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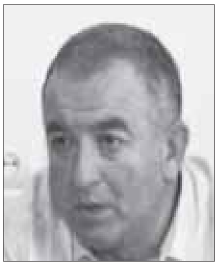

Zurab Chilingarashvili:

Parliamentary Minority MP

"The population of the Javakheti region has had problems since the visa regulations were imposed."

MOSTLY TRUE

Tariel KIPSHIDZE
FactCheck

On 4 February 2015, the Parliamentary Minority MP, Zurab Chilingarashvili, stated: "The Javakheti region has been in a difficult situation since the visa regulations were imposed. There are mixed families there. Some have Armenian passports, some have Russian passports and they are, in fact, required to cross the border every three months to get a new residence permit and then come back."

FactCheck took interest in the MP's statement and verified its accuracy.

The new Law of Georgia on the Legal Status of Aliens and Stateless Persons was enacted on 1 September 2014. According to the Law, the period allowing residence in Georgia without a visa was decreased from 360 days to 90 days (with a 180-day interval). According to the new Law, visas are no longer issued by the Public Service Development Agency of the Ministry of Justice of Georgia. Instead, visas are issued by diplomatic representations or consulates of Georgia abroad. A foreigner who wants to travel to Georgia has to address the nearest diplomatic representation or consulate of Georgia if there is no such facility in his home country. The Law also abolished the practice of issuing visas on the state border of Georgia (except in special cases).

Further, the changes imposed by the new Law of Georgia on the Legal Status of Aliens and Stateless Persons requires an individual permanently residing on Georgian territory and involved in various types of work-related activities and with a family to undergo the following procedures in order to gain a residence permit: return to the country whose passport he possesses, apply for an appropriate visa at a diplomatic representation or consulate of Georgia therein andthen await the answer (which could take up to 30 days). In the case when the visa is issued, the individual must then return to Georgia and apply for a residence permit.

The aforementioned regulations have complicated the possibilities of entrance and residence for both visitors and foreign citizens residing in Georgia. On 16 November 2014, the Parliament of Georgia made further amendments to the Law of Georgia on the Legal Status of Aliens and Stateless Persons, attempting to alleviate the strict regulations. It was decided that:

The Georgian immigration visa can be issued by the Ministry of Foreign Affairs of Georgia to foreigners legally inside Georgia. For this purpose, the foreigner must apply to the Ministry of Foreign Affairs of Georgia not later than 45 days prior to the expiration of his legal basis enabling residence in Georgia.

A temporary preferential regime was established for gaining a residence permit for a certain category of foreigners residing in Georgia; namely, foreigners who were issued a residence permit before the enactment of the amendments or those entering Georgia after the enactment are free from the obligation of presenting a document proving the legal basis of their visit to Georgia until 1 March 2015.

Foreigners who entered Georgia before 17 March 2014 and resided in Georgia at the moment of the enactment of the amendments are allowed to obtain an immigration visa in Georgia before 1 March 2015 after the expiration of the period of their legal residence except in the cases when they were refused a residence permit.

As we can see, the changes provide for the possibility for certain foreigners to obtain their immigration visas at the Ministry of Foreign Affairs of Georgia and are not required to leave the country. However, these changes were only enacted on 14 November 2014 which means that a large number of foreign nationals were required to leave the country in the period from 1 September 2014 to 14 November 2014. In addition, a part of the amendments listed above was in effect until 1 March 2015 only.

In his statement, the MP focuses upon the Samtskhe-Javakheti region, specifically. There are no separate statistical data about the impact of the aforementioned legislative changes upon this region. In order to obtain more detailed information about this issue, **FactCheck** interviewed the Representative of the Public Defender of Georgia in Samtskhe-Javakheti, Seda Melkumiani. According to her, a large number of the population of the Akhalkalaki Municipality has Armenian or Russian passports. According to the new regulation, they are required to either leave the country or apply to appropriate structures for a residence permit or citizenship. The problem therein is that these individuals receive ungrounded refusals from the Ministry of Justice of Georgia concerning the permanent residence permit and citizenship in the majority of cases.

Various articles published by open media sources also attest to the severity of these problems in the region. For example, on 2 February 2015, the Chairman of the public movement Multinational Georgia, Arnold Stepanian, stated in his interview that after the imposition of the new regulations citizens of Armenia and Russia, residing in Samtskhe-Javakheti, have no legal right to stay in Georgia longer than 90 days. After the expiration of this period, they are forced to leave Georgia and live away from their families in another country for a 90-day period.

CONCLUSION

The aforementioned regulations have caused considerable problems for the Samtskhe-Javakheti region where the majority of the population possesses passports of either Armenia or the Russian Federation.
Based upon these facts, FactCheck concludes that Zurab Chilingarashvili's statement is MOSTLY TRUE.

