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GOVERNMENT

Besides a traditionally urgent issue of Abkhazia, issues of economic reforms and internal stabilization dominated the Georgian politics. Head of State Shevardnadze displayed more favorable attitude to market reforms, and announced his intention to make drastic changes in the state administration.

Economic policy. On July 23 the official *Sakartvelos Respublika* newspaper published an interview with Mr. Shevardnadze in which the Georgian leader called for accelerating the process of privatization, introducing realistic prices for energy carriers and basic food products, more active participation of the private business in energy imports, stabilization of the national currency. "Regulative role of the state" was mentioned less than usually. In his another interview two days later Mr. Shevardnadze defined the above as his "programmatic statement". The change of approach could be explained by more active contacts with international organizations, disillusionment in prospects of reviving economy through Russian assistance, or higher degree of confidence due to more stable political situation.

The new reformist approach was demonstrated on July 30 during an extended meeting of the Cabinet, which summed up functioning of the economy in the last six months, discussed future plans and recommendations of the International Monetary Fund (whose representatives attended the meeting). Prime Minister Patsatsia spoke on the necessity to carry out price reforms worked out in cooperation with the IMF, reorganize the state administration, reduce fiscal expenses, and give up an idea to rise salaries without proper economic ground. Mr. Shevardnadze clearly admitted for the first time that the inflation had resulted from the faulty credit policy of the National Bank and unpopular price rises were unavoidable in the future. He expressed hope that the problem of social security would be in part solved at the expense of international humanitarian aid. He criticized the ministers for not taking enough interest in the anti-crisis program. He also announced forthcoming restructuring of the administration, intended to change functions of the Ministries and cheapen the apparatus (also referring to the IMF recommendations). No ministers dared to object, and the Cabinet passed a resolution "On Specific Measures to Overcome the Crisis".

Willingness of the government to attract foreign investments was manifested in the draft law "On Investment Activities" approved by the Cabinet on July 6. The draft provides foreign investors with the same rights as Georgian citizens.

In its resolution published on July 5 the Cabinet created a council to coordinate problems related to the project of Europe-Caucasus-Asia transport corridor. The Council has to deal with technical improvement of communications in the region, regulate the customs system, prepare an appropriate legal basis.

These reformist attitudes were still combined with demands of more subsidies for specific branches of the industry. In its resolutions of July 20 the Cabinet approved the program of assistance for pig-breeding industries in Sagarejo and Gardabani districts for the years 1994-2000, which

included requests of favorable credits; requested emission credits from the National Bank in order to boost tea industry; passed regulations of the State Concern of Mining Metal Industry. In the same period the Cabinet commissioned the ministries to collect scrap metal and deliver it exclusively to *Sakmeolit* state concern. Direct deliveries of the scrap metal to the manufacturers need approval of the above agency. Mr. Shevardnadze himself also displayed a trend to excessive centralization and mixed up functions of state and party agencies when he said to the meeting of the Union of Citizens of Georgia on July 25 that control over the decisions of the Georgian-Russian economic conference (see details in the Economy section) should be assigned to a joint commission of the Cabinet, the Parliament and the Union of Citizens of Georgia.

Building of the state structures, fight of law and order. The Head of State made regulation of the situation in oil-fields near Tbilisi one of his priorities. Lots of unregistered businesses had been extracting and processing oil near Tbilisi using primitive equipment. The legal basis of the fight against it had been prepared on June 28, when the Parliament passed an amendment to the Criminal Code targeted against the illegal oil industry. During the Cabinet meeting of July 6 Mr. Shevardnadze demanded from the Ministry of Interior to “restore order” in this domain in the course of 10 days. On July 8 he issued a respective decree (see more in the Crime section).

On July 14 a vast decree of the Head of State “On Urgent Measures of Fight against Crime” was published. It commissioned the Cabinet and asked the Parliament to prepare a set of draft laws to create a legal basis of fight against crime; created a department of the fight against terrorism in the State Security Service; an Interdepartmental Commission on Unrevealed Crimes, headed by the Procurator General, was created to investigate criminal activities in the fiscal policy. Law-enforcement bodies were prohibited to conduct check-ups in the organizations unless there were data about criminal offenses, or the check-up was authorized by the manager. The decree also demanded to elaborate legislature prohibiting television broadcasting of scenes including pornography and violence. The financial conditions of the police and other law-enforcing bodies were supposed to improve at the expense of 15% of money and valuables confiscated from the criminals.

The same decree demanded to create an inventory of arms in all power structures, submitting reports on disbanding of illegal paramilitary groups, creation of “Dignity Courts” in military structures, thorough investigation of the causes of the defeat in Abkhazia by the military procurator (the investigation had been under way).

