

South Ossetia Today

Thomas de Waal

3 June 2019

Abstract

South Ossetia has all but disappeared from international view since the Georgia-Russia conflict of 2008. This study—the second in a series in which CEPS is looking at four of the conflicts around unrecognized and breakaway territories in Russia's periphery—examines how the region has evolved in the last decade. Despite heavy Russian investment, South Ossetia is much more internationally isolated and depopulated than before and is being used by Moscow to pressure Tbilisi and channel funds to the breakaway Donbass regions. Yet links with Georgia proper remain and there are still prospects for renewed Georgian-Ossetian practical cooperation.

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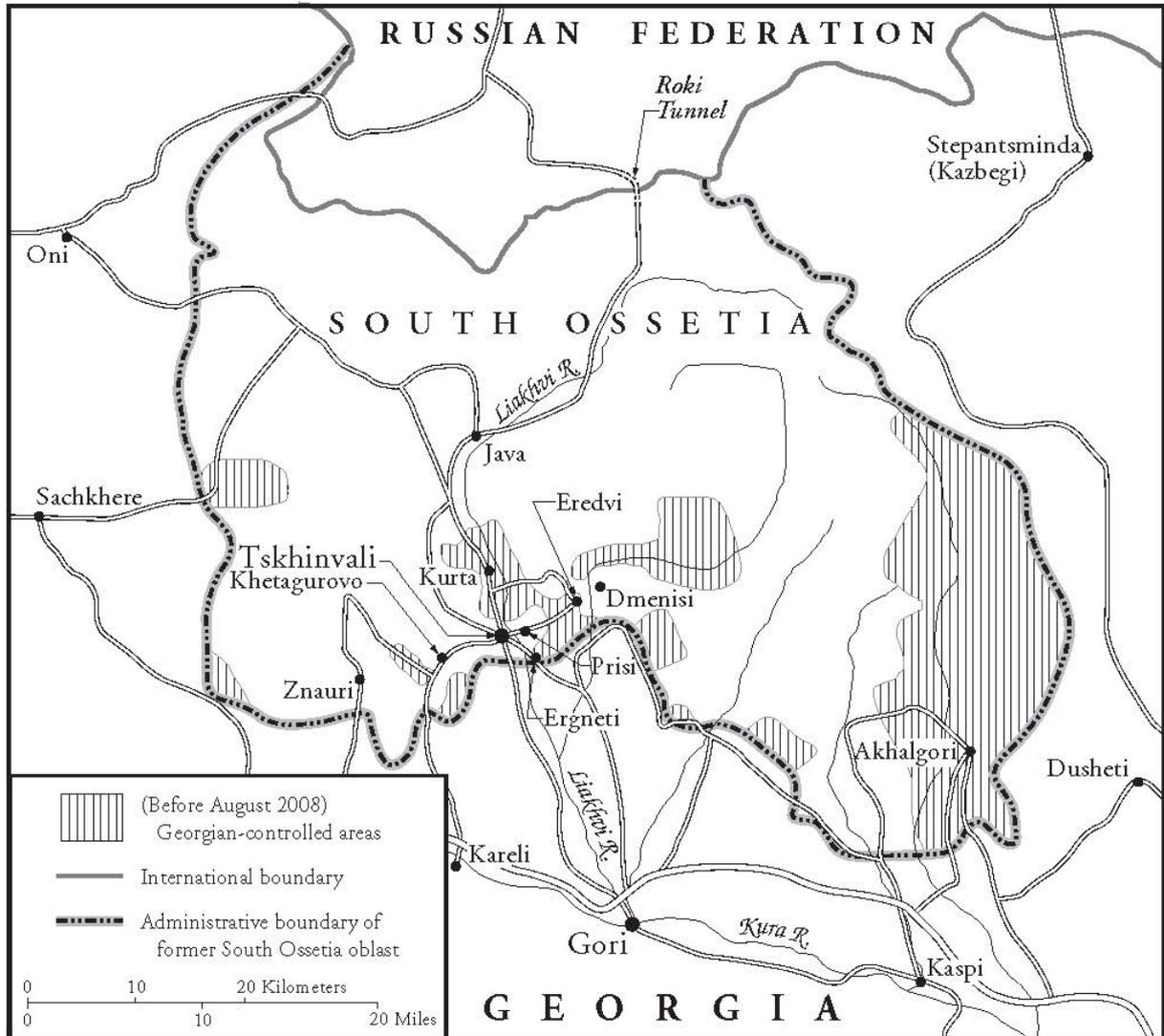
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Map of South Ossetia (by Chris Robinson)



