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GOVERNMENT

The theme of economic reform still dominated public statements and activities of Head of State Shevardnadze and other government officials. Other priorities of the executive power included winter preparations and starting "stage two" of the anti-crime crusade. Parliamentary holidays and a failure of the radical opposition to launch strong anti-government movement reduced political tensions. No progress was reached in the issue of Abkhazia.

Economic policy. In almost all his public statements Mr. Shevardnadze mentioned recommendations of the International Monetary Fund as guidelines of his economic policy. He reversed his previous supportive attitudes towards the soft credit policies of the former President of National Bank Dvalishvili and repeatedly said that liberalization of prices was indispensable. In a radio interview of August 8 Mr. Shevardnadze said that the government continued its work on the introduction of the national currency (devaluated Georgian coupon is usually regarded as a provisional surrogate). He also called for legalizing the "hidden" privatization to accelerate the process. On August 26 the Head of State issued a decree on the course of economic reform in Kutaisi. The decree assigned other regional leaders to follow the example of Kutaisi Mayor Shashiashvili, who had been trying with a reasonable success to enforce Georgian coupon as the only legal tender in his city.

Mr. Shevardnadze's decree of August 31 "On Urgent Measures to Ensure Social Security of the Population, Accelerate Radical Reform of Price-Making and Financial Systems" was defined as a "revolutionary" one by reform-minded members of the Cabinet. The decree criticized the existing method of drafting the state budget, assessed subsidizing non-profitable enterprises as a detrimental factor for the economy, and defined as "abnormal" the practice when all strata of the society were receiving public welfare benefits on equal terms. The social security should be based on "targeted spending", that is the increase of wages and benefits of the most poor. Social security programs would be in part financed at the expense of selling goods received as humanitarian aid or bought with foreign credits. Pricing should be regulated so that no branch of industry needed state subsidies. By the end of 1994, all government agencies as well as other budget organizations should reduce their staff by 30 per cent. The Cabinet was commissioned to elaborate a mechanism to reveal and protect the most needy. All normative regulations contradicting the decree were declared void.

Banking reform was another priority of the month. On August 12 Mr. Shevardnadze issued a decree "On Promoting the Banking Business". It commissioned the National Bank to prepare the respective regulations, while the Cabinet was entitled to prepare projects of transforming state banks into joint-stock companies. Rights of the commercial banks were expanded. By the end of the month, five major state banks were transformed into joint-stock companies. Mr. Shevardnadze also talked in favor of auctioning other state organizations, namely, the energetic system.

Both the Head of State and the Cabinet dedicated certain efforts to speed up the process of privatization. In Mr. Shevardnadze's decree of August 2 special privileges were allotted to joint-stock companies founded before January 1995; the rights of the enterprise personnel to buy share packages were prolonged until April 1 of 1995. In order to facilitate the privatization of the apartments, the formal procedures required for the privatization process have been simplified.

The duo of Vice-Premier Temur Basilia and Minister of Economy Vladimir Papava, whose political weight seemed to have increased, was regarded as the major reformist force within the Cabinet. Mr. Basilia was authorized to supervise implementing of the IMF recommendations. He was asked by Mr. Shevardnadze to submit new draft taxation code. Some of Mr. Shevardnadze's decrees were given preliminary consideration by economic commission headed by the Vice-Premier. At the same time, the Head of State occasionally criticized other ministers for not giving due consideration to his decrees.

On the other hand, reasonable fears were expressed that the reform would not be consistent enough. Vice-Premier Basilia still preferred to speak in a conditional mode ("if we keep going in the same direction..."), and repeated on several occasions that if the reforms were halted, he would resign. Vice-Premier Avtandil Margiani, regarded as a representative of old-style managers, still kept substantial power. Minister of Finance Davit Iakobidze said in his interview of August 22 that the Cabinet still lacked common approach. In newly auctioned state banks, 51% of the shares were preserved by the state, while the state enterprises were only permitted to open accounts in banks of this kind. As it was reported by the "7 Dghe" newspaper, Vice-Premier Basilia and President of the National Bank Javakhishvili defined this as "residues of socialism".

