

The Impact of the Russia-Ukraine War on Georgia's Automotive Sector

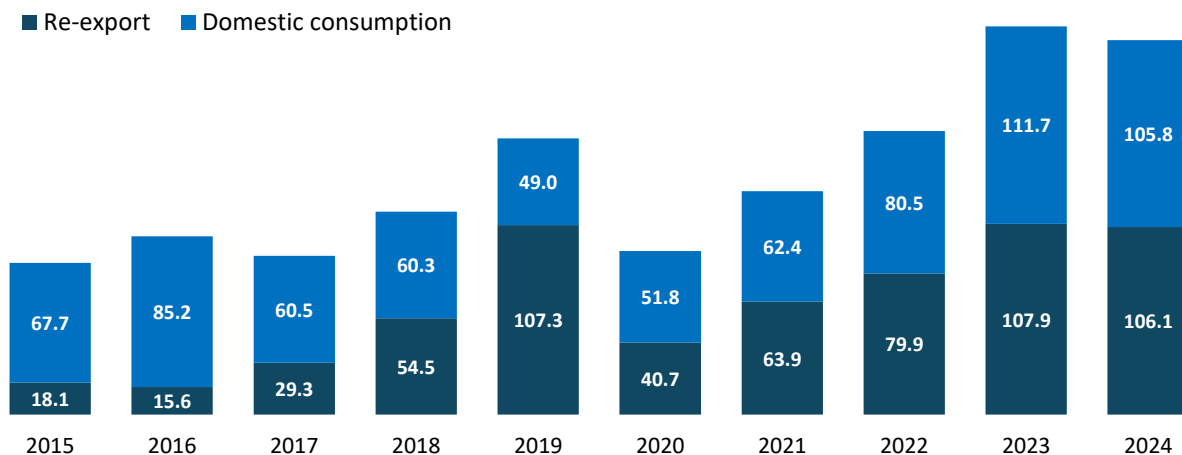
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As a result of reforms in Georgia—particularly in customs simplification and the reduction of trade-related costs—the country has emerged as a regional hub for the automobile trade. Georgia's intermediary role in this sector was primarily confined to the Caucasus. However, it has since expanded to include the Caucasus and Central Asia.

Although Georgia does not manufacture domestic automobiles, vehicles represent one of the country's largest import and export goods. Currently, passenger cars account for 14.8% of total imports, with more than half of these subsequently re-exported—making up 35.7% of total exports. This trade activity involves both large companies and individual entrepreneurs, highlighting the sector's broad participation in and economic significance.

While trade in passenger cars was previously characterized by high volatility, the outbreak of the Russia-Ukraine war has led to a substantial and sustained increase in re-exports.

Graph 1: Import and Re-export of Passenger Cars (Thousand Units)



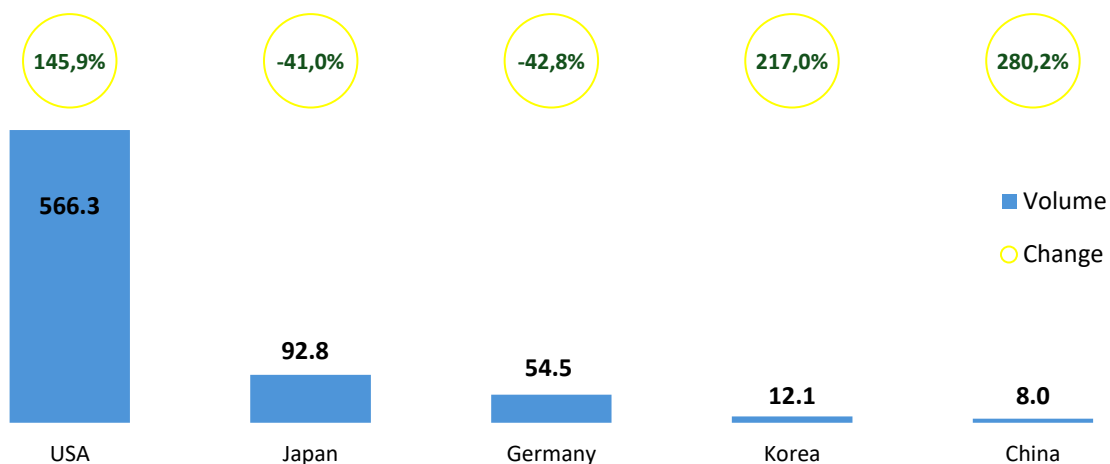
Source: Geostat

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In Georgia, the majority of passenger cars—most of which are used—are imported from developed countries, with the United States being the leading source. In 2024, 154,000 passenger cars were imported from the U.S., with a combined value of 1,918.1 million USD. This accounted for 53.9% of the total value of automobile imports during the period, underscoring the dominant role of U.S.-sourced vehicles in Georgia’s automotive trade.