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Introduction

The modern history of South Ossetia is a tragic one in which a generally peaceful region was first dragged into an unnecessary war with Georgia in the 1990s, then became the centre of the Georgian-Russian conflict of 2008. Since then it has been granted what has been described as “unwanted independence,” which in practice means isolation, economic depression and de facto Russian military annexation. On a personal level, this isolation hurts Ossetians as much or even more than Georgians. Many mixed Georgian-Ossetian families have been divided. The South Ossetian economy has withered, deprived of its traditional economic links with neighbouring Georgian towns.¹

Since the 2008 conflict, South Ossetia has become even more cut off from the world than Abkhazia. International recognition by Russia, Nauru, Nicaragua, Syria and Venezuela means nothing in practice. No international organizations, except the International Committee of the Red Cross, have had a permanent presence there. The de facto border with Tbilisi-controlled territory, referred to in international practice as the “Administrative Boundary Line” or ABL, is much more closed than the one with Abkhazia. Up until 2008, South Ossetia used to have a substantial ethnic Georgian population. After the war, inhabitants of the 21 ethnic Georgian villages in the districts of Tskhinvali and Znauri, fled as did those of Perevi, a village on the western edge of South Ossetia.²

Since 2008, exploiting a lack of clarity about demarcation lines, Russians and South Ossetians have engaged in what an aggressive tactic of what has been termed “borderization,” reinforcing the boundary with fences and barbed wire, moving posts and fences hundreds of meters into Tbilisi-controlled territory.

The region’s misfortune is highlighted by a drastic demographic decline, which is even worse than that of Abkhazia or Transdnistria. The last Soviet census of 1989 recorded the population of South Ossetia as being 98,000, of whom 65,232 were Ossetians and 28,544 Georgians. The wars of 1990-92 and 2008 resulted in a big population flight. In 2015 the population of South Ossetia was officially recorded as 53,438, including just under 4,000 ethnic Georgians, most of them in the town of Akhagori (Leningor).³

¹ Stephen F. Jones, “South Ossetia’s Unwanted Independence,” *Open Democracy*, June 10, 2014. <https://www.opendemocracy.net/en/odr/south-ossetias-unwanted-independence/>

² “South Ossetia: The Burden of Recognition,” *International Crisis Group*, June 7, 2010.

³ See statistics at <http://ugostat.ru/wp-content/uploads/2017/06/ltogi-perepisi-RYUO.pdf>

Real figures are almost certainly lower. In 2009, the Russian independent researcher Varvara Parkhomenko calculated the population of the province as being between 26,000 and 32,000.⁴ Two more recent official numbers, on babies born and children attending school, allow us to make an educated guess at the real current population level. In 2017 a total of 513 babies were recorded as having been born in South Ossetia. If South Ossetia's birth-rate per head of population is comparable to that of Georgia and Russia (13 babies born per 1,000 of population a year) that puts the population at 39,000.⁵ Two official sources record that there are around 5,500 school-children in South Ossetia. In Georgia and Russia, around 14 percent of the population is in school education. If South Ossetia has a comparable proportion of school children, again that would suggest an overall population of 39,000.⁶

A third figure, a count of 33,000 votes in South Ossetia's presidential election in 2017, would suggest a higher population total. However, this may indicate another significant trend, the fact that many South Ossetians have now taken up residence in their more economically viable northern neighbour, North Ossetia, but keep their official South Ossetian residency.

De facto, much of South Ossetia's economic and political life is run out of the North Ossetian capital, Vladikavkaz. The juxtaposition of the two is ironic: North Ossetia is an autonomous republic of the Russian Federation, but has a much greater population (712,000, according to the 2010 census, of whom 459,000 were Ossetians), while the small and weak South Ossetia is recognized by Russia as being an independent state.

Background

Ossetians are a mainly Christian people, although some are Muslims, and old Pagan practices are still prevalent. Christianity has distinguished Ossetians from the Muslim peoples of the North Caucasus and traditionally made them Russia's strongest allies in the region. They call themselves "Alans" after the Iranian tribe they are thought to descend from and divide into three sub-groups speaking distinctive dialects of Ossetian, an Iranian language. The most numerous, the Irons, live in the north, with the Kudars concentrated on the Georgian side of the Caucasus.