Preparations for winter was another priority of the government activities. Cabinet meeting of August 17 was dedicated to these problems. Vice-Premier Zurab Kervalishvili, supervising this field, reported on the course of the preparations. Although certain amount of black oil, water and other resources had already been stored, Mr. Kervalishvili as well as chiefs of different agencies involved sounded quite pessimistic. Mr. Shevardnadze called for emergency mode in energy consumption. An August 24 decree of the Head of State created an Emergency Staff on Energy Supplies headed by Prime-Minister Patsatsia. The newly created body should be represented in each region. Mr. Shevardnadze's chief of staff Vazha Lortkipanidze was authorized to supervise the government program in energy supply. On August 30 the Head of State passed another resolution demanding from respective agencies to submit specific guidelines, lists, norms and the like necessary for fair distribution of the energy.

Power structures. Some trends of reduction of the administrative apparatus as well as further concentration of power in Mr. Shevardnadze's hands could be traced. However, initial guidelines for sharp personnel cuts were softened: while on the Cabinet meeting of July 30 a necessity to reduce the number of administration officers by 41% was mentioned, the August 31 decree of the Head of State required 30% cuts to be carried out in the course of an year. The fusion of ministries was supposed to be one of the means of such reduction. In his interview of August 22 Mr. Shevardnadze said this process was going on in an orderly way. By a decree published on August 23, State Committee of Land Resources and Land Cadastre was absorbed in the Ministry of Agriculture and Food Production, with Chairman of the Former Zurab Gegechkori becoming the

minister. On the other hand, new structures were created: this included Office of Repatriation (headed by the MP Guram Mamulia), and a new Department of the State Security Service entitled to fight against subversive activities and corruption in the economy.

The practice of *de facto* creation of the middle range regional administrative structures bigger than traditional districts (*rayons*) continued. On August 2 V. Bakradze was appointed Personal Representative of the Head of State (in an unofficial jargon -- "governor"), in Samtskhe-Javakheti (South Georgia) region. His office will be headquartered in the town of Akhaltsikhe, while the zone he has to supervise includes districts with ethnic Armenian majority. At the same time, rights of Tbilisi and Kutaisi municipalities had been expanded. In particular, one of Mr. Shevardnadze's decrees transferred to Kutaisi administration rights of the Cabinet in the field of privatization. Two new gamgebeli (heads of district administrations) were appointed: military officer R. Nioradze in Kvareli and M. Tumanishvili in Adigeni.

Nikoloz Gogitidze, formerly Chief Military Advisor to the Head of State, was appointed new Military Procurator General instead of Alexander Shushanashvili, who was shifted to the position of Deputy Procurator General. According to the *Resonance* newspaper, this decision might be influenced by a memo of Minister of Defense Nadibaidze to the Head of State in which he regarded Mr. Shushanashvili as "inappropriate" for the office. The military seemed annoyed by a too thorough investigation of the reasons for defeat in the Abkhazia, led by the former Military Procurator. Mr. Shushanashvili said to *Resonance* newspaper that since Mr. Nadibaidze became Minister of Defense, officers subpoenaed for interrogation on that subject refused to come to the Procurator's Office.

Building the Army. In the beginning of the month Minister of Defense Nadibaidze proposed new structure for the Georgian army. The previous one in the main resembled that of the Russian army. The new doctrine is based on the recognition that Georgia lacks economic resources and trained personnel to sustain this kind of structure. The new version was based on a battalion system. Out of 15,000 servicemen, 10,000 will make up seven motorized infantry battalions, respective tank companies and auxiliary detachments, while the remaining 5,000 will serve in the air force, the navy and the anti-aircraft defense. However, the current budget would not provide even for this reduced structure.

Some 30 Georgian officers were sent to Russian military schools, while former Minister of Defense Karkarashvili and Deputy Minister Datuashvili entered the Academy of the Russian General Staff. Some military experts saw in this another sign of the pro-Russian bent of the Minister of Defense, since Georgian officers had also possibilities to undergo military training in the West with far better financial conditions.

