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**Organised Crime, Trafficking, Drugs:  
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# Foreword

In the 2003 annual conference of the European Society of Criminology (ESC) in Helsinki (27–30 August), quite a large number of papers (21) were presented that focused on issues related to organised crime, including trafficking in human beings and corruption. This collection presents all of these papers to the benefit of those who attended and, in particular, those who did not. During the conference, many colleagues expressed the feeling that such material should be made more widely available than was possible at the conference alone.

One particular feature of interest is the high proportion of colleagues from Eastern European countries in this context—twelve out of twenty-one—which is a lot considering that the vast majority of presenters came from other regions than these. This feature is a special bonus, we hope, for many who are unfamiliar with criminological work in that region. It may be too hasty a conclusion to believe that organised crime issues must be particularly acute and topical in those parts of Europe as the volume of contributions might indicate. The outcome could, however, just as well be a reflection of a peculiar lack of interest and tradition concerning this topic in Western Europe, amazing as this may seem. My observation has been, at any rate, that the European criminological tradition(s) have been oddly disinterested in this matter. This is not to say that a lot of good work had not been done; our concern is just that there might be more of it. The present situation is understandable as organised crime is not among the easiest research topics, in particular if empirical studies are called for. Not so long ago, many European colleagues were expressing serious doubts as to whether such a thing exists at all in reality, it being the kind of social construct as it no doubt also is.

One practical problem became quickly clear when the editing of this volume commenced: the language. Europe speaks and writes mostly languages other than English. For this reason, a project like this one easily becomes relatively expensive and labour-intensive. The language barrier being a major cause of dissemination difficulties, a volume like the present one attempts to overcome some of this European dilemma. Although a British standard of English has been aspired to, this report serves also of an example of how English language is in use way beyond the borders of the Commonwealth, and ways of expression are constantly borrowed from other languages.

This collection is hoped to inspire more serious work in this area. On behalf of HEUNI, I also wish continued success to the ESC in advancing researcher contacts and improved scientific work on issues related to organised crime. For this purpose, we have also included the contact information to the authors (as provided to the ESC conference) as an appendix to this volume.

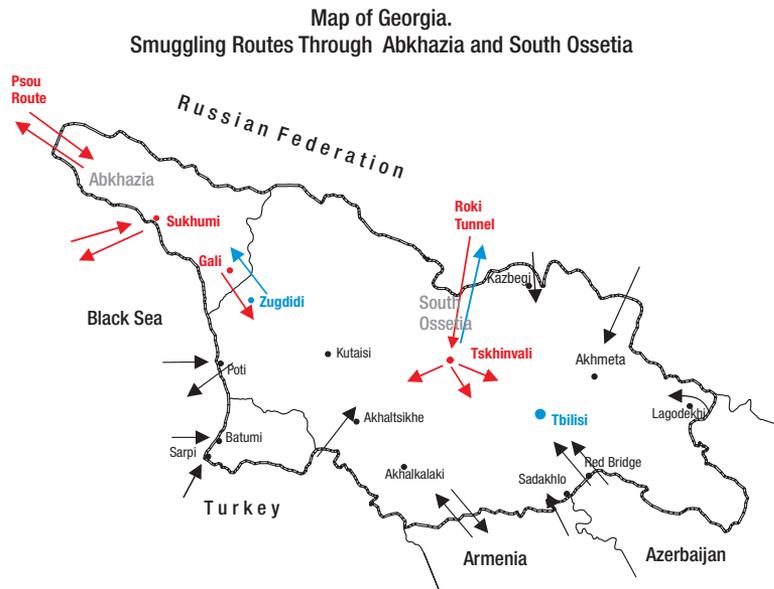
*Kauko Aromaa*  
Director

# Organized Crime and Smuggling Through Abkhazia and South Ossetia

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## General Description of the Situation

Georgia is located in the Caucasus on the eastern coast of the Black Sea. The length of its total land border is 1,461 km, and the coastline—310 km. Its border countries are: Russia in the North (723 km), Azerbaijan in the East (322 km), Armenia in the south-east (164 km), and Turkey in the south-west (252 km).<sup>1</sup> Due to armed civil conflicts at the beginning of the 1990s, two of its secessionist regions—Abkhazia and South Ossetia—are outside the jurisdiction of the Government of Georgia, and parts of Georgian border are thus uncontrolled and transparent. Both Abkhazia and South Ossetia border on Russia. The Abkhaz part of the Georgian-Russian border is 197 km long, and its sea border 200 km. The South Ossetian part of the Georgian border with Russia is only 66 km long (see Map of Georgia below).<sup>2</sup>



1 Georgia. *The World Factbook*, August 1, 2003; <http://www.odci.gov/cia/publications/factbook/geos/gg.html>  
2 Interview with representatives of State Border Guards of Georgia, October 2003.

