

THE GEORGIAN CHRONICLE

MONTHLY BULLETIN

Major events and trends in politics, economy and social life

Vol. 3

September-October 1994

No. 9-10

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GOVERNMENT

In September, the government announced the beginning of the program of economic reforms based on recommendations of the International Monetary Fund and the World Bank. The drastic increase in prices for bread, public transportation and energy carriers, however, did not lead to any noteworthy expressions of public protest. A campaign launched by the radical opposition which was aimed at obtaining the resignation of Head of State Eduard Shevardnadze did not meet with any success.

Economic policy. On September 5, the Cabinet passed a resolution ending subsidies for natural gas, power and bread. On September 16, its new version was published, this time including liberalisation of prices for public transportation, namely the underground, effective September 17. "Realistic" tariffs for gas, power and public transportation were defined by the government. Bread prices were not liberalized completely, however, and they continued to be fixed at a level which was several times below the market rate, but still rose some 400 times. At the same time, wages rose accordingly. Full liberalization of bread prices (this time without the increase of wages) was scheduled for October 15, but the deadline was not met.

On September 7, the Cabinet approved a list of laws which were considered to be imperative in order to accelerate reform. On September 6, the Head of State issued a decree on transforming another major state bank, Eximbank, into a joint-stock company. In a decree of September 26, he lifted all restrictions on withdrawing cash from banks and obliged all legal entities to keep their funds in banks. The Cabinet allowed privatization of some wineries (though it itself defined a list of those to be privatized, without any visible grounds for distinction). On October 12, all restrictions were lifted on the production and export of citrus fruits. On October 22 the Cabinet passed a decision on transforming "Sakenergo" (state power company) into a joint-stock company, with 51% of shares being retained by the state. On October 5 the Cabinet issued a resolution on 30% personnel cuts in budget organizations and 25% reduction in their financing. During the October 17 meeting in the Ministry of Health Care, it was pointed out that the state was giving up financing of the field.

On October 26-28 Parliament passed a budget for the last quarter of the year which for the first time did not include any deficit.

On October 20-21, a joint memorandum of the Cabinet and the National Bank on the reforms program for the years 1994-95 was published. It provided for full liberalization of prices, reduction of inflation to 1% monthly, gradual abolition of the system of state orders, etc.

Vice-Premier Temur Basilia continued to be the leader of the economic reform. The commitment of most ministers to the new course, however, was quite questionable. In response

to the allegations coming from both the radical and moderate opposition (like the National Democratic Party), that the majority of the Cabinet was still anti-reformist, on September 10 the Cabinet issued a statement saying that there were no disagreements in the Cabinet related to the issue of the reforms. However, on October 17, having returned from the meeting of donor countries in Madrid, Mr. Basilia said that in his absence the Cabinet had made some anti-reformist steps, and that Prime-Minister Patsatsia had been a good manager, but not an appropriate leader of reforms. Minister of Economy Papava said that bread, gas and power prices were still unnaturally low and criticized the Cabinet for its failure to liberalize bread prices. On the other hand, Minister of Agriculture Gegechkori said that Georgia was a "unique country" and privatization of land was unacceptable here. There were disagreements on the ways of privatization: Minister of Finance Iakobidze and President of the National Bank Javakhishvili rendered distribution of vouchers, advocated by the State Committee for Managing State Property, as "senseless". (See more in the Economy Section).

The opposition vs Shevardnadze. During his press-conference of September 2 leader of the National Independence Party Irakli Tsereteli said he was beginning a set of actions with the demand of Mr. Shevardnadze's resignation. He said the major role would be played by the parties who had signed the "Round Table Convention" (that is, political descendants of the late President Gamsakhurdia) led by a coordinating council. He named Merab Kostava Society, Conservative Monarchist Party and the Union of Georgian Traditionalists among his other allies. Later Mr. Tsereteli established a partnership with Boris Kakubava, leader of the Organization for Liberating Abkhazia. Mr. Shevardnadze's alleged mishandling of the Abkhazian problem and his soft policies towards Russia were declared to be the major grounds for demanding Shevardnadze's resignation. However, on September 9, not more than 500 people showed up to the opposition rally called by Mr. Tsereteli. The latter commented that "people were not ready for street actions", having thus admitted that his plan had slim chances to materialize.

Leader of the Conservative Monarchist Party Temur Zhorzholiani, who had been elected to Parliament from strongly pro-Shevardnadze "Peace" coalition, soon took the lead in the the opposition activity. This was preceded by parliamentary hearings related to legal proceedings against Mr. Tsereteli and Mr. Zhorzholiani. During the first plenary session of Parliament after returning from the summer holidays on September 13, Procurator General Bibilashvili presented to Parliament criminal charges against the two MPs and demanded that they be stripped of their parliamentary immunity. Mr. Zhorzholiani was accused of wounding a policeman and financial abuses, while Mr. Tsereteli - of carrying of arms illegally. Most of Parliament members considered Mr. Bibilashvili's report not to be grounded enough, and entitled two parliamentary commissions (those of Ethics and and Law Enforcement) to study the relevant materials. On September 27 Parliament overwhelmingly rejected the appeal of the Procurator's Office as lacking firm ground.

On the same session of Parliament Mr. Zhorzholiani read a statement of his party which included grave accusations against Mr. Shevardnadze and demanded his resignation. He said members of the Conservative Monarchist Party were beginning a hunger strike with the same demand.

The Head of State gave an extremely sharp reaction. He said he took Mr. Zhorzholiani's statement very seriously, was cancelling his trip to the USA where he was to speak to the General Assembly of the UN, demanded a confidence vote in Parliament and would think about the possibility of his resignation. He qualified the move of the opposition as a perfidious action well planned like the fall of Sukhumi.

On the next days there were attempts to mobilise popular support for Mr. Shevardnadze. Several opposition deputies were verbally and physically assaulted. Some 4,000 policemen gathered in downtown Tbilisi. Activists of the newly established women's peace movement

"White Kershief" gathered in front of Parliament. Several opposition MPs were verbally and physically assaulted. Leader of *Mkhedrioni* Jaba Ioseliani said that the resignation of Mr. Shevardnadze would lead either to anarchy or to dictatorship. "I will never allow anarchy, but in the case of necessity I'm ready to take part in the dictatorship", he promised.

