

# THE GEORGIAN CHRONICLE

## MONTHLY BULLETIN

Major events and trends in politics, economy and social life

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## GOVERNMENT

**In June *power crisis* became a catchword of the political life in Georgia. Otherwise opposing parties came to share the opinion that both the Parliament and the Cabinet of Ministers, which were based on the principle of balance, granting almost all political forces a share in power, had proven ineffective and needed a substantial change. A demand for the resignation of the Head of State was put forward for the first time by the radical parliamentary opposition (I.Tsereteli), while Mr.Shevardnadze on his part applied for additional authorities necessary to bring the country out of the crisis.**

This time it were economic issues that came to the foreground of political discussions, namely deep contradictions between the National Bank (president Demur Dvalishvili) and the reformist part of the Cabinet of Ministers (Prime-Minister Sigua and Vice-Premier Gotsiridze) with regards to the monetary policy. The latter criticized the National Bank for its excessive credits with low interest rates, that was leading to a rapid devaluation of the newly introduced Georgian *coupon*. Mr. Dvalishvili defended his policy maintaining that it was aimed at encouraging private business and undermining the Russian rouble. The Cabinet also demanded the coupon to be declared the only legal payment unit on the territory of Georgia, thus promoting it to the rank of the national currency, which Mr.Dvalishvili also opposed as a 'dangerous step'.

Opinions in the Parliament divided on the issue. Although on June 1 it charged the Cabinet to work out a project for strengthening the coupon and declaring it the only legal payment unit and to present draft budget within 10 days, the Cabinet failed to present either of them by June 10. However, Mr.Shevardnadze who had earlier kept out of the debate, this time openly sided with the National Bank, whose President is known to enjoy his special personal confidence. As a result of that, no decision on declaring the coupon to be the national currency (and removing the Russian rouble from circulation) was taken and the Cabinet was instructed to propose its plan to implement that project. The Parliament did not insist on its original approach, partly for the fear of responsibility for uncertain economic results that could emerge if the coupon were declared the only payment unit.

On the other hand, though many MPs harshly criticized the President of the National Bank and even demanded legal actions against him, the role of some deputies who had lobbied the National Bank for granting huge credits to particular private companies was also disclosed. Namely, the *Greens* appeared to have stood behind the credit of 102 billion to *Trialeti* company, which was never used for the pre-supposed purpose. The leader of the *Greens* faction Z.Zhvania in his turn accused the Cabinet for undermining the economic project which could bring Georgia vast economic benefits. Debates and accusations ended up in creating a Parliamentary commission which was charged to investigate the activities of the National Bank.

Rapid deterioration of the economic situation and demands of different factions of the Parliament (namely, the otherwise rivaling National Democrats and Republicans) to assume greater responsibility for the activity of the Cabinet prompted the Head of State to consider at least some structural reforms of the government, this manifested in his speech on the June 21 session of the Parliament, notable for its aggressive tone, when he demanded the extension of his authorities for the first time. On the June 30 session of the Parliament Mr. Shevardnadze returned to his demand for the extension of his authorities, but the decision was postponed until the Head of State presented a written statement in which this demand would be better specified.

Some of his pronouncements that 'now he would look after the economy himself' were at the same time aimed at relieving him of responsibility for the lack of progress in the economy during his first year in power and raising new hopes in the population, to which the idea of the centralization of power in his hands seemed pretty attractive. His first step to promote his personal role in the economic leadership consisted in founding an Emergency Economic Council in the beginning of June. This Council, led by himself and including Ministers, Chairmen of the Parliamentary Commissions and experts, promises to become the centre of decision-making in the sphere of economy. It might also lead to diminishing the role of the Economic Reform Staff led by the Vice-Premier Roman Gotsiridze (who in the end of May also had demanded his own authorities to be extended in order to implement the economic reform).

At the same time, Mr. Shevardnadze continued to reject the demands of the Republicans and the National Democrats to take over the responsibilities of the Prime Minister and opposed the idea of the resignation of the entire Cabinet. Thus, he continued his policy of avoiding personal changes as much as possible favouring the introduction of new power structures (like the Emergency Economic Council) and shifting the centre of authority towards them.

