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The Challenges and Prospects of Georgia's Transit Potential in the Context of the Formation of a New Transportation and Logistics Hub

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ABSTRACT:
The main objective of the study is to examine the state of Georgia's logistics infrastructure; also, to assess the potential for the development of the logistics sector and to consider how the country can maximize its location to promote economic growth and international integration. The subject of the study is Georgia's transport and logistics infrastructure and its place in the regional and international logistics network. The scientific novelty of the research lies in the fact that it provides new, innovative insights and recommendations for maximizing the potential of Georgia as an international logistics hub. It is based on a complex analysis of Georgia's geographical location, transport infrastructure and international cooperation and includes a path for the effective functioning of national and international logistics networks. What is new in this research is the preparation of strategic recommendations, which are designed taking into account international standards and experience. Georgia's logistics and transport sector has been the center of much attention in recent years; however, due to the problems still existing in this area, faulty infrastructure and monopoly structures, the full potential of the sector is untapped. International and regional studies indicate that Georgia plays an important role in the transport and logistics network connecting Europe and Asia.

Keywords: international logistics, public spending, economic development, structural analysis of spending, globalization

1. Introduction

According to international logistics trends, global logistics has become an important part of business strategy in recent years. Logistics is used differently in different companies, which is determined by innovative capabilities and priorities. In addition to transportation, freight forwarding and warehousing processes, the value chain also includes other operations that need to be evaluated in a situation where the organization focuses on the global market.

The globalization of the economy has created fierce and ruthless competition between companies regarding location and development of territories, while the trading environment continues to require rapid and new changes. The unification of companies and the intensive development of information and communication systems further exacerbate these processes (Abuselidze & Meladze, 2024).

The risks associated with the accuracy of forecasting development trends are high, which increases the likelihood of making mistakes. All this together has required a

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systematic approach, which implies reducing planning time, making quick decisions and responding to risks in a timely manner (Liao *et al.*, 2023).

To assess the role of logistics in the Georgian economy, it is necessary to consider the main factors that determine the relevance and importance of this sector. In the modern market, firms are focused on satisfying customer needs, which means providing high-quality services or products that are as comfortable as possible for the customer. To achieve this, companies need to optimize costs, which is possible through the effective management of logistics operations.

Logistics is a fundamentally new idea for Georgian entrepreneurs, managers, engineers and technicians. By implementing logistics principles, companies can reduce costs, which are reflected in the overall production and service supply chain. This may include resource allocation, maintaining supply chain continuity and ensuring timely product delivery. To this end, it is advisable to raise the level of education and awareness around the basic principles of logistics so that local managers and entrepreneurs can better master logistics management methods.

This is important for Georgia, as efficient operation and reduced operating costs directly affect the country's economic competitiveness, which will contribute to both export orientation and the development of local businesses.

Logistics combines the processes and functions that serve the efficient production and delivery of products and services of an enterprise. This system considers the entire process from the origin of the need for a product to its delivery to the end user and integrates various business areas in order to simplify work as much as possible and reduce costs.

An integrated logistics system encompasses areas of activity such as raw material procurement, manufacturing, sales, transportation, inventory management, finance, quality control, and information flow management. These diverse functions create an interconnected and coordinated network that helps a company reduce costs and optimize production (Abuselidze *et al.*, 2023).

For a business to be successful, it is essential that the operations of not only a single organization but also its partners are closely integrated. These partners include suppliers, dealers, distributors, transportation companies, and forwarders. This partnership and the harmonization of processes ensure that material flows and requirements are managed effectively, which contributes to fast, reliable, and cost-effective delivery to the customer (Korganashvili, 2021).

Georgia is unique in the field of international logistics and transport due to its geographical location, as it is a connecting point between Europe and Asia for the Caucasus and Central Asia region. Georgia's transport and logistics infrastructure, which is connected to the TRACECA project and the modern "Silk Road" strategy, plays a special role in the development of international trade.

