

## JURISPRUDENTIAL ANALYSIS OF ILLEGAL MARKET ACTIVITIES IN CONFLICT ZONES OF GEORGIA: THE CASES OF SOUTH OSSETIA AND ABKHAZIA

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**Abstract:** This study examines illegal market activities in Abkhazia and South Ossetia through a jurisprudential lens, highlighting the interaction between contested sovereignty, hybrid governance, and normative law. Georgian domestic legislation, including the Law on Occupied Territories (2008), and international legal regimes; Hague Regulations, Geneva Convention IV, UN Charter, and ECHR provide a formal framework for regulating trade, protecting property, and safeguarding civilian rights. However, de facto authorities, supported by Russian control, operate parallel institutions that sustain shadow economies, smuggling networks, and hybrid governance structures. These informal systems persist because formal law cannot penetrate territories under external occupation or effective control, producing dual normative orders and reinforcing de facto political structures. By mapping empirical evidence of illicit trade flows alongside legal doctrines, the study demonstrates how law remains symbolic yet essential for post-conflict accountability and transitional mechanisms. The paper underscores the need for adaptive legal strategies that reconcile international obligations with on-the-ground realities without legitimizing illicit actors.

**Keywords:** Illicit trade, Occupied territories, Extraterritorial jurisdiction, South Caucasus, Conflict zones

### 1. Introduction

The persistence of illegal market activities in Abkhazia and South Ossetia is not an accidental by-product of conflict but the predictable outcome of institutional collapse and the emergence of alternative power structures. When formal institutions lose the capacity to enforce rules, other actors – political elites, security groups, and local networks – step in to provide order, access, and opportunity (Muradov & Hajiyeva, 2020; 2024). As Acemoglu's institutional framework suggests, areas where the state is absent or contested do not become neutral spaces; they become environments where extractive institutions thrive, reallocating economic benefits to those with coercive or political power. The conflict zones of Georgia are a textbook example of such dynamics. This topic matters because illicit markets in these territories shape far more than local economic behavior. They reinforce de-facto political orders, generate revenue that sustains breakaway regimes, and embed incentives that make the return to legitimate governance increasingly difficult. Illegal markets become self-reinforcing

institutions: once in place, they create constituencies that benefit from weak law enforcement and resist attempts at legal integration (Ledeneva, 1998; Beckert, 2009). Law fails here not simply because borders are contested, but because the institutional architecture required for rule enforcement credible authority, monitoring capacity, and impartial adjudication is fundamentally absent (Muradov & Hajiyeva, 2020; 2024). Georgian law is unenforceable, international law lacks direct mechanisms, and de-facto authorities operate systems designed primarily for political survival, not legal accountability. The illegal markets that have crystallized in Georgia's conflict-affected territories, particularly Abkhazia and South Ossetia, are not merely marginal criminal phenomena but an institutionalized element of these regions' wartime and post-war political economies. Illicit trans-border cooperation in these zones encompasses systematic contraband of fuel, cigarettes and consumer goods, trafficking in wildlife products (notably Caspian caviar), arms and narcotics, as well as informal cross-border labour and property transactions that bypass Georgian state controls (Kukhianidze & Kupatadze, 2004; Kupatadze, 2010). These flows are sustained by a combination of porous or politicized crossing points, patronage networks that link local elites to external patrons, and the practical toleration or direct involvement of security actors; factors that together produce durable shadow economies with profound legal, social, and political consequences (Kupatadze, 2007; Global Initiative, 2025).

Understanding these markets demands a jurisprudential treatment that addresses two interlocking questions: (1) how positive law (national criminal, customs and international rules) is rendered ineffective, displaced or selectively applied in contested jurisdictions; and (2) how normative legitimization, narratives of survival, resistance to perceived marginalization, or claims of collective rights, redefines "illegality" in everyday practice (Ledeneva, 2006). Ledeneva's account of post-Soviet informal practices helps explain why illegal transactions can become normalized: shadow exchanges and systems of reciprocity function as de facto governance, offering social protections and resource access where formal institutions are absent or delegitimized (Ledeneva, 2006). Empirically oriented studies of the Caucasus by Kupatadze and colleagues map how smuggling corridors through Abkhazia and the Tskhinvali/South Ossetia region emerged from wartime ruptures and persisted as sources of livelihoods and rent for de-facto authorities and criminal networks alike (Kukhianidze & Kupatadze, 2004; Kupatadze, 2007). Relevant primary and policy data underline the scope and modalities of trans-border illicit cooperation. Detailed mappings identify principal trafficking commodities, illicit tobacco, sanctioned or restricted goods, caviar, weapons and drugs and major routes linking the Black Sea ports (e.g., Poti, Batumi) with inland trans-shipment points and onward markets in Russia, Türkiye and Europe (Global Initiative, 2025). Historical fieldwork indicates that the closure or sanctioning of legitimate trade often increased smuggling incentives: for example, sanctions and blockades in the 1990s pushed Abkhazia toward shadow trade that in some cases made low-priced timber and coal exports lucrative to foreign buyers (Kukhianidze & Kupatadze, 2004). Recent regional reporting documents continuing constraints on lawful movement and trade: the Council of Europe reported 2,157 average daily crossings at the Enguri bridge (and 103 at a smaller pedestrian point) during 2023 and recorded dozens of "borderisation" incidents and dozens of illegal detentions phenomena which interact with illicit markets by both constraining lawful commerce and empowering informal channels (Council of Europe, 2024).

