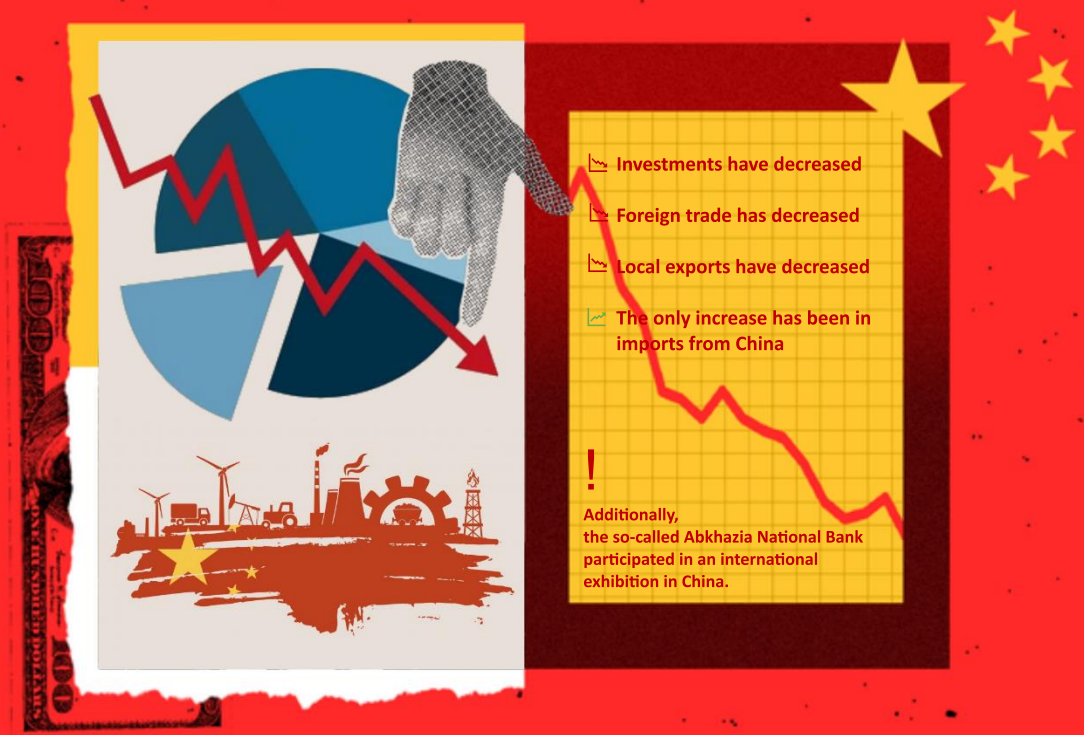


# Strategic Partnership with China: THE FACTS AGAINST THE FALSE HOPE AND MISLEADING PROPAGANDA OF THE "GEORGIAN DREAM" PARTY



**The views and opinions expressed in this report are those of the authors and do not necessarily reflect the views or positions of any entities supporting activities of the Civic IDEA.**

Amid the inflated promises and rhetoric of the "Georgian Dream" party, Prime Minister Irakli Gharibashvili of Georgia paid an official visit to the People's Republic of China in late July 2023. During a meeting with Chinese President Xi Jinping on July 28, it was disclosed for the first time that a strategic cooperation agreement had been concluded between the two nations. However, Gharibashvili's statements made it clear that the agreement was not the result of mutual negotiations but rather a decision driven by Beijing, as reflected in the signed document.

In particular, Prime Minister Gharibashvili, during his meeting with President Xi, expressed his appreciation, stating:

 *"Mr. President, it is a great honor and pleasure to meet with you today. This is a historic visit for me, and I am personally very grateful. I am deeply honored and sincerely appreciative of the invitation to China... Georgia places great value on its friendship and partnership with China, and I thank **you for your decision** to elevate our relationship to a strategic partnership, which I believe will yield concrete benefits for both sides."*

On July 31, 2023, during a meeting with Premier Li Qian of the State Council of the People's Republic of China in Beijing, the strategic partnership between Georgia and China was formally announced, and the relevant document was made public. Prime Minister Gharibashvili expressed his deep appreciation, stating:

 *"We are **greatly honored by the decision to elevate our relations to the level of a strategic partnership**. I believe this will yield tangible results for both Georgia and China. We place significant value on our friendship and cooperation with China. I look forward to further collaboration, and I thank you once again for the meaningful conversation."*

Amidst the broader context of the Georgian government's largely ineffective foreign policy, the establishment of strategic relations with China became the sole pillar for official Tbilisi to showcase any semblance of success. Consequently, the government's propaganda tools were activated at full capacity. This propaganda effort intensified notably after Irakli Kobakhidze's visit to China in January 2024 and soon after his appointment as Prime Minister at that time.

