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Creative Director / Photo Editor / Designer: Serga Nemsitsveridze

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Photographers: Khatuna Khutsishvili,

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GRAPHICS DESIGN AND PRINTING

LeaderBoard

State Enterprises with the Highest Turnover and Most Employees

State-owned enterprises operate in twelve different sectors in Georgia. More than half of them operate in three main sectors – health and social support; utility, social and personal services; and real estate, tenancy and customer services. The transport and communications sector accounts for 30.3% of the turnover; the electricity, natural gas and water production and distribution sector for 44.0%; and commercial operations for 15.1%. State enterprises in Georgia are seen as a fiscal risk. Most of the enterprises are inactive or loss-making. In 2018, the government spent a total of GEL 168.9 million on direct financial support for the aforementioned enterprises, GEL 143.5 million of which was classified as capital investment. The main beneficiaries were the United Water Supply Company of Georgia LLC, the Mountain Resort Development Company LLC and Meqanizatori Ltd. It is worth noting that the committee responsible for distributing the profits of state-owned enterprises did not meet in 2018. The amount paid out in dividends to the government by state enterprises in 2017 was GEL 0.3 million. This figure is based on some state enterprises being managed by the Partnership Fund, which uses the dividends independently for investment and loan servicing purposes. Resultantly, the Georgian Oil & Gas Corporation paid GEL 27.3 million to the Partnership Fund in 2017, while JSC Telasi paid GEL 4.9 million.

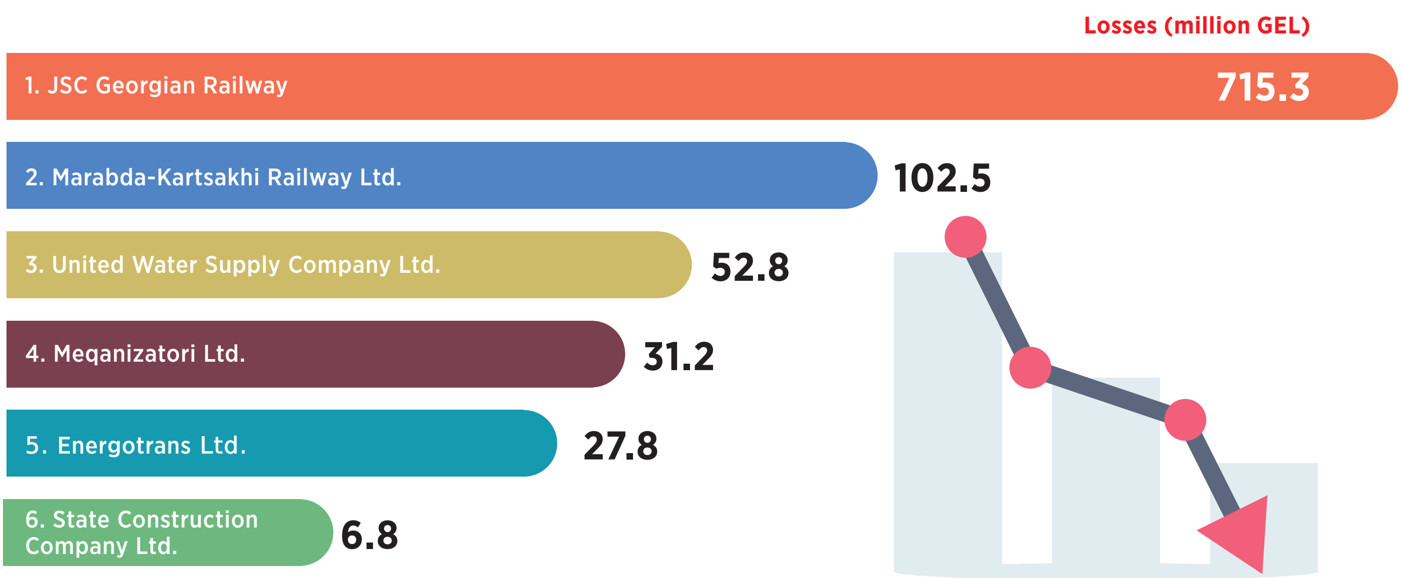
BY NINO KVINTRADZE

Total revenue earned by state enterprises in 2018 did not increase year on year, while the volume of expenses increased by 5% (compared to 10% in 2017).

#	Enterprise	Sector	Number of Employees	Turnover (thousand GEL)
1	JSC Georgian Railway	Transport and Communications	12,502	
2	Tbilisi Transport Company Ltd.	Transport and Communications	6,193	148,550,097.20
3	Tbilservice Group Ltd.	Utility, Social and Personal Services	5,057	66,915,540.80
4	JSC Telasi	Electricity, Gas and Water Production & Distribution	4,048	498,556,943.10
5	Georgian Post Ltd.	Transport and Communications	3,028	100,455,836.20
6	United Water Supply Company of Georgia	Electricity, Gas and Water Production & Distribution	2,750	43,157,971.20
7	Georgian Amelioration Ltd.	Agriculture, Hunting and Forestry	1,563	7,143,456.70
8	JSC Georgian State Electrosystem	Electricity, Gas and Water Production & Distribution	1,395	192,101,837.70
9	State Food Provision Ltd.	Hotels and Restaurants	1,194	26,276,432.50
10	Engurhesi Ltd.	Electricity, Gas and Water Production & Distribution	964	71,437,760.00

Biggest Loss-Making State Enterprises

Aggregate losses accumulated by state enterprises last year amounted to GEL 805.3 million, compared to GEL 644.5 million in 2017, representing a GEL 160 million increase. The biggest losses were made by companies such as Georgian Railway, Energotrans, Georgian Amelioration, the United Water Supply Company of Georgia and the Marabda-Kartsakhi Railway.



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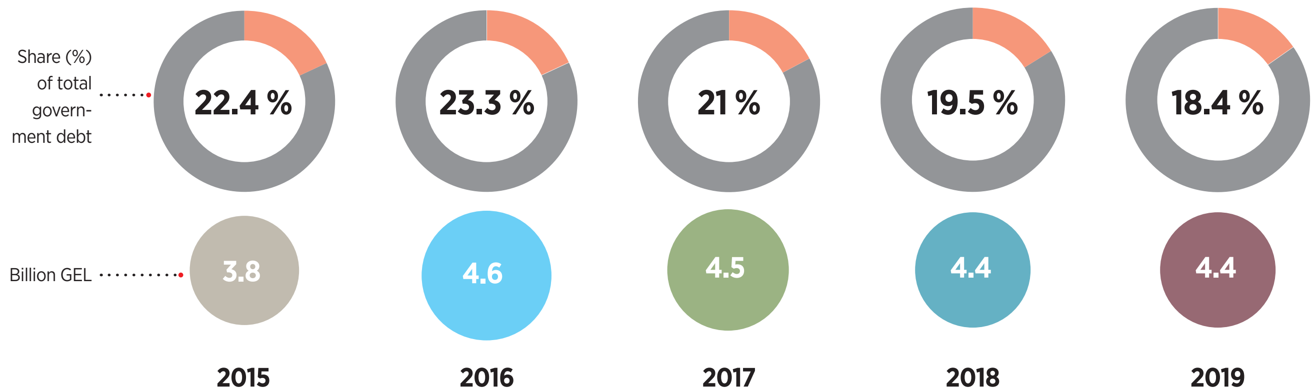
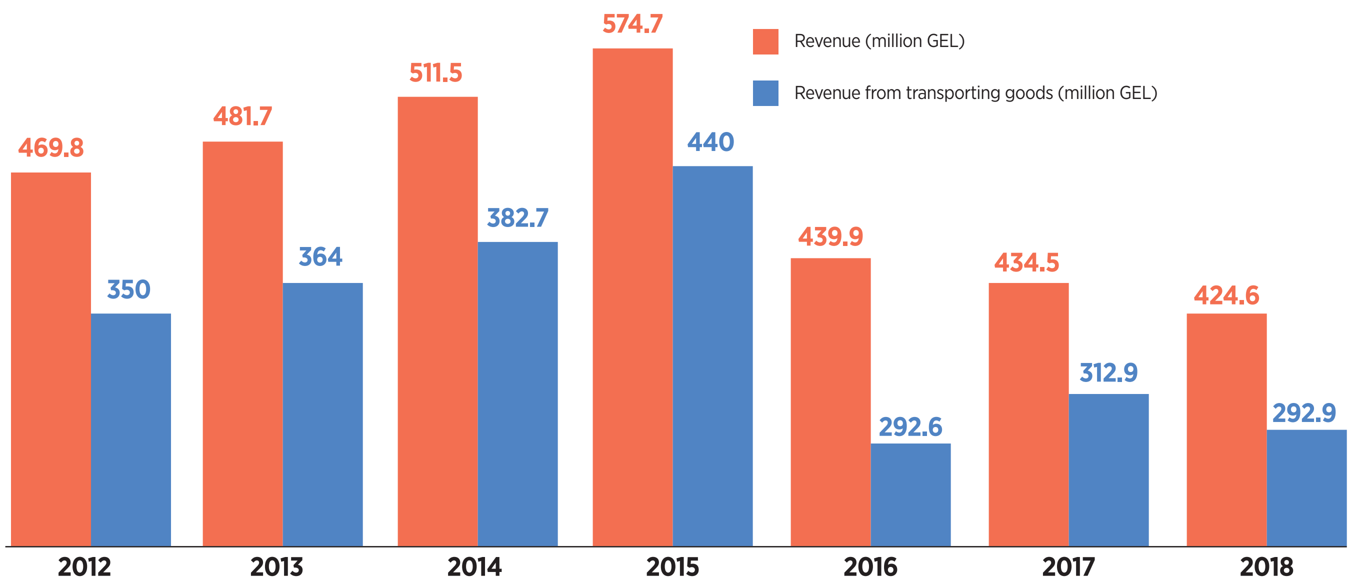
Debts Owed by State Enterprises

Apart from losses, the state is also saddled by debts owed by state companies. According to the International Monetary Fund and the World Bank, money owed by non-financial state corporations accounts for a considerable part of public sector debt. Non-financial state corporations are resident organizations controlled by state agencies. According to the budget monitoring organization, total debts owed by such organizations are expected to reach GEL 4.48 billion by the end of 2019.



Georgian Railway's Financial Figures

In 2017, Georgian Railway (GR) made losses totaling 354 million, largely due to the impairment of the Tbilisi Railway Bypass project assets being recognized as debt. Without this factor, GR would have made a profit of GEL 29 million in 2017. In 2018, GR posted a loss of GEL 715 million. In a statement to Forbes, GR explained that "in 2018, in accordance with IFRS 36, the company carried out impairment of its assets, whereby it was guided by the reduction in freight turnover during the last few years, which in turn made it necessary to correct the book value of the main assets. This, together with losses sustained due to the difference between the exchange rates, amounted to total losses of $283 million." The company further states that increased freight turnover would lead to the value of the main assets returning to the initial figures. "Correction / impairment of assets is a non-monetary expense that does not reduce monetary resources. Without these two factors, the company would have posted a net profit of GEL 24.4 million in 2018."



#SpoilYourself

Thanks to our New Year campaign called *#SpoilYourself* we:

ENCOURAGE OUR MEMBERS TO TRAVEL AROUND GEORGIA, STAY AT LOCAL HOTELS, EAT AT NICE RESTAURANTS, AND THEREFORE CONTRIBUTE TO THE GROWTH OF THE TOURISM INDUSTRY

ONCE AGAIN HIGHLIGHT THE HIGH STANDARD AND EXCEPTIONAL SERVICE PROVIDED BY OUR PARTNERS

SPOIL OUR MEMBERS WITH CONCIERGE CARE FOR THEM TO HAVE MORE TIME FOR THEIR FRIENDS, FAMILY AND RELAXING

This year Concierge Tbilisi celebrates its 5th anniversary.
The company disrupted the Georgian hospitality market by

Upgrading common tours to unique experiences

Bringing highly intellectual resources to the event management industry

Personalizing lifestyle management and business concierge services

This year we wanted to do something special for the hospitality industry and for our members; so together with our loyal partners, Georgia's leading hotels and restaurants, we initiated a New Year's campaign. Concierge Tbilisi will gift one-year free membership cards to a selection of businesses and our partners will pass on the excellency of their service through gifting a one night stay at a regional hotel or a dinner for two at a high class restaurant.

Fastest in the World

BY BESO NAMCHAVADZE

A year ago, FORBES GEORGIA published an article about the world's 10 fastest-growing economies in 2017 / 2018. Now let's look at the fastest-growing economies in 2019.

Six of the ten countries discussed in last year's article are present in the top 10 in 2019. These are Ethiopia, Cote d'Ivoire, Bangladesh, Ghana, Nepal and Cambodia.

The article uses figures obtained from the International Monetary Fund. The IMF regularly publishes economic forecasts for its member states. The 2019 forecast was updated approximately one month ago, thereby coming close to actual figures for the year.

The global economy is forecast to grow by 3% by the end of 2019. The economic growth figure will be 1.7% in developed countries and 3.9% in developing countries. The developing countries of Asia constitute the fastest-growing region, with an average annual growth figure of 5.9%.

Countries that made it into the top 10 have posted economic growth figures of 6.5% or more. It must be said that a country's initial position plays a significant role in achieving high growth rates; it is much easier to achieve high growth in poorer countries, and this happens due to untapped resources, weak domestic competition, relatively high profit margins and low per-capita income economy.

10. Mauritania

Population: **4.1 million**
GDP: **$5.7 billion**
GDP per Capita: **$1,390**

The economy of Mauritania will grow by 6.6% by the end of this year. Mauritania is situated in western Africa, and 75% of its territory is covered by the Saharan desert. Even though it now has the world's tenth-fastest growing economy and has achieved average annual economic growth of 4.1% over the last eight years, it remains an extremely poor country, ranking 142nd in the world in terms of GDP per capita. In spite of the poverty, the country's population has increased by 17% during the last eight years.

Mauritania has rich deposits of precious and black ferrous metals. Various metal ores account for half of the country's exports. Mauritania has also started exporting natural gas, which has accelerated its economic growth.

PHOTOS: SHUTTERSTOCK

9. Cambodia

Population: **16.5 million**

GDP: **$27 billion**

GDP per Capita: **$1,620**

The economy of Cambodia will grow by approximately 7% in 2019. Cambodia is still trying to overcome extreme poverty, and despite achieving average annual economic growth of 7.2% over the last eight years, it still ranks 137th in terms of per-capita income. The country's population is also growing rapidly.

Cambodia's economic growth is fueled by its cheap workforce, improvements in agricultural technologies and foreign aid. The fastest-growing sectors are construction, export and tourism. The state budget expenditure in relation to the country's GDP is 25%, while government debt is 30% of the country's GDP. The average inflation rate was 2.6% over the last five years.

8. Nepal

Population: **28.5 million**

GDP: **$30 billion**

GDP per Capita: **$1,050**

The economy of Nepal will grow by 7.1% by the end of this year, and the country will retain its place in the global 'top 10' for the third successive year. Like Mauritania and Cambodia, Nepal is also one of the world's poorest countries, ranking 155th in terms of GDP per capita.

During the past three years, Nepal's fast economic growth has been fueled primarily by significant foreign aid that the country received in the aftermath of the devastating earthquake in 2015. The country's dominant sector is tourism. Even though only 20% of the country's land is arable, more than half of the population is employed in agriculture. Money transfers by Nepalese migrants from abroad account for 29% of the country's GDP.

PHOTOS: SHUTTERSTOCK

7. Ethiopia

Population: **96 million**

GDP: **$91 billion**

GDP per Capita: **$950**

The economy of Ethiopia will grow by 7.4% in 2019. Although the country's economy has been growing by an average of 9% over the last eight years, Ethiopia is still extremely poor, ranking 164th in terms of GDP per capita. Attempts to emerge from extreme poverty are partly hindered by the population boom. The country's population is growing by several million people each year, jumping from 86 million in 2012 to 96 million in 2019.

Ethiopia's fast economic growth is largely fueled by its cheap workforce. Approximately 70% of the population are below the age of 30. Ethiopia is the world's third-largest coffee producer and has rich hydro power resources, creating potential for the country to become one of the largest exporters of electricity in Africa and the Middle East. Growth rates are high in the construction and service sectors, partly thanks to government projects.

LeaderBoard

6. Ghana

Population: **30 million**

GDP: **$67 billion**

GDP per Capita: **$2,220**

The economy of Ghana will grow by 7.5% by the end of 2019. Ghana is approximately twice as poor as Georgia, though its economy has been growing at an average rate of 6% over the last eight years. Ghana is characterized by high inflation (9% year on year), high budget deficit and growing state debts, which largely negate the fast-economic growth.

Ghana is a democratic country where the official state language is English. The country's main exports are cocoa, gold and oil; accounting for approximately 75% of total exports. Fast-economic growth is primarily fueled by the oil sector. Oil production in Ghana has increased significantly since 2011.

5. Cote d'Ivoire

Population: **25.6 million**

GDP: **$44 billion**

GDP per Capita: **$1,700**

With an economic growth rate of 7.6%, Cote d'Ivoire ranks fifth in the world this year. The country's economy began growing fast in 2012. It grew by an average of 8.5% between 2012 and 2019. Like many other African countries, Cote d'Ivoire has a booming population, which has grown by 20% since 2012.

Cote d'Ivoire is a francophone West African country. Prior to 2011, it was affected by political and economic crises for over a decade, plunging the country into deep poverty. However, since 2011, Cote d'Ivoire has been characterized by political stability. The government has initiated large-scale infrastructural projects, significantly accelerating economic growth. Like in many other poor countries, agriculture holds a large share in the economy. State budget expenditure as a percentage of the country's GDP is 23%, while inflation is low (an average annual rate of 1.1% over the last eight years).

PHOTOS: SHUTTERSTOCK

4. Bangladesh

Population: **167 million**

GDP: **$317 billion**

GDP per Capita: **$1,900**

The economy of Bangladesh will grow by 7.8% in 2019. Its per-capita GDP has doubled over the last eight years, but it remains a poor country due to a demographic boom. Bangladesh is the world's eighth-most populous country and has the highest population density outside city-states.

The budget expenditure of Bangladesh amounts to 15% of the GDP. The country's state debts are low. The volume of exports and imports is virtually equal, so there is no trade deficit.

Bangladesh has largely achieved fast economic growth through its cheap workforce. This is particularly evident in the clothing production industry, where low labor costs have resulted in a competitive advantage. Bangladesh is the world's second-largest exporter of clothes, trailing only China. Money transfers by Bangladeshis living abroad also significantly helps the country's economy.

3. Rwanda

Population: **12.4 million**

GDP: **$10.2 billion**

GDP per Capita: **$825**

The economy of Rwanda will grow by 7.8% in 2019. Over the last eight years, the country's economy grew by an average of 7.1%. However, due to the demographic boom, Rwanda is only slowly emerging from extreme poverty, and is currently ranked 166th in the world in terms of GDP per capita.

Rwanda's road towards development is an interesting one. This is a small country that has few natural resources and suffered the horrors of genocide in the 1990s. Although democracy is weak in Rwanda, women currently hold 67% of seats in the parliament, which is a global record. Reforms have enabled Rwanda to reach 32nd spot in the Index of Economic Freedom and 29th spot in the Doing Business Index. According to the Index of Economic Freedom, Rwanda offers better property protection than Georgia and is less corrupt, as well as has a considerably more effective and freer judiciary system. Rwanda has become attractive for investors, although state investments also play a significant role in achieving economic growth. Rwanda's government debts are, therefore, growing fast and turning into a risk factor.

2. South Sudan

Population: **13.4 million**

GDP: **$3.7 billion**

GDP per Capita: **$275**

The economy of South Sudan will grow by 7.9% by the end of the year, but the country ranks 178th in the world in terms of GDP per capita. South Sudan achieved independence from Sudan in 2011. The country was ravaged by a civil war between 2013 and 2018, with 400,000 people losing their lives, millions more leaving the country, and the economy in ruins. Per capita GDP fell from $1,300 to $275. Inflation between 2015 to 2017 was 700%, while the value of the national currency against the U.S. dollar fell by a staggering 1000%.

The high economic growth rate that has been achieved in 2019 is a result of peace and positive economic trends. The inflation rate has been reduced considerably, but still amounts to 35% for the year. Generally speaking, countries achieve rapid economic growth after the end of armed conflicts, as they have to start from a position of economic standstill. South Sudan has significant oil reserves that have yet to be exploited due to war.

PHOTOS: SHUTTERSTOCK

1. Dominica

Population: **73 million**

GDP: **$0.6 billion**

GDP per Capita: **$8,400**

The economy of Dominica will grow by 9.4% in 2019, thereby topping this list. The past seven years have been quite unsuccessful for the country. For example, its economy shrank by 9.5% in 2017. Dominica is the richest among the countries discussed in this article, although it still only ranks 107th in the world in terms of GDP per capita.

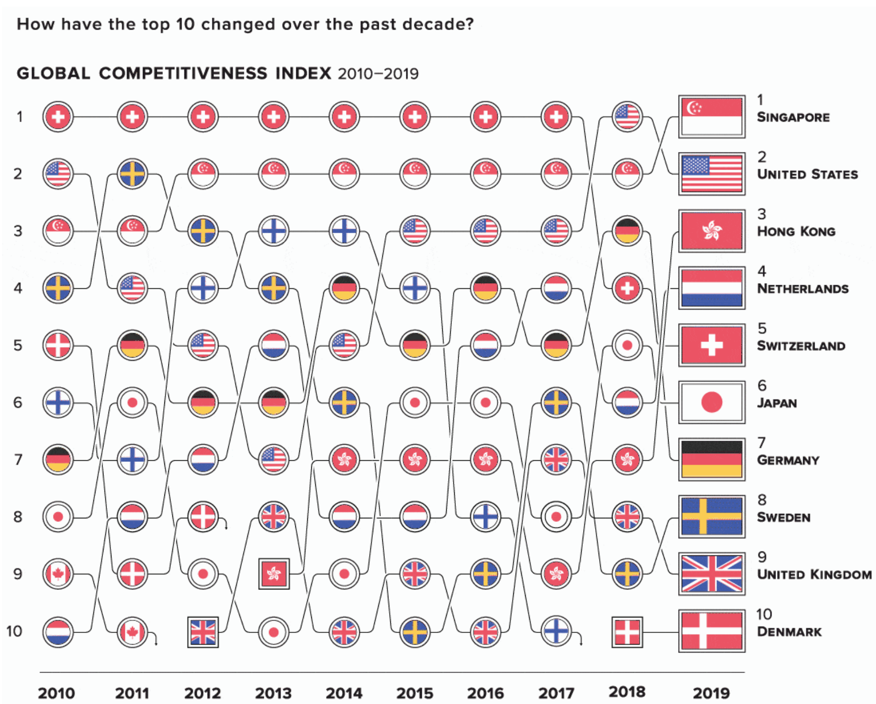
Dominica is a small island country in the Caribbean that is known for offshore financial services, tourism and exporting exotic fruits. It is the world's ninth-largest exporter of bananas. As the country depends significantly on tourism and agriculture, its economy is badly affected by natural disasters. Hurricane Maria inflicted substantial economic damage on Dominica in 2017. It could be said that the rapid economic growth that we have witnessed in 2019 is a result of recovery from the effects of Maria.

LeaderBoard

Which Economies Are the Most Competitive?

What makes a country successful from an economic perspective? Many think of this in terms of GDP per capita–but in a rapidly changing world, our definitions of progress have evolved to encompass much more.

This chart visualizes 10 years of global competitiveness, according to the World Economic Forum, and tracks how rankings have changed in this time.



How Do You Measure Competition?

The WEF's annual Global Competitiveness Report defines the concept of 'competitiveness' as an economy's productivity–and the institutions, policies, and factors which shape this.

This year's edition unpacks the national competitiveness of 141 countries, using the newly-introduced Global Competitiveness Index (GCI) 4.0 which looks at four key metrics:

1. Enabling Environment
Includes: Institutions, Infrastructure, ICT Adoption, Macroeconomic Activity*
**Refers to information and communications technology*

2. Human Capital
Includes: Health, Skills

3. Markets
Includes: Product Market, Labor Market, Financial System, Market Size

4. Innovation Ecosystem
Includes: Business Dynamics, Innovation Capability

Each country's overall competitiveness score is an average of these 12 main pillars of productivity. With that out of the way, let's dive into the countries which emerge triumphant.

The Most Competitive: Movers and Shakers

The world's top countries excel in many fields–but there can only be one #1. In 2019, Singapore wins the coveted "most competitive economy" title, with a 84.8 score on the GCI.

The nation's developed infrastructure, health, labor market, and financial system have all propelled it forward–swapping with the U.S. (83.7) for the top spot. However, more can be done, as the report notes Singapore still lacks press freedom and demonstrates a low commitment to sustainability.

How have the current scores of the most competitive economies improved or fallen behind, compared to 2018?

Finland (80.2) and **Canada (79.6)** are notable exits from this top 10 list over the years. Meanwhile, **Denmark (81.2)** disappeared from the rankings for five years, but managed to climb back up in 2018.

