

# WP2/07 SEARCH WORKING PAPER

The Geography of trade relations between the EU and the ENP countries: Emerging patterns and policy recommendations

*Petrakos George, Kallioras Dimistris and Artelaris Panagiotis*

September 2013



The research leading to these results has received funding from the European Community's Seventh Framework Programme (FP7/2010-2.2-1) under grant agreement n° 266834



## The Geography of trade relations between the EU and the ENP countries: Emerging patterns and policy recommendations • °

SEARCH Working Paper, 2/07.

PETRAKOS GEORGE<sup>1</sup>, KALLIORAS DIMITRIS<sup>2</sup> & ARTELARIS PANAGIOTIS<sup>3</sup>

<sup>1</sup> Professor, University of Thessaly, Department of Planning and Regional Development, [petrakos@uth.gr](mailto:petrakos@uth.gr)

<sup>2</sup> Assistant Professor (under appointment), Department of Planning and Regional Development, [dkallior@uth.gr](mailto:dkallior@uth.gr)

<sup>3</sup> Lecturer (under appointment), Harokopio University, Department of Geography, [partelar@hua.gr](mailto:partelar@hua.gr)

### ABSTRACT

The EU launched the European Neighborhood Policy (ENP), a unified policy framework towards its neighboring countries, aiming at strengthen the prosperity, stability and security around its political borders. The present paper studies the trade component of the ENP, conducting an in-depth empirical analysis of the geography of the EU-ENP trade relations (i.e. the size, the composition and the direction of exports and imports flows). Providing clear-cut, empirically-based, responses to a number of critical research questions, the paper offers valuable insight to both economic integration theory and policy-making. Overall, the findings of the paper indicate that the EU-ENP trade relations have been evolved in a rather uneven, unbalanced and asymmetric way. Thus, the EU should examine the possibility that mandatory *acquis communautaire* compliance related to political requirements should not be a precondition for trade negotiations (and agreements).

**KEY-WORDS:** geography, trade, EU countries, ENP countries

**JEL:** F13, F14, F15

---

\* The research was supported by the Project “Sharing Knowledge Assets: InterRegionally Cohesive Neighbourhoods” (SEARCH) within the 7<sup>th</sup> European Community Framework Programme FP7-SSH-2010.2.2-1 (266834) European Commission.

° The authors are indebted to Dr. Maria Tsiapa for her valuable research assistance. The usual disclaimer applies.

## 1. Introduction

After the end of the 2nd World War, the countries of (Western) Europe, facing a plethora of socio-economic problems, felt that as individual entities would not be able to play a dominant role in the international politico-economic scene (Crafts, 2000). With an ultimate goal of political integration<sup>1</sup> (Tsinisizelis, 1993), the European integration process<sup>2</sup> was started to be implemented within the European Economic Community (EEC), the European Coal and Steel Community (ECSC), and the European Atomic Energy Community (EAEC). After a long way of clashes and compromises of national interests<sup>3</sup>, the European integration process reached its heyday<sup>4</sup> within the European Union (EU). Operating in an increasingly wider functional structures, which overlap – without necessarily replacing – the older ones, (the EU) member-states “forgo the desire and ability to conduct foreign and key domestic policies independently of each other, seeking instead to make joint decisions or to delegate the decision-making process to new central organs” (Lindberg, 1963: 6).

The paradigm of the European communities indicates that the process of integration, although it does not stem solely from economic incentives, is realized, first and foremost, in the economic field, as economic integration<sup>5</sup> (Shams, 2002). Economic integration denotes “a state of affairs or process which involves the amalgamation of separate economies into larger free trade regions” (El-Agraa, 2011: 1). Indeed, international trade<sup>6</sup> is usually the first type of linkage between independent economic units (Cornett, 1996), and one of the most expedient (economic) factors in pushing economies into integration (Paas and Tafenau, 2008). Economic integration reduces the role of national borders as barriers to factor mobility, and is, further, reinforced (self-sustained process) by the reduction of trade costs. “Closed” borders distort market size (Niebuhr and Stiller, 2002), whereas the removal of economic barriers generates (releases) a number of spatial dynamics linked to better access to foreign markets and import competition (Brühlhart et al., 2004). Therefore, even if there is, almost, unanimous consensus in the economic literature that the (market-based) process of economic integration is a positive-sum game, an on-going debate is currently taking place concerning the distribution of its overall welfare gains<sup>7</sup>.

Currently, the EU consists of 28 member-states, having managed – after the end of the Cold War and the fall of the Iron Curtain – to almost match its politico-economic with its geographical boundaries. The recent (i.e. years 2004, 2007, and 2013) EU enlargements, in particular, brought the borders of the EU to a set of countries in the East with historically less intensive economic relations. These countries have been part of the (former) Soviet Union and are characterized by lower development levels and significant institutional and structural differences. At the same time, in

---

<sup>1</sup> Political integration has no reference to an end point (Lindberg, 1963).

<sup>2</sup> The concept of integration is summarized to “a process of increasing the interaction and the mingling [of national environments] so as to obscure the boundaries between the system of international organizations and the environment provided by their nation-state members” (Haas, 1964: 29) or, more simply, is described “as the combination of parts into a whole” (Pinder, 1969: 143-145).

<sup>3</sup> For a critical description of the history of European integration, see Schwabe (1988); Milward (2000); Fischer et al. (2007); and Kahn (2011).

<sup>4</sup> The European experience has advanced a corpus of laws and policies – the *acquis communautaire* – which differ substantially from those applicable under analogous efforts of integration. See Chalmers et al. (2010).

<sup>5</sup> Of course, the process of economic integration requires not only an economic rationale but also a strong political will (Rodriguez-Pose, 2002).

<sup>6</sup> Trade refers to the actual exchange of goods and services (Farole, 2013: 23).

<sup>7</sup> See the discussion provided in Benko and Lipietz (1992), Guerrieri and Rossi (2002) and Petrakos et al. (2011).

the Southern and the Eastern rim of the Mediterranean Sea, the EU is faced with countries that are linked to individual EU countries through their colonial past. Both bordering areas, in the EU East and the EU South, have been gaining significance as they include emerging economies, energy suppliers, or, simply, a large neighboring market, which is crucial for the EU economy.

Thus, the EU launched, in 2004, the European Neighborhood Policy (ENP)<sup>8</sup>, a unified policy framework towards its neighboring countries. The objective of the ENP is to strengthen the prosperity, stability and security of the EU, creating a “ring of friends” around the EU political borders. As the Commissioner for Enlargement and ENP, Štefan Füle, stated, “our Neighborhood Policy provides us with a coherent approach that ensures that the whole of the EU is committed to deeper relations with all our neighbors [...]” (Füle, 2013). The ENP framework applies – in alphabetical order – to Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian Territory (hereinafter: Palestine), Syria, Tunisia and Ukraine (hereinafter: the ENP countries; see Map 1).<sup>9</sup> Currently, the ENP consists of two sub-groups; the ENP East (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) and the ENP South (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia).

