

FactCheck



Mikheil Saakashvili:

“We had a 57% growth rate in tourism in 2012 whilst this year it registered a 7% decline.”

Ani NADIRASHVILI
FactCheck

On 17 February 2015, on air on Rustavi 2 TV, the former President of Georgia, Mikheil Saakashvili, discussed the decrease in tourism in Georgia. Mr Saakashvili named the irresolute effort of the government, its inconsistent policy and the new visa regulations as contributing factors behind the decline. During the interview he stated: “We had a 57% growth rate in tourism in 2012 whilst this year it registered a 7% decline.”

FactCheck took interest in the accuracy of the statement. First of all, we will clarify that a ‘visitor’ is an individual who travels from his permanent place of residence to a specific destination, stays there for less than a year and is not employed. Those ‘visitors’ who spend at least one night at a specific location are qualified as ‘tourists.’

According to the information obtained from the Georgian National Tourism Administration, there were 4.4 million visitors to Georgia in 2012 which represents an increase of 57% as compared to 2011. There was a 2% growth in the number of tourists registered in 2014. However, in January 2015 the number of tourists dropped by 3% as compared to the same period of the previous year. In February 2015, the number of tourists dropped by 1% as compared to the same period of 2014.

There was a 36% increase in the number of tourists to Georgia in 2012. In 2014, the increase constituted 7%. Mikheil Saakashvili made his statement on 17 February 2015. According to the official



information of the Ministry of Internal Affairs of Georgia, the number of tourists shrank by 7.5% in January to February 2015 as compared to the same period of 2014.

After the introduction of the new visa regulations beginning from September 2014, Georgia slashed the number of countries whose citizens were entitled to a visa-free entry from 118 to 94. At the present moment, citizens of 99 countries are required to obtain visas to enter Georgia. Of this number, Georgia has no diplomatic representation or consular services in 92 countries. In order to analyse how the visa regulations affected the decline in the number of visitors, we selected the top five countries whose citizens have been visiting Georgia in the greatest numbers.

The number of visitors from the aforementioned countries decreased significantly after the new visa regulations were imposed. There was a 25% increase in the number of visitors from Iraq in 2013 whilst that number dropped by 97% in 2014.

FactCheck took interest

in the extent to which the new regulations have affected the year 2014 overall. We analysed the data of the top 30 countries which constituted approximately 98% of all visitors to Georgia in 2014. There were 5,307,882 visitors in total from the top 30 countries whereas the number of visitors from the countries having had their visa-free regime terminated equalled 150,965. In 2014, there were 5,404,702 visitors in total with 78,729 visitors from Iran, Iraq, China, Egypt and India. In the last four months of 2014, there was a four-fold drop registered in the number of visitors from the aforementioned five countries.

It must be noted that the number of visitors from visa-free countries has also decreased. For instance, there were 161,600 less visitors from Turkey. In total, 78,000 less visitors came to Georgia owing to the recently imposed visa regulations as compared to 2013. Additionally, the number of visitors from those countries whose citizens can come to Georgia without visas dropped by 166,245.

Table 1: Number of Tourists to Georgia, 2010-2014

| Year | Number of Tourists | Change in Terms of Percentage |
|------|--------------------|-------------------------------|
| 2010 | 1,067,338 | |
| 2011 | 1,318,968 | 23% |
| 2012 | 1,789,592 | 36% |
| 2013 | 2,065,296 | 15% |
| 2014 | 2,218,050 | 7% |

Table 2: Increase in the Number of Tourists in September-December, 2012-2014

| Year | Iran | | Iraq | | Egypt | | China | | India | |
|------|--------|------|--------|------|-------|------|-------|------|-------|------|
| 2012 | 25,011 | | 4,487 | | 1,437 | | 3,792 | | 3,193 | |
| 2013 | 25,244 | 0.9% | 15,850 | 25% | 2,708 | 88% | 3,129 | 17% | 2,386 | 33% |
| 2014 | 3,799 | -84% | 437 | -97% | 430 | -84% | 1,811 | -42% | 1,728 | -27% |

CONCLUSION

The number of tourists who came to Georgia rose by 36% in 2012. According to data for January to February 2015, the number of tourists dropped by 7.5%. Therefore, Mikheil Saakashvili is right to assert that there was a 7% decline in the number of tourists at the beginning of 2015. In regard to the same data for 2012, there was a 57% rise in the number of visitors which includes the number of tourists as well.