The decree abolished Ad Hoc Committee of the State of Emergency headed by Jaba Ioseliani, which had been created in the fall of 1993. It was the only official position Mr. Ioseliani held besides being an MP. In its place Emergency Coordinating Commission of the Head of State was created, chaired by Mr. Shevardnadze himself. Mr. Ioseliani and Prime Minister Patsatsia became his two deputies. In a decree issued on July 27, the commission was authorized to coordinate the work of political, economic, law-enforcement, defense bodies, consider problems of Abkhazia, South Ossetia, and other issues. The vagueness of the status might be explained by an assumption that the major rationale for setting it up had been a necessity to retain for Mr. Ioseliani some office in the executive branch.

On the same day Mr. Shevardnadze signed a decree targeted against interference of high-ranking functionaries in the activities of law-enforcing bodies and court; he commissioned the chiefs of the relative agencies to report to him all such attempts. In still another decree, he demanded the same agencies plus State Committee for Human Rights and Ethnic Minorities, and asked two parliamentary commissions, to investigate those criminal cases which were defined as political in the foreign media.

Controversial signals came from the Ajaran Autonomous Republic. On July 13 the Press-Secretary of the Head of State released a statement saying that in their appeal to Mr. Shevardnadze Ajaran leader Aslan Abashidze and a group of public figures expressed their concern with the concentration of military formations in certain parts of Ajara, allegedly with an intention to cause

destabilization in the autonomous republic. The Head of State created a commission headed by Vice-Premier Margiani to study the situation. Mr. Margiani, Mr. Ioseliani and Chief of Security Service Giorgadze went to Batumi. During its July 20 meeting the commission stated that the situation in Ajara was calm and defined allegations contained in the above appeal as an "exaggeration". Independent sources did not confirm any disturbances in Ajara either, and interpreted the behavior of the Ajaran leader as inadequate. Some commentators linked the change of his mood to the arrest of the commander of pro-Gamsakhurdia insurgents L. Kobalia in Kiev (see the Opposition section), since Mr. Abashidze had allegedly cooperated with Mr. Kobalia when the latter was in charge of some regions of Western Georgia. Mr. Abashidze left Batumi under uncertain circumstances, but on July 26 it was reported that he had gone for urgent treatment to Germany and would soon return.

The second attempt of voting in Rustavi, where a new member of the Parliament had to be elected, took place on July 3. The results of the first voting two weeks earlier were declared void due to disorder and violence. The turnout was very low (about 25%). The favorite, Murman Omanidze, former Foreign Minister in Gamsakhurdia's administration, who ran as an independent candidate but was supported by the Union of Georgian Traditionalists, easily won, causing visible irritation of the government. Mr. Shevardnadze commented that if 15% of the voters could elect a deputy, that meant the law was flawed.

FOREIGN POLICY

Georgian relations to Russia and the CIS were almost completely focused on the problem of Abkhazia (see the next section) and economic cooperation (see the section on the Economy). Discontent with the developments in Abkhazia more frequently expressed by high-ranking officials and pro-government media could be interpreted as an indirect critique of Russia. On July 18-19 Foreign Minister Chikvaide and Defense Minister Nadibaidze took part in the meeting of the foreign and defense ministers of the CIS countries in Moscow. The foreign ministers discussed a plan of integrationist development of the CIS, while the ministers of defense considered doctrines of collective security and military cooperation.

Other foreign political activities were mostly reduced to contacts with international organizations. Mr. Shevardnadze held meetings with delegations of the World Bank (July 7) and International Monetary Fund (July 24). During the both meetings the necessity of systemic reforms in the Georgian economy and prospect of allocating to Georgia of up to \$80 million credits were discussed.

Head of State Shevardnadze sent a letter to the leadership of the European Union to help Georgia get over the coming winter. The European Union decided to allot Georgia humanitarian aid of 60 million ecus.

Georgian delegation took part in the session of the Parliamentary Assembly of the CSCE in Vienna.

In the end of July representatives of Armenian ministries of security and defense visited Tbilisi to study conditions of ethnic Armenians who are refugees from Abkhazia, and security of communications. On July 28 they held meetings with Prime Minister Patsatsia, Minister of Defense Nadibaidze and Commander of the Group of Russian Troops in Transcaucasia Gen. Reut.

Mr. Shevardnadze decreed to divide Georgian Representation to the UN and the Georgian Embassy to the United States. His National Security Advisor Tedo Japaridze became Georgian Ambassador to the USA, Canada and Mexico. An academic expert in Iranian studies Jemshid Giunashvili was appointed Georgian Ambassador to Iran. Cabinet of Ministers decided to open trade representations in Israel, Estonia and China.

IN AND AROUND ABKHAZIA

In the diplomatic fight over the Abkhazian issue, the Georgian side kept pressing for the safe and fast return of refugees, while the Abkhaz separatist government gave priority to the necessity of the withdrawal of the Georgian forces from the Kodori Valley. Although negotiations on the political status of Abkhazia continued, no viable solution was at sight.

