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Research Article

## The Impact of International Sanctions on Russia: Challenges for Georgia

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**Abstract:** Following Russia's unprovoked invasion of Ukraine in February 2022, the United States, along with an international coalition of over 40 allies and partners (including the European Union and G7), imposed sanctions designed to restrict Russia's access to capital, technologies, and other resources necessary to wage an aggressive war. Despite Georgia's historical alignment with EU sanctions following Russia's 2014 actions, the Georgian government opted not to officially join the coalition in 2022, citing economic concerns and fears of potential Russian aggression. However, Georgia's strategic location and transportation infrastructure have made it a focal point for Russia's attempts to evade sanctions, creating significant security risks given Georgia's history of conflict with Russia. This study explores the challenges and threats facing Georgia in the aftermath of the sanctions, focusing on the complexities of balancing its international obligations with its security concerns. The analysis of Georgia's foreign trade data reveals a surge in trade volumes involving specific products and countries, indicating efforts by Russia to circumvent sanctions. The research methodology integrates academic studies and original statistical analysis to underscore the urgency for Georgia to strengthen its cooperation with coalition members and improve its compliance with sanctions policies. The study concludes by proposing measures for Georgia to mitigate these threats, including developing a comprehensive trade control policy and enhancing administrative capacities to support coalition efforts in weakening Russia's military capabilities.

**Keywords:** Russia-Ukraine war, sanctions, Georgia, Abkhazia, international trade, transit, flights.

## Introduction

Since Russia's unprovoked large-scale invasion of Ukraine on February 24, 2022, the United States, the European Union, and an international coalition of more than 40 allies and partners have imposed sanctions on Russia designed to tighten export controls, enforce economic measures, and restrict Russia's access to capital, technologies, and other resources necessary for it to wage an aggressive war.

The Georgian government deliberately chose not to join officially the coalition imposing sanctions in 2022. Economic concerns and heightened fears of potential Russian aggression were stated as the primary reasons for this decision, referencing Georgia's history of falling victim to Russian aggression in the early 1990s and in 2008, which led to the occupation of 20 percent of its territory, where Russian military bases remain operational to this day. In this context, it is in Georgia's best interest to comply with the sanctions imposed by the United States, the European Union, and other coalition members as part of their efforts to weaken Russia's military machine. This is particularly important given that the United States, the United Nations, and G7 countries have pledged strong responses to any actions by countries that violate sanctions against Russia.

This study identifies and examines the challenges and threats Georgia has faced since the imposition of sanctions against Russia in February 2022. The analysis underscores the significance of these challenges and highlights the complexities Georgia encounters, stemming from its reluctance to join the sanctions, while still needing to comply fully with the imposed measures.

Examining Georgia's foreign trade data corroborates the hypothesis that the significant surge in trade volumes involving specific products and countries provides compelling evidence of Russia's active efforts to circumvent sanctions.

The research methodology employed in this study incorporates multiple approaches, including a review of academic literature on international sanctions, an assessment of political developments in Georgia, and statistical data analysis. Notably, this analysis integrates original data obtained directly from state agencies and specifically solicited for this research.

## Sanctions against Russia and Russia's Efforts to Re-establish International Trade with the Help of Third Countries

In academic literature, the term "sanctions" refers to coercive measures imposed by one country or a coalition of countries on another state, its government, or specific entities. These measures aim to compel the target country to alter its policies or behavior, restrict certain activities, or contribute to the target country's stigmatization, labeling it as a violator and abuser of fundamental principles of international relations.<sup>1</sup>

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<sup>1</sup> Hossein G. Askari, John Forrer, Hildy Teegen, and Jiawen Yang, *Economic Sanctions: Examining Their Philosophy and Efficacy* (Westport, CT: Greenwood Publishing Group, 2003); Andrew Dornbierer, "From Sanctions to Confiscation While Upholding the Rule

Studies underscore that for sanctions to be effective, the sanctioning institution or state must establish clear objectives and develop necessary strategies to achieve them.<sup>2</sup> Moreover, numerous studies emphasize that sanctions yield the most significant outcomes when implemented through international bodies, such as the United Nations,<sup>3</sup> or when supported by a broad coalition of states with unified political will and the ability to sustain and coordinate measures over an extended period.<sup>4</sup> In these cases, a prevalent strategy among coalition members is to align the policies of third countries with the imposed sanctions through the threat of secondary sanctions.<sup>5</sup>

International sanctions against Russia, initiated by the coalition in response to Russia's large-scale aggression, build upon the EU and U.S. sanctions imposed in 2014, following Russia's annexation of Crimea and occupation of Eastern Ukraine. The 2014 sanctions included asset freezes and travel bans on individuals responsible for misappropriating Ukrainian state funds, as well as targeted economic sanctions against Russia's financial, trade, oil, transport, technology, and defense sectors.

In 2022 and 2023, new sanctions from the United States, the European Union, and the United Kingdom prioritized stringent export control measures, aiming to exert maximum economic pressure on Russia while minimizing global adverse effects on allied states. In 2023, Russian energy giant Gazprom reported its first

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of Law," Working Paper 42 (Basel, Switzerland: Basel Institute on Governance, February 2023), accessed December 4, 2023, <https://baselgovernance.org/sites/default/files/2023-03/230309%20Working%20Paper%2042.pdf>.

- <sup>2</sup> Gary C. Hufbauer, Jeffrey J. Schott, and Kimberly Ann Elliott, *Economic Sanctions Reconsidered: History and Current Policy* (Washington: Peterson Institute for International Economics, 1985); Christian Gianella et al., "Economic Sanctions: What Have We Learned from the Recent and Not So Recent Past?" *Trésor-Economics*, no. 150 (Paris: Ministry of Finance and Public Accounts, Ministry of Economy, Industry and Digital Affairs of France, General Directorate of the Treasury, July 2015), [www.tresor.economie.gouv.fr/Articles/213ff3c6-e76f-4136-9f10-2fb8710e04f5/files/4572d759-d1a2-44d5-aa25-c3099fd69172](http://www.tresor.economie.gouv.fr/Articles/213ff3c6-e76f-4136-9f10-2fb8710e04f5/files/4572d759-d1a2-44d5-aa25-c3099fd69172).
- <sup>3</sup> Targeted Sanctions Consortium, *Designing United Nations Targeted Sanctions: Evaluating Impacts and Effectiveness of Targeted Sanctions* (The Graduate Institute – Watson Institute for International Studies, August 2012); Navin A. Bapat and T. Clifton Morgan, "Multilateral Versus Unilateral Sanctions Reconsidered: A Test Using New Data," *International Studies Quarterly* 53, no. 4 (December 2009): 1075–1094, <https://doi.org/10.1111/j.1468-2478.2009.00569.x>.
- <sup>4</sup> Peter Wilson and Joanne Yao, "International Sanctions as a Primary Institution of International Society," in *International Organization in the Anarchical Society: The Institutional Structure of World Order*, ed. Tonny Brems Knudsen and Cornelia Navari, Palgrave Studies in International Relations (London: Palgrave, 2018), 126-148; Wally Adeyemo, "America's New Sanctions Strategy. How Washington Can Stop the Russian War Machine and Strengthen the International Economic Order," *Foreign Affairs*, December 16, 2022, accessed November 26, 2023, <https://www.foreignaffairs.com/print/node/1129701>.
- <sup>5</sup> Joy Gordon, *Invisible War: The United States and the Iraq Sanctions* (Cambridge, MA: Harvard University Press, 2010).

annual net loss in over 20 years, attributed to a sharp decline in gas exports to Europe—its former primary market—potentially indicating that sanctions are gradually impacting Russia.<sup>6</sup> As of 2023, the strategic focus of the United States and the European Union has shifted towards targeting individuals and companies worldwide, registered or operating in third countries, while emphasizing the rigorous enforcement of existing sanctions.<sup>7</sup>

