

Georgia's Investment Landscape: COMPARATIVE ANALYSIS OF **CHINESE** AND **WESTERN** INVESTMENTS (2018-2023)



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The “strategic partnership” agreement signed between the People’s Republic of China (PRC) and the Georgian government on July 31, 2023, encompasses not only political, cultural, and international cooperation but also enhancing economic relations. Economic cooperation stands as the central aspect, with Georgian Dream officials portraying ties with the PRC as the next “pivotal advancement” for the country. In an interview with the Chinese Television CCTV, the former prime minister of Georgia, Irakli Gharibashvili, emphasized the potential for advancing bilateral economic relations.

The representatives of the Embassy of the People's Republic of China in Georgia also talk about the "growing" trend of bilateral economic relations. The increasing involvement of Chinese companies in the infrastructure projects of Georgia and the announcement of the Chinese-Singaporean consortium as the winner in the Anaklia deep-water port construction project also contribute to the perception and false imagination that Chinese investments are on the rise and play a dominant role in the Georgian economy. Interestingly, the adviser of the embassy, Chao Chuan, in an exclusive interview with Business Media recently, stated that Georgia presents a promising investment environment for the PRC and therefore, according to Chuan, the People’s Republic is the largest investor in Georgia and its investments exceed 800 million US dollars in total.

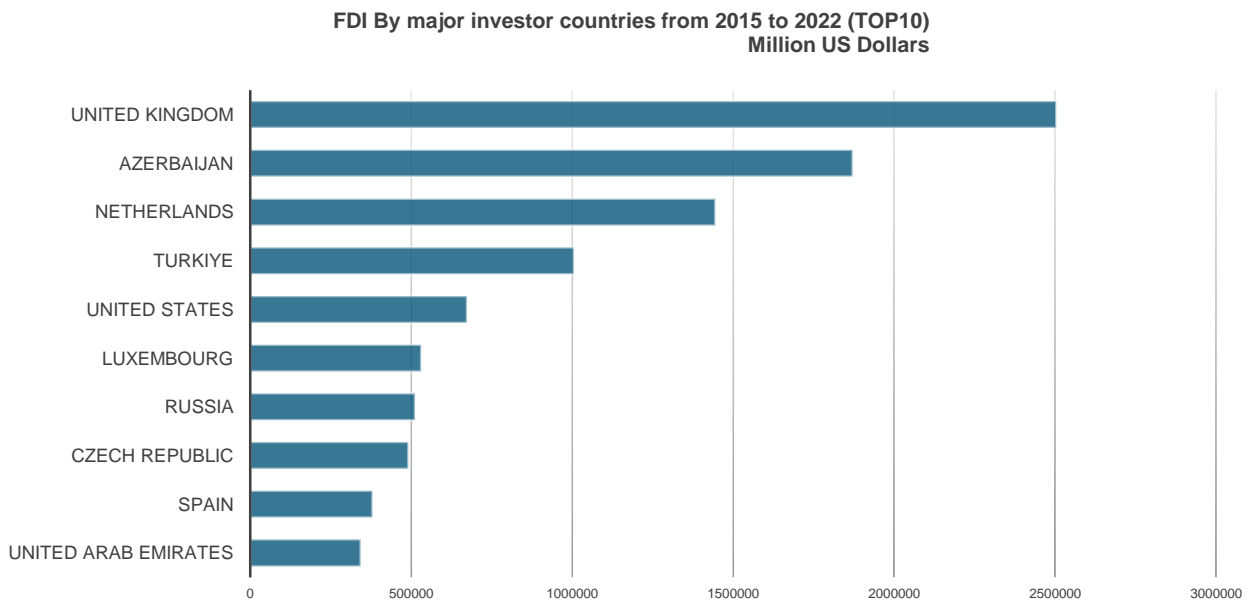


FOREIGN DIRECT INVESTMENTS (FDI) FROM THE PRC

Despite the claims of the Georgian government and representatives of the PRC Embassy in Georgia, official data reveals an entirely different reality. This report is based on the official statistics the Department of Statistics of Georgia published on their website. Accordingly, we present the data for 2010 to 2024 (first quarter), confirming that for almost 14 years, the PRC direct investments in Georgia have not even reached 700,000 million US dollars.

Year	FDI from the PRC
2010	-7 882,0
2011	30 382,7
2012	70 156,8
2013	101 129,7
2014	220 099,2
2015	66 947,6
2016	25 480,8
2017	19 364,4
2018	75 991,1
2019	44 750,0
2020	-35 132,0
2021	-27 849,3
2022	43 627,3
2023*	47 330,6
First quarter of 2024*	13 855,5
In total	688 252,3

According to the data from 2015 to 2022, the PRC **was not** even among the ten largest investors in Georgia. Interestingly, the country's more significant investors included not only the US and the EU, with their larger economies, but also, for instance, countries such as the Netherlands, Spain, and the Czech Republic taken separately.