A calm atmosphere provided in the September 29 and 30 sessions of Parliament, which were dedicated to the problem of state power, sharply contrasting to the general agitation. In his surprise statement, Mr. Zhorzholiani said that if Mr. Shevardnadze went to the UN to use his authority for the benefit of the country, he would halt the hunger strike. Akaki Asatiani of the Union of Georgian Traditionalists said anybody in Mr. Shevardnadze's shoes would lead essentially the same policy. The National Democratic Party strongly rejected the idea of Mr. Shevardnadze's resignation. The Republicans, although having criticized various aspects of his policies, said they never demanded Mr. Shevardnadze's resignation, but stood for the reduction of his powers. Besides his policy towards Russia and in Abkhazia, the Head of State was also criticized for being late in launching economic reforms, and for his failure to create a reform-minded Cabinet. Mr. Shevardnadze's supporters accused the opposition of undermining stable development of the country; Secretary General of the Union of Citizens of Georgia Zurab Zhvania qualified Mr. Zhorzholiani's action as an attempt of the coup d'etat. In his long speech Mr. Shevardnadze replied to the accusations against him. In particular, he explained indecisive actions of the Georgian army in Abkhazia in August 1992 (the first days of a military operation that lead to a war there) by a danger of an open conflict with Russian troops deployed in Gudauta, and accused the then defense minister Kitovani of ignoring his orders. The delay of beginning the economic reform was justified by the war and, later, by the time needed for thinking over reform objectives. 130 MPs rendered it unnecessary to put Mr. Shevardnadze's resignation to vote, with 29 supporting the idea and one abstained.

Many observers assessed Mr. Shevardnadze's and his supporters' initial response to the opposition's demand as an overreaction or a tactical move, i. e. that he needed an excuse not to go to the UN General Assembly (see section on Abkhazia below), and intentionally aggravated the political crisis to seize political initiative from the opposition.

Mr. Zhorzholiani and a number of members of the Conservative Monarchist Party, however, continued their hunger strike until the end of October, although having gradually reduced their demands to television debates with the Head of State. Since his action failed to attract much attention, on October 27 the strikers moved to the entrance of the Parliament building. On the same day Mr. Shevardnadze met Mr. Zhorzholiani, while Parliament decided to hold open debates on November 8. The hunger strike was finished.

There were also opposition groups, although fewer, that protested against the program of drastic market reforms. Leader of the Social-Democratic Party Guram Muchaidze criticized it sharply and was mentioned by pro-government observers among those "interested in upsetting the stability". Leader of the movement "For Life" related to the Constitutional-Democratic Party Guram Korghanashvili went on hunger-strike with a demand of rationing all basic kinds of food. This point was also supported by Jumber Patiashvili, MP, former head of the Georgian branch of the Soviet Communist Party, who had previously been less visible on the political scene. However, this kind of opposition attracted less attention and did not lead to any mass protest actions either. Mr. Shevardnadze's reaction was that he would support food-rationing himself, but the country lacked enough resources for that.

Parliament passed new regulations of its working timetable on September 20. Its plenary sessions should be held three days every next week. The schedule was to come into force since October 11. Laws *On Indicative Planning of Economic and Social Development* and *On Transit and Imports of the Refuses* were enacted on the same day. A law *On Communications* was passed on the next day. A law *On Entrepreneurship* was enacted on October 28.

Parliament elections in the Vake district of Tbilisi (its deputy T. Buachidze had died several months before), which were scheduled for October 17 did not take place due to certain violations in the election regulations.

David Melikishvili of the National Democratic Party resigned from his seat in Parliament on September 20.

Reforms in the Executive Power. Territorial structure of the Controls Chamber was transformed: town, district and local chambers were abolished (save for Tbilisi and Poti branches); instead of them, broader regional branches were created in addition to Ajaran and Abkhazian ones, those of Kakheti, Kartli, Kvemo Kartli, Meskhet-Javakheti, Guria, etc.). This reform continued a trend of gradual *de facto* creation of a new regional level of administration which is bigger than districts (*rayons*) inherited from the Soviet territorial administrative system. New regions by and large coincide with historical provinces of Georgia. Accredited representatives (unofficially - "governors") of the Head of State gradually appointed to different regions seem to be major figures on this level. In October, two new offices like this were created. Givi Lominadze became Mr. Shevardnadze's representative in Megrelia and Svaneti. An ad hoc Committee for Emergency Situations in Western Georgia, headed by same Mr. Lominadze, was abolished at the same time. Levan Mamaladze, chairman of the youth organization of the Union of Citizens of Georgia, became the "governor" of Kvemo Kartli (southern part of eastern Georgia). Parallel to that, on October 25 Mr. Shevardnadze met with representatives of Azeri minority in that region and stated that the number of ethnic Azeris in power bodies would increase.

On September 4, the Head of State decreed to change two *gamgebelis* - heads of district of administration. G. Kardanakhishvili and N. Samkharadze were appointed in Gurjaani and Chiatura districts respectively. The previous district heads were reported to have moved to other jobs.

On October 21, Mr. Shevardnadze issued another decree to create a new controlling structure, "Group for Prompt Analysis and Control of the Proceedings of the Economic Reform". One of his advisors O. Nikoleishvili was appointed its chief. The new agency was commissioned to supervise enforcement of the decisions of the Head of State. One of the reasons for creating the new structure has been Mr. Shevardnadze's discontent on how his decisions were realized. As another advisor of his, Henri Kuprashvili, said to *Sakartvelos Respublika* newspaper, out of 728 resolutions and decrees adopted by Mr. Shevardnadze so far 287 had been carried out with a delay and 99 had not been fulfilled at all. At the Cabinet meeting on October 19, it was pointed out, that the Cabinet's decisions were not carried out any better.

