



CHINESE COMPANY CRTG: SECURITY RISKS AND INFRASTRUCTURE FAILURES

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INTRODUCTION

Civic IDEA has been closely monitoring the activities of all companies operating in Georgia with ties to the People's Republic of China for the past seven years. The organization investigates the risks associated with their operations, including **corruption, environmental impact, labor rights violations, and security concerns**. This report specifically examines and analyzes the activities of **China Railway Tunnel Group Co., Ltd. (CRTG)**, a Chinese construction company that recently entered the Georgian infrastructure market, with a focus on the security risks associated with its work.

In March 2024, the Georgian Department of Roads awarded the contract for building a highway near the Russian border to CRTG, a new player in the country's infrastructure sector. CRTG secured the project **without any competition**, raising serious questions about the transparency of the tender process. The fact that the tender was conducted without competition highlights how **years of legal violations and an entirely opaque procedure have led to the elimination of all competitors**, leaving only Chinese companies to benefit from such contracts. As a result, **no one else is participating in Georgia's government tenders, as the outcomes seem predetermined**.

WHAT IS CRTG?



中铁隧道局集团有限公司
CHINA RAILWAY TUNNEL GROUP CO., LTD.

CRTG is a major enterprise founded in 1984, specializing in tunnel construction and underground **works**¹ in China. The company's annual turnover¹ is 5.5 billion USD, and the total length of tunnels built by CRTG exceeds 5,000 km. CRTG has also completed significant international projects, including the Argeni-Papi railway line in Uzbekistan, the Shargun coal mining and processing technology renovation project, and the Kuala Lumpur Metro project in Malaysia.

However, CRTG's various international infrastructure projects have often led to scandals and misunderstandings. Stories about violations and management-related issues are frequently found on the websites of international media outlets and organizations. We present here only the cases identified in the past five years:

¹ China Railway Tunnel Group Co., Ltd., "About CRTG," CRTG Official Website, accessed October 4, 2024, <https://www.crtg.cn/>.

TIMELINE OF SCANDALS

- 2019**
- major bribery scandals, including paying off a senior official's gambling debts in Singapore 🇸🇬 and facing **convictions for bribing foreign officials**.
 - The World Bank  sanctioned CRTG for **fraud and labor rights abuses**, barring them from projects for 20 months due to violations of safety and **unfair practices** in Zambia 🇿🇼 and Kenya 🇰🇪.
- 2020**
- Allegations of CRTG's **corruption** in railway projects in Poland 🇵🇱, leading to delays and legal challenges.
 - CRTG's parent company "CRCC" was **blacklisted** by the U.S. 🇺🇸 Defense Department for its **close ties to the Chinese military**.
- 2022**
- CRTG faced **1.6 million yuan in fines** for environmental **violations** in mainland China 🇨🇳.
- 2022-2023**
- 🇮🇱 During the restoration of the Tel Aviv Metro in Israel, CRTG was added to the Israeli government's "blacklist" due to **violations** of safety standards and its collaboration with a company linked to **Iran's nuclear program**.
- 2023-2024**
- **Environmental violations and safety concerns** in the Stepantsminda-Gveleti section of the Mtskheta-Stepantsminda-Larsi highway project in Georgia 🇯🇪, heavily criticized by Green Alternative.
- 2024**
- Stepantsminda-Larsi highway project delays and safety **concerns** due to CRTG's lower bid and cost-cutting measures in Georgia 🇯🇪; suspicions of Georgian government favoritism.

Despite its impressive web presentation, China Railway Tunnel Group Co., Ltd. (CRTG) has faced significant scrutiny by international institutions and governments.



Close ties to the Chinese military

In December 2020, the U.S. Department of Defense blacklisted CRTG for its close ties to the Chinese military.



Fraudulent practices and labor rights abuses

In 2019, the World Bank sanctioned the company for fraudulent practices and labor rights abuses in its international projects.

Additionally, This publication will delve into CRTG's controversial operations and the implications of these events, which will be explored in more detail later.

CRTG IN GEORGIA

China Railway Tunnel Group (CRTG) entered the Georgian market in 2018, initially competing in a tender for the construction of the Chumateleti-Khevi section of the Rikoti road. Despite its bid, CRTG was **unsuccessful**, with the project awarded to another Chinese company, China State Construction Engineering Corporation Limited.

In 2022, CRTG secured a more significant role as part of the ambitious **North-South Corridor** infrastructure project. The company was tasked with constructing a **9-kilometer tunnel** on the Kvesheti-Kobi² section (see photo*). While CRTG's involvement was limited to this single tunnel, the structure is notable for being among the widest of its kind globally, as confirmed by Georgia's Roads Department.



** Preliminary design sketch of the 9-kilometer tunnel on the Kvesheti-Kobi road. Tunnel cutting was finalized in April 2024.*

² Green Alternative. 2019. "Green Alternative and Giga Chokheli Request the Cancellation of the Construction Permit for the Kvesheti-Kobi Section of the Zhinvali-Larsi Road."
https://greenalt.org/disputes_complaints/moed_kvsheti-kobi_construction_permit/

The broader Kvesheti-Kobi road project, spanning 23 kilometers, has been a focal point of public **debate**³ since its inception in 2019. Concerns over safety, environmental impacts, and its potential to serve Russia's geopolitical interests have sparked significant controversy. These issues are discussed further below.

CRTG expanded its operations in Georgia in 2024, securing **a larger contract for the Stepantsminda-Larsi highway project**. This marked a substantial milestone in its efforts to consolidate its presence in the Georgian infrastructure sector.

As a subsidiary of **China Railway Group Limited (CRG)**⁴, **China Railway Tunnel Group Co., Ltd. (CRTG)** benefits from substantial government **subsidies**.⁵ The company is majority-owned by the Chinese government, as evidenced⁶ by its listing as a state-owned enterprise (SOE) on the Shanghai Stock Exchange, where the Chinese government retains a controlling stake through direct and indirect holdings. This enables CRTG to offer significantly lower bids for large-scale infrastructure projects, making it a dominant player in international tenders, albeit raising concerns about fair competition.

Broadly speaking, the economic stability of developing nations is frequently undermined by two interconnected factors:

- The strategic use of artificially low-cost bids in tenders and competitions, and
- The reliance of investors on state-backed financing from the People's Republic of China.

