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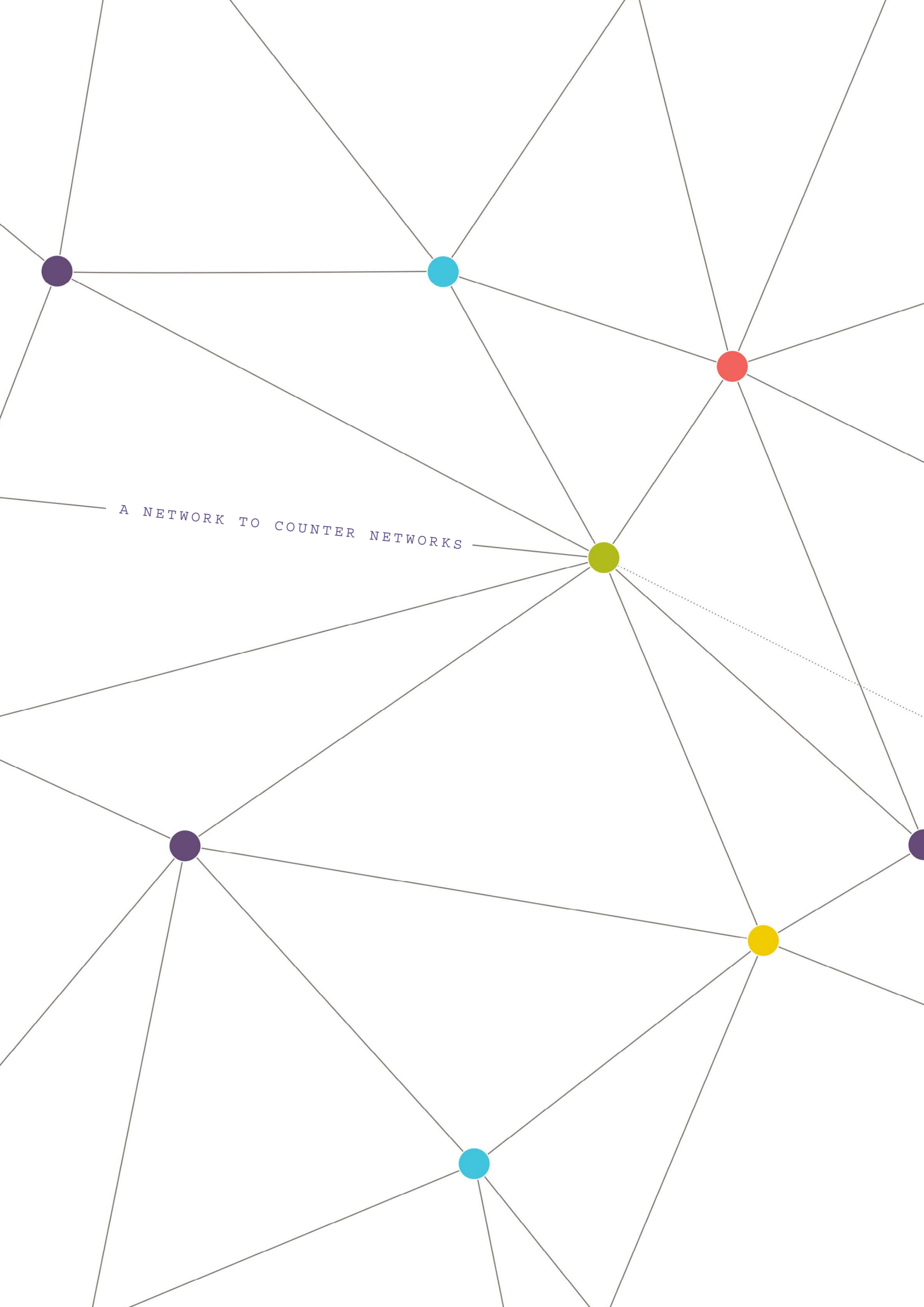
SANCTIONS AND SMUGGLING

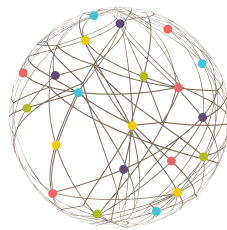
Iraqi Kurdistan and Iran's border economies

TOM WESTCOTT WITH AFSHIN ISMAELI



April 2019





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Summary

With new sanctions placed on Iran in August 2018, a long-standing network of smugglers who, for decades, have facilitated the transportation of contraband from Iraqi Kurdistan to Iran are reaping the benefits. This report focuses on Iraqi Kurdish smugglers who transport goods to the border with Iran, and Iranian Kurdish couriers who, undertaking the most dangerous part of the journey, carry the goods across the border. Often featuring dramatic images of couriers setting forth on foot over challenging mountainous terrain carrying goods that many people would struggle to lift, let alone transport for up to 16 hours, this story has been covered by international media. But there has been no study relating specifically to how these renewed sanctions on Iran are affecting this smuggling trade. Nor has there been any in-depth study on the types of goods – from wholesale foodstuffs and electrical items to weapons and narcotics – that are smuggled across this border region. This report examines the impact of the sanctions on Iran in terms of how they may continue to fuel commodity smuggling while enriching the criminal networks behind this illicit trade.

Introduction: Grey- and black-market goods

Iran shares a 1 458-kilometre-long border with Iraq, of which some 500 kilometres pass through the Kurdistan region.¹ Smuggling of goods across this border has been happening for decades. Over time, this illicit trade has become consolidated, and operated by well-organized criminal networks consisting primarily of businessmen on either side of the border, who deploy smugglers or delivery drivers who transfer goods to collection points in the mountainous border regions, and couriers who carry the goods by foot or on horseback along the last stretch of the route across the border into Iran. Smugglers and couriers are exclusively Kurdish, either of Iranian or Iraqi origin.



Two Iranian Kurdish couriers carrying goods from Iraqi Kurdistan trudge through snow towards the Iranian border. (Photo: Afshin Ismaeli)



Many of the couriers have been plying their trade across this border for decades, and some have passed on their knowledge of the routes and systems to their children, and work as family units. Horse courier Yassan, 22, started couriering when he was just 13. 'I work with my father and three brothers. It's like a family business. We just do the horses, and we just do alcohol,' he said. 'There's nothing else we can do to make money because there's a lot of discrimination against Kurds in Iran.'

The US reimposed sanctions on Iran on 6 August 2018 after the US withdrew from the 2015 'nuclear deal',² with additional measures imposed on 5 November.³ Speaking at the Doha Forum in December 2018, Iran's foreign minister, Mohammad Javad Zarif, admitted that the new US Sanctions were having a negative effect on the country's economy, but confidently added: 'We have [successfully] done business during the previous sanctions. If there is an art that we have perfected in Iran ... it is the art of evading sanctions.'⁴

During the earlier period of sanctions on Iran, 1979–2016, smuggling had flourished, and couriers transported across this border almost every conceivable item, including basic foodstuffs, fridges, tyres, luxury-car parts, cigarettes and alcohol.

Sanctions were eased in January 2016, after UN inspectors confirmed that Iran had met its side of the 2015 nuclear agreement, the Joint Comprehensive Plan of Action, by dismantling significant parts of its nuclear programme.⁵ The lifting of sanctions meant Iran could re-enter the global economy, and its citizens were no longer so reliant on smuggled goods.