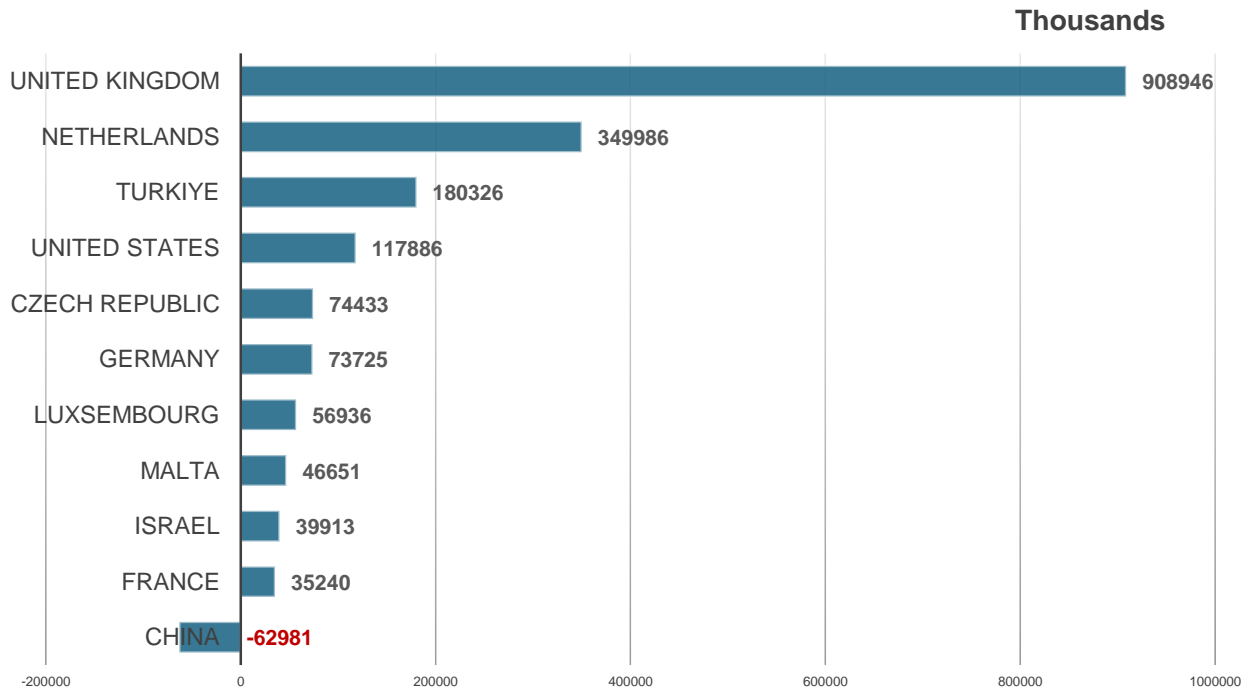


An analysis of data from 2010 to the first quarter of 2024 indicates that the flow of direct investment from the PRC peaked in 2014. Since then, the rate has begun to decline again. As a result, in 2020, the PRC's FDI decreased significantly. As a result, in 2020, Beijing's foreign direct investment decreased dramatically. Accordingly, the dynamics of diplomatic and political relations between Georgia and the PRC, which have been intense since 2015-2016, have not impacted Georgia's economy. Only after the former prime minister left office did these relations become a source of a rich salary from a Chinese company.



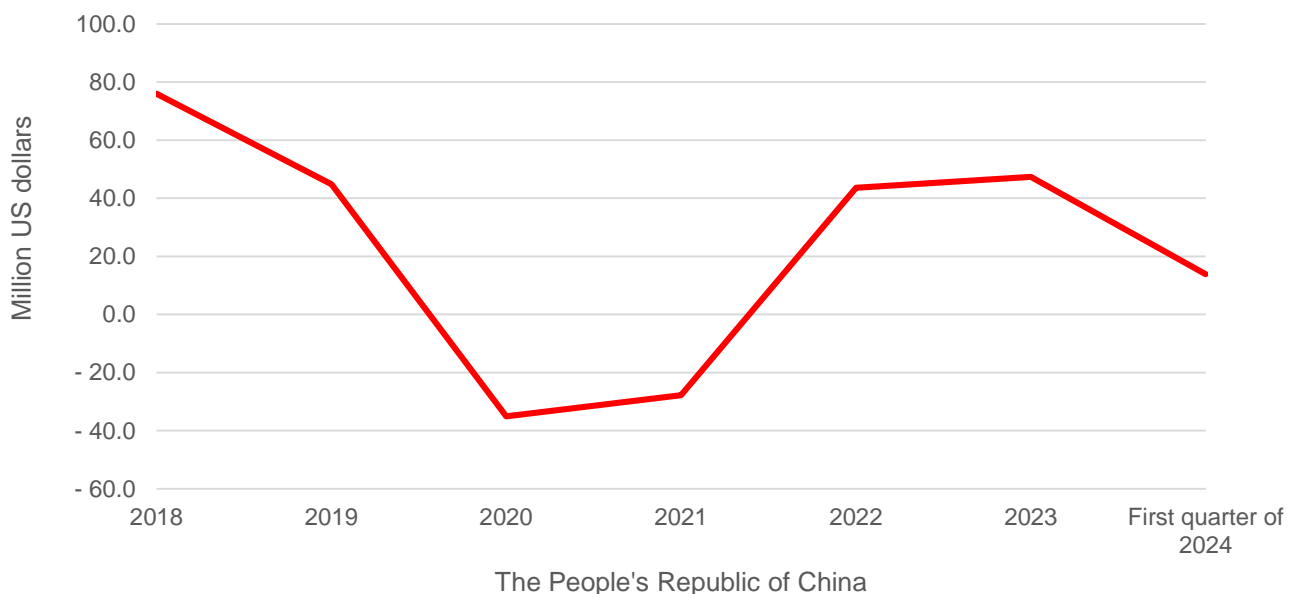
Additionally, it should be noted that the dramatic decline in FDI from the PRC is also related to the global stagnation and recession caused by the COVID-19 pandemic. However, the investment data for 2020-2021 confirms that, despite the pandemic, Georgia's Western partners continued to make direct investments in the country. On the other hand, the PRC practically disappeared from Georgia's investment landscape.