This trend is evident in numerous examples from other countries. As seen in **Montenegro's Bar-Boljare highway project**,⁷ another Chinese company, **China Road and Bridge Corporation** (also a subsidiary of **China Railway Group Limited** and actively involved in projects in Georgia, as detailed in our multiple „China Watch #7“ **reports**⁸) won

³ Roads Department of Georgia, "Gallery," accessed October 11, 2024, <http://www.georoad.ge/?lang=geo&act=gallery&func=menu&uid=1536737916&type=2>.

⁴ Fitch Ratings, "China Railway Group Limited," Fitch Ratings, published June 5, 2024, <https://www.fitchratings.com/research/corporate-finance/china-railway-group-limited-05-06-2024>

⁵ "CRECG," China Railway Engineering Consulting Group, accessed December 6, 2024, <https://www.crecg.com/english/index.html>.

⁶ L. Zhang, X. Li, Y. Li, and H. Wang, "Sustainable development of China's construction industry: A case study," *Journal of Cleaner Production* 328 (2022): 1-10, <https://www.sciencedirect.com/science/article/pii/>

⁷ Brelić, Hans von der. "The Billion-Dollar Motorway Leading Montenegro to Nowhere." *Euronews*, 7 May 2021, updated 28 May 2021, www.euronews.com/2021/05/07/the-billion-dollar-motorway-leading-montenegro-to-nowhere.

⁸ *China Road and Bridge Corporation in Georgia*, Civic IDEA's China Watch Report N7 (September 29, 2021) <https://civicidea.ge/en/3306-2/3306/>

the contract by offering lower bids. However, the project was financed through a Chinese loan with high interest rates, leading to the well-known phenomenon of a 'debt trap'.

The Bar-Boljare highway project in Montenegro highlights the risks associated with Chinese financing models, echoing concerns relevant to Georgia. The project, awarded to China Road and Bridge Corporation (CRBC), a subsidiary of China Railway Group Limited, was financed through a high-interest loan from China's state-owned ExIm Bank. While initially envisioned as a cornerstone for advancing Montenegro's economy, it instead **plunged**⁹ the country into a severe financial crisis. Debt repayments **consumed over a third of the government's annual budget**, leaving the nation in a precarious and nearly unmanageable economic state. By 2023, Montenegro's public debt-to-GDP ratio had climbed to one of **the highest in the region**, as reported by the U.S. State Department. Although the debt was eventually restructured with assistance from the European Union and U.S. financial institutions, the obligations remain a significant challenge to the country's economic stability and growth prospects.

Further complicating matters, Montenegrin authorities classified most project-related documents, with the 2014 loan agreement being one of the few publicly available records. Experts attribute this secrecy to **restrictive clauses in the Chinese contracts**, which limited Montenegro's ability to renegotiate its debt or openly discuss the financial risks involved. This **lack of transparency** ultimately undermines public accountability and economic sovereignty. The situation underscores the broader pattern associated with Chinese infrastructure investments: **while initial bids appear attractive, they often lead to unsustainable debt burdens and cycles of dependency**, limiting countries' capacity to prioritize local investments and hindering long-term development.

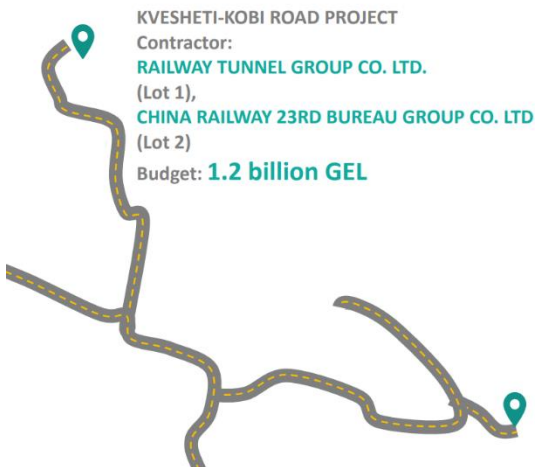
The Kvesheti-Kobi two-lane project and the Stepantsminda-Gveleti highway intersect as key components of the broader and strategically significant **North-South transit corridor** linking Georgia to Russia.

Both projects are being developed with the involvement of CRTG, a company whose operations in these initiatives have been marred by **significant ethical, legal, and security concerns**.

⁹ Andrew Wrobel, "Montenegro's Scandal-Ridden Chinese Road," *The Diplomat*, January 2024, <https://thediplomat.com/2024/01/montenegros-scandal-ridden-chinese-road/>.

CRTG AND ITS ROLE IN THE **KVESHETI-KOBI HIGHWAY PROJECT**

Construction of the 23-kilometer Kvsheti-Kobi highway began in late 2019 and was originally slated for completion by 2023. Despite ongoing [work](#)¹⁰ on the road, CRTG has already finalized its involvement in the project.



The company, as noted earlier, was tasked with constructing one of the world's widest tunnels, stretching an impressive 9 kilometers. The tunneling work has now been completed, and responsibility for the remaining sections of the Kvsheti-Kobi road, including buildings and bridges within the second lot, has been handed over to another Chinese firm, *China Railway 23rd Bureau Group Co. Ltd.*

