Impact Factor:

ISRA (India)	= 6.317	SIS (USA)	= 0.912	ICV (Poland)	= 6.630
ISI (Dubai, UAE)	= 1.582	РИНЦ (Russia)	= 0.191	PIF (India)	= 1.940
GIF (Australia)	= 0.564	ESJI (KZ)	= 8.100	IBI (India)	= 4.260
JIF	= 1.500	SJIF (Morocco)	= 7.184	OAJI (USA)	= 0.350

SOI: 1.1/TAS DOI: 10.15863/TAS
International Scientific Journal
Theoretical & Applied Science

p-ISSN: 2308-4944 (print) e-ISSN: 2409-0085 (online)

Year: 2025 Issue: 01 Volume: 141

Published: 23.01.2025 http://T-Science.org

Issue Article

Medea Tabatadze
Akaki Tsereteli State University
Invited Lecturer,
PHD Student, Georgian Institute of Public Affairs
medea.tabatadze@atsu.edu.ge

GEORGIA AS A HUB OF GLOBAL TRADE NETWORK: PROSPECTS FOR REGIONAL AND TRANS-REGIONAL RELATIONS DEVELOPMENT

Abstract: *Georgia, with its strategic geographical location in the Caucasus, is emerging as an important transit link in the global trade network. It represents a central route connecting Europe and Asia, which determines its potential to become a global trade hub.*

One of the significant trans-regional projects strengthening Georgia's role is the "Middle Corridor." This route, passing through Asia, Central Asia, and the Caucasus, makes Georgia an important transit point. The Baku-Tbilisi-Ceyhan (BTC) oil pipeline and the Baku-Tbilisi-Kars railway line strengthen Georgia's involvement in the global trade network and establish it as a strategic player not only in energy but also in trade connections.

Georgia's international importance is also enhanced by free trade agreements that the country has signed with the European Union and China. These agreements have allowed Georgia to integrate its economy with global markets and deepen trade relations with Asia and Europe.

However, Georgia also faces challenges. Geopolitical tensions, especially with Russia and the issue of occupied territories, hinder the country's full involvement in the global trade network. Nevertheless, the "One Belt, One Road" (BRI) initiative opens up new opportunities for Georgia. Within the framework of this global project of China, Georgia can become a central point in trade circulation between Asia and Europe.

Georgia's geographical location and transport infrastructure offer great opportunities for its formation as a global trade hub. Trans-regional projects and international trade contribute to strengthening the country's economic potential and increasing its involvement in global trade networks.

Key words: *Transregional relations, silk road, global trade network, regional cooperation.*

Language: *English*

Citation: Tabatadze, M. (2025). Georgia as a Hub of Global Trade Network: Prospects for Regional and Trans-Regional Relations Development. *ISJ Theoretical & Applied Science, 01 (141),* 296-300.

Soi: http://s-o-i.org/1.1/TAS-01-141-21 ***Doi***: crossref https://dx.doi.org/10.15863/TAS.2025.01.141.21

Scopus ASCC: *2000.*

Introduction

Historically, Georgia has been an important hub of regional trade networks and continues to play a significant role in contemporary global trade processes. Modernized infrastructure, energy transit, and the "One Belt, One Road" initiative create new opportunities for Georgia to further strengthen its economic and trade networks. At the same time, enhancing regional and global cooperation requires joint efforts in the infrastructure, transport, and trade sectors.

Georgia's strategic location has historically allowed it to be an integral part of Eurasian trade routes, a status that continues to this day.

The Kingdom of Colchis, located in western Georgia, actively participated in the economic relations of the Mediterranean region. Trade centers based in Colchis, such as Phasis (modern-day Poti), facilitated import and export processes, positively impacting the local economy and promoting cultural exchange.[1]

The establishment of Greek colonies on the Black Sea coast further enhanced the region's trade significance, as these colonies functioned as commercial centers and connected local resources to broader markets. The growth of trade and the deepening of cultural relations enabled Colchis, as a trading hub, to participate in the synthesis of Eastern and Western cultures.