Jurisprudentially, three analytic frames are helpful. A sovereignty/rule-of-law frame focuses on jurisdictional vacuums and enforcement gaps: Georgian criminal law is difficult to apply when investigators cannot access de-facto controlled territory, meaning that crimes that transit or originate in those zones go unprosecuted (Kukhianidze & Kupatadze, 2004). A legitimacy/normalization frame foregrounds how local actors re-interpret legal prohibitions as illegitimate constraints on survival or political autonomy (Ledeneva, 2006). A pluralism/embeddedness frame recognizes that transactions are governed by hybrid rules, a mixture of formal, customary and extra-legal norms and thus that legal remedies need to account for competing normative orders (Kupatadze, 2010). The literature nonetheless leaves important lacunae. Field access limitations and political sensitivities have produced episodic evidence rather than continuous legal case studies; doctrinal legal analyses (who bears responsibility under occupation/occupation-law doctrines, remedies for victims, procedures for cross-line prosecutions) are thin relative to rich descriptive accounts of smuggling patterns. Recent work (Global Initiative, 2025) begins to reconnect criminal mapping with state-responsibility questions, but doctrinal jurisprudence on how to re-legalize or transitionally regulate entrenched illicit markets, while protecting human rights and avoiding perverse legitimization of illicit actors remains underdeveloped. This paper therefore aims to bridge empirical mapping and legal theory: tracing concrete trans-border modalities (goods, routes, actors, enforcement data) while subjecting them to jurisprudential scrutiny about legal reach, legitimacy, and remedial options for restoring rule of law without deepening vulnerability or renewing conflict (Kukhianidze & Kupatadze, 2004; Kupatadze, 2007; Ledeneva, 2006; Global Initiative, 2025; Council of Europe, 2024).

## **2. From Post-Soviet Fragmentation to Informal Economies: Historical Context of Abkhazia and South Ossetia**

In 1991, following the collapse of the Soviet Union, the newly independent Georgia faced the resurgence of separatist movements within its territory, most prominently in Abkhazia and South Ossetia. Both regions proclaimed breakaway status during the early 1990s. South Ossetia declared independence in 1992, and Abkhazia followed after the 1992–1993 war (Amnesty International, 2008). Despite constitutions and de-facto state institutions, these entities never secured wide international recognition (Discover Abkhazia, 2024). As a result, Abkhazia and South Ossetia operate in a state of ambiguous sovereignty: they exercise internal governance but lack full external legitimacy in the international system.

The demographic transformations in both regions have been dramatic. According to the 1989 Soviet census, Abkhazia's population was about 525,061, of which roughly 45.7% were ethnic Georgians and 17.8% were ethnic Abkhazians (ICJ, 2011). By 2011, local authorities in Abkhazia estimated the total population at around 240,000, with substantially fewer ethnic Georgians (EveryCRSReport, 2023). Similarly, South Ossetia's population declined from approximately 98,500 in 1989 (66% Ossetian, 29% Georgian) to roughly 54,000 by 2015, with most Georgians displaced (OSW, 2018; EveryCRSReport, 2023). These demographic upheavals reflect not only the human cost of conflict but also the socio-political transformation that shaped these territories into ethnically more homogeneous de-facto polities.

Because of their contested status, both Abkhazia and South Ossetia rely heavily on external patronage, principally from the Russian Federation. Moscow formally recognized both breakaway entities in 2008, following the brief war with Georgia; that recognition deepened their political and economic dependence on Russia (EADaily, 2025). In response, the Georgian government severed diplomatic ties with Russia and pursued policies to isolate the breakaway regions, including a sea blockade on Abkhazia (Discover Abkhazia, 2024). The blockade aimed to cut off direct trade links and assert Tbilisi's stance on territorial integrity but in practice, it contributed to the growth of informal trade networks operating outside formal channels (Discover Abkhazia, 2024). Since the blockade and official non-recognition, informal cross-border economic activity between Russia and the breakaway regions has increased. Despite official bans on trade or economic interaction between Georgia and these territories including prohibitions on customs declarations, certificates of origin, and other formal trade documents for goods produced in Abkhazia or South Ossetia smuggling and informal exchange have thrived. Georgian state controls attempt to prevent goods from these regions entering Georgian markets legally; for instance, products bearing Abkhaz or South Ossetian labels are often barred from Georgian shops, or penalized if they enter via unofficial routes (Discover Abkhazia, 2024).