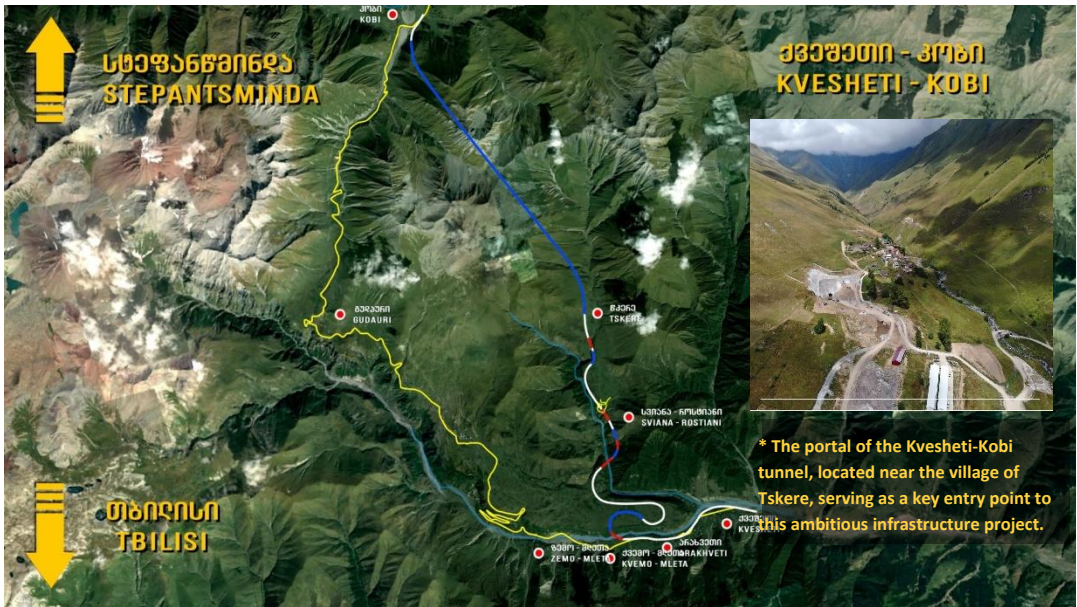
"The Kvsheti-Kobi road project was prioritized as the first step in the planned improvements to **the North-South transport corridor**," stated the Asian Development Bank (ADB) in a recent release.

Former Prime Minister Mamuka Bakhtadze [described](#)¹¹ the **Kvsheti-Kobi** road as the most challenging engineering project in Europe. The route traverses a geographically

¹¹ჯიმშერ რეხვიაშვილი, „ახალი როკის გვირაბი“ თუ უსაფუძვლო შიშები?,” **Radio Tavisupleba**, August 15, 2019, <https://www.radiotavisupleba.ge/a/ახალი-როკის-გვირაბი-თუ-უსაფუძვლო-შიშები/30111548.html>.

demanding area, characterized by exceptionally heavy snowfall during winter. Spanning a 7-kilometer stretch along the White Aragvi River, the road passes through the village of Arakhveti, with a serpentine section beginning near Kvemo Mleta. It continues through Gudauri, crosses the Cross Pass, and concludes at the village of Kobi.

The project impacts nine villages in the surrounding area (*see accompanying photo*).



The North-South Corridor and its sub-region remain a contentious issue, with experts expressing mixed opinions. **"At present, this project poses more military and geopolitical risks for Georgia than it offers commercial, economic, or financial benefits,"** says Vano Machavariani, former deputy secretary of the Security Council.

"Economic interests are also closely tied to the project announced by the government. Many commercial organizations use this route to transport goods **from Russia to Armenia**, and potentially, some of these goods are re-exported back to Georgia. Additionally, the road plays a crucial role in the transportation of military supplies, as it is the **primary route for supplying the Russian military base in Gyumri.**" Economist Gia Jandieri points out that Armenia and Russia are particularly invested in ensuring the smooth operation of this corridor.

For a deeper geopolitical and economic analysis of the corridor, you can read more in the **Mtis Ambebi blog**.¹²

¹² "ქვეშეთი-კობის მაგისტრალი - რუსული საფრთხე თუ სარგებელი საქართველოსთვის?" მთის ამბები, August 16, 2019, 16:26, hits 24782. <https://mtisambebi.ge/news/people/item/1037>

CRTG' S SAFETY ISSUES IN THE **KVESHETI-KOBI TUNNEL** AND THE TRAGEDY OF 2022

The local population expressed significant **resistance**¹³ to the ongoing work on the Kvesheti-Kobi section, raising concerns about potential damage to cultural heritage. The project also faced opposition from non-governmental organizations, including the Association of Young Lawyers of Georgia, due to its impact on the **Khadi Valley**, an area renowned for its historical, cultural, and ecological significance.



* The 9-kilometer Kvesheti-Kobi tunnel, the construction of which was completed on April 29, 2024.

The Kvesheti-Kobi project has become one of the most controversial infrastructure initiatives in Georgia. Local residents and environmentalists consistently **called**¹⁴ for the construction to be halted, highlighting the project's inherent problems. This growing opposition was further exacerbated by the tragic incident that occurred in the tunnel under construction by CRTG, adding to the mounting tension surrounding the project.

A tragic incident in June 2022 exposed critical safety deficiencies in the construction efforts undertaken by China Railway Tunnel Group Co., Ltd. (CRTG). According to August 2024 **report**¹⁵ by the Civic IDEA, **explosive works were being conducted in emergency tunnel #5 when a gas eruption occurred near its entrance**. Workers on-site immediately

¹³ Radio Free Europe "საქართველო, ჩინური კომპანიების გავლენა და მშენებლობა," Radio Free Europe/Radio Liberty, published June 2, 2020, <https://www.radiotavisupleba.ge/a/30716497.html>

¹⁴ გადავარჩინოთ უნიკალური ხადის ხეობა” — ქვეშეთი-კობის გზის თემაზე პეტიცია ვრცელდება, Radio Tavisupleba, July 9, 2020. <https://www.radiotavisupleba.ge/a/30716497.html>.

¹⁵ Civic Idea, "გარემოს მონიტორინგის ანგარიშები," Civic Idea, published September 2024, <https://civicidea.ge/wp-content/uploads>

experienced symptoms of severe discomfort and respiratory distress, prompting a swift evacuation request from the on-site rapid response team.

While four workers were successfully **evacuated**¹⁶ from the danger zone, efforts to rescue a fifth worker were hindered by dangerously high concentrations of carbon dioxide and a significant depletion of oxygen levels within the tunnel. Tragically, by the time emergency responders arrived, one worker—a member of the CRTG (China Railway 23rd Bureau Group Co.) team—had already succumbed to CO₂ inhalation. Two additional workers sustained injuries and were rushed to the hospital.

Notably, the Asian Development Bank's environmental monitoring report, issued prior to the incident, emphasized that "daily safety inspections were carried out by labor and environmental safety officers" and that contractors were "required to provide personal protective equipment (PPE) to workers."

However, the report also revealed significant shortcomings, stating there was inadequate oversight regarding the use of PPE by workers. Furthermore, while air monitoring for toxic gases had been conducted near the exit portal of Tunnel #1, **no such measures appeared to have been implemented at Tunnel #5**, where the fatal eruption occurred.