The Complexities Facing the Competition Authority

Continued from p. 2

price increases that occurred between the end of2011 and the beginning of 2013. Apparently, fuel retailers smoothen external price changes in both directions. Hence, this data does not suggest that there is collusion going on, though of course, in a more serious analysis one would apply sophisticated econometric techniques to find out whether price increases and price declines are transmitted equally quickly.

CONCLUSION

On the one hand, these matters are so complicated and require so much expertise, and on the other hand wrong decisions can have long-lasting negative effects on the regulated sectors of the economy. Therefore, one might argue that a small country like Georgia should do without its own competition policy, just open its borders for imports and rely on the forces of free markets. If prices were considerably higher in Georgia then in the rest of the world, wouldn't new companies enter the Georgian market importing the overpriced commodity?

The "small country argument", however, goes in both directions. Because by international standards, Georgia is such a small market, even if prices are higher here than elsewhere, it would not necessary be profitable to start selling in Georgia. Take the example of salt (a commodity that played a role in the original decision to remove the competition authority). If salt was, say, 10% more expensive in Georgia than elsewhere, and this price difference was caused by a lack of competition among Georgian salt producers and importers, the revenue potential of selling salt in Georgia 10% cheaper may simply be negligible, so that no new salt sellers are attracted to enter the market.

As we illustrated, there are huge complexities that have to be tackled if one wants to show that the level of competition in a country is insufficient or that there is outright collusion between sellers. Even the most experienced competition agencies in fully developed countries, doing this job for many decades, often cannot provide conclusive evidence that companies illegally restrain competition. Expensive court cases, spanning over many years and increasing uncertainty and worsening the investment climate throughout all of this time, are typical results of interventions on part of the competition authorities.

Georgia's new competition authority is well-advised to make decisions whether or not to become active in a highly conservative manner. There is a certain pressure on a newly founded institution to show its visibility by being proactive. Hopefully, the Georgian competition authority will resist this seduction.

Industrial Producer Prices up by 0.5% in Euro Area

The FINANCIAL

In February 2015, compared with January 2015, industrial producer prices1 rose by 0.5% in the euro area (EA19) and by 0.6% in the EU28, according to estimates from Eurostat, the statistical office of the European Union. In January 20153 prices fell by 1.1% in the euro area and by 1.3% in the EU28.

In February 2015, compared with February 2014, industrial producer prices decreased by 2.8% in the euro area and by 3.4% in the EU28.

The 0.5% increase in industrial producer prices in total industry in the euro area in February 2015, compared with January 2015, is due to rises of 2.0% in the energy sector and of 0.1% for both durable and non-durable consumer goods.

Prices remained stable for capital goods, while they fell by 0.2% for intermediate goods.

Prices in total industry excluding energy decreased by 0.1%.

In the EU28, the 0.6% increase is due to rises of 2.5% in the energy sector and of 0.1% for both durable and non-durable consumer goods. Prices remained stable for capital goods, while they fell by 0.2% for intermediate goods. Prices in total industry excluding energy decreased by 0.1%.

The highest increases in industrial producer prices were observed in Greece (+3.5%), the Netherlands (+2.3%) and Denmark (+1.7%), and the largest decreases in Slovakia (-2.2%), Estonia (-1.8%) and Ireland (-0.8%).

The 2.8% decrease in industrial producer prices in total industry in the euro area in February 2015, compared with February 2014, is due to falls of 8.1% in the energy sector, of 1.8% for intermediate goods and of 0.9% for non- durable consumer goods, while prices rose by 0.7% for capital goods and by 1.0% for durable consumer goods. Prices in total industry excluding energy fell by 0.8%.

In the EU28, the 3.4% decrease is due to falls of 11.5% in the energy sector, of 1.6% for intermediate goods and of 1.1% for non-durable consumer goods, while prices rose by 0.8% for both capital goods and durable consumer goods. Prices in total industry excluding energy fell by 0.7%.

Industrial producer prices fell in all Member States, except in Luxembourg (+0.7%) and in Latvia where prices remained stable. The largest decreases were observed in Lithuania (-9.2%), the Netherlands (-8.3%), the United Kingdom (-8.2%), Belgium (-6.8%), Ireland (-6.0%) and Denmark (-5.8%).

Building Green Business in Georgia

Continued from p. 7

Q. Who are the main investors in green industry? Who can be in Georgia?

UNIDO is only working in Georgia on greening of existing industries, which requires investments by manufacturing industries themselves. Such investments are normally cost-effective and manufacturers therefore can consider different sources of finance, including their retained profits, operational budgets and/or loans. In selected cases enterprises can make use of preferential loan schemes for energy and environmental innovations. In Georgia such financial instruments are already available on a smaller scale through amongst others ProCredit Bank and European Bank for Reconstruction and Development.

