

**Transnational Crime and Corruption Center Caucasus Office (TraCCC CO)**  
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**Conference: “Transnational Crime and Corruption in Georgia”**

January 17, 2006

Tbilisi, Georgia

The Director of the Transnational Crime and Corruption Center Caucasus Office (TraCCC CO), Alexandre Kukhianidze, greeted the audience and conveyed his gratitude for attending the conference. He then talked shortly about the Center, the scope of its work, its plans, and added that these type of conferences are held once every year to summarize the work done throughout that period.

**Louise Shelley, Director of Transnational Crime and Corruption Center:**

It is a great pleasure to be here and we just have a third University of our Center in Georgia. This always been a cooperative afford. Before we started our center we have Georgian Fulbright scholars visiting our center in Washington. The problem of transnational crime and corruption is the problem we all share. It is not meet to Georgia only. We is the only center of our kind existing in the United States. Because this is the issue which is very sensitive and people do not like to talk much about it and besides that it is the topic which is very much hard to research. The Transnational Crime and Corruption Center is housed in a school of International services, which studies International affairs and increasingly these issues of crime are not just legal issues but issues that are central to international security to economic development and to social stability. As the research reviews we try to focus on are issues absolutely and primarily important to Georgia. Some of our publications are out on the table and if you to our website there is enormous amount of material that has been done over the last three years. And one of the reasons the Georgia is such a fascinating place to study it is going through important transition from the Shevardnadze Government through „Rose Revolution” that is leading to enormous changes and provides fascinating topic to researchers but also has enormous importance not only for Georgians but for larger world to see if issues of Police reform, Governmental Change can implemented successfully. So what we looking at you today is the significant not only to Georgia but others trying to leave behind authoritarian past. We finalizing book now about Crime and Corruption in Georgia and will be available probably soon.

**Giuli Alasania, Research/Grants Manager of TraCCC Caucasus Office:**

Our office conducts multi-dimensional activities. One of our work profiles includes providing grants for the purpose of carrying out scientific research on corruption and organized crime. We have close relations with the Ministries, we hold consultations with them, and in collaboration with them we come up with priority research topics. Based on that information, we make decisions as to which topics should be put in the grant announcements. Our aim is to encourage applied scientific research. Today we are here to summarize the year’s work and your comments and suggestions will be of a great importance to us.

**Zurab Garakhanidze**, Deputy of the Head of the Department of International Relations, Chamber of Control of Georgia

**Presentation**

[http://www.traccc.cdn.ge/presentations/Conference-20060117/Garakanidze\\_Security\\_eng.pdf](http://www.traccc.cdn.ge/presentations/Conference-20060117/Garakanidze_Security_eng.pdf)

**Discussion:**

**Question:**

**David Japaridze, Transnational Crime and Corruption Center, Grantee, 2005:**

- Was there any study done to find out how much those cigarettes, which are smuggled into Georgia, cost in Russia and on whether it is known, through which mechanisms do they get to Tskhinvali (South Ossetia), to Sukhumi (Abkhazia) and who is behind those mechanisms?

**Answer:**

- There are concrete names of concrete individuals, however, in general, it can be said, that Georgia is the party of the Free Trade Agreement within the CIS Block. This means, that trade among CIS states and Georgia is not taxed at customs, but only with VAT, customs duties and excise (if the products are the ones subject to excise). In contrast with that, Abkhazia enjoys a very preferential taxation terms. If we had 20% and now it is 12%, they have 10%. There is preferential taxation imposed on all sorts of food products: bread, flour, and dairy products are totally exempt from taxes. Profit tax on the territory of Abkhazia is 18%, income tax – 10%. Property tax in Georgia is 1%, in Abkazia - 0.2%. The excise fee is very low. Products go through the Psou customs check point without paying customs fees, and these products are taxed with a miserable amount in tax fees and in fact, most of the products are free of taxation. This is the economic mechanism of expansion. This is exactly what may be called the ‘realization of the idea of Chubais’ from the perspective of economic expansion. This is a considerably serious problem and, unfortunately, in Georgia, the National Security Council does not pay enough attention to it. Even worse, there is no economic security department in the National Security Council whatsoever.

A governmental body, which is the only consulting body to the President and which should be working on the security issue of investments, should monitor what types of money are coming nowadays into the privatization process, should coordinate measures that are to be carried out on the territory of the breakaway regions of Georgia, practically does not exist today. The situation exists, in which the First Deputy of the Russian Federation National Security Council, Zubakov, is the one leading the economic security matters. In the USA, and within CIA, lies the largest department of economic security which employs some 500 people. In fact, in Georgia we have this issue left without due attention.

**Question:**

**Alexandre Kukhianidze, Director of Transnational rime and Corruption Center:**

- Why is it that cigarettes are smuggled from Russia to Georgia and not vice versa?

