

# CIVIL INSIGHT

**Cargo Terminal in Gali: Potential  
Sanctions Loophole?**



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## 1. About us

# Meeting challenges by expanding our breadth and focus

You are reading the fifth issue of Civil Insight, a publication by the network of researchers, journalists and practitioners with deep professional knowledge of the South Caucasus, Eastern Europe and Central Asia regions.

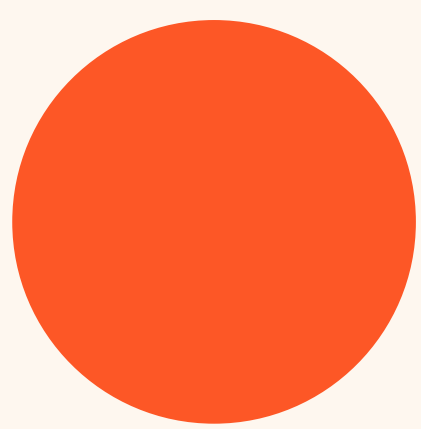
The publication is born from the professional network created by **Civil Georgia (Civil.ge)**, the leading Georgian English-language outlet, its networks and alumni from some 25 years of operation.

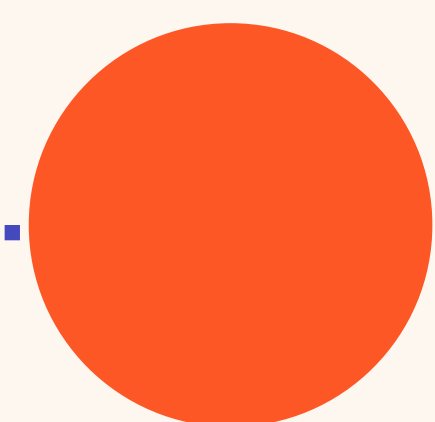
Civil Insight brings you an actionable perspective on the politico-economic context and trends. It is intended for policy-makers and as a reference accompaniment to the field practitioners.

Our mission is to contribute to informed decision-making, and we strive to tap into the best possible expertise available on the ground.

For each issue of the insight, we conduct meetings, interviews, and cross-check our Main Insight with active professionals who review and comment the initial draft.

We are happy to hear your comments.





## 2. Main Insight

### Cargo Terminal in Gali: Sanctions Loophole?

#### What is happening

On February 12, Russian Deputy Prime Minister Alexey Overchuk said that efforts are underway to reopen all disrupted transport routes in the Caucasus, including exploring the possibility of restoring the railway connection between Russia and Georgia via Abkhazia. The Georgian Railways commented that “no discussions” to this effect are ongoing, but government officials in Tbilisi made no comment.

#### Significance

The Overchuk statement revived a controversy regarding the construction of the cargo terminal in Gali, occupied Abkhazia, close to the administrative boundary line. It seems increasingly likely that the construction of the terminal was done with knowledge of all key stakeholders - Moscow, Sokhumi, and at least a tacit approval from Tbilisi.

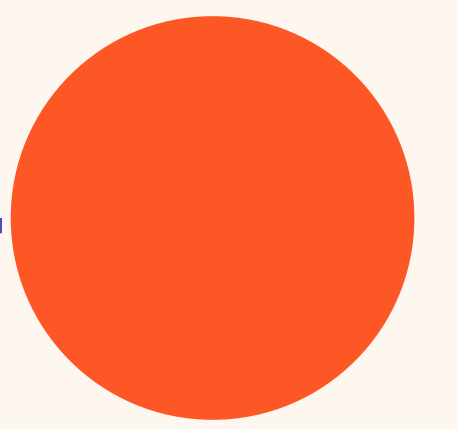
#### Impact:

Even if the terminal was initially discussed as a potential loophole for bypassing sanctions, the analysis below suggests that such a scenario would now be detrimental to the Georgian government, although it cannot be entirely ruled out. If the terminal indeed points to behind-the-scenes consultations between Tbilisi and Moscow on the restoration of transit, any sanctions circumvention, even on a limited scale, will get out of control.

The immediate impact of the terminal is difficult to predict, as there is still no clear vision for its future operation. If materialised, a successful launch of limited on-road transit may subsequently pave the way for its expansion and even the restoration of railway

connections, which would represent a game-changer not only from a conflict-resolution perspective in Georgia, but also in terms of broader regional connectivity and Russia’s weakened role in the region.

