

THE GEORGIAN CHRONICLE

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CONFLICT IN ABKHAZIA

The Georgian political life in July was entirely determined by the dramatic developments of the conflict in Abkhazia which ended up in a cease-fire agreement. The Agreement (S. the *Appendix*) brought about hopes of peace, as well as a new division of the society, a part of which regarded the terms of the agreement as 'capitulatory', leading to the handover of a part of the Georgian territory to Russia. On the other hand, Eduard Shevardnadze received extended authorities which opened new possibilities for him in reorganizing the government.

The month began with the most fierce assault of separatist forces on Sukhumi, beginning on July 2 with about 500-600 commandoes landing from three warships near the village of Tamish to the south of the city. The plan was to unite with the guerilla forces in the Ochamchire region and completely cut off the city from the Georgian forces. The Abkhazs succeeded in the beginning, seizing several villages with simultaneous attacks from the north, where they seized strategically important heights near the villages of Shroma-Kamani and Akhalsheni. Concentrated shelling of Sukhumi from *Grad* plants and artillery on the first morning only killed 39 inhabitants with 175 wounded. The shelling of Sukhumi continued until the cease-fire agreement came into effect.

The Head of State departed to Sukhumi to personally direct the defense operations as he had always done before, whenever the security of the town was gravely endangered. On July 6, using his newly acquired extended authorities (S. the next section) he declared martial law throughout Abkhazia (earlier it had only been declared for particular regions of Abkhazia) for two months. He also granted Chairman of the Defense Council of Abkhazia T.Nadareishvili authorities to summon any minister or other official of Republic of Georgia. He invited ministers, mayors of cities, heads of various departments giving them special assignments concerning the situation in Abkhazia to Sukhumi. He displayed his stricter attitude by severely criticising the Minister of Communications and firing the Chief of the Supreme School of Police Gen Kvantaliani for failure to promptly deliver his students to Sukhumi (later the media criticized his decision as unfair).

Although initially the Georgian side had displayed a lack of vigilance, having let the commandoes land without any obstacle, later it appeared better organized than usual. Additional detachments quite rapidly arrived from Tbilisi, avoiding the necessity to loosen the defense line of the city from the north. They were joined by the pro-Gamsakhurdia militia led by L.Kobalia, which reportedly played a rather important role in military operations. After a week of heavy fights, the commandoes' unit was mainly liquidated, with the remaining small groups joining the guerilla forces. On July 10, the Ochamchire and Sukhumi groupings of the Georgian forces united near Tamish, thus opening the highway to Tbilisi and breaking through the encircling. This marked the

failure of the attack of the Abkhazs, though fighting to regain the lost positions continued. The separatists also retained important heights near Sukhumi.

According to the Georgian sources, the Abkhaz side lost around 600 hundred people in the fighting near Tamish with the number of Georgian Military casualties for the same period amounting to 58. However, unofficial estimations of Georgian losses went were far higher.

Meanwhile Mr.Shevardnadze continued using diplomatic channels as well in his efforts to influence Russia. On July 2 he sent a letter to Secretary General of the UN Boutros Boutros-Ghali asking for urgent measures to be taken to stop fighting in Abkhazia and have the problem discussed in the Security Council. On July 6 the Security Council decided to send 50 military observers to the conflict zone, but only after a cease-fire agreement was reached. On July 7 Mr.Shevardnadze appealed to the G-7 summit in Tokyo to help solve the conflict. Tripartite Georgian-Russian-Abkhaz negotiations which continued in Moscow all the while, came to a deadlock: the Abkhazs were pressing their demand for the withdrawal of Georgian troops from Abkhazia, which was unacceptable for the Georgian side.

On July 8, a delegation of Heads of Diplomatic missions accredited in Tbilisi travelled to Sukhumi to display their support of Mr.Shevardnadze. According to the German Ambassador Mr.Dahlhof, after the visit Russian Ambassador Zemski admitted the involvement of the Russian military in the conflict, defining it as a conduct of 'corrupt officers'.

