

# FactCheck



## Irakli Gharibashvili: “Export to the European Union increased by 57% in the first six months. This is an all-time record. Export constituted 65% last year. These are the highest numbers in ten years.”

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On 26 July 2014, during his speech at an extra plenary session of the Parliament, Irakli Gharibashvili made a statement: “Export to the European Union increased

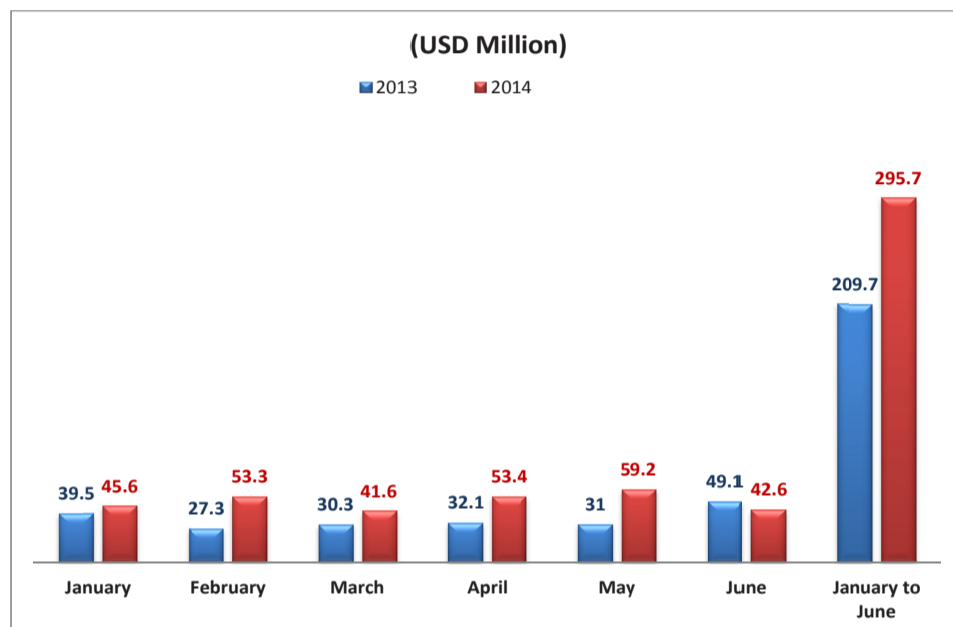
by 57% in the first six months. This is an all-time record. Export constituted 65% last year. These are the highest numbers in ten years.”

FactCheck took interest in this statement and verified its accuracy.

In order to check the credibility of the information, we used the official data provided

by the National Statistics Office of Georgia according to which export to the European market amounted to USD 295.6 million in the first six months of 2014 which is 41% more than it was in the first half of the previous year.

Statistics, reflecting the export to the European Union in the first six months of 2013 and 2014, are as follows:

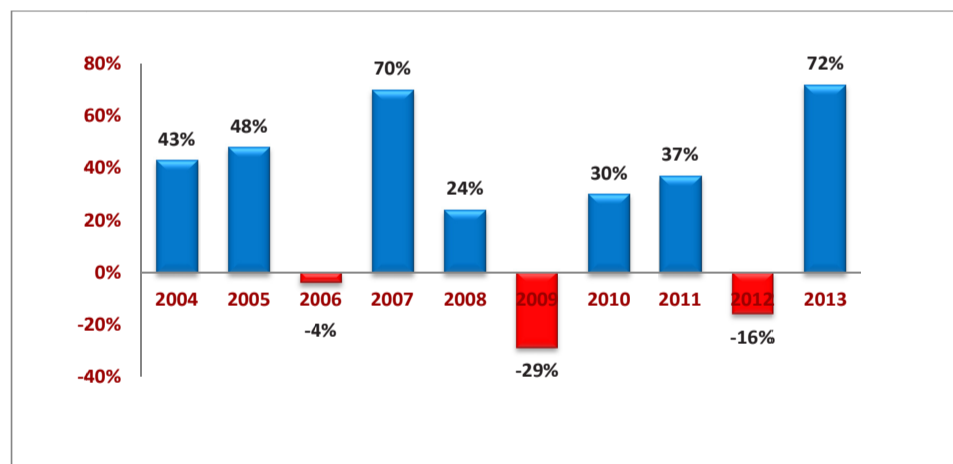


The total value of the exported products from Georgia to the European Union was equal to USD 353 million in 2012. This value increased to

USD 607.8 million in 2013 which meant a 72% growth of the export to the European Union.

