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### GOVERNMENT

**December has been the first fairly peaceful month throughout E. Shevardnadze's rule in Georgia. The fight against criminal gangs, the rivalry among various branches of power and the search for ways of economic recovery constituted the major items of its agenda.**

However, strained relations between the Ministers of Security and Defense came short of leading to a serious conflict. A quarrel at Tbilisi airport between Minister of Security I. Giorgadze and Minister of Defense G. Karkarashvili, on the latter's arrival on December 24 from the CIS Summit meeting in Ashgabat along with other members of the Georgian government delegation, ended up in a hand-to-hand fighting between the two ministers. The following night the Defense Ministry was put on the alert, and according to the statement of the Press-Center of the Ministry of Security, their forces stopped and requisitioned two cars belonging to the Ministry of Security physically abusing their employees. They also occupied one of the buildings of the Ministry of Security, which was exploded at five in the morning, fortunately without any casualties. The Press-Center of the Ministry of Defense in its turn noted the unacceptability of holding Mr. Karkarashvili responsible for Georgian defeat in Abkhazia, which had been the cause of the conflict at the airport. The Ministry of Defense did neither take the responsibility for the explosion nor denied its participation. Mr. Karkarashvili's disappearance during the next three days prompted the rumors of preparations for a new coup in progress. The tensions were lifted on December 27 when the Boards of both Ministries held a meeting at which they came to the conclusion that no conflict between two power structures was admissible. The same day Mr. Karkarashvili showed up at the meeting of young officers who founded a "military organization of patriotic youth" aimed at participating in building a united and powerful national army.

The attitude of the Head of State to those events had been most cautious; in his official statement he just said that no opposition between armed structures was admissible and that the reasons of the incident had to be investigated. For that purpose a commission was set up headed by the Prime Minister.

The third "power ministry", that of Internal Affairs, bettered its image by several successful operations against organized crime (see the *Crime* section). However, some commentators noted that the police had been politically selective, i.e. attacking only those criminal groups which were related to political opposition (namely, the National-Independence Party in the case of "the Svirid brotherhood", and former Defense Minister Kitovani and Union of Georgian Traditionalists in the case of the Tatishvili clan). A remark of the Head of State demanding to investigate "who stood behind the Tatishvili clan" was assessed as a hint at

political implications. Both T. Kitovani and leader of National-Independence Party I. Tsereteli came forward with statements in which they defined police operations as "political actions".

The Head of State took other measures aimed at strengthening the police at the expense of other armed structures. On December 16 he issued a decree prohibiting anyone other than the police to inspect traffic on highways; he also ordered the Ministry of Defense to submit the plan of the location of its subordinate armed forces to the Republican Council of Law-Enforcement Bodies.

However, those measures were not considered sufficient: first Vice-Premier Margiani, then Chief of the Tbilisi Police D. Zeikidze called for the employment of Russian army in fighting against crime. The efficiency of the cooperation between Russian Army and Georgian police, they argued, had been demonstrated in November in the town of Poti, when Russian naval forces landed in the town to establish order after the Zviadist rebels had been driven out. In one of his latest interviews Mr. Zeikidze said Russian participation was needed so that fight against crime would not lead to a civil war, presumably hinting that the police needed to prevent the fight against crime from turning into a civil war, presumably hinting that the police needed allies in their fight against criminal groups that were related to *Mkhedrioni* and the Ministry of Defense. Mr. Shevardnadze vaguely commented on the subject saying he did not think it would become necessary.

Having overcome the attempts on the part of the Head of State to suspend its activities during the State of Emergency the Parliament continued functioning, though its plenary sessions were no longer broadcasted. In December, its work was mainly focused on discussing a package of laws on taxation, which was presented by the Finance and Budget Commission. On December 4 a *Bill on the Principles of the System of Taxation* was passed; on December 23 and 24, the rest of the package was adopted, containing the laws *On Enterprise Property Tax*, *On Enterprise Profits Tax*, *On State Taxation Service*, *On Excise and Surplus Value Taxes*, *On Real Persons' Property Tax*, *On Real Persons' Income Tax*. These laws were adopted in an unusual spirit of cooperation between the majority and the opposition. As it was generally assessed, the new system of taxation was rather liberal and intended to encourage private business. The only point of debate came to be the system of tax control: as Chief of the Control Chamber R. Shavishvili stated, the responsibilities of his office had not been clearly delimited from those of the Inspection Board of Taxation. The adoption of respective articles was postponed. A resolution was adopted on introducing the legislation on taxation in the school curricula.