Both the United States and the European Union have called for heightened vigilance and cooperation to prevent sanctions evasion. Western diplomats have openly acknowledged that increased foreign trade figures for certain very specific goods and countries provide clear evidence of Russia's active efforts to evade sanctions.<sup>8</sup> On February 24, 2023, U.S. Treasury Secretary Janet Yellen stated, "The actions today show that we will stand with Ukraine for as long as it takes."<sup>9</sup>

Media reports from 2023 highlight surges in trade for some of Russia's neighbors and allies, who are stepping in to provide Russia with many of the products that Western countries have sought to cut off as punishment for Moscow's invasion of Ukraine.<sup>10</sup> Additionally, in its search for alternative revenue sources, Russia has significantly increased its exports to countries like China, Brazil, India, and others. Some estimates suggest that hundreds of individuals from third countries purchase vessels to establish new non-Western trading frameworks with Russia. These schemes help Russia circumvent the legal restrictions imposed by the West.<sup>11</sup> In addition to the so-called "shadow fleet support," experts suggest that the nearly 60 percent rise in oil prices since their lows in March 2023 has pro-

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<sup>6</sup> Vladimir Soldatkin and Oksana Kobzeva, "Gazprom Plunges to First Annual Loss in 20 Years as Trade with Europe Hit," *Reuters*, May 2, 2024, accessed October 15, 2024, <https://www.reuters.com/business/energy/russias-gazprom-swings-into-69-billion-net-loss-2023-2024-05-02>.

<sup>7</sup> Adeyemo, "America's New Sanctions Strategy"; Council of the European Union, "Timeline – EU Sanctions Against Russia," accessed November 28, 2023, <https://www.consilium.europa.eu/en/policies/sanctions-against-russia/timeline-sanctions-against-russia/>.

<sup>8</sup> Barbara Moens, Jacopo Barigazzi, and Leonie Kijewski, "New Sanctions Against Russia Stuck in Limbo over Greek-Hungarian Protest," *Politico*, May 26, 2023, accessed December 4, 2023, <https://www.politico.eu/article/new-sanctions-against-russia-stuck-limbo-greece-hungary-protest-ukraine-war/>.

<sup>9</sup> U.S. Department of the Treasury, "Targeting Key Sectors, Evasion Efforts, and Military Supplies, Treasury Expands and Intensifies Sanctions Against Russia," *Press Releases*, February 24, 2023, accessed November 26, 2023, <https://home.treasury.gov/news/press-releases/jy1296>.

<sup>10</sup> Ana Swanson, "Russia Sidesteps Western Punishments, with Help from Friends," *The New York Times*, January 31, 2023, accessed November 26, 2023, [www.nytimes.com/2023/01/31/business/economy/russia-sanctions-trade-china-turkey.html](https://www.nytimes.com/2023/01/31/business/economy/russia-sanctions-trade-china-turkey.html).

<sup>11</sup> Swanson, "Russia Sidesteps Western Punishments, with Help from Friends."

vided Russia with much-needed economic relief and additional revenue for the government, thanks to oil and gas taxes.<sup>12</sup>

Consequently, while the sanctions and export control restrictions imposed by the United States and the European Union have weakened Russia's economy and military-industrial complex to some extent, they have not rendered it entirely powerless.<sup>13</sup> Overall, based on data from 2022 and 2023, observers suggest that Russia has managed to mitigate the impact of these measures largely through support from third countries that are not part of the coalition.<sup>14</sup>

Overall, the effectiveness of sanctions imposed by the United States, the European Union, and their allies seems to be compromised by instances of evasion and circumvention. Multiple sources confirm that economic operators linked to Russia and entities from third countries have developed numerous strategies to bypass these sanctions.<sup>15</sup>

### **Georgia's Policies and Challenges Regarding Western Sanctions on Russia**

Georgia's strategic location, transport potential, and transit infrastructure have made it an attractive hub for Russia's foreign trade, but this also represents a significant threat to Georgia's stability. Since the early 1990s, Georgia has faced persistent attempts by Russia to occupy its territories. The most recent instance of aggression occurred in 2008, when Russia occupied approximately 20 percent of Georgia's territory, establishing two military bases in Abkhazia and South Ossetia. Since then, Georgia has severed diplomatic ties with Russia, withdrawn from the Russia-led CIS alliance, and rejected participation in the Russia-led Eurasia Economic Union. Despite this, Georgia has maintained bilateral trade relations with Russia.

To bolster its security as a small post-Soviet state bordering Russia, Georgia has focused on strengthening its democratic foundations, fostering a stable political system, and enhancing its security and defense capabilities through closer ties with NATO and the European Union. The country aims to deepen international cooperation and secure robust support from the United States and the European Union. These intentions are firmly rooted in Article 78 of the Georgian

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<sup>12</sup> Pierre Briancon, "Russian War Economy Is Overheating on a Powder Keg," *Reuters*, October 25, 2023, accessed November 28, 2023, <https://www.reuters.com/breaking-views/russian-war-economy-is-overheating-powder-keg-2023-10-25>.

<sup>13</sup> International Monetary Fund, "Russian Federation At a Glance," accessed November 27, 2023, <https://www.imf.org/en/Countries/RUS>.

<sup>14</sup> Briancon, "Russian War Economy Is Overheating on a Powder Keg."

<sup>15</sup> "Detecting and Preventing Sanctions Evasion and Circumvention in Trade. Practical Guidance for Economic Operators," Sanctions Team, MFA of Finland, Customs Control Department, July 13, 2023, accessed December 04, 2023, <https://um.fi/documents/35732/0/FINAL+Practical+Guidance+Sanctions+Circumvention+Detection+and+Prevention+in+Foreign+Trade+CLEAN+13.7.2023.docx>.

Constitution, which mandates that all constitutional bodies exhaust every avenue to achieve Georgia's full integration into the European Union and NATO.

In this context, Georgia's primary interest lies in reducing Russia's military capabilities and international influence to safeguard its national security. Achieving this objective requires unwavering solidarity with Ukraine, actively supporting its resistance against Russia's unjust aggression, and aligning with collective efforts led by the United States and the European Union, including sanctions targeting third-party entities that support Russia's war in Ukraine.

Against this backdrop, following the U.S. and EU decisions to impose sanctions against Russia, the Georgian prime minister, contrary to all expectations, announced that Georgia would not join these sanctions or participate in the financial and economic measures initiated by the United States and the European Union. He argued that such steps would burden the country's economy and citizens. Representatives of the ruling party went further, asserting that joining the sanctions could draw Georgia into the conflict with Russia.<sup>16</sup>

However, subsequent developments and statements from various agencies—including the Georgian National Bank, the Revenues Service, and the Ministry of Finance and Economy—demonstrated that despite not officially joining the sanctions, Georgia could not allow its customs territory or financial institutions to be used for sanctions evasion. In an interview with CNN, Georgian President Salome Zourabichvili addressed this issue, emphasizing that Georgia has fully participated in all international financial sanctions, stood by its partners in solidarity with Ukraine, and cosponsored all Ukraine-supporting resolutions passed by international institutions.<sup>17</sup> Furthermore, Georgia has cooperated closely and proactively with the European Union to prevent sanctions circumvention since 2014, aligned with the special sanctions on Donetsk and Luhansk,<sup>18</sup>

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<sup>16</sup> "Georgian PM: Gov't Imposing Sanctions on Russia Would 'Destroy Our Economy'," *Agenda.ge*, May 24, 2023, accessed December 28, 2023, <https://agenda.ge/en/news/2023/2026>.