**Answer:**

- All these are dependent on the customs fees and those regimes that our neighboring states have. For example, Georgia has very strong wheat production factories. We can provide for all our neighboring states, if we grind their wheat. At the same time, wheat import was being imposed with a double taxation; practically, those factories that we possess presently were not fully exploited – we only used 20-25% of all their production volume. By exporting ground wheat from Georgia, we could have benefited greatly. For the last decade, Azerbaijan and Armenia are exempt from all types of taxations on wheat, whereas, wheat flours are the subject of taxation. The same goes with cigarettes.

**Alexandre Kukhianidze (Comment):**

- As far as I understood, here we are talking not about the Russian economic expansion, but on irrational customs policy. Does the main reason behind all these the incorrect economic policies lie in Georgia?

**Answer:**

- I agree. For example, in our Customs Code is stipulated, that there is possibility to impose seasonal customs duties, but for some reason, we do not use this; whereas, Turkish potatoes and tomatoes have impoverished Georgian pheasants, but, customs policy has not touched this issue so far.

**Question:**

***Merab Machavariani, Transnational Crime and Corruption Center, Expert in Environmental Issues, TraCCC Grantee of 2005.***

- By now Georgia is working on the European Union Neighbourhood Policy, which sets priorities for the liberalization of tariffs and mechanisms. Will these lead to the putting of our market in a less protected position? Will the wider expansion of agricultural products in Georgia take place?

**Answer:**

I can say one thing for sure. There is a huge reservoir, which we can use, but do not use it. This is the World Trade Organization. During the entire period, since Georgia became the member of this organization, we could have used this reservoir, meaning, that the WTO does not recognize customs checkpoints on the non-controllable territories. At the same time, Russia wants to join the WTO. From our side, we can bring up the issue, that in such a situation, Georgian customs checkpoints shall be put at Psou and Kvemo Zaramagi.

Kvemo Zaramagi, 200 meters from the north part of Roki Channel, remains on the balance-sheet of the Georgian Road Department. The reservoir which is given as a result of being a member of the WTO, in fact, is not still used.

**Giorgi Siradze**, Expert of the European Commission Project, Grantee of the Transnational Crime and Corruption Center.

**Giorgi Mitagvaria**, MIA Representative, Grantee of the Transnational Crime and Corruption Center.

**Abstract:**

[http://www.traccc.cdn.ge/presentations/Conference-20060117/Siradze\\_Mitagvaria\\_Abstract\\_eng.pdf](http://www.traccc.cdn.ge/presentations/Conference-20060117/Siradze_Mitagvaria_Abstract_eng.pdf)

**Londa Esadze**, Coordinator of the Anti-money Laundering Project under the Transnational Crime and Corruption Center.

Question:

- Based on your presentation, you have said one of the reasons for an increase in the number of crimes to be those new changes and timeframes provided by the new Procedural Criminal Code. The new project of the Procedural Criminal Code that is already in Parliament for further review will complicate the situation further from the perspective of its new timeframes and changes. We may suspect that the crime statistics will increase. How do you prepare for and envisage handling the future challenges?

Answer:

- In principle, we shall work on crime prevention. As for the crime to increase, we shall also pay attention to the fact that the number of opened crimes have increased. This is also an indicator of our work.

**Elsa Guliashvili**, Georgian Drug Agency:

Question:

- How does the registration of crime takes place? Does the MIA register the criminal act after it was conducted or are the courts granting the qualification of crime to themselves? Is it necessary to elaborate a new set of criteria for crime statistics? Maybe some of the activities will not qualify as a crime.

Answer:

- We receive the information on crime on a daily basis, and they are being sorted according to the categories of crimes. Here we talk on the crime statistics as such, and not on which of the qualifications are being granted to them by the courts.

**Natia Jokhadze**, Leading specialist in Urbanization and Construction at the Ministry of Economic Development, and Grantee of the Transnational Crime and Corruption Center.

**Presentation:**

[http://www.traccc.cdn.ge/presentations/Conference-20060117/Jokhadze\\_Report\\_eng.pdf](http://www.traccc.cdn.ge/presentations/Conference-20060117/Jokhadze_Report_eng.pdf)

Comments:

**Lado Vardosanidze**, Chairman of the Urban Association:

- It has to be pointed out, that one of those corruption factors in the city are building activities, in which documents are in order, but crime is still present.

**Giorgi Liluashvili**, Head of the Department of the Provision of International Shipping, Ltd "Burji", Grantee of the Transnational Crime and Corruption Center:

Presentation:

**Kakhaber Esadze**, Consultant in the Customs Department:

Comment:

- I would like to point out some of the issues. First, there is a problem of coordination among the law enforcement bodies of Georgia. In the case of better coordination, the results achieved should have been far better. However, legislative changes will lead to a point when functions are divided up rationally. There has to be a true separation of functions, so that the same controlling function will not be carried out by other bodies as well, as overlapping will take place. Risk management needs at least some information on the company's activities. Recently a new database is being created, which in the future will help in doing a similar analysis. We would like to build big business at the border, whereas, small business would be developed inside the border. Currently, there is ongoing work on the Customs Code and on supporting legal acts. We would gladly accept Mr. Giorgi Liluashvili's recommendations and will pass them on to the interested individuals to review them.

