

SAINT GEORGE AND THE DRAGON:

GEORGIA AND CHINA IN THE CONTEXT OF EU-ATLANTIC INTEGRATION



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Executive Summary

On July 27th, 2023, Georgian Prime Minister Irakli Garibashvili was in Chengdu, China attending the opening ceremony of the 31st Summer World University Games, where he was invited by Chinese President Xi Xin Ping. Garibashvili thanked Xi for the Belt and Road Initiative, and the visit concluded with both heads of government issuing a joint statement establishing a Strategic Partnership between Georgia and China.¹ The consequences of the partnership are vague – as is usual with China's "strategic partnership" deals – but, they still signify a growing interest of the Chinese giant in small Georgia. Although the official position of the Georgian government and people has long been set towards the West, Chinese interests in Georgia, and vice versa, represent a growing shift in Georgia, at least in the government, towards authoritarianism, and more importantly, away from EU-Atlantic integration.

For instance, Georgia has stood by the one-China policy, and in turn, China has refused to recognize the Russian-occupied Georgian breakaway states of Abkhazia and South Ossetia. This paper will aim to examine the history of the Sino-Georgian relationship, the economic prevalence of China in Georgia today, and the consequences of that

"No matter how the international situation changes, China is unwavering in its determination to develop relations with Georgia," - Xi Xin Ping

relationship on Georgia's European aspirations. It has concluded that while China's presence in Georgia has been increasing over the past decade, especially following the signing of their free trade agreement in 2017 and the subsequent over-reliance on China for trade, China does not pose, relatively, a large threat to Georgia. However, due to the weak institutional democracy in Georgia, and the relative size of China to Georgia, Chinese activities in Georgia may lead to undue political and economic influence. Because of Georgia's proneness to democratic backsliding, involvement with China, even at this level, threatens to undermine the country's long-term goals of joining the European Union and NATO.

Georgia and EU-Atlantic Integration

To examine China and Georgia's modern political relationship, we must first look into the genesis of modern Georgia. In 1918, when Georgia first gained independence from the Russian empire, a leading Georgian novelist, Mikheil Javakhisvili wrote: "do we choose North, West, or East? All the debate and discussion on this matter is barren, if harmful. We ought to turn the same direction that the country is rolling, and it goes barreling toward the West." Three years later however, the Red Army marched on Tbilisi, and Georgia's Western aspirations laid stifled and dormant for decades. In 1991, upon Georgian independence from the USSR, western aspirations were renewed. Since then, Georgia has made massive strides in an attempt to join the European Union (EU) and the North Atlantic Treaty Organization (NATO.) Mikheil Saakashvili, Georgia's third president, and the one most relevant for the exploration of Georgia's place in the EU, entered office in 2004 following the bloodless Rose Revolution. Although not without controversy, Saakashvili oversaw massive military, government, and economic reforms, ridding Georgia of much of its internal corruption, increasing privatization, and ramping up talks with the EU and NATO.³ Since then, support for Georgia's ascension into the EU is at an all time high, with polling showing that 89% of Georgia's either "fully support" or "somewhat support" joining the union.⁴ Saakashvili, like the majority of Georgians, saw the EU and NATO as the most surefire way to uplift Georgia's economy and standard of living, as well as protect it from the aggressions of its northern neighbor. For Georgia, it is the next logical step forward away from their Soviet path. From the Chinese perspective, China officially established diplomatic relations with Georgia in 1992. Through Saakashvili's early years, relations with China were insignificant, while Georgia's relationship with the EU and NATO

[&]quot;Garibashvili met with." "Prime Minister Visits China, Meets with President of PRC Xi Jinping." Civil Georgia, 29 July 2023, civil.ge/archives/553453.

² Gabritchidze, Nini. "strategic Partnership' between Georgia and China Puzzles Critics." *Eurasianet*, 1 Aug. 2023, eurasianet.org/strategic-partnership-between-georgia-and-china-puzzles-critics.

³ Gigitashvili, Givi, and Robert Steenland. "Mikheil Saakashvili's Contribution to Georgia's Transition." *New Eastern Europe*, 16 Aug. 2018, neweasterneurope. eu/2018/08/16/mikheil-saakashvilis-contribution-georgias-transition/.