Rank	Economy	2019 Score	2018 Score	2018-2019 Change
#1	Singapore	84.8	83.5	+1.3
#2	United States	83.7	85.6	-2
#3	Hong Kong	83.1	82.3	+0.9
#4	Netherlands	82.4	82.4	0
#5	Switzerland	82.3	82.6	-0.3
#6	Japan	82.3	82.5	-0.2
#7	Germany	81.8	82.8	-1
#8	Sweden	81.2	81.7	-0.4
#9	United Kingdom	81.2	82	-0.8
#10	Denmark	81.2	80.6	+0.6

Regional Competitiveness: Highs and Lows

Another perspective on the most competitive economies is to look at how countries fare within regions, and how these regions compete among each other.

Middle East and North Africa (MENA) has the widest gap in competitiveness scores–**Israel (76.7)** scores over double that of poorest-performing **Yemen (35.5)**. Interestingly, the MENA region showed the most progress, growing its median score by 2.77% between 2018-2019.

The narrowest gap is actually in South Asia, with just a single-digit difference between **India (61.4)** and Nepal **(51.6).** However, the region also grew the slowest, with only 0.08% increase in median score over a year.

Region	Best Performer	2019 Score	Worst Performer	2019 Score	Regional Gap
Europe and North America	United States	83.7	Bosnia & Herzegovina	54.7	29
Latin America and the Caribbean	Chile	70.5	Haiti	36.3	34.2
East Asia and Pacific	Singapore	84.8	Laos	50.1	34.7
South Asia	India	61.4	Nepal	51.6	9.8
Eurasia	Russia	66.7	Tajikistan	52.4	14.3
Middle East and North Africa	Israel	76.7	Yemen	35.5	41.2
Sub-Saharan Africa	Mauritius	64.3	Chad	35.1	29.2

The 20 Easiest Countries for Doing Business

By Ashley Viens

Contrary to popular belief, the hardest part about running a business may not be finding customers, it's getting one started.

Depending on the public policies and application processes of your country, you might struggle or succeed in opening and operating a business.

If you live in New Zealand, for example, you can get a new enterprise up and running in half a day. If you live in Luxembourg or Argentina, however, it's a different story with the process sometimes taking over a year.

Today's chart uses data from the World Bank's annual Doing Business 2020 report, which delves into the ease of doing business in countries around the world.

Measuring the Ease of Doing Business

Now in its 17th year, the Doing Business (DB) report measures how easy it is for someone to start and run a company in an economy, using 12 key factors throughout a business lifecycle:

1. Starting a business
2. Employing workers
3. Dealing with construction permits
4. Getting electricity
5. Registering property
6. Getting credit
7. Protecting minority investors
8. Paying taxes
9. Trading across borders
10. Contracting with the government
11. Enforcing contracts
12. Resolving insolvency

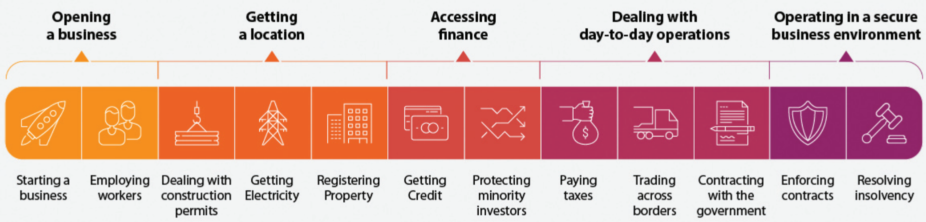
Of the 190 countries reviewed last year, only 115 made it easier for entrepreneurs to do business.

Note to readers: this year's DB score did not factor in Employing Workers or Contracting with the Government when ranking economies.

The 20 Easiest Countries to Conduct Business

Business is universal, but your geographical location may give you certain advantages. Depending on a country's regulations, entrepreneurs may struggle or thrive when starting a business.

The World Bank Group's annual *Doing Business* report measures the ease of operating a business based on 12 key factors:

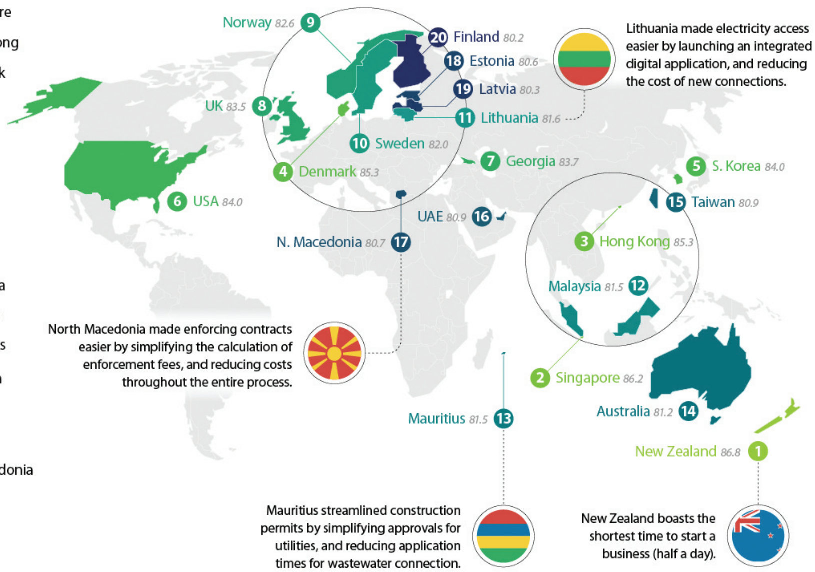


* "Employing workers" and "Contracting with the government" indicators are not included when measuring the *Doing Business* rankings.

Top 20 Countries by DB Score

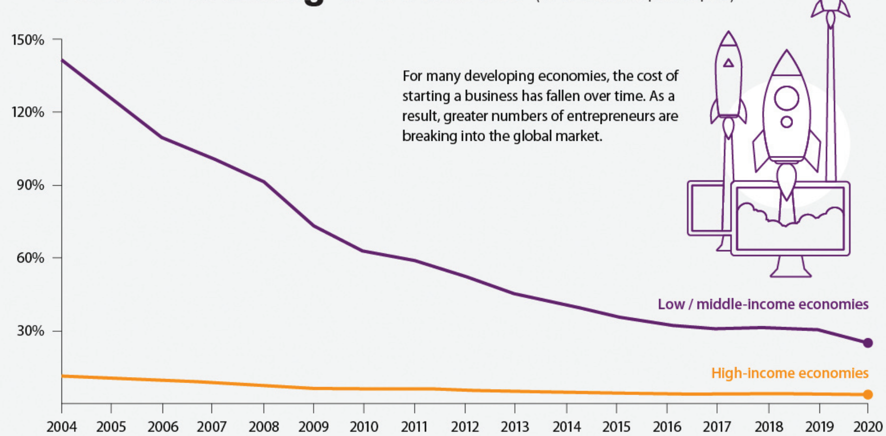
The Doing Business (DB) ranking measures a country's processes and regulations that support freedom and ease of doing business. The DB scores an economy's performance in each of the of factors included, out of a total 100.

1 New Zealand
2 Singapore
3 Hong Kong
4 Denmark
5 S. Korea
6 USA
7 Georgia
8 UK
9 Norway
10 Sweden
11 Lithuania
12 Malaysia
13 Mauritius
14 Australia
15 Taiwan
16 UAE
17 N. Macedonia
18 Estonia
19 Latvia
20 Finland



Cost of Starting a Business (% of income per capita)

For many developing economies, the cost of starting a business has fallen over time. As a result, greater numbers of entrepreneurs are breaking into the global market.



Sources: World Bank Group - Doing Business 2020 report

LeaderBoard

Top 20 Easiest Countries to Run a Business

Rank	Country	DB Score
#1	New Zealand	86.8
#2	Singapore	86.2
#3	Hong Kong	85.3
#4	Denmark	85.3
#5	South Korea	84
#6	United States	84
#7	Georgia	83.7
#8	United Kingdom	83.5
#9	Norway	82.6
#10	Sweden	82

In the top spot for the fourth year in a row, **New Zealand** only requires half a day to start a business. Singapore also stands out for having the shortest timeframe when it comes to paying business taxes and enforcing business contracts.

Only two African nations **Rwanda** and **Mauritius** are listed in the top 50 countries, with Mauritius being the only one to crack the top 20 list.

Latin American economies are noticeably missing from the rankings, as many countries in this region are fraught with bureaucracy and prolonged processes.

Most Improved Scores

Several developed and developing economies made significant strides in 2019 to implement reforms that opened doors for new business owners.

The Doing Business 2020 report shows that the cost of starting a business has fallen over time, particularly in developing economies.

Saudi Arabia made the greatest improvement overall, adding 7.7 points to its score.

Bahrain also made improvements over the most number of factors (9). While Jordan showed improvement in the fewest factors (3), it showed the second highest jump in DB Score.

	Rank	Change in DB Score	Starting a business	Dealing with construction permits	Getting electricity	Registering a property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
Saudi Arabia	62	7.7	✓	✓	✓		✓	✓		✓	✓	✓
Jordan	75	7.6					✓		✓			✓
Togo	97	7.0	✓	✓	✓	✓	✓					
Bahrain	43	5.9		✓	✓	✓	✓	✓	✓	✓	✓	✓
Tajikistan	106	5.7	✓				✓			✓		
Pakistan	108	5.6	✓	✓	✓	✓			✓	✓		
Kuwait	83	4.7	✓	✓	✓	✓	✓	✓		✓		
China	31	4.0	✓	✓	✓			✓	✓	✓	✓	✓
India	63	3.5	✓	✓						✓		✓
Nigeria	131	3.4	✓	✓	✓	✓				✓	✓	

Gains Among Low-Income Countries

The DB 2020 study also shows that developing economies are making progress: it's now cheaper than ever before to run a business in developing economies.

However, a significant disparity still remains when we consider the difference in business costs between high-income and low-income economies.

An entrepreneur starting a company in a low-income economy will spend about 50% of per capita income (PCI) to launch a venture, whereas an entrepreneur in a high-income economy spends only 4% PCI to accomplish the same task.

Put another way, entrepreneurs located in the bottom 50 economies spend an average six times more to open a new company as those in a high-income economy.

Entrepreneurship and Economic Growth

Generally, more entrepreneurs will enter a market where they can easily conduct business—adding more value to local economies.

While the rankings clearly illustrate the link between ease of doing business and economic growth, there are still significant barriers in place that not only deter entrepreneurship but also inhibit a relatively simple strategy for growth.

LeaderBoard

Countries Ranked by Their Economic Complexity

BY NICK ROUTLEY

In the past, the trade between nations was a much simpler matter to grasp. Commodities and a few finished goods moved between a handful of countries in a straightforward way.

Today, around 6,000 officially classified products pass through the world's ports, and digital products and services zip across country lines creating an extra layer of difficulty in measuring economic activity.

To try to understand this enormous level of economic complexity, the team at Harvard's Growth Lab have created the Country Complexity Ranking.

WHICH COUNTRIES HAVE THE GREATEST

ECONOMIC COMPLEXITY

EXAMPLE

LESS COMPLEX ECONOMY

Low variety of exports with **high ubiquity** and **low sophistication**

EXAMPLE

MORE COMPLEX ECONOMY

Wide variety of exports with **low ubiquity** and **high sophistication**

ECONOMIC COMPLEXITY RANKING

THE TOP 30

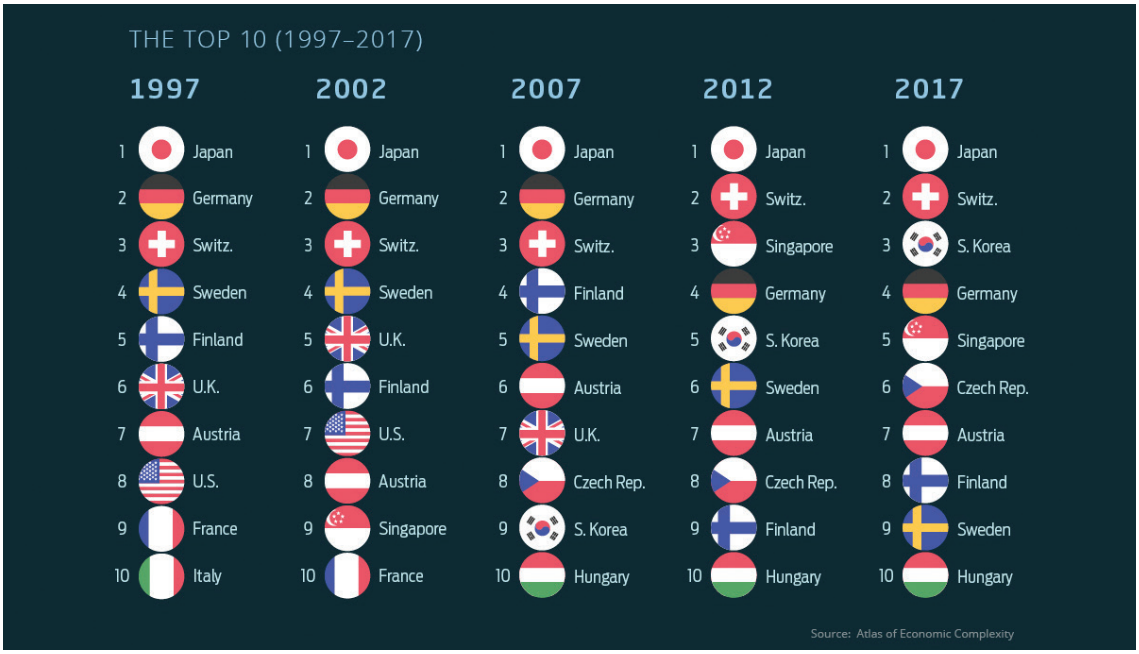
Rank	Country	Complexity Score
1	Japan	2.28
2	Switzerland	2.14
3	S. Korea	2.05
4	Germany	2.02
5	Singapore	1.81
6	Czech Rep.	1.79
7	Austria	1.71
8	Finland	1.69
9	Sweden	1.69
10	Hungary	1.64
11	Slovenia	1.57
12	U.S.	1.47
13	Italy	1.42
14	U.K.	1.42
15	Slovakia	1.41
16	France	1.40
17	Ireland	1.39
18	Israel	1.37
19	China	1.30
20	Mexico	1.27
21	Poland	1.19
22	Denmark	1.18
23	Belgium	1.16
24	Romania	1.16
25	Thailand	1.15
26	Netherlands	1.04
27	Estonia	1.03
28	Malaysia	0.95
29	Belarus	0.93
30	Croatia	0.92

BELOW THE FOLD

Rank	Country	Complexity Score
32	Spain	0.85
35	Canada	0.69
38	Turkey	0.65
41	Norway	0.56
45	India	0.32
48	Brazil	0.24
49	Russia	0.24
56	Saudi Arabia	0.12
63	Indonesia	-0.04
69	Chile	-0.11
93	Australia	-0.60
94	Pakistan	-0.62
122	Venezuela	-1.23
124	Ethiopia	-1.31
130	Nigeria	-1.68

ILLUSTRATION: VISUAL CAPITALIST

LeaderBoard



The Power of Productive Knowledge

Highly ranked countries tend to have the following attributes:

- A high diversity of exported products
- Sophisticated and unique exported products (i.e. few other countries produce similar products)

In short, the ranking hinges on the concept of "productive knowledge" - or the tacit ability to produce a product.

Muhammed Yildirim, of Harvard University, has thought up a useful analogy for thinking about the role of productive knowledge in the complexity of an economy:

"Suppose that each type of productive knowledge is a letter and each product is a word composed of these letters. Like the game of Scrabble, each country holds a set of letters with plenty of copies of each letter and tries to make words out of these letters. For instance, with letters like A, C and T, one can construct words like CAT or ACT. Then our problem of measuring economic complexity resembles interpreting how many different letters there are in each country's portfolio. Some letters, like A and E, go in many words, whereas other letters, like X and Q, are used in very few. Extending this analogy to the countries and products, only those with a larger diversity of letters will be able to make more and more unique products. On the other hand, words that require more letters will be made only in the countries that have all the requisite pieces."

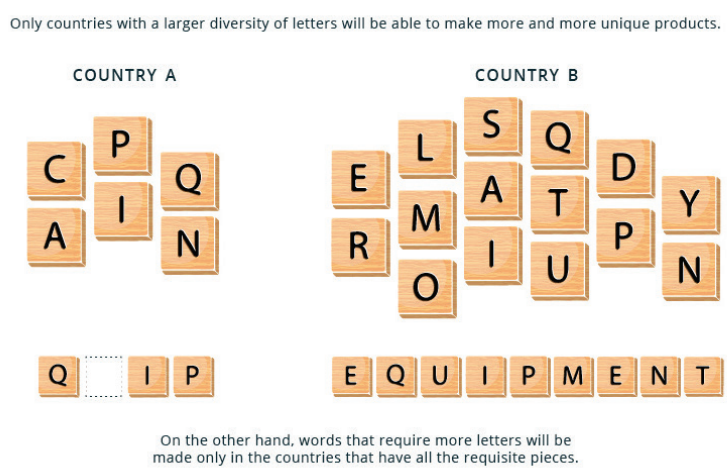
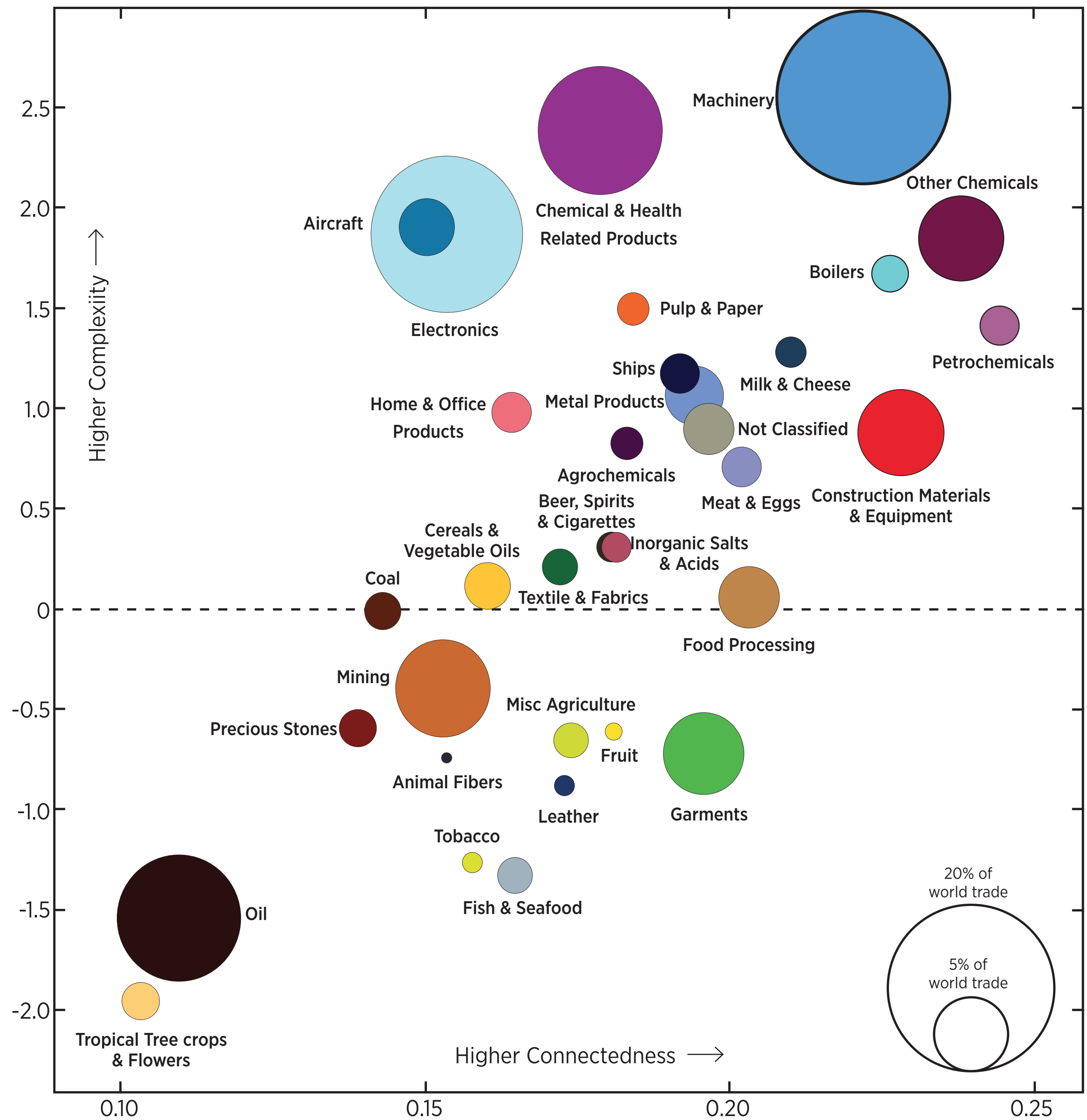


ILLUSTRATION: VISUAL CAPITALIST

Not All Exports are Created Equal

Much like the rack of letters in a Scrabble game, the elements of every export-driven economy can be broken down and quantified. The resulting categories encompass everything from rendered pig fat to integrated circuits, each contributing to the country's overall score.

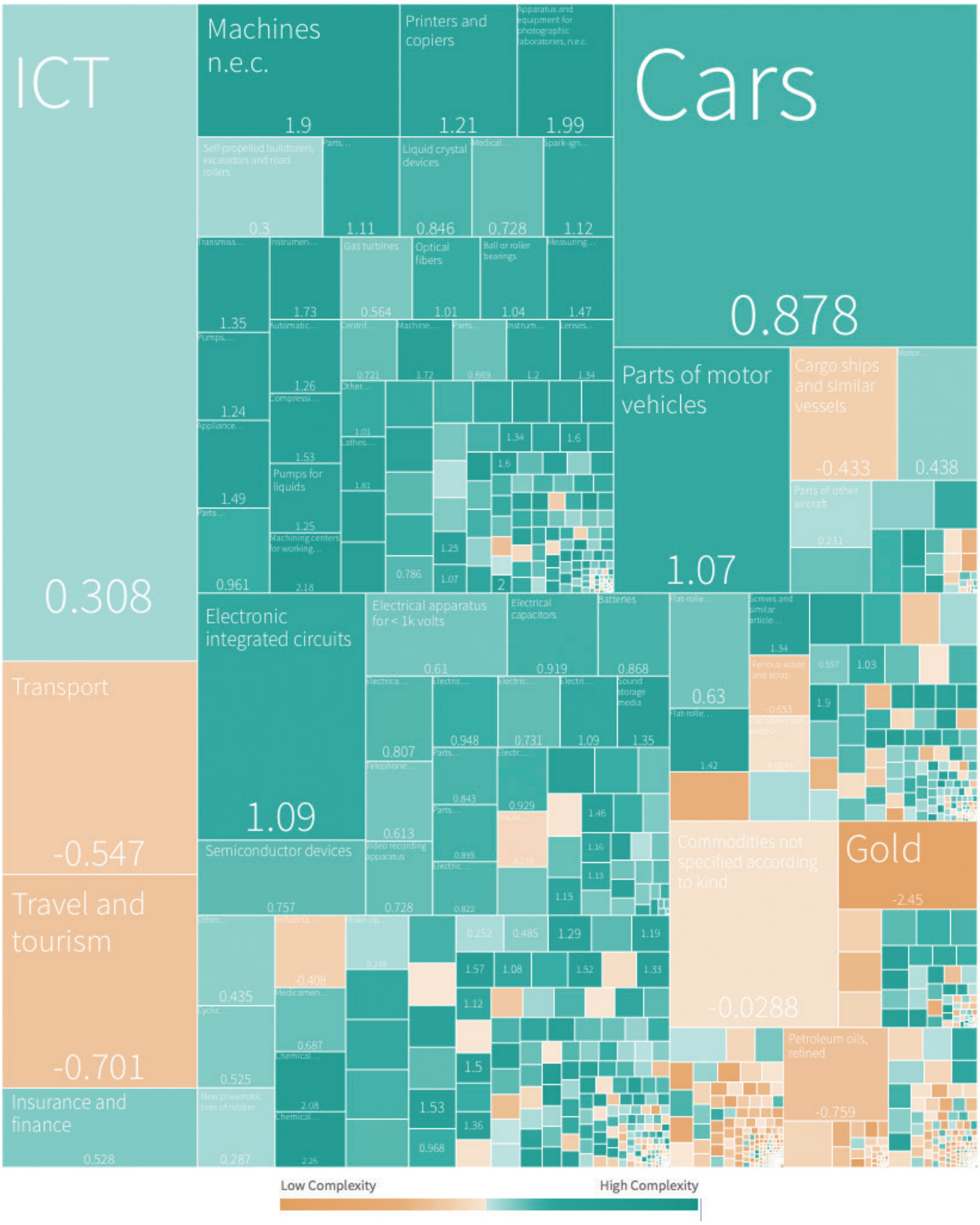


Source: Diversifying Growth in Light of Economic Complexity, by Muhammed Yildirim

