

# THE GEORGIAN CHRONICLE

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Major events and trends in politics, economy and social life

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The parliament has approved a new political concept to be a guideline for Georgian state policy in visible future. Alongside with the next failure of Russia and CIS to promote the resolution of an Abkhaz conflict Tbilisi seemingly would go ahead for direct talks with Abkhazs. The upcoming reshuffle of the government risks provoking a new power clash. Russian arm deliverance to Armenia had tensed Tbilisi-Baku relations. The national economy was still in a fever.

### STATE POWER

*A NEW POLITICAL CONCEPT.* In accordance with the claims of the hunger strikers from faction 'Abkhazia', on April 3, the parliament gathered at a special plenary meeting devoted to Abkhaz problems. The legislators, however, decided not to open the discussion on this painful issue. The main reason for that was said to be the fear to erupt new unrest by irritation with unpopular decisions an estimated 2000 refugees rallying away the parliament. The rally, however, had not caused any problems for the power. Instead of an Abkhaz issue the parliament discussed and overwhelmingly(133/6) passed the resolution approving the document titled as " The Concept for Solidity of Georgia's Social Life, Restoration of Territorial Integrity, Strengthening Security, and Sovereignty". This document is to be served as a groundwork for further determination of political priorities. The resolution committs the parliament groups' team to supervise together with an Ad Hoc parliamentary commission for Abkhazia the fulfillment by executive the parliament's resolutions on Abkhaz conflict resolution, and submitt an account in a month.

The concept gives Russia full responsibility for still unresolved Abkhaz conflict, as well as other destabilizing factors in the country, and strongly doubts the expediency of Russian military presence in Georgia. Reaffirming the strive to Europe as Georgia's one of the highest political priorities, the concept, however, calls for activation of equal in rights dialogue both with Russia, and all Caucasian states. The concept implies wider presentation of Georgia-resided national minorities in state bodies, and granting Abkhazia extremelly broad autonomy within united Georgian state.

The concept has outlined the laws and documents to be mandatory adopted in the nearest future. These are the laws on Georgian state security, state border, lustration, legal status of occupied Georgian territories, the status of Russian troops temporarily based in Georgia, and a concept of security and military building.

The leader of faction "Majoritarians", and Socialist Party chair Vakhtang Rcheulishvili strongly criticized the concept, describing it as an extremelly "anti-Russian" promising

further deterioration of relations with Moscow. The parliament's chairman Zourab Zhvania assessed the concept as a guideline of Georgian state policy in the visible future.

**ECONOMIC POLICY.** The parliament scrutinized the draft bill "On Privatization of State-owned Enterprises", while a joint commission of ministries of finances, state property, and energetics tried to establish purchase prices of joint-stock companies' shares to be sold at 15 cash auctions expected to be started in May. An April 24 decree of the Ministry of State Property abolished six ineffective holding companies. Only two holding companies "Mining Chemistry" and "Hydroelectric Construction" because of their specialized character were found as salvageable.

On April 17, the parliament-approved law "On the Calculation of Living Wage" officially went in effect. According to it the formation of living wage is to be grounded on food and consumer basket of able-bodied man. The composition of the basket will be periodically revised by the Health Service Ministry. The living wage is to be calculated pursuant to the current average purchase prices.

Because of the failure in collection of planned budget revenue for the first quarter the presidential aide for economic reforms Temur Basilia doubted the fulfilment of a government-promised 20% increase of salaries and pensions in July. Meanwhile, the state debt in payment of overdue wages and pensions has exceeded 12,5mln. laries.

Reviewing the government's performance for the first quarter of this fiscal year a Shevardnadze-chaired government meeting held April 25 found that only limited success has been achieved in collection of taxes and other revenues, as well as in imposing budget constraints on enterprises particularly in the regions. The Economics Ministry reported the meeting on the halting of production decline, and the signs of revival in some industrial branches.

The State Minister Niko Lekishvili, however, publicly doubted the veracity Economics Ministry-presented optimistic data, saying that they were provided by the work of very small portion of industry. The meeting particularly underlined that the number of decrees and resolutions, including presidential, still have been remained unfulfilled. By April 1, out of 1164 presidential decrees only 914 have been implemented.