The success in repelling the separatist attack initially raised the confidence of the Georgian military and the society at large. 73.6 percent of those polled on July 17 by *Resonance* newspaper in Tbilisi supported the necessity or desirability of attacking operations in Abkhazia. While Chairman of the Defense Council and Council of Ministers of the Abkhaz Autonomous Republic Tamaz Nadareishvili stated that 'No treaty of any status can solve the fate of Abkhazia. It can only be solved through the military force'.The currently open arrival of the Ukrainian volunteers (the Abkhaz side had earlier been reporting of the Ukrainians fighting on the Georgian side, but was denied by the Georgian side) whose leaders now publicly stated that 'Fighting against the Russian imperialism is the common cause of the Georgians and the Ukrainians', also contributed to the optimism.

This disposition was reflected in an ultimatum issued on July 13 by Minister of Defense Karkarashvili. It demanded the separatists to stop shelling Sukhumi, or else threatened them to start an attack on Gudauta. The Minister stated that the Georgian side had only been using twenty percent of its military resources. The Abkhazs, however, did not seem to take his statement seriously, and as it appeared later did so with full right. The Georgians began only a small range attack aimed at regaining the lost heights in the Akhalsheni-Shroma direction that had been lost in the beginning of the month, but failed to achieve any military success. Although very few casualties were reported on the Georgian side by the Press-Center of the Georgian Ministry of Defense, rumors about heavy losses were spread among the population.

On the other hand, according to the reports of the Georgian intelligence as well as of Russian media new and well-armed detachments of volunteers/mercenaries arrived from Russia arrived to help the separatist forces. Those groups consisted of both North Caucasians recruited by the Confederation of the Caucasian Peoples and ethnic Russians, many of them with professional military training. In the beginning of the month the Russian authorities displayed some efforts to protect the Russian-Georgian border from the penetration of armed groups, but later they gave them up for fear of antagonizing the North Caucasians whose nationalist leaders repeated their threats to secede the Russian Federation in case it sided with Georgia.

It contrasted with the exhaustion of the resources of the Georgian side, especially as regards the military equipment. The rapidly deteriorating economy gave no hopes of improving the situation. The involvement of the international community could only be possible in case the cease-fire was reached. All this compelled the Head of State to consider some major concessions in order to bring the conflict to an end.

The appointment of Mr. Shevardnadze's long-time client of communist background Zhiuli Shartava as Chairman of the Defense Council and Council of Ministers of Abkhazia instead of Tamaz Nadareishvili who had been noted for his militant moods, was one of the signs of a movement in that direction. Besides, Mr. Shartava, a former leader of the Georgian Komsomol, would have less problems in finding a common language with Boris Pastukhov, Personal Representative of the Russian President in the conflict zone, and former First Secretary of the All-Union Komsomol.

Despite a substantial military assistance, several futile onslaughts on Sukhumi, leading to heavy casualties, intensified the weariness of war among the Abkhazs too. On July 5 a rally was held in Gudauta which supported the idea of negotiating with the Georgians based on guarantees for the autonomy of Abkhazia within Georgia. A famous Russian writer who is an ethnic Abkhaz Fazil Iskander spoke at the rally calling for ending the 'fratricidal war'.

As to Russia, political tensions kept rising there, strengthening oppositional nationalist forces which were militarily involved in the conflict and publicly called for the annexation of Abkhazia and South Ossetia to the Russian federation. At least a part of the military more and more openly sided with them. This, as well as the possibility of escalating armed tensions throughout the North Caucasus and strengthening the armed militants there prompted the Eltsin's government to intensify its pressure to achieve the cease-fire.

Reportedly it was Boris Pastukhov -- Personal Representative of the Russian President to the conflict zone who brought the last straw that broke the camel's back: he presented a military plan of seizing Sukhumi by the substantially strengthened military coalition to the Georgian government, against which the Georgian side would find no defense (later he publicly denied this). At least this threat served as a decisive argument in persuading the Parliament and the public to accept the peace plan worked out during the tripartite negotiations in Moscow.