<sup>17</sup> Christiane Amanpour, "Georgian President: 'Putin Probably Doesn't Know What His Endgame Is'," *CNN*, March 31, 2022, <https://edition.cnn.com/videos/tv/2022/03/31/amanpour-salome.cnn>; "Ukraine: 'Nobody Is Adding to the Escalation Except Putin,' Says Georgia's Zurabishvili," *France 24*, The Interview, January 3, 2022, [www.france24.com/en/tv-shows/the-interview/20220301-ukraine-nobody-is-adding-to-the-escalation-except-putin-says-georgia-s-zurabishvili](http://www.france24.com/en/tv-shows/the-interview/20220301-ukraine-nobody-is-adding-to-the-escalation-except-putin-says-georgia-s-zurabishvili).

<sup>18</sup> Directorate-General for Neighbourhood and Enlargement Negotiations (European Commission), "Georgia 2023 Report, Accompanying the Document: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions; 2023 Communication on EU Enlargement Policy," *Publications Office of the European Union*, Commission Staff Working Document SDW (2023) 697 final, Brussels, November 8, 2023, <https://op.europa.eu/en/publication-detail/-/publication/86d42452-7eee-11ee-99ba-01aa75ed71a1/language-en>.

and supported two declarations concerning the import ban on Crimea and Sevastopol.<sup>19</sup>

However, Georgia's decision to abstain from joining current U.S. and EU sanctions presents additional challenges, potentially complicating its aspirations for EU and NATO membership in the near future. Amid the volatile situation arising from the conflict in Ukraine, Georgia—like Ukraine and Moldova—seized an opportune moment and applied for EU membership on March 3, 2022. The European Council granted Georgia EU candidate status on December 14, 2023. Yet, Georgia's decision not to join the U.S. and EU sanctions raises the risk of secondary sanctions for Georgia from both the United States and the European Union. The analysis presented in this article suggests that Russia may exploit Georgia's ambiguous stance to escalate tensions between Georgia and its Western partners. Russia could also leverage Georgia's territory and economic infrastructure to circumvent sanctions. Additionally, none of Georgia's neighboring countries with shared land borders have joined the sanctions, further enabling Russia to introduce new and diverse threats in the region.

These threats have been acknowledged by Western officials, as demonstrated by assessment visits to Georgia by U.S. and EU representatives, along with members of the UK government. Diplomats visiting Georgia in 2023 expressed their awareness of Russia's intent to exploit countries like Georgia for its own interests.<sup>20</sup> On March 11, 2023, during a meeting with Georgian President Salome Zourabichvili, White House National Security Adviser Jake Sullivan reiterated the critical importance of ensuring that Georgia does not become a conduit for evading Western sanctions against Russia.<sup>21</sup>

Georgian media has been closely monitoring the evolving situation. Researchers and analysts in Georgia emphasize that, given the current circumstances, the country must be prepared to address escalating challenges. Aligning with EU decisions and complying with sanctions are essential, as support from Western strategic partners, including EU and NATO member countries, serves as a vital safeguard for Georgia's sovereignty and territorial integrity. Without this backing, Georgia could find itself isolated, standing alone against Russia. It is undeniable that Russia will never align with Georgia's state interests, considering its occupation of part of Georgia's territory and ongoing use of influence to further its agenda.

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<sup>19</sup> Elin Hellquist, "Either with Us or against Us? Third-Country Alignment with EU Sanctions against Russia/Ukraine," *Cambridge Review of International Affairs* 29, no. 3 (2016): 997-1021, <https://doi.org/10.1080/09557571.2016.1230591>.

<sup>20</sup> Civil.ge, "EU, US, UK Sanctions Coordinators Meet Georgian Officials," *Civil Georgia*, June 27, 2023, accessed December 3, 2024, <https://civil.ge/archives/549841>; Council of the European Union, "Timeline – EU Sanctions Against Russia."

<sup>21</sup> Civil.ge, "EU, US, UK Sanctions Coordinators Meet Georgian Officials."

## Emerging Challenges for Georgia Arising from Ambiguous Sanctions Policy against Russia

### *Financial Institutions and Sanctions*

Georgian officials have confirmed that the country's financial sector is integrated into the global financial system, necessitating compliance with international banking sanctions. On February 27, 2022, shortly after the sanctions were introduced, the National Bank of Georgia declared that it would operate in accordance with the standards set by international resolutions. It emphasized that the Georgian banking system, as part of the global system, could not and would not contribute to sanctions circumvention and, thus, automatically joined the sanctions. To establish a uniform approach to sanctions compliance and relevant controls, the President of the National Bank issued Decree No. 208/04 on August 4, 2023, titled "Procedures for Enforcing Sanctions Regimes by Entities Under the Supervision of the National Bank of Georgia."<sup>22</sup>

Until September 2023, the Georgian banking sector was believed to unconditionally enforce all U.S. and EU-imposed sanctions: money transfers by Russian citizens were strictly controlled, sanctioned banks were cut off from the SWIFT system, and all restrictions on the Russian banking system were implemented.<sup>23</sup> However, on September 14, 2023, the U.S. Office of Foreign Assets Control (OFAC) updated its designations list, adding more than 150 new companies and individuals. For the first time, this list included a Georgian citizen.<sup>24</sup>

The individual named on the updated list was a former official linked to the ruling party, who was forced to resign in 2013 after a brief term as prosecutor general when it emerged that he had a prior conviction in Germany. According to a statement issued by the US Treasury Department in September 2023, this individual reportedly profited from connections with the FSB and was sanctioned for spreading malicious influence in Georgia to benefit Russia.<sup>25</sup>

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<sup>22</sup> Order of the President of the National Bank of Georgia: "Procedures of Enforcing Sanctions Regimes by Entities under the Supervision of the National Bank of Georgia," Document # 208/04, August 4, 2023, accessed December 4, 2023, [www.matsne.gov.ge/ka/document/view/5888234](http://www.matsne.gov.ge/ka/document/view/5888234).

<sup>23</sup> "Georgia's Implementation of the International Sanctions Imposed against Russia," *Institute for Development of Freedom of Information*, November 7, 2022, accessed December 4, 2023, [https://idfi.ge/en/georgias\\_implementation\\_of\\_the\\_international\\_sanctions\\_imposed\\_against\\_russia](https://idfi.ge/en/georgias_implementation_of_the_international_sanctions_imposed_against_russia).

<sup>24</sup> Office of Foreign Assets Control (OFAC), "Russia-related Designations, Designations Updates, and Designations Removals; Issuance of Russia-related General Licenses," OFAC, *US Department of Treasury*, September 14, 2023, accessed December 4, 2023, <https://ofac.treasury.gov/recent-actions/20230914>.

<sup>25</sup> "With Wide-Ranging New Sanctions, Treasury Targets Russian Military-Linked Elites and Industrial Base," *Press Releases*, U.S. Department of the Treasury, September 14, 2023, accessed December 4, 2023, <https://home.treasury.gov/news/press-releases/jy1731>.



Following OFAC's decision, the National Bank of Georgia restricted the former official from accessing their bank assets and conducting financial transactions.<sup>26</sup> However, later that month, the acting president of the National Bank introduced an amendment stating that, based on the Constitution of Georgia and the presumption of innocence, international sanctions could not be applied to a Georgian citizen unless the individual was convicted in a court of law. This decision allowed the former official to transfer all of their real estate and movable property to family members within a single day.<sup>27</sup> Georgian experts and politicians perceive this action as a clear indication of the National Bank being influenced by the ruling political party's leadership, raising concerns about potential violations of the principle of the supremacy of international law in the future. There is a prevailing belief that this influence aims to protect party members from potential future sanctions in the long term.

Subsequent developments revealed that the decision was not unanimously approved within the National Bank. Three of the bank's vice presidents, who also served as members of the Bank Council, resigned the following day. Additionally, all major commercial banks, including the largest ones—TBC and the Bank of Georgia—reaffirmed their commitment to comply with international sanctions imposed by the European Union, the United Kingdom, and the United States.