The Head of State did not seem to embrace the core of the demand of the Republicans and the National Democrats -- that new government policies should be formed by a definite political force formed as a Parliamentary majority. He preferred to speak more vaguely about 'the unification of the progressive forces' and avoided revealing his political preferences. At the same time, with the tendency of centralization of power in Mr. Shevardnadze's hands becoming more and more obvious, the rivalry for gaining more influence on him became stronger. While the leader of the National Democratic Party G. Tchanturia declared that 'we have remained the sole political force standing on Mr. Shevardnadze's side', the civil movement *Unity and Prosperity*, which is led by the intellectuals supporting the Head of State and mostly linked to the *Liberals* faction of the Parliament, also became more active. The third force, former communist functionaries, avoided creating new official structures, but hoped to gradually increase their influence though occupying key positions in the executive power and disseminating the nostalgic sentiment of 'good old days'.

Although Mr. Shevardnadze avoided clear-cut programme statements, the reformists were disturbed by his stronger stress on increasing the role of the government in economic management, expression of strong support to vividly anti-reformist figures like D. Dvalishvili and Vice-Premier A. Margiani, and the declaration of anti-corruption campaign to be one of the political priorities, vividly reminding of the Head of State's communist background (in 1972 Mr. Shevardnadze began his work as the First Secretary of the Communist Party of Georgia with a widely publicized though ineffective anti-corruption crusade). At the same time, he continued to talk about encouraging private business and the utmost necessity of foreign investments, which could only be expected in case viable projects were developed in the private business. He seemed to vacillate between the Western influence prompting to encourage the market-economy reforms on one hand and his own background as well as the catastrophic situation in the economy calling for extraordinary measures to be implemented through at least partial restoration of the administrative-command system.

Mr. Shevardnadze continued his efforts to bring the army under stronger control. On June 1 a decree *On the Protection of Law and Order, Intensification of Fight against Crime in the Army and Measures on Training of the Military* was issued, under which a commission was formed to work on these problems, headed by the Military Procurator A. Shushanashvili. Other decrees demanded new certification of officers until June 30, disbanding of bodyguards protecting particular persons as well as paramilitary formations. However, the most critical problem of *Mkhedrioni* or *Georgian Rescuers' Corps* remained to be solved: the two weeks given by the Parliament to an ad hoc commission long expired, but the controversial militia was neither disbanded nor granted any official status.

Relations with Russia continued to be the central issue in political discussions, though they became less heated than before. Mr. Shevardnadze continued to insist that the key to resolving the conflict in Abkhazia lay in Moscow, and the priority in foreign policy should be given to overcoming the obstacles to signing a *Treaty of Friendship and Cooperation* with Russia. During the Parliamentary debates on June 29-30 the opponents denounced the article under which Georgia was not allowed to create military bases of the countries hostile to Russia as 'fettering'; the Head of State retorted that the text of the Treaty was not ideal, but it was realistic. On June 1, the Parliament adopted a resolution proposed by the leader of the Popular Front Nodar Natadze, demanding the withdrawal of Russian troops from Georgia 'in the technically shortest possible period of time'.

Debates on Georgian-Russian relations also referred to the idea of submitting the Treaty between Georgia and Russia to national referendum. The opponents (Mr. Natadze was the most active among them) stated that economic hardship might force the people to accept an agreement which undermined vital national interests of the country.

However, in general the Parliament avoided extremely radical statements with regards to Russia, which might have brought about some renewed hope that Russia's attitude to the Abkhaz conflict was becoming more acceptable to Georgia, and the opposition elaborated no feasible alternative to Mr. Shevardnadze's course.