The growth of China's economy and the strengthening of Asia-Europe economic ties make Georgia a strong base and an attractive center for investment, which is facilitated by the country's close cooperation with regional and international trade organizations. This makes Georgia one of the key countries whose efficient infrastructure is critical for integration into global trade networks (Ji *et al.*, 2023).

Scientific research papers that would be oriented to study and determine the impact of the transport/logistics sector on socio-economic growth are not fully and sufficiently represented. Empirical studies that discuss the importance of the logistics sector are largely focused on analyzing data from one country and for which the time series analysis method is used.

There are also works that form expectations based on the analysis of panel data using the example of cities and regions. Despite the above, the so-called panel data analysis method, which considers more than 2 countries, is less used in the studied scientific studies.

In addition, the number of studies that consider the versatility of logistics investments is small. If we look at the existing international scientific research works in this direction, we will notice that the majority of the studies have been carried out in China.

Chinese researchers Mody and Wang studied many determinants of economic growth in 1985-1989 based on various data in 23 business sectors located in 7 coastal regions of China. Their research confirmed that stimulating the development of transport and communication capabilities was the leading socio-economic factor in the country (Mody and Wang, 1997).

Demurger studied the level of mutual influence between infrastructure investment flows and socio-economic growth using the example of 24 territorial units in China. This study analyzes time series for 1985-1998, where it reveals a significant positive impact of investments in telecommunications and transportation development on socio-economic growth (Demurger, 2001).

The work of Chinese economists Hong, Chu and Wang studied the correlation between logistics processes and socio-economic growth based on the example of 30 provinces in China (based on data from 1998-2007). In this work, the researchers used the method of analyzing panel data, on the basis of which they revealed a key, positive relationship between investment resources invested in the logistics sector and socio-economic development. Nevertheless, the contribution of investment resources invested in logistics to socio-economic development was more significant in inland provinces than in oceanic regions (Hong, et al., 2011).

Wang and Wang studied the impact of logistics activities on regional economic development using the example of the Chinese province of Arhui. In this paper, the total volume of cargo turnover was used as a key indicator of logistics activity. As a result, it was found that the impact of logistics activities on the economic development of the region is uncertain (Wang & Wang, 2010).

Hayaloglu examined the correlation between investment in logistics infrastructure resources and socio-economic development using the example of central provinces in China. He compared investment resources, value added and economic growth using the time series analysis method. Cointegration analysis revealed 3 cointegration relationships between indicators (Hayaloglu, 2015).

Based on the research of Boopen (2006), the relationship between logistics investment funds and socio-economic development was discussed for two categories of states, namely, sub-Saharan African states and developing countries. In this paper, the author used the method of cross-sectional and panel data analysis, based on which he

established a positive effect between investment funds invested in logistics in both categories of states and the country's economic development.

The work of Turkish researchers - Sezer and Abasiz - analyzes the impact of the development of the logistics sector on socio-economic development based on the example of OECD member states and reveals a significant positive relationship between investment resources invested in logistics and the socio-economic development of the country. Nevertheless, the member states of this economic organization are distinguished by their diversity (developed, developing and transitional economies), as well as some states are not distinguished by their transit function, do not have access to the sea, and some of them have intensively used their maritime trade potential. That is why we believe that the findings revealed in this paper are incomplete, since the grouping of homogeneous states is not properly formed, and as a result, their comparison and the results formed on the basis of this comparison will not be relevant, and it will not be possible to adequately reflect it for the study of other states (Sezer & Abasiz, 2017).

The study by researchers Sharipbekova and Rainbekov analyzed the member states of the Commonwealth of Independent States, which used a panel method to analyze the impact of logistics efficiency on economic development. The study found a positive effect between investment resources invested in infrastructure and the country's economic growth. Also, the interaction between infrastructure investment resources invested in communication facilities and socio-economic development is particularly high (Sharipbekova and Raimbekov, 2018).