The true direction of the government's foreign policy was revealed during a press conference on February 23, held at the administration of the newly appointed Prime Minister, Irakli Kobakhidze. In one of his first public addresses as the head of government, Kobakhidze devoted significant attention to drawing a comparison between Georgia's strategic partnerships with China and the United States. As part of a deliberate propaganda campaign, the Prime Minister positioned China as a more reliable and invested ally.



*“We have a long-standing partnership with the United States, and just last year we established a strategic partnership with China. However, I want to emphasize that in both cases, these partnerships are strategic in nature, and we are committed to further deepening these relationships.*

*In terms of China, we have noticed a great deal of interest in enhancing our ties, which is reflected in concrete actions from their side. China clearly seeks to strengthen our strategic partnership.*

*As for the United States, there has been some decline in recent years—a clear sign that the interest in maintaining a strong strategic partnership has diminished. This is particularly evident in our economic and trade relations, where the situation has not been as favorable.*

*From our side, we are fully committed to advancing cooperation with both the United States and China. However, the future of these partnerships ultimately depends on their willingness to engage further.”*

Alongside the political leverage gained from announcing the strategic partnership with China, the Georgian authorities had high hopes for increased direct investment from China and a boost in Georgian exports to the Chinese market. Their propaganda consistently emphasizes narratives of expanding trade with China, highlighting growing economic ties, unmatched levels of cooperation, and a surge in economic collaboration.

In this document, we present an analysis of the initial outcomes of the strategic cooperation after nearly a year.

During the presentation of the annual government program report in Parliament, Georgia’s Prime Minister, Irakli Kobakhidze, highlighted the significance of economic relations with China.

Here is an excerpt from his report:

- Following the joint statement on the establishment of a strategic partnership between Georgia and China, there has been notable enhancement in bilateral cooperation across various sectors, including politics, economics, tourism, transport, education, and people-to-people exchanges.
- High-level visits between the two nations took place during the reporting period. Notably, on July 31, 2023, the Prime Minister of Georgia participated in the acceptance of the "Joint Statement of the People's Republic of China and Georgia on the Establishment of a Strategic Partnership."
- Another session of the Georgia-China Joint Commission for Intergovernmental Economic Cooperation was conducted, addressing topics such as transport corridors, cargo transportation through the Middle Corridor, logistics capabilities of Georgia, investment opportunities, increasing Georgian exports to China, and boosting Chinese tourism to Georgia.
- For 2023, bilateral trade turnover reached 1.6 billion US dollars.

*(Report on the progress of government program execution, June 2023 - May 2024)*

*The following joint statement issued by the People's Republic of China and Georgia outlines the formation of a strategic partnership:*

Economic Aspects:

2.1. The parties acknowledge the positive trend in bilateral trade and are committed to continuing this upward trajectory. They aim to refine trade practices, **expand the variety of traded products, and increase the export of goods and services from Georgia to China.**

