

# The Road to Dependency: Chinese Banks Eyeing Georgia



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The impact of the Sino-Georgian strategic partnership continues to grow, becoming increasingly evident in the financial sector. Notably, the intensified official communications between Beijing and Tbilisi in 2024, coupled with proposals discussed during numerous meetings, highlight the increasing likelihood of Chinese state-owned banks entering the Georgian market. Nearly a year after the signing of the strategic partnership agreement, it has become clear that leading Chinese financial institutions, including the People's Bank of China and the Export-Import Bank of China, have expressed their intent to operate in Georgia.

The People's Bank of China and the Export-Import Bank of China are among the largest financial institutions through which the Chinese government extends preferential loans and credits. Their entry into Georgia's financial market has a direct impact on the volume and dynamics of loans received from China. According to a 2024 report<sup>[1]</sup> by Civil IDEA, the policies implemented by Chinese banks present several challenges for debtor states, including:

⚠ In many cases, agreements signed with Chinese banks are confidential, leaving the public uninformed about the terms of the loans. This lack of transparency is particularly concerning, as loan agreements may include provisions that could potentially undermine state sovereignty.

⚠ International experience indicates that debtor countries struggling to repay their debts often face challenges in safeguarding their national interests during negotiations with the People's Republic of China. In some cases, this may even result in territorial concessions.

This foreign policy approach by China is commonly referred to as **"debt-trap diplomacy."** Numerous examples of this practice can be observed worldwide, and a few notable cases are worth highlighting:



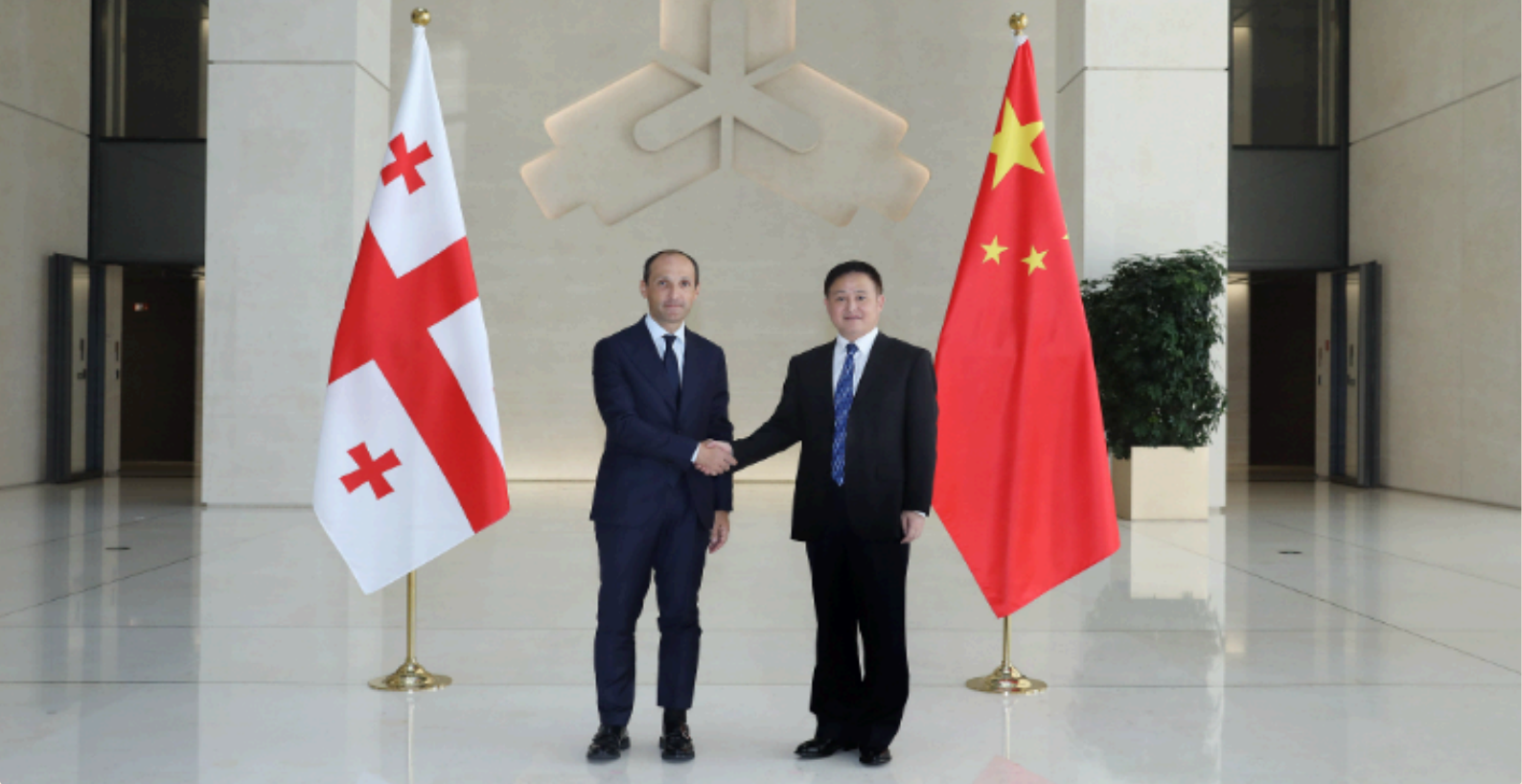
In 2017, facing difficulties in repaying its debts, Sri Lanka was compelled to sign a 99-year lease agreement with a Chinese company. Consequently, 70% of the country's strategic port came under Chinese ownership.