Overall, the state's ambiguous policy put the national financial system at risk of sanctions and undermined the independence of the National Bank of Georgia. This development could have potentially jeopardized the sustainability and reliability of Georgia's financial system if not for the decisive actions of key stakeholders, particularly the major banks operating in the country. By steadfastly maintaining their clear position and fulfilling their obligations to comply fully with sanctions against Russia, these banks have helped safeguard the integrity of Georgia's financial infrastructure.

### ***Changes in Customs Control Regulations and Dynamics of Foreign Trade***

As expected, the government's policy on sanctions against Russia, along with the repercussions of the Ukraine conflict—such as increased immigration, rising prices, and supply chain disruptions—led to a surge in foreign trade volume in Georgia.<sup>28</sup> Customs officials acknowledge the heightened challenges of managing the increased flow of imports, exports, transit, and re-export of military and dual-use goods across Georgian borders.<sup>29</sup> Notably, Georgia has regulated the trade of strategic goods according to EU regulations since 2013, requiring special

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<sup>26</sup> Civil.ge, "NBG Blocks Accounts of Sanctioned Partskhaladze," *Civil Georgia*, September 18, 2023, accessed December 4, 2023, <https://civil.ge/archives/559636>.

<sup>27</sup> "National Bank Makes U-Turn, Shields Sanctioned Partskhaladze," *Civil Georgia*, September 19, 2023, accessed on December 4, 2023, <https://civil.ge/archives/559915>.

<sup>28</sup> Galt & Taggart Research, The Bank of Georgia, "Georgian Economy: Key Macro Themes in Focus," January 27, 2023, [https://api.galtandtaggart.com/sites/default/files/2023-01/report/georgian-economy\\_key-macro-themes-in-focus.pdf](https://api.galtandtaggart.com/sites/default/files/2023-01/report/georgian-economy_key-macro-themes-in-focus.pdf).

<sup>29</sup> Personal Interviews with anonymous customs officer, CCDS, November 2023.

permits or licenses issued under the joint responsibility of the Ministry of Defense and the Revenue Service. In response to the Ukraine conflict, protocols for obtaining these permits have been significantly tightened, with the issuance process subject to intensified scrutiny and rigorous evaluation. Nevertheless, the EU Commission has recommended a thorough review of Georgia's existing export control laws and regulatory norms to align them with current EU legislation.<sup>30</sup> In response, Georgian officials have confirmed that they comply with the updated EU export control lists.<sup>31</sup>

One of the primary findings in the *Georgia 2023 Report*, prepared by the European Commission in October 2023, highlights the need to update Georgia's export control system and the list of military, dual-use goods, and strategic products. Georgian authorities acknowledge that the current system inadequately addresses issues related to technical assistance and brokerage services.<sup>32</sup> Additionally, from Georgia's perspective, identifying companies registered in Georgia but operating abroad that may attempt to bypass sanctions against Russia is extremely challenging.<sup>33</sup>

According to a statement made by the finance minister in parliament on 23 March 2023, the Customs Risk Management Agency, under the Customs Department of the Revenue Service, established a working group immediately after the sanctions were introduced. This group created sixteen risk profiles to centralize control over sanction enforcement. These profiles serve as a basis for identifying and monitoring the movement, transit, export, or re-export of prohibited goods through Georgian customs territory, particularly when the sender or recipient is a sanctioned individual or company.<sup>34</sup>

Furthermore, to ensure proper enforcement of the sanctions, the Georgian Finance Ministry has requested technical assistance from its strategic partners on multiple occasions. Georgia has gained access to the international sanctions training platform DOLFIN, and two staff members from the Customs Department have earned certification as sanctions enforcement experts. All data related to Georgia's foreign trade, including imports and exports, is publicly accessible and

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<sup>30</sup> Directorate-General for Neighbourhood and Enlargement Negotiations (European Commission), "Georgia 2023 Report."

<sup>31</sup> Anonymous official, Private interview with the authors, November 14, 2023.

<sup>32</sup> Directorate-General for Neighbourhood and Enlargement Negotiations (European Commission), "Georgia 2023 Report."

<sup>33</sup> Personal Interviews with anonymous customs officer, CCDS, November 2023.

<sup>34</sup> "Lasha Khutsishvili – More Than 1020 Customs Decisions to Return Sanctioned Goods and 600 Customs Decisions to Refuse to Contact a Person Regarding the Intention to Export or Re-export Goods Have Been Made," *InterPressNews (IPN)*, March 23, 2023, accessed December 4, 2023, <https://www.interpressnews.ge/ka/article/749623-lasha-xucishvili-migebulia-sankcirebuli-sakonlis-ukan-gabrunebis-1020-da-sakonlis-eksportis-an-reeksportis-ganzraxvis-taobaze-piris-momartvaze-uaris-tkmis-600-ze-meti-sabazho-gadacqveteleba/>. – in Georgian

regularly published on the official website. Additionally, this information is available through the National Statistics Office of Georgia or the Revenue Service.<sup>35</sup>

Evidence of this can be seen in official data provided by the Georgian Finance Ministry's Revenue Service and the National Statistics Office of Georgia, which partially reflect Georgia's policies and responses to the sanctions against Russia. The data shows that in 2022, Georgia imported a record \$13.5 billion worth of goods, representing a 33% increase compared to the previous year. Preliminary data for 2023 indicates an even higher import volume, reaching approximately \$15.5 billion.



**Figure 1: National Statistics Office of Georgia.**<sup>36</sup>

Since 2022, there has been a noticeable and significant increase in trade between Georgia and Russia, accompanied by a substantial influx of Russian citizens who have chosen to settle in Georgia. This migration from Russia boosted the real estate market and investments, with foreign direct investment (FDI) more than doubling. Along with the growth in imports, the number of Russian companies registered in Georgia has risen, undoubtedly linked to the Russia-Ukraine war.<sup>37</sup> However, these trends might reverse amid heightened geopolitical tensions. Data from 2023 suggest such a shift, with a decline in Russian im-

<sup>35</sup> "External Merchandise Trade," National Statistics Office of Georgia, accessed on February 7, 2024, [www.geostat.ge/en/modules/categories/765/external-merchandise-trade](http://www.geostat.ge/en/modules/categories/765/external-merchandise-trade).

<sup>36</sup> National Statistics Office of Georgia, "External Merchandise Trade."

<sup>37</sup> Transparency International Georgia, "Georgia's Economic Dependence on Russia: Impact of the Russia-Ukraine War," November 14, 2022, accessed December 4, 2023, <https://transparency.ge/en/post/georgias-economic-dependence-russia-impact-russia-ukraine-war>.

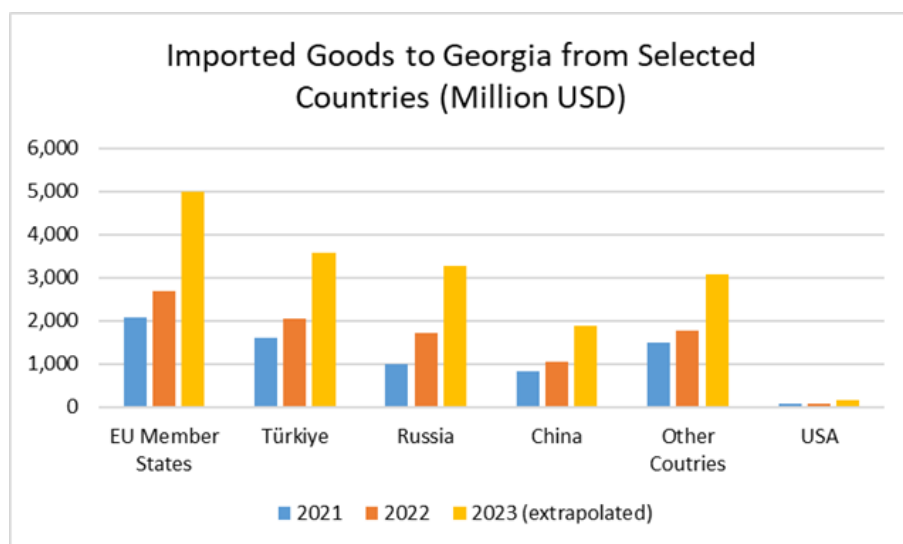
migration. Specifically, statistics from the third quarter of 2023 show that 14,000 more Russians left Georgia than entered.<sup>38</sup>

As the international sanctions regime against Russia continues, more time is needed to fully assess the impact of Russian aggression against Ukraine on Georgia, including the effects of international sanctions on Georgia's policies, economy, and responses. Moreover, Georgia's vulnerability and security concerns underscore the importance of complying with decisions made by the United States and the European Union.