Russian Foreign Minister Kozyrev and Ambassador-at-Large Pastukhov traveled in the zone of conflict in the beginning of the month. The Georgian side protested against the fact that Georgian observers were not allowed to the Gali region. The Abkhaz leader Ardzinba refused to meet Mr. Kozyrev, that was considered to be the most manifest sign of the discontent of the Abkhaz leaders with Russian approach to the settlement in the region. Later on July 6 Mr. Kozyrev denounced attempts of the separatist government to discredit Russian peace-keepers.

On July 5 Mr. Shevardnadze met personal representative of the UN Secretary-General E. Brunner. Both sides agreed that under the circumstances deployment of the CIS peace-keeping forces was the best option. Mr. Brunner said that UN observers were supposed to cooperate with the Russian peace-keepers and not supervise them. This could be interpreted as a response to angry comments of some Russian military annoyed by the interference of the UN observers. On the same day Mr. Brunner held a meeting with the Abkhaz leader V. Ardzinba.

During the meeting of the four-partite (Georgia-Abkhazia-Russia-the UN) coordination commission in Sochi on July 7-8 it was pointed out that conditions were yet to be prepared for the return of refugees and the process should begin in August-September. It was decided to unite northern and southern security zones. The Abkhaz side did not attend the next meeting of July 11, when the problem of preliminary registration of refugees was discussed. The Abkhaz's standing demand that the refugees should acknowledge their loyalty to the laws of the Abkhaz Republic, which was unacceptable to other participants, continued to cause trouble.

During his press-conference in Tbilisi on July 10 the head of the Georgian delegation J. Ioseliani said the Georgian side would be ready to discuss the political settlement after the return of the refugees. The negotiations on the political status of Abkhazia scheduled for July 9 in Geneva were postponed. Mr. Brunner explained that the continuation of the talks would be more appropriate after the deployment of the peace-keeping forces.

The peace-keeping operation in Abkhazia was discussed at the meeting of the foreign and defense ministers of the CIS countries on July 18-19. Besides Russia, only Tadjikistan agreed to send a company to take part in the peace-keeping operation in Abkhazia, while Kyrgyzstan and Armenia consented to send observers. A foundation to coordinate military cooperation was created. Russian Minister of Defense Grachev expressed his discontent with the fact that Russia would be obliged to bear the brunt of the peacekeeping operation alone.

Russia gained more international legitimacy to its peace-keeping status in Abkhazia through the Security Council resolution of July 21, which endorsed the cooperation between the UN observers and the CIS (in fact Russian) 3,000-troop peace-keeping force without formally authorizing it. The UN Observer Mission in Georgia was expanded from 55 to 136 for a period of six months. Several members of the Security Council (Brazil, New Zealand and Pakistan) still criticized the role of Russia in the conflict and expressed their reservations to the fact that the Security Council for the first time abandoned its principle of not deferring the UN peacekeeper's role to the countries with strategic interests in the area.

The three-partite Georgian-Abkhaz-Russian meeting on economic cooperation on July 23 failed to adopt any decisions. The Abkhaz side demanded from Georgia to pay for the part of energy received from Enguri power station (divided between the territories controlled by both sides).

Situation in the region. By July 1, the separation of the armed forces along the Enguri line had been completed. After a series of protests, on July 7 the Georgian observers were admitted to the right bank of the Enguri to be deployed on the check-points together with the Russian blue helmets.

However, as it was stressed on several occasions by the Georgian side, they were not allowed to enter the Gali district.

The Russian military in cooperation with the Georgian police was removing arms from the local population in the southern (Georgian) part of the security zone.

In Kodori Valley, the Georgian villages were shelled on July 1 and 4. On July 11 the two sides reached a Russian-brokered cease-fire agreement. On July 12, first UN observers as well as Russian blue helmets arrived in the region. On July 19 a paratroopers' notch came to supervise withdrawal of the Georgian forces from the Valley. On July 14 the Abkhaz representation in Russia issued a protest against the statement of Georgian Deputy Defense Minister Nikolaishvili who said the Georgian side would withdraw its forces besides 850 local volunteers, while the military equipment would be preserved in the town of Senaki (close to the region). Russian military commander Iakushev said 600-700 Georgian volunteers refused to leave the Kodori Valley, while withdrawal of the government forces proceeded according to the plan. It was supposed that after the Georgian forces left, 60-70 fighters with 10 armored vehicles would stay to patrol the region. During the meeting in Gali to discuss problems of the Kodori Valley on July 20, the Abkhaz side threatened to force the Georgians out if they would not leave peacefully, and not to let the refugees back before the problem was not solved. On July 24 representatives of the UN and CSCE visiting the Kodori Valley demanded from the Georgian side to withdraw its forces in compliance with May 14 agreement. On July 27 Georgian Minister of Defense Nadibaidze visited the Valley and said the Georgian forces would not withdraw until it was not under Russian control, while local volunteers would only lay arms after they had firm guarantees of security. The separatists' approach was completely different: their Deputy Defense Minister Aslan Koshkhia said Abkhaz police would move in after the withdrawal of the Georgian forces, while the Russians had just to supervise the withdrawal of the Georgians. On July 28 the Abkhaz side boycotted the next four-partite meeting in Sochi giving an ultimatum to Georgians to leave the Kodori Valley until July 30.