FactCheck took interest in

the dynamics of export to the European Union in the last ten years. The dynamics of export to the EU from 2004 to 2013 look like this:



As is clear from the chart, export to the European Union reduced in 2006, 2009 and 2012 while it grew in all other years.

As we already mentioned above, export to the European Union grew by 41% in the first six months of 2014 and not by

the 57% as stated by the Prime Minister. Even though the 41% growth is quite impressive, it is not an all-time record as a 54% export growth was observed in the first six months of 2004, 2005 and 2008.

As for the data of 2013,

even though the 65% growth as stated by the Prime Minister does not match the National Statistics Office data, Georgia did indeed have a 72% increase in export which was the highest number for the last ten years.

## CONCLUSION

According to the National Statistics Office data, export to the European Union increased by 41% in 2014. This is less than the 57% stated by Irakli Gharibashvili. In addition, this definitely was not an all-time record as Georgia had a significantly bigger export growth in 2004, 2005 and 2008.

As for 2013, export grew by 72% as compared to 2012. Even though the 65% growth as stated by the Prime Minister does not match the National Statistics Office data (72%), the context of the statement is correct since it definitely describes a record growth in export.

We conclude that Irakli Gharibashvili's statement: “Export to the European Union increased by 57% in the first six months. This is an all-time record. Export constituted 65% last year. These are the highest numbers in ten years,” is **HALF TRUE**.

# HALF TRUE



EUROPEAN  
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G|M|F The German Marshall Fund  
of the United States  
STRENGTHENING TRANSATLANTIC COOPERATION

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# U.K.: 6 in 10 - no decrease in foreign student numbers



The FINANCIAL

A majority of the British public would oppose measures to cut the number of international students, according to an ICM survey conducted on behalf of British Future. Nearly six in ten Britons (59%) believe that the Government should not reduce the number of international students in order to keep the income they generate, even if this choice makes it more difficult to reduce net immigration to Britain.

By contrast, just over one

in five (22%) think the Government should reduce the number of international students in order to cut net immigration, even if this measure leads to less income from international students. A similar proportion (18%) are undecided.

When thinking about government immigration policy, most think of unskilled labourers from outside the EU (78%) or refugees coming to the UK to escape persecution (74%) as immigrants. International students are less likely to be thought of as immigrants, with just over one in five (22%) stating they would describe international students coming to study

at UK universities as immigrants.

There is considerable support for allowing international students to stay in the UK to work after completing their degree course, with three quarters (75%) saying they should be allowed to stay. While 13% believe that they should not be allowed to stay at all, two in five (41%) think they should be allowed to stay in the UK for as long a time period as they have work.

ICM Research interviewed 2,111 people aged 18+ in Great Britain online between 2 - 4 July 2014. ICM Research is a member of the British Polling Council and abides by its rules.

# The New Prescription Rules: Repeating Western Mistakes

Continued from p. 2

(e.g. the *Sunshine Act* in the US, requiring companies to report any transfer they made to doctors).

Such “marketing” (one might also call it bribery) is extremely difficult to prevent – no country so far has found an effective way solve this issue. Even if pharmaceutical companies cannot track how much of a medicine a particular doctor prescribed (there may be illegal ways to find out, e.g. the doctor showing photocopies of the prescriptions made), the mechanics of corruption work reliably, as repeatedly shown in experiments. Somebody who was invited to a great trip typically feels an inner drive to “give something back” to the generous benefactor.

This problem may become particularly severe in Georgia, as Georgian doctors are usually not well-paid and may appreciate gifts by the industry even more.

If 48% of Georgian health expenditures are used for purchasing medicine while in advanced countries this number does not exceed 25%, this does not necessarily indicate overuse of medicine. Patients have a strong incentive not to overuse pharmaceuticals, because they are concerned about their own health, and an alternative explanation for the high cost share could be that in advanced countries much more technology is employed in the health sector. High-tech medicine lets overall cost skyrocket and reduces the share of phar-

maceuticals in total expenditures. Machines employed in radiation therapy and tomography have rates of several thousand dollars per hour, and much of such top-notch technology is currently not available to ordinary patients in Georgia. For a health sector that does not employ expensive technology, it is almost inevitable to spend more money on medication, which may be economically optimal (pharmaceuticals are relatively cheap, at least those which can be produced as generics).

## EFFICIENCY CONSIDERATIONS

From now on, whenever somebody has a minor problem (like flu or headache), a doctor needs to be consulted. This drives up costs, but even worse, a doctor may not be available immediately. The health insurance, which has to be called first if one needs a doctor, may provide an appointment with a doctor just after a few days, which can be a great nuisance if one has a health issue.