Although smuggling activity across this border area diminished after the sanctions were lifted in 2016, it never completely stopped. Electrical goods, for example, remained cheaper to buy in Iran if they had originally been purchased in Iraqi Kurdistan and smuggled across the border to Iranian markets. Smuggling operations also refocused on illegal contraband – American cigarettes, alcohol and precursors for making illicit drugs. Despite the long-standing strained political relations between America and Iran, couriers say in Iran there has always been a high demand for American goods, particularly branded Western cigarettes, alcohol and American walnuts.⁶

'During the earlier period of sanctions on Iran, 1979–2016, smuggling had flourished, and couriers transported across this border almost every conceivable item.'

Illegal trade between Iraqi Kurdistan and Iran is one way that sanctions were 'evaded' in the past, and the impact of the renewed sanctions in 2018 was rapidly felt along the borders to the advantage of smugglers and couriers. 'Business has increased a lot over the last few months,' said Mahmoud, 32, a smuggler who operates in the Tata Mountains, about 14 kilometres north-east of the town of Khurmali (see the map on page 8). 'People working this particular mountain area are mainly sending over food, cigarettes, clothes, army boots, tyres and some car parts. And this is only the beginning of the effect of the sanctions. I expect business will keep on rising and become phenomenally high. Literally, everything is now going across this border, even tea, and this is only going to increase.'⁷

The goods-smuggling trade from Iraqi Kurdistan to Iran is highly organized. It primarily consists of so-called grey-market goods that have been legally imported into Iraqi Kurdistan for local market consumption, but which are then redirected to Iran, largely evading official export or import procedures and duties. Alongside this grey market, concurrent networks facilitate the transportation of black-market goods – notably alcohol, which is illegal in Iran, and cigarettes originating in the West, the sale of which is prohibited in Iran in an attempt to protect the local industry. The most criminal aspect of smuggling in the region, however, involves the cross-border movement of weapons, narcotics and raw materials for manufacturing drugs, which are smuggled across the Iraq–Iran border using broadly similar methods and routes as deployed for the 'grey' goods supply chain.

Smuggling in this region is an open secret and an economic necessity on both sides of the border. But, because the same transportation routes and methods for ordinary goods are used to smuggle illegal items, these long-established supply routes enable criminal networks to move contraband with some degree of impunity.



This report highlights the real impact of the new sanctions on Iran, which, rather than halting trade from Western countries, often merely serve to push it underground, fuelling illicit smuggling. Iran is likely to become increasingly reliant on this smuggling activity as the impact of the sanctions becomes more acute, creating a situation where criminal networks involved in transporting global contraband can take advantage of often lenient border control. This kind of environment could gradually enable more black goods to cross the border, potentially heightening the scope and power of regional criminal networks.

As sanctions cripple the economy of Iran, the trade in both grey- and black-market goods finds alternative routes, and smuggling enables individuals and larger criminal networks on both sides of the border to profit from the sanctions environment. New routes have opened since the sanctions, and the couriers expect more to emerge in the next six months. Routes also change depending on local conditions, such as snow, which makes some areas impassable, or when a particular smuggling corridor is targeted by the Iranian border guard.

There are many cross-border grey economies around the world, but not all of them are of interest to observers of transnational organized crime. The situation that has developed between Iraqi Kurdistan and Iran, however, deserves our attention as the re-imposition of sanctions on Iran once again underscores the importance and fuels the expansion of its smuggling economy.

Tellingly, parallels can be drawn with the scenario that pertained in southern Libya after the 2011 revolution, where powerful militias operated in a border region inhabited by ethnic groups whose strong community ties spanned national frontiers, and where the economy was characterized by a strong overlap between licit and illicit trade. In the Libyan case, the breakdown of state control opened up the opportunity for competing militia groups to profit from previously controlled sources of illicit trade. In the case of the Iran-Iraq border, the risk is that the imperative to circumvent sanctions will inject new resources into this vulnerable region. This could lead to a more consolidated criminal economy, dominated by potentially more organized criminal actors.

We believe this report plays an important role in sketching out the empirical reality of this economy: its necessity to people's livelihoods, to local markets for basic goods, and to lucrative trades in luxuries and highly proscribed contraband, as well as the complex interdependence these trades have with local militias and local law enforcement in a politically volatile region. Such grounded research is vital for anticipating a potential shift towards greater organized criminal control of lucrative smuggling routes.

The authors visited the Iran-Iraq border regions in July 2017 and again in December 2018, conducting interviews with people involved in the smuggling chains. The names of interviewees and participants cited in this report are pseudonyms to protect their identity.

'There are many cross-border grey economies around the world, but not all of them are of interest to observers of transnational organized crime.'

The complexities of border control in a federal Iraq

Iraqi Kurdistan has been semi-autonomous since 1991. Under an agreement between the central government in Baghdad and the Kurdish Regional Government (KRG), which controls Iraqi Kurdistan, the region's internal and external borders are largely managed and secured by Kurdish Iraqi officials and the KRG's official military forces, technically with oversight from Baghdad. The country's internal border, snaking through the so-called 'disputed



territories of northern Iraq' has Iraqi Kurdish soldiers and officials on one side, and Iraqi federal government forces on the other.

Control of Iraqi Kurdistan's external borders became contentious following an ill-fated independence referendum held on 25 September 2017 by the former KRG president, Masoud Barzani. The referendum had been deemed unconstitutional by former Iraqi prime minister, Haider al-Abadi, and within days of the vote, Baghdad had closed Iraqi Kurdistan's airports,⁸ and demanded that regional borders be handed over to Iraqi government forces and officials.⁹

Although, technically, the external borders of Iraqi Kurdistan and its official border crossing points should be controlled by Baghdad, in reality they appear to have been largely managed by the KRG and, by 2017, Abadi clearly felt Baghdad had lost control over these borders. Firsat Sofi, a member of the KRG Parliament, which is a separate entity from Iraq's Parliament, pointed out that, according to the Constitution, 'the border crossings and customs are the duties of the regional government' and that 'what Iraq is asking for – taking control of the border crossings – is a blatant violation of the constitution'.¹⁰

As he had threatened to do before the referendum, Abadi mobilized Iraqi forces in October 2017 from nearby former Islamic State (IS) battle fronts to the internal border shared by Iraq and Iraqi Kurdistan, retaking large areas of disputed territories of northern Iraq that had been outside central government control since 2003 and 2014.

After a four-month stand-off, a deal over airports and borders was reached. 'The KRG accepted the condition of security and customs personnel appointed by Baghdad,' Abadi said in February 2018. 'Airports and border entries are controlled by the central government.'¹¹

Despite this, the KRG appears to still largely manage Iraqi Kurdistan's customs procedures, borders and airports, including issuing its own visas, which are not valid for entry into central-government-controlled Iraq.

Another layer of complexity in Iraq's border politics is the fact that stretches of Iraqi Kurdistan's eastern border with Iran are managed by border forces from different Kurdish political parties. The ruling Kurdistan Democratic Party (KDP) controls parts of the border, while much larger sections are controlled by the Patriotic Union of Kurdistan (PUK). Several border areas are also managed by the Kurdistan Workers' Party (PKK), whose forces consist of Kurdish fighters from Iraq, Syria, Iran and Turkey, and which is designated a terrorist organization by some countries, including Turkey and the US. Smuggling operations are also conducted in PKK-held areas.

A further regional contentious issue is the concept of an independent country called Kurdistan, which was destroyed by the 1916 Sykes–Picot agreement, which carved the Kurdish region into four countries – Turkey, Iran, Syria and Iraq.¹² These borders are viewed by many Kurds as artificial, irrelevant and almost invisible. 'People in the border areas of Iraqi Kurdistan have family on the other side, in Iran. They are the same people. They share the same ethnicity, culture and language,' explained Ahmed, an Iranian expatriate who is very familiar with the smuggling trade and border regions. 'Kurds here don't see the border. It's an artificial man-made construction made [...] out of one state – Kurdistan.'

