

THE GEORGIAN CHRONICLE

MONTHLY BULLETIN

Major events and trends in politics, economy and social life

Vol.3

February-March 1994

No. 2-3

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GOVERNMENT

By taking over the Ministry of Defense after G. Karkarashvili's resignation, Head of State E. Shevardnadze took one more step towards consolidating his power. The process of parliamentary confirmation of the Cabinet of Ministers showed that the opposition lacked strength and unity to challenge his position. The visit of President Yeltsin of Russia to Tbilisi and the signing of the long-expected package of bilateral agreements, as well as the parliamentary ratification of joining the CIS fixed the role of Georgia as that of Russia's political and strategic satellite.

The news of the resignation of the Minister of Defense G. Karkarashvili was initially released on Feb. 2, on the eve of President Yeltsin's visit to Georgia. The timing of the resignation was linked by some commentators to Mr. Karkarashvili's reluctance to sign the military agreement with Russia. On the next morning his deputy N. Kekelidze was murdered together with his mistress in his studio by a bomb explosion. Mr. Kekelidze had been responsible for the military-industrial complex and had just arrived for one day from Prague, where he had presumably discussed arms purchases. Several hours later, when the Minister was visiting the apartment, another bomb exploded wounding Mr. Karkarashvili. The army officers showed their mistrust of the police and the Ministry of Security by refusing to admit them to the scene of the crime for several hours after the accident. The Ministry of Defense issued a statement on the same day saying that by all signs the assassination was carried out by professionals. The opposition revived its allegations of "state terrorism", indignantly rejected by Mr. Shevardnadze.

During the Georgian-Russian talks the wounded minister was replaced not by any of his deputies, but by leader of paramilitary formation *Mkhedrioni* Jaba Ioseliani. Having recovered, Mr. Karkarashvili announced his resignation at a press-conference on Feb. 11, saying he felt guilty for the defeat in Abkhazia and did not consider himself to be competent enough to lead the process of building the Georgian army. The Head of State received the resignation (though calling it hasty) and decided to temporarily take over the office himself. His first step was to seal all financial files of the Ministry. In his radio interview on Feb. 21, Mr. Shevardnadze stated the Georgian army should be small (about 5,000) but well-trained and well-equipped. It was presumed some professional military currently serving in the Russian Army would eventually be appointed to the office. However, in the meantime the army felt to be forgotten by the government. On Mar. 14 the Officers Union released a statement saying that the army was starving with

many officers leaving the service. Some of them preferred to serve in the Russian army. Following an agreement with the leadership of the Russian frontier troops, the Georgians may serve there on the contractual basis.

An incident on March 31 showed lack of order and unity in the police, which had been considered to be a stronghold of Mr. Shevardnadze. A group of about 300 armed policemen led by chief of Tbilisi police David Zeikidze, which had played quite a prominent role in taming the Zviadist opposition, burst into the Parliament building to express their protest against the parliamentary confirmation of Minister of Internal Affairs Givi Kviraia. Angry policemen and some of the MPs came to blows. After the one on one meeting between Mr. Shevardnadze and Mr. Zeikidze the latter led the policemen out of the building to the headquarters of the Tbilisi police. Some of the MPs qualified the incident as a coup attempt, while Minister of Security I. Giorgadze and Mr. Shevardnadze described it as a spontaneous though outrageous action. The Parliament condemned it unanimously, with the leader of the most radical National Independence Party I. Tsereteli saying he was lifting the demand of Mr. Shevardnadze's resignation and was ready to cooperate with the government. The opposition had additional motives for condemning Mr. Zeikidze's actions since he had been notorious for his ruthless attitude to the opposition. He had also pushed forward an idea of using the Russian troops to establish order in the country, while Mr. Kviraia gained relative success with his own forces.

In the same evening, Mr. Zeikidze was fired and replaced by Deputy Minister of Internal Affairs Demur Mikadze. Three days later he transferred his powers peacefully but afterwards went on a hunger strike demanding for a job. Criminal charges were raised against participants of the "raid" (this had been the formal qualification of the incident). The conflict in the ministry seemed to be of a personal nature. Mr. Zeikidze, who later apologized for his conduct but said he only intended to make the Parliament listen to the police, insisted in his numerous interviews that many of the higher officials in the Ministry (including his successor Mr. Mikadze) had shared his negative attitude to Mr. Kviraia's management style.

The emergency regulations were lifted in Tbilisi after the Parliament refused to extend them on Feb. 24 contrary to Mr. Shevardnadze's preference. The latter said he considered the extension of the State of Emergency definitely useful but would not insist since it was a "painful issue" for the Parliament. However, the State of Emergency was extended for one more month in 15 districts of western Georgia which had been the scene of the Zviadist insurrection last fall. During the March session of the Parliament, Mr. Shevardnadze's representative in the emergency region, G. Lominadze, demanded to extend it for six more months thus prompting severe criticism of the opposition, which claimed that the State of Emergency was incompatible with the parliamentary elections scheduled for June in some of the districts (those which had been under the Zviadist control in October 1992 and are not represented in the current Parliament, or those whose representatives gave up their mandates having switched to executive offices). The Parliament passed a proposition of Mr. Shevardnadze to extend the State of Emergency in the above regions for two more months.

Debates on ratification of joining the CIS on Mar. 1 brought the tensions between the majority and the opposition in the Parliament to the boiling point. The issue was quite unexpectedly included into the agenda a few days before upon the proposal of the Head of State; both the majority and the opposition had previously been avoiding any mention of the problem of ratification altogether. It had not been discussed at the Parliament

committees. Mr. Shevardnadze explained the haste by the necessity to display support of his policy in the Parliament before his visit to the United States; others presumed there had been some behind the scenes pressure from Russia.

In his written appeal to the MPs released before the session Mr. Shevardnadze said that joining the CIS would help Georgia to protect its territorial integrity, to secure an appropriate place in the system of international relations, and that the CIS was a useful instrument for all fifteen republics of the former USSR to solve the problems they were facing after the rapid disintegration of the country. He repeatedly stressed that his decision to join the CIS had saved the country from a large-scale civil war in the days of the Zviadist insurgency in the western Georgia. The opposition questioned the legitimacy of the vote since fifteen MPs who according to the Law on Power had to give up their mandates after taking executive offices took part in it. The majority retorted that according to the same law the MPs could not be considered to be relieved of their mandates until the Parliament voted on it, which it refused to do. After an extremely stormy session, 125 out of 222 deputies voted for the ratification, with 69 against and 4 abstained.

It seemed so that stronger polarization led to stronger coalescence of the opposition. Even the National Democratic Party, which after October of last year took the stance "neither with the majority nor with the opposition" took part in its meeting on March 4. The meeting decided to consider the ratification of joining the CIS as illegitimate (besides the above-mentioned issue of 15 MPs, the opposition referred to some other alleged violations: in particular it insisted the decision required a qualified majority or a popular referendum to pass since it implied a change in the constitutional Law on Power), and to coordinate activities of the opposition in the future. However, the opposition failed to display unity and organization; their next meeting that was scheduled for March 21 never took place.