FDI By major investor countries 2020-2021 (TOP10 and China)

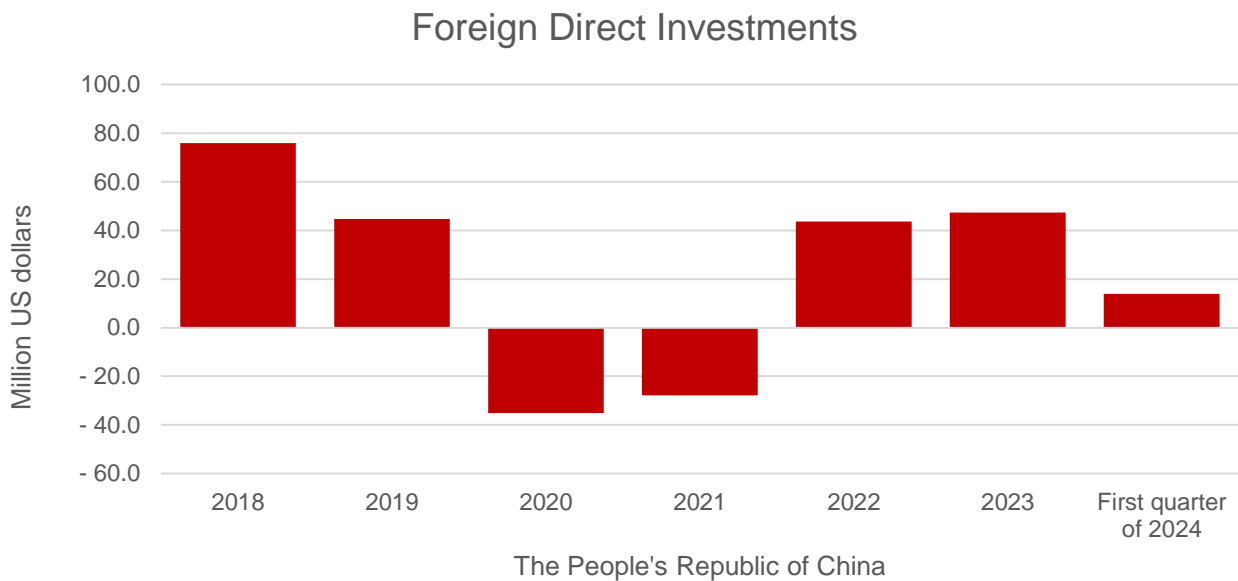


It should be noted that an analysis of data for the years 2018-2024 (first quarter) reveals that even after the pandemic ended, the PRC's FDI in Georgia not only failed to increase dramatically but did not even reach the rates of the pre-pandemic period.

Foreign Direct Investments



In 2018, FDI from the PRC in Georgia amounted to 75.991 million US dollars. By 2023, this figure had decreased to 47.331 million US dollars.

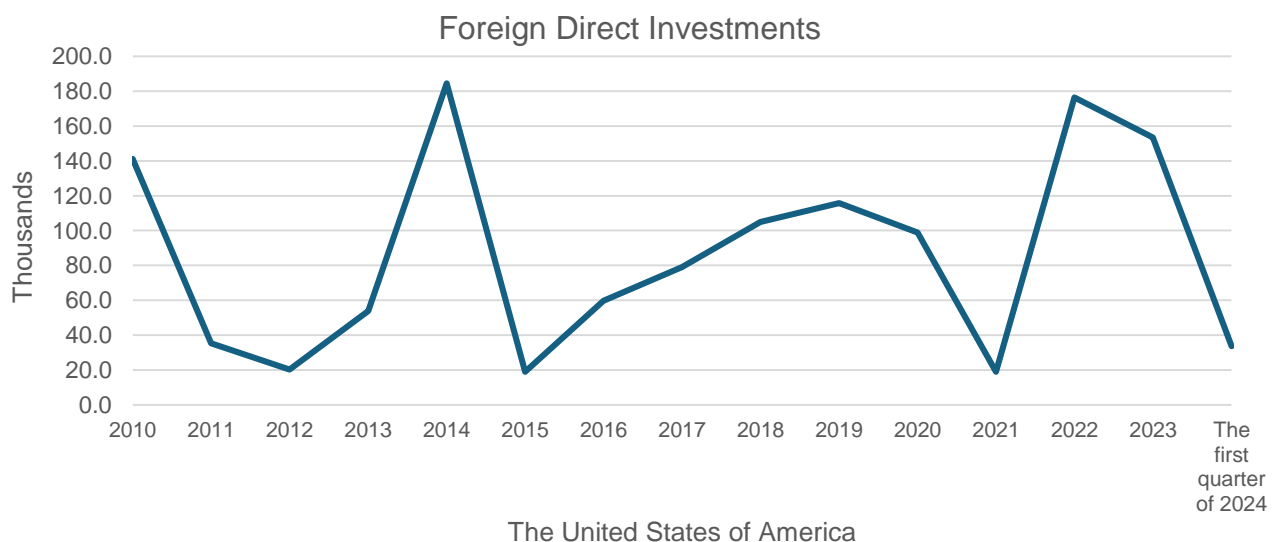


To create a clearer picture, it is appropriate to compare the dynamics of foreign direct investments from the PRC with those from Georgia's Western partners.