After gruelling debate the parliament approved the revival of previously abolished Ministry of Industry operating to date as an industry department within the Economics Ministry. Shevardnadze stressed that revived ministry needs a new, market-oriented leader. This has burried the hopes of the former Soviet-style industry minister Vladimir Kereselidze to get himself reinstated at that post. Shevardnadze also removed from financial-economic sector some other Soviet-era functioneers. On April 25, he fired the Finance Minister David Yakobidze for series of failures and abuses while in office(see more "**Power Clash**" ), and Nugzar Nadaraya, Mayor of the city of Poti, who according to Mr.Shevardnadze has failed to secure the development of this major Georgian sea-port.

**POWER CLASH.** The sacking of David Yakobidze was said to be a political step, as Shevardnadze-led rulling party Citizens' Union of Georgia(CUG), and its reformist wing in particular, have long been fighting for key ministerial portfolios. At an April 8 session CUG's parliamentary group decided to initiate impeachment proceedings against Mr.Yakobidze on the ground of heavy compromising material collected by an Ad Hoc parliamentary commission against corruption led by CUG group's leader Giorgi Baramidze. But according to some reports Mr. Shevardnadze probably decided to yield up his party's pressure, and forestalled the impeachment.

As the former economic policy overlord, presidential chief economic aide Temur Basilia had fallen out of parliament's favour, and appeared to have dropped off the media's latest contenders list for the finance minister's post, the "governor" of Guria region, young banker, and CUG active member Mikheil Chkuaseli was the man to watch. Some experts forecasted that several least popular ministers would also share Mr. Yakobidze's fate, and were expected to be substituted for CUG nominees.

On April 4, the parliament voted down the president of the National Bank(NB) Nodar Javakhishvili, a reform-minded man reputed as one of the 'godfathers' of Georgian monetary reform. He was nominated by Mr. Shevardnadze to the NB's council which after confirmation of its 9-member staff must elect NB's new president. Very few experts doubted that Javakhishvili would keep his job. That case appeared to be the manifestation of both disagreements on personnel policy between Shevardnadze and CUG-dominated parliament, and the clash between reformers, and the followers of backward-looking policy chiefly presented by ex-soviet Russia-oriented "nomenklatura", and their allies. The voting down of Javakhishvili timed with vicious and highly personalized attack launched against him through the media by the Association of Georgian Bankers and later by the Young Bankers' Professional Club(the bodies dominated by the heads of former state banks). They charged Javakhishvili with invalid fiscal policy, protectioning of "favourite" banks, and financial abuses. The NB's policy for 1995-97 agreed with IMF included strictly controlled emission of soft credits. According to observers this has run counter to the interests of those still influential political and financial groups heavily profiting from liberal fiscal-credit policy launched by NB's former leadership for 1992-94, and resulted in financial turmoil for Georgia. Besides, by 1997 NB under Javakhishvili has evidently imposed its rules of game on nearly all branches of power.

The forces opposing NB's policy still dominating both the parliament, and ruling party seemingly decided to remove unfavourite figure, and simultaneously demonstrate their power. Mr. Shevardnadze qualified the parliament's decision as "a serious political mistake". It's still unclear whether Mr. Shevardnadze nominate Javakhishvili again, and who would be a CUG-suggested candidacy. The parliament was not in rush to confirm the NB's council staff probably aiming to make this issue the subject of political bargain. The international monetary organizations also watch with some interest who will be tipped to the NB's president's post. Zourab Zhvania discussed the situation around the NB both with Mr. Shevardnadze, and the IMF representative to Georgia Hunter Monroe, though no details were available.

On April 15 the parliament by active efforts of CUG faction yet for the second time voted down the draft bill on creation of free economic zone submitted by the faction "Union for Revival"(UR) from Ajarian Autonomous Republic(Georgia's constituent territory). The bill implied the creation of a free economic zone in Batumi(Ajaria's capital) area. The failure of the bill the experts explained by the fear of central authorities to strengthen the economic and political stance of Aslan Abashidze, the chair of Ajaria's Supreme Soviet striving for maximum independence from Tbilisi. The voting down of the bill appeared to be the final split between CUG and UR, composing an year ago the parliament's constitutional majority. On April 16, UR faction delivered a strict-worded public statement charging Tbilisi with pursuing an anti-Ajarian policy, and a campaign of libel

against Mr. Abashidze. In this statement actually for the first time, Ajarian deputation publicly demanded the urgent definition of a political status for the region.