----- Insert Map 1 around here -----

The ENP is a distinct and separate process from the EU enlargement (Emerson, 2004; Browning and Joenniemi, 2008); however, the ENP countries operate under conditions of “neighborhood Europeanization” (Gawrich et al., 2010; Franke et al., 2010). This indicates an apparent mismatch – the so-called “capabilities-expectations” gap (Monastiriotis and Borrell, 2012) – between ENP requirements/demands, on the one hand, and ENP potential gains/rewards, on the other. To put it simply, on the one hand, the EU has designed the ENP, for its neighboring countries, aiming to expand relations and strengthen prosperity, stability and security in its external borders. On the other hand, the neighboring countries understand the ENP as a first step in a long road that will end-up with full membership.<sup>10</sup> Such an expectation is, partly, justified on the historical record of the EU formation, which, in a series of enlargements, has managed to expand, first southwards and then eastwards, and integrate countries with different development levels and institutional endowments.

Even though the possibility of accession has been ruled out for (the majority of) the ENP countries, and the proper “membership anchor” is missing, the progressive compliance with the *acquis communautaire* is a necessary condition for the ENP countries in order to increase their “weight” on the EU market (Havlik et al. 2012a and 2012b). This is so, since according to the Treaty of Lisbon, forced in 2009, EU policies with a bearing on relations to third countries (such

<sup>8</sup> For an overview of the ENP, see, *inter alia*, Wesselink and Boschma (2012a).

<sup>9</sup> The ENP framework is further enriched with the Eastern Partnership (launched in Prague, in 2009), the – formerly known as the Barcelona Process (launched in Barcelona, in 1995) – Euro-Mediterranean Partnership or Union for the Mediterranean (re-launched in Paris, in 2008), and the Black Sea Synergy (launched in Kiev, in 2008).

<sup>10</sup> As the (then) Commission President, Romano Prodi, declared, “we have to be prepared to offer [to the ENP countries] more than partnership and less than membership, without precluding the latter” (Prodi, 2002).

as the ENP countries) should be guided by a common set of principles and objectives<sup>11</sup> such as the consolidation and support of democracy and the preservation of peace. In plain words, this means that mandatory *acquis communautaire* compliance is a pre-condition for trade negotiations (and agreements) between the EU and the ENP countries. Thus, the trade component of the ENP provides the backdrop against which the progress (success) of the overall ENP undertaking may be evaluated. As a consequence, the analysis of the process of economic integration (and, in particular, the analysis of trade relations) between the EU and the ENP countries is highly relevant not only to the understanding of the economic linkages and development prospects of both areas but also to the evolution of their political relations.<sup>12</sup> Should they develop in a mutually beneficial and balanced way, trade relations between the EU and the ENP countries may have a strong growth impact, facilitate convergence with respect to development indicators and, perhaps, pave the ground for deeper integration.

The present paper is the first comprehensive paper studying the trade component of the ENP. Since there is almost no empirical trade literature focusing on the EU-ENP economic space, the paper aspires to fill in (part of) the corresponding gap.<sup>13</sup> Doing so, the paper aims at providing valuable insight to both economic integration theory and policy-making. To this end, the paper conducts an in-depth empirical analysis of the geography (i.e. the size, the composition and the direction of exports and imports flows) of the EU-ENP trade relations<sup>14</sup> and provides clear-cut, empirically-based, responses to a number of critical research questions: Which is the impact of the gradual dismantling of economic borders between the EU and the ENP countries on the level of EU-ENP trade activity? Are there any geographical limits or barriers to the expansion of the EU market area? How trade affects the production structure in the EU and the ENP countries? Do EU-ENP trade patterns lead to a sustainable relationship that will be the ground justifying further integration in the future? Are there any other competing poles of attraction for neighboring countries? The analysis utilizes trade data derived from the United Nations (UN) COMTRADE database<sup>15</sup>, and refer to the national-sectoral (2-digit SITC classification) level. The sectors included in the analysis grossly belong to the primary and the secondary sector of production and may form groups of activities (see Table 1) according to the intensity of the production factors used<sup>16</sup>. The analysis covers the period 2000-2010 so as to gauge the latest shifts operated in trade structures as a result of the recent economic and political reforms (evolutions) implemented (took place) in the EU economy (i.e. the euro currency, the eastwards enlargement, and the on-going financial and economic crisis) and the ENP countries (i.e. the “color” revolutions, and the Arab “spring”), besides the ENP in itself.

---

<sup>11</sup> For details, see Koopmann and Wilhelm (2010).

<sup>12</sup> Keeping step with the well-known dictum of Montesquieu (1748/1750: 326) that “the natural effect of trade is to bring about peace” since “two nations who traffic with each other become reciprocally dependent; for if one has an interest in buying, the other has an interest in selling; and thus their union is founded on mutual necessities”.

<sup>13</sup> The literature looking at the ENP focuses, mainly, on political (i.e. diplomacy and security) issues; moreover, the literature that focuses on the economic aspects of the ENP seems to adopt a rather narrow focus / perspective without getting into specific empirical analyses (Monastiriotis and Borrell, 2012). Exceptions to this general rule are the studies of Sekarev (2011), Havlik et al. (2012a and 2012b) and Moga and Fotea (2012) as well as some research projects dealing with ENP issues (see Wesselink and Boschma, 2012b, for an overview).

<sup>14</sup> Geography is an integral component of trade theory (Grant, 1994; Andersen, 2010). The paper adopts the notion (understanding) of geography of trade provided by Grotewold (1961: 309).

<sup>15</sup> See <http://comtrade.un.org/db/> for details.

<sup>16</sup> See UNCTAD (1996).

----- Insert Table 1 around here -----

The remainder of the paper proceeds as follows: Section 2 concisely surveys the literature on the interplay between geography, development and structure, under conditions of economic integration. Section 3 arrays some stylized facts for the EU and the ENP countries and provides an outline of the trade component of the ENP. Section 4 conducts the empirical analysis of the geography of the EU-ENP trade relations and reports the main findings. Section 5 offers the conclusions of the paper and provides some policy recommendations.

## **2. The interplay between geography, development and structure, under conditions of economic integration: A concise review of the theoretical literature**

It is widely accepted that the European perspective acts as a very strong stimulus for – and facilitator of – economic, political and institutional development by providing not only the incentives but also the (financial) resources to promote economic restructuring and institutional capacity-building. It is, thus, no surprise that especially for countries that are in dire need for economic restructuring, sociopolitical transformation and development, the process of European integration, in all of its facets (i.e. economic integration, political approximation and policy harmonization), has largely gone unquestioned. Indeed, deeper association with the EU brings a number of political and economic benefits at the domestic national level, strengthening domestic policies and, thus, facilitating political reforms that consolidate the process of political transition, democratization and, in some cases, conflict resolution and normalization of external relations (Monastiriotis et al., 2010: 11). However, together with the aforementioned benefits, which are, indeed, too strong to be overlooked, the process of European (economic) integration is giving rise to additional processes whose nature and overall impacts remain more ambiguous.<sup>17</sup>

Therefore, the debate concerning the distribution of the overall welfare gains stemming from the process of economic integration finds fertile ground since the size, the composition and the direction of trade flows determine, to a large extent, the prospects (and the limitations) for economic development. In other words, in the economic space emerging in the EU (and its neighborhood), the space of flows (i.e. integration) affects, to a great extent, the space of places (i.e. development) (Petrakos, 2012). On the one hand, there is the view that economic integration is a long-term process that eventually leads to a reduction of inequalities through the expansion of trade relations, greater mobility of production factors and diffusion of technology<sup>18</sup>. This view is based on neoclassical-type assumptions about the operation of the spatial economy and claims that the market forces released in the process of economic integration are, overall, beneficial for the least developed economies, leading, thus, to greater cohesion. On the other hand of this imaginable theoretical spectrum, there is the claim that the costs and the benefits of economic integration are unlikely to be uniformly spread in space. In contrast, more advanced economies are expected to

---

<sup>17</sup> See, for example, the cases of the new EU member-states, which provide a quasi-laboratory environment for the assessment of the (heterogeneous) impact of economic integration on structural change and spatial disparities. See Kallioras and Petrakos (2010) for a thorough discussion on the issue.