The colonial-era geopolitical agreement and contemporary Iraqi politics have combined to create a highly complex border-security situation in Iraqi Kurdistan. There are three official border crossings between Iraqi Kurdistan and Iran – Bashmakh, Haji Omaran and Parviz Khan – and two semi-official border crossing points – Sardasht and Siran-Band. There are illegal smuggling points at intervals along almost the entire stretch of the border, some just a kilometre away from the official border posts (see the map).

'Control of Iraqi Kurdistan's external borders became contentious following an ill-fated independence referendum by the former KRG president, Masoud Barzani.'



Iraqi Kurdistan's security presence does not appear to be consistent along the length of the border. On Mount Halgurd, for example, an area controlled by the KDP, border security positions are mostly some two kilometres further back down the mountain, and smugglers and couriers were seen working seemingly unhindered by the authorities. Nearby are also exiled Iranian members of the Democratic Party of Iranian Kurdistan (KDPI) or their military wing, who operate from a network of bases in the border mountains. Their presence is sanctioned by the KRG authorities, who have long welcomed Iranian Kurds as part of a larger regional drive for an independent Kurdish state (a project that, given the numerous differences between Kurdish communities themselves, currently seems remote).¹³

In some areas of the Tata Mountains, a border area controlled by the PUK, where smuggling is both more extensive and highly organized, there is a greater and more obvious presence of Iraqi Kurdistan border guards. They man checkpoints along rough tracks snaking up the mountainside towards collection points, identifiable by the blue tarpaulins that protect the goods from the elements. At one collection point, where goods are amassed for couriers to collect, the authors observed three PUK border guards. Yet, although this collection point is a hub used by hundreds of couriers, the guards made no effort to intervene with smuggling operations. 'Mostly, they let them do their job and it's well known that border guards on both sides take bribes, especially the Iranian ones, many of whom arrive as poor men and leave rich,' said Ahmed.

Meanwhile, in one small smuggling town in the Tata Mountains, there was no visible presence of border enforcement at all, and Iranian couriers were seen freely entering and leaving the town. Ahmed explained that the modest presence of border security in the region, or lack of it in places, was because Iran and Iranians pose little direct threat to Iraqi Kurdistan. The threat coming from Iraqi Kurdistan into Iran, mainly in the form of exiled Iranian Kurdish militants, he said, was much greater.

From the authors' visits to the border regions, and from interviews with smugglers and couriers, however, it is evident that some stretches of the border on the Iraqi Kurdistan side are better securitized than others, and the Iranian side of the border appears to be more extensively controlled. Towards the summit of Halgurd, the concrete outposts of Iranian border security points are clearly evident and, smugglers say, they are generally well manned.



Goods amassed at a collection point high in the Tata Mountains in Iraqi Kurdistan, waiting to be collected by Iranian couriers. (Photo: Afshin Ismaeli)

The smuggling trade is so well known regionally that even the Supreme Leader of Iran, Sayyid Ali Hosseini Khamenei, has spoken about it. In February 2017, he said poverty-stricken couriers should not be the principal target of anti-smuggling operations, but rather the smugglers who control the networks.¹⁴

Despite this plea, however, in December 2018, the head of Iran's Border Guard, Brigadier General Qasem Rezaee, railed against the couriers, threatening that anyone who crossed the border illegally took his life into his own hands: 'Every day and every night someone crosses the border illegally, calling himself a courier ... crossing the border illegally is a red line for us.'¹⁵

However, the proliferation of smugglers and couriers who currently cross the border suggests that the Iranian border guards are less interested in intervening in smuggling operations than they are in preventing an incursion of potential Kurdish militants.

Smugglers and couriers admit the length of the border and the difficult terrain make comprehensive border control impossible. However, they also say that, although the Iranian border guards do regularly target couriers, shooting at them and making arrests, they sometimes tend to turn a blind eye because Iran is once again dependent on smuggled goods as a result of the new sanctions.

'There are hundreds of illegal crossing points all along the border here. Of course Iran knows what's going on here. We're talking about 600 to 700 people coming at a time, working just the point I use,' Mahmoud said. 'Sometimes the couriers make several journeys in one night'.

The Iranian border guards appear to turn a blind eye to some smuggling operations on this border stretch but they can, and do, sometimes take action against couriers. Such action can happen day or night, and on different routes, but darkness offers some degree of cover, so many couriers prefer to work at night to reduce the risk of being targeted.

Former Iranian alcohol smuggler Khalid, 28, who stopped smuggling after being arrested in Iran and having all his contraband confiscated, claimed the Islamic Revolutionary Guard Corps (IRGC) were complicit in much of the trade. 'Most – around 90% – of smuggling from Iraq to Iran is arranged and supervised by the IRGC, who also arrange onward transport,' he said. 'Sometimes they target or kill couriers because they are working outside their control and not working within their organized-crime systems.'

Smugglers and couriers also say some Iranian border guards profit from this illegal trade by taking bribes. Iranian KDPI commander Aziz Selegi said the best way out for horse couriers if they were stopped was to pay a US\$30 bribe per horse to the Iranian border guards. Given that about 200 horses pass through one comparatively small area of the border over Halgurd most nights (excluding the very coldest winter months), this is a potentially lucrative source of income for border guards. Cash for the bribes is said to be usually arranged in advance by smugglers further up the criminal network, or the bribe money is later reimbursed, and some border guards are apparently pre-paid through an arrangement that should allow couriers to transport goods along certain routes with relative impunity.

Ahmed said the Baghdad government, viewed as politically close to Iran, is likely to be aware of the smuggling of goods – if not its full extent – across this border region because Iran, currently an ally, is the beneficiary. However, as these particular borders are largely managed by the Kurdish regional authorities, and for other reasons mentioned above, there remains considerable scope for abuse of national border regulations. In 2018 Iran and Iraq signed an agreement to enhance border security, calling for 'exchange of information, combating insurgents, terrorist groups and smugglers and preventing illegal border crossings'.¹⁶ However, Ahmed said that neither Baghdad, nor the Kurdish regional authorities nor Iran was attempting to stop illegal movement of goods in this area in any meaningful way because Iran needed the goods. He added that the prospect of an estimated 100 000 couriers being left without work would pose a considerable social problem for Iran.

'Smugglers and couriers admit the length of the border and the difficult terrain make comprehensive border control impossible.'



Across Tata, Iranian foot and horse couriers arrive and load goods at various collection points, usually stacks of pre-packaged boxes protected by tarpaulins or tents. Before the conflict between the KRG and Baghdad in October 2017, collection points used to be much lower down the mountainside. Smuggler Mahmoud pointed out abandoned huts marking former points where drivers used to deliver goods that would then be transported higher up into the mountain on horseback.

‘Around December 2017, after the referendum, the order came from Baghdad to close these small collection points, and the Iraqi government sent officials to enforce this,’ he said, explaining that because Iraq’s government is close to Iran’s, it was a move to show Kurds what would happen if they pursued their ambition for an independent Kurdish state. Despite such attempts by Baghdad to crack down on the smuggling trade, the result was merely to push the trade further up into the mountains, well out of sight. ‘The Iraqi government cleaned up the borders temporarily but the smugglers opened up the illegal routes again,’ Mahmoud said.

One Iranian courier on the Tata mountainside track confirmed that the road led up to an illegal crossing point that is busy every day despite deep snow. ‘Around a thousand of us left this morning at 6 a.m., mainly carrying car tyres, clothes and cigarettes,’ he said. ‘We each carry around 30 kilograms across this point. At the moment, between 700 and 1 000 of us are working this point every day.’