Other decisions of the Parliament that were taken without much debate included joining the *Chicago Covenant on Civil Aviation* and the *International Covenant against Hi-Jacking Air Carriers*; a resolution *On Prohibiting Illegal Export and Import of Cultural Values, Transference of Property Rights and Measures to Prevent them; Regulations on Temporary Exit from and Entry to Georgia*. The agreements with Kazakhstan and Germany were also ratified.

As to defining the causes of current deep economic crisis the Parliament was far from unanimity at its December 9 session. While the Cabinet called for closer ties with Russia as the best solution of the crisis, former Prime Minister Sigua appeared in the role of major opposition, accusing E. Shevardnadze of intentionally aggravating the economic crisis so that the country would have no other option but to join the CIS and make all kinds of concessions to Russia. Mr. Sigua blamed the current power crisis on the criminal activities of certain government figures (without naming them) who sold out farm products that had been intended to be traded for power and had placed 70 million US dollars on their private accounts abroad, while former President of the National Bank D. Dvalishvili was accused of an intentional devaluation of the Georgian coupon in order to justify the return to the ruble zone in the future. Mr. Sigua accused Mr. Shevardnadze of having concealed a letter of the International Monetary Fund promising to Georgia a credit of 200 million dollars on condition that the liberal monetary policy of the

National Bank was given up. Later Sigua repeated his accusations on December 16 session and the December 25 Press-Conference.

Since Mr. Sigua was not a member of any party or faction, the question "who stands behind him?" became popular in political and journalist circles. The only person who literally sat next to him in the Parliament was former Minister of Defense T. Kitovani - his mate in the rebellion against former President Gamsakhurdia. Mr. Kitovani reminded of himself by withdrawing his signature from a Parliamentary declaration in which he had supported E. Shevardnadze's decision to join the CIS.

Sigua's criticism reminded the MPs of the commission which had been set up to investigate Dvalishvili's monetary policy. Chairman of the Commission, who is also a Chairman of the Finance and Budget Commission of the Parliament T. Basilia said the suspension of plenary sessions of the Parliament in September had prevented him from reporting the results of the investigation. On December 16 however, when the MPs demanded to hear the report, the Head of State intervened and said that it would be inappropriate to discuss the issue while criminal investigation was underway; Mr. Dvalishvili's policy (which he had usually defended) might have been really harmful but prompted by his sincere considerations to improve the economic situation. As to Mr. Sigua's accusations, he said he had not concealed any letter but had addressed it to then Vice Premier R. Gotsiridze to be considered.

The status of those MPs that had recently been appointed to executive offices became another point of disagreement between the majority and the opposition. The latter demanded the observance of the law according to which those deputies were to give up their seats, while the majority maintained (through Vice Speaker Rcheulishvili) that there was no need to recall the deputies from the Parliament since these appointments had been prompted by the State of Emergency. This reasoning was evidently motivated by the fear of further weakening the position of the majority, which became rather shaky after the National Democrats and the Liberal Democrats had withdrawn their support. The issue remained open. On December 24 the Parliament was dismissed for Christmas holidays until January 18.

Minister of Economy M. Jibuti, a member of Parliament from the National Democratic Party, resigned in protest to the policies of the government which he did not consider to be market-oriented enough. Other ministers from the NDP had resigned in October in protest to Mr. Shevardnadze's decision to join the Commonwealth of Independent States.

## **FOREIGN RELATIONS**

Georgian foreign policy continued to be focused upon relations with Russia and process of establishing relations with the CIS. The improvement of the Georgian-Russian relations signaled by Mr. Shevardnadze's decision to join CIS in October seemed to remove earlier obstacles on the way to ratify the "grand" treaty between the two countries that had been debated for several months. In his interview on December 24 Mr. Shevardnadze said the package of agreement would be ready in January. Two deputies of the Russian Foreign Minister - Adamishin and Pastukhov - visited Tbilisi on December 26 to discuss bilateral relations concerning conflict resolution in Abkhazia and South Ossetia and preparation of the package of agreements. Mr. Adamishin characterized current stage of the relations as "beginning of a renaissance". On December 27 Adamishin and Georgian Foreign Minister Chikvaidze signed a protocol on departmental cooperation.