The Parliament also discussed the projects of the structural reform of the government presented by *the Republicans* and *the National Democrats*. Despite the above-mentioned similarities (both projects presupposed the resignation of the current Cabinet, its replacement by a unified team with a stronger personal role of the Head of State), they included some crucial differences. The National Democrats, who are staunch supporters of Mr. Shevardnadze, raised a claim to creating a one-party cabinet, though possibly led by the Chairman of the Supreme Council of Ajaria Aslan Abashidze (who at the same time is the Chairman of the *All-Georgian Union for the Revival of Ajaria* and has been supporting the National Democrats financially). As to the Republicans, their more detailed project included the division of the current Parliament into two Chambers (those composed of deputies elected respectively by the proportionate and majority system), and the reduction of the number of ministries from 29 to 15. However, the Republicans did not insist on implementing all elements of their project and gave priority to creating a uniform Cabinet which would at least lead the country to some definite direction.

The only law, adopted by the Parliament during the month, was *On Legal Status of Foreigners*. The bills *On Property Rights* and *On the Auditory Actions* were heard at first reading. A resolution was adopted on joining the Vienna conventions *On Consular Relations* and *On the Legal Succession of States to State Property, State Archives and State Debts*. In general, the activity of the Parliament was characterized by a growing apathy and disregard of its legislative duties. Securing a quorum became the key issue of most of the sessions.

## FOREIGN RELATIONS

Mr. Shevardnadze's visits to China and Kazakhstan (June 1-3) and Belgium and Germany (June 24-25) were two major events in the foreign policy. (S. on the Georgian-Russian relations in *Conflict in Abkhazia* section) In Alma-Ata agreements *On the Principles of Bilateral Relations* and *On Parliamentary Cooperation*, as well as a number of economic contracts (including delivery of Kazakh wheat) were signed. Mr. Shevardnadze's main point was to persuade President Nazarbaev of Kazakhstan to withdraw his objections against the project of the transport corridor Europe--Caucasus--Asia via Georgia, which was regarded in Georgia to be of great importance for its future economic revival (Mr. Nazarbaev had supported an alternative project of building the corridor via Russia). The Georgian leader appeared successful. The possibility of Kazakhstan's participation in resolving the Georgian-Abkhaz conflict was also mentioned.

The visit to China was regarded as especially productive. A package of more than twenty agreements were signed in China including a communiqué *On the Principles of Bilateral Relations*. The Georgian leader also tried to get China interested in the possible transit role of Georgia, reminding of its traditional position on the 'Great Silk Highway'.

During his visit to the NATO headquarters on June 23 Mr. Shevardnadze pressed for the necessity to more active peacekeeping role of the NATO in conflict zones in the post-communist space, including Georgia. In Germany, the Georgian Head of State had an exclusively warm reception due to his role in the unification of Germany. He held meetings with Chancellor Kohl and President Weizsäcker. The declaration *On the Principles of Bilateral Cooperation* and eight inter-governmental agreements were signed. This included German financial and technical aid plus credits to Georgian business in case viable projects were proposed. Mr. Shevardnadze also used these visits for the promotion of the project of the transport corridor via Georgia. He was awarded the Kant Prize for Peace, and the 'Shevardnadze Foundation' was created in Belgium in order to help Georgian young people study in the West. On his the way home from Germany, Mr. Shevardnadze had a brief meeting with President Kravchuk of Ukraine in the Kiev airport.

The Head of State was very reserved in his evaluation of the change of power in Azerbaijan, though congratulated G. Alijev on his election as the Chairman of the Parliament. On June 15, he held a meeting with Prime Minister Bagratian of Armenia on the problems of bilateral economic relations. On June 19 he received a delegation of the Fereidan province of Iran led by its governor (a province inhabited by Georgian ethnic minority in Iran).

Before joining Mr. Shevardnadze in Germany, Foreign Minister Chikvaidze pursued his own program: he took part in the meeting of Foreign Ministers of the Black Sea region in Istanbul and in the meeting of Foreign Ministers of European countries and the New Independent States aimed at helping these latter in their foreign-policy activities.

Trips of other leaders included a visit of Minister of Defense G. Karkarashvili to Budapest where he took part in a conference organized by NATO, of Vice-Premier R. Gotsiridze to Vienna to participate in the UN conference on human rights and of Vice-Premier Margiani to Azerbaijan to solve the problems of food and fuel deliveries.