The parliamentary confirmation of the Cabinet of Ministers, which began on March 22, became the dividing point. The Republicans, Charter-91 and Ilia Tshavtchavadze Society refused to take part in the vote altogether after their demand to change the structure of the Cabinet was ignored. Leader of the National Democratic faction in the Parliament, Irina Sarishvili, said everybody was responsible for the current crisis and a confrontation with the Head of State was unacceptable, while member of the Union of Georgian Traditionalists Temur Basilia (chairman of the Finance and Budget Commission) consented to assume the office of the Vice Premier in charge of economic reform.

The pro-Shevardnadze majority was divided as well, at least initially, in its attitude towards the current Cabinet. The latter had been formed in September last year, but its parliamentary confirmation (each minister must be confirmed separately by the Parliament) had been postponed due to the emergency situation, with an exception of Prime Minister Patsatsia, who had been confirmed in August. During its time in office, the Cabinet displayed increasingly strong inclination towards restoration of the centralized management of the economy. This prompted the reform-minded part of the pro-Shevardnadze coalition, predominantly represented in the Union of Citizens of Georgia (UCG), to distance themselves from the Cabinet. The Youth Organization of the UCG founded on Feb. 12, having displayed enthusiastic support of Mr. Shevardnadze, strongly denounced the economic policy of the Cabinet. The same attitude was shared by some leaders of the UCG: at the press-conference of Mar. 4 UCG Secretary General

Zurab Zhvania said that the Union did not support the policy of the Cabinet, and that Mr. Shevardnadze had been the only representative of the UCG in the executive branch.

On March 18-20 the first congress of the UCG took place. The congress was attended by some 2,000 delegates, who, as it was stated at the congress, represented 35,000 members. The Congress was addressed by former US Secretary of State James Baker III, who called Mr. Shevardnadze his "brother". Mr. Shevardnadze said that the UCG would combine what was rational in the programs of Democratic and Republican parties of the USA, with one substantial difference -- the UCG would come to power for a long time. He presented his anti-crisis program, in which the period until the year 2000 was declared that of transition from one social order to the other. The program displayed a resolve to carry out market-oriented reforms; namely, by 1995 58-60% of the GNP would be produced by the private sector. At the same time, it called for stronger role of the government in managing the economy.

Despite severe criticism of the anti-reformist policy of the Cabinet during the course of the congress, this approach was not expressed in the documents adopted. Mr. Shevardnadze was elected Chairman, Mr. Zhvania -- Secretary General, and Gia Zhorzholiani -- Chairman of the Satatbiro (the council). The last two politicians have democratic, rather than communist, background: Mr. Zhvania is founder of the environmentalist Green party, and Mr. Zhorzholiani is co-founder of the Free Democrats' Union which later merged with the Republican party. Seventy one MPs signed up for membership in the UCG. This made the UCG definitely the largest faction of the Parliament, but this also illustrated the failure of the UCG to head its initial goal of the consolidation of all pro-Shevardnadze forces within the Parliament (some 130 MPs) as well as without. Specifically, the Reformer's Union, the Social Democratic Party, as well as many of the former communist nomenklatura refused to join. Thus the UCG threatened to become a dividing rather than unifying force in the pro-Shevardnadze camp.

This was displayed during the Cabinet confirmation hearings, when Mr. Zhvania and some other leaders of the UCG temporarily blocked the confirmation of Mr. Avtandil Margiani, Vice Premier in charge of agriculture and former leader of the Georgian branch of the Communist Party, who is notorious in democratic circles for his anti-market approaches. Mr. Zhvania also claimed that some Cabinet members were involved in corruption, though without mentioning any names. This put Mr. Zhvania and like-minded deputies in a controversial position, since Mr. Shevardnadze, who they avoid to criticizing at least in public, strongly supported the same Cabinet saying that there was no point in changing it when some trends of stabilization showed up in the country. Some MPs wondered whether the UCG was going to expel its own chairman. Most of the UCG members in the parliament did not share the approach of their Secretary General.

A few days later, after some behind the scenes work, Mr. Margiani was confirmed (the Head of State exercised his right to propose the same nominee for the second time). So did Vice-Premiers Irakli Menagharishvili, Temur Basilia, Tamaz Nadareishvili, Minister of Finance David Iakobidze. Minister of Justice Tedo Ninidze, one of the most acceptable ministers for both majority and the opposition, failed to collect enough votes, since many MPs were absent from the session, but it is likely Mr. Shevardnadze will exercise his right to a second nomination again. Ministry of Security, which had been created in November by a decree of Mr. Shevardnadze without approval of the Parliament, was subordinated to the Parliament and named the Security Service; its chief Igor Giorgadze was confirmed without any problems. The confirmation hearings had to

continue in April. Mr. Zhvania saved face saying that there was no chance of forming a really reformist Cabinet with the current parliament, and the new elections were necessary for that.

On Feb. 7 the Head of State issued a decree "On the Basic Principles and Prognostic Parameters of the Economic and Social Development and Anti-crisis Program for the Years 1994-95", based on a revised version of the "Program of Macroeconomic Stabilization and Systemic Transformation" adopted by the Cabinet in December. The decree was elaborated by the Head of State's Staff and the Ministry of Economy, which was led by a new minister, Nodar Tchitanava, earlier Secretary of the Communist Party of Georgia in charge of agriculture and Chairman of the last Communist Council of Ministers. Although the new documents include general reference to the necessity of privatization and market reforms, the revision of the previous programs prompts a more active involvement of the State in managing the economy.

On Feb. 9 the Parliament discussed anti-crisis measures in the economy. Prime Minister Patsatsia repeated his views on "privatization" in the form of creating stock holding companies with a control packet of shares owned by the state. 65 percent of the industrial output should be kept by the government with only 15 going to the producer, he argued. He also demanded subordination of the National Bank to both the Parliament and the Cabinet, apparently to facilitate soft credits for state-managed economy. The Parliament has declined the propositions of the Prime Minister thus far.

On Feb. 17 the Parliament approved the budget for the first quarter of the year. The country thus received a legally adopted budget for the first time after the same period last year. The deficit was reduced to 822 billion coupons or about 20% of the revenues; this reduction was mostly achieved at the expense of introducing a new excise tax, which was supposed to gain 46.2% of revenues.

Already on Feb. 24, however, the National Bank and the Parliament conceded to the pressure of Vice Premier Margiani and granted credits of 400 billion for the needs of agriculture, prompting a new wave of inflation. The Vice Premier was not completely satisfied either, since he had been asking for 4.5 trillion.