The following analysis of Georgia's import, export, re-export, and transit figures offers insights into whether compliance with international sanctions could enhance Georgia's security and foster economic stability in the future.

### ***Georgia's Imports and Exports: How Significant Is Trade with Russia?***

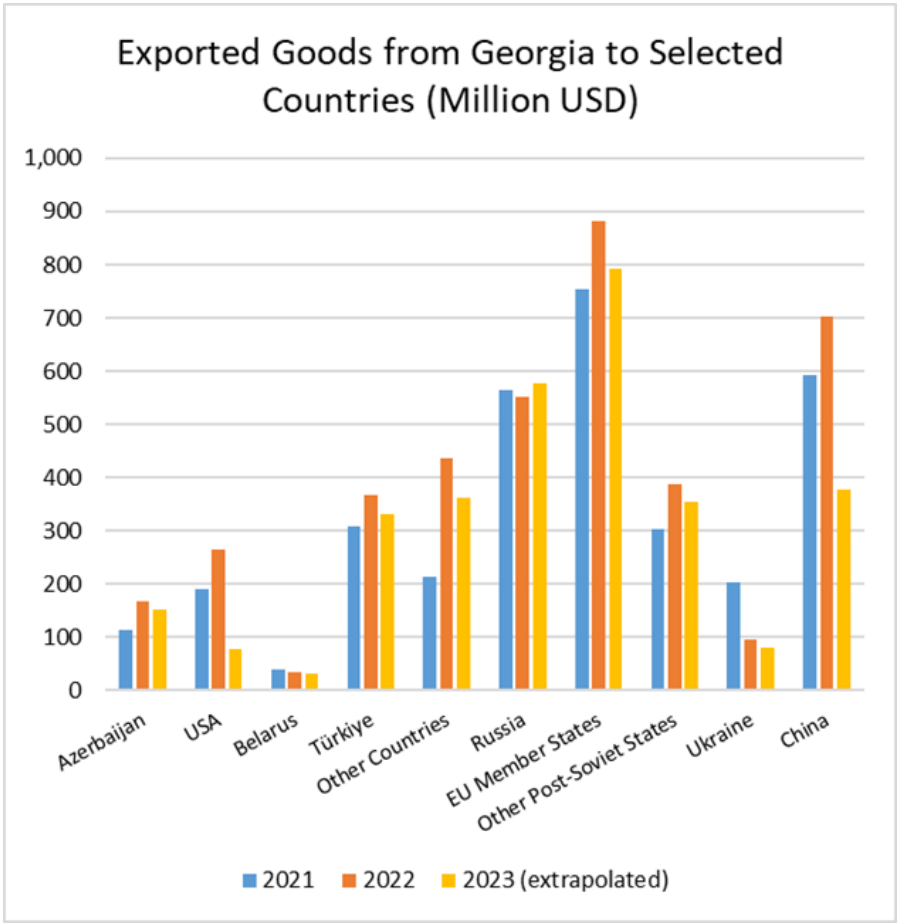
Based on official data from 2021-2022 and extrapolations for the first eight months of 2023, Russia has emerged as Georgia's second-largest trading partner for 2022-2023, following Türkiye and ahead of China. In 2023, Russia's share in Georgia's total foreign trade volume reached approximately 11-12 %, comprising 11 % in exports and 11.7 % in imports.



**Figure 2: Data from the Customs Department of Georgia's Revenues Service, August 25, 2023.**

<sup>38</sup> "Statistical Data of Persons and Transport Crossing the State Border of Georgia (2023)," Georgian Ministry of Internal Affairs, public information, accessed December 4, 2023, [https://info.police.ge/page?id=757&parent\\_id=94](https://info.police.ge/page?id=757&parent_id=94).

According to data from the Statistics Office, Georgia experienced increased dependence on Russian imports from 2022 to 2023, particularly in key commodities. Imports of car fuels, such as oil and petrol, tripled, and gasoline and diesel fuels doubled. Imports of wheat and rye flour increased by 1.3 times, and coal and coal-based solid fuels surged 20-fold. Despite this trend, imports from EU countries still represent the largest share, with volumes significantly surpassing those from Türkiye or Russia during the same period.



**Figure 3: Data from the Customs Department of Georgia’s Revenues Service, August 25, 2023.**

Interestingly, Georgia's total export volume declined between 2021 and 2023, with Russia being the only exception showing an upward trend.<sup>39</sup> Historically, EU countries have led Georgia's export destinations, followed by China, with Russia and Türkiye ranking third and fourth. However, extrapolated data from the first eight months of 2023 suggests that Russia is set to become Georgia's second-largest trade partner after the EU. The primary goods exported to Russia include ferroalloys (which doubled), natural wines (increase by 1.5 times), cars (10 times more), mineral and spring water (up by 1.2 times), and spirits (which doubled).

Trends in car imports and exports are of particular interest to Western partner countries, as they consider these indicators crucial for monitoring the implementation of sanctions. According to the data, a significant increase in car imports to Georgia compared to 2021 is evident.<sup>40</sup> The surge is remarkable: imports from Germany have increased ninefold, imports from other EU countries have risen fivefold, the United States has quadrupled and Türkiye has doubled their car exports to Georgia. These nations remain the principal sources of import into Georgia, while imports from China and other countries have decreased since 2022.<sup>41</sup>

All available data support the hypothesis that this rise in car imports is linked to increased demand for car exports from Georgia. This apparent trend likely prompted the Georgian government's decision to ban the export and re-export of cars imported from the United States to Russia and Belarus starting on August 1, 2023, and those imported from the European Union from September 26.<sup>42</sup> Notably, the data shows that there were no significant car exports from Georgia to Russia before 2022. However, in the first seven months of 2023, total car exports to Russia tripled compared to 2022—a significant increase.<sup>43</sup>

The Georgian government's decision to ban car exports to Russia and Belarus has not prompted any official response from Russian authorities and was implemented without complications. There has also been no significant reaction from local operators involved in car exports. However, it is important to consider that Russia and Belarus may still find alternative routes to access the car market and

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<sup>39</sup> Statistical data from the Customs Department of the Revenues Service of Georgia was obtained in response to a public information request submitted by the CCDS on August 25, 2023.

<sup>40</sup> Statistical data from the Customs Department of the Revenues Service of Georgia.

<sup>41</sup> Statistical data from the Customs Department of the Revenues Service of Georgia.

<sup>42</sup> "Georgia Bans American Car Exports to Russia – Georgia's Revenues Service," *Business Media*, August 2, 2023, accessed December 4, 2023, <https://bm.ge/news/saqartvelo-dan-rusetshi-amerikuli-manqanebis-eqsporti-aikrdzala-shemosavlebis-samsakhuri>. – in Georgian

<sup>43</sup> Statistical data from the Customs Department of the Revenues Service of Georgia.

