



ANAKLIA DEVELOPMENT CONSORTIUM AND PRINCIPAL INTERNATIONAL INVESTOR FILE ARBITRATION CLAIMS AGAINST GEORGIA

Claims Seek Substantial Damages Caused by Government's Campaign to Undermine Port Project that would have created Economic Prosperity for Georgia

TBILISI, GEORGIA, 30 July, 2020 – The Anaklia Development Consortium (ADC) and Mr. Bob Meijer, one of its principal investors, on 29 July filed separate arbitration claims against Georgia in relation to their rights in the Anaklia Port Project. Together the two claims seek to recover the value of ADC's and Mr. Meijer's rights in the Project. The value of those rights is substantial, in excess of US\$ 1.0 billion, representing ADC's and Mr. Meijer's losses directly resulting from the Georgian Government's campaign to undermine the Anaklia Port Project.

ADC was awarded the Anaklia Port Project in 2016. The Project (together with an associated Special Economic Zone) is intended to make Georgia a strategic hub for regional trade between Asia and Europe, creating thousands of jobs and generating substantial taxes and revenue for the government, and revitalize the Georgian economy at a time when the nation most needs an economic boost. There is no other port facility or location along the Black Sea in Georgia other than Anaklia that is capable of fulfilling the economic promise of a world-class deep water port.

The Anaklia Development Consortium, which was established to develop the Anaklia Port Project, is comprised of both Georgian and international investors. ADC is bringing its claim in the International Court of Arbitration of the International Chamber of Commerce (ICC). Mr. Meijer, a prominent Dutch businessman with a long record of successful investments in Georgia and worldwide, is bringing his claim in the International Centre for Settlement of Investment Disputes (ICSID), under the Georgia-Netherlands Bilateral Investment Treaty.

Following a two-year campaign by the current Government and the ruling Georgian Dream Party to block ADC's efforts to succeed with the Project, in January 2020 the Government unlawfully terminated the agreement and, in the process, caused ADC and its investors to lose the full sum of their investments, denying them future profits and causing them to be damaged financially and reputationally.

Even though the Government had originally awarded ADC the sole right to develop the Project following a competitive and transparent selection process, and even though it was understood that Government support was necessary for the success of the Project in order to enable ADC to attract international investors and financing, in fact the Government changed course and undertook an overt and covert campaign to ensure the Project could never succeed.

Representatives of the Government on numerous occasions criticized the Project and its shareholders, publicly and in private meetings, telling potential investors and lenders that the Government did not wish them to

participate, and making clear to U.S. government officials that the Project did not have the support of the Georgian government. This aggressive campaign against the Anaklia Port Project by the Government caused great damage to ADC and its investors.

Among the illegal and unethical actions of the Government and the Georgian Dream party was the launching of a baseless money laundering criminal investigation against Mamuka Khazaradze and Badri Japaridze, two prominent and successful Georgia businessmen who are principal investors in the Project. The intention of the slanderous allegations against Messrs. Khazaradze and Japaridze was to discourage any investors or lenders from supporting the Project. Such support was necessary for the Project to proceed. Unfortunately the Government's campaign succeeded, insofar as investors and lenders withdrew their interest and declined to participate in the Project without a clear statement of support by the Georgian Government. Both the Public Defender of Georgia and Transparency International Georgia subsequently found that the charges against Messrs. Khazaradze and Japaridze were without merit.

The following statement from ADC reflects the views of ADC and Mr. Meijer:

"The investors of the Anaklia Development Consortium continue to believe firmly that the Anaklia Port Project and Special Economic Zone should be allowed to proceed, and that the Project will create unequalled economic opportunity for Georgia. However, that success can only come with the active support of the Government, and we remain committed to finding a way to get this Project back on track.

"In the meantime, ADC and its investors must protect their interests. While we have made every effort to engage with the Government to explore possible solutions, we have been rebuffed at every step.

"In a patriotic gesture, ADC paused in its filing of these claims during the height of the Covid-19 pandemic, so as not to burden the Government with any distractions as it fought to protect Georgians.

"Regrettably, the Government is forcing this decision to commence arbitration, and the Government must bear the responsibility for its consequences.

"The Government would have everyone believe that it terminated the investment agreement because ADC failed to meet certain obligations under the contract. In reality, the Government deliberately acted to ensure that ADC could not succeed with Project development. In this instance the Government abused its power because the ruling party and its leader decided the Project's success was contrary to their own political and economic interests. In the process, the people of Georgia are victimized by the Government's conduct.

"The reversal of the Government's support for the Anaklia Port Project and ADC, and its aggressive campaign to undermine the Project, ADC and its investors (driven at the behest of the Georgian Dream party and its leader, Bidzina Ivanishvili) seem to be driven by several motives but there are two obvious ones. First, it would appear that Mr. Ivanishvili may have a vested interest in the development of the free industrial zone connected to Poti Port. Second, it would seem that Mr. Ivanishvili and Georgian Dream are sensitive to pressure from Russia, which has made clear its opposition to a deep water port at Anaklia (which is very close to the de facto border with Russian-occupied Abkhazia) and the western support that would come with it.

“By its campaign to undermine the Anaklia Port Project and force it into arbitration, the Government is damaging the Georgian economy. Beyond the matter of foregoing the economic benefits that the Anaklia Port and economic zone would generate or the unnecessary considerable financial liability, the Government is in effect discouraging international investors from pursuing any investments in Georgia, facilitating the further loss of jobs and revenues by the country and stalling the momentum for placing Georgia on the map as a regional trade hub between Asia and Western Europe.

“Finally, the manner in which the Government has conducted itself in its attacks on ADC, its investors and the Project itself could be in violation of one of the conditions of the proposed U.S. government aid to Georgia, under which 15% of the aid is withheld until the U.S. Secretary of State can affirm that the Government of Georgia has been, according to the legislation, ‘protecting the rights of foreign businesses to operate free from harassment and to fully realize all due commercial and financial benefits resulting from investments made in Georgia.’

“The responsibility for these consequences rests solely with the current Government and the ruling party.”

NOTE: ADC and Mr. Meijer are represented by a team led by Mr. Andy Moody at Baker McKenzie in London and Ms. Ketevan Kvartskhava at BLC in Tbilisi.

Further details can be found at <http://anakliadevelopment.com>.

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