A related problem concerns ambulances and emergency hospitalizations. Imagine to have a terrible toothache at 3am. There is no doctor available at that time and the painkiller cannot be bought in a pharmacy without prescription. Thus, the only solution is to call an ambulance (or to drive to a hospital if transportation is available). Already now, the system of ambulances in Georgia has a number of weaknesses, and more emergency calls will increase

those problems. Previously, emergency services worked according to the principle of “first call, first served”, which would mean that calling the ambulance for a toothache could have taken away those services from someone for whom it was a matter of life or death. Now emergency calls are processed according to priority, and it is not hard to imagine what the priority of a toothache is. As a result, the ambulance will probably arrive many hours later, when the family doctor is available again. Going to the night desk of a pharmacy and buying an analgesic was easier, more convenient, and more efficient.

To sum up, the advantages in general health hoped to be achieved through more control over medicine consumption may be offset by the ambivalent motives of experts. Reduced efficiency may lead to inconveniences for the patients and higher costs.

While nobody admits it, the only actors in the health sector genuinely interested in healthy patients are the patients themselves. Therefore, it makes sense to give the patients maximum autonomy and freedom to choose. Yet the new law reduces their autonomy.

The health sectors of Western countries are largely dysfunctional – they are inefficient, intrinsically corrupt, and give problematic incentives to various actors. All this makes health costs in developed countries going through the roof, while services are often mediocre. Georgia is adjusting to international practices – yet sometimes, these practices are not good.

## Mercedes-Benz Sales Top One Million Mark in August

Continued from p. 8

A model of the A-, B-, CLA- and GLA-Class was chosen by a total of 33,012 customers in August. Thus, the company grew the unit sales of its compact vehicles by 29.1%. Last month the compact four-door coupe, the CLA, celebrated an anniversary: since its market launch in Europe in April 2013, Mercedes-Benz has handed over more than 100,000 CLA cars to customers all over the world. The CLA is posting great successes on its most important single market, the USA. Every fourth vehicle of the model series is driven by an American customer, according to Daimler AG.

The E-Class has been in high demand since the beginning of the year: Worldwide, the sedan and the estate have been sold 172,703 times (+20.8%). The E-Class coupe and convertible have also developed very well (+17.5%). The two models are thus the best-selling vehicles in their comparative class.

The strong sales momentum in the luxury segment in August was due mainly to the new S-Class sedan: at 8,080 units, sales were more than doubled (+120.6%). Since the start of the year, Mercedes-Benz has already sold 65,890 S-Class sedans (+101.8%). The three biggest markets for the flagship of the brand are China, USA and Germany. End of September, with the S-Class coupe, the company is offering yet another new model in the S-Class segment, according to Daimler AG.

The SUVs of Mercedes-Benz are continuing on their course of success. Since the beginning of the year, sales of SUVs with the star have reached an all-time high at 221,327 units (+7.2%). The G-Class, which is celebrating its 35th anniversary this year, was especially popular in August. The SUV provides the foundation for the SUV family which currently has five model series (GLA, GLK, ML, GL and G-Class).

A smart fortwo was the chosen car of 5,776 customers in August (+1.2%). The compact city runabout is in high demand primarily in big cities. Beginning on September 8, customers can also use 250 smart fortwo cars at car2go for short time rentals in the Frankfurt am Main metropolitan area. Currently, more than 11,000 car2go smart cars are underway in 26 cities of Europe and North America, including more than 1,250 battery-powered smart fortwo electric drive models. The smart for two is close to its model change. The new generation will be launched on November 22, 2014, according to Daimler AG.



## Kakha Kaladze:

“Mr Ivanishvili never said anything about reducing the petrol price by one lari. Please provide the source of such information. None of the members of the coalition have ever said that the petrol price would be reduced by one lari or that the electricity price would be halved.”

Lasha SENASHVILI  
FactCheck

On 25 July 2014, Minister of Energy of Georgia, Kakha Kaladze, talked about petrol and electricity prices. According to his statement, neither the members of the Georgian Dream coalition nor Mr Ivanishvili have ever said anything about the reduction of the petrol price by one lari. He also pointed out that halving the price of electricity was never a pre-election promise of the Georgian Dream. The Minister stated: “Since 1 October 2012, it is clear that we no longer have unjustifiably high petrol prices. I agree that the prices on Platts’ have increased, however, for the past few days there has once again been a reduction. We depend upon the world petrol market and since the prices on Platts have fallen lately, I’m sure that very soon we shall also have a reduction in petrol prices.”