LeaderBoard

Japan

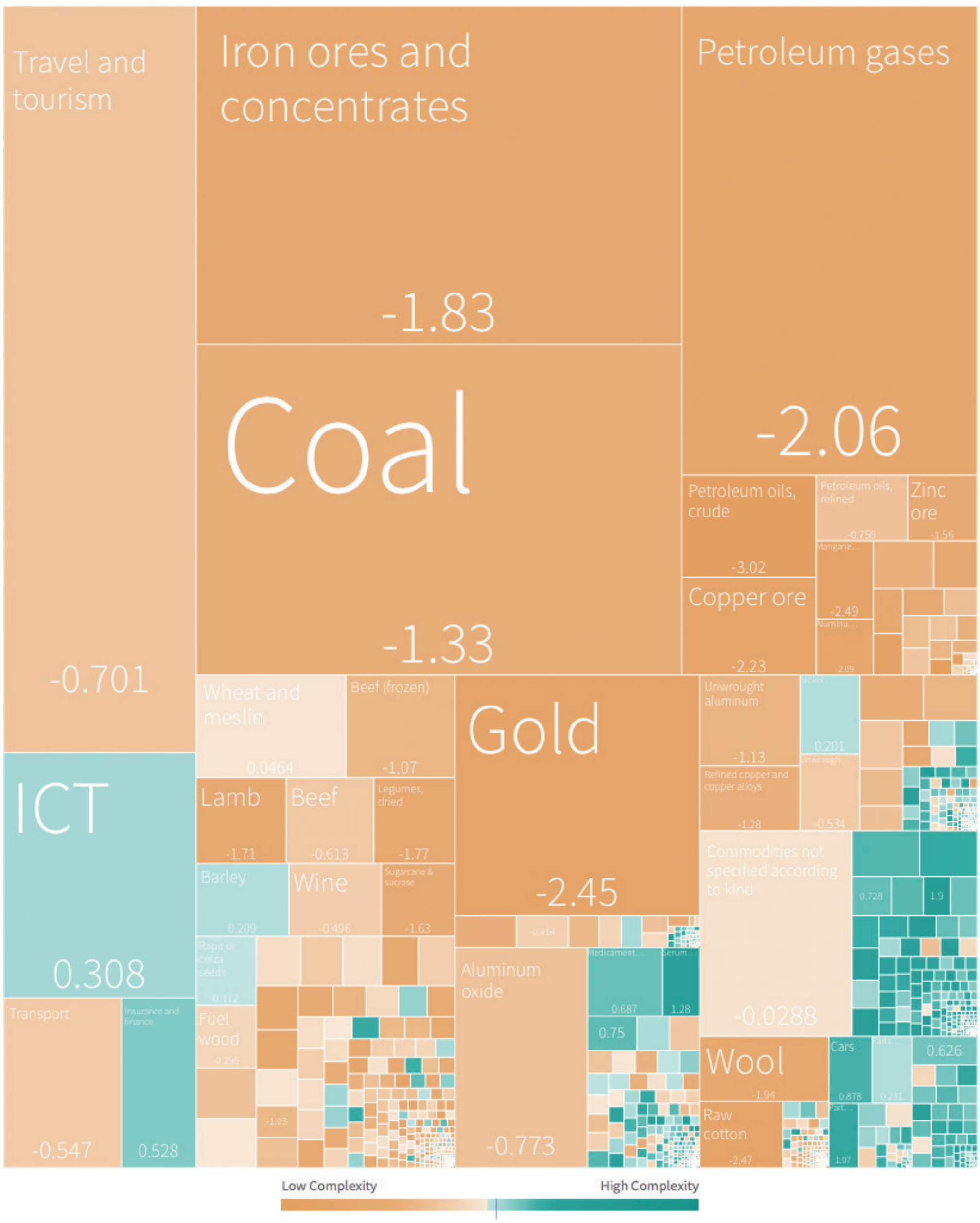
Since this ranking began in the mid-1990s, Japan has never been bumped from the top spot.
Due to a restricted land mass and some ingenuity, Japan has become the prototypical example of a low-ubiquity, high-sophistication export economy.
Cars and electronics are obvious standouts, but there numerous other high-value product categories in the mix as well. The country also has a wide variety of high value exports and trading partners, lowering the risk of a trade war or industry downturn crippling the country's economy.



Australia

Many will be surprised to learn that Australia sits in the lower third of this complexity ranking. Although Australia's global ranking is high in a myriad of categories - household wealth per person, for example - its economic complexity score is -0.60, much lower than expected for its income level. Looking at the breakdown below, there are clues as to why this might be the case.

Australia's largest exports are in low complexity categories, such as minerals and agriculture. To compound matters, the country's economy is heavily linked to China's. To underscore this point, a recent study found that a 5% drop in China's GDP would result in a 2.5% dip in Australia's.

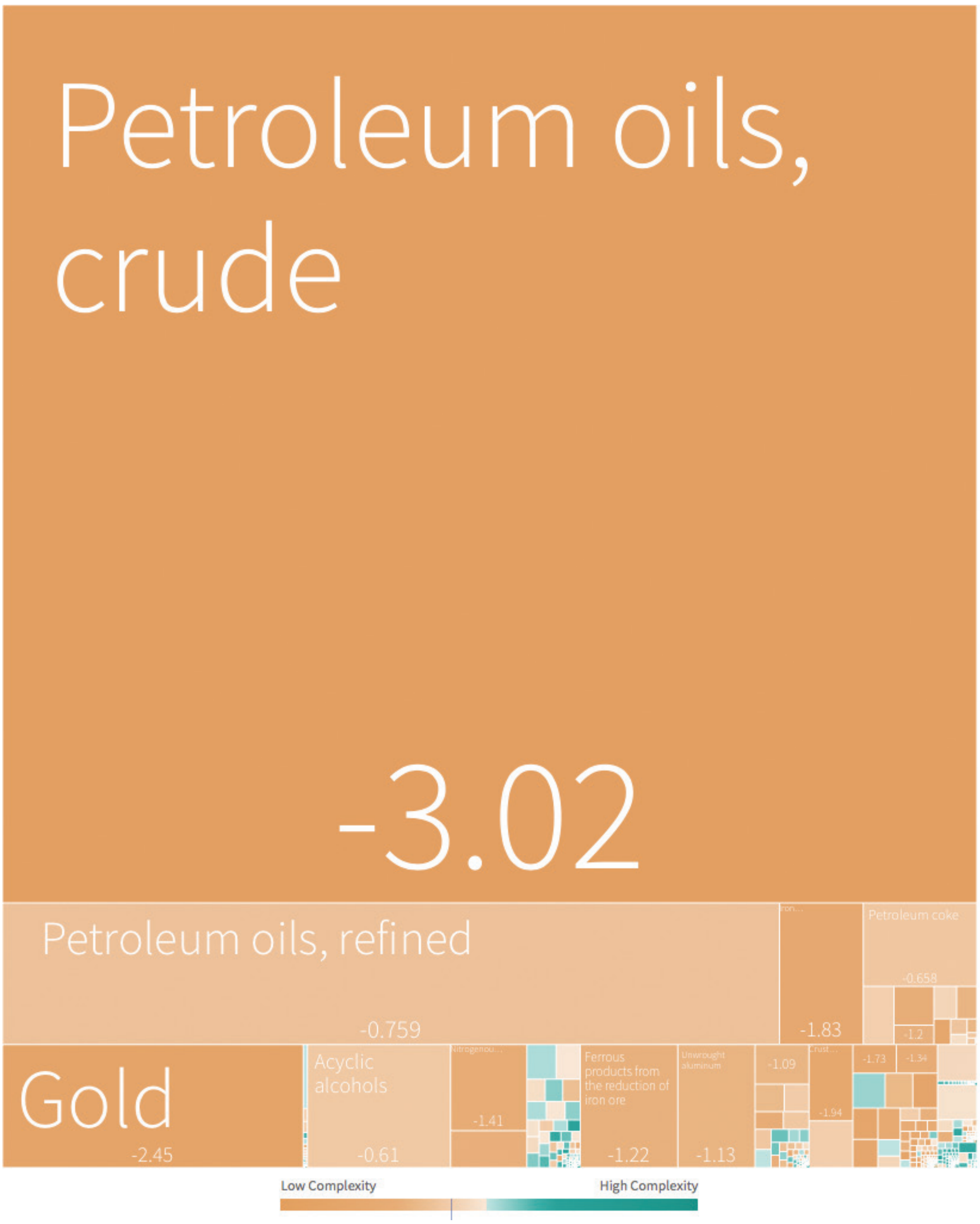


LeaderBoard

Venezuela

It's no secret that Venezuela has seen some tough times in recent years. The chart below shows just how reliant Venezuela was on oil exports to sustain its economy.

An over-reliance on a single export can leave a country extremely vulnerable in the event of price volatility or geo-political events. In the case of Venezuela, three quarters of their export economy was comprised of crude oil - one of the lowest scoring product categories in the ranking.

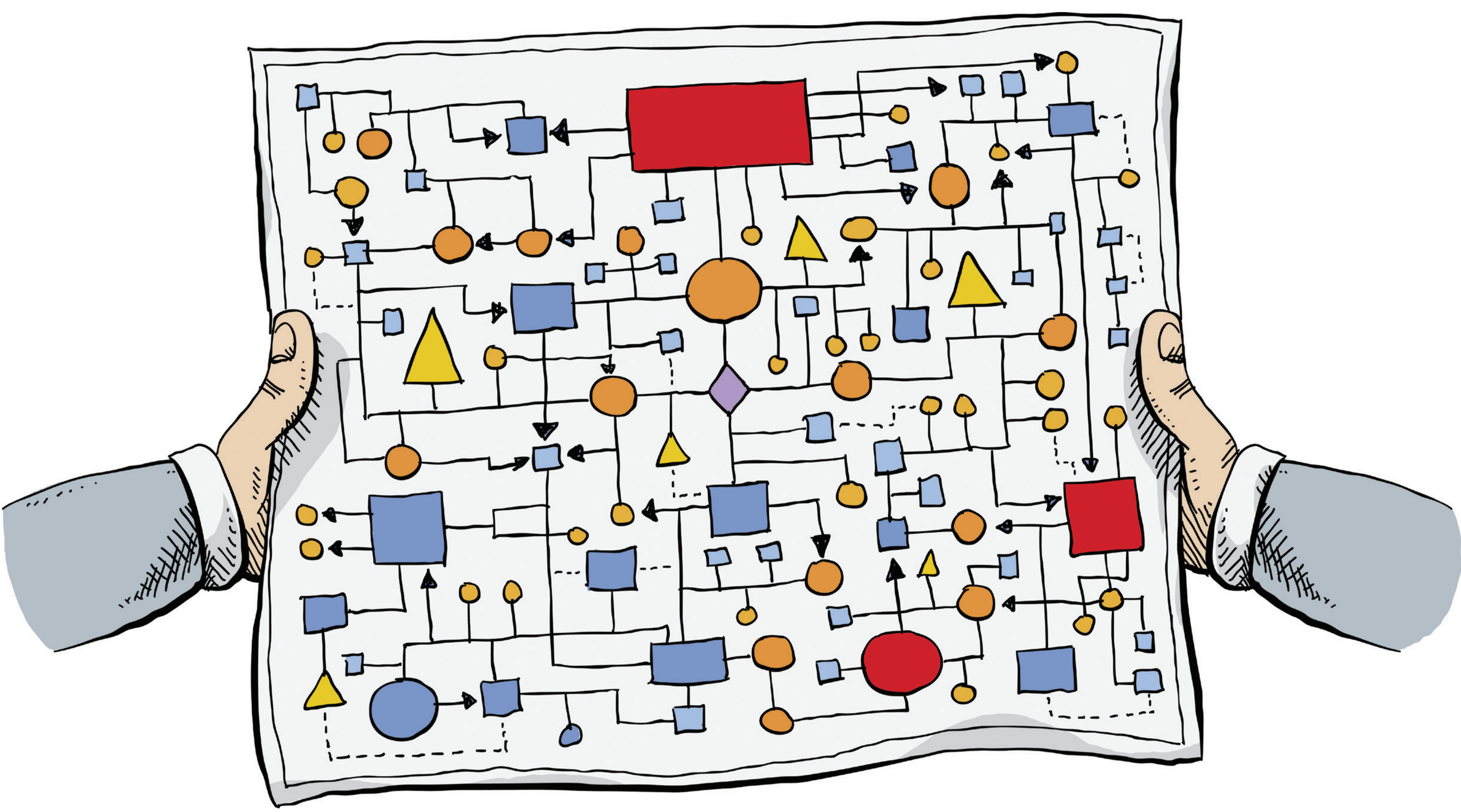


The Rush to Diversify

A low level of economic complexity isn't necessarily a problem. Many countries with middle-to-low scores in the ranking have great standards of living and a high level of wealth. Countries like Canada, Norway, and Australia were all well down the list.

On the other hand, some countries have made diversification a priority. SoftBank's $100 billion Vision Fund is partially the result of Saudi Arabia's push to develop a diversified, knowledge-based economy. Other oil-rich nations, such as Kazakhstan, are also pushing to diversify in the face of the world's evolving energy mix.

As world economies evolve and the shift from fossil fuels continues, we will likely see economic complexity increase across the board.



The World's Most Valuable Soccer Teams 2019:

Real Madrid Is Back On Top, At $4.24 Billion

BY MIKE OZANIAN

It's still raining money for the world's most valuable soccer teams because they attract an incredible number of fans inside stadiums and in front of televisions, particularly for the Champions League.

Sponsors salivate, paying more and more money to attach themselves to these teams, knowing their players are global billboards whose likenesses are embedded in the hearts and minds of billions.

Real Madrid reportedly sold its sponsorship rights to Providence Equity recently for an upfront payment of $224 million over the first four years of the deal. Last season represented the start of Barcelona's $246 million shirt sponsorship deal with Japanese e-commerce group Rakuten, as well the start of a ten-year kit agreement with Nike worth at least $174 million annually. At the end of 2018, Juventus announced a kit deal extension with Adidas worth $457 million over eight years.

Money is also increasing for media rights, especially for the Champions League. In 2017, Turner and Univision bought the U.S. rights for the Champions League in a three-year deal beginning with the 2018-2019 tournament for close to $100 million a year, nearly twice as much as Fox had been paying. The prize money pool for the 2018-2019 Champions League is a record-breaking $2.28 billion, 30% more than the previous year. The two finalists–Liverpool and Tottenham Hotspur–stand to earn between $104 million and $117 million.

Television payouts are also going up for domestic leagues and international packages. The Premier League's domestic and international broadcast rights for the next three year cycle will be up a combined 8%, according to a recent report by Deloitte. Last year, ESPN reportedly agreed to pay $165 million over three years for a package that included Serie A and FA Cup rights. Streaming deals serve to bring in a few more bucks (Amazon) or expand the sport's audience (Facebook).

Stadium naming rights could be the next money spigot for soccer. According to a recent study by Duff and Phelps, six teams in the English Premier League–Bournemouth, Arsenal, Brighton and Hove Albion, Huddersfield Town, Leicester City and Manchester City–inked a stadium naming rights deal last season worth a combined $57 million. Duff & Phelps believes the remaining 14 Premier League teams are leaving a combined $127 million a year on the table, with Manchester United topping the list at $35 million.

Bottom line: The 20 most valuable teams are worth an average of $1.75 billion, 3.4% more than last year. In euros (the base currency used for the valuations), the average team value is 1.56 billion, 8.8% more than the previous year. The average revenue and operating income (earnings before interest, taxes, depreciation and amortization) for the 20 most valuable teams during the 2017-2018 season were $499 million and $77 million, respectively.

After a two-year hiatus as soccer's most valuable team, Real Madrid is back on top, worth $4.24 billion. Real Madrid reaped $100 million from winning its third consecutive Champions League in 2018 and is reportedly on the verge of signing the most lucrative kit deal in soccer history–$1.8 billion over 12 years with Adidas.

Real Madrid is followed by rival Barcelona ($4 billion), Manchester United ($3.8 billion), Bayern Munich ($3 billion) and Manchester City ($2.69 billion).

Top 2017-18 Champions League Earners

1. Real Madrid
Earnings ($mil): **100.8**

2. AS Roma
Earnings ($mil): **95.3**

3. Liverpool
Earnings ($mil): **92.4**

4. Juventus
Earnings ($mil): **91**

5. Bayern Munich
Earnings ($mil): **80.1**

6. Chelsea
Earnings ($mil): **74.1**

7. Manchester City
Earnings ($mil): **72.6**

8. Paris Saint-Germain
Earnings ($mil): **70.6**

9. Tottenham Hotspur
Earnings ($mil): **69.7**

10. Barcelonaa
Earnings ($mil): **65.3**

LeaderBoard

To make it easier for you to see where each team excels, I have separated the sources of value for each team into four categories: matchday, broadcasting, commercial and brand. Only Real Madrid, Barcelona and Manchester United are among the top five in each of the four categories. Bayern Munich makes it in three categories, Manchester City two, Arsenal and Chelsea one each.

Top 5 Teams Matchday Value *

1. Barcelona
Spain
$mil: **809**

2. Real Madrid
Spain
$mil: **729**

3. Manchester United
England
$mil: **655**

4. Arsenal
England
$mil: **557**

5. Bayern Munich
Germany
$mil: **478**

* The portion of a team's value that is derived from gate receipts and corporate hospitality revenue.

Top 5 Teams Broadcasting Value *

1. Real Madrid
Spain
$mil: **1,277**

2. Manchester United
England
$mil: **1,264**

3. Barcelona
Spain
$mil: **1,245**

4. Chelsea
England
$mil: **1,137**

5. Manchester City
England
$mil: **1,083**

* The portion of a team's value derived from distribution from domestic league, cups and European competitions.

Top 5 Teams Commercial Value *

1. Real Madrid
Spain
$mil: **1,508**

2. Barcelona
Spain
$mil: **1,501**

3. Manchester United
England
$mil: **1,445**

4. Bayern Munich
Germany
$mil: **1,339**

5. Manchester City
England
$mil: **1,005**

* The portion of a team's value derived from sponsorships, merchandising, and revenue from other commerical operations

Top 5 Teams Brand Value *

1. **Real Madrid**
Spain
$mil: **725**

2. **Barcelona**
Spain
$mil: **465**

3. **Manchester United**
England
$mil: **444**

4. **Bayern Munich**
Germany
$mil: **392**

5. **Manchester City**
England
$mil: **310**

* Amount of team's value derived from its brand

1. Real Madrid
Spain
$4.24 BIL

2. Barcelona
Spain
$4 BIL

3. Manchester United
England
$3.8 BIL

4. Bayern Munich
Germany
$3 BIL

5. Manchester City
England
$2.69 BIL

GEORGIAN RETAIL INDEX

No other economic sector comes close to retail in terms of the daily number of customers. Through a complex logistics and distribution network, as well as the joint efforts of thousands of employees, manufacturers and importers; new products are available on a daily basis for the 3.7 million people in our country.

BY SHOTA TKESHELASHVILI
APPROVED BY GRANT THORNTON

METHODOLOGY:

The company index is based on three main economic indicators: total assets, revenue and net profit. Companies involved in the sale of oil products, vehicles and vehicle parts have been excluded from the index. Company evaluation is based on the individual financial reports for the year 2017 published on Reportal.ge. In exceptional cases, the company's consolidated reports have been used instead of individual reports for evaluation purposes.

The index is based on the financial reports for the year 2017 as they were submitted by the companies, regardless of whether the figures have been signed off by auditors.

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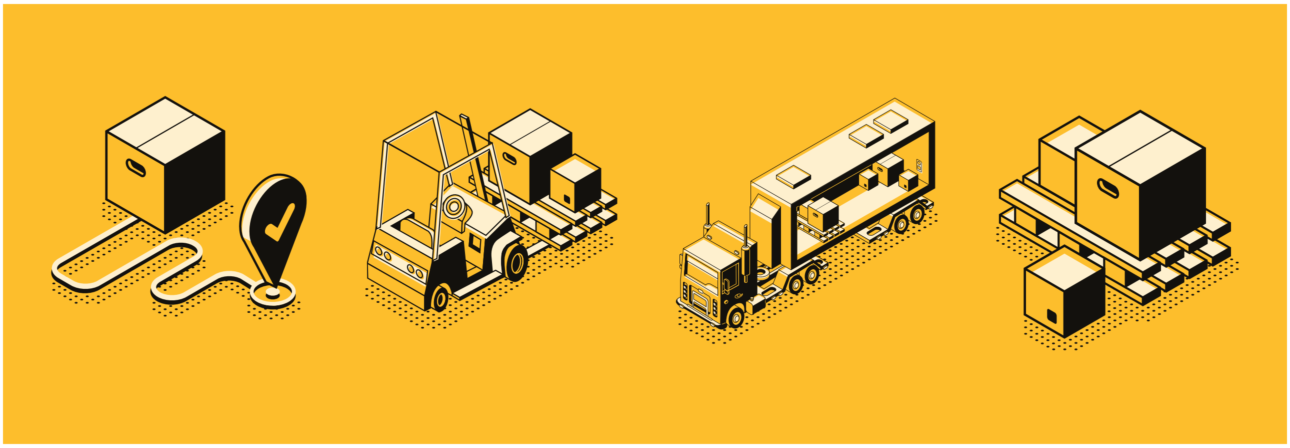
Forbes Georgia prepared the Georgian retail index in partnership with the consulting and auditing firm EBIT Group. The index is based on several criteria – the company's total revenue, net profit and size of assets. The index includes companies involved in the sale of food and essential goods, as well as pharmaceutical products, electronics, clothing, accessories and DIY materials. Companies involved in the sale of oil products, vehicles and vehicle parts have been excluded.