Parts of the Agreement which prompted some Georgian politicians to define it as a 'capitulation' included a withdrawal of the armed detachments of the Republic of Georgia from the Abkhaz territory within 15 days after the cease-fire came into effect, the return of the 'legitimate government' to Sukhumi, and the participation of Russia in peace-keeping forces. Although almost nobody regarded the agreement as advantageous to the Georgian side, its supporters argued it was not as bad as it seemed: about eighty per cent of those fighting in Abkhazia on the Georgian side were inhabitants of Abkhazia, and according to the Agreement they were not to leave the territory of the autonomous republic, but, like Abkhaz units, they were to be brought together to make up a single detachment and be camped in a definite location; the 'legitimate government' of Abkhazia included not only separatist leaders, but also their Georgian counterparts like Mr. Nadareishvili; the composition of peace-keeping forces had not been specifically defined by the Agreement and was still open to further negotiations. The major advantage gained by the Georgian side consisted of the involvement of the UN observers (Mr. Shevardnadze later asked to increase their number) which could somehow reduce the Russian domination in the conflict zone. As to the Russian side, it legitimized its exceptional role and military presence in the region for an indefinite time. Although the Abkhazs got their major demand -- the withdrawal of the Georgian troops -- satisfied, there still was some pressure on the part of Abkhaz militants not to sign the agreement, since it did not presuppose the separation of Abkhazia, and stopped them in a moment when they appeared to have

military initiative. Namely, professor George Hewitt of the London University, one of the leading supporters of the Abkhazs in the West, called on them to refrain from signing it.

The draft Agreement was discussed at a closed session of the Georgian Parliament on July 24. Despite the criticism, the Parliament authorized Mr. Shevardnadze to act as he regarded necessary. The document was signed in a Russian town of Sochi on July 27 by the Speaker of the Georgian Parliament V. Goguadze, Deputy Chairman of the Supreme Council of Abkhazia S. Jinjolia and Foreign Minister of Russia A. Kozirev. The cease-fire came into effect the next day. The Agreement was supposed to be intermediate preparing grounds for a future broad-range treaty to define the political and economic life of Abkhazia.

Despite the criticism, the majority of the population accepted the agreement as an inevitable necessity. According to a poll publicized by the Channel II of the Georgian television, 57 percent supported the signing of the agreement with 15% against and 28% undecided. The opponents (N. Natadze, T. Chkheidze, A. Bakradze etc.) stated that it would have been better to lose Sukhumi or even more, than not to sign a document legitimizing Russian military and political presence in Abkhazia. Supporters of ex-President Gamsakhurdia, who had earlier defined the conflict as a 'fratricidal war aimed at the genocide of the Georgian and Abkhaz peoples' accused Mr. Shevardnadze of intentionally handing Georgian lands over to Russia. They mentioned the possibility of recruiting new volunteers to continue the war themselves. The international community welcomed the agreement.

After the agreement came into effect, both sides reported cease-fire violations which were registered by tripartite monitoring groups. However, they entailed no casualties and large-scale military operations did actually stop.

GOVERNMENT

In July the Parliamentary factions and political parties intensified their demand for structural and personal changes in the government. New demands to remodel the Cabinet of Ministers and cancel the institution of the Head of State were added to the demands and projects put forward previously on the reorganization of the Parliament (the faction Republicans and others).

On July 2, on the suggestion of the Republicans faction and personal request of the Head of State the Georgian Parliament passed a law on granting the Head of State some additional authorities temporarily (until a new constitution was adopted). Namely, he was empowered to convene and chair the meetings of the Cabinet of Ministers, issue regulative acts that will be valid in the field of economics; dismiss and appoint any officials. The Parliament being greatly disturbed over the information of a possible fall of Sukhumi the law was passed without any debates or impediment. Some MPs assessed the extension of Mr. Shevardnadze's authorities as 'less than could be expected'.

At the same session the Parliament legalized the Economic Council, a consultative body under the Head of State, subordinating to it actually all economic structures of the country (among them the Economic Reforms Staff of the Cabinet of Ministers). The National Security and Defense Council, which had been abolished in May to facilitate the removal of its deputy Chairman and the then Defense Minister -- T. Kitovani, was also restored under the chairmanship of the Head of State. Under the regulations of the above Council it 'considers and takes decisions on the most important issues of internal and foreign policy that are directly related to ensuring state security and defense'. The Council is accountable to the Parliament.

Thus, a virtually bipartite system of executive power -- the Head of State and the Cabinet of Ministers, with the latter subordinate to the former, -- was established (at least temporarily) in Georgia in July.

