

Georgia Is Living Its 1848 Moment

On 23 December, about 100 businessmen gathered in the Georgian government building for a tense meeting with Irakli Kobakhidze, a man in a deep crisis of legitimacy. Kobakhidze, who was elected prime minister by a rump parliament composed only of ruling party deputies, is trying to crush a civil resistance movement that has been growing for over a month. The brutal crackdown by the police forces brought Kobakhidze and his patron, oligarch Bidzina Ivanishvili, the simmering disdain of Georgians and put their close henchmen on sanctions lists, but failed to break the resolve of the citizens. Worse, the shadow of sanctions and the associated complication of access to financial markets is worrying the Georgian business community upon whose tacit approval the ruling Georgian Dream (GD) has counted while capturing state institutions over the past decade.

In fact, nominally, the GD has had a good economic run. Growth rates were not stellar but quite respectable, given the COVID-19 shock and foreign policy upheavals. [According](#) to the World Bank, Georgia's real GDP growth averaged 4.7 percent

during 2011-2022. Except for the 2020 contraction linked to the COVID-19 shock, Georgia outperformed upper-middle-income countries and the ECA region in terms of average per capita GDP growth – 4.5% in 2016-2022.

The influx of wealthy Russians after the Kremlin's invasion of Ukraine brought much-needed liquidity to the market and boosted construction, banking, retail, and real estate. Research by the International School of Economics (ISET) at Tbilisi State University [shows](#) that financial remittances from Russia stood at over USD 2 billion in 2022, real estate sales prices jumped by around 30%, and rental prices by 120% in the last three months of 2022. Nearly 110 thousand Russians opened bank accounts in Georgia in February-December 2022.

Windfall profits did not last long – they leveled off and then [fell sharply](#) in 2024 – but they kept big businesses happy and the well-connected could count on lavish public contracts in exchange for funneling some of that money back into the ruling party's coffers as donations, [according](#) to Transparency International Georgia, a watchdog.



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As the Georgian Dream party increasingly subordinated the state apparatus, budget payouts were used to boost social spending, create civil service sinecures, and keep the police and military happy with growing salaries and housing projects. This well-oiled system came into play on 26 October when the Georgian Dream pulled out all the stops, legal and illegal, to secure a “majority” in the new legislature.

But many Georgians had grown weary of the increasingly divisive government, angered by its virulent anti-Western rhetoric and its coziness with the Kremlin. Ivanishvili’s bet on Russia’s eventual victory in the Ukraine conflict does not sit well with the country. Not only is it a bet on the victory of the traditional enemy of Georgian statehood, but more importantly, it means a radical transformation of the relatively free way of life that many middle-class Georgians have grown accustomed to over the past 20 or so years.

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And that is why large sections of the middle class do not like it. From IT specialists to NGO types, from academics to yoga instructors, they have stood and marched in their tens of thousands, braving tear gas, water cannons, and beatings. [up to 500](#) have been arrested, including renowned doctors, actors, historians... Private and social funds have sprung up to cover the costs of their fines and medical treatment.

All this is also bad for big(ger) businesses: hotels are empty of richer tourists (the many excited

but poor Western journalists are no consolation). Some major Western investors, such as Heidelberg Cement, have [pulled out](#), and British and US Treasury sanctions are scaring off potential investors.

Taxation Without Representation?

Vladimir Lenin famously described the “revolutionary situation” as a state in which “the top cannot govern and the bottom does not want to be governed.” If the man were alive today, he might be tempted to describe the situation in Georgia as a budding “bourgeois revolution” similar to that of 1848 in which the growing middle class, contributing more and more to the state coffers, demands more rights from an oppressive autocrat. But is this analogy accurate? Is the oligarchic rule of Bidzina Ivanishvili comparable to the absolute monarchs of yesteryear?

Economic data from Geostat, a national statistical agency, [suggest](#) that the share of small and medium businesses in the Georgian economy and, more importantly, in filling the state coffers with tax revenues has been growing. In 2023, small and medium enterprises accounted for 33% of turnover and 53% of output and added value. The same data shows that medium and small enterprises employ nearly 60% of those working in the business sector – over 490 thousand people. Of course, many Georgians who work in large companies also make up Georgia’s middle class, and not all of those in small enterprises do, but this gives an approximate figure.

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Many of these Georgians benefited from the country’s relatively liberal taxation, smooth bureaucra-

cy, and low corruption. All this came with Western-inspired reforms, often supported by Western money and training. True, economic liberalism does not have to come with a liberal way of life, but unlike China (and Russia), the Georgian middle class has largely looked to the West when making life choices and envisioning their country’s future.

And not only Georgians: over 30 thousand Russian companies [were set up](#) in the country after the Kremlin’s new invasion of Ukraine, and over 20 thousand are reported as active. They also sought to take advantage of this liberal climate and potential opening towards the EU market. The statistics are not yet available but anecdotal evidence [suggests](#) that many have relocated closer to Europe following Georgia’s anti-European turn.

In addition, hundreds of thousands of Georgians living in Europe and the United States transfer millions in foreign currency to their relatives in Georgia, helping to fuel the banking and real estate markets. Net annual transfers from the EU countries hover around 40–45% and from the US around 10–18% since 2020, with the amount of inflow transfers from the EU over USD 1 billion in 2024 and from the US reaching USD 50 million, [according](#) to the National Bank of Georgia.

True, Georgia’s middle class is not very large, but they balk at the idea that the government – captured by the Georgian Dream – is using their tax money to finance the police who gas them and the thugs who beat them in the dark alleys of the capital.