⁴ James, Emilia. "Iri Georgia Poll Finds Support for EU Accession High, Weariness of Russian Presence, Lack of Faith in Political Parties." *International Republican Institute*, 25 Apr. 2023, www.iri.org/news/iri-georgia-poll-finds-support-for-eu-accession-high-weariness-of-russian-presence-lack-of-faith-in-political-parties/.

was advanced. Georgia joined the European Neighbourhood Policy in 2004, and a series of missions and offices were established to strengthen the relationship between both entities. Georgian forces participated with NATO forces via the International Security Assistance Force in Afghanistan, and Georgia was offered "Intensified Dialogue" status in 2006. Ukraine was offered the same status a year prior.

In 2008, the United States and Poland called for Georgia to be allowed to join NATO's Membership Action Plan, which would begin their official ascension into the alliance. Although several countries opposed this, out of fears it would provoke Russia, Georgia, and Ukraine, were told they would eventually be allowed to join the alliance. Months later however, Russia invaded Georgia and the Five-Day War saw over 20% of Georgia's de jure territory invaded and effectively occupied by Russia. Though both the EU and NATO had little formal reactions to the invasion, such as sanctions, Georgia's hope remained with them. In 2010, negotiations on the Association Agreement with the European Union, including the Deep and Comprehensive Free Trade Area agreement, were launched, and the agreement was officially signed four years later. Numerous more interactions between Georgia and the two unions occurred in the following years, increasing their respective interconnectedness. Notably, in 2017, visa-free travel into the EU was established for Georgian citizens. From the NATO side, Georgia's future in NATO has been continually affirmed by secretary generals and NATO leaders. While EU member-candidacy has been withheld due to worries over Georgian democratic backsliding, which will be discussed further in this paper, Georgia's NATO ascension is especially blocked by the fact that a significant portion of Georgia's territory remains occupied by Russia. Unfortunately, in June 2022, while Ukraine and Moldova were both granted EU candidacy status, Georgia was not, despite the former-Soviet nations being on much of the same timeline prior to that point, and Georgia even being considered a frontrunner. The EU Commission stated that its decision to not yet grant Georgia candidacy status stems from fears over the aforementioned democratic backsliding, citing increased oligarchical influence over Georgian media and politics, "inconsistently protected" civil liberties, and political polarization. In essence, while Georgian membership in both, the EU and NATO, are at an impasse, there is readiness and desire from both organizations and the Georgian people for integration. If the Georgian government seeks to fulfill its constitutional mandate of achieving EU membership and supporting the will of the people, then they must defeat these internal blocks. While these issues are multifold and out of the scope of this paper, they are intertwined with Chinese involvement in Georgia. The issue? Increasingly close relations with China today intensify them.

Georgia and China Today

In History: While visiting Georgia in 2019, Chinese Foreign Minister Wang Yi reiterated Chinese support for full Georgian territorial integrity, and Georgian officials reaffirmed their commitment to the One China Policy. This relationship began first in 1992, when China recognized the Republic of Georgia, and Eduard Shevardnadze held a state visit to China the following year. Since then, the budding relationship saw China's refusal to recognize the breakaway states of Abkhazia and South Ossetia despite the wishes of Russia through the Shanghai Cooperation Organization in 2008. In 2017, Georgia and China signed a free trade agreement, becoming the only post-Soviet state to have such an agreement with China. While Georgia is a part of China's Belt and Road Initiative, which aims to expand Chinese economic influence throughout the globe, its location means it is not an integral member. According to the Carnegie Endowment, Chinese goods have three ways of reaching European markets, with the middle corridor, which includes Georgia, being neither the cheapest nor the fastest. However, its geopolitical importance is in the fact that it bypasses Russia and the Suez Canal, both volatile areas for trade. Meaning, the middle corridor remains an important avenue for China to consider. As a result of the FTA and China's economic hegemony, China was Georgia's largest export destination, and is its second highest import partner in 2022.

"In restoring its relationship with Asia through the revival of the Silk Road, Georgia is also regaining its place in Europe. Georgia ceases to be in the periphery of Europe and the periphery of Asia," - David Usupashvili, former Speaker of Parliament This has been the result of a steady climb over the past two decades, with a sharp increase following the instatement of the FTA. Also in 2017, China's Hualing Group, a large corporation focused on construction, built the Hualing Free Industrial Zone in Kutaisi, which has become a staple hub for Chinese manufacturers in Europe. ¹² Additionally, Chinese companies, with the Sinohydro Corporation taking the lead, have won almost every multi-million-dollar contract for road and rail construction projects in Georgia. ¹³

⁵ NATO. "Relations with Georgia." NATO, 23 May 2023, www.nato.int/cps/en/natohq/topics_38988.htm.