Both Mr. Shevardnadze and Prime Minister Patsatsia demonstrated new spirit of stricter discipline by replacing several high-ranking officials in the executive branch. Minister of Labor and Social Security Vazha Gujabidze and his two deputies were fired at the end of September after being blamed for the failure to distribute increased pensions before bread prices were increased. Tengiz Gazdeliani was appointed a new minister.

Two Deputy Ministers of Internal Affairs - Gela Lanchava, Commander of the Internal Troops, and Roman Gventsadze, were fired in October for failures in their work. Chief of the Customs Department Viktor Lortkipanidze resigned after being criticized by Mr. Shevardnadze during the October 15 meeting of representatives of law-enforcing bodies. His deputy G. Mamulaishvili was assigned to assume duties of Chief. Minister of Transportation G. Gogichaishvili and his two deputies resigned after being criticized by Prime Minister Patsatsia.

Two new agencies were created in the system of the Cabinet in October: Foundation for Migration, Repatriation and Settlement, and Currency and Exports Controls Management.

Political Parties. The United Communist Party was registered in September, as a result of merging of the Communist Party, the Union of Communists and Stalin Society. The new party has a Stalinist platform and is the only one in Georgia which openly calls for restoration of the Soviet Union .

During his press-conference on October 27, the chairman of the National Democratic Party, Giorgi Chanturia, accused the State Security Service of planting bugs in his party's offices. He also accused Chief of the State Security Service Igor Giorgadze of working for Russian Security and at the same time being involved in commercial activities. Security Service issued a statement denying the allegations, while Head of State Shevardnadze assigned the Procurator's Office to investigate the issue. On other occasions Mr. Chanturia criticized another prominent figure - *Mkhedrioni's* leader Jaba Ioseliani, saying "Don Jaba Corleone" was head of Georgian Mafia. He also criticized Mr. Shevardnadze for his failure to fight against the Mafia effectively enough.

In the end of September Mr. Ioseliani created his own political movement called "Elections". He stressed however, that it was not a party, since its membership was in no way restricting a person from advocating any views. The organization was supposed to help decent persons to be elected to the Georgian Parliament in the fall of 1995. Mr. Ioseliani's statements related to setting up a new organization were sharply targeted against all political parties, that allegedly forced their members to present distorted view of reality. He promised that in the course of two months the movement would prepare drafts of the constitution and election law, based on majority principle. Minister of Culture David Maghradze and some other prominent public figures were among the founders. In his radio interview of September 26, Mr. Shevardnadze endorsed Mr. Ioseliani's initiative.

Former prime minister Tengiz Sigua and former defense minister Tengiz Kitovani, also created a new political organization of their own. On October 12, they convened a founding congress of the National Liberation Front for Regaining Territorial Integrity. Mr. Kitovani was elected the chairman. The newly established organization announced regaining territorial integrity of the country to be its principal aim. The organization did not exclude a peaceful way of achieving it, but rendered it unrealistic.

Thus, both military leaders of the January 1992 anti-Gamsakhurdia coup founded certain political organizations, however loose. This was interpreted by most observers as a sign that the campaign for the 1995 Parliamentary elections was already under way.

Building of the Army. On September 9 the Cabinet declared a new call-up, though the respective order of the Minister of Defense was only published on October 18. The reform of military ranks and posts were being discussed in the Ministry of Defense. On September 13 Mr. Shevardnadze said to Parliament that military reform was under way, a draft of new regulations and military doctrine had been prepared. Later Mr. Shevardnadze as the Chief Commander issued decrees on introducing regulations of internal service, drill, garrison and guard duties.

On October 2 Mr. Shevardnadze took part in the meeting of the board of the Ministry of Defense to discuss supplies to the army, which was in poor condition due to material shortages. No immediate solutions were found: Mr. Shevardnadze said that structural reforms of the economy, enactment of the law on the borders and similar measures would help the army as well.

In October, graduates of the Military Academy and the Special School of State Security took an oath. More than 30 Georgian officers went to study in Russian military schools. Among them, former Minister of Defense Gia Karkarashvili and Deputy Minister Paata Datuashvili went to the most prestigious Academy of General Staff. One officer went to the military school in the USA. However, despite many opportunities to study in Western (mostly American and

German) military schools on much better financial terms, the Ministry of Defense strongly discouraged this practice.

It was announced on October 12, that the National Guard would be subordinated to the Ministry of Defense.

Vladimer Chikovani was appointed Deputy Minister of Defense and Deputy Chief of the CIS Military Coordination Staff, thus becoming in fact Georgian representative in the CIS. Some sources in the government ascribed this decision of the Head of State to Mr. Chikovani's disagreements with the official course of building the Georgian army.

Issue of South Ossetia (Samachablo). Certain hopes of progress appeared in a settlement of the South Ossetian issue. Personal representative of the Head of State in Shida Kartli (which comprises the disputed region) Vazha Khachapuridze said to BGI on October 3 that there was a chance of successful negotiations; the parties worked together on the status of the region and restoration of autonomous status was possible. In the beginning of October, Prime Minister Menagarishvili visited Vladikavkaz, capital of North Ossetian Republic, Russia, although the results of the visit were not publicized. On October 6, Mr. Shevardnadze held a meeting with Head of the CSCE delegation in Georgia, Hansjorg Eiff, which had mostly been preoccupied with brokering the agreement in South Ossetia. Mr. Eiff said the Ossetian side was ready to resume negotiations. An armed encounter between Georgian and Ossetians which took place on October 16, resulting in bloodshed and hostages being taken, could hamper the progress of negotiations, however.