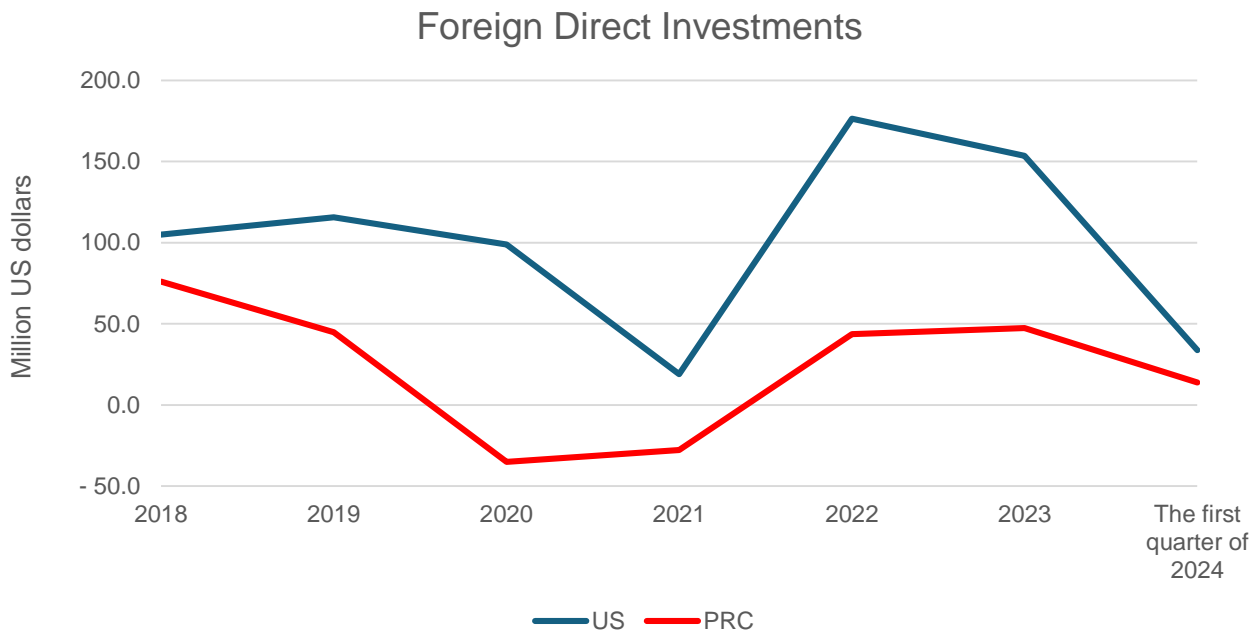
FOREIGN DIRECT INVESTMENTS FROM THE WEST

? It is interesting to examine whether a similar downward trend can be observed in the investments of Georgia's Western partners.

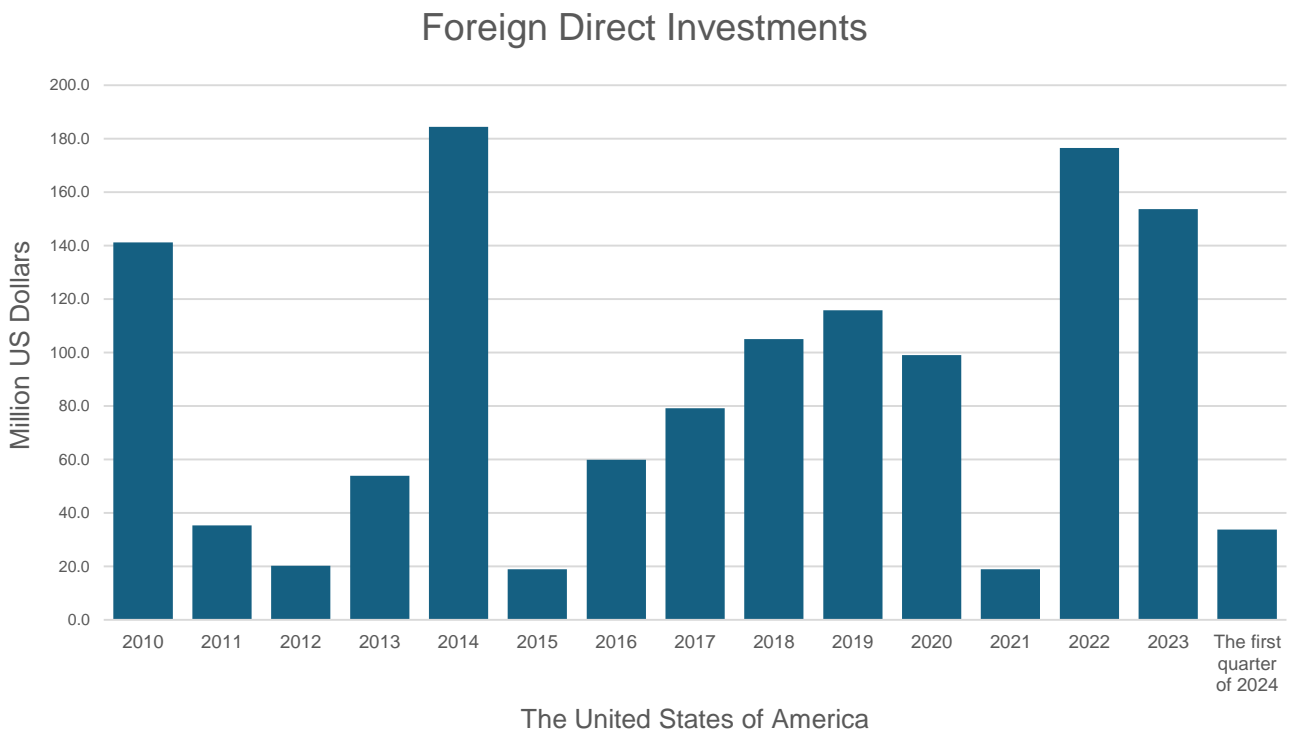
In the case of Georgia's strategic partner, the USA, the pandemic naturally affected the investment rate. In 2021, the US investments decreased to USD 18,917.6 million. However, in contrast to the People's Republic of China, which experienced a significant deficit of -27,849.3 million USD, the United States maintained a positive pace. **Accordingly, despite a significant decrease in foreign direct investments from the USA, Washington's investments still substantially exceeded the similar indicator of Beijing.**



An analysis of official data reveals that from 2018 to 2023, the United States significantly outpaced the PRC in terms of foreign direct investment both before and after the pandemic.