<sup>18</sup> As Marshall (1890/1982: 225) indicates, “the mysteries of the trade become no mysteries; but are as it were in the air”.

benefit more, while lagging (and, possibly, less favored) economies are more likely to benefit less, or, even, fall further behind. The resulting increase in inequalities is primarily based on internal and external economies of scale, technological progress and structural change.

Moreover, and besides the previously described debate, economic integration involves, according to the critics of the traditional trade theory, significant welfare losses for the less developed economies due to unequal exchange mechanisms. As integration improves market access and raises incomes, the patterns of consumption and production change and imports increase disproportionately to exports. This has the tendency to produce structural trade deficits, which threaten the stability of the local currencies and contribute to fiscal imbalances<sup>19</sup> (Monastiriotis et al., 2010: 14).

Thus, there is (still) widespread skepticism in the less-advanced and peripheral economies regarding their ability to adjust to the requirements of an integrated economic space. Imperfect competition is deemed to result in an uneven distribution of the benefits of economic integration (Martin and Ottaviano, 2001; Ciccone, 2002) due to the inability of markets (and policy responses) to create conditions of optimum economic space. Such skepticism questions the neoclassical understanding for the operation of the spatial economy (Melachroinos, 2002; Petrakos, 2008). Indeed, in the realm of the real world, the EU experience does not seem to (fully) support the neoclassical claim (Petrakos, 2008 and 2012). In fact, core EU economies are, mostly, the ones generate advantages leading to differential growth performance, through the entrenchment of internal and external economies of scale, and operate as hubs for economic activities associated with increasing returns to scale (IRS). Conversely, peripheral EU economies, facing high(er) transaction costs, despite the on-going improvement of transportation and communication technology, host, mainly, economic activities associated with constant returns to scale (CRS).

Engaged in an integration process with distant and more advanced partners, peripheral and less-advanced economies tend to develop (locked-in) an inter-industry type of trade relations (Kallioras and Petrakos, 2010; Petrakos et al., 2012). This type of trade relations, which imposes a specific economic structure with specialization typically in labor-intensive or resource-intensive economic activities, is the outcome of the inability of peripheral and less-advanced economies to compete (successfully) with their more advanced counterparts in the markets for capital-intensive and knowledge-intensive economic activities<sup>20</sup> (Brühlhart and Elliott, 1998). Even though it provides an alternative (and perhaps the only feasible) route for the exploitation of the locally available skills, it is doubtful whether such a structural differentiation can produce long-term income convergence (Petrakos et al., 2012). Peripheral and less-advanced economies having weaker productive bases with a high share of sensitive, labor-intensive sectors and unfavorable geographic coordinates are struggling in the process of integration to effectively redeploy their resources in order to gain from the opening-up of markets (Camagni, 1992; Puga, 2002).

---

<sup>19</sup> The recent experience of many peripheral (Southern) EU economies confirms the truth of the aforementioned criticism. See Gligorov et al. (2012) for details.

<sup>20</sup> The question that arises here is whether research and development (R&D) investment in lagging economies is worthwhile. See Rodriguez-Pose (2001) for a thorough survey on the issue.

### 3. The EU-ENP economic space and the trade component of the ENP

The policies related to the internal market are the reference for the common trade policy of the EU member-states towards third countries (and the ENP countries, in particular). Indeed, the common external trade EU policy towards the ENP countries (i.e. the trade component of the ENP) has a strong impact on the EU's external economic links since its reach not only covers cross-border trade flows but also includes regulatory issues such as investment protection, public procurement and competition policy (Woolcock, 2010). Following the suspension of the Doha Development Round of the World Trade Organization (WTO)<sup>21</sup>, the European Commission started to pursue Free Trade Agreements (FTAs) (i.e. reduction of tariffs on trade and reduction of restrictions on investment), with targeted economies, in order to protect its markets and to enhance its competitiveness<sup>22</sup>. For the EU, FTAs represent a subway to implement Deep and Comprehensive Free Trade Agreements (DCFTAs) with its neighboring countries (Liargovas, 2013). DCFTAs go beyond tariff reductions to cover, more extensively, regulatory issues such as investment protection, public procurement and competition policy. As the EU Trade Commissioner, Karel de Gucht described, "the DCFTAs represent the EU's support for the process of democratic and economic reform" (de Gucht, 2011).

The main reason for the EU to follow the road of bilateralism is its objective to deepen the substance of trade agreements, enhancing more comprehensive trade relations with its neighbors, and, thus, bringing its neighbors gradually closer to the Single Market.<sup>23</sup> Thus, the DCFTAs between the EU and the ENP countries involve tailor-made agreements and conditions (in contrast to the rigid Copenhagen criteria that characterize the EU eastwards enlargement). In other words DCFTAs are, basically, FTAs with serious one-way conditionalities related to progress required on political and institutional issues on behalf of the ENP countries. Such conditionalities represent a "carrot and stick" tactic that considers mandatory *acquis communautaire* compliance as a precondition for trade negotiations (and agreements).

The political upheaval in the ENP South and the slow reforms in the ENP East (Blockmans and van Vooren, 2013), provide a strong proof that the goals of the ENP undertaking (i.e. prosperity, stability and security at the EU external borders) have, still, a long way ahead. This mirrors to the slow progress of the DCFTAs, given that the trade component of the ENP provides a backdrop for the assessment of the progress of the ENP undertaking (since mandatory *acquis communautaire* compliance is a precondition for the progress of the DCFTAs). Without getting into a discussion about the existing non-tariff barriers to trade (such as the rules of origin), the level of tariff barriers – probably, the most important condition for the success of a FTA – is enough to provide a strong indication about the slow progress of the DCFTAs between the EU and the ENP countries.<sup>24</sup> Yet (year 2010), the EU imposes relatively high

---

<sup>21</sup> See Ferguson (2008).

<sup>22</sup> See Liargovas (2011) for a critical discussion.

<sup>23</sup> Of course, the (recent) emphasis on behalf of the EU towards bilateral agreements, rather than multilateral ones, brings both positive and negative elements (Liargovas, 2013). In particular, bilateral agreements seem easier to conclude, can cover more areas, take note of any (geo)political considerations and offer a strong leverage for domestic reform. In contrast, bilateral agreements create discrimination, are not able to solve systemic issues and may complicate the trade environment.

<sup>24</sup> See, also, Dreyer (2012).



(simple) average tariffs to trade with the ENP countries, especially on agricultural goods (see Table 2), making it difficult to achieve conditions of trade creation<sup>25</sup>.