On his return from Sukhumi Mr. Shevardnadze declared that he was going to make full use of those extraordinary authorities that he had previously requested for the settlement of the conflict in Abkhazia.. At the July 13 session of the Parliament he stressed the necessity of restoring former economic ties with Russia for the salvation of the country, as he believed that new economic orientation towards Western countries would bring effective results only in a more distant future.

On July 15 Mr. Shevardnadze ordered the Ministry of Agriculture to speed up harvesting in the regions of Bolnisi and Dmanisi, while the Ministry of Internal Affairs was charged to enforce law and order in these regions and institute patrols on the roads and Customs Committee -- to ensure order at the Bolnisi Custom-House.

The opposition between the Parliament and the Cabinet of Ministers on the one hand and between both of them and the National Bank on the other, aggravated in parallel with the intensification of the role of the Head of State.

National Democratic and Republican factions considered they were facing parliamentary and government crisis in the same time, that required radical reforms of both of these structures. In response Prime Minister Sigua and Vice-Premier Gotsiridze kept insisting that the government had taken the right course.

Debates on the April-December (1993) budget occasioned the Parliament's most violent attack on the Cabinet of Ministers. At the July 22 session Mrs. Sarishvili (National Democrats) presented a declaration signed by the National Democrats, Republicans, Democrats, *the Alliance for Liberal Reforms* (including Liberals and the Greens), the Popular Front as well as by a group of independent MPs (50 persons in all), which stated that 'the Georgian Cabinet of Ministers has proved unable to take prompt measures to overcome the current crisis in the country' and therefore, the authors of the declaration expressed their distrust of the Cabinet of Ministers and demanded its resignation. The above group of MPs consisted for the most part of Mr. Shevardnadze's supporters. In contrast with them a part of oppositional parties (*Charter-91*, the Merab Kostava Society, the Traditionalists, etc) did not support the above demand for the resignation of the Cabinet of Ministers. Some of them (the National Independence Party, the Ilia Tchavtchavadze Society) declared that the Head of State equally shared the responsibility for the current crisis in the country and therefore the matter of confidence in him should also be brought up.

On Mr. Shevardnadze's suggestion the issue of confidence in the Government was not put to the vote. The Head of State was charged to present his views on the readjustment of the Cabinet structure within a month; the draft budget was returned to the Cabinet of Ministers to be corrected within ten days taking into account the remarks of the deputies.

The resolution 'On Measures to Safeguard Military and State Secrets in the Mass Media', taken by the Cabinet of Ministers on July 13 gave rise to certain agitation since it was viewed to constitute a threat to freedom of media under pretext of the war-time. However, the resolution has not produced any concrete results yet. The Cabinet had also adopted regulations *On the Status of a Chargé d'Affaires of the Republic of Georgia for trade and economic affairs abroad*. The Chargé d'Affaires were appointed to Latvia, Mongolia, Israel, Karelia and the United Arab Emirates.

The Parliament was more productive than in earlier months, having adopted several new laws, among them *On Property* (July 15), *On Protection of the Soil* (July 20), *On Emigration and On Temporary Entry, Stay and Departure of the Foreigners in the Republic of Georgia* (July 27), *On Police* (July 27). Since absence of many deputies from the sessions continued to cause

problems, the Judiciary Commission demanded (on July 8) to apply sanctions against the respective MPs. On July 29 the Speaker disbanded the Parliament until September, though the possibility of convening an extraordinary session in the case of necessity was mentioned.

FOREIGN RELATIONS

The foreign policy activities of the Head of State were considerably impeded by the aggravation of the Abkhaz conflict (naturally, with the exception of relation with Russia). His visit to Turkey, scheduled for the beginning of the month, was postponed. He could not manage to attend a plenary session of the Europarlament either, where he was expected to deliver a speech on July 14.

During the assault on Sukhumi E.Shevardnadze appealed to the leading nations of the West as well as the G-7 meeting in Tokyo to help settle the Abkhaz crisis and overcome current economic crisis. In his reply US President W.Clinton promised the Head of State some technical and humanitarian aid but made a point that the provision of 'substantial macroeconomic assistance' depended on virtual initiation of fundamental economic reforms in Georgia.

At the end of July a representative of the Japanese Government declared that along with the USA Japan would provide Georgia with medical supplies starting from September, 1993 as part of a humanitarian aid.

