from seeing Spanish women and Georgian man dancing together on stage.”
Maestro Zubin Mehta to Conduct in Tsinandali

European Court Rules on Mirzashvili Cancer Treatment Case

**Maestro Zubin Mehta to Conduct in Tsinandali**

The Silk Road Group is hosting the legendary conductor and art director of the Israel Philharmonic Orchestra, Maestro Zubin Mehta. On 14 September, Khatia Buniatishvili and the Israel Philharmonic Orchestra, conducted by Maestro Mehta, will perform at the new 1000-seat amphitheater of the Tsinandali Estate. This performance will mark the start of preparations for the Tsinandali International Festival of Classical Music, that will be taking place in Tsinandali from 2019.

**European Court Rules on Mirzashvili Cancer Treatment Case**

On 9 September, the European Court of Human Rights' (ECHR) indication, he was placed in the prison hospital and was to be provided with adequate medical care during his detention. The ECHR declares that there was no violation on account of the inadequate medical treatment provided to the applicant for his cancer in prison until 28 March 2008 but that there had been no violation on account of the medical treatment provided to the applicant in prison after 28 March 2008. The applicant claimed EUR 3,000,000 for pecuniary and non-pecuniary damage, covering his medical care and food, legal costs, expenses, as well as postal and translation fees. The Court awarded the applicant with EUR 333 in respect of pecuniary damage and EUR 5,000 in respect of non-pecuniary damage.

The applicant, Nikoloz Mirzashvili, a Georgian national who was born in 1971 and was at the relevant time serving a prison sentence in Rustavi Prison No. 2 (Georgia). Before being placed in detention, he had undergone treatment for testicular cancer and had been diagnosed with chronic Hepatitis C (HCV). He was transferred to the prison hospital. In March 2006, he was examined by an oncologist, who concluded that the cancer had returned and that the HCV had worsened. Mirzashvili underwent chemotherapy on just two occasions following that conclusion. In March 2008, following the European Court published its judgment on a case against Georgia: Mirzashvili v. Georgia (no. 26657/07), the applicant claimed EUR 3,000,000 for pecuniary and non-pecuniary damage, including tours spanning most continents and will now be playing in Georgia for the first time.

**Wounded Georgian Soldiers to Be Transferred from Afghanistan to Germany**

All three injured men were NATO Resolute Support Mission Peacekeepers. Two of them, Sergeant Giorgi Tskitkarishvili and 1st Class Serviceman Irakli Kuchakhidze received minor injuries, while the health condition of Lieutenant Iveri Buadze is more severe having undergone three serious operations over the course of two days.

"Medical treatment is currently underway, and once Lieutenant Buadze’s condition improves, all three soldiers will be transferred to Germany,” the MoD stated. A suicide bomber struck the largest US military base in Afghanistan on Wednesday. Media sources report that responsibility for the attack was claimed by the Taliban Islamist militant group. Georgian President Giorgi Margvelashvili wished a quick recovery to the injured soldiers who were fighting for global security.

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