

THE GEORGIAN CHRONICLE

MONTHLY BULLETIN

Major events and trends in politics, economy and social life

November, 1993

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GOVERNMENT

The defeat of the military insurgence of the supporters of ousted President Gamsakhurdia in a relatively brief civil war brought about a period of unstable peace in Georgia. However, it also prompted stronger polarization of the remaining political parties. The Head of State Eduard Shevardnadze abandoned his previous policy of counterbalancing among various political forces and encouraged the establishment of a new political organization in his support -- The Union of Citizens of Georgia. On their part the opposition parties in the Parliament also took steps towards broader coordination of their activities.

As soon as Mr. Shevardnadze returned from West Georgia on November 9, after the Zviadist insurrection was finally suppressed, he gave his foremost priority to creation of a new party. The Constituent Assembly of the Union of Citizens of Georgia, attended by 2,500 delegates, was convened in Tbilisi on November 19. Three organizations: the Greens' Party, the Civil Movement *Unity and Prosperity* and *Tbiliseli* society, as well as a break-away part of the Republican Party and some other smaller associations merged in the new Union. Mr. Shevardnadze was elected the Chairman, while Speaker of the Greens Zurab Zhvania became its Secretary General. The Declaration which was adopted at the assembly set forward the priorities of the Union: building a civil society based on ethnic unity, radical economic reforms under a reasonable state control and restoration of law and order in the country. On the other hand, in his speech at the meeting Mr. Shevardnadze stressed the necessity of "helping our industrial giants" which could be interpreted as an intention of granting new subsidies to inefficient state enterprises, and even demanded that their personnel should be admitted as "collective members" of the new Union. The leadership of the Union displayed its practical approach by taking active part in arrangements aimed at solving the problem of bread rationing.

The founding of the Union was accompanied by behind-the-scenes activity aimed at incorporating the "Parliamentary Majority", a coalition of factions and independents supporting the policy of the Head of State. However, no other party except the Greens was willing to give up its own identity and merge into the new Union, and, after unofficial sources, only around 40 MPs have consented so far to join it (the majority super-faction comprised about 125 deputies).

Mr. Shevardnadze's further plans toward consolidating his power included the acceleration of the adoption of a new Constitution and holding new Parliamentary elections earlier than scheduled (the current Parliament was elected last October for a three years term). He expressed confidence that his party would easily defeat the

multitude of tiny political parties. Some parties of the opposition also welcomed an idea of new elections.

The prospects of the new Union raised doubts among some observers since it got unified around the personage of the Head of State the groups of too diverse political background: the conservatives, demanding "strong hand" rule and restoration of administrative methods in managing the economy (mostly represented in the *Tbiliseli* society), and the liberals regarding E.Shevardnadze as a guarantor of civil accord and pro-Western reforms. Although the second group was much better represented in the leadership of the Union (the Secretary General and five Deputy Chairmen out of seven might be assigned to it), regional organizations would presumably be dominated by the former communists.

Leaders of the new Union stressed on several occasions that the need to create a powerful pro-Government party had been prompted by the 'Unification of the opposition', meaning a joint declaration of five political parties represented in the Parliament (the Monarchists -- formerly part of the strongly pro-Shevardnadze *Peace* coalition, the Union of Georgian Traditionalists, Charter-91, the Merab Kostava and the Ilia Tchavtchavadze Societies), repudiating both internal and foreign policies of the country as unacceptable and assessing the activities of the Head of State since September 14 (when he first resigned and later returned to his office yielding to the demands of the public) as "aimed at *coup-d'état*". The above parties announced setting up a Liberal-Conservative Coalition. The Republican Party did not join it but expressed readiness to collaborate. Thus, the political parties divided into two major camps. Those left outside them included the National Democrats and the Liberal Democrats, who earlier supported the Head of State but had divided with him over the CIS issue, the most radically opposition National Independence Party, also the Christian Democrats and the Popular Front.

In the beginning of the month, a list of 129 MPs who supported joining the CIS was published. However, this issue was not on the agenda of the first plenary session of the Parliament, convened to determine whether the State of Emergency was to be extended for two more months. Shevardnadze said that no success had been achieved in fighting crime during the previous two months due to the war in West Georgia; hence the government needed two more months to defeat the "Mafia syndicates". The Parliament extended the State of Emergency without much debate, but rejected Mr.Shevardnadze's another proposition to suspend the Parliament sessions for the same period. After the Head of State was accused of displaying autocratic tendencies by his former supporter L. Shakiashvili, he took that as a personal offense and walked out in protest, though later returned to explain his emotional response at the autocracy charges but also to pledge compliance with any Parliament decision.

