

Georgia – the second front of the U.S./Russia economic proxy war?

April 2023

Revelations of corruption, money laundering and embezzlement from within the banking industry in Georgia does not, in and of itself, cause much surprise: that investigations by the Georgian Prosecutor's Office (coming to a head in 2019) resulting in charges of money laundering against several senior directors - Mamuka Khazaradze, the founder, his deputy Badri Japaridze, the former chief risk officer and the former chief operating officer - of one of the biggest commercial banks in Georgia, TBC, most certainly should do.



Established in 1992, TBC has a network of over 100 branches and serves more than 2.2 million customers. With a market share of approximately 40%, it is the largest lender in Georgia's banking sector. This bank cannot be considered as 'small fry' in some backwater of Eastern Europe, and the connotations behind such an investigation and subsequent charges, sent, or at least should have sent, shock waves through the international banking and finance sectors.

Yet, the investigation was triggered by a transaction that occurred in 2007, 16 years ago, in which the bank extended a loan to a company owned by its founder, Mamuka Khazaradze. The transaction was finally found to be in violation of Georgian banking regulations in 2019, but it took a year before the EU's anti-money laundering watchdog, the Financial Action Task Force (FATF), added Georgia to its grey list of countries, noting the deficiencies in the country's anti-money laundering and counter-terrorism financing (AML/CFT) systems while citing concerns about the effectiveness of Georgia's AML/CFT framework urging the country to rectify the shortcomings.

In an era of strong soundbites that highlight a pressing need for more robust anti-money laundering and counter-terrorism financing measures, such an announcement would, on the surface, not appear to be the first response but, almost, the only one. The EU's delay in adding Georgia to that 'grey list' and its use of soft-touch terms like 'urge' indicates that there are, in fact, far deeper issues involved than were mentioned. Stronger messaging and action were needed, but fear of what can be said or done without rattling too many cages within the international financial institutions elsewhere. In plain speak, this is just a 'tip of the iceberg' problem, and when looked into more deeply, actually exposes far greater weaknesses than those already acknowledged within the Western banking industry; ones that could quite literally impact the world.

Georgia has now become yet another threat point being used by Putin to make NATO countries think twice about supplying weapons, while he tries to pressure Zelensky to come to the negotiating table. Putin is able to use Georgia in this manner as a result of an extremely influential “ex-politician” who was prime minister in 2012, but resigned just a year later on claims he was finished with politics. Despite this absurd claim, he returned in 2018 to become the chairman of the current ruling party, which he founded: the Georgian Dream Party.

His name is Bidzina Ivanishvili and a quick look into his background will provide the necessary clarity. He made the bulk of his great wealth in Russia during the Privatisation Era and is known to be pro-kremlin, pro-Russia, and pro-Putin. Given his known deep political influence behind the scenes of Georgian politics, it should be easy enough to see from where Putin’s confidence stems, especially when it was Ivanishvili’s Georgian Dream party claiming publicly that the EU and U.S. representatives, as well as many NGO’s in the country, were in fact foreign agents. The outcome, so far, is that Georgia is retreating from its stated aspirations of joining both the EU and NATO.

How does this tie in with the TBC scandal? Ivanishvili holds accounts in the same bank; a bank now known for being comfortable engaging in questionable deals. There are also strong rumours circulating through the Western intelligence community that it is not just the criminal fraternity of East Europe using the bank to assist in moving illicit funds through the ‘on ramp-off ramp’ crypto exchange service provided by TBC, but Russia as well.

Further, just four months ago, the CEO of TBC, Vakhtang Butskhrikidze, held meetings with the CEO of Binance, Changpeng Zhao, to discuss the widening of the bank’s crypto blockchain services. Both Putin and Xi have made clear statements as to the strong “unbreakable” relationship of the two countries they lead, and there can be no doubt that Binance ‘dances’ to Beijing’s tune. Couple this with the strong hand of Ivanishvili politically moving the pieces of the chess board behind the scenes to help Putin achieve his objectives, and it becomes quite clear that Georgia is literally becoming the second front of the U.S./Russia’s economic proxy war.

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