On Mar. 15, after several failures in previous months, the Parliament enacted a law on arms. The three versions which had been proposed earlier demanded complete prohibition of the private ownership of arms, the legalization of keeping but not wearing non-automatic weapons, or the legalization of both keeping and wearing arms. The second version passed. All privately owned guns should be registered, and their manufacturing and trading requires a State license.

On Mar. 24 and 29 the Parliament rejected a proposal to lift the requirement which obliged those deputies who took executive offices to give up their parliamentary mandates. However, the majority kept refusing to vote for relieving 15 MPs of their mandates as well.

Psychologist Ramaz Sakvarelidze, who had been elected to the Parliament on the list of the oppositional *Charter-91* but later gave up his mandate because of the disagreements with his faction, was appointed in February Chief of the newly established Bureau of Political Information of the Head of State.

The Parliament joined two other international conventions, namely the Convention *On Endorsing and Observing Arbitration Judgments of the Foreign Countries*, and the Convention *On Agreements Concerning Buying and Selling Merchandize*.

FOREIGN RELATIONS

The visit of Russian President Yeltsin to Tbilisi on Feb. 3 was preceded by cleaning up of the city and security preparations unprecedented in recent years. The extraordinary measures were a precondition of the Russian side concerned that the crime situation in Tbilisi posed threat to the life of the Russian president, but they also illustrated how much was at stake for the Georgian leadership.

The visit met intense opposition in Russia, on the particular grounds that rapprochement between the two countries would spoil the relations between the central government of Russia and its own ethnic autonomies bordering Georgia. Georgia, the opposition argued, had first to settle its relations with Abkhazia and South Ossetia. The Russian media reported that some of the president's aides had tried to dissuade the president from the trip. Despite this, the delegation which arrived at Tbilisi was quite representative: among others it included Foreign Minister Kozyrev, Defense Minister Grachev, Deputy Premier Soskovets, and the mayors of both Moscow and St. Petersburg. The one-day visit included negotiations between both Heads of State as well as between heads of different government agencies, a plenary meeting, signing of the agreements, a press-conference, and a banquet.

The package of agreements signed in Tbilisi put an end to the legal vacuum in relations between the two countries. The parties avowed to respect mutual sovereignty and territorial integrity, lifted barriers for trade, and provided the basis for cooperation in economic and cultural fields. At the same time, the military agreement made Georgia a "strategic ally", or, in more realistic terms, a strategic satellite of Russia. Russia will have three military bases in Georgia -- in Tbilisi, Batumi and Akhalkalaki, but this may actually mean seven, since one in Batumi is supposed to have several branches on the Black Sea. The Georgian border with Turkey will be guarded by the Russian frontier troops. In return, Russia promised to help Georgia in creating its own army -- Shevardnadze repeatedly called this point a crucial victory of his diplomacy. The issue of Georgia entering the ruble zone was postponed for future consideration. As a reward for its political and strategic concessions Georgia will be granted a credit of 20 billion rubles (about \$12.5 million in the moment of signing an agreement).

Mr. Shevardnadze defined the results of the visit as based on "balance of interests" between the two countries, saying Russia was the best protector of Georgia's independence and further emphasizing that Georgia would not change her chosen route even in the event that overt imperialists come to power in Russia. The opposition in Georgia criticized the agreements but did not express its protest in any extreme form. The visit received bleak reports in the Russian media, described as one which "would not bring anything to Yeltsin". Most of the parliamentary factions gave their negative assessment of it, which dimmed the prospect of its parliamentary ratification.

President Yeltsin's visit was followed by intergovernmental contacts on other levels. On Mar. 3-5 Prime-Minister Patsatsia visited Moscow to discuss specific forms of cooperation in economic, financial and military domains. The Georgian Cabinet ratified bilateral agreements on free trade, transportation, crediting, and cooperation in arts and sciences. On Mar. 2-5 a delegation of the Georgian MPs headed by Vice-Speaker Rcheulishvili visited Moscow to have talks with their Russian counterparts. On Mar. 14, Mr. Shevardnadze met with the leadership of the Russian frontier troops in the Caucasus,

reaching an agreement on Georgians serving in these troops. On Mar. 21 in Moscow the two ministers of Internal Affairs signed an agreement on cooperation.

Mr. Shevardnadze's visit to Washington on Mar. 6-10 was meant to demonstrate that despite the crucial change of the foreign political orientation, he was still keen to continue his policy of balance in this regard. Besides the symbolic aspect of the visit, its major goal had been to obtain American support in resolving the conflict in Abkhazia. The Georgian leader was accompanied by a large group of government officials, businessmen, and journalists. On his way to Washington Mr. Shevardnadze stopped in Prague holding a brief meeting with President Havel of the Czech Republic, having asked him, as a leader of the country which is currently a member of the Security Council, to support the Georgian position there.

During his meeting with President Clinton on Mar. 7, the role of the US in the peace-keeping operations in Abkhazia was discussed. As it was reported by the American media, the American side was displeased by Mr. Shevardnadze's appeal to use American troops in Abkhazia, and refused to do so (later Mr. Shevardnadze denied he had made such an "unconsidered" request). However, the American side promised to contribute to financing international peace-keeping forces in case the conflicting sides reached an agreement, and the Russian troops would not comprise more than one third of them. Mr. Shevardnadze used the visit to attend the Security Council meeting on the conflict in Abkhazia (See more below in the section on Abkhazia).

A declaration on principles of bilateral relations as well as agreements on the protection of investments and development of trading relations were signed. The American side promised to grant Georgia \$70 million in humanitarian aid. Possibilities of more extensive help was considered in the event that Georgia prepared a legal basis to guarantee protection of foreign investments, and presented relevant projects. Mr. Shevardnadze also held meetings with leaders of the International Monetary Fund and the World Bank, thus marking renewal of contacts with these international organizations. He also visited OPIC, an organization of the American business community, to discuss prospects of business cooperation between the two countries. During the visit to the Pentagon, the two parties signed a declaration on Future Cooperation in Defense and Military Spheres. It was announced that a group of Georgians would study in American military schools.

On his way back the Georgian delegation stopped in Canada, where a declaration on bilateral relations was signed.

On Mar. 23, during the visit of the NATO delegation to Tbilisi, Georgia joined the "Partnership for Piece" program. Minister of Foreign Affairs Chikvaidze visited NATO headquarters in Brussels, where he called Georgia an "outpost" of this organization.

On Feb. 14 President Ter-Petrosyan of Armenia visited Tbilisi to discuss problems of bilateral economic cooperation and safe transit of the Armenian freight through Georgia. Mr. Shevardnadze presented to the Armenian president his vision of "three plus one" formula in relations between the Caucasian countries and Georgia.