In the Soviet period about two thirds of Ossetians lived in the North Caucasus, with most of the rest in Georgia. The "South Ossetia Autonomous Region" was created by Moscow in 1922 after the Ossetians had declared loyalty to the Bolsheviks and the region was ravaged by the Georgian Menshevik army in 1920. In Soviet times, the region lacked a strong identity, in contrast to Abkhazia. The economy was mainly agricultural. South Ossetians were well

⁴ Varvara Parkhomenko, "Обитаемый остров" ["Inhabited Island", *Polit.ru*, September 22, 2009. <https://polit.ru/article/2009/09/22/demo/>

⁵ See statistics at <http://osinform.org/64904-kakova-rozhdaemost-v-yuzhnoy-osetii.html>; <https://data.worldbank.org/indicator/sp.dyn.cbtr.in>

⁶ "Минобразования: в школы Южной Осетии пойдут более пяти тысяч учеников" ["Ministry of Education: more than 5,000 pupils are going to the schools of South Ossetia"], *Sputnik-Ossetia*, August 31, 2015; see also <https://south-ossetia.info/respublika-yuzhnaya-oseitiya-segodnya/obrazovanie/>

integrated into Soviet Georgia, with high levels of inter-marriage. A good road connection to North Ossetia was only established in 1985 when the Roki Tunnel through the Caucasus mountains was opened.

Conflict was triggered in 1989 when the Georgian nationalist leader Zviad Gamsakhurdia and others called national minorities in Georgia “guests” and accused them of being close to Russia and disloyal to Georgia. “They [Ossetians] have no right to a state here in Georgia. They are a national minority. Their homeland is North Ossetia...” he said. “Here they are newcomers.”⁷ Georgian nationalists disavowed the term “South Ossetia” with its implied link to North Ossetia and called the region Shida [Inner] Kartli, “Samachablo” (a reference to the estates of the nineteenth-century prince Machabeli), or “Tskhinvali region” after the region’s main town. The latter is the chosen term in Georgia, while “South Ossetia” remains preferred international usage.

In 1990 a “war of laws” developed between Tbilisi and Tskhinvali as the Ossetians declared their loyalty to the USSR and demanded increased autonomy. Georgian militias attacked South Ossetia and in December that year the new Georgian parliament cancelled South Ossetia’s autonomy—a status that has not been reversed to this day. Intermittent conflict carried on until 1992, fought mainly by irregular fighters on both sides, with the Ossetians getting some assistance from elements in the Soviet military. Around 1,000 people died. The war was barely noticed by the international media, but at the time it was the worst internal conflict in the Soviet Union since the 1920s.

The fighting escalated in the spring of 1992. Seeking to avoid a wider Georgian-Russian conflict, new Georgian leader Eduard Shevardnadze and Russian president Boris Yeltsin signed a ceasefire agreement in the town of Dagomys on June 24, 1992. This stipulated withdrawal of forces, demilitarization of the region, the withdrawal of the remaining ex-Soviet forces from South Ossetia, and the formation of a four-sided “Joint Control Commission” to oversee the conflict zone and a peacekeeping force, with 2,000 Russian, Ossetian, and Georgian soldiers.

South Ossetia became de facto politically separate from Georgia, but remained integrated with it in practical respects. Unlike in Abkhazia, most Georgians stayed on in the region after the end of the conflict and the border remained open. Both legal and (especially) illegal trade flourished. Ludvig Chibirov, South Ossetia’s de facto leader, had a cordial relationship with Shevardnadze and the two men came close to a political agreement, but there was no feeling of urgency on either side. Things changed in 2001, when Chibirov lost the election to Eduard Kokotiy and President Vladimir Putin’s government in Russia began handing out passports and pension rights to South Ossetians.

From 1992 to 2004, de facto South Ossetia remained part of the Georgian economy and the conflict resembled that over Transdniestria, being much more a non-violent political dispute than a toxic conflict. Thousands of Georgians and Ossetians traded every day at the Ergneti market, on the demarcation line between South Ossetia and Gori Region, which was the largest

⁷ Stuart J. Kaufman, “Modern Hatreds, The Symbolic Politics of Ethnic War,” *Cornell University Press*, 2001, 111.

wholesale market in the South Caucasus and the main source of revenue for South Ossetia, almost all of it untaxed and unmonitored. However, in 2004, Georgia's new president Mikheil Saakashvili launched an "anti-smuggling operation" and shut down the market. A summer of violence followed and the South Ossetia dispute became more threatening again.

