The State of the Internet –
Who Controls Georgia's
Telecommunication Sector?

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Executive Summary

- The ownership structures of several major Georgian telecommunication companies remain in the dark because shell-entities are used to conceal beneficiary owners. This report lists the ownership of all major mobile phone and Internet service providers to the extent this information is traceable (pages 22 to 31). TI Georgia found strong indications that 50% of Caucasus Online and 49% of Beeline are controlled by the same opaque individual(s), hiding behind entities in the British Virgin Islands, who have appointed Levan Karamanishvili as their representative. Karamanishvili is also a shareholder of Rustavi 2 and Mze and is linked with the GMC restaurant group and several other businesses (p. 25, 26).

- Telecommunication companies remain reluctant to inform their customers about how their data is collected, stored, managed, protected and under what conditions information is shared with third parties. Several telecom companies provided information about their policies to TI Georgia (p. 34, 34).

- There are no indications of censorship or content being blocked by the Georgian authorities or Internet service providers. There are no recent cases of activists or reporters being questioned or arrested for their online activities (p. 6).

- The issue of unchecked and systematic surveillance of electronic communication has yet to be addressed by policy makers. The Ministry of Interior appears to have continuing direct access to the technological infrastructure of telecommunication companies, allowing for direct access and monitoring of all data and the content of communication. This direct access effectively undermines any efforts to establish the court-oversight required by law over any monitoring of citizens' electronic communication (p. 32 to 35).

- About a quarter (24%) of Georgia's adult population is online every day; another 8% of the population are online at least once a week. More than five out of ten Georgians – 58% of the population – has never been online. Computer literacy and access to the Internet is very low among people living in rural communities and among people older than 56 years. This highlights the need for government on all levels to get involved in order to encourage and educate more people on how to use computers and new technologies and to ensure that the rate of Internet users continues to grow (p. 6 to 13).

- Most Internet connections in Georgia appear to be fast enough for most users to use audio and video services. High-speed connections, including through fiber-optic technology, is seeing a strong growth. The GNCC recently awarded a GEL 700,000 contract, to monitor internet speed to a British firm despite the company appearing to lack the five years of experience required by the tender (p. 17 to 20).

Recommendations

- **Internet service providers** should increase their efforts to become more transparent and accountable to their customers and live up to the rhetoric of corporate social responsibility
  - by **disclosing beneficiary shareholders and ownership structures** on their websites;
  - taking steps **to voluntarily and pro-actively inform their customers about how and under what terms the company collects, manages, stores, protects and shares data of their customers**, or makes data available to other companies and the authorities;
  - advocate the interests of their customers in order to protect their privacy and refrain from cooperation with intelligence and law-enforcement bodies outside the Georgian legal framework.
- The **new government** should
  - take steps to **prevent illegal and unchecked monitoring of citizens' electronic communication** and regularly publish data about the number of cases in which the electronic communication of people is monitored and user data is accessed with appropriate approvals from a court;
  - continue and **intensify efforts to improve computer literacy and increase Internet penetration**. Special attention should be paid to increasing the rate of Internet users in rural areas and to enable older generations to go online, while also providing young generations with the skills and knowledge they need to use and apply new technologies.
- The **Parliament** should
  - provide sufficient oversight over law-enforcement and intelligence agencies in order to ensure that there is no systematic, unchecked and illegal surveillance of people's electronic communication and that the privacy of users as well as those of professionals whose work requires the privacy of their communication, including journalists, lawyers, doctors and business people, is respected and protected.
  - **consider the introduction of legislation aimed at improving the accountability and ownership transparency of professional news media** as well as of Georgian commercial websites, mandating these website operators to provide basic information about themselves and ways to contact them on the websites they operate;[1]
  - consider the introduction of legislation **requiring telecommunication companies regulated by the GNCC to disclose their beneficial owners**, as broadcasting license holders and also banks are required to do. Without having information about beneficiary owners, the GNCC might not be able to efficiently

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[1] Provisions of the German Telemedia Act (2007) could serve as a base for discussion on such a requirement, see: Centre for German Legal Information, 'German Telemedia Act', translation,http://www.cgerli.org/fileadmin/user_upload/interne_Dokumente/Legislation/Telemedia_Act__TMA_.pdf (accessed December 3, 2012).

regulate the market, as it does not know which actors are connected through their shareholders.

- ○ consider the introduction of net-neutrality regulation, ensuring that internet service providers cannot "treat all sources of data equally" regardless of ownership, content, or access to applications, and are not allowed to selectively limit access for their customers.
- The **High Council of Justice** should ensure that a sufficient number of judges develop expertise in the area of cyber-law and online surveillance in order to be able to issue informed decisions in these areas; if necessary, interested judges should be offered trainings to increase their knowledge on technology related topics;
- **Registration.ge**, the only .ge domain registry service, owned by Caucasus Online
  - ○ should make the identification numbers of individuals and corporations registering domain names publicly available in order to improve the ownership transparency over .ge websites.

Introduction

In Georgia, as in most countries around the world, the Internet and the use of mobile phones has become part of every day life for many citizens. The Internet has become a popular place for many, especially younger people living in Tbilisi and other major cities, to get news and information and communicate with friends and acquaintances through social networks.

The Internet in Georgia is free of notable government censorship. There are no known blocked online services and applications. Google's monitoring of the traffic to its services from Georgia indicates that there are no access limitations. In 2012, Freedom House classified the Internet in Georgia as "free", after describing it as "partly free" in 2011.[2]

There are no bloggers or online activists in jail.[3] The last detention for something posted online dates back to 2009, when several people were questioned for posting videos ridiculing the Patriarch on YouTube.[4] The only time of limited access was when a Georgian woman damaged a telecommunications cable between Georgia and Armenia while digging for scrap metal in May 2011, temporarily affecting Internet access in large parts of Georgia.

On first sight, there are no problems. However, because of its increasing importance as a source of information, a platform for communication and economic growth, the Internet and those who make it available – telecommunication companies – deserve a second look, which unveils opaque ownership of key companies and indications of systematic, unchecked surveillance of user communication by the authorities.

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[2] Freedom House, 'Freedom of the Internet 2012', http://www.freedomhouse.org/report/freedom-net/2012/georgia#_ftn4http://en.rsf.org/report-georgia,105.html (accessed 1 December, 2012).
[3] Reporters Without Borders Website, http://en.rsf.org/report-georgia,105.html (accessed 1 December, 2012).
[4] Civil.ge, 'Police Say Identified Patriarch Mocking Video Producers', 1 November 2009, http://civil.ge/eng/article.php?id=21629&search=buasili (accessed 1 December, 2012).

Internet usage in Georgia

How many people are online?

About a quarter (24%) of Georgia's adult population is online every day; another 8% of the population are online at least once a week. In absolute numbers, this means that about 1.1 to 1.2 million Georgian adults are using the Internet at least once a week;[5] 2% – about 100,000 people – say they access the Internet at least once a month, according to the CRRC Caucasus Barometer survey, conducted late 2012.[6]

Graphic: Percentage of Internet users in Tbilisi, cities and rural areas[7]
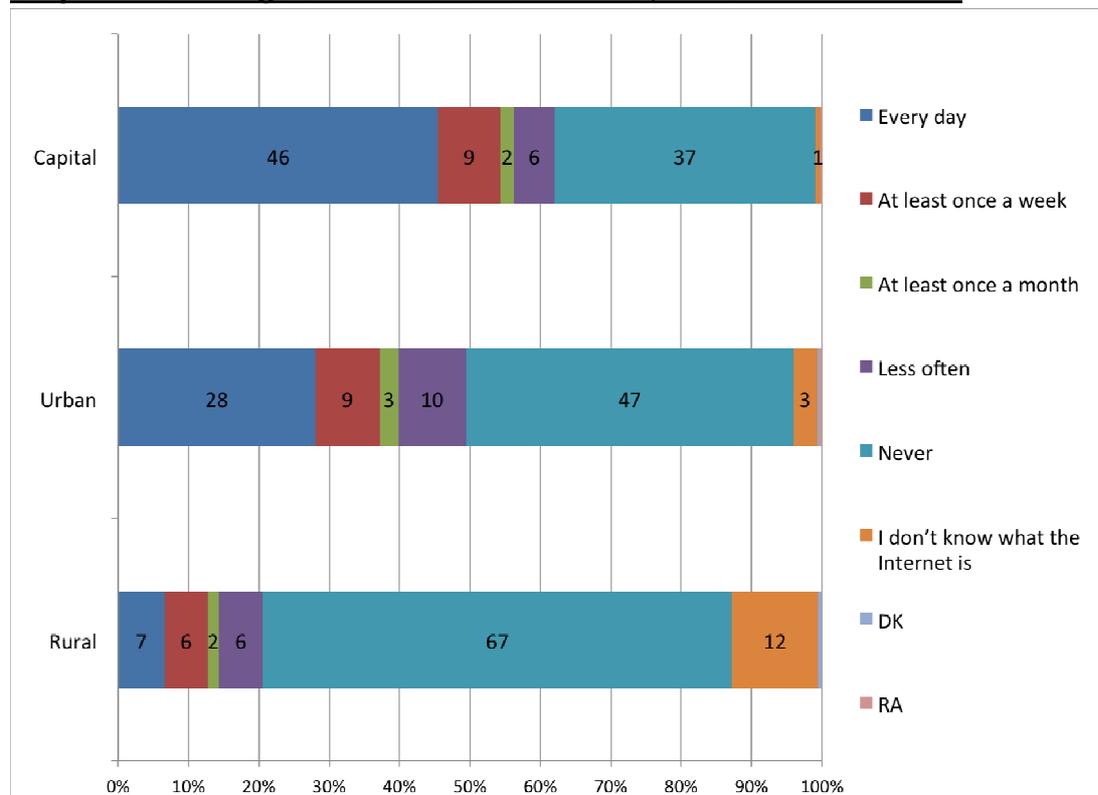
Source: CRRC Caucasus Barometer 2012 – Georgia

Internet usage appears to be highest among 18 to 35-year olds.[8] 50% of this group uses the Internet every day (an additional 14% at least once a week). Among people between the age of

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[5] Georgia's official population estimate as of January 2012 is 4.497 million people, about 3.5 million Georgians are 18 years and older. GeoStat, 'Population by municipalities', http://geostat.ge/cms/site_images/_files/english/population/03%20Mid-year%20Population%20by%20municipalities.xls (accessed 1 August, 2012).
[6] Please note that the data from the Caucasus Research Resource Centers' (CRRC), 'Caucasus Barometer 2012 – Georgia' is unweight, resulting in a slightly larger margin of error than the final publicly released CRRC data sets. TI Georgia would like to thank CRRC for sharing current data on Internet usage. The data was provided by CRRC staff on 17 December, 2012.
[7] Ibid.

36 and 56, the rate of daily users drops to 24% (with 8% going online at least once a week). The generation 56+ remains almost completely disconnected from the Internet: Only 3% of Georgians in this group are online every day, another 3% access the Internet at least once per week. More than five out of ten Georgians – 58% of the population – has never been online.

Another huge gap in terms of Internet penetration remains between cities and rural areas. Only 7% of people living in rural areas say they are online every day (another 6% are online at least once a week).

The number of Internet users has strong growth only in the past few years: in 2009, only 13% of adults were using the Internet every day.[9] However, CRRC data indicates this growth has stalled. The percentage of people who are regular Internet users has hardly increased between late 2011 and late 2012.[10]

Looking at Internet usage by different ethnic groups shows that the ethnic Armenian community in Georgia appears to be at least as Internet-savvy as the majority of the population, ethnic Azerbaijanis – most of whom live in rural communities – appear to be largely left out from access to the World Wide Web.[11]

Why staying offline?

In rural communities, price and access to an Internet Service Provider as well as speed of the connection have been major factors that have kept the level of Internet usage low. However, with growing UMTS/3G coverage, allowing for mobile access to the Internet via cell phone networks, technical accessibility no longer appears to be a major factor in preventing people to go online.

Major reasons for people staying without Internet access appears to be a lack of education and knowledge about what the benefits and opportunities of access to the Internet are – with the majority of respondents stating that they don't need Internet access, that they don't know how to use it or are not interested in going online. About a third of respondents who are not using the Internet said the lack of access to a computer is keeping them offline.[12]

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[8] Data is only available for adult population, not for teenagers. It is thus possible that Internet usage is even higher among teenagers.

[9] CRRC, 'Media Survey 2009', http://www.crrc.ge/oda/?dataset=8&row=343 (accessed 23 July, 2012).

[10] CRRC, 'Caucasus Barometer 2011 – Georgia' and 'Caucasus Barometer 2012 – Georgia', data for 2011 was retrieved through http://www.crrc.ge/oda (accessed 23 July, 2012), data for 2012 was provided by CRRC (17 December, 2012).

[11] CRRC, 'Caucasus Barometer 2011 – Georgia', http://www.crrc.ge/oda/?dataset=16&row=165&column=161 (accessed 23 July, 2012).

[12] CRRC, 'Caucasus Barometer 2012 – Georgia'. Data provided by CRRC, 17 December, 2012.