The relations of Vice-Premier Amiran Kadagishvili, supposedly in charge of economic reforms, and the rest of the Cabinet, as well as the leadership of the National Bank, continued to deteriorate. Mr.Kadagishvili accused the Cabinet of supporting administrative methods of economic management while paying lip service to the market economy. Namely, the process of privatization was still suspended and he was not able to push through his plan of reforming the monetary policy. He stated that economic reforms would have no chance in Georgia unless the Head of State supported them. The latter, however, abstained from taking sides in the debate contenting with a statement that "all pros and cons were to be thoroughly weighed before taking any decisions on the monetary policy".

FOREIGN RELATIONS

Except for the relations with Russia, all but completely focused on the issue of the conflict in Abkhazia, foreign political activities were scarce. On November 15 State Secretary of Azerbaijan Lala Jajieva visited Tbilisi to exchange ratification instruments of the Treaty on Friendship and Cooperation between the two countries. She also discussed the problems of the Azeri minority in Georgia, whose residential area was characterized by grave crime situation.

On November 18 Prime Minister of Armenia Hrant Bagratian paid a visit to Tbilisi, holding meetings with the Head of State, and members of the Cabinet of Ministers. Representatives from Ajara Autonomous Republic also took part in the meeting.

The visits of Vice-Premier Avtandil Margiani to Kazakhstan and Turkey were dedicated to resolving the problem of food supplies to Georgia. A Georgian Embassy in Kazakhstan became the third foreign embassy of the country to start functioning. During the meeting of Prime-Minister Patsatsia with the Turkish Chargé-d'Affaires the necessity of opening a second border cross-point between the two countries was put forward (currently the border can be crossed only at the village of Sarpi on the Black Sea).

On November 2 Foreign Minister A.Chikvaidze visited the Republic of South Africa. As Mr. Chikvaidze said in his interview, the Republic of South Africa was interested in Georgian Naval and Air facilities and its geopolitical position on the cross-roads of Europe and Asia. An agreement was signed on flights of planes of the Republic of South African to Georgia.

Contacts were maintained with international organizations. A trade agreement concerning an exchange of products of light industry and raw materials between Georgia and the European Community was signed. On November 27 the Georgian Foreign Minister attended a traditional meeting of Foreign Ministers of the European Community in Rome. The Georgian delegation headed by the speaker of the Parliament took part in the sessions of the Parliamentary Assembly of Countries of the Black Sea Basin in Istanbul and Kiev.

SITUATION IN ABKHAZIA

Despite the cessation of major hostilities, the fight for Abkhazia continued on military, diplomatic and information battlefields. After Zugdidi was seized by the government forces, the separatists (according to other sources, together with a part of the Zviadist insurgents) blasted a bridge over the river of Enguri thus separating Abkhazia from the rest of Georgia, and began to fortify their side of the river. Earlier they had created frontier troops to defend both southern and northern (with Russia) borders. The control center of the Enguri power station, the major source of electric power in Georgia, remained on the territory under the separatist control They kept denying the information of Gamsakhurdia and his supporters being on the territory of Abkhazia, regarding it to be the rumors spread by the Georgian side to justify a "new invasion of Abkhazia". Those fears were substantiated by the statements of Georgian officials, including Shevardnadze,

saying that the problem of Abkhazia was to be solved, after defeating the Zviadist insurgents and military means might possibly be used if needed.

On November 8 Chief of the separatist government Security Service stated that the Georgian side had crossed the river of Enguri and attacked the Abkhaz forces. On November 9 the Russian Foreign Ministry adopted a resolution threatening to impose sanctions on either party which would violate the *de facto* border on the Enguri. The Georgians denied the information on any assault on their part, without expressing any protest against the Russian statement. The Russian government applied economic sanctions against Abkhazia, as the party which had violated the Sochi agreement, and enforced more rigid control on the border between Russia and Georgia (in fact Abkhazia) on the river Psow, which it had failed to do in the course of the war.