The stand-off between the leader of the National-Democratic Party (NDP) Irina Sarishvili-Chanturia and the Security Minister Shota Kviraya charging by her with serving Russian FSB had received new portion of fuel. Mrs. Sarishvili-Chanturia charged that the recently-appointed Mr. Kviraya's two new deputies Jemal Gakhokidze (chief officer of Interior Ministry under Kviraya), and Tamaz Ninua (security chief in Gamsakhurdia's cabinet) were corrupted persons, and also served for Russian intelligence. She accused Mr. Ninua of masterminding in 1991 the arson of Georgian KGB's archive containing the data on local agents. This according to Mrs. Sarishvili-Chanturia delays the putting in effect the law on lustration. Meanwhile, the parliament gave an year-long mandate to an Ad Hoc commission under MP, Mikheil Osadze for investigating the compromising materials on corruption and anti-state activity within interior and security ministries. The materials were passed by Mrs. Sarishvili-Chanturia. Mr. Kviraya also appealed Mr. Shevardnadze to investigate Mrs. Sarishvili-Chanturia's charges, though Mr. Shevardnadze still has been keeping a distance from this clash.

**REGIONS & REGIONAL POLICY.** Samtskhe-Javakheti region (Southern Georgia) bordering with Armenia, and densely populated by ethnic Armenians has emerged as a potential source of destabilization.

Without notification of Tbilisi the coordinating council of local political parties the main body of which is a public movement 'Javakh' started the preparations for referendum on granting the region higher political status within Georgia. According to some knowledgeable sources this idea was activated after confidential talks of 'Javakh' leaders with top Armenian officials in Yerevan including Armenian president Levon Ter-Petrosian, though the Armenian party denied that.

The "Javakh" claiming to have full support of local population demands from Tbilisi the dissolution of Samtskhe-Javakheti region, and formation of a separate unit Javakheti with higher status close to federated subject, and making the town of Akhalkalaki a regional capital. They justify that by the need of better settlement of socio-economic problems which, however, are common for all Georgian regions. The "Javakh" categorically opposes the tracing of Georgian-Turkish railway main Kars-Akhalkalaki regarding that as a precondition for Turkish expansion in the region, and threaten Tbilisi with active countermeasures if the railway start to operate. The leaders of "Javakh" do not hide very that the higher political status is needed for securing the investment to the region, reportedly to be flown from the worldwide Armenian diaspora.

According to some sources pro-separatist moods in the region are actively bolstered by the radical "Dashnaktsutun" party, officially forbidden in Armenia, but shielded in Javakheti. The passivity of Tbilisi increasingly links the region with Armenia both politically, and economically. The quartering of Russian division, said to be the arm-supplier for local irregulars, also serves as destabilizing factor. Top Georgian officials were tight-lipped on the real situation in the region, but for the month media, and some politicians published several alarming articles warning on possible anti-Georgian provokative actions in this region, and mainly pointed finger to Russia. Moscow hit back by the Foreign Ministry's statement qualifying the charges as "fiction".

On April 6-7, CUG jointly with the specially invited delegation of Armenia's ruling party- "Common National Movement" led by Husik Lasarian visited the region. The

leaders of "Javakh" reiterated their demands, which Mr. Lasarian readdressed to Tbilisi. Armenian officials stated that no political action in the region carried out in evasion of Tbilisi be recognized by Yerevan. Despite that there were no visible signs that the referendum idea has been given up.

Meanwhile, the absence of legal ground for country's administrative-territorial order creates more and more problems for the power. The chair of the parliament's subcommittee for local-government issues Vano Khukhunaishvili in a public letter to Mr. Shevardnadze called him to secure timely elections in local state bodies by promoting the law on local self-government. Nevertheless, the prospects of long-awaited elections of local government bodies officially scheduled this fall, remained unclear. The power still has been failing to conciliate different versions of drafts law on self-governing principles.

On April 30, the parliament's bureau discussed the draft worked out by the Ministry of Justice. It implies the adoption of provisional law for transitional period of 1,5-2 year as the Constitution does not spell out the country's territorial order until restoration its integrity. The draft makes elected only inferior links of local government, and grants excessive power to president-appointed heads of regional executive. Almost the same is the gist of CUG's draft, while the opposition insists that all local-government bodies are to be elected. As experts forecast Tbilisi would reluctantly share the power with the regions.