However, when applying these comparative insights to Georgia, it is crucial to consider local infrastructural and geopolitical conditions. A notable case is the Anaklia Deep Sea Port project, which was envisioned as a transformative logistics initiative with the potential to significantly improve Georgia's connectivity and regional standing. Despite its strategic value, the project remains unrealized due to political and institutional hurdles. This illustrates that while investment in logistics is a key driver of development, its effectiveness depends on the alignment of national policies, stable governance, and commitment to implementation. As such, relying solely on international models without addressing country-specific constraints may lead to incomplete or misleading conclusions.

A critical aspect influencing Georgia's transit function is the quality and efficiency of internal logistics systems. Beyond geographic advantages, systemic factors such as the modernization of customs procedures, enhancement of port accessibility, and the overall competency of logistics services play a decisive role in shaping the reliability and competitiveness of the transit corridor. Addressing these internal inefficiencies through governance reforms and capacity-building initiatives is essential for unlocking the full potential of Georgia as a regional logistics hub.

2. Methods

A multi-faceted methodology was used for the study, which includes both quantitative and qualitative analysis, namely:

* Statistical analysis: research of Georgian transport and logistics market data, statistical analysis of the state of infrastructure and assessment of the throughput of logistics channels.

* Documentary review: review of international, regional and local literature on the history and development prospects of the Georgian logistics and transport sector.
* SWOT analysis: detailed assessment of the strengths and weaknesses, opportunities and threats of the logistics sector, which will help to identify the necessary measures for the strategic development of the sector.

The theoretical basis of the study includes several basic theories and concepts that analyze transport and logistics models.

* The theory of geographical location and spatial economics. The geographical location of Georgia is a key theoretical basis for the study, as its territory borders both Asia and Europe and includes part of the TRACECA transport corridor. According to the theory of spatial economics, the effective economic development of countries and regions has a significant impact on the development of transport infrastructure and logistics centers (Krugman, 1991). Georgia is located in the spatial area where increasing trade flows determine the need for modernization of logistics infrastructure.
* Transport infrastructure development models. The main theoretical basis for assessing Georgia's logistics infrastructure is based on transport infrastructure development models. These models analyze the impact of infrastructure development on regional economy and trade (Lall & Anand, 2009).
* Theories of regional integration and trade. Theories of regional economic integration and trade play an important role in the study, which examine Georgia's passage through the international trade network and its role within regional integration. Free trade agreements with the European Union and other partner countries will contribute to strengthening Georgia's trade potential (Deardorff & Stern, 1998). The study examines the impact of these agreements on the logistics sector, which further strengthens Georgia's role as an international trade corridor.
* SWOT analysis and strategic planning theory. An important methodological basis for the further development of the logistics sector in Georgia is SWOT analysis, which is used to assess the strengths and weaknesses, opportunities and threats of the sector (Weihrich, 1982). Based on SWOT analysis, recommendations can be formulated that will help in developing a strategy for the development of Georgia's logistics infrastructure.
* Port modernization as a strategic lever. Given Georgia's strategic position as a transit corridor with maritime access, port modernization emerges as a critical factor in enhancing the country's logistics competitiveness (Abuselidze, 2019; 2021). Upgrading port infrastructure not only increases throughput capacity but also reduces pressure on overland transport systems. This dual effect facilitates smoother trade flows and offers more resilient and diversified transit routes. Hence, port development should be considered a key strategic priority in the broader framework of regional integration and logistics sector growth.

3. Results and Discussion

3.1. Transport infrastructure development opportunities

Recently, significant steps have been taken to reduce terminal costs. This includes the implementation of information flow management systems, such as electronic data interchange (EDI). The introduction of this system significantly increases the speed of information processing and eliminates the delays inherent in paper transactions (Dolidze, 2019).

The most significant development has been the mechanization of loading and unloading. The mechanization process has facilitated the use of standard-sized units, such as containers and pallets. For example, the invention of the container has facilitated the efficient implementation of terminal operations (Danelia, 2018).

