

Analysis

Networks of Crime and Corruption in the South Caucasus

By Richard Giragosian, Yerevan

Abstract

Since the sudden independence of the three South Caucasus countries following the Soviet Union's collapse, each state has struggled to overcome a daunting set of internal and external challenges, ranging from the need for economic and political reform to the onset of violent and destructive conflicts. Armenia, Azerbaijan and Georgia continue to face broader security threats emanating from organized crime, human trafficking and proliferation. These threats raise important considerations for regional stability and demonstrate the imperative to police the networks of crime and corruption.

Organized Crime

A wave of instability consumed the South Caucasus in the early 1990s as separatist conflicts triggered outright war: Georgia fought a civil war as Abkhazia and South Ossetia broke away from the rest of the country and Armenia and Azerbaijan clashed over the majority Armenian-populated region of Nagorno-Karabakh. Against this backdrop of conflict, new networks of crime and corruption flourished as the embattled authorities in each state were too weakened and distracted by more pressing military threats.

In the context of the new security environment that arose in the wake of the terrorist attacks on the United States on September 11, 2001, there was a new focus on the threats from proliferation and Islamic extremism in the South Caucasus. The US greatly expanded aid for counter-terror and border security programs, increased its direct military support in the region, and imposed new demands on the Armenian, Azerbaijani and Georgian governments to do more in confronting new security threats. At the same time, there was renewed concern over the existing networks of crime and corruption, which many military analysts prudently recognized as offering attractive networks for proliferation and terrorism.

There have been disturbing signs that such concerns are well-founded. Despite Russian claims that al Qaeda operatives had taken refuge in the notoriously lawless Pankisi Gorge, an area of northern Georgia along the border with Russia long viewed as beyond Georgian control, an operation in late 2002 by Georgian forces found little more than small-scale smuggling activities. Yet although the Georgian operation turned up little at the time, Georgian territory has been used for several years by criminal groups engaged in smuggling highly radioactive materials, such as cesium, strontium and even uranium, each of which could theoretically be used to construct primitive radiological or "dirty" bombs. According to the Monterey Institute of International Studies' Center for Nonproliferation Studies, as recently as 2007, reports of

the seizure of weapons-grade uranium from traffickers in Georgia raised new concerns about the poor level of cooperation against nuclear terrorism.

The Threat of Terrorism

Azerbaijan has also been plagued by a terrorist threat, with several operational al Qaeda cells discovered in the country, including one with a link to the attack on the USS Cole in Yemen in early 2000. More recently, other terror groups, including the Egyptian Islamic Jihad and separate al Qaeda-linked cells largely comprised of foreigners operating in Azerbaijan, were uncovered in the Azerbaijani capital Baku, and the members of one were arrested as they were planning a spectacular attack targeting the US embassy in Azerbaijan.

For its part, Armenia has much less exposure or connection to these security threats and remains a marginal player in the region. Armenia lacks any significant links to the regional crime and corruption networks largely due to geographic obstacles, as two of the country's four external borders have been closed since 1993 (Azerbaijan and Turkey imposed a trade embargo and closed their borders with Armenia in protest over Armenian victories in the Nagorno-Karabakh war).

Nevertheless, Armenia's relationship with Iran has provoked proliferation concerns, and in May 2002, the US State Department sanctioned several Armenian companies and individuals, along with firms in Moldova and China, for supplying Iran with equipment that could have been used in the production and development of weapons of mass destruction. But while the threat from Armenian organized crime is largely limited to a domestic context, the combination of crime and corruption does pose a serious challenge to the Armenian state.

The Cancer of Corruption

Corruption remains a serious obstacle in each of the three states. According to the annual assessments of

Transparency International, for example, Armenia and Azerbaijan rank 109th and 158th out of 180 countries surveyed, although Georgia has posted a more impressive ranking of 67th out of 180.

Yet even these figures obscure the specifics of the problem of corruption in the region. For Armenia, corruption has become well-entrenched and has even spilled over into politics, as several notorious and allegedly corrupt “businessmen” or “oligarchs” have secured seats in the country’s parliament. Their new found political power has not only provided a welcome parliamentary immunity for them but has also allowed them to influence legislation that directly affects their business interests. Structurally, the power of these oligarchs rests with their hold over key sectors of the economy through commodity-based cartels, hindering competition and erecting barriers to entry of new firms and entrepreneurs.