The slow countdown to war from 2006 to August 2008 has been recorded at length by many sources. The post-1992 conflict resolution mechanisms were out-dated, giving the OSCE a modest mandate and Russia a guaranteed military presence in the region in the form of its peacekeepers. Kokoity, more aggressively nationalist than his predecessor, canvassed for and received greater Russian financial and political support. Saakashvili supported an alternative government situated inside an enclave of Georgian villages just north of Tskhinvali. The developing conflict became part of a proxy dispute between Russia and the United States over NATO expansion, the independence of Kosovo and other issues. It also had a very local dimension, with the Tbilisi-installed administration of Dmitry Sanakoyev operating out of a cluster of Georgian villages north of Tskhinvali-leaving both the Georgians of South Ossetia and the South Ossetian de facto authorities with the sensation of being encircled.

When war broke out in August 2008, each side felt compelled to act quickly to protect its own in a relatively small territory. Saakashvili attacked Tskhinvali on the evening of August 7, 2008. The Russian military responded a few hours later, quickly reversed the Georgian advance, bombed the town of Gori and pushed into Georgia proper. At the end of the "Five-Day War" around 1,000 people had lost their lives. Ethnic Georgians fled South Ossetia and Moscow recognized both it and Abkhazia as independent states.

Political life

South Ossetia is a closed semi-authoritarian society with few freedoms. It lacks the independent civil society organizations and media outlets that can be found in Abkhazia. One of the few independent journalists, Irina Kelekhsayeva, has been harassed for reporting on alleged corruption.⁸

The region has competitive elections. but they take place between a small pool of candidates, all of whom take a very similar stance on Russia and Georgia. In April 2017, Anatoly Bibilov, a military veteran, became South Ossetia's fourth de facto president, replacing former KGB-chief Leonid Tibilov. Bibilov had failed to be elected in 2011, when a slightly more independent candidate, Alla Dzhioeva, was declared to have won the poll, causing some consternation in Moscow. The vote was invalidated on a technicality and Dzhioeva was not allowed to compete in the re-run.

Political clashes are more about disputes between different patron-client networks over allocation of Russian resources than about ideological differences. Thus former de facto president Kokoity lashed out at Kremlin "curator" Surkov and his unnamed allies in a 2017

⁸ "South Ossetian journalist 'under pressure' from authorities," *OC Media*, February 21, 2018. <https://oc-media.org/south-ossetian-journalist-under-pressure-from-authorities/#more-10303>

television interview. He blamed Russian contractors for cheating their South Ossetian sub-contractors and alleged that Surkov and his team had given license to “pro-Western and pro-Georgian forces.” Yet Kokoity himself had been blamed in Moscow for mass misappropriation of funds after the 2008 war.⁹

South Ossetia has very limited government capacity and much of its legislation and decision-making originate in Moscow. A leaked cache of emails from the office of Kremlin “curator” Surkov revealed that Russian government agencies had formed 13 working groups drafting bills to be adopted by the parliament in Tskhinvali.¹⁰ In 2015, this arrangement became more formal as South Ossetia signed a “Treaty on Alliance and Integration” which officially fused many government competencies with Russia.¹¹

South Ossetia has shown no interest in pursuing wider diplomatic recognition beyond Russia since 2008. Indeed it has invited rogue status by being the only place in the world to have recognized the breakaway Donetsk and Luhansk republics, in 2014. (Abkhazia did not follow suit). If in Abkhazia, the official message is still one of an aspiration for international statehood, both South Ossetian leaders and the public make it clear they do not take the idea of a South Ossetian state seriously. In a 2010 survey, more than 80 percent of South Ossetians said they wanted union with North Ossetia and Russia.¹²

On October 19 2015, the press secretary of South Ossetian leader Leonid Tibilov revealed that he had raised the idea of a referendum on union with Russia in a meeting with Kremlin aide Vladislav Surkov. Tibilov was quoted as saying this was in line with “today’s political realities.” “Re-unification with Russia is the age-old dream of the South Ossetian people, which has cherished this idea over two centuries of resistance to Georgian chauvinism and fascism.”¹³ However, the next day, Kremlin press secretary Dmitry Peskov denied that the topic had come up, saying of South Ossetia, “It is an independent state, which is recognized by the Russian Federation with which we have diplomatic relations.” Asked to clarify further, Peskov said, “I’ve

⁹ “Those are pro-western ‘evil spirits’ that promote corruption in South Ossetia – Surkov,” *Jam News*, June 20, 2017. <https://jam-news.net/those-are-pro-western-evil-spirits-that-promote-corruption-in-south-ossetia-surkov/>

¹⁰ David Batashvili, “‘Surkov leaks’”: Glimpse into Russia’s Management of Georgia’s Occupied Regions,” *Clarion Brief*, October 2016.