By 2003, contraband trade had become a severe problem in Georgia. Its catastrophic growth started in 1998, and in five years time it began to threaten the very national security of the country. It stimulated corruption, creation of powerful criminal clans, and association of the criminal world with political groupings, representatives of central, regional and local authorities, and law enforcement structures of the country. It also led to the involvement of the poor part of the population in criminal activities.

The problem of contraband trade through Abkhazia and South Ossetia is worsened by the fact that it is closely connected to the problem of separatism, unresolved armed conflicts, violence in these regions, and transparency of borders.

As it is known, there were armed conflicts in South Ossetia in 1991–1992, and in Abkhazia in 1992–1993. They led to heavy casualties (one thousand and ten thousand lives respectively) on both sides. With Russia's military support, separatists of both regions won their wars, and declared *de facto* independence, while remaining *de jure* part of Georgia. In Abkhazia, more than two hundred thousand refugees and internally displaced persons (IDPs) (mostly of Georgian ethnicity) have been expelled from their homes, and those who have stayed are living in beggary and nakedness.<sup>3</sup> Most refugees and IDPs living outside Abkhazia have it even worse.

Self-proclaimed republics increased the concentration of weapons among the population, especially in the criminal world.

## Sanctions Against Secessionist Government of Abkhazia

Three years after the end of the war in Abkhazia, a decision taken by the Council of the Heads of States of the Commonwealth of Independent States **on Measures for Settlement of the Conflict in Abkhazia, Georgia** (19 January, 1996), declared, that:

*“6. Confirming, that Abkhazia is an integral part of Georgia, the member-states of the Commonwealth of Independent States, without consent of the government of Georgia:*

*a) will not exercise trade-economic, financial, transport or other operations with the authorities of the Abkhaz side;*

*7. Member-states of the Commonwealth of Independent States will not permit the functioning of representations of the authorities of neither the Abkhaz side in their territories, nor the persons in a capacity of official representative of those authorities.”<sup>4</sup>*

According to this statement, all import-export operations, which are not agreed upon or approved by the Georgian government, are illegal and contraband trade. This seriously hinders the ability of the secessionist government to develop offi-

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3 UN: *Abkhazia Within Georgia Still The Basis of Talks, Says Envoy*. By Robert McMahon; <http://www.rferl.org/nca/features/2002/12/11122002222246.asp>; Radio Free Europe / Radio Liberty, Inc.

4 Regional Conflicts in Georgia—the Autonomous Oblast of South Ossetia, the Autonomous Republic of Abkhazia (1989–2002). The Collection of Political-Legal Acts. Tbilisi 2003, p.170.

cial foreign economic relations. As a result, instead of respectable international companies, shadow businesses with possible money laundering schemes have established links with the territory of Abkhazia. In addition, Russian state and private companies are often directly involved in business operations in Abkhazia. This is in violation of the Russian government's own obligations based on the 19 January agreement. On November 7, 1997 Mr. Chernomyrdin, the Russian Prime Minister, signed a Decree issued by the Government of the Russian Federation **on Importing of Citrus Fruits and Some Other Agricultural Products to the Russian Federation**, and on June 24, 1998 the State Duma issued a Decree of the Federal Assembly of the Russian Federation **on Normalization of Border and Customs Regimes along the Abkhazian Border of the Russian Federation**. This marked a new strategy on the part of the government of Russia, aiming at the economic integration of Abkhazia into the Russian Federation. It consisted in the development of economic relations with the secessionist regime, the introduction of a non-visa system for the secessionist territories of Abkhazia and South Ossetia, granting Russian citizenship to population in the secessionist parts of Abkhazia and South Ossetia, and opening a railway connection between Sochi and Sukhumi. All this was done without consulting the Government of Georgia, which caused the aggravation of Georgian-Russian relations, and gave an incentive to the secessionist government of Abkhazia to proclaim independence in 1999 after a referendum on independence in which the Abkhazian exiles (mostly ethnically Georgian) did not participate. Further negotiations with the government of Georgia on the political status of Abkhazia were effectively blocked.

## The Impact of Sanctions

Some Western experts argue that any sanction imposed on the secessionist government of Abkhazia contribute to the development of smuggling. Such sanctions only help the local authorities in Abkhazia to make money, and hurt the population. On the one hand, due to these sanctions, various political-criminal groups are able to make illegal trade and profit, and on the other hand, such sanctions help the regime in Abkhazia increase its power and legitimacy as a result of the "Georgian blockade."<sup>5</sup>

Sanctions have created an extremely favourable setting for smuggling through Abkhazia, especially when there are almost no relations and agreements between the secessionist Abkhaz government and the Government of Georgia, or the Abkhaz government in exile. Poverty and personal relations between ethnic Abkhazians and Georgians, who wish to establish economic relations and improve their lives, have led many of them to pursue the only means of co-operation left by their governments—participation in the smuggling network. It is the only way of survival. This has created a broad social base for the smuggling network, which stretches far beyond the border of the demilitarisation zone in Gali

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5 Interview with Western representative of an international organization working in Abkhazia and based in Tbilisi.

and Zugdidi districts from Gagra to Tbilisi. People who live in Gagra and Sukhumi often visit the biggest market in Tbilisi–Lilo—another trans-shipment point of smuggled goods which mostly come from Azerbaijan, and take them to Abkhazia for sale. In turn, ethnic Georgians visit Abkhazia for commercial purposes.