#	Company Name	Total Revenues (GEL)	Net Profit/Loss (GEL)	Total Assets (GEL)
1	PSP Pharma Ltd.	443,321,000	29,728,000	297,639,000
2	GPC	449,577,000	36,826,000	245,962,000
3	Majid Al Futtaim Hypermarkets Georgia Ltd. (Carrefour)	370,975,000	-17,416,000	151,436,000
4	Aversi-Pharma Ltd.	277,399,683	5,053,988	288,052,676
5	JSC Nikora Trade	268,270,000	3,569,000	100,042,000
6	JSC Elit Electronics	184,730,000	9,791,000	56,300,000
7	BMC Gorgia Ltd.	129,863,474	9,503,291	107,802,157
8	Ori Nabiji Ltd.	168,212,100	3,944,552	37,137,086
9	Retail Group Georgia Ltd. (Representative of Inditex brands in Georgia)	133,703,000	-10,300,000	130,549,000
10	Duty Free Georgia Ltd.	100,123,288	38,522,495	68,544,156
11	JSC Foodmart	122,754,138	-5,551,446	42,585,772
12	UGT Ltd.	107,279,212	11,661,096	29,359,931
13	JSC Goodwill	116,481,000	132,000	33,821,000
14	Altaokay Ltd.	116,337,344	2,197,701	28,208,325
15	Jibe Ltd.	124,526,000	-2,362,000	19,760,000
16	LC Waikiki GE Ltd.	105,813,000	10,506,000	31,337,000
17	Demas Ltd.	53,565,000	16,857,000	82,180,000
18	Duty Free Alliance Ltd.	67,640,000	5,518,000	30,142,000
19	Zoommer Georgia Ltd.	79,759,034	2,063,182	8,578,584
20	ICR Trade Ltd.	58,428,957	6,827,638	23,876,974

INDEX OF DISTRIBUTION
COMPANIES OPEERATIN IN GEORGIA



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2	Elizi Group Ltd.	449,577,000	36,826,000	245,962,000
3	Diplomat Georgia Ltd.	370,975,000	-17,416,000	151,436,000
4	T&R Distribution Ltd.	277,399,683	5,053,988	288,052,676
5	Georgian Distribution and Marketing Company Ltd.	268,270,000	3,569,000	100,042,000
6	Sharm Trading Ltd.	184,730,000	9,791,000	56,300,000
7	Megaco Ltd.	129,863,474	9,503,291	107,802,157
8	Geodistribution Ltd.	168,212,100	3,944,552	37,137,086
9	Dapna Ltd.	133,703,000	-10,300,000	130,549,000
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17	G & A GROUP Ltd.	53,565,000	16,857,000	82,180,000
18	Mziuri Ltd.	67,640,000	5,518,000	30,142,000
19	Master Trade Ltd.	79,759,034	2,063,182	8,578,584
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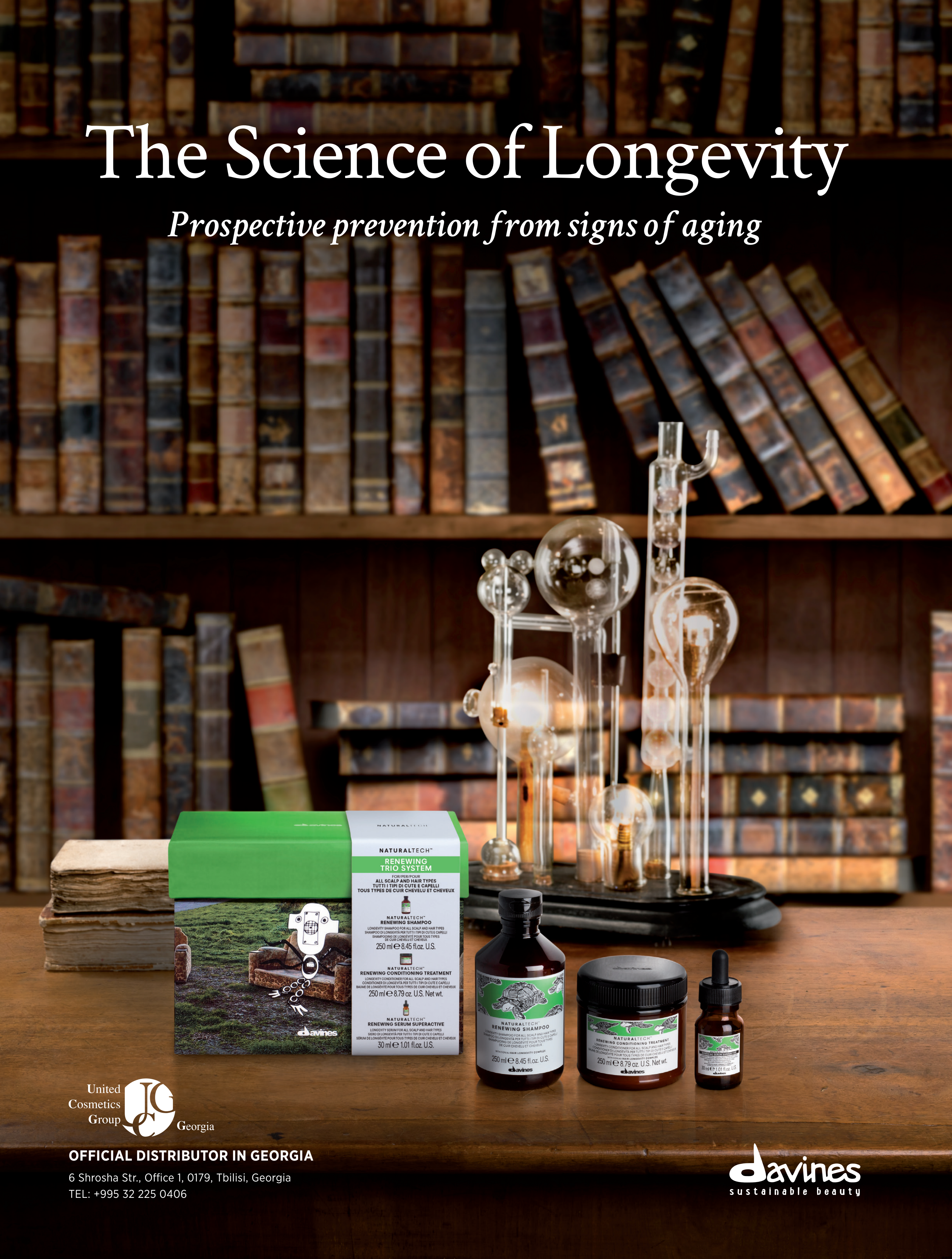
The Science of Longevity
Prospective prevention from signs of aging
NATURALTECH
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TRIO SYSTEM
ALL SCALP AND HAIR TYPES
TUTTI I TIPI DI CUTE E CAPELLI
TOUS TYPES DE CUIR CHEVELU ET CHEVEUX
RENEWING SHAMPOO
250 ml ℮ 8.45 fl.oz. U.S.
RENEWING CONDITIONING TREATMENT
250 ml ℮ 8.79 oz. U.S. Net wt.
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TEL: +995 32 225 0406
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GEORGIAN CONSTRUCTION COMPANY INDEX

THE CONSTRUCTION SECTOR is one of the most stable and profitable in the Georgian economy. The Law on Publication of Financial Reports, which recently came into effect; has also affected the country's largest construction companies. In partnership with the consulting firm EBIT Group and based on the reports published on Reportal.ge, Forbes Georgia has created an index of Georgian construction companies. The list includes companies that are primarily operating in the field of construction but does exclude development firms.

The construction index is based on the following criteria: the companies' total revenue, net profit and size of assets.

The index includes companies that are involved in the construction of residential properties, as well as highways and tunnels.

The list is mainly composed of contractors that implement projects and carry out various engineering works for the government and development companies. Development firms that conduct their own construction works are also included in the list and are marked with an asterisk (*).

Based on the report, the country's twenty largest construction firms posted total revenue in excess of GEL 1.4 billion last year.

BY "EBIT GROUP", SHOTA TKESHELASHVILI
APPROVED BY GRANT THORNTON

#	Company Name	Revenues (GEL)	Net Profit/Loss (GEL)	Total Assets
1	Anagi Ltd.	200,094,000	25,610,000	177,833,000
2	JSC Hualing International Special Economic Zone*	58,852,956	(6,133,517)	716,454,251
3	Azfen Joint Venture – Georgia Branch	128,544,171	42,721,619	61,683,532
4	China Railway 23rd Bureau Group Ltd. Permanent Branch	129,843,076	10,396,879	133,575,329
5	Sinohydro Corporation Branch In Georgia Ltd.	92,563,002	10,365,775	62,530,119
6	Black Sea Group	92,166,000	(3,737,000)	82,263,000
7	Peri Ltd.	71,281,000	14,548,000	139,921,000
8	Burji Ltd.	73,207,823	1,890,558	66,531,745
9	AGE BATUM Ltd.	80,662,477	(766,108)	17,455,127
10	AS Georgia Ltd.	31,231,574	(24,967,040)	291,779,935
11	BK Capital Ltd.	57,476,885.9	4,980,752.2	28,702,462.2
12	Warm House Ltd.	52,469,000	5,459,000	41,395,000
13	Sistem Insaat Ltd.	46,669,095	15,958,744	51,537,403
14	JSC Sakenergoremont	47,568,000	5,397,000	60,232,000
15	Synergy Construction Ltd.	49,737,000	9,039,000	18,051,000
16	Macro Construction Ltd.*	28,902,000	3,288,000	160,840,000
17	Elite Burji Ltd.	45,625,417	(7,203,093)	76,646,744
18	Dagi Ltd	48,019,790	(1,361,408)	43,060,316
19	JSC Metro Map	49,691,458	4,375,964	4,411,252
20	TAV Construction Georgia	46,689,520	4,076,423	1,235,854

This index has been composed using published audited financial reports. The figures are presented in the same form as they are presented in the companies' profit and loss statements. Significant players on the development market have not published their annual accounts for various reasons, one of them being the fact that they often operate with a fragmented structure, meaning that they create one or more legal entities for each project. These legal entities are not united in a holding company, which makes it difficult to assess their true scale. For the purposes of compiling this index, Forbes Georgia mainly focusses on construction firms, rather than development companies.

RATINGS

INDEX OF GEORGIAN AUDIT COMPANIES

Georgia is undergoing a large-scale reform designed to increase transparency in the private sector. Companies that meet the relevant criteria are now duty-bound to publish their audited financial statements.

BY NINO KVINTRADZE, SHOTA TKESHELASHVILI, EBIT GROUP.

The auditors themselves have a duty to comply with transparency standards and publish their revenue figures. International brands dominate the list of the highest-grossing audit companies. The following is the index of the highest-grossing audit firms in Georgia based on 2018 figures:

#	Company Name	Total Revenues (GEL)	Revenues from Financial Report Audit (GEL)	Revenues from Other Auditing Activities (GEL)
1	PWC Georgia	8,582,967	7,680,380	902,587
2	UI	8,529,980	8,155,685	374,294
3	KPMG Georgia	6,614,749	6,462,345	152,404
4	Deloitte and Touche	6,004,650	4,730,083	1 274,567
5	BDO	4,680,084	4,648,692	31,392
6	Grant Thornton	1,230,439	1,193,690	36,749
7	RSM Georgia	1,287,975	1,125,497	162,478
8	Nexia TA	1,209,749	1,029,842	179,907
9	PKF Georgia	1,074,437	808,735	265,701
10	Baker Tilly Georgia	690,711	609,271	81,440

According to the report published on Reportal.ge, based on the evaluation prepared by the consulting firm EBIT Group, the top 15 auditors have a 67% share in the total number of published reports.

Based on the analysis of audit reports published by the EBIT Group on Reportal.ge, the results per sub-category are as follows (only the top 5 companies are shown):

#	Company Name	Number of Reports Published On Reportal.ge	Share of Non-modified Results	Share of Partially Modified Results	Share of Conditional Results	Refusal to State an Opinion (Share)	Negative Opinion (Share)
1	PWC Georgia	41	88%	10%	2%	0%	0%
2	UI	59	73%	25%	0%	2%	0%
3	KPMG Georgia	48	98%	0%	1%	0%	0%
4	Deloitte and Touche	31	84%	13%	3%	0%	0%
5	BDO	124	36%	8%	40%	14%	2%

The composition of the index considers revenue earnt by companies from auditing activities. It does not include the revenues obtained by the companies from other activity types, such as consulting.

INDEX OF THE LARGEST MANUFACTURERS IN GEORGIA

As most of Georgia's largest companies now publish their audited financial results, it is possible to identify the leading firms in each sector. Forbes Georgia, together with the consulting firm Ebit Group, has compiled the index of Georgia's largest manufacturers.

The index includes private companies operating in Georgia that are involved in various fields of manufacturing; including energy, metallurgy, mining, beverage production and some others.

The index has been compiled based on the company's audited accounts from 2017. The main criterion is each company's total revenue figure, while additional information includes net profit and asset size.

BY EBIT GROUP, SHOTA TKESHELASHVILI

1. IDS Borjomi Georgia, IDS Borjomi Beverages Ltd. - Georgian Branch

MINERAL WATER PRODUCTION

IDS Borjomi is the largest producer of mineral water in Georgia. It is owned by the Russian business holding company Alfa Group, which is owned by the Russian billionaire Mikhail Fridman.

REVENUES (GEL): 281,041,140
NET PROFIT/LOSS (GEL): -38,890,777
SIZE OF ASSETS (GEL): 378,526,005

2. JSC RMG Copper

MINING, METALLURGY

RMG Copper is the largest copper mining enterprise in Georgia. The company mines copper and other precious metals in the Bolnisi and Dmanisi regions. RMG Copper is owned by two Russian billionaires, Dimitry Troitsky and Dmitry Korzhev.

REVENUES (GEL): 226,096,000
NET PROFIT/LOSS (GEL): 77,939,000
SIZE OF ASSETS (GEL): 255,963,000

3. HeidelbergCement Georgia Ltd.

CEMENT PRODUCTION

HeidelbergCement Georgia is one of the largest producers of cement and concrete in the country. The company operates three cement plants in the municipalities of Kaspi, Rustavi and Poti, as well as a cement terminal in Supsa. The company's shareholders are: HeidelbergCement AG - 45%, Cement Invest B.V - 45% (itself owned by Honeywell Partners and the Co-Investment Fund), and Svetlana Lamprianova-Bezhuashvili- 10%.

REVENUES (GEL): 231,444,000
NET PROFIT/LOSS (GEL): -3,788,000
SIZE OF ASSETS (GEL): 373,583,000

4. RMG Gold Ltd.

MINING, METALLURGY

RMG Gold is one of the leading mining companies in Georgia. The company operates the Sakdrisi mine, as well as mining gold and other precious metals in the Bolnisi and Dmanisi regions. The company is owned by two Russian billionaires, Dmitry Troitsky and Dmitry Korzhev.

REVENUES (GEL): 199,621,000
NET PROFIT/LOSS (GEL): -16,724,000
SIZE OF ASSETS (GEL): 305,356,000

5. Georgian Water and Power Ltd.

WATER PRODUCTION AND DISTRIBUTION, ENERGY

Georgian Water and Power (GWP) is the leading water supplier on the Georgian market. The company has a monopoly in Tbilisi and its surroundings, where it serves 1.17 million Georgian residents. GWP also operates in the energy sector, producing electricity through the Zhinvali HPP, Tetrikhevi HPP, Pshavela HPP and Bodorna HPP. All four power plants are part of the main power grid. Georgia Capital owns 100% of the company.

REVENUES (GEL): 107,766,000
NET PROFIT/LOSS (GEL): 107,766,000
SIZE OF ASSETS (GEL): 540,832,000

6. GeoSteel Ltd.

METALLURGY

GeoSteel mainly produces construction reinforcement bars. The GeoSteel plant is in the city of Rustavi. Georgian Steel Company Holdings Limited owns a 51% share in the company, while JSW Steel owns 49%. The company is ultimately controlled by Hardeep Singh (51%) and Anita Singh (49%).

REVENUES (GEL): 178,956,816
NET PROFIT/LOSS (GEL): 36,279,989
SIZE OF ASSETS (GEL): 162,338,532

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7. JSC Rustavi Azot

CHEMICAL PRODUCTION

Rustavi Azot is the largest producer of mineral fertilizers and industrial chemicals in the South Caucasus. It is also one of the largest employers in Georgia, providing jobs for around 2,000 people. JSC EU Investments owns 100% of the company.

REVENUES (GEL): 217,253,000
NET PROFIT/LOSS (GEL): -55,473,000
SIZE OF ASSETS (GEL): 93,645,000

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8. JSC Coca-Cola Bottlers Georgia

SOFT DRINK PRODUCTION

Coca-Cola Bottlers Georgia is the largest manufacturer of soft drinks in Georgia. It produces various drinks based on the license obtained from the Coca-Cola Company. According to the company accounts, its majority shareholder (87.47%) is Georgian businessman Temur Chkonia.

REVENUES (GEL): 137,186,000
NET PROFIT/LOSS (GEL): 6,032,000
SIZE OF ASSETS (GEL): 183,971,000

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9. Georgian International Energy Corporation Ltd.

ENERGY

The Georgian International Energy Corporation owns and operates 8 hydroelectric power plants, as well as a gas-operated thermal power plant. The total capacity of GIEC's facilities is 350 MW. The company is a member of the Georgian Industrial Group, whose main beneficial owner is Georgian businessman David Bezhuashvili.

REVENUES (GEL): 118,027,000
NET PROFIT/LOSS (GEL): 14,284,000
SIZE OF ASSETS (GEL): 204,697,000

10. HeidelbergCement Caucasus Ltd.

CEMENT PRODUCTION

The company operates a dry-process cement production plant, as well as twelve mobile concrete plants and two fixed concrete plants. The company's shareholders are: HeidelbergCement AG - 45%, Cement Invest B.V - 45% (itself owned by Honeywell Partners and the Co-Investment Fund), and Svetlana Lamprianova-Bezhuashvili - 10%.

REVENUES (GEL): 125,011,000
NET PROFIT/LOSS (GEL): 2,964,000
SIZE OF ASSETS (GEL): 127,716,000

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11. Mtkvari Energy Ltd.

ENERGY

Mtkvari Energy is one of the major generators of electricity in Georgia. The company's main asset is a 300 MW thermal power plant in the Gardabani municipality. The company is controlled by the Georgian Industrial Group, with the overall owner being Georgian businessman David Bezhuashvili.

REVENUES (GEL): 101,143,000
NET PROFIT/LOSS (GEL): -138,000
SIZE OF ASSETS (GEL): 142,806,000

12. JSC Lomisi

ALCOHOLIC BEVERAGE PRODUCTION

JSC Lomisi is one of the country's largest breweries. The company releases products under the Natakhtari brand name. It has full coverage in the local market, as well as exports products to 20 countries. The company is controlled by the Anadolu Efes Group.

REVENUES (GEL): 103,328,000
NET PROFIT/LOSS (GEL): 7,162,000
SIZE OF ASSETS (GEL): 103,203,000

13. GMP Ltd.

PHARMACEUTICAL PRODUCTS

GMP is a pharmaceutical enterprise that is part of the PSP Group. The company exports up to 100 pharmaceutical products to Armenia, Kyrgyzstan, Tajikistan, Uzbekistan and Moldova.

REVENUES (GEL): 94,258,685
NET PROFIT/LOSS (GEL): 12,559,815
SIZE OF ASSETS (GEL): 87,916,855

14. Nova Ltd.

PRODUCTION OF CONSTRUCTION MATERIALS

Nova Ltd. produces construction and fit-out materials. It has been operating in the Georgian market since 2006. The company's products include polyethylene water tanks, roofing materials, gypsum boards, as well as metal-plastic profiles and accessories. Company shareholders are various Georgian businessmen.

REVENUES (GEL): 86,340,000
NET PROFIT/LOSS (GEL): 10,049,000
SIZE OF ASSETS (GEL): 55,764,000

15. Kakhetian Traditional Winemaking Ltd.

ALCOHOLIC BEVERAGE PRODUCTION

Founded in 2001, Kakhetian Traditional Winemaking is one of the largest exporters of Georgian wine and alcoholic beverages. Georgian businessman Zurab Chkhaidze owns 100% of the company.

REVENUES (GEL): 66,908,050
NET PROFIT/LOSS (GEL): 24,725,581
SIZE OF ASSETS (GEL): 126,422,603

16. JSC Georgian Beer Company

ALCOHOLIC BEVERAGE PRODUCTION

Founded in 2011, JSC Georgian Beer Company produces beer and non-alcoholic beverages. The company's main brand is Zedazeni. The company is owned by Miksori Ltd. (63.5%), Georgian Industrial Group Holding Ltd. (24.11%) and PSP Pharma Ltd. (12.39%). The company's majority shareholder is businessman Cesar Chocheli.

REVENUES (GEL): 75,044,000
NET PROFIT/LOSS (GEL): 4,823,000
SIZE OF ASSETS (GEL): 111,931,000

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17. JSC Energo-Pro Georgia Generation

ENERGY

The group's main field of activity is electricity generation. The group owns and operates small and medium-scale hydroelectric power plants. The company is wholly owned by the Czech firm Czech Energo-Pro A.S.

REVENUES (GEL): 42,852,000
NET PROFIT/LOSS (GEL): 1,752,000
SIZE OF ASSETS (GEL): 269,728,000

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18. Sante GMT Products Ltd.

FOOD PRODUCTION

Founded in 1997, Sante is one of the leading manufacturers of dairy products in Georgia. In 2016, the company became part of Lactalis Group – the global leader of the dairy product market. Sante is owned by BSA International of Belgium (85%) and Skyvision Ltd. of Marshall Islands (15%).

REVENUES (GEL): 69,614,000
NET PROFIT/LOSS (GEL): 7,940,000
SIZE OF ASSETS (GEL): 47,295,000

19. Chiaturamanganese Georgia Ltd.

MINING, METALLURGY

Chiaturamanganese Georgia is a major producer and exporter of ferroalloys. According to the company accounts, the group's founding company is Greenfield Financial Corp, while the overall owner is businessman Shmagi Kemertelidze.

REVENUES (GEL): 68,889,355
NET PROFIT/LOSS (GEL): 19,493,838
SIZE OF ASSETS (GEL): 54,678,674

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20. Geomill Ltd.

FOOD PRODUCTION

Geomill's main activity is wheat flour production. The company's majority owner is Galmington Holdings Limited.

REVENUES (GEL): 76,586,965
NET PROFIT/LOSS (GEL): -5,317,435
SIZE OF ASSETS (GEL): 38,533,738

The index has been compiled based on published audited accounts. The figures are presented in the same form as they are presented in the companies' profit and loss statements.

Some individual manufacturers from the mining and the manufacturing sector have not published their audited accounts, therefore, they have been excluded from this index.

THOUGHT LEADERS

MAMUKA KHAZARADZE - CURRENT EVENTS

Why I Entered Politics

29 YEARS AGO, I SAT IN A SMALL ROOM OF A SOVIET INSTITUTION WHERE I HAD BEEN APPOINTED HEAD OF THE GRADUATE DEPARTMENT.

Every day was the same: several female colleagues of mine sat there drinking coffee and discussing current affairs. We had a monthly salary and were stuck in our comfort zone. The facilities were ideal for me to further my fledgling academic career, but we were existing in a lifeless, monotonous environment, a country that stood still, a rotting and unjust Soviet system.

I left my job within a month and started doing business – something that was completely novel for me, not only as an activity, but also as a concept. Businesspeople were referred to as 'wheeler-dealers' and had the same stigma attached to them that politicians have to deal with today: their activity was discredited, where money was made solely through shady deals. My main objective at the time was to destroy this paradigm and create a new transparent system, implement new management methods and build corporations. That is precisely how TBC Group, Borjomi and numerous other successful companies were formed. We were first to attract multi-million-dollar investment to Georgia in 1996. We founded world-class companies, two of which became worth more than a billion dollars – an amazing feat in a small country such as Georgia. We achieved success on the international market and created jobs for ten thousand people.

Before I decided to enter politics, I had the same feeling I felt 29 years ago. Unfortunately, Georgian business has come to resemble the closed and suffocating environment of the small room in a Soviet institution that I mentioned earlier – an environment where there are no development prospects; an environment where one can be calm yet feel uneasy, all the while the social precipice between myself and others is widening. People are leaving the country, children are hungry, investments have stopped flowing in, the economy is standing still, the rule of law no longer applies, and the occupation of my country continues.

I knew 29 years ago, as I know today, that the road ahead is long and difficult. However, to use a quote from Confucius, "a journey of a thousand miles begins with a single step"; I have also started my journey into politics with a single step.

The first step was to leave behind the companies that I founded and successfully managed over the years. This means leaving the world of business forever. I am not seeking sanctuary in politics – a Georgian businessman could always "come to an understanding" with the authorities. However, I chose not to do such a deal, as it became a matter of personal dignity that affected my country's significant interests. I am not escaping into politics: I took this decision after our shareholders re-elected us onto the Board of Directors of TBC Bank with 98% of the vote following the financial inspection conducted by a London court, once again proving in front of the international audience our transparency and innocence in the face of Georgia's current unjust system.

ILLUSTRATION: SHUTTERSTOCK

Now Georgia is my only cause, and the decision to move into politics is the first step in this cause. It is a decision that has been taken for the sake of achieving freedom, overcoming the crisis that today cannot be ignored, the 'Gavrilov night', the young people who are leaving Georgia, our mothers and sisters living abroad who are sending their hard-earned money home and supporting our economy with their savings, our shackled and biased judiciary system, and for a country that has the potential to be prosperous and happy, but is instead lagging behind. A country where universal nihilism and hopelessness have taken a hold.

To this end, I formed the Lelo movement together with like-minded individuals. This movement is soon to become a political party. I am inviting people with no prior experience in politics to join us, just like I used to invite inexperienced young people into business.

Once again, we are starting a long and difficult journey in order to create a successful startup, a new political reality, new political standards and a new country.

At this time, I cannot promise anything to you – not before we can fundamentally alter the existing reality together. I can only repeat the words spoken by Winston Churchill during his first address to the parliament of a country that was on its knees because of the Second World War:

"I have nothing to offer but blood, toil, sweat and tears... You ask, what is our aim? I can answer in one word: Victory. Victory at all costs." F

THOUGHT LEADERS

KAKHA BAINDURASHVILI - CURRENT EVENTS

Wasted State

THE INEFFICIENCY of state-owned enterprises (SOEs) is a well-established fact, nevertheless due to many reasons, this phenomenon exists in most countries. Social or security benefits tend to counterbalance the ills of SOEs, but when inefficiency turns into waste and asset degradation, it creates social and security threats. I won't bore you with academic judgment, instead I merely want to highlight some recent data from Georgia.

For international observers, Georgia's misfortune with SOEs might seem even more striking considering the country's reform driven agenda and the country's recent development.

In the World Bank's Doing Business 2020 survey, Georgia ranks 7 out of 190 countries. In the TI's Corruption Perceptions Index 2018, Georgia ranks 41 out of 180 countries, which makes it the "cleanest" in the region and "cleaner" than its EU member peers. Moreover, Georgia ranks 16th – on par with Luxembourg – in the Heritage's Economic Freedom Index 2019.

Despite the country's relatively clean and business friendly profile, the performance of SOEs is as bad as it could possibly be.

According to the National Statistics Office of Georgia, in 2018, SOEs' share of total business sector fixed assets was 21%, which equates to 7,050.6 million GEL (1 USD = 3 GEL).

SOEs have a glut of fixed assets, but given they do not make a profit, this infrastructure is wasted. The capital productivity of SOEs (output per 1,000 GEL of fixed capital) equates to 260 GEL, while privately-owned enterprises' capital productivity reaches 1,491 GEL.

In labor productivity (per employee), SOEs follow the same trend, totaling 32,424 GEL versus 58,759 GEL in privately-owned enterprises.

SOEs in total employ 56,677 people, that is 7.7% of the total workforce employed in the business sector. Some tend to excuse SOEs non-performance due to their social importance, however, they provide far worse working conditions for their employees when compared to their private peers. The average monthly salary per worker in SOEs is 991 GEL; the same type of worker is paid 1,111 GEL in a privately-owned company.