The introduction of containers has also benefited the railway industry. It allows trains to assemble at a cargo collection location at specific times and not have to wait long for the loading process (Danelia, 2019). Nowadays, the automation process of many mechanized terminals is carried out through even more modern loading and unloading operations, which further increases productivity and reduces labor costs.

The automation process also requires significant capital investment. The costs incurred by terminal activities have had a significant impact on transportation and international trade operations. This has reduced both the unit rates for freight operations (thus changing the competition between transport modes) and has had a major impact on the functioning of transport systems. Ships have to spend much less time in port, which allows them to carry out more profitable transport operations throughout the year (Kharaishvili *et al.*, 2021).

Similar situations are represented by rail transport operations and flights from airports. Through these processes, the efficiency of transport operations increases significantly. Operation in transport terminals is not only an exchange of products and members of society, but it is also a key economic activity. Employment of people in one or another terminal operation is an advantage for the local economy.

The work locations formed directly by the terminals are - baggage handlers, dockers, air traffic control areas and crane operators' work spaces. In addition to the above, there is a wide range of operations in the terminals related to transport activities. These operations include the actual carriers (airlines, transport lines, etc.) and intermediaries (customs brokers, freight forwarders). They are necessary for the implementation of transport operations in the terminal. It is no coincidence that transport hubs (port, airport or rail terminal) are important economic centers by their functioning (Foster & Armstrong, 2004).

Nowadays, the seaport is a large transport hub that connects various types of transport: pipeline, road, rail, river and sea. Port operations are a strategic aspect of the country's economic development and one of the key lines of transport network activity.

Ports play a major role in ensuring transport independence, implementing the defense mechanism, deepening foreign trade relations, redistributing national economic cargo flows, and utilizing and utilizing the transit potential of the state. National border and customs policy and control of these spaces are carried out in port areas.

As for Georgia, it is not distinguished by a large coastline. Port areas are strategic objects of the country. This factor determines the need to improve the methods and forms of port development management based on modern approaches.

Here, we should also touch on the purpose of ports and the basics of the technology of transshipment processes. The volume and structure of cargo turnover at seaport locations is largely determined based on the trends in the socio-economic development of the state. Increasing the competitiveness of inland seaports is possible by:

* Strengthening the innovation criterion in the development of ports, their innovative technical arsenal, modern technologies, the use of the latest electronic monitoring systems of information and technological processes, modernization of the service sector and a spare fleet;

* One of the most rational directions in the innovation sector is the active use of logistics, transport and technological systems;

* Georgia's transport network still lags behind developed countries in terms of combined "door-to-door" system.

The volume of container terminal services for general cargo in Georgian seaports is only 30% of the total volume of transportation facilities, which, as a rule, are subject to the containerization process. This issue once again confirms the need to actively integrate modern technological means for providing transport services in cargo ports (Abesadze & Burduli, 2018). In addition, an urgent task is the periodic replacement of portable equipment in ports with new technologies and an increase in the share of innovative, state-of-the-art equipment.

In the long term, specific mechanisms will take the form of the creation of technological platforms and regional terminals based on maritime territorial units. This will be of key importance not only for Georgia, but also for neighboring states and other countries in the region.

Increasing the diversity of ships will allow cargo owners to choose optimal transport and logistics schemes for transportation, which will contribute to increasing the attractiveness of the port and reducing transaction costs.

Increasing port capacity and effective infrastructure development implies the following:

- Increasing the volume of cargo turnover in seaports by a million tons;
- Improving the throughput of port facilities by a million tons;
- The utilization rate of transport complexes (calculated in fractions of a unit or as a percentage).

To fully realize this vision, future developments should emphasize the integration of digital technologies such as automated terminals and AI-driven logistics systems. These innovations have the potential to enhance operational efficiency, optimize resource utilization, and reduce transaction costs. Exploring the feasibility and cost-effectiveness of such technologies will be essential for guiding policymakers and investors in transforming Georgia's logistics infrastructure into a modern, competitive regional hub.

Strategic planning differs from other types of planning in that ports focus on the needs of markets and the optimal use of resources to meet the growing demand in these markets (Scipioni, 2020). The main goal of strategic planning is to create activities that provide competitive advantages and respond to specific marketing and financial objectives.