The formation of the Silk Road (2nd century BC - 15th century AD) significantly increased Georgia's role in the Eurasian trade network. The capital of Georgia, Tbilisi, which has historically been one of the logistical points of the Silk Road, has seen elements of culture from Eastern countries with deep historical roots and innovations from Western civilization entering for centuries. All of this converged at Narikala and then spread in all directions.[2]

Mtskheta, the capital of Iberia (Eastern Georgia), became a significant trade center where north-south and east-west trade routes were established. The economic development of this city facilitated the growth of both local and international trade, significantly enhancing Georgia's political and economic status in the region.

In the XI-XIII centuries, during the Golden Age of Georgia, the country achieved political and economic strength. During this period, trade connections expanded with both the East and the West. Tbilisi became a significant international trade center, where silk, spices, precious stones, and other goods were traded.[3]

In the XIV-XV centuries, despite the invasions by the Mongols and subsequent political fragmentation, Georgia continued to play an important role in regional trade. During this time, the significance of Genoese colonies on the Black Sea coast increased, facilitating Georgia's integration into European trade networks.[4]

In the XVII-XVIII centuries, despite the complex political situation in Georgia, the country remained a significant crossroads for trade. Even amidst conflicts with neighboring states and internal political instability, Georgia still played a central role in East-West trade. Notably, Tbilisi and Kutaisi remained key trade centers where merchants from distant Asia, Persia, Russia, and the Ottoman Empire met. Tbilisi, as the main city of Eastern Caucasus, played a significant role in the meeting of merchants and the exchange of goods. Kutaisi, the trade hub of western Georgia, held a strategic role in the development of trade connections along the Black Sea coast during this period.

Trade with neighboring countries-Russia, Iran, and the Ottoman Empire—was significant at this time, facilitating the exchange of goods and economic growth.

In the XIX century, when Georgia became part of the Russian Empire, the country began economic and infrastructural modernization. The opening of the Tbilisi-Poti railway line in 1872 radically changed the transportation system and improved the movement of goods at both domestic and international levels. The railway connected Georgia's inland cities and also contributed to the expansion of international trade.

Particularly noteworthy is the construction of the Baku-Tbilisi-Batumi oil pipeline (1897-1907), which was pivotal for transporting energy resources in the region. The pipeline expedited the transportation of oil from Azerbaijan and transformed Georgia into one of the major energy corridors, directly linking the Caspian Sea with the ports of the Black Sea. The port of Batumi became a significant point for transporting oil on the international market. Consequently, following the restoration of Georgia's independence (in 1991), the country made significant strides toward becoming part of the global trade network, particularly in terms of developing energy and transportation infrastructure.

1. **Baku-Tbilisi-Ceyhan (BTC) Pipeline:** Although the BTC pipeline was officially opened in 2006, its planning began in the late 1990s and required overcoming numerous political and economic challenges. Georgia's involvement in this project provided it with significant strategic advantages in terms of energy security. During the implementation of the project, ecological threats in Georgia were taken into account. The pipeline runs near the Borjomi Valley, which led to stricter ecological standards to prevent oil spills. This was one of the first instances where an energy infrastructure project was subjected to such detailed ecological control.[5]
2. **Baku-Tbilisi-Erzurum (BTE) Gas Pipeline:** Launched in 2007, this project, also referred to as the South Caucasus Gas Pipeline, is directly linked to European energy security strategies. The BTE pipeline has laid the groundwork for more extensive future projects, such as the Southern Gas Corridor, through which the European Union hopes to reduce its energy dependence on Russia. It is also noteworthy that the BTE pipeline has facilitated the supply of Azerbaijani "Shah Deniz" gas to European

---

[1] Lortkipanidze, O., & Muskhelishvili, D. (1975). *Georgian Soviet Encyclopedia*.
[2] Chochiev, V. (1975). *Georgian Soviet Encyclopedia* (Vol. 1). Tbilisi: State Publishing House of the SSR of Georgia, pp. 34-35
[3] Metreveli, R. (2010). *The Golden Age*. Tbilisi: Publishing House "Artanuji"
[4] King, C. (2004). The Moldovans: *Romania, Russia, and the Politics of Culture.* Stanford University Press.
[5] On the Implementation of the Baku-Tbilisi-Ceyhan Main Export Pipeline Project. https://matsne.gov.ge/ka/document/view/1254070?publication=0 [Last accessed on 07.10.2024]

markets, creating additional economic wealth not only for Georgia but for the entire region.