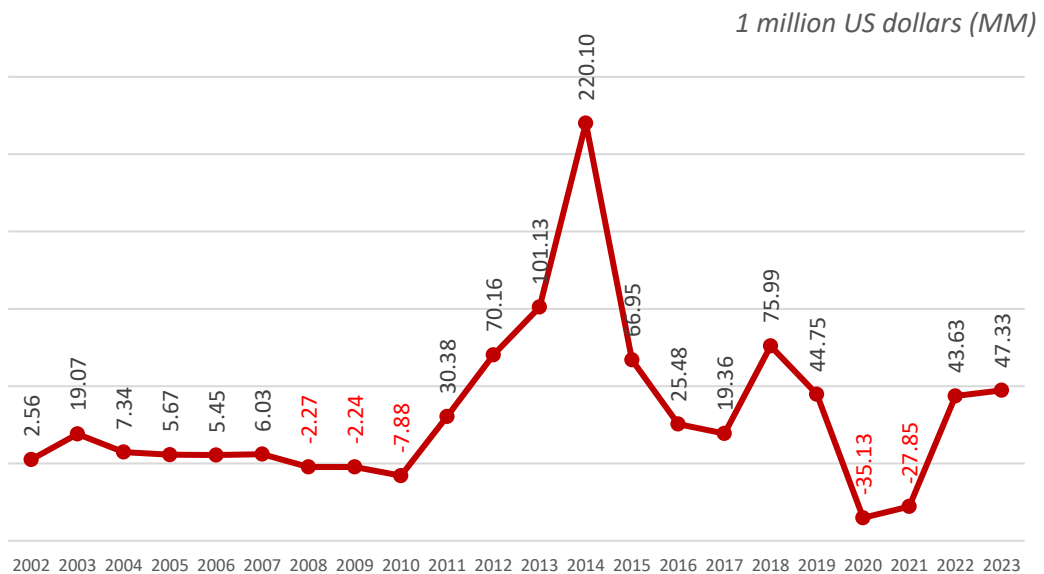
2.3. The parties are prepared to encourage mutual investments and trade...

2.4. Since 2018, the Free Trade Agreement between the People's Republic of China and Georgia has significantly contributed to the growth of economic and trade relations. Both countries are committed to enhancing cooperation under this agreement, supporting mutually beneficial outcomes, and fostering stronger economic ties between both public and private sectors. They will actively explore opportunities to improve the agreement and its implementation.

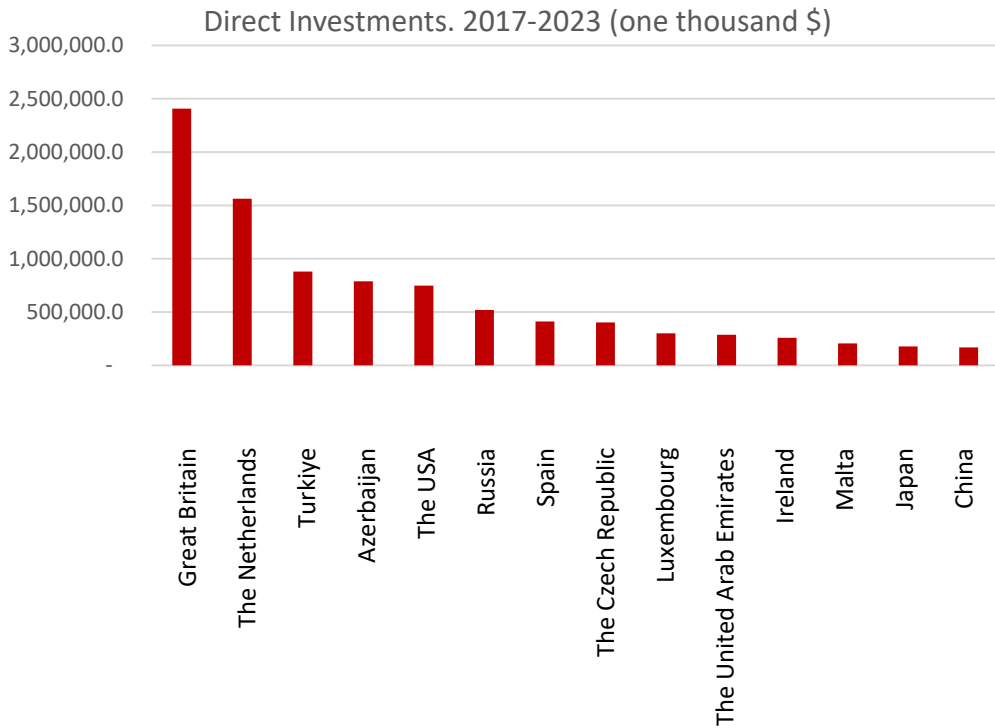
2.5. The parties are prepared to convene the next session of the China-Georgia Economic and Trade Cooperation Commission. This session aims to **enhance information sharing and collaboration in areas such as trade, investment, infrastructure, and other sectors**, thereby improving the quality and effectiveness of bilateral relations.

