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How a Georgian mineral water plant got swept up in Russia's war

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Borjomi is one of the country's few international brands. Now Western sanctions have left it in crisis

The road to the Borjomi factory cuts through a gorge covered with trees.

Outside the factory, in the hot sun, sits Giorgi*. "Please excuse our office", he jokes, gesturing toward the cushion-inset tires which are being used as chairs.

Giorgi, who has worked at the factory for many years, is one of 400 workers on strike at two of the Borjomi water plants. While Borjomi is little known in the West, the fizzy, slightly salty water is found in shops from Belarus to Kyrgyzstan.

Now, like many products and services in the region, Borjomi mineral water has been affected by Russia's war against Ukraine.

Borjomi water is a quintessentially Georgian product – but the same cannot be said of the company's ownership.

IDS Borjomi, the largest bottled water producer in Eastern Europe, has been majority-owned since 2013 by Alfa Group, Mikhail Fridman's investment conglomerate. Fridman, once the seventh richest man in Russia, made his fortune in banking. He was also one of the first Russian oligarchs to be sanctioned by the European Union (EU) and UK after Russia's 24 February invasion of Ukraine. The British government [described Fridman](#) as "closely associated" with Vladimir Putin.

Although Fridman has [spoken out](#) against the war, he has stopped short of criticising the Russian president. "Even assuming that I want to deliver any messages [to Putin], I don't have any channels to do that," he said in March.

IDS Borjomi says the sanctions have caused production difficulties. On 29 April, the company suspended production at both its factories in Georgia. It [blamed](#) the "difficult situation created in the main markets" that purchased Borjomi's products and noted that it had limited access to bank accounts, which prevented the company from "receiving foreign exchange earnings and settling with creditors".

Workers in Borjomi, the small town in central Georgia after which the company is named, were blindsided by this news. A job with a regular income, with an international company is not common in this part of Georgia. With IDS Borjomi no longer paying salaries, the workers went on strike. It was a difficult decision, but one the workers felt was justified by their scepticism about IDS Borjomi's justification for ceasing production.

Exports to Ukraine had stopped when the war began, as well as to [Estonia](#), which banned the import of a product they saw as Russian. Exports to [Lithuania](#) also fell significantly, as chain supermarkets refused to sell Borjomi mineral water. Throughout this period, IDS Borjomi did not make a statement. The loss of the Ukraine market was surely dwarfed by sales to Russia, which continues to buy Borjomi water. "Every day trucks arrive from Russia," says Giorgi.

"We understood there were production issues because of the war. We said we would take lower wages. But not forever"

Economist [Vahktang Charaia](#), head of Tbilisi State University Center for Analysis and Forecast, says there are questions about the company's claim that it cannot afford to continue production or pay workers' wages. IDS Borjomi, he says, had been "immensely profitable for the past decade", an unbroken spell of success except for 2020, the first year of the pandemic.

The breakdown of trust between the company and workers goes back several weeks. Borjomi began remuneration negotiations with workers soon after it cited production issues. But many refused to sign the new contract. Although workers were willing to take home significantly reduced wages, they expected that contract to last for just three to six months and to have the chance to re-negotiate.

"We understood there were production issues because of the war," one employee told openDemocracy. "We said we would take lower wages. But not forever."

Those who did not sign the contract felt it was unfair to expect them to earn less than half their salary, with no end in sight. It would push some into poverty. Borjomi is not a wealthy town, and aside from the factory there are few employment opportunities. Many families rely on just one breadwinner.

Those who have not signed the new contract are still waiting for two months' back pay. They have been told that if they sign, they will immediately receive the money, which suggests the firm does have the funds to pay its workers.

The hold-outs are under pressure. On 5 May, the company fired 49 workers, claiming it was "forced" to do so because "a minor part of the employees" remained recalcitrant about taking a 50% pay cut while the factory doors remained shut.

But others saw it differently. "Those who were fired were those who chose to speak out," said Irakli*, a worker who is on strike.

Labor, the workers' union, said it believed the company was trying to sow discord by blaming workers who refused to settle.

Matters escalated by the end of May, when the mediation period ended and 400 workers went on strike. Their demands include a new contract, the reinstatement of the 49 who had lost their jobs, and a firmend to the period of reduced pay,

The striking workers also say that IDS Borjomi should stop alleged coercive practices. "They call us and tell us we will lose our jobs unless we end the strike and sign the contract," says Giorgi. There are anecdotal accounts of female workers receiving such phone calls, perhaps on the assumption that they are weaker. IDS Borjomi did not respond to a request for comment.

The town authorities have given the workers permission to march through Borjomi, something the strikers believe will educate neighbours about their decision to take action. But the workers also

fear that IDS Borjomi could retaliate by stopping its sizable charitable donations to the town, which may open up new differences within the community.

The strike is not the only problem faced by IDS Borjomi. Its ownership is also coming into question, and management finds it unsettling that the iconic mineral water company is viewed as a Russian product by some countries.

In recent weeks, [offered](#) has offered 11% of his stake in the firm to the Georgian government, free of charge, according to Forbes Georgia. Were it to accept, IDS Borjomi would be 49% owned by Russian entities, while 51% would be in the hands of the Georgian government and Georgia's Patarkatsishvili family. (The Patarkatsishvilis currently have a 40% stake in IDS Borjomi.)

There appears to be considerable support for the move to ensure IDS Borjomi is no longer seen as a "Russian" firm. Several different strategies are being mooted. Something workers want, but have stopped short of officially demanding, is partial nationalisation of IDS Borjomi shares, as some workers no longer wish to be employed by a firm whose dividends mainly go to Russia.

Mamuka Khazaradze, a banker and opposition politician, [suggested in a Facebook post](#) that the Georgian government should buy Alfa Group's shares and sell them on the Georgian stock exchange.

The difficulties faced by IDS Borjomi signal the problems that other Georgian firms could potentially face as the Ukraine war grinds on. Despite their historically complex relationship, Russia and Georgia have strong trade links. Some describe Georgia as overly economically dependent on its larger northern neighbour.

Although Georgia has not imposed its own sanctions on Russia, the inability of Russian firms to access certain credit markets will probably affect other Georgian firms. A weakened ruble and poorer Russian consumers do not bode well for Georgian products, and IDS Borjomi is unlikely to be the last firm that runs into trouble because of its Russian dependency.

**Some names have been changed on request.*

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P.S.

Open Democracy

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