⁶ Georgian Embassy in USA. "Chronology of Major Events of Georgia- Eu Cooperation." *The Georgian Embassy in USA*, 1 Dec. 2018, georgiaembassyusa.org/wp-content/uploads/2018/01/Chronology-of-Major-Events-in-Georgia-EU-Cooperation.pdf.

⁷ Kucera, Joshua. "With Ukraine Poised for Closer NATO Relationship, Georgia Falls Further Behind." RadioFreeEurope/RadioLiberty, *Radio Free Europe / Radio Liberty*, 3 July 2023, www.rferl.org/a/ukraine-nato-membership-georgia-falling-behind/32487545.html.

⁸ Liboreiro, Jorge. "Why Was Georgia Not Granted EU Candidate Status?" *Euronews*, 24 June 2022, www.euronews.com/my-europe/2022/06/24/why-was-georgia-not-granted-eu-candidate-status.

⁹ Civil.ge. "Chinese Foreign Minister Visits Tbilisi, Vows Support to Georgia." *Civil Georgia*, 24 May 2019, civil.ge/archives/306578.

¹⁰ Brattberg, Erik, et al. "China's Influence in Southeastern, Central, and Eastern Europe ..." Carnegie Endowment for International Peace, 13 Oct. 2021, carnegieendowment.org/2021/10/13/china-s-influence-in-southeastern-central-and-eastern-europe-vulnerabilities-and-resilience-in-four-countries-pub-85415.

¹¹ National Statistics Office of Georgia. "National Statistics Office of Georgia - Geostat.Ge." *Geostat.Ge*, 20 Jan. 2023, www.geostat.ge/media/43311/External-Merchandise-Trade-of-Georgia-in-January-2022.pdf.

¹² Arabidze, Irina. "China in Georgia – a Developing Relationship." Chinaobservers, 3 Jan. 2023, chinaobservers.eu/china-in-georgia-a-developing-relationship/.

¹³ Kintsurashvili, Ani, et al. "Civic Idea's Third China Watch Report Covers the Controversies over Sinohydro & China Railway 23rd Bureau Group Co.." *Civic Idea*, 16 Oct. 2020, civicidea.ge/en/civic-ideas-third-china-watch-report-covers-the-controversies-over-sinohydro-china-railway-23rd-bureau-group-co/new/.

In fact, one can hardly drive out of Tbilisi for more than thirty minutes without seeing the Sinohydro logo. While the government has stated that the Chinese companies' success stems from their expertise and pricing, these companies are known for their prolonged timeframes and increasing costs during construction. Sinohydro especially, has been thought to aimlessly commit untold damage against the environment and local populations surrounding their construction projects, in addition to violating labor laws and construction codes.

China in Context: The rise in Georgian dependence on China has not occurred in a vacuum. In recent years, authoritarian regimes have become increasingly entangled in the Georgia economy, with the top three trading partners, by imports and exports, being a mix of China, Russia, Turkey, and Azerbaijan. Amoreover, while there is a lack of an official statistic from the Georgian government, it is estimated that more than 114,000 Russian nationals reside in Georgia following the commencement of the Russo-Ukrainian War. Meaning, the Georgian economy has become increasingly tied to the economies of Russia and other authoritarian nations in recent years. These trade partners are not reliable, as they are highly politicized. When considering the Russo-Ukrainian War, and the withholding of grain Russia has practiced in retaliation towards countries it has deemed as enemies, it's easy to see how being beholden to Russia or other authoritarian governments is a path against sovereignty. Even now, Garibashvili has stated that Georgia will not join sanctions against Russia for their actions in Ukraine because of the Georgian economic dependence on Russia. Additionally, with Georgia's state and civil institutions lacking stability, such entanglement with authoritarian regimes risks Georgia backsliding into corruption. This matters immensely if Georgia hopes to realize its EU aspirations soon. China's reach into Georgia goes beyond abstract macroeconomics and into the day-to-day lives of Georgians. The majority of Georgian COVID-19 vaccines were supplied by China, and Chinese phones, including Huawei, represent a quarter of the consumer market in Georgia's national interests.