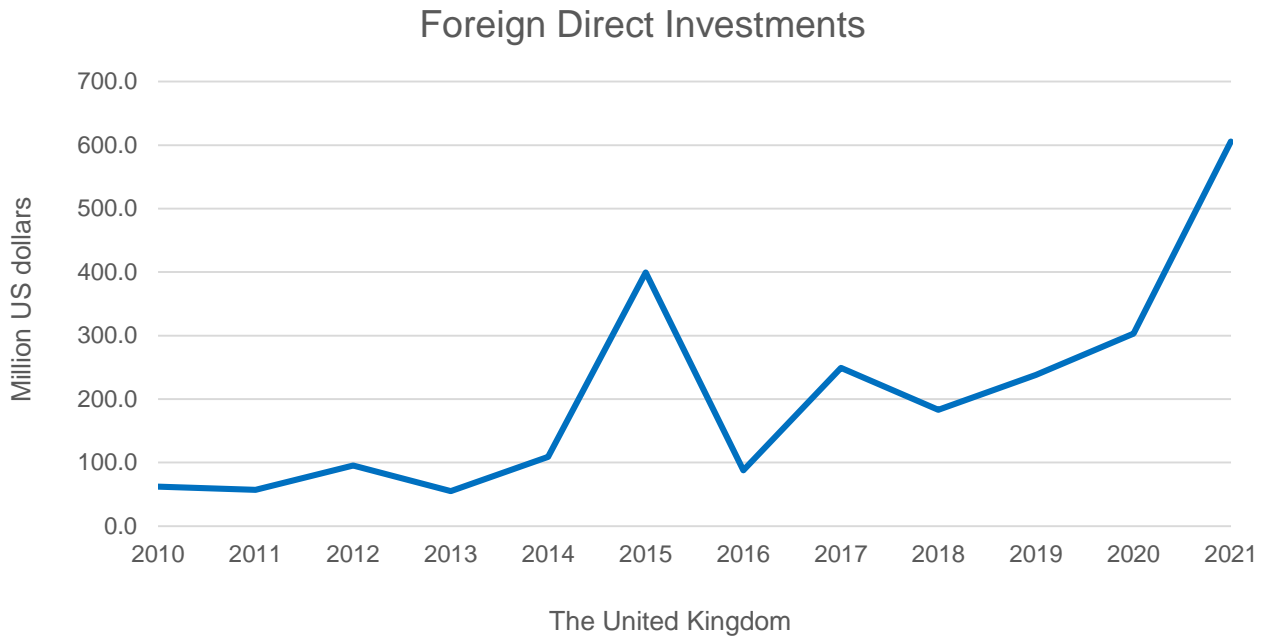


Moreover, while the PRC's foreign direct investments declined in the post-pandemic years compared to the pre-pandemic period, the situation is different for the USA. In 2018, the US foreign direct investments in Georgia amounted to 104,964.1 million USD. By 2023, this figure had reached 153,548.9 million USD, marking an increase of nearly 50 million USD.



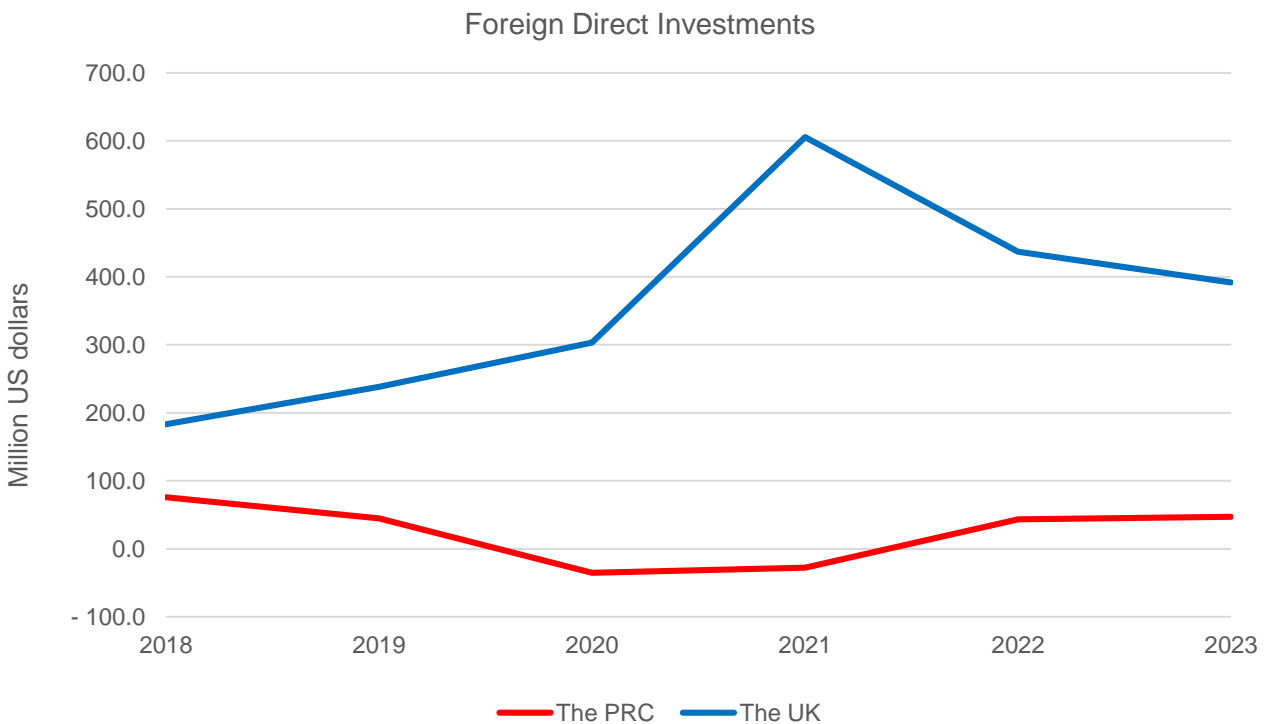
In the post-COVID period, economic relations between the USA and Georgia, particularly regarding investment, have been characterized by an increasing pace. The same trend is evident with Georgia's other Western partners.