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# Analysis

The construction of the terminal in Gali, near the Enguri Bridge, apparently started shortly after Russia's full-scale aggression against Ukraine in 2022, but was never officially announced. Construction was suspended shortly thereafter.

Last year, the Abkhaz Telegram channels began actively disseminating information that the terminal in Gali had been completed and would soon become operational. At the time, according to reports, approximately 80% of the terminal's construction had been completed, with only the technical equipment, including scanners and X-ray machines, remaining to be installed.

It was widely assumed by the expert community and commentators, that if opened, the terminal would help Russia circumvent sanctions by cutting more efficient direct transport link via Georgia to Turkey and Central Asia.

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# Did Georgia help Russia circumvent sanctions?

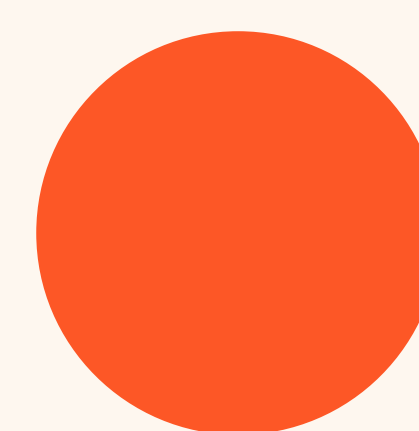
After the West imposed sanctions on Russia following its full-scale aggression against Ukraine in 2022, opposition and critical experts often accused the Georgian Dream government of aiding the Kremlin in circumventing sanctions, but most of the evidence has been indirect. Neither the EU nor the United States have officially accused Georgia of violating sanctions, and none of Georgia's legal entities or individuals have been sanctioned. Several elements exist nonetheless that point to the potential channels that Russia may use for sanctions circumvention.

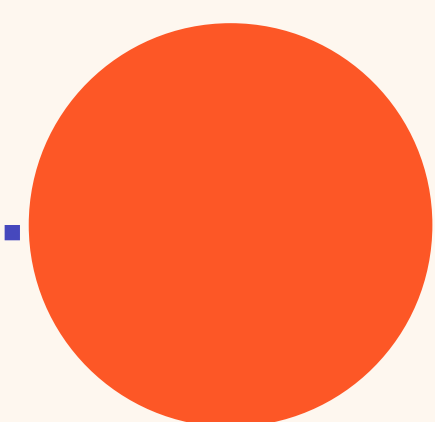
- Several investigative reports demonstrated conclusively the re-export of cars and trailers that were formally registered in Georgia as exports to third countries (including Kyrgyzstan and Kazakhstan), but were in practice delivered to Russia. Last December, the Russian analytical agency *Autostat* reported that since the beginning of the year, 34,600 used passenger cars had been imported from Georgia to Russia. At the same time, data from Georgia's National Statistics Office show that only eight cars were officially exported from Georgia to Russia between January and October.
- In 2023, James O'Brien, Head of the U.S. Department of State's Office of Sanctions Coordination, drew attention to the increase in the transit of critical electrical equipment to Russia, including via Georgia. He also noted that the United States is working systematically with the Georgian government to identify the most sensitive items and to halt their export.
- Most recently, the potential use of the Kulevi terminal for exporting Russian oil to European countries captured attention, due to discrepancies in export statistics and sightings of the suspected "shadow fleet" tankers. The information about the possible inclusion of the Kulevi terminal in the EU's 20th sanctions package is yet to be officially verified.

The most recent EU Enlargement Report on Georgia underlines that Georgia did not align with restrictive measures related to Russia and significantly increased direct flights to multiple destinations in Russia. This clearly conflicts with the EU's Common Foreign and Security Policy (CFSP), but does not, in itself, constitute a sanctions violation. The report further notes that cooperation aimed at preventing the use of Georgia's territory and/or legal entities registered in Georgia for sanctions circumvention requires improvement, and that legislation permitting the tax-free transfer of offshore funds into Georgia increases the risk of sanctions circumvention.

Earlier, the EU Sanctions Envoy, David O'Sullivan, acknowledged the steps already taken to prevent the circumvention of EU sanctions vis-à-vis Russia and thanked the Georgian authorities for their efforts to halt the re-export of Common High Priority items previously shared with the Georgian Dream government, containing dual-use goods and advanced technology subject to export restrictions. He requested Tbilisi to ban the re-export of Economically Critical Goods originating from the EU countries.