The opposition tried to raise the "issue of power" on a special plenary session of the Parliament. In practice they meant to reduce extended authorities of the Head of State, and possibly abolish the office itself (with Mr. Shevardnadze staying as the Parliament chairman). Leader of the National Independence Party Irakli Tsereteli demanded to call this session when he went on hunger strike in July. On August 1 Speaker of the Parliament Goguaдзе visited Mr. Tsereteli and consented to fulfill this demand. A plenary session of the Parliament was called on August 12, but the lack of quorum made the meeting invalid. This was qualified by the opposition as an intentional boycott on behalf of the pro-Shevardnadze majority. However, Mr. Shevardnadze himself attempted to build bridges in relations with the opposition. After a failed session he held meetings with the Monarchist-Conservative Party and the Republicans, trying to persuade them that the reduction of his powers would be detrimental for the economic reform. At the same time, he on several occasions spoke rather harshly on behalf of the radical opposition and their "street actions".

Different parties in the opposition continued to be inconsistent and failed to reach common. During their press-conference of August 12 the Republicans said that Mr. Shevardnadze's resignation would be the best possible outcome from the political crisis. However, after a meeting with the Head of State they said that despite differences in opinions they would not hamper his work, and expressed concern on divisions within the Cabinet. Leader of the National Democratic Party G. Tchanturia defined Mr. Shevardnadze's policy as "slow death" of Georgia (adding at the same time that the opposition activity promoted a "quick death"). He criticized Mr. Shevardnadze for a failure to carry out the policies of "democratic caesarism". Despite such criticism, however, the National Democrats did not support Mr. Shevardnadze's resignation since he "was not Russia's man". Their attacks were mostly targeted at the "incapable" Cabinet and Speaker of the Parliament Goguadze, who was the "Russia's man". Consultations between the National Democrats and the Republicans, which were initiated by those former, did not lead anywhere: Mr. Tchanturia still criticized the Republicans as an "unstable" organization "lacking structure". The Monarchist-Conservative Party continued its brawl with the Ministry of Internal Affairs (see more in the Crime section below). On August 5 Chairman of Organization for Liberating Abkhazia Kakubava called for bringing criminal charges against Mr. Shevardnadze, while on August 12 he said there were some signs of progress in Abkhazia and any destabilization in the country would be detrimental. Social-Democrats stated on August 12 that the Head of State has become a "Mafia toy" and repeated their calls for creating "National Salvation Committee", but later expressed their support at Mr. Shevardnadze propositions for the dialogue and for his fight against Mafia.

On the more radical side, a Sigua-Kitovani pair conducted a press-conference on August 10 to harshly criticize Mr. Shevardnadze and Minister of Defense Nadibaidze. Mr. Kitovani denied Mr. Shevardnadze's charges that in August 1992, when the armed conflict in Abkhazia began, he violated the order of the Presidium of the State Council to coordinate the plan of the military operation with the Abkhaz leader V. Ardzinba. Leader of the National Independence Party Tsereteli came more and more close to pro-Gamsakhurdia parties. He said the best alternative to Mr. Shevardnadze as the Head of State was the leader of the Union of Georgian Traditionalists Akaki Asatiani.

FOREIGN RELATIONS

Georgian foreign policy continued to be dominated by the efforts to solve the problem of Abkhazia by means of improving relations with Russia and using its influence on the separatists. On some occasions however, Georgian officials tried to display reasonably independent stance in relation to the country's senior partner. As reported by BGI agency, on August 12 Foreign Minister Chikvaдзе said that a treaty on Russian military bases in Georgia would only be signed after the problem of Abkhazia was solved. He also mentioned that Ukraine, Turkey and Paraguay had consented to take part in the peace-keeping operation in Abkhazia under the aegis of the UN. Later the Foreign Ministry sent a Note to its Russian counterpart in protest of the friendship treaty between Abkhazia and Tatarstan. On August 21 the Russian Foreign Ministry reacted by declaring the treaty contradicting the Russian Constitution.

In a number of public statements Mr. Shevardnadze and other leaders expressed support to Russian policies, namely to those aimed at stronger integration within the CIS, and Russia's activities in Chechen Republic. Vice-Speaker of the Georgian Parliament Vakhtang Rcheulishvili participated in the First International Congress of Mountainous Peoples which took place on August 2-4 in Nalchik (Kabardino-Balkaria) upon the initiative of the Russian government. After the congress Mr. Rcheulishvili marked good disposition to Georgia and expressed especial appreciation of the Russian role in beginning of the "Caucasian dialogue".