According to data from 2020-2021, despite the pandemic, the United Kingdom remained one of the largest investors in terms of foreign direct investment.



In 2018, UK foreign direct investment in Georgia amounted to 183,310.0 million USD. By 2023, this figure had nearly doubled to 391,968.0 million USD.

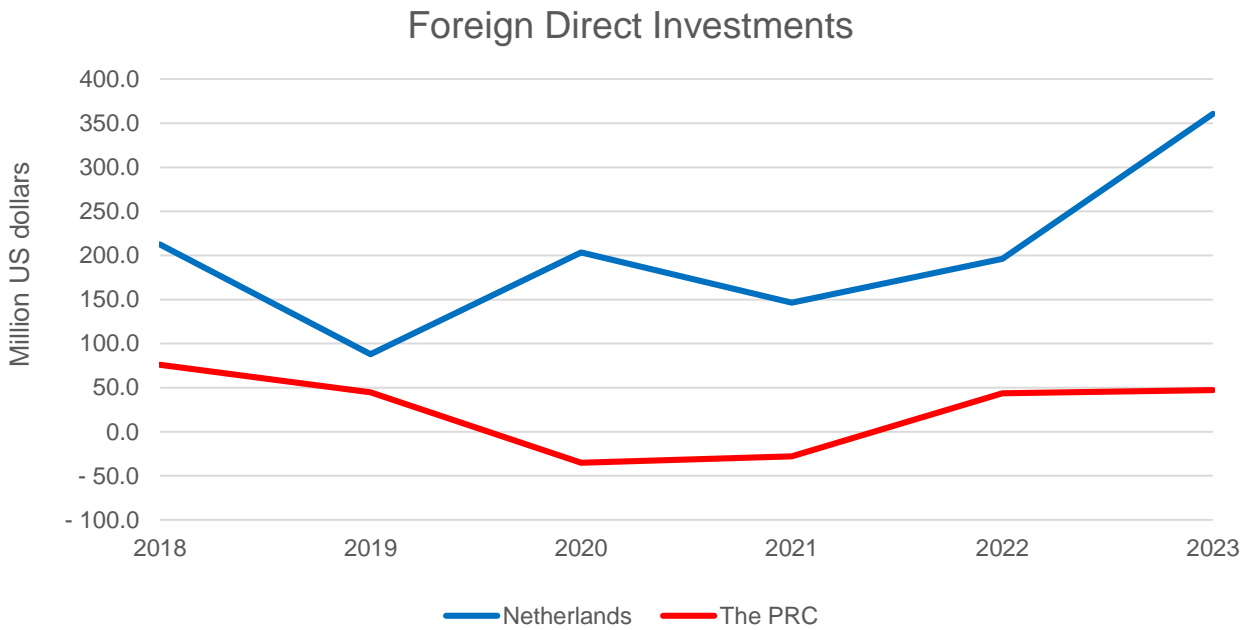
The chart below further confirms that the United Kingdom significantly outpaced the People's Republic of China regarding foreign direct investment between 2018 and 2023.



Similarly, despite the pandemic, an upward trend can be observed in the Netherlands. In 2018, foreign direct investments from the Netherlands in Georgia amounted to 212,637.9 million US dollars. Following the pandemic, by 2023, this figure had risen to 360,501.3 million US dollars.