FOREIGN POLICY

Foreign policy activities were for the most part concentrated on negotiations with Russia and the UN on the settlement of the problem of Abkhazia (see the next section). In relations with Russia, Georgia continued to use Russia's demand for military bases in Georgia as a bargaining issue, relating it to restoration of Georgian control in Abkhazia. On October 3, Georgian Minister of Defense Nadibaidze went to Moscow to meet his Russian colleague Grachev. On October 20, having ended his negotiations in the Georgian Ministry of Defense, head of one of the offices of the Russian Defense Ministry Gen. Galkin stated that the parties had reached an agreement on the Russian military bases in Georgia. Three Russian bases were to be created in Tbilisi, Akhalkalaki and Batumi. On October 29, Mr. Nadibaidze also said during his meeting with officers of one of the brigades, that draft agreement on Russian military bases had been made ready. Instead of paying in cash, Russia would compensate in military equipment and training. Some other sources, however, said that Georgian authorities still lingered to sign an agreement until no progress in Abkhazia was achieved. Despite that, Russian Ministry of Defense had already conferred a status of Russian military base No. 12 to the 145th motor rifle division deployed in Batumi.

In September, defense ministries of the two countries signed an agreement on preparation of Georgian officers in Russian military schools. In the beginning of October, several Georgian officers were sent to Russia with official letters to the respective military authorities to put Georgian officers down for allowances in the Russian Army.

In September, joint manoeuvres of Russian and Georgian troops near Turkish border continued. On October 20 Deputy Commander of Russian Frontier Troops Gen. Scherbakov and Commander of Transcaucasian Frontier District Gen. Zemtsov went to Batumi for an inspection of the Russian frontier troops deployed in the region.

Georgian Minister of the Interior Kviriaia met on September 22 his Russian colleague Yerin to discuss the cooperation between the two agencies. Another agreement was signed at the

end of September between the Controls Chamber of Georgia and Controls and Budget Committee of Russia.

On September 7-12 the Georgian delegation took part in the meeting of prime ministers and foreign and defense ministers of the CIS countries. The Georgian delegation supported the idea of creating an Economic Committee of the CIS. On October 20-21, a delegation headed by Mr. Shevardnadze took part in the CIS summit where a memorandum on creating an economic committee (as a transnational body) and deepening the process of economic integration was signed. During the summit, Mr. Shevardnadze held a confidential meeting with President Yeltsin of Russia, who was later joined by Prime-Minister Chernomyrdin and Defense Minister Kozyrev. A visit of Mr. Chernomyrdin to Tbilisi (supposedly, to sign an agreement on Russian military bases) was scheduled for November.

On October 27 a session of CIS parliamentary assembly was opened in St. Petersburg. Georgian delegation was headed by Vakhtang Goguadze. A commission to settle the conflict in Abkhazia, headed by V. Gustov, was created.

Russian-Georgian negotiations were under way on the property of the states on each others' territory. The Georgian delegation, headed by Deputy Minister of State Property Management Emir Jugheli, expressed hopes of regaining seven wineries in Russia.

In the end of September, Head of State Shevardnadze canceled his visit to the USA where he was planning to speak to the General Assembly of the UN. Although internal political strife was used as a pretext, most commentators thought that in reality Mr. Shevardnadze avoided a difficult dilemma: either to share the optimistic assessment of the Russian peace-keeping role in Abkhazia expressed by President Yeltsin, or to openly engage in a debate with him. Mr. Shevardnadze himself said that the peace process had just begun and his speech before the UN Assembly could be "precipitate". A Georgian delegation was headed by Foreign Minister Chikvaidze. He told to the Assembly on October 4 that despite certain disappointments with the results of the peace-keeping operation in Abkhazia so far, in the settlement of these kinds of conflicts priority should be given to regional organizations. He also criticized the UN for the lack of political will to undertake a peace-making operation in Abkhazia.

On October 27, Chairman of the Eurocommission, D. Atkinson said to the Georgian delegation which had been attending the CIS parliamentary assembly in St. Petersburg, that Georgia had been granted the status of a European country, which gave it the right to join the Council of Europe.

On September 17-24, a Georgian delegation, including Deputy Foreign Minister Burduli and several MPs, visited NATO headquarters in Brussels. On October 19, the Georgian Ministry of Defense issued a statement saying that Georgia would not take part in navy manoeuvres conducted by NATO and East European countries scheduled for 20-26 October with an observers status, as it had been envisaged earlier.

On October 3-16, Parliament Speaker Vakhtang Goguadze visited China at the invitation of the National Assembly.

On October 6, Prime Minister Patsatsia went to Kiev to take part in celebrations of the 50th anniversary of Ukraine's liberation from German Nazi forces.

The Ambassadors of Indonesia, Japan, and Slovakia presented their credentials to Head of State Shevardnadze in September.

IN AND AROUND ABKHAZIA

On 12 October, 19 Georgian refugees accompanied by the UN observers returned to their homes in the Gali district. Although the Russian peacemakers seemed to assess this as a formal start to the process of the orderly comeback, it was poor consolation for more than 200,000 remaining refugees awaiting their turn.

The middle of September was the time when a mass return of Georgian refugees to Abkhazia seemed more likely than ever. On September 13, the commander of Russian peacekeeping forces in Abkhazia, Gen. Kondratiev said to thousands of refugees who had gathered on the left bank of the Enguri river which separates Abkhazia from the rest of Georgia, that he was commissioned by Russian President Yeltsin and Minister of Defense Greachov to bring the process of return of the refugees to an end. On the same day, the Russian peacekeepers were redeployed from the bank of Enguri river deeper in the Gali region to block the way to Abkhaz armed formations who might hinder the process of return. By the morning of September 14, according to the information of Zugdidi district administration some 15,000 refugees were ready to pass the demarcation line by 50 buses and numerous cars.

The separatist government reciprocated by the accumulation of heavy military equipment on the border of the Gali district. Commander of Abkhaz armed forces Soslanaliev declared readiness for combat. Deputy Chairman of the Abkhaz Cabinet Lakoba said to the UN representative in Sukhumi that he would not rule out the renewal of hostilities. Chairman of Parliament Ardzinba convened an emergency session, and on September 23 he declared mobilization of 7,000 reservists. A number of public organizations in Abkhazia launched a protest campaign against the return of refugees. On September 16, 3,000 Abkhaz fighters were deployed along the Enguri river to prevent the refugees from returning.