## Uncontrolled territories as crime zones

The current situation demonstrates that the conflicts in Abkhazia and South Ossetia are not simply in deadlock. They have gradually transformed into crime zones that nobody is able to fully control—not the Government of Georgia, the Abkhaz and South Ossetian governments, or the international community.

On the one hand, Georgian authorities declare that they cannot establish Border Guard and Customs Service checkpoints on the Inguri River and the Roki tunnel because secessionists would immediately interpret it as an attempt to establish a new border. The border remains open for smuggling into Georgia and for the movement of criminal groups from one side of the conflict zone to another.

On the other hand, *de facto* governments in Sukhumi and Tskhinvali are not able to control their territories and prevent activities of the different (Abkhaz and Georgian) crime groups. Frequent assassinations and kidnappings have become usual practice in these regions.

As in many other conflict situations, the criminal world always fills the vacuum in official and legal relations. Crime groups are flexible and quickly-built criminal networks that are often international, and which bring in representatives from both sides of the conflict. The examination of the situation in Abkhazia and South Ossetia confirms this general trend, and any observer can easily see how successfully the Georgian, Abkhaz, and Ossetian crime groups and law enforcement bodies co-operate in smuggling through secessionist territories.

In Abkhazia, crime groups operate in Gali and Kodori Gorge, and in Zugdidi district of Samegrelo, while in South Ossetia—mostly in Tskhinvali and Gori districts. They collaborate with each other regardless of their ethnic origins and political orientation. They have different, sometimes paradoxical partnerships with other crime groups, law enforcement bodies and governmental structures (or individual government officials) in other parts of Abkhazia and Georgia. If one link of this “smuggling chain” is broken, the whole chain falls apart. Goods, which flow from Russia, Turkey or any other country through the territory of Abkhazia to Georgia, or in the opposite direction, are protected through a system of bribes, mutual sharing and “roofs” of influential government officials outside and inside Abkhazia.<sup>6</sup> The main actors (law enforcement bodies, crime groups, and Russian peacekeepers) in the Gali, Zugdidi, Tskhinvali, and Gori districts, along with the co-operative groups or individuals, compose a smuggling network which successfully operates and expands its influence, involving more and more poor people in contraband trade.

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6 A “roof” is a personal patron or clan—usually identified with a state organization—which protects criminal activity.

There are many questions, which arise in such circumstances. How dangerous is the criminal situation and smuggling for the population living on both sides of the Inguri river, and for the international community? What kind of impact does it have on the economic, political and military situation? What forms of contraband trade and mechanisms exist, and which are the dominant contraband goods? Which political actors benefit from the situation, and—most importantly—are there any possible solutions to the problem?

## Routes and Types of smuggling: potential and real threats

During the Soviet period, Georgia was adjacent to NATO (Turkey), and armed troops with sophisticated weapons—including strategic and tactical nuclear weapons—were maintained on the entire Georgian territory. After the Soviet collapse and the withdrawal of nuclear weapons and a major part of these troops, there have been 197 discoveries of radioactive materials abandoned by Russian troops on Georgian territory. They include both weak and strong sources of radiation.<sup>7</sup> Experts have concluded that the international community is exposed to real danger if such radioactive materials are smuggled abroad, making it possible to use “dirty bombs” in potential terrorist attacks against the West and Russia. Uncontrolled territories are the best places for smuggling such materials.<sup>8</sup>

The smuggling of nuclear materials through the territory of Abkhazia is a real possibility, but smuggling in weapons and drugs is already a reality. The scale of illegal trade in weapons dropped dramatically after the end of military action in 1993, but demand from criminal groups inside and outside the region has continued to stimulate supply.

In 1997, the criminal police department in Moscow discovered an extensive crime network which for two years had supplied illegal weapons (pistols, machine guns, grenades, and grenade-guns) from Abkhazia to organised crime groups in Moscow.<sup>9</sup>

In the summer of 2002, a Russian criminal leader, Artur Liudkov (nickname—Iasha Astrakhanskyi) and Mchelidze, a major in the Georgian Ministry of State Security, were arrested by Georgian law enforcement representatives for transporting anti-tank rocket launchers (“Fagot”), hollow-charge shells and other weapons. They claimed that they had been bought in South Ossetia from Russian peacekeepers. There were strong suspicions that these weapons were intended to be transported from South Ossetia to Chechen separatists in the Pankisi Gorge. David Shengelia, leader of a Georgian partisan group, the “Forest Brothers,” declared that he had asked for these weapons to defend the Georgian population in the Gali district of Abkhazia. Despite a significant controversy, the investigation was unsuccessful. Arthur Liudkov insisted that he was just an “accidental traveller” in the Land Cruiser carrying the weapons, and was released

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7 George Kolbin, *Environmental Aspects of Former Soviet Military Sites in Georgia*. NATO CCMS Workshop on Reuse and Cleaning of Former Military Sites, Bishkek, May 27–29 2002.