This environment of legal prohibition coexists with economic necessity and political reality. In Abkhazia and South Ossetia, de-facto authorities backed by Russian support rely on informal trade, patronage, and external subsidies to sustain their institutions and provide limited public services. Given the lack of recognized sovereignty, formal legal and customs systems remain mostly inoperative. As a result, informal markets and smuggling become not only economic practices but structural elements of governance. The absence of enforceable law, combined with population displacement and demographic change, makes formal reintegration difficult and the informal economy persistent. The political and historical background thus has direct implications for trade, governance, and law. The combination of demographic disruption, contested sovereignty, external (Russian) protection, and official isolation by Georgia produces a context in which informal economic structures and shadow trade networks become both necessary and normalized.

### **3. Legal Governance and Informal Trade in Abkhazia and South Ossetia**

The governance of trade in Abkhazia and South Ossetia exemplifies the complex challenges of enforcing law in partially recognized or unrecognized territories. Following the 2008 Russo-Georgian War, the Georgian Parliament adopted the "Law on Occupied Territories," strengthening restrictions on economic activity in these regions. Under Article 5 of the law, Georgia asserted that "the right of intellectual property within the occupied territories shall be protected and shall be controlled within the legal regulation of Georgia" (Law of Georgia on Occupied Territories, 2008). While primarily targeting IP rights, the law reflects a broader attempt by Tbilisi to exercise jurisdiction over economic, trade, and administrative matters in territories outside its effective control. (*See Annex 1 below*)

The law establishes dual restrictions: foreign businesses must obtain authorization to operate in these regions, and all trade flows are subject to formal approval. Violations are treated as criminal offenses, reflecting Georgia's legal classification of unauthorized commercial activity as smuggling. Despite these restrictions, exceptions have been introduced

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for strategic commodities, notably Abkhazia's hazelnut exports. In 2015, the de facto authorities of Abkhazia authorized the collection and transport of hazelnuts across the Inguri Bridge, reflecting the tension between economic necessity and legal restrictions. By 2017, Abkhazia ranked sixth globally in hazelnut production, underscoring the socio-economic significance of informal trade (FAO, 2017). Enforcement however, remains limited due to territorial realities. The Inguri checkpoint, the primary land link between Georgia and Abkhazia, operates under a hybrid regime: Russian and Abkhaz guards verify documents, local customs levy tariffs, and informal bribery is widespread.

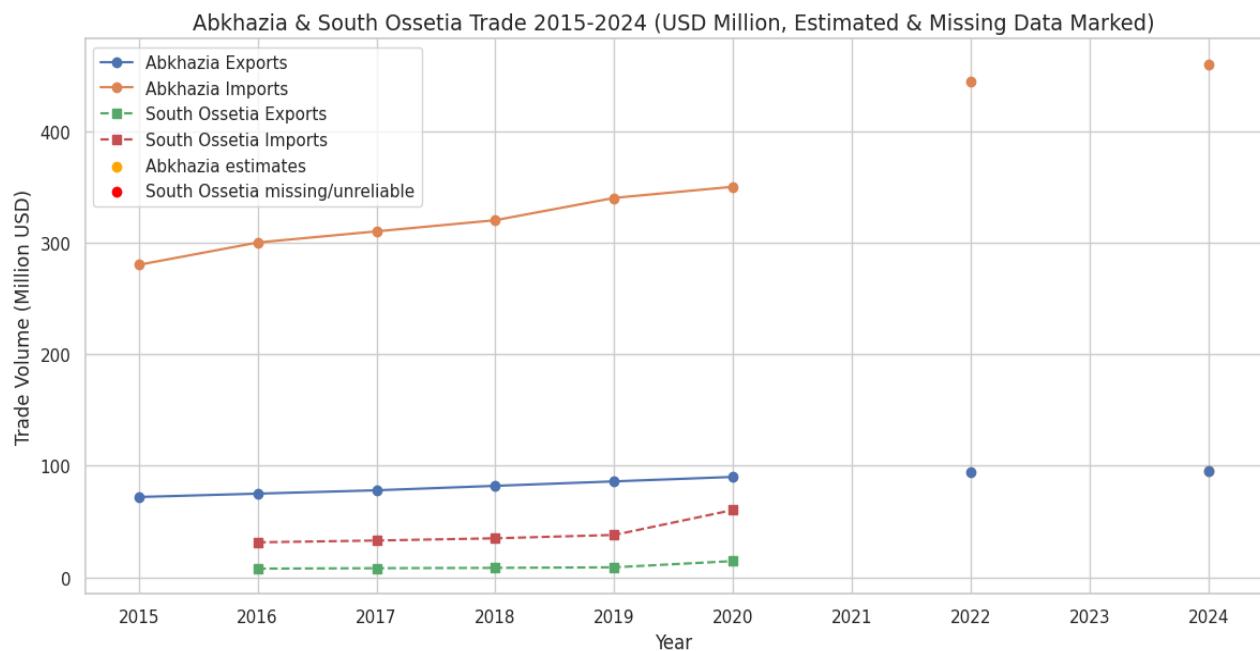
**Table 1. Legal Frameworks Governing Trade and Illegality in Abkhazia and South Ossetia**