‘We just get paid to do the transport,’ explained horse courier Taher, 22. ‘We work for clients, and different couriers have different clients.’ He explained that one person delivered alcohol to the collection points in Iraqi Kurdistan and another collected the goods in Iran but said the couriers knew very little about the network higher up.

This steep mountain track, formerly traversed by horses, is now popular with smuggler vehicles – an assortment of battered 4x4s, mainly ageing Toyotas. Another regulation after the Baghdad officials visited prohibits large vehicles from driving up into the mountains; only modest-sized 4x4 trucks are permitted. These vehicles ascend the mountain tracks fully loaded and return empty. Sometimes the high-sided vehicles look empty but are carrying goods in concealed compartments. Iraqi border guards, most of whom are Kurdish, manning makeshift checkpoints on the mountain routes know all the smugglers and, apart from cursory glances into the back of the vehicles, they mostly appear to stop unknown vehicles.



Iranian Kurdish couriers, sometimes with horses but more often on foot, traverse challenging mountain terrain in all weather to transport goods from Iraqi Kurdistan into Iran. (Photo: Afshin Ismaeli)



One border guard had photos on his phone of overladen couriers clambering up near-vertical precipices and then pointed out their route through the snow-covered mountain towards Iran with binoculars. Yet, in the border-security office in the town of Khurmal, a border guard official named Khosar, who said he worked under the central Baghdad government, denied that couriers worked on the mountain. On 24 January 2019, a video filmed by couriers and uploaded onto Facebook showed a thin line of several hundred couriers snaking through this particular mountain crossing.¹⁷

‘Customs duties’

Mahmoud said some border guards were taking a cut from the illicit cross-border trade, and the renewed sanctions on Iran had made them nervous. Their fears, he explained, were threefold – losing out financially; facing another crackdown from Baghdad; and potential retribution from America for not abiding by the sanctions.

Another Iranian expatriate Kurd, Kareem, who used to be involved in smuggling operations, said: ‘Of course, it’s busier now because in Iran they are short of everything, so the border guards are afraid because, after the sanctions were put back on Iran, they are overseeing the illegal transportation of a lot of goods.’

Iraqi Kurdish smugglers pay customs duties at manned border-security points. Driving towards the Tata Mountains from Khurmal, Mahmoud pointed out one border security point – a squat white building nestling in the mountain. ‘That’s where we pay the customs duties, so we have no problem with border security forces this side. It’s Kurdish customs, not Iraqi,’ he said. Duties are paid per tonne or per box, depending on the goods. The rate, for example, per tonne of clothes is 50 000 IQD (US\$42), and 1 000 IQD (\$0.84) per box of cigarettes (20 cartons).

‘They are making money here from the customs. It’s not clear whether the Iraqi government gets any of that money but it’s extremely doubtful because these are “problematic” customs duties, taken at illegal crossing points,’ said Kareem.

Although management of customs is one of shared authority, as stipulated in Article 114 of Iraq’s Constitution, meaning that the federal government and the KRG are jointly responsible for the system, according to KRG MP Sofi, in reality funds collected from official customs points do not appear to be currently going to government coffers in Baghdad.¹⁸ As a 2018 Reuters report, referring to official border crossing points, explains: ‘Currently, the KRG independently imposes and collects custom tariffs on imported goods in border areas it controls, which Baghdad considers illegal,’ while noting that Baghdad and Erbil were negotiating plans to unify customs procedures.¹⁹ If official customs duties are not reaching the treasury in Baghdad, then it is doubtful that unofficial or semi-official customs duties would reach Baghdad either.

‘I’m doing more work legally now, paying customs duties, and I’m making very good money, much better than before the sanctions,’ said Mahmoud. ‘On this side [of the border], it is not smuggling because we pay customs duties, but the other side is smuggling because they don’t pay any customs duties.’

On one side of the mountain, the work is considered legal ‘trade’, whereas on the other, it is viewed as smuggling.

Local economies, local livelihoods

Smuggling in this region takes place on a huge scale. Iranian Kurdish MP for the Mahabad region, Jalal Mahmudzadeh, estimated in April 2018 that there were 80 000 couriers plying the Iran–Iraqi Kurdistan border.²⁰ However, couriers, smugglers and local people say this is a conservative estimate, and claim the actual number of Iranian couriers operating along this border stretch is around 100 000. Smugglers say that areas of passable terrain could have up to 3 000 couriers transporting goods, and on some comparatively short stretches of border, there could be as many as 25 illegal crossing points.



Smuggling from Iraqi Kurdistan into Iran has financial benefits for the communities on either side of the border. (Photo: Afshin Ismaeli)

The precarious financial situation confronting residents living either side of the border area, especially on the Iranian side, means local economies are heavily reliant on smuggling. All Iranian couriers interviewed by the authors said they were pushed into this illegal work through financial desperation. As Mahmudzadeh said, if smuggling were stopped by the Iranian government, it would leave 80 000 people without a livelihood.

The border regions of Iraqi Kurdistan are predominantly rural and poor, and job opportunities scarce. Locals complain of reduced salaries, scant opportunities for formal employment and poor infrastructure.²¹ The KRG faces ongoing financial woes, in part because since 2015 its 17 per cent share of Iraq’s national budget has gone unpaid, ostensibly because the KRG pocketed profits from independently brokered oil deals.

This prompted the KRG to slash state-sector salaries by up to 75%, leaving a disparity between salaried positions for the same state-sector jobs in Iraq and Iraqi Kurdistan.²² For example, in 2017, a teacher in KRG was paid 400 000 dinars, whereas a teacher in Iraq was paid 1 million. However, this is likely to change this year because Baghdad has agreed to pay KRG state-sector salaries of the Peshmerga, Iraqi Kurdistan’s official fighting force, from the 2019 budget.²³

Under such financial constraints in border areas where well-paid jobs are scarce, the smuggling trade brings welcome financial relief. Almost everyone in the area has an acquaintance, friend or relative involved in the illicit trade, and because most smugglers are locals, their earnings tend to stay in the area, boosting the local economy.

The scale of smuggling operations here means it creates indirect work in the local economy for others besides those directly involved in smuggling operations. For example, in Khurmal, most mechanics specialize in fixing smugglers’ vehicles, and 4x4 Toyotas used by smugglers can be seen outside the car workshops.



Mahmoud has been smuggling for two years. A former tradesman, he turned to smuggling after failing to find work. ‘There are other jobs in this area but the wages are very bad. I was unemployed and most people in my village were smuggling, so I started too. It was easy to get into it because many people in the Iraqi Kurdish border villages are smugglers,’ he said. ‘I don’t like this work; it’s not a nice job – but I just can’t make the same money doing any other, legal work.’

Mahmoud makes US\$10 000–15 000 a month because he shifts a very large quantity of goods every night, and arranges collection directly with the couriers, boosting his income by avoiding using a middleman. He said, by comparison, that most smugglers driving goods from Iraqi Kurdish towns to border collection points make an average of US\$1 000 to US\$1 500 a month. A normal salaried job in this region would typically be paid between 400 000 and 450 000 dinars (US\$336–378), although in this rural area many people work as non-salaried farmers.

In his two years as a smuggler, Mahmoud has had two cars seized; has had to pay hefty fines for four others; and has lost US\$60 000 worth of goods. He has lost count of the amount of times he has been arrested in Iran and, laughing, showed a summons from an Iranian court captured on his phone. He has become so well known that the Iranian officials have given him a moniker, ‘the Magician’, because of his consistent ability to send masses of products across the border, and their consistent inability to stop him.