In the end of month, joint maneuvers of Georgian and Russian troops began on the territory of Ajaran Autonomous Republic. They had to repulse an imagined offensive from the south; thus, Turkish or NATO troops could be assumed as "imagined enemy".

On August 17 Mr. Shevardnadze met an Israeli delegation led by Head of Department of the Ministry of Foreign Affairs Ben Elizer. He delivered to the Georgian Head of State letters of Itskhak Rabin and Shimon Peres appreciating the interest of Mr. Shevardnadze to the problems of the Near East.

Contacts with Armenian, Azeri and Turkmeni representatives were mostly focused on transit of goods via Georgia to and from those countries. During his meeting with Turkish Minister of Agriculture Shahin, Mr. Shevardnadze discussed the possibility of building a pipeline to deliver the Turkmen gas to Turkey through Georgia, and opening of new customs check-point near the town of Akhaltsikhe.

Ambassadors of Albania and Cyprus passed their credentials to the Georgian Head of State. Ghana appointed its Ambassador to Georgia, and North Korea informed the Georgian Ministry of Foreign Affairs of its intention to establish diplomatic relations with Georgia.

IN AND AROUND ABKHAZIA

The Georgian side continued in vain to launch the process of the return of refugees to Abkhazia. On August 1, commander of the Georgian troops in the peace-keeping process Gen. Nikolaishvili issued a protest against disregard of the terms of the Moscow Agreement. On August 4 head of the Georgian delegation on the negotiations in Geneva J. Ioseliani said that if there was no progress in solving the problem of refugees, the Georgians would refuse to take part in next rounds of the negotiations. He also said that 59 Georgian observers were not still admitted to Gali region, while the Russian troops had only been deployed on the Enguri river giving the separatists free hand within the conflict zone.

On August 9 Georgian Prime Minister Patsatsia met Taslimur Rahman, the representative of the UN High Commission of Refugees, displaying his discontent with the failure to begin the process of return. Mr. Rahman said that if he did not receive an answer from the Abkhaz side until August 15, he would appeal to the UN court.

On August 15 some 2,000 refugees held a protest rally in the village of Rukhi near the border between Abkhazia and the rest of Georgia. On August 22 they were joined by the refugees from Tbilisi and other regions of Georgia. On August 20 a group of refugees tried to return on their own, but were stopped by the Russian troops. Refugee women held a protest rally in front of the Russian military headquarters in Tbilisi.

The Abkhazs justified their refusal to let the refugees back by the Georgian refusal to fulfil their two standing demands: withdrawal of all Georgian forces from Kodori Valley, and written recognition by the returnees of the constitution and laws of the Abkhaz republic. The demands were unacceptable for the Georgian side. The Abkhaz side refused to attend two scheduled meetings of the four-partite negotiations in Sochi on August 5 and 26.

Georgian Cabinet officer in charge of supplies to Kodori Valley Venera Chopliani stated that 2,248 people who lived there took an oath not to leave their homes. There are two elementary and five secondary schools with 600 children.

On August 23 Georgian Defense Minister Nadibaidze met Russian Deputy Defense Minister Kondratiev in Kodori Valley. Deployment of 600-strong Russian detachment was decided. By August 29, the Russian forces were in full control of Kodori Valley.

On August 17 in Kazan (Tatarstan, Russia) Tatar leader Shaimiev and Abkhaz leader Ardzinba signed a Treaty on Friendship and Cooperation. Shaimiev expressed hope that Georgia would "understand this in right way" (see more in the Foreign Relations section).

Chairman of the CIS Affairs Commission of the Russian Federal Council V. Gustov criticized the Abkhaz side for delaying the return of the refugees and said Russia would not allot 3 billion rubles in promised aid until the process of return of the refugees began. He defined the statements on possible annexation of Abkhazia to Russia as "not serious".

On August 16 Russian military force in Abkhazia was increased by 560 servicemen and 26 armored vehicles arriving from the Urals.