**MILITARY ISSUES.** On April 30, Georgia celebrated 5th anniversary of creation of the national army. At a meeting with chief military staff Shevardnadze stated that nowadays Georgian army is ready to secure the restoration of country's territorial integrity.

Meanwhile, Georgian Defense Ministry continued to fight with such chronic problems as draft-evasion, the lack of skilled personnel, and underarming. According to the parliaments Defense/Security Committee the corruption in military commissioners easily allow the draft-evasion through the bribe total \$500-800. According to some experts the existence of officially registered 150,000 conscripts far exceed the army needs, and makes urgent the adoption of the law on alternative service.

On April 24, Vice-Colonel Tengiz Chkhaidze, the head of Defense Ministry's Military-Technical Center responsible for training of military specialists was fired for office abuse, and failure to provide the army with relevant number of properly trained personnel. According to military officials the national army experiences acute shortage of signallers, and skilled specialists of communications.

On April 20-22, Georgian Navy-conducted exercises by use of three militarily re-equipped seiners aimed at preparation for independent patrolling of territorial waters.

## **FOREIGN RELATIONS**

On April 8-10, the EU-sponsored international conference under the auspices of BSEC and TRACECA gathered in Tbilisi the transport ministers of 17 countries. Only Russia was presented by a low-ranked official. The main goal of the conference was the prioritizing of TRACECA as a main transEuropean passage. The conduction of the conference in Tbilisi the observers linked with Georgia's increasing role as a 'transit country' which much depends on its transport sector. The conferencre manifested Moscow's discontent by developing Eurasian transport routs via Georgia bypassing

Russia. As Mr. Shevardnadze told the conference the transportation of Azeri oil to Europe via Georgia implies itself the putting into effect an Eurasian corridor.

Mr. Shevardnadze together with seven presidents of BSEC countries participated in the BSEC-sponsored conference "New Possibilities in the Black Sea Region" held April 28-30 in Istanbul. Mr. Shevardnadze met Turkish president Suleiman Demirel and finally agreed the plan of construction of Georgian-Turkish Kars-Akhalkalaki railway branch. Mr. Demirell was reportedly asked for postponement of repaying Georgian arrear to Turkey worth \$50,000.

The official visit of president Askar Akaev of Kyrgyzstan to Georgia and his talks with Mr. Shevardnadze produced 13 bilateral agreements in different fields. The trade-economic cooperation deals with facilitating the export to Kyrgyzstan of Georgian wine and metallurgical production. Kyrgyzstan has joined Meshkhed-Araks agreement between Georgia-Azerbaijan-Turkmenia-Uzbekistan implying the activation of transport communications between these countries.

The exposed illegal deliverance of Russian armament to Armenia via Georgia has significantly tensed Georgian-Azerbaijan relations. President Heidar Aliev of Azerbaijan officially demanded Georgia to fix its formal and principal attitude to that fact as arms-delivery has been carried out from Georgia-based Russian arms shops. He warned that Georgia might become the next victim of Armenian aggression in case of keeping silence. An ambiguous position of Tbilisi on this case runs counter to recently concluded Georgian-Azeri agreement on strategic partnership. According to some observers it would cost Georgia economic sanctions from Azerbaijan. For the month, however, no official statement on this case has been made by Tbilisi. The observers linked that with scheduled in May Shevardnadze's visit to Armenia.

The regular meeting of the council of intelligence chiefs of CIS countries held April 23-27, in Tbilisi was marked by extreme confidentiality. Some sources, however, informed that the participants discussed joint antiterrorist measures. At the initiative of Russian delegation the meeting approved Georgian Security Minister Shota Kviraya as the council head. According to some sources by this step Moscow tries to "shield" Kviraya if his stance would shake. In this background the charges against Kviraya exposing him as a 'Russian agent' appeared to be more convincing(see"Power Clash" ).

As reliable sources reported on April 4, Russian border patrol shot without casualties Turkish seiners fishing in Georgian territorial waters. The border accident, however, was not publicized.

According to Border Department officials the command of Russian border troops unsuccessfully tried to gain the consent of Tbilisi for moving Russian units to Georgia's Northern regions in order to "lock" by them a Chechen plot of Russian-Georgian border. Georgia continued to activate its relations with North Caucasian republics . The series of visits were held in Chechnya, Dagestan, and Azerbaijan by the members of a parliamentary group 'Abkhazia'. They resulted in gaining the support to the idea of united Caucasian parliament.