On July 8 Georgian Vice-premier A.Margiani visited Baku and met with Chairman of the Parliament Heidar Aliev. An agreement was reached to increase the formerly allotted credit of 5 billion roubles long-term credit as well as oil products.

In the beginning of the month an economic agreement was signed with the United Arab Emirates. Under the agreement a representation of the *Caucasian Concern* will be opened in the city of Dubai and a representation of the UAE in Tbilisi.; Sheikh Ahmed Tadmur of the United Arab Emirates foreign Relations Department paid a visit to Tbilisi.

On July 5 a presentation of admitting Georgia as a member of UNESCO took place in Paris. The Georgian National Commission for the UNESCO Affairs with Foreign Minister A.Chikvaidze and Minister of Culture D.Magradze, participated in this event. Within the same period Days of Georgia Culture were held in Paris. Mr.A.Chikvaidze met the French Foreign Minister Mr.Alain Juppé. The two ministers signed an agreement of bilateral cooperation.

REGIONAL PROBLEMS. OPPOSITION. CRIME

On July 9 the Head of State granted extended authorities to heads of local administrations -- mayors and *gamgebeli*. Their activities would continue to be coordinated by the Local Administration Office, which is a part of Mr.Shevardnadze's personal staff. However, local leaders were no doubt going to have difficulties in exercising their powers. Besides parts of the Tskhinvali region (South Ossetia), Abkhazia and Megrelia that remained out of reach of the central government, its control was rather weak in some *rayons* of Kvemo Kartli (Dmanisi and Bolnisi *rayons*, to the South of Tbilisi) and Javakheti (Akhalkalaki and Ninotsminda *rayons* on the Armenian border).

Leader of Ajaria Aslan Abashidze continued his regionalist policy maintaining good relations with all the parties. On July 22, Mr.Shevardnadze travelled to Batumi to discuss the prospects of the economic development of the region and define the role of Ajaria in the

'Transcaucasian Corridor' project. On July 22 B.Pastukhov, Russian Deputy Foreign Minister, visited Batumi and met Mr.Abashidze. The possibility of opening the Consulate of Russia in Batumi was also mentioned. In July Mr.Abashidze also met with V.Kobalia, later praising him as a true patriot.

The role of Vakhtang (Loti) Kobalia's militia, the major force of the former President's supporters, continued to be controversial. Mr.Kobalia's militia fought on the Georgian side near the village of Tamish in Abkhazia and played an important role in defeating the Abkhaz commandoes. This step was assessed by Mr.Shevardnadze as a the 'beginning of national reconciliation'. At the same time, they stirred their activities in anticipation of the fall of Sukhumi and public discontent with Mr.Shevardnadze's policy which they expected to follow (as they openly stated). On July 9-10, 72 deputies of the former Supreme Council that had been ousted in January 1992 (it initially included 250 MPs, but was reduced to 82 after a series of expulsions), held a session in Zugdidi and declared the 'restoration of the legitimate government' there. Broadcasting on their TV channel became more frequent. On July 29 Kobalia's militia occupied a town of Senaki and abolished the local administration.

About 500 supporters of the ex-President tried to hold an unsanctioned rally protesting against the tripartite agreement on Abkhazia, but were dispersed by the police.

In Kvareli, court proceedings continued against 19 supporters of the ex-President, charged with terrorist activities last summer. The convicts complained of being physically abused and forced sign avowals of their guilt in the course of investigation.

After several futile efforts to inspire broad protest movement demanding the resignation of Mr.Shevardnadze, the National Independence Party, led by I.Tsereteli, looked for alliance with the ex-President's supporters. At the end of July Mr.Tsereteli stated that he had established contacts with Mr.Gamsakhurdia and would not object to taking joint actions against the Head of State, comparing it with the USA, Great Britain and Russia fighting together against the Nazi Germany.

The official crime statistics continued to drop for the second month running: the total index included 1260 offenses against 1787 in June and 1982 in May.

The crime rate was particularly high in the Dmanisi and Bolnisi regions. Criminal groups benefited from robbing cars along the highway to Armenia. There were tensions between the local population (ethnicity notwithstanding) and recent migrants from the mountainous region of Svaneti, resettled after natural disasters there. The government had to resort to 'extraordinary measures' to resolve the situation.

On July 21 a railway bridge was blown up near the town of Abasha in Megrelia.