Continuous incidents in the Gali region were related to spontaneous attempts of the refugees to return to their homes. A number of people were tortured and killed; 12 houses were burnt down in the Gali district from 25 to 30 July. There were also several incidents between Russian peace-keepers and groups of armed separatists which tried to enter the Gali district. On the Georgian side, the Russians disarmed several groups. There were complaints that after their deployment in the Kodori Valley the Russians prevented not only military ammunition but also food to be delivered there.

On July 16 Georgian Commander of the Internal Troops Major General Chikovani issued a statement in which he enumerated factors hampering the peace-keeping process. Namely, he said, the right bank of Enguri river was not cleaned from Abkhaz paramilitary groups; Abkhaz police took part in patrolling the west bank together with the Russian troops, thus violating the agreement and creating an impression that the Abkhazs used the Russians to carry out police functions; since no Georgians were admitted to the Abkhaz part of the territory, another agreement was violated, which presupposed that in the peace-keeping forces eight categories of commanders would have deputies representing the three sides; peace-keeping forces were not patrolling the Kodori Valley; the Abkhaz side made use of the peace process to build fortifications.

On July 19 a correspondent of a Russian newspaper *Kubanski Komsomolets* was arrested in the southern part of security zone and later transported to Batumi. He was charged with disseminating anti-Georgian leaflets.

In numerous rallies conducted in Abkhazia Russia was accused of infringing upon sovereignty of Abkhazia. Some speakers appealed to international organizations to defend the self-proclaimed republic from the "occupiers", that is Russian peace-keeping forces. The Abkhaz television warned against admitting to the Gali region more than 15-20% of the refugees. Journalists of the TV-radio corporation demanded not to let back those of their colleagues who cooperated with the Georgian

“aggressors” and later found refuge in Tbilisi. Writers’ Union of Abkhazia appealed to the Supreme Soviet of Abkhazia to be cautious in admitting the refugees who would create the “fifth column” of Georgia. Abkhazian security services controlled all telephone calls to and from outside of Abkhazia. Speaking in Sukhumi to the World Congress of Abasins, the Abkhaz leader Ardzinba said the relations between Georgia and Abkhazia would be those of two sovereign states.

On July 11 refugees living in Zugdidi region marched to the bridge over the Enguri river demanding to be allowed to return home. In the same day, 12,000 refugees gathered in the town of Tskaltubo raising similar demands. On July 21 another manifestation of 15,000 refugees took place at the Enguri bridge, attended by the government of the Abkhaz Autonomous Republic (loyal to Tbilisi), leadership of the peace-keeping forces, UN representatives. A permanent group to contact with the authorities was elected. Most of the participants stayed to hold a sit-in strike, which continued until 28; the end of strike was marked with a rally of some 30,000 refugees.

On July 15 Union of Citizens of Georgia held a rally in front of the Russian Embassy in Tbilisi demanding faster return of the refugees. One of the opposition leaders Nodar Natadze said it would be more fair if Russia separated Georgian and Abkhaz troops in the Kodori Valley, and not on the Enguri river. Boris Kakubava was more radical when he said that Russian troops had to be deployed on the Russian-Georgian border, to prevent infiltration of criminal groups from the Russian territory.

During his meeting with Georgian MPs Russian Ambassador-at-Large Pastukhov said the Abkhaz side was trying to delay the return of refugees as much as possible, while the Georgian forces lingered to leave the Kodori Valley.

On July 23 in his interview to the Russian TV Mr. Shevardnadze for the first time publicly blamed then Minister of Defense Kitovani of disobeying the decision of the Presidium of the State Council in August 1992, which led to beginning of the military conflict in Abkhazia. In particular, Mr. Shevardnadze alleged he had commissioned Mr. Kitovani to discuss the details of the military operation of the Georgian Army in Abkhazia with the leader of the Abkhaz Parliament before moving troops there, which the latter failed to do.

OPPOSITION. SOCIETY. HUMAN RIGHTS

A series of rallies with participation of radical parliamentary opposition and pro-Gamsakhurdia (Zviadist) groups took place in Tbilisi, attended by 1,000-3,000 people. The leader of National Independence Party Irakli Tsereteli was the most conspicuous figure among the organizers. Resignation of Head of State Shevardnadze, disbanding the Parliament and creation of the National Convent as a provisional power structure were major demands. The protesters promised to force Mr. Shevardnadze to resign by means of a wave of peaceful manifestations. On July 7 a rally near the Cinema House (a traditional location for political manifestations) was sanctioned by the municipal authorities and proceeded without complications. The next meeting on July 9 was no longer sanctioned and dispersed by the police. The policemen bereaved cameras of some journalists and battered them. Later on the rallies took place on locations where preliminary sanctions were not needed -- in the Victory Park and near the statue of Native Tongue.