## CONFLICT ZONES

**ABKHAZIA.** The pessimistic forecasts about the decisions on Abkhazia adopted by March 28 CIS summit in Moscow appeared to be come in true. The decisions committed the command of Russian(formally CIS) peacekeeping troops to elaborate within the month in cooperation with Georgian and Abkhaz parties the plan for widening of peacekeepers' operational zone. The new safety zone was planned to be encompassing the whole Gali district and a part of neighbor Ochamchira with redeployment of peacekeepers deep into Abkhazia.

An Abkhaz side in the person of the leader of Abkhaz separatists Vladislav Ardzinba linked that plan with Georgia's alleged attempt to regain Abkhazia through the help of Russian peacekeepers, and turned it down. Mr. Ardzinba said that Abkhaz armed forces will continue to guard the strongholds around Ochamchira notwithstanding the location of peacekeepers. On April 28, in Sukhumi a high ranking Russian delegation led by the Ambassador-at-large Genady Ilychov unsuccessfully tried to persuade top Abkhaz officials to meet CIS summit decisions.

A strict attitude of separatists timed with publicizing of an Abkhaz military potential in semiofficial "Respublika Abkhazia". According to the official data Abkhaz armed forces number 53,000 servicemen including reservists. They are armed with 34 tanks, 70 armored carriers, several helicopters, and 21 boats. The Chief of Staff of Abkhaz armed forces Vladimir Arshba stated that if Tbilisi resume hostilities against Abkhazia, the latter will not frame itself by defensive acts, but launch offensive in the Georgian territory against the cities of Zugdidi and Poti.

At the same time the command of Russian peacekeepers actually did nothing to elaborate the plan on widening a safety zone, as required. On April 25, the commander of Russian peacekeepers General Doria Babenkov in an interview to Russian media charged Tbilisi with not responding his letter on the details of the plan, and thus delaying the accomplishment of CIS summit decisions. Mr. Babenkov also linked the delay with the negative attitude of an Abkhaz side. Georgian Defense Ministry in its April 28 statement cleared up that respective Georgian proposals on widening of safety zone were presented both Mr. Babenkov, and proper CIS bodies yet on April 4, and later on April 16. In his interview to Russian "Nezavisimaya Gazeta" Mr. Shevardnadze gave Russian diplomacy the responsibility for the failure of CIS summit decisions on Abkhazia. Tbilisi demanded the replacement of General Babenkov who also failed to provide mandatory guard of Enguri power plant. The latter was extinguished by Abkhaz irregulars in respond to disconnection of Abkhazia's direct telephone communication with Russia, agreed by Russian and Georgian communications ministries. Henceforth the telephone communication of Abkhazia with rest of the world will be carried out through Tbilisi. But an Abkhaz side still has been refusing to join Georgian communications system.

Vladislav Ardzinba has replaced prime-minister Genadi Gagulia for Abkhaz special envoyee to Moscow Sergei Bagapsh(former communist party leader of Ochamchira, reputed as loyal to Georgia man). The hawkish foreign minister pro-Turkish Konstantin Ozgan is to be replaced by hard-line, but pro-Russian Sergei Shamba, the leader of the ultranationalist public movement "Aidgilara"("Unity"). This reshuffle within separatists leadership is believed to be the reflection of power clash between two rival Ochamchira and Gudauta districts clans.

Vladislav Ardzinba and the speaker of an Abkhaz parliament Sokrat Jinjolia in their televised statements and letters to Russian president Boris Yeltsin and Foreign Minister

Yevgeni Primakov warned that the loyal attitude of Abkhazia to Russia would change if the latter fails to lift economic, and communications blockade on Abkhazia. Mr. Ardzinba considered as senseless peace talks with Georgia in these terms. But according to Georgian embassy in Moscow Georgian-Abkhaz consultations have resumed there. Besides, Zourab Zhvania told the media that several telephone conversations took place between Shevardnadze and Ardzinba.