On August 26 an encounter took place in the military sanatorium in Gudauta at the time when Commander of the Russian peace-keepers Gen. Iakushev was there. After the guards refused to let the Abkhaz soldiers in, the latter shoot at the building. 345th paratroopers battalion of the Russian army closed all exits of the town and disarmed the Abkhaz militia. According to some interpretations, the incident could be linked to a speech of Russian Deputy Defense Minister Kondratiev to the rally in the village of Rukhi, which sounded sympathetic to the Georgian refugees.

Gen. Iakushev denied to the UN Observers' Mission in Abkhazia a right to exert any control over the Russian peace-keeping forces, since that had been his exclusive right. A UN observers' representative in Georgia stated that the observers gave up any attempts to supervise the Russian forces in order not to annoy them.

By the end of August, the UN High Commission of Refugees had processed 6,304 questionnaires which included data on 24,310 refugees. However, the Abkhaz side refused to accept the questionnaires.

On 31 next round of negotiations on the status of Abkhazia began in Geneva. Mr. Ioseliani, who usually led the Georgian delegation, refused to go until the process of the comeback of refugees would begin. This time the Georgian delegation was headed by Chairman of State Committee on Human Rights and Ethnic Minorities A. Kavsadze.

SOCIETY. HUMAN RIGHTS

"Street activities" of the opposition decreased in August. The radicals, who had hoped to launch a huge wave of rallies and strikes to eventually force Head of State Shevardnadze out of the office, seemed disappointed. On August 14 and 23 the Round Table (a coalition created by the late President Gamsakhurdia) and Christian-Liberal Party held rallies with participation of some 1,000-2,000 people. Standard demands of the government's resignation and protests against human rights abuse were raised. No incidents with police occurred. On August 31 a number of academics from close to the Round Table circles held a sit-in strike in front of Tbilisi University to demand resignation of acting authorities and personally Mr. Shevardnadze. The gathering was dispersed by police, some protesters were detained but later released from custody.

Trial of the supporters of the late President Gamsakhurdia charged with organizing a set of terrorist acts (the so-called "Domukhovski-Gelbakhiani case"), continued to attract attention of the general public as well as local or international human rights organizations. There were complaints on cruel treatment of prisoners. One of defendants Bardzimashvili had a heart attack on August 4 but was deprived of the proper treatment in the hospital. Other defendant V. Domukhovski was allegedly beaten up by the prison staff after he refused to submit them his personal diary and

records. Some of defendant's were deprived of their right to choose barristers at their discretion, and appeared before the trial without such.

On August 11 Chairman of State Committee for Human Rights and Interethnic Relations A. Kavsadze met representatives of foreign embassies in Georgia to discuss human rights problems in the country. He promised to schedule such meetings more frequently. On August 26 Mr. Kavsadze met with local non-governmental human rights organizations. The attention was concentrated on the observance of the rights of those whom those latter defined as political prisoners. It was decided to establish a joint commission on a parity principle to study the cases under consideration.

On August 13 the representatives of "Human Rights Watch" and "Memorial" organizations E. Dailey and N. Bogatikova, who had come to Tbilisi to study the "Domukhovski-Gelbakhiani case" arranged a Press-Conference together with the Chairman of the State Committee for Human Rights and Interethnic Relations A. Kavsadze. The guests abstained from defining the defendants in the case as "political prisoners", but put the stress on numerous cases of mistreatment of the prisoners. This mistreatment, they said, was not specific to the defendants of this particular case, but was generally characteristic to the Georgian penitentiary system. They also expressed concern on political pressures exerted on the court by the pro-government media and statesmen. In particular, in one of his interviews Head of State Shevardnadze "reminded" the court that there existed such measure as capital punishment.

On August 20 the trial on the so-called "Asanidzes' case" began in Batumi. The defendants were members of Asanidze family and approximate persons, who before being arrested had been high-ranking officials of Ajar Autonomous Republic. They were charged with the preparation of a coup d'état in Ajara, illegal carrying of weapons and financial abuses. Some of the observers insisted that the real cause of the Asanidze's persecution had been the political rivalry between them and Ajaran leader Aslan Abashidze. It was expected that the defendants' side would try to transfer the trial to Tbilisi in hope to mitigate the sentence.