8 Ken Stier. *Missing Radioactive Generators in Georgia Raise “Dirty Bomb” Concerns*. 6/28/02, <http://www.eurasianet.org>

9 Alexander Strogin. *Banditam privezli iz Abkhazii tselyi arsenal*. Kommersant-daily, Moscow, September 30, 1997.

after three month's detention. The Land Cruiser belonged to a well-known professional criminal called Shakro Kalashov. In April 2003, Liudkov was killed in Moscow under suspicious circumstances<sup>10</sup>.

Until a political resolution to the conflict in Abkhazia and South Ossetia is reached, local crime groups and their political allies will have an ongoing excuse for illicit trade in weapons under the pretext of either "struggle against separatists" or "struggle against terrorist groups." Assassinations, kidnappings, taking hostages, and abuse of human rights will also continue.

Another form of smuggling through Abkhazia and South Ossetia is the illicit trade in drugs. Smuggling in either direction, i.e. to or from Georgia, manifests itself in a variety of ways. Much depends on who is smuggling, where it takes place, on the type of drug, and how much is being transported. Some narcotics are grown for domestic consumption. Any country in decline, with a very high unemployment rate and deep poverty among young people, usually faces explosion in drug consumption. Some smuggling routes cross the North Caucasus through mountain passes or across the Psou or Inguri rivers. Marijuana and hashish are produced locally, while such drugs as cocaine and heroin are imported from Turkey for transit either to Russia, or by Turkish boats to Spain and other European countries. New drug routes are concentrated around major drug trafficking centres such as Sukhumi, a major seaport, and Gudauta, a former Russian military base.<sup>11</sup> Russian army and navy, which use the airdrome and port in Gudauta, are useful conduits for drugs. Russian air force can easily transport drugs from Central Asia to the Gudauta airdrome. After that, the drug route continues to Europe. Neither the Abkhaz nor Georgian customs officers or law enforcement bodies are allowed to check Russian military cargoes.<sup>12</sup> Other parts of Georgia are also used for trafficking in drugs, especially South Ossetia and the Pankisi Gorge. The latter has decreased in influence due to the introduction of the Train and Equip programme and anti-terrorist operations there. It has become too risky for drug smugglers to use the Pankisi Gorge.

Abkhazia has become one of the routes for trafficking local and Russian women to Turkey. Usually they are transported by Turkish boats in groups of 5–6.<sup>13</sup> There are also recorded cases of people being smuggled in the opposite direction, i.e. from Turkey to Abkhazia. For example, the Georgian Coast Guard once stopped a boat carrying 4 persons who had escaped from a coal mine in Tkvarcheli district of Abkhazia. Turkish smugglers had promised them well-paid jobs in Russian coal mines, but had transported them to Abkhazia instead, where they had been forced to work in poor conditions with no pay. After a month they had escaped. The Kutaisi City Court investigated the case.<sup>14</sup>

All of the above-mentioned types of smuggling are illegal anywhere in the world, including Abkhazia. Unfortunately, the political resistance in the region

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10 *Gangstera rasstreliali za svias s lesnymi bratiami?* Newspaper Moskovskiy Komsomolets, April 22, 2003.

11 Georgian sources claim there is still a Russian military presence there.

12 Interview with officers of the Department of Intelligence of Georgia.

13 Ibid.

14 Based on materials from the Department of the Border Guard of Georgia.

creates uncontrolled zones that jeopardise the security of the international community, and leaves few chances for a successful struggle against them.

There are also other types of smuggling through Abkhazia and South Ossetia which are economically damaging for Georgia.