This approach differs from tactical decisions, which are mainly related to operational and ongoing financial planning and development.

The increase in the capacity and volume of ships will allow cargo owners to increase the volume of transported cargo, which makes it necessary to design, build and operate more efficient, convenient transport and logistics schemes, terminals. Systematically, these processes will lead to the following:

• An increase in the volume of cargo transportation in seaports;

• An increase in the number of port facilities and services, which will contribute to a decrease in the cost of services and a decrease in tariffs;

• An increase in the rate of use of transportation complexes.

Strategic planning differs from other types of planning: it involves the formation of competitive, technologically advanced and effective management systems that provide the desired marketing and financial results. Such an approach includes the use of proven tactical solutions, as well as planning for new technological processes and financially sound terminal operations, which are also attractive from a long-term development perspective.

The innovation scenario of port development involves the coordinated and interconnected implementation of economic, technical, organizational and legal decisions to solve various urgent tasks (Teske *et al.*, 2021). The main factor of innovative development to overcome external challenges is the acceleration of technological progress (Bui, 2017; Pavlovskyi *et al.*, 2025).

One of the most effective directions in technological innovation is the intensive implementation of logistics, transport and technological systems (LTTS). LTTS can bring significant advantages, including:

* A sharp reduction in time for loading and unloading operations, which reduces energy consumption;

* Reduction of labor requirements and improvement of environmental standards.

Upgrading port equipment with modern, innovative technologies is an important task.

3.2. Key determinants of the development of Georgia's transit function

The logistics sector has significant potential for growth in Georgia's economy. Developing an efficient transportation and logistics system is crucial for enhancing the country's competitiveness. Georgia, as a regional transit hub, possesses a unique geopolitical position that allows it to attract and process additional cargo flows, which will help increase revenues and foster better conditions for the growth of manufacturing and trade (Giorgadze, 2019).

The development of country's logistics infrastructure is necessary for such sectors as agriculture, manufacturing, trade relations and the tourism industry. These areas are one of the most promising directions of the country's economy, and high-quality logistics services play a critical role in them (Ji *et al.*, 2021; Abuselidze, 2025). Currently, the country practically does not have enough qualified logistics operators who can provide complex logistics services. With increasing competition, the quality of services, timely delivery and operational service are becoming vital for businesses.

The current project responds to these needs and aims to train qualified personnel who will meet the requirements of the international and local market. Such specialists will

help companies operating in the transport sector to operate effectively and develop sustainably in competitive conditions. As a result, the country's economy will benefit from the development of production and trade, which implies supporting the tourism and agricultural sectors, in order to generate additional income.

Maersk Georgia has been one of the leading players in container shipping in Georgia and the Trans-Caucasus region for the past decade. Together with MSC Georgia, Maersk holds a significant share of the regional shipping market. However, compared to MSC Georgia, Maersk Georgia's market leadership is currently weakening, and it is now in second place. Despite the competition in container shipping, Maersk uses the port of Poti as part of their logistics strategy. They only use the port of Poti and do not use the port of Batumi for their operations.

About 30% of the cargo imported into Georgia by Maersk Georgia remains within the country. About 60% of the remaining cargo is distributed to the countries of the region, where 30% is sent to Armenia and 30% to Azerbaijan. In addition, 5-10% of the imported cargo is transported to the countries of Central Asia.

As for exports, the share of cargo ready for export from containers loaded in Georgia is about 15%. The main part of this 15% is products of Georgian origin, although it partially includes cargo imported from Armenia and Azerbaijan, which also determines the diversity of regional cargo flows.

Georgia is an important transit corridor for Azerbaijan and Armenia in transporting goods, especially for trade with Central Asia and South Asia. However, transportation to Afghanistan is relatively rare, as the infrastructure and ports in the region do not fully support regular shipments on this route. Maersk Georgia makes a significant contribution to the supply of food and household goods to Afghanistan. Maersk Line owns the necessary containers and ships, which allows the company to independently carry out transportation and not hire additional resources, which helps the company reduce costs.