Although joining the CIS had not get been approved by the Georgian Parliament, Mr. Shevardnadze already considered as on accomplished and irreversible fact. On December 23 and 24 the Georgian delegation took part in the CIS summit in Ashgabat for the first time in the status of a full member. Mr. Shevardnadze described all decisions adopted at the summit as

corresponding to national interests of Georgia, and assessed military cooperation within the framework the CIS as "liberal" and not causing any limitations for Georgia. He also expressed satisfaction with the results of separate meetings with particular leaders: President Yeltsin of Russia promised him economic assistance, while President Niazov of Turkmenistan - putting off payments for debts for natural gas.

Other directions of foreign political activity included participation of Mr. Chikvaidze in the traditional meeting of Foreign Ministers of CSCE in Rome and of speaker of the Parliament V.Goguadze - in the Parliamentary Assembly of Black Sea Countries in Kiev. Georgia is the next Chairman of the Black Sea Assembly; in his interview on December 14 the Head of State stressed an importance of participation of Georgia in the Assembly and repudiated rumours that Georgia was going to reject its chairmanship because of the financial problems.

The Organization of Economic Cooperation and Development based in Paris granted Georgia status of a developing country.

## **IN AND AROUND ABKHAZIA**

Georgian-Abkhaz negotiations under the aegis of the UN with Russia as a facilitator and with the participation of the CSCE representative took place in Geneva on November 30 - December 1. In a "Memorandum on Understanding" signed by J.Ioseliani for the Georgian side and S. Jinjolia for the Abkhaz side the parties pledged to withhold from any use or threat of using force over the period of negotiations, to exchange POWs in accordance with the principle of all for all, and to create conditions for the safe return of refugees. The parties also considered it desirable to increase the number of international observers and to deploy international peace-keeping forces and appealed to the international community to render assistance in re-establishing normal life in the conflict zone. The next round of negotiations was scheduled for January 11 in Moscow or Geneva.

The agreement, however, has not brought any tangible results so far. A few remaining Georgian villages beyond the control of separatist forces in the Kodori gorge were assaulted by the latter on December 7, leaving 6 civilians dead. The next day the Georgian Ministry of Defense sent a detachment of 100 men to help local defense forces. As claimed by the Ministry, its forces had not taken part in the hostilities in the above zone earlier. Although the Georgian guerillas, based in the Abkhazian Svaneti, confined themselves to defense activities and there was no reliable information as to their true capacities, they could possibly become more active in spring. According to some assessments the positions they hold can be rendered as strategically beneficial.

In the beginning of December the Abkhaz forces left their positions along the river of Enguri, which separates Abkhazia from the rest of Georgia, and camped near the town of Ochamchire. It was a signal for refugees from the village of Gunmukhuri to return to native houses. They were received well by the ethnic Abkhaz population. However, on December 30 one hundred armed separatists entered the village. Earlier, according to now nominal Head of the Administration of the Gali district V. Kobalia, the separatists tortured Georgian civilians from the villages of Zemo Bagebi, Kvemo Bagebi and Otobaia accusing them of cooperation with Georgian guerillas. Thus a small part of refugees who returned home relying on the Geneva agreement had to flee to the territories under the government control.

Abkhaz leader V.Ardzinba made particular stress on the article of the Memorandum which called for the deployment of peace-keeping forces in the conflict zone. In a letter sent to the Secretary General of the UN he asked to dispatch them as soon as possible so that they could be camped across the Enguri river. As to the return of refugees, Mr.Ardzinba appealed to the governments of Russia, Greece and Israel to help return the citizens of Abkhazia displaced

during the war; they, however, did not include those who collaborated with Georgian "aggressors".

On December 19 the parties exchanged the POWs: 7 of those held by the Georgian side (none of them were ethnic Abkhazs) were exchanged for 12 Georgians. Earlier the same month, the Abkhazs released Iuri Gavva, editor-in-chief of the *Demokraticeskaya Abkhaziya* newspaper. The Georgian side claimed two more Georgians were still in captivity: Professor of the Sukhumi branch of Tbilisi university Z. Papaskiri and engineer M. Gelenidze, charged with spying for the Tbilisi government.