Graphic: Main reason for not using the Internet:
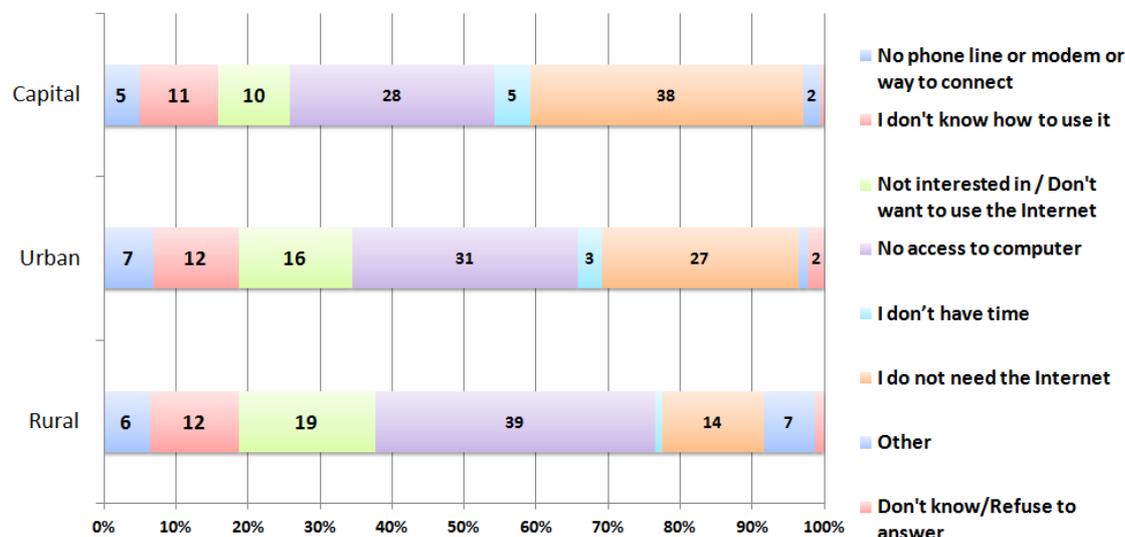
Source: CRRC Caucasus Barometer 2012 – Georgia

The cost of Internet connections

The price of Internet service does not appear to the primary factor deterring people from going online. In 2011, only about 1% of respondents who do not use the Internet said the reason from them remaining offline was that they could not afford the service.[13]

DSL landline connections with 1 Mbps speed and unlimited usage are available in many urban areas for GEL 17 to GEL 18; fairly fast DSL connections with a nominal speed of 8 Mbps are significantly more expensive and cost GEL 65 to GEL 70; prices at some providers vary depending on the city or town the customer resides in.[14]

The availability of high-speed fiber optic Internet connections is largely limited to residential areas of Tbilisi, with several operators planning to extend their fiber infrastructure to Kutaisi and other cities. The monthly cost for a broadband connection starts at GEL 17 to GEL 20 for a 4 Mbps or 5 Mbps line; 40 Mbps connections cost GEL 40, and 100 Mbps lines GEL 100.[15]

For the fastest available mobile Internet (via cell phone or USB modem), providers charge between GEL 15 (Magti, Geocell) and GEL 20 (Silknet) for 1 Gb of traffic or GEL 30 for 15 Gb of

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[13]CRRC, 'Caucasus Barometer 2011 – Georgia', retrieved through http://crrc.ge/oda (accessed 20 July, 2012).
[14] For example, offers by Akhali Kselebi and Caucasus Online advertised on company websites, http://www.akhalikselebi.ge/interneti.php?link=tarifebi&lang=en, http://www.silknet.com/index.php?lang=en&mid=41&s=packages&id=6 (accessed 10 December 2012).
[15] See offers from Akhali Kselebi, Caucasus Online and Silknet: http://co.ge/CaucasusLink.aspx, http://www.silknet.com/index.php?lang=en&mid=47&s=packages&id=25, http://www.akhalikselebi.ge/interneti.php?link=tarifebi&lang=en (accessed 15 December, 2012).

data.[16]Beeline offers 1 Gb of traffic using a slower GPRS mobile connection for GEL 7, or unlimited traffic for GEL 25 per month.[17]

The average monthly per capita income in 2011 was GEL 217 in urban areas and GEL 174 in rural areas; the average household income was GEL 762 in cities and GEL 650 in rural areas, according to GeoStat.[18]The cost of a basic DSL Internet connection is thus equivalent to 2.5% of household income in urban areas and to 2.7% rural areas.[19]

How and where people go online

In 2011, about a third of households had Internet access at home.[20] Although mobile Internet access is growing rapidly, the share of Internet users that primarily use mobile devices remains relatively small. Among 18 to 35 year olds, 7% of respondents in a 2011 CRRC survey said they most frequently access the Internet using their cell phone.[21]

Graphic: Places of most frequent Internet access during past 30 days[22]
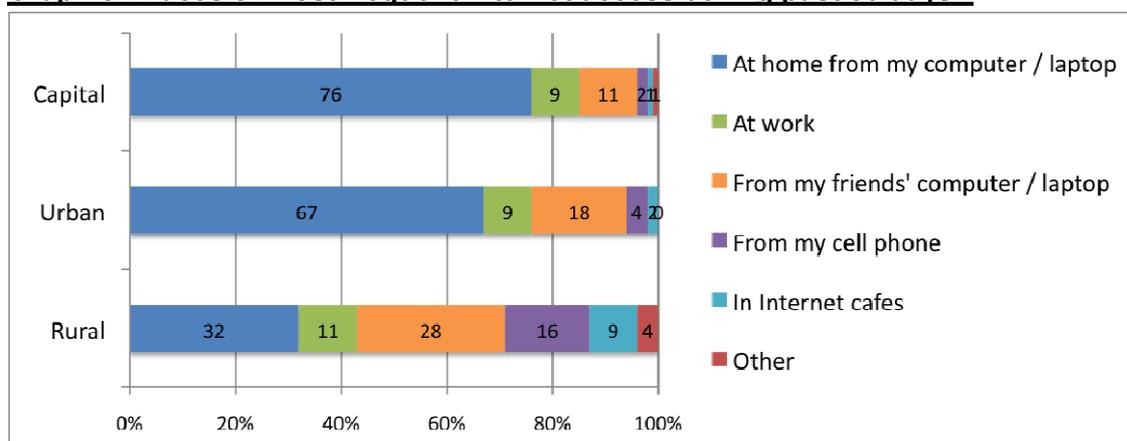
Source: CRRC Caucasus Barometer 2011 – Georgia

In rural areas, more people use phones for web access than in urban areas. Internet cafes are not widespread in smaller communities. Many people who do not have a computer with Internet access at home or at work use the computer of friends or relatives to go online.[23]

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[16] Magticom website, http://magticom.ge/index.php?section=67&lang=eng; Geocell website http://www.geocell.ge/en/private/service/2/62-Mobile-Internet-bundles; Silknet website http://www.silknet.com/index.php?lang=en&mid=218&s=content&id=119 (accessed 15 December 15, 2012).
[17] Beeline website, http://mobile.beeline.ge/en/main/services/service.wbp?id=28d15bf4-9ef7-4e97-977e-a750b08892f5 (accessed 15 December 15, 2012).
[18] Geostat, 'Households (sic!) income', http://www.geostat.ge/index.php?action=page&p_id=182&lang=eng (accessed 15 December, 2012).
[19] Median household incomes are likely to be significantly lower than the average numbers suggest, especially in rural areas, where many families live largely from subsistence farming.
[20] CRRC, 'Media Survey 2011',http://www.crrc.ge/oda/?dataset=7&row=404 (accessed 10 July 2012).
[21] CRRC, 'Caucasus Barometer 2011 – Georgia', http://www.crrc.ge/oda/?dataset=16&row=167&column=3 (accessed 10 July 2012).
[22]Ibid, http://www.crrc.ge/oda/?dataset=16&row=167&column=1 (accessed 10 July 2012).
[23] Ibid., http://www.crrc.ge/oda/?dataset=16&row=167&column=1 (accessed 10 July 2012).

Facebook and what else people do online

Many Georgians primarily use social media networks and search for information when they are online. In late 2012, about 68% of respondents who use the Internet were using social networking websites, according to a CRRC survey.

Facebook is by far the most popular social media platform, with more about 900,000 users in Georgia. Data from Social Baker suggests that more than 75% of all Georgian Internet users and about 20% of the country's total population are on Facebook; 55% of Georgian Facebook users are women.[24]Only few people only use twitter but many of those who do are opinion leaders, reporters and civil society activists.

Besides Facebook, passionate discussions about politics, and many other issues, take place on Forum.ge, a well-established website that remains fairly popular but requires users to register in order to access and participate.

While many young people appear to turn to Facebook and get status updates and news stories posted by their friends and acquaintances, older Internet users appear to be more inclined to use Internet for visiting online news outlets. According to the Caucasus Barometer 2012, only 20% of respondents between 18 and 35 said that consuming news is among their most frequent activities when online. Among Internet users between 36 and 55, this number was 30%, among users older than 56 it was 25%.

Facebook plays an important role as a news distribution mechanism in Georgia, but only a few media outlets make good use of this resource, an expert panel discussion for the IREX Media Sustainability Index 2012 concluded.[25]

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[24] Social Bakers, 'Facebook statistics – Georgia', http://www.socialbakers.com/facebook-statistics/georgia-2m (accessed 9 December, 2012).
[25]http://www.irex.org/system/files/u105/EE_MSI_2012_Georgia.pdf.

Graphic: Which of the following do you do most frequently when you are browsing the Internet?
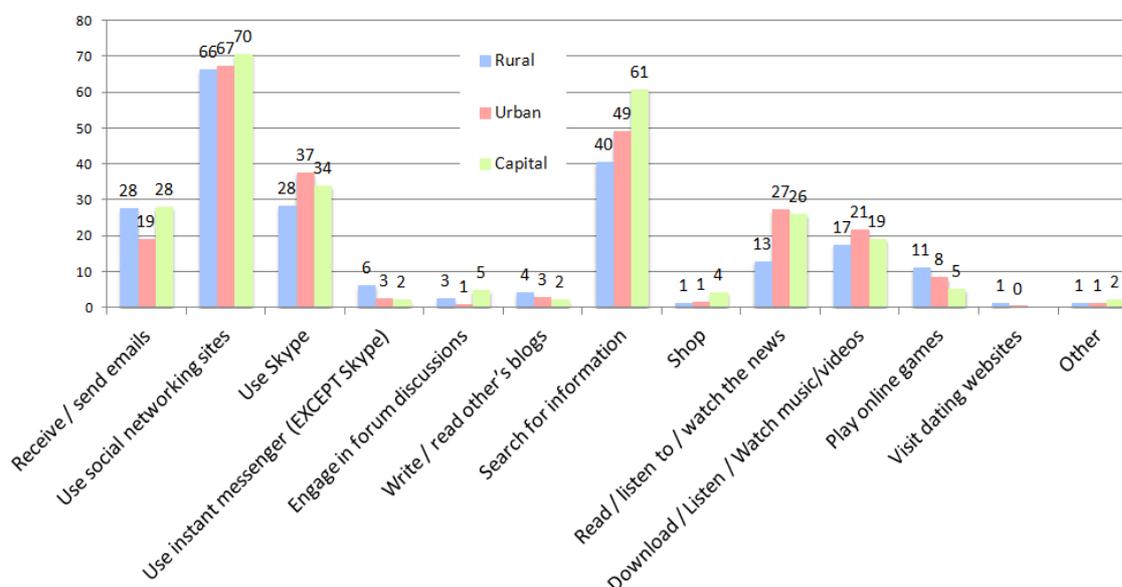
Source: CRRC Caucasus Barometer 2012 – Georgia

Computer Literacy

Using the Internet for communication and receiving information requires at least basic knowledge of how to use a computer (or mobile device). A lack of computer literacy appears to be the most important factor restricting the growth of Internet users. More than half of Georgia's population older than 18 years, 57%, has no basic computer skills. About a quarter of the population, 27%, of respondents in the 2012 Caucasus Barometer survey said they have intermediate or advanced skills.[26]

In the age group of 18 to 35-year olds, 56% of the population says they have at least intermediate computers skills. But even in this age group, almost three out of ten (28%) Georgians say they cannot use a computer. The survey also highlighted that about three quarters of the adult population living in rural areas has no computer skills, while this rate is as low as 36% in Tbilisi.

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[26]CRRC Caucasus Barometer 2012 – Georgia.