Meanwhile, Georgian deputation from Abkhazia, as well as Tbilisi- based exiled Abkhaz supreme soviet and government continued to air their militant positions. At a joint meeting April 20, the hawkish chair of supreme soviet Tamaz Nadareishvili claimed to have sufficient military resources to regain Abkhazia by force. He said that active military preparations to be started after withdrawal of Russian peacekeepers whose term of presence expires July 31, 1997. But according to many local experts the probability of a new war diminishes alongside Georgia's increasing involvement into the highly profitable global international projects like Caspian oil transit, and TRACECA. They assume that "Oil Party" could urge Tbilisi towards compromises to Sukhumi, and attraction of new mediators from Western countries.

The replacement of the staff of Russian peacekeepers started April 19, and to be finished April 24. Two battalions will be substituted for the fresh units from Tula.

On April 25, unidentified assailants raided Gali-based UN office, and reportedly stole sum worth \$17,000.

On April 24, as a result of direct Georgian Abkhaz contacts the remains of 10 Georgian fighters fallen in Abkhazia during the war were delivered to Tbilisi.

Series of explosions in Sukhumi April 15-16 damaged several administrative buildings and left killed several people. As Abkhaz sources asserted that was the work of Georgian guerrillas.

**TSKHINVALI(former South Ossetia).** The stabilizing situation has facilitated the establishment April 22 the office of OSCE mission in the city of Tskhinvali. Specially arrived to Georgia on this event the OSCE secretary general Jancarlo Saragona held the negotiations with both Georgian, and Ossetian top officials. He called them to secure the economic rehabilitation of the region, and accomodation of repatriating refugees. Mr. Saragona optimistically appraised the pace of conflict resolution including the activity of Russian peacekeeping troops whose command he also met.

The repatriation of Georgian refugees, however, still has been delayed by Tskhinvali authorities, while South Ossetia's president Ludvig Chibirov traveled to Vladikavkaz(the capital of Russia's North Ossetia), and called staying there South Ossetian refugees for return.

Meanwhile, the leadership of self -proclaimed South Ossetian republic sought to develop its contacts with Russian State Duma through the ultranationalist Liberal-Democratic Party(LDP), and its Tskhinvali branch. On April 25-26, in Tskhinvali LDP's envoyee, the chair of Duma's subcommittee for media Oleg Finko negotiated with the chairman of South Ossetian parliament Kosta Dzugaev the terms of cooperation.

On April 30, the chair of Georgian parliament's subcommittee for penitentiary system MP, Elene Tevdoradze was objected to conduct a pre-planned meeting with Mr. Dzugaev for discussion the extradition of Ossetian prisoners.

According to reliable sources Georgian patrol detained nearby Tskhinvali 40 trucks loaded with weaponry, and reportedly driving from Armenia. There have been no further details on the address and purpose of this column.

## **SOCIETY**

**CRIME/TRIALS**. On April 23, at the trial on the members of disbanded semilegal militia 'Mkhedrioni' one of the defendants Gocha Tediashvili made a sensational statement. He admitted to having gunned down in May 1995 Soliko Khabeishvili (the former managing director of Shevardnadze's foundation "For Democracy and Revival"), and also pled guilty in much-talked-of murders of Ghia Chanturia (the former chair of NDP), and police General Ghia Gulua in 1994. The observers, however, regarded these avowals as an attempt to screen real organizers of these murders.

The Supreme Court sentenced to different terms of imprisonment (7-10 years) seven members of pro-Gamsakhurdia National-Radical Party on charges of high treason, the attempts of organizing coup for capturing the power, and preparation of a terroristic act against Eduard Shevardnadze in August 29, 1995. The verdict is not subjected to appeal.

On April 23-26, in Tbilisi and Batumi the police confiscated about \$40,000 worth of counterfeit US dollar bills. The detained nine distributors were believed to be one of the links of wider criminal network. The Interior Ministry said that Turkey and Poland have been the most important sources of the import of forged bills.

On April 29, the fire accident seriously damaged the headquarters of 'Greens' Party. In his televised interview the party chair Giorgi Gachechiladze linked this accident with "Greens"-launched large-scale campaign against import of ecologically harmful gasoline, tobacco advertisement, and illegal cutting down of forests.

**PUBLIC MOVEMENTS**. The public commission for investigation the circumstances of the death of Georgia's ex-president Zviad Gamsakhurdia has been created under the chairmanship of the president of All-Georgian Association for Human Rights Giorgi Kervalishvili. The commission met Tbilisi-arrived Gamsakhurdia's widow Manana Gamsakhurdia-Archvadze who charges the Shevardnadze-led then power of Georgia with murder of Mr. Gamsakhurdia. According to official version Mr. Gamsakhurdia committed suicide at the end of civil war in 1993.