In addition, imports from Japan—the second-largest source of passenger cars—have declined over the past five years. This downward trend is largely attributed to a change in the Tax Code implemented in December 2016, which tripled the customs clearance fee for right-hand drive vehicles, a dominant segment of Japan’s exports. In 2024, Georgia imported 29,600 passenger cars from Japan, totaling 524.1 million USD.

Graph 2: Top Passenger Car Importing Countries: Import Volume (2020–2024) and Change from 2015–2019 (Thousand Units, %)



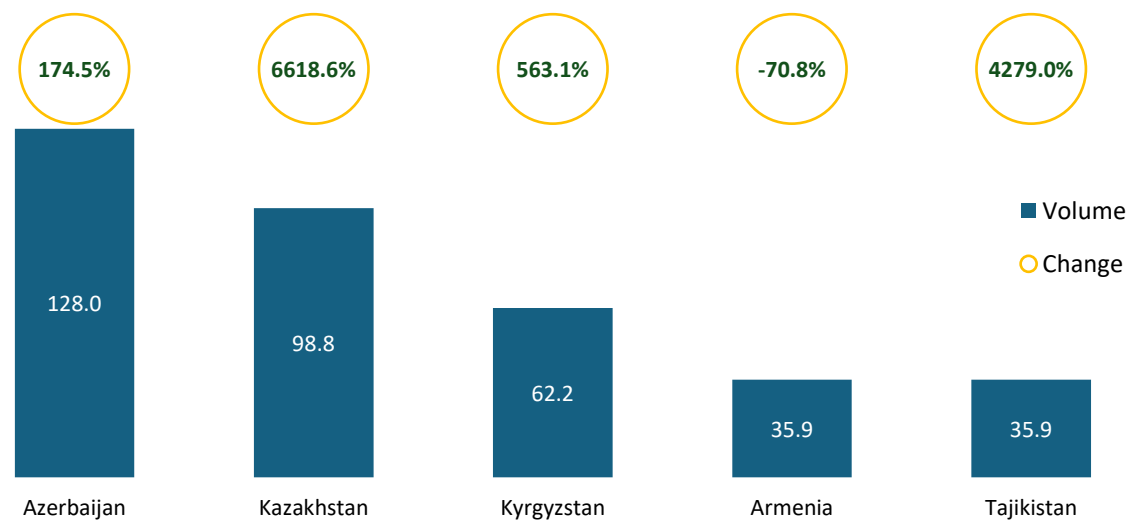
Source: Geostat; Author's calculation

As previously noted, approximately half of the passenger cars imported into Georgia remain on the domestic market, while the other half are re-exported. Initially, the primary destinations for these re-exports were Azerbaijan and Armenia. However, since 2014, tighter regulations on car ownership in Azerbaijan have had a significant impact, contributing to a noticeable decline in vehicle exports from Georgia to that country.

Until 2020, Armenia accounted for roughly half of all passenger cars re-exported from Georgia. This dynamic shifted significantly after Armenia increased taxes on vehicles imported from non-member states

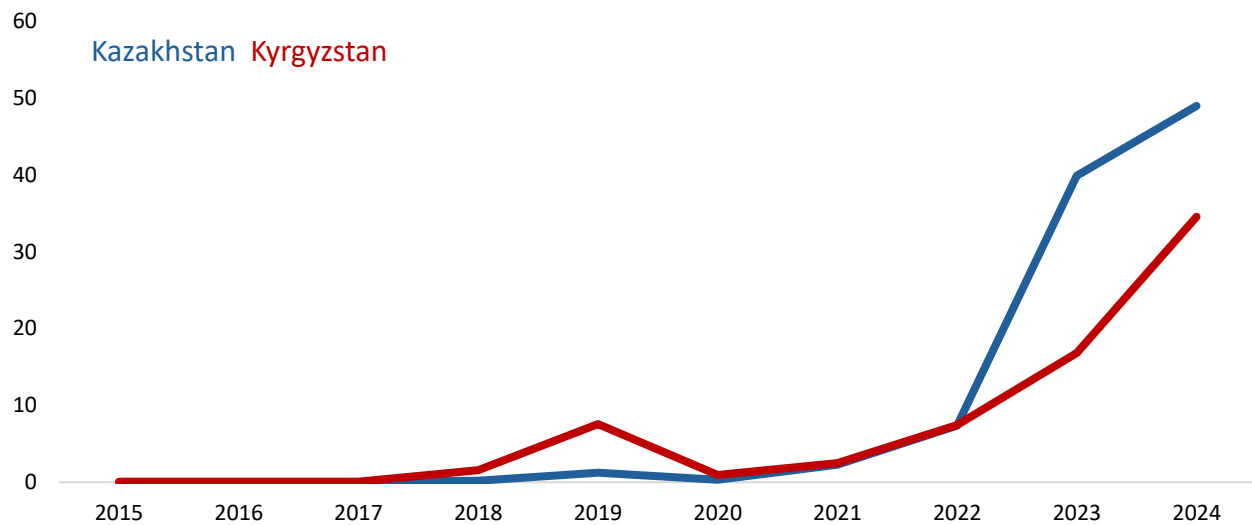
of the Eurasian Economic Union, leading to a sharp contraction in re-exports. For instance, the number of passenger cars exported from Georgia to Armenia in 2019 was nearly 60,000. However, this figure plummeted to fewer than 800 units annually over the subsequent two years, marking a drastic change in the market dynamics.