----- Insert Table 2 around here -----

The reluctance on behalf of the EU to remove its (agricultural) tariff (and, also, non-tariff) barriers to trade activity with the ENP countries leads to deadlock. This is so as the EU attempts to create “neighborhood Europeanization” conditions with countries that, on aggregate, have (relatively) high population figures (and, most importantly, high agricultural population figures) and enjoy low levels of economic performance. Indeed, even a rough examination of some basic, economic and demographic, stylized facts, highlights the differences that exist between the EU and the ENP countries. By and large, the EU-ENP economic space<sup>26</sup> exhibits a high degree of heterogeneity (see Table 3). In terms of economic performance, there is a clear gap. The per capita Gross Domestic Product (GDP) level in the EU amounts (year 2010) to \$32,364 per inhabitant, whereas the corresponding level in the ENP countries amounts to (only) \$4,263 per inhabitant.<sup>27, 28</sup> The aforementioned gap becomes of paramount importance taking into consideration the fact that while (year 2010) the population of the ENP countries is equivalent to 55.7% of the EU population (279.749 and 501.826 million inhabitants, respectively), the GDP level of the ENP countries is equivalent to (only) 7.3% of the EU GDP (\$1,192,653 and \$16,241,135 million, respectively).<sup>29</sup> Moreover, rural population in the ENP area represents (year 2010) the 39.6% of the total (ENP) population (share that corresponds approximately to 110.8 million inhabitants). Thus, considering that the ENP area is sensitive in both economic (i.e. low level of economic performance) and demographic (i.e. high presence of rural population) terms, the slow progress of the DCFTAs may have a self-sustained negative impact on the overall ENP undertaking.

----- Insert Table 3 around here -----

#### 4. An empirical analysis of the geography of the EU-ENP trade relations

*Ceteris paribus*, neighboring countries provide the easiest market access for the majority of tradable goods as trade costs are lower over small distances (Leamer and Levinsohn, 1995; Evenett and Keller, 2002). Indeed (see Figure 1), the EU-ENP trade relations have expanded significantly over the period 2000-2010. This is a clear sign of the increased interaction – if not integration – of the ENP countries with the EU. In particular (see Figures 2 and 3), the ENP South

<sup>25</sup> For the study of the notion of trade creation see the seminal work of Viner (1950).

<sup>26</sup> Croatia is not included in the analysis.

<sup>27</sup> The GDP per capita level in the ENP countries is significantly lower even comparing to the figure (\$11,891 per inhabitant) that corresponds to the new EU member-states (coming from the former Eastern bloc).

<sup>28</sup> Of course, it has to be noted that, among the ENP countries, Israel is a significant outlier as it enjoys a level of economic performance (\$28,506 per inhabitant) significantly higher than the corresponding level of many EU countries.

<sup>29</sup> Moreover, the population in the ENP countries has been increasing (period 2000-2010) at a rate of 11.3%, while the corresponding growth rate in the EU countries is 3.8%. In contrast, the level of per capita GDP in the ENP countries has been recording (period 2000-2010) a real growth rate of 24.9%, while the corresponding real growth rate in the EU countries is 48.7%.

and the EU15 countries have a dominant position in terms of exports and imports shares in relation to the respective (total) ENP and EU shares. However, the ENP East and the EU12 countries have been exhibiting the highest, corresponding, increases, altering, to some extent, the overall picture of the EU-ENP trade activity. Yet, despite the fact that the EU-ENP trade activity is growing over time, the EU-ENP trade relations have been evolved in a rather uneven, unbalanced and asymmetric way. Studying thoroughly the EU-ENP trade figures<sup>30</sup>, allows for a series of important remarks to be made.

----- Insert Figure 1 around here -----

----- Insert Figure 2 around here -----

----- Insert Figure 3 around here -----

As the EU expands its trade activity to countries situated further and further from the EU core, trade relations are not characterized by the same strength as the force of attraction diminishes with distance. Over time (see Figures 4 and 5), the increasing shares of trade activity conducted among the ENP East and the EU12 countries, in relation to the total EU-ENP trade, indicate that adjacency exerts a strong influence in the formation of trade areas, favoring a more regionalized pattern. This finding challenges the ability of the EU to expand its trade in geographically more distant areas.

----- Insert Figure 4 around here -----

----- Insert Figure 5 around here -----

Nevertheless, the EU is the most important trade partner for the majority of the ENP countries. However, it loses its shares over time (see Figure 6). In contrast, the shares of the rest of the world (RoW) countries are getting increased over time, mainly due to the dynamism that the BRIC countries (i.e. Brazil, Russia, India and China) exhibit<sup>31</sup>. Such a surprising (?) trend is alarming for the EU since the BRIC countries may increase their political influence (besides the economic one) in the ENP area. Noteworthy is, also, the fact that the intra-ENP shares are rather small. This indicates that the ENP economic space is still fragmented, with weak demand-supply chain links. Thus, the EU-ENP economic space reminds of a “hub-and-spoke” system (analogous to the one formed in the European economic space, and characterizes the economic relations among the core and the peripheral EU countries). On the other side, the ENP countries are not important trade partners for the vast majority of the EU countries (see Figure 7). EU trade activity is

---

<sup>30</sup> Due to lack of space, the actual results of the analysis are not provided in the paper. However, they are available upon request.

<sup>31</sup> See Pinna (2013).

mostly intra-EU and this, definitely, generates concerns about the progress of the DCFTAs and the overall ENP undertaking.

----- Insert Figure 6 around here -----

----- Insert Figure 7 around here -----

The diminishing EU shares to the ENP trade activity as well as the low ENP shares to the EU trade activity may be attributed to the asymmetric nature of the overall EU-ENP trade activity. Such an asymmetry reminds of the trade relations that, mostly, occur, between the core and the peripheral EU countries. Indeed, all EU countries exhibit a revealed comparative advantage<sup>32</sup>, against the ENP countries, in medium-skill capital-intensive commodities and/or in high-skill capital-intensive commodities (see Table 4). In contrast, all ENP countries exhibit a revealed comparative advantage, against the EU countries, in non-fuel primary commodities and/or in fuel primary commodities (see Table 5). The sector of fuel primary commodities, in particular, is a key-sector for the study of the EU-ENP trade relations, given that the EU is a major energy importer<sup>33</sup>.

----- Insert Table 4 around here -----

----- Insert Table 5 around here -----

Asymmetry in trade relations means that trade relations are, mostly, of inter-industry type (i.e. more trade occurs between sectors rather than within sectors). Indeed, even though a significant number among the ENP countries tend, over time, to exhibit a trade relation, with the EU, which is more similar to the intra-industry pattern, the EU-ENP trade relation remains, by and large, an inter-industry one<sup>34</sup> (see Figure 8). Such type of integration is doubtful whether it can produce long-term income convergence, closing the welfare gap between the EU and the ENP countries.

----- Insert Figure 8 around here -----

The persistency of the inter-industry type of trade relations between the EU and the ENP countries has its explanation on the diachronic evolution of the sectoral shares of the corresponding trade activity. Indeed, over time (see Figure 9), the sectoral composition of exports flows from the ENP countries to the EU remains, more or less, unchanged (i.e. high levels of positive correlation). The rather low changes in the sectoral composition of the ENP exports to the EU

---

<sup>32</sup> Revealed comparative advantage against a partner country (or the world) refers to the proportion of the country under consideration exports' in a specific sector divided by the proportion of a partner country (or world) exports' in the same specific sector. For details, see Balassa (1965).

<sup>33</sup> See Ratner et al. (2013).