CRTG AND ITS CURRENT PROJECT ON THE STEPANTSMINDA-GVELETI ROAD SECTION

Currently, CRTG is working on a section of the Stepantsminda-Lars highway, specifically the 4.5-kilometer Stepantsminda-Gveleti road.

The goal of this **project**¹⁷ is to enhance the main road linking Georgia and Russia, specifically the **Mtskheta-Stepantsminda-Lars** road. For context, the state procurement for the **construction**¹⁸ of a new highway near the Russian border was announced by the Department of Roads under the Ministry of Regional Development and Infrastructure of Georgia in **March 2024**.

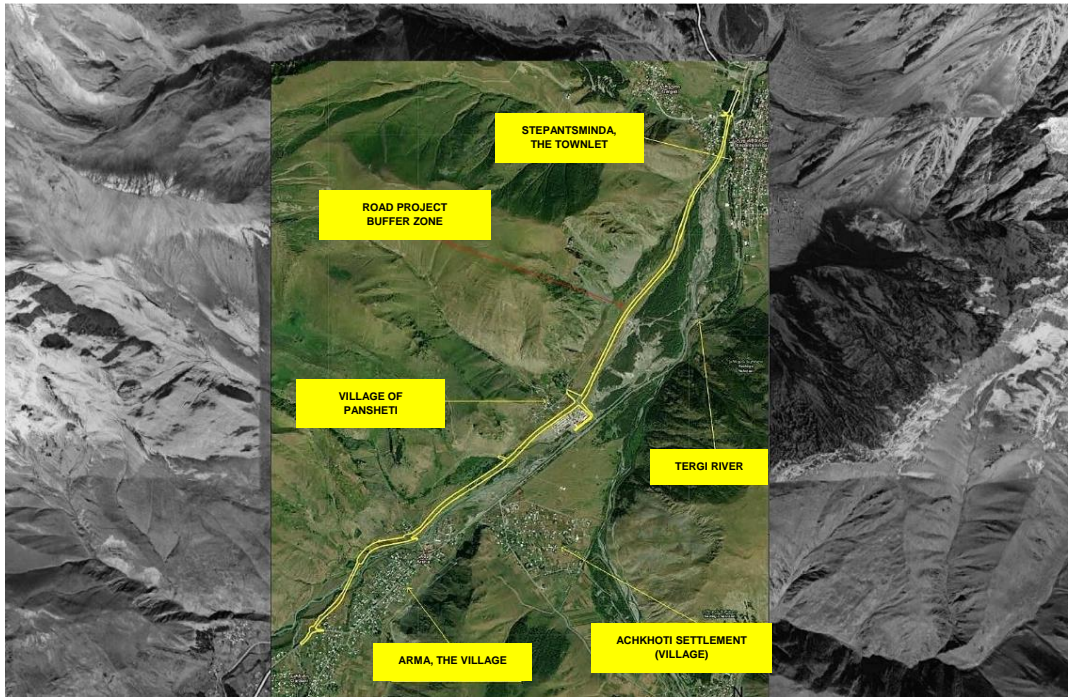
The implementation of this project presents significant challenges, both from a technical standpoint and in terms of security. This challenging section follows the **Arsha-**

¹⁶Asian Development Bank, "Environmental Management Report for the Project 51257-001," Asian Development Bank, accessed October 4, 2024, https://www.adb.org/sites/default/files/project-documents/51257/51257-001-emr-en_11.pdf

¹⁷ Georgian Roads Department, "Tenders," Georgian Roads Department Official Website, accessed October 4, 2024, <http://www.georoad.ge/?lang=geo&act=tenders&func=menu&uid=1711004350>.

¹⁸ Business Research Group (BRG), "საქართველოს რუსეთით დაემარკება," Business Research Group Official Website, accessed October 4, 2024, <https://brg.ge/%e1%83%a1%>

Stepantsminda bypass road and runs along the left bank of the Tergi River. Builders are working under extremely difficult conditions, as the road navigates rough terrain surrounded by mountains and enters a narrow valley.



The first tender for **the Stepantsminda-Gveleti project** (*see photo**) was announced in June 2022, with five companies **participating**¹⁹:

- Hunan Road & Bridge Construction Group Company Ltd. - 377,391,902 GEL
- Guizhou Highway Engineering Group Co., Ltd. - 299,686,603 GEL
- China Communications Construction Company Limited - 235,012,894 GEL
- China Railway Tunnel Group Co., Ltd. - 233,688,688 GEL
- China Railway 23rd Bureau Group - 224,919,507 GEL

In the announced tender, with an estimated value of 245.886 million GEL, CRTG submitted a competitive bid of 233.688 million GEL. However, after a prolonged review process, the Department of Highways rejected all five interested companies without providing specific reasons for their decision.

Following the unexpected rejection of all bids in the first tender, a second tender was announced in May 2024. Interestingly, only one company, **China Railway Tunnel Group Co.**,

¹⁹ BMG, "სტეფანწმინდა-ლარსის მაგისტრალის მშენებლობას ჩინური კომპანია საკომციფოს 212 მილიონადstavazobs," BMG Official Website, accessed October 4, 2024, <https://bm.ge/news/stefantsminda-larsis-magistralis-mshenebloba>

expressed²⁰ interest. Their bid was 212,548,390 GEL, which was about 33 million GEL lower than the initial tender's value. Ultimately, this bid was accepted. However, the reasons behind the rejection of all proposals in the first round remain unclear, and it is still unknown why the second tender turned out to be non-competitive with only one participant.

The Department of Highways reports that the Stepantsminda-Lars highway will serve as the main "artery" of the North-South Corridor. The project's scale is underscored by its connection to the **Kvesheti-Kobi section**. Politically, the project is considered high-risk and potentially **dangerous, as it requires Georgia to invest its limited resources in maintaining infrastructure that links the East and the West. In the long term, this project will also connect two countries under international sanctions: Iran and Russia.**

ENVIRONMENTAL AND SAFETY ISSUES RELATED TO THE CONSTRUCTION OF THE **STEPANTSMINDA-GVELETI SECTION**

The Stepantsminda-Gveleti road section project faced significant criticism last year. On June 27, 2023, the Georgian non-governmental organization "Green Alternative" issued an urgent statement²¹ highlighting environmental and safety concerns related to the project. The organization formally appealed to international donors, including the Asian Development Bank and the World Bank. The complaint addressed the following issues:

1. Disregard for environmental regulations;
2. Incomplete scoping²² procedures;
3. Lack of necessary environmental impact assessments and permits;
4. Misleading information in project documentation, including claims of "obtained permits."