On several occasions during the month the separatist forces attacked mountainous villages of the so-called "Abkhazian Svaneti" the only remaining part of Abkhazia populated by ethnic Georgians outside the Abkhaz control. The Abkhazs regard those villages as a possible base for the Georgian guerrilla movement. According to Georgian Vice-Premier Margiani, on November 23 about 2,000 separatist soldiers attacked the villages using 18 units of heavy equipment, causing destruction and casualties. The Georgian Ministry of Defense reported that a military unit had been sent via Svaneti to help defend those Georgian villages.

B. Kakubava, an MP from the Ilia Tchavtchavadze Society and a long time political activist defending the rights of the Georgian Community in Abkhazia, became a leader of the movement of refugees from Abkhazia to create a volunteer corps aiming at regaining Abkhazia by force. He stated some 30,000 refugees were ready to fight their way back home.

The separatist authorities of Abkhazia sought to improve their image which had been marred by the violation of the peace agreement of July 26 on their part and ethnic cleansing of the Georgians. Chairman of the Committee of Captives and Human Rights of Abkhazia B. Kobakhia declared that the persecution of the Georgians had never constituted the Abkhaz policy, that they were sorry for those facts and had even fired some officials responsible for them. He said that now that the situation had stabilized some Georgian families chose to stay. The Gudauta government published and disseminated a brochure in English which exposed Georgian misdeeds in Abkhazia. On November 1 the Georgian Head of State received a message adopted by the Council of Presidents of the Confederation of the Peoples of North Caucasus on October 26, containing open threats to "the Georgian people and Georgian statehood" in case it continued its "nazi" and "predatory" policy towards Abkhazia, and saying that peoples of the North Caucasus would defend the freedom of the Abkhaz people against anyone trying to encroach upon it.

In Tbilisi, a Commission to study the Facts of Genocide in Abkhazia which had been set up by the Georgian government with the participation of lawyers from Germany and Russia continued its work in Tbilisi. According to the Commission, some 20,000 civilians of different nationalities died in Abkhazia, and 1,000 ethnic Georgians were held in captivity in 4 concentration camps there. Cabinet of Ministers of Abkhazia, formed by the Georgian government, continued to function in Tbilisi, and made some new appointments, thus demonstrating the temporality of deprivation of control over the autonomous republic. Tamaz Nadareishvili, who had been the Prime Minister of the

Cabinet of Ministers of Abkhazia (loyal to Tbilisi) till July was appointed Vice-Premier of Georgia in charge of Abkhazian affairs.

Hopes for an alternative way of regaining Abkhazia were based upon the Russian interference, having in mind a presumed rapprochement of Georgian and Russian interests in the region due to Georgia's decision to join the CIS, the defeat of opposition in Russia, and particularly Russia's concern over the intensified involvement of the North Caucasus in Abkhazia. Russia continued its diplomatic activities of a peacemaker. After Russian Ambassador-at-large B. Pastukhov held consultations with both Abkhaz and Georgian sides, as well as with Special Representative of the UN Edward Brunner, it was decided to start peace talks in Geneva under the auspices of the UN later the same month. The Ministry of Foreign Affairs of Russia confirmed its condemnation of cease-fire violation by the Abkhaz side and stated it would not accept the policy of *fait accompli*. Russian's preconditions for lifting economic sanctions against Abkhazia included the cessation of ethnic cleansing and ensuring guarantees for the return of refugees. The precondition laid down by the Georgian side implied the acknowledgment of territorial integrity of Georgia by the Abkhaz side, which was answered in an indirect manner (through positive reference to a respective resolution of the Security Council). On the other hand, in a number of statements Abkhaz leader V. Ardzinba presented his plan of holding a referendum on the issues of a new Constitution and the independence of Abkhazia. According to some sources, the Abkhaz side intended to propose a project of a confederacy with Georgia.

Negotiations started in Geneva on November 30. The Georgian delegation was headed by J.Ioseliani, the Abkhaz one -- by S. Jinjolia. The beginning of the negotiations were delayed for two hours because the Abkhaz side protested against the presence of Prime Minister of Abkhaz Autonomous Republic Z. Erkvania among the members of the Georgian delegation. The Abkhazs expressed their dissatisfaction (unofficially) with personality of the head of the Georgian delegation -- according to one of Abkhaz leaders Agrba "by appointing an uncompromising person like Mr.Ioseliani the head of delegation the Georgian side had demonstrated its intention to undermine the talks".