Legal Instrument / Case	Year	Scope / Relevance	Application to Abkhazia & South Ossetia	Key Provisions / Implications
Law of Georgia on Occupied Territories	2008	National law regulating trade, IP, and foreign business in occupied regions	Regulates trade and IP rights; criminalizes unauthorized commerce; requires permits for foreign businesses	Article 5 protects IP rights; trade without authorization is illegal; strategic exemptions (hazelnut exports)
Hague Convention IV (Laws and Customs of War on Land)	1907	International law on occupation and administration of property	Provides basis for Georgia's normative claim over occupied territories	Article 55: Occupying power must preserve property and prevent unlawful seizure
Geneva Convention IV (Protection of Civilian Persons in War)	1949	International humanitarian law protecting civilians and property in occupied territories	Provides international obligation to protect property rights and civilian welfare	Article 147: Prohibits pillage; Article 27–28: Ensures protection of property and civilian rights
UN Charter	1945	International legal principle of state sovereignty and territorial integrity	Supports Georgia's claim over Abkhazia and South Ossetia; prohibits use of force by external powers	Article 2(4): Prohibition of aggression; Article 1: Respect for sovereignty
UN Security Council Resolutions	Various, 1992–present	Conflict resolution, protection of civilians, territorial integrity	Emphasizes Georgian sovereignty and obligations of external powers	Repeatedly affirms protection of civilians and legality of Georgian territorial claims
Case: Legal Status of Kosovo Advisory Opinion (ICJ)	2010	Advisory opinion on declaration of independence by unrecognized entities	Provides jurisprudential reference for legality of acts by de facto authorities vs. recognized states	Confirms that unilateral declarations do not violate international law if outside UN Security Council purview; relevance for assessing actions of Abkhazia/South Ossetia authorities
International Tribunal / Smuggling Cases	Various	Enforcement of trade and anti-smuggling laws in conflict areas	Illustrates practical enforcement challenges of illegal trade	Shows grey economy, corruption, and legal loopholes in unrecognized or occupied territories

**Source:** Compiled by author based on Georgian legislation, international law frameworks (Hague Convention IV, Geneva Convention IV, UN Charter), ICJ Kosovo Advisory Opinion, FAO trade data, and secondary literature on Abkhazia and South Ossetia trade governance.

From a jurisprudential and international law perspective, several frameworks are relevant. Under the 1907 Hague Regulations and 1949 Geneva Conventions, occupying powers are obligated to maintain public order, respect private property, and ensure civilian protection (Hague Convention IV, 1907; Geneva Convention IV, 1949). Article 55 of the Hague Regulations mandates that the administration of property during occupation should preserve its value and prevent unlawful seizure. Complementarily, Article 147 of the Geneva Convention IV prohibits pillage and exploitation of resources in occupied territories. These provisions collectively reinforce Georgia's normative claim to regulate trade and property, even in areas where practical enforcement is constrained. In addition, the UN Charter provides that all member states should refrain from the use of force against the territorial integrity or political independence of other states (Article 2(4), UN Charter, 1945), providing a legal basis for Georgia's opposition to Russian military and economic influence in Abkhazia and South Ossetia. The UN Security Council has repeatedly affirmed the importance of sovereignty, territorial integrity, and protection of civilians in conflict zones, emphasizing the legal obligations of both occupying and external powers to prevent exploitation and ensure security.

**Chart 1. Abkhazia and South Ossetia Trade 2015-2024 (USD Million, Estimated and Missing data Marked)**



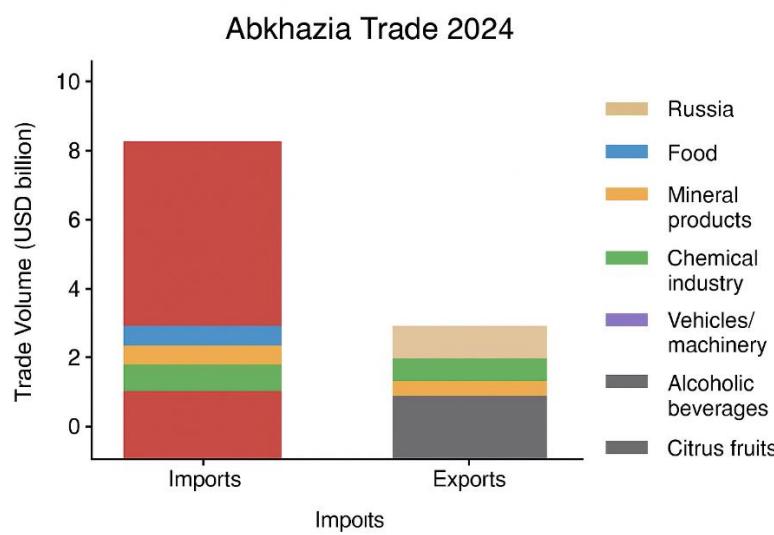
**Source:** AbkhazWorld 2022; Tadviser 2024 estimates; Sciendo 2022; Eurasianet 2020.