Q. What are the deadlines for green industry transformation?

There are as of yet no international firm deadlines for green industry transformation, yet some indicative targets might result later this year with the confirmation of the Sustainable Development Goals at the global level. Yet economic growth needs to be drastically decoupled from increased use of natural resources and pollution of the environment, to achieve amongst others zero greenhouse gas emissions by the end of the century, which in turn is necessary to limit global warming to within the internationally agreed limit of 2 degrees. There is paramount evidence that early action to improve resource efficiency is most cost-effective for achieving the long term targets, and taking into consideration that resource efficiency typically pays off, immediate action on resource efficiency is warranted to start green industry transformation.

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FedEx to Buy TNT Express for $4.8 Billion Featured

The FINANCIAL

FedEx Corp. on April 7 said it would buy Dutch parcel-delivery firm TNT Express NV for about EUR4.4 billion ($4.8 billion) to expand in Europe.

The deal comes two years after a takeover of TNT by U.S. rival United Parcel Service Inc. for nearly $7 billion fell apart because of antitrust issues, and as the Dutch company struggles to compete with larger rivals, including FedEx.

FedEx and TNT said the all-cash deal had been approved by the Dutch company's board and that the EUR8 a share offer price represents a premium of 33% over TNT's share price on April 2, according to Nasdaq.

The companies said the combination would transform FedEx's European capabilities and accelerate global growth. They also said there was a "high level of deal certainty" and that any antitrust concerns "can be addressed adequately in a timely fashion," without elaborating.

European Union competition regulators blocked the proposed merger between UPS and TNT in 2013 saying the transaction would restrict competition in 15 EU countries. Concessions offered by UPS, including asset sales, were deemed inadequate at the time.

Ever since the deal with UPS fell apart, TNT has struggled to find a new stand-alone strategy as it was confronted with sluggish growth and operational setbacks. The company in September issued a profit warning blaming the weak European economy.

FedEx Chairman and CEO Frederick Smith said the deal would allow the U.S. company to "quickly broaden our portfolio of international transportation solutions to take advantage of market trends--especially the continuing growth of global e-commerce."

TNT Chief Executive Tex Gunning said the Dutch company didn't solicit the deal but that FedEx's offer was "good news."

Dutch mail company PostNL NV, which has a 14.7% stake in TNT, said it supports the offer.

The G7 Have Created 4.5 Million Jobs Since Before the Crisis

The FINANCIL

But productivity remains key to escaping the clutches of the financial crisis, says PwC report

Almost seven years on from the global financial crisis and a broad based global rebound remains elusive. But one of the most damning and tangible metrics of the crisis – the huge upturn in unemployment in the G7 – is moving decisively in the right direction in most economies.

In simple terms, and at an aggregate level, there are more jobs in the G7 and E7 now than there were before the crisis. There are now around 4.5 million more jobs, in net terms, across the G7 than there were at the end of 2007. This figure takes into account the overall number of jobs created and lost during the period.

Canada has led the way with the biggest percentage increase in employment, as its economy was the first of the G7 to regain its pre-crisis GDP level. And in absolute terms, Germany and the US have created over 4 million jobs between them. The financial crisis didn't have the same impact on the labour market in the E7, as around 90 million jobs have been created over the same period.

But in the last year the pace of job creation has decelerated in some of these economies. For example, in the past year the economies of Mexico, Turkey and Brazil combined created around 300,000 jobs, compared to around 2.7 million a year on average between 2007 Q4 and 2013 Q4.

And when it comes to job creation, a key factor is the type of jobs created. In the US and across Europe the trend has been rising part-time employment, with part-time job creation outperforming full-time employment gains in most of the economies in the sample.

Only the UK and Germany have posted growth in both full- and part-time employment. And full-time employment has fallen in the other Eurozone economies. Says PwC senior economist Richard Boxshall: "These findings suggest that the next phase of the labour market recovery will be to increase the number of full-time workers, which will support faster economic growth."

But the number of jobs created is only one measure of economic performance. Another important measure is labour productivity. Says Richard Boxshall: "To truly escape the clutches of the financial crisis, now is the time to put productivity growth at the top of the political and business agenda."

The economists used GDP per hour worked to measure productivity in the G7; but used GDP per person employed in the E7, as hourly employment data is not available for each economy. The analysis shows:

Amongst the G7, Canada and Germany have managed to combine high employment growth with a strong increase in labour productivity. This is in contrast to other high-performing economies like the US, where productivity growth has outperformed employment, and the UK where the reverse is true.