## Direct Investments

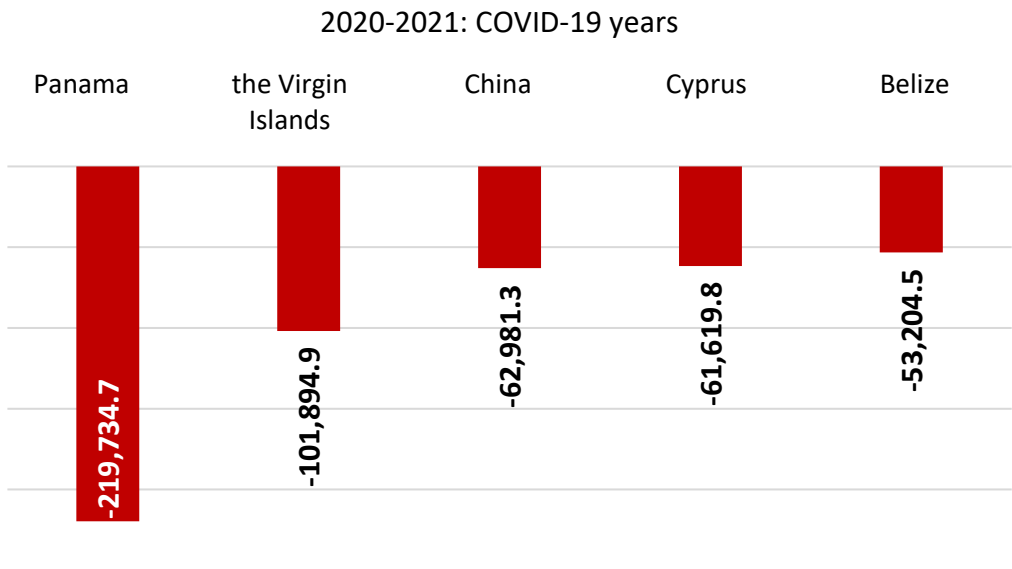
According to data from the National Statistics Office of Georgia, which tracks direct foreign investments in Georgia from 1996 to the present, China's first direct investment occurred in 2002. The highest annual investment from China reached 220 million USD in 2014. This peak can largely be attributed to the construction of the Chinese Olympic Village for the European Youth Olympic Festival, held in Tbilisi in 2015. Hualing Group, which built the village, signed a contract with the Georgian government on March 30, 2012. The agreement stipulated an investment of at least 150 million USD. The development included accommodations for 3,800 athletes, residential buildings with 200 rooms in five-star apartments, a 100,000 m<sup>2</sup> international trade center, and an additional 50,000 m<sup>2</sup> of residential space.



Between 2002 and 2023, China invested a total of 716 million USD in Georgia. A significant portion of this investment was concentrated in 2014. In comparison, investments from the European Union during the same period amounted to 8,446.1 million USD—11.8 times more than those from China—while the UK contributed 4,068.1 million USD (5.7 times more), and the USA invested 1,837.7 million USD (2.5 times more). Even smaller countries such as Luxembourg, with 862.45 million USD, the Czech Republic with 988.22 million USD, and the Netherlands with 3,255 million USD (4.5 times more), surpassed China's investment. During the one-party rule of "Georgian Dream" from 2017 to 2023, China ranked 14th among foreign investors in Georgia, falling behind countries like Luxembourg and Malta.