## CONFLICT IN ABKHAZIA

According to the official data of the Press Centre of the Georgian Military Forces in Abkhazia, during eleven months of the war the Georgian side lost 1175 people with 3446 wounded.

Only the shelling of Sukhumi left 302 civilians (among them 110 women and children) dead with 758 wounded. More than 500 buildings were destroyed or damaged.

Although no major fights took place in Abkhazia in June, numerous violations of the cease-fire agreement which came into effect on May 20, following the agreement between Russia and Georgia reached during the May 14 summit in Moscow, raised substantial doubts about the prospects of the peace process. This fear was more grounded by the statement of the Abkhaz leader Vladislav Ardzinba that since the Abkhaz side had not taken part in the May 14 summit and had not signed any agreements, it was a goodwill act on their side to observe the cease-fire and they felt free to resume shooting whenever they deemed it necessary.

The most tangible result of the cease-fire agreement was the delivery of humanitarian aid to Sukhumi and Tkvarcheli, which took place on June 16-18. The action was implemented by Russia under the supervision of the UN. A great number of population was evacuated. However, on June 19, as soon as the action was completed, fighting resumed.

The Georgian side expressed fear that the Gudauta government would use the break granted by the cease-fire and the humanitarian aid action for self-reinforcement and preparation of a new major assault on Sukhumi. Namely, Military Advisor of the Georgian Head of State Vladimer Chikovani described the cease-fire agreement as an 'illusion'. Mr. Ardzinba had rejected his proposition to exchange observers. His assessment was based on reports of heavy purchases of military equipment by the Abkhaz side. There were reports of renewed efforts of the Confederation of Caucasian Peoples to recruit volunteers/mercenaries in different cities of Russia as well as in the self-proclaimed Transdniester Republic, a break-away region of Moldavia. Some of the groups had already entered Abkhazia. In the town of Tkvarcheli, controlled by the Abkhaz side, a tent was erected with flags of *Aidgilara* (a separatist organization of Abkhazia) and Transdniester Republic.

Georgian-Russian relations aimed at the peaceful settlement of the conflict intensified, but remained controversial. In general, the positions of the two countries seemed to draw nearer after the May 14 summit in Moscow; it was mainly displayed by the fact that Georgia actually accepted Russia's mediating role in the conflict and did not press its standing demand of the immediate withdrawal of Russian troops from the conflict zone. On the other hand, the Georgian side (mainly through the personal representative of Mr. Shevardnadze in the Georgian-Abkhaz negotiations A. Kavsadze) protested against the explicitly expressed (by Vice-Premier Shakhrai) Russian position defining the peaceful settlement in Abkhazia as a necessary pre-condition to signing the package of agreements between the two countries that had been prepared during four rounds of negotiations. Mr. Kavsadze also protested against Russia's claim to act as a guarantor of Abkhazia's autonomy in Georgia, since the Georgian Government had never challenged the autonomy of Abkhazia, and it was guaranteed by the Georgian state.

On June 3 Russian Foreign Minister Kozirev accompanied by Minister of National Security Barannikov, his Deputy Pastukhov and other officials visited Tbilisi, Sukhumi and Gudauta.. No specific results of the visit were publicized besides statements like 'Russia is tired of this war and will do all it can to end it. 'Shelling continued even during the visit of the Russian delegation.

Tripartite Georgian-Russian-Abkhaz negotiations continued in Moscow (with Russian Deputy Foreign Minister B. Pastukhov as a chief mediator), but without any success. The Abkhaz side continued to insist on the withdrawal of the Georgian military forces from Abkhazia as a precondition of the cease-fire.

Th. Starchevich, the permanent representative of the UN in Georgia, stated in an interview to the *Zakavkazskije vojennije vedomosti* newspaper that after the cease-fire agreement was reached the UN would supposedly send a mission of 30-40 observers to Abkhazia.