The wing of recently splitted Social-Democratic Party (SDP) under Guram Muchaidze publicized the results of partisan investigation of an August 29, 1995 bomb attack against Mr. Shevardnadze. The investigation based reportedly on very reliable sources found guiltless imprisoned leader of "Mkhedrioni" Jaba Ioseliani, and Moscow-fled Georgia's former security chief Igor Giorgadze, who by official version were chief organizers of that terroristic act. According to Mr. Muchaidze the bomb attack was masterminded by one of the Shevardnadze's closest associates. SDP has reinstated Igor Giorgadze in the party, and by his consent appointed him as a head of SDP's Russian office.

A sought-after, independent TV company 'Roustavi-2' has finally won its case in the Supreme Court and will resume broadcasting in the middle of the month after an year long forced interruption.

The 'Georgian Times' newspaper-sponsored traditional competition where 174 businessmen were nominated, awarded Temur Tchkhonia, the president of 'Coca-Cola Bottlers Georgia' Ltd the prize as the best Georgian businessman for 1997.

**PUBLIC OPINION.** The poll taken in March-April by the Foundation for Surveying a Public Opinion in Tbilisi among the 1000 respondents has shown the following:

**1. For the last year the economic situation in Georgia:**

Significantly improved - 4,4%      Slightly worsened - 14,2%  
Slightly improved -31,4%      Significantly worsened - 14,6%  
Remained the same -30,1%      Without Decision - 5,3%

**2. For this year the economic situation in Georgia:**

Will improve significantly - 7,2%      Will worsen somewhat - 7,7%  
Will improve slightly - 36,3%      Will worsen significantly - 5,5%  
Will remain the same -26%      Undecided - 17,3%

**3. Generally in Georgia the events are developing:**

In just direction - 33%  
In wrong direction - 29,4%  
Undecided - 37,6%

**4. The support to political parties:**

Citizens' Union of Georgia - 13,4%      Rest of the parties-1%  
National-Democratic Party(NDP) - 10,1%      None - 39,8%  
Communist Party -1,9%      Undecided - 5,6%

**5. The most trusted political figures:**

Eduard Shevardnadze(Georgia's president) - 28,8%  
Irina Sarishvili-Chanturia(NDP chair) - 12,1%  
Zourab Zhvania(the parliament's chairman) - 4,5%  
Vakhtang Rcheulishvili(MP, the leader of Socialist Party) - 1,4%  
Nodar Natadze(the leader of United Republican Party) - 1,1%  
None - 37%

According to 500 respondents polled by "Dia" agency April 14-15, in Tbilisi the most acute social problems were the following:

1. Low salaries and pensions -86,6%
2. The absence of subsistence minimum - 66,6%
3. The loss of previous job and the failure to find new - 35,5%
4. The inaccessibility of full range medical service - 25%
5. Energy shortage - 16,6%
6. The growing number of orphans and homeless children - 6,0%
7. The introduction of paid education - 5,0%
8. The lack of aid to disabled people - 2,2%
9. Drug-addiction - 2%

## **THE ECONOMY**

**FINANCIAL ISSUES** The exchange rate of the national currency Lari to the US dollar had dropped somewhat, and by April 30 totaled 1/1,29,8(against 1/1,29 in March). During the last six months Lari has weakened by five points. The NB officials reported that the amount of foreign currency reserves to date total \$153mln. could secure Lari's stable course. The forecasts on quick falling of Lari after the failure of the NB president's reelection bid, however, did not materialized. What was noteworthy for this

period that almost twice increased demand for foreign currency (mainly US dollars) at the trading sessions of Tbilisi Interbank Exchange. The demanded sum of \$3,244,800 was completely covered by NB.

For January-April the average monthly inflation rate was 1,2%. For the first quarter of the year the prices of consumer goods have increased by 3,6%.