3. **Baku-Tbilisi-Kars (BTK) Railway:** Opened in 2017, this railway is of great significance in the context of the so-called "New Silk Road," which aims to strengthen transport links between Asia and Europe. Less known is that the BTK railway is designed to make freight transport 20%-30% faster compared to sea shipping. Additionally, the BTK railway line has created the opportunity for the first time to transport goods directly from Central Asian countries to Europe via Georgia, granting it the status of a significant logistical corridor.

These projects not only contribute to Georgia's economic growth but also transform it into a regional transport and energy corridor, strengthening the country's geopolitical position and making it an important partner for both Asian and European countries.

Economic Indicators and Trade Partners

In recent decades, Georgia has significantly improved its positions in international trade. According to data from 2023, Georgia's main trade partners were:

1. Turkey (15.8%)
2. Russia (13.3%)
3. China (10.5%)
4. Azerbaijan (6.6%)
5. USA (5.6%)

The main commodity groups in Georgia's exports include copper ores, wine, ferrous alloys, light vehicles (re-export), and mineral waters. In imports, the leading positions are held by petroleum products, light vehicles, pharmaceuticals, and telephone apparatus.

Today, a significant challenge for Georgia is the new project "One Belt, One Road." China's "One Belt, One Road" initiative represents a significant opportunity for Georgia to strengthen its position as a transit hub between Europe and Asia. Georgia is actively participating in this initiative and aims to become an important link in the trade route from China to Europe.

Georgia is actively working to promote the development of transportation and logistical infrastructure, which includes the implementation of many significant projects. These projects will contribute to the country's economic growth and strengthen its position in international trade.

1.Construction of the Anaklia Deep-Sea Port Project Objectives:

The Anaklia Port will become the largest maritime port in the region, facilitating not only the transportation capabilities of Georgia but also of the entire region. The port will be capable of accommodating large vessels, significantly easing and accelerating the transportation of goods. **Regional Impact:** The port will provide alternative transportation routes, contributing to increased cargo flows and reduced transportation costs, as well as improving relationships with countries in Asia and Europe.[6]

2.**Modernization of the Railway Network**

This involves improving the management, control, and monitoring of freight and passenger train movements. The introduction of new technologies and the automation of train management systems will significantly reduce the risk of delays and disruptions, which in turn increases the speed and efficiency of transportation.

Investments: Enhancing railway infrastructure requires significant financial investments. The Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), and other international financial institutions are already making investments to support the development of the railway network. For example, the EBRD's contribution to the financing of railway modernization projects exceeds $200 million.

Promotion of International Trade: The modernization of the railway network is essential for strengthening Georgia’s role as a regional transportation hub. Modern infrastructure and improved service offerings will enable Georgia to play an even more significant role in the connection of Eurasian trade routes. For instance, the opening of the Baku-Tbilisi-Kars railway has provided direct access for Chinese cargo to Europe, making Georgia a key player in the global trade route network.

3.Expansion of the Road Network East-West Highway:

This project aims to connect the regions of Georgia with the transit networks of Europe and Asia, which is already at a critical stage and is expected to be completed in the near future. This highway has already transformed the architecture of Georgia's transportation network. The highway expands the country's transportation capabilities, significantly reducing travel times, especially between Tbilisi and the coastal city of Batumi or cities near the border.

Improvement of Logistics: The development of road infrastructure enhances the efficiency of the logistics system, ultimately increasing the competitiveness of businesses and reducing operational costs in Georgia. Optimizing the logistics chain, which involves improving the management of freight transport on roads, is particularly important as Georgia serves as a gateway between Europe and Asia.