The Abkhaz sources continued to spread the information about 1000 Ukrainian mercenaries fighting on the Georgian side, which the Georgian side continued to deny. At the same time, an Ukrainian daily *Post-Postup*, reflecting the attitudes of certain political circles of that country, remarked that 'the Participation of the Ukrainians in the defense of Georgian sovereignty would not be a great sin'.

## OPPOSITION

The activity of the leader of the National-Independence Party Irakli Tsereteli who among the parties elected to the Parliament was the first to raise a demand of Mr.Shevardnadze's resignation on the June 3 session of the Parliament had been the most publicized, if not an actually important, effort of the opposition. Mr.Tsereteli stated that Shevardnadze 'did not manage to solve any of the vital problems facing Georgia', and raised a set of standard charges against him: the loss of the Tskhinvali region, a bloody crusade against pro-Gamsakhurdia militia in Megrelia, mismanagement of the conflict in Abkhazia, a too soft attitude to Russia, break up of peaceful demonstrations, mismanagement of economy, etc. His subsequent plans included the organization of a campaign of peaceful protest rallies which would eventually force the Head of State to resign. The first one, at which Mr.Tsereteli promised to gather 100,000 people, was initially to take place on April 23, but later was postponed until Mr.Shevardnadze's return from his visit to Germany. The crucial point had been that Mr.Tsereteli had no intention to ask for an official sanction of the rally, while the government had promised to take tough measures against any unsanctioned gathering. Mr.Tsereteli's plans gave rise to certain real anxiety among the supporters of the current government.

However, Mr. Tsereteli, whose personal popularity is very low, failed to find any allies. Even the extremely oppositional *Union of the Georgian Traditionalists*, *Merab Kostava Society* and *Ilia Tchavtchavadze Society* did not support his radical demands. The only chance for the success of Tsereteli's efforts had been an alliance with the former President's supporters, but most of them still remembered Tsereteli's aggressive anti-Gamsakhurdia statements. In one of his latest interviews the ex-President described Tsereteli as a 'politically immature person', who even now was raising a wrong demand: that of the resignation of Mr.Shevardnadze instead of the restoration of the legal government. Finally the rally, which took place on June 29, attracted no more than five hundred people, and only earned some sarcastic comments in the media.

The activities and the position of the pro-Gamsakhurdia militia in West Georgia continued to be controversial. On June 17 its commander Loti Kobalia together with the member of Mr.Shevardnadze's staff responsible for the relations with various regions Temur Pipia attended meetings in the towns of Martvili and Chkhorotsku where Mr.Pipia presented new Chairmen of the local *gamgeoba* (administrations) appointed by the Head of State (respectively L.Jgharkava and A.Lemonjava). Mr.Kobalia greeted both new appointees and expressed his hope that they would succeed in solving grave social problems of the population. At the same time, however, he predicted that the current government would soon be removed. Some more radical supporters of the ex-President protested against Mr.Kobalia supporting illegal authorities appointed by the 'junta'.

'Briefing rallies' continued to be held in Zugdidi, at which the standing demands of Mr.Shevardnadze's resignation and the return of the 'legal government' were reiterated. The Press-Centre of the National-Democratic Party disseminated information (the reliability of which raised some doubts) about 200 Russian military instructors' presence in Zugdidi to help Kobalia's militia, as well as about new armaments, including *Grad* plants. that had lately been obtained by the latter.

On June 14 a decimeter channel of the Zugdidi TV broadcasted Mr.Gamsakhurdia's appeal to the Georgian people, in which he stated that Sukhumi, Ochmchire and Gali would soon fall and his supporters were to be ready for mass actions throughout Georgia `demanding his return.

The trial of the 'Kvareli case' continued in the Supreme Court of Georgia. A group of ex-President's supporters that had been arrested last summer in a forest near the town of Kvareli in East Georgia was charged with subversive and terrorist activities. Temur Goksadze, the defendants' attorney, incriminated the law enforcement officials of physical and psychological abuse of the accused. The Judge stated that these allegations would be checked during the court investigation which was yet to start.