On August 4 family members of persons kept in custody gathered in front of the Parliament to protest against unbearable living conditions in Georgian prisons. The participants of the rally attracted attention of those present to the routine mortality among prisoners.

The Fund for the Social Security of Prisoners was established in order to study the life conditions of prisoners in places of confinement, and to fight for observance of their rights. One of the leaders of the fund L. Abuladze told to "7 Dghe" newspaper that many prisoners were dying of hunger; in most Georgian prisons, more than 60 persons were confined in cells designed for 8 prisoners. He predicted inevitable rebellions in prisons.

On August 25 the headquarters of the Constitutional-Democratic Party was burnt down under obscure circumstances. Among other documents perished in fire were the lists with subscriptions of citizens demanding a plebiscite on rationing of all basic foods. Collecting of the signatures was organized by the "For Life" movement led by former leader of the CDP G. Korghanashvili. On the same day the lists had to be handed to the Tbilisi Municipality by a rally of the signers. The rally took place on August 26 anyway. Mr. Korghanashvili went on hunger strike with similar demands later on August 29. He accused the government for delaying the plebiscite and warned that in the event his demands were disregarded other members of the movement would join the strike.

On August 3 the dwellers of the village of Gomi in eastern Georgia blocked the railway to protest the prolonged failure of the authorities to supply the region with flour, interrupting railway traffic was for several hours.

Georgian Green Movement and other environmental organizations became more active in protesting against certain actions of the government, which might mark their final divorce with the

part of the Green Party which became co-founder of the pro-Shevardnadze *Union of Citizen's of Georgia*. In particular, they came against revived plans to build huge hydroelectric power stations (strongly supported by Mr. Shevardnadze). They also protested against the project of the *Primax Anstalt* company from Liechtenstein to transport to Georgia and eliminate there waste of chemical industry from other countries. On August 3 an official representative of the Ministry of Environment Protection declared that the project was turned down.

Deceived depositors of several banks and trust companies who lost their money after series of bankruptcies and getaways pressed the authorities to defend their interests. Depositors of the biggest of them, the "Achi" company, rallied in front of the Parliament building demanding to accelerate the search of the company's president who escaped with several million US dollars of their money. Later the initiative group of humbugged depositors published a statement accusing the authorities in intentional delay of the investigation.

Chief of Regional Management Office of the Head of State Temur Pipia sued "Sarangi" newspaper for slander. The newspaper had accused Mr. Pipia of illegally raising money from heads of regional administration in favor of Mr. Shevardnadze's party, Union of Citizen's of Georgia.

On August 4 members of paramilitary group *Mkhedrioni* were decorated for their participation in the war in Abkhazia. The ceremony was led by *Mkhedrioni*'s leader J. Ioseliani.

Before the beginning of the new school year Tbilisi municipality decided to ease poor economic conditions of schoolteachers by allowing them free ride on public transportation.

During their Press-Conference on August 19 representatives of the "Frank" association and the International Fund for Children's Aid expressed their concern with extremely hard conditions of life in Georgian orphanages.

On August 18 the International Society of Stalin's Memory headquartered in his native town of Gori decided to create an international research center to study Stalin's phenomenon.

The first issue of a newspaper "Peace All Around" published by the movement "Georgian Women for Peace" was issued. Nanuli Tsagareishvili, spouse of Head of State Eduard Shevardnadze, is Chairman of the Editorial Board of the newspaper, as well as the Honorary President of the Movement.

On August 27, the eve of St. Mary Day which is an official holiday in Georgia, a memorial of St. Nino, the historical figure who christianized Georgia in the 4th century, was unveiled in Tbilisi in the presence of high-ranking officials. A famous Georgian sculptor and MP Zurab Tsereteli was the author.

The Salvation Army opened its third church in Georgia in the city of Rustavi (two others had been functioning in Tbilisi and Kutaisi). Representatives of the traditionally dominant Georgian Orthodox Church many times expressed their discontent with proselytizing activities of different churches and cults in Georgia.