<sup>34</sup> Only Israel, the most advanced ENP country, exhibits intra-industry trade relations with the EU.

provide strong indication that the ENP countries, in their great majority, have not (successfully) implemented export-led growth strategies towards the diversification (expansion) of their exports bases.<sup>35</sup>

----- Insert Figure 9 around here -----

Especially for the ENP countries that do not exhibit comparative advantage in the sector of fuel primary commodities, the asymmetric, inter-industry, type of trade relations with the EU provides strong implications that the lack of competitiveness (i.e. their inability to compete with their EU counterparts in the markets for capital-intensive products) and the, consequent, trade deficits may be, quickly, “converted” into fiscal deficits. Indeed, the trade balance figures of the ENP countries (see Figure 10) reveal that only the ENP countries that exhibit revealed comparative advantage, against the EU countries, in the sector of fuel primary commodities (i.e. Algeria, Azerbaijan, Belarus, Egypt, Georgia, Libya, and Syria) have a positive trade balance (i.e. surplus). In contrast, the other ENP countries record a negative trade balance (i.e. deficit) over time in respect to their trade relations with their EU counterparts.

----- Insert Figure 10 around here -----

## 5. Conclusions and policy recommendations

Summing up, the findings derived from the empirical study of the geography of the EU-ENP trade relations generate concerns about the progress of the DCFTAs and the, overall, success of the ENP undertaking, even though the EU-ENP trade activity has been expanded significantly over the period 2000-2010. There are a number of observations that “legitimize” such concerns. The first observation is that the EU-ENP trade relation is declining, in relative terms, mainly in favor of the BRIC countries. The second observation is that the EU-ENP trade relation is uneven. This means that whilst the EU is the most significant trade partner for the vast majority of the ENP countries, the latter are not so important trade partners for the EU. This is so especially for the ENP countries that do not exhibit revealed comparative advantage, against the EU, in the sector of fuel primary commodities. The third observation is that the EU-ENP trade relation is an unbalanced one. This means that the ENP countries that do not exhibit revealed comparative advantage, against the EU, in the sector of fuel primary commodities, have a negative trade balance with the EU. Such a negative trade balance may be “converted” into fiscal deficit, given the experience of the peripheral EU countries. The fourth observation is that the EU-ENP trade relation is an asymmetric one. The ENP countries experience an inter-industry type of integration with their more advanced EU counterparts. Lastly, the fifth observation is that the EU-ENP trade flows are not spatially dispersed. In contrast, they present strong trends of

---

<sup>35</sup> See, also, Havlik et al. (2012a and 2012b) and Boschma and Capone (2013).

spatial concentration since adjacency exerts a strong influence in the formation of trade areas, whereas distance has a negative effect on trade activity.

The diminishing importance of the EU in the ENP trade shares, as well as the low importance of the ENP in the EU trade shares, is mirrored to the slow progress of the DCFTAs. Given that the trade component of the ENP provides a backdrop for the assessment of the success of the ENP undertaking – since mandatory *acquis communautaire* compliance is a precondition for the progress of the DCFTAs – the DCFTAs do not provide a solid stimulus in the process of “neighborhood Europeanization”. The slow progress of the DCFTAs verifies the fact the “capabilities-expectations” gap remains, indicates that the level of tariff barriers to trade is, still, quite high, making it difficult to achieve conditions of trade creation, and points out to the restrictions that may arise from some EU sectoral policies, and the Common Agricultural Policy (CAP), in particular, related with the ENP. Definitely, there is room for the expansion of the EU-ENP trade relations...

Of course, the (further) expansion of the EU-ENP trade is not the only issue. The nature of the EU-ENP trade is another, equally important, issue. This is because the nature of the EU-ENP trade relations may not be leading to a sustainable type of integration, and, thus, to a reduction of the existing development gap between the ENP and the EU countries. The clear-cut empirical findings of the paper indicate that the EU-ENP trade relation is uneven, unbalanced and asymmetric. This is so as the ENP countries, which are not so important trade partners for the majority of the EU countries, are locked-in an inter-industry type of trade integration with their more advanced EU counterparts. This type of trade relations is, mostly, the outcome of the inability of the ENP countries to diversify and expand their export bases, implementing export-led growth strategies. Especially for the ENP countries that do not exhibit comparative advantage in the sector of fuel primary commodities, this type of trade relations provides strong implications that trade deficits may be, quickly, “converted” into fiscal deficits. It seems that the position of the neoclassical school of thought is difficult to verify (given, of course, that its assumptions are not fully satisfied). On the contrary, the well-established “core-periphery” EU spatial pattern of development seems to be “reproduced” in the EU neighborhood.

The empirical findings of the paper suggest the need for the reinvigoration of the ENP undertaking. If the EU is only interested for partnership (not membership) with its trade partners in the East and the South, why ENP imposes all these conditionalities related to regulatory issues (such as investment protection, public procurement and competition policy)? Also, why it still maintains serious tariff (and non-tariff) barriers to imports from their neighboring countries? The political instability in the ENP South and the slow reforms in the ENP East indicate that the “carrot and stick” tactic has not (at least, not so far) “produced” the anticipated results. Thus, the EU should examine the possibility that mandatory *acquis communautaire* compliance related to political requirements should not be a precondition for trade negotiations (and agreements) but for further financial and technical support. This means that a possible ENP review should consider a further (even unilateral) liberalization of trade and a stronger financial

support mechanism<sup>36</sup> as a reward for reforms. Considering that the ENP area is sensitive in economic (i.e. low welfare level) and in demographic (i.e. high presence of rural population) terms, the current perspective of the ENP faces the danger for the ENP countries to “export” people instead of (agricultural) products to the EU market. Eventually, this crypto-protectionist approach on behalf of the EU may push the (non-fuel producing) ENP countries to gravitate towards different trade poles (i.e. BRIC countries) that offer less uneven, less unbalanced and less asymmetric trade relations.