Georgia's transit potential for Afghanistan remains relevant, despite the country's security forces having begun to withdraw. The Afghan market is likely to continue to need food and household goods, and Georgia's transit corridor could be actively used to transport military equipment. The details of this issue are still unclear.

The Georgian container market is highly competitive, as all major shipping companies already have their representation in the country. Maersk stands out for offering customer-oriented services locally with the highest quality, which contributes to customer satisfaction and strengthens the company's position (Humpert, 2018). The main competition is on the ocean, where leading container companies actively compete with each other for fast and favorable shipping conditions.

One of Maersk's current challenges is to introduce so-called mother ships to Georgia. Mother ships are the main, liner ships that call at key ports on the route, and their inclusion in the transport network connecting Georgia will help create additional opportunities.

The introduction of large ships into Georgian ports, such as Poti and Batumi, would significantly improve the country's transit capabilities. Currently, it is not possible to receive cargo directly, for example, from China. As a result, cargo has to arrive in Istanbul and then be loaded onto a smaller ship to reach Georgia (Korganashvili, 2018).

Such bypasses are inefficient and reduce Georgia's competitiveness in the transit corridor, as they increase time and costs. For example, in Ukraine, the port of Odessa is served by direct ships from China, eliminating the need for long-distance and multimodal transshipments (ESCAP, 2022; Lyakina *et al.*, 2016). This factor is particularly important for Georgia, as the ability to accommodate large ships will allow the country to play a more optimal role as a transit point for the region.

Improving the ability of Georgian ports to handle large vessels would indeed significantly simplify logistics processes and reduce costs. This change could make Georgia a more competitive transit region, especially for cargoes heading to Afghanistan and Central Asia. Transporting these cargoes via Georgian ports from Baltic ports or using Russian railways is often a cheaper and timely alternative. In addition, the ability to handle large vessels would give Georgian ports a chance to become more actively involved in regional transit processes and enhance Georgia's role as a transport hub in the Caucasus and Central Asia.

Georgian railway freight turnover has experienced significant growth in recent years, driven primarily by increased transit demand and increased export needs of Central Asian countries, particularly Kazakhstan and Russia. In 2022, the volume of freight transported by Georgian railways amounted to 14.8 million tons, an increase of 21.8% compared to the previous year (Table 1). This was due to the increased demand for transportation through the "middle corridor" connecting Europe and Asia as a result of the conflict between Russia and Ukraine (Pavliashvili & Garakanidze, 2024).

Table 1: Georgian Railway Freight Turnover, 2018-2023 Data

Railway freight turnover	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Local transportation	260391,7	237563,5	199404,2	178937,8	189958,5	206710,6
International transportation	788746,2	758116,4	710696,3	710720,5	819053,3	747052,5
Transit	1549054,8	1939369,7	2015483,0	2432523,1	3184188,6	2885825,7
Total freight turnover	2598192,7	2935049,6	2925583,5	3322181,4	4193200,4	3839588,8

Source: Georgian Railways, 2023.

By cargo category, the largest share is occupied by dry cargo (chemicals, fertilizers, sugar), the volume of which in 2022 was more than 10 million tons, which is an increase of 19.5% compared to the previous year. In addition, the volume of liquid cargo (mainly oil and petroleum products) also increased significantly, by 26.8% to 4.8 million tons. Such an increase in cargo was due to the increase in natural gas prices in Europe, which contributed to the increase in demand for fertilizers in Central Asia.

Along with the growth of cargo turnover, Georgian Railways has contributed to the increase in the country's transportation potential; however, at the same time, it has encountered problems with the reception of large ships at its ports. Such improvements will help reduce costs and increase the importance of Georgia as a regional transport corridor.

Due to the limited capacity of Georgian ports, large ships cannot enter the country, which is why it is necessary to reload additional cargo in Istanbul or other ports. This

process is associated with additional costs, especially when the cargo is transported by small ships, which further increases the overall transportation cost to the port of Poti or Batumi.