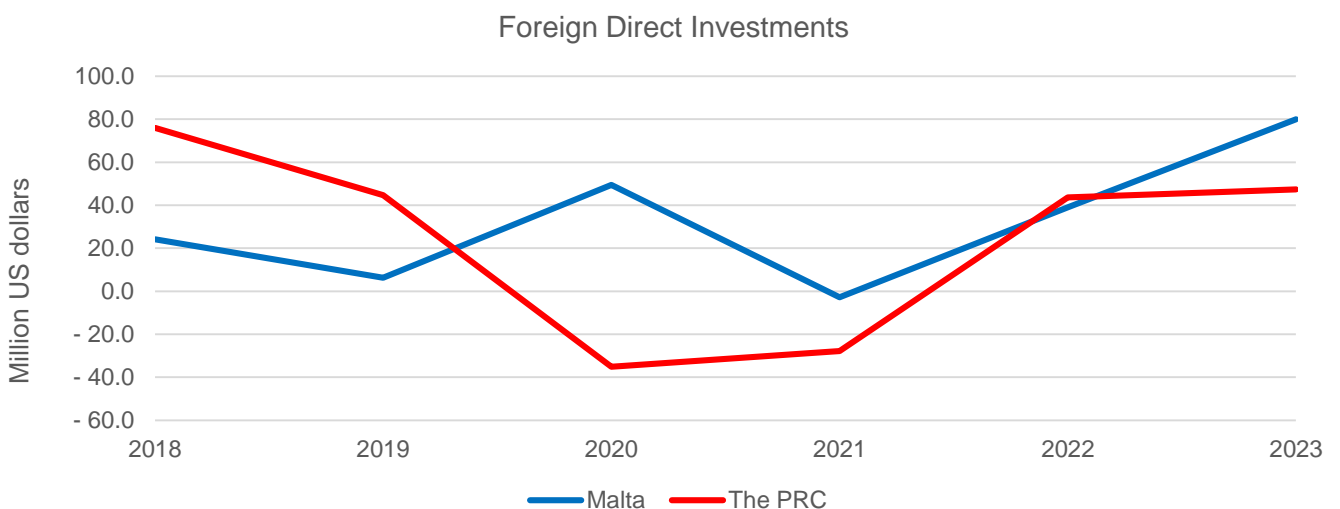
Accordingly, from 2018 to 2023, the Netherlands, alongside the United Kingdom and the USA, was one of the largest investors in Georgia.

The table below illustrates the significant difference between the PRC and the Netherlands regarding foreign direct investment.

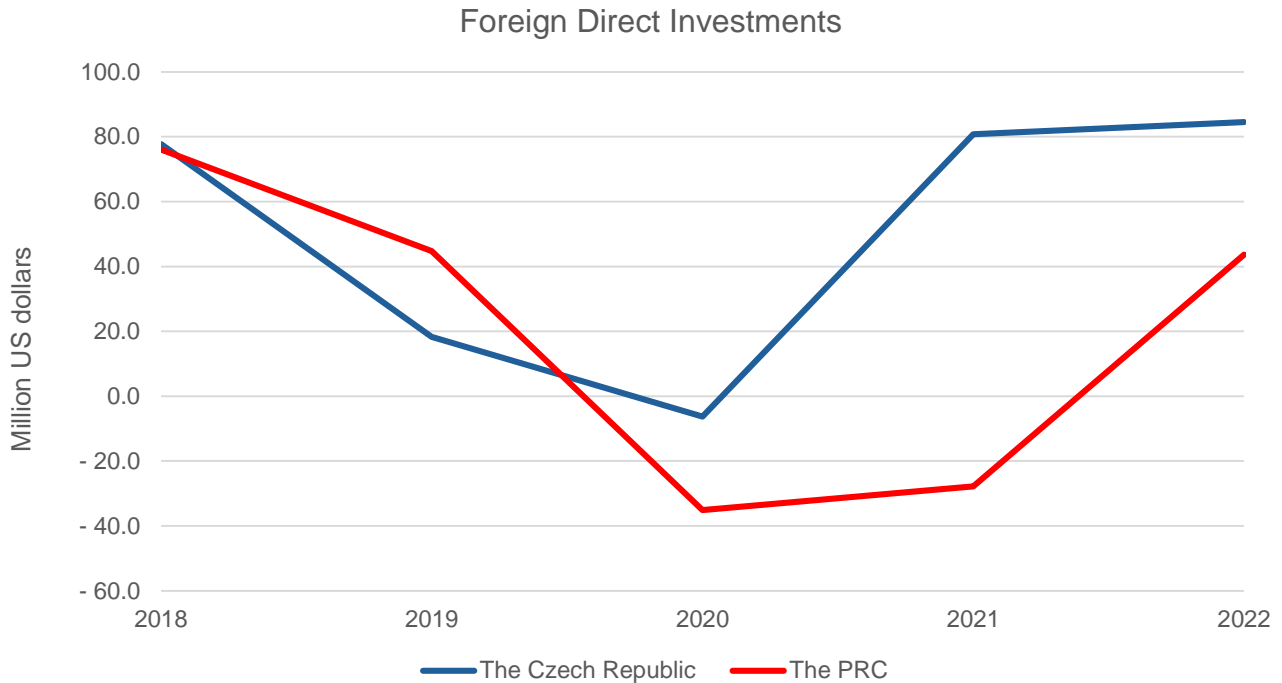


We decided to provide several examples of countries with relatively small economies separately to demonstrate how reality differs significantly from the government's disinformation rhetoric.

Even in the case of Malta, one of the smallest member states of the European Union, there has been a significant increase in investment in the post-pandemic period. In 2018, Malta's foreign direct investment in Georgia amounted to 24,072.9 million US dollars. By 2023, this figure had almost quadrupled, reaching 80,021.8 million US dollars. It must be noted that Malta is a state with a small economy. Therefore, the contrast created by Malta's foreign direct investments in Georgia, compared to the large economy of the People's Republic of China, is particularly interesting and significant.