**Richard Lax**, Expert from the European Commission:

Just I would like to make some comments. From European Commission's point of view it is absolutely essential the coordination law enforcement bodies and customs service. Actually the coordination border services. We believe that Georgian Government needs to integrate the border management strategy or central strategy that outlines whose responsibilities on what and what pushes forward low enforcements functions of border guard. The border guard are meant to become police force and are going to hold the full fledge to law enforcement bodies just similar to patrol police for example. But it is the most important that the exact tasks of each agency on the border, be that customs, be that borer guards, be that the Ministry of Foreign Affairs need to be clarified.

Comment: (in English)

**David Kobakhidze**, Deputy Head of the Legal Department in the Customs Department:

Comment:

I would like to add some remarks. I do agree with most of Mr. Liluashvilisi's comments. As for the strategic plan, of course, this type of action plan will exist and be important for all law enforcement bodies. However, since this type of action plan does not exist, each body is to elaborate its own action plan independently and consequently, the efficiency of their work is relatively low. As for the appointment policy, there are ongoing reforms in the Customs Department. We now accept interns and train future customs officers. They are appointed to certain customs checkpoints and after gaining some experience, they take tests and only after these procedures they become appointed to other positions. We think this type of appointment policy will give some results in the near future.

**Nina Dadalauri**, Research Fellow of TraCCC Caucasus Office

**Nino Antadze**, Economic and Environmental Assistant, OSCE

**Badur Abuladze**, Leading Specialist, The Commision of Economical Reforms and Municipal Services

**Presentation**

**Dimitry Mosiashvili – Member of Tbilisi City Improvements Council**

Replica:

- What type of information do you have regarding the mechanism for the collection/transportation of solid construction waste from construction sites. As far as I know, this issue has not yet been considered. In the process of construction city inspection bodies do not possess any technical provisions that must be met in relation to construction waste collection/transportation. . . Where are the wastes being dumped? How many kilometers are they transported and on which roads? How does this pollute the city? There are many new problems arising as a result of this. You should have touched not only the problems related with landfills, but also with those new problems as well.

**David Japaridze, Transnational Crime and Corruption Center, Grantee:**

Replica:

- This problem has existed for over decades now. My work place takes a special interest in this problem, but it is important that the local governmental bodies start to tackle that issue. If there is no complex program elaborated and no investment made in this field, the problem will worsen sooner or later. In this regard, nothing yet has been done.

**Nina Dadalauri, Transnational Crime and Corruption Center, Research Fellow.**

Answer:

- I would like to say that part of our recommendations have already been considered by local governmental bodies. Carrying out open tenders have been ascribed to City Improvements Service under the Mayor's Office. This initiative should be positively evaluated, unless in future it takes a wrong route. The law on tenders itself gives space for carrying out tenders in a closed manner. We simply have to trust those individuals and rely on their honesty, who started the ongoing reforms in the waste management system.

As for the second reply, we too share the stance on the reforms; that they be carried out comprehensively.

**Keleuridze Vazha, Transnational Crime and Corruption Center, Grantee:**

**Presentation**

**Bakur Mgeliashvili, Head of the International Affairs, Chamber of Control of Georgia:**

**Presentation**

**Louise Shelley, Director of Transnational Crime and Corruption Center**

Question:

– What is the main problem for privatization of the Poti Shipbuilding Company? What recommendations have resulted from this case?

Answer:

- Precisely, the example of Poti ship-building showed that, as given in the Georgian Government's Minutes of the Assembly in 1998 on February 26 and according to the Ministry of Entrepreneurship correspondence, the Ministry of State Property Management has issued an order, which states that shares of the Joint-Stock Company "Poti Ship-Building" could have been purchased for the price of 1 GEL. Included in this process was the company "Darling Lord Limited" and its representative acting as executive director, who notified the Poti ship-building body in writing that it was acquainted with the existing terms and its intention to purchase shares. It has to be pointed out that there is no information on privatization of such an important entity in the Ministry of Economy in Georgia whatsoever. Neither is any information available on the afore-mentioned company. In this, among other problems, lies the issue of transparency.

**Zurab Garakhanidze, Transnational Crime and Corruption Center, Grantee:**

**Replica:**

- Generally, it is very difficult to control terms related to investment competition. The Ministry of Economic Development has lost its leverages, which are important in the monitoring process. The so-called investor purchases a factory for a symbolic price, as if they would invest hundreds of thousands of dollars, which in reality, does not invest a penny in it and sells the factory for scrap metal. The Ministry of Economy will monitor the fulfillment of the obligations by the investors as well.