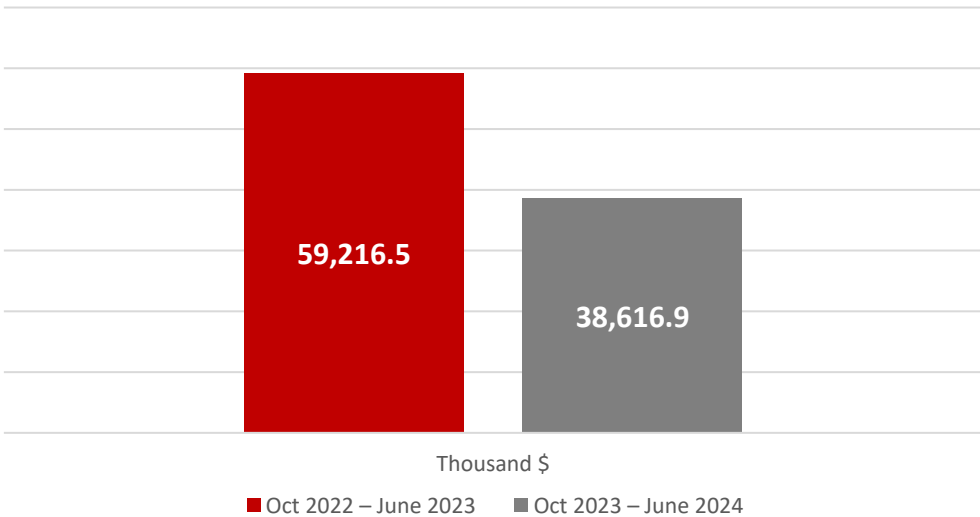
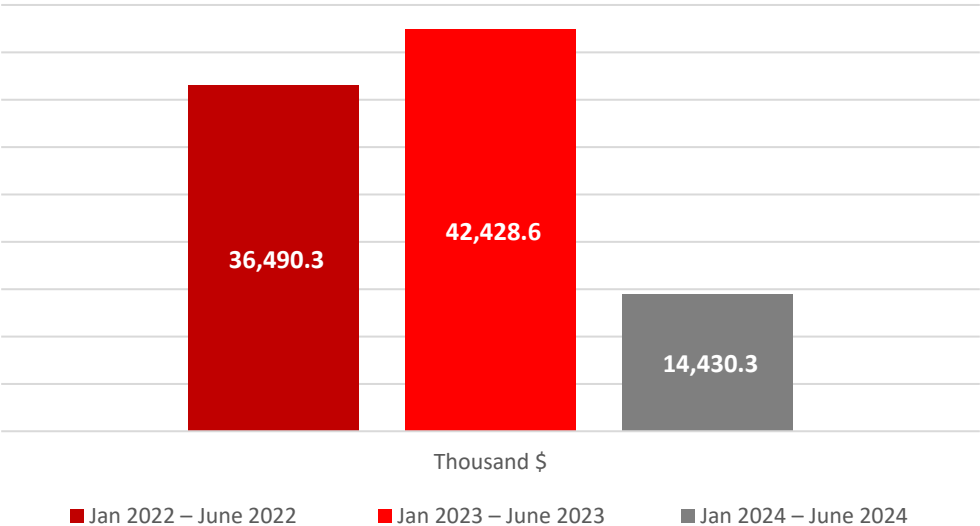


During the challenging period of the COVID-19 pandemic in 2020-2021, China was among the top five offshore zones with negative indicators.



For comparison, despite global economic downturns during the same period, investments continued to flow from the UK, totaling USD 908.95 million; from the Netherlands, USD 349.98 million; and from the USA, USD 117.88 million. The contrast with the investment levels from China is significant and speaks volumes.

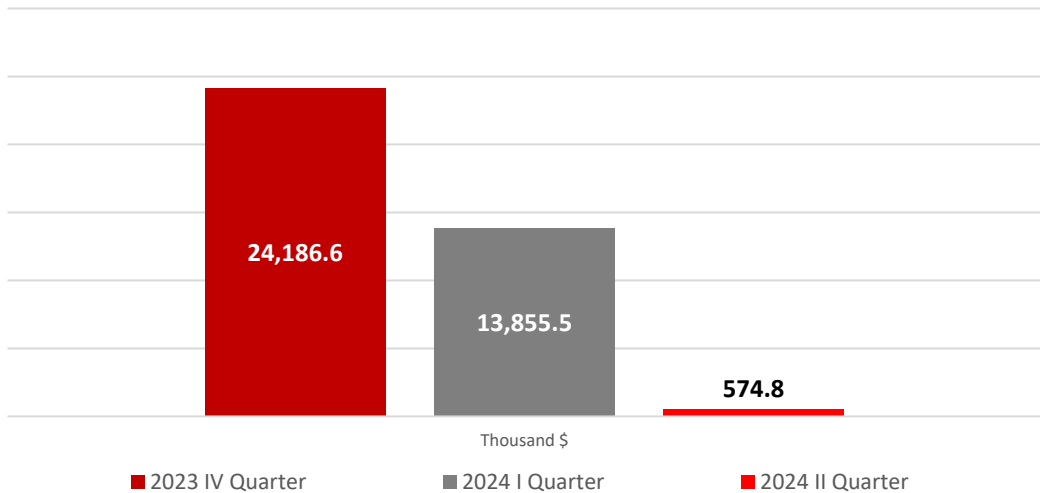
Surprisingly, following the signing of the strategic partnership agreement, **instead of the anticipated increase in investments, we have seen a decline** compared to the same period in previous years.