*If Tbilisi were to agree to transit arrangement, it would have to, as a minimum, show its citizens some benefit such as promoting trade and engagement/facilitating movement across the boundary line.*





# Gali Terminal: Key Insights

From what is known based on Abkhazian reports, freight vehicles and drivers will be allowed to enter Abkhazia, unload at the Ochamchire terminal, and go back, or, alternatively, proceed to the Psou checkpoint with Russia, subject to security checks. In the longer term, the Gali terminal is planned to be linked with the facility in Ochamchire, as the existing road infrastructure in Abkhazia cannot yet accommodate heavy truck traffic. Cargo will reportedly consist of consumer goods, including household appliances and vegetables.

The container terminal in Ochamchire, completed at the end of 2024, was financed with Russian funds, but the new facility is a private investment of Abkhaz and Russian entrepreneurs.

The terminal project was planned with the support of Andrey Belianinov, Secretary General of the Assembly of the Peoples of the World, who had previously served as the Head of the Russian Federal Customs Service and the Chairman of the Board of the Eurasian Development Bank. To facilitate the project's smooth implementation, an Assembly office was established in Abkhazia and headed by Astamur Akhsalba, who also serves as the Director General of the transit and logistics company responsible for the project. Before his name surfaced in connection to this project, Akhsalba was largely unknown to Abkhaz society.

Akhsalba outlined the main features of the newly constructed “transit hub” in an interview with the Russian government-sponsored news agency Sputnik Abkhazia. He said:

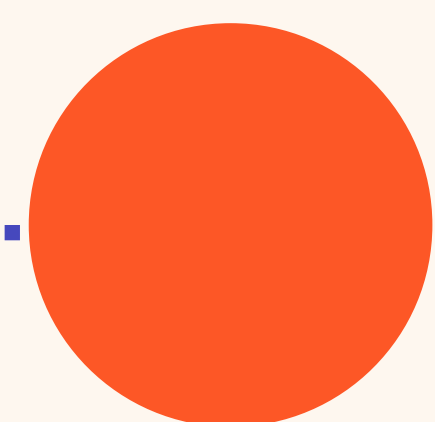
- The idea of establishing a transport hub dates back several years and is rooted in Moscow-Sokhumi agreements (**Note:** the 2010 customs cooperation agreement provides for the simplified movement of goods and vehicles, mutual recognition of customs documents, and related procedures). Following Russia's full-scale invasion of Ukraine, the project gained particular importance for Moscow.
- Due to the “complex geopolitical environment,” the construction of the cargo

terminal was deliberately kept low-profile to safeguard the project and ensure its successful launch. The project has received approval from the relevant Russian and Abkhaz services.

- Estimating the financial impact remains difficult given Abkhazia's unresolved international status and the broader geopolitical context. At an early stage, annual revenue from transit duties and taxes is projected at approximately 300 million rubles (around USD 4 million).
- Potential users of the transit corridor already engaged in discussions include Iran, India, and Azerbaijan, all interested in the shortest routes to southern Russia. Some unnamed European states seeking to trade with Russia despite sanctions have also reportedly expressed interest. While the interested states may face legal and customs obstacles given the lack of Abkhazia's international status, these issues are being addressed, with Russia guaranteeing the security of goods. Participation of Georgian citizens and vehicles with Georgian license plates is categorically excluded until at least a formal agreement on the non-use of force is reached.
- Akhsalba deflected a question on whether Georgian-origin goods will be allowed to enter Abkhazia, stating instead that the project is currently focused on global transit operations.

Even at first glance, several of these statements seem illogical. Azerbaijan, which shares border with Russia, is unlikely to benefit from using this transit route. For other legal international traders, too, the route will be risky, given political and legal uncertainties, especially if Tbilisi does not clear it. Even less logical is for the European states to trade with Russia (legally or semi-legally) through Abkhazia simply due to geography – much shorter routes could be found.

And finally, if Tbilisi were to agree to transit arrangement, it would have to, as a minimum, show its citizens some benefit such as promoting trade and engagement/facilitating movement across the boundary line. Akhsalba's statement that Georgian citizens won't be allowed to cross is either just aimed at placating the domestic public, or makes the opening of the terminal fairly unrealistic.