Maersk, whose main business is maritime shipping, is actively negotiating with Georgian ports to eliminate these restrictions. At this stage, the port of Poti is only allowed to receive ships with a capacity of 1,100 TEU, which is relatively small and uncompetitive on an international scale, since Ukrainian ports can receive ships with a capacity of 6,500–7,000 TEU. If the problems are resolved, the importance of Georgia as a transit center will increase, which will have a positive impact on the activities of local shipping companies and strengthen their position in the international market.

The opening of the Akhalkalaki-Kars railway will indeed create significant competition for Georgian ports, as this project will allow cargo to move smoothly from Europe to Central Asia, which will bypass port services and help reduce time and costs.

The Akhalkalaki-Kars railway route will lead to increased efficiency in transport logistics, especially in the direction of cargo flows, which will create serious competition for the transit infrastructure of Azerbaijan, Turkey and Georgia (Chkhaidze, 2019). In this regard, the ports of Poti and Batumi and the Georgian Railway will be in serious need of modernization, as the existing infrastructure cannot meet the expectations of modern standards.

After the project is launched, Georgian ports and railways will need to undergo technological upgrades, increase cargo processing speed, and increase efficiency in order to compete with the new route. Therefore, we conducted a SWOT analysis of Georgia's transport potential (Table 2).

Table 2: SWOT analysis of Georgia's transport potential

S - Strengths: 1. Geographical location: Georgia is located on a strategic transit route between Europe and Asia, which makes it an important point for international trade. 2. Developed transit infrastructure: The country has the ports of Poti and Batumi, which significantly simplifies transport routes between Europe and Asia. 3. Multilateral transport corridor: The East-West corridor passes through Georgia, which includes railways, ports and roads, which allows the use of various means of transport for the movement of goods. 4. Cooperation with the European Union and other international organizations: The development of transportation and transport infrastructure for European and Asian markets is carried out with the support of foreign investments and assistance.	***W – Weaknesses:*** 1. Infrastructure not up to modern standards: Georgia's port and railway infrastructure needs to be upgraded to compete with developed transport routes. 2. Logistical and management difficulties: Technological and management difficulties often hinder the timely and efficient movement of cargo. 3. Air and sea transport limitations: Georgia's ports cannot accommodate large vessels, which incurs additional costs and complicates cargo transit.
O - Opportunities: 1. Creation of new transport corridors: Within the framework of projects such as the "Maximum Transport Capital" or the "Belt and Road" initiative, Georgia can become a	***T - Threats:*** 1. Competition from neighboring countries: Competition from Azerbaijan-Georgia-Turkey and new transport routes, such as the

member of a new transport corridor and increase transit cargo flows. 2. Technological innovations: The introduction of modern technologies, such as automated driving systems and 3D printing, will help increase the potential. 3. Integration with regional markets: Improving connections with neighboring countries such as Turkey, Azerbaijan and Armenia will facilitate the integration of trade corridors. 4. Attracting international companies to the country: Georgia can become a platform for international companies, which will enable economic growth and ensure the development of transport infrastructure.	Akhalkalaki-Kars railway, will reduce the load on ports in Georgia. 2. Political and economic instability: The unstable political and economic situation in the region poses a significant risk to transport flows. 3. Exchange rate fluctuations: Sharp fluctuations in the Georgian lari can affect the costs of transport and logistics services. 4. Changes in infrastructure and customs regulations in neighboring countries: For example, increasing the availability of Russian railways and the development of the Trans-Caspian route pose a threat to Georgia's transit function.

Source: Compiled by the author.

This SWOT analysis shows that Georgia's transport potential faces significant challenges and opportunities. Infrastructure modernization, strengthening regional connections, and the introduction of innovative technologies are considered key factors that will help the country fully utilize its transit potential.