**Note.** *Trade data for Abkhazia and South Ossetia illustrate the challenges of analyzing economic activity in partially recognized regions. For Abkhazia, 2022 figures, drawn from the de facto customs authority and Russian-language reporting, provide the most recent estimates of exports and imports, yet these data are subject to limited external auditing. Post-2022 values for 2023–2024 are not independently verified and should therefore be treated as indicative rather than definitive. In South Ossetia, empirical data are only publicly available up to 2020, while reports suggesting a doubling of trade turnover between 2013 and 2021 rely on Russian regional data and are not peer-reviewed. Such figures likely underrepresent informal trade, smuggling, and other unrecorded cross-border flows. Overall, there exists no comprehensive, internationally verified time series for either region covering 2021–2024, and detailed breakdowns by commodity, partner country (beyond Russia), or formal versus informal channels remain unavailable. These limitations highlight the need for cautious interpretation and contextualization when assessing trade trends in these territories.*

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The chart illustrates the trade dynamics of Abkhazia and South Ossetia from 2015 to 2024, showing exports and imports in million USD. For Abkhazia, exports increased from 72 million USD in 2015 to 93.9 million USD in 2022, with an estimated 95 million USD in 2024, while imports rose from 280 million USD to 444.7 million USD, reaching an estimated 460 million USD in 2024. South Ossetia's trade data is reliable only up to 2020, with exports growing from 7.8 million USD to 14.6 million USD and imports from 31.4 million USD to 60.4 million USD. Post-2020 South Ossetia data and 2023–2024 Abkhazia data are estimates or unavailable, reflecting limited reporting, informal trade, and political constraints. The chart uses visual markers to distinguish verified data from estimates or missing values, allowing accurate interpretation of trade trends while highlighting data limitations.

**Diagram 1. Abkhazia Trade 2024.**



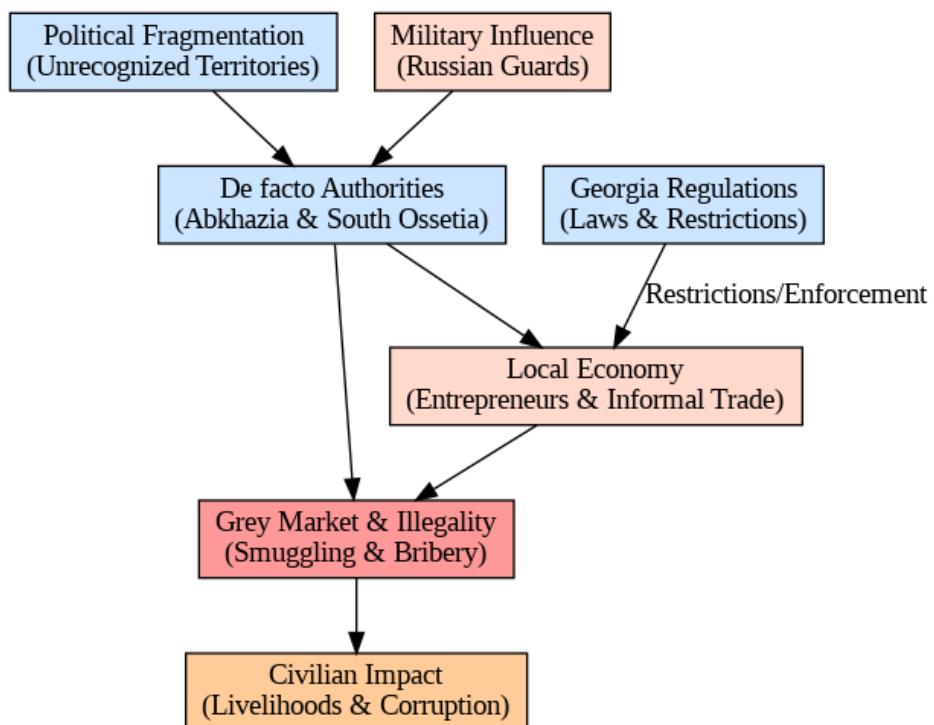
**Source:** AbkhazWorld, Tadviser 2024 estimates.

**Note.** Due to the absence of up-to-date and disaggregated trade data for South Ossetia post-2020, any detailed breakdown of main trade partners or commodity flows would be purely speculative; analyses therefore rely on aggregate trade figures and qualitative contextualization. It is important to note that, given Abkhazia's status as a conflict zone with a partially recognized government and reliance on Russian-supported authorities, data on trade and economic activity may be incomplete, manipulated, or selectively reported. As such, any interpretation of these figures should be treated with caution, as they may not fully reflect actual economic realities and could be speculative (TAdviser, 2025).