For China, in the context of Great Power Competition and the United States, Georgia is a strategic venture. U.S. President George W. Bush had taken special interest in Georgia, and had championed Georgia's bid for NATO membership in 2008. However, much has changed since the Bush years, and besides annual economic aid from the U.S. (totaling at USD 1.9 billion over the past three decades, an insignificant amount from the American perspective,) the U.S. has had little to do with Georgia in recent years. ¹⁹ In fact, following the 2008 war, the U.S., under the Obama administration, adopted the "Russia Reset" policy, which ultimately saw Russia go unpunished despite their actions in the war. This signified a growing disinterest in Georgia in the U.S. Still, as the so-called "leader of the free world," the U.S. maintains its support for Georgian ascension into NATO and further integration into the West. Meaning, Georgia has become another board-piece for China and the U.S. in the Great Power Competition.

Impact on EU-Atlantic Aspirations

While China, among other authoritarian regimes, are also entangled in many EU economies, their doing so in Georgia may hinder Georgia's ability to join the EU. In June 2022, the EU granted Ukraine and Moldova long-sought after candidacy status. Although Georgia was on the same timeline as these nations, it was refused candidacy status. The EU Commission stated that Georgia's democratic institutions were weak, and that prior to getting candidacy status, let alone joining the EU, the government needed to address the country's oligarchies, weakened civil societies, and political polarization.²⁰ In fact, it was determined that the country has taken steps backwards in recent years. This indicates that authoritarian entanglement in Georgia may be different from entanglement in say Hungary, where China is also active, and have fundamentally different consequences. In Hungary, it introduces democratic incompatibilities, but the safety net of the EU is there nonetheless, while in Georgia, it takes the country away from Georgians' aspirations to join the EU. In order to understand the consequences of concentrated Chinese efforts in a small country on EU-relations, we can continue to look at Hungary.

Like in Georgia, and many other countries around the world, Hungary has seen an incredible rise in Chinese-contracted construction projects. These projects were introduced in full swing in Hungary before Georgia, thus, looking at them might indicate the political future of the projects in Georgia. In Hungary too, the projects were riddled with accusations of favoritism, mismanaged and undelivered timelines and costs, and labor law violations, in addition to secretly unfavorable loan terms.²¹ Many of China's deals

¹⁴ National Statistics Office of Georgia. "National Statistics Office of Georgia - Geostat.Ge." *Geostat.Ge*, 20 Jan. 2023, www.geostat.ge/media/43311/External-Merchandise-Trade-of-Georgia-in-January-2022.pdf.

¹⁵ Demytrie, Rayhan. "Georgian Anger as Russian Flights Land Again in Tbilisi." *BBC News*, BBC, 19 May 2023, www.bbc.com/news/world-europe-65645527.

¹⁶ Farge, Emma. "Exclusive: Russia Is Prepared to Quit Black Sea Grains Deal, Writes to UN with Demands." *Reuters, Thomson Reuters*, 13 Oct. 2022, www.reuters. com/markets/commodities/exclusive-russia-is-prepared-quit-black-sea-grains-deal-writes-un-with-demands-2022-10-13/.

¹⁷ Staff, Al Jazeera. "Where Is the Logic?': Georgia Will Not Sanction Russia, Says PM." *Russia-Ukraine War News* | *Al Jazeera*, Al Jazeera, 24 May 2023, www.aljazeera.com/news/2023/5/24/where-is-the-logic-georgia-will-not-sanction-russia-says-pm.

¹⁸ Brattberg, Erik, et al. "China's Influence in Southeastern, Central, and Eastern Europe ..." *Carnegie Endowment for International Peace*, 13 Oct. 2021, carnegieendowment.org/2021/10/13/china-s-influence-in-southeastern-central-and-eastern-europe-vulnerabilities-and-resilience-in-four-countries-pub-85415.

¹⁹ USAid. "Georgia." *U.S. Agency for International Development*, 1 Aug. 2023, www.usaid.gov/georgia.

²⁰ Liboreiro, Jorge. "Why Was Georgia Not Granted EU Candidate Status?" *Euronews*, 24 June 2022, www.euronews.com/my-europe/2022/06/24/why-was-georgia-not-granted-eu-candidate-status.