Consultations on the future status of Abkhazia, that ended on December 21 in Moscow, brought no signs of agreement between the parties. The Georgian side presented a plan of the Abkhaz autonomy within Georgia with a detailed draft of delimitation of powers. The Abkhaz side argued that the future status of Abkhazia was to be determined after a referendum in which the population would choose between three options: (1) the autonomy of Abkhazia within Georgia; (2) a Confederation between Abkhazia and Georgia as equal subjects; (3) a complete independence of Abkhazia. Georgian representatives stated that no consultations on the future status of Abkhazia made any sense with the policy of genocide going on.

After the memorandum was signed, Russia released economic sanctions against Abkhazia, though it did not lift them altogether. The Abkhaz sources spread an information that the residents of Sukhumi were on the verge of starvation; the Russian community in Sukhumi protested against the sanctions by a mass resettlement to the Russian town of Sochi. The Government of Kazakhstan granted Abkhazia 10 000 tons of grain, which was considered by the Tbilisi to be a gesture of support to the separatists.

In December, an Abkhaz regional organization of the Union of Citizens of Georgia was established. Speaking at the meeting of this organization, Mr. Shevardnadze said: "If peace negotiations fail, thousands, tens of thousands, millions of us will go to the Enguri (river) even without any arms and return to our houses".

A more radical "Organization for Liberating Abkhazia" led by B. Kakubava, harshly criticized Shevardnadze's conciliatory approach and argued that Abkhazia could only be regained through military force. The organization did not just confine itself to pronouncement but was actively engaged in military preparations. On his part Mr. Ardzinba said "If the Georgian army dares to attack us, we will extend our military operations within Georgia and enter Tbilisi".

The Confederation of the Peoples of the Caucasus at its Congress on December 4-5 marked "the glorious victory over Shevardnadze's fascist clique", which was only clouded by the refusal of the would community to recognize its results. Those who had distinguished themselves in the Abkhaz war were promoted. The Chief of Staff of the Abkhazian navy became Chairman of the CPC Parliament instead of Soslanbekov, who had been fired for his opposition to Dudaev and rapprochement with official Moscow. Commander of the CPC Military Forces in Abkhazia Sh. Basaev became the Commander of the CPC Military Forces. The Sukhumi hotel in the Abkhaz capital was turned into the CPC headquarters.

## CRIME

The struggle against organized criminal groups, or "Mafia syndicates", as defined by the Head of State, became number one issue on the Georgian political agenda. The situation on highways, where a number of self-styled pickets robbed the passing cars and passengers, was regarded as especially challenging. The introduction of the State of Emergency has not brought any visible results so far, the curfew in Tbilisi was not effectively enforced and seemed not to be

regarded seriously by the authorities themselves. Most of the shops in the capital closed as early as 4 p.m. for the fear of robbers.

The Ministry of Internal Affairs led by new Minister G. Kviria demonstrated its firm resolution to fight against organized criminal groups by two successful operations. In the first days of December the Tatishvili brotherhood and other leaders of a Mafia clan in the Mtskheta region near Tbilisi were arrested. Another Mafia group, officially registered as a charity organization under the title of the "Sviri brotherhood" was disarmed on December 10-12 in the region of Zestaponi; West Georgia. The "Brotherhood" had been effectively controlling the region with the gangebeli (head of the local administration) being its member. Lots of weapons and heavy military equipment had been confiscated in both cases.

The police has so far been withholding from taking any measures against criminal clans presumably related to forces that are more friendly to the current government, such as *Mkhedrioni*, officially registered as Georgian Rescue Corps. Among these the Rustavi brotherhood led by G. Talakhadze was regarded especially strong and dangerous. The unsuccessful attempt of the police to disarm the group in September led to a conflict between E. Shevardnadze and J. Ioseliani, and was followed by Mr. Shevardnadze's resignation and comeback.