A scandal concerning relations between the two countries was caused by a report of "Nega" agency on a press-conference of Armenian Foreign Minister Vahan Papasyan, published in the Moscow daily "Nezavisimaya Gazeta". Mr. Papasyan criticized Georgian authorities for their failure to secure safe transit of Armenian goods, and said that if Georgia did not change its attitude a new Karabakh could begin in Javakheti -- a region of southern Georgia predominantly populated with ethnic Armenians. On March

10 Foreign Minister Chikvaïdze received a telephone message from Mr. Papasyan denying the Nega report. Later on "Nega" agency confirmed authenticity of its report and said it had not received any denial from Armenia.

Georgia continued to enlarge its diplomatic presence abroad. Nodar Komakhidze, an academic in the field of Turkish studies, was appointed ambassador to Turkey; Gocha Chogovadze, formerly a rector of Tbilisi Technical University, became a Georgian representative to UNESCO. Mr. Dzaganïa was appointed Envoy Extraordinary to France.

IN AND AROUND ABKHAZIA

The State Committee of Refugees and Displaced People reported in March that 188,97 refugees, some 160,000 of them from Abkhazia, were officially registered and accommodated in 63 districts of Georgia. Zugdidi district hosted 87,000, or about 40% of them. Of 48,000 living in Tbilisi 80% lived in private houses (usually with relatives), others -- in hotels, hospitals, other public facilities. These data did not include some 15,000 refugees who were forced to leave the Gali region in February. The flow of refugees did not cease in March either: On Mar. 6 gamebeli (head of local administration) of Zugdidi reported that 25 people, mostly women and old people, walked from the Gali region to Zugdidi.

Trends of relative stabilization were reported from Abkhazia. Railway operation resumed between Sukhumi and Ochamchire. Russia lifted its sanctions and supplied self-proclaimed state with power. It also granted it 2.5 billion roubles, and at the same time insisted on apportioning special quotas to Abkhazia and South Ossetia out of 20 billion roubles credit allotted to Georgia. Citizens of Syria, Jordan, Yemen having Abkhaz-Adigean ethnic origin settle in houses left by refugees. As it was said by Chairman of Supreme Court of Abkhazia Giorgi Kolbaïa, the Abkhaz people has thus to fill a lack of some 5,000 people it lost in the war. In the middle of March observers of the Confederation of the Peoples of Caucasus arrived to Gali region upon request of the Abkhaz government. The Abkhaz government distributed 400 grams of bread every second day for free. Local authorities appointed by the separatist government called those refugees who were not involved in military operations on the Georgian side to return to their houses. Some people did return in unorganized groups.

On the other hand, the grave criminal situation and failure of the authorities to bring various armed groups under control caused discontent of some part of the population. On Mar. 10, during a rally held in Sukhumi by leaders of the separatist government and their supporters, speakers said that unchecked crime "raises doubts about the possibility to build civilized and law-abiding society in Abkhazia". On numerous occasions the separatist authorities called for law and order on radio and television.

In the beginning of March, a movement "Peaceful Abkhazia" released an appeal to Secretary General of the UN, the Russian President and Head of State of Georgia, saying that "policies of the Gudauta adventurers had resulted in genocide of the whole population, and people of all nationalities have fled -- Abkhazs, Georgians, Russians, Armenians and others", and asking the above leaders to help regain order. It raised doubts, who stood behind this appeal. Leader of the radical-minded Georgian refugees Boris Kakubava said the "movement" was only one person, while former Chairman of the Council of Ministers of Abkhazia Tamaz Nadareishvili, as well as leader of the Committee of Salvation of Abkhazia (pro-Tbilisi group including ethnic Abkhazs among others) Lorik Marshania claimed the movement represented a viable opposition to Ardzinba's rule.

In the beginning of February protest demonstrations were held in Abkhazia against the article of the Georgian-Russian treaty which envisaged Russian help in establishing the Georgian army. They said Georgia would use this help to regain Abkhazia militarily. Russian Foreign Minister Kozyrev and Defense Minister Grachev assured the public that this military help would only be actualized after the political stabilization was reached in Georgia and the status of Abkhazia and South Ossetia was determined. The Abkhazs, however, continued military training: the "Iberia" agency reported that Abkhaz air forces practiced at the military airport near Sukhumi, and a group of 10-15 pilots was sent for training sessions to Tatarstan. Another Russian autonomy, Bashkortostan, displayed sympathy to the Abkhaz case by refusing to supply engines to Tbilisi aviation plant which produces SU-25 aircraft.

In accordance with the Geneva agreements signed by the Georgian and the Abkhaz representatives in January, the return of refugees should have begun on Feb. 10. In reality, however, it became the date for a renewal of hostilities. The Abkhaz side accused the Georgians of firing upon the Abkhaz positions on the Enguri river on Feb. 6, and using the process of the return of refugees as an excuse for entering the territory of Abkhazia with arms and engaging in guerrilla warfare. The Georgian side denied these charges. The Abkhaz side responded with "punitive operations to clean territory from the guerrillas" which lasted for 10 days.

Despite this, the process of negotiations continued. The Georgian approach did not change: its priority had been return of refugees, and it considered as a necessary precondition for this deployment of peace-keeping forces on the entire territory of Abkhazia, and would not object to having Russian troops in this capacity, but under the aegis of the United Nations. The Russians preferred to be reimbursed by the UN, but since this was unlikely, argued that the peace-keeping operations could be carried out on grounds of a bilateral agreement between the two countries or under the aegis of the CIS. E. Shevardnadze still rejected the last project which he defined as a "repetition of the Tajik case", which would not be in Georgia's interests. The Abkhaz side insisted on deployment of the peace-keeping forces only along the Enguri river (*de facto* border between the territory under the separatist control and the rest of Georgia) and said it would regard possible military intervention of the United Nations as an attempt at military occupation, and would respond respectively.

On Mar. 4, the UN Security Council extended term of the UN observers in Abkhazia until Mar. 21; later on the term was protracted until Jun. 30. On Mar. 9 Mr. Shevardnadze presented to the Security Council his plan of normalization in Abkhazia after the return of refugees: the elections should be held under international control; to prepare the elections, an international directorate should be created, while the executive power should be transferred to mixed administration subordinate to the directorate; one more international body should elaborate and realize in cooperation with the Georgian government a program of economic revival in Abkhazia. Abkhaz leader V. Ardzinba was not admitted to the session of the Security Council, but held a press-conference in New York.

The Security Council once more displayed its support to the territorial integrity of Georgia and approved in principle the deployment of peace-keeping forces which would consist of 2,500-3,000 servicemen, but with a necessary precondition that the sides of conflict reached some progress in negotiations. However, stage 2 of the third round of the Georgian-Abkhaz negotiations which took place in New York on Mar. 7 failed to bring any results. The Abkhaz side presented a proposal of bilateral treaty between the two

countries as equal subjects which the Georgian side rejected. After Secretary General of the UN Boutros Boutros-Ghali presented his report on the situation in Abkhazia on Mar. 21, the Security Council did not consider it possible to deploy peace-keeping forces in Abkhazia since the sides had failed to reach any progress in the negotiations.

