

Presentation of ICC to the Investors Council on May 7, 2019

Dear Prime Minister, dear honorable members of the Investors Council,

The issue of pressure on businesses is a very serious one that is affecting the image of the country but most importantly affecting economic growth and creation of jobs.

In an open letter sent to you Prime Minister, on March 26, I had extensively covered the subject.

Before getting into the core of the issue though, I would like to mention some facts:

For the past 6 years, Georgia was unable to break the 5% annual GDP growth ceiling; it is worth mentioning that at a 5% annual economic growth, Georgia will need about 20 years to reach the current nominal GDP per capita of Turkey, Romania or Russia and 35 years to reach current Estonia, Czech Republic and Portugal.

In short we are doomed to remain a poor country for quite some time if serious changes are not immediately undertaken.

Georgia's economy is running on its momentum, it has the potential to easily reach double digit growth, double digit growth did happen in the past, and it can happen again would the government policies be business friendly in real life and not only on paper.

During the past 21 years, the business organizations that were or still are under my leadership, and I mention the American Chamber of Commerce, the Georgian Business Confederation and the International Chamber of Commerce defended fiercely both foreign and Georgian businesses; we do extend help to any distressed business, because our mandate is to protect businesses against pressure and against wrong doing.

Our agenda is to strive towards the protection and improvement of the business and investment climates; our mission is to push the country forward towards free market economy, to insure a

leveled playing field for all businesses, to fight corruption and to stand against the oppression of the business community.

Over the past 21 years, I have seen everyday governments using systematically the state apparatus to eliminate, weaken, blackmail and racketeer businesspeople.

ICC released to the press some time ago a sample list of about 20 companies that we named, and that suffered at a stage or another during your administration of pressure, harassment, destruction or just total lethargy and disinterest of your government regarding the problems that they were facing.

With your retaliatory measures against businesses that you perceive unfriendly to your policies you didn't set a precedent; the Saakashvili's administration did harass, punish and bankrupt several businesspeople perceived to be close at that time to former President Shevardnadze, or later on to the opposition, and I wouldn't be surprised at all if the government that will replace you will also retaliate against Bidzina Ivanishvili and his businesses and other businesspeople close to him, since this seems to be unfortunately the culture and the modus operandi of governments in power in Georgia.

What I find ironic though is that when your government will be out of power, and Mr. Ivanishvili's companies harassed by your successors, I will be again the only business person in Georgia defending his interests, not because I feel any particular sympathy towards him, but because I fundamentally and deeply believe that businesses should be completely left out of the political game.

Just imagine what would happen to the US economy if every time democrats would come to power they would retaliate against businesses perceived close to the Republicans, and vice versa!

Mr. Ivanishvili went public on TV in fall 2018 bragging that he was the one behind the problems that Philip Morris and British American Tobacco had in 2017, an episode that cost Georgia its credibility internationally and that brought the country years backward. Mr. Ivanishvili had to backtrack on his plans due to international pressure after triggering with his actions the start of the collapse of the Georgian Judiciary.

Mr. Ivanishvili's fingerprints were all over the problems of Georgian American Alloys, an issue that drew terrible criticism of Georgia by US and EU officials and that damaged very seriously the image of the country.

Mr. Ivanishvili attacked the Omega Group, threatening the very livelihood of 1500 of their employees and their families in a unique case of collective punishment, a despicable crime against human rights. The whole Omega saga with its human rights grim abuses was clearly mentioned in section 4 of the 2018 Human Rights Report that was issued by the US State Department.

Regarding the Omega Group, between the 2 rounds of the Presidential elections, the deputy Minister of Finance had offered to the management of Omega a friendly settlement regarding the 54 million Laris they owe the budget and that include principal, interests and penalties.

The settlement that was agreed upon, at nine in the evening on October 26 in the conference room of the Ministry of Finance and that was attended on the one hand by the management of Omega Group and on the other hand by the Minister of Finance, his deputy Mikheil Dundua and by Lasha Khutsishvili had the following terms:

Decreasing the total due amounts by Omega from 54 million Laris to 10.5 million Laris payable over a period of 5 years with a 2 years grace period.

The management of Omega was requested to send a letter to Minister Machavariani with the agreed terms.

This letter was sent on October 29, the answer that Omega received on December 5 was negative, government had changed its mind because one of the owners of Omega, Zaza Okuashvili had refused to issue the political statements demanded from him by the government before the second round of the presidential elections.

On March 5th, the Omega Group had sent a new proposal to the Minister of Finance agreeing on paying the totality of the 54 million Laris over a period of 8 years but the minister refused their proposal.

Throwing 1500 people and their families in the street to settle personal accounts between Bidzina Ivanishvili and Zaza Okuashvili is totally unacceptable by any standard and is greatly damaging to the economy and to the image of the country.

Last but not least is the attack of Mr. Ivanishvili against TBC founders and his attempts to harm them, blackmail them, harm the bank and harm the Anaklia Development that they are currently building.

To make it short, Bidzina Ivanishvili has turned into the number one liability and obstacle to the business and investment climates in the country and the FDI figures are self-telling with a 35% decrease year on year.

This is the result of the systematic and deliberate harassment or neglect of foreign investors over the past years, which has gained the country a terrible reputation within the spheres of the investors' community abroad, notwithstanding the ranking of Georgia in the World Bank Doing Business report.

Our offices have turned into the Weeping Wall of Jerusalem, scores of businesspeople visit us every week to tell us their ordeals and ask for our assistance; I will not discuss any additional individual case today, however I am sure that if the Ombudsman could talk as freely as I do, some stories he would tell us would be absolutely chilling.

Dear Prime Minister, ICC's agenda is the improvement of the business climate, we do favor good relations with the government, but surely not at the expense of the business climate nor at the expense of our member companies who are being deliberately attacked and pressured by government structures on orders of Bidzina Ivanishvili.

We request the closure of the phony "money laundering" investigation against the shareholders of TBC to limit damage to the economy and to the image of the country.

We also request the immediate settlement of the Omega issue through a fair rescheduling scheme of their debt and the immediate delivery of excise stamps so they can resume their operation and save the jobs of 1500 families.

We sincerely hope that someone will have the courage to explain to Mr. Ivanishvili the gravity of the situation in which he has put the country, and that he will finally act according to the best interests of Georgia, by stopping the pressure on businesses he is attacking and by keeping the doors wide open to foreign investment and to all Georgian businesses alike, notwithstanding their political orientation or their opinion, so jobs are created and the country can start moving forward again.

To be very honest with you, I will confess that I have no illusions that this will happen, nevertheless the truth has to be said, so it can put on record for history purposes; I therefore kindly ask the Secretary General of the Investors Council to include ICC's presentation in the minutes of this meeting.

Thank you for your attention.