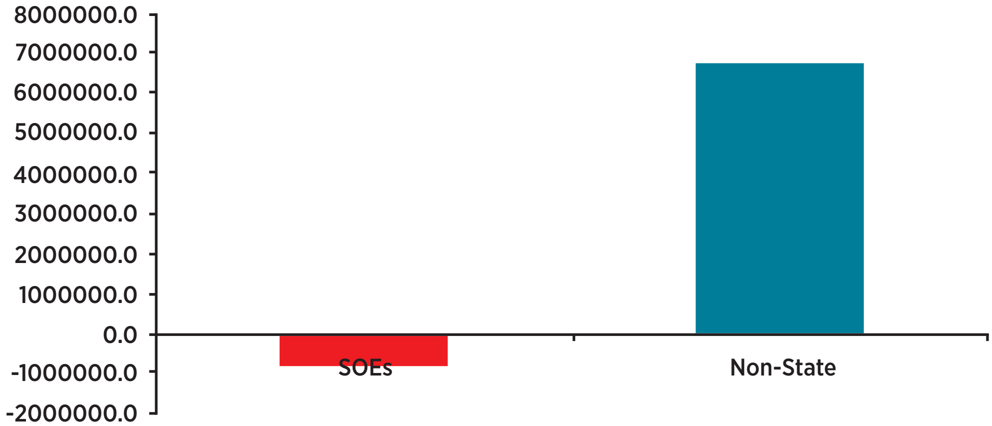
The state-owned Georgian Railway employs 12,500 people, only a handful of them are in top management positions, most of them are ordinary workers. The average salary for top management is around 5,870 GEL, whilst most of the workers' wages are below SOEs average and are around 670 GEL.

In 2018, SOEs ended up with operating losses of -739,237.4 thousand GEL (total accrued financial results), while their private peers finished with a profit of 6,665,068.7 thousand GEL.

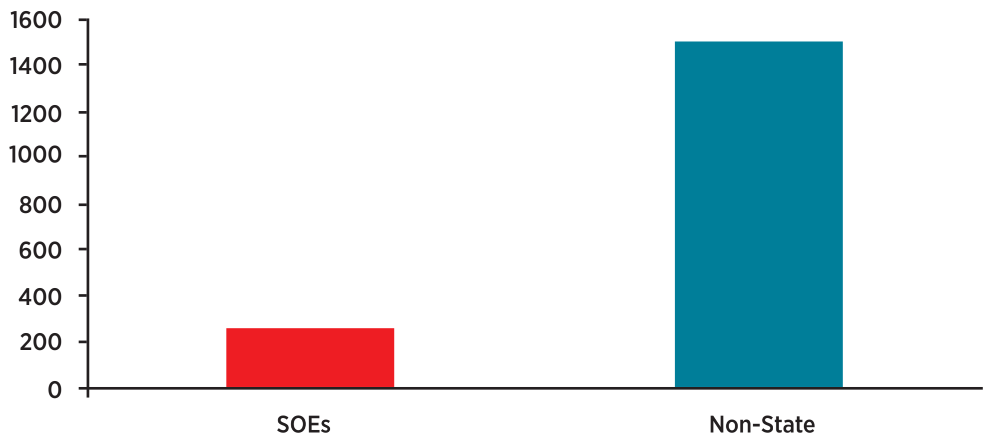
This trend, which has been the same for the last few years, threatens not only companies' financial stability and their social roles, but also it endangers important state assets through degradation.

Georgia has seen some ruined enterprises after privatization too, but this was within the environment of a failed state. Quality investors brought into Georgian industry are the drivers of business growth, supported by state policies to ensure fair competition. Unless the current crisis is resolved, Georgia's remaining state-owned wealth might simply just vanish. F

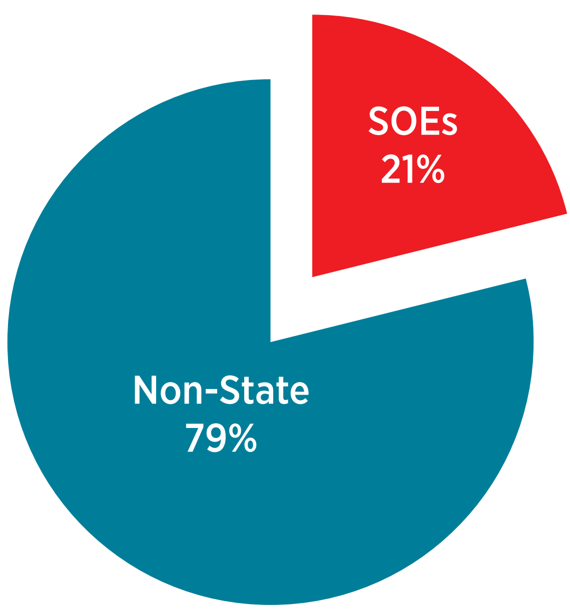
SOEs are not profitable - Total accued 2018 financial results, thousand GEL



SOEs solid assets produce bold waste - Capital productivity, 2018, GEL



SOEs share in the total business sector's fixed assets was significant in 2018



TECHNOLOGY

STARTUPS

Tbilisi Welcomes the **Startup World**

Since the days of the Silk Road caravans, Georgia has been known for great hospitality. The recent 'Startup Grind Europe-Asia Connect' event showed this virtue but with a modern twist.

From 8th to 10th November, international guests joined over 1,500 participants for Georgia's most noteworthy startup event to date. Guest included: Amrit Dhir, head of Startup Connections at Google, who led the global expansion of 'Google for Startups'; Bill Reichert, co-founder of Garage Ventures; Guy Kawasaki, partner of the $1.5 Billion Pegasus Ventures fund; Sheel Mohnot, head of the Fintech Fund; Marvin Liao, who runs the San Francisco accelerator for 500Startups; Sacha Michaud, Co-Founder of Glovo; and dozens more.

Top experts from Silicon Valley mentored a group of 25 startups from Georgia, Romania, and beyond. Participants joined from twenty countries, and thirty speakers gave world-class presentations

educating and inspiring the audience, as well as provoking thoughts on how to build high-growth startups.

But the event was not just another conference. By personally inviting investors to come to Tbilisi to meet startups and learn about Georgia, organizers created direct benefit to participants in the form of business connections and investment leads. What the startups will harvest is yet to be seen, but many companies have already reported valuable business leads.

Startup Grind is the largest independent startup community; actively educating, inspiring, and connecting more than 2,000,000 entrepreneurs in over 600 chapters, as well as nurturing startup ecosystems in 125+ countries through events, media, and partnerships with organizations like 'Google for Startups'. The Tbilisi Tech conference was the third largest Startup Grind event in the world, after Silicon Valley and London.

Feedback from participants was exceptional. When asked the question "how likely are you to recommend this conference to a friend with a startup", over 55% gave the highest possible score, 10 out of 10. This led to an extremely high 'Net Promoter Score' for a first-time event. "Having a big 'Startup Grind Europe-Asia Connect' event is really important for the ecosystem and it's just one step along the way of building up the ecosystem. It's great to see that this is the third largest event on the planet for Startup Grind, it's an extraordinary achievement to have had it here in Tbilisi," said Bill Reichert.

Speakers and investors from Silicon Valley, London, Tel Aviv and Berlin expressed delight and excitement about the conference and the country of Georgia itself. "I had no idea Georgia was like this before I came. My friend invited me, and I was happy to come along. But having been here, I'm excited about what I saw and found some investments I'm interested in!"

Some visitors used the opportunity of the conference to explore Georgia. Amrit Dhir from Google came 10,000 miles from his home in California, and so spent an extra week exploring Georgia from wine to puppet theatre up to the mountains. Chris Burry, CEO of US Market Access Center, stayed most of the week to explore the startup ecosystem and develop relationships with the future prospect of bringing local startups to the US market.

Colin Donohue, director of Startup Grind Tbilisi, is excited about next year. "This was great for our first year. But next we want to bring more top-tier VCs. It was great to have founders with billion-dollar companies, investors with billion-dollar exits coming to Georgia and being glad that they came! I think we created an environment where there can be a density of talent and connections. We aren't a tech powerhouse yet in Georgia, but we've shown we can be a place where top talent from around the world can gather."

Beyond people touring the countryside and sampling wine, Donohue says there were already some tangible outcomes. "Even without following up with our international guests, I've already heard about multiple investment conversations (startup as well as conventional investments) and two people who will be incorporating companies to be based here. When you get great people together, they get excited and make things happen."

The regional Startup Grind event in Tbilisi was held in partnership with Georgia's Innovation and Technology Agency. GITA-supported Georgian startups were also featured alongside other successful European startups at 'Startup Grind Europe-Asia Connect'. Avtandil Kasradze, Chairman of Georgia's Innovation and Technology Agency, said that "Startup Grind is a unique opportunity where Georgia is positioned on the world map of startups and the country starts to form a regional startup ecosystem. This makes Georgia a place where investors and startups of the region can connect, partner up and find resources."

The next big Startup Grind event in Tbilisi will be held in June 2020, with an even larger international profile, bringing together 2,500 plus attendees. The event will be the largest startup conference in the region hosting international speakers and creating new opportunities for Georgian startups to launch in international markets.

DMCC - Right Place Right Time

Interview with the Ahmed Bin Sulayem - Executive Chairman and CEO of the DMCC

BY GIORGI ISAKADZE

The visit of the Executie Chairman of the Dubai Multi Commodities Centre (DMCC) to Georgia was down to a few reasons, all of them equally surprising and promising. The DMCC is Dubai's extremely successful free economic zone managed by Ahmed Bin Sulayem. The high profile status of this representative from a strong and wealthy family is not a surprise, especially given he is an investor from the UAE; a country that we are becoming very familiar with here in Georgia. It is true that the success of the DMCC, a role model for a successful and properly managed free economic zone, is recognized by all the world's leading rating and publishing companies. In our conversation, Ahmed Bin Sulayem expressed hope that the DMCC would receive the title of 'The Best Free Economic Zone' for the fifth time this year. At present, the DMCC unites 16,000 businesses under its umbrella organization; its contribution to the economy of Dubai is outstanding and exceeds 6%. This specific model and the DMCC have their own unique history, maybe only as far back as Dubai's history of existence, but it still is both truly impressive and successful.

It has already been 18 years that you've been a part of the DMCC, and you have personally taken part in various initiations and reforms happening in this organization. Tell us more about the DMCC itself.

This idea was established by the government of Dubai and the focus was to attract commodity trade to Dubai and create a free zone to support that. Our focus was on gold, precious metals, diamonds, colored stones and agricultural commodities. Most probably we are not really known for our activities in the energy sector, but the DMCC is the largest free zone that represents the oil and gas sector, as well as many other energy products. It was not easy to start! We started very small, and we were under great threat of disappearance during the global recession in 2008. The DMCC covered about 1,300 companies at that time, today we have over 16,000 businesses, so it's fair to say that it's one of the best free zones globally. Furthermore, the DMCC has been ranked the top free zone worldwide four times in a row by FDI magazine and we're hoping we will achieve that for a fifth time this year.

Let's move onto the purpose of your visit. It's your first time and first contact with Georgia as an Executive Chairman and CEO of the DMCC, am I right?

Yes, it's my first time here and I am in the process of observing things. You know, we have managed to connect with very challenging regions around the world. There are certain countries that we work with, for example in Africa. We have represented businesses also in Dubai, whether it be diamond tenders or processing tea that comes from Africa through our tea centers. When I think of Georgia, I realize that there is a strong connection between this country and the UAE. It's only a 2 hour and 30 minute flight away and I can't ignore that fact. Additionally, I can't ignore that we could have similar relationship with Georgia as we do with India. It is not going to be identical of course. For example, hydropower is one of your key energy sources here. In the United Arab Emirates, we are actively investing in alternative energy, especially in solar energy, because we are preparing for the end of the oil era. Personally, I couldn't miss this opportunity. I wasn't able to do too much research on Georgia beforehand, I thought it better to come to the source and see for myself. This is what I am doing here today.

During your visit are you going to meet with government officials and private companies?

Well, whoever I can I'll meet with on this short trip. I do plan to visit Georgia again with my team. I am just a curious person, and to be honest, I really like what I am seeing here. I can see there are signs of Georgia aiming to become a competitive region, and Tbilisi, a competitive city. It is fair to say that the country wants to play on a global scale; the DMCC, Dubai and the UAE all want to be a part of that story.

You've already mentioned that you'll come here with your team. Does this mean that you're already planning your next visit to Georgia?

What can I say… I am engaging with my team, sending them feedback. You know when we started the DMCC one of the main challenges was around which commodity to start with; should it be gold, should it be diamond, should it be this or that. Eventually we built our business on gold; as you know, Dubai is known as the "gold city". So, we capitalized on that, attracted some gold refiners; today we have a gold and commodities exchange. When it comes to Georgia, of course, we could have visited ten years ago and maybe we should have, but you know it's difficult. For me there are certain worrying headlines about Georgia; politics and such things. I want to look at business from an economic point of view and see where we can work together. That's my real purpose.

Could you be more specific about free economic zones? Unfortunately, this system didn't work here in my country. I am not sure if you are aware of the details, but it's a fact that we have a few economic zones, having said this most of them receive complaints. What we can see is that the model is not working properly here.

Just like in football, not every football team is going to win and perform well. It depends on people; it depends on what your product is. We have more than one free zone in Dubai, not all of them are meeting their targets. The DMCC is really performing well, we refuse to give up and we focus on our core activity; it depends how it is managed to be honest. For us we always benchmark ourselves, not against other free zones in Dubai and in the Gulf, but against Singapore or Hong-Kong and we make sure we're up to speed or better. Otherwise you can't compete, I mean the world is becoming really small, people know what services are available in other places, so if the free zones here are not offering good facilities, speed and service to their members, the same way that it's happening in Dubai or anywhere else in the world, then you are going to get complaints.

Free economic zones might be an interest of yours in this country, besides that maybe meetings about energy, hydropower energy and other infrastructural projects?

Look, for now...

Or it still depends on your survey?

No, no. I am not here to create a free zone in Georgia; if that's a direction where we can help and assist to create a good free zone by showing what worked with us, then by all means.

Shouldn't the DMCC's experience, combined with the fact that it is globally known as one of the best free zones worldwide, be shared for the better development of this industry in Georgia?

I mean we also have experience (at least myself and some of my colleagues) with being part of gold and commodities trading since 2005, it has been 14 years now. We run tea centers, as well as coffee centers; both have blending packaging, storage facilities, business centers and we have established them in a custom bondage free zone. So, it's aboutmore than just providing a free zone; one must talk about the tax-free licenses and many other things. When we talk about the DMCC, we talk about a market represented by 16,000 businesses. Our target by 2020 is to reach over 20,000 businesses.

You mentioned gold, diamonds and pearls. You have been running all these directions and at the same time creating specific institutions; like the international exchange, separate trading zones etc. Could you focus on one of these directions here?

Look, we don't take it for granted that we came up with the idea. It might not work here, but we must try. You have to understand that Dubai is a new city, it's very young. Forty years ago, none of what you see was there. The community changed, Dubai is becoming more and more global as time goes on. I feel Georgia is also going that way. The country wants to play on the international stage.

Why not to be here and why not to be a part of it, right?

We will find synergies. I am very sure about that. I don't really doubt it. I mean if we focus on commodities, things that are linked to shipping and logistics. I know there will be something happening and more than one thing. What we need to find is which synergies we can discover and how to prioritize each of them.

Thank you so much for your time! F

Pension Reform

Pension reform is one of the largest, systemic and most challenging reforms. As a reward for forty years of saving, the government is promising its citizens a decent – if not entirely carefree – retirement.

BY SALOME CHIPASHVILI
PHOTOS: KHATUNA KHUTSISHVILI

Approximately one million people joined the pension scheme from 1st of January of this year, and this number is growing by an average of 600 people per day. Approximately 17% have chosen to exercise their right to leave the scheme. By the end of the year, the fund will be worth in excess of half a billion lari, while the accrued benefits will amount to aproximately 17 million lari.

Addressing the Parliament's plenary meeting, the Director of the Pension Agency of Georgia – Levan Surguladze – stated that the agency is planning to intensify its information campaign, whereby everyone will be informed about the full significance of this reform both for citizens and for the country's economy, which benefits every citizen of Georgia. According to him, as a result of greater awareness, the already quite insignificant number of people leaving the scheme will decrease even further.

Given the pension reform is a subject of great interest to Forbes Georgia, we arranged an interview with the Director of the Pension Agency. Although Levan Surguladze is not unknown to us, we will start by taking a detailed look at his biography.

Mr Surguladze graduated from the Komarov School of Physics and Mathematics in Tbilisi. He then obtained bachelor's and master's degrees in physics from the Lomonosov State University in Moscow, as well as PhD in theoretical high-energy nuclear physics from the National Academy of Sciences in the Russian capital.

After his time in Russia, Levan Surguladze moved to the United States, where he pursued interests in finance and financial engineering, obtaining a master's degree in business administration and completing PhD course in financial engineering and risk management. However, before he could obtain his second PhD, he decided to instead gain work experience on Wall Street in New York.

He started his professional career in 1990, as a research associate at the Institute for Nuclear Research in Moscow. He took part in various conferences both in Russia, as well as in the United States, Germany, France and Georgia. In 1991 / 1992, he worked as a visiting professor and research associate at several universities and research centers in Europe as well as in the United States; including the Fermi National Accelerator Laboratory in Chicago and the International Centre for Theoretical Physics in Trieste, Italy. From 1992 to 1999, he held the positions of Research Associate and Senior Research Associate at two universities in the United States. At the same time, he was on the refferree board of leading American (Physical Review and Physical Review Letters), European (Physics Letters) and Asian (Modern Physics Letters) scientific journals, as well as being a member of the American Physical Society. During this period, he published around forty frequently cited scientific works in leading American, European and Asian scientific journals. One of these papers has been cited by more than 650 different authors and holds a 'Renowned Paper' status in the joint scientific information system of CERN, DESY, Fermilab and SLAC; placing it in the top 0.3% of all published works.

In 1999, having begun to specialize in finance, risk management and risk control; he worked as a


SECURITISATION
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trader / risk manager at the New York Stock Exchange (NASDAQ-AMEX). In 2000 / 2001, he was the Senior Vice President and consultant in the field of global credit derivatives at Deutsche Bank's London office. In 2001 / 2002, he worked as Senior Vice President and consultant in the field of risk finance in the New York office of Barclays Capital. From 2002 to 2007, he was the Risk Control Director at UBS Investment Bank. He has also created a methodology manual for valuation and risk computation of structured finance and credit derivative instruments.

In 2005, a couple of years before the onset of the global financial crisis, Levan Surguladze presented a written report to the executive board of UBS about the unacceptable risks being taken by the bank at the time. He claims to have accurately evaluated the damage that the bank would sustain during the inevitable crisis. According to Mr Surguladze, his forecasts came true in 2008 when the bank was forced to write off assets worth up to $40 billion.

Mr Surguladze states that he always wanted to return to his native country. Between 2004 and 2013, together with his business partners, he founded several companies in Georgia that would later merge to form the Caucasus Business Group in 2014. This was a platform for Levan Surguladze's return to Georgia in early 2008. He continued working in these companies, before joining the board of the Financial Supervision Agency of Georgia in 2009, remaining there until the agency's merger with the National Bank. In 2011, he was appointed to the Georgian Railway's Supervisory Board, chairing Nominations and Remunerations Committees. Between 2014 and September 2018, he also chaired the supervisory board of the Caucasus Business Group. He was appointed to the post of Director of the Pension Agency in September 2018.

Despite having such an impressive biography and experience, managing pension reform is still a highly challenging task, as evidenced by the complexity of the issue: the question as to whether Georgian pension reform is a constitutional matter has reached the constitutional court. It is precisely due to this complexity that the changes are constantly being scrutinized.

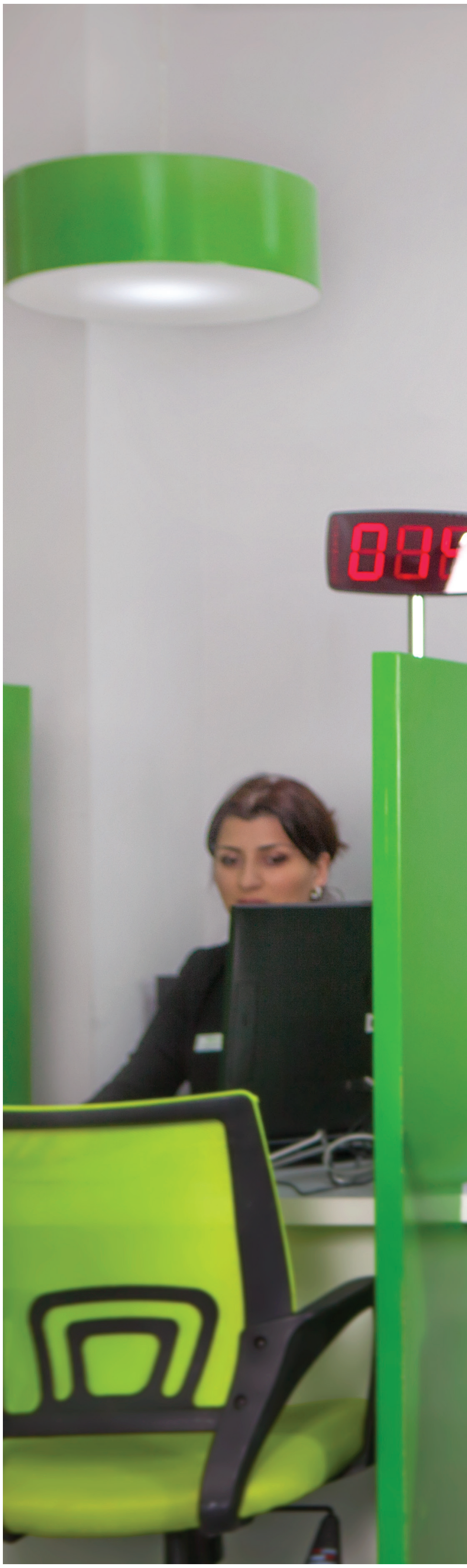
The Director of the Pension Agency – Levan Surguladze – has agreed to answer questions put to him by Forbes Georgia.

Why do we need pension reform today?

We are currently implementing a so-called 'defined contribution' pension scheme, whereby employees save 2% of their salaries, with their employers and the government adding a further 2% each in their favor. The savings are accrued to each employee's personal pension account and represent his / her most secure asset; as according to the law, pension savings are not subject to penalties or any other claims or sanctions. These savings are the employees' unconditional and secured property. Similar savings based pension schemes are successfully operating in various countries of Europe, Asia, Australia, Africa and the Americas. In each case, there is a compulsory element, whereby both employers and employees must contribute to the pension scheme. These contributions range from 8% to 10% in the countries of the European Union, while the state only makes contributions solidarily in five countries, including Georgia. Percentagewise, the Georgian Government contributes most generously to the scheme compared to employers and employees. Other countries' experiences and experts from donor organizations explicitly state that a savings based pension scheme simply cannot work without a compulsory contributory element.

At what stage is the reform?

The Pension Agency, which is implementing the savings based pension reform in Georgia, is operating effectively. Approximately a million people joined the pension scheme since the 1st of January this year, and this number is growing by an average of 600 people each day. Only around 16 to 17% have chosen to exercise their right to leave the scheme. By the end of the year, the



fund will be worth in excess of half a billion lari, while the accrued benefits will amount to approximately 17 million lari.

We have prepared an investment policy document and the appropriate contracts with the banks to purchase term certificates of deposits at commercial banks. The National Bank will verify the compliance of the investment policy document with the law. Upon the completion of this process, the investment policy document will be approved by the Director of the Pension Agency. Furthermore, a Senior Investment Officer will be presented by the Board of Investments and approved by the Supervisory Board. The agency's Risk Control Service will assess the risks and if the findings are positive, we will immediately begin to place the funds into certificates of deposit, where the investment return will probably be around 12%.

At the next stage of reform, the Investment Board will complete the investment policy document and choose a special depositary. Thereafter, funds flowing into the pension fund will be placed, among others, into corporate bonds and used for financing the country's real economy. I will add that we are also in the process of building a risk control structure, as well as the relevant policy and methodology documents, which will be approved and published on the agency's official website.

The aforementioned processes will unfold over the coming months, while specific economic impact should be expected in the next few years.

The savings based pension reform is unprecedented in Georgia; both in its scale as well as in its economic and social significance. Foremost of all, this reform is designed to ensure a financially stable and decent life in retirement for our citizens. In the short term, Georgia will have an unprecedentedly large, long-term, low-cost and flexible investment capital base due to the pension savings, which will determine and enable the development of the capital market. Companies will be encouraged to comply with transparency requirements and emit credit and / or equity instruments through which they will receive this investment capital, expand, create new jobs, release more products, provide more services and increase exports. The people, the government and the country as a whole will have more revenue. Economic growth is expected to accelerate by 3% to 4%. The government will have the means to increase funding for social programmes. At the same time, development of the capital market and existence of interesting financial instruments will enable foreign portfolio investments. We currently have a latent demand – in the absence of an investment capital base, companies do not have the incentive to issue financial instruments on the capital market. As soon as such a base is created through the pension savings, the companies will start issuing investment instruments.

"The accumulative pension reform is unprecedented in Georgia; both in its scale as well as in its economic and social significance".

You often talk about this reform in conjunction with development of the capital market. Why?

The pension reform and the resultant large-scale (multi-billion lari) investment capital base, with an appropriate legal base, will directly determine the development of the capital market in this country. In this case, we should expect to see specific and significant results to this end within two or three years.