CRIME. ACCIDENTS

Georgian law enforcement bodies seemed to change their priorities, making economic crimes the major target. On August 16 Prosecutor General Jamlet Babilashvili held a Press-Conference during which he mostly spoke on the fight against economic crimes. He said up to 40 criminal actions had been started against different organizations and persons, former high-ranking officials

among them, on financial and other economic abuses. He said the society had to prepare exposure of some well-known names suspect in criminal activities. Three days later, during his Press-Conference, Minister of Interior Kviraia announced the beginning of the second stage of struggle against organized crime. He summed up the results of the previous stage, during which police conducted 15 large-scale operations, so called "rounds". This, he said, paralyzed many criminal groups. During the second stage, more attention would be paid to fight with corruption, economic crimes and their political cover in the "upper echelons of power".

A widely publicized conflict between the Minister of Interior and an MP, leader of the Monarchist Conservative Party Temur Zhorzholiani continued. Mr. Zhorzholiani kept accusing the Minister of personally shooting several young people in Zugdidi last fall for alleged looting. During his Press-Conference of August 6 the Minister, in addition to earlier charges of attacking a policeman, accused Mr. Zhorzholiani of financial abuses. Mr. Kviraia also accused of criminal offenses former Chief of Tbilisi Police Davit Zeikidze and MPs (this time those representing pro-Shevardnadze majority) Valeri Kvaratskhelia and Kartlos Gharibashvili. The two MPs later turned down the accusations and sued Mr. Kviraia for slander. Mr. Zeikidze's case was more serious: on August 9 the Prosecutor's Office issued a warrant for his arrest, only to find out that he had already left the country. In March this year Mr. Zeikidze had invaded the Parliament building with a group of policemen to "dissuade" the Parliament from approving nomination of Mr. Kviraia as the Minister of Internal Affairs.

Another police operation to destroy illegal oil-processing facilities took place near the village of Ujarma on August 23.

On August 29-31 the Ministry of Internal Affairs and State Security Service conducted another large-scale "round" in Tbilisi and different regions of Georgia. This time it was mostly targeted against illegal manufacturers of counterfeit alcoholic beverages. A number of counterfeiters were arrested and weapons confiscated.

On August 14 in Kutaisi, 104 policemen participated in an operation held to detain Mikheil Cherkezia, 27, formerly resident of Sukhumi, who with a group of accomplices controlled Oni-Ambrolauri highway in a mountainous region of Racha and terrorized inhabitants of Kutaisi. In the shooting one policemen was killed and 5 seriously wounded; Mr. Cherkezia was arrested.

The police neutralized an armed group of a right-wing political group "Language, Fatherland, Faith", arresting among others its leader G. Teriashvili. Weapons including one tank were confiscated.

On August 13 a fire broke near the town of Mtskheta, spreading over 50 hectares of territory and destroying huge tracts of forests.

On August 14, a collision of a passenger and a cargo trains between Tbilisi and Gardabani stations left 20 people dead and many injured.

THE ECONOMY

Huge budget emission continued to cause the plummet of the Georgian coupon rate; cost of one US dollar went up from 1,005,000 coupons on July 28 to 1,950,000 on August 20. Further decline was predicted. Vice-Premier Basilia said that in fact budget emission in the summer amounted to 21 trillion coupons instead of 12 trillions approved by the Parliament.

Ajaran Autonomous Republic officially refused to use the coupon. Its leadership called this an "Ajaran experiment".

Prices were quite stable save for a seasonal decrease of prices for fruits and vegetables. There was a drop in petrol prices to 800-900 rubles (0.36-0.41 cents)

Although a chain of bankruptcies of banks and trust companies continued, this did not hamper the emergence of new similar companies who still announce 20-25 per cent of monthly interest for US dollar deposits. Our survey showed that 67 commercials out of a sample of 278 advertised this kind of financial activity. Tourism was the second with 48 commercials, followed by universities -- 27, real estate -- 23, advertisement agencies -- 22, cigarettes (imported) -- 18, air flights -- 10. The most popular tourist destinations were: Germany -- 25, Turkey -- 19, Iran -- 11, Bulgaria -- 10, United Emirates -- 9.

Official statistics of the first half of the year. In the first five months, budget revenues totaled 5,300 billion coupons, with 7,892 billions spent (respectively 63 and 45.3% of the planned figures). The deficit thus amounted to almost half of revenues.