According to a 2025 report by the Russian-language website TAdviser, in 2024 approximately 72 % of Abkhazia's total trade turnover was with the Russian Federation, of which about 82 % was imports and 18 % exports (TAdviser, 2025). Among imports from Russia, the largest categories by value included food products (8.95 bn rubles), mineral products (7.31 bn), vehicles and machinery (4.57 bn), chemical-industry products (3.1 bn), metals (2.7 bn), and wood products (1.3 bn) (TAdviser, 2025). On the export side, Abkhazia's main goods shipped to Russia were alcoholic beverages ( $\approx 3.08$  bn rubles), citrus fruits ( $\approx 2.18$  bn), and textiles ( $\approx 1.31$  bn), with other products totaling approximately 714.3 mln rubles (TAdviser, 2025). Notably, alcoholic beverages alone accounted for roughly 42 % of all exports to Russia (TAdviser, 2025).

Military and security considerations further complicate legal enforcement. Russian presence and military deployments in Abkhazia and South Ossetia ensure de facto control, effectively neutralizing Georgian administrative authority. According to international humanitarian law (IHL), occupying powers must ensure the security and welfare of civilian populations while administering territories (Geneva Convention IV, 1949). The hybrid governance model involving informal markets, bribery, and parallel customs regimes demonstrates how legal frameworks are challenged by military realities and the dual authority of de facto regimes and external patrons. The paradox of legality in these regions is therefore twofold. Georgian law and international legal norms demand the protection of property and regulation of trade, while political fragmentation, lack of recognition, and Russian security control render enforcement partial and inconsistent. The widespread use of the Russian ruble and designation of Georgian products as Russian further exemplify the erosion of formal legal authority.

**Diagram 2. Illegal Trade and Governance in Abkhazia & South Ossetia**



**Source:** Compiled by Author from FAO (2017), Law of Georgia on Occupied Territories (2008), field reports, and academic analyses.

From a jurisprudential standpoint, this case illustrates the normative importance of law as both symbolic and practical. Even in territories where de facto authorities and external powers dominate, the existence of legal frameworks rooted in domestic legislation, the Hague and Geneva Conventions, UN norms, and IHL serves as a reference point for post-conflict governance, conflict resolution, and protection of civilian and commercial interests. It emphasizes the need for adaptive legal mechanisms capable of reconciling international obligations with on-the-ground realities in contested or vulnerable regions. In conclusion, the legal governance of trade in Abkhazia and South Ossetia highlights the tension between normative law and political reality. Georgian legislation, supported by international

legal standards, asserts jurisdiction over occupied territories and attempts to regulate trade, prevent smuggling, and protect property rights. However, practical enforcement is constrained by military realities, de facto governance, and informal economic networks, underscores the challenges of maintaining legal authority in unrecognized or partially recognized territories while demonstrating the enduring normative and institutional significance of law in conflict-affected regions.

#### **4. Political, Economic, and Security Environment in the Occupied Territories**

Since the 2008 Russian-Georgian war and the subsequent recognition of Abkhazia and South Ossetia by Moscow, Russia has established firm political, military, and economic control over these territories. Despite repeated warnings from Western powers, the Kremlin achieved de facto control, recognizing the so-called Republic of Abkhazia and Republic of South Ossetia as “sovereign states,” although the international community largely rejects this status due to ongoing Russian encroachment (Heritage Foundation, 2024). Economically, the territories were integrated into the Russian sphere with minimal internal development. Post-war corruption, destruction of infrastructure, and population decline severely constrained local economic activity (Beckert, 2016). Russia’s approach reflects a broader Eurasian geopolitical strategy, comparable to its interventions in Transnistria and Crimea, where Moscow employs military, political, and economic instruments to consolidate influence over post-Soviet regions (Ledenova, 2013).

Militarily, Russia maintains a substantial presence in both territories. As of 2025, Russian troops and equipment remain stationed in Abkhazia and South Ossetia, forming a permanent occupation infrastructure (Eurasianet, 2025). These forces, supported by armored vehicles, tactical missile systems, and anti-aircraft units, secure the regions and enable hybrid governance mechanisms (Ukrinform, 2025). Russia has also used cyber operations and soft power to shape local sentiment. Even before the 2008 conflict, cyberattacks targeted South Ossetia and Abkhazia, while Russian-language media, NGOs, and propaganda campaigns reinforced pro-Russian attitudes (Heritage Foundation, 2024). Local reactions to Russian influence vary. In South Ossetia, pro-Russian sentiment is strong, driven by historical and cultural ties to North Ossetia and aspirations for reunification with Russia (Beckert, 2016). In contrast, Abkhazia shows greater caution toward full integration with Russia. In 2024, the Abkhaz parliament rejected a Russian investment agreement, triggering mass protests and the resignation of the incumbent leader (Euronews, 2024). The subsequent snap election led to Moscow’s recognition of the new president, Badra Gunba, highlighting continued Russian involvement in political transitions (The Moscow Times, 2025a).