On July 10 Tbilisi procurator's office began legal proceedings against Mr. Tsereteli on charges of using a stolen car and illegal keeping and carrying of weapons. A shotgun and a pistol were removed from him during a police search. On the next day Mr. Tsereteli went on hunger-strike demanding resignation of Mr. Shevardnadze, withdrawal of Russian troops from Georgia, allotting television time for opposition parties, calling an emergency session of the Parliament to discuss the problem of power, release of political prisoners (member of Merab Kostava society G. Tekhuri and pro-Gamsakhurdia activist A. Rtskhiladze), and return of his belongings. He was visited by Speaker of the Parliament Gogvadze and MP Mininoshvili who promised to fulfill his demands besides those of Mr. Shevardnadze’s resignation and pullout of the Russian troops. During his hunger strike, Mr.

Tsereteli took part in opposition rallies. Later he also said he "was not going to die for Shevardnadze's sake" and would end the strike even if not all of his demands were met. On July 30, the 19th day of his hunger strike, Mr. Tsereteli publicized his intention to sue Mr. Shevardnadze for high treason. He was the second person to do this after another MP, leader of the Organization for Liberating Abkhazia Boris Kakubava.

Mr. Tsereteli tried to use his hunger-strike to launch a campaign to consolidate the opposition. During a press-conference of July 14 he said the leader of Merab Kostava Society Vazha Adamia was commissioned to organize joint activities of the opposition. A new figure emerged in the rallies and press-conferences of the radical opposition -- the leader of the Social-Democratic Party Guram Muchaidze. However, active anti-Shevardnadze stance was the only issue which he shared with his new counterparts; his open calls for stronger integration with Russia would make him unlikely partner for radical independentists. On the other hand, despite frequent calls for Mr. Shevardnadze's resignation during the rallies, no parliamentary party formally raised that demand.

United Republican Party and Union of Georgian Traditionalists distanced themselves from radicalism of Tsereteli. The Republicans were preoccupied by reforming their own structure and propagandizing their agenda in the regions. On July 7-9 Republican MPs G. Berishvili and I. Melashvili held meetings in Baku with political figures there to coordinate policies in relation to Russia.

During his press conference of July 21, the leader of the National-Democratic Party G. Chanturia accused Minister of Defense Nadibaidze of signing fettering agreements with Russia (which Mr. Nadibaidze later denied). Mr. Chanturia said he could force Mr. Shevardnadze to resign, but did not want to do that, because the alternative figure could only be more pro-Russian. He called for ahead-of-time elections, and creation of a coalition cabinet with participation of the NDP, Union of Citizens and United Republican Party.

On July 5 pro-Gamsakhurdia activists arranged a press-conference devoted to political prisoners in Georgia. The list of 76 persons considered to be political prisoners was distributed among those present.

On July 7 *Akhali Taoba* newspaper published a letter signed by 41 Georgian intellectuals demanding to stop persecution of Elizbar Javelidze, former minister of culture in Gamsakhurdia's government and editor-in-chief of pro-Gamsakhurdia *Sakartvelos Samreklo* newspaper, banned by the authorities last fall. Mr. Javelidze was charged with libel against Head of State Shevardnadze. On July 19 editorial board of the newspaper appealed to the low-enforcement bodies with a demand to resume the publication and lift criminal charges against the editor. On July 26 *Akhali Taoba* reported relying on sources in the Procurator's Office that the legal proceedings against Mr. Javelidze were stopped since his whereabouts were unknown. The newspaper was unable to resume publication for financial reasons.

Vakhtang (Loti) Kobalia, Chief Commander of the pro-Gamsakhurdia militia which had been in control of certain regions of western Georgia and launched an offensive to occupy the rest of the country last fall, was captured in Kiev on July 6 after a joint operation of the Ukrainian and Georgian security services, and later transferred to Georgia. The location of his detainment was not disclosed. Mr. Kobalia was charged with murders, torture of people and organization of armed fight against the state. The All-Georgian Association of Human Rights' Protection issued a statement demanding to disclose the location of the prisoner so that his relatives could visit him, and to grant Kobalia a possibility to hire an attorney.

On July 1 a group of prisoners' parents gathered in front of the Parliament building. They demanded a meeting with the authorities to discuss issues of amnesty, extremely poor conditions of custody, and pointed out cases of disappearances of some prisoners. No political demands were raised.

On July 14 the Ministry of Justice turned down a representation of Procurator's Office to suspend publication of independent daily *Resonance*, due to Mr. Shevardnadze's cartoon published in the newspaper which the Office interpreted as a personal insult of the Head of State. The Free Press association released a statement where the actions of the authorities were estimated as persecution of independent journalists.