## **SOCIETY. ACCIDENTS. CRIME**

Bread shortage, especially felt outside Tbilisi, stirred up sporadic actions of social unrest, especially in West Georgia, where the ratings of the current government were lower anyhow. On June 17, the residents of the town of Zestafoni (mostly women) demanding the improvement of bread supplies blocked the railway line. On June 26 in the town of Khobi, the local residents also tried to block the railway line. The incident was peacefully settled. On June 22, rail and motor roads were blocked in Senaki, where the demands went beyond the bread problem: the protesters called for the withdrawal of 300 policemen sent by Tbilisi and their replacement by Loti Kobalia's militia.

Miner's strike lasted for two weeks in the town of Tkibuli. The strikers demanded the improvement of their social conditions and the resignation of mayor R.Tchitchinadze. The strike ceased on June 18 after the demands were satisfied. In the town of Ozurgeti, the local police department went on strike in protest of 'ruthless interference of local authorities into the police activities' The strike stopped after a new Chief of the department was appointed. Employees of the Enguri power-station (the biggest one in Georgia) also succeeded in satisfying their demand of wage raise by 300 percent after they went on pre-cautionary strike on June 20.

The Press-Secretary of Vice-Premier A.Margiani physically attacked a correspondent of the *Resonance* newspaper who had published criticism about the Vice-Premier's activities. The *Free Media Association* published a protest letter and the incident was later discussed in the Parliament, though without any reaction from the Vice-Premier himself.

During his visit to Georgia the Chairman of the *Helsinki Watch* Jonathan Fanton expressed his concern about three issues related to human rights protection in the country: freedom of expressing opposite views (cases of pressure on media, restraint of opposition rallies, persecution for political views), abuse of prisoners and violations of human rights by both sides in the Abkhaz conflict (shelling of peaceful population, blocking of residential areas which hindered the population to get the necessary food stuffs, and hostage taking).

On June 6 a lot of crops were seriously damaged in various regions of East Georgia as a result of heavy hail. Estimated losses reached 12 billion roubles.

The official crime statistics improved for the first time during last months. The total index included 1787 offenses against 1982 in May.

In the Tskhinvali region (a self-proclaimed South Ossetian republic, remaining beyond the control of the Georgian government), armed skirmishes took place between the Ossetian police (OMON) and the Ossetian militia which had earlier been involved in fighting against the Georgian armed forces.

## PUBLIC OPINION

Chairman of the Popular Front of Georgia Nodar Natadze, favouring a more rigid attitude towards Russia, led for the first time the approval rate of politicians -- 67,7% (with 8.8% disapproving) in the poll conducted by the *Resonance* newspaper in Tbilisi on June 5-6. Eduard Shevardnadze followed him with a narrow margin -- 67,0% (with 11.3% disapproving). The third position of the Ajar leader Aslan Abashidze (51.3% with 12.7% disapproving) made it clear that a large section of the population would agree to authoritarian rule if it secured stability. Representatives of the younger breed of politicians -- leader of the Greens Zurab Zhvania (48.0% with 14.3% disapproving) and a spokesperson of the National Democratic Party Irina Sarishvili (47.7% with 26.3 disproving), supporting Mr.Shevardnadze's policy, were also gaining more popularity. The disapproval rate was led by ex-President Zviad Gamsakhurdia (65.3% with 12.0% approving), former Minister of Defense Tengiz Kitovani (63.0% with 6.3% approving), the most radical opponent of Mr.Shevardnadze's in the Parliament Irakli Tsereteli (62.0% with 7.3% approving), Prime Minister Tengiz Sigua (54.3% with 17.7% approving) and the leader of *Mkhedrioni* Jaba Ioseliani (50.7% with 19.3% approving).

Polls conducted by the Centre of Social Research throughout Georgia, which did not include Mr.Natadze, registered a drop in the ratings of leading figures: Mr.Shevardnadze descended from 80.6% in April to 77.7% in May and 64% in June, Mr.Sigua -- from 39.5% in April to 25.7% in May and 14% in June, Mr.Kitovani -- from 30.5% in April to 14.8 in May and 10% in June. Mrs.Sarishvili's ratings dropped from 44.3% in April to 34.1% in May, but rose again to 42% in June.