# Official Comments from Tbilisi and Sokhumi

The *de facto* authorities of Abkhazia have not yet publicly commented on the Gali terminal. In a recent address, Abkhazia's leader, Badra Gunba, told the legislators that transit corridor is one of the key policy priorities, placing emphasis exclusively on the Ochamchire facility, without mentioning the new terminal in Gali.

Similarly, in Tbilisi, the transit issue is primarily discussed among experts. Irakli Kobakhidze described the possible transit arrangement as "speculation" and reiterated that the Georgian side has no intention of allowing cargo to pass through Abkhazia. Citing the possibility of using a transit route based on the Russian-Georgian agreement of 9 November 2011 on the "Mechanism for Customs Administration and Monitoring of Trade in Goods," Kobakhidze noted that no additional steps have been taken in this direction since that agreement was signed.

## Georgian/FSB trace?

Some expert and political circles in Abkhazia were spooked by emergence of a notorious figure behind the Assembly of the Peoples of the World. One of the Deputy Secretaries-General of the Assembly is *Igor Giorgadze*, a former Soviet KGB officer and Minister of State Security in Eduard Shevardnadze's government, who has been wanted in Georgia for an unsuccessful car-bomb attack on Shevardnadze in 1995.

Despite his controversial role in Georgia, and his known association with Russian secret services, Giorgadze is widely thought of in Abkhazia as one of military leaders during the armed conflict with Tbilisi government forces. In this context, Giorgadze's indirect affiliation with the cargo terminal was taken in Sokhumi as an indication that this infrastructure facility is serving a broader Russo-Georgian détente.

Giorgadze, while emphasizing the importance of the transit corridor through Abkhazia, denied any ties with the Gali terminal. He stressed that he can't travel to Georgia and thus could not have mediated the process. At the same

time, he also distanced himself from the armed conflict in Abkhazia, saying he did everything to stop the "fratricidal war imposed on both peoples."

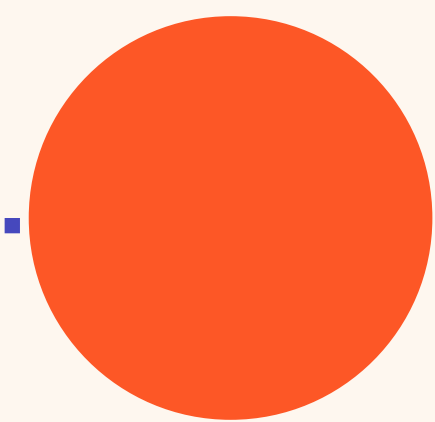
That said, he has reappeared in the Russian media recently to comment on Georgia. He supports the restoration of political and diplomatic relations between Tbilisi and Moscow and sees potential for conflict resolution through strategic cooperation with Russia and joint integration processes. Giorgadze also fully shares the view of the Georgian Dream that the West is orchestrating revolutionary scenarios in Georgia and vocally supports Georgian Dream's recent policies.

He seems to be maintaining a link with the active political forces in Georgia, too. In September of last year, an international forum under the auspices of the Assembly was held, attended by Akhsalba, former Abkhaz leader Aslan Bzhania, and the Head of the Gali Administration, Konstantin Pilia. Among the speakers was David Kartvelishvili, a co-founder and member of the *People's Power*, a hardline satellite of the Georgian Dream.

However, at present, there is no conclusive confirmation of any link between Georgian Dream and Giorgadze. The Georgian warrant for his arrest is still in force.

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## A Sanctions Loophole?

In Abkhazia, the prevailing view was summarized by Telegram channel Abkhaz Analytical Centre, which commented that “Georgia will profit from transit, Russia will bypass sanctions, while Abkhazia will only receive the tips.” By Abkhazia’s internal regulations, transit cargo is only subject to 0,1% tariff, so Sokhumi won’t substantially benefit. Abkhazian experts conclude that Moscow is leaning on Sokhumi to launch the terminal because it is going to serve sanctions circumvention.