## References

- Andersen M. E. (2010), Geographies of International Trade: Theory, Borders and Regions, *Geography Compass*, 4(2): 94-105.
- Balassa B. (1965), Trade Liberalization and Revealed Comparative Advantage, *The Manchester School*, 33(2): 99-123.
- Benko G. and Lipietz A. (1992) (eds), *Regions who win: Districts and Networks. The New Paradigms of Economic Geography*, Paris: P.U.F (in French).
- Blockmans S. and van Vooren (2013), Editorial, *CEPS European Neighborhood Watch: Thinking ahead for Europe*, 90.
- Boschma R. and Capone G. (2013), Relatedness and Diversification in EU and ENP Countries, *SEARCH Working Paper*, 2/04.
- Browning C. S. and Joenniemi P. (2008), Geostrategies of the European Neighborhood Policy, *European Journal of International Relations*, 14(3): 519-551.
- Brühlhart M. and Elliott R. (1998), Adjustment to the European Single Market: Inferences from Intra-Industry Trade Patterns, *Journal of Economic Studies*, 25:225-247.
- Brühlhart M., Crozet M. and Koenig-Soubeyran P. (2004), Enlargement and the EU Periphery: The Impact of changing Market Potential, *The World Economy*, 27(6): 853–875.
- Camagni R. (1992), Development Scenarios and Policy Guidelines for the Lagging Regions in the 90s, *Regional Studies*, 26(4): 361-374.
- Chalmers D., Davies G. and Monti G. (2010), *European Union Law: Cases and Materials*, Cambridge: Cambridge University Press.
- Ciccone A. (2002), Agglomeration Effects in Europe, *European Economic Review*, 46: 213-227.
- Cornett A. P. (1996) (ed.), *The Internationalization of Economies: From Regional to Global Orientation*, Copenhagen: DJØF-Publishers (in Danish).
- Crafts N. (2000), Globalization and Growth in the Twentieth Century, *IMF Working Paper*, 44.
- de Gucht K. (2011), <http://trade.ec.europa.eu/doclib/press/index.cfm?id=766>, (retrieved in May 2013).
- Dreyer I. (2012), Trade Policy in the EU's Neighborhood: Ways Forward for the Deep and Comprehensive Free Trade Agreements, *Notre Europe Study & Research*, 90.
- El-Agraa A. M. (2011) (ed.), *The European Union: Economics and Policies*, New York: Cambridge University Press.
- Emerson M. (2004), European Neighborhood Policy: Strategy of Placebo? *CEPS Working Document*, 215.
- Evenett S. J. and Keller W. (2002), On Theories explaining the Success of the Gravity Equation, *Journal of Political Economy*, 110: 281-316.
- Farole T. (2013), Introduction: The Challenge of Lagging Regions in Farole T. (ed.), *The Internal Geography of Trade: Lagging Regions and Global Markets*, Washington D. C.: IBRD / World Bank.
- Ferguson I. F. (2008), *World Trade Organization Negotiations: The Doha Development Agenda*, CRS Report for Congress.
- Fischer R., Karrass A. and Kröger A. (2007) (eds), *Die Europäische Kommission und die Zukunft der EU: Ideenfabrik zwischen Euopäischem Auftrag und Nationalen Interessen*, Opladen: Verlag Barbara Budrich (in German).
- Franke A., Gawrich A., Melnykovska I. and Schweickert R. (2010), The European Union's Relations with Ukraine and Azerbaijan, *Post-Soviet Affairs*, 26(2): 149-183.
- Füle Š. (2013), [http://ec.europa.eu/world/enp/index\\_en.htm](http://ec.europa.eu/world/enp/index_en.htm), (retrieved in May 2013).

<sup>36</sup> Probably, similar to PHARE (Poland and Hungary: Assistance for Restructuring their Economies) or to CARDS (Community Assistance for Reconstruction, Development and Stabilization).

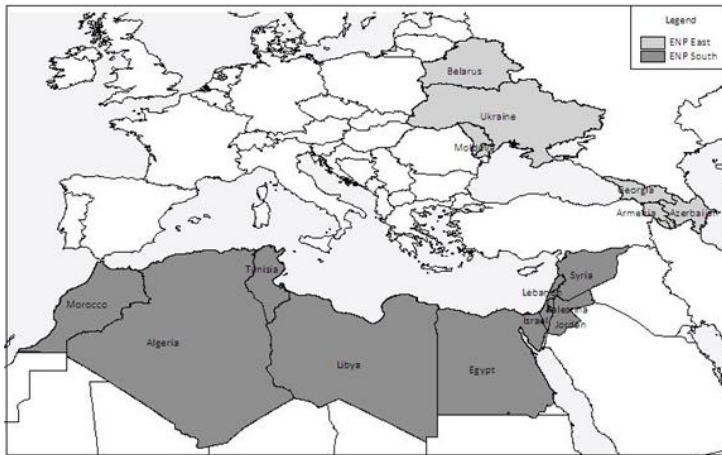
- Gawrich A., Melnykovska I. and Schweickert R. (2010), Neighborhood Europeanization through ENP: The Case of Ukraine, *Journal of Common Market Studies*, 48(5): 1209-1235.
- Gligorov V., Holzner M., Landesmann M., Leitner S., Pindyuk O. and Vidovic H. (2012), New Divide(s) in Europe? *WIIW Current Analyses and Forecasts*, 9.
- Grant R. (1994), The Geography of International Trade, *Progress in Human Geography*, 18(3): 298-312.
- Grotewold A. (1961), Some Aspects of the Geography of International Trade, *Economic Geography*, 37(4): 309-319.
- Grubel H. G. and Lloyd P. J. (1971), The Empirical Measurement of Intra-Industry Trade, *Economic Record*, 47(4): 494-517.
- Guerrieri P. and Rossi S. (2002), Real Competitive Advantages in the Single Currency Europe, in Cuadrado-Roura J. R. and Parellada M. (eds): *Regional Convergence in the European Union: Facts, Prospects and Policies*, Berlin: Springer, 165-181.
- Haas E. B. (1964) (ed.), *Beyond the Nation-State*, Stanford: Stanford University Press.
- Havlik P., Astrov V., Holzner M., Hunya G., Mara I., Richter S., Stöllinger R. and Vidovic H. (2012a), The European Rim Countries: Challenges and Opportunities for EU Competitiveness, *WIIW Policy Notes and Reports*, 9.
- Havlik P., Astrov V., Holzner M., Hunya G., Mara I., Richter S., Stöllinger R. and Vidovic H. (2012b), European Neighborhood – Challenges and Opportunities for EU Competitiveness, *WIIW Research Reports*, 382.  
<http://comtrade.un.org/db/>, *UN COMTRADE Database*, (retrieved in May 2012).  
<http://data.worldbank.org>, *World Bank Data*, (retrieved in February 2013).  
<http://stat.wto.org/TariffProfile/WSDBTariffPFReporter.aspx?Language=E>, *WTO Statistics*, (retrieved in February 2013).
- Kahn S. (2011) (ed.), *Histoire de la Construction de l'Europe depuis 1945*, Paris: PUF (in French).
- Kallioras D. and Petrakos G. (2010), Industrial Growth, Economic Integration and Structural Change: Evidence from the EU New Member-States Regions, *Annals of Regional Science*, 45: 667-680.
- Koopmann G. and Wilhelm M. (2010), EU Trade Policy in the Age of Bilateralism, *Intereconomics*, 45(5): 305-312.
- Leamer E. E. and Levinsohn J. (1995), International Trade Theory: The Evidence, *NBER Working Paper*, 4940.
- Liargovas P. (2011), European Union's Stress Test for its Multilateral Approach: Prospects for fostering Regional Cooperation, *EU4 Paper*.
- Liargovas P. (2013), EU Trade Policies towards Neighboring Countries, *SEARCH Working Paper*, 2/01.
- Lindberg L. L. (1963), *The Political Dynamics of European Economic Integration*, Stanford: Stanford University Press.
- Marshall A. (1890/1982) (ed), *Principles of Economics*, London: Macmillan.
- Martin P. and Ottaviano G. I. P. (2001), Growth and Agglomeration, *International Economic Review*, 42(4): 947-968.
- Melachroinos K. A. (2002), European integration and the Spatial Dynamics of Manufacturing-Employment Change, *Environment and Planning A*, 34, 2017-2036.
- Milward A. S. (2000) (ed.), *The European Rescue of the Nation-State*, London: Routledge.
- Moga T. L. and Fotea A. C. (2012), Enhancing Regional Integration through Commercial Ties in the Eastern Neighborhood of the EU, *CES Working Papers*, 4(1): 76-87.
- Monastiriotes V. and Borrell M. (2012), Political and Political Economy Literature on the ENP: Issues and Implications, *SEARCH Working Paper*, 1/05.
- Monastiriotes V., Petrakos G., Kallioras D., Djurdjev B., Arsenovic D. and Dragisevic V. (2010), *Serbia's Integration with the EU: Analysis of the Impact on Vojvodina*, Report submitted to the Vojvodina Centre for Strategic Economic Studies (Vojvodina-CESS).
- Montesquieu C. d. S. B. d. (1748/1750) (ed.), *On the Spirit of the Laws*, Chicago: University of Chicago Press (translated by Nugent T.).
- Niebuhr A. and Stiller S. (2002), Integration Effects in Border Regions: A Survey of Economic Theory and Empirical Studies, *HWWA Discussion Paper*, 179.
- Paas T. and Tafenau E. (2008), Regional Integration and International Trade Clusters of the enlarged European Union, in Jones B. R. (ed.), *Europe at the Crossroads*, New York: Nova Publishers, 67-89.
- Petrakos G. (2008), Regional Inequalities in Europe: Reflections on Evidence, Theory and Policy, *Town Planning Review*, 79(5): 7-13.
- Petrakos G. (2012), Integration, Spatial Dynamics and Regional Policy Dilemmas in the European Union, *Region and Periphery*, 2: 7-20.
- Petrakos G., Fotopoulos G. and Kallioras D. (2012), Peripherality and Integration: Industrial Growth and Decline in the Greek Regions, *Environment and Planning C: Government and Policy*, 30: 347-361.