FactCheck took interest in Kakha Kaladze’s statement and verified its accuracy.

FactCheck also wrote about electricity and petrol prices earlier in the year. The issue of utility bills has a separate chapter in the pre-election programme of the Georgian Dream coalition. According to the programme: “The utility payments (including the electricity price) in Georgia have been growing since 2004. With its rates, Georgia left behind not only the members of the Commonwealth of Independent States but many European countries as well. A particularly sharp increase in the prices was observed from 2007 to 2010. The electricity tariff in this period increased by almost 70%.” The programme also stated that the differential tariffs instituted by the United National Movement were socially unjust.

According to its pre-election programme, the position of the Georgian Dream coalition was that the utility tariffs should be based upon objective calculations of the service value. In this way, electricity would be available to all citizens of Georgia. The programme also promised that after winning the elections the Georgian Dream would newly calculate the utility tariffs and substantially reduce them.

During his press conference on 16 September 2012, former leader of the Georgian Dream coalition, Bidzina Ivanishvili, talked about the utility tariffs. The former Prime Minister said that it was possible to instantly slash the electricity bills by half (including the electricity tariff) since the existence of a lot of hydroelectric stations in Georgia allowed this.

In terms of the pre-election campaign, leader of the coalition member party’s National Forum, Gubaz Sanikidze, stated that the electricity price would be reduced from 17 to 8 tetri from the end of October.

Bidzina Ivanishvili also talked about the electricity tariff reduction on 24 October 2012 during his meeting with the Parliamentary Minority. According to his statement, the electricity and natural gas tariffs were artificially increased as a result of the involvement of government controlled companies and it would be possible to substantially cut the tariffs by ending this involvement. However, Mr Ivanishvili did not specify the companies to which he was referring in his statement.

During his press conference on 22 November 2012, Mr Ivanishvili denied the credibility of his pre-election promises. He said that it was impossible to halve the electricity price and that his pre-election promise was exaggerated.

After the round table on the electricity tariffs, Minister of Energy of Georgia, Kakha Kaladze, stated that it was possible to reduce the electricity prices, however, it was unimaginable to halve them.

On 24 December 2012, in his interview with *The Weekly Palette*, Mr Ivanishvili once again talked about the electricity tariff reduction. According to his statement, from the beginning of January the electricity price would be reduced by 20%-25%. He also said that the government was working on the petrol price reductions as well and in the nearest future, after the eradication of monopolies, the petrol tariff would be reduced as well; however, this time he did not specify the numbers. After the Georgian Dream came to power the electricity tariff was reduced by 3.54 tetri. The tariff for those of Telasi customers who consumed energy of up to 100 KW equalled 13.48 tetri whereas now it equals 9.94 tetri (26.26% reduction). For customers consuming energy between 100 KW and 300 KW, the tariff amounted to 12.46 tetri (22.12% reduction). Subscribers of Energo Pro Georgia had to pay 12.98 tetri when consuming up to 100 KW whereas now they pay 9.44 tetri (27.27% reduction). From 100 KW to 300 KW, the tariff used to be 16.52 tetri and was reduced to 12.98 tetri (21.42% cut).

FactCheck also verified the accuracy of Mr Kaladze’s statement about petrol prices. He stated that neither Mr Ivanishvili nor other members of the Georgian Dream coalition had ever talked about a petrol tariff reduction by one lari. This part of the

statement is also not very accurate. During his press briefing on 10 February 2012, the leader of the coalition member party, Free Democrats, Levan Izoria, talked about the artificial increase in the petrol price. He accused the United National Movement government and its closest associates of artificially raising the petrol price by 50 tetri (not one lari). The data published on the official Gulf website, which includes an archive of fuel prices for 2012-2013, demonstrates a drop in fuel prices in December of 2012 followed by an increase in the period between February and March of 2013. Starting from 18 March 2013 the petrol prices saw a decrease of five-to-ten tetri while in April 2013 the prices of all sorts of petroleum dropped by three-to-five tetri. On 20 September 2013, the prices went up by seven-to-ten tetri relative to the previously lowered prices while on 28 September the price of Premium petrol shrank by two tetri and Regular and Euro Regular by six tetri. On 19 December 2013, the prices of Premium and Euro Regular increased by 9 tetri, Regular and Euro Diesel by 8 tetri and Diesel by 10 tetri. After 19 December 2013, there was both reduction and increase in the prices of different petroleum products. After June 2014, the prices of all types of fuel went up (reduced on 9 July and went up again from 19 July).