Western technologies by leveraging transportation channels through neighboring countries that maintain strong trade relations with Georgia.<sup>44</sup>

### ***Re-export***

The years 2022 and 2023 also saw significant growth in car re-exports to other post-Soviet countries. The most notable increase occurred in car exports to Kazakhstan, with a threefold rise in 2022 compared to 2021, and a similar increase in 2023 compared to 2022. Re-exports of cars to Armenia saw a twelvefold increase in 2022, with 2023 volumes comparable to those of the previous year. This surge in car re-exports to countries with free trade agreements with Russia naturally raises concerns and suspicions that such trade could potentially allow Russia to circumvent sanctions.<sup>45</sup>

The re-export of cars to Russia experienced a 1.8-fold increase in 2022 compared to 2021. Extrapolating data from the first eight months of 2023 suggests that the rise for the year would have been 1.1 times.<sup>46</sup> However, as mentioned, in line with the sanctions introduced by the United States and the European Union, the Georgian government imposed a ban on re-exporting and exporting cars imported from the United States to Russia and Belarus starting from August 1, 2023.

Likewise, a ban on the re-export and export of cars imported from the European Union to Russia and Belarus was implemented starting on September 26, 2023, in accordance with the provisions outlined in the EU's 11th package of sanctions against Russia.<sup>47</sup> The Georgian government's decision to ban car re-exports to Russia and Belarus appears to be timely. Yet, Russia can still import cars through other post-Soviet countries with which it shares a common economic zone. Although Georgia is not a member of the Eurasian Economic Union, it maintains preferential trade regimes with several CIS countries.

Currently, Georgia is a party to 16 free trade agreements, including those with the European Free Trade Association, China, Türkiye, and the United Kingdom. Additionally, preferential agreements have been established with some countries that do not have such agreements with the EU. These include Armenia, Azerbaijan, the Russian Federation, Turkmenistan, and Uzbekistan.<sup>48</sup>

### ***Dynamics of Import and Export of Specific Goods***

The analysis of Customs Department statistics on goods turnover has revealed emerging trends in foreign trade among regional countries influenced by the sanctions against Russia. The volume of goods passing through Georgia has risen,

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<sup>44</sup> Directorate-General for Neighbourhood and Enlargement Negotiations (European Commission), "Georgia 2023 Report."

<sup>45</sup> Statistical data from the Customs Department of the Revenues Service of Georgia.

<sup>46</sup> Data retrieved from the National Statistics Office, August 25, 2023.

<sup>47</sup> "Georgia Bans American Car Exports to Russia – Georgia's Revenues Service."

<sup>48</sup> Directorate-General for Neighbourhood and Enlargement Negotiations (European Commission), "Georgia 2023 Report."

alongside a heightened demand for both sanctioned and non-sanctioned goods in post-Soviet countries. However, no evidence indicates any movement of sanctioned goods through Georgia to Russia or Belarus. Nevertheless, these new trends suggest that Georgia must take effective steps to monitor its foreign trade and align with sanctions against Russia. This is particularly important as stricter sanctions on Russia are anticipated in the coming years. Consequently, Georgia is likely to face persistent challenges over an extended period.

The compiled statistical data on imports of mobile phones to Georgia from the United States, Türkiye, EU countries, and China—categorized under “telephone devices and devices for transmission and reception of sound, image, and other data for wired and wireless communications”—is projected to increase by 78 percent by the end of 2023 compared to 2021. This projection is based on data collected over the first eight months of 2023 by the authors of this article. Notably, the import of mobile phones from Armenia increased 15 times compared to 2021, as indicated by extrapolated data from the same period. Interestingly, no mobile device exports to Russia and Belarus have occurred in 2023.

In 2021, Georgia imported computers primarily from China, the European Union, the United States, and various other countries. In 2022-2023, imports from Germany increased threefold, while imports from China rose by 28 percent, and those from other EU countries collectively grew by 12 percent. Other data in this category have not changed significantly. It is worth noting that goods in this category are not exported to Russia or Belarus. However, re-exports to post-Soviet countries increased by 64 percent in 2022 and are estimated to rise by 73 percent in 2023.<sup>49</sup>

Regarding sanctioned categories, data from the Revenues Service indicates that imports of luxury goods—mainly from Türkiye, the European Union, and China—increased by 21-27 percent in 2022-2023. The demand for such goods has risen by 48 percent in post-Soviet countries, and against this background, the exports of luxury goods from Georgia to Russia experienced a growth of 6.8 percent.<sup>50</sup>

## Cases of Seizing Sanctioned Goods

According to data from the Georgian Statistics Office, the highest-value importers in 2022 were oil-importing companies and those engaged in importing cars, pharmaceuticals, electronics, and foodstuffs. During the “minister’s hour” in parliament on March 23, 2023, the finance minister reported that in 2022, customs officers prevented the entry of 1,020 shipments of sanctioned goods at Georgia’s

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<sup>49</sup> Statistical data from the Customs Department of the Revenues Service of Georgia.

<sup>50</sup> Interestingly, the Revenues Service refuses to disclose information about importers and exporters (including legal entities) of such goods, citing customs confidentiality.



customs points. Moreover, more than 600 requests for the export and re-export of goods were turned down in the Customs Clearance Zone.<sup>51</sup>

Later, the Customs Department of the Revenues Office confirmed that from the start of international sanctions against Russia and Belarus until August 25, 2023, Georgian customs authorities refused entry or registration in over 1,450 cases.<sup>52</sup> The Revenues Service also confirmed on July 29, 2022, that it had prevented attempts to export sanctioned goods, including drones and car parts.

In response to media reports concerning ships operating under the Russian flag, the Revenues Service explained that it worked closely with the Maritime Transport Agency to systematically inspect all vessels and their owners. If a vessel or its owner is under sanctions, they are unequivocally prohibited from entering the port and undergoing customs procedures.<sup>53</sup>

Thus, the Georgian government claims that it has identified and documented all suspected cases of sanctions violations during 2022-2023. Nonetheless, given the upward trend of Georgia's foreign trade since the start of the Russia-Ukraine war, state agencies need to maintain vigilance to effectively manage the increased turnover and ensure that Georgia avoids being listed among third countries in violation of sanctions.

### **Statistics on Transit Turnover in Georgia: What Do Figures Suggest?**

Georgia's transit potential has been increasingly utilized over the past years. Since 2019, shipments of certain goods that traditionally passed through Russian territory have been redirected through Georgia using the Trans-Caspian International Transport Route (TITR), also known as the Middle Corridor. This route runs from China through Kazakhstan by rail to the Aktau Port, crosses the Caspian Sea, and proceeds by rail through Azerbaijan and Georgia. From Georgia, goods are transported to Europe, either through Türkiye or across the Black Sea, before reaching their final destination in Europe.

Following Russia's aggression against Ukraine, sanctions against Russia prompted a shift in cargo flows from traditional to alternative routes. An important step was taken on November 25, 2022, when Kazakhstan, Azerbaijan, Georgia, and Türkiye approved a roadmap for the development of the Trans-Caspian route. Additionally, in June 2023, Azerbaijan, Georgia, and Kazakhstan reached an agreement to establish a joint logistics operator.<sup>54</sup>

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<sup>51</sup> "Lasha Khutsishvili – More Than 1020 Customs Decisions to Return Sanctioned Goods."

<sup>52</sup> Data received from the National Statistics Office, August 25, 2023.

<sup>53</sup> Interview.

<sup>54</sup> The World Bank, "Middle Trade and Transport Corridor: Policies and Investments to Triple Freight Volumes and Halve Travel Time by 2023," November 2023, accessed December 4, 2023, <https://thedocs.worldbank.org/en/doc/6248f697aed4be0f770d319dcaa4ca52-0080062023/original/Middle-Trade-and-Transport-Corridor-World-Bank-FINAL.pdf>.