Smuggled goods are mainly imported from Russia, while most exported goods go to Turkey. There are also other countries, from or to which smuggling takes place—notably Ukraine, Rumania, Bulgaria, Italy, and Spain. Most active are the private boats and ships under the Turkish flag—approximately 40 vessels in all—which handle up to 80 percent of all maritime smuggling, and up to 60 percent of all smuggling through Abkhazia. Every day 3–4 ships participate in smuggling to and from Sukhumi and Ochamchire, while smaller boats operate to and from Pitsunda and other towns. Most boats carry timber directed above all to the Spanish shadow market. State-of-the-art equipment situated in Abkhazia manufacture parquets that are then exported by Turkish boats to Spain. Expensive timber, such as box-tree, is used, which was not allowed in the Soviet period. Timber smuggling is one of the main sources of income for the Abkhaz secessionist government and local clans.<sup>15</sup> According to Abkhazian sources, in 2002 the production value of the Abkhazian timber industry was \$1,723 million, of which logs constituted 82 percent.<sup>16</sup>

Another smuggled commodity is fuel. Its extent depends on world prices, but there is not enough reliable information and no reliable statistics to give exact estimates. For example, according to Georgian sources, the total population of Abkhazia is currently approximately 170,000, while secessionist sources claim that the correct figure is 320,000. This makes it difficult to calculate the average level of fuel consumption in Abkhazia. However, it is generally believed that there is a very small quantity of diesel fuel and gasoline imported to Georgia through Abkhazia—mostly for local consumption in the Samegrelo region, sometimes to Kutaisi and other regions of western Georgia. Smuggling from Azerbaijan and South Ossetia, however, is more significant. Of these, Azerbaijan is the primary source, because there is no railroad or sea connection from South Ossetia. Smuggling between Russia (North Ossetia) and South Ossetia is limited in wintertime because traffic for heavy trucks is difficult due to snowfalls and slippery roads in the mountains.

Changes in the taxation system of Georgia after 1998 aggravated the local business environment, and the difference between world prices and fixed Russian fuel prices on the domestic market increased after 1999. The resulting economic conditions boosted fuel smuggling through Abkhazia and South Ossetia. In 1998, world prices were very low and smuggling not so profitable. The following year prices started to climb, and with them smuggling from Russia.

Nowadays Russians can no longer compete with Azerbaijan fuel. Although the Azeri fuel is poor in quality, it is cheap and close to the Georgian market. Rail transport is cheaper and allows larger quantities than transportation from Russia. In addition, psychologically, the business climate between Azeris and Georgians

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15 This information is based on interviews with officers of the Department of Border Guard, Department of Intelligence, and Ministry of State Security of Georgia.

16 Source: ИА REGNUM, <http://www.abkhazia.com/news/>.

is better—Georgian–Russian relations are extremely tense whereas there are friendly relations between the two South Caucasian countries that share similar geopolitical goals. Even if the railway through Abkhazia is opened, hostile post-conflict relations and the high level of crime in the region will complicate commerce.<sup>17</sup>

Cigarettes are smuggled mostly from Russia (“Donskoi Tabak”) and Turkey (“Parliament” etc.). Earlier “Vice Roy” was the most commonly smuggled cigarette through Abkhazia, but when a Georgian tobacco factory started to manufacture “Vice Roy” in Tbilisi, its smuggling practically stopped. There are two factories in Gudauta and Sukhumi which produce low-quality “Marlboro” cigarettes. Some are smuggled to Turkey, a small quantity to Russia, and the rest to Georgia. The *de facto* authorities in Abkhazia have an excise license (issued in Russia) for domestic trade, but it is not valid in any foreign country.

The exportation of non-ferrous and ferrous scrap metal through Abkhazia peaked in 1999 (40,000 tons of non-ferrous metal, and 32 tons of ferrous metal), after which the activity largely exhausted. One of the smuggling routes ran from Zugdidi through the Gali district to ports in Abkhazia.

Coal from Tkvarcheli in Abkhazia is imported mostly to Turkey. Some foreign firms have even signed agreements for coal supply with the *de facto* government of Abkhazia. There are plans to produce up to 100,000 tons of Abkhazian coal per year. Today, three to four freight cars arrive daily from Tkvarcheli to Abkhazian ports.

Some foreign companies have also signed agreements with the *de facto* government in Abkhazia for fishing rights. The boats which participate in illegal fishing in Abkhazian waters are mostly Turkish. Both the secessionist Abkhaz authorities and the Georgian Border Guards have made some arrests.<sup>18</sup> The Georgian border Guard started regular coastal patrolling in 1999, and has since then apprehended 42 boats engaged in some type of smuggling.<sup>19</sup>

There is also seasonal trade in hazelnuts and citrus fruits from the Zugdidi and Gali districts to Russia or Turkey. These products, together with smuggling in cigarettes, scrap metal, timber, and fuel are the main activities connected with criminal disagreements, assassinations, kidnappings, and the taking of hostages.

## Who benefits from unresolved conflicts?

Despite the extremely violent environment related to smuggling through Abkhazia, its negative impact on the Georgian economy is insignificant in comparison to the volume of smuggling through the Red Bridge (from Azerbaijan), the port of Poti (Black Sea), the Autonomous Republic of Ajara (from Turkey and the Black Sea), Kazbegi (from Russia) and Akhaltsikhe (from Turkey). According to expert assessments, of the total volume of smuggling to and from

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17 Interview with Vano Nakaidze, Energy Committee Chairman, Member of the Board of Directors, American Chamber of Commerce in Georgia.