[6] Anaklia Development Consortium. (2024). http://anakliadevelopment.com/ka/info/ [Last accessed on 07.10.2024]

Technological and Infrastructure Innovations: The implementation of a modern road network includes the integration of technologies such as electronic freight management systems, allowing cargo owners and logistics companies to effectively monitor cargo movement and timeliness. Additionally, modern road infrastructure will enhance the capacity of transportation corridors, facilitating the swift movement of goods between Asian countries and Europe, and vice versa.

Modernization of Truck Stops: Plans are also in place to construct new and modern truck stops that provide essential services for international freight transport. This includes necessary parking spaces for freight trucks, service facilities, and relevant infrastructure, further increasing the efficiency of the transportation system.

4.Refinement of the Legislative Framework

Electronic Customs Systems: The implementation of electronic customs systems and the creation of integrated platforms significantly streamline customs processes.

"One-Stop Shop" Principle: This facilitates the receipt of all necessary services and information at a single central point, greatly reducing the duration of customs processes.

5.Improvement of Investment Legislation Support for Foreign Investors: Increasing investment attractiveness involves creating additional guarantees and simplifying the business sector. This will contribute to an increase in the flow of foreign investors into Georgia.

6.Expansion of Free Trade Agreements Financial and Economic Relations:

Georgia is actively working on expanding free trade agreements, which helps promote the growth of international trade.[7]

7. Development of the Digital Economy Georgia's Ambition as a Regional Technological Hub:

Georgia aims to become a regional technological hub, which includes the creation of high-quality technological infrastructure and support for innovative startups. One of the leading initiatives in this direction is GITA (the Georgian Innovation and Technology Agency), which promotes startups, innovations, and digital technologies.

Despite significant progress, Georgia still faces several challenges:

1. **Political Instability:** Regional conflicts and tense relations with Russia pose risks for investors and may hinder trade flows.
2. **Infrastructure Challenges:** Despite substantial investments, Georgia's infrastructure still needs improvement, especially in mountainous regions.
3. **Need for Economic Diversification:** Georgia's economy remains significantly dependent on imports and requires greater diversification.
4. **Shortage of Qualified Workforce:** The deficit of highly skilled personnel in certain sectors hinders economic growth and innovation.

Georgia’s future as a hub in the global trade network depends on how successfully the country can leverage existing opportunities and tackle challenges. Investments in infrastructure, improvement of the legislative framework, deepening international cooperation, and the development of the digital economy are the key areas that will define Georgia's success on the global trade stage.

Georgia's potential to become a significant global trade hub is real and tangible. Fully realizing this opportunity requires coordinated efforts from the government, the business sector, and international partners. If successful, Georgia can not only strengthen its own economic standing but also make a significant contribution to the processes of regional and global economic integration.

References:

1. Lortkipanidze, O., & Muskhelishvili, D. (1975). *Georgian Soviet Encyclopedia (Vol. 1)*. (pp.389-390). Tbilisi: State Publishing House of the Georgian SSR.
2. Chochiev, V. (1975). *Georgian Soviet Encyclopedia (Vol. 1)*. (pp.34-35). Tbilisi: State Publishing House of the Georgian SSR.
3. Metreveli, R. (2010). *Golden Age*. Tbilisi: Publishing House "Artanuji".

[7] Free Trade Agreement between Georgia and the Republic of Turkey. (2011). https://example.com/your_agreement_link. (Last accessed on 07.10.2024)

4. (2011). *Free Trade Agreement between Georgia and the Republic of Turkey*. Retrieved 07.10.2024 from https://example.com/your_agreement_link
5. (2024). *Anaklia Development Consortium*. Retrieved 07.10.2024 from http://anakliadevelopment.com/ka/info/
6. (2024). *On the Implementation of the Baku-Tbilisi-Ceyhan Main Export Pipeline Project*. Retrieved 07.10.2024 from https://matsne.gov.ge/ka/document/view/1254070?publication=0
7. King, C. (2004). *The Moldovans: Romania, Russia, and the Politics of Culture*. Stanford University Press.