Moreover, the Georgian Dream has channeled middle-class revenues to [expand](#) social assistance to Georgians living in precarious conditions – often the people in the suburbs and rural areas who form the electoral backbone of the ruling party’s increasingly authoritarian, nativist, and conservative base.

Worse, in the midst of the crisis, the ruling par-

ty has made it clear that it intends to use state coffers to protect its loyalists from the sanctions regime. Rules were relaxed to allow pension fund savings to be channeled into riskier investments. GD Prime Minister Irakli Kobakhidze [announced](#) that a fund would be set up to compensate police and security officials for damages caused by sanctions imposed for brutalizing protesters. News like this does not go down well with people who pay for state services and instead receive ridicule and beatings.

So far, calls for traditional responses to repression, such as strikes, have fallen flat. Part of this is due to the structure of the economy. The middle class is self-employed or in small businesses; when they strike, they are hurting their own businesses, not the government. On the other hand, the types of enterprises that can go on strike - municipal transport, miners, etc. - are either beholden to the meager salaries provided by the state or have previously experienced little sympathy and solidarity from the urban middle class. The Georgian labor code, though updated to meet EU requirements, makes it very difficult to strike legally, exposing potential strikers to arbitrary arrests. Nevertheless, initiatives are emerging - thousands of civil servants have [announced](#) the new independent trade union to defend the interests of those dismissed for political reasons.

The Rush to Form Alliances

History teaches us that the “Springtime of Nations” of 1848 failed in European countries because creaking monarchies sought and found alliances with big capital or culturally conservative landowners. The ascendant bourgeoisie, for its part, often failed to generate solidarity with the oppressed urban precariat.

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So far, Ivanishvili’s considerable personal capital has acted as a stabilizing anchor for his party. There is no reliable information on whether or not he has injected his personal money into the Georgian political system. Common sense dictates that the redistribution of tax revenues, favoritism in the allocation of state contracts, and some “black money” from gray market operations (cryptocurrency mining, which Ivanishvili controls, as well as perhaps some favors to Russian colleagues to circumvent sanctions) should have been sufficient to maintain the patronage network.

But the situation is different now. Panicky undertones [were heard](#) from the businessman who underpins the party’s propaganda, who said that Georgian Dream’s story of a global conspiracy to drag the country into war with Russia sounded like “madness.” Few of the big companies seem willing to lose access to credit because of US sanctions in exchange for uncertain substitute inflows from China or Iran. They may become reluctant allies of the middle-class protest and support efforts to normalize the political situation by getting rid of the most virulently anti-Western figureheads of the GD. However, they may be unwilling to fundamentally change the political system that guarantees them access to the “big boss” with ultimate decision-making power and shields them from unwanted scrutiny.

To win this political battle on their terms, the mid-

dle-class protesters need to mobilize the broader nation to shift the political balance. So far, they have gained an important political asset - public sympathy.

But their economic situation is fragile - their savings will not allow them to stay in the streets indefinitely, nor could they finance the solidarity funds in the long run. The Georgian expatriate community, which broadly supports the bourgeois political struggle at home, could throw a crucial lifeline by diverting some of its remittances to the common cause. This has already happened to some extent through mutual support initiatives on social media.

Another way for the middle class to influence the state directly is to stop paying taxes before their political demands are met. This is a risky endeavor that exposes them to legal sanctions, but it can be made easier if the civil service shows solidarity.

The lack of political vehicles is also a major concern. The old opposition parties and alliances that ran in the 26 October elections have proven inefficient, poorly managed, and out of touch with their support bases. They have struggled to keep up with protests and have little credibility as effective channels for broader interests. Reforming the party system would take time.

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So far, the attitude of the "average Georgian," the very people the Georgian Dream sought to mobilize with its anti-Western and anti-LGBT populism, remains elusive. Yet, it may prove decisive. Do they feel betrayed by the GD, which promised stability but has struggled to hold the country together? Are

they dismayed by the violence? Can they be mobilized to suppress middle-class opposition, are they willing to stand by as police repression intensifies, or are they demobilized and ready to accept any outcome that feels peaceful? The fact that the protests have spread beyond Tbilisi to distant towns is a small but significant sign that the disquiet over GD's destructive policies is taking root. But the urban middle class has only just woken up to the need to build bonds of solidarity with "ordinary Georgians." Perhaps too late to guarantee victory at this turn in history.

The Politics of a Small State

Georgia is a small state in a highly contested region. Despite Ivanishvili's personal wealth, the country does not have the natural riches like Venezuela or human resources like Iran to withstand Western sanctions, even in the medium term.

The political crisis triggered by the decision to halt EU accession shows no signs of abating. The Georgian Dream is now experiencing a crisis of legitimacy both at home and abroad. There is a general feeling that the current state of affairs is unsustainable.

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The Georgian Dream gambled on a change in the US administration to reset relations. But the violence it has unleashed at home, coupled with continued peddling of anti-American conspiracies, seems to have dashed that hope. If top GD officials—perhaps including Ivanishvili himself—are sanctioned in the coming months, the Georgian Dream will be pushed to the breaking point.

If that happens, Ivanishvili may move to protect his country behind the shield of regional autocracies—for example, by joining the 3+3 format involving Russia, Türkiye, and Iran, with Azerbaijan as a sub-regional power and Armenia and Georgia as poor(er) supplicants.

But given the willpower demonstrated by the resistance in the streets of Tbilisi and other cities, this decision will not be his alone. Could and would the US and the EU step in to support Georgia's civic awakening? The jury is out ■