¹¹ Maxim Edwards “Thus Votes South Ossetia: A Referendum the Kremlin Would Prefer to Ignore,” *Intersection*, April 28, 2017. <http://intersectionproject.eu/article/russia-europe/thus-votes-south-ossetia-referendum-kremlin-would-prefer-ignore>; see also <http://en.kremlin.ru/acts/news/49801>

¹² Gerard Toal and John O’Loughlin, “How people in South Ossetia, Abkhazia and Transnistria feel about annexation by Russia,” *Washington Post*, March 20, 2014. https://www.washingtonpost.com/news/monkey-cage/wp/2014/03/20/how-people-in-south-ossetia-abkhazia-and-transnistria-feel-about-annexation-by-russia/?utm_term=.ec2cda6dd36a

¹³ “Срочно: Президент РЮО Леонид Тибилев сделал заявление об инициировании референдума о вхождении РЮО в состав РФ” [“Urgent: The president of RSO Leonid Tibilov made a statement on initiating a referendum on RSO joining the RF”], *RES*, October 19, 2015. <http://cominf.org/node/1166506480>

said what I've said," and that "it's long been well known that in South Ossetia there are many supporters of integration with Russia."¹⁴

In 2017, South Ossetians had to content themselves with a more symbolic change, approving the change of the territory's name to "Republic of South Ossetia–State of Alania." De facto president Bibilov was previously one of the loudest voices calling for unification with North Ossetia. He continues to raise the issue but without putting a timeframe on it. In April 2019, on a visit to Crimea, Bibilov said, "I think that the path taken by Crimea will definitely also be taken by the republic of South Ossetia."¹⁵

Thus, South Ossetia wants union with Russia more than Russia itself does. The region's few economic assets and tiny population evidently make it useful to Moscow mainly as a military and diplomatic pawn in a wider game. Moscow has made this clear by generally making major announcements on South Ossetia and Abkhazia supposedly in reaction to moves made on Georgia by the EU and United States. For example the declaration on the recognition of independence of the two regions in August 2008 explicitly mentioned Kosovo; the two treaties of 2015 followed the European Parliament's ratification of the EU's Association Agreement with Georgia; the ratification of a merger of the Russian and South Ossetian armed forces was timed to follow the sale of Javelin missiles to Georgia by the United States.

Evidently, the status quo evidently suits Moscow and there is no interest in going further towards formal union with South Ossetia. While the outright annexation of Crimea may have delivered a domestic triumph for President Putin—and therefore an international price deemed worth paying-- South Ossetia is a much tinier territory and less popular cause. Evidently the calculation is that Russia would lose far more, in giving up leverage and receiving greater international condemnation, by annexing the territory de jure rather than de facto.

Security and borderization

The Russian military is the most powerful actor in South Ossetia. In 2009, the 4th Guards Military Base was established there, merging the existing 135th and 693rd motorized regiments. It is estimated to comprise around 4,000 Russian soldiers, not including border guards. This may be an under-estimate. An information website for Russian parents, whose sons are doing military service, records that on its own the base in Tskhinvali has six barracks, each fit to house 600 soldiers.¹⁶

¹⁴ "В Кремле называют Южную Осетию независимым государством, признанным Российской Федерацией" ["In the Kremlin they call South Ossetia an Independent State, Recognized by the Russian Federation," TASS, October 20, 2015. <https://tass.ru/politika/2361492>

¹⁵ Liz Fuller, "Terms Of 'Union' With Russia Dominate South Ossetian Presidential Election," *RFE/RL Caucasus Report*, April 8, 2017;" Южная Осетия должна стать частью России, по аналогии с Крымом, - президент Бибилов" ["South Ossetia should become a part of Russia on the analogy of Crimea—President Bibilov."], RES, April 18, 2019. <http://cominf.org/node/1166522122>

¹⁶ See <https://voinskayachast.net/suhoputnie-voyska/motostrelkovie/vch66431>

The military is heavily equipped with tanks, armoured personnel carriers and artillery, as well as Tochka-U and Smerch missiles. (Georgia alleges that there are also S-300 missiles in the region although this is denied in Russia.) As well as the main military base in Tskhinvali, there is also a training ground near the village of Dzartsem and a large airfield in the village of Urgadanta, west of Dzhava (the latter is clearly visible on Google Maps).¹⁷

Since the massive Russian deployment, the South Ossetian military has reduced in numbers. A formal deal to integrate it with the Russian armed forces was ratified in 2018, allowing for South Ossetians to serve in the Russian armed forces. The chief of general staff of the South Ossetian forces, Viktor Fyodorov, is also a Russian with no background in South Ossetia prior to 2011.¹⁸