On March. 10, while Mr. Shevardnadze was on his visit to the United States, the Parliament disbanded Supreme Soviet of Abkhazia and annulled all its decisions. Upon his return Mr. Shevardnadze assessed this decision as a mistake, since the Abkhaz side used it to block the negotiations.

While the negotiations were under way, the Abkhaz side declared that the Georgian side attacked the Abkhaz positions, which was denied by Mr. Shevardnadze himself. Later the same month the Georgian side spread information that the Abkhazs assaulted villages in Zugdidi and Tsalenjikha districts, kidnapped people for ransom, and stole cattle. On Mar. 28 some 200 families left the village of Khurcha near Zugdidi. Later the Georgian side regained control on the lost positions, with one dead and two wounded. The Georgian side assumed these raids were accomplished by paramilitary groups not controlled by the separatist government.

Renewed assaults on the villages of Abkhazian Svaneti -- the only part of Abkhazia still not under the separatist control -- was much more organized. On Mar. 24 the separatist forces took the village of Lata. In three days 10 people were killed and 22 wounded on the Georgian side. On Mar. 30-31 the separatists renewed the assault with about 2,000 people and heavy equipment. In relation to this, the Georgian leader expressed discontent with the UN observers who had no reaction whatsoever to resumed fighting in Abkhazian Svaneti.

SOCIETY. HUMAN RIGHTS

February turned to be the coldest month of the fairly mild winter, with the energy crisis reaching its peak. Most of the rural regions did not get power for months, their communication facilities being reduced to the highway traffic, not accessible to the considerable part of the population because of the expensive petrol. Natural gas supplies were quite irregular outside Tbilisi. Railway travel became extremely unreliable and in some regions passenger trips were abolished altogether. Its cost, which had been quite symbolic, was raised 40 times since February 18. Television, telephone and newspapers did not exist for the most part of the country. Since February 12, working hours of underground were abridged to until 8.30 p.m., while television broadcasting was reduced to several hours after 10 p.m. Since mid-March, situation began to improve gradually.

On February 24 former President of Georgia Zviad Gamsakhurdia, who was ousted militarily in January of 1992 and died under unclear circumstances on December 31 of 1993, was reburied in Grozni, Chechenia. An official Chechen delegation led by Vice-President Yandarbiev came to Tbilisi on February 17 and proceeded to the village of Jikhaskari in western Georgia -- the location of the temporary grave of the former President which was not disclosed to the Georgian authorities until the very last moment. Upon the demand of Gamsakhurdia's widow no autopsy was conducted. In the course of visual examination, in which experts from Lithuania invited by Gamsakhurdia's family also took part, a wound from a bullet in the head was detected, but this did not necessarily convince those skeptical of the suicide version.

The event of reburial did not cause a special agitation of the public in Georgia. On February 19 his supporters gathered at his family house in Tbilisi for a mourning rally.

The speakers put the blame for Mr. Gamsakhurdia's death on the secret services of Russia and Georgia. A group of people traveled to Grozni to attend the funeral. However, rumors continued to circulate among a part of the Zviadist community that Mr. Gamsakhurdia was still alive and some other person was reburied in Grozni.

The future of the Zviadist movement after its leader left the scene is quite vague, although his supporters still displayed some activity. On February 3 the Zviadist Round Table organizations responded to the visit of President Yeltsin by a protest demonstration in front of the Russian Embassy. Several participants of the event were detained by the police. On March 31, birthday of late President Gamsakhurdia and anniversary of referendum of independence, a group of Mr. Gamsakhurdia's followers gathered in the yard of his house and went to rally in front of the Parliament, carrying slogans of the Georgian independence and protesting against joining the CIS. The crowd amounted to 2-3 thousand. This time there were no complications with the police, presumably because the latter was busy assaulting the Parliament building (see section on Government above). Although the Zviadist movement in western Georgia is basically defeated, some of its supporters still continued to hide in the woods.

Economic shortages caused more often expressions of protest. On February 7 the population of the town of Kareli in eastern Georgia blocked the railway for several hours in protest of the lack of bread in the region. On February 10 a crowd of citizens of different districts of Tbilisi protested in front of the Parliament building for the lack of water and power supplies. There were reports of freight cars loaded with wheat and heading to Tbilisi from harbors of Poti and Batumi being uncoupled near the town of Samtredia in western Georgia.

Refugees from Abkhazia, dwellers in some peripheral quarters of Tbilisi and members of the non-parliamentary opposition parties took part in a rally in front of the Parliament on Mar. 1. The demonstrators protested against lack of electricity in particular parts of Tbilisi, poor living conditions, but also against what they labeled a "pro-Russian" policy of the government, and failure to quell the Abkhaz separatism. The rally coincided with the hottest session of the Parliament debating on the CIS issue. The rally was raided by the police, several protesters were injured or arrested.

A new, non-political civic movement "For Life" was established in March. It defined its aims to be helping people survive physically and spiritually. Their first action is intended to be the opening of charity cafeterias for the needy. They also demanded rationing of all basic food and intended to collect 350,000 signatures necessary to hold referendum on this issue.

The issue of Meskhetian Muslims who were forcefully resettled from southern Georgia in 1944, has occasionally surfaced. This group is divided between activists advocating either Turkish or Georgian ethnic identity; the Georgian public for the most part still opposes their comeback, and the Parliament avoids discussion of the problem altogether. However, their case has an ardent group of supporters, and thanks to their efforts some 100 young Meskhetians study in Tbilisi universities. On Mar. 12-20, a group of five Georgian representatives visited the region of Azerbaijan where a part of the Meskhetians lives. They were hosted by the pro-Georgian *Khsna* organization, but met a hostile reception of the pro-Turkish *Vatan* activists. After friendly meetings with the Meskhetian community in several villages, the visitors were briefly detained by the Azeri police and later turned out of the country on the charges that they had not coordinated their visit with Azeri authorities.

In his interview to the *Mimomkhilveli* newspaper the head of the Salvation Army mission in Georgia Capt. Ronald Lee complained of several hostile articles in the Georgian media and negative disposition of the Georgian Orthodox Church.

On February 7 Tbilisi public held a ceremonial meeting with the members of the paramilitary formation Mkhedrioni in the Tbilisi Opera and Ballet Theater. The Head of State decorated members of the organization or family members of those fallen in battle with Orders of Vakhtang Gorgasali.

An epidemic of diphtheria continued in Ajara. 39 cases were registered with four leading to death.

On Mar. 12, head of the Georgian Orthodox Church, Ilya II blessed Ilya the Righteous Gymnasium founded by the Georgian Patriarchy. It is the first gymnasium of this kind in Georgia.

