

GEOPOLITICAL RISK OBSERVATORY

Georgia

An overview

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GRO Country Profile: Georgia

GRO Country Profiles are neither extensive analyses nor news updates. Rather, they provide a general perspective on selected areas and issues, identifying a set of factors and variables that organizations should monitor in order to anticipate risks.

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Summary

- Georgia is a parliamentary republic that has undergone rapid democratic backsliding since 2023: the ruling Georgian Dream party, under the informal control of oligarch Bidzina Ivanishvili, has consolidated near-total power through a “foreign agent” law, a disputed October 2024 election, and a suspension of EU accession talks that triggered sustained mass protests and a harsh security crackdown.
- The economy remains a regional outperformer, with growth averaging around 9% since 2021 and public debt on a declining path, but momentum is expected to moderate to roughly 5% in 2026; the current account and FDI remain structurally reliant on tourism, remittances and transit trade, while EU-related uncertainty and Western sanctions on GD-linked officials weigh on the investment climate.
- Key business challenges stem from severe and worsening governance risk (state capture, weakened judicial independence, crackdown on media and civil society), moderate but rising regulatory uncertainty linked to the EU rupture and possible loss of trade preferences, and a security environment shaped less by domestic violence than by Russia’s continued occupation of Abkhazia and South Ossetia and intensifying internal political unrest.

Basic Parameters

Indicator	2020	Latest value
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GDP (PPP, USD bn)	54.8	113.6 (2025)
Population (mn)	3.72	3.80 (2026 proj.)
Population under 25 (%)	33.8	33.5 (2024)
Population over 65 (%)	14.9	15.6 (2024)
Urban population (%)	59.5	61.2 (2024)
Unemployment rate (%)	20.6	13.9 (2025)
Youth unemployment 15–24 (%)	30.9	30.3 (2025)
CPI inflation (% annual average)	5.2	3.6 (2025)
General government debt (% of GDP)	59.6	34.0 (2025)
FDI inward flows (USD mn)	617	1,330 (2024)

Sources: World Bank – World Development Indicators (GDP PPP and per-capita PPP, current international \$, used to derive 2020 GDP level; urban population, both periods; population over 65, both periods); UN World Population Prospects 2024 revision / Worldometer elaboration (total population, both periods; population under 25, estimated from UN age-band data); National Statistics Office of Georgia (Geostat) / World Bank Country Overview, February 2026 (unemployment rate, both periods, 2020 figure approximated from the closest available annual reading); World Bank – modeled ILO estimate (youth unemployment, ages 15–24, both periods); IMF / Georgia Today (National Bank of Georgia data) (CPI inflation, both periods); National Bank of Georgia / World Bank Georgia Economic Update, February 2026 (general government debt, both periods); Geostat / International Trade Portal (UNCTAD-sourced) (FDI inward flows, both periods).

Historical context

Georgia declared independence from the collapsing Soviet Union in April 1991, but the 1990s were dominated by state collapse rather than consolidation: civil war in Tbilisi, secessionist wars in Abkhazia and South Ossetia (1991–1993), and the de facto loss of central government control over roughly a fifth of the country’s territory. Eduard Shevardnadze’s decade-long presidency (1995–2003) stabilised the state only partially, amid endemic corruption and a weak economy, and ended in the bloodless Rose Revolution of November 2003, when mass protests over rigged parliamentary elections forced his resignation.

Mikheil Saakashvili’s presidency (2004–2013) pursued aggressive Western-oriented reform: aggressive anti-corruption measures, liberalisation, and a declared ambition to join NATO and the EU. This trajectory culminated in the August 2008 Russo-Georgian War over South Ossetia, a five-day conflict that ended with Russian forces controlling both breakaway regions and formally

recognising their independence, a status accepted by only a handful of other states. The war entrenched Georgia's territorial dispute with Russia as a permanent structural feature of its security environment.