THE ZVIADIST INSURRECTION. THE REGIONS

In the beginning of the month, government troops suppressed the Zviadist insurrection with relative ease. Despite temporary successes in local counteroffensives, the insurgents could not manage to offer any formidable resistance to government forces. Fears of a possible bloodshed in the town of Zugdidi, the stronghold of the Zviadists with its population multiplied several times on account of refugees from Abkhazia, did not materialize: On November 6 government forces occupied Zugdidi with no fighting at all. After they seized the town of Tsalenjikha on the following day, no definite region was left under the Zviadist control. The forces of the insurgents dispersed, a part of them crossed the river of Enguri to Abkhazia, some smaller groups took shelter in mountain villages.

It came as good news to the government that despite the assumption that the overwhelming majority of the population of Megrelia had supported the former President, for the most part they did not display any hostility to either the advancing troops or the Head of State, which greatly contrasted with last summer, when Mr.Shevardnadze had met curses and stones in Megrelia. It might be explained by the fact that pro-Gamsakhurdia militias which had been effectively in charge of the region

for over a year, had not failed to discredit themselves as well, and the population craved for the end of hostilities and a stable status with whoever came to power. Another assumption about an essentially tribal (Megrelian) nature of the Zviadist movement, shared by some Georgians though especially popular in Russia, also proved to be false.

After seizing all key towns the government troops faced the problems of dealing with the remaining groups of insurgents and stopping the wave of looting on the territories under their control. Despite their initial firm determination to fight against looting as a result of which 6 marauders were shot in Zugdidi on November 7, government forces soon found out that they would need at least two more weeks to stop a large-scale robbery in the region.

As to the remaining armed groups of the Zviadists, the government gained certain success in conciliating those leaders who consented to lay arms. Thus, commanders of armed groups Soso Zhghenti and Akaki Eliava came to surrender to the authorities. However, a number of groups still continued to operate. On November 17, a small unit of Mkhedrioni was attacked in the village of Darcheli. Two of the Mkhedrioni members were killed and then burnt, with four wounded. The assaulters burned down 15 houses. The former Prefect of the Khoni district in the days of Gamsakhurdia was recognized among the assaulters.

No official figures were released on casualties. In general, Georgian authorities had tried hard to keep the details of the civil war secret. The information on the war had been monopolized by state media and had been extremely scarce. Contradictory reports came on the whereabouts of the former President. Initially information agencies spread the news of Mr.Gamsakhurdia being with his supporters in the Gali region of Abkhazia. Later on, the "Moscow News" reported on Mr.Gamsakhurdia residing with a close circle of his supporters in the family of one of his bodyguards in a mountain village in Svaneti. According to the same source, that close circle no longer included former Commander-in-Chief V. Kobalia, who had been accused of treason by the President and left for Russia.

The support of the Russian military had played an important role in the success of government forces. However, according to all reliable sources Russian regular forces had taken no part in actual fighting, though there were reports on the participation of a limited number of Russian mercenaries. The Russians took the positions that got earlier occupied by the Georgian government forces. On November, following an agreement between Mr.Shevardnadze and Commander in Chief of the Black Sea Fleet Admiral E. Baltin, units of the fleet landed in Poti to consolidate the government control over the key harbor and help establish order in the town. It seemed that the Russian military presence had for the most part an intimidating effect on the insurgents, and it sufficed to crucially reduce their fighting potency.

On November 22 at a briefing in Sevastopol, Ukraine, Admiral Baltin stated: "our errand has been fulfilled", and that 11 warships of the Black Sea Fleet had been placed at Georgia's disposal according to the agreement reached by Russia, Georgia, Azerbaijan and Armenia and by the consent of the President of Ukraine. Some units of naval forces and the Commandant's Office were currently staying in Poti in order to 'enforce the state of emergency'.

At the final stage of the war, the Zviadist leaders admitted the participation of North Caucasians in the hostilities on their side, which they had earlier denied. During the fights for Senaki, government troops captured two Chechen and seven Abkhaz fighters.

Leader of the Zviadist militia V. Kobalia said that the participation of any North Caucasians was quite admissible in "the holy war" against Shevardnadze's junta .

On the initiative of the National Independence Party a group of oppositional parties adopted a joint resolution condemning both parties involved in the civil war for seeking help of "vigilant enemies of the Georgian people". They declared that inviting of the NATO and US forces was "the only solution" of the problem.