PUBLIC OPINION

Eduard Shevardnadze regained his first place among the Georgian politicians with 74,7% approving and 11.6% disapproving of his policy in the poll conducted by the *Resonance* newspaper on July 3-4 among the inhabitants of Tbilisi (in June the figures were respectively 67,0% and 11.3%). The timing of the poll was a major contributing factor to the rise in rating: the Head of State was in Sukhumi leading the defenders of the city. Nodar Natadze, losing one point only (66.2 and 7.8%), moved to the second position. The spokesperson of the National Democratic Party Irina Sarishvili switched to the third position (54,9 and 22.2%) leaving behind Aslan Abashidze (51.5 and 15.7%) and Zurab Zhvania (50.2 and 15.0%). The disapproval race also found a new leader -- Irakli Tsereteli (85.3% against 4.1% approving). During the defense of Sukhumi other adversaries to current regime also became less popular: 75.6% (against 65.3% last month) disapproved of ex-

President Gamsakhurdia, 70.0% -- of ex-Defense Minister Kitovani. Disapproval rate of Vice-Premier Gotsiridze, responsible for the economic reform, 51.7% -- followed the dropping rate of the Georgian coupon.

Besides his contemporaries, Eduard Shevardnadze's popularity surpassed other famous politicians as well: 34.9% of *Resonance* respondents thought he would be the best ruler in today's Georgia, against 12.8% supporting Joseph Stalin, 10.1% -- Ronald Reagan, 4.0% -- Gen. Pinochet, and 20.8% -- none of them.

In the poll conducted by the *Svobodnaya Gruzziya* newspaper, 52.2% defined the extension of Mr. Shevardnadze's authorities as 'necessary' and 25.2% -- as 'desirable', with 22.7% opposing the idea. Only 7.3 percent of those polled by the same newspaper held the Head of State most responsible for the current social and economic crisis in the country; 24% blamed 'mafia', 21.7% -- 'all (previous and current) governments', 20.7% -- 'the whole society', 13.3% -- the Cabinet of Ministers and 5.3% -- the Parliament.

Among Russian politicians, Boris Eltsin had an approval rate of 21.8% with 31.0% disapproving; his adversaries however were even less popular: Vice President Rutskoi's activities were approved by 2.1% with 90.4% disapproving, while Chairman of the Supreme Soviet Khasbulatov got respectively 1.3 and 90.4%. 6.4% approved of the idea of restoring the Soviet Union, with 79.8% rejecting it and 8.4% neutral.

On the other hand, the majority looked forward to normalizing Russian-Georgian relations through signing a *Treaty of Friendship and cooperation*. 72% of those polled by the *Svobodnaya Gruzziya* expected it to be followed by 'economic recovery', 62% -- 'political stabilization', 70% -- 'solution of the conflict in Abkhazia', 58% -- 'solution of the problem of Samachablo (South Ossetia)'. On the other hand, 30% were afraid of 'losing real independence' as a result of signing the treaty (58% did not share those fears). At the same time, only 14.4% regarded Russia as the most desirable strategic partner' for Georgia. 34.4% preferred partnership with Germany, 19.4% -- with the USA, 15.1% - with Ukraine, and 1.7% -- with Turkey.

82% of those polled by the *Svobodnaya Gruzziya* thought the territories controlled by the Abkhaz separatists were 'temporarily lost', against 9.6% thinking they were 'lost forever'. The respondents were less optimistic about South Ossetia (Tskhinvali region): 47.3% thought it was 'temporarily lost', 26.4% -- 'lost forever', and 23.0% -- 'not lost at all'.

ECONOMY

The decision of the Central Bank of Russia to withdraw rouble bank notes issued before 1993 from circulation put an end to the agonies of the Georgian government with regards to rendering the Georgian coupon the only payment unit in the country. The final step to remove Georgia from the rouble zone was scheduled for August 2. It was to take place during a relative stabilization of coupon's rate: it vacillated within 5,500-6,500 per one US dollar during the month and even rose slightly after the decision of the Russian Bank. One of the major reasons of this stability was assumed to lie in the failure of the government to get its draft budget approved, which prevented excessive spending. The draft, rejected by the Parliament on July 23, presupposed a deficit of 78 percent relative to the aggregate domestic product. The approval of this draft would inevitably lead to a rapid rise of inflation. The decision to privatize state property for 'live' coupons only also helped strengthen the coupon.