Companies that previously relied on the Northern Route are now encountering challenges related to cargo security and uncertainty regarding insurance coverage. As a result, demand for alternative routes, such as the Middle Corridor that runs through Georgia, has increased. This trend is expected to continue as geopolitical challenges persist.<sup>55</sup>

The assessment of transit turnover through Georgia, based on data from the Customs Department, highlights an increase in volume. In 2022, Armenia was the leading transit destination (24%), followed by Türkiye (21%) and Azerbaijan (21.4%). Russia's share, which stood at 11.35% in 2022, increased to approximately 16% in 2023, while there were minimal changes in the data for other countries. The volume of transit cargo (in kg) to Belarus also rose 15.5 times. However, this figure may seem substantial because transit to Belarus was previously negligible compared to other countries, being ten or more times smaller than the volume of transit to Azerbaijan and Türkiye.<sup>56</sup>

Statistics on shipping countries indicate that transit cargo through Georgia primarily originates from Türkiye and Russia. Overall, the volume of transit shipments has increased by 24%, with Russian shipments accounting for a significant share. The proportion of transit shipments originating from Russia rose from 20% to 29% of the total transit volume in 2021, while the share of transit shipments from Türkiye declined from 32.5% to 28% during the same period.



**Figure 4: The MC among Trade Corridors Connecting Europe and Asia.<sup>57</sup>**

(Source: The World Bank)

<sup>55</sup> Galt & Taggart Research, "Georgian Economy: Key Macro Themes in Focus."

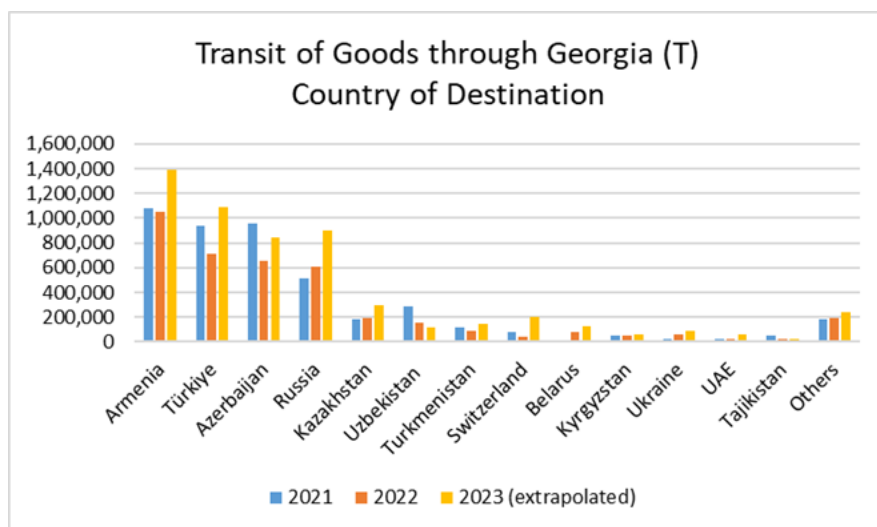
<sup>56</sup> Statistical data provided by the Customs Department of the Revenues Service.

<sup>57</sup> The World Bank, "Middle Trade and Transport Corridor."

Based on the data collected for the first eight months of 2023, the increase in transit through Georgia from 2021 to 2023 is primarily due to the following countries: <sup>58</sup>

- Kazakhstan: increase by 4.3 times, i.e., the growth is over 300 %
- Ukraine: increase by 1.14 times
- China: increase by 2.8 times
- Belarus: increase by 9.1 times
- United States: increase by 2.6 times
- Germany: increase by 1.9 times
- Italy: increase by 1.3 times
- South Korea: increase by 1.6 times.

The World Bank report indicates that the sanctions regime imposed on Russia has, to some extent, affected and strengthened the region’s role as a transit route and as a re-export hub adjacent to or within the EAEU.<sup>59</sup> Georgian media have also extensively reported on the dynamics of the intensified shipment along the Middle Corridor.<sup>60</sup>



**Figure 5: Transit of Goods Statistics on Countries of Destination.**<sup>61</sup>

<sup>58</sup> Statistical data provided by the Customs Department of the Revenues Service of Georgia.

<sup>59</sup> The World Bank, “Middle Trade and Transport Corridor.”

<sup>60</sup> “Shipments to Tajikistan and Uzbekistan on the up,” *Rezonansi newspaper*, August 30, 2023, [https://www.resonancedaily.com/mobile/index.php?id\\_rub=3&id\\_artc=187960](https://www.resonancedaily.com/mobile/index.php?id_rub=3&id_artc=187960).

<sup>61</sup> Statistical data provided by the Customs Department of the Revenues Service of Georgia.

Experts are exploring options to enhance Georgia's transit capacity, emphasizing that the country's current load remains relatively low due to inadequate infrastructure, preventing it from fully utilizing its potential. They point out that while the movement of goods has increased by 10-15 times, the overall growth in volume has been modest – rising by only 24% from 2021 to 2023. Experts attribute this limited growth to a lack of transshipment capacity and underutilization of the Georgian segment of the corridor. Thus, while trade along the Middle Corridor has grown, significant administrative, infrastructural, and political challenges must be addressed before it can effectively compete with other major trade routes in Eurasia.

The World Bank report, *The Impact of the War in Ukraine on Global Trade and Investment*, expresses skepticism about the future prospects of the Middle Corridor. The authors are less optimistic about its ability to fully replace the existing rail route.<sup>62</sup> Nevertheless, the upward trend in shipments through the Middle Corridor suggests that companies are beginning to use this route despite its higher costs, longer transit times, and potential instability – mainly due to tensions between neighboring Armenia and Azerbaijan, negatively affecting regional cooperation prospects.

### Compliance Risks Coming from Occupied Abkhazia

Russia has already taken steps to conduct trade transactions through Georgia's occupied Abkhazia region to bypass sanctions, presenting a significant challenge for Georgia. On April 5, 2023, Russian media reported that Russia had begun exporting goods through the occupied region of Abkhazia, a fact confirmed by the de facto Abkhaz customs committee.<sup>63</sup>

This was not an isolated incident. Developments in the following months revealed Russia's interest in using the occupied territories to evade international sanctions. On June 16, 2023, Moscow and Sokhumi signed a so-called inter-governmental agreement under which Sokhumi airport would be leased to a Russian investor. The operation of another airport would provide Russia with an additional means to bypass sanctions.<sup>64</sup> Previously, Russia had been reluctant to refurbish the airport in question. However, with sanctions tightening further and no prospect of their withdrawal, Russia now seeks additional transportation routes through so-called grey zones – regions that are not recognized by the international community.

<sup>62</sup> Michele Ruta, ed., *The Impact of the War in Ukraine on Global Trade and Investment* (Washington, D.C.: World Bank, 2022), <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099750104252216595>.

<sup>63</sup> "Russia Has Started Delivering Cargo to Türkiye Through Occupied Abkhazia," *Inter-PressNews*, May 4, 2023, accessed December 4, 2023, [www.interpressnews.ge/ka/article/751288-rusetma-okupirebuli-apxazetis-gavlit-turketistvis-tvirts-micodeba-daicqo](http://www.interpressnews.ge/ka/article/751288-rusetma-okupirebuli-apxazetis-gavlit-turketistvis-tvirts-micodeba-daicqo). – in Georgian

<sup>64</sup> Jimsher Rekhviashvili, "Where Is Abkhazia Flying to?!" *RFE/RL*, June 23, 2023, accessed December 4, 2023. - in Georgian

It is essential for Georgia to protect its vital interests by preventing such transportation operations from occurring in its occupied territories. While the central government lacks access to or control over the processes in the occupied region of Abkhazia and has limited leverage to influence Russia, it remains crucial to take all necessary measures to deter any country from engaging in schemes that violate sanctions or promote illegal trade in Abkhazia. Georgia cannot address this problem alone and will require support from its Western partners, who must continue to uphold Georgia's sovereignty and territorial integrity within its internationally recognized borders and insist that Russia withdraw its forces to pre-conflict positions, per the 2008 EU-brokered ceasefire agreement.