However, the *Mkhedrioni* members could not sleep quietly either. Two of their leaders, Z. Vepkhvadze and G. Svanadze, were shot in a car on December 22 in Tbilisi. Z. Vepkhvadze had been regarded as a number two man in *Mkhedrioni*; though according to some sources J. Ioseliani had lately somewhat estranged his lieutenant. No official explanation of the assassination pursued. Different versions included an internal conflict in *Mkhedrioni*, a personal revenge and even secret fight of the police. The month was also noted for a chain of assassinations of several notorious criminal figures (the so called "thieves within the law"), who had allegedly been related to *Mkhedrioni*. Other sensational murders included that of a businessman Grigol Zhordania, Director of the Tbilisi Tobacco Factory, on December 9.

On December 21, about 1000 people blocked the entrance to the town of Marneuli in protest against deteriorating crime situation there. The action was prompted by the incident of the previous day when several people had been murdered after an armed assault. The incident acquired particularly dangerous ethnic coloring, with the offenders being ethnic Georgians, and the victims -- ethnic Azeris. After the interference of Georgian authorities the traffic was restored.

On December 10, a painting of the 18th century Austrian painter A. Kaufman was stolen from the Tbilisi Museum of Fine Arts. That was the way thieves answered Mr. Shevardnadze's recent decree on stronger protection of museum items.

On December 16, the office of the popular weekly *7 Dghe* (seven days) was plundered. Earlier in September the same newspaper had been raided for political reasons.

## SOCIETY

The introduction of bread and flour rationing in Tbilisi and some other regions (it had already been effective in several places) was a relative success of the authorities. At the last moment bread ration was reduced from 400 to 300 grams a day, plus three kg of flour a month. Despite some irregularities, rationing has been efficiently enforced, saving citizens long hours in lines.

Although free of direct censorship, independent press underwent economic pressure on the part of publishing and distributing agencies that were monopolized by the state. They protested against the privileged position of several formally independent but actually government

newspapers, which had been released from their huge debts to the Samshoblo publishing house (the only one capable of publishing newspapers), which enabled them to appear without interruptions and circulate at cheaper prices. As to the independent media, only few of them managed to appear on a regular basis. On the other hand, some new editions emerged, usually related to financially strong corporations. The *Forum* weekly, which was also started in December, will presumably become the mouthpiece of the radical opposition to the current government after the Zviadist newspapers were closed in September.

On December 1, Vice-Premier I. Menagharishvili met with the representatives of the Journalists' Federation of Georgia and independent newspapers to discuss the media problems. The issues of creating an alternate system of distribution and privatizing some publishing agencies were raised. On December 2, a civil movement New Generation in an appeal to Chairman of TV and Radio Department A. Gogelia protested against biased reporting and suppressing opposition views. At the end of December, the *Novaya Gazeta* newspaper published an unconfirmed information that Chief of the TV and Radio Department A. Gogelia was going to resign on account of ideological pressure from the government.

The authorities of Ajaran Autonomous Republic displayed much tougher methods of dealing with independent media. After the *Matchakhela* and the *Sakartvelos Karibtche* newspapers had been closed in Batumi, a new edition - the *Tavisupali Sitkva* ("The Free Message") edited by Tamaz Diasamidze, a leading opposition figure to current Ajaran leader A. Abashidze and a member of both Georgian and Ajaran Parliaments, was registered in the Ministry of Justice of Georgia. According to the *Novaya Gazeta*, copies of the first issue of the newspaper that were delivered to the newsstands of Ajaria the second half of December, were withdrawn and burnt by the authorities, while the salesmen were arrested, interrogated and later released only after they gave written a pledge not to distribute any edition undesirable to the leadership of Ajara.

On December 4, court proceedings were completed on four members of the Zviadist armed groups charged with kidnapping A.Kavsadze - the Chairman of the State Committee for Human Rights and Interethnic Relations -- last spring. They were sentenced to 14-15 years imprisonment, with confiscation of their property. On December 14 court proceedings were resumed on another Zviadist group known as the "Domukhovski-Gelbakhiani case" (Domukhovski had been an MP in Gamsakhurdia's days). They were charged with terrorist activities aimed at undermining current political order. The convicts protested against the violation of their rights; namely G. Bardzimashvili declared that his wife and daughter had unlawfully been arrested for a short time.

Some signs of normalization appeared in the Megrelia region. On December 27 the first flight between Moscow and Senaki took place. It was planned to be maintained on a regular basis.