However, that seemingly good news brought no relief to the population, since prices did rapidly rise in all currencies. According to our own investigation, the monthly value of the

normative food basket rose from \$13.7 in May to \$17.5 in June and \$22.06 in July. On the other hand, the level of average salary, which had been about \$8-10 in April, dropped abruptly (despite its been doubled) following the rapid devaluation of coupon and reached in July the level of about \$3-4 (15,000-20,000 coupons). The normative minimum salary dropped in the same period from \$2.90 to \$0.85.

The policy of the National Bank continued to earn much criticism. According to Vice-Premier R.Gotsiridze interviewed by the *Droni* newspaper, the credits granted by the National Bank amounted to 477 billion roubles by the end of May, which twice exceeded the total domestic product manufactured in Georgia within that period, while the expenditures on education, culture and health care within the same period amounted to 15 billions. These credits cannot be regarded as encouraging private business, argued Mr.Gotsiridze, since 99 per cent of them was obtained by 15 or 20 companies, with others left without any crediting chances.

The privatization process was still slow and included mainly minor facilities. According to the Ministry of State Property Management, 308 facilities had been privatized by July 30. These included 116 gasoline stations, 105 trade and service and 7 agricultural facilities, 4 small power stations, and only two factories of food industry. The income from privatization amounted to 1,222 billion roubles. Most of the facilities were privatized during the last few months, some of them for Georgian coupons, which made it difficult to calculate the hard currency equivalent of the above sum, but in any case it was under one million dollars. This contrasts sharply with 15 million dollars which the Tbilisi municipality received for selling out its share (20 percent) in assets of the *Metechi Palace*, a four star Austrian-Georgian hotel in Tbilisi. Auctions proved to be the most preferable form of privatization.

Official statistics for the first half of the year revealed poor financial conditions of manufacturing enterprises. The volume of production dropped in the first half of the year by 29% relative to the same period last year, though there was an increase in certain fields. Construction industry found itself almost at a standstill with most of the investments in this domain being used for repairing the damages caused by natural disasters and wars. Sum total of overdue payments exceeded the amount of the same period last year 2.8 times. The volume of overdue loans of the banks exceeded the last year level 8 times. Cash revenues ensured only 28% of necessary expenditures. Emission of cash exceeded the volume of revenues 2.5 times.

The registered unemployment rate increased for the last 6 months 1.5 times, comprising 4 percent of entire labor resources. However, experts estimate latent unemployment to be much higher.

As Prime Minister Sigua declared, Georgia needs 800 million dollars' worth of oil products for 'normal consumption', though \$4200 millions' worth would suffice to ensure the minimum consumption. For all energy resources the country needs \$1,475 millions or at least \$900 millions altogether.

APPENDIX

AGREEMENT ON A CEASE-FIRE IN ABKHAZIA AND ARRANGEMENTS TO MONITOR ITS OBSERVANCE

Representatives of the parties engaged in the conflict through the mediation of Russia have agreed on following:

1. Starting from 12.00 hours July 28, 1993 the parties engaged in the conflict shall revert to strict observance of cease-fire regulations which were instituted for May 20 of the current year and refrain from any use of force against each other in the conflict zone.

The use of aviation, artillery, floating vehicles, any kind of military equipment and weapons for fighting purposes is strictly forbidden.

No additional troops or other armed formations shall enter the conflict zone (the territory of Abkhazia); no mobilization or uncoordinated redistribution of troops or any armed units shall be conducted; no weapons or ammunition shall be delivered and no installations of military infrastructure shall be constructed there.

2. From July 29, 1993 Georgian-Abkhaz-Russian Interim monitoring groups (from 3 to 9 persons from each side) shall start functioning; their personal composition shall be agreed upon by the parties.

Interim monitoring groups shall maintain control over the observance of cease-fire. They are to be deployed in Sukhumi, Gulripshi, Ochamchire, Gudauta, Akhali Atoni, Tkvarcheli, Gagra, Gali. If need be such groups will be deployed in other places as well with the consent of the parties. Interim monitoring groups shall be entitled to an access to any point within the conflict zone which they may deem necessary, after duly informing the parties of their intention.