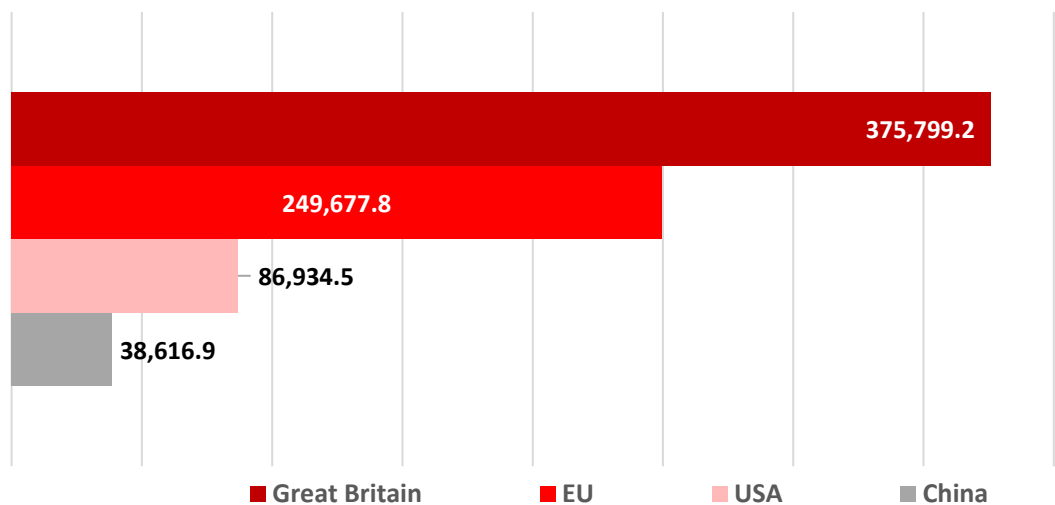


In the first and second quarters of 2024, direct investments decreased by 65.99% compared to the same period in 2023. Over the nine-month period from the fourth quarter of 2023 to the second quarter of 2024, investments fell by 34.79% compared to the corresponding periods in previous years.

In the second quarter of 2024, direct investments saw a sharp decline, decreasing by 95.85% compared to the first quarter, dropping from 13.86 million USD to 574.8 thousand USD.



Here, we compare the investments from China following the signing of the strategic partnership agreement (Q4 2023 - Q1 and Q2 2024) with those from strategic partners alienated by Prime Minister Kobakhidze and the Georgian Dream government.



## Foreign Trade

In Parliament, Prime Minister Irakli Kobakhidze reported that **"in 2023, the bilateral trade turnover amounted to 1.6 billion USD."** While this figure sounds impressive, particularly for Georgia's economy, it lacks context and can be misleading without additional details.

**The raw number of 1.6 billion USD does not reveal whether trade turnover has improved or worsened compared to previous years, nor does it provide insight into the structure of trade—such as the balance between raw materials and finished products.**

However, if the Prime Minister had provided more detail in his report, he would have noted to Parliament that: These details would offer a more nuanced understanding of the trade dynamics and their implications for Georgia's economy.

- In 2023, the total trade turnover with China **decreased by 220 million USD** compared to 2022.
- Georgian exports to China **fell by 59%, while imports from China increased by 18%.**
- Members of Parliament would also learn that for the first time in history, **the negative trade balance** (which is the difference between exports and imports) with China **exceeded 1 billion USD in 2023.**

These details would offer a more nuanced understanding of the trade dynamics and their implications for Georgia's economy.