18 Сотрудники прокуратуры экологического надзора конфисковали 300 кг. камбалы и 130 кг. белуги. <http://www.abkhazia.com/news/>.

19 Information is based on materials submitted by the Department of the Border Guard of Georgia.

Georgia, smuggling through Abkhazia and South Ossetia constitute 15–20 %, of which Abkhazia's share is perhaps only 3–5 %.<sup>20</sup>

It is of much more importance that the smuggling networks in Abkhazia increase the crime rate, create corrupt economic interests among powerful political groups, and contribute to the existing political status quo. Groups in power benefit from the situation both financially and politically. Smuggling and frozen conflicts are the two pillars which help political clans inside and outside Abkhazia to control material and coercive resources, limit democracy, and maintain political power for an indefinite time. There have been no elections for the head of the Government-of-Abkhazia-in-Exile for over ten years. In the meantime, the secessionist President of Abkhazia has held Soviet-type elections, receiving a fantastic 98 percent of the votes in the absence of rival candidates. While the leaders are hostile to each other, their grassroots level supporters and state organisations successfully co-operate through smuggling networks. Sometimes the situation is tensed by political orders from patrons, but the rest of the time people are occupied with making money by co-operation. It is not surprising that many people in Georgia wonder if the “Forest Brothers” are partisans or smugglers. There are similar concerns about the secession-supporting Abkhazian paramilitary detachments which frequently organise “cleansings” against Georgians in the Gali district but then continue their co-operation with Georgian smugglers.<sup>21</sup>

The government of Georgia has also benefited from the existing status quo. The constitution of Georgia does not regulate the administrative-territorial divisions within Georgia until the conflict in Abkhazia is concluded and the final status of Abkhazia determined. Instead of holding democratic elections for regional governments, governors and local government administrators, the President of Georgia appoints them, justifying these undemocratic measures by pleading to concerns about aggression from the separatist regimes. Gerrymandering and the interference of local and regional authorities in presidential, parliamentary and local elections has become an integral part of the electoral process in Georgia.

The limitation of democratic freedoms, especially at the grassroots level, leads to the formation of political clans which dispose of public property in their own interests and keep their citizens in abject poverty. They use militant ideologies, and corrupt coercive and criminal structures to keep citizens terrorised (for example, through a permanent irrational fear of war) or fill their minds with revengeful thoughts. Ordinary ethnic Abkhazians and Georgians are manipulated and victimised by these clans. Any democratic change is a serious threat to the power of the ruling groups. Democratic change can initiate conflict resolution and facilitate the transformation of smuggling activities into legal businesses. The deep political crisis of November 2003, and the consequent changes in political power give some hope that the situation in Georgia will eventually improve.

Georgian law enforcement bodies benefit from smuggling. Administrative enforcement is not effective in the current disastrous economic situation. Ac-

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20 Interviews with experts of the American Chamber of Commerce in Georgia and officers from the Ministry of State Security.

21 The last time such “cleansing” took place was in the second part of May with the participation of 500 gunmen from the so-called “spetsnaz”. <http://www.abkhazya.org/server/-docs/news/>.

ording to statistics from the Ministry of Internal Affairs of Georgia (the Department of Struggle Against Corruption and Economic Crimes), in 2000, there were 22 recorded cases of customs violation, in 2001: 23 cases, in 2002: 35 cases, and in the first quarter of 2003: 17 cases. In comparison to the volume of contraband trade, and the thousands of transport units which every day cross the borders of Georgia, this is a drop in the ocean. In the Samegrelo region, which borders Abkhazia, the corresponding figures are: 2000—0; 2001—0; 2002—2; 2003—12.<sup>22</sup> The General Prosecutor's Office very seldom conducts thorough investigations, and even if it does, only few cases are prosecuted.<sup>23</sup> In effort to justify the situation, high-ranking officials from law enforcement bodies say that since Abkhazia and South Ossetia de jure are Georgian territories, they cannot find legal evidence of smuggling from abroad because Georgian smugglers usually buy their goods from Abkhazian or Ossetian smugglers on territories which are Georgian, but outside Georgian control. Decree of the President of Georgia No. 434 permits law enforcement organisations to monitor transportation of goods inside Georgia, but in practice, rampant corruption foils any such efforts. Given the current situation, combating the problem of smuggling by administrative methods is almost futile. The monthly salary of law enforcement officials is only \$25–50, but by taking bribes up to \$100 per truck, they can increase their monthly income up to \$1,000–5,000. In 2002, “Rustavi-2”, an independent Georgian television programme investigated the connection between smuggling and the corruption of the customs and law enforcement agencies. Video records proved that administrative corruption is one of the main reasons for the failure to control smuggling.