How do you plan to manage our savings?

As I mentioned earlier, at this stage we are planning to place the pension funds in certificates of deposit issued by commercial banks, state treasury bonds, corporate bonds, as well as bonds denominated in lari by international financial organizations. According to the legislation, we can place no more than 20% of the total funds in foreign currency-denominated financial instruments. These could be corporate bonds issued in Georgia and / or foreign currency-denominated certificates of deposit. At this stage, we are not planning to place any funds in equity instruments / corporate shares, as these are usually more complex and risky instruments. Such fluid instruments are rarely found in Georgia, while the price of shares on international markets are currently very high.

What are the conditions put to those who will manage our money?

The Pension Agency's Investment Board has been appointed, but direct management of the assets will fall under the responsibility of the Senior Investment Officer and the Investment Service. The Senior Investment Officer must have suitable education and experience in asset management.

The organizational and functional structure of the Pension Agency includes an independent Risk Control Service headed by the Chief Risk Officer, who has already been appointed and is performing his duties. The Risk Control Service will monitor each transaction during the investment process, ensuring that it is carried out in accordance with the approved investment policy document, risk policy document and the set limits; that the pension fund's risk profile always complies with the approved risk appetite; and that the risk budget is not exhausted.

Are you happy to be associated with this reform? Which other reform would you have wished to lead in Georgia, if it wasn't for this one?

Not only am I happy, but I am also immensely proud to lead a reform of an unprecedented scale, as well as great social and economic significance for Georgia. The reform is proceeding successfully and presents a great personal challenge for me.

If it was not for the pension reform, then I would have been delighted to lead the capital market development reform both at the planning and implementation stages, as I am in possession of the relevant knowledge and more than twenty years of experience working in this field, mainly on Wall Street. Development of the capital market is vital for very significant improvement and sustainable development of the Georgian economy.

Development of the capital market in Georgia requires a highly professional working group that will be highly legitimized, directly overseen and fully supported by the country's executive leadership at the highest level.

In what areas does your experience come in most handy?

My experience includes but is not limited to academic activity in the field of theoretical high-energy nuclear physics. In turn, this knowledge, experience and education at MBA and PhD levels in finance, capital markets, financial engineering, risk management and risk control have enabled me to successfully work in this field for over twenty years, including in senior positions in leading investment banks on Wall Street. My knowledge and experience also include working in senior positions of leadership both in the business and public sectors.

The Pension Agency is a very important financial organization that receives and administers the pension contributions, as well as investing said funds in the appropriate financial instruments on the capital market. The pension fund will accumulate billions of lari over the coming years. This is the first time that an organization of this type has been established in Georgia. My knowledge and experience are crucial, as reflected in the fact that the Pension Agency has been assembled in a short period of time and is operating successfully.

In what part do you most feel this responsibility?

Indeed, it is a great and unprecedented responsibility for me to be entrusted with the savings of a million fellow Georgians, upon which their welfare depends. These savings will take the country's economic development to a higher level and help create a better future for Georgia.

Target Hitter

BY ELENE CHOMAKHIDZE
PHOTOS: KHATUNA KHUTSISHVILI

"Swimming against the tide" would probably be the most relevant title for this interview; winemaker Giorgi Aladashvili started from nothing, turned his passion for Georgian winemaking into a million-dollar business, and is currently selling 11,000 bottles of Georgian wine to Europe and Asia.

Giorgi, how did you get into winemaking?

I started my business from scratch, and I had no inheritance passed down to me. I simply decided one day to grow my own grapes, to stand out from others, and most importantly, to bring benefits to my country. To achieve this, I knew exactly where I had to go. I was twenty-three years old when I moved to Switzerland. Before that, I worked at a petrol station and had various other small jobs in Georgia during the 1990s. I realized that I had to seek opportunities elsewhere in order to achieve something. So, I moved to Switzerland and was lucky to come across a kind person who gave me a job at his farm. I worked there for a year and a half, and my employer was reluctant to let me go. However, I always wanted to work in the wine industry. Wine makes people happy, and I wanted to have an opportunity to bring this happiness to others. I took every possible winemaking course in Switzerland and accumulated as much practical experience as I could. Only then did I move back to Georgia, with the knowledge of exactly what I had to do. My primary goal was to represent Georgia on the international stage with the high-quality wine, which we have always produced and continue to produce to this day.

How did you go about achieving your objectives after returning to Georgia?

The first thing I did was to find our ancestral plot, which was approximately 0.4 hectares in size. Soon I managed to increase it to 3 hectares by purchasing the adjacent plots. I named my business the Ruispiri Biodynamic Vineyard. I had savings worth $12,000 when I came back to Georgia. I used this money to cultivate traditional Georgian varieties of grape. I made wine in qvevri vessels, working with my own hands. As a result, I managed to establish a business that was already self-sufficient by the second year of operating. People who came to us knew that they had to spend a certain amount of money for the knowledge, practical experience and enjoyment that they would obtain here. I wanted the village to have a space that would become conspicuous and memorable not only on a national, but also on a global scale. Nowadays when I go to Europe, people call me “Ruispiri”. The interest towards my business was already quite extensive within a year of its establishment.

Did you have a specific business plan for convincing the public to buy eco-friendly biodynamic wine? Also, was it always your goal to bring your product to the international market?

I did not have a specific vision, but I knew that Georgian viticulture needed a new niche that would serve the industry well in the future. Ecology was a benchmark and meant taking care of the future generations. I knew that the aforementioned factors would lead to cooperation between Ruispiri and towns in Switzerland. The quality of the product was our benchmark, and producing high-quality wine was always associated with a substantial financial cost. However, the investment had to be profitable in the long term. I calculated everything in advance and knew exactly when to increase production, and by how much. Winemaking and viticulture require precise calculations. Otherwise, the business will be doomed for failure.

You said that you wanted to establish ties to Switzerland. Had you already found companies or individuals who would buy your wine and sell it on the market?

Even after moving back to Georgia, I regularly visited Switzerland for training purposes and to this day I have maintained ties to the country. These ties were always designed to benefit Georgia in the long run. For example, if I was in Switzerland for two weeks, I would always take time to introduce Georgian products to the locals. I took churchkhela, honey, gozinaki, marmalade and dried fruit with me to Switzerland. I would go door-to-door to the many stores that sold high-quality food products. It took great effort to even get them familiarized with my country, let alone the products. It is psychologically tough when none of the ten stores get back to you. They are all friendly and polite, but in the end, they refuse your product with a smile. You need to have patience, and it will pay off. After a while, I started coming across people who would listen to me, try the products and even applaud me afterwards. Even people who had earlier declined the products started to get back to me. That is when I knew that I had established myself on the market.

Was there similar skepticism towards Georgian wine?

Initially I focused on introducing dried fruit, churchkhela and similar products on the market. There was some wine, but no more than 600 bottles in total. It was easy enough to sell such a small quantity. Today this number has grown to 11,000 bottles. We sold Rkatsiteli, Kisi and Khikhvi, which I cultivated in Akhmeta. We also diversified our locations, producing wine from numerous villages, rather than Ruispiri alone. First, we achieved coverage in all of Kakheti, before expanding into Western Georgia. Today, we even have vineyards in Racha.

try specific varieties from next year's harvest, and I send them the wine when it is ready. They may ask for one or three specific varieties. Around 70% of my wine is of premium class, the rest is slightly cheaper. The demand for my wine is so high that I currently have no reserves – everything has already been sold.

Who are the people in Switzerland who have been your partners over the years, thereby playing their part in your success?

Nicola and Isabel are a couple from Switzerland, Vevey, with who I got acquainted many years ago. They have been supporting me since I shared my desire of having own wine business and promoting Georgian wine in Switzerland. Furthermore, they have helped me understand numerous aspects of this trade. However, it is all about putting this knowledge into practice. These people have also helped me explore myself deeper and look at many

My wine costs at least 50 GEL per bottle in Georgia, while most sales occur in the 90 to 100 GEL category. As for our output in general, 30% is sold on the local market, while the rest is exported abroad.

What is your current output and brand recognition in Switzerland and other countries?

Most of our wine goes to Switzerland. However, we do export to Singapore, Italy, Germany, Belgium and France. Just recently we sent 7,200 bottles of wine to Switzerland. It is not cheap – it is sold for 50 to 60 CHF per bottle. As for the local market, our revenues from wine sales have exceeded 117,000Gel this year. Naturally, exports are more lucrative. As I said earlier, we started with 600 bottles, and have now reached the 11,000 mark.

Does all this wine go to wine bars and shops?

I also have private clients who place orders one year in advance. They tell me that they wish to

moments from my life from a different perspective. Along with learning about winemaking and viticulture, I also have a lot of experience in studying human psychology. People should travel and explore many different countries. They will then re-evaluate certain things.

To what do you attribute the existing and growing popularity of Georgian biodynamic wine in Switzerland?

Apart from working in the vineyards, I also did my own marketing and PR, uploading photos on social media and answering calls at all hours. This is still the case today: I personally speak to everyone who calls. Naturally, they are now being referred to me by other people, but I still must leave the initial impression about my business on them. I do this in order to make people feel that they have direct contact to manufacturers of healthy products. I do not want to be a mysterious man behind the business. On the contrary, whether it is praise or criticism – I need to hear it directly from people.

Which segment is the Ruispiri Biodynamic Vineyard wine aimed at?

Only the premium segment. My wine costs at least 50 GEL per bottle in Georgia, while most sales occur in the 90 to 100 GEL category. As for our output in general, 30% is sold on the local market, while the rest is exported abroad. I also have private Georgian clients who order wine from me. This category accounts for approximately 10% of the output, while the remaining 20% is sold in retail stores.

Clearly, your vineyard in Ruispiri has been a successful undertaking both on a local and international level. However, I also gather that your business concept transcends commerce; it forms a space for interaction between Georgians and foreigners. In your view, what specifically did you create in Ruispiri?

Four years ago, there was nothing in this village. There was a small stream and a ravine. This is where I established a place that people can visit, relax and learn about all areas of agriculture, be it aviculture, apiculture or gardening. Most importantly, here people can find the kind of peaceful environment that is becoming increasingly rare in the world today. People who come here can work and study. I did not design this place for me to profit alone – the benefits must be shared. As the saying goes, one hand washes the other. It is pleasing to see people asking us for advice about becoming involved in this industry. Thus, we are also providing certain consulting services.

You have an interesting story, which is partly shaped by your own determination, along with certain circumstances. Do you consider yourself a team player, or do you prefer to work as an individual?

I can work alone – thankfully, that was never a problem for me. However, I can also work very well within a team. Currently we are working as a team. I learned from experience that if you cannot assemble a strong team at the outset, or if you lose your team halfway through the process, then you must be able to carry on the work independently. If I lose a member of staff, I must be able to fill in for him/her. There is no other way of doing business successfully.

What was your approach in the beginning, when you decided to take your wine to Switzerland of all places?

It was based on logic, and nothing else. I cannot say that a logical approach guarantees success, but it is mostly successful, and that is how I approach every issue. Also, you must not be limited to certain frameworks and oriented towards short-term profit. Your investment may initially appear substantial and loss-making, but in the longer term, your profit may be tenfold. I belong to the category of people who believe that you must finish what you started. If someone tries to prevent you from doing so, gather like-minded people around you and continue to shout about what your doing.

Was there a moment when you regretted doing business in Georgia?

The environment in Georgia creates obstacles for me to this very day. While I am trying to promote my country abroad, the circumstances back home have led to Swiss women being advised by their government not to travel to Georgia alone, as it may be dangerous. Every such individual represents a lost source of revenue. Why should tourists have to be warned by their governments about travelling to Georgia? Nobody is giving me warnings when I travel to Europe. Personally, I feel perfectly safe in Georgia, but this no longer applies to foreign visitors. It is not only the security aspect that I am talking about, but also the prevailing attitudes in general. I am talking about the price of an item being 1 lari for me and 10 lari for foreigners. All individuals must act as ambassadors for their country both at home and abroad.

Recent trends and figures show that your business is growing. What are your company's plans for the near future?

I follow market trends, try to plan exactly how and where to achieve development. This includes creating accommodation for all categories of visitors. I also pay a lot of attention to development in the field of training, which is vital. We will also build enterprises equipped with modern technologies. I am also determined to realize the project of manufacturing baby food products – purees, fruit jams and juices. Most importantly, everything will be ecologically clean and made from local produce. I am prepared to start from scratch in this industry, like I did in the past with wine. Although I could move all my activities to Switzerland, where my business is already functioning well, I do not want to abandon Georgia completely. All my projects are innovative and fast-growing, achieving success within two to three years. The baby food enterprise will require around five years to achieve its full potential, but it will initially employ 30-40 people within a year.

You must also have plans for Switzerland, since your products are in demand there.

With regards to winemaking in Switzerland, I have bought a plot of land. There I plan to establish a winery with qvevri vessels. For those who are unable to travel to Georgia to experience local winemaking, this will be a little piece of Georgia that will include wine, various products and cultural aspects. The products will also become available in various Swiss stores. In 2020, around 50 local winemakers will also have the opportunity to bring 600 bottles of their own wine to Switzerland and sell it in a new location. This will provide 50 people and their families with the financial means to develop their businesses. I believe that this will be a great achievement for people who try to create something out of nothing, like I did in the past.

Can you see yourself operating in another, completely different industry?

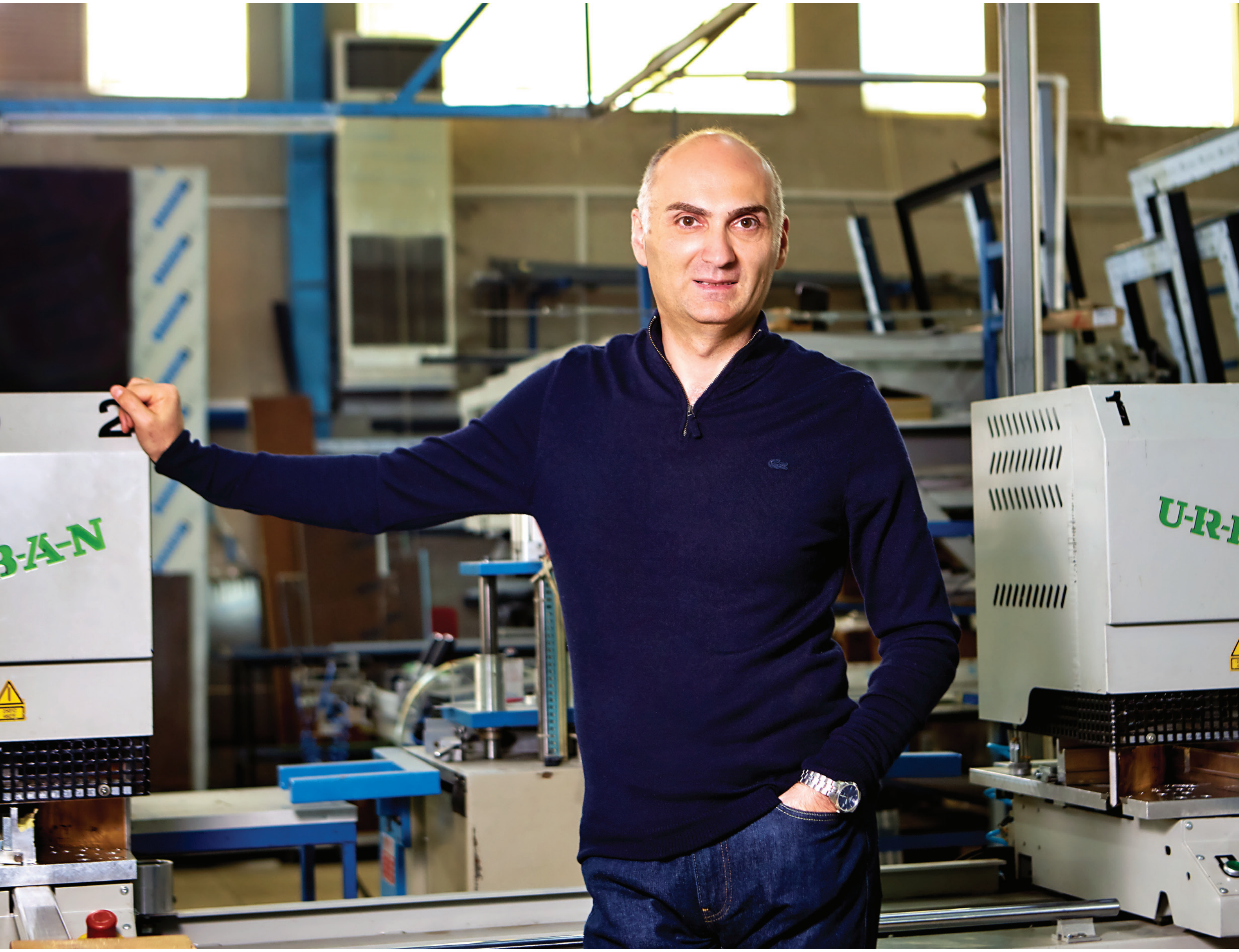
People like me cannot live without change. Therefore, I can see myself operating in any industry. I know that I can successfully take on a variety of jobs and challenges, whether by myself or through teamwork. If I have something explained to me, I will be able to do it by myself the very next moment. I am immensely happy with what I have managed to achieve against the background of my lifestyle, my personal circumstances and the unstable environment that exists in my country. Indeed, I would say that I have exceeded expectations, and moreover, I have done so with my bare hands. F

FORWARD, FASTER

From manufacturing window blinds to operating a factory equipped with modern technologies – what Dio's 23-year history can tell us about doing business in Georgia.

BY ELENE KVANCHILASHVILI
PHOTOS: KHATUNA KHUTSISHVILI

Company: Dio
Type: Family Business
Founders: Irma Daushvili, Tamaz Daushvili, Tamar Daushvili
Experience: 23 years
Employs: 200 people
Produces: Around 70types of products
Owns: ISO 9001:2008& ISO 9001:2015 certificates
Slogan: "Always choose Dio!"
Interviewee: Tamaz Daushvili (Managing Partner)



You started your business in 1996 with zero capital. This was a period when many businesses sprung up, but few managed to grow, expand and retain a high profile. Dio is one of the few exceptions, which is why Forbes Georgia is interested in you and your business.

During the post-Soviet period, the country's economy was on the brink of collapse. People in Georgia were finding it difficult to survive. Like many other families at that time, we were also struggling to make ends meet.

Indeed, we started our company with zero capital. This is a family business. We decided to import Venetian blinds and introduce this new product to the local consumers.

We began by going door-to-door in 1996, as we had no cash to invest in our business. We would meet people, describe to them what window blinds were, and show them photos. On one occasion, a customer showed us enough trust to pay for in advance. This allowed us to purchase materials.

Back then, I was a student. I remember installing window blinds in a nightclub one night, while my peers were downstairs enjoying themselves. However, I never regretted choosing this path, and I knew that I had to go

to the end. This is still my philosophy today: believe in your idea and spare no resource to realize it. Being highly motivated is 50% of achieving success.

Life in Georgia in the 1990s was tough. I remember many businessmen making a bit of money for themselves and immediately spending it on a new car. We, on the other hand, reinvested all our revenue into our business. Buying a fancy car or another item of luxury was never the goal for us. The aim was always to develop our business.

So, you created a market for a virtually unknown product, which is unusual. How challenging was it for you, and who were your first clients?

Introducing our product to consumers required an enormous effort. People had no money, so we had very few buyers. Our early clients were legal entities, embassies and international organizations. They were familiar with our product, so it was easier to deal with them. Gradually, individual customers also began to show interest and started to trust us. Trust was very important; we had no seed capital and had to convince prospective buyers that their money was safe with us, that they would be getting a quality product.

How did you manage to deal with the many problems and challenges that came with that period?

We certainly had to deal with many challenges. The customs and revenue service and other state structures were not operating properly, crime levels were extremely high, and corruption was rampant. Consequently, businesses were under pressure.

Nevertheless, there was one positive aspect from that period – the enormous motivation to create something and succeed. Every tetri that we earned was put back into the company.

Many businesses did not survive that era, and my explanation is this: people did not put every possible effort into the success of their business and they did not reinvest what they earned. We turned down personal luxuries and justified the trust shown to us by customers during that difficult period by reinvesting all our revenues.

Naturally, you could not have achieved all of this on your own. You needed a team. How did you managed find professional personnel?

This may sound like a paradox, but back then it was easier to find more qualified personnel than it is now.

Why?

After the collapse of the USSR, many professionals were left unemployed. They were, therefore, highly motivated. Professionals with top education were willing to personally perform all kinds of technical tasks. These highly qualified individuals greatly contributed towards the success of our company.

To what extent have consumer demands changed over the last 23 years, and has it affected your business?

Our company introduced several new products to the Georgian consumer, including Venetian blinds, external shutters, automatic garage doors and shade tents. We were also first to introduce pergolas to the local market. The same applies to blinds between glass, which we now produce locally ourselves. This is a product that is protected from wear and dust. The list of products that Georgian consumers first heard about through us is quite long.

Our operating model back then was simple: if we saw that the newly imported product established itself easily on the market, we would begin to produce it locally. One year after importing our first product in 1995/1996, we were already producing goods. Starting to produce locally was not easy, but we knew that it was necessary.

To this day, we are not involved in the buying and selling of products. Instead, we try to adopt the relevant technologies and create more added value on site – employ more people and ensure that more money remains in Georgia. This is what our country currently needs.

We have also developed a feedback system that allows us to find out – both online and through face-to-face meetings – what customers think. We are always mindful that our salaries are paid by our customers.

Your company website talks extensively about quality and standards. To what extent are customers currently prepared to pay for such quality?

This is a challenge for us, and I always prefer to use the word "challenge" instead of "problem". Otherwise, I would have to contend that I have spent my whole life dealing with problems. I do not want anyone to look at our path in a negative light. On the contrary, we are constantly progressing and rising to challenges.

Since 2005, we have had an ISO certificate issued by German authorities. It is renewed annually on the back of the company undergoing appropriate inspections.

Dio has traditionally stood for high quality and relatively high prices. Over time, we managed to start to manufacture lower-priced products. This means that we can now offer customers the same quality at more affordable rates. In the meantime, Georgians have come to appreciate quality. They now know that buying cheap windows means having to pay twice.

If you were to start a business in today's age of digital solutions, intense competition and new technologies, would you still be able to get going without seed capital?

I would like to believe that even today it is possible to come up with an idea that can be transformed into a proper business with zero capital. The environment in Georgia is more competitive today, but at the same time, new information and technology is more accessible.

When we were starting out, there was no internet, no mobile phone and no properly functioning landline available to us. A pager was the first long-distance communication tool that we could use to communicate tasks to employees.

In this age of new technologies, we can come up with many ideas, but only if we constantly work on ourselves: I strongly believe that if all of us have the willingness to obtain an education and hone our skills, Georgia will be able to repeat the achievements of the Baltic States in the post-Soviet era.

Do you see yourself as a large business?

It is not our aim to be a large business. We want our development to be stable, rather than quick, allowing us to retain the quality of both our products and services. We will increase our ambitions as soon as the country's economic growth allows us to do so.

Is there a direct link between the development of the country's economy and that of your own company?

Business development is tied to the country's development rate. If the economy is growing fast, the amount of Georgian businesses that see a future for themselves increases as well. Slow growth and the absence of a vision for economic development leads to a drain of intellectual and other resources.

Where is Georgia currently in this continuum?

Georgia still has a chance to hold down a special place in the global economy. However, this opportunity will not be available forever, and must be used now. Anyone can become a businessman or businesswoman, and the government must encourage the involvement of as many people as possible in business (i.e. through economic activity).

What or who should be developing the economy?

First and foremost, we require a healthy business environment and as much foreign investment as possible. We should always remember that when it comes to attracting foreign investment, we are facing fierce competition, especially from the countries of Eastern Europe and Asia. These countries are looking for investors that bring new technology and knowledge with them.

All international financial and ranking organizations are stating that Georgia needs to conduct structural reforms in order to make its business environment more attractive. What would your priorities look like?

We must invest in the future generation. Education should be a priority. When it comes to skills such as reading and math, our young people are lagging their peers in developing countries, let alone those in developed states. The business sector cannot move forward without educated people. Business requires professionalism.

A professional education is also very important. There is currently a severe shortage of individuals with a professional education in Georgia. Germany and other northern European countries are good examples of the success of professional education. Our company would happily train factory personnel, but Georgia does not have an orderly system for connecting interested individuals to us through institutions of

professional education.

How easy is it to join your team as a new member?

When we hire an individual, we make sure that they are familiar with the company's corporate culture, which includes customer care, honesty and helping each other internally. These are the core values that all of us in the company agree on. If our views and opinions on these issues diverge, then we cannot work together. We never lie to the customer, as we never lie to each other within the company.

Our approach can be summed up as follows: wherever you work, you must give your all. Quality is achieved through paying attention to details. We do not want people to work at Dio for the sake of a salary alone. We want to give our employees an opportunity to enhance their knowledge and skills. We would like to know where each of our 200 employees see themselves, what their ambitions are and what work they are interested in. Inner motivation is crucial. People are most productive when they do a job that interests them, as opposed to them working for a salary alone.