Mahmoud, Kareem and Ahmed all describe smuggling here as an extensive network, which extends from Istanbul to Tehran, because most goods in Iraqi Kurdistan are imported from or through Turkey. ‘A businessman in Iran orders



what he needs from a businessman in Sulaymaniyah or Erbil, say, and, once that order is made, the goods move along a supply network. It's a network built on trust and guarantees, and there are at least two middlemen in Iran and two in Iraqi Kurdistan, with the couriers working in between,' explained Kareem. 'The money is usually paid via *hawala*.'²⁴

Curious contraband: Walnuts, fridges, army boots, second-hand clothes and lorry tyres

Smugglers say that anything and everything that Iran can no longer import legally is now smuggled across this border, mainly carried on foot or by horseback. Most of the goods now being transported this way are not illegal commodities in Iran – they are just no longer available to ordinary citizens, or at least not at prices they can afford.

'In this area, we send a lot of clothes and footwear. Army boots and military uniforms are always new, and they are brought here from Erbil, but the normal clothes are mostly second-hand,' said Mahmoud. 'On the other side, the people are so poor, they need cheaper products.' Ahmed said that the second-hand clothing market in Iran is huge, supplying people with good-quality but inexpensive attire.

In one small border village in the Tata Mountains, second-hand clothes could be seen piled in huge heaps on plastic sheeting, waiting for couriers to arrive and stuff them into their own makeshift rucksacks. The main streets of this village are lined with smugglers' vehicles and stacks of pre-packaged goods, ready to be collected by couriers, are left out in the open and entirely unguarded. Because most people in the village smuggle, and few strangers visit, everybody knows whose goods belong to whom, and there is absolute trust.

At a more northerly crossing point in Halgurd, in July 2017, a group of smugglers targeted by Iranian border guards had been carrying mostly cigarettes and alcohol but a handful had been carrying footwear.

'I had 40 kilos of army boots when they started shooting at us,' said courier Muloud, 38, explaining how he had to drop his goods and run for his life. 'I would've got \$60 for that but now I'll get nothing.' Having smuggled goods across the border for 15 years, Muloud said he had been targeted in this way only once before, in 2012.

Muloud makes trips two or three times a week, usually carrying clothing and shoes, and says his best journey time is around two hours. 'There is no other job I can do in Iran. I can't just go around begging for money. At least by doing this, I still have my pride,' he said.

With the sanctions now biting in Iran, smugglers are seeing an increasing demand for foodstuffs. Mahmoud now specializes in transporting dry food products, particularly nuts. Most smugglers buy or collect goods from Erbil, but some, including Mahmoud, get them from Sulaymaniyah.

'At the moment, I'm mainly transporting walnuts and brazil nuts, which are imported into Iraqi Kurdistan from the US and Israel. American walnuts, which have more delicate shells than other walnuts, are popular in Iran,' he said. 'I drive 30 to 40 tonnes of nuts from Sulaymaniyah and then transport one to two tonnes up the mountain every night. There are a lot, really a lot, of couriers who collect the nuts. At the point when the couriers take the nuts from me, the process becomes illegal.'

The largest and heaviest goods – fridges, washing machines, plasma televisions and tyres – are usually shifted by foot couriers, but can be carried only over flatter terrain, and not over the steep mountain precipices that form smuggling routes in some of the border areas. Smugglers and local people interviewed for this report also said there

'Smugglers say that anything and everything that Iran can no longer import legally is now smuggled across this border.'



were several lowland border crossing areas where smuggled vehicles, mainly cars and motorbikes, were driven into Iran, usually upon payment of bribes to Iranian border guards. There is also a huge demand in Iran for vehicle spare parts, and car and lorry tyres.

Since the renewed sanctions, the quantities of all categories of goods being moved over the border has increased, smugglers said. Kareem said that electrical goods, such as air-conditioning units, had become increasingly in demand and more profitable. Some smuggled goods, particularly white goods, he said, were then sold in dollars in Iran, given the declining value of the Iranian rial since the sanctions, to secure the profit margins of those further up the smuggling network.

Before the sanctions, a US dollar was worth 300 rials but, within days of the sanctions being reimposed, the rial devalued to 2 000 to a single dollar. Such rampant devaluation of the local currency has ruined Iran's economy, leaving many people barely able to afford basic foodstuffs. Fearing public disorder, the Iranian authorities pushed foreign currency back into the market, managing by December 2018 to bring the rial rate back up to 1 000 to the dollar.

Some couriers transporting legal commodities have permission papers, effectively a sort of permit, issued by the Iranian authorities. In this way, aspects of smuggling have become 'legalized', or at least officially sanctioned. Permits, Ahmed said, were not easy to obtain, however, and, with many people keen to get their hands on them, there is a long wait. The document, theoretically, allows a courier to transport certain 'approved' goods for a certain period, usually six months. The authors were not able to speak to any courier who had such a permit, and its actual value and impact remain unclear, especially as large groups of couriers cross the mountains, making it difficult for Iranian border guards to establish from a distance who is actually in possession of such permits.

Some Iraqi Kurdish smugglers say they have also been offered these permits, which could provide a safety net, helping them get out of jail in the event of being arrested in Iran. Mahmoud said they mostly turn down the offer, however, as they view possessing a permit as somehow aligning themselves with the Iranian government, which is regionally viewed as hostile towards Kurds in general and particularly antagonistic towards the regional ambition for an independent Kurdish state.

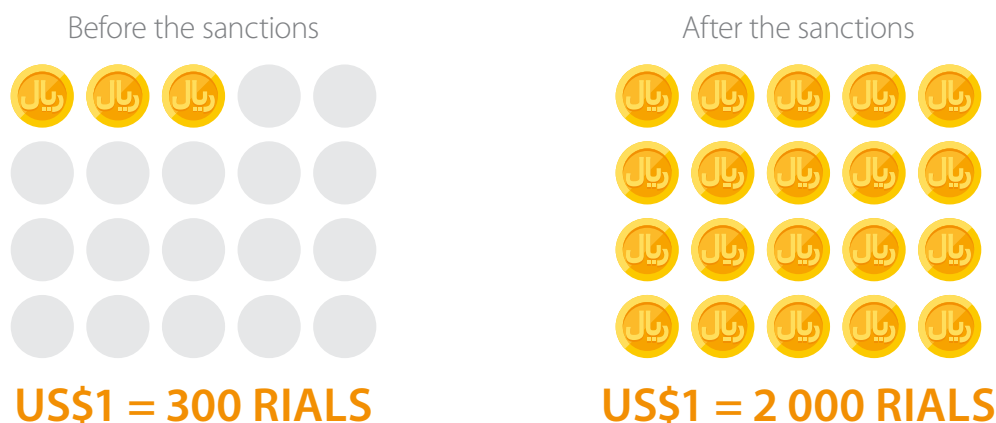


Iranian Kurdish couriers load electrical goods and carry them towards the Iranian border. (Photo: Afshin Ismaeli)



An Iranian Kurdish courier carries a plasma TV towards the Iranian border. (Photo: Afshin Ismaeli)

INFLATIONARY EFFECT OF SANCTIONS ON IRANIAN RIAL



Iran's border security forces, part of its Islamic Revolutionary Guard Corps (IRGC), release occasional statements highlighting successful anti-smuggling operations they have conducted in various border areas. Typically, these list types and amounts of goods confiscated and numbers of couriers captured. In these reports, goods are mostly listed as mobile phones, cigarettes, cars, motorbikes, make-up, ladies' clothes and, occasionally, dollars.