FactCheck concludes that Mikheil Saakashvili's statement is TRUE.

TRUE



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Swiss Ambassador Calls on Government to Resolve Unfair Taxation and Bribery

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most successful economies? The main reason is that both income and growth as well as local wealth are structured around the SMEs. They are the backbone of a successful economy; while a single large company may fail the SME sector as a whole is too big to fail.

Q. How the situation both, political and economic, has been changing in Georgia since the 2012 elections?

A. In terms of space for democratic development, like freedom of media and of expression we have been witnessing real progress. What I can see daily is that citizens think that the situation has improved significantly. There is more of a positive environment for human and business development. At the same time, when it comes to economic development, in particular regional development and socioeconomic issues, the poverty line still remains quite problematic. So, in this direction we have not seen major breakthroughs yet. Of course there is a basis for improvements and as I pointed out above I am optimistic that options and potentials will merge in the years to come.

Q. One of the harshest legislative changes in Georgia since 2012 has been the visa and migration policy and the prohibition of land being sold to foreigners. How would you evaluate it and did it impact on Swiss investors?

A. The Georgian Government as any other government is free to design a national policy when it comes to land, immigration, and visa policies. Such policies are in accordance with national interests which of course may vary from country to country. Hence, Georgia shall have a modern visa policy and land legislation. At the same time any responsible government may reflect on the impact of its policies; whether or not it will help it to strengthen the country and national interests. For example, Switzerland has a visa-free regime with certain countries, and at the same time we do have a visa regime with others, too. Such diversity is built in line with our nation's interests. Also, in the case of land, there are different approaches. We are living in a globalized world with all its challenges and benefits. In Switzerland we do not sell agricultural land to foreigners. We have local farmers who are engaged in agriculture. Selling land and creating conflict between locals and foreigners in rural areas is definitely problematic. That's why the Georgian government rightly decided to amend the land legislation. There must be a balanced approach that helps the development of the country – that desperately needs foreign investments – and the local people. The new land legislation may provide such space – if not it may easily be amended or reformed again. That's why we need a parliamentary democracy.

As for the visa policy the previous approach was a very liberal one and not based on reciprocity – what we normally do. It was based on the idea to attract interesting people from all walks of life in order to partner with Georgian people and to come up with something meaning-

ful. I guess Georgia does not want to break with this “tradition” or wants to get rid of all these innovative and friendly people. Again in comparison with my country things may be different: there are more than 25% foreigners in my country – a potential that is highly validated in many ways. At the same time we do have sometimes harsh rules when it comes to illegal immigration or other irregularities.

Q. There is a belief among social scientists that building a democracy and economic development at the same time is hard. As we are currently witnessing economic problems in Georgia but a stronger attitude of implementing democratic values, can we say that those social scientists are right?

A. Democracy and economic development belong together. There is an interaction between them. So both the spheres cannot be seen separately. We can put an emphasis in a certain period of time on one thing or the other but we cannot disconnect them. Even more, when it comes to hard choices I would rather go for democracy first. A liberal world provides more chances for economic development than an authoritarian one. There is only one value system and standard for democracy whereas there can be more or less economic development. An authoritarian “development state” that does not know democratic values or pluralism is bound to fail. This is our experience throughout the world. E.g., all the donor countries made a huge mistake in Rwanda in the ‘90s. Rwanda was a darling of the donors and a kind of showcase for African development. The President of Rwanda underscored that Rwanda is the development state par excellence. In April 1994 we all together woke up with a shock about the genocide in the former paradise of the “milles collines”. We missed to properly analyse the situation beforehand. Hence, while taking care of the economic transformation in particular in rural areas the democratic principles have been ignored completely; by the way I did my PhD on a conflict model that involved Rwanda before and after the genocide.