Economic dependence on Russia remains pronounced. In 2025, Russia resumed regular flights to Sukhumi, restoring critical transport and trade routes, and provided humanitarian electricity to mitigate energy shortages (KRRO, 2025; The Moscow Times, 2024b). South Ossetia similarly relies on the Russian ruble and cross-border trade with Russia, circumventing Georgian oversight. These developments demonstrate the consolidation of hybrid economic systems under Moscow’s influence (Ledenova, 2013).

#### **5. Jurisprudence in the Shadows**

The persistence of illegal market activities and hybrid governance in Abkhazia and South Ossetia raises a fundamental legal and normative dilemma: how can domestic and international law assert authority, protect rights, and regulate trade in territories where formal sovereignty is absent and effective control is exercised by external powers? Specifically, if Georgian law and international humanitarian norms are well-established, why do they fail to prevent smuggling, illicit economic practices, and informal governance structures, and what legal mechanisms could realistically restore normative order without inadvertently legitimizing de facto authorities? This question is not merely theoretical; it strikes at the heart of contemporary debates on extraterritoriality, occupation law, and the limits of legal reach in contested or partially recognized regions (HRW, 2008; ECtHR, 2021; ICRC, 2020).

The normative legal framework applicable to Abkhazia and South Ossetia combines Georgian domestic legislation (notably the Law on Occupied Territories, 2008) with international legal regimes, including the Hague Regulations of 1907, Geneva Convention IV (1949), and international human-rights instruments such as the European Convention on Human Rights (ECHR) (HRW, 2008; ICRC, 2020). Once a foreign armed force exerts effective control over a territory, even absent active hostilities, occupation law applies, and the occupying power assumes obligations to maintain public order, protect civilians, and preserve property (HRW, 2008). Georgian domestic law, while relevant in principle, faces a practical enforcement gap due to lack of territorial control. De facto authorities, supported by Russia, operate customs, security posts, and border crossings, leaving Georgia's regulations largely symbolic (RULAC, 2024). Under international law, the concept of *effective control* can establish extraterritorial jurisdiction; the European Court of Human Rights in *Georgia v. Russia (II)* found that Russia exercised effective control over Abkhazia and South Ossetia since August 2008, thereby bearing responsibility for human-rights obligations in these regions (ECtHR, 2021). This effective-control doctrine demonstrates two implications. First, international human-rights law applies extraterritorially, opening accountability pathways beyond domestic Georgian law (ECtHR, 2021). Second, it highlights that legal frameworks cannot legitimize de facto authorities or establish stable regulatory regimes where hybrid governance dominates. Occupation law is intended for temporary administration, not long-term frozen conflicts, making enforcement of property, trade, and business regulations extremely difficult (ICRC, 2020; RULAC, 2024).

Consequently, informal economies and shadow governance systems thrive. Residents and businesses operate under dual or conflicting normative orders, often relying on de facto rules enforced by local elites or foreign patrons. This situation undermines property rights, weakens legal predictability, and hinders reintegration or post-conflict recovery (HRW, 2008; ECtHR, 2021). The existence of a normative legal framework matters because it sets standards, guides transitional justice mechanisms, and forms a reference for conflict resolution, even when enforcement is limited (Strasbourg Observers, 2024). To conclude, Georgian law, international humanitarian law, and human-rights instruments provide a clear condemnation of illicit trade, exploitation, and abuse in Abkhazia and South Ossetia. However, without territorial access, credible enforcement, and transitional legal mechanisms, these laws remain largely symbolic. Their inability to legitimize local authorities or restore order demonstrates the central challenge of law in contested and hybrid governance environments (HRW, 2008; ECtHR, 2021; Strasbourg Observers, 2024).

## 6. Conclusions

In Abkhazia and South Ossetia, the interplay between contested sovereignty, de facto governance, and informal economic activity illustrates how weak institutions create persistent economic and legal distortions. Formal legal frameworks Georgian law, international humanitarian law, and human-rights instruments establish clear obligations to protect property, regulate trade, and safeguard civilian welfare. Yet, when authority is contested and external actors exercise effective control, these norms remain largely unenforceable. The extraterritorial reach of human-rights law highlights that accountability can extend beyond borders, but domestic legislation in the absence of enforcement becomes largely symbolic. Shadow economies emerge not as random criminal activity but as an adaptive response to institutional voids, providing livelihoods while reinforcing hybrid regimes. Without mechanisms that align legal authority with on-the-ground incentives, enforcement is ineffective, and informal networks entrench themselves. Transitional and hybrid legal frameworks grounded in occupation law, extraterritorial obligations, and adaptive regulatory mechanisms offer the most feasible path to restore normative order without legitimizing illicit actors. These cases demonstrate the broader lesson: when institutions fail, informal structures substitute for governance, and law as a normative ideal diverges sharply from law as an enforceable instrument.

