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## **Warming Relations in Georgia: Legitimizing Trade between the Government and Secessionist Territories**

### **Research Topic**

This research directly addresses two frozen conflicts in Eurasia – Abkhazia and South Ossetia in Georgia – with the knowledge that it could apply to Transnistria (Moldova) and Nagorno Karabakh (Armenia-Azerbaijan). I ask whether informal trade between the government and secessionist territories enhances state-building. The literature suggests that there are benefits to conflict, through the hardening of informal networks into state-like institutions.<sup>1</sup> To this end, I map formal and informal stakeholders smuggling petroleum products across recognized and unrecognized territories during President Shevardnadze's era (1994-2003). I conclude that when state and secessionist actors engage in informal trading networks, then both sides' institutions are weakened and chances for reconciliation diminish. However, forcing an end to informal trading, as President Saakashvili has attempted since 2004, can do even more damage, taking away the main medium for societal exchanges. Thus, legitimizing trade between the sides may be the key. However, Georgian officials must be convinced that while a change in their isolationist policy could strengthen the institutions in the secessionist territories, it is critical for building confidence and resolving the conflicts.

### **Relevance and contribution to the field**

During doctoral field research in Georgia from 2003 to 2007, I interviewed a spectrum of society, from elite to the unemployed, from those residing in major cities to rural areas, including the semi-autonomous (Adjara and Javakheti) and secessionist territories (Abkhazia and South Ossetia).<sup>2</sup> It became apparent that the collapse of the integrated Soviet economic system, followed by military conflict in Georgia, created new arrangements based on revised ownership and the inclusion of new economic actors.

Transactions in the energy sector were monopolized by politico-economic networks comprised of state and non-state stakeholders, locked in a struggle for resources. Alongside the state was another ordering of actors, a second if not substitute economy, and an unwritten but understood set of rules that served the interests of those in power and sustained the livelihoods of the rest. Most transactions were made with the

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<sup>1</sup> Cramer, Christopher (2006). *Civil War is Not a Stupid Thing: Accounting for Violence in Developing Countries*. London: C Hurst; Demetriou, Spyros (2002). 'Politics from the Barrel of a Gun: Small Arms Proliferation and Conflict in the Republic of Georgian (1989-2001)', *Small Arms Survey Occasional Paper No. 6*. Geneva: Graduate Institute of International Studies; King, Charles (2001). 'The Benefits of Ethnic War: Understanding Eurasia's Unrecognized States', *World Politics* 53, 4.

<sup>2</sup> Closson, Stacy (2007). 'State Weakness in Perspective: Trans-territorial Energy Networks in Georgia, 1993-2003'. Doctoral thesis. London: London School of Economics and Political Science.

complicity of the state, between official and unofficial markets, traversing recognized and unrecognized territories, expanding the depth and breadth of their operations over a decade.

To capture this system, I applied concepts from the international relations literature that captures the synergy between global and local forces to better understand the dynamics affecting the post-Soviet state.<sup>3</sup> This research builds upon the transition literature, which explores the role of networks as a mechanism for conducting transactions between markets and bureaucratic regulation.<sup>4</sup>

I then developed a framework of networks comprised of multiple stakeholders to observe relations among states and secessionist actors. I mapped petroleum smuggling networks comprised of stakeholders from the following four groups: *elite* (ruling family, key power ministers and international partners); *bureaucracy* (state and local); *business groups* (politicians, paramilitary groups, criminals); and *consumers* (the marginalized majority).

The characteristics of the networks traversing Georgia were distinctive. Most transactions were made with the *sponsorship* of the state, between official and unofficial markets, or the *grey market*. The networks were *semi-permanent*, forming for a specific task with a *unique* compilation of stakeholders, *conditional* on the mission, and then disbanding. The networks eventually created an *alternate system*, which challenged governmental institutions as the primary inter-state actor.

I then combined this understanding of a networked system with ethnographic research of two secessionist territories, Abkhazia and South Ossetia, to map stakeholders engaged in petroleum smuggling networks from third states through secessionist territories and onto the rest of Georgia. This allowed me to demonstrate how institutions are weakened in the state and secessionist territories, undermining conflict resolution efforts.

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<sup>3</sup> Clark, Ian (1999). *Globalization and International Relations Theory*. Oxford: Oxford University Press.

<sup>4</sup> Cummings, Sally (2005). *Kazakhstan: Power and the Elite*. London: I.B. Tauris; Collins, Kathleen (2004) 'The Logic of Clan Politics: Evidence from the Central Asian Trajectories', *World Politics*, 56; Mirimanova, Natalia (2005) 'Corruption and Conflict in the South Caucasus'. London: International Alert; Schatz, Ed (2005). *Modern Clan Politics: The Power of "Blood" in Kazakhstan and Beyond*. Seattle: University of Washington; Wedel, Janine (2003). 'Clans, Cliques, and Captured States: Rethinking Transition in Central and Eastern Europe and the Former Soviet Union', *Journal of International Development* 15, 4.