Such reports rarely mention some of the essential goods that the authors witnessed being transported in large quantities across the shared border between Iraqi Kurdistan and Iran, notably foodstuffs, white goods and electrical products, and alcohol. With the exception of alcohol, the commodities not mentioned in the reports are everyday items that Iranians need, and they are increasingly reliant on the smugglers and couriers to obtain them. This suggests that such reports are designed to promote a media message that the IRGC is working to stop smuggling, while concealing the true extent of smuggling operations and the nature of the products.

Serious and illicit contraband: Weapons, alcohol and drugs

Although the organized smuggling network behind the flow of foodstuffs and other legal goods is technically a criminal operation, it is widely viewed locally as a form of trade in essential items. However, alongside this 'trade' there is a parallel smuggling operation across this border, involving explicitly criminal commodities, notably alcohol, weapons and illicit drugs. These goods are illegal in Iran and not authorized by government, making their smuggling a more criminal, and more dangerous, operation.

Although alcohol has been prohibited in Iran since 1979, it remains popular. Alcohol is purchased on the black market by Iranians and expats, especially to fuel Tehran's extravagant party scene.²⁵ 'There are a lot of parties and private discos in Tehran, so these couriers risk their lives so people can get drunk at these kinds of events in Tehran,' said Ahmed.

Alcohol passes through certain border posts. In rural Halgurd, where much of the mountainous area is uninhabited in winter and populated by semi-peripatetic farmers in the summer, alcohol is one of the main contraband items, mainly transported by horseback. At one particular border collection point in 2017, alcohol stocks were seen being collected by up to 250 horses at a time. An average load is four boxes (48 bottles of whiskey, for example) per horse. 'All of Iran's alcohol goes through such crossing points,' Ahmed said. 'There are 80 million Iranians being supplied with alcohol from them.'

In the Tata Mountains, however, where many local people are involved in smuggling, communities are strictly Islamic and do not allow alcohol to be transported through the area.

Ukrainian vodka is bought in Iraqi Kurdistan for US\$7 and sold in Iran for US\$15. The mark-up on beer is even greater. Costing US\$1 per can at source, its retail price in Iran is US\$4.²⁶

'I have eight horses, all carrying booze,' said horse courier Mohamed, 33, whose haggard, weather-beaten face makes him look a decade older. 'I hate this job, I really hate it, but I have no choice,' he said. 'This is no life.' He said being caught was demoralizing because Iranian border guards would empty the alcohol out on the mountainside.

Some horse couriers have walkie-talkies and, when there is a security threat, one goes ahead to scout out the border and then radios back to the waiting couriers, providing reconnaissance on the Iranian military, advising others on which routes look safer and which time of day is preferable to set out over the mountain.

But the most criminal part of this smuggling network involves the transportation of weapons and drugs.

'The weirdest thing I carried was Tramadol tablets and battery acid for making drugs like crystal meth. There are a lot of drug laboratories on the other [Iranian] side, close to the border. Some couriers take raw materials over to Iran and bring back the finished product, although the drugs are also sold inside Iran,' said Mahmoud. Some couriers also carry opium, explained Mahmoud, and a few couriers have become addicts themselves.

In 2017, it was reported that the number of Iran's drug addicts had doubled in the preceding six years, with opium being the leading drug of choice.²⁷ There are about 2.8 million people regularly consuming drugs in a country of 80 million people, Drug Control Organisation spokesman Parviz Afshar told the ISNA news agency.²⁸ Ahmed told the authors that alcohol and drugs were widely used in Iran and their use was often overlooked by the Iranian authorities, who believed a major crackdown on drug use could lead to civil unrest.



Some horse couriers communicate with walkie-talkies, advising one another of safer routes and Iranian border-guard action. (Photo: Afshin Ismaeli)



An Iranian Kurdish horse courier prepares alcohol loads to be carried by horseback into Iran. (Photo: Afshin Ismaeli)

Weapons are one of the most lucrative forms of contraband that cross this border, and one that carries the highest risks. Former arms smuggler 50-year-old Soran said he made good money smuggling weapons into Iran for three years, before running into trouble with the Iranian border guard.

'I didn't like it as a job but I did it for the money,' he said, explaining that with few job opportunities for Iranian Kurds, he struggled to look after his wife and seven children. The extent of smuggling in this border region is so vast and so normalized that even its more criminal aspects are genuinely viewed by smugglers and couriers as a job rather than as a criminal activity.

There are thriving weapons markets in Iraqi Kurdistan and, in 2014, between 400 and 600 guns were reportedly being sold every day at just one weapons outlet in Sulaymaniyah.²⁹ Several local residents in Iraqi Kurdistan alleged that weapons supplied to Iraqi Kurdish authorities to fight IS were routinely sold on the black market, and one military-surplus shopkeeper in Erbil admitted that some of his (non-weapon) stock, including US military-issue first-aid kits, were sold to him by Peshmerga fighters. A 2016 report said guns provided by the German Ministry of Defence to support Iraqi Kurdistan's battle against IS had ended up being sold on the black market.³⁰ Peshmerga spokesman Jabar Yawar told Al-Jazeera in 2015 that such practices were illegal and if any Peshmerga were found to be selling their weapons, they would be prosecuted at the military courts.³¹ Whatever their original source, a wide variety of weapons are readily and extensively available for purchase in shops and markets in Iraqi Kurdistan, which are the most likely source of weapons being illegally trafficked into Iran.

'Arms smuggling is not like the alcohol smuggling. That goes on all the time but weapons smuggling is a case of supply and demand,' Soran said. 'The smuggled guns end up all over Iran, literally everywhere in the country.'

Soran fell foul of the authorities in early 2017, when his car got stuck on a mountain pass and Iranian border guards opened fire. His mistake, he said, was to shoot back: 'I managed to get the weapons out but they seized my car and that's what caused the problems because they identified my name and saw that I had driven across the official border from Iran into Iraq and was returning illegally,' he said.

Soran spent a year living in a makeshift hut on Halgurd, earning a pittance guarding alcohol supplies at a courier collection point, before managing to return home.

New two-way trade in fuel

A recent development has seen Iranian couriers bring petrol and diesel into Iraqi Kurdistan in exchange for goods from Iraq. Ironically, oil-rich Iraq generally sells poor-quality fuel, whereas Iran has superior oil refineries and, with the collapse of the Iranian rial, its fuel is now considerably cheaper than Iraq's.

Couriers are each able to carry three 20-litre plastic containers of fuel. They sell the fuel to Iraqi Kurdish smugglers, making a profit of US\$4–5 per 20 litres. It appears this new trend of transporting fuel is an independent smuggling enterprise by the couriers themselves and is not controlled by, or connected to, any larger smuggling network. 'Iranian diesel is much better quality than Iraqi,' said Mahmoud, explaining that he sells fuel bought from the couriers locally in Iraqi Kurdistan for an additional small profit. It is common in Iraq for petrol to be sold in canisters by the roadside.

Other products, including agricultural fertilizer made in Iran are also sometimes transported into Iraqi Kurdistan by couriers. 'It's cheaper for us to get stuff like this from Iran, especially now after the sanctions, because the value of their money has gone down so much,' explained Mahmoud. The transportation of goods such as fertilizer is controlled by the larger smuggling networks.



Iranian Kurdish couriers carry cheap petrol from Iran into Iraqi Kurdistan to sell, then load up with goods and return to Iran.
(Photo: Afshin Ismaeli)

Smuggling systems in Iraqi Kurdistan

In the remote mountainous areas, the collection points are effectively makeshift base camps, where goods are delivered by Iraqi smugglers or their delivery drivers. Here, large quantities of continually replenished stocks of contraband are guarded by Iranian Kurds, as many as 15 in some places, who stand guard over the supplies, sometimes for months at a time. Their wages are paid by one main smuggler, funded by a financial deal brokered by smugglers on both sides of the border, according to Ahmed.