Due to challenges in debt repayment, Tajikistan ceded part of its territory to China. In 2011, the country transferred 1,000 square kilometers of land to China. Furthermore, since 2017, a Chinese military base has been operating within Tajikistan.



A credit agreement signed with China in 2014 included a provision that, in the event of default, granted the Chinese side the right to seize control of certain Montenegrin territory or assets.



As is well known, one of the provisions of the strategic partnership agreement signed between the People's Republic of China and Georgia in 2023 pertains to cooperation in the financial sector. Specifically, the agreement stipulates that China **will consider** offering preferential loans for social and infrastructure projects in Georgia. This proposal implicitly suggests that the entry of the People's Bank of China, China's Central Bank, into the Georgian market is formally addressed within the framework of the agreement.

Interestingly, recent months have seen highly dynamic communication between the People's Bank of China and the National Bank of Georgia. Notably, bilateral meetings have taken place during official visits to both Georgia and China, both before and after the elections. To provide a clearer picture, the following outlines the key steps taken in recent months to strengthen financial sector relations:

⚠ On March 19, 2024, Zhou Qian, the Ambassador of the People's Republic of China to Georgia, **met** with Natia Turnava, President of the National Bank of Georgia. The discussion focused on enhancing cooperation in the financial sector. Turnava highlighted that the Strategic Partnership Agreement signed in 2023 had expanded opportunities for strengthening financial ties. **She also expressed a strong interest in deepening collaboration with the People's Bank of China and other Chinese financial institutions.**

⚠ On August 20-21, 2024, Ren Shengjun, President of the Export-Import Bank of China, undertook **a working visit** to Georgia. During the visit, Ren Shengjun met with Levan Davitashvili, Georgia's Minister of Economy and Sustainable Development, to explore opportunities for cooperation. Notably, **the Chinese representative expressed the Export-Import Bank of China's interest in supporting Georgia's ongoing infrastructure, communication, and trade initiatives through a range of financial services.**



From September 11 to 13, 2024, Georgia's First Vice Prime Minister and Minister of Economy and Sustainable Development, Levan Davitashvili, **conducted** a working visit to Beijing. During the visit, Davitashvili met with Pang Gongsheng, President of the People's Bank of China, to discuss enhancing cooperation in the financial sector, particularly strengthening ties between the National Bank of Georgia and the People's Bank of China. Notably, **the two sides agreed to formalize their collaboration by signing a Memorandum of Understanding between the two central banks.**



On September 25, 2024, Natia Turnava, President of the National Bank of Georgia, **met** with Zhou Qian, Ambassador of the People's Republic of China to Georgia. The discussion focused on the need to strengthen cooperation between the National Bank of Georgia and the Central Bank of China. **Turnava emphasized the importance of deepening collaboration, addressing mutual interests, and accelerating joint processes. She noted that representatives of the National Bank of Georgia would hold future meetings with their counterparts from the Central Bank of China to advance these goals.**



On October 22, 2024, Varlam Ebanoidze, Head of the Financial and Supervisory Technology Development Department at the National Bank of Georgia, **participated** in an international forum in China at the invitation of the Chinese payment system Alipay[2]. Ebanoidze, alongside leaders from the Central Bank of China and other major financial institutions, delivered speeches at the event. Notably, **the visit led to the planning of specific steps to facilitate Alipay's entry into the Georgian financial market.**



On October 29, 2024, Ekaterine Galdava, Vice President of the National Bank of Georgia, **participated** in the International Business Forum in Beijing. **During the visit, Galdava met with representatives of several central banks to discuss opportunities for collaboration and strengthening financial cooperation.**

The illegitimate Georgian government, recognizing the likely economic consequences of its anti-Western foreign policy, is increasingly aligning itself with the People's Republic of China. Sino-Georgian financial cooperation threatens the country's national security. As previously noted, Chinese banks serve as key instruments of Beijing's so-called "debt-trap diplomacy." Consequently, the operation of Chinese financial institutions in the Georgian market may result in serious economic and political challenges for the country.

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[1] For further information, see the report: **"Hidden Traps of PRC's Debt Policy"**.

[2] Alipay is a Chinese online payment service launched in 2004 by the Chinese e-commerce giant Alibaba. In 2011, Alipay was separated from Alibaba, and since 2014, it has been owned by Ant Group, a Chinese financial technology company. The primary shareholders of Ant Group are Hangzhou Junhan Equity Investment Partnership (31.04%) and Hangzhou Junao Equity Investment Partnership (22.42%). Alipay has faced international scrutiny due to controversies, including allegations of illegally collecting user information, which have drawn significant media attention.