Hostilities in West Georgia brought the problems related to regional cravings of the leadership of Ajara to the focus of public interest. When the fighting drew closer to the territory of Ajara, a bridge over the Cholokhi river dividing Ajara from the rest of Georgia was dismantled by means of heavy military equipment, reportedly by personal order of Ajarian leader A.Abashidze. Later Minister of Internal Affairs of Ajara A. Bakurazde stated that the bridge just needed some repair. Later the traffic was restored over the bridge.

A formidable uproar was raised by a report of the Moscow based *Nega* agency which said that during his meeting with Admiral Baltin on November 11 Mr. Abashidze, besides asking for the Fleet's assistance to ship citrus fruit to Russia, had stated that he had been authorized by Abkhaz leadership to ask Russia to accept both Abkhazia and Ajara under the jurisdiction of Russia as sovereign states. The Admiral had answered that being there by the invitation of Mr.Shevardnadze and with the approval of presidents of Russia and Ukraine he could not interfere into the internal affairs of Georgia.

Later Mr. Abashidze denied the information flatly and in an interview to the official Tbilisi daily *Sakartvelos Respublica* pledged complete allegiance to the national interests and territorial integrity of Georgia. The tension between Tbilisi and Batumi was finally lifted after Mr.Shevardnadze and Mr. Abashidze jointly attended an opera performance in Batumi and the Head of State highly commended the activities of Ajarian leadership.

Despite Mr. Abashidze's especially close relations with the Russian military, the latter had certain problems in Ajara as well. The detachments are understaffed (92 officers were available instead of the required 1830; only 6 new officers had come to replace 34 retired officers while one of the newcomers was later killed by the Zviadists). Most of the 27 recently graduated officers sent to Ajara abandoned their duties and went back to Russia. The local staff displayed more sense of responsibility because their wages were high relative to the local standards.

The self-proclaimed republic of South Ossetia renamed its legislative body from the Supreme Soviet to the Supreme Nykhas. Representatives of the CSCE mission met Georgian refugees from that region in Gori. It was pointed out that some ways were to be found for the return of Ossetian refugees presently residing in Tskhinvali to various regions of Georgia so that the Georgian refugees could also return to Tskhinvali.

The Ossetian media expressed dissatisfaction with the visit of the CSCE Chairwoman of Mrs.Uf Uglas to Tskhinvali last month, since the leader of the European Community had mentioned the region as a "province of Georgia". However, the region became at least a safe transit route for buses between Georgia and the North Caucasus. For the time being the media seemed more preoccupied with internal conflicts. On the night of November 14 the Commander of Tskhinvali OMON (emergency police) killed Deputy Minister of Defense of the self-proclaimed republic Alan Jioev. On the following morning a crowd of Mr. Jioev's supporters gathered in front of the OMON building, demanding hand-over of the killer. The demand was satisfied and the killer was handed over to the police.

SOCIETY. CRIME

Independent newspapers resumed their publications in the beginning of November. However, the attitude of the authorities towards them remained vague. Although, on October 25 the Head of State set up a commission to investigate the reasons of the interruption of publication of independent media, later on he did not display any interest in the results of the research, and on November 25 told to the Parliament that it had been quite right to suspend the opposition media during the crisis (earlier those suspensions had been explained by technical reason only).

Early winter brought the grave energetic crisis of the country to the people's apartments. The authorities notified the population that no centralized heating would be available in the coming winter. This enhanced dramatically the demand for electric power, thus leading to frequent interruptions of its supply. Special schedules were introduced: in Tbilisi, the power was to be switched off for six hours a day. However, unplanned accidents at power stations (some of them were ascribed to the Zviadists) destroyed those schedules as well. Unexpected stoppages of the Underground (the only relatively reliable means of public transportation in Tbilisi) became another major inconvenience for the citizens of the Georgian capital.

Buying bread was yet another grave problem for the population, which had to spend several hours a day (or frequently a night) to buy the only cheap product available. A ten-fold increase in bread prices did not reduce the length of lines. Bread rationing had been introduced only in few regions. The authorities promised to introduce rationing in the Capital in December, (400 grams per person daily). Beginning from November 5, extraordinary rules of bread transportation and sale were introduced, that were to be enforced in coordination with the Ministry of Defense.

The House of President of All-Georgian Association for Human Rights Protection (the organization close to the Zviadist circles) Giorgi Kervalishvili was raided several times between November 10 and 15.