On December 2, schoolteachers in the town of Rustavi announced a pre-strike alert. They demanded higher wages.

All educational institutions suspended classes in Ajara starting from December 1 due to the cases of diphtheria.

Georgian leader E. Shevardnadze made his position clear regarding the conflict between the Georgian Ministry of Communication and *Videotel* company of New York. He defined the a contract which had been signed by the two parties in 1990 and according to which a joint Georgian-American venture 'Georgian Intelcom' owned an executive right to run a network of satellite communications in Georgia with the American side, getting 80% of revenues as a "dirty bargain" neglecting the national interests of Georgia. The contract was annulled by the Georgian government and court proceedings are expected to begin in Germany.

A new Research Center on East-West Relations presented itself having elected E. Shevardnadze its Honorary Chairman. A seminar, conducted by Z. Brzezinski of Harvard University, former National Security Advisor to President Carter was the first of its arrangements.

On December 27, a Georgian-Azeri organization *Daiami* was founded in the town of Gardabani near Tbilisi. It aims at mobilizing ethnic Azeris living in Georgia to promote political, economic and cultural developments in the Republic of Georgia.

## **PUBLIC OPINION**

In a traditional telephone poll of the *Resonance* newspaper which was conducted on December 25-26 in Tbilisi, 1,000 respondents were asked to evaluate the activities of Georgian politicians during the year of 1993 (naming more politicians than usual). The ratings of Eduard Shevardnadze were the lowest as compared to earlier polls: 42.4% of the citizens of Tbilisi approved of his activities, with 22.9% disapproving. Two living politicians -- Foreign Minister A. Chikvaidze and Mayor of Kutaisi Temur Shashiashvili, as well as the late Zhiuli Shartava, the former Prime Minister of Abkhazian Autonomous Republic who had been killed by the separatists, got approval rates of over 60%. However, none of them can be considered as adversaries to the Head of State. Among the opposition figures, N. Natadze and T. Paatashvili had the highest approval rates of 32.2% (15.5 and 22.9% respectively disapproved). Among others, the leader of Ajaria A. Abashidze got the approval of 34.3%, I. Sarishvili -- 31.0%, J. Ioseliani -- 21.2% (40.0% disapproved of the latter). I. Tsereteli -- 67.3% disapproving, T. Kitovani -- 65.3%, Z. Gamsakhurdia -- 61.0% (0.8, 11.4 and 9.8% respectively approved of their activities) appeared to be the most unpopular politicians.

A poll conducted by the *Svobodnaya Gruzija* newspaper on December 2 showed that Mr. Shevardnadze's new party -- The Union of Citizens of Georgia, exceeded in popularity the oppositional Liberal-Conservative block. 44.1% of those polled defined their attitude to the Union of Citizens as "positive" or "very positive", 24.8%-as "neutral", 16.9% as "bad" or "very bad", with 14% abstaining. In regard to the Liberal-Conservative block, it was respectively 13.9%, 39.4%, 32.2% and 14.5%.

The Committee of Social-Economic Information of Georgia studied the attitudes of 700 citizens of Tbilisi, among whom 300 were heads of state and private enterprises and companies, to various structures of power. The Head of State was a definite leader: 33.3% of rank and file citizens and 46.7% managers thought that his decisions ensured a normal functioning of the society, with 46.8% and 35% thinking that he had failed to ensure a normal mode of life, and 8.3% and 3.3% assessing his activities as hampering the normal course of life. Approval ratings of all other structures of power (Parliament, the Cabinet of Ministers, the Police, the financial institutions, etc.) were around 10%.

The *Dghe* newspaper polled the inhabitants of Tbilisi on their attitude to situation in Ajaran Autonomous Republic. 41% of those polled approved of the political situation there (with 15.8% disapproving and 43% neutral), 48% approved of the economic situation, but only 13.6% regarded the situation with human rights as satisfactory there (73.0% remained neutral). 25.5% thought that the autonomy of Ajara had to be maintained, 15.8% thought it had to be abolished, 40.2% thought it had to be abolished but only later, and 18.5% could give no answer. 32.4% supported the idea of creating a free trade zone in Ajara, with 55.5% neutral or not knowing.