In this situation, the Russian government reversed its position. The refugees did not receive permission to return from the Russian peacekeepers. President Yeltsin advised his Georgian counterpart Shevardnadze to meet the separatist leader Ardzinba to discuss the situation with him. On September 16, Mr. Shevardnadze went to Gudauta for the three-partite meeting in which Russia was represented by Minister of Defense Grachev. After several hours of negotiations, Mr. Ardzinba stressed he would not agree to mass return of the refugees, and the process should go on under the supervision of the Abkhaz authorities. Mr. Shevardnadze said that the return of refugees should be completed until the Russian peace-keepers end their term. Mr. Grachev said that in the event the problem of refugees was not solved he asked the Russian Duma to withdraw the peace-keeping forces from the conflict zone. He also proposed to the sides to sign a federal treaty.

On September 19 Mr. Shevadnadze met Mr. Yeltsin. Among participants of the summit were Georgian Prime Minister Patsatsia, Defense Minister Nadibaidze and Russian Defense Minister Grachev. Besides the joint meeting, the two leaders spoke for 25 minutes in private. After the meeting, Mr. Grachev said that an agreement was reached on full withdrawal of the Georgian arms groups from Kodori valley; Mr. Shevardnadze said that two new commissions: on the refugees and on the status of Abkhazia - would be created.

On the same day, Mr. Yeltsin met Abkhaz leader Ardzinba. The Russian President put on the Abkhaz side the responsibility for the failure of the refugees to return. Mr. Ardzinba said that the process of registration and return of refugees would begin on October 1. Later he specified, however, that on October 1 the Abkhaz side would only begin to consider the questionnaires of the refugees, and that it was only able to consider 300 cases monthly. He repeated his precondition that the term "Republic of Abkhazia" should be used in the questionnaires.

On September 27, the new round of quadripartite negotiations began in Gali. A document was adopted on the security of the refugees which included a new concession of the Georgian

side: the Abkhaz government was recognized to be the major guarantor of their security. This seemed to be done under pressure from Russia, whose representative Nikiforov stressed that the treaty on friendship and cooperation between Russia and Georgia could only be ratified after the Abkhaz and Ossetian conflicts were solved.

From 100 questionnaires of refugee families passed to the Abkhaz side, the latter gave its consent to return to only 14, which comprised some 60 people. However, these people abstained from returning since there were no security guarantees. Only 19 people returned on October 12.

During the next round of negotiations in Sochi on October 3, no progress was achieved. The Abkhaz side brought up a new precondition for the return of refugees: creation of Abkhaz administration in Kodori valley (the only remaining part of Abkhazia with Georgian population, and under the Russian military control). On October 5 the scheduled quadripartite meeting did not take place in Zugdidi since the Abkhaz representative Kishmaria did not show up. During the meeting in Sochi on October 12 it was decided that the quadripartite commission would deal with practical problems of the return of refugees and supervise the activities of the separatist administration in Gali district. It was decided that 1,000 people should return by December 6. The Abkhaz side had proposed the return of 420 people, while the Georgian side expressed its discontent with small numbers of the returnees. Later, Georgian leader Shevardnadze expressed his dissatisfaction with the attitude of Russia and the UN towards the pace of the return. During the October 25 meeting in Zugdidi, the number of those to be returned by the end of the year was determined at 2,100.

Protest actions against the return continued in Abkhazia in October as well. In particular, 13 Abkhaz mothers continued their protest in the village of Chuburikhinji, near the river over the Enguri river. On October 31 members of the Students' Union of Abkhazia began their protest. Leaders of military formations stated that they were ready to begin a guerilla warfare against Russian peacekeepers.

From 4-12 October, an operation of searching for and destroying remaining heavy military equipment in Kodori valley took place. The Georgian population blowed up a bridge on the road between villiges of Lata and Sakeni for fear of an invasion by Abkhaz fighters (200 of them were in the village of Lata). As it was said in the statement of the United Republican Party on the occasion, even the Georgian Defense Minister Nadibaidze on the closed session of Parliament defined the terms under which the operation took place as "crippling". Leader of *Mkhedrioni* J. Ioseliani said that in the event that the Abkhazs seized the occasion and cracked down on the defenseless population of Kodori valley, *Mkhedrioni* would go to fight there. However, the operation proceeded without any encounters between the Russian peace-keepers and the local population. On October 13, Gen. Iakushev stated on the meeting of military commanders that no Georgian military formations were in the valley, while the military equipment was under the Russian control and would be demolished later. The Abkhaz side expressed discontent because of delay and claimed Georgian fighters were still on the mountain passes. An air inspection took place on October 17 to reassure the Abkhazs.

The Abkhaz side also expressed their discontent with some Russian military commanders. In particular, they demanded repalecement of Gen. Potapov, the commander of Russian peacekeepers deployed on the left (Georgian) side of the Enguri river, whom they defined as having Georgian orientation. They also asked the Russian Duma to consider the actions of Gen. Kondratiev on September 14-16, when he was going to conduct mass return of the refugees.

Gen. Potapov was moved to the staff of the Group of Russian Troops in Transcaucasus in Tbilisi. He said that discipline among Russian peace-keepers, most of whom served on contract, was rather low. The peacekeepers were watching the Enguri hydroelectric station especially closely, since a terrorist act there could be a disaster not only for Georgia, but even for Turkey.

On the Georgian side, a wave of indignance was caused by the publication of Gen. Yakushev's interview in the Russian communist newspaper *Pravda* in which the general said that "Abkhazia is Russia". Mr. Yakushev later said to the Georgian television that his words had been distorted by the newspaper, and, according to "Severni Kavkaz" newspaper, sued the newspaper. Mr. Shevardnadze confirmed, that he had listened to the tape of the interview and nothing of the kind was said there.

The separatist government tried to consolidate the results of the ethnic cleansing. *Iberia* agency reported that a bill on the land privatization was passed by the Abkhaz parliament. All citizens of Abkhazia were supposed to receive their plots of lands; the number of population was defined at 150,000; this only included 10,000 Georgians, while before the war more than 300,000 Georgians had lived in the region. The separatists attempted to alter demographic situation by repatriating ethnic Abkhazs from the diaspora, but without much success. The Russian-language "*Echo Abkhazii*" newspaper reported that only about 500 people had been repatriated since the war ended in September 1993.