Illegal occupation of apartments, mostly by the homeless, the refugees and the members of different militias became more frequent. The police as a rule took no measures. However on November 7-8 the police tried to force the residents out of an apartment house, which had been illegally occupied several years ago. The operation ended up in a suicide of one resident.

On November 10, the Board of the Supreme Court pronounced its verdict on the so called "Kvareli case" -- of 19 supporters of the former President accused of terrorist activities in East Georgia. The convicts and their attorneys had demanded a status of political prisoners, which the court denied them. 17 of those accused were sentenced to different terms in prison, while one of them was released in the courtroom. Those were the first most publicized legal proceedings against the Zviadists taken in court. After the military success of government forces in Western Georgia most of the Zviadists arrested earlier in October have been released, except those actively involved in supporting military or terrorist activities.

The situation on highways, with cars robbed or taken away and people kidnapped for ransom, was regarded as one of the key problems aggravating the situation in the country. Criminals seemed to have developed particular taste for art masterpieces -- 6 paintings by famous Georgian painter Elene Akhvlediani were carried off from her Museum on

November 1. On November 5 the only specialized truck for the transportation of radioactive waste existing in Georgia was stolen. Private detective agencies got opened throughout the country.

On November 18 the Baptist church in the town of Kaspi has been raided, though with minor material damage. Some five days later a group of refugees from Abkhazia moved in.

Two attempts were made on the lives of highest officials during the month. On November an explosion occurred near Kutaisi when the car of Minister of Defense G. Karkarashvili was passing by. On November 27 a similar blast aimed at killing J. Ioseliani occurred on the highway leading to Tbilisi airport. Neither of these accidents caused any casualties, likewise, the investigation did not lead to any tangible results.

Elections of the President of the Georgian Academy of Sciences were held on 4-5 November. Linguist Tamaz Gamkrelidze was running against the holder of the office, physicist Albert Tavkhelidze. The latter retained the office.

Georgian theaters opened their season on November 12-14. A series of concerts of classic music titled *Music for Peace* took place in Tbilisi.

PUBLIC OPINION

A tendency towards the drop in the ratings of politicians of all trends continued. In a traditional telephone poll conducted by the *Resonance* newspaper in Tbilisi on December 4-6 E. Shevardnadze remained the only politician whose approval rate - 51.6% exceeded that of disapproval - 22.9% (however, his position also worsened against the previous month, when 58.5% approved and only 10.4% disapproved of his policy). The popularity of other leading politicians continued to drop: N. Natadze got 25.8% approving and 29.4% disapproving, Z. Zhvania -- 23.5% and 39.4%, J. Ioseliani -- 22.9% and 42.9%, V. Goguadze -- 21.0% and 38.1%, A. Abashidze -- 21.0% and 37.4%, I. Sarishvili -- 21.0% and 38.1%.

Although during the first month following the decision of the Head of State to join the CIS those disagreeing with this idea were barred from the State television, the majority of the population did not raise support for the Commonwealth at least in Tbilisi. 42.4% of the residents of the capital polled by *Informservice* at our request on November 27-29 said they would vote "yes" if a referendum on joining the CIS were held the next day, 40.6% would oppose it, and 17% did not know (a month earlier the respective figures had been 45.2, 31.9 and 22.9%). However, the population was not quite clear about the current status of their country vis-a-vis the Commonwealth: 41.4% of the same respondents regarded Georgia as its member, 32.1% thought Georgia had not joined it yet, and 26.5% did not know.

The ratings of the Parliament continued to drop as well -- 54.3% of those polled by the *Svobodnaya Gruzia* newspaper said that the Parliament should disband itself and call new elections, with 18.6% thinking it should continue to operate and 27.1% undecided.

THE ECONOMY

The high pace of inflation of the Georgian coupon was preserved, though not in succession: having leapt at the end of October to 36,783 for a US dollar (the rate of Interbank Exchange), it recovered by November 3 up to 25,638 and later dropped rapidly but without sudden surges, reaching 44,500 coupons for a dollar on November 24 (the Exchange operates only once a week). At the same time, the sole tangible achievement of the monetary policy conducted by the new economic leadership -- leveling of the courses of the cash and deposited (*nalichniye* and *beznalichniye*) coupons began to reverse. By the end of month, a dollar cost about 80,000 deposited coupons.