There is also a broad social base for the smuggling networks: they involve many poor people and give them a chance to survive. Attempts by the “Extraordinary Legion” (an agency of the Georgian Ministry of Finance) to confiscate contraband cigarettes in Tbilisi from street vendors and kiosks caused massive protests and clashes.<sup>24</sup> In the present situation of continual political tension and very little support for the government of Georgia, authorities are not willing to use radical administrative methods and interfere in the operations of local clans in conflict zones, where smuggling has become one of the main sources of income. Despite its general destructive impact on attempts on conflict resolution, smuggling may, however, have one positive outcome: unlike Abkhazia, where a strong, hostile post-conflict atmosphere still prevails, the Ergneti contraband market in South Ossetia has played a positive role in creating economic co-operation between Ossetians and Georgians despite their participation in smuggling. This co-operation has resulted in hundreds of new jobs, and given parts of the local population a chance to survive. “Ossetians are smarter than Abkhazians,” said one expert from the American Chamber of Commerce in Georgia, “because they understood to use the Roki tunnel to fulfil their economic goals, and now both Georgians and Ossetians can freely go to Tbilisi and Tskhinvali, have din-

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22 Source: Ministry of Internal Affairs of Georgia.

23 Interview with Michael Machavariani, the former Minister of Tax Revenues of Georgia.

24 “Extraordinary Legion” is an armed unit which was specially created for combating smuggling. It is subordinated to the Ministry of Finance of Georgia.

ner in restaurants there, and more or less safely return to their homes. It is difficult even to imagine the same in any part of Abkhazia”.<sup>25</sup> Any attempt to eliminate the market through administrative measures may cause a new conflict, and is pointless, because other markets will be created elsewhere.

## Conclusions

The negative impact of smuggling through Abkhazia and South Ossetia on the Georgian economy is insignificant in comparison to the volume of smuggling through other parts of Georgia.

It is of much more importance that the smuggling networks in Abkhazia and South Ossetia increase the crime rate, create corrupt economic interests among powerful political groups, and contribute to the existing political status quo and “frozen conflicts”.

The main reasons for smuggling through Abkhazia and South Ossetia are not transparent borders or secessionism, but institutional weakness and corruption in law enforcement bodies, and the absence of initiative among previous leaders of the supreme executive branch of the Government of Georgia to change the situation in the country.

Sanctions against Abkhazia only contribute to the development of smuggling and shadow businesses on its territory.

## Recommendations

What to do in the current situation? In theory, there are several possible ways to solve the problem of smuggling through Abkhazia and South Ossetia:

Sanctions against the secessionist regime in Abkhazia should be lifted regardless of the conditions the Georgian side has thus far insisted on. This would reduce the level of mistrust towards Georgians among ordinary Abkhazians, and deprive Abkhaz secessionists of the possibility to use the sanctions for fuelling anti-Georgian ethnic hostility.

Attempts to forcefully destroy contraband markets may cause a renewal of armed conflicts or even social disorder in Georgia.

### **Ineffective Steps**

*Legal enforcement* (1) against socially vulnerable people is dangerous in the current tense political situation in Georgia.

*Legal enforcement* (2) against local secessionist clans in conflict zones, where smuggling has become one of the main sources of income, is impossible due to danger of renewal of conflicts.

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25 Interview with experts from the American Chamber of Commerce in Georgia.

## Effective Steps

*Legal enforcement* (3) against Georgian wholesale smugglers;

*Legal enforcement* (4) against corrupt law enforcement and government officials.

## Most Effective Steps

Under the current conditions of tense relations with Russia and the “frozen conflicts” in Abkhazia and South Ossetia, economic incentives would offer the most appropriate and effective unilateral means for Georgia to minimise the level of smuggling through Abkhazia and other territories. Smuggling can most effectively be prevented by either economic measures or strong state and border control, but due to the uncontrolled borders in Abkhazia and South Ossetia, the latter is not at present a viable option for Georgia.

Economic steps could effectively minimise smuggling. It is necessary to rationalise the wage level of border officials, and to co-ordinate excise and other tax policy with neighbouring countries. Borders are porous, and they can always be used for smuggling if there are no economic incentives to promote the control of smuggling.

According to Mr. Michael Machavariani, former Minister of Tax Revenues, Georgia’s current tax rates are the highest when compared to all its four neighbouring countries, i.e. Russia, Azerbaijan, Armenia and Turkey, with the exception of taxes on oil products where Armenia’s taxes are higher. This makes smuggling from neighbouring countries a profitable business.

Acting legislation, such as the Tax Code and Law on Consumer’s Goods, in fact promotes smuggling. Georgian legislation has created an environment where legal businesses cannot function and are squeezed out of the market. Smuggled goods cost less than those that have been legally taxed and imported. Legal importation makes no sense in such an inequitable competitive environment. Legal businessmen either switch to illegal operations or stay out of the market.