Graph: Self-described computer skills:[27]
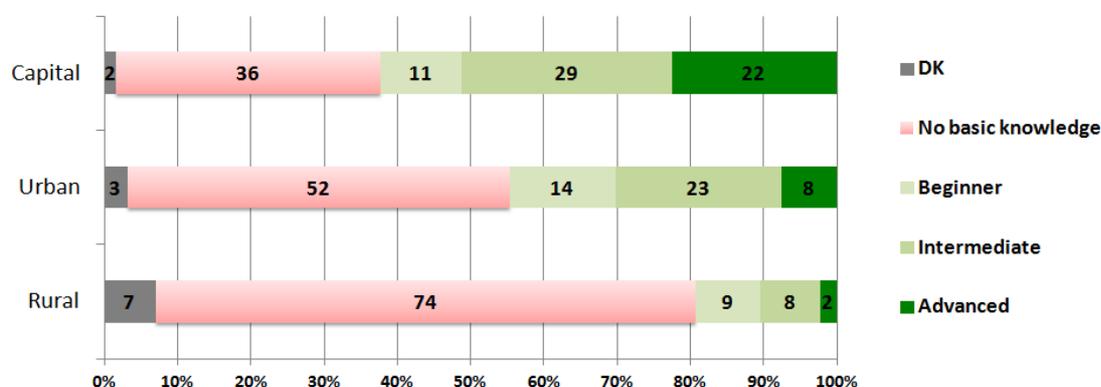
Computer literacy is very low among people older than 56: only about 5% of this segment of the population has intermediate or advanced computer skills, 81% say they have no basic knowledge of how to use a computer. In terms of skills there is no gender gap – levels of computer literacy are very similar among men and women.[28]

The role of government in promoting computer literacy

President Mikheil Saakashvili and his United National Movement-led government often highlighted the importance of computer literacy and took steps to promote new technologies, including by implementing e-governance projects and making computers available to school children.[29] Several government initiatives to promote Internet access were introduced in the months ahead of the October 1 parliamentary elections.

In an effort to promote the use of new technologies in rural communities, President Mikheil Saakashvili in May created the Society for Spreading Computer Knowledge, located in a museum dedicated to the famous writer Ilia Chavchavadze in the village of Kvareli, in a reference to Chavchavadze's efforts to promote literacy in the 19th century.[30] A few days later, the Ministry of Justice announced an initiative to train some 600 people from 300 villages in basic computer skills, encouraging these people to share their knowledge with others in their

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[27] CRRC asked respondents to describe their skills of using a computer, such as Microsoft's office package, excluding games (Disclosure: TI Georgia has received an in-kind donation from Microsoft). CRRC Caucasus Barometer 2012 – Georgia,
[28] 9% of men and women say they have 'advanced knowledge' working with Microsoft Office, 18% of men and 19% of women say they have intermediate knowledge, 12% of men and 11% of women describe themselves as beginners, 57% of respondents of both sexes say they have no computer skills. CRRC, 'Caucasus Barometer 2012 – Georgia'.
[29] Georgian President's Administration, 'Mikheil Saakashvili attended the presentation of the Society of Spreading Computer Skills', 10 May 2012, www.president.gov.ge/print.aspx?t=1&i=7528; Civil.ge, 'Saakashvili Speaks of 'Linguistic, Computer Revolution'', 6 April 2010, www.civil.ge/eng/article.php?id=22153 (accessed 2 August, 2012).
[30] Georgian Civil Registry, 'Computer Knowledge Spreading Society" was founded', 10 May 2012, www.cra.gov.ge/index.php?lang_id=ENG&sec_id=49&info_id=2073 (accessed 2 August, 2012).

community.[31] It remains unclear what impact this effort had, and it appears to not have been continued after the elections.

In June, Tbilisi mayor Gigi Ugulava (UNM) pledged to make free wireless Internet available across the capital by the end of 2012. In several central areas of Tbilisi, citizens can access the Internet through an open but often slow wireless network.[32]

After the October parliamentary elections and the change in government, it remains to be seen if the Georgian Dream coalition will continue and increase efforts to promote computer literacy and facilitate Internet access, reaching out especially to older citizens and people in rural communities.

Online news media

The Internet has become the second most important source of information on current affairs for Georgians, after TV. In a NDI/CRRC poll from November 2012, 6% of respondents said they got most of their news about political developments online, with 12% saying that the Internet was their second most important source of information.[33]

Compared to television stations, many of which are affiliated with and some of them funded by political actors, most online do not have political affiliations. There are several reasons for that: Online media is free from licensing requirements, which means that there are lower barriers for new actors to enter the market; production costs are lower than with broadcaster or print media, decreasing the dependency on wealthy financial backers. As a result, Georgia has a highly pluralistic landscape of online media outlets, some of which provide high-quality reporting, including the popular outlet netgazeti.ge, a subsidiary of the Adjara-based Batumelebi newspaper, and Palitra holding's interpressnews.ge.

Across Georgia, a network of local news websites has emerged, covering developments in their respective region. Several of these outlets have become important news sources in communities with few other media outlets. In case of the Mtskheta Mtianeti region, icmm.ge is the only media outlet active in this province, attracting 1,000 to 1,500 unique users per month. The Poti-based site tspress.ge, covering Samegrelo, attracts between 1,500 and 3,000 unique users/month, the Kakheti Information Center, ick.ge, has between 3,000 and 4,000 unique

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[31] Georgian Ministry of Justice, 'Competition Announced for Volunteers in the Program Society for Spreading Computer Literacy', 15 May 2012, www.justice.gov.ge/index.php?lang_id=ENG&sec_id=23&info_id=4867; Georgian President's Administration, 'The President of Georgia opened a new computer factory in Trans Caucasia', 25 June 2011, http://www.president.gov.ge/print.aspx?t=1&i=6707 (accessed 2 November, 2012).
[32] Tbilisi City Hall, 'Free WiFi to cover Tbilisi by the end of 2012', 4 June 2012, http://new.tbilisi.gov.ge/news/751?lang=eng; Civil.ge, 'Mayor Vows to Blanket Tbilisi with Free WiFI', 4 June 2012, www.civil.ge/eng/article.php?id=24848 (accessed 2 November, 2012).
[33] National Democratic Institute, 'Public attitudes in Georgia', survey by CRRC in November 2012, retrieved through http://www.civil.ge/files/files/2012/NDI-Poll-November2012.pdf (accessed 2 December, 2012).

visitors on an average month, with spikes of visitors whenever the sites break stories of national relevance, which they at times do.[34]

Online advertising and the financial sustainability of news-sites

It is difficult to establish what the most popular news websites in Georgia are. There is no widely used and generally trusted framework for measuring and comparing user data of news and entertainment websites in Georgia. The website top.ge measures traffic on a number of Georgian websites but its data is not accepted as a fully trusted currency by several of the website operators that TI Georgia spoke to.

Georgian advertisers tend to book their online advertising based on intuition rather than on market data and user statistics, often without tailoring their ads to their target audience. Because of the lack of public user data of Georgian websites, it remains a challenge for advertisers to assess the performance of their campaign.[35]

Most Georgian news website place advertising for a monthly fee, rather than charging for 1,000 views or per click. Several news outlets that in past years had made no or few efforts to attract advertising have increased their marketing efforts, with some sites filling unsold advertising space with banners stating the monthly fee to buy this space.[36] In 2011, TI Georgia estimated that total net online advertising spending is not significantly more than USD 1 million.[37]

Many news websites, especially those based outside Tbilisi, continue to struggle with attracting some advertising revenues and often depend on support from international donor organizations. Saba Tsitsikashvili, the editor of Qartli.ge, a news site covering the Shida-Kartli region, says that because businesses show little interest in online advertising online, he started to print online stories in a newspaper format, which attracted some ads.[38]

On Facebook, ads targeting people in Georgia can often be placed for as little as USD 0.01 per 1,000 views. Because of its high reach, its monitoring and targeting options and its easy usage, Facebook is a key competitor for Georgian news websites and is likely to attract a significant share of all local online advertising spending.

Paywalls as a route to financial sustainability?

The challenge of making online news outlets sustainable is not unique to Georgia. Across the world, news websites are experimenting with different strategies. One approach that has been adopted by an increasing number of newspapers, including the New York Times, the Financial Times (FT), the Times of London and other papers owned by Newscorp, is the creation of a so-called pay wall, which allows only paying subscribers to enter all content. Metered paywalls, as

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[34] TI Georgia communication with Gela Mtivlishvili, founder of the Kakheti and Mtskheta Mtianeti Information Centers and Eliso Janashia, editor of TSpress.ge, December 2012.
[35] IREX, 'Media Sustainability Index 2012', p.185, http://www.irex.org/system/files/u105/EE_MSI_2012_Full.pdf (accessed 10 November 2012).
[36] Netgazeti.ge is one such positive example.
[37] Transparency International Georgia, 'The Georgian Advertising Market', December 2012, http://transparency.ge/en/advertising.
[38] TI Georgia communication with Saba Tsitsikashvili, December 18, 2012.

used by the New York Times and the FT, allow users to access a certain number of articles per month for free while requiring regular users to pay for access.

Most Georgian news websites can only cover a small fraction of their costs from advertising revenues and otherwise depend on grants or subsidies from their owners.
Online outlets have so far failed to adjust their content to user preferences and to attract significant advertisement, the IREX MSI 2012 found. Among the few websites that carry extensive advertising is newswire-website InterpressNews.ge, which offers free access to breaking-news but requires a subscription for access to archived stories.[39]

In three Eastern European countries, publishers of magazines, newspapers and other news websites have introduced so-called national pay walls over the past year. In Slovakia, Slovenia and, most recently, in Poland, operators of popular news websites introduced a coordinated subscription model that gives paying customers full access to exclusive content on all participating sites, with revenues being split among the media outlets and Piano Media, the Slovak company that manages the systems in all three countries. [40]

Subscribers in Slovenia have to pay EUR 2.9/GEL 6 per month, in Slovakia EUR 5/GEL10 and in Poland between EUR 2.4/GEL 5 per week and EUR 47/GEL95 per year.[41]

A similar model could also become an option for Georgia in the coming years, if the business approach proves successful in Eastern Europe. In 2011, CRRC asked regular internet users if they would be willing to pay GEL 2 per month in order to access high-quality news. 40% of respondents said they would be willing to pay this amount.[42]

Some online editors believe that it is too early to introduce subscription models in Georgia. Saba Tsitsikashvili of Qartli.ge argues that in the regions, few people are online because of slow Internet access and high costs – not enough to sustain a subscription-based business model.[43]

Perceived Internet freedom by reporters
Georgian online editors generally perceive the Internet as free and say that no government limitations are imposed on them. The online sector benefits from very low market entrance barriers and news outlets are essentially not subject to any regulations.**[44]**

Gela Mtivlishvili, founder of three local news websites covering the Kakheti, Mtskheta-Mtianeti and Kvemo Kartli regions, says he has never received a request to take reports off his site or to

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[39] IREX, 'Media Sustainability Index 2012', p.184.
[40] Andrew Phelps, 'Piano Media wants national paywalls all over Europe', Nieman Journalism Lab, 10 January 2012, www.niemanlab.org/2012/01/piano-media-wants-national-paywalls-all-over-europe/;
Andrew Phelps, 'Wielkisukces! Piano Media expands its national paywall model to Poland', Nieman Journalism Lab, 18 July, 2012, http://www.niemanlab.org/2012/07/wielki-sukces-piano-media-expands-its-national-paywall-model-to-poland/ (accessed 2 August 2012).
[41] Ibid.
[42] CRRC, 'Media Survey 2011', http://www.crrc.ge/oda/?dataset=7&row=392 (accessed 8 August 2012).
[43]TI Georgia communication with Saba Tsitsikashvili, July 2012.
[44] IREX, 'Media Sustainability Index 2012 – Georgia', p.178.

disclose any data about users of his site. His main concern as an editor is not the regulatory environment but the professionalism of other news outlets that plagiarize and take stories without giving credit to the original source. "It often happens that our stories are used by other outlets without the referring to the source of their information", Mtivlishvili says. Editors of other news outlets that produce original content, such as Baia Tsanava, formerly of Interpressnews.ge and now at Imedi TV, have raised similar concerns about stories being plagiarized and copy-pasted by smaller websites.[45]

In the months before the October 1 parliamentary elections, reporters were operating in a highly charged environment and in a number of incidences were assaulted or threatened.[46]Saba Tsitsikashvili says that people have been intimidated by individuals affiliated with the local government after they had given comments for a quartli.ge article.[47]

The popular blogger Dodi Kharkheli, a.k.a. Dodka, describes the Internet in Georgia as a largely free space but highlights that copyright law in some areas remains vague and incoherent. In her opinion, the Internet is gradually gaining more and more power in Georgia. "The more people have and access to it the more powerful it will be as an alternative news source."[48]

Ia Antadze, founder of the NGO Civic Development Institute and a blogger for Radio Liberty, raises the issue that the absence of strict libel laws can also be misused by online media outlets that run stories aimed at discrediting individuals. Antadze herself became a victim of such an attack, when the website presa.ge published personal attacks without providing any sources for claims made in the story.

Most online editors and bloggers interviewed for this report voiced concerns about the perceived close links between major Internet service providers and the previous government, resulting in a high risk of internet traffic being monitored by the government without appropriate court oversight.