The Georgian Dream (GD) coalition, founded by billionaire Bidzina Ivanishvili, won power in 2012 and has governed continuously since, gradually normalising relations with Russia economically while formally maintaining a pro-EU orientation; Georgia was granted EU candidate status in December 2023. However, from 2023 the government's trajectory shifted sharply: a controversial "foreign agents" law modelled on Russian legislation, first shelved after mass protests in 2023 then passed in May 2024, marked a turning point toward authoritarian consolidation. The October 2024 parliamentary election, won by GD amid credible allegations of fraud and international non-recognition by the European Parliament, was followed in late November 2024 by the government's announcement that it would suspend EU accession negotiations until 2028. This triggered the largest and most sustained protest movement in Georgia's post-Soviet history, met with systematic police violence, mass arrests, and documented torture of detainees, and prompted US and EU sanctions against Ivanishvili and other senior officials. Georgia's political trajectory since then has been one of deepening authoritarian entrenchment, with independent oversight bodies dismantled and civil society and media increasingly criminalised.

Institutional Set-Up and Structural Challenges

Georgia is formally a unitary parliamentary republic under the 2018 constitution, with an indirectly elected, largely ceremonial president and executive authority concentrated in the Prime Minister and cabinet. In practice, effective power resides not in formal institutions but with Bidzina Ivanishvili, GD's informal chairman, who holds no elected office yet is widely described by international observers, including the BTI and Freedom House, as exercising de facto control over all three branches of government – a pattern international monitors now characterise as full state capture. PM Irakli Kobakhidze governs with a comfortable parliamentary majority following the disputed 2024 election, but that majority's legitimacy is contested by the opposition, most Western governments, and much of the population.

Government stability, in the narrow sense of GD's hold on power, is currently high, but this masks acute underlying instability: a fragmented and partly criminalised opposition, near-continuous street protests since late 2024 (including large-scale mobilisations dubbed the "Revolution of Flags" around the 2025 local elections), and a self-convened, disputed parliament whose authority the opposition and the sitting president initially refused to recognise. Freedom House and the BTI both reclassified Georgia as an autocracy in their most recent assessments, the first such downgrade in the country's post-Soviet history, citing the abolition of the Anti-Corruption Bureau and the Personal Data Protection Service, expanding criminal penalties for foreign-funded NGOs, and tightening state control over universities.

Governance indicators point to a rapidly deteriorating rule-of-law environment. Corruption perceptions remain comparatively moderate for the region (Transparency International score of 53/100 in 2024), reflecting earlier-generation reforms in petty and administrative corruption, but this coexists with high-level state capture and increasingly instrumentalised courts, which have been used to prosecute opposition figures, journalists and civil society activists. The independence of the judiciary, the Central Election Commission and other nominally autonomous bodies has been substantially eroded since 2023.

Economically, Georgia is a small, trade- and services-oriented upper-middle-income economy. Growth has averaged close to 9% annually since 2021, driven by tourism, transit trade (benefiting from rerouted flows linked to the war in Ukraine and regional sanctions dynamics), remittances, and a fast-growing ICT and financial services sector; the state plays a moderate role in the economy relative to regional peers, with no dominant single-commodity dependency. Public debt has fallen from a peak above 60% of GDP in 2020 to roughly a third of GDP, and the fiscal position remains prudent by regional standards, though reserve coverage is below adequate levels and net FDI inflows have declined for two consecutive years, in part reflecting political risk premia associated with the EU rupture and sanctions environment.

Demographically, Georgia faces long-term structural headwinds rather than a youth bulge: the population has been broadly stagnant to slightly declining for two decades owing to emigration, and youth unemployment remains structurally very high even as the headline unemployment rate has fallen to multi-year lows. Income and regional disparities are significant, with Tbilisi concentrating the bulk of economic activity while rural and border regions lag. Internationally, Georgia's alignment has become increasingly contested: formally a candidate for EU membership and constitutionally committed to Euro-Atlantic integration, but in practice pursuing pragmatic economic normalisation with Russia and deepening trade and infrastructure ties with China, even as the EU accession process remains frozen and Western sanctions accumulate against senior GD-linked figures. Forward-looking risk indicators are concentrated in the political and diplomatic domain: the EU's visa suspension mechanism, already partially triggered against Georgian officials in March 2026, could in principle be extended to ordinary citizens' visa-free travel if backsliding continues, a step that would carry significant economic and reputational costs; further EU sanctions against Ivanishvili remain blocked by the unanimity requirement but continue to be pushed by the European Parliament; and the risk of a renewed, larger-scale protest cycle remains material, particularly around any future electoral contest.