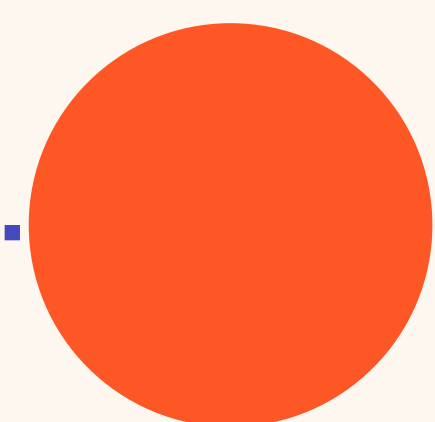
In this context, they suggest that a portion of goods that are formally imported into Georgia by listing Georgia as a country of destination, may be sent to Abkhazia (legally Georgia’s internal market) and transit to Russia through “grey” schemes. Under this model, Georgian customs authorities would process these goods in accordance with national legislation, collecting applicable customs duties, taxes, and excise payments, and applying non-tariff regulatory measures where relevant. Once cleared and released for free circulation, the goods may be re-exported, in some cases with altered commodity classification codes, for example, declaring Borjomi instead of Coca-Cola, thereby covering their original identity.

Noting that Georgia may face WTO trade-related measures or sanctions for such machinations, experts note that only a portion of goods may be formally declared, whereas the rest won’t be omitted in official customs documentation or trade statistics, known as “grey scheme”. Abkhaz experts further emphasize that when import volumes conspicuously exceed the domestic market’s need, a portion of the goods may not be officially registered at all. Such so-called “black” schemes may involve cases when goods are effectively imported without customs clearance and are entirely absent from official reporting. In such cases, undeclared goods must leave the country as quickly as possible.

This is where Gali terminal comes allegedly into play, as an outlet for rapid removal of undeclared imports. This is especially valuable for Tbilisi, the argument goes, since Abkhazia is close to Georgia’s key port of Poti, and the transit can proceed year-round, while Upper Larsi crossing with Russia is often closed in winter.

Georgian experts critical of the government agree with this view. Paata Zakareishvili, who served as the Minister for Reconciliation under GD government, argued that the trade scheme described above does not pose fundamental problems under international law, since Abkhazia is internationally recognized as part of Georgia. He also noted that, unlike Tskhinvali/South Ossetia, Abkhazia offers more favorable transit logistics owing to its seaports and railway connections. A recent analytical paper published by the Social Justice Centre also suggests that the new transport corridor is intended to undermine the sanctions regime and circumvent Russia’s economic isolation.

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# Abkhazia: Russia's Backdoor to Sanctions Evasion?

It is known that Russia has used Abkhazia to receive sanctioned goods and, conversely, to export its own products to Turkey and other countries. Former leader, Aslan Bzhania, openly proposed that Russia use Abkhaz ports to circumvent international sanctions.

After 2022, Russia developed logistics for transit operations in Abkhazia, including the construction of a container terminal in Ochamchire with a storage capacity of up to 1,200 containers and connected it to the railway line. Shut since 1993, Sokhumi Airport was brought back by Russia. Moscow also had previously restored the railway connection from Psou to Ochamchire, and since 2023, Russian freight trains have been running actively across Abkhazia: cargo turnover tripled from 450,000 tons in 2021 to 1.2 million tons by 2025. According to official statistics released by the *de facto* authorities, coal accounted for more than 80% of total rail

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freight, with the remainder consisting mainly of fuel and lubricants, construction materials, and food and beverages.

Tbilisi never officially protested the use of its occupied territory for sanctions circumvention, nor does this issue appear to have been raised in the Geneva International Discussions.

## **Does the argument hold water?**

In Abkhazia, speculation about potential sanctions circumvention was largely triggered by Akhsalba directly linking the terminal construction with Russia's post-2022 needs. Influential political actors in Abkhazia advanced an argument that "if this is necessary for our strategic partner, we do not object."

In Georgia, too, the issue is seen through the prism of political polarization. Opponents of the Georgian Dream government suspect the ruling party of conspiring with the Kremlin for their personal gain, and against Georgia's interests. Others believe that even though legally the administrative boundary line is not an international border, it is also widely accepted that Moscow, not Tbilisi, exercises effective control beyond that line. Thus, the use of the occupied territory for sanctions evasion will be easily noticed, likely attracting national and international scrutiny and damaging GD interests.

