





# **TBILISI IS A CITY OF 5 STAR HOTELS**

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Chamber of Business  
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## 'Israel model is fit for Georgia says Itsik Moshe, President, Israel-Georgia Chamber of Business

**Q. The Israel Chamber of Commerce in Georgia is the first foreign commerce chambers operating in Georgia. As a result of its work many Jewish investors have come to Georgia and many business projects have been implemented. What is the attitude and interest of Jewish businessmen in Georgia today?**

A. There are several positive factors in connection with Georgia: the countries' relationship, distance and most important, the high potential of Georgian development as well as the business environment, which is also positive.

Regarding the situation today, it is difficult to evaluate, as sources for investing in Georgia are majorly connected with success in Eastern European countries. The crisis has changed the planned flow of investment volume.

**Q. What influence did the global financial crisis and 2008 war have on Jewish investments? Could you name any specific project that has been delayed as a result?**

A. The main thing is to learn from the real facts. The reality in that world business is today in difficulty and as a result we had to stop the most elite projects. Despite these temporary problems, the sector of Georgia-Israel economics is defined by existing and implemented investments.

In real estate 250 million USD has been implemented, moreover, the development and completion of the projects needs a minimum of 500 million USD. The major source of this sum, according to the specification of this sphere, must be banks and financial institutions, which have stopped financing due to cautious financial politics.

I should also mention that during the period of war there were no signs of project stopping. The international and internal crises had more of an effect and influence on the projects located on Rustaveli

Avenue and Tbilisi's central streets. Moreover Jewish investors are clever and are well aware of how situations develop in CIS countries, as they have the experience and thus the opportunity to compare.

The crisis taught us that first of all there is emotional democracy in Georgia and second - there is no other way for the country's transformation, when we speak about the "homo-sovieticus" person and about a society where there are roots of tradition in "post-soviet" culture.

Let me mention about the first Mayor's election in republics of Post Soviet Union. This democratic election showed investors that the vector of progress in Georgia is unchangeable.

**Q. In what position is Israel in Georgia in terms of investment? Please compare its potential with other investor countries.**

A. The investment potential from Israel is not yet utilized by even 10%. In general investments from Israel hold a good position, however Israeli investors are leaders in the parameters of "private investments".

**Q. Have the investment priorities of Jewish investors changed in Georgia? Which spheres are attractive at present?**

A. Industry, agriculture and Hi-Tech spheres have replaced real estate which was the leading sphere in the years 2005-2008. What are remarkable are the activities of Georgian banks in Israel, due to which there was inflow of tens of millions of USD in the country, especially during the crisis period.

When speaking about priorities, this is crucial. Whereas in 2008 the priority was average level real estate, in today's post-crisis period, demand has increased for high class real estate, which you will agree is a paradox. I should also mention an increase of interest in high-quality and prestigious real estate in almost

every country.

0.1% of Tbilisi's population can afford the highest level of expensive apartments. This figure equates to 1,500 units. In Tbilisi's central streets 150 units have been built under the management of international companies. This is the potential that might be seen if investors explore the market in detail.

**Q. How efficient is the investment climate and legal base in Georgia for investors?**

A. Israeli investors have the opportunity of comparison with other countries, as many investors' activities are occurring in parallel in several countries.

As for the investment climate and legal base, Georgia is one of the most normal countries in that respect in the world.

**Q. In your opinion which factors are of vital importance for Jewish investors?**

A. The major factor remains the topic of business credits in the banking sector, as the topics in the previous question are in normal conditions.

The existence of low rate credits would increase the volume of Israeli business by approximately 500%.

**Q. Several Jewish groups conducted tourism projects in Georgia. In your opinion, why did Georgia-Israel tourism relations not increase to a larger scale?**

A. Despite deep experience in this field, we are still at the beginning of the process and the results are yet to be seen.

Despite the existing objective reasons the outcomes are highlighted: the capacity of tourism increases by 100% every year.

To take in consideration the present situation between Israel and Turkey, the mission should be to attract 20% of Turkish tourism to Georgia by joint 3 years plan, Chamber of Business and Georgian government. This would be an additional 80,000 tourists per year

bringing 100 million USD to Georgia annually.

Together with this, I would mention that our plans for 2010 were postponed till 2012 due to the world economic crisis.

The capacity is low and service and airline prices are still high. 2 million tourists are expected in 2012-2013 in Georgia which will result in a deficit of 10,000 hotel rooms. This means an additional 100 hotels.

As for tourism industry development - low interest rate loans will strengthen activities and help in building the necessary hotel rooms. When speaking about potential, I would like to clarify the report that there are many 5 star hotel buildings. That is not the truth. That is the evaluation of those experts for whom the potential of tourism is measured by computer or according to the growth of other countries. They do not see all those parameters by which knowledge is necessary for forecasting.

Tbilisi, in the first place, is a city of 5 star and in particular, boutique, hotels. Secondly, it is impossible to conclude this business in a year and especially during such a turbulent period.