- Petrakos G., Kallioras D. and Anagnostou A. (2011), Regional Convergence and Growth in Europe: Understanding Patterns and Determinants, *European Urban and Regional Studies*, 18(4): 375-391.
- Pinder J. (1969), Problems of European Integration, in Denton G. (ed): *Economic Integration in Europe*, London: Weidenfeld and Nicholson, 143-170.
- Pinna A. M. (2013), Is the EU the Best Trade Partner for its Neighbors? *SEARCH Working Paper*, 2/02.
- Prodi R. (2002), *A Wider Europe: A Proximity Policy as the Key to Stability*, Speech to 6th ECSA World Conference, Brussels: 5-6/12.
- Puga D. (2002), European Regional Policy in the Light of Recent Location Theories, *Journal of Economic Geography*, 24(3): 373-406.
- Ratner M., Belkin P., Nichol J. and Woehrel S. (2013), *Europe's Energy Security: Options and Challenges to Natural Gas Supply Diversification*, CRS Report for Congress.
- Rodriguez-Pose A. (2001), Is R&D Investment in lagging Areas of Europe worthwhile? Theory and Empirical Evidence, *Papers in Regional Science*, 80: 275-295.
- Rodriguez-Pose A. (2002) (ed.), *The European Union: Economy, Society and Polity*, Oxford: Oxford University Press.
- Schwabe K. (1988) (ed.), *Die Anfänge des Schuman-Plans 1950/51*, Baden Baden: Nomos (in German).
- Shams R. (2002), Why Do Countries form Regions? The Political Economy of Regional Integration, *HWWA Discussion Paper*, 169.
- Sekarev A. (2011), Medium-Term Trade Flows between EU27 and EaP6: Which Trends are Visible? *ECEP Eastern Partnership Review*, 10.
- Tsinisizelis M. (1993), Introduction to the Theory of Political Unification and to the Institution of the European Communities, in Maravegias N. and Tsinisizelis M. (eds): *European Integration: Theory and Policy*, Athens: Themelio, 17-64 (in Greek).
- UNCTAD (1996), *Trade and Development Report 1996*, New York and Geneva: UN.
- Viner J. (1950) (ed), *The Customs Union Issue*, New York: Carnegie Endowment for International Peace.
- Wesselink E. and Boschma R. (2012a), Overview of the European Neighborhood Policy: Its History, Structure and Implemented Policy Measures, *SEARCH Working Paper*, 1/04.
- Wesselink E. and Boschma R. (2012b), Taking Stock on Research Projects on the European Neighborhood Policy, *SEARCH Working Paper*, 1/01.
- Woolcock S. (2010), EU Trade and Investment Policymaking after the Lisbon Treaty, *Intereconomics*, 45(1): 22-25.



**Appendix**

Map 1: The ENP countries



Source: Authors' elaboration

Table 1: Groups of sectors under consideration (according to Harmonized System (HS) sector activity)

HS Group	Name
1	Non-fuel primary commodities
2	Fuel primary commodities
3	Labor-intensive and resource-based commodities
4	Low skill-, low technology-, low capital- and low scale-intensive commodities
5	Medium skill-, medium technology-, medium capital- and medium scale-intensive commodities
6	High skill-, high technology-, high capital- and high scale-intensive commodities

Source: UNCTAD (1996)

Table 2: Simple average tariffs imposed, by the EU, on agricultural and non-agricultural goods, year 2010

	Simple average tariffs imposed on agricultural goods (%; year 2010)	Simple average tariffs imposed on non-agricultural goods (%; year 2010)
Algeria	12.9	3.0
Armenia	13.8	4.7
Azerbaijan	11.7	2.9
Belarus	10.2	3.9
Egypt	12.8	4.5
Georgia	10.8	3.5
Israel	13.6	4.2
Jordan	13.1	3.9
Lebanon	12.7	4.2
Libya	n/a	n/a
Moldova	11.9	4.7
Morocco	12.1	5.2
Palestine	n/a	n/a
Syria	n/a	n/a
Tunisia	11.5	5.0
Ukraine	11.1	3.9

n/a: not available

Source: <http://stat.wto.org/TariffProfile/WSDBTariffPFReporter.aspx?Language=E>

Table 3: Some economic and demographic stylized facts for the EU and the ENP countries, years 2000 and 2010

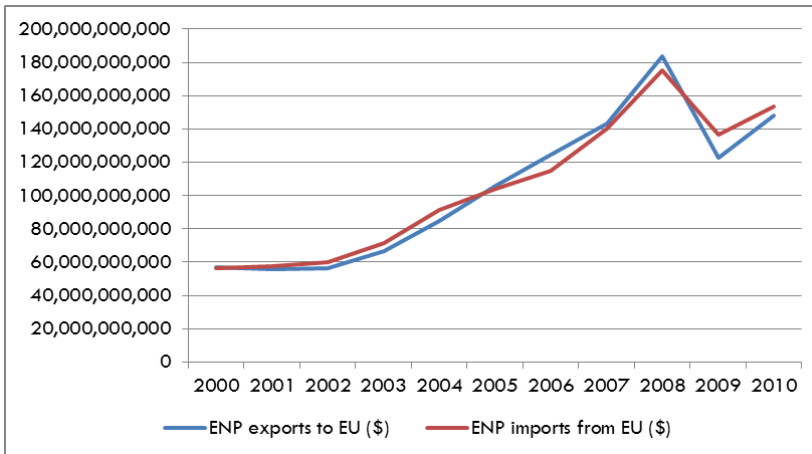
	GDP (m. \$; year 2010)	GDP pc (\$/inh.; year 2010)	GDP pc real growth (%; period 2000-2010)	population (m. inh.; year 2010)	population growth (%; period 2000-2010)	rural population (% pop; year 2010)
EU	16,241,135	32,364	48.7	501.826	3.8	26.3
EU-15 <sup>a</sup>	14,996,596	37,625	44.5	398.585	5.4	23.3
EU-10 <sup>b</sup>	1,213,151	11,891	94.5	102.021	-2.1	37.9
ENP	1,192,653	4,263	24.9	279.749	11.3	39.6
ENP East	271,264	3,592	36.7	75.521	-3.6	34.6
ENP South <sup>c</sup>	704,056	3,581	14.2	196.604	18.0	42.7
Israel	217,333	28,506	22.5	7.624	8.2	8.2

n/a: not available

- a. The "old" EU member-states
- b. The "new" EU member-states excl. Cyprus and Malta
- c. Excl. Israel