	2022	2023	increased / decreased
Imports	1 126 319,9	1 329 167,4	18,0%
Exports	736 768,9	310 873,1	-57,8%
trade turnover	1 863 088,7	1 640 040,5	-12,0%
trade surplus	<b>-389 551,0</b>	<b>-1 018 294,2</b>	

Quotation from the same Kobakhidze report is as following:

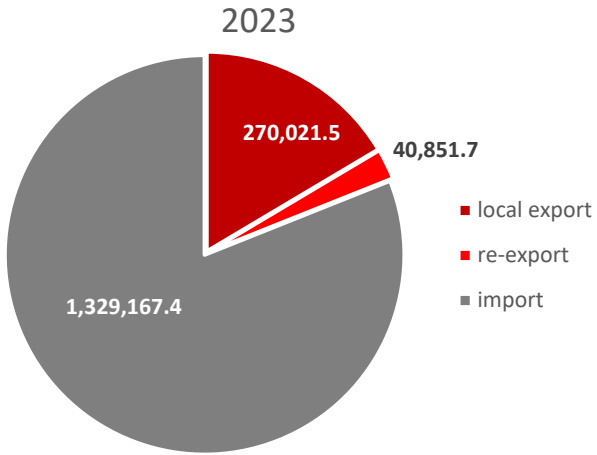


**"During the reporting period, another session of the Joint Commission for Trade and Economic Cooperation between Georgia and China was held. Discussions focused on transport corridors, cargo transportation through the Middle Corridor, Georgia's logistics capabilities, investment opportunities in Georgia, increasing Georgian exports to the Chinese market, and boosting the number of Chinese tourists visiting Georgia."**

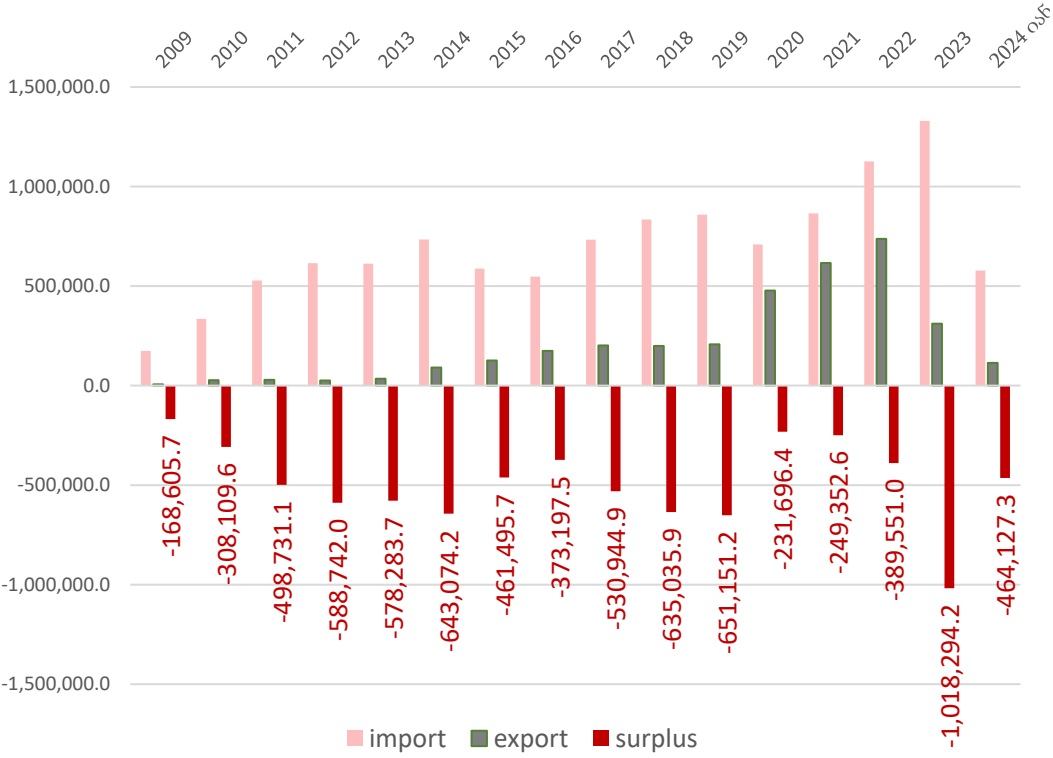
In reality:

- **Imports from China increased, accounting for over 80% of the total trade turnover.**
- **Exports have sharply declined, largely due to a significant reduction in local exports.**

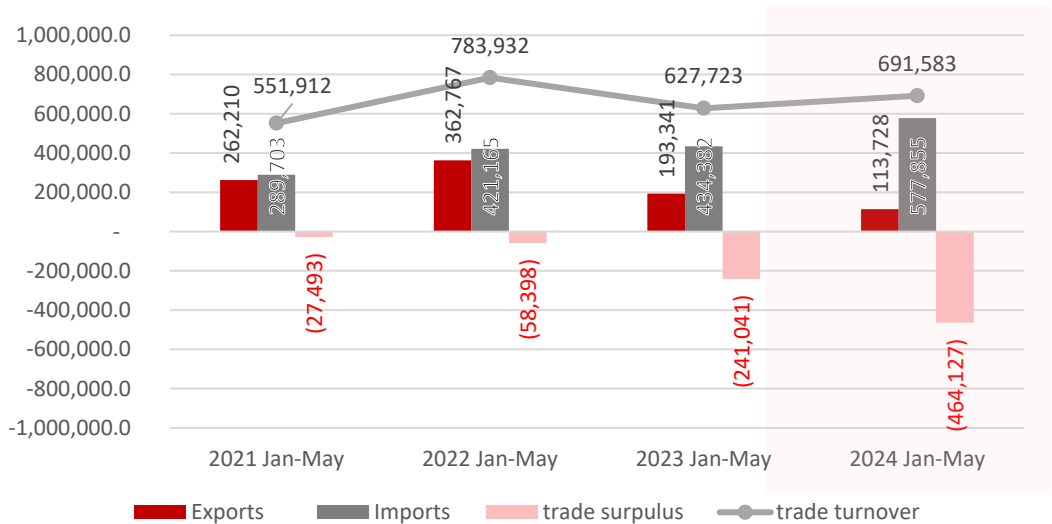
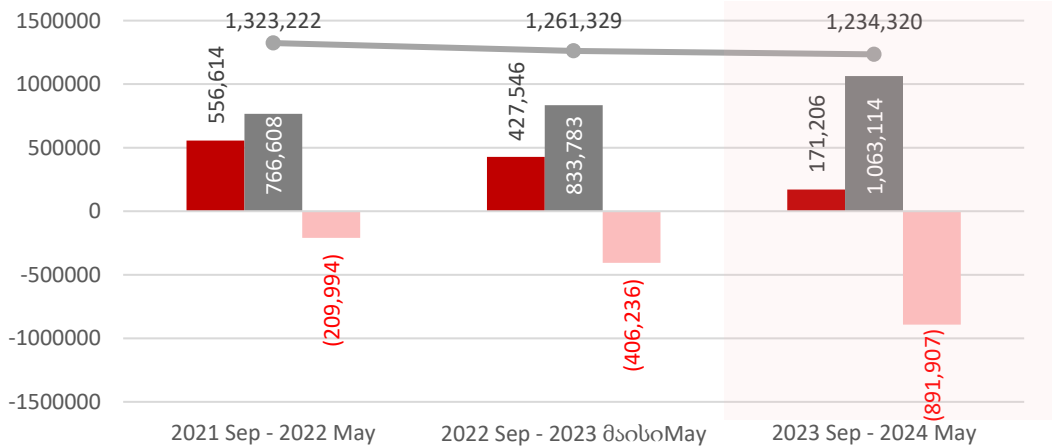
(Local exports refer to goods produced domestically or processed from imported materials that have undergone significant changes or increased value through domestic processing.)



Foreign trade. Georgia-China 2009-2024



Comparison of the post-strategic partnership period with China (September 2023 - May 2024) to similar periods in previous years.



To summarize our expectations, the promises made, the statements from proponents of the Dream, and the actual results, the picture is as follows:

- 📉 **Investments have decreased**
- 📉 **Foreign trade has decreased**
- 📉 **Local exports have decreased**
- 📈 **The only increase has been in imports from China**
- ❗ **Additionally, the so-called Abkhazia National Bank participated in an international exhibition in China.**