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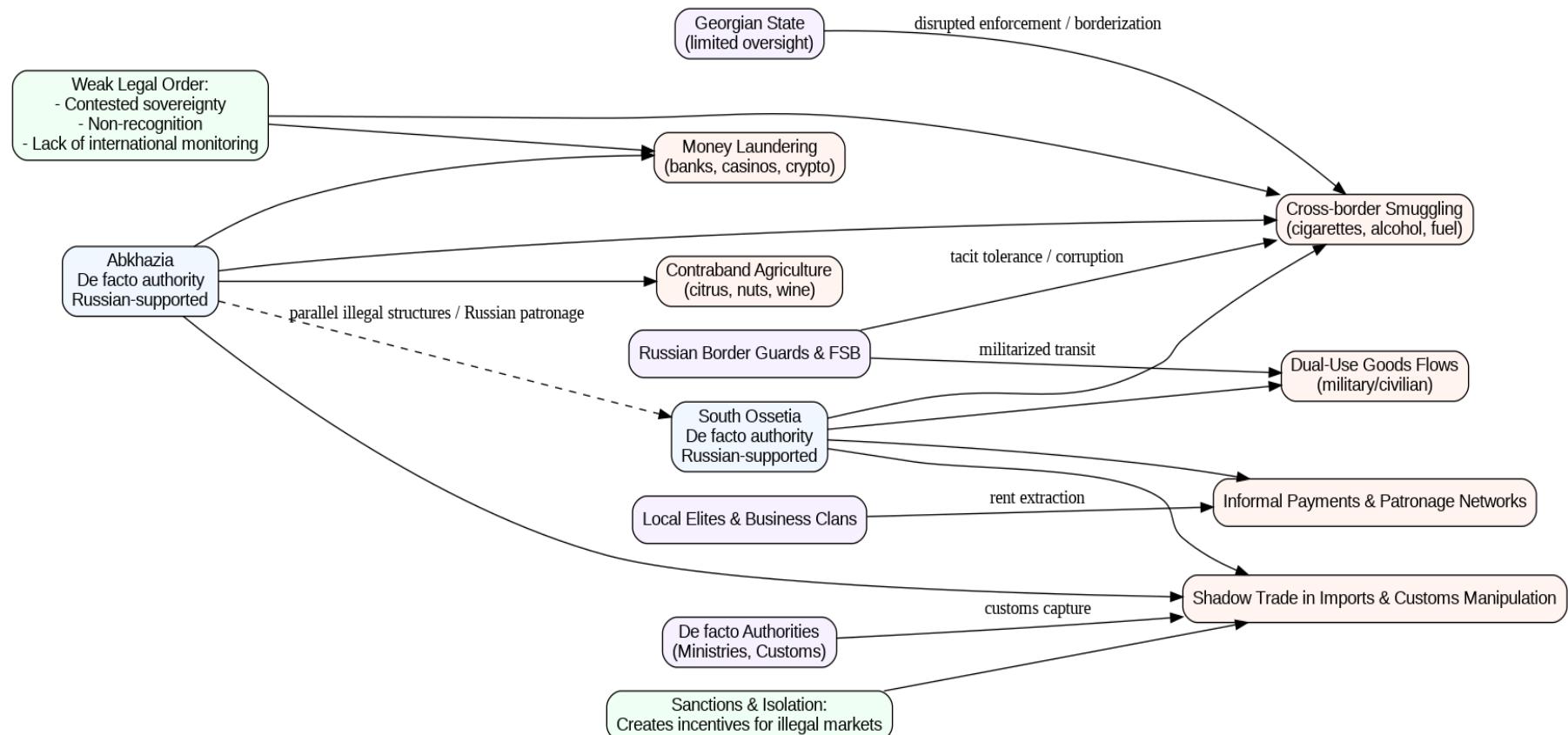
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**Annex 1.** The Graphviz code constructs a visual “illegality map” of Abkhazia and South Ossetia, illustrating key actors, illegal economic activities, and structural conditions. The diagram uses nodes to represent territories, illegal economy sectors (such as smuggling, shadow trade, contraband agriculture, dual-use goods flows, informal payments, and money laundering), and influencing actors (Russian border authorities, de facto local governments, local elites, and the Georgian state). Additional nodes depict structural factors like weak legal order and international sanctions, highlighting the systemic conditions that enable illegality. Directed edges indicate causal or supportive relationships, showing how actors influence illegal activities and how territories share parallel illicit structures under Russian patronage. Nodes are color-coded to differentiate categories, and line breaks in labels improve readability.



**Source:** Trained in ML/Google Collab, composed by the author.