Serious barriers have been erected to the transportation of cargo in the Black Sea and Caspian Sea regions, based on specific issues in Azerbaijan and Georgia. Transit cargo transportation through Georgia has decreased significantly in recent years, by almost 50% or more.

It is worth noting that the country's oil terminals are only using a small part of their capacity, about a fifth, which leads to a decrease in the number of ships entering Georgian ports. Traders and major suppliers do not openly talk about these barriers and existing problems, as they choose cheaper, safer and faster alternative routes, which further reduces the amount of cargo in Georgia's transport infrastructure.

The rapid development of logistics services and information technologies is radically changing the processes of production, distribution and supply, which play an important role in shaping the global economy. Modern businesses are quickly adapting to these changes because, in the conditions of globalization, those who create an effective logistics network succeed (Abesadze and Abesadze, 2011). High-quality logistics service providers ensure timely, safe and economical delivery of products, which is especially important in a competitive environment.

Those states that create favorable conditions and a well-functioning transport and logistics infrastructure attract global companies that are looking for favorable markets and reliable distribution opportunities. Such infrastructure brings many benefits to countries, as it gives companies a strategic choice to organize enterprises and effectively move products to the world market.

High-quality and cost-effective logistics services are important for businesses, which often optimize operating costs to deliver finished products to the end user cheaply and safely. In addition, these standards are crucial for success in the global competitive market, as they allow consumers and companies to receive products and services through simplified supply chains (Rajakumaran, 2023).

Logistics is one of the strategic sectors in the Georgian economy, accounting for 12% of the country's GDP. Its development not only allows the country to integrate into the global network, but also strengthens Georgia's ties with leading markets in the world.

A strong logistics sector in Georgia contributes to the growth of the competitiveness of the region and the country, as it provides high-quality service and efficient delivery, which significantly affects the reduction of business costs and improvement of market positioning. This factor is especially important in the field of production and trade, as logistics ensures the efficient movement of products. At the same time, the country's geographical location gives Georgia a real opportunity to play the role of a logistics hub in the region, which increases the potential for transporting and processing transit cargo, increases the chances of attracting investments and has a positive impact on the country's economy.

Such development and effective logistics systems will create a favorable environment, which in turn will contribute to the growth of local production, the creation of new jobs, increasing economic stability and the cheap supply of products to end consumers.

4. Conclusions

The development of the logistics sector is of great benefit to Georgia, as it contributes to the country's economic stability and the achievement of its goal of becoming a regional hub. An efficient logistics system can simplify the transportation of goods, reduce consumer costs, and increase the country's export opportunities. Strengthening logistics systems also has a positive impact on government spending, as a well-functioning transport infrastructure reduces the need for road maintenance and provides environmentally friendly and sustainable transportation alternatives.

Analysis of the development of Georgia's transit function shows that it is determined by 3 main factors: domestic, macro and international. Each of them has a significant impact on the volume of cargo flows in the transit corridor. In the case of Georgia, the main obstacle to the transit function of the Transcaucasian Corridor is the internal factor.

This factor includes various components of logistics support, such as the efficiency of customs services and border management operations, the quality of trade and transport infrastructure, the ease of international transportation, the quality and competence of logistics services, cargo control and monitoring mechanisms, and the timeliness of transportation. Each of these aspects directly affects the reliability of the transit corridor and the transit potential of Georgia.

The effective functioning of the Transcaucasian Corridor does not rely solely on Georgia's transit potential. It is necessary to take into account the logistical challenges of all states that directly or indirectly determine the transit function of this corridor.

Finally, gaining the status of a logistics center in the international market will significantly increase Georgia's ability to attract foreign investment and strengthen the country as a major transport hub in the Caucasus and Central Asia, which will enrich the country's economy with new opportunities and rapid growth.

It is important to emphasize that geographic location alone is insufficient for the successful realization of Georgia's transit potential. The quality of institutional governance, efficiency of logistics services, and modernization of customs and infrastructure form the backbone of sustainable development in this sector. These factors must be prioritized in national policy and investment agendas to ensure lasting impact.

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