### **Lifting the Ban on Direct Flights with Russia**

The Russian government's decision of May 11, 2023, to lift the ban on flights to Georgia has created yet another challenge for the country. Many observers believe that this decision could be linked to Russia's strategy to evade sanctions, which could place Georgia in a difficult position. This concern is heightened by Russian President Vladimir Putin's revelation that the resumption of direct flights to Georgia was his personal initiative.<sup>65</sup>

The EU expressed its "regret" over the Georgian government's decision to resume direct flights with Russia, raising concerns that the move contradicted the EU's efforts to isolate and pressure Russia to end its aggressive war in Ukraine.<sup>66</sup>

In response, the Georgian economy minister clarified that Georgia should not be viewed in the same context as other countries, given that it is not an EU member. Other officials added that Tbilisi was in consultation with countries that had maintained air connections with Russia while still adhering to the sanctions.<sup>67</sup>

There are concerns that direct flights between Georgia and Russia could increase the risk of sanctions violations despite the government's assurances that it is committed to enforcing sanctions at the highest level, including tightening controls at customs checkpoints and airports.<sup>68</sup> The then U.S. ambassador to

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<sup>65</sup> "Putin Says Direct Flights with Georgia was his Decision, Georgian Leadership has Repeatedly Raised This Issue," *Civil Georgia*, May 27, 2023, accessed December 4, 2023, <https://civil.ge/archives/544713>.

<sup>66</sup> "Economy Minister: Direct Flights with Russia 'Can't Be Viewed in Same Context' as Other Countries," *Agenda.ge*, May 29, 2023, accessed December 4, 2023, <https://agenda.ge/en/news/2023/2102>; "Georgia to Resume Flights to Russia This Week, Drawing EU and Ukrainian Criticism," *Reuters*, May 20, 2023, accessed December 4, 2023, <https://www.reuters.com/world/europe/georgian-airways-resume-direct-flights-russia-may-20-2023-05-16/>.

<sup>67</sup> Nini Gabritchidze, "Georgia: Uncertainty Looms as First Carriers Authorized for Russia Flights," *Eurasianet*, May 16, 2023, accessed December 4, 2023, <https://eurasianet.org/georgia-uncertainty-looms-as-first-carriers-authorized-for-russia-flights>.

<sup>68</sup> "Economy Minister: Direct Flights with Russia 'Can't Be Viewed in Same Context' as Other Countries."

Georgia, Kelly Degnan, stressed the importance of assessing whether the relevant airlines were sanctioned and evaluating the associated safety risks.<sup>69</sup> Additionally, U.S. State Department deputy spokesperson Vedant Patel warned of potential sanctions risks for companies at Georgian airports if they “service aircraft subject to import and export controls.”<sup>70</sup>

During a U.S. Senate hearing on July 26, 2023, James O’Brien, whose candidacy for the position of assistant secretary of state for European and Eurasian affairs was under consideration, voiced interesting opinions.<sup>71</sup> When Senator Jeanne Shaheen inquired about his visit to Georgia and the country’s stance on Russia sanctions, O’Brien emphasized the need for full control to monitor cargo movement by air and land. He stated that achieving this goal required continuous efforts: “... so we want to make sure we know what is going on those planes on the way back to Russia.”<sup>72</sup>

Thus, the Georgian authorities will need to take proactive steps in the near future to address the current challenges and improve sanctions enforcement. This will be crucial in assuring Georgia’s partner countries—including the United States, the United Kingdom, the European Union, and its member states—that sanctioned goods do not reach Russia through Georgia.

## Conclusions

During 2022-2023, in response to the U.S. and EU decisions to tighten measures against sanctions violators, Georgian officials repeatedly affirmed their commitment to comply with sanctions and denied any potential for violations. However, reports in international media, coupled with the upward trend in Georgia’s foreign trade statistics and other compliance challenges highlighted in this study, underscore an urgent need for the government to develop adequate policy and practical responses. In addition, the repeated detection of attempts to transit sanctioned goods by Georgian agencies throughout 2022-2023 indicates that this trend will likely persist. This challenge is compounded by the fact that none of the countries sharing a land border with Georgia have aligned themselves with the sanctions against Russia.

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<sup>69</sup> “Ambassador Degnan’s Remarks at Peace Corps Swearing in Ceremony,” U.S. Embassy to Georgia, May 15, 2023, accessed December 4, 2023, <https://ge.usembassy.gov/ambassador-degnans-remarks-at-peace-corps-swearing-in-ceremony/>.

<sup>70</sup> Gabritchidze, “Georgia: Uncertainty Looms as First Carriers Authorized for Russia Flights.”

<sup>71</sup> “Opening Statement of James C. O’Brien, Nominee for Assistant Secretary of State for European and Eurasian Affairs,” Senate Committee on Foreign Relations, Senate Nomination Hearing, July 26, 2023, accessed December 4, 2023, [www.foreign.senate.gov/imo/media/doc/6afd18d1-b8f4-441f-544c-ea148014a01c/072623\\_O%27Brien\\_Testimony.pdf](http://www.foreign.senate.gov/imo/media/doc/6afd18d1-b8f4-441f-544c-ea148014a01c/072623_O%27Brien_Testimony.pdf). For the reaction to the hearing by Georgian media see <https://civil.ge/ka/archives/553405> and <https://www.amerikishma.com/a/7199953.html>.

<sup>72</sup> “Opening Statement of James C. O’Brien, Nominee for Assistant Secretary of State for European and Eurasian Affairs.”

Currently, Georgia remains highly vulnerable to Russian military threats, requiring a delicate balance between mitigating security risks from Russia and potentially aligning with major Western allies. This balance can be achieved by reducing risks emanating from economic dependence on Russia and avoiding scenarios where Russia could exploit economic ties for political leverage. However, an analysis of foreign trade data suggests that sustained economic rapprochement with Russia is not an inevitable long-term trend for Georgia. Appropriate state policies and trade with other countries, including neighboring nations, could remedy this dependency.

Besides, the years 2022 and 2023 saw a surge in Georgian re-exports to other post-Soviet nations, with notable growth in exports to Kazakhstan, Kyrgyzstan, Uzbekistan, and Armenia. This suggests that Russia could still acquire goods through other post-Soviet countries with which it shares a common economic zone. As a result, Georgia's current challenge is to devise effective strategies to address this issue and prevent potential sanctions evasion by Russia through intensified collaboration with the United States, the European Union, the United Kingdom, the G7, and the broader Euro-Atlantic community.

Given the increased volume of re-exports involving dual-use products, explicitly sanctioned by both the European Union and the United States, Georgia should prioritize verifying the reliability of end-user certificates. Ensuring that goods are not transported without proper documentation is essential.

State agencies must remain vigilant and allocate sufficient administrative resources to manage the increased trade volume effectively. This proactive approach is crucial to prevent Georgia from being classified among third countries violating sanctions. Strengthening cooperation with international partners such as the United States, the European Union, the United Kingdom, the G7, and Euro-Atlantic Community members is key to achieving this goal. Collaborative efforts will help identify potential red flags indicating sanctions evasion and export control violations. Such collective vigilance and cooperation are essential to ensuring compliance and deterring attempts to circumvent sanctions.

## **Disclaimer**

The views expressed are solely those of the authors and do not represent official views of the PfP Consortium of Defense Academies and Security Studies Institutes, participating organizations, or the Consortium's editors.

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