Georgia's connection to the Internet

Georgia faces a significant risk of Internet disconnection due to the small number of service providers at its international frontier, as do Armenia, Azerbaijan and several other countries in the region, according to an assessment by the Internet intelligence firm Renesys. The fewer providers and cables connect a country with the telecommunications infrastructure of other countries, the easier it is for a government to shut down these connections, if it wishes to do so. Countries that have only one or two connections to its neighbors face a severe risk, countries

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[45] Ibid, p.183.
[46] See: Transparency International Georgia, 'Georgia's Regional Media – Local watchdogs under pressure', June 2012, http://transparency.ge/en/post/report/report-georgia-s-regional-media.
[47] See: Qartli.ge, http://qartli.ge/web/4958.(accessed 15 December 2012).
[48] TI Georgia communication with Dodka, July 2012.

with three to ten face a significant risk, according to the company's methodology.[49]Renesys concludes that the disconnection of such countries from the internet "wouldn't be trivial, but it wouldn't be all that difficult. Egypt falls into this category as well; it took the Mubarak government several days to hunt down and kill the last connections, but in the end, the blackout succeeded."[50]

Georgia connects to the World Wide Web mainly through three major telecommunication data cables:

- The Georgia-Russia Optical Fibre Submarine Cable System, which has been in service since 1999, connects Poti with the Russian cities of Sochi and Novorossiysk (with further connections to Odessa, Varna, Istanbul and Palermo and Western Europe) and has a capacity of 640 Gbps. The cable, which also connects Tbilisi with Yerevan and Baku, is jointly owned and operated by Rostelecom (Russia), DanTelco (Denmark) and the Georgian company Fiber-Optic Telecommunication Network Ltd (Foptnet). [51] Main shareholders of Foptnet, either directly or through Ltd. System Net, are Pridon and Illia Injia (32.95% and 10.78%) and Avtandil Iashvili (28.97%) – for more on Injia, see the section on the ownership of the internet service provider Akhali Kselebi below.[52]
- In 2008, a second Black Sea submarine cable with a capacity of close to 1.3 Terrabit came into service. The cable is controlled by Caucasus Online and connects Poti with the Bulgarian city of Varna, where it links into European networks.[53]
- Turkcell (which holds shares in the mobile operator Geocell), through its subsidiary Superonline, has developed a strong fiber network within Turkey, with a connection point to its network at the Georgia border.[54]
- Tbilisi is also a regional hub, with data cables connecting to Baku, as part of the Trans-Asia-Europe Optical Fibre Cable Network.[55] Several cables connect Tbilisi with Yerevan, two of them are operated by ArmenTel (a Vimpelcom subsidiary) and one by Fibernet and GNC Alfa.[56]

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[49] James Cowie, 'Could It Happen in Your Country?', Renesys blog, 30 November 2012, http://www.renesys.com/blog/2012/11/could-it-happen-in-your-countr.shtml (accessed 5 December, 2012). .

[50] Ibid.

[51] Company website, http://www.georgia-russia.dk/, (accessed 5 December, 2012).

[52] Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=143080&app_id=160557 (accessed 5 December, 2012). Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=197530&app_id=225009 (accessed 5 December, 2012).

[53] SeeNews (Bulgaria), 'Georgia's Caucasus Online Invests $40 Mln in Fiber Optic Link to W. Europe via Bulgaria', 20 November 2008. Accessed via Factiva; See: http://www.submarinecablemap.com/ (accessed 5 December 2012).

[54] Superonline company website: http://www.superonline.net/wholesale/map-image.html, http://www.superonline.net/wholesale/ (accessed 5 December 2012).

[55] See: www.taeint.net/en/network/middle/ (accessed 8 December 2012).

[56] Arminfo, 'GNC Alfa CJSC to lay fiber-optic cable from Armenia to Georgia in 2011', 17 September 2009. Accessed via Factiva.

A few companies control most of the cable infrastructure inside Georgia, most importantly Silknet and Akhali Kselebi. Historically, one important connection point for cable infrastructure has been on Rustaveli Avenue 31 in Tbilisi, the address of the former central post and telecommunications center. From this hub, a number of smaller telephone and Internet providers connect to the landline network that is today controlled by Silknet.

Recently, Silknet has announced a plan to move the hub from Rustaveli Avenue to its head office on Tsinamdgvrishvili street, which would require smaller providers to pay additional transit fees for lines to the new hub. Silknet also said it was planning to increase the wholesale fees it charges other retail providers for access to its network. The Georgian National Communications Commission says it does not have any mandate to regulate wholesale prices, but has facilitated meetings between Silknet and smaller providers, which have not managed to resolve the issue given the conflicting economic interests at stake. A stronger involvement from the GNCC might be required to find a solution that is acceptable for all stakeholders.

GNCC's speed measurement tender

The GNCC has embarked on a GEL 697,000 project to evaluate Internet connection speed and service over the next three years. The effort will monitor Internet connections of 400 households in Tbilisi, Kutaisi and Batumi (that voluntarily sign up for the project), which use Caucasus Online, Silknet and Akhali Kselebi.[57] In November 2012, a contract was signed with the British firm Red-M, the only bidder for the contract, despite the fact that the tender required bidders to prove at least five years of experience in conducting studies on electronic communication markets and to apply a methodology that is used by at least one other communications regulatory authority. Red-M was incorporated only in September 2009, less than five years ago.[58]

The speed of Georgian Internet connections

The average speed of Georgian Internet connections is 2,305 kbps, fast enough to stream video in high quality, according to data of the U.S. Internet research firm Akamai. The firm's data suggests that average speed of connections in Georgia is significantly faster than in Armenia, Azerbaijan and Central Asia but slower than in Russia, the Baltics, Turkey and Western Europe.[59] 10.1% of internet connections are through broadband access with a speed of more than 4 Mbps; only a tiny share of Internet connections in Georgia, .3%, are narrow-band connections that are slower than 256kbps – too slow stream video or high-quality audio content.[60]

Most Georgians connect to the Internet through a DSL landline connection, but the segment of high-speed fiber optic connections has seen strong growth in the past two years.

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[57] The details of the tender (SPA120024220) and all documentation is accessible on the website of the State Procurement and Competition Agency, http://tenders.procurement.gov.ge/public/?go=65410&lang=en (accessed 11 December, 2012).
[58] Red-M company records accessed through https://www.duedil.com/company/07009693/red-m-wireless-limited (accessed 11 December, 2012).
[59] Data on Akamai company website, http://www.akamai.com/stateoftheinternet/ (accessed 11 December, 2012).
[60] Ibid.

Table: Number of retail Internet subscribers by technology used:[61]

Technology	Q1 2010	Q1 2011	Q1 2012
DSL (landline)	135,849	176,130	210,807
Fiber-optic (landline)	65,532	93,463	142,809
EVDO & CDMA(mobile 3G)	33,345	55,789	61,672
Wi-Fi &WiMax (wireless)	3,679	6,917	13,443
Other	1,041	809	497
Total	239,446	333,108	429,228

Market shares of Internet service providers

In the segment of reasonably fast Internet access through **DSL** landline connections, Silknet is the dominant Internet provider with 76% of all clients. Other players with a significant market share are Akhali Kselebi (10.9%), Akhteli (5.7%), Caucasus Online (4.1%) and Georgian Central Communication Corporation (2.1%), according to GNCC data from late 2011. Half of all DSL subscribers are based in Tbilisi, 10% each in Batumi and Kutaisi, 4% in Rustavi with about one quarter of DSL users residing in other parts of Georgia.

In late 2011, high-speed Internet access through **fiber-optic cables** was only available in parts of Tiblisi and Rustavi. 76% of all retail clients in this sector were using Caucasus Online, which saw an increase in the number of users while its market share declined from 90.4% to in the beginning of 2011 due to stronger growth at other providers. Silknet had a 15% market share among fiber-optic connections in late 2011,up from 5% a year before. Georgian Central Communication Corporation had 8% of the market. In 2012, fiber-optic access also became available in parts of Kutaisi and Telavi.[62] As fiber-infrastructure is not available in many locations yet, many customers of DSL and other services are stuck with often unreliable service and strong fluctuations in available bandwidth.

According to the GNCC, two companies, Vitel Georgia and Serviceline, offer internet access through the wireless **WiMAX** technology, whereby customers connect to signals from broadcasting towers.[63] 33 small companies were offering internet access through **Wifi** at the end of 2011.[64]

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[61] Georgian National Communication Commission, 'Statistical Data', 22 June 2012, http://gncc.ge/index.php?lang_id=ENG&sec_id=50623 (accessed 11 December, 2012).
[62]Sarke News, '"Silknet" introduced fiber-optic services in Kutaisi as well', 10 December 2012, (accessed through Factiva 13 December 2012).
[63] WiMax is a wireless technology, designed primarily for urban areas, allowing for broad-band internet access. See: http://en.wikipedia.org/wiki/WiMAX.
[64] GNCC, 'Annual Report 2011', p.53, http://www.gncc.ge/files/3100_2949_314871_1.pdf (accessed 10 November 2012).

Mobile internet

Georgia's mobile phone operators generated net revenue of GEL about 441 million in 2011. Mobile Internet data traffic only generated about 3.6% (GEL 15.8 million) of that income; voice services accounted for 73.1% (GEL 322 million), SMS for 8.8% (GEL 38.8 million) and other services for 14.5% (GEL 64 million) of operators' revenues.[65]

Only Magti and Geocell currently hold licenses for 3G mobile Internet access. Silknet entered the market of mobile telephony and mobile data in late 2011.In late 2011, Magti and Silknet were the only two companies offering **mobile USB modems** using the EVDO & CDMA standards, according to the GNCC. Magti dominated this market segment, with Silknet having less than 1,000 users.[66]Geocell is also active in this market segment, offering mobile 3G data sticks.[67] Beeline is not able to offer 3G data connection because it does not have the necessary license and instead provides data connections using the slower GPRS standard.

Licenses for 4G/LTE, a standard allowing for high-speed mobile Internet access, have yet to be auctioned and allocated by the GNCC.

Mobile Internet has seen strong growth rates in Georgia. Between the 4th quarter of 2010 and 2011, the number of mobile Internet users grew from 800,000 to 1.2 million. Mobile traffic increased from 180 terabyte (TB) in 2010 to 370 TB in 2012.[68]

In late 2011, Geocell had a market share of 41.7% of mobile phone customers, ahead of Magticom (37.9%) and Beeline/Mobitel (20.4%). Silknet, which started offering mobile services only in 2011, had less than 1% market share, with about 1,800 customers at the end of the year.

Two mobile phone operators are operating in the territory of Abkhazia without authorization from the GNCC: Aquafone has an estimated .3 million subscribers, and A-Mobile .2 million clients.[69]Beeline Russia offers roaming services in Abkhazia in cooperation with A-Mobile. The GNCC concluded that Beeline-owner VimpelCom had not violated Georgian legislation by offering roaming services based on an agreement with A-Mobile, without itself operating in Abkhazia.[70]

Portability

The Georgian National Communications Commission introduced mobile phone number portability in February 2011, making it easier for consumers to switch providers, which appears

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[65] Ibid, p.41.

[66] Ibid, p.52.

[67] Geocell company website, http://www.geocell.ge/en/private/devices/41/. (accessed 10 December 2012).

[68] GNCC, 'Annual Report 2011', p.43.

[69] Informa Telecoms & Media, quoted in: Vimpelcom Annual Report 2011, www.vimpelcom.com/media/docs/VI002_Vimpelcom.pdf (accessed 10 December 2012).

[70] GNCC, N281/12, 6 April 2012, http://www.gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=112406, (accessed November 15, 2012).

to have led to an increase in competition.[71] In December 2011, portability was also introduced for landline-numbers, which is likely to lead to further market consolidation and the disappearance of some smaller telecommunication providers.[72]MediaPro Georgia, a Lithuanian-owned company, has been awarded what appears to be a very attractive 10-year contract by the GNCC to manage number portability. Customers porting their number do not have to pay a fee. All phone operators have to pay an annual fixed amount to MediaPro Georgia for every phone number that has been allocated to them. With a staff of 3 people, MediaProGeorgia generated revenues of GEL 6.5 million in 2011.[73]

Ownership and accountability of major telecom operators

Why transparency matters

Telecommunication companies play an increasingly important role in people's lives. Through phones, mobile devices and computers people access news and information and communicate and interact online. Internet service providers (ISP) accumulate vast amounts of information about their customers, not only their names and banking data, but also when and with whom a user communicated via phone or SMS, which websites he or she visited, the device's location at any point in time and potentially also about the content of emails, communication and behavior while browsing the Internet.[74]

Thus, it seems to be legitimate to ask who owns the companies that know so much about all of us, how they manage and store the information of and about their customers, and under what circumstances this information is made available to other companies and the authorities.

Several telecommunication companies emphasize their corporate social responsibility on their websites, highlighting charitable activities they support and positive values they claim to endorse. However, corporate social responsibility appears to end when it comes to disclosing beneficiary owners and informing customers about the company's policies to approach and manage user data.

Calling from an off-shore paradise

This report finds that the ownership of several major Georgian telecommunication companies remains opaque. Most of them are controlled by shell entities – companies that only consist of a

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[71] See: Transparency International Georgia, 'Phone number portability and a government-appointed monopolist', 11 December 2012, http://transparency.ge/en/blog/phone-number-portability-and-government-appointed-monopolist.
[72] GNCC, 'Porting of subscriber number of fixed network started from today', 1 December 2011, www.gncc.ge/index.php?lang_id=ENG&sec_id=110&info_id=9812 (accessed November 15, 2012).
[73] Ibid.
[74] What this data can tell about a person's private life is well visualized by the German weekly newspaper Die Zeit, which mapped six months of phone data that Malte Spitz, an MP for the Green Party, had obtained from this cell phone operator through a lawsuit. Zeit Online, 'Tell-all telephone', http://www.zeit.de/datenschutz/malte-spitz-data-retention (accessed November 18, 2012).
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letter box but do not have an office, employees or business activities – in exotic locations such as the British Virgin Islands and Belize, or in a more down-to-earth place like the U.S. State of Delarware – places that allow for company registration without any identity verification or have corporate rules in place that allow the owners of companies to remain in the dark.