"Green Alternative" called²³ for an immediate halt to the tender process and a thorough environmental audit. They emphasized the need for a detailed review of the legality of spending the funds allocated by the World Bank. According to the organization,

²⁰ BMG, "სტეფანწმინდა-ლარსის მაგისტრალის მშენებლობას ჩინური კომპანია საკვთმცოდნოს 212 მილიონადstavazobs," BMG Official Website, accessed October 4, 2024, <https://bm.ge/news/stefantsminda-larsis-magistralis-mshenebloba>

²¹ Green Alternative, "Green Alternatives' Appeal to the Banks and Public Agencies," Green Alternative Official Website, accessed October 4, 2024, <https://greenalt.org/en/green-alternatives-appeal-to-the-banks>

²² *Scoping is the procedure that outlines the information to be gathered and analyzed for the Environmental Impact Assessment (EIA) or Strategic Environmental Assessment (SEA), as well as the methods for presenting this information in the EIA or SEA report.*

²³ Publika, "ერთ-ერთ ყველაზე სამიმ მონაკვეთის მშენებლობას შესაძლოა რისკების შექმნის შესაბამე ცდილობს ძლიერი ალტერნატივა," Publika Official Website, accessed October 4, 2024, <https://publika.ge/ert-ert-yvelaze-rtuli-monakvetis-msheneblobas-shesadzlo-riskebis>

the Department of Highways of Georgia appeared to be attempting to formally complete the procedure and secure the right to proceed with the project [based](#) ²⁴on questionable documents. The most concerning aspect, according to the complaint, is that the **“Department of Highways seems poised to begin construction on the most challenging section of the road, which is of international significance, without adequately assessing and considering the potential environmental risks or the impact on public health and safety.”**

Additionally, it is important to note the World Bank's annual report, which highlights significant delays in **the Environmental Impact Assessment (EIA)** approval process. Despite construction already being [underway](#) ²⁵, building permits had not yet been legally issued or approved. This situation echoes past [issues](#) ²⁶, as indicated by preliminary studies conducted by **the Asian Development Bank** and the **World Bank in 2017-2018**, which identified similar problems. For instance, delays in the **Kvesheti-Kobi section** were attributed to a lack of essential information and subpar documentation. There are well-founded concerns that similar issues will arise with the Stepantsminda-Gveleti section.



²⁴ [Ibid.](#)

²⁵ Asian Development Bank, "CRP-GEO-KK Eligibility Report," Asian Development Bank, published March 24, 2021, <https://lnadbg4.adb.org/dir0035p.nsf/attachments/CRP-GEO>

²⁶ Asian Development Bank, "Environmental Management Report for the Project 51257-001," Asian Development Bank, accessed October 4, 2024, https://www.adb.org/sites/default/files/project-documents/51257/51257-001-emr-en_11.pdf

CRTG BRIBERY SCANDALS IN SINGAPORE: UNETHICAL PRACTICES AND GLOBAL CONCERNS

China Railway Tunnel Group Co., Ltd. (CRTG) has a troubling history of bribery and unethical practices. In 2018, CRTG's Singapore branch was involved in a high-profile bribery scandal²⁷ with Henry Foo Yung Thye, a former senior official at Singapore's Land Transport Authority (LTA). Foo was accused of receiving \$220,000 from CRTG executives to settle gambling debts. Although CRTG was acquitted, the case exposed significant lapses in oversight and control within the company. The funds were provided by CRTG's top executives in Singapore, including the general manager and commercial manager, the latter of whom was dismissed. The judge condemned Foo as a "rogue officer," casting a shadow over CRTG's internal governance.



Further complicating matters, CRTG faced additional scrutiny due to a bribery case²⁸ involving former senior executives Xi Zhengbing and Zhou Zhonghe. Xi, who was the general manager of CRTG's Singapore branch, was sentenced to five years in prison and fined 300,000 yuan (approximately \$57,400) for bribing foreign officials and accepting bribes. Zhou, his subordinate, received a two-year prison term and a 100,000 yuan fine for similar offenses. From 2017 to 2019, Xi and Zhou orchestrated bribes totaling \$220,000 to foreign officials in Singapore. Xi also accepted approximately 1.92 million yuan in bribes during his tenure at CRTG's China office from 2003 to 2009. The Guangzhou Intermediate Court's judgment in this case was notable as it marked the first application of China's anti-corruption

²⁷ Corrupt Practices Investigation Bureau, "Sentenced to Jail for Corruption," September 2, 2021, <https://www.cpib.gov.sg/press-room/press-releases/020921-sentenced-to/#::~:~:text=On%202%>

²⁸ The Straits Times, "S'pore Branch of Chinese Firm Acquitted of Bribing LTA Executive," The Straits Times, September 22, 2021, <https://www.straitstimes.com/singapore/courts-crime/s-pore-branch-of-chinese>

laws extraterritorially under its “Foreign Related Rule of Law” initiative, highlighting China’s intent to enforce legal norms beyond its borders.

The court imposed relatively lenient sentences due to the executives' cooperation with investigations, which does not mitigate concerns about CRTG's corporate integrity. The scandal underscores systemic corruption issues within the company. As reported by The Straits Times, it casts a shadow over its global projects, highlighting a concerning pattern of unethical conduct that potential partners and host nations should carefully consider.²⁹

While CRTG’s expertise in tunneling and large-scale construction is well-recognized, the company has faced criticism and scandals in multiple other countries, raising doubts about its reliability.