The work on the Abkhaz constitution was finished. According to it, Abkhazia is a sovereign people's democracy, which intends to establish equal relations with neighboring countries. It printed its own currency (manat), and has introduced Abkhazian stamps.

On September 17, the Abkhazs seized the Georgian fishing boat *Egrisi* and jailed 9 of its personnel. Gen. Yakushev said that setting them free is above his competence. Russian Ambassador Zemski promised the Georgian society that severe actions would be introduced against the Abkhazs. The Georgian parliament issued a statement on October 12, saying that the activities of the separatists were upsetting the peace process.

During the operation which ended on October 8, the Abkhaz police burnt down 100 houses of Georgian inhabitants in the village of Nabakevi and 80 houses in the village of Otabaia. On October 25, 30 more houses were burnt down in the village of Nabakevi. 5 ethnic Georgian were shot dead in the village of Mziuri on October 26. Georgian houses were often disassembled and used as construction materials. Some 100 houses were dismantled this way in the village of Tagiloni.

The Abkhaz side in its turn complained of the Georgian terrorist activities in the Gali district. 4 Abkhaz policemen, 2 Russian officers and 8 civilians were killed on September 29 in Gali district. On October 25 two Abkhaz fighters were killed and one wounded at the village of Reli. BGI agency reported that the remaining Georgian population in the Gali district was being organized into a resistance movement and applied to the rest of Georgia for material and moral assistance.

Murtaz Gelenidze, a Georgian engineer in Abkhazia, who had been serving his 15 years prison term on charges of spying for Georgia, was released as a result of Sochi negotiations.

According to unofficial estimations, Abkhazian military formations included some 4,500 fighters and 60 units of heavy equipment.

Although Georgian leader Shevardnadze kept saying that "there is no alternative to the peaceful settlement of the conflict", disappointment with peace-keeping role of Russia and the UN was growing. Foreign Minister Chikvaide expressed this dissatisfaction when speaking to the General Assembly of the UN on October 4. Jaba Ioseliani said that in the process of return of the refugees did not begin, Russian peace-keepers should withdraw from Abkhazia and Russia should be denied the right to have military bases in Georgia.

US Representative to the UN Madeleine Albright visited Tbilisi and Zugdidi and held a meeting with the refugees. She said that the US would grant assistance to Georgia, and that the UN observers should more closely supervise the enforcement of peace agreements in Abkhazia.

On October 31-November 1, UN Secretary-General Boutros Boutros-Ghali visited Georgia. He stated that in the event Abkhazia did not observe peace agreements, he would propose introduction of severe sanctions against the region. Although, he said, it might be difficult to pass this decision in the Security Council. He also spoke on his intention to increase the number of UN observers in the conflict zone.

The CSCE mission declared of its plans to extend its activities to Abkhazia. Earlier its mandate was restricted to solving the problem of South Ossetia.

SOCIETY. HUMAN RIGHTS

On October 21, the National Council of Youth Organizations held its first and rather stormy Congress in the National Opera and Ballet Theatre. 40 youth organizations participated, both affiliated to major parties as well as non-political ones. Elections of the chairman caused fiery debates and walkouts. The candidate of the Union of Citizens of Georgia, Levan Mamaladze lost to David Turashvili, leader of the organization "New Generation" and popular activist of 1988-90 student movement.

On September 6, the National Democratic Party held the first meeting of its Public Council, to which prominent academics, businessmen, artists were invited. The council is supposed to provide expert analysis of the ongoing developments, work out practical recommendations and try to exert influence on public opinion.

During his press-conference of September 8 President of the All-Georgian Association of Human Rights Giorgi Kervalishvili said that there were about 100 political prisoners in Georgia, who were physically and psychologically abused. Mr. Kervalishvili said the association was not politically engaged, but still joined the convention of the Zviadist Round Table in protest of joining the CIS which they regarded as the second annexation of Georgia. He also said that the existence of the Association was endangered since after the contract had expired with the locomotive-repairs plant where its office was situated, the director of the plant demanded that the Association clear its premises. On October 16, Mr. Kervalishvili went on a hunger strike in the headquarters of the Association. He raised a number of demands, which included the release of political prisoners, withdrawal of the Russian troops from Georgia, and some others.

On September 21, the Association of Human Rights and Foundation of the Social Security of Prisoners convened a barristers' press-conference, dedicated to the so-called Domukhovski-Gelbakhiani case, in which 16 supporters of the late President Gamsakhurdia faced death penalty on charges of terrorist activities. The lawyers and public attorney's spoke of violations of the defendants' rights, which included physical abuse, denial of the right to attorney services, psychological pressure, violation of the presumption of innocence, etc.

During court hearing on "Domukhovski-Gelbakhiani case" in October, one of defendants Gedi Gelbakhiani testified that in the period of investigation he had been severely beaten on numerous occasions, in particular in the personal office of then chief of Tbilisi Police Department David Zeikidze. Several defendants were expelled from the court room for protests against various violations of their rights. For instance, testimony of defendant Gocha Makhviladze was read in his and his attorney's absence. On October 19 the defendants organized a protest action, which consisted of smoking cigarettes in the courtroom.

In October, Round Table activists organized a sit-in in the yard of the house where late Merab Kostava, a Georgian dissident, had lived. Here they convened a press-conference, saying that the Round Table would not participate in the next parliamentary elections, because in this case they would cease to be legal successors of the Supreme Council ousted in January 1992, and the elections would be conducted by "Mafia structures" anyway. On October 19 they organized a briefing to speak of human rights violation during the "Domukhovski-Gelbakhiani"

hearings. On October 21, the Zviadists rallied in front of the Supreme Court. The rally was dispersed, the participants physically assaulted, and several of them detained.