By July 1 overdue arrears of banks and suppliers amounted to 7.6 trillion coupons or 193 times more than the same period last year. Among them, overdue arrears of suppliers increased in the same period 327 times.

According to the State Committee of Social-Economic Information (SCSEI), 1,078 enterprises out of 1,362 had submitted by July 12 their reports on the results of the first half of the year. These reports showed that the total production output in comparable prices declined by 49.5%. The number of those employed in the industrial production dropped by 16.2% or 32.7 thousand people. Average individual productivity dropped by 39.8%.

26 thousand tons of oil was extracted in the reviewed period which was 18 tons less than the same period last year. Coal extracting amounted to 19.9 thousand tons (with 7.1 tons of decline). 1,440 cubic meters of natural gas was imported, which makes up 27.7% of the amount needed.

Railway freight declined by 54%, reaching 1.2 million tons

The country largely depended upon bread imported on foreign credits (European Union, Turkey) and received as humanitarian aid (USA). By July 15, 407.3 thousand tons of wheat and 61.5 tons of wheat flour were imported. Prime Minister Patsatsia said during the meeting of the Cabinet that the country hoped to receive 225 thousand tons more until the end of the year (155 thousand tons in American humanitarian aid, 40 thousand tons from Kazakhstan, and 30 thousand tons produced locally). The Ministry of Agriculture reported that it expected 500 thousand tons of grain, among it 200 thousand tons of wheat, to be collected this fall. However, processing was a great problem. The Ministry recommended its enterprises to buy one ton of wheat for the coupon equivalent of \$70, seed wheat -- \$90-100, one kilogram of grapes -- equivalent of 8-10 cents.

1,440 entities from the officially approved list of 4,900 were privatized by the end of the half year. 52% of them were small services and 37.5% -- retail shops.

Chairman of the SCSEI Leri Gigineishvili pointed out some hopeful signs as well. National income

increased in the second quarter of the year by 15%. Increase of productivity in the private sector was much faster than in the state one. There was an increase of output of 7 kinds of products (and decrease in 77 other kinds, while 10 kinds of products were not produced at all). No statistics was available on the production output in the private sector.

President of the National Bank Nodar Javakhishvili stated that in the last year and the half Georgia received humanitarian aid of about 1 billion US dollars.

The National Bank suspended registration of the commercial banks until September. Its Vice-President Marlen Giorgadze stated this was done following the recommendations of the IMF. The major reason was a failure of commercial banks to meet their obligations. The banks could not attract credit resources after they were denied the possibility of receiving them from the National Bank at the expense of credit emission. New requirements provided for \$50 thousand as the minimum initial capital. Given the amount of the already registered banks -- 225, this could create a paradoxical situation when sum total of initial capitals of commercial banks would exceed sum total of cash in circulation.

International business contacts. Mr. Shevardnadze continued his tradition of meeting foreign businessmen who planned to invest in the Georgian economy. Count von Bruel (Germany) asked for exclusive rights in the field of liqueur and tobacco industry, but did not receive the positive answer so far. A joint trading house was already founded which would work as a distributor. During Mr. Shevardnadze's meeting with representatives of the American Westinghouse company the project to create in Georgia modern system of air-flights operation was discussed. Preliminary estimations of costs was \$30-50 million. Exports of Georgian tea, laurel and citrus fruits to Romania, as well as freight turnover between Constanta and Batumi harbors were the theme of his meeting with Romanian businessmen.

Another delegation of the World Bank studied the possibilities of allotting of the municipal credit to Georgia. It will include the modernization of water supply systems in Poti and Batumi, winter preparations of healthcare and educational systems in Tbilisi. Total cost of the project is \$15 million. World Bank representatives stressed that no state or political structures would be involved in its implementation.

One of the European Union TACIS programs implied to create in Georgia a business communication center. It will be linked to the worldwide system of business communications. The project costs 2 million ECU and will be implemented in the course of two years.

An agreement ready to be signed between Russia and Georgia provided for a credit of 20 billion rubles to Georgia to pay for commodities and services from Russia. It will be distributed for those enterprises that are technologically linked to Russian manufacturers. In order to guarantee the return of the credit the Georgian side proposes shares of three major Georgian state enterprises as indemnification assets.

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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