Q. It is hard to predict how the crisis in Ukraine will proceed to develop. However, while the ongoing processes continue to have a negative impact on each county in the region, what would you suggest Georgia should do to minimize the impact?

A. It is hard to predict what the situation will be in two to three years ahead. This crisis came to us as a shock, too. There might be some other shocks to come, who does really know, but positive developments may also occur. What we see from the analyses now is that things are not going to improve quickly. First, we altogether do have to stop the violence and armed conflicts. We have to end violence in order to create an environment for talks and recovery, and for humanitarian assistance as well. We do have to help Ukraine from a financial perspective to avoid any collapse of the system. Based on the experience of the Ukraine each and every country is now requested to have a sound national security policy and to enhance

its resilience in order to avoid the impact of external shocks that go down through whole countries. It basically means strengthening one's own national unity, based on democratic discourse and society's participation. This must include national security, defence capacity, economic development and strength which are not dependent fully on one partner or one sector. Diversification of economic ties and also of the sectors is crucial for all countries. When it comes to resilience the good news is that the Georgian Lari has proved to be more stable than many would have expected. Depreciation causes problems for many people. At the same time the weakness of the currency was caused by external shocks. Both financial institutes, governments and people are bound to enhance trust in their own currency and not panic by fleeing into foreign currencies. The Georgian Government is quite aware of that and is trying to cope with it. However, there should be much more done to strengthen local markets, production etc. in order to strengthen economic ties, exports, lending in national currency; such measures may stabilize the situation and enhance trust in the Lari as well.

Q. Don't you think that while talking about Russia, peaceful conflict resolution is not a good option?

A. Conflict resolution has to be peaceful that is the main objective. We are here to help solve conflicts in a peaceful way. On your question: Russia is a big country, a strong regional power with large scale interests. The national interests of Russia do of course not depend on or respond to the behaviour of individual governments of small neighbouring countries. Having said this, at the same time the way Russia implements her interests in a specific way, in a specific region and on specific topics does of course very much depend also on the behaviour and capacities of a particular government in the neighbourhood. In this regards Georgia can shape the relations with the big neighbour through clear strategies, constant negotiations and mutual problem solving in specific domains.

Q. How can Georgia return Abkhazia and Ossetia?

A. This is a long-term project that has a lot to do with mutual respect. This also means the project must be a voluntary act from both the sides. Creating respect must be based on long-term understanding and dialogue on problem-solving. Beyond, rapprochement shall provide a growing space for opening up Abkhazia and South Ossetia to the world. Both are not just occupied territories but a potential for engagement of future generations on both sides of the ABL. Let me repeat again: a lot will depend on how attractive Georgia is going to be.



The First Children's Paraorchestra Established in Georgia by Tree of Life

The FINANCIAL
By MADONA GASANOVA

The foundation Tree of Life has funded the paraorchestra established by the union Parents Bridge. The union won the second grant competition organized by the foundation Tree of Life. The paraorchestra is an orchestra consisting entirely of musicians with disabilities. It was formed as a project to create a platform for the top disabled musicians, with the hope that its success would lead to better integration of the disabled into music and performing arts. In total, the foundation Tree of Life funded various projects, worth over GEL 1,600,000 in 2014.

Members of the paraorchestra are children and adults suffering from deaf, blind, autistic spectrum and mobility disorders. The project promotes the expression of the potential of disabled children. It encourages the realization of their abilities and social integration. Besides that, music therapy helps children to develop skills.

The first concert of the paraorchestra was held on 2 April at Movement Theatre. It was devoted to World Autism Awareness Day (WAAD). WAAD has been observed on 2 April every year since 2008. It was designated by the United Nations General Assembly.