## **ECONOMY**

The monthly inflation rate exceeded 100 percent. On December 28 one US dollar cost 108,300 Georgian coupons against 51.370 on December 1. This sharp decline was accompanied by a process of supplanting coupon from circulation in retail trade. The authorities took no measures against the open violations of the decree which had been adopted in August and which had proclaimed the coupon the only legal tender in the country.

On 4-6 of December, according to a poll commissioned by the *Svobodnaya Gruzija* newspaper, coupon was still widely used: 78.8% of those polled in Tbilisi said they used coupons to buy food, with 20.8% using rubles and 0.8% - US dollars. 36.6% said they purchased clothing for coupons, 18.9% - for rubles, 2.6% - for dollars, while 41.9% said they did not buy clothes at all.

The devaluation of coupon vis-a-vis US dollar was also accompanied by a sharp rise of the cost of the normative food basket in dollar equivalent, which amounted to 1,605,975 coupons or \$25.1 in the first half and 2,443,692 coupons or \$27.4 in the second half of the month, with \$0.36 and \$0.26 of minimum wages within the same period (in November the basket cost \$19.39, at the end of October -- \$13.99). The prices of major foodstuffs had been: 1 kg of sugar - \$0.69, butter - \$2.69, beef \$2.3, cheese - \$3.85, potatoes - \$0.31, 1 liter of sunflower oil - \$1.53, 10 eggs - \$1.08.

An apparent increase in the supply of consumer goods was notable by the end of the year. The animation of trade activity did not seem to be hampered by a grave crime situation on highways or racketeering, though those circumstances naturally had a considerable impact on prices, since the owned had to pay about \$4.000 to bring a loaded trailer safely from Batumi to Tbilisi.

Food was chiefly imported from Turkey and Russia; as to manufacturing goods, imports from other countries, especially Poland, became more frequent. The import of manufacturing goods was for the most part carried out under "shopping tours", i.e. trips of small "tourist" groups that were arranged by numerous travel agencies.

Share of the private sector in the retail trade kept growing: by the end of the year it was estimated to be about 90 percent (though it might include the flow of commodities from state shops to private profiteers). The retail trade volume in the *bazaar* increased 1.5 times during the year, while in the state sector it was reduced 2.8 times over the same period. Drastic changes occurred in the framing of people's income. According to the research of State Committee of Social and Economic Information, the share of official wages in the income of citizens had been reduced to 26 percent by the end of the year against 70 percent under the communist rule. As to "other sources of income", their share increased from 37% in the first quarter of 1993 to 72% by its end. Taking into account the traditional reluctance of the population to disclose these "other" sources, the share of state wages could be even lower. Public service is increasingly becoming a symbol of social status rather than a sources of any income.

In a poll of the *Svobodnaya Gruzija* newspaper (December 4-6) more than 90% of citizens of Tbilisi said their daily ration included tea, bread, potatoes and other vegetables, 75.8% said it also included other cereals, 53.6% mentioned coffee, while only 36.2% said they could afford dairy products, 35.9% -- beef, 32.5% -- chicken, and 20.4% -- fish.

The officially registered unemployment continued to oscillate within 5-6 percent, though the rate of latent unemployment was much higher. Indirect data showed that the rate of employment had grown in the private sector though most of these jobs were not formally registered.

According to the report which was submitted by the Ministry of Economy to the Cabinet of Ministers, the volume of industrial output had been reduced by 27.7% during the year, which

was one of the worst indices among the states of the former Soviet Union. 568 out of 1323 enterprises had reduced their production, the manufacturing of 59 (out of 77) major articles had dropped and of 5 -- had ceased altogether. In agriculture, the yield of all kinds of crops, especially that of the major ones -- grapes and tea -- was much lower than it had been expected. State purchases of tea by October 20 had been 132.2 tons or 66.4% of the same volume last year. As to grapes, 66 thousand tons were purchased against 141 tons last year. In accordance with trade agreements with Ukraine, Kazakhstan, Kyrgistan, Armenia, Azerbaijan, Turkmenistan and Russia Georgia was to deliver 530.9 million US dollars' worth of goods and raw materials, while it actually managed to deliver only 164.3 millions' worth. Deficit in trade balance with foreign countries comprised almost 10% of total domestic output, while the exports during the first 9 months of the year made up 21.1% of imports.