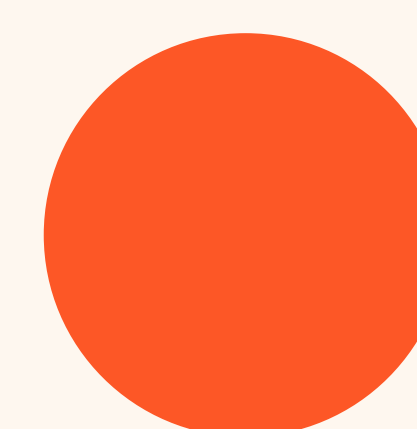
Despite its strained relations with the West, so far, the Georgian Dream government refrained from exposing itself to serious political and legal risks by openly flaunting the sanctions regime. The loopholes that may exist through third countries were managed carefully without leaving a formal legal trace.

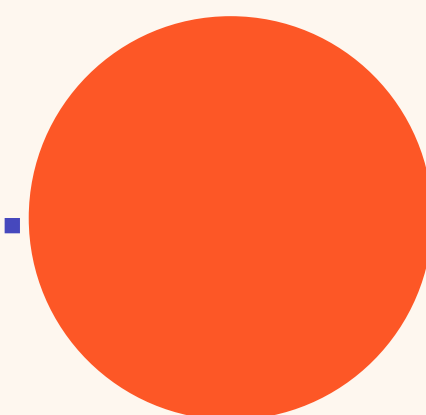
Hypothetically, if Russia and Georgia agreed to use Abkhazia for such purposes, they could have done so without establishing the new terminal. It is widely understood that low-volume illegal traffic of cargo is already crossing the Enguri Bridge.

# Why Now?

This raises the logical question of why, in this case, the terminal was completed. Several hypothetical explanations exist, though none are supported by concrete evidence.

1. **Once started, it should be finished.** The resumption of construction may have been driven by the logic of completing the works, even without clear prospects for the terminal's further use. While this explanation may seem overly simplistic, the photos of the terminal (a fenced area for storing shipping containers, with nothing else on site) do not suggest that significant financial resources were invested, and hypothetically, it can remain non-functional until better times without incurring substantial losses.
2. **A gateway to Anaklia.** Some experts link the terminal to the Anaklia's projected deep-sea port to overshadow Poti. But the port project has been delayed multiple times, and its fate is still far from settled. Still, if this component of the Middle Corridor becomes operational, it could attract multifaceted interest, as cargo volumes are likely to be substantial.
3. **Lining someone's pockets.** The terminal may be less political and more about serving personal business interests, effectively "legalizing" small-scale trade between Abkhazia and the rest of Georgia, while in practice acting as a vehicle for corruption.
4. **Plans for regular transit.** Suspicion of covert Russian-Georgian talks is reinforced by the fact that, when referencing the 2011 WTO agreement in the context of the terminal, Kobakhidze refrained from his otherwise common criticism of the UNM government. The recent statement by a senior Russian official regarding the possibility of restoring the railway connection has added fuel to the speculation. The issue remains politically sensitive and could trigger another wave of protests in Tbilisi; however, the Georgian Dream government, with near-total control of the information space, can shape the narrative to its advantage.





# Outlook

It is unlikely that the terminal will become operational soon, at least not for transit purposes. If it does start limited operation, it may only serve local business interests, benefiting from the limited transfer of goods from Georgian-controlled territory to Abkhazia.

At the same time, behind-the-scenes consultations on reopening the transit route remain possible. For the Georgian authorities, transit (or, rather, trade with and through Abkhazia) is primarily a political project linked to reconciliation and engagement, provided that it is implemented within a strictly status-neutral framework, such as the 2011 Russia-Georgia agreement. If such a trade materializes, it cannot be ruled out that certain sanctioned goods might indeed reach Russia, with or without the Georgian side's tacit consent. Nevertheless, the scale of such flows will be too small to constitute a meaningful sanctions-evasion mechanism.

As for the Russia-Georgia railway connection through Abkhazia, this cannot be considered an immediate prospect. In addition to the political issues related to Abkhazia, the route requires significant financial and logistical resources. Beyond the full-scale restoration of the Abkhazian section (which, according to the latest estimates from 2022, would cost between EUR 1.5-2 billion), the Georgian section also requires rehabilitation to serve transit purposes. Therefore, even if this idea is under discussion, it can only be regarded as a medium- to long-term perspective.

In the coming months, close attention should be paid to the GD propaganda outlets to identify if there are any shaping narratives possibly preparing the ground for any cross-border projects or reopening of transit trade with Russia.

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