The goods are delivered usually every day and sometimes several times a day. Drops are also made at night, when many couriers prefer to work. In border towns and villages, smugglers operate out of warehouses filled with goods awaiting transportation into Iran, which are regularly restocked. In some border villages, however, where most residents are smugglers, goods are left unguarded on the street.

Senior smuggler and warehouse-owner Mohamed is a member of the PUK Peshmerga.³² Some couriers collect goods directly from warehouses, and Mohamed allowed the authors to witness this process. Around 70 couriers arrived at night and each quickly loaded up with pre-packed boxes containing 50 kilograms of walnuts, and left. Most were aged between 50 and 60. Some older couriers needed assistance to shoulder the load, which was then secured by a harness fastened around their fronts. The instant they had the loads on their backs and secured, the couriers left.

No money changed hands here. 'We get paid when we reach the other side,' explained one man, adding that the US\$25 he earned was 'nothing' for the task of carrying the 50-kilogram load to Iran, involving a tough two-hour ascent and descent over the mountain.

At another warehouse, smuggler Saleh had boxes of pre-packaged cigarettes. 'I deliver two or three car loads of cigarettes every day and I make 1 000 IRQ (US\$0.84) per box of cigarettes [approximately 20 cartons],' he said, saying he was paid by the warehouse owner.

Most smugglers work with the same set of couriers, and most couriers ply regular routes, usually close to their home towns and villages in Iran, slightly reducing the risks they confront, as they know how to navigate through minefields, how to dodge border guards and, when circumstances demand it, alternative routes to take. Couriers also often specialize in certain types of goods that they regularly carry. Often, Iraqi Kurdish smugglers make a note of the types and quantities of the goods that the couriers carry, but not all smugglers bother with written records, appearing to work from memory.



Privately owned warehouses where goods are stored until they are collected by Iranian Kurdish couriers and transported into Iran. (Photo: Afshin Ismaeli)



Iranian Kurdish couriers shoulder loads of pre-packaged goods in a warehouse in Iraqi Kurdistan, before their journey back towards the border. (Photo: Afshin Ismaeli)

The Iraqi smugglers and Iranian couriers appear to have good relationships. They maintain regular telephone contact, sharing updates about routes, unexpected border closures or problems with the border guards, as well as estimated arrival times.

Once in Iran, the couriers deliver their loads to border points or villages, where they receive payment. From there, the goods are transferred by drivers to towns and cities across Iran.

‘When the goods reach Iran, they are transported to three main cities – Mahabad, Marivan and Bukan,’ explained Khalid. The goods are amassed in these cities in preparation for onward transport to other towns and cities across Iran, he said, alleging that much of the trafficking processes, along with most of the smuggling trade in general, was overseen and organized by the IRGC.

Dangerous, difficult and underpaid work

Although there appears to be some degree of complicity with the smuggling trade on the Iranian side, with border guards seemingly turning a blind eye, especially on some specific routes, the Iranian border is manned by armed guards who sometimes take action against couriers, making arrests, confiscating goods or even shooting couriers. Khalid said that those couriers who worked outside of smuggling operations controlled the IRGC, which he alleged were involved with many organized smuggling operations across this border, were the ones most frequently targeted.

Those who take the biggest risk and yet make the least money in this criminal network are the Kurdish Iranian couriers. Iraqi Kurdish smugglers, border guards and KDPI members expressed empathy for the couriers, as fellow Kurds. They see them as forced into this tough trade by the stance of the Iranian government, which smugglers and couriers say is oppressive towards its estimated 12 million Kurdish population.

Most goods transported illegally across the Iraqi Kurdistan–Iran border are carried by foot couriers, who carry heavy loads on their backs, or horse couriers, who usually have between six or eight horses, according to horse courier Ferhat, 22. The couriers are poverty-stricken Kurds, who say they have been pushed into this work by a lack of

formal work opportunities in Iran. Nevertheless, the courier work is both poorly paid and extremely dangerous. Foot couriers earn a pittance of around US\$25 per trip or occasionally up to US\$60 for particularly heavy or valuable loads; horse couriers earn \$30 for each horse laden with goods. The couriers are paid by smugglers they work for on the Iranian side, usually the next person up in the network, who receives the goods and arranges for their onward transportation in Iran.

‘The situation for Kurds in Iran is so bad that people risk their lives doing these smuggling trips for just \$25,’ said KDPI commander Selegi.

Ferhat, who started courier work with horses when he left school at 11, and usually makes four or five trips every week, has known no other life. ‘I have no problems with this job. I like it,’ he said. ‘But I never did anything else, so this is the only job I know. It’s my life.’

Four to five trips a week is the norm for horse couriers, who lead the heavily laden animals across the mountain, according to Taher. In winter months, when there is heavy snow, he said horses cannot always manage the journey and then couriers instead carry two boxes of whisky each on their backs. ‘With the horses, we set out at 3 a.m. and arrive at around 9 a.m., depending on the route and the difficulties we encounter,’ he said.

If anything goes wrong on the journey, which is frequently the case, there is no support from the smuggling networks. If a courier does not deliver the goods for whatever reason – being shot at, having goods confiscated or being arrested by the Iranian authorities – he does not get paid.

In mid-2017, there was a major uptick in Iranian border security on Halgurd, which smugglers attributed to Iran’s displeasure with Iraqi Kurdistan’s then proposed independence referendum. Iranian border guards opened fire on groups of couriers carrying contraband. One courier was shot dead and another injured. A third courier lost a foot after treading on a mine left over from the Iran–Iraq war, and he and a colleague helping him were arrested by the border guard. During the incident, the other couriers fled back into Iraqi Kurdistan. ‘The guy who trod on the mine is just 24 and he’s so poor, he has literally nothing, not even money for food,’ said one courier.



Iranian Kurdish couriers who had been targeted by Iranian border guards in 2017 had to attempt a return journey carrying empty bags. (Photo: Afshin Ismaeli)

This incident left 18 foot couriers and several horse couriers, some with wounded animals, stranded on the Halgurd mountainside without food or water, and having to deal with extremes of temperature. Their Iraqi Kurdish smuggler drove up a mountain pass in full view of two Iranian border outposts to assess the situation and take the couriers food and water supplies. His car was shot at on the way back down the mountain. Technically, the Iranian border guards do not have the authority to fire into Iraqi territory, and couriers and Iranian KDPI Peshmerga members said this was unorthodox. Normally, the Iranian border guard wait until couriers reach no-man's-land or Iranian territory to take action.

'It was like a rain of bullets,' said courier Salim, 31. 'This has been happening a lot recently [in June 2017] – four people were injured last week.' Working as a courier for 14 years, he said the job was becoming increasingly dangerous.

Most of the couriers who had been targeted by the border guards attempted to get home. They had dropped their goods when they were shot at and, after three days of sleeping rough in the elements without food, had been unable to carry new supplies, as the gruelling nature of the work demands good physical condition. In violent incidents such as these, the couriers' journey becomes no longer one to make money but only to safely reach their homes.

In July 2017, some couriers lost not only their contraband but also their means of making a living. At another crossing point in Halgurd, also targeted by the Iranian border guard, a large number of horses were killed. 'We were going down through the valley when they shot at us with machine guns from both sides,' said Taher, who had been travelling with 20 people and over 50 horses carrying alcohol and diesel. 'We had to leave our horses and run. They [the guards] poured all the alcohol and diesel over 13 of the horses and set fire to them. We watched from where we were hiding in the mountain and we cried for our horses.'