Russia also keeps at least 900 border troops subordinate to the FSB manning the boundary line in South Ossetia. These troops have engaged in “borderization” activities, moving the de facto border by tens or hundreds of meters, putting new white and green signs and barbed wire inside Tbilisi-controlled territory. The Russian side claims it is using old Soviet maps, although the precise border of the South Ossetia Autonomous Oblast was never precisely delineated. The process draws strong international condemnation. It is sometimes hard to determine how far boundary demarcations have been moved, and some reports have been exaggerated. But one demarcation exercise was reported to have left a 1.6 kilometer portion of the strategic Baku-Supsa oil pipeline outside Tbilisi's control. There is also plenty of anecdotal evidence to confirm that several dozen Georgian villagers have been cut off from pastures, cemeteries or even their houses by the process. In addition, there is almost certainly a financial motive for the practice, as Georgians who get detained are ransomed for their safe return.¹⁹

Many Georgians cross the long and disputed border and some of them are caught and detained, causing great anger in Georgia. In one notorious case, a 35-year-old Georgian, Archil Tatunashvili, was detained in Akhagori in February 2018 and declared dead in South Ossetian custody a month later. The Georgian authorities said that his body showed marks of severe torture. The Georgian authorities linked the Tatunashvili case with that of Gigi Otkhozoria, a Georgian who was killed on the border with Abkhazia, to make a “Tatunashvili-Otkhozoria List”

¹⁷ See <http://fb.ru/article/325899/voennaya-baza-v-tshinvale-respublika-yujnaya-oseiya-v-ch-adres;https://www.google.co.uk/maps/place/Java/@42.3876476,43.8902071,1782m/data=!3m1!1e3!4m5!3m4!1s0x405b35b577e3b18b:0xdeb28ad07b178a34!8m2!3d42.3893816!4d43.9248521?hl=en>

¹⁸ “State Duma ratifies deal on integrating South Ossetia forces into Russian army,” TASS, January 24, 2018. <http://tass.com/defense/986645>; for Fyodorov see <http://alaniamil.org/zamestiteli-ministra.html>

¹⁹ “Russian Troops Demarcate Part Of Georgian Oil Pipeline,” RFE/RL, July 14, 2015. <https://www.rferl.org/a/russian-troops-demarcate-georgian-oil-pipeline/27126985.html>; “Burden of Recognition,” 8; Andrew Higgins, “In Russia’s ‘Frozen Zone,’ a Creeping Border With Georgia,” *The New York Times*, October 23, 2016. <https://www.nytimes.com/2016/10/24/world/europe/in-russias-frozen-zone-a-creeping-border-with-georgia.html>; “Russian military resumes ‘borderisation’ process in South Ossetian conflict zone,” *Jam News*, November 7, 2018. <https://jam-news.net/russian-military-resumes-borderisation-process-in-south-ossetian-conflict-zone/>; “EU Monitoring Mission statement on additional borderisation activities in Atotsi along the Administrative Boundary Line with South Ossetia,” EUMM, November 9, 2018. https://eumm.eu/en/press_and_public_information/press_releases/6509/

of officials whom Tbilisi alleges were culpable for deaths of ethnic Georgians in the two territories and should be made subject to international sanctions.²⁰

As the boundary with South Ossetia is longer and less fixed than the one with Abkhazia, border incidents and detentions are a major issue for the European Union Monitoring Mission, which still keeps 196 monitors in Georgia but is not given access to Abkhazia or South Ossetia.

Economy and society

South Ossetia used to earn its revenue primarily from selling agricultural products in Georgia, and from being a conduit route between Georgia and Russia. Both of those options have been shut down since 2008. The local economy is extremely small, relying on a few businesses producing mineral water, fruit or meat products. (The Ossetian-born conductor Valery Gergiev has reportedly invested in one of these businesses.) Otherwise, the region is almost entirely dependent on Russian financial support. In 2018 the budget was fixed at 7.672 billion roubles (106 million euros), of which 86 percent (6.592 million roubles) came directly from Russia. Even some of the locally generated income in the budget comes indirectly from Russia, being taxes on the local subsidiaries of the Russian companies Gazprom and Megafon.²¹

Much of the budget is spent on an over-large government bureaucracy to the detriment of socio-economic needs. One commentator wrote in 2016:

It is apparent that the grave economic situation in Tskhinvali region affects the social environment and results in the regression of all the vitally important spheres. The situation is particularly important in the healthcare sphere. The salaries of 305 doctors and hundreds of medical personnel are at the level of third world countries (average salary of a doctor is 14,137 rubles or \$214; salaries of medical personnel are far lower). This hampers the motivation for professional development and the desire to work legally. Despite impressive statistical data represented in official documents, there is very high corruption in healthcare and increases of mortality due to the low qualification of doctors. Research conducted in schools and kindergartens highlights an alarming situation in view of the health condition of the future generation; namely the spread of gastrointestinal diseases among juveniles (plus psychological and behavior disorders).²²

Corruption and misappropriation of funds has been a big issue, especially in the first few years after the war. Russia allocated \$840 million in rehabilitation assistance and budgetary support, but much of it was reportedly never spent on projects on the ground. Immediately after the

²⁰ "Georgian autopsy says Tatumashvili sustained over 100 injuries before dying," *OC Media*, June 6, 2018. <https://oc-media.org/georgian-autopsy-says-tatumashvili-sustained-over-100-injuries-before-dying/>

²¹ Draft budget for 2018 available at <http://cominf.org/node/1166514363>; Ilya Zhelgulev, "The independent republic where everything depends on Moscow," *Meduza*, October 9, 2018. <https://meduza.io/en/feature/2018/10/10/the-independent-republic-where-everything-depends-on-moscow>

²² Lia Chlachidze "Tskhinvali's painful past, depressing present and dark future," *Transconflict*, December 21, 2016. <http://www.transconflict.com/2016/12/tskhinvalis-painful-past-depressing-present-and-dark-future-212/>

conflict, in September 2008, Sergei Stepashin, the head of Russia’s Audit Chamber was outspoken about the need to monitor expenditure, saying, “I have just returned from South Ossetia and I wish to state that we need to establish a proper authority there, otherwise all this money will go up in smoke.”²³

However, Stepashin’s agency released a report not long after which said that of about \$55 million in priority aid pledged by Russia, only about \$15 million had been delivered and only \$1.4 million spent. Many reconstruction projects were only ever completed on paper. “Russia’s economic assistance simply dissolved. It was like standing in quicksand,” one Kremlin source told a reporter from the website Meduza. “That aid corrupted people, and it went nowhere.”²⁴

More recently, South Ossetia has become the centre for another scam, this time apparently directly instigated by Russian officialdom. Moscow faced a problem in doing financial transactions with the two eastern Ukrainian “People’s Republics,” the DNR and LNR, which it supported but did not officially recognize. The solution was to route transactions via a bank in South Ossetia—a place Russia recognizes as a foreign country but which is conveniently also the only place in the world to have recognized the two entities.

The “International Settlement Bank,” set up in South Ossetia in 2015, makes bank transfers to companies in the two breakaway territories. Moreover, more than 200 companies from the DNR and LNR are reported to be [registered](#) in South Ossetia, removing direct Russian responsibility from them. In March 2017, all the largest industrial enterprises in the Donetsk region, most of them nominally owned by Ukrainian oligarch Rinat Akhmetov, began to register themselves as branches of Vneshtorgservis, a company incorporated in South Ossetia. According to *Kommersant* newspaper Vneshtorgservis is actually controlled by Sergey Kurchenko, a businessman close to the family of former Ukrainian President Viktor Yanukovich.²⁵

Links with Georgia

Despite the closed border-line, some links with Georgia remain. Inside Georgia, inter-ethnic Georgian-Ossetian relations are generally better than between Georgians and Abkhaz. According to Georgia’s 2014 census there were 14,400 Ossetians living in Georgia proper, mainly in the Kakheti and Shida Kartli regions. This is down from 98,000 (excluding South Ossetia) in 1989. Many Ossetians left Georgia in the Gamsakhurdia years because of

²³ “С.Степашин: Помощь Южной Осетии может ‘улететь в трубу’” [“S.Stepashin: Aid for South Ossetia can go up in smoke,”] *RIA Novosti*, September 24, 2008. <https://www.vedomosti.ru/library/news/2008/09/24/sstepashin-pomosch-yuzhnoj-osetii-mozhet-uletet-v-trubu>

²⁴ Ellen Barry, “Disrepair in South Ossetia Dims Hopes After Georgia War,” *The New York Times*, March 7, 2009. <https://www.nytimes.com/2009/03/08/world/europe/08ossetia.html> ; Vladimir Borsobin, Nigina Beroeva, “Республика исчезнувших миллиардов,” [“The Republic of Vanished Billions”], *Komsomolskaya Pravda*, December 7, 2011, <https://www.kp.ru/daily/25801.4/2781757/>; Zhelgulev, “The independent republic.”