Graph 3: Top Passenger Car Exporting Countries: Import Volume (2020–2024) and Change Compared to 2015-2019 (Thousand Units, %)



Source: Geostat; Author’s calculation

Following the outbreak of the Russia-Ukraine war, automobile exports to Armenia experienced a renewed increase. Since then, re-exports have risen sharply to Armenia and other member states of the Eurasian Economic Union.

Graph 4: Export of Passenger Cars (Thousand Units)

Source: Geostat

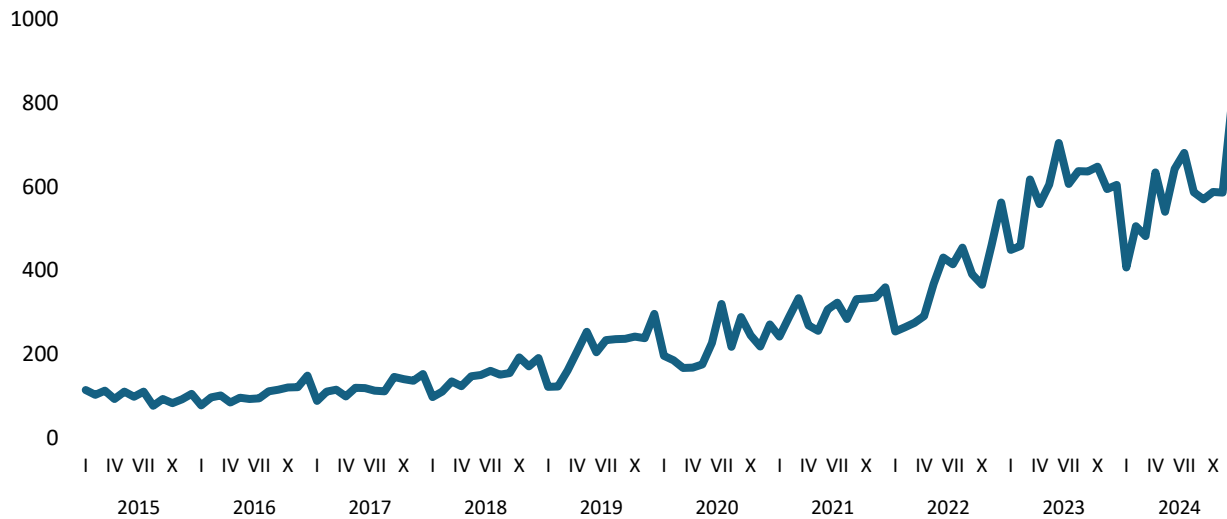
Following the outbreak of the war and the withdrawal of several automobile companies from the Russian market, coupled with Western sanctions on Russia, new transit opportunities emerged for Georgia. Since then, Kazakhstan and Kyrgyzstan—both members of the Eurasian Economic Union—have become the primary destinations for re-exported vehicles. Since 2022, the volume of car re-exports to these countries has increased sharply. However, many of these vehicles do not remain in their domestic markets, but they ultimately reach consumers in Russia².

In 2021, 4,800 cars were re-exported to Kazakhstan and Kyrgyzstan. By 2024, this figure had surged to 83,500 units, with the total value of automobiles exported to these countries reaching 4.041 billion US dollars.