The MP from the Constitutional-Democratic Party Zurab Murvanidze went on hunger strike on September 20. He demanded moving the time one hour ahead since he thought it was better for both the economy and the population. In four days he was visited by the Head of state and the Prime Minister, who promised to satisfy his demands in ten days, but failed to meet the deadline. On October 13 Mr. Murvanidze renewed the hunger strike. In a few days, Parliament decided to move time one hour ahead.

Depositors of broken banks and trust companies who had lost their money rallied on several occasions in front of parliament and other government agencies demanding to get their money back. The government officials usually replied that the broken companies had been private and the government could not take responsibility, but promised thorough investigation. A chain of bankruptcies of financial companies which accepted dollar deposits with 20-25% monthly interest continued, with more people joining the victims. Closing down of the "Okros Tasi" (Golden Bowl) company, with both the president and the money (estimated at \$3.5 million) disappeared, was the most publicised case. It was discussed on the Cabinet meeting of October 26. It was pointed out that "Okros Tasi" company had no licence for financial operations.

Some secondary schools began to collect money from students to cover part of tutelage expenses. This was allowed by the Ministry of Education, which regarded paid education as optional, with the choice to be made by the schools themselves. This move was explained by the inability of the government to provide satisfactory salaries for the schoolteachers.

However, several Tbilisi schools went on strike demanding a tenfold raise in salary and implementation of the promised free ride on public transportation. From October 3, they were joined by Rustavi schoolteachers. Prime-Minister Irakli Menagharishvili and Finance Minister David Iakobidze held a meeting with the teachers trying to convince them that the government had no possibility of fulfilling their demands.

First Congress of All Georgians continued from 10 to 17 October. Representatives of the Georgian Diaspora from 34 countries arrived. The guests traveled throughout Georgia and held numerous meetings. A "Parisian Fountain" was opened on one of Tbilisi squares molded and shipped at the expense of one of the guests, Karlo Inasaridze.

On September 26, the first Georgian independent radio station began broadcasting. Programs for the most part consisted of music, but also included different types of information.

In the last week of September, an international conference on environment protection, sponsored by the European Community TACIS program, took place in Tbilisi. Delegations from 10 countries of the region participated. Renewal of the work of Armenian nuclear power station was one of the topics which raised concern among the participants, especially those from Georgia and Azerbaijan.

Days of German culture took place in Georgia on October 2-23.

CRIME. ACCIDENTS

On September 9, Demur Dvalishvili, President of the National Bank from October 1992 to August 1993, shot himself in the building of the Ministry of Internal Affairs. Before committing suicide, he had been interrogated as a witness on cases of financial abuse committed during his term in office. Mr. Dvalishvili was famous for his soft credit policy, which according to most experts caused rapid devaluation of the newly introduced Georgian coupon and promoted financial abuse. The late President of the National Bank had been claiming that he only gave

credits upon recommendations of the political leaders. During his term in office, he had an acute conflict with the then Prime Minister Sigua but enjoyed backing of Head of State Shevardnadze. As the interrogator, Mr. Sharashenidze said to the "Resonance" newspaper, Mr. Dvalishvili's mood deteriorated after the prosecutors obtained a file containing the schedule of all his visitors with the objectives of their visits. Leading officials, including Mr. Shevardnadze, avoided attending Mr. Dvalishvili's funeral.

An explosive device was found on the board of the TU-154 plane ready to depart for Moscow from Tbilisi airport on September 6. Former Minister of Defense Giorgi Karkarashvili was among the passengers.

A State Security Service investigator was shot in his Tbilisi apartment on October 27.

On October 25, a building belonging to Telavi organization of Georgian Rescue Corps (an official structure consisting of *Mkhedrioni* members) was blown up.

Giorgi Mindiashvili, president of trading-industrial company "Achi", was arrested in Kiev on October 2. "Achi" had been one of those companies which accumulated hard currency deposits for enormous interest (20-25% monthly). Mr. Mindiashvili had disappeared on July 12 with the whole financial assets of the company, whose debt to its depositors amount to \$1.7 million.

On October 11, the Head of State decreed that a Commission to Study Unsolved Criminal Cases be created, chaired by the Prosecutor General Jamlet Bibilashvili. In some 40% of criminal offenses, those guilty are never found. During October, 1018 criminal offenses were recorded by the Ministry of Internal Affairs, which included 48 homicides, 8 rapes, 354 larcenies, 27 burglaries, 69 car thefts, 87 cases of illegal bearing, keeping, producing or trading arms.

Another police round up was conducted on October 12 in the Gori district. Minister of Interior Kviraia personally coordinated the operation. 21 people were arrested on different charges.

On September 21, Georgian police received a present from their Russian colleagues - 1,000 police uniforms and different kinds of equipment.

On October 6 some 10-15 policemen from the emergency unit of the ministry of Internal Affairs assaulted traffic police in downtown Tbilisi, in retaliation for confiscating an irregular licence plate from one of the policemen's car. The traffic police took the offenders in charge; they were later detained until the investigation was under way.

During a meeting in the Tbilisi municipality at the beginning of October, Chief of Tbilisi Police Demur Mikadze said that 223 policemen were fired from their jobs during the first nine months of the year.

On October 11, a fire began on the Tbilisi TV tower. It began in the facilities of the independent TV station Tamarioni. It visibly went out on the same day, but started anew and much more strongly the next morning. Despite the mobilization of all manpower and facilities available, the fire-fighters were unable to stop it and had to watch until it burnt out on its own. TV broadcasting was suspended for several days.

PUBLIC OPINION

In its traditional telephone poll conducted by the Resonance newspaper among 1,000 inhabitants of Tbilisi in October, the respondents were asked to evaluate leading politicians with the scores between +3 and -3. Head of State Shevardnadze got the highest score (+1.11), but his rating still dropped by 0.8 points relative to the previous poll. Irina Sarishvili was No. 2 with

+0.98. Other politicians were listed in the following sequence: Shota Kviraia, Giorgi Chanturia, Zurab Zhvania, Jaba Ioseliani, Ivliane Khaindrava, Tedo Paataashvili, Akaki Asatiani, Nodar Natadze, Tamar Chkheidze, Boris Kakubava, Irakli Tsereteli, Tengiz Sigua, Vazha Adamia, Tengiz Kitovani.