²⁵ Zhelgulev, “The independent republic.”; Ilya Varabanov, Yekaterina Yeremenko, «Партнер у нас один — Российская Федерация» [“We have the same partner—the Russian Federation”] *Kommersant Vlast*, May 6, 2017. <https://www.kommersant.ru/doc/3283539>

discrimination. More recently, according to a 2009 European Centre for Minority Issues report, the “recent decrease in the Ossetian population is largely connected with migration to Russia caused by difficult social conditions rather than ethnic discrimination or oppression. Essentially the issue is one of difficult rural conditions; it is from the villages that most out-migration has occurred, generally to North Ossetia.” The report notes that many Ossetians who remain have assimilated into Georgian society. Inter-marriage has also contributed to assimilation.²⁶

With regard to South Ossetia itself, the example of the years 1992-2004 raises the question of whether, as then, people-to-people relations would resume, if the border were to re-open—despite the experience of 2008 and the strong anti-Georgian propaganda message disseminated by the South Ossetian authorities. A resumption of cross-border trade would instantly provide an incentive for the two communities to collaborate—possibly one reason that it is being restricted.

Cross-border traffic by vehicles is allowed at the small town of Akhgori, which the Tbilisi government lost control of only in 2008. Here, according to an International Crisis Group report there is a strong appetite for collaboration: “In 2017, commerce boomed: long queues of trucks were common, particularly during the summer harvest. An average of twenty per day were passing through the checkpoint to deliver goods from Tbilisi to South Ossetian markets, which have no other source of affordable food. Georgian comestibles cost two or three times more in South Ossetia than at Tbilisi markets, but they are still up to five times cheaper than Russian imports.” At one point, the South Ossetian authorities tried to place restrictions on cargoes, but they backed down.

South Ossetia would also be opened up if Tbilisi and Moscow were to start implementing a deal on transport corridors agreed in 2011 as a condition for Georgia lifting its veto on Russia’s accession to the World Trade Organization. The deal, negotiated by Swiss diplomats, stipulated that three land corridors would operate between Russia and Georgia, two of them crossing the disputed territories of Abkhazia and South Ossetia (which are not named in the agreement, the locations being only indicated by GPS coordinates.) The cargos on the trucks are to be sealed by an international company, now confirmed as the Swiss firm SGS, and monitored electronically on their journey.²⁷

The opening of the new corridors would obviate the need to rely on what is currently the only working Georgian-Russian border crossing at Upper Lars, which is often closed for four or five months of the year because of bad weather. It would increase trade across the mountains, giving an economic boost not just to Georgia and Russia but to Armenia—for whom this is the main land route to the north—and eastern Turkey as well. The Armenian government and Russian business have been lobbying hard for the deal.

²⁶ Giorgi Sordia, “Ossetians in Georgia In the Wake of the 2008 War: ECMI Working Paper # 45,” *ECMI*, September 2009. https://www.ecmi.de/uploads/tx_lfpubdb/working_paper_45_en.pdf

²⁷ “Time to Talk Trade,” *International Crisis Group*, May 24, 2018, 34. <https://www.crisisgroup.org/europe-central-asia/caucasus/georgia/249-abkhazia-and-south-ossetia-time-talk-trade>

However, the deal is unpopular in Abkhazia and South Ossetia. They are not acknowledged as partners in it, even though it would open up borders and provide indirect income and opportunities for more trade at a later point. Former South Ossetian leader Anatoly Bibilov insisted that South Ossetia should have [equal partnership rights](#), something clearly unacceptable in Tbilisi.²⁸

In 2017 and 2018 there were indications that the two sides were close to beginning to operate the South Ossetian route, but Moscow has equivocated, suggesting that political support for South Ossetia thus far trumps broader economic and political considerations in the South Caucasus. The fate of the deal will be an indication of what Russia's intentions are regarding South Ossetia and Georgia more generally.²⁹

²⁸ http://www.mid.ru/ru/kommentarii/-/asset_publisher/2MrVt3CzL5sw/content/id/2776682?p_p_id=101_INSTANCE_2MrVt3CzL5sw&_101_INSTANCE_2MrVt3CzL5sw_languaged=en_GB

²⁹ "Time to Talk Trade,"; Thomas de Waal, "Georgia and Russia Inch Towards a Business Deal," *Carnegie Europe*, November 27, 2017, <https://carnegieeurope.eu/strategieurope/74826>.