The association Parents Bridge was created by children with disabilities, including staff working as psychologists and their parents in 1999. Members of the union aim to develop educational and social conditions for children with disabilities. The union has 50 beneficiaries. They are offered systematically: music therapy, drum therapy, art therapy, occupational therapy, physical therapy and 'logorytmika'. Professionals, as well as psychologists, special teachers and methodists are working with the beneficiaries.

The Tree of Life charity was created in 2008. It aimed to support issues of concern to the public. The foundation held two grant contests for supporting children with disabilities in 2014. Within the frames of this, 26 projects were funded. The total worth of the projects implemented in 2014 amounted to over

GEL 1,600,000. The diversified directions of the projects include: education, environmental protection and the support of children with disabilities. The foundation also supported 13 individuals with different projects and gave wheelchairs to 300 people with disabilities.

At the end of 2014, Tree of Life supported the creation of the first website showing hundreds of sign language symbols and gestures, giving additional support to Georgia's deaf community. The country's first online dictionary outlining 500 sign language gestures was published in Georgian and had sections in English and Russian. The innovative website showed gestures for each alphabet letter, as well as video tutorials on how to spell certain words.

With the support of the Tree of Life, over ten key avenues and streets in Georgia were adapted for disabled people by building ramps.



Euro Area Annual Inflation Up to -0.1%

Euro area annual inflation is expected to be -0.1% in March 2015, up from -0.3% in February, according to a flash estimate from Eurostat, the statistical office of the European Union.

Looking at the main components of euro area inflation, services is expected to have the highest annual rate in March (1.0%, compared with 1.2% in February), followed by food, alcohol & tobacco (0.6%, compared with 0.5% in February), non-energy industrial goods (-0.1%, stable compared with February) and energy (-5.8%, compared with -7.9% in February).

and down from 6.7% in February 2014.

Euro area unemployment rate at 11.3%

The euro area (EA19) seasonally-adjusted unemployment rate was 11.3% in February 2015, down from 11.4% in January 2015, and from 11.8% in February 2014. This is the lowest rate recorded in the euro area since May 2012. The EU28 unemployment rate was 9.8% in February 2015, down from 9.9% in January 2015 and from 10.5% in February 2014. This is the lowest rate recorded in the EU28 since September 2011. These figures are published by Eurostat, the statistical office of the European Union.

Eurostat estimates that 23.887 million men and women in the EU28, of whom 18.204 million in the euro area, were unemployed in February 2015. Compared with January 2015, the number of persons unemployed decreased by 91 000 in the EU28 and by 49 000 in the euro area. Compared with

February 2014, unemployment fell by 1.547 million in the EU28 and by 643 000 in the euro area.

Among the Member States, the lowest unemployment rates in February 2015 were recorded in Germany (4.8%) and Austria (5.3%), and the highest in Greece (26.0% in December 2014) and Spain (23.2%).

Compared with a year ago, the unemployment rate in February 2015 fell in twenty-two Member States and increased in six Member States. The largest decreases were registered in Estonia (8.4% to 6.2% between January 2014 and January 2015), Ireland (12.1% to 9.9%) and Bulgaria (12.3% to 10.2%). The largest increases were registered in Croatia (17.3% to 18.5%), Cyprus (15.6% to 16.3%) and Finland (8.4% to 9.1%).

In February 2015, the unemployment rate in the United States was 5.5%, down from 5.7% in January 2015

YOUTH UNEMPLOYMENT

In February 2015, 4.850 million young persons (under 25) were unemployed in the EU28, of whom 3.245 million were in the euro area. Compared with February 2014, youth unemployment decreased by 494 000 in the EU28 and by 230 000 in the euro area. In February 2015, the youth unemployment rate was 21.1% in the EU28 and 22.9% in the euro area, compared with 22.9% and 24.0% respectively in February 2014. In February 2015, the lowest rates were observed in Germany (7.2%), Austria (9.0%) and Denmark (10.2%), and the highest in Greece (51.2% in December 2014), Spain (50.7%), Croatia (46.4% in the fourth quarter 2014) and Italy (42.6%).



Kakha Kaladze:

Deputy Prime Minister of Georgia



"The situation abroad is significantly affecting the devaluation of GEL."