All major Georgian telecommunication providers – Geocell, Magticom, Beeline, Silknet, Caucasus Online and Akhali Kselebi – are owned by offshore shell companies. Because Teliasonera, the owner of Geocell, and Vimpelcom, which owns 51% of Beeline, are publicly listed on major Stock Exchanges, these ownership structures are disclosed. The other operators do not disclose beneficiary ownership on their websites or in the Georgian company registry. Asked by TI Georgia to disclose their beneficiary owners, both, Silknet and Caucasus Online, declined to do so; Magticom did; Beeline did not respond to requests and its minority shareholders remains in the dark.[75]

Geocell

Georgia's largest mobile phone operator is a subsidiary of the Turkish company GürtelTelekomünikasyonYatırımveDış. Tic. A.Ş, which is a subsidiary of Fintur Holdings (registered in the Netherlands).[76] The owners of Fintur are Turkcell, a large Turkish mobile operator (41.45%), and Teliasonera (58.55%).[77]Because Teliasonera is also a shareholder in Turkcell, it directly and indirectly owns 74.3% of Geocell.[78]

Teliasonera AB owns mobile phone operators in Scandinavia, the Baltics, the South Caucasus, Central Asia and several other countries, and is listed on the stock exchanges in Stockholm and Helsinki. Main shareholders in Teliasonera are the Swedish government (37.3%) and the Finnish government (11.7%).[79] Other larger shareholders are several Swedish pension and insurance funds, with the largest 15 shareholders owning 67.2% of all shares at the end of September 2012.[80]

Turkcell, the other shareholder of Fintur Holdings, is traded in Istanbul and on the New York Stock Exchange. The largest shareholder in Turkcell is Turkcell Holding AS, in which TeliaSonera (37.1%), the Cukurova Holding owned by Turkish billionaire Mehmet EminKaramehmet (13.8%) and Alfa Group (13.2%, via its Altimo subsidiary), owned by Russian

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[75]TI Georgia communication with Geocell, Magticom, Beeline, Silknet and Caucasus Online, June to August 2012.
[76] Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=477704&app_id=544594; Fintur Holdings company website, http://www.finturholdings.com/html/ (accessed December 13, 2012).
[77] Fintur Holdings, http://www.finturholdings.com/html/shareholders/.(accessed December 13, 2012).
[78]Teliasonera, http://www.teliasonera.com/en/about-us/markets-and-brands/georgia/.(accessed December 13, 2012).
[79] Disclosure: The Swedish government, through the Swedish International Development Cooperation Agency (sida) provides funding to Transparency International Georgia.
[80]Teliasonera, http://www.teliasonera.com/en/investors/share/shareholdings/2012/10/shareholders-as-of-september-30-2012/ (accessed December 13, 2012).

oligarch Mikhail Fridman, are major shareholders.[81]

Geocell was founded in 1996 as the country's first GSM operator in a joint venture between the Georgian Ministry of Telecommunications and Gürtel. It launched operations in 1997, and started offering launched UMTS/3G services in 2006.[82] In 2011, Geocell generated revenues of about USD 140 million.[83]

Magticom

Magti's ownership structure is fairly complex and opaque; the company's direct owners are Telcell Wireless LLC and International Telcell Cellular.[84] Both entities are shell-companies registered in the U.S. state of Delaware and have been (partly) owned by MIG, another Delaware company.[85] From MIG, the ownership structure goes further to other trusts and shell companies.[86]

A Magti executive confirmed to TI Georgia that the company's founder, Giorgi Jokhtaberidze, son-in-law of former President Eduard Shevardnadze, remains in control of 51% of the company's shares. The family of the late oligarch Badri Patarkatsishvili holds the remaining shares through several entities and trusts.[87] Former Magti managers hold 3% of shares.[88]

Mobitel – Beeline

Mobitel, which operates under the brand name Beeline, was the third cell phone provider to enter the Georgian market in 2005. The company holds a GSM-1800 license (expiring in June 2013) but does not hold a 3G license. Vimpelcom bought 51% in Mobitel in July 2006 for USD 12.6 million and then built the operator's technical infrastructure, which at the time of the acquisition was not operational.[89]

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[81]SECInfo.com, http://www.secinfo.com/d14D5a.p58Uk.htm#ojsq, (accessed 1 December 2012)

[82]Turkcell Annual Report 2011, http://yatirimci-2011-eng.turkcell.com.tr/subsidiaries/georgia-geocell.aspx?o=IstiraklerimizIcAlt01&osa=isi06 (accessed 10 December 2012).

[83]Teliasonera Annual Report 2011, p.19, http://annualreports.teliasonera.com/global/download%20center/en/ts_ar2011_eng.pdf?epslanguage=en (accessed 1 December 2012).

[84] Georgian Public Registry, 13 December 2012, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=482233&app_id=558332.

[85] Delaware is one of the most opaque destinations for companies, legal entities can be registered there without the registrars, directors or owners having to present any ID documents to verify their names and identities. See: NPR - Planet Money, 'We Set Up An Offshore Company In A Tax Haven', 27 July 2012, www.npr.org/blogs/money/2012/07/27/157421340/how-to-set-up-an-offshore-company (accessed July 30); SECInfo.com, http://www.secinfo.com/dsvr4.r3J15.htm?Find=magticom#1stPage (accessed 1 December 2012).

[86] See: U.S. Bankruptcy Court for the District of Delaware, re: MIG, INC - Declaration of Peter Nagle, 19 June 2009, http://delawarebankruptcy.foxrothschild.com/uploads/file/MIG%20Affidavit.pdf; 2010 filings to the U.S. Securities and Exchange Commission, accessed via SECInfo.com, http://www.secinfo.com/dsvr4.r3J15.htm?Find=magticom#1stPage (accessed 30 November, 2012).

[87] TI Georgia interview with David Lee, President of MagtiCom, July 2012.

[88] It appears that these shares are held through Gemstone Management, Ltd., a British Virgin Islands company.

[89] Reuters, 'UPDATE 2-Russia's Vimpelcom buys Georgian firm for $12.6 mln', 12 July 2006, accessed via Factiva.

The company is owned by three British Virgin Islands shell companies: Watertrail Industries (51%), Delgado Resources (31%), and Ivestico Alliance (17%).[90]

Watertrail Industriesis a subsidiary of VimpelCom LTD, a company registered in Bermuda, headquartered in Amsterdam and listed on the New York Stock Exchange (NYSE: VIP).[91]VimpelCom controls the Beeline, the largest Russian cell phone provider, and owns mobile operators in Armenia, Ukraine, Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, Cambodia, Laos, Algeria, Bangladesh, Pakistan, Burundi, Zimbabwe, the Central African Republic, Italy and Canada.

VimpelCom is controlled by Altimo (52.7%), owned by Russian billionaire Mikhail Fridman, who is ranked Nr 57 in the Forbes list of billionaires, with an estimated fortune of USD 13.4 bn.[92]A minority shareholder in VimpelCom is Telenor (35.7%), a Norwegian telecommunications company that is majority-owned by the Norwegian Government and listed on the Oslo Stock Exchange.[93] The remaining shares, 11.6%, are publicly traded.[94]

The owners of 49% of Mobitel – the individuals and entities behind Delgado Resources and Ivestico Alliance, both registered under the same address – remain in the dark. Mobitel did not respond to questions about its activities and the beneficiary owners behind these two entities. Delgado Resources is owned by another shell entity, Commonwealth Trust Limited, which has delegated the management of Delgado Resources to a Belize shell company, Trident Oversea Management Ltd.[95]

Levan Karamanishvili
Delgado Resources, the owners of 49% of Beeline, the country's third largest mobile phone operator, and International Online Networks, the controlling shareholder in Caucasus Online, now the second largest ISP, hide behind post box companies in the British Virgin Islands. However, TI Georgia found strong indications that both companies are owned by the same opaque individual(s), who have appointed Levan Karamanishvili as a representative holding a power of attorney. At Caucasus Online, he is authorized to sign, execute and deliver any

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[90] Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=473095&app_id=548479. (accessed 10 December 2012).
[91]Vimpelcom, '20-F 2011', http://www.vimpelcom.com/media/docs/Annual%20Report%20on%20Form%2020-F.PDF,p.42 (accessed 10 December 2012).
[92] Forbes, 'Mikhail Fridman', http://www.forbes.com/profile/mikhail-fridman (accessed 7 December 2012).
[93] Bloomberg, 'Tycoon Fridman Boosts VimpelCom Stake in Telenor Fight', 30 October 2012, www.bloomberg.com/news/2012-10-29/altimo-to-boost-vimpelcom-stake-to-47-9-in-fight-versus-telenor.html (accessed 7 December 2012).
[94] Vimpelcom website, http://www.vimpelcom.com/ir/ownership.wbp (accessed 13 December, 2012).
[95] Located at 60 Market Sqare Belize City, Belize. Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=app&m=view_doc&doc_id=82834. (accessed 10 December 2012).

documents on behalf of the company.[96] For Mobitel/Beeline, Karamanishvili was the official founder of the company, for which he has also served as a Board member, and has represented the interest of Delgado Resources and Ivestico Alliance, the two Panamanian shell companies that together hold 49% of shares.[97]

Karamanishvili has also been the largest shareholder of Rustavi 2, the country's largest private TV station, since the broadcaster had to dismantle its off-shore ownership in late 2011 due to improved transparency rules that require the disclosure of beneficiary owners.[98] With its news coverage, Rustavi 2 until the October 1 has provided staunch support for the United National Movement and continues to be supportive of the UNM after the change in government.

Karamanishvili is a close relative of Revaz Sharangia (who has also served on Mobitel's board), who is a founder and former owner of 35.5% of GMC group, which owns and operates a number of restaurants in Tbilisi. In 2010, the ownership in GMC group was transferred under the ownership of a British Virgin Islands shell company, Newcom Association Limited, which has also chosen Levan Karamanishvili as its official representative in Georgia.[99]

In 2011, four companies won tenders to operate minibus lines in Tbilisi. All four companies were registered at the same day and the same address, a restaurant owned by GMC group, and the owners of the minibus companies also appear to be involved in GMC group. The company also owns the shopping mall Tbilisi Central in the city's main train station, which Karamanishvili oversees as director. GMC group also owned Akhali Rikhe, a company that won a government tender and bought property for USD 7 million in 2006, and in 2008 sold the land back to the Tbilisi Old City Rehabilitation and Development Fund for USD 17 million, a Studio Monitor reportage found.[100] The authorities are currently investigating this deal.[101]

Caucasus Online

Caucasus Online (CO) is owned International Online Networks Limited, a British Virgin Islands (BVI) shell company. 50% of International Online Networks Limited are held by Nelgado Limited, another BVI registered company whose beneficiary owners remain opaque;[102] 19.994% of shares are held by Growth Master Holdings, a British investment fund registered on the Island

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[96] See: Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_scandoc_by_id&scandoc_id=484855&app_id=501649 (accessed 10 December 2012).

[97] Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=app&m=view_doc&doc_id=82829 (accessed 10 December 2012).

[98] Rustavi 2, '40% of Rustavi 2 TV-company owned by Media Georgia', 4 October, 2012, rustavi2.com/news/news_text.php?id_news=46840&pg=1&im=main accessed 2 December 2012).

[99] Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=469610&app_id=545255 (accessed 10 December 2012).

[100] Georgian Young Lawyers' Association, 'Rehabilitation Process Beyond the Façade', http://gyla.ge/attachments/1294_Reabilitation%20EN.pdf (accessed 20 November 2012).

[101] Civil.ge, 'Finance Ministry Probes into Tbilisi Municipality's Rike Deal', 11 December 2012, civil.ge/eng/article.php?id=25536 (accessed 12 December 2012).

[102] Caucasus Online did not respond to a request from TI Georgia to disclose its beneficiary owners.

of Jersey;[103] 30.006% of shares are held by Mamia Sanadiradze, CO's founder.

After the change in government in October 2012, Sanadiraze stated that he was coerced into selling 50% of the company to GMC Group in March 2010. In the half year prior to the sale, Caucasus Online had a series of problems with the authorities. In several steps, the authorities imposed fines of GEL 11.6 million for different violations on the company, bringing Caucasus Online to the verge of bankruptcy, Sanadiraze said.[104]

Caucasus Online controlled several online news-outlets, including presa.ge, Internet.ge and the online television ITV. Soon after the change in ownership of Caucasus Online in 2010, these news became affiliated with the website droni.ge and turned into mouthpieces of the government at the time.[105]

Caucasus Online is the result of a merger of several smaller Internet service providers – Sanet, Georgia Online and Caucasus Telecom – in 2007.[106] At the time, Caucasus Online had a market share of about 90%, and Sandiradze was speaking about listing the company on the London Stock Exchange for USD 100 million.[107]

In 2008, Caucasus Online and the country's largest phone company, United Telecom Georgia (UTG), were fighting extensive battles against each other. Caucasus Online had installed a cable network, connecting the roofs of apartment buildings. After complaints about this infrastructure from an opaque initiative that described themselves as concerned citizens, Tbilisi City hall decided that the cables had been installed illegally and representatives of the local administration started cutting down some 224 kilometers of wires.[108]

In other cases, Caucasus Online's infrastructure within apartment buildings was sabotaged, and soon after vandals had cut the company's cables, disconnecting its customers, representatives of a competing Internet service provider contacted these households and offered them to switch provider.