The parties of the conflict shall ensure the security of the monitoring groups, provide them with conditions for accommodation and means of transportation.

Monitoring groups shall be authorized to study and consider the applications of local inhabitants on various issues.

On the arrival of international observers Interim Monitoring Groups will establish close liaison with them.

3. Each party to the conflict undertakes to take urgent and efficient measures to curb any violation of cease-fire regulations on the part of its units, which will be registered by monitoring groups and promptly respond to their recommendations and suggestions.

The United Nations and the CSCE shall be informed of all violations of obligations, undertaken by Monitoring Groups and promptly respond to their recommendations and suggestions.

The United Nations and the CSCE shall be informed of any violations of obligations, undertaken by the parties to the conflict under the present agreement.

4. A Joint Commission for the Settlement in Abkhazia (GC) shall be set up by August 5, 1993. Its regulations shall be approved by the parties. Representatives and observers of the UN and the CSCE will participate in its work with their consent.

5. The parties consider it essential to invite international observers and peace-keeping forces and deploy them in the conflict zone. The number and the composition of

International peace-keeping forces shall be determined through consultations with the Secretary General and the Security Council of the United Nations with the consent of the parties.

6. A gradual demilitarization of the conflict zone shall start to be carried into effect.

International observers shall immediately be deployed in the conflict zone and the armed units of the Republic of Georgia shall be withdrawn from the territory of Abkhazia within 10 to 15 days after the cease-fire comes into force.

The armed formations, groups and individuals that are currently found in the zone of the conflict shall be disbanded and withdrawn from Abkhazia within the same period.

In compliance with the Final Document of the Moscow Meeting of September 3, 1992 for the purpose of protecting main roads and other important facilities in the conflict zone a subdivision of Internal Forces of the Georgian side shall be formed of local inhabitants and be stationed in barracks. Later on this subdivision together with a regiment of Internal Forces, to be discussed below, shall be included in Multiethnic Internal Forces of Abkhazia.

The armed formations of the Abkhaz side shall be brought down to a regiment of Internal Forces to be stationed in barracks. It shall carry out regular functions of Internal Forces (i.e. protection of main roads and other important facilities) until a full-scale settlement is achieved.

The Joint Commission shall observe the implementation of above provisions.

International Observers shall be posted along the rivers of Gumista, Psou and Inguri.

A multiethnic militia shall be formed as soon as the cease-fire comes into force to maintain law and order in the zone of the conflict; its number and composition shall be determined by the parties. International peace-keeping forces and, through the consultations with the UN, Russian Armed Forces, temporarily stationed in the conflict zone, shall participate in efforts to maintain the cease-fire as well as law and order.

The parties to the conflict guarantee the observance of the rights of multiethnic population.

Measures shall be taken for the return of refugees to their permanent residence and providing them with necessary assistance. A special group shall be set up by the Joint Commission for the purpose of prompt resolution of all refugee problems.

7. Russian Armed Forces, temporarily stationed in Abkhazia, shall maintain strict neutrality.

The status of temporary deployment, functioning conditions, terms and order of withdrawal of armed units and border troops of the Russian Federation shall be determined under separate agreements.

The parties shall ensure the security of the Russian military and members of their families.

8. In compliance with the September 3, 1992 Final Document of the Moscow Meeting the Parties shall provide conditions for restoring the normal functioning of legal authorities in Abkhazia.

9. The parties to the conflict shall immediately resume negotiations to work out an agreement on a full-scale settlement of the conflict in Abkhazia under the auspices of the United Nations and with Russia's assistance.

The agreement shall cover all major issues, such as maintenance of peace, demilitarization of the conflict zone, deployment of international peace-keeping forces, normalization of economy, maintenance of law and order, institution of legal proceedings for crimes against peaceful population, return of refugees to their permanent residence, observance of human rights and those of ethnic minorities, guarantees for ensuring a political status and the state system of Abkhazia.

10. The participants of the present Agreement undertake to forbear from using its provisions and cease-fire regulations for any actions that could be detrimental to the interests of any of them.

Done at Sochi, On July 27, 1993

For the Georgian Side:

V.Gogvadze

For the Abkhaz Side

S.Jinjolia

For the Russian Federation:

A.Kozirev