The Azerbaijani model, in contrast, stems from corruption within the energy sector. As with other “petro-states,” Azerbaijani corruption is based on extracting rents from the energy sector, which is the primary national asset. Georgia, alone among these countries, has successfully implemented an effective degree of reform, although in some cases, its anti-corruption drive has been both arbitrary and used to target political opponents.

In the broadest sense, entrenched corruption poses a serious threat to the legitimacy and authority of each state. Corruption represents much more than an impediment to economic development and good governance; it also erodes public confidence in the state and its institutions, as it weakens them by undermining their legitimacy and credibility. There are also negative economic implications from corruption, as it denies the government essential tax revenue necessary for vital social spending on education, health care, and pensions, affirming that it is in no way a “victimless crime.” Thus, from this larger perspective, it is corruption that poses one of the more serious threats to these countries’ national security and statehood.

But there are some important responses available to each state to confront the cancer of corruption, although any such measures must be bolstered by a sincere strengthening of the rule of law and require the implementation of a careful combination of measures to enhance the independence and accountability of state structures, starting with a focus on creating and strengthening regulatory agencies and bodies. And the real test for both Armenia and Azerbaijan rests on the need to find the political will to confront the powerful vested interests at the heart of corruption in each country.

In contrast to blanket measures endowing the state with more powers, however, the fight against corrup-

tion must be carried out by oversight bodies empowered to supervise privatization and the emerging securities markets and to police the economy for monopolies, cartels or trusts. Such regulatory bodies should be independent from, but accountable to, the government and governed by norms of transparency and strict oversight. But in reality, the paradox lies in the fact that, to a varying degree, these states themselves have already become infected with corruption, thereby questioning the viability of such an orthodox prescription.

And given this reality, such policy prescriptions can only be effective within a new context of “good governance,” necessitating a free press, the rule of law, and free and fair elections, while also reflecting the prerequisites of transparency, ethics, accountability and competent administration. While these prerequisites are notably lacking in the South Caucasus, it is clear that institutions matter, and judicial independence and meritocracy over favoritism in governance are essential not only to address the problem of corruption but to also forge more durable democracies.

Human Trafficking

One of the more tragic aspects of organized crime in the former Soviet Union has been the trafficking of people. Trafficking in people for prostitution and forced labor is one of the most prolific areas of international criminal activity and the overwhelming majority of trafficking victims are vulnerable women and children. Among many of the former Soviet states, the promise of well-paying work abroad attracts a large pool of potential recruits for traffickers, as many victims are eager to escape the poverty and lack of economic opportunity in their home countries.

This trend of poverty and economic desperation as a driver for trafficking has been most notable in Moldova and Ukraine, but the same trend is also visible among the countries of the South Caucasus, with Armenians representing a disproportionate segment of victims. Armenian women have been especially vulnerable to trafficking for sexual exploitation, with the top destinations including Dubai and Turkey, largely reflecting the existing networks of Armenian migrant workers and diaspora communities. To a lesser, but still significant extent, trafficking of Armenians to large Russian cities has also expanded in recent years, driven more by illegal workers than by victims of forced prostitution.

There is also a direct relationship between the power and operational capacity of organized crime and the extent of human trafficking in each of the South Caucasus countries. For example, both Armenian and Azerbai-

jani criminal gangs are well-established in Russia, while there has been a marked decrease in the presence of Georgian criminal groups in Russia. While the Azerbaijani crime groups have concentrated more on smuggling and coordinating the illegal migration of workers, Armenian gangs have specifically targeted their countrywomen in extensive human trafficking tailored to the Russian sex industry. This has also led the US State Department to place Armenia on its special “watch list” of trafficking countries for several years, necessitating greater US aid and pressure on the Armenian authorities to do more to fight human trafficking.

Border Security

The most pressing challenge in combating crime and corruption in the future may be from the possible opening of the Armenian–Turkish border. Since 1993, when both Turkey and Azerbaijan closed their borders with Armenia, there has been no real need for border security beyond basic patrols by border guards and military surveillance. But as the pace of diplomatic efforts for a normalization of relations has accelerated dramatically between Armenia and Turkey in the last two years, there is a new need for preparation and coordination.

If the Armenian–Turkish border opens, there is an obvious need for greater numbers of border guards, customs inspectors and law enforcement personnel capable of policing the border crossing points. The new personnel will also require adequate training and new facilities to ensure border management and to supervise the expected flow of goods and people.

An open border between Armenia and Turkey also necessitates a more specific response in light of the decades of Kurdish separatist terrorism in the districts of Eastern Turkey. Although there is a real danger that Kurdish terrorists from the Kurdish Workers’ Party, or PKK, may seek to infiltrate Armenia and attempt to establish logistical bases or safe havens on the Armenian side of the border, this same threat may actually serve to foster greater cross-border coordination and intelligence sharing among Armenian and Turkish security forces in terms of counter-terrorism cooperation.