Silknet
Silknet was created in March 2010 after a merger of the telecommunication providers Vanex Ltd, Adjara Telecommunications and United Telecom, a former government telephony provider,

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[103] Reuters, 'Georgian telecoms firm sells shares to British fund', 11 February 2008 accessed via Factiva.
[104]Sarke News, 'Founder of "Caucasus Online": The Company's Controlling Share Was Alienated Forcedly', 24 October 2012, accessed via Factiva.
[105] Media.ge, 'Online Journalists Talk about Government Pressure', 20 December 2010, www.media.ge/en/node/39726 (accessed 12 December 2012).
[106] Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=430618&app_id=501649 (accessed 20 November 2012).
[107] Reuters, 'INTERVIEW-Georgia Internet firm plans $100 mln IPO in 2008, 19 October 2007', accessed through Factiva.
[108] The Financial, 'Georgian Providers Reach Ceasefire Agreement,' 10 November 2008, http://insurance.finchannel.com/Main_News/Geo/23849_Georgian_Providers_Reach_Ceasefire_Agreement_/ (accessed 20 November 2012); Sarke News, 'Gelink project of Caucasus Online to be legalized through participation of United Telecom', 9 November 2009, accessed through Factiva.

owning many of the country's telecommunication copper wires. At the time, the three companies were owned by a Georgian-Kazakh consortium.[109] Besides providing wholesale and retail telecommunication services, Silknet offers IP-TV and in 2012 launched the Georgian edition of the National Geographic magazine.

Silknet is registered as a joint stock company in Georgia, a legal construction that does not require the public disclosure of shareholders in the public registry.[110] Upon request, company representatives informed TI Georgia that the company's direct owner is a Maltese company, Rhinestream Holding Limited, which appears to be a shell entity. Silknet representatives have declined to publicly disclose the company's beneficiary shareholders.[111]

The company Silk Road Group, which focuses on trade and transportation, says on its website that it holds shares in Silknet but it remains unclear how much of the company it controls. Silk Road Group A.S. is a joint stock company registered in Geneva, Switzerland, and represented by a Swiss lawyer in Zurich.[112] Again, this legal structure does not require the public disclosure of the company's shareholders.

Silk Road Group operates the Radisson hotels in Tbilisi and Batumi, is developing real estate projects in Georgia under the brand name of Donald Trump, and also holds 50.99% in BTA, a Georgian commercial bank.[113] According to data about the bank's beneficiary owners, published by the Georgian National Bank, Silk Road Group is owned by its founder and CEO, Giorgi Ramishvili, Alexi Topuria and David F. Borger. The three also own 25% in the Georgian retail gasoline company Wissol and its subsidiaries, include the advertising company Vellagio, the supermarket chain Smart, the Kochebi rugby team and the football club Torpedo Kutaisi.[114]

Akhali Kselebi

Akhali Kselebi ("New Net") is a telephone and Internet service provider covering Tbilisi, Kutaisi, Gori, Poti, Zestaponi, Zugdidi, Terjola, Kaspi and Ksani. The company's largest shareholder is Alpha System Transit Corp (46.2%) a Belize shell company, controlled by Cascado AG, a Panamanian shell company.[115]

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[109] Black Sea Press, 'United Telecom renamed as Silknet', 12 March 2010, accessed through Factiva.
[110] Georgian Public Registry,
https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=479669&app_id=555643 (accessed 20 November 2012).
[111] TI Georgia communication with Silknet representatives, July 2012.
[112] Registre du Commerce du Canton de Genève,
http://ge.ch/hrcintapp/externalCompanyReport.action?companyOfrcId13=CH-660.1.830.002-7&lang=EN (accessed 12 December 2012).
[113] New York Times, 'Trump Signs Deal to Develop Two Towers in Georgia, the Former Soviet State', 10 March 2011, www.nytimes.com/2011/03/11/business/global/11donald.html?_r=0; Silk Road Group company website, http://silkroadgroup.net/other.php?lang=en (accessed 12 December 2012).
[114] Wissol Petroleum Georgia Group: Audit Report 2011, pp. 10, 11,
http://wissol.ge/webcms/_files/Wissol%20PG_IFRS_2011.pdf (accessed 12 December 2012).
[115] Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=app&m=view_doc&doc_id=44268 (accessed 12 December 2012).; Panamanian company registry extract, retrieved through
http://ohuiginn.net/panama/company/id/531729 (accessed 12 December 2012).

Cascado AG has been associated with a number of scandals, including corrupt Ukrainian state procurement and export deals, and lower-level import-export invoice fraud in Russia and other CIS countries.[116] According to the Organized Crime and Corruption Reporting Center, Cascado AG was also involved in the case of the merchant vessel MV Faina. The ship, sailing under Belizean flag was captured by Somali pirates in 2008, coming from Odessa, with 33 Soviet-made T-72 tanks, grenade launchers and small arms on board, reportedly destined to reach South Sudan, which at the time was under an EU arms embargo.[117]

Alpha System bought the shares in Akhali Kselebi in 2007 from Fridon Injia. Documents from the Georgian public registry indicate that Injia at the time also represented Alpha Systems, and thus might have sold the shares to himself. Under President Eduard Shevardnadze, Injia served as Minister of Communication in the late 90s and then became a Member of Parliament for the Labor party in 2000.[118] In 2001, the Prosecutor's Office reportedly accused him of having embezzled as much as USD 14 million while in office but dropped the case after Parliament refused to lift Injia's immunity.[119]

Avtandil Iashvili, who is Akhali Kselebi's director, owns 33.1% of the company. He has been a business partner of Injia in several companies.[120]Akhali Kselebi, through its shareholders, is currently or has been linked in the past with several other Georgian telecommunication companies, including **Akhtel**, **Egrisi, System Net**, **Fiber Optic Telecommunications Network – FOPT**, **Georgian Telecom Company GTC**, **Global Erti** and **Georgian Central Communication Corporation**.[121]Akhali Kselebi and many of the affiliated companies were set up in the second half of the 1990s, when Injia was in the government.

Smaller operators

Georgian Central Communication Corporation Ltd (CGC) provides DSL Internet access and other telecommunication services in Rustavi. CGC is owned by the Georgian company System Net (49%), Hellascom International (25%, a subsidiary of OTE which is a Greek telecom operator that is partly owned by the Greek government and by Deutsche Telekom and listed on the London Stock Exchange), LLC Monemvasia Shipping and Trading (13%, a company registered in the West-African country of Liberia, represented by a Greek director), and General-

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[116] See also: Stack, Graham, 'Massive Ukrainian government money-laundering system surfaces', 2 June 2011, http://www.bne.eu/story2713 (accessed 2 December 2012).

[117] OCCRP, 'The Latvian Proxies', 15 March, 2010, www.reportingproject.net/proxy/en/the-latvian-proxies (accessed 12 December 2012).

[118]Parliament of Georgia, http://www.parliament.ge/pages/archive_en/parl99/injia_fridon_e.htm (accessed 11 December 2012).

[119]Anjaparidze, Zaal, 'Fight a losing battle', 31 May 2001, Jamestown Foundation, www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=28010 (accessed 5 December 2012).

[120] Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=app&m=view_doc&doc_id=83890 (accessed 12 December 2012).

[121]Akhali Kselebi website, http://www.akhalikselebi.ge/company.php?lang=en; for a more details on these connections, see GNCC decision N 597/22 from 4 November 2011, http://www.gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=111736 (accessed 3 December 2012).

Contracting-Engineering & Commercial Co SA (GENER), a Greek construction and engineering company (13%).[122]

Global Erti, a Tbilisi-based telecommunication provider, is structured as a joint stock company, which does not disclose its shareholders in the Public Registry, neither are shareholders disclosed on the company website.[123] According to a decision by the GNCC, approving a transfer of shares in Global Erti, Astra Grand Inc holds 50.28% of the company with the remaining shares held by Van East LTD. In early September 2012, Global Erti sought permission from the GNCC for Astra Grand Inc. to acquire the shares from Oplykenon Technologies Limited. The GNCC did not release further information about these companies, their place of registration and their beneficiary owners, but it is likely that all these entities are shell companies.[124]

I-Max, a service provider offering wireless Internet through WiMax, operated by Serviceline Ltd, is owned by Landerli Limited, a British Virgin Islands shell company (70%) and Irakli Kavtaradze (30%).[125]

Maximali, a brand operated by VTEL Georgia Ltd, offers wireless Internet access through WiMax technology in six cities and several rural areas.[126] The company operates under a Jordanian management and is owned by VTEL Holdings Limited, a Dubai-based holding company that owns telecommunication companies in the Middle Easter and the former Soviet republics.[127]

TI Georgia has compiled a database with all telecommunication providers authorized by the GNCC and their owners, accessible online at http://goo.gl/AgsVL.

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[122]Georgian Public Registry,
https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=396176&app_id=459813; OTE company website,
http://www.ote.gr/portal/page/portal/OTEGR/TheCompany/OTEToday/OURCOMPANY: Bloomber,
'Gener", http://www.bloomberg.com/quote/GENER:GA/profile (accessed 10 December 2012).
[123] Georgian Public Registry,
https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=470005&app_id=545660; Global Erti company website, http://www.global-erty.net/ (accessed 10 December 2012).
[124] According to the GNCC, Astra Grand Inc is owned by Jardin Holdings Limited which is owned by a Paul Patrick Jones. Lorena Servantez is the director of Astra Grand Inc; Directors of Jardin Holdings Limited are Jones and Luis Antonio Ferera. Van East Ltd is owned by Interstatus Limited, which is owned by Marina Psilow. The director of the company is Elena Andrew. Georgian National Communications Commission, N621/11, 21 September 2012,
www.gncc.ge/index.php?lang_id=GEO&sec_id=7070&info_id=113122 (accessed 10 December 2012).
[125]Georgian Public Registry,
https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=63980&app_id=73681; I-Max company website, http://www.i-max.ge/ (accessed 11 December 2012).
[126]Maximali company website, http://www.maximali.ge/#/lang=en/page=4/child=1.
[127]Georgian Public Registry,
https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=391702&app_id=454039 (accessed 12 November 2012); VTEL Holding company website, http://www.vtel.ae/ (accessed 28 November 2012).

User privacy – how telecom providers store and share client's data

Telecommunication companies are required to store the names, address of clients and types of services provided to clients as well as billing information. TI Georgia found that none of the major telecommunication companies provide information on their websites about how they handle customer's data, how long they store it, what efforts they make to protect it, what information is stored, and with whom and under which circumstances data is made accessible to third parties.

One symptom of telecom's loose approach to handling user privacy are waves of SMS advertising messages that many mobile phone customers are bombarded with, while there is no apparent way to opt out or block the receipt of such messages.

Responding to a TI Georgia request, Caucasus Online says that data regarding the names and types of contracts clients have with the company are stored for at least one year after the termination of the contract, while data regarding money transfers is stored for at least six years. CO says it also stores data about the static IP addresses allocated to customers for an undetermined period. Geocell says it stores data about the name and package of a customer for at least one year after the end of the contract, and billing information for at least 3 years.

Geocell says it has procedures in place allowing a customer to request all data the company has stored about him/her. Silknet says that its customers are able to request information about themselves, including received and dialed calls and the costs of their services.

Silknet says that in 2011, it shared information with law enforcement bodies about their clients in 140 cases, in line with Georgian legislation. Magticom says that almost all requests for the release of customer data from law enforcement bodies concern the addresses and billing information of customers.

According to Google's Transparency report, neither the Georgian government nor any other actor from Georgia has asked the company to hand over any user data or to remove content from its search results or any of its services.[128]

Electronic surveillance

Technical equipment placed inside mobile telecommunications companies has allowed the authorities systematically monitor citizens' mobile communications. Using equipment they had installed in wireless communications service providers' infrastructure, the Ministry of Interior's Constitutional Security Department (KUD) and the Special Operations Department (SOD) have been able to directly access all communications data, an executive of a major telecommunications service provider told TI Georgia.[129]

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[128]Google, 'Transparency Report', http://google.com/transparency-report (accessed 28 November 2012).
[129] TI Georgia, 'Ending unchecked, illegal wiretapping practices', 20 November 2012, http://transparency.ge/en/blog/ending-unchecked-illegal-wiretapping-practices.

In mid-November 2012, the monitoring infrastructure still remained in place after the elections, according to the executive, who asked not to be named. The telecom manager told TI Georgia that under the UNM-led government, the only requests for the release of clients' data coming from the authorities have concerned the release of billing information. In these cases, the authorities followed procedures and the necessary court orders were presented. All other data appears to have been – and continues to be – fully accessible to the authorities, without requiring further cooperation from the side of telecommunication operators, and most likely without any direct court oversight.

