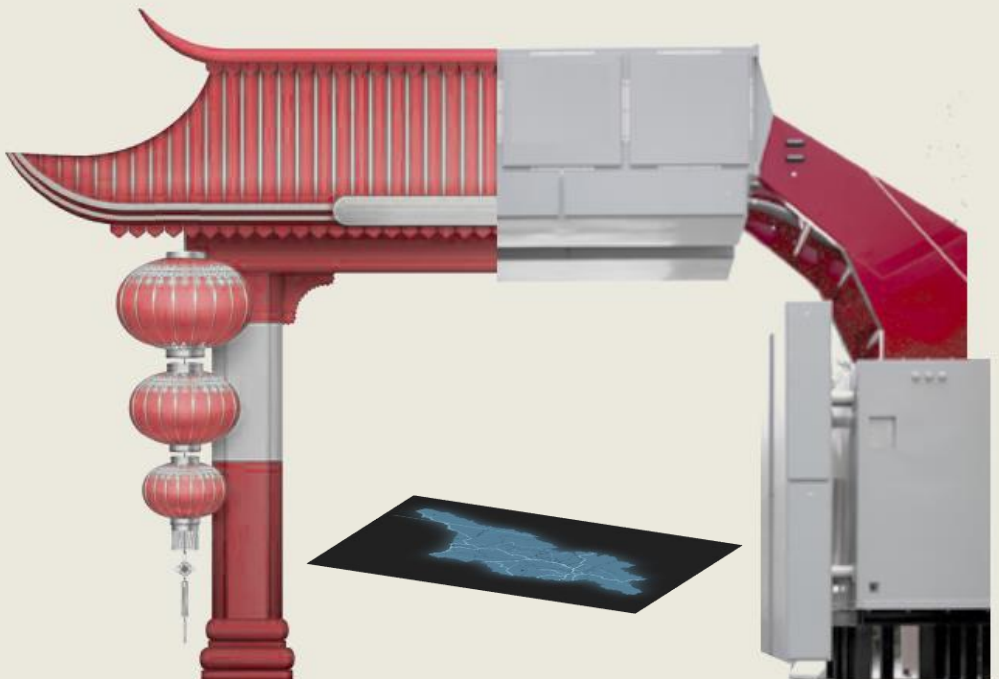


**IN THE WAKE OF
NUCTECH
RAIDS:
EVALUATING
INTERNATIONAL
FALLOUT
AND ITS TIES
WITH GEORGIA**



On April 23, 2024, the European Commission exercised its newly acquired authority to conduct [unannounced raids](#) at the offices of Nuctech, a Chinese surveillance firm, in both Rotterdam, the Netherlands, and Warsaw, Poland. This action was taken under the [Foreign Subsidies Regulation](#) (introduced in July 2023 by the EC) to ensure fair competition in the EU market. The same day, the EC announced that the Group of Seven developed economies initiated efforts to address imports stemming from "[structural overproduction](#)" in other regions, fueled mainly by massive subsidies. The Commission, alongside national authorities, initiated these inspections against Nuctech due to suspicions of the Chinese company receiving unfair state subsidies, which ultimately disadvantage their EU counterparts and distort the internal market. The China Chamber of Commerce to the EU reported that regulators seized IT equipment and employees' mobile phones, demanding access to data. They criticized the EU's actions in a statement, asserting that Brussels sent a negative message to both Chinese and non-EU companies operating within the Union. Similarly, a Chinese Ministry of Commerce official [expressed concern](#), stating that the raid eroded confidence among foreign enterprises in Europe and vowed that China would take necessary steps to protect its firms' rights.

It is worth noting that the raided Nuctech has already secured over [160 public tenders in Europe](#) despite concerns over product security. The [latest contract](#) was awarded to the controversial Chinese company in March 2024 and valued at around €3.5 million for X-ray equipment procured by tax authorities in Rzeszów, Poland. Meanwhile, several European nations have formally prohibited the company and discontinued the use of its equipment. For instance, in 2021, the Lithuanian government [has officially banned equipment](#) manufactured by this company. In 2023, Belgium [implemented a ban](#) on the utilization of Nuctech's technology in customs inspections. This measure aimed to protect national security and prevent the transmission of sensitive information from customs sites to Chinese intelligence services. Belgian customs head Kristian Vanderwaeren highlighted [security concerns](#), mentioning the risk of Nuctech accessing internal systems that link scanner images with shipment data. According to Vanderwaeren, such access could provide comprehensive insight into all customs declarations in Belgium, including the movement of goods in and out of the country.

Nuctech Company Limited, with clear ties to the CCP, has also faced controversies overseas. The Chinese firm has drawn criticism and faced restrictions from both [the United States](#) and [Canada](#) in 2020 due to concerns about espionage threats and other risks to national security. Apart from concerns regarding technological espionage and security, the Associated Press has raised suspicions regarding [Nuctech's potential involvement in human rights violations](#) in Xinjiang. This region has drawn attention due to reported mistreatment of Uyghur Muslims by Chinese authorities.

Notably, despite Nuotech being banned across the developed world and its equipment being withdrawn from use, state institutions in Georgia, particularly the Revenue Service of the Ministry of Finance, persist in actively engaging with it. It is showcased by the fact that the Revenue Service recently conducted [its 2023 annual media seminar](#), where officials introduced plans for reform and presented Nuotech's security inspection equipment, followed by a guided tour for the media delegation to witness [Nuotech's inspection systems](#), garnering coverage from Interpressnews, Business Press News (BPN), and other Georgian media outlets, thus enhancing communication and cooperation between Georgia's mainstream media and the Revenue Service, as well as strengthening ties with Nuotech.

- [In 2008](#), Nuotech Company Limited entered the Georgian market. The Ministry of Finance, representing the Government of Georgia, signed the agreement to supply inspection-checking complexes to the Government of Georgia.
- In 2012, the Revenue Service of Georgia procured X-ray inspection systems for the Kazbegi and Red Bridge customs checkpoints from "Nuotech Company Limited" through simplified acquisition procedures. This procurement, however, caused a few concerns because it seemed excessively tilted in Nuotech's favor. The state ended up not only overpaying [215 368 USD](#), but also excluding other possible suppliers because of the bidding process's exclusivity to Nuotech's services.
- In 2018-2020, the Revenue Service of Georgia engaged in further procurement with "Nuotech Company Limited," totaling 5 870 722.48 USD. These purchases were also conducted through simplified acquisition procedures and were primarily for technical services and spare parts to maintain the conditions of Nuotech's already existing inventory.

Despite the potential risks associated with Nuotech's operations, including multiple legal violations and obligations, the company continues to operate within the Georgian market and is expected to participate in numerous tenders in the future. It is a matter of concern that Georgia's state institutions often overlook the company's track record and international activities, finalizing contracts without conducting the necessary research to make informed decisions. Therefore, we believe it is crucial to amend Georgian legislation accordingly to enforce this obligation, aiming to prevent the potential security risks associated with entering into future contracts with Chinese technology firms such as Nuotech.