Presently, Socar Petroleum prices are as follows: Super is GEL 2.35/litre, Premium – GEL 2.26/litre and Euro Regular – GEL 2.18/litre. The price of Euro Diesel is GEL 2.30/litre and Azerbai-

jan Diesel – GEL 2.12/litre. RomPetrol has almost similar prices: Euro Regular – GEL 2.14/litre, Premium – GEL 2.24/litre, Super – GEL 2.35/litre and Euro Diesel – GEL 2.17/litre. Gulf’s prices are as follows: Euro Regular – GEL 2.15/litre, Premium – GEL 2.23/litre, Super – GEL 2.32/litre, Euro Diesel – GEL 2.28/litre and Diesel – GEL 2.16/litre.

In our inquiry we can weigh the prices of fuel for September of 2012 against those of 2014 based upon the data published on the website of the Union of Oil Products Importers to Georgia.

As of September 2012, the average retail price of fuel equalled:

Super Petroleum – GEL 2.33/litre

Premium Petroleum – GEL 2.26-2.28/litre

Euro Regular Petroleum – GEL 2.12-2.17/litre

Regular Petroleum – GEL 2.12/litre

As of July 2014, the average retail price of fuel equalled:

Super Petroleum – GEL 2.30-2.25/litre

Premium Petroleum – GEL 2.19-2.29/litre

Euro Regular Petroleum – GEL 2.10-2.20/litre

Regular Petroleum – GEL 2.10-2.12/litre

It should also be noted that according to the 7 July 2014 statement of the Union of Oil Products Importers to Georgia: “According to Platts, in May and July the world prices on petroleum products increased. Namely, the price of petrol increased by USD 58 and amounted to USD 1,033/tonne; the price of Diesel grew by USD 27 and amounted to USD 911.50/

tonne.” According to the same statement, the crisis in Iraq and, partially, the confrontation between Russia and Ukraine resulted in the rise in petrol prices. In July, petrol prices on the world market were reduced. Also according to the 30 July 2014 statement by the Union of Oil Products Importers to Georgia, there is a trend of price reduction on the world petroleum products market. The data published by Platts, which is used by Georgian petroleum importers, also shows the reduction of petroleum products prices on the world market. For example, the international price of petrol is now less than USD 1,000. As of 29 July 2014, the international market price of petrol is USD 982/tonne and USD 907/tonne on Diesel (10ppm). According to the statement, should the trend be maintained, petroleum product prices in Georgia will soon be reduced.

Even though the world market prices of petroleum products have been reduced, the Georgian market saw only a short reduction of prices from 9 to 19 July after which they increased again.

According to the 8 July statement of Zurab Japaridze, the actual reason for the growing prices is the devaluation of the lari which the government does on purpose to ensure the fulfilment of the revenue pan of the budget. Analyst Beka Kemularia gives another reason for the increased prices on petroleum products in Georgia. According to his statement, Georgian petroleum importing companies are the ones responsible for the increase of the prices.

## CONCLUSION

While verifying the accuracy of Kakha Kaladze’s statement FactCheck found that the part of the statement about the pre-election promises of electricity tariff reduction is not accurate. During our analysis, we found that both Mr Ivanishvili and another member of the Georgian Dream coalition, Gubaz Sanikidze, talked about halving the electricity tariffs during their pre-election campaign.

Kaladze was also not entirely accurate when he said that neither Bidzina Ivanishvili nor any other member of the coalition had talked about the reduction of petrol prices by one lari. On 10 February 2012, the current Deputy Minister of Internal Affairs, Levan Izoria, accused the United National Movement government and its closest associates of artificially raising the petrol price by 50 tetri. It should be noted that petrol prices were not reduced by 50 tetri after the Georgian Dream came to power and none of the members of the coalition questioned the credibility of this promise prior to the elections. Only after the elections were over did they admit that such a sharp reduction of prices was unrealistic.

Mr Kaladze’s statement about the trend of a reduction in petrol price since 1 October 2012 is also not true as the Georgian market saw both increased and reduced prices since the end of 2012. It should also be noted that in spite of the reduction of petroleum prices on Platts in July, prices on the Georgian market have not been reduced as of yet.

We conclude that Kakha Kaladze’s statement: “Mr Ivanishvili never said anything about reducing the petrol price by one lari. Please provide the source of such information. None of the members of the coalition have ever said that the petrol price would be reduced by one lari or that the electricity price would be halved.” is FALSE.



EUROPEAN  
ENDOWMENT  
DEMOCRACY

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STRENGTHENING TRANSATLANTIC COOPERATION

FALSE



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