THE ECONOMY

During this two month period, the exchange rate of the Georgian coupon reached its lowest point - 2,400,000 for 1 US dollar on September 20 (against 1,950,000 on August 20), but began to improve as a clear result of price reform undertaken by the Cabinet in mid-September. On October 1 the rate was 1:2,300,000, while on October 29 - 1:2,030,000. However, there was no progress in bringing coupon back into circulation: its domain was still for the most part confined to state-rationed bread, public transportation, and payments for utilities. The town of Kutaisi, where Mayor Temur Shashiashvili enforced the use of coupons by administrative methods, continued to be an exception.

With prices increased or liberalized, the official minimal salary reached 1 million coupons. This seemed to be a substantial increase (from 50,000 coupons; in dollars equivalent, from 2 to 41 cents, and up to 50 cents after the coupon rate improved). Employees of budget organizations began to receive at least 2.5 million coupons. Benefits for the unemployed was defined at 2 millions. However, this increase did not mean much for the population, since coupon salaries were for the most part used for buying bread and metro rides. After the price reform salaries ceased to suffice to buy state-rationed bread for a family. Price of 1 kg of bread reached 100,000 coupons, which, however, was 6 times less than the "real" price. The government abstained from full liberalization of bread price which had initially been intended for October. Metro ride increased to 50,000 coupons (from 1,000), or an equivalent of 2 cents. 1 cubic meter of natural gas cost an equivalent of 10 cents, 1 kwatt/hour of power - 3 cents.

In October, food basket for one person cost an equivalent of \$20.27. The State Committee for Social-Economic Information defined poverty threshold for one person at \$35, for a family of two - \$56.6, three - \$64.

The reforms could be disastrous for the socially unprotected segment of the population. According to data from the Ministry of Labor and Social Security, there were 1,139,639 pensioners in Georgia, 204,000 disabled, 23,000 disabled children, 20,000 single seniors, 21,000 large families.

Our survey of the commercials published and broadcasted showed that banks and financial companies were the most active in advertising their services - 116 out of 426 commercials. Real estate firms were the second - 65, tourism - 38. "Business tourism" seemed to be in decline, supposedly yielding place to more organized wholesale trade. Germany continued to be the most popular tourist route.

Despite many bankruptcies, some other companies accepting dollar deposits for high interest, continued to actively advertise themselves. According to "Post Faktum" information agencies, some 100 banks and financial companies went bankrupt in Georgia in the last period, with 15,000 people losing about \$15 million. However, it seemed so that the peak of popularity of the pyramid-type business was over.

Budget. The first non-deficit budget for the last quarter of the year, passed by parliament in the end of October, was drafted in accordance with the recommendations of the International Monetary Fund. The expenditures had to be financed from budget revenues only, without applying to National Bank credits. This achievement, however, was for an essential part due to the revenues received from selling bread received as humanitarian aid at prices relatively close to market prices.

The structure of the budget revenues, which totaled 31,712,000 million coupons (or, at a rate valid at the time of approval, \$15,832,251), comprised: revenues from sales of flour and wheat - 37%, 20% tax from sales of imported natural gas - 17%, excise - 17%, value-added tax - 16%, custom's tax - 9%, others - 4%. The structure of budget expenditures (with exactly the same sum total) included financing social and cultural programs - 35%, defense - 20%, financing of economy - 14%, law-enforcement bodies - 11%, government - 6%, science - 3%, legislation - 3%, others - 8%.

However, according to expert estimations, the government had only a slim chance to meet the budget provisions in the revenues' part. One of the main reason for this was tax evasion. According to the Head of Taxation-Department David Salaridze, during the past 9 months the Department had to confiscate 15 trillion coupons in favor of the state budget.

In the first half of 1994, Georgia's balance of payments position deteriorated further. The current accounts deficit widened to \$278 million. The total stock of Georgia's public and publicly guaranteed external debt reached \$776 million, including a \$337 million debt to Turkmenistan for imported natural gas.

Sakgazi (Georgian gas) department stated that by September, overdue arrears of enterprises and organizations to itself amounted to 26 trillion coupons, or \$13 million. Sakenergo was the biggest debtor with 18 trillion coupons, enterprises of the Ministry of Industry had to pay 5.5 trillion.

International Contacts. Vice Premier Basilia, Minister of Economy Papava and President of National Bank Javakhishvili took part in the meeting of donor countries in Madrid. During a press-conference which he gave on October 17, having returned from the meeting, Mr. Basilia said the next meeting where the issue of credits would be settled was rescheduled from January to the nearest November. Mr. Papava said that during the same meeting, Turkmenistan was asked not to press Georgia too hard regarding its debts for natural gas.

On October 26 Head of the IMF mission Shadman Valavi came to Tbilisi. During his meeting with Prime Minister Patsatsia, Mr. Valavi said Georgian Cabinet was not fulfilling recommendations of the IMF, and in order to become eligible for the IMF credits, Georgia had to improve the situation within a week. According to the BGI agency, Mr. Valavi also said during his stay in Tbilisi that the Georgian-Iran agreement on supplies of natural gas to Georgia contradicted an agreement with the IMF and that the USA would be particularly displeased.

In September, a delegation of the World Bank visited Batumi. A plan to establish a free trade zone in Ajara was discussed. A delegation from Iran discussed with Ajaran leader Aslan Abashidze the prospects of reconstruction of the Batumi sea-port.

Eurobank began work on the project of rehabilitation of the Georgian energy system. The program was calculated to take 15 years.

In September, representatives of the Siemens company met Head of State Shevardnadze. The guests were interested in building micro power stations, establishing modern communication systems, as well as the reconstruction of the Poti sea-port. The latter was also discussed by the delegation of Romanian entrepreneurs. They considered organizing sea freight between the harbors of Constance (Romania), Poti and Batumi.

BGI agency reported on October 20, that since October Georgia began receiving gas from Iran.

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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