On 18 November, 12 employees of the Ministry of Interior were detained. According to a statement issued by the Prosecutor's Office, the suspects had developed a computer virus, under orders from the head of the KUD. The virus, so-called spyware, was allegedly used for unauthorized audio and video surveillance of politicians, political activists and religious organizations. Audio recordings, which were posted on YouTube ahead of the parliamentary elections and which appeared to reveal internal discussions of Georgian Dream representatives, were also illegally obtained using this computer virus, according to the Prosecutor's Office.[130]

In September 2012, activists from the then opposition Georgian Dream coalition complained that President Saakashvili's security services instigated a spyware attack on computers belonging to the staff and family of Ivanishvili, allowing them to monitor their Internet traffic and make secret recordings.[131]

The accusations were made in the US by Tedo Japaridze, a Georgian Dream supporter and former ambassador to the US, when meeting with officials from the State Department on 7th September 2012, according to the Washington Post. Japaridze's team argued that these incidents represented 'clear proof of state security and intelligence activity in surveillance of the political opposition'.[132]

In particular, security experts allegedly found 66 malware infections on 5 computers belonging to Ivanishvili and his close advisors. This malware was apparently able to activate the cameras and microphones in these computers in order to take pictures and make audio recordings, track keystrokes and passwords, and take screen grabs. Some of these screen grabs showed sensitive emails and bills to Ivanishvili from US security and lobbying firms whose services he had been using. In addition, it was alleged that devices that could intercept data and insert

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[130] Ministry of Justice – Prosecutor's Office,
http://www.justice.gov.ge/index.php?lang_id=GEO&sec_id=106&info_id=4896; Civil.ge, 'Charges Against 11 Interior Ministry Officials and Tbilisi Vice-Mayor Unveiled", 16 November 2012,
http://civil.ge/eng/article.php?id=25457 (accessed 20 November, 2012).
[131]The Daily Telegraph, 'Dirty tricks online as Georgia prepares for key vote', 28 September 2012,
http://www.telegraph.co.uk/news/worldnews/europe/georgia/9574485/Dirty-tricks-online-as-Georgia-prepares-for-key-vote.html (accessed November 21, 2012).
[132] The Washington Post, 'Georgia's Rowdy Election Campaign', 20 September 2012,
http://www.washingtonpost.com/opinions/david-ignatius-georgias-rowdy-election-campaign/2012/09/19/596ef5ac-01b0-11e2-b257-e1c2b3548a4a_story.html (accessed 20 November, 2012).

malware into Internet traffic had been installed at Georgian Internet service providers.[133] In response, the government authorities stated that they would have investigated the incident if informed, but had not received a formal complaint about it form Ivanishvili or his campaign team.[134]

An investigation by reporters from Swedish public television into Teliasonera, the owner of Geocell, in spring 2012 highlighted that the company's mobile phone operators granted secret services in Belarus, Central Asia and the South Caucasus access to their clients' communication data.[135] In a number of cases, secret services and law enforcement used this access to track, monitor and – in some cases – arrest journalists, opposition and human rights activists.[136]

Is surveillance and data retention legal in Georgia?

On October 24, the Georgian Young Lawyers' Association achieved an important victory when the Constitutional Court upheld the organizations' complaint against a law allowing the authorities to monitor a citizen's Internet traffic without a court order.[137]

The Georgian Constitution ensures the protection of the private life, place of personal activity, personal records, correspondence, and communication by telephone or other technical means (Article 20). These fundamental rights are not absolute and they can be restricted. However, the state has to justify all kind of restriction of these freedoms and is obliged to protect these freedoms. The constitution says that the restriction of these fundamental freedoms is allowed with the permission of the court or without such a decision in cases of the urgent necessity defined by law.[138]

The law on Operative and Investigation Activity allows law enforcement agencies to use eavesdropping, wiretapping, accessing computer systems and the use of spy software (Articles 7, 14). The law requires a court's permission for investigators to use these techniques. In urgent cases, investigators may act without a court permission but later shall inform a court and seek permission.

The Criminal Procedure Code protects a citizen's right to privacy during a criminal investigation and states that there should be no arbitrary and illegal interference in the private lives of others (Article 7). Private data is protected, and a person whose rights were violated by illegally disclosing private information has a right to be compensated for damages. For infiltrating a

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[133] Ibid.
[134] Ibid.
[135] Disclaimer: TI Georgia receives funding from the Swedish International Development Cooperation Agency (sida).
[136] Swedish Public Television – Uppdrag Gransknig, 'How Teliasonera Sells to Dictatorships', http://vimeo.com/41248885 (accessed 10 August, 2012).
[137] Constitutional Court: http://www.constcourt.ge/index.php?lang_id=GEO&sec_id=6&info_id=1046 (accessed 20 November, 2012).
[138] Georgian Constitution, an outdated English translation is accessible at http://www.parliament.ge/files/68_1944_951190_CONSTIT_27_12.06.pdf.

computer or data storage, investigators require a court's permission (the court has to decide within 24 hours).

The court order granting permission to access a suspect's computer should define the type of communication service used, the timeframe, the user's communication identity, postal or geographic address, telephone and other access number, billing and payment information any other information concerning the location of the installation of communication equipment (Article 136).

The prosecutor also has to obtain a court order granting permission to monitor a suspect's Internet traffic and electronic communication. Telecommunication providers are obliged to cooperate with the investigation and provide the necessary support (Article 137). In case of urgent necessity, the investigative activity may be conducted without court order, however, the prosecutor has to inform the judge about any measures taken and submit the investigation's materials within 24 hours (Article 112/5).

The Criminal Code of Georgia protects the private life of the persons including the secrecy of the private conversations, correspondence and communication. The illegal obtaining, storing or dissemination of personal or family secrets is punishable, as is the illegal interception of private conversation or disclosure of the information (Articles 157, 158). The unauthorized disclosure of the personal correspondence, including phone conversations, which has been received and/or transmitted through technical means is also illegal (Article 159).

The Law on Electronic Communication provides protection for secrecy of electronically transmitted information which can only be restricted under certain conditions. Communication data is considered the user's property. The law also highlights that individuals working in telecommunications companies have to protect the privacy of the company's customers and their information (Article 8).

The European approach to data surveillance

The European Union's Data Retention Directive requires all 27 member states to store citizens' telecommunications data for at least six but no longer than 24 months. Police and security services are able to request details including IP addresses, the senders and recipients of emails, the time and location of users and details about phone calls and text messages sent and received. However, a court permission is required for authorities to obtain such information from telecom operators.

The directive applies to traffic and location data that is necessary to identify users but it does not apply to the content of electronic communication. Nonetheless, even this information may reveal a lot about a citizen's private life, as this visualization of communications data that a German Member of Parliament obtained from his mobile phone operator highlights.

The EU Data Retention Directive has been sharply criticized by human rights and privacy activists for undermining people's right to privacy and thus the concept of a free society. Critics

argue that the rules also disrupt the activities of reporters, lawyers, politically active citizens and business people who can no longer ensure the protection of sources they communicate with electronically and use electronic communication to conduct activities that rely on discretion.

In Germany, the Federal Constitutional Court has declared part of the data retention legislation as unconstitutional; in several other countries courts have yet to rule on this issue.

Web hosting in Georgia

The services needed for operating websites within a country can be roughly divided into three categories: domain name services, hosting, and connectivity.

In all three of these areas, competition remains limited as only few companies provide services in these sectors. As a result, prices remain significantly higher than in Western countries and also the quality of service provided by Georgian companies lags behind their foreign competitors. As a result, a number of media outlets, organizations and companies are hosting their websites outside Georgia.

Domain name services ensure that users who type in a web address, (also known as a domain name, for example, "transparency.ge,"), are directed to the proper server. Hosting refers to the computational resources necessary to store a website's data and respond to requests from users (the server). Connectivity refers to the link to the rest of the Internet, ensuring that a website can transfer data to users. A disruption in any of these services can cause a website to become inaccessible.

This section will describe and analyze the current conditions in Georgia with regard to the hosting and domain name services areas.

.GE – Domain name services

Globally, the domain name system (DNS) is controlled by the Internet Corporation for Assigned Names and Numbers (ICANN).[139] ICANN delegates the administration of country-code top-level domains (known as ccTLDs) to designated managers.[140] The designated manager for the GeorgianccTLD (.ge) is Caucasus Online, also one of the two biggest Internet service providers in Georgia.[141]

ICANN places few requirements on the designated managers for ccTLDs beyond the requirement that they have the technical capacity to effectively administer the ccTLD. ICANN states that designated managers "have a duty to serve the community", requires that designated

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[139] ICANN, 'About Us', http://www.icann.org/en/about/welcome (accessed 28 November 2012).
[140] Postel, J., 'RFC 1591: Domain Name Structure and Delegation', March 1994, http://tools.ietf.org/html/rfc1591 (accessed 28 November 2012).
[141] Internet Assigned Numbers Authority, 'Delegation Record for .GE', 12 June 2012, http://www.iana.org/domains/root/db/ge.html (accessed 28 November 2012).

managers process requests for domain registration in a non-discriminatory fashion, and that the procedures for registering a domain be documented and available to interested parties.[142]

Registration.ge – the only .ge domain provider

Caucasus Online makes .ge domain registration procedures available on the website registration.ge, and there is no indication that they process registration applications in a discriminatory fashion.[143] The company has maintained a monopoly over domain registration services, and does not allow any other companies to perform the service of registering a .ge domain for clients.

It is difficult to determine exactly how much money Caucasus Online receives each year from domain registrations because the cost of registering a new domain increases based on the number of domains a registrant has already registered.[144] There are approximately 20,200 domain names registered in Georgia.[145] A conservative estimate of GEL 10 per year per domain name (based on the lowest payment tier in Caucasus Online's scale) would result in Caucasus Online receiving revenues of about GEL 200,000 per year from its domain name services, a relatively small amount. However, this does not include increased revenue from web *hosting* services that Caucasus Online may receive as a result of its monopoly on domain name registrations; this will be discussed in the section on hosting, below.

Two shortcomings can be identified in the domain registration services provided by Caucasus Online:[146] the first of these is that it is impossible to register domains online.[147] Caucasus Online requires that new domains be registered by physically visiting an office in Tbilisi – no online registration is available, although an online form is provided which can be filled out and printed.[148] This makes it difficult for Georgian citizens and companies located outside of Georgia (or outside the capital, for that matter) to register new domain names. Providing an online registration form would address this shortcoming.

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[142] ICANN, 'ICP-1: Internet Domain Name System Structure and Delegation (ccTLD Administration and Delegation)', May 1999, http://www.icann.org/en/resources/cctlds/delegation (accessed 28 November 2012).

[143] registration.ge 'GE Domain Registration Terms and Conditions', http://registration.ge/index.php?page=4&lang=geo (accessed 28 November 2012).

[144] *Ibid.*

[145] A list of all domain names ending in .ge was downloaded from registration.ge's servers, on 28 November, 2012, by performing a DNS zone transfer using the dig diagnostic tool: 'dig @ns.nic.ge geaxfr'. This list contained 20,196 unique domain names on that date. This does not include domains owned by entities based in Georgia who may have chosen to register other types of domain names, such as those ending in .org or .com.

[146] TI Georgia operates numerous websites on various topics and therefore has significant experience registering and updating domain names; TI Georgia also conducts research using the publicly available registration information provided by Caucasus Online.

[147] registration.ge, 'Question-answer', http://registration.ge/index.php?page=6&lang=geo, (accessed 28 November, 2012) (Georgian).

[148] *Ibid.*

Little.ge website ownership transparency

A second shortcoming is that the registration information provided for a domain name through Caucasus Online's lookup service is often not sufficiently detailed to allow the true owner of the domain name to be identified. The name, address, and telephone number are usually listed, but there is apparently no verification process to ensure that the information submitted by registrants is accurate; in the process of researching this report, it was discovered that Caucasus Online's database gives 18 Rustaveli Avenue as the address for Transparency International Georgia – the correct address is 26 Rustaveli Avenue.[149]

In Georgia, providing identification numbers is required to buy and sell, and, register corporations, and participate in public procurement, and the identification numbers associated with such transactions are made public as a matter of course. Because of the important role that the Internet and websites play in the modern economy and in Georgia's media landscape, the identification numbers of those individuals and corporations registering domain names should be made public as well, so that the registration of domain names is as transparent as other similarly important information in Georgia.

Numerous Georgian news outlets fail to provide any information about who owns and operates the website, who is responsible for the content made available on it, and how those responsible for the content can be contacted.

Hosting

Web hosting services are provided independently of domain name services, but it is possible to use part of the domain name system, specifically authoritative domain name servers, to help determine which hosting company provides hosting for a given domain name/website. Every domain name is associated with an authoritative domain name server that is regarded as the authoritative source for updates to that domain name. It is usually convenient from a technical and financial perspective for the authoritative server to be operated by the same organization that provides hosting services, and this custom is followed in the majority of cases.

Two companies provide the authoritative domain name servers for a large proportion of Georgian domain names: Caucasus Online is the authority for 33.76% of domain names, and ProService acts as the authority for 22.91%. It can also be seen that Georgian domain servers exhibit a "long tail": The top 15 authoritative servers provide services to only about two thirds of Georgian domain names (64.74%).