Only 4.7% of those polled by the same Centre supported Mr.Tsereteli's demand of Mr.Shevardnadze's resignation with 72.7% disapproving, 15.8% without any opinion and 6.7% refusing to answer.

Among those polled by the *Resonance*, 48.3% thought that the Parliament failed to fulfill its functions, with 31.7% assessing the work of the legislature as 'satisfactory' and 12.1% -- as 'successful'. Among the same respondents only 7.0% approved of *Mkhedrioni's* or *the Georgian Rescuers' Corps'* claim to get the status of the State Committee; 48.3% thought that it was to be subordinated to the Ministry of Defense, 24,0% -- that it was to be disbanded, and 14.0% -- that some other way of preserving it was to be found.

32.7% of *Resonance'* respondents expected famine in Georgia, with 55.3% thinking that was unlikely. 40.1% predicted that Georgia would be a strong unified state by the year of 2000, with 32.7% expecting it to be unified but weak, 7.5% -- thought it would become divided into several tiny states, and 6.1% -- incorporated into a larger country. 30% thought the break-up of the Soviet Union was due to historical inevitability, with 54% blaming it on political mistakes.

31.8% thought that the media was not and should not be restricted in Georgia, with 19.1% thinking that it was not, but should be restricted, 18.1% that it was duly restricted, and 19.1% stating there was no free media in Georgia.

The sociological service of the *Ibervision* TV polled the inhabitants of Tbilisi on their attitude to the war in Abkhazia. 21% said the war would end in favour of Georgia, 9% -- in favour of Russia, 7% -- in favour of the Abkhazs, and 50% -- in nobody's favour. 44% assessed the Georgian government's policy aimed at peaceful settlement of the war in Abkhazia as 'encouraging', with 35% giving a negative evaluation. 25% blamed the Georgian government for starting the war, 31% -- the Russian government, and 29% -- the Abkhazs.

## ECONOMY

The rate of the Georgian coupon continued to fall, though the pace of inflation during the month relatively slowed down: by the end of the month one US dollar equaled to 5,000 coupons against 4,000 in the beginning of the month. The official rate to rouble, however, continued to be 1:1, and rouble or coupon deposits were not separated. The gap between 'live' and deposited money maintained itself: the unofficial price of one US dollar in cash amounted to about 10,000 roubles on deposits.

On June 10 the Cabinet of Ministers adopted a resolution obliging both state and private companies to sell 20 per cent of their hard currency income to the government (by market rates) and 10 per cent to the National Bank (by the rates determined by the latter) in order to strengthen the coupon or create resources of hard currency for the state bank. All legal entities who had bank accounts abroad were obliged to transfer the money to Georgia, otherwise they would be deprived of their deposits (no mechanism of enforcing this decision had been worked out).

On June 14, the National Bank issued Regulations on opening and functioning of currency exchange offices. Every real person and legal entity could get a license for currency exchange for 12 (organizations) or 6 (citizens) months. The exchange rate would be determined freely, but 'taking into consideration the rates of the National Bank' (it is not clear, how the last point can be implemented).

Shortage of the primary products (especially bread) forced the government to consider the introduction of rationing (the main obstacle being insufficiency of existing resources even for ensuring the minimum level of consumption).

The project of the Europe-Caucasus-Asia transport corridor became a subject of not only a diplomatic concern: On June 17, a special meeting of the government, attended by Mr. Shevardnadze was dedicated to the issue. Vice-Premier Zurab Kervalishvili, who seems to be in charge of activities around it, presented a program of the corridor's development. Mr. Shevardnadze proposed an idea of creating a Transcaucasian Regional Coordinating Centre headquartered in Tbilisi to deal with the problems related to the project.

According to the *Eurobank* Journal, Georgia held the 155th place among 169 countries as to in the economic reliability index. The country was the third from the end among the former Soviet republics with respect to its economic efficiency.

*The bulletin is chiefly based on the Georgian media reports. 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-Centre 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. Please contact us if interested in subscription. E-mail is a preferred form of distributing the Bulletin.*