All our employees are being challenged to destroy the notion that "Georgians cannot provide good service" once and for all. We know the value of each customer and we know that our mission is to create comfort in their offices and homes alike.

I can see that you have a specific and consistent vision about developing the economy, business, qualified personnel and the country as a whole. Does the government share your vision?

The objective should be to have a simpler business environment.

Is it, therefore, not contradictory for the government, on the one hand, to move towards tax liberalization by taxing distributed profit, while on the other hand, restricting the free market by introducing many EU regulations without prior impact assessment?

The introduction of health and safety regulations has been a positive step. However, various other regulations are creating unnecessary bureaucracy. For example, when a company wants to build a plant, it has to deal with various regulatory state authorities that do not act in a coordinated manner. This problem could be resolved by bringing public services for business together into a single space. This idea was previously put forward by the Business House but was never followed up on.

In the past, we had no regulations at all. It is very important that regulations concerning people's health have been introduced. In Georgia we must think more about occupational safety to ensure that construction no longer claims human lives. This is possible by implementing and enforcing appropriate standards. Naturally, the new health and safety rules are associated with higher costs and efforts for businesses, but these are necessary costs and efforts. If the developed countries can implement them, then why can we not do the same?

It is often said that businesspeople are unpopular in Georgia. Where do these stereotypes come from, and what is fueling them?

I think that these are stereotypes from the post-Soviet era. Back then, many people enriched themselves by acquiring public property for peanuts. However, I must add that business approaches differ from each other. There are plenty of honest and law-abiding businesspeople in this country. The work of these people ought to be highlighted and publicized to ensure that doing business is being associated with positive values in the mind of the public. If this can be achieved, then the country will no longer be dependent on social support, instead creating real wealth that is vital for competition and for tackling poverty.

How easy is it to learn from one's mistakes? What did you learn from yours, and are you happy with your company's achievements in this regard?

We constantly communicate with our customers. A client once wrote on social media that he took a faulty product to Dio for repair and asked how much it would cost him. He was told that the repairs would be free of charge, as the fault was with the company. The client was surprised and grateful. Honesty and openness are values that Georgian business ought to be built upon, however difficult this path may appear.

What is your opinion about the topical issue of corporate social responsibility, and what does it mean to you?

Customers often think that businesses will do nothing without directly profiting from it. That is not my approach at all. We do not wish to be a rich business in a poor country. All our employees are Georgian citizens and we share our country's anguish. We, therefore, try to provide support where it is most needed. From the day of its opening, we have helped the Children's Hospice that provides services for chronically and terminally ill children and their families free of charge. The hospice was opened several years ago at the initiative of the Open Society Georgia Foundation. We have also helped restore and open libraries in various parts of Georgia. We try to encourage development of education by providing incentives for teachers, and we promote the implementation of healthy lifestyle among young people.

The business routine is quite tough. We are happy to temporarily break free from it and distribute the resources obtained from our business in a manner that makes us certain that we are performing a good deed. This increases our motivation to go back to the everyday business routine and even more actively.

International rankings do not reflect all the aspects of doing business which you have highlighted. However, we can agree that starting a business in Georgia is easy. Is it also easy to maintain and expand it?

This is an interesting question, as starting, maintaining and expanding a business are three different propositions. When we were starting out during the 1990s, we also had certain benefits available to us: a new company was exempt from tax inspections for a certain period of time and its profits were only taxed after two years. These were significant benefits that everyone took advantage of at that time. However, crime and corruption made it difficult to maintain a business back then. In the end, therefore, the benefits lost their value.

In the current circumstances, business development may be hindered by low economic growth, devaluation of the national currency or unfair competition on the market. I firmly believe that nobody is intentionally harming business today. There may be certain unpleasant cases, but they are few and far between. Business is currently free, and the priority should be to create an environment that provides investors with better development opportunities.

I see the devaluation of the Lari as an indirect tax that each one of us has to pay as a result of economic mismanagement. Do you agree?

Yes, we are paying for economic mismanagement. Ultimately, this also affects the mood in the business sector. Businesses are keeping an eye on the exchange rate, while consumers look at what is in their fridge. If neither can detect a change for the better, then the numbers on the paper do not mean anything.

The devaluation of the currency is also one of the reasons for higher inflation...

Moreover, inflation only takes into account the rise in the price of essential goods. We should not only be measuring whether people can purchase products that are essential for their survival. That is wrong.

Are you saying that real inflation is even higher?

Of course. People naturally seek to earn more and accumulate wealth. They should not only care about survival, but also about improving their quality of life. They must be given the opportunity to achieve this. Many Georgians are unable to even earn what they need to make ends meet.

What is your opinion about banking regulations?

I agree that it was wrong to issue so many loans at once. Regulating this field is the right thing to do, to ensure that people are not being tempted and led astray.

Where does this temptation come from? Are these regulations designed to fight the causes or the effects?

At this point, we are indeed fighting the effects. The causes are rooted in lower investment and economic growth. The bank became the only investor in this country, but this is certainly not the bank's fault.

What does the future hold for Dio?

We are in the process of expanding. We are currently building a new plant with modern equipment. New jobs will be created, and the production process will be streamlined. Most importantly, part of the production process will be conducted in Kutaisi, which makes me very proud. It is important to ensure that not everything is concentrated in Tbilisi. I am delighted that we can create jobs for local people in Kutaisi also.

A SOLID 30

Georgia's leading construction company, Anagi, is celebrating its 30th anniversary. Over the past three decades, the company has contributed over 300 million GEL to the state budget. In 2018 alone, its revenue reached the 250 million GEL mark. Anagi employs around 3,000 people, and has completed 250 projects during its existence, there by enabling the company to secure its position as the market leader.

BY DAVIT JALAGONIA
PHOTOS: KHATUNA KHUTSISHVILI

Anagi conducts most of its business in civil and industrial construction; the company's activities encompass everything in these fields. The company offers its partners and clients a full package of services, from planning works to putting the buildings into operation.

The company's portfolio boasts an impressive list of projects completed during its 30-year history; including an aircraft parts factory, Galleria Tbilisi, the renovation of Orbeliani Square, Gudiashvili Square and the Tbilisi Assembly building, the Hilton hotel, the Piazza in Batumi, East Point mall, recreational and sports complexes, underground parking lots, as well as industrial facilities.

These complex projects are mastered by the Anagi Group through several companies that are united under the Anagi brand. Construction machinery and equipment is managed by Anagi Mechanization; this modern construction material factory is operated by Lugo LLC; accreditation for construction materials and products is provided by the testing laboratory Mshentekkontroli Ltd, which operates in accordance with the methodology as per industry standards; and planning works are carried out by another separate independent group. In addition to the above, Anagi Development will carry out construction of residential complexes starting from this year. The first development project will be implemented in Tbilisi. Forbes Georgia spoke to the General Director of Anagi, Irakli Gogolishvili, about the company's plans for the current year as well as the past 30 years' achievements.

Let us begin with Anagi's first steps in the construction sector. Presumably, the circumstances in Georgia in 1989 were far from easy. What level of experience and financial capital did the company's founders have at the time?

The Soviet Union was unravelling, and construction in Georgia was entering a new era. Cooperatives were springing up, and Anagi's first organizational and legal form was precisely that of a cooperative. The only real capital available to the company founders was human capital in the shape of their own intellectual resources. These Georgian Polytechnical Institute graduates had accumulated a certain amount of experience at university and through practical training. As for funds, they only had $500 available to them, if I remember correctly. Naturally, nowadays it would be impossible to start a business of this kind with such a small amount.

What were the crucial early projects for Anagi?

During the early stages of our operation, we implemented numerous projects in Adjara. These included the renovation of a wine factory, colleges and universities in Batumi. We then carried out industrial projects in the Poti Sea Port; building ship berths for the terminal. Many construction firms find it difficult to perform such operations even today, as they require a combination of professionalism, expertise and engineering solutions.

What are your company's competitive advantages?

Quality, reasonable timeframes for planning and development of the work process, a continuous construction cycle and solid implementation of new technologies. Our pricing policy is also worthy of being considered as a competitive advantage.

What services can the customer receive from Anagi under the one-window principle, and aside from dealing with construction-related issues, do you also provide project documentation?

We mainly offer construction-related services to the market, but apart from construction equipment, materials and laboratory services provided by our group's member companies, we also carry out planning works.

It is one thing for an investor or capital owner to wish to build a hotel, a residential block or a shopping center and come to us with an appropriate permit, seeking to get precisely the type of building that is shown on the paper. It is another thing altogether when an investor gives us a general outline and tasks us with obtaining the necessary permits from the relevant authorities. This requires a different approach that combines construction and planning.

On the back of this experience, you are moving into development this year. Anagi Development will become a new part of your group. Why did you make this decision now, 30 years after starting the business? If possible, it would also be interesting to know the location and detailsof your first development project.

Why now – well, that is a difficult question to answer. After 30 years, we decided to try something new. However, this is not our main area of activity, and our focus will clearly be on quality and comfort, rather than on quantity or scale.

We are building a residential complex close to the New Road. We will offer turnkey apartments, unfinished apartments where the buyer can complete them to their requirements, and a third option. Let's call it an 'Anagi frame', meaning that the buyer can bring along a craftsman, paint the rooms, and everything will be ready in no more than a month.

Project planning now requires adherence to new, stricter occupational health and safety regulations. How does this affect your investment plans and timeframes?

In this regard, our tasks and objectives have almost tripled in number over the last three years. We welcome these developments. Maintaining occupational health and safety norms requires a certain level of experience and suitably qualified personnel, as well as the appropriate tools and equipment. All of this is associated with high expenses.

The regulations are becoming increasingly strict, and we are trying to staff our buildings with the appropriate personnel, but it is very difficult to find specialists with suitable knowledge of health and safety norms. We began training such personnel a year ago. These are highly paid employees, which does affect the project budget and timeframe. However, we must go along with it, as health and safety are non-negotiable.

"Anagi is the only Georgian organization to independently implement and audit the 'ISO 45001'standard in its management system. This standard is designed to ensure implementation of health, safety, environmental and quality norms that are fully embraced by everyone at Anagi".

Apart from the health and safety aspects, how difficult is it for you to find personnel, bearing in mind that you are operating in almost all areas of civic construction?

Whenever we hire someone – I am talking about project managers and various specialists – we always aim to establish long-term contractual professional relationships. We try to create an environment that allows us to retain as many of our employees as possible.

Your portfolio includes numerous highly impressive projects. Were any of them particularly difficult to execute?

The Mestia Airport was built in extremely tough weather conditions. Basically, we managed to com-


ART
GREEN
GARDEN PLANNER
ISLAM
ARCHAEOLOGY
EGON SCHIELE
BRITISH WATERCOLOURS
ART DECO
DRAWING
Monet
МУСИНА
ПИКАССО
ГЛАЗУНОВ

plete this difficult project in winter snow without deviating from the set timeframe and our quality standards. Today, we can speak about the Mestia Airport as one of our many successful undertakings. From the more recent projects, I would probably highlight Galleria Tbilisi on Rustaveli Avenue. Construction was taking place in city center, on top of a metro station. The greatest challenge was to plan and execute the construction process without hindering the operation of the metro, the Griboedov Theatre and the Free Theatre. Naturally, we completed the facility on time and to a very high standard.

I would like to ask you about planned and ongoing projects that fall under Anagi's main scope of activity, rather than in the development segment.

First and foremost, I would highlight the new 20,000 seat football stadium in Batumi, which will be completed in March 2020 – eight months ahead of schedule. Thus, it will soon become a calling card for the city of Batumi and have a special place in our portfolio, as a sports building of this magnitude is quite difficult to build. An equally important and technically challenging project is the construction of the new Kutaisi International Airport terminal.

This year, Anagi was ranked 24th on the Forbes list of largest Georgian companies, holding the top position among all construction firms. In your opinion, which of the company's recognitions are particularly noteworthy?

I have already talked quite extensively about Anagi's construction portfolio and operations. I will, therefore,start by saying that nobody can explain the success of our business better than the world's leading business publication and its index. It reflects our efforts and presents the scope and scale of our activities in the form of statistics and numbers.

As for your question specifically, I would probably once again highlight the recognition of our quality, which we received in August 2019 in the form of the 'ISO 45001:2018' certificate; becoming the first Georgian company to do so. This certificate represents the leading international management standard that identifies best practices in occupational health, safety and hygiene. Anagi is the only Georgian organization to independently implement and audit the 'ISO 45001'standard in its management system. This standard is designed to ensure implementation of health, safety, environmental and quality norms that are fully embraced by everyone at Anagi. I would also add that this year, Anagi successfully completed the 'O9001:2015' audit; retaining the international quality control certificate that it obtained in 2017.

Finally, I would like to highlight the professional recognition received by Anagi team members. In 2013, our Head of Production (Ibraim Shalikadze) was awarded the title of Merited Builder of Georgia. Last year, the same title was awarded to our Senior Site Manager (Davit Shalikadze) for his special contribution to the development of construction in Georgia. This award is issued by the Georgian government through the Ministry of Economy &Sustainable Development; it is handed out every five years. Such recognition is very important for us. Personally, I am immensely proud to lead a team made up of such well-regarded and highlyrecognized professionals.

"Nobody can explain the success of our business better than the world's leading business publication and its index. It reflects our efforts and presents the scope and scale of our activities in the form of statistics and numbers".

A CENTURY AHEAD

BY GIORGI ISAKADZE

I want to tell you the story of how I found myself in a fabulous town in France.The legendary history of this place starts with the ancient Romans, who had a habit of naming locations after well-known individuals. The town was given the name Cognu-Acum after a prefect from Rome. For unknown reasons, the name later evolved into Cognac, and that is how the town has been known since the 16th Century, before it became world-renowned for its wine and champagne. Demand for the latter grew rapidly, attracting merchant ships from the Netherlands to the region. The area, as well as France as a whole, became a hotbed for the production and export of alcoholic beverages.

According to legend, cognac became particularly popular after it was personally tasted and evaluated by Louis IV who gave it high praise. From then on, the drink was regularly enjoyed at the royal court in small doses and diluted with water. This story is confirmed by nearly every source I have consulted. However, my journey to the town of Cognac was connected to an even older story. My hosts were none other than the Rémy Martin company, who produce the distinguished Louis XIII brand of cognac. They ensured that my love for this drink and for France knows no bounds.

Let us look back at an integral part of the Rémy Martin family and business. My hosts' ancestors settled in the area of Cognac precisely during the reign of Louis XIII. It is, therefore, not at all surprising that one of the finest cognac produced by the house of Rémy Martin bears the monarch's name.The history of the family dynasty of winemakers, who originated from the Charente region, also begun in this era. The Rémy Martin company was founded in 1724. It is a known fact that despite existing legal restrictions, King Louis XV personally allowed the family to introduce and cultivate new varieties of grape in the region.

The company, of course, has managers; a board of directors; as well as staff from all over the world who work on the brands and wider communication. However, I was surprised to learn that people who Georgians call senior technologists – known as cellar masters in France – occupy top positions in European companies such as Rémy Martin. They are highly regarded and respected across the whole country and industry. Our group of visitors, which included representatives of several influential global media organizations, was lucky enough not only to have acting 'Senior Cellar Master' Baptiste Loiseauour side throughout our three-day stay in Cognac, but also we were often joined by his predecessor, the legendary Pierrette Trichet. She shared various stories and experiences with us. She was the world's first female cellar master (technologist), who held this position at Rémy Martin for eleven years. She remains active in the company as an adviser. Baptiste Louiseau feels comfortable and secure in his role, being strengthened by his own vast knowledge and authority, as well as the priceless experience of his colleagues. Forbes lists him as the youngest-ever cellar master in Cognac. He joined Rémy Martin as a junior technologist and engineer in 2007. It is thanks to Ms Trichet that he acquired the skills and qualifications that enabled him to rise to the top position of 'Senior Cellar Master' at one of the world's most distinguished and influential alcohol businesses. He often remarks: "I matured at Rémy Martin."

The two cellar masters told us the story of this renowned beverage and most of the secrets that make cognac, and Louis XIII in particular, one of the most expensive alcoholic drinksin the world. Prior to visiting the Rémy Martin house in France, I researched my future hosts by exploring various web materials. I was shocked to learn that the price of a 700mg bottle of cognac can exceed $4,000. At the same time, I was conscious of the fact that we are dealing with a drink that has been enjoyed by the likes of King George VI and Queen Eliza-

Dominique Hériard Dubreuil

Baptiste Loiseau & Pierrette Trichet

beth, as well as the great politician and cognac gourmand Winston Churchill. It is a well-known fact that Charles de Gaulle celebrated the liberation of France from fascism in 1944 with a glass of Louis XIII.

The oak barrels used to produce cognac make a journey in their own right. The sight of the ancient oak forest and the on-site master class exceeded all my expectations. The hosts showed us the forestry manual from the year 1870, which is being followed thoroughly to this very day. It takes at least 200 years to produce a forest of the kind shown to the media representatives by the senior partners, managers, technologists and other team members from “Rémy Martin”. Therefore, as part of its social and civic responsibility programme, the company constantly works with various French state environmental agencies whoalso gaveus a master class in this field. The visitors made their own modest contribution by planting forty oak trees. On their part, our hosts at Rémy Martin will add hundreds of trees of their own, laying ground for the growth of a new forest.The story of the barrels starts in the forest, where based on numerous criteria, various observations and research, an oak tree is then chosen to become part of the history of cognac. This part of the production process is a true form of art.

I was not shy to put questions to our hosts whenever I had the opportunity to do so. I asked about the company’s competitors, as well as the competitive advantages of the Louis XIII brand. According to the Global Executive Director of “Louis XIII” Ludovic du Plessis, only the likes of Dior, Chanel and Hermes can compete with the brand nationwide. As for the wine and cognac segment in particular, it simply has no competition. Like all other representatives of the Rémy Martin team without exception, Ludovic left nothing to be desired in his communication with the guests, who represented media more than twenty countries from across the globe. Excelling in her role as our host and speaker was Dominique Hériard Dubreuil – the head of the company’s Board and a representative of the company owners. The presence of Madam Dominique who is often named as one of the world’s most influential women, among the hosts was pleasantly surprise.

The brand itself has a completely different global position in this environment. It is a classic global brand that manages to establish itself anywhere in the world. The love, loyalty and respect towards this brand can be felt far beyond the cognac industry and beyond this era. Indeed, one of the company’s mottos is to “Think a Century Ahead”. “Louis XIII” leads the way in implementing this motto, while calling upon all of us to do the same. That is precisely why this brand has no competitors in the wine and cognac industry.

In finishing, the following phrase sums up how I found myself and what I’ve learned from my three-day trip to the amazing town of Cognac and the house of Rémy Martin: It is not about volume; it’s all about values. F

ECONOMICS

IRAKLI DANELIA - CURRENT EVENTS

The Beginning of the End of Another Global Economic Cycle

CRISES AFFECT ALL ECONOMIES from time to time. Thus we can be sure that sooner or later, a financial crisis will be heading our way; leaving behind an era of cheap money. The world is approaching a crucial time, and events such as the dramatic increase in the levels of internal and external bad debt, trade wars and high interest rates set by central banks can all be viewed as possible signs of another global economic crisis not being far away. Assessing a global financial crisis naturally requires a comprehensive approach that is not focused on just one factor. Based on the latest information from the World Bank, the volume of trade and the rate of production are both in decline. Global manufacturing grew by 3% year on year between 2010 and 2018, with the equivalent figures for the period between 2000 and 2008 being 7%. The current low level of growth was only ever recorded during the 2008-2009 crisis.

Over the last ten years the volume of debt has grown across the world. The United States, the Eurozone, China, Japan and the United Kingdom do not have tools to deal with the problem of debt. In 2008, centrals bank could help the economy by printing money and purchasing bank assets. This is no longer possible today. Central banks have already purchased a lot, and any further quantitative easing would jeopardize the economy and the financial markets. China, which currently accounts for 17% of global GDP, 28% of global manufacturing and 45% of global growth, is the largest contributor to the fall of nominal GDP and revenues. Chinese debt could become the catalyst for problems, potentially causing a similar shock to the

IRAKLI DANELIA (ECONOMIC EXPERT)
BUSINESS AND ECONOMIC CENTRE - PUBLIC-PRIVATE DIALOGUE (PPD) PLATFORM IN THE PARLIAMENT OF GEORGIA

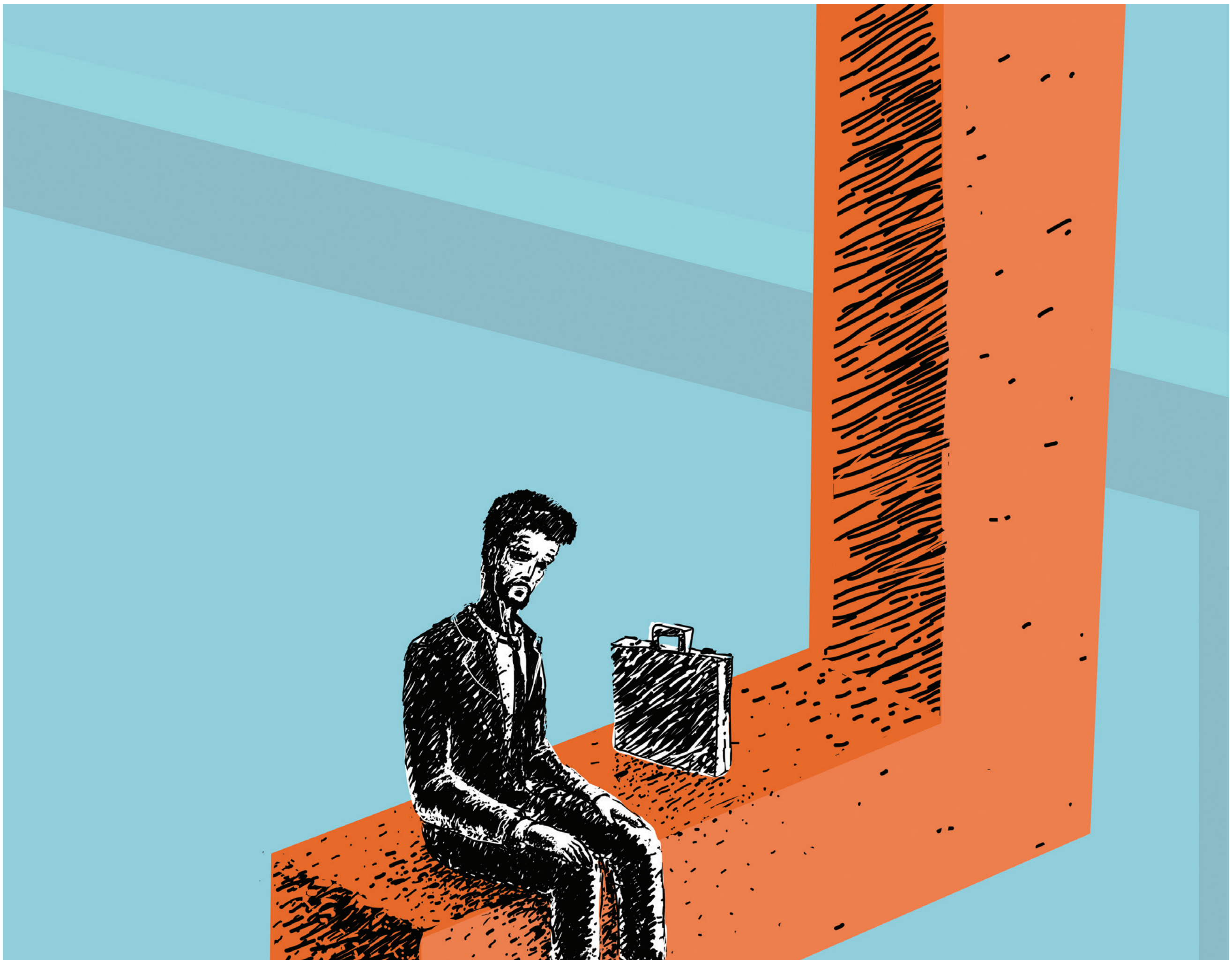


PHOTO: SHUTTERSTOCK

one witnessed in the United States in 2008, or in the developing countries during the 1990s. The Chinese state policy is aimed at reducing the risk of financial shocks. In this regard, we must bear in mind that Chinese external debt is financed through the domestic market, and that China remains a global net creditor. Nevertheless, it is highly likely that the crisis will start in China. This is because since 2008, Asian banks and companies have been accumulating debt at a faster rate than western financial organizations; most of this is bad debt. The situation has become more and more difficult for Asian banks, as well as those from other developing countries, as the Federal Reserve of the United States has gradually put up interest rates on U.S. bonds. Consequently, as U.S. bonds begin to yield more, investors have been withdrawing funds from the risky Asian market. The Asian financial crisis of 1997 was triggered by similar circumstances.