CRTG'S CONTROVERSIAL ROLE IN POLAND'S HIGHWAY CONSTRUCTION

In **Poland**, CRTG’s involvement in a highway construction **project**³⁰ was marred by significant delays, cost overruns, and mismanagement. COVEC (China Overseas Engineering Group Company), a consortium formed by Shanghai Construction Group and **China Railway Tunnel Group**, has faced **accusations**³¹ of withholding payments from local workers, causing project delays, and using substandard materials. The project, co-financed by the European Union, became a contentious **issue**³² due to CRTG’s inability to meet deadlines and manage execution efficiently. **The resulting delays hindered Poland’s infrastructure goals and impacted its international reputation concerning EU-funded projects.**

If CRTG’s performance in Poland serves as an indicator, similar challenges could arise in Georgia. The Stepantsminda-Larsi highway project, traverses difficult terrain and endures harsh weather conditions, presents a technically demanding task. Should CRTG underperform or struggle with the project's complexity, Georgia might face severe delays, budget overruns, and compromised quality, jeopardizing its infrastructural ambitions.

²⁹ The Straits Times, "Jail, Fine for 2 Former China Railway Staff for Bribery," September 23, 2021, <https://www.straitstimes.com/asia/east-asia/jail-fine-for-2-former-china-railway-tunnel-staff-for-bribery>

³⁰ CEE Legal Matters, "K&L Gates Advises Covec on Highway Dispute Settlement," September 28, 2021, <https://ceelegalmatters.com/poland>

³¹ VoxEurop, "The Motorway That China Couldn't Build," March 29, 2021, <https://voxeurop.eu/en/the-motorway-that-china-couldnt-build/>

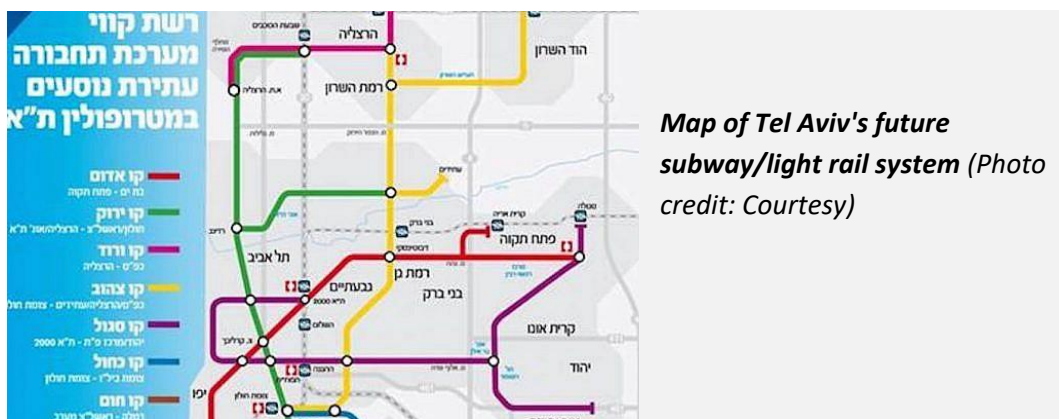
³² Construction Briefing, "Poland to Sue Chinese A2 Contractor," December 13, 2021, <https://www.constructionbriefing.com/news/poland-to-sue-chinese-a2-contractor/1067408.article>

CRTG'S CONTROVERSIAL ROLE IN THE TEL AVIV METRO PROJECT: ALARMING TIES TO IRAN'S NUCLEAR AMBITIONS

Another highly controversial [scandal](#)³³ involving CRTG unfolded during its involvement in the **Tel Aviv Metro Project** in Israel.

However, before delving into the details of this controversial issue, it's essential to clarify the relationship between **China Railway Tunnel Group (CRTG)** and its parent companies, as there is often confusion between **China Railway Engineering Corporation (CREC)** and **China Railway Group Limited (CRG)**. In 2007, the state-owned CREC established CRG as a publicly listed entity. While CREC remains the overarching state-owned conglomerate, CRG manages most of its projects. Consequently, CRTG is effectively overseen by [both](#)³⁴ CREC and CRG, with the latter handling its formal operations and public listings.

While the company secured an \$800 million bid to help construct the long-awaited light rail, troubling connections between CRTG's parent company, China Railway Engineering Corporation (CREC), and Iran emerged.



CREC turned out to have business ties with Iran's [Khatam-al Anbiya Construction](#)³⁵, a corporation controlled by Iran's Islamic Revolutionary Guard Corps (IRGC), known for overseeing the development of Iran's nuclear weapons facilities.

These revelations, aired in an investigative [report](#)³⁶ on Israel's Channel 2, triggered alarm within Israel, as Khatam-al Anbiya is blacklisted due to its role in advancing Iran's nuclear program—an existential threat to Israel's security. Despite these concerns, Israeli

³³The Times of Israel, "Chinese Company Connects Tel Aviv Rail to Tehran," July 6, 2021, <https://www.timesofisrael.com/chinese-company-connects-tel-aviv-rail-tehran/>

³⁴Wikipedia, "China Railway Group Limited," last modified October 3, 2024, https://en.wikipedia.org/wiki/China_Railway_Group_Limited

³⁵ <https://www.iranwatch.org/iranian-entities/khatam-al-anbiya-construction-headquarters-kaa>

³⁶ The Times of Israel, "Chinese Company Connects Tel Aviv Rail to Tehran," July 6, 2021, <https://www.timesofisrael.com/chinese-company-connects-tel-aviv-rail-tehran/>

authorities allowed CRTG to proceed with the project, citing that the Chinese company itself was not blacklisted. Nonetheless, the parent company's **indirect ties to a key player in Iran's nuclear infrastructure raised serious questions about Israel's enforcement of laws** prohibiting financial dealings with entities connected to hostile governments.

This connection overshadowed the Tel Aviv rail project, **sparking public outrage and concerns about potential national security risks**. Critics argued that allowing a company with indirect links to Iran's nuclear ambitions to operate within Israel's borders was a dangerous oversight, highlighting both geopolitical tensions and CRTG's questionable global partnerships. The scandal not only **affected the project's reputation but also raised broader concerns about China's involvement in strategic infrastructure developments in sensitive regions**.

ENVIRONMENTAL CONCERNS IN MAINLAND CHINA: EXAMINING CRTG'S PARENT COMPANY, "CRG"

The issues flagged by Green Alternative are part of a broader pattern. China Railway Group Limited (CRG), the parent company of China Railway Tunnel Group (CRTG), has been internationally implicated in similar environmental scandals. Within China, CRG has **faced**³⁷ penalties for numerous environmental infractions, such as discharging untreated wastewater and improper management of construction dust. In 2022 alone, CRG was fined 1.6 million yuan across 30 projects for violations, including improper wastewater discharge and excessive noise. Although CRG often receives favorable ESG (Environmental, Social, and Governance) ratings, these infractions highlight ongoing challenges in environmental compliance, raising concerns about their practices in international projects like the Stepantsminda-Gveleti section.