Drug Trafficking

The potential opening of the border between Armenia and Turkey also raises fears of a new route for drug trafficking, especially given the attraction of Armenia as a drug trans-shipment point between Turkey and Iran. While the US State department has consistently recognized that Armenia is not a major drug-producing coun-

try, with the opening of the Turkish border, the country is viewed as having the potential to become a transit point for international drug trafficking.

Georgia is widely viewed as a country with the potential to become a transit node for narcotics flowing from Afghanistan to Western Europe, especially as Georgia’s geography and transit status between Europe and Asia make it a potential narcotics trafficking route, according to the US State Department. Asian-cultivated narcotics destined for Europe are believed to enter Georgia from Azerbaijan via the Caspian Sea and exit through ports in northern Abkhazia or Southern Ajaria. Generally, the drug trafficking concerns stem from a lack of adequate resources and personnel to police these areas, as well as several years of seemingly “lawless” authority and rampant smuggling through the separatists regions of Abkhazia and South Ossetia.

But in the wake of the August 2008 war between Georgia and Russia, the subsequent Russian recognition of the independence of both regions suggests that Russian border and security forces will impose a more effective border security regime that should impede earlier smuggling operations in Abkhazia and South Ossetia.

The larger concern is Azerbaijan, however. The US State Department has consistently expressed concern over Azerbaijan’s location along a major drug transit route running from Afghanistan and Central Asia to Western Europe, and from Iran to Russia and Western Europe. Although domestic consumption and cultivation of narcotics in Azerbaijan are low, levels of use have been increasing, and Azerbaijan has emerged as a significant narcotics transit route in the wake of the disruption of the so-called “Balkan Route” after the wars in the former Yugoslavia.

Conclusion

It is clear that the threats from organized crime, corruption and trafficking continue to pose substantial threats to the security and stability of the countries of the South Caucasus. But what is less clear to the governments of these countries is the need for a new degree of cooperation and coordination in combating these shared threats. Perhaps only with a breakthrough in the normalization of relations between Armenia and Turkey will the leadership of Armenia, Azerbaijan and Georgia find the political will necessary to forge a new regional approach to tackling these common challenges. In this sense, the possible border opening presents as many opportunities as possible difficulties.

(Please see overleaf for information about the author.)

About the Author:

Richard Giragosian, a former Professional Staff Member of the US Senate, is the director of the Yerevan-based Armenian Center for National and International Studies (ACNIS).

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Analysis

The Georgian Mafia

By Gavin Slade, Oxford, UK

Abstract

Amongst post-Soviet countries, Georgia has a reputation as a stronghold for a certain type of criminal, known in Georgian as *kanoneri qurdebi* (literally translated as thieves-in-law meaning thieves living by their own code). These figures have sometimes been mythologized as steel men alloying elements of the harsh penal subculture of the Soviet Gulag with the ancient cultural values of the Georgian *abrag*, the honest, honorable outlaw living by the informal laws of the mountains. Trying to move past the romanticized image, this article goes into some detail about what the *qurdebi* are, what they do and how they have changed in Georgia in the 1990s up to the Rose Revolution.

Introduction

The *qurdebi* are not simply involved in organized crime where this term denotes any coordinated activity between two or more individuals that attempts to monopolize the production and distribution of a certain commodity in the illegal sector – drugs, prostitution, stolen cars, fake documentation, trafficking in humans and so on.

Instead, as detailed below, the *qurdebi* arbitrate and enforce decisions, protect and extort from legal actors, and act as a vital lubricant for the cogs of organized criminal activity, lowering transaction costs for the actors involved and enabling trust relationships in a naturally volatile underworld. In short, the Georgian *qurdebi* are not an ordinary organized crime group, the *qurdebi* are a mafia.

Arbitration, Protection, Extortion

In conditions of low trust where the state is too weak to protect property rights and enforce legal decisions, two parties hoping to perform a transaction may often require a third party enforcer to guard against defection by either or both of the parties. The candidates for the role of third party enforcer need to have certain attributes and qualities that are easily signaled to all parties involved. In Georgia in such situations the *qurdebi* monopolized this role. But why them – what gives them a competitive advantage?

Firstly, to become a *qurdi* is no easy task, candidates have to prove themselves worthy of the title by such things as prison experience, evidence of living according