On July 7 *Akhali Taoba* newspaper reported on a scandalous event concerning activities of "International Fund for Development of Abkhazia" which illegally obtained a credit of 29 billion coupons ostensibly for the purchase of armaments. In the course of investigation by a parliamentary commission the involvement of a number of MPs and high-ranking officials was disclosed. One of the leaders of the opposition Nodar Natadze was mentioned among them. The latter denied all allegations.

The international association for health of orphans and homeless children "Frank" together with a similar Russian organization held a press-conference in the center for cultural relations Caucasian House. Having visited orphanages in different regions of Georgia they defined living conditions there as extremely poor, and expressed their willingness to provide assistance.

On July 21 *Svobodnaya Gruzija* newspaper published an appeal of Georgian Fund for Health and Charity, in which it pointed out that extremely dangerous sanitary-epidemic situation in the country which was caused by economic shortages required extraordinary measures to be taken. The fund launched a movement in order to impel all state and private structures, as well as rich citizens, to render financial support for their initiative.

The Civic Movement *For Life* held its third meeting on July 30. The movement planned to collect signatures for a referendum on rationing all basic foods.

On July 15 presentation of Vakhtang Chabukiani (distinguished Georgian ballet-dancer) International Center was held. The founders described preservation and popularization of Chabukiani's heritage and charity work as main goals of the center. On July 20 new rock-music club Rock-City held its presentation.

On July 23 the third film festival *Golden Eagle* was opened in Tbilisi. Unlike previous years, only Georgian films (8 full-length, 3 short and 12 documentaries) were presented.

CRIME. ACCIDENTS

In July Ministry of Interior registered 1304 offenses against 1603 in May. Summarizing the work of law enforcement bodies during the meeting of their representatives on July 8, Procurator General Bibilashvili said that the number of crimes in the first half of 1994 had decreased relative to same period last year by 20%, murders -- by 25%, rape -- 10%. This was qualified as the first stage of fight against organized crime. During the second one, the Ministry promised to focus on revealing criminal activities in the state and commercial structures. During the same meeting, a representative of the Security Service pointed out that Georgia was going to become a transit-point of international drug-trafficking.

Ministry of Interior conducted several more large-scale operations. On July 7 it attacked the "Khashuri Gang" in the town of Khashuri, while on July 14 held the operation Mtkvari-94. The round-up of July 14-15 in Kakheti region was targeted against illegal oil-extracting and processing businesses. 165 oil-processing facilities were eliminated, dozens of suspects arrested, certain amount of weapons and drugs confiscated.

On July 20 the Tbilisi police department held a meeting with journalists. Relations between the police and the media, which became rather strained after several cases in which the police assaulted journalists accomplishing their professional duties (see section on Society and Human Rights above), were discussed. The divergence of opinions, however, was not completely overcome.

Two cases of police brutality were widely publicized. In one of them Roin Kochishvili, 27 aged dweller of the village of Kurta, Tskhinvali region, was beaten to death by the policemen after being detained together with his friends on charges of using a stolen car. On July 28 his countrymen rallied in front of the Parliament demanding to punish those guilty. High-ranking representatives of the law-enforcement bodies promised to take resolute measures. On the same day, however, Giorgi Ratishvili, a correspondent of the Russian *Ostankino* TV company was hospitalized with brain concussion and other serious injuries after been beaten up by several (allegedly drunken) policemen.

Two police officers were arrested on charges of keeping and trading drugs. During search in the suspects' apartments narcotics ready for sell were found.

Monarchist-Conservative Party demanded to investigate mental health of Minister of Interior Shota Kviraia who allegedly shot 6 young men during the hostilities in western Georgia last fall. Mr. Kviraia turned down the allegations and said 18 marauders were really executed without court in order to curb looting in the course of the civil war. In the same period information was spread by official media that the leader of the party T. Zhorzholiani, MP, wounded a policemen after a petty traffic accident.

On July 17 the headquarters of Tbilisi organization of Union of Georgian Citizens were fired and robbed.

A locomotive belonging to Armenia was seriously damaged and its engine-driver wounded after unidentified malefactors exploded 70 centimeters of rail near the Armenian border. On July 19 six cargo carriages were derailed in Tbilisi railway junction, which caused interruption of railway traffic. On July 25, 3 railway carriages were burnt down as a result of fire in Tbilisi railway station.

Georgian Art Museum became an object of assault and burglary twice during the month. On July 13 and 27 several paintings of French, German and Dutch schools were stolen; their value was estimated by experts at about \$1 million.

On July 6 in Khobi district, western Georgia, four armed people captured a car from First Secretary of Georgian Embassy in Turkey B. Vadachkoria, and important diplomatic mail.

On July 6 the police caught in action 8 prisoners of Ksani colony who were digging a tunnel to freedom. 15 prisoners in Ortachala prison in Tbilisi were more successful: they escaped, having neutralized the guards with a pistol and grenades. Two of runaways were later arrested. 28 employees of the prison were arrested on charges of collusion with the convicts and supplying them with arms.