One way to offset China's shrinking workforce is to move workers from low-cost manufacturing into higher-skilled occupations. PwC's analysis shows this process is already underway, with productivity in China around 60% higher than in 2008. This implies China has moved up the value chain.

Amongst the E7, Mexico and Turkey have witnessed the biggest percentage increase in employment, due to increases in the labour force. In the long-term, these economies will become more reliant on productivity rises to fuel economic growth. The star emerging market performers in terms of combining high employment and productivity growth are India and Indonesia.

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Kakha Kaladze:

Deputy Prime Minister of Georgia

"When Abkhazia had problems with electricity, we were supplying it with electricity purchased from Russia."

MOSTLY TRUE

Nodar CHACHANIDZE
FactCheck

On 12 December 2014, the so-called President of Occupied Abkhazia, Raul Khajimba, stated: "Up until now, we do not know whether or not we actually get that 40% of electricity which belongs to us according to the 60/40percentage distribution scheme. We have to know precisely whether or not we are able to function under these conditions. The President, as the head of the executive government, together with the whole executive government itself has to elaborate respective measures to regulate the Inguri HPP ownership issue. Everything which is on the territory of Abkhazia should belong to the people of Abkhazia."

The Minister of Energy and Natural Resources of Georgia, Kakha Kaladze, responded to that statement, saying: "There were cases when we encountered some problems in the distribution of electricity through the Inguri HPP and we had to purchase electricity from the Russian Federation which was very expensive. We supplied Abkhazia with Russian electricity to make sure that Abkhazia was not completely in darkness and, probably, we will do that in the future as well."

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

The Inguri HPP is the largest hydro power plant in Georgia. It was constructed between 1961 and 1978. It represents a complex of HPPs which includes the Inguri HPP proper and the Vardnili HPP. The Inguri dam is located in the district of Tsalenjikha in the vicinity of Daba Jvari whilst the power plant is located on the territory of the village of Saiberio which is in the occupied territory.

The Inguri HPP's projected capacity reaches 4.5 billion kWh annually although due to hydrological conditions, its maximum capacity is, in fact, 4 billion kWh annually. The Inguri HPP produces 40%-45% of the total electricity generated in Georgia. Georgia's total electricity consumption equals 8 billion kWh annually. After the Inguri HPP's generated electricity is distributed according to the aforementioned 60/40 percentage ratio, the amount of electricity supplied to the rest of Georgia constitutes 25%-30% of its annual electricity consumption.

The President of Georgia's National Academy of Energy, Revaz Arveladze, stated: "The machinery comprising the Inguri HPP is located in the village of Saiberio which is in the occupied territory of Abkhazia. Part of the electricity through the 500 kV electricity cable is being transmitted to Georgia and part of the electricity is given to the occupied territory through a 220 kV electricity cable. Approximately 15 years ago, a verbal agreement was reached to give 40% of the electricity generated by the Inguri HPP to Abkhazia and 60% to Georgia. In fact, Abkhazia should not be getting more than 10%. Even though 35% of the machinery running the HPP is located on their side, electricity is being generated by water from the Inguri River which flows on our side."

To obtain further information onthe frequency of the problems at the Inguri HPP, the price of electricity imported from Russia and whether or not that electricity was, in fact, delivered to Abkhazia, **FactCheck** addressed the Ministry of Energy and Natural Resources of Georgia. According to an official letter sent to us by the Ministry, there is only one case when the Inguri HPP experienced any problems in distributing electricity in the period of 2013 to the present day and, moreover, this was only for a couple of hours.

According to the information obtained from the Ministry of Energy and Natural Resources, the following is the amount of electricity imported by the Government of Georgia from Russia and other neighbouring countries:

According to the Ministry's information, all of the transactions related to the purchase of electricity are carried out by the commercial operator of the GeorgianState Electric System. **FactCheck** addressed the Georgian State Electric System in order to obtain information on electricity prices. According to the reply we received, however, the price of imported electricity is confidential as requested by the contractor companies.

Import	From Russia	From Azerbaijan	From Armenia	In Total (million kwt/h)
2013	460.547	23.560	0.001	484.108
2014	607.0	184.2	2.1	793.3

CONCLUSION

Since 2013, there has only been one case when the Inguri HPP experienced problems in distributing electricity. As concerns imported electricity, the bulk of it was imported from Russia both in 2013 and 2014. According to the information of the Ministry of Energy and Natural Resources, electricity purchased from Russia was delivered to the population of Abkhazia in the case of necessity. FactCheck concludes that Kakha Kaladze's statement is MOSTLY TRUE.

MOSTLY TRUE