The following table shows the top 15 most common authoritative domain name servers as well as ownership information for those servers, if it is known.[150]

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[149] We have notified Caucasus Online to correct this error.
[150] Domain name servers often come in pairs, a primary server and a backup server, which provide services to identical groups of domain names. If the backup servers and the primary servers don't serve identical numbers of domains, the larger of the two numbers is used in the table.

Table: Top 20 Authoritative domain name servers for Georgian domain names

Rank	Server	Domains	Percent of total	Ownership
1	hosting.co.ge	4616	22.86%	Caucasus Online
2	serv.ge	1950	9.66%	ProService
3	proservice.ge	1611	7.98%	ProService
4	caucasus.net	1348	6.67%	Caucasus Online[151]
5	wanex.net	710	3.52%	SilkNet[152]
6	hosting.ge	539	2.67%	ProService
7	online.ge	418	2.07%	Caucasus Online
8	garse.net	291	1.44%	ITDC
9	unlimited.ge	274	1.36%	ProService
10	myhost.ge	250	1.24%	ProService
11	servage.net	247	1.22%	Servage GmbH (Germany)
12	u-telcom.net	224	1.11%	Caucasus Online[153]
13	sanet.ge	213	1.05%	Caucasus Online[154]
14	bog.ge	193	0.96%	Bank of Georgia
15	ti.net.ge	188	0.93%	Service LLC

In general, the number of domain names for which a server acts as the authoritative server can be used as a rough proxy for the number of websites hosted by that server's owner, for the reasons described above. For example, in the case of ProService's domain server, ns1.proservice.ge, it is relatively simple to verify that at least 1,255 of the domain names for

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[151] This domain is registered using a domain anonymization service, so its true owners can't be identified. However, www.caucasus.net directs users to the Caucasus Online homepage, and the Caucasus Online homepage uses ns1.caucacus.net as its authoritative server.
[152] The registrant for this domain name is Nika Berelidze, and the contact information is for the Tbilisi-based holding company "Compy". The IP addresses for this company's servers are owned by SilkNet, and going to www.wanex.net directs users to the SilkNet homepage.
[153] The contact email address for u-telcom.net is provided by internet.ge, which is registered by SaNet (see next item).
[154]SaNet is owned by the same offshore owner as Caucasus Online, and navigating to www.sanet.ge directs users to the Caucasus Online homepage. The Caucasus Online webpage also contains links to webmail for SaNet.

which it is the authority are hosted on ProService's servers, which is about 78% of the total 1,611 domain names for which that server is the authority.[155] The other name servers under ProService's control can be assumed to exhibit a similar pattern. For Caucasus Online's server ns1.hosting.co.ge, at least 96% of the domain names are hosted on Caucasus Online's servers.[156]

It is likely that over half of all websites in the .geccTLD are hosted by either Caucasus Online or ProService, with SilkNet and ITDC being the only alternative, local hosting providers of significant size. Although the global nature of the Internet theoretically allows Georgian websites to be hosted anywhere in the world, local hosting providers enjoy some significant competitive advantages over foreign hosting providers which may shield them from competition from foreign hosting providers.

The first of these is that some webhosting clients may not have the resources (e.g. language skills) necessary to work with foreign hosting providers. Secondly, local hosting providers have a significant speed advantage over foreign providers due simply to geography: from a Georgian computer, the time required to contact a major web hosting provider in Russia is about 130 milliseconds on average, compared with about 2 milliseconds to contact ProService's servers.[157] Although a difference of 128 milliseconds may not seem like much, research conducted by Google has indicated that slowing down a website by as little as 100 milliseconds can measurably reduce usage.[158]

Additionally, Caucasus Online in particular enjoys a significant market advantage because it is also the designated manager for the .geccTLD. This allows it to include its own hosting services as the default on the registration form for new domain names. The importance of this is shown by the fact that ProService has replicated the Caucasus Online registration form on its own website, but with its own servers included instead of Caucasus Online's.[159]

The oligopolistic nature of the Georgian web hosting market, and the fact that Georgian web hosting providers may be partially shielded from competition by foreign hosting providers, may contribute to an observed reduction in the quality of the services provided by Georgian web hosting companies.[160] Expanded competition in the Georgian web hosting market could lead to

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[155] This was done using a reverse IP lookup service to determine the owner of each of the most common IP addresses returned by the ns1.proservice.ge server for the domain names for which it is the authority.
[156] Out of 4,616 total domain names, 4,450 were easily verifiable as being hosted by Caucasus Online.
[157]This was tested by executing the commands ping -c 50 ns1.masterhost.ru and ping -c 50 ns1.proservice.ge from a Linux shell on a computer in the TI Georgia office.
[158]Brutlag, Jake, 'Speed Matters for Google Web Search', 22 June 2009, http://services.google.com/fh/files/blogs/google_delayexp.pdf (accessed 29 November 2012).
[159]http://proservice.ge/index.php?m=336 (Accessed 29 November, 2012) (Georgian)
[160] Although objectively judging web hosting services is notoriously difficult, TI Georgia operates numerous websites with varying technical requirements, and has close contacts with other organizations and individuals working in the technology sector in Georgia. Anecdotal evidence from these contacts and the experiences of TI Georgia's technical staff indicate that web hosting providers based in Europe and the US often provide better service. TI Georgia is in the process of migrating all of its websites to a foreign host.

improvements, but unfortunately, the trend has been toward consolidation of the market rather than its diversification. ProService, now the second-largest web hosting provider in Georgia, recently took ownership of several other local web hosting companies, namely Serv.ge, MyHost.ge, Unlimited.ge, and Hosting.ge.

ProService was created in 1999, and is co-owned by Giorgi and Revaz Natroshvili, who both hold 50% shares. Revaz Natroshvili is an active businessman who is associated with several other companies, including IT Service LLC, E Trade LLC, and TbilContract JSC.

Network neutrality

Currently, anybody can access all websites, from the websites of multinational corporations to Facebook and YouTube, at the same speed, and without any impediments. This open and non-discriminatory access has been defined by the concept of network neutrality.[161]

Net neutrality means that all Internet service providers (ISPs) "treat all sources of data equally," regardless of ownership, content, or access to applications.[162] An open and neutral Internet guarantees the free flow of and access to information. The concept of neutral telecommunications technology can be traced back to the age of the telegram, where operators were not allowed to discriminate against those who needed messages passed, or those receiving messages.[163]

Despite the historical basis for neutrality, debates are now being waged across the United States and Europe on whether ISPs can exert a certain amount of control over access to the Internet. Service providers are proposing to charge companies for faster access to their websites and applications', thereby controlling what information is readily available to users, and slowing the dissemination of, or blocking entirely, access to other websites. ISPs could also monitor which sites and technologies citizens are using through new technologies such as deep-packet inspection. Without network neutrality regulation in place, these powers could limit public access to information, access to pluralistic news sources, and the public value that news and online information provides.

In Georgia, this topic could become more relevant, because several Internet service providers have links to content providers (for example, Magticom shareholders now also own Imedi TV; Rustavi 2 shareholder Levan Karamanishvili has close ties with Beeline and Caucasus Online)

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[161]FreePress, 'Net Neutrality 101', http://www.savetheinternet.com/net-neutrality-101 (accessed 16 July, 2012).

[162] New York Times, 'Net Neutrality", 22 December 2010, http://topics.nytimes.com/topics/reference/timestopics/subjects/n/net_neutrality/index.html, (accessed 16 July, 2012).

[163] Sedgwick, Detert, Moran & Arnold LLP: Media Law Bulletin, December 2007, http://www.sdma.com/files/Publication/e078fa3a-8b3c-4bf5-b384-734f26afc9b3/Presentation/PublicationAttachment/ab2b71fb-ec17-47cf-aef1-7eb8bbb7073f/media_law-12_dec_2007.pdf (accessed 16 July, 2012).

and might have an interest in promoting affiliated content by providing customers privileged access.

Legislation for net neutrality has varied across Western nations. In April 2011, the EU Commission examined net neutrality in regards to its practice and potential legislation. However it did not call for the enactment of specific laws. The EU parliament criticized this decision, and called upon the Commission to do more for net neutrality. [164] In December 2011, the EU Transport, Telecommunications, and Energy Council concluded that net neutrality was a policy objective for EU member states, and that the open character of the current Internet needed to be preserved.[165] At this time however, it is up to member states to protect net neutrality how they see fit.

In June, the EU's commissioner for telecommunications, Neelie Kroes, announced EU plans to require ISPs to provide customers with clearer and more complete descriptions of their services, requiring operators to not only disclose maximum connection speeds but also minimum speeds. Kroes also said she intended to draft guidelines for deep packet inspection, a technology that allows ISPs to analyze the web-traffic of customers and to block or restrict access to potential rivals. Internet freedom advocates have criticized the EU Commission for not taking a strong enough stance in favor of Internet neutrality regulation.[166]

The Council of Europe has recommended that its member states, including Georgia, take measures to ensure network neutrality, in order to promote the public service value of the Internet. They have argued that the intermediaries of ICT-based media – ISPs – might unduly restrict the access to, and dissemination of, certain information for commercial or other purposes, breaching contracts with customers – potentially even without their knowledge.

Recently, the Netherlands became the first country in Europe to pass legislation guaranteeing net neutrality for all citizens, preventing operators from blocking applications like the messenger WhatsUp.[167]Belgium and France have also started to consider legislation. In the United States there is less of a consensus on net neutrality. Opponents state that net neutrality laws amount to government interference in private companies, and argue that there is a greater need to protect intellectual property from being illegally downloaded. Proponents view the Internet as a

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[164] PC World, 'Net Neutrality Should Be Enshrined in EU Law Says Parliament', 17 November 2011, http://www.pcworld.com/businesscenter/article/244075/net_neutrality_should_be_enshrined_in_eu_law_says_parliament.html (accessed 16 July, 2012).
[165] Council of the European Union, Council conclusions on the open internet and net neutrality in Europe, 13 December 2011,
http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/trans/126890.pdf (accessed 16 July, 2012).
[166] New York Times, 'A Call for More Clarity on Net Access in Europe', 6 June 2012,
https://www.nytimes.com/2012/06/07/technology/eu-and-consumer-groups-at-odds-over-restricted-net-access.html (accessed 17 July, 2012).
[167] Electronic Frontier Foundation, 'The Netherlands Passes Net Neutrality Legislation', 21 May 2012, https://www.eff.org/deeplinks/2012/05/netherlands-passes-net-neutrality-legislation; New York Times, 'A Call for More Clarity on Net Access in Europe';

public good that should be available to all, and discriminatory business practices hinder the development and usage of the Internet.[168]

The US Federal Communications Commission (FCC) has used its jurisdiction over the telecommunications industry to support access to the Internet for all; in 2008 it voted to uphold complaints against the Internet service provider Comcast for blocking customer access to file sharing sites.[169] In 2010, the FCC also voted to uphold net neutrality rules for ISP's, however neglected to extend the rules to wireless carriers or prohibit ISP's from charging more to access sites at faster speeds.[170]

Copyright violations

In the only recent case of online content being blocked by a government entity, the GNCC asked Internet service providers in June 2011 to block the download of copies of the action movie 5 Days in August, loosely based on the 2008 Georgia-Russia war while the movie was showing in local theatres. The GNCC said at the time that it took action after the Georgian Author's Society had informed the regulator of copyright violations.[171] The movie was financed and co-produced by Koba Nakopia, a Member of Parliament for the ruling United National Movement.[172]

Websites offering downloads of copyrighted content remain popular, several such sites are controlled or hosted by Caucasus Online.[173] A Silknet representative told TI Georgia that this fact undermines commercial efforts to establish video on demand services in Georgia (however, an ad promoting Silknet is displayed on imovies.ge). The GNCC has been accused of having a somewhat selective approach when pursuing copyright infringements by broadcasters, cable operators and Internet service providers, which often also offer cable or IP-TV packages.

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[168] http://www.imprintmagazine.org/life_and_style/digital_divide_issue_net_neutrality
[169] Hansell, Saul, "F.C.C. Vote Sets Precedent on Unfettered Web Usage', New York Times, 2 August 2008, www.nytimes.com/2008/08/02/technology/02fcc.html?_r=4& (accessed 8 July 2012).
[170] Kang, Cecilia, 'FCC approves net-neutrality rules; criticism is immediate', The Washingotn Post, 22 December 2010, www.washingtonpost.com/wp-dyn/content/article/2010/12/21/AR2010122106110.html (accessed 8 July 2012).
[171] Civil.ge, 'Cracking Down on Pirated August War Movie', 16 June 2011, www.civil.ge/eng_old/article.php?id=23631; Tabula, 'Almighty Mouse and Internet Censorship', 4 September 2011, http://en.tabula.ge/article-5322.html & (accessed 8 July 2012).
[172] International Movie Data Base, 'Full cast and crew for 5 Days of War', http://www.imdb.com/title/tt1486193/fullcredits (accessed December 7, 2012).
[173] See information on http://avoe.ge and http://allmovies.ge/ available on registration.ge (accessed December 10, 2012).