According to the preliminary estimations of the State Committee of Social and Economic Statistics, the national income dropped by 35 percent, labor efficiency -- by 30 percent, capital investments -- by 35 percent, and utilization of basic resources -- by 93 percent during the past year.

The increase in the of State budget was especially sharp during the fall. In October alone the deficit increased by 52 billion coupons or 66 percent, thus reaching 130 billions, or 69 percent of budget revenues in 10 months (it is notable that in the first 7 months this figure came to only 14 percent).

The volume of overdue payments among enterprises was also on the rise. The sum total of overdue bank arrears and suppliers' commitments increased during September and October by 73 percent, thus reaching 116 billion coupons. Overdue bank arrears grew especially fast.

The National Bank introduced new methods of credit allotment through auctions, for which it had worked out and adopted corresponding regulations.

A new package of laws on taxation (s. the Government section) is expected to provide new stimulus for private business. Income and profit taxes of organizations were considerably reduced to 10% in production and construction domains and 35% in banking activities. Contrary to the criticism that this policy was wrong under the given grave budget deficit, the survey of the April-December period, when spending had exceeded the revenues by 317.9 billion coupons, showed that a respective change in the system of taxation would increase that gap by 30 billions only.

The Cabinet of Ministers was occupied with drawing up a the draft budget for the first quarter of 1994. For the last nine month the country had lived without any approved budget, since all drafts had been rejected by the Parliament, which had only contributed to excess spending. The new draft, submitted on December 18 by the Ministry of Finance, in which spending exceeded the revenues by 87 per cent, was rejected by the Cabinet itself. However, in a new version submitted ten days later, the deficit was reduced to 27.8%, which made the draft acceptable to the Cabinet.

The Head of State displayed more active personal involvement in economic issues. He visited several leading enterprises, attended a test of a new model of *Yak-58* plane, assembled in Tbilisi Aircraft Plant. Mr. Shevardnadze assessed it as a sign of the revival of Georgian's industry. On December 18 he held a meeting with Tbilisi businessmen, organized by the Union of Citizens of Georgia, to display his support to private business.

In his decree of December 2 the Head of State prohibited cash transactions between legal entities. However, as early as on December 4 two exceptions were made: cash was permitted to be used for the repair works of the Parliament building (the one damaged in an anti-Gamsakhurdia coup) and for the delivery of oil products to Georgia.

On December 18 Mr. Shevardnadze issued a decree "On Overcoming the Crisis and Developing a Stabilization Program", which, besides noting the inefficiency of current economic programs, charged Cabinet with the revision of the "Program of Macroeconomic Stabilization" that had been adopted in February 1993. The remaking was to be based on recommendations of international organizations and was to take into consideration the status of a developing country recently granted to Georgia by the OECD. In his other decrees he set up a Commission to work out a long-term program of the development of fuel and power industries, and he called for the acceleration of the construction of minor power stations.

The Cabinet of Ministers determined a new price for natural gas to be 2,800 coupons for 1 cubic meter, thus increasing it 70 times. However, the population will pay much less -- 2600 coupons per person -- when using it for domestic purposes. This discount will not be valid for heating private houses and apartments. The price for electricity was determined to be 600 coupons per one kilowatt-hour, but 100 coupons for domestic use.

Western companies expressed their interest in Georgian oil. A joint venture was established with the participation of an American company MacOil and Georgian State Concern Saknavtobi. The project intended to enlarge the extraction of oil in Samgori oilfields near Tbilisi and to build a refinery supposed to meet most of Georgia's needs for oil products, estimated to be about 4-5 million tons annually. Several years ago, 300-500 tons were extracted daily from Samgori oilfields, while lately this figure had dropped to 100-120 tons. Works were scheduled to begin in February, and the refinery was to start production six months later. Saknavtobi established another joint venture with a Consortium of Australian Resources; it is supposed to explore new oilfields as well as intensify the extraction from old ones.

President of the National Bank N. Javakhishvili signed an agreement with President of Liberty Banking corporation Gustav van Keestler on founding a joint Georgian-American Bank with an initial capital of 120 million US dollars. The Liberty corporation has a number of branches in various European countries.

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

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