On March 10, the first sex-shop was opened in Tbilisi. However, 18 days later it was closed and its owner detained on the basis of article 232 of the Georgian penalty code which prohibits manufacturing and retail of pornographic objects.

For the first time in its history Georgia participated as an independent country in the Winter Olympic games which took place in Lillienhammer (Norway). However, the team of five athletes did not gain any success.

Distinguished Georgian film-maker, Tengiz Abuladze died, and was buried on Mar. 12 in the Didube pantheon. His most famous film "Repentance" (1984) depicted the cruelties of the Stalinist regime and later became an artistic symbol of changes brought about by Gorbachev's *Perestroika*.

CRIME. ACCIDENTS

Large scale police round-ups against criminal groups continued. On February 5, "whine mafia" in the town of Telavi was attacked, with 17 people arrested. However, as it was admitted by the officials of the Ministry of the Internal Affairs, too big amount of heavy equipment and participants made the police forces not flexible enough, and organized criminal groups seemed to meet them better prepared. On some occasions leak of information from the Ministry took place. The criminal world of the town of Lanchkhuti received advance notice of the round-up scheduled for February 25, causing the total failure of the police operation there. The official crime rate, which in January had been reduced to the lowest level of 920 cases, began to increase again: it reached 1294 cases in February and 1826 in March.

As it was stated by the Press-Secretary of the Ministry of Internal Affairs V. Gogolashvili, despite relative success organized crime was still rather vigorous. He estimated the work done so far as some 10% of what was needed. The round-ups would continue, though the tactics might change.

Anti-crime program included the purge of the Ministry of Internal Affairs itself. Some 900 employees of the Ministry, with 195 officers among them, were dismissed during the last several months for different offenses.

A house of Edisher Chargazia, *gamgebeli* (head of local administration) of the town of Zugdidi was shot by unidentified persons in the evening of February 12, leaving no casualties. The incident was related by some observers to the fact that Mr. Chargazia, appointed to the office after supporters of the former President Gamsakhurdia fled the

town in November last year, removed most local functionaries of any importance from their positions.

On Mar. 10 a powerful explosion occurred in headquarters of the Georgian Rescue Corps (Mkhedrioni). 2 people were killed and several others injured. Later the police found a clock-work with an explosive device; the explosion was intended to coincide with a meeting of Mkhedrioni's leadership. This was the fourth terrorist act against Mkhedrioni in the last two months.

On Mar. 10 a hand grenade (supposedly tossed from a car) exploded near the building of the Controls Chamber of Georgia. This could be a response to more active work of this agency which recently publicized a number of economic crimes.

In February, former chief of the Information and Intelligence Bureau Irakli Batiashvili attracted attention to himself on two occasions: first he published a large article in the *Iveria Express* newspaper accusing some members of Georgian political and military establishment for being related to Russia; on February 15 he got a concussion of the brain after a car accident. Contrary to attempts to relate the two facts, witnesses stated that the driver of the car in which Mr. Batiashvili was sitting had been guilty of an accident.

An Ortachala Jewish cemetery (Tbilisi) was desecrated by unidentified people. Some twenty graves were destroyed, with the tombstones carried away. The incident was condemned by the Head of State. Rabbi of the Ashkenazi Jewish community Ariel Levin said in an interview to the *Svobodnaya Gruzija* newspaper that he assessed the incident as an act of vandalism rather than an expression of anti-Semitism.

Anzor Sharmaidze, 21, was found guilty of shooting American Diplomat Fred Woodruff and convicted for 15 years of prison. Sharmaidze confessed his guilt but said the killing had not been intentional.

A fire took place on February 4 at one of the student dormitories. According to some sources, an armory of one of the military formations had been situated in the building. The police abstained from any comments.

An explosion took place in the armory of the Russian military detachment deposed at the village of Godogani in western Georgia. It was caused by the local dweller Givi Geradze, who was trying to separate copper details from artillery shells with hammer. He was the only person to die from the accident.

On February 8 a collision of two trains near the town of Poti left 3 people dead and hundreds wounded. The Head of State traveled to the scene of the accident.

On February 7 an officer of the Ministry of Security G. Koberidze was killed in Tbilisi. Chief of the Department of Fight against Narcotics of the Tbilisi Police Janashia reported to *Ibervision* TV company that the alleged killers had been apprehended. Mr. Koberidze was trained in the USA and led in Ministry of Security's fight against drug trafficking. As Minister of Security, Igor Giorgadze, said during his confirmation hearings in the Parliament, Georgia has already become one of the routes of the international drugs trade.

Procuracy of the Georgian Republic raised criminal charges against Department of Naval Transport for illegally selling three ships to foreign companies. It is notable that one of the ships had repeatedly entered Yugoslavian ports thus violating the international trade embargo.

Ibervision TV company became the object of several assaults. On Mar. 24 an explosive device was found in the car of its president Gia Gogiberidze. On Mar. 24, a parabolic antenna of the TV company was blown up, causing material damage. The company continued to operate. Its director Zaza Shengelia was fired in the same period. All this was linked by some sources to the interviews with the former minister of defense Giorgi Karkarashvili broadcasted by the *Ibervision*, in which Mr. Karkarashvili harshly criticized Ministry of Security.

PUBLIC OPINION

Relative stabilization of life coincided with a drop in approval rate of Head of State Shevardnadze in traditional polls conducted by the Resonance newspaper among the citizens of Tbilisi. In the polls of Mar. 5-7 and Apr. 2-4 only 48.8% and 46.2% approved of his activities with 20.3% and 26.0% disapproving (against 63.4 and 14.1% in January). He was again number two after Foreign Minister A. Chikvaidze, whose activities were positively assessed by 59.3 and 59.0% of those polled, with 7.3 and 7.5% disapproving. The Ajaran leader A. Abashidze also got stable approval ratings of 39.4 and 39.3%, while positive assessment of Kutaisi Mayor T. Shashiashvili dropped abruptly from 44.3 to 22.0%. It was notable that the defection of I. Sarishvili of the National-Democratic Party from Mr. Shevardnadze's camp after the latter decided to join the CIS led to rise rather than drop in her ratings: she had 38.6 and 45.7%. More radical opposition however still did not enjoy popularity: N. Natadze's approval dropped from 39.5 to 29.5%. The list of the most disapproved politicians was lead in the last poll by the second and the third figures in the state hierarchy: Prime Minister Patsatsia and Speaker of the Parliament Gogvadze had 45.7 and 37.0% in negative ratings.

The low ratings of these leaders was linked to skeptical assessment of the power structures lead by them. In a poll conducted by the *Svobodnaya Gruzziya* newspaper on Mar. 15 activities of the Head of State deserved higher grades than those of the Cabinet of Ministers and of the Parliament: 14.3% gave him the highest "5" grade with 21.8% -- "4", 20.4% -- "3", 6,1% -- "2" and 23.8% -- "1". The Parliament was the least popular: nobody evaluated it with "5" grade, with 50.3% giving it "1".