## Research findings and preliminary conclusions

Smuggling networks inhibit the development of legitimate institutions and sustainable economic development on both sides of the *de facto* border. Political and security appointments in state institutions are made, in part, based on people's loyalty to sustaining the operations and delivering profits to the central authorities. The patron's power is supported through these clientelistic networks. Large scale protection rackets employ coercion-backed extraction measures to defeat competition, resulting in low levels of official revenue collection. These activities are accompanied by the disintegration of law and order, which in turn discourages investment. As smuggling is unreliable and insufficient to sustain the livelihoods of the residents in the secessionist territories, they turn to third states such as Russia, fostering a dependence on external actors.

Smuggling networks also harm conflict resolution efforts. The participation of Georgian politicians, security services, and state-sponsored guerrilla groups in illicit networks fosters the perception among residents in the secessionist territories that ceding authority to the Georgian government is not viable. Additionally, smuggling routes created and protected by state security services are sometimes used by criminal groups, who engage in more dangerous, illicit traffic. The criminalization of the transit routes is accompanied by a rise in violence among competing groups, which is often mistaken for ethnic conflict or irredentism. Finally, illicit trade is so profitable for those working in political and security positions that the incentive for resolution diminishes.

Disrupting these informal networks, however, appears to be equally harmful. The post-Rose Revolution closure of the Irgneti market in South Ossetia has degraded relations even further. Part of South Ossetia is now almost fully dependent on Russia and the separation of the two sides has increased ethnic tension. Meanwhile, the petroleum smuggling business re-located further south in Georgia. Likewise, the slowing of regular trade over the Inguri river between Abkhazia and Georgia and the destruction of the market in Zugdidi initially harmed the livelihoods of the people living in Gali and western Samegrelo, Georgia. Now, however, informal trade continues between Georgia-Abkhazia-Russia. It is unclear if the accompanying violence is related to this trade.

## Suggestions for future research

**Comparative Study.** Examine other ethnic conflicts to determine what benefits are gained from joint projects, such as opening markets and transit corridors, communications and transport links, and private businesses.<sup>5</sup>

**Historical Study.** To enhance dialogue, a combined history project could be undertaken by a group of Georgian, Abkhaz, and Russian university students covering a

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<sup>5</sup> In 2005, International Alert in London developed the 'Caucasus Business and Development Network' to foster joint business centers between Georgians and Abkhaz/South Ossetians. Refer to: [http://www.international-alert.org/our\\_work/regional/caucasus\\_asia/caucasus\\_3.php](http://www.international-alert.org/our_work/regional/caucasus_asia/caucasus_3.php)

critical period for all that determined the legitimacy of the region as 'theirs'. Methodology could begin with a conference in a neutral third country and move to joint archival research and/or the study of textbooks.

## **Policy recommendations**

**First, US policy should be to foster trade and markets.** The EU, with assistance from the US, could assist in normalizing the exchange of goods across the *de facto* borders, regulated by a common institution composed of representatives of all concerned groups.<sup>6</sup> This would lessen the dependence on Russia, potentially decreasing violence and thereby strengthening Georgia. Eventually, international financial organizations could assist with the development of transport corridors.

**Second, US policymakers should encourage Georgia to assist all residents in Georgia.** At the moment, providing support only for the 'governments in exile' or alternative regimes to those selected by the majority of residents living in Abkhazia and South Ossetia, only exacerbates the secessionists' reliance on Russia. In South Ossetia, it has created an 'us' versus 'them' situation, in which the sides engage in a campaign to outspend the other side on 'showcase' projects. Meanwhile, the majority of residents in the secessionist territories suffer from the inability to access basic needs, including health care and electricity.

**Third, US policymakers should encourage neutral terminology.** What are often described by the titular states as 'no-go zones', dominated by 'dangerous forces', serving as 'trafficking corridors' have served as thoroughfares for multiple state actors. Moreover, western governments' characterization of the secessionist territories as havens for criminals, clans, and terrorists exaggerates the situation and defeats confidence building. The majority of the smuggling is in everyday goods (e.g. cigarettes, produce, nuts, and petroleum). The danger arising from illicit trafficking should be addressed to Georgia, Russia, and Turkey.

**Fourth, US policymakers should encourage new negotiation strategies.** The Georgian government's latest dual message of negotiation and threat (i.e., 'negotiate with us or else'; or, 'we reserve the right to use force') should be discouraged. Rather, the Georgian government should be encouraged to create an incremental plan whereby it would gradually relieve Abkhazia and Ossetia of the 1996 CIS embargo (open seaports, airport, railway, border crossings, create joint businesses, and issue UN travel documents) in exchange for measures by the secessionist regimes.

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<sup>6</sup> In 2004, President Saakashvili proposed to establish a customs post in Zugdidi, western Georgia, for goods imported through Abkhazia and South Ossetia.