Experts, including Professor Qiu Ciguan from the Shanghai Advanced Institute of Finance, have **cautioned**³⁸ that CRG's frequent environmental violations could negatively impact the company's financial health, particularly if fines continue to escalate. Despite some improvements in cash flow, CRG's involvement in pollution-prone sectors like infrastructure construction suggests a persistent challenge in balancing business growth with regulatory compliance. **This pattern underscores the need to address the concerns raised by Green Alternative to ensure Georgia's environmental standards are upheld.**

³⁷ China Development Brief, "Environmental Penalties and ESG Impact: A Closer Look at China Railway Group," August 24, 2023 [bit.ly/3Pfb2vH](https://chinadevelopmentbrief.org/reports/environmental-penalties-and-esg-impact-a-closer-look-at-china-railway-group/)

³⁸ China Development Brief, "ESG Impact: A Closer Look at China Railway Group," August 24, 2023, <https://chinadevelopmentbrief.org/reports/environmental-penalties-and-esg-impact-a-closer-look-at-china-railway-group/>

This broader trend of environmental violations extends to specific high-profile projects under CRTG. One example is the Xiqinling Tunnel project, where CRTG's environmental management was under intense scrutiny in 2024. A key issue was the collapse of a retaining wall, which caused considerable damage to the construction site and raised concerns about the structural stability of the surrounding slopes. These problems flagged in the Asian Development Bank's environmental assessments, have underscored CRTG's ongoing challenges in adhering to safety and environmental standards. Despite continued monitoring, such failures highlight the persistent ecological risks associated with CRTG's domestic and international projects.

CRTG'S PARENT COMPANY "CRCC" BLACKLISTED BY U.S. DEFENSE DEPARTMENT

In a move that underscores concerns about China's growing influence in global markets, the U.S. Department of Defense blacklisted China Railway Construction Corporation (CRCC), the parent company of China Railway Tunnel Group (CRTG), along with several other Chinese firms, for their close ties to the Chinese military. CRCC's inclusion on the list is part of a broader effort by the U.S. government to expose companies believed to be under the influence or control of the Chinese government or the People's Liberation Army (PLA). CRCC, historically linked to the PLA due to its origins as the railway arm of the military from 1948 until 1982, has maintained close ties to state structures³⁹. The 2020 blacklist follows the 1999 defense policy law aimed at preventing foreign firms from blurring the lines between military and civilian operations⁴⁰. This action sends a clear message to investors and foreign partners that engagement with CRCC and similar firms poses a security risk due to the perceived dual-use nature of their operations. Although the immediate sanctions remain limited, the listing has likely cast a shadow over the firm's ability to secure international contracts and partnerships, as investors are increasingly wary of the potential long-term consequences. This development, alongside CRCC's extensive global footprint and reputation for dominating infrastructure projects, especially in developing nations, raises serious questions about the integrity of its business dealings and the influence of China's military-industrial complex on its operations ([Global Construction Review](#))([SanctionsSearch](#)).

³⁹ Chinese Rail and Nuclear Giants May Face U.S. Sanctions," *Global Construction Review*, accessed October 11, 2024, <https://www.globalconstructionreview.com/chinese-rail-and-nuclear-giants-may-face-us-sancti/>.

⁴⁰ Shirley A. Kan, "China's Military-Owned Businesses," *Congressional Research Service*, January 17, 2001, 98-197, <https://www.everycrsreport.com/reports/98-197.html>.

FRAUD AND LABOR RIGHTS ABUSES: WORLD BANK SANCTIONS AGAINST CRTG

China Railway Tunnel Group Co., Ltd. (CRTG) has a history of violating labor rights in international projects. In 2019, CRTG and its parent company, CRCC, faced sanctions from the World Bank after an investigation revealed fraudulent practices tied to infrastructure contracts in developing countries. The sanctions imposed included debarment from World Bank-financed projects for a period of 20 months. The primary grounds for these sanctions were fraud, but CRTG's track record of poor labor practices contributed to its tarnished reputation globally ([World Bank](#)). Fraudulent practices involved submitting falsified information during the tendering process, aimed to manipulate the selection process, ensuring that the companies won contracts unfairly.⁴¹

As for labor rights⁴², workers complained about inadequate safety measures. Some reported being forced to work in dangerous environments without proper safety gear or protocols, which significantly increased the risk of injury or death. In 2018 and 2019, workers from Zambia and Kenya reported severe issues, including underpayment, forced overtime, and poor living conditions at CRTG construction sites in Africa and Southeast Asia, violating international labor standards and prompting action from local unions and human rights organizations.

FINANCIAL VIABILITY AND RISK ASSESSMENT

China Railway Group Limited (CRG), the parent entity of China Railway Tunnel Group (CRTG), faces growing financial risks⁴³, as indicated by its credit ratings. Fitch Ratings has assigned CRG a standalone credit rating of 'bb-' and an overall long-term rating of 'A-'. While the 'A-' rating may appear stable, underlying issues make it a point of concern, particularly for projects in Georgia like the Stepantsminda-Larsi Highway.