74% of those polled by *Ibervision* TV on Mar. 2-3 approved of an idea of early parliamentary elections, with 19% disapproving and 7% without opinion.

The population seemed to be hopeful about improved relations with Russia. On Feb. 5-6 64.5% of those polled by *Informservice* assessed positively the results of President Yeltsin's visit to Tbilisi, with 10.5% negative, 10.5% neutral evaluations and 14.5% undecided. 91% of those polled by the BS-Press agency approved the treaty between the two countries signed during the visit, with 4% disapproving. In the same poll, 73.4% hoped the agreement would contribute to the peaceful solution of the Abkhaz conflict, with 11.9% pessimistic. 59% thought that having Russian troops deployed in Georgia on the terms of the agreement were in the best interests of the country, with 19.2% disapproving of it.

However, it seemed so that this mood reflected weariness of the war and confrontation rather than real confidence in the better future. 70.2% of those polled by the *Dghe* newspaper on February 7-8 said that regaining Abkhazia should happen by political means only, with 17.8% backing the military solution. 50.5% of them said Georgia was not capable of regaining it militarily with 25% of thinking it was possible. On the other hand, prospects of the political solution was not linked to the Georgian-Abkhaz negotiations in Geneva: only 23.3% thought that clauses of the communiqué

signed there would be enforced, and only 27.5% thought their enforcement would contribute to the just solution anyway. On February 17, 36.6% of those polled said to the *Svobodnaya Gruzia* newspaper that Russia was a reliable guarantor of resolving the conflict in Abkhazia and return of refugees, with 39.8% not trusting Russia and 23.6% without opinion.

In a poll conducted by *Informservice* for the *Resonance* newspaper on 21-25 January 79.2% said they trusted independent newspapers, with only 26.8% trusting the official media and 7.4% trusting newspapers of different parties.

Among 1,500 families polled in Tbilisi by the State Committee of Social-Economic Information in January, 69% defined their economic conditions as "bad", 24% as "medium", and 7% as "good". 83% said their economic conditions declined during the last years, with 3% saying it improved. Every fourth family said the private sector provided major source of income for them, with 12% more naming it only as an additional source. 27% of families reported their monthly income comprised less than 100,000 coupons (about \$0.67 at the time of this survey), 28% from 100 to 300 thousand coupons (\$0.67-\$2), 17% from 300,000-500,000 (\$2-\$3.33), 11% from 0.5-1 million (\$3.33-6.67), 8% from 1-5 million (\$6.67-\$33), 3% from 5-15 million (\$33-\$100), and 5% -- more than \$100. 77% said they had no savings at all.

The poll showed that the more well off families stood a better chances of receiving social benefits and humanitarian aid than poorer ones. 89% said they did not receive any humanitarian aid at all. Among those who did receive it, well off families comprised 27%.

46% of those polled in this research supported an idea to join the ruble zone with 29% against. 45% approved of the politics of the current government with 54% disapproving. Males and older people were prevalent among the supporters, while young, lower income people and females were more inclined to disapprove.

42.2% of those polled on Mar. 24-28 by *Informservice* at our request said they expected "social explosion" due to grave political and economic situation in the country. 14.5% of them said they would be part of that "explosion" if it happened.

THE ECONOMY

Basic indices of the economy in the 1993. The level of the GDP, industrial and agricultural output, productivity of labor was contracted to the level of the sixties. Net material product comprised 30.3% of the year 1990. The GDP was 29.2% of 1990. Total industrial output was 73.4% of the previous year. However, the pace of recession slowed down as compared to the previous year, and is expected to slow down more in 1994.

Fiscal spending exceeded revenues 2.3 times, the budget deficit thus amounting to 307 billion coupons (no figures are available on what percentage was this of the GDP). Together with the unchecked credit emission it led to an inflation level of 9,000 percent. The budget deficit was substantially caused by the financial difficulties of the enterprises, whose arrears to banks and suppliers reached 232 billion coupons. The arrears were especially huge in metal and chemical industries and forestry. Expenditures in cash exceeded revenues 2.9 times.

For the first time the recession comprised all branches of the industry, inter alia: power energetics -- 95.0%, oil-extracting -- 67%, oil processing -- 41%, coal industry -- 23%, metal processing -- 81%, engineering and metal-working industries -- 43%, forestry

and cellulose and paper industries -- 60%, construction materials -- 54%, light industry -- 57%, food industry -- 69%. Construction industry was actually at standstill.

The Sakenergo state power company reported a per capita use of electric power during 1993 amounted to 2.1 kw/hrs and expected to be about 1.6-1.8 kw/hrs this year. In 1988 it had been 3.5 kw/hrs.

Employment level in the industry dropped by 19%, that of the productivity -- by 9%.

More than half of the agricultural land had been privatized by the end of the previous year, though there was almost no progress in this regard during the last year. The output, as well as live-stock, kept declining substantially in the remaining state and collective farms. As to the private sector, indirect indices show higher level of activity. However, sharp rise of petrol prices, lack of safety on the roads and collapse of the system of state purchases made realization of the agricultural products the major problem.

Volume of freight in all kinds of transportation dropped by 31%, the number of passengers -- by 8%. In aviation, freight declined by 26 %, freight turnover -- 2.3 times, passenger's volume and turnover -- 1.4 and 2 times respectively. Processing freight in Poti and Batumi harbors increased by 33 and 46% respectively.

Foreign trade deficit reached 30% of the net material product. 80% of the imports include energy supply (63% of this is natural gas). 56 percent of the exports consisted of the ferrous metal industry. Traditionally high rate of food products in state-controlled exports declined substantially.

New economic ties emerged at the expense of broken ones. The level of dependency on the Russian economy kept diminishing. In last two years the share of the republics of the former Soviet Union in the country's exports dropped from 98 to 80%, that of Russia -- from 67 to 40%. Share of Turkey increased from 0 to 12%. In the same period share of the FSU in the imports dropped from 85 to 77%, that of Russia -- from 50 to 5%. More than half of the whole imports came from Turkmenistan.

762 state facilities were privatized during the year, inter alia: 566 trade facilities, 6 micro power stations, 18 manufacturing facilities, 6 facilities in the course of construction, 10 hotels.

Although increase of wages dropped behind the rising retail prices, food consumption did not further deteriorate, which might be explained by greater activity of the private sector.

Share of those employed in the state sector dropped having reached 69%. Officially registered unemployment was about 6%. However, a sociological survey conducted in Tbilisi in January showed that real unemployment level in the capital exceeded 20%.

Economic decline led to demographic changes. Birth rate dropped by 3.5 pro mile. Combined with the higher death rate, increase of population dropped to the level of 2 pro mile. The infant mortality rate increased 1.5 times having reached 18%.