²¹ Brattberg, Erik, et al. "China's Influence in Southeastern, Central, and Eastern Europe ..." Carnegie Endowment for International Peace, 13 Oct. 2021, carnegieendowment.org/2021/10/13/china-s-influence-in-southeastern-central-and-eastern-europe-vulnerabilities-and-resilience-in-four-countries-pub-85415.

have not lived up to their promises, including the Tbilisi Sea New City built by Hualing. Similarly, in Greece, the Chinese-sponsored Piraeus Port heralded national acclaim, but soon drew up protests when Greek workers weren't hired and the port itself failed to accomplish its goals. This phenomenon is present across Eastern Europe. In 2021, six leaders skipped the ninth 17+1 summit, the Chinese initiative to promote economic interconnectedness between China and Eastern Europe. Despite the summit being chaired by Xi himself for the first time, leaders missed the event because they believed that projects with China never delivered as promised. For example, when China announced "The Georgian Partnership," they pledged \$1 billion in a new commercial bank, a free industrial zone (FIZ) in Poti similar to the Hauling FIZ, and a \$50 million reconstruction fund. None of those three promises have materialized however. Additionally, China's projects come with invisible political strings. Both Hungary and Greece have undermined EU statements on issues pertaining to China. While Georgia already holds to the One China Policy, the EU does not, and in 2021, Hungary blocked EU statements on Hong Kong sovereignty. This hardly coincides with perceived democratic backsliding in Hungary.

Tangentially, there is a growing rift between the EU and Hungary, and Hungary has long been seen as a weight on the full democratization of the EU.²⁴ The EU, who has been facing enlargement pains in dealing with uncooperative members, will not seek to invite another uncooperative nation.²⁵ For Georgia, closer ties with China like Hungary's could mean that the EU would want nothing to do with them. Through projects like those mentioned before, the purchasing of media organizations, and educational programs, China is able to increase its power and undermine democracy, rule of law, and free markets.²⁶ Although Chinese efforts in Georgia are not of a similar magnitude as in other nations, they are increasing, and recognition of the threat of this increase is necessary to prevent Georgia from continuing down this path and killing its Western aspirations. China is already ramping up its efforts, with the harbinger that is educational exchange programs beginning in Tbilisi.²⁷ In Georgia, a country with a fledgling civil society and vulnerable state institutions, Chinese actions that work against the interest of the country are ultimately able to thrive. Although perhaps inadvertent, Chinese involvement in Georgia derails Georgia from its path toward EU-Atlantic integration.

Conclusions

In Tbilisi, and all of Georgia, one would be hard-pressed to find a Chinese flag hoisted from apartment balconies or flown on government property, but one cannot walk minutes without finding EU and NATO flags. Georgian aspirations lie with the EU and NATO. China is not strategically focused on Georgia, and their presence in the country is not large enough to warrant reaction on its own. However, in the context of Georgia's backsliding away from democratic ideals, and the increasing political and economic influence from authoritarian regimes, Georgia is a small enough country where even a relatively small presence from China can thwart Georgian progress. The Georgian government needs to:

- 1. Actively prevent the sale of project tenders to solely Chinese entities. This could be done by means of vetting companies to ensure quality, as well as instituting a cap on project tenders sold to any nation.
- 2. Ensure that it does not overly rely on Chinese trade. Georgia has access to over a third of the global market through free trade agreements, including with the EU. Limiting the total share one individual country has as an import or export partner, especially when the partner is China or Russia or otherwise might use trade as political leverage, would guarantee complete Georgian sovereignty and rid it of possible pressure points and influence.
- 3. Continue its strengthening of state institutions, civil society, and democratic safeguards to ensure long-term stability against China and realize its ultimate goals of EU-Atlantic integration.

²² Ibid.

²³ Ibid.

²⁴ Koenen, Krisztina. "Hungary and the EU: A Deepening Divide." GIS Reports, 14 May 2023, www.gisreportsonline.com/r/hungary-eu-divide/.

²⁵ Bechev, Dimitar. "What Has Stopped EU Enlargement in the Western Balkans?" *Carnegie Endowment for International Peace*, 20 June 2022, carnegieeurope. eu/2022/06/20/what-has-stopped-eu-enlargement-in-western-balkans-pub-87348.

²⁶ Rogin, Josh. "Opinion | China's Efforts to Undermine Democracy Are Expanding Worldwide." *The Washington Post*, WP Company, 26 June 2019, www.washingtonpost.com/opinions/2019/06/27/chinas-efforts-undermine-democracy-are-expanding-worldwide/.

²⁷ Khidasheli, Tinatin, and Ani Kintsurashvili. "Who Is in Charge of the Post-Cost War World? Chinese Leverage in Georgia's Academic, CSO and Media Sectors: Post-Covid Reality." *Civicidea.Ge*, 1 May 2022, civicidea.ge/wp-content/uploads/2022/05/Report-10.pdf.

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