Business implications

Opportunities

Georgia continues to offer a genuinely liberal, low-friction business environment on paper: a simple tax regime, fast company registration, and a strategic position as a transit and logistics hub

connecting the Black Sea, Central Asia and Europe via the Middle Corridor, whose relevance has grown as trade routes have been rerouted around the war in Ukraine and sanctions on Russia and Iran.

Renewable energy (hydropower in particular) and tourism, which has rebounded to pre-pandemic levels, remain areas of relative opportunity, insulated to some degree from the political turbulence affecting governance-sensitive sectors, while Georgia's free trade agreements with the EU, EFTA, CIS states and China provide preferential market access unusual for a country of its size.

Challenges

- *Security challenges:* Georgia's principal security risk is not domestic terrorism or organised crime, both of which remain low by regional and global standards, but the unresolved territorial dispute with Russia. Abkhazia and South Ossetia, together representing roughly a fifth of Georgia's internationally recognised territory, remain under de facto Russian military occupation since the 2008 war, with ongoing "borderization" – the unilateral advance of fencing and barriers along the administrative boundary lines – periodically restricting Georgian citizens' access to land, water and family ties, and generating recurrent low-level friction and detentions. A secondary and rapidly growing risk dimension is internal: since late 2024, protests against the government have been large, sustained and met with escalating police violence, including documented mistreatment of detainees, which increases operational risk for businesses in central Tbilisi during mobilisation periods and signals a broader climate of social and political volatility. Overall, this reflects low levels of ordinary crime and terrorism, but persistent structural risk from Russian-occupied territory and a rising risk of episodic civil unrest.

Georgia's security risk is assessed as Band 3 (medium challenges).

- *Regulatory challenges:* Georgia's domestic regulatory framework remains comparatively liberal and business-friendly, with low tax rates, minimal licensing burdens for most sectors, and generally impartial day-to-day enforcement. The principal regulatory risk for foreign businesses is external and diplomatic rather than domestic: the freeze in EU accession talks, the EU's visa suspension mechanism already partially activated against Georgian officials, and the possibility of further restrictive measures create meaningful uncertainty over Georgia's continued access to EU markets, funding instruments and mutual recognition frameworks over the medium term. Additionally, the "foreign agents" legislation and associated grant-approval requirements directly affect the compliance burden and funding channels available to foreign-backed NGOs, media, and some professional and civil-society-

adjacent business activities. Overall, this reflects a genuinely liberal core commercial framework, with upside risk should EU-related restrictions widen.

Georgia's regulatory risk is assessed as Band 2 (low challenges).

- *Governance challenges:* Governance is Georgia's most acute and rapidly deteriorating risk dimension. Independent international assessments (Freedom House, the Bertelsmann Transformation Index) now classify Georgia as an autocracy for the first time since independence, citing systemic state capture by an unelected oligarch, the dismantling of the Anti-Corruption Bureau and the Personal Data Protection Service, and executive interference with the judiciary that has been used to prosecute political opponents, journalists and civil society figures. For businesses, this translates into a widening gap between formally sound commercial law and its politically contingent enforcement, particularly for entities perceived as linked to opposition, foreign-funded civil society, or Western governments now sanctioning senior Georgian officials. Petty and administrative corruption remain moderate by regional standards, but high-level accountability and impartial dispute resolution involving politically sensitive counterparties cannot be assumed. Overall, this reflects the transition to state capture and the erosion of judicial and institutional independence documented over 2024–2026.

Georgia's governance risk is assessed as Band 4 (high challenges).

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