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China's Growing Presence in Georgia

China looks set to become a genuine player in Georgia and the South Caucasus.

By Michael Cecire

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There is perhaps no less comfortable place for a struggling democracy than the blurry space between the hardening frontiers of the liberal democratic West and an increasingly expansionist, militant Russia. For states like Georgia, well beyond NATO's fortified border in a region where even neutrality is considered a lot cast for Moscow, taking a side is not so much a choice as it is a necessity for state survival. But the rapidly growing presence of China, for the first time, opens up the possibility of a Sino-Georgian third way just as local confidence in Western alignment hits new lows.

China's interest in Georgia and the South Caucasus is neither new nor particularly unexpected. Though flying under the radar, Chinese investment has been rising in the region for at least several years, in search of investment opportunities and low-cost diplomatic dividends. But Beijing's appreciation for the South Caucasus as a strategic region worthy of genuine attention is a more recent phenomenon, driven in large part by Beijing's ambitious multi-billion dollar bet on the New Silk Road (NSR), for which Georgia and the South Caucasus are set to play a critical role. Though its location may be geopolitically unenviable, Georgia's position as a connector state between the Eurasian interior and Europe has caught Chinese interest.

In large part, Georgia-China cooperation has been restricted to the economic domain. But growth in this area has been very significant; a few years ago, the Chinese portfolio in Georgia consisted primarily of various one-off projects and credit lines, but has since expanded considerably to make China a major player. According to GeoStat, the Georgian National Statistics Office, Georgia-China trade and investment has skyrocketed in the last several years, and China is now Georgia's third largest trade partner by volume – just behind Turkey and Azerbaijan and slightly ahead of Russia. With little interruption, bilateral trade volume has exploded from just under \$115 million in 2006 to more than \$820 million in 2014. However, the trade deficit is understandably lopsided; Georgia only exported some \$90 million worth of goods to China in 2014, although this figure is a near 1,800 percent increase over exports as recently as 2009.

Foreign direct investment (FDI) numbers from China are equally positive for Georgia. After years of mediocrity, Chinese FDI began to show signs of life in late 2012, soaring from a paltry \$9.6 million in 2011 to nearly \$200 million in 2014 – almost a fifth of reported total FDI for Georgia for that year. And if recent news is correct, Chinese interest in Georgia has only just begun, with Beijing reportedly keen to put more money into energy, transportation, healthcare, and infrastructure.

The Georgian government has been understandably receptive to Chinese attentions. Economy Minister Giorgi Kvirikashvili became the first South Caucasus head of state to meet with officials from China's Silk Road Fund, which has earmarked a pot of some \$40 billion to take the NSR rubric from conception to reality. Georgian officials also took the time in China to begin negotiations with local counterparts in an effort to boost Chinese tourism to Georgia, long a state economic development priority. But perhaps most telling was an accord between China and Georgia to launch a joint feasibility study on a potential free trade agreement. The fact that it came on the heels of Tbilisi's recent Association Agreement with the European Union – including a Deep and Comprehensive Free Trade Area – is likely a coincidence, but it is one that nonetheless frames Tbilisi's interest in diversifying its growing but fragile economic base. It is in this context that Tbilisi was among the first countries to sign onto the Beijing-led Asian Infrastructure Investment Bank (AIIB).

Geopolitical Implications

The scope of Sino-Georgian cooperation remains primarily economic, but the geopolitical implications are unmistakable. As it has elsewhere in the world, growing Chinese economic clout tends to be accompanied by deepening political engagement. For Georgia, this is surely a welcome potential egress from the rock-and-hard-place of long unrequited Euro-Atlantic aspirations in the shadow of a re-assertive, regionally dominant Russia. While Beijing has resisted Russian pressure and remained supportive of Georgian territorial integrity, Tbilisi's elevation as a key component in the NSR may make Georgian security and stability an increasingly significant priority for China.

In Georgia, skepticism toward the West – and its snail's-paced progress towards Euro-Atlantic integration – is breathing new life into pro-Russia Eurasianist political and civil society groups. The Georgian government, sensing increased public fatalism, is under pressure to deliver security and prosperity at a time when the Russian threat is increasing and Western capitals are

rolling back the red carpet for EU and NATO expansion. Though still in its early stages, some Georgian officials see China as an opportunity to withstand Russian domination in an era of locked Euro-Atlantic doors. Other budding powers, such as Turkey and even Iran, also represent varying aspects of Georgian hedging against Russian aggression and Western distance.

One potential next step for Sino-Georgian cooperation may be in defensive arms. While Georgia has made little public progress in its efforts to procure Western systems, seemingly due to U.S. and especially European concerns about provoking Moscow, Chinese systems may serve as capable and comparatively inexpensive alternatives for Georgian forces badly in need of credible anti-air and anti-tank systems – even if they lack the desired symbolism that come with Western weaponry.

Beijing's big investment in the promises of trans-Eurasian economic integration looks to already be paying off for Tbilisi. Further cooperation – and dividends – seem like only a matter of time, which Georgian officials will almost certainly embrace with gusto. Western states, and particularly the U.S., will likely be wary of growing Chinese influence in the South Caucasus, but have little basis for complaining if Tbilisi seeks to counter Russian primacy in the absence of Euro-Atlantic guarantees. For its part, Russia is unlikely to be pleased with the Middle Kingdom's growing footprint in its so-called “near abroad,” but will have few levers to oppose China given its international isolation and dependence on generous Chinese energy deals. If trends hold, China is sure to become a genuine, and likely long-term, player in Georgia and the South Caucasus.