Mariam CHACHUA
FactCheck

On 24 February 2015, as a guest of the talk show, *Archevani*, the Deputy Prime Minister of Georgia, Kakha Kaladze, stated that foreign factors, including the negative processes in Russia and Ukraine, have had a significant impact upon the devaluation of GEL.

FactCheck verified the accuracy of the statement.

The second wave of depreciation of GEL started from January 2015. In the first two months of this year, GEL dropped by 13.7% (25 tetri). Georgia has a floating exchange rate which means that the GEL exchange rate is determined upon the basis of supply and demand of USD. Georgia is dependent upon imports and demand of USD is high. The main sources of USD in the country are export, tourism, remittances and foreign investments.

From the beginning of the second half of 2014, Georgia's export started to decline. The decrease of export, against the background of rising import, resulted in a deterioration of the current account deficit by 12%. Together with an increased current account deficit, some other components of the balance of payments slipped as well which caused a disproportionately high demand of USD. Revenues from tourism increased marginally by only 4%. Further, remittances from abroad decreased by 2% and, therefore, the available amount of USD in Georgia was not sufficient to meet the demand which was then reflected in the GEL exchange rate at the end of November. The depreciation of GEL was significantly affected by the deficit spending of the budget at the end of the previous year.

The economic processes throughout the region are said to be one of the reasons for the decrease of the total amount of USD available in Georgia. The economic growth rate dropped in the entire region of the Commonwealth of Independent States. According to the International Monetary Fund, the total economic growth rate of the CIS member states equals 0.75%. Turkmenistan (10.1%), Uzbekistan (7%) and Tajikistan registered the highest economic growth rates whilst the lowest economic growth rates were registered in Ukraine (-6.5%) and Russia (0.2%). Slower economic growth in turn decreased domestic demand which was duly reflected upon the amount of import. Import fell by 5% in the CIS region in 2014. Georgia's export markets are mostly CIS countries

and, therefore, the economic process taking place in the CIS region affect Georgia as well. In 2014, Georgia's export to CIS member states dropped by USD 155 million (9.6%).

Azerbaijan, Russia, Ukraine and Armenia are Georgia's largest trading partners in the region. Throughout 2014, Georgia's export decreased by 27.3% to Ukraine, by 8.6% to Armenia and by 23.3% to Azerbaijan. The annual growth of exports to Russia constituted 44% but started to decline from the second half and in the last quarter of 2014 and registering a 27% decline. Export continued to drop throughout January 2015. The amount of goods exported to the CIS region was USD 58 million (51%) less as compared to the same period of the previous year. Exports to Russia dropped by 62%, to Ukraine by 77%, to Armenia by 52% and to Azerbaijan by 23%.

Russia's economic difficulties were reflected upon remittances as well. In 2014, remittances from Russia dropped by USD 92 million (11.5%) and remittances from Ukraine decreased by USD 15 million (32.4%). The total amount of remittances in January to February of this year dropped by USD 46 million (23%) whilst remittances from Russia dwindled by USD 43 million (44%).

CONCLUSION

The economic growth rate in the CIS region shrank to 0.75% whilst import to the region dropped by 5%. More than half of Georgia's exports are bound to CIS member states. Therefore, the low economic growth in those countries was reflected upon Georgia's foreign trade. Remittances to Georgia dropped by 2% in 2014 and by 23% in January to February 2015. Approximately 49% of remittances have been transferred from Russia. In 2014, remittances from Russia decreased by USD 92 million (11.5%) whilst remittances from Russia dropped by USD 43 million (44%) in January to February this year. Even though the depreciation of GEL is largely determined by domestic factors (a decline in the economic growth rate, deficit spending of the budget in November to December 2014, a declining number of tourists due to stricter visa regulations and contradictory statements of government officials), FactCheck concludes that foreign factors are also playing a role in the depreciation of GEL starting from 2015. Therefore, Kakha Kaladze's statement is **MOSTLY TRUE**.



MOSTLY TRUE

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