I have 20 years of experience of working in Georgia and in CIS. From the specifications of the business chamber I have witnessed many concrete projects and investors' successes and failures. During this period I have familiarized myself with hundreds of forecasts and work, in which tens of millions have been invested. I can say that for an expert it is quite difficult to acknowledge the different parameters typical for Tbilisi and provide objective summaries. Consequently in the majority of cases, the expert's summaries are far from reality.

**Q. According to the statistics, out of the large-scale investors in Georgia the leaders are Egypt and the United Arab Emirates. In your opinion, might that cause**



**more interest or a problem for Israel?**

A. Jewish investors access other parameters when investing money. I personally welcome all investors who after investing one USD have become helpers of Georgia and are contributing to the stability of the country. Despite that, I would not hide my desire for Jewish investors to be dominant in Georgia.

**Q. After the conflict with Russia, the statements of Israeli government representatives were posted in the world media about restricting weapon trade with Georgia. In your opinion, might political relationships influence other business relationships between these two countries?**

A. In business activities there exists one parameter in this respect, which is the colour green.

As for other aspects in the relationship, each embargo, pressure of global and regional politics and inevitable interests, will be temporary obstacles.

It is remarkable that in the expanded near East with geopolitical aspects Georgia and Israel are represented as two sides of the coin. Therefore, I would not like to comment on temporary issues and events as I do not see them as serious.

**Q. In the USA and other progressive countries Jewish capital is actively engaged in media business. Does the Jewish business presented in Georgia have an interest in this field?**

A. At present it does not and this is good. It is necessary that representatives, businessmen, ambassadors, and citizens feel the space, stage, epoch, and the main proportions. Consequently Georgia is not only LLC and business is not only money. During this country's development stage our chamber does not advise media companies to enter this sphere.

**Q. Which Georgian products are exported to Israel?**

A. Water, wine and food products in small quantities. The Israeli market should be entered aggressively, adequate motivation and capability belong only to producer companies and not to mediator firms. When they move to this stage the results will be bigger.

Firstly, we should consider 1 million Jews from post-soviet countries the potential consumers.

In the second stage - the whole of Israel, despite the fact that the country is small, the market is quite huge.

I would name one type of cheese (cottage) that in Israel totals sales of 100 million USD. From these figures, the volume of market is understandable.

**Q. How would you compare Georgian and Israeli markets?**

A. In general the model of Israel is fit for Georgia. As for the market, the Georgian market is more interesting and complicated. The marketing research conducted by foreigners are mostly inaccurate. In Israel for example, a person who has a monthly salary of 500 USD would not dare to think would of buying footwear for 600 USD.

**Q. What type of production is imported from Israel to Georgia? In your opinion, which Jewish product might be successful in entering the Georgian market?**

A. In general the production of Israel is suited to those markets where people seek high quality and low price. Israeli production has German quality and yet the price of Turkish low quality products. I know that high quality products do exist in Turkey, and consequently I mentioned Turkish low quality products' price.

In general there is a similarity between Georgian and Israeli producers. Both of them have export ready models and neither of their formats is successful for the countries. Marketing and realization of small countries is made with differ-



ent methods.

We will be happy to support and help those companies that truly have the desire to export and realize their business.

**Q. During its history, Israel, like Georgia, has seen much military conflict. However unlike Georgia, Jewish people have managed to sustain an investment climate, as well as development of production, trade. Compare these two countries with each other. In your opinion why is Georgia not achieving the same result?**

A. It should be mentioned that Georgia has been advancing for several years. The results are not only significant but also a model for many countries. Israel is used to working and developing during periods of war and crises. In Georgia it is necessary to overcome the "panic" volume. Georgia is going in the right direction and broad vol-

ume results are inevitable.

**Q. Please tell us about Israel-Georgia business forum missions and plans.**

A. Until the end of this year we are planning 3 more Business Forums. As in all forums, here we see the main mission as "PR". This is necessary at present, as it was back in 2004 too. At that period Israeli companies did not want to hear anything about Georgia, due to the fall in previous years.

However we should pay attention to the fact that at those times the slogan of the business chamber "Return the leadership of Israel in the Georgian economy", was justified.

During and after the crisis situation has changed. ISRAELI Investments in Eastern Europe as well as in Georgia has stopped. We believe that in 2010 after our activities in Israel together with Georgian Government and in Georgia Israeli business will continue in Georgia from 2011. September 2010 will be the start of renewed Israeli investments especially in Tbilisi and Batumi. It is worth mentioned that in the case of crises first renewed Israeli investment out of Israel will be in Georgia.

At present it needed to bring back Jewish investors and show a firm banking system with low interest rates, advance in several international parameters, which are necessary for business progress.

In September we are planning to held Israeli Week together with JAFI and the Embassy of Israeli. In Israeli week the participants will be guests and businessmen from Israel and Georgia. This visit will be the start of continuing old projects. I believe that this will be great stimulus for everyone.

In the period of World Crises we are ready to cooperate with Georgian Government as we both have same interests: to support the interests of investors, progress of Georgia and relations between our countries.