Signs of an upcoming recession also include reduced economic activity in 'Asian Tiger'(the high-growth economies of Hong Kong, Singapore, South Korea, Taiwan and Japan) countries, the United States, United Kingdom, Germany and other European Union member states. More specifically, exports in China fell by 30%, 12% in the United States, 14% in the European Union and 21% in Japan. South Korean exports also fell significantly. This is the sharpest decrease of its kind over the last ten years and is due to a dramatic reduction in demand for the countries' main industrial exports (namely cars and semi-conductors). This in turn reduces the volume of production and supply of the products in question. At the same time, reduced demand also reflects the economic activity in the consumer countries. Central banks in these countries are reducing refinancing rates in an effort to cheapen their currencies and encourage manufacturing, with the exception of the U.S. Federal Reserve, which is actually raising rates. Germany faces the danger of a recession, as external economic risks such as Brexit and the U.S.-China trade war have created a depression within the economy. OECD (Organisation for Economic Co-operation and Development) has reduced Germany's GDP growth forecast from 1.6% to 0.7%. The forecast for the following year is 1.1%. Germany's export-oriented economy has been damaged by higher trade barriers and reduced global demand.

The United States Federal Reserve has raised interest rates for the third time in 2019, indicating that it will do so once again by the end of the year. The monetary committee raised the discount rate by 0.25%, and the figure is currently fluctuating between 2% and 2.25%. This is the eighth time interest rates have been increased since 2015, when the Fed adopted a stricter monetary policy. Nevertheless, the protectionist trade policies recently implemented by the United States may damage both American and global economies. We can expect interest rates to be raised even more frequently in 2020, which will increase the cost of loans and reduce economic activity. The U.S. economy is overheating, and inflation levels are above target figures. Consequently, the Fed will continue raising the refinancing rates to 3.5%, strengthening the exchange rate of the dollar both within the United States and against the currencies in those currencies where the level of dollarization is high, and the exchange rate is floating. Inflation growth may also be stimulated by rising oil prices in developed countries (Germany, United States, China, United Kingdom and the European Union), meaning that other central banks will follow the Fed's example and raise interest rates.

The United States' trade relations with China, Mexico and the European Union are becoming increasingly protectionist in nature, which is bound to increase inflation, reduce the volume of international trade and hinder global economic growth. At the same time, increased domestic investment in the United States is likely to reduce foreign investment and limit the export of technologies, which will break the production chain. American protectionism will force China to reduce economic growth based on excessive manufacturing forces, while the developing markets will feel the effects of protectionism. Stricter monetary policies and slower economic growth in the United States will also damage the European Union. Moreover, external debts in countries such as Italy, Spain and Greece are likely to increase on the back of populism, further straining relations between debtor states and their main creditors – German and British banks.

It is expected that the profit and price coefficient in the United States will be 50% above the average figure, and state bonds will become very expensive due to their low profitability. High-yielding loans will also become expensive, and U.S. corporate credit will reach its all-time highest level. Furthermore, real estate prices will increase both within the United States and across the rest of the world. Liquidity risks on the financial markets will increase parallel to the aforementioned processes. Brokers are likely to reduce their activity, while developing countries will lose access to Federal Reserve loans.

There will be a widespread lack of resources to deal with the effects of a recession. There is limited space for fiscal stimulus due to the large volume of state debt, while non-traditional monetary and loan policies are made difficult by inflated balances.

It is important to analyze the profitability of U.S. treasury securities. This is because inverted profitability of U.S. state securities is seen as one of the signs of an approaching crisis. Inversion describes a situation where two-year securities are more profitable than ten-year securities. It reflects the investor's hope that interest rates will increase only in the short term, rather than in the longer term. Such a situation has not yet arisen, but is highly likely to materialize within the next 12 months, as normalization of interest rates means that the Fed will increase the rates to 3.5%. This figure is likely to rise in four stages of 0.25 percentage points soon. This is most likely to affect the growth dynamics of profitability of short-term treasury securities.

According to economic theory, there are medium-term (ten-year) cycles that are based on periodic changes in economic activity. The cycles themselves include four stages: expansion, peak, recession (reduction of economic activity) and depression (i.e. a financial crisis).

Donald Trump's policies are currently aimed at stimulating the economy through tax cuts, repatriating capital, creating jobs and industrial forces, and ultimately growing the economy by lowering the unemployment rate and encouraging economic growth. At this stage, money usually becomes more expensive and investment levels drop. Excessive forces and excessive production of goods leads to the onset of the recession phase, which is characterized by lower production, reduced profits and job cuts. Production levels drop to the minimum, while unemployment levels increase. Labor becomes cheaper and salaries are cut, thereby encouraging new investment. The cycle then repeats itself continuously.

The monetary authorities are trying to mitigate the negative effects of the economic cycle through counter-cyclical activities; such as regulating refinancing rates and cash supplies, as excessive supply always leads to a recession. In this case, the raising of the interest rates by the Federal Reserve can be seen as a sign of an incoming crisis.

The biggest global risk is not the possibility of a recession in the United States, but the extremely high level of bad debt that increased rapidly on the back of soft lending policies employed by central banks across the world. The total debt of developing countries alone has already exceeded $7 trillion, which is twice more than the level prior to the 2008 global crisis. The increase of the discount rate in the United States was accompanied by economic growth and the reduction of the Federal Reserve balance, which means that the banking system is supplying less money, while more and more offshore revenues of American corporations are being repatriated to the United States. Along with Trump's aggressive economic policies, this will reduce the supply of dollars to the global economy and make it difficult for countries and corporations to refinance external debt. This will in turn reduce investment activity across the world.

We should also bear in mind that U.S. dollars are actively being used across the world to create reserves and conduct international payments. In order to ensure circulation of a large amount of dollars on international markets, Americans need to buy as many imported goods as possible, while the United States needs to have a negative trade balance, which it covers by issuing new dollars. This is precisely what the Trump administration is fighting against, its large-scale trade wars are aimed at reducing imports and increasing domestic production. Continued decline in international trade, the raising of interest rates by the Fed and a shortage of dollars in the global market may provoke another crisis; the epicenter of which will be not the United States but its main trading partners and debtor countries where the dollarization level is high. The crisis will then spread to other economies.

The current trade war between the United States and China has contributed towards the escalation of a global economic crisis by significantly reducing investors' trust towards the Asian markets. Europe has already suffered from the slowdown in Chinese economic growth. China is the main buyer of German manufacturing goods (cars and equipment). Manufacturing goods form the core exports of the EU's most developed countries. Resultantly, the German economy may already have entered a period of recession.

American companies are also being hurt by Trump's trade wars, as the level of trust of investors towards the United States is fast decreasing. On the other hand, Trump's economic tax stimulus programme is due to finish in 2020. Over the last two years, the U.S. economy has grown at a fast rate on the back of said programme, although economists believe that this process has been conducted artificially. The end of the programme will reduce the rate of economic growth, reducing investor trust both in the United States and in other countries. Based on this fact, many forecasts are predicting the global economic crisis to begin in late 2020 or in early 2021. It is also possible that the sharp rise in oil prices may hasten the crisis' arrival.

Expectations play a big role. Ten years have passed since the last financial crisis, which corresponds to the cycle theory. The likelihood of a new crisis is, therefore, very high. A crisis is a normal occurrence. It can be viewed as an element of technological and other changes on the financial or labor market.

Consequently, another global economic crisis is inevitable. However, to mitigate its effects, it is vital to liberalize global trade as much as possible. More specifically, this implies the signing of the Trans-Pacific Partnership Agreement, a trade agreement between the United States and the European Union, as well as reducing obstacles to global trade. F

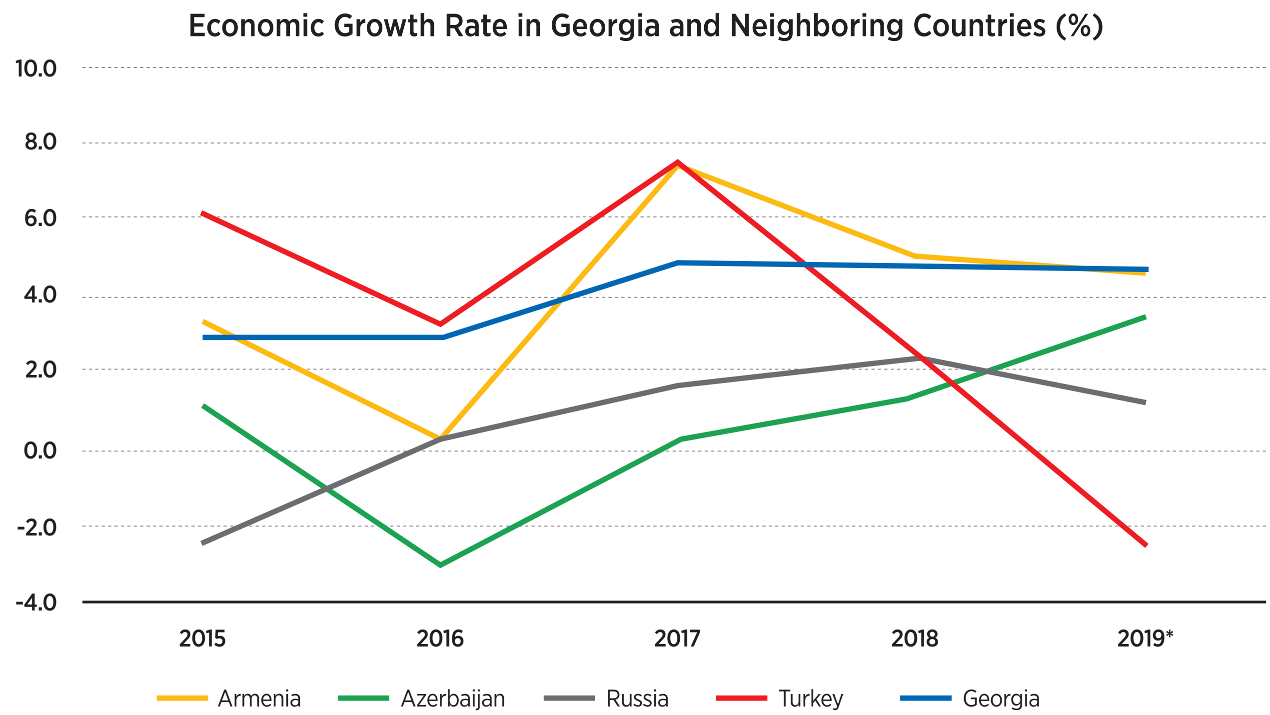
ECONOMICS - BESO NAMCHAVADZE

The Current Economic Situation in our Neighboring Countries

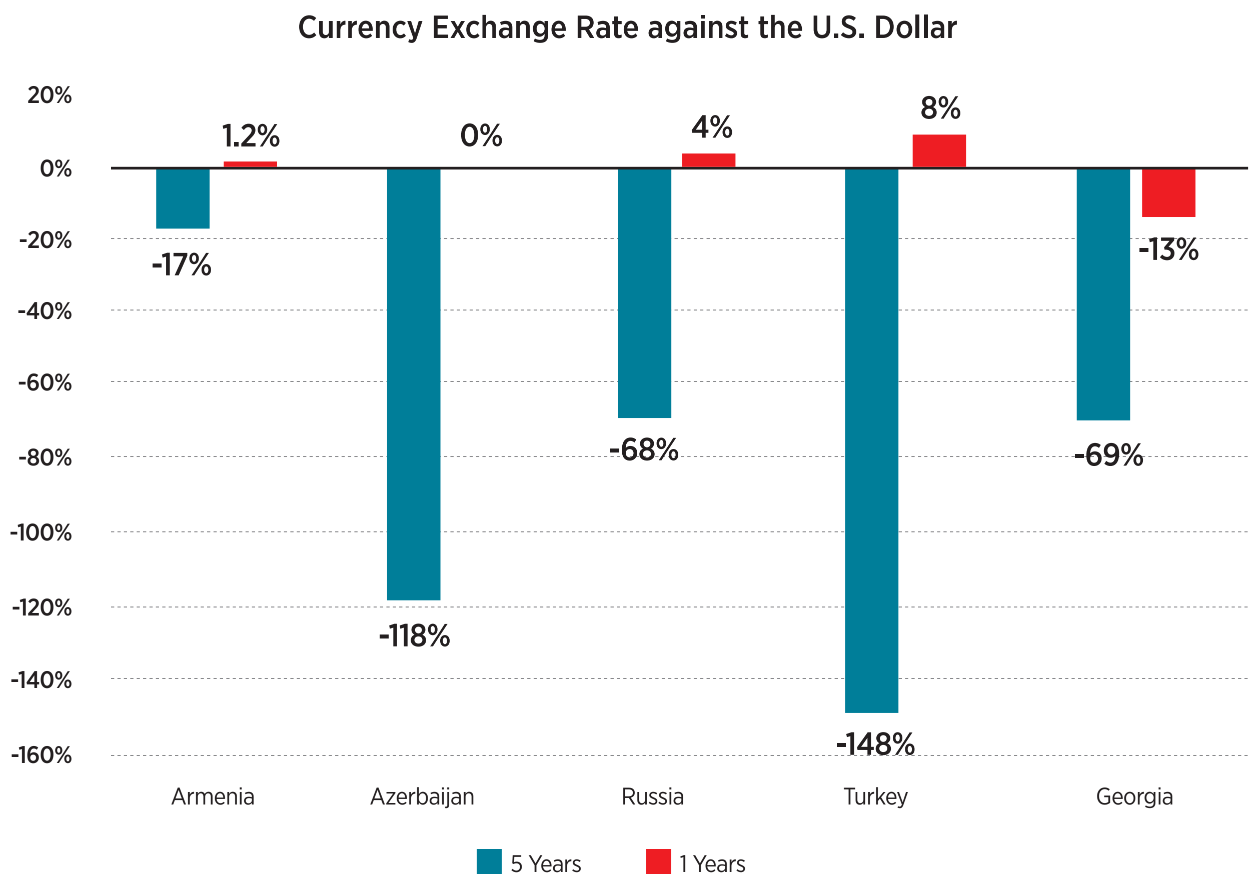
IF DOMESTIC ECONOMIC PROBLEMS cannot be blamed on opposition parties in Georgia, next in line are external factors, and particularly economic events in neighboring countries. In some cases, it is true that local problems are exacerbated, if not actually caused by events in the region. There are also examples of positive dynamics in neighboring countries enabling economic growth in Georgia. The reason for this is that Georgia has an open economy that is significantly tied, among other things, to its neighbors through trade, tourism, transit, energy, money transfers and investment. It is, therefore, interesting to know what is going on in our neighborhood (i.e. in Turkey, Russia, Azerbaijan and Armenia). This article will look at the main economic figures from the past five years (2015 to 2019).

With regards to economic growth, inflation and stability of the currency over the last five year;, the best figures in the region are Armenia's, and this is in spite of the country being more dependent on Russia than ever and having gone through even greater political turmoil than Georgia. The latter has the second-best results, against a background of having suffered the least political turmoil in the region since 2015. Russia and Azerbaijan have also been negatively affected by the sharp drop in the price of oil.

Turkey was the worst affected by currency devaluation, while Armenia was the least affected. During the last year, Georgia's currency was the only one in the region that continued to lose value.



Source: Monetary Fund. Forecasted figure is shown for 2019



Turkey

Turkey has experienced significant difficulties over the last few years, including terrorist attacks, a 2015 government crisis and twice-held parliamentary elections, an attempted coup, the straining of relations with Russia followed by economic sanctions imposed by the latter, a sharp decrease in the level of democracy, mass arrests and problematic relations with the West.

Economic Growth: Despite these difficulties, the Turkish economy grew by an average of 5.6% per year between 2015 and 2017. The growth rate fell to 2.6% in 2018, and the Turkish economy entered a crisis period the following year. The IMF predicts Turkey's economy will shrink by 2.5% by the end of 2019.

Currency Exchange Rate: Over the last five years, the value of the Turkish lira against the U.S. dollar fell by 148%, although it strengthened by 8% during the past year. The annual inflation rate stood at 10% in the period 2015 to 2017, which is quite high. The price of household goods and services increased by 20% in 2018. During the first 8 months of 2019, the inflation rate was 15%.

Unemployment: The unemployment figure stood at 10.7% during the last few years and is expected to increase to 12.7% by the end of 2019.

Foreign Direct Investment: In 2018, Turkey attracted foreign direct investment worth $13.2 billion, which is 21% more than in 2017, but 22% less than the 2015 figure. The volume of foreign direct investment during the first six months of 2019 was 6.3% higher when compared to the same period in 2018.

Russia

Problems in the Russian economy began in 2014, following a sharp fall in oil prices and western sanctions imposed in the aftermath of the annexation of Ukrainian territories.

Oil and gas account for around 60% of Russia's exports and 50% of the country's federal budget.

Economic Growth: 2015 was the most difficult year for Russia, as the country's economy shrank by 2.5%. Between 2016 and 2018, the Russian economy grew by an average of 1.4% per year. The IMF predicts 1.2% growth by the end of 2019.

Currency Exchange Rate: Over the last five years, the value of the Russian ruble against the U.S. dollar fell by 64%, although it strengthened by 4% during the past year. The inflation rate in 2015 was 13%, while in 2016 to 2018, the average annual inflation was 4%. The inflation rate was 4.3% during the first 8 months of 2019 and is expected to reach 5% by the end of the year.

Unemployment: The unemployment figure increased to 5.6% in 2015, but gradually declined over the following years, reaching the 4.8% mark in 2018. The figure is expected to remain at 4.8% in 2019.

Foreign Direct Investment: In 2018, Russia attracted foreign direct investment worth $9 billion, which is 69% less than in 2017, but 28% more than in 2015. The volume of investment in the first quarter of 2019 increased by 31% compared to the same period in 2018, totaling $10 billion, which exceeds the annual figure for 2018.

Azerbaijan

The oil and gas industry accounts for 50% of the Azerbaijani economy and around 85% of the country's exports. Therefore, the sharp fall in oil prices from late 2014 onwards significantly damaged the economy of Azerbaijan. Furthermore, 2016 saw renewed clashes between the armed forces of Armenia and Azerbaijan. This was the most serious escalation of the conflict since 1994, costing more than 200 lives on both sides.

Economic Growth: In 2015, Azerbaijan saw its economy grow by 1%, which was followed by a 3.1% recession in 2016. The following year, economic growth was close to zero, while in 2018, the economy grew by 1.3%. The IMF predicts the Azerbaijani economy to grow by 3.4% in 2019.

Currency Exchange Rate: Reduced revenue streams from oil and gas sales led to sharp devaluation of the Azerbaijani currency. Prior to February, a U.S. dollar was worth 0.78 manat. Although the Central Bank of Azerbaijan spent approximately $10 billion from its reserves (out of $15 billion) in a bid to stop devaluation, by the end of 2016 the value of the manat fell by 131% to 1.80 against the dollar. Over the last five years, the value of the manat against the dollar fell by 118% but has remained virtually unchanged for the past year. A dollar is currently valued at 1.7 manat.

Inflation: Azerbaijan experienced high inflation during the 2015 to 2017 period, with the average annual rate being 11%. In 2018 / 2019, the average inflation rate was 2.4%.

Unemployment: Even against the background of the crisis, the number of unemployed only increased insignificantly, remaining stable at around the 5% mark throughout the last five years.

Foreign Direct Investment: In 2018, Azerbaijan attracted foreign direct investment worth $4.1 billion, which is 28% less than in 2017. The volume of investment in the first quarter of 2019 fell by 21% compared to the same period in 2018.

Armenia

Armenia has a relatively small economy that is significantly dependent upon foreign investment, money transfers from abroad and loans. In 2015, Armenia joined the Eurasian Customs Union, thereby increasing the dependency of the country's economy on Russia. 2018 saw a change in the Armenian government through a revolution.

Economic Growth: The Armenian economy grew by 3.3% in 2015. The following year, the growth rate was reduced to 0.3% due to the crisis in Russia. From 2017, Armenia has posted the best economic growth figures in the region, with the growth rate being 7.5% in 2017 and 5.6% in 2018. In the first half of 2019, the growth rate was around 7%, although the IMF predicted 4.6% growth for the year.

Currency Exchange Rate: Over the last five years, the value of the Armenian dram against the U.S. dollar fell by 17% but rose by 1.2% during the past year.

Inflation: Armenia experienced deflation in 2015 / 2016, with prices falling by 1.2%. In the period 2017 to 2018, annual inflation was still quite low at an average of 2.3% per year. As of August 2019, the inflation rate was 0.6%.

Unemployment: Armenia has high unemployment. In 2016, the unemployment figure stood at 20.2% but began to decrease in subsequent years, and it is expected to fall to 18% by the end of 2019.

Foreign Direct Investment: Armenia does not attract a high volume of foreign direct investment. In 2018, it attracted investment worth $254 million, which is $4 million more than in 2017. We have been unable to obtain figures for the first quarters of 2019.

The UK Is Home To 73% Of Europe's Millionaire Bankers

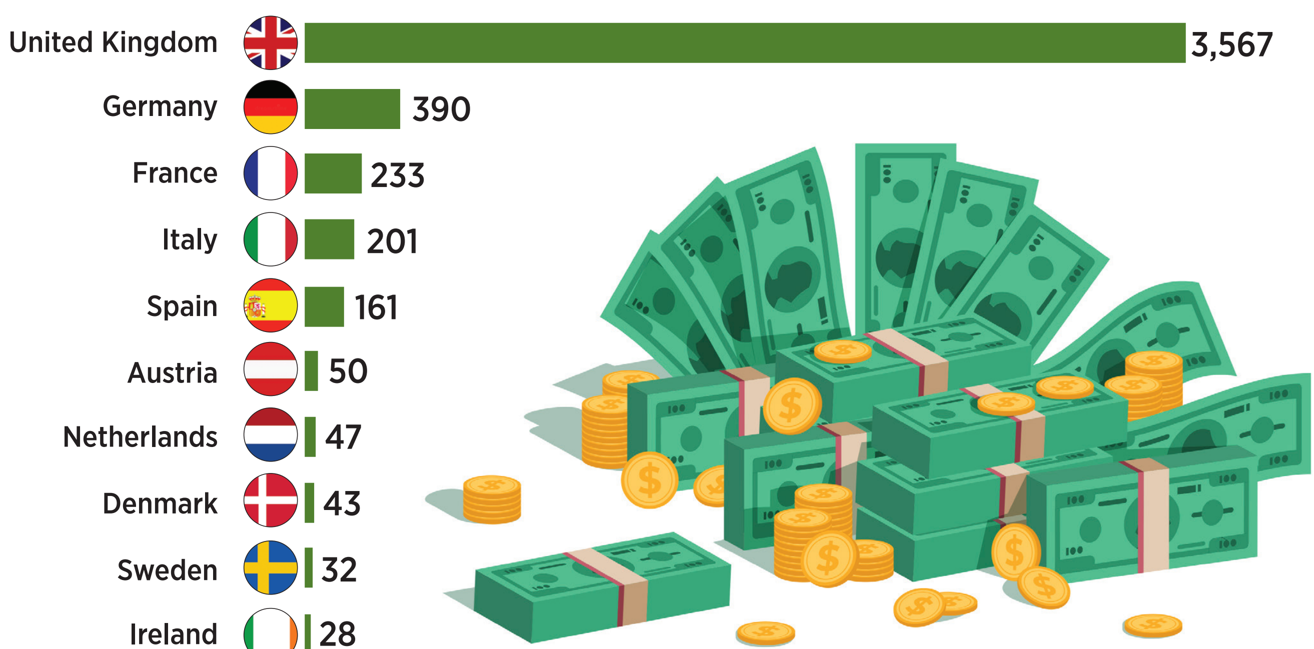
by Niall McCarthy

EVEN THOUGH BREXIT is making a lot of people think twice about moving to the UK or expanding their business there, it's arguably still the place to be if you want to make it big in European banking. Even though the UK voted to leave the EU in 2016, its bankers were still raking in millions a year later according to pay and bonus details published by the European Banking Authority earlier this year. It found that 3,567 UK-based bankers took home more than €1 million ($1.1 million) in 2017. One asset manager earned €40.9 million, of which the bonus was €38.3 million, working out at 1,220 times the median average salary of a full-time worker in the UK.

The UK boasts substantially more millionaire bankers than any other country in Europe despite Brexit tensions and Germany comes second in the ranking with "only" 390. France comes third with 233, Italy is in fourth place with 201 and Spain rounds off the top-5 with 161. If and when Brexit does finally occur, it will be interesting to see if the situation changes with both Frankfurt and Paris battling it out to become the EU's future banking hub. The report found that growth in the UK's millionaire banker population is continuing but it's actually starting to lose steam, more than likely as a result of the divorce with Brussels.

In 2017, the UK's pool of wealthy bankers did grow modestly by 38 individuals. In the EU as a whole, the number of high earners in the banking sector grew five percent in 2017 despite a cap on bonuses, which could be another contributory factor to the British slowdown. In 2014, an EU regulation went into effect which stipulated that a banker's bonus could not exceed one year's salary. The UK staunchly opposed that legislation, claiming it would make London less attractive and threaten financial stability. Despite the impact of the financial crisis, the number of bankers receiving remuneration of more than €1 million increased by more than 40% compared to 2010 and in 2017 it totalled 4,859.

The Number of bankers who earned €1 million or more by country in 2017



SOURCE: EUROPEAN BANKING AUTHORITY