Several couriers bore scars that they said were the marks of previous Iranian border guard action. According to the Hengaw Organization for Human Rights, which reports on human-rights violations towards Kurds in Iran, at least 231 couriers were killed or wounded on the border between Iraqi Kurdistan and Iran in 2018.³³



Iranian Kurdish couriers load goods – mostly alcohol – onto horseback on Halgurd Mountain, preparing to cross back into Iran. (Photo: Afshin Ismaeli)

And it is not just armed border guards who make the couriers' work dangerous. This is a year-round trade, and they are also subject to extremes of weather, which, in the winter months, is a leading cause of death. 'For up to two months every year, there is snow, and the couriers still work in that weather,' said Seleghi. 'In 2016, a harsh winter, many couriers froze to death.' Taher said on this section of the border alone, between 10 and 20 couriers usually froze to death every year on the mountainside.

However, the cruel winter months are sometimes easier in terms of evading security, as Seleghi claimed some Iranian border guards would abandon their posts because of the cold.

An additional threat to the couriers is posed by mines, which were laid in the area during the eight-year Iran–Iraq war and remain uncleared. Roads leading up most mountains along the border are dotted with ageing, rusting signs warning of minefields. Couriers have good knowledge of the whereabouts of the minefields but, when security threats compel them to use another route, mines then pose a serious threat. Ferhat said that, over time, and especially after winter snowfalls, mines frequently became uncovered and washed down the mountainside onto the paths. He added that the aging devices, now nearly 40 years old, were unstable and detonated easily.

The Hengaw Organization said at least 21 couriers were victims of mine explosions in 2018, including five who lost their lives.³⁴ 'Some couriers have lost one or both legs doing this job and are now beggars on the streets back in Iran because they can't do anything else,' said courier Aram.

Besides the danger of the numerous kinds of physical threats they encounter in their work, they also face financial risk. Couriers said border guards would often seize their goods and horses, letting the men go free or allowing them to buy back their horses at inflated prices, said to be between US\$300 and US\$600 per horse. However, some are arrested and imprisoned in Iran, especially when they are unable to pay the extortionate fines of up to US\$50 000 they are handed by the courts, according to Seleghi.

Although most punishment and violence endured by the couriers and smugglers come from the Iranian border guard, accusations of mistreatment have also been levelled at border guards in Iraqi Kurdistan. Several Iranian couriers complained of increasing mistreatment from Iraqi Kurdistan border guards between October and December 2018, citing beatings, arrests and detentions. Most couriers spend very little time in Iraqi Kurdistan – arriving, loading up with goods and leaving almost immediately, an operation that can take just a few minutes, so such beatings and arrests usually occur during raids on the collection points or base camps, one courier explained.

'In general, Iraqi Kurdistan helps the smugglers and couriers but there are some points, especially in PUK-held areas, where they treat the couriers badly,' said Ahmed. 'It's not in general, just at some points. It's not easy to understand the reasons. It could be about money and corruption but it could also be a security issue because some of the couriers are spies from the IRGC.'

The Iraqi Kurdish smugglers and delivery drivers do not face problems from Iraqi Kurdistan authorities or border guards because, as mentioned, they pay customs duties and, as Mahmoud explained, on that side of the border they are viewed as engaged in 'trade'.

'The Hengaw Organization said at least 21 couriers were victims of mine explosions in 2018, including five who lost their lives.'



Risks of a growing regional smuggling economy

Smuggling operations from Iraqi Kurdistan to Iran are extensive and span large areas of the shared border. Although the movement of goods continues to be viewed as trade on the Iraqi Kurdistan side of the border, the main resistance to this criminal activity remains the Iranian border guard.

However, the sheer scale of smuggling operations across well-trodden routes means Iranian security is either routinely turning a blind eye to it, or the smuggling levels have become unmanageable. Iranians in general – be they government entities or officials, businessmen or local citizens – are the recipients and beneficiaries of the smuggled goods. The renewed sanctions mean Iran is likely to become more heavily reliant on goods brought into the country in this way, and therefore it would not seem to be in Iran's interests to crack down on smuggling beyond moderate arrests and seizures of goods.

'Sanctions make people poor, especially in rural areas and remote border regions.'

'No one can stop this trade, unless they build a wall like Trump, which is impossible here anyway,' said Kareem. 'People in Iran are hungry, they have no money, nothing, and they will do anything to survive. Sanctions make people poor, especially in rural areas and remote border regions. Under sanctions, the rich become richer and the poor become poorer.'

These smuggling routes have been operating for so many decades, to a greater or lesser degree, that they are an integral part of life along the border regions. Kareem said the routes pre-dated the founding of the Islamic Republic of Iran, explaining that his uncle had worked as a smuggler during the time of the Shah.

'Of course, it wasn't the same amount back then because the situation in Iran wasn't so bad. It wasn't even considered smuggling. It was just part of normal life around the borders. People went shopping in Iraq and took the goods back into Iran without paying taxes,' he said. 'But, after the revolution, things changed, problems started and everything became expensive or forbidden in Iran, and smuggling started increasing.'

Most parties involved in the smuggling of contraband – the Iranian state, some Iranian and Iraqi Kurdish border guards, Iranian and Kurdish Iraqi businessmen, smugglers, the poverty-stricken Kurdish Iranian couriers and the local communities either side of the border – appear to be benefiting from the smuggling trade in this area. Under current conditions, it seems likely that smuggling networks and individuals will continue to move goods across Iraqi Kurdistan borders into Iran with relative impunity because a cessation or even reduction in smuggling in this region would appear to be in almost no one's interests.

As this report has indicated, this smuggling economy is deeply embedded in the social, economic and political realities of the border region between Iran and Iraqi Kurdistan. This is a 'wicked problem' – one where there is such complex interdependence between these different elements that any attempt to address a single factor might have unintended consequences. Two potential unintended, though not unforeseeable, consequences of the re-imposition of US sanctions on Iran are the strengthening of organized criminal involvement, and the fact that smuggling networks may become more focused on illegal substances, such as alcohol, cigarettes, precursor chemicals for drug production and weapons.

As mentioned above, there is a risk that a grey economy, in a situation where, for both the authorities and the local communities, options are few and profits are high, may develop into a serious criminal economy. Though the leadership structures of the organized smuggling syndicates remain obscure, there are indications of both organized criminal involvement and state security involvement. The complicity of local border guards is clearly motivated by financial incentives, but appears to receive unofficial sanction on both sides of the border. In Iran, smugglers claim that the IRGC organizes and oversees smuggling routes, violently policing the involvement of Iranian Kurdish couriers who do not operate within their organized criminal system. As sanctions continue to bite, Iran's dependence on these smuggling routes will increase, creating greater leverage for smugglers on both sides



of the borders to raise prices. As profits rise, organized criminal groups on both sides of the border may also seek to consolidate control of the key routes.

These are the risks the region faces. At the same time, we have to careful not be alarmist and mischaracterize systems that provide livelihoods and access to basic goods to large groups of people as being more criminalized than they are. Because this situation is dynamic, politically sensitive and volatile, and has the possibility to greatly exacerbate the vulnerability of locals if handled badly, it is vital that we maintain a balanced, empirically based view of what is happening on the ground. Such a situation therefore requires careful monitoring and contextualization within the broader political economy of illicit flows in Iran, which is forthcoming from the Global Initiative.

About the authors

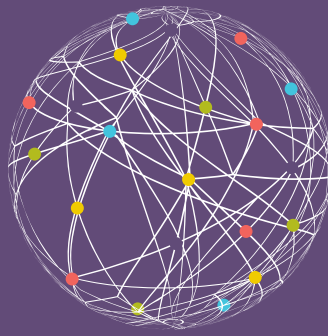
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