In most areas of trade, Western democracies have a much more effective control of smuggling than countries such as Georgia. In countries like Georgia, authorities know about the ongoing smuggling and often punish only those who fail to co-operate with corrupt officials. Usually those punished are petty individual smugglers.<sup>26</sup>

Additional measures that could also improve the situation would be to optimise the socio-economic conditions of the customs employees and to modernise customs infrastructure by, for example, implementing a programme for the computerisation of customs offices.

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26 Interview with Fady O. Asly, the President of the American Chamber of Commerce of Georgia.

## Reform of the Border Guard from military unit into Border Police

The old philosophy of border control sees it as a defence of the State border-line—the Soviet type “Iron Curtain” defence. New philosophy regards it as an instance that controls borders of the whole territory of Georgia, including regions neighbouring to Abkhazia and South Ossetia. Mobile Border Patrol in the regions of Samegrelo and Shida Kartli would be a significant step towards more effective control of smuggling through transparent borders in Abkhazia and South Ossetia even in conditions of unresolved conflicts.

### **Main Problem**

Before November 2003, authorities headed by Eduard Shevardnadze, the President of Georgia, demonstrated a lack of initiative and will to institute any of these steps in an effective manner.

Example:

Pressure of the International Monetary Fund and anti-smuggling campaign in Georgia in August 2003.

## Fair elections of new Parliament and President of Georgia, and political leaders in Abkhazia and South Ossetia

Democratic change poses a serious threat to the power of the ruling groups both in Georgia and in its secessionist zones. It can initiate conflict resolution and facilitate the transformation of smuggling activities into legal businesses.

There are expectations among the Georgian public that the newly elected President of Georgia, Chairman of the Parliament, and State Minister will essentially improve the situation in 2004.

## Long term perspective

*Political resolution* of the conflicts, and comprehensive co-operation among all interested parties. This would require the resolution of many highly complex problems such as: the relations between Russia and Western countries concerning the Caucasus region; relations between Georgia and Russia; relations between the Government of Georgia and the secessionist governments in Abkhazia and South Ossetia; relations between the government of Abkhazia-in-exile and the secessionist government of Abkhazia; and (most importantly) relations between ordinary ethnic Abkhazians, Ossetians, and Georgians through diplomacy and civic initiatives.

Despite the fact that the current “frozen” situation greatly diminishes the possibility that problems of smuggling and crime can be solved through political agreements and co-operation, they are in a key position if results are to be achieved.

Reassessment of the existing strategy on conflict resolution is necessary for breaking the deadlock.

Existing strategy:

Conflicting sides and mediators try to define political status of secessionist territories, but Georgian, Abkhaz, and Ossetian politicians are hostages of the existing situation. They are not able to satisfy each other's political claims connected to the definition of the political status. For example, if the president of Georgia agrees to recognise the independence of Abkhazia, he or she will immediately be impeached. The same happens if the de facto president of Abkhazia agrees to recognise Abkhazia as part of Georgia.

Result:

Both conflicts are in a deadlock with little prospect of resolution in the foreseeable future.

Proposed strategy:

1. Postponing the definition of political status to the indefinite future (probably to the future generation of politicians)—conflicting sides should announce a moratorium which means that secessionist governments would not declare independence while the Government of Georgia would not declare that Abkhazia and South Ossetia are parts of Georgia, until a formal procedure of unification with the European Union is topical. This will take several decades;
2. Following the strategy of Europeanisation. Both Abkhaz and Georgian politicians have already declared Europeanisation as their objective, and this is significant when a new strategy of conflict resolution is implemented. The European Union could elaborate a special programme of standardisation for further integration (as one of the means of conflict resolution) of those territories which have territorial disputes but wish to join the EU in future. Europeanisation is understood here as a long term process of meeting EU standards, which in the long run may lead to a formal procedure of unification with the EU, provided that there are grounds to expect that future politicians from all conflicting sides will be able to reach a compromise solution to resolve the conflict.

Expected results:

1. Based on European norms, immediate initiation of the processes of standardising legislation, customs and tax policy in Abkhazia and South Ossetia as well as in Georgia as a whole. Immediate elimination of any sanctions against secessionist regime in Abkhazia, and initiation of a repatriation of IDPs and refugees in Abkhazia, South Ossetia, and other regions of Georgia. Development of democracy and market economy within the context of policies aiming at eventual integration with the EU;

2. Defined political status by the time of formal procedure of unification with the European Union (either as one territory or two territories). New generations of Abkhaz, Ossetian, and Georgian politicians will define how they want to join the EU—as separate territories or as one territory. If today Georgian, Abkhaz, and Ossetian politicians are hostages of the situation, it is expected that by the formal unification with the EU (which definitely will take several decades) new generations of politicians will act in a better political, economic, and social environment—favourable to compromises and consensus on the definition of the political status of Abkhazia and South Ossetia. It is expected that the incentive of joining the EU will play a positive role in resolving this dispute.