With the help of municipality of Batumi, Georgian police received 100 new cars equipped with the latest technical means.

PUBLIC OPINION

In the survey conducted by *Resonance* newspaper on July 17-18 45% of those polled expressed negative attitude to rallies of radical opposition, with 10% positive and 45% neutral.

48% of those polled by *Resonance* newspaper said the leadership of the country hindered the work of mass-media, with 17% thinking the government promoted it, and 10% without opinion.

39% of those polled by *Svobodnaya Gruzija* newspaper on July 16 hoped to improve their financial situation by higher wages, 38.5% -- by additional sources of income, 12.7% did not hope to improve their condition, and 7% had no opinion.

According to the poll conducted by Tbilisystemotechnique center and published in *Svobodnaya Gruzija* newspaper on July 28, among the problems which bothered them the most dwellers of Tbilisi mentioned: transport -- 67%, crime -- 67%, sanitary condition -- 61%, power supplies -- 54%, bread supplies -- 48%, drug addiction -- 48%, heating of apartments -- 46%, poverty -- 45%, shortage of necessary products -- 43%, healthcare -- 41%.

THE ECONOMY

After fairly stable two months the exchange rate of the Georgian coupon began to drop, reaching 1,005,000 coupons for one US dollar on July 28 against 814,000 in the end of June. Further drop was predicted due to the parliamentary approval of the 12 trillion budget emission in June. Payments of salaries in most state organizations were still delayed; Vice-Premier Basilia promised in the end of the month that a new batch of coupon bills would soon be received and the salaries would be paid. However, few expressions of protest over the delay of payments can be assessed as an indirect evidence that people were less and less dependent on state salaries.

Another expression of the crisis of the Georgian coupon was the fact that some of the government agencies began to collect various payments in Russian rubles. According to *Droni* newspaper of July 22, Tbilisi municipality decided to levy service charge for exchange of apartments in Russian rubles (it was defined at 30,000 rubles).

Cost of the food basket dropped to \$21.5 (from 22.7% in the last month) due to seasonal drop of prices of fruits and vegetables, with prices of other basic items unchanged. Petrol prices kept stable at 900-1000 rubles (\$0.43-0.48) for a liter.

Long-expected chain of bankruptcies or getaways among various banks and trust companies which accepted hard currency for extremely high interest (15-25% monthly) seemed to begin when several of them were closed in a row. The first and most sensational case was that of the industrial-trading company *Achi* with more than 12 thousand depositors which having initially registered fixed capital of 100 thousand coupons (about 10 cents in today's exchange rates), had accumulated at least several million US dollars. On July 12 the depositors found the company closed. Although some of its employees, including the vice-president, were detained, the president -- 24 years-old G. Mindiashvili -- was never found. Several thousands of depositors rallied in front of the *Achi* office, and later at the Parliament building, but their chances to get their money back seemed rather dim. However, a number of similar companies continued to accept deposits.

According to expert estimations, only very small part of deposited money was invested in manufacturing or trading operations; most of it was either re-lent with credible security pledge (jewelry or real estate), or just accumulated by the "pyramid principle", when interest was paid from new deposits.

State Savings (*Sbergatelni*) Bank, one of the largest state banks in Georgia, completed the process of transformation into shareholders' company, with the state keeping 15-16% of shares. It acquired a new name of Akhali Kartuli Banki (New Georgian Bank). Its president Vano Chkhartishvili promised that the bank would soon become the biggest in Georgia and meet modern world standards of banking business. This was the first among major state banks to be privatized. Other state banks -- Eximbank, Capitalbank, Agrarian-Industrial Bank -- were in the process of preparation for similar modifications. This process, however, was assessed by some observers as misappropriation of state funds by "banking Mafia".

Share of banks and trust companies in commercials printed and broadcaster by the Georgian media dropped to 14.01% (37 out of sample of 264), against 22.09% last month. Advertisements for tourist trips were still the most popular -- 66, or 25%, followed by ads of different universities -- 63 (entrance examinations in universities take place in Georgia in July and August). 16 commercials advertised different services, 14 -- real estate and air flights, 10 -- plastic bags, 9 -- advertising

companies. Among tourist destinations, the most popular were: Germany -- 18, Bulgaria -- 12, Turkey -- 10, Greece and Canary Islands -- 8, Holland, Egypt and France -- 5.

The May 26 decree of the Head of State on "Regulating and Accelerating the Privatization Process" seemed to really boost the process. The *Gulani* newspaper reported that the number of state enterprises transformed into shareholders' companies tripled since the decree was signed. The ease can be explained by the new philosophy of Mr. Shevardnadze to "legalize the results of hidden privatization", when the right of ownership over state enterprises in effect was transferred to their old-time managers.