New impetus to inflation was expected from the Government's decision to purchase citrus fruits from West Georgian peasants to pay for Turkmenian gas. The total debt amounts to \$120 millions, among which transportation costs of \$17 million are subject to an immediate payment. The Head of State mentioned a figure of 700 billion coupons that was needed for that purpose. In September, the payment of 125 billion for grapes was followed by a surge of inflation by about 50% in a few days.

On November 15 the state administered price for bread was increased ten times, from 50-70 to 500-700 coupons for a kilogram (with real price being at least ten times higher). It had almost no impact on the length of lines, which made the authorities consider the introduction of bread rationing in Tbilisi as the only option. Such system already operated in some regions of Georgia. According to Tbilisi municipality, 580-600 tons of bread were baked in Tbilisi daily, against 380-400 tons several years ago, when there had not existed any problem of bread deficit.

Effective November 1, the salaries were increased by 250%, from 9,200 to 23,000 coupons. Altogether wages had increased five times since August. The dollar equivalent of minimum wages had been \$0.26 at the end of October, \$0.65 after the increase, and \$0.50 at the end of November. By the end of the month, the cost of a standard food basket reached 872,653 coupons or 38 minimum salaries (\$19.39), against 489,640 coupons, or 53 minimum wages, or \$13.99 at the end of October. Some special allowances were also raised. Parents of a newly born child could receive a financial assistance of 30,000 coupons, or less than one dollar, while the assistance for funeral expenses amounted to 50,000 coupons. Grants of students of state universities were about 60-80% of the minimum salary.

However, fewer and fewer people seemed to rely on state wages. Since no statistics are available on real incomes of population, some vague idea of standards of spending can be acquired from a poll conducted in Tbilisi by the *Informservice* group in the first week of November. The question was, what income an average (3-4 members) household needed to satisfy its minimum needs. 2.4 percent of those polled would be content with 100,000 thousand coupons (about \$4), 26.7% thought a sum of 200,000 to 500,000 was needed (up to \$20), 35.6% mentioned from 600,000 to 1,000 000 (up to \$40), 17.7% -- from 1 to 2 million (up to \$80), 13.1 --- from 2 to 5 millions (up to \$200), and 4,5% -- more than 5 million. Beginning from the second half of November, the amount and variety of goods in shops visibly increased, which was good news for the Georgian consumers with relatively high income.

At the end of November, the Head of State issued a decree "On Some Emergency Measures to Regulate Finance and Credits" which aimed at reducing the inflation and stabilizing of prices. The decree determined an amount of additional credit emission of 720.2 billion coupons, among which 492.0 billions will be provided to cover the budget

deficit. The new level of interest rates on refinancing credits of the National Bank will amount to 300% (earlier it was 40%, while the IMF recommended 1,000%). Transactions among legal entities in cash was prohibited until March. "Resolute measures" were defined to withdraw from circulation the cash which had accumulated as a result of abundant credits emission during the period of easy-money policy of the previous leadership of the National Bank.

As a part of these measures, the Central Bank of Russia, at the request of the Georgian Cabinet of Ministers and the National Bank, froze the accounts of Georgian commercial organizations in Russian banks. The depositors were proposed to transfer their money to corresponding accounts of Georgian state and commercial banks, whose list was enclosed. In case of refusal their money was to be transferred to the corresponding account of the Georgian National Bank in the Central Bank of Russia.

According to Chief of the Control Chamber R. Shavishvili, over the first 6 months the National Bank had granted 372 billion rubles in credits to commercial companies that were ostensibly intended for wholesale purchases of food stuff. However, out of 288 billion transacted to Russia only 12.4 billion got to corresponding accounts in Georgia. All the rest circulated within Georgia. Out of 109 billion that were audited by the Chamber only 7.9 had been used for proper purposes. The rest had been used for repaying earlier loans, setting up other banks, purchasing hard currency, etc.

The authorities of the National Bank also announced their intentions to hold credit auctions maintaining that credits would be granted only to the most competitive projects. However, in November the banks were mostly preoccupied with getting hard currency deposits with an extremely high interest rates (10-20% monthly), which was expected to lead to saturation of the dollar market and a chain reaction of bankruptcies.

The bulletin is chiefly based on the Georgian media reports and the information provided by Iberia and Iprinda agencies. We have also made use of some other sources at our disposal. We extend special thanks to the State Committee of Social-Economic Information of Georgia and the Press-Center of the Ministry of Internal Affairs of Georgia for granting us essential materials. We thank the Soros Foundation for granting the equipment necessary for issuing this bulletin.

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