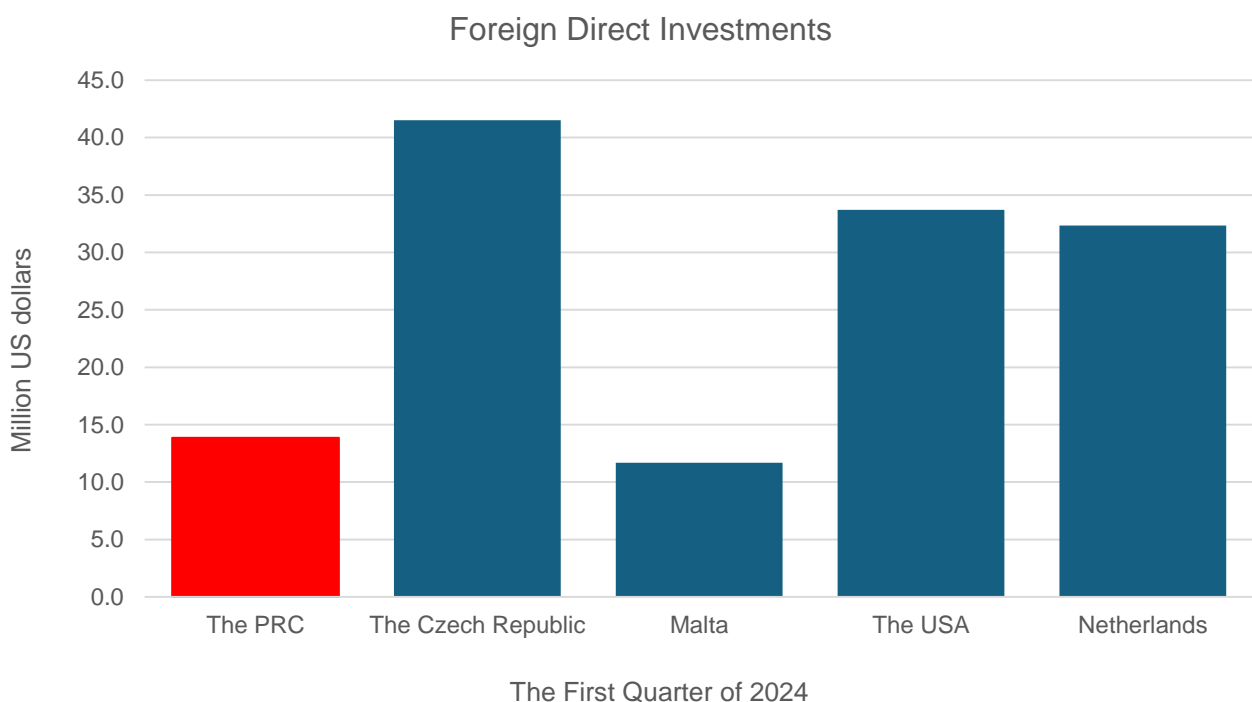


As for the Czech Republic, another major investor in Georgia, foreign direct investments from the Czech Republic amounted to 77,696.0 million US dollars in 2018. During the pandemic, although investments continued, a significant decline was noticeable. However, as soon as the pandemic was declared over in 2022, foreign direct investments from the Czech Republic increased to 84,473.3 million US dollars, surpassing the pre-COVID level.



In addition, according to data from the first quarter of 2024, Czech foreign direct investments in Georgia have already reached 41,502.4 million US dollars.

It deserves special mention that one year after the start of the strategic partnership, quarterly assessments indicate that foreign investments from Beijing continue to lag behind those of several Western partners of Georgia and are only slightly ahead of Malta.

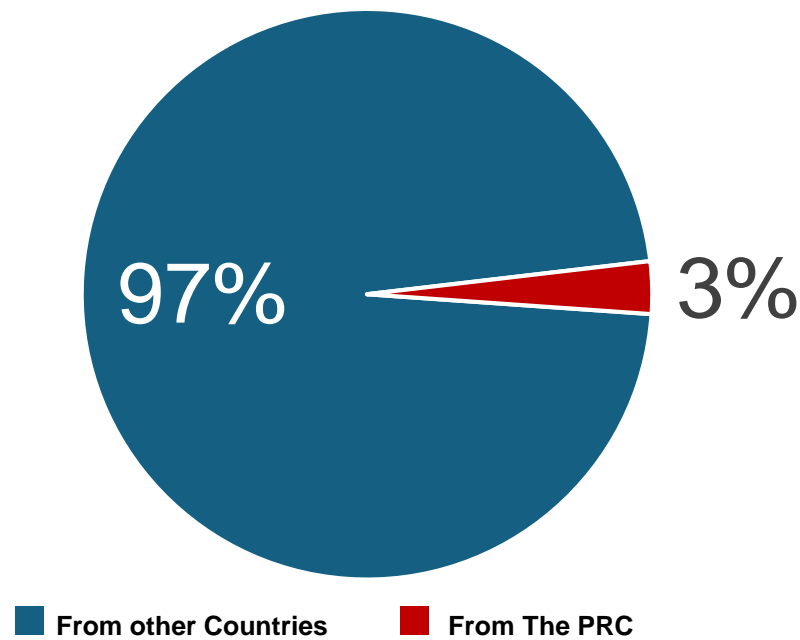


CONCLUSION

In conclusion, the analysis of data from 2018-2023 reveals that the People's Republic of China, despite government propaganda claims, is neither the main nor a significant economic actor in Georgia.

Its share in the investment portfolio in Georgia is very small; in 2023, it was only 2.97 percent. (Of the 1,594,746.9 thousand USD in total investments, only 47,330.6 thousand USD came from the PRC)

Foreign Direct Investments in Georgia in 2023



Moreover, for years, the PRC was not even among Georgia's top ten largest investor countries. Unlike our Western partners, during the pandemic, instead of investing money in the Georgian economy, the PRC exported its investments.

Despite assertions of the embassy adviser Chao Chuan, the PRC lags behind many Western countries regarding investment involvement in Georgia. In terms of FDI, the leading positions of the UK and the US can be attributed to the size of their economies. However, the cases of Malta and the Czech Republic demonstrate that even relatively smaller economies exhibit higher economic activity in Georgia compared to the People's Republic of China.