Supplies of natural gas from Turkmenistan was drastically reduced due to inability of the country to pay \$300 million debt. Georgia only received 3 million cubic meters of gas daily against 13-14 millions in the same period last year. This made gas unavailable almost everywhere besides Tbilisi and its satellite town Rustavi. 1 million cubic meters was used daily in Tbilisi, while 2.5 millions were needed for power stations. Since August 15 state price of one cubic meter of gas will be increased from 35 to 100 thousand coupons (about 10 cents), but reduced tariffs will be introduced for household use and state enterprises. Prices for industrial use of water were also raised since July 1: one cubic meter will cost from 0.1 to 0.2 of minimal wages.

Cabinet of Ministers discussed problems of the coming winter during its meeting of July 6. It was pointed out that the government did not expect receiving energy carriers from Russia, but some help was expected from Azerbaijan, Iran and Turkey. There was some hope of Georgia's own oil industry: in his July 18 radio interview Mr. Shevardnadze said the daily output had increased from 50 to 300 tons and was expected to reach 500 tons by the end of the year. European Union apportioned 100 thousand tons of black oil to keep thermal power stations working in the coming winter (the total amount needed was 300 thousand tons).

On July 19 the Cabinet published its program of saving energy. Beginning September 1 the underground in Tbilisi will work from 7 a.m. to 10 p.m.; private shops from 10 a.m. -- 4 p.m.; state shops -- 10 a.m. -- 5 p.m.; special time-table was created for the television. Organizations were prohibited to use electricity for heating (this kind of prohibitions, however, had been adopted several times).

The power crisis prompted plans to renew the construction of the Hudoni hydroelectric station, suspended in 1988 due to protests of environmentalist and national-independence movements. Mr. Shevardnadze said on July 25 meeting of the Union of Citizens of Georgia that an agreement to renew the construction was reached during the Georgian-Russian economic conference (see below). This time Georgian Greens, who had organized the protest campaign in 1988, did not object.

Prime Minister Patsatsia said on his press conference of July 18 that the present supply of grain would only suffice until the end of August. Until the end of the year the country would need 400 thousand tons of grain. 100 thousand tones were granted by the USA. On July 29 American Ambassador Brown and Georgian Chairman of State Committee for Foreign Trade Bachiashvili signed the respective agreement. There were also hopes of receiving an equal amount of grain from Kazakhstan.

Georgian Department of Railway Transport owed Russia 28 billion rubles (about \$13 million). The leadership of the Department decided to solve the problem by applying to become part of the Russian railway system.

Ministry of Labor and Social Security reported that some 1.5 million people in Georgia had no permanent job.

On a press-conference of July 14 the new Minister of Economy Lado Papava presented his 16 months-long program of economic stabilization in Georgia. However, it was not clear how much of economic power he would accumulate, and how his vision corresponded to that of other leading

reformers -- Vice-Premier Basilia and Minister of Finance Iakobidze (see more on economic policy in the Government section).

On July 21-24 a Russian-Georgian conference on economic cooperation and investments took place in Georgia. The meeting was organized by the Union of Citizens of Georgia and Russian Union of Industrialists and Entrepreneurs; in the last period of the USSR leaders of both organizations E. Shevardnadze and A. Volski had been co-chairmen of the Movement for Democratic Reforms. About 50 Russian businessmen visited Tbilisi and expressed their interest in economic cooperation with Georgia. Possibilities of setting up transnational Russian-Georgian corporations were discussed. 41 business contracts were signed. The guests stressed that in order to attract investments the Georgian government had to create more legal guarantees for the investors.

One of the motives of the increased activity of Russian businessmen could be their concern caused by possible lost of the Georgian economic space to Western companies. The *Georgian Trade* firm was created in London this May in order to attract Western investments to Georgia. In July, experts of the British firm Coopers & Lybrand visited Tbilisi through mediation of the Georgian Trade. They approved 6 business projects presented by the Georgian side; the British government apportioned 50 thousand pounds sterling for their implementation.

A German businessman Count von Bruel visited Tbilisi to set up joint enterprises to tobacco and liqueurs enterprises. The first stage of the project envisages the investment of DM 200 million into reconstruction of Tbilisi Tobacco Factory and Liqueurs and Vodka Factory and spending of DM 7 million to train the personnel.

The American company Macoil, British J. T. Kenny and Australian Consortium of Mineral Resources cooperate with the state corporation Saknavtobi (Georgian Oil) in building an oil-refinery near Tbilisi which will produce up to 200 thousand tons of oil annually and will cost \$11-12 million; later the output is planned to reach 500 tons. Shipment of the equipment already began. In his decree of July 8 the Head of State commissioned the Cabinet of Ministers to prepare a draft law which would free the equipment shipped by joint ventures in oil and gas industry from custom duties.

Aviation Department of Georgia signed a contract with the American firm Vest House on installation in the Georgian airport of a new \$20 million-worth system of air flight control.

The bulletin is chiefly based on the Georgian media reports and the information provided by Iberia, BGI and Contact 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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