Economy in February and March. After a relative stabilization in January, the pace of inflation increased again following huge state crediting of the agriculture. Cost of one US dollar at the Interbank Exchange reached 233,500 coupons on Feb. 26 and 384,000 on Mar. 31, against 185,675 on Jan. 27. Due, however, to the closed character of the Interbank Exchange (only a limited number of banks take part in its operation), its rates

began to drop behind the "real" (open-market) ones: by the end of month, one US dollar cost 440,000 coupons. The rate of non-cash coupons at the same period was 530,000 for a dollar. During March the ratio between cash and non-cash money dropped from 1.36 to 1.2. The coupon was still virtually supplanted from circulation in the private sector by Russian ruble and US dollar. According to different estimations, some 300 billion rubles and 100-200 million US dollars circulate currently in Georgia.

The price of minimal food basket had been quite stable during the two months and dropped slightly from \$16.2 to \$15.9. In coupons, by the end of March it cost 5,350,000, or more than hundred minimal salaries (50,000 coupons). Prices of major food products at that time had been: 1 kg beef -- \$1.78, butter -- \$2.70, sugar -- \$0.65, commercial bread -- \$0.11, non-commercial bread -- \$0.001, 1 liter of sunflower oil -- \$1, ten eggs -- \$0.65. The growing gap between prices of state-distributed bread (300 gr. daily for a person) and commercial bread led to bread speculation and interruptions in supply of the rationed bread. A liter of petrol cost about 32-35 cents, which is a substantial decline since the last fall when it was about \$70 for a liter.

Real estate prices continued to drop, mostly due to high rate of emigration. While last year most of those who sold their apartments had been ethnic minorities, the share of ethnic Georgians selling flats has increased. Prices of one-room apartments (15-20 square meters) near underground metro stations (the most popular kind) dropped since last October by about 30-40% and reached 3-6 thousand US dollars in prestigious parts of Tbilisi and 1,5-2 thousand in less prestigious parts.

Arrears of the enterprises to banks and suppliers in the first two months of the year reached one trillion coupons (about \$4 million) which was 34 times more than the same period last year. Arrears to suppliers rose faster (54 times) than those to banks (13 times), which might be the result of the stricter policy of the National Bank.

Tax collection continued to be a problem the state failed to solve. Budget revenues in the same period comprised 333 billion coupons, which was only 19.5% of the planned amount for the first three months. Excise tax brought 21.3% and the value-added tax -- 11.4% of the planned amount.

The grave energy crisis reduced the production level in the first two months of the year by 75% as compared to the same period last year. There was, however, substantial increase (as compared to a very low level of the last year) in coal extraction, paper, medicine and agricultural machine production.

"Shop tours" continued to be the most flourishing branch of the private business. Of 204 commercials broadcasted by three programs of Tbilisi TV in the first half of February, 88 advertised tourist trips to different countries). Among other activities, banking business was advertised 21 times, catering -- 11, advertising agencies themselves -- 12 times. Among products manufactured in Georgia, furniture had been the most advertised one (7 times). In the second half of March, out of 428 commercials broadcasted or published in newspapers 158 advertised tourist trips, 68 -- banks, 24 -- air companies, 21 -- catering, 21 -- purchasing hand-made carpets, 14 -- imported clothes and shoes, 16 -- TV advertising companies, 14 -- concerts, 13 -- different services, 12 -- food products.

Among destinations of the tourist trips, in February the most popular were (in the declining order) Poland, India, United Emirates, Netherlands, Germany, Turkey, Iran, Pakistan. In March, the picture changed: Germany, Holland, Turkey, Italy, India, Iran, France became the most advertised. Most trips are organized for small-scale trade, but

the share of trips for pleasure or other aims seemed to increase. In its relations with neighboring countries the private business does not depend on trips organized by tourist agencies. On the food market, Turkish products are the visible leaders. Tourism to Germany was boosted by weekly KÖln-Tbilisi-Bonn-KÖln flights which "Germany" air company began in cooperation with the Georgian "Trans Air Globe" on February 20. "Germany" became the first non-CIS foreign air company operating on the regular basis in Georgia.

In the end of March the IMF delegation visited Tbilisi holding meetings with government officials. On Mar. 29 Interfax reported referring to "informed sources" that the IMF might make up to \$60 million available to Georgia on condition that the political situation in the country stabilizes, inflation is reduced and a tougher credit policy introduced.

Minister of Managing State Property Avtandil Silagadze stated that the unsettled financial relations with a company in France which is going to print privatization checks (vouchers) is a major obstacle on the way to rapid privatization. Once the problems are settled the vouchers will be ready in two months. As to privatization through creating stock-holding companies, 35 such companies are already registered, most of them (19) in the system of the Ministry of Industry.

A new system of taxation was introduced for the suppliers of oil-products: 10% of the imported oil products should be passed to state agencies. Later this share could increase to 50%.

On March 15 the Cabinet of Ministers adopted a resolution suspending licences on the re-export of wood and wood materials for two years. The Tbilisi municipality adopted a decree prohibiting trading kiosks on central streets of the city, and began enforcing it in some parts of the city.

On March 14 construction of a facility for grain processing began in the harbor of Poti. It is supposed to process 1.5 million tons of grain annually, with \$6 of net profit for each ton. For the time being, however, officials of the European Union expressed their concern over the crime situation in the harbor of Poti. Humanitarian aid freight intended for Georgia and Armenia is plundered by armed groups.

"Nega" information agency reported that the US Reserve Investment Foundation intends to invest in the building of 200 small power station in Georgia. The first of them is scheduled to begin functioning in two years. That will give Georgia 5.6 billion kw/hrs of power.

An Eurobank delegation visited Batumi to discuss prospects of reconstruction of the Batumi harbor, creation of the free economic zone in the Ajara region, and other economic projects.

German Ambassador Dahlhoff and Prime Minister Patsatsia signed an agreement following which Germany will grant DM 27 million in credits and DM 3 Million in aid to develop agriculture in Georgia.

Turkmenistan will supply \$240 million worth natural gas to Georgia. An agreement on this was achieved during a visit of Prime Minister Patsatsia to Ashgabat. Georgia must pay to Turkmenistan over \$38 million of 1993 traffic expenses until April 30. Georgia decided to pay part of its debts by turning over several ships, as well as food and merchandize to Turkmenistan.

A fair of Iranian goods took place on Mar. 21-28. Since the merchandize was sold for hard currency only, the rate of rouble in relation to the US dollar dropped dramatically for several days in Tbilisi.

The bulletin is chiefly based on the Georgian media reports and the information provided by Iberia and Iprinda agencies, We extend special thanks to the State Committee of Social-Economic Information of Georgia and the Press-Centers of major governmental institutions. We thank the Soros Foundation for granting the equipment necessary for issuing this bulletin.

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