² Sukharev, D., Rickleton, C., & Systema. (2025). Under protection: Bringing sanctioned luxury cars to Russia. *Radio Free Europe/Radio Liberty*. <https://www.rferl.org/a/systema-investigation-sanctions-luxury-cars-russia/33340925.html> ; OCCRP. (2025). 'We Know No Borders': How Kyrgyzstan became a hub for sanctioned car exports to Russia. *Organized Crime and Corruption Reporting Project*. <https://www.occrp.org/en/feature/we-know-no-borders-how-kyrgyzstan-became-a-hub-for-sanctioned-car-exports-to-russia> ; Arykbaev, E., Layan, E., Shmagun, O., Korotkova, A., & Kollig, D. (2025). The Russia bypass. *Novaya Gazeta Europe*. <https://novayagazeta.eu/articles/2025/03/05/the-russia-bypass-en> ; Meduza. (2025). How Georgia is profiting from sanctions on Russia. *MEDUZA*. <https://meduza.io/en/feature/2025/03/28/lifting-sanctions-is-the-last-thing-they-wan> ; Kaghzvantsian, S. (2023). Armenia's car imports booming due to sanctions on Russia. *Radio Free Europe/Radio Liberty*. <https://www.azatutyun.am/a/32317442.html>

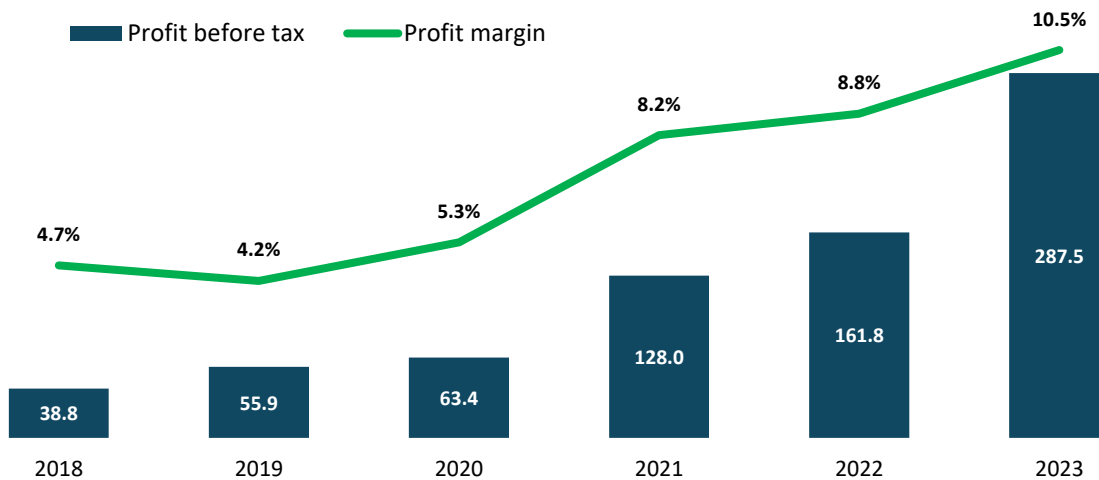
In the post-war context, the auto business has expanded substantially, as evidenced by the accelerated turnover within the sector.

Graph 5: Auto Sector Turnover Volume Index (2015 = 100)



Source: Geostat

The profits and profitability of Georgia's largest auto companies have seen significant growth. In 2023, the combined pre-tax profits of the ten largest auto firms increased by 77.7%, reaching a total of GEL 287.5 million. During this period, their earnings totaled GEL 287.5 million, revenue - 10.5%, and assets - 27.2% on average. Profit margins and return on assets for these leading companies have increased nearly two and a half times compared to pre-pandemic levels. It is noteworthy that these firms primarily focus on the sale of new vehicles.

Graph 6: Financial Results of the Ten Largest Automotive Companies (Million GEL, %)

Source: SARAS

However, the primary demand from the Eurasian Economic Union—particularly from Russia—is for used vehicles. In the aftermath of the war, demand for used cars in Russia has risen significantly, driven by the imposition of sanctions and the withdrawal of major automobile manufacturers from the Russian market, contributing to higher prices for new cars³. As a result, companies and individuals engaged in the used car trade are likely to have experienced even greater increases in profit and profitability than those operating in the new car segment⁴.

The Russia-Ukraine war has positively influenced the Georgian economy in several ways, with the automobile trade sector being one of the most visible channels.

Following the imposition of sanctions and the withdrawal of several automobile companies from the Russian market, the trade route for vehicles passing through Georgia expanded significantly. As a result, the import of cars into Georgia and their subsequent re-export to countries within the Eurasian Economic

³ Stolyarov, G., & Marrow, A. (2023). Russians switch to used cars as sanctions pummel auto sector. *Thomson Reuters*. <https://www.reuters.com/business/autos-transportation/russians-switch-used-cars-sanctions-pummel-auto-sector-2023-02-17/>

⁴ According to some estimates, in the pre-war period, individuals engaged in the used car trade accounted for more than one-quarter of the total automobile business (see Galt & Taggart. (2021). Auto business in Georgia. In Galt & Taggart. <https://old.galtandtaggart.com/en/reports/research-reports/auto-business-georgia>).

Union increased sharply. This development primarily benefited individuals engaged in the auto sector. These favorable trade dynamics and transit routes have remained in place and are expected to persist as long as the war continues, and sanctions remain in effect.