**BUDGET/TAXES.** According to preliminary data the budget revenue for January-April totaled 95mln(\$74m). laries. This by 40mln(\$31m).exceeded this figure for the same period of 1996. Despite that the fulfilment of the state budget still has been lagged behind the target figure which for the first quarter was 114mln(\$88,3m). and for the second is planned to be 185mln(\$142,5m). According to some experts the current pace of mobilizing revenue dooms the state budget-97 to failure. The budget losses of 10mln. laries(\$7,7m) in January appeared most detrimental.

The officials stressed that poor tax collection was the main reason of budget nonfulfilment. The qualification of taxation agency staff remains low. Many entrepreneurs are poorly familiar with tax code. However, still existing heavy tax evasion by shadow business, industrial decline, energy shortages, chronic underpayment by regional units, corruption in state bodies, disorders in accounting system, continued to strike the budget. The major disappointment on the revenue side were the receipts from VAT and excise taxes.

.For the first quarter the Energy Department 'Sakenergo' for consumed 192mln Kwtt power, had collected only 23,9mln(\$18,6m) laries instead of target 40,4mln(\$31m).

In this situation the liberalization of burdensome tax policy is viewed as one of the relevant ways out. The final approval of a new tax code is expected in June of this year.

**INDUSTRY.** Though the officially presented macroeconomic indices for January-March of this year were manifesting positive trends, the chronic unresolved problems continued to remain. The growth of real GDP as compared to 1996 has made up 9%, which is worth 856mln. laries(\$660m). For the same period the total industrial production worth 157,3mln(\$122m). by 21,2% exceeded this figure for the same period of 1996.

Meanwhile, 990 industrial units(33,3% of their total number) have completely been stopped to date. From the beginning of this year only 197 enterprises have been put in effect. During the first quarter the decline was observed in agricultural production, while by official estimates the signs of revival have appeared in mining, chemical, and coal industry, and the realization of locally manufactured products at a domestic market has been increased by 25%(see more "**Economic Policy**")

**INVESTMENT/PRIVATIZATION.** According to Georgian Agency for Foreign Investment the total amount of foreign investments from 35 countries to Georgian economy to date has made up \$98,230,242mln. The agency officials pointed out that since February the figures of flowing of foreign investment has not changed. They regard the recently introduced stricter customs duties as one of the reason of investment disruption, which by their calculations costs Georgia the losses of tens of millions dollars per month. Another snag for attraction of foreign investment is slowing down of privatization of medium and big enterprises, and imperfect system of their evaluation before privatization. For the first quarter only 0,7% of shares of privatized units have been sold. The authorities, however, were hesitant to lower the purchase price of the shares of unprofitable enterprises at external cash auctions. The corrupted elements in

state bodies believably sought to profit by selling these almost depreciated enterprises to favourite local buyers.

**FOREIGN ECONOMIC RELATIONS.** According to Statistics Department for January-March the turnover of Georgia's foreign trade has made up \$217,1mln. The export totaled \$37,0mln, while import -180,1mln. This is equal to 98,5% of this figure for the same period of 1996. During the first quarter Georgia had negative trade balance with 71 countries with deficit of \$145,2mln. The positive balance with 9 countries totaled \$2,2mln.

For this period the volume of trade ranked Georgia's major trade partners as following: Russia, USA, Azerbaijan, Turkey, Germany, Bulgaria, Ukraine, Italy, Armenia.

**HUMAN RESOURCES/LIVING STANDARD.** By April 30, the Labour Department has registered 127,000 joblesses in the country. Unofficial estimates, however, up this figure to 600,000. According to Statistics Department 65% of Georgia's population live below the level of poverty. In April the living wage of able bodied man made up 108,8 laries-\$83,2 (against 106,7 laries in March, and 103,2 in April 1996)

The same figure for average customer was equal to 95,0 laries- \$ 73 (against 93,6 laries in March). The living wage for 4-member family totaled 190,0 - \$146 (as compared to 187,2 laries in March). In April the average salary in Georgia was equal to 43 laries(\$33,2).

**SOURCES:** Agencies: *BGI-press, "Iberia", "Iprinda", "Alioni", "BS-Press", Newspapers: "Resonansi", "Alia", "Akhali Taoba", "Droni", "7Dge", "Meridiani", "Dilis Gazeti", "Svobodnaya Gruzia", "Sakartvelos Respublika". TV: The first channel: Morning News "Alioni", News-program "Matsne", News-program "Kvishis Saati". TV-company "The Second Channel": "Information Program", "A Weekly Analytical Program 'Time-Out'".*

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