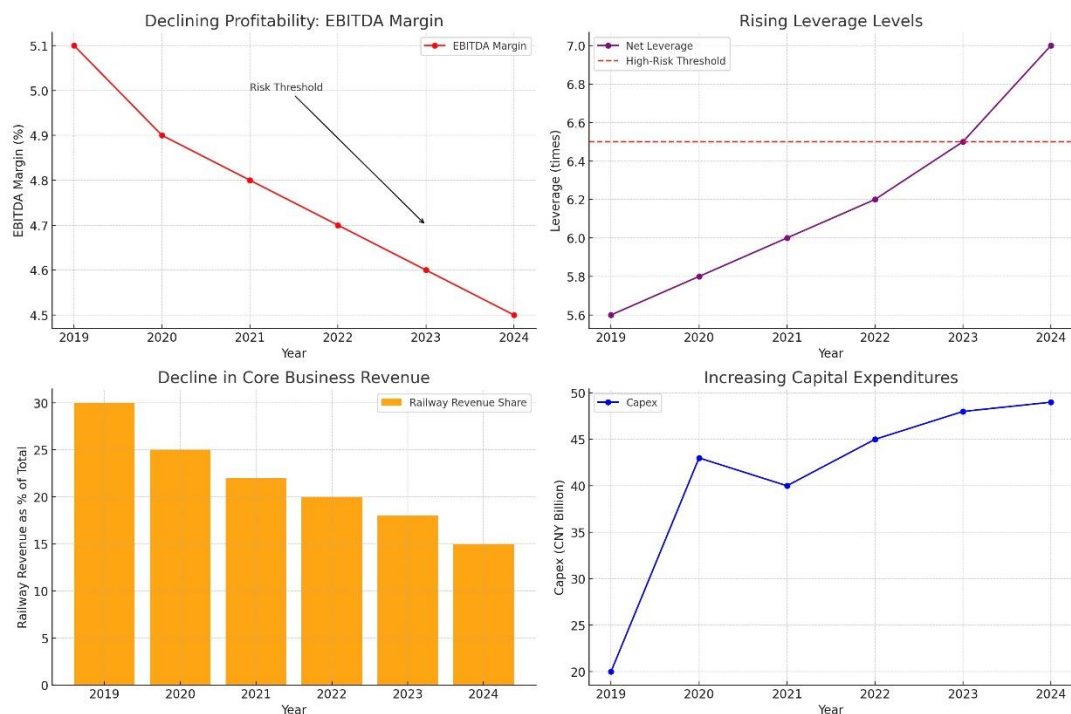
⁴¹ World Bank, "World Bank Group Debars China Railway Construction Corporation Ltd. and Two Subsidiaries," June 5, 2019, <https://www.worldbank.org/en/news/press-release/2019/06/05/world-bank-group-debars-china-railway-co>

⁴² World Bank, "World Bank Group Debars China Railway Construction Corporation Ltd. and Two Subsidiaries," June 5, 2019, <https://www.worldbank.org/en/news/press-release/2019/06/05/world-bank-group-debars-china-railway-construction-c>

⁴³ Fitch Ratings, "Fitch Affirms China Railway Group at 'A'; Outlook Stable," May 30, 2023, <https://www.fitchratings.com/research/corporate-finance/fitch-affirms-china-railway-group-at-a-outlook-sta>

A major concern is CRG’s escalating debt. The company has invested⁴⁴ heavily in public-private partnerships (PPP) and build-operate-transfer (BOT) projects, leading to a significant debt increase. Fitch projects CRG’s debt ratio to rise from 5.9 times in 2022 to approximately 6.6 times by 2026. Such debt growth raises questions about CRG’s ability to finance future projects, including the Stepantsminda-Larsi Highway, without accruing more debt.

CRG has access to substantial potential funding—over 1,500 billion yuan (around \$205 billion) in undrawn bank loans. However, these loans are "uncommitted," meaning banks are not obligated to provide funds if CRG requires them urgently. This presents a “liquidity” problem⁴⁵ that CRG might **struggle to secure necessary funds** during financial difficulties.



⁴⁴ibid.,

⁴⁵ Fitch Affirms China Railway Group at 'A'; Outlook Stable," May 30, 2023, <https://www.fitchratings.com/research/corporate-finance/fitch-affirms-china-railway-group-at-a-outlook-stable-30-05-2023>

CONCLUSION

The Stepantsminda-Larsi highway project in Georgia, awarded to China Railway Tunnel Group (CRTG), raises significant concerns about safety, environmental standards, and the company's troubling history of questionable practices. CRTG's track record reveals a pattern of inefficiencies and violations, evidenced by scandals in multiple countries, including Poland and Israel. In Poland, CRTG faced severe delays, cost overruns, and accusations of mismanagement, which undermined the project and affected Poland's international reputation concerning EU-funded initiatives. Similarly, CRTG's involvement in the Tel Aviv Metro project has drawn scrutiny due to its connections with Iran's Islamic Revolutionary Guard Corps (IRGC), an entity blacklisted due to its role in advancing Iran's nuclear ambitions. These connections raised significant national security concerns in Israel, further complicating CRTG's reputation on the global stage.

In addition to its problematic international projects, CRTG's parent company, China Railway Group Limited (CRG), has a history of environmental violations, including penalties for discharging untreated wastewater and mishandling construction dust. Such infractions point to a broader trend of environmental negligence that poses risks not only to the projects undertaken but also to the communities impacted by them. For instance, the Xiqinling Tunnel project drew significant attention to environmental management failures that resulted in structural instabilities and heightened risks to local ecosystems. Experts warn that these issues could similarly arise during the Stepantsminda-Larsi project, threatening Georgia's commitment to maintaining environmental standards.

Compounding these operational and environmental issues, CRTG's financial viability is increasingly concerning. The company has amassed significant debt, a situation projected to worsen as debt ratios are anticipated to rise. Although CRG has access to potential funding through undrawn bank loans, the uncommitted nature of these loans raises serious liquidity concerns. Such financial instability could impede CRTG's ability to fulfill its commitments on the highway project, jeopardizing Georgia's infrastructural goals.

Furthermore, the Georgian government's choice to partner with CRTG reflects a troubling pattern seen with other Chinese companies engaged in infrastructure projects in the country. **High-security risks, serious legal violations, and accusations of corruption characterize this partnership.** As the project progresses, fears are mounting that Georgia may experience delays, budget overruns, and compromised quality in executing this crucial infrastructure project.

Despite the wealth of scandals surrounding CRTG, **the Georgian government exhibits a notable lack of due diligence.** There is a concerning failure to examine the company's reputation critically or to conduct thorough assessments of its operational practices before awarding contracts. This lack of scrutiny raises alarms about the potential ramifications for Georgia's **infrastructure development, public safety, and environmental integrity.** Given the cumulative risks linked to CRTG's operations, there is an urgent need for heightened oversight and rigorous evaluation of foreign partnerships in infrastructure projects. The government must prioritize the interests of its citizens by ensuring that environmental standards and public safety protocols are upheld throughout the duration of the Stepantsminda-Larsi highway project. Failing to address these concerns could not only compromise the project itself but also erode public trust in the government's ability to safeguard national interests in the face of increasing foreign influence.

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