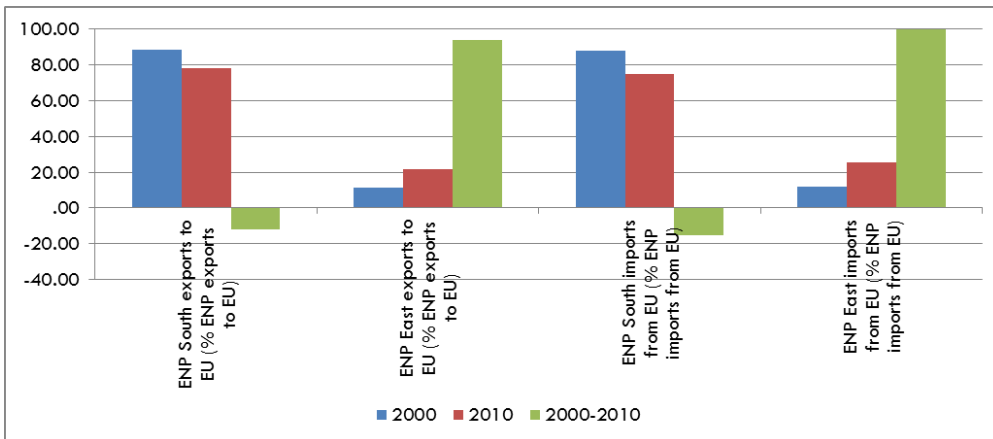
Sources: <http://data.worldbank.org> / Authors' elaboration

Figure 1: The volume of the EU-ENP trade, period 2000-2010



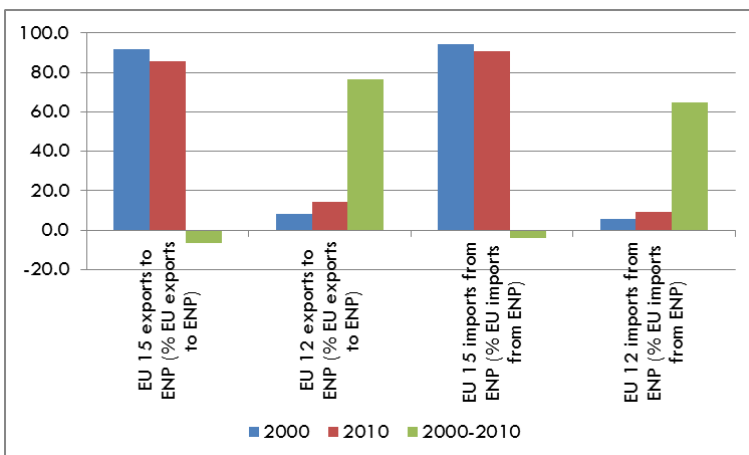
Sources: <http://comtrade.un.org/db/> // Authors' elaboration

Figure 2: Share of ENP trade (%) with the EU economy, period 2000-2010



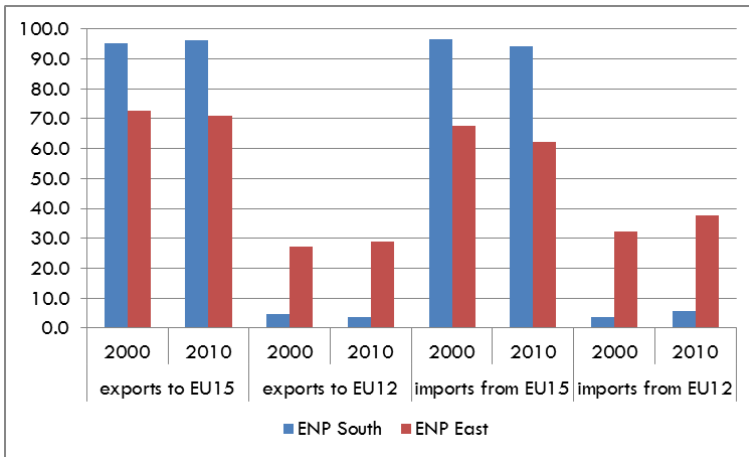
Sources: <http://comtrade.un.org/db/> // Authors' elaboration

Figure 3: Share of EU trade (%) with the ENP economy, period 2000-2010



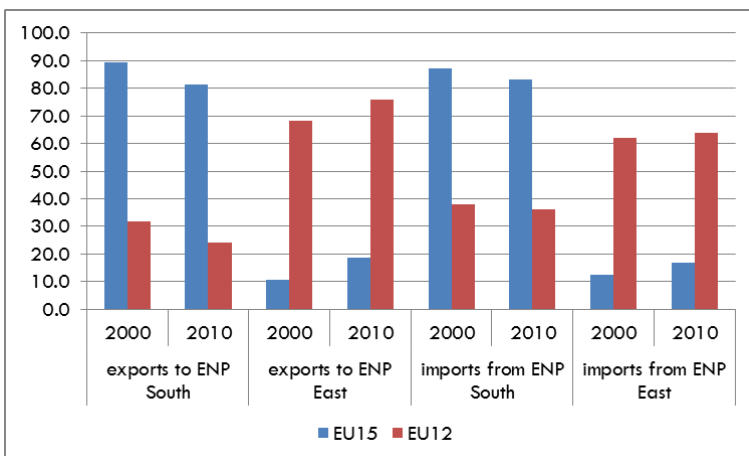
Sources: <http://comtrade.un.org/db/> // Authors' elaboration

Figure 4: The spatial allocation (%) of the ENP trade flows to and from the EU economy, years 2000 and 2010



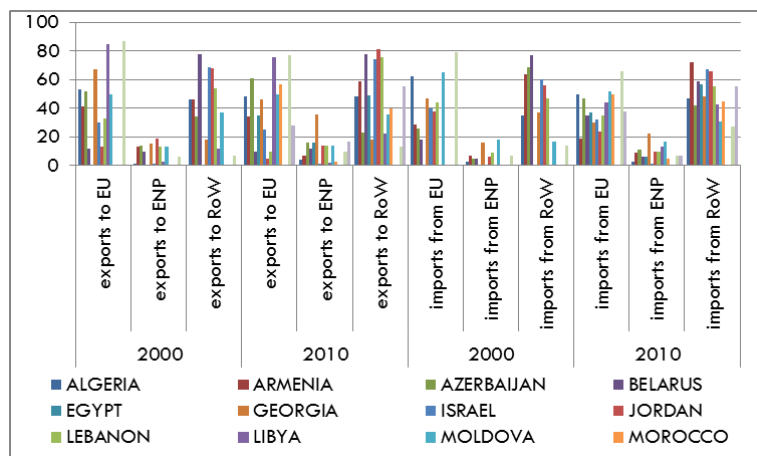
Sources: <http://comtrade.un.org/db/> // Authors' elaboration

Figure 5: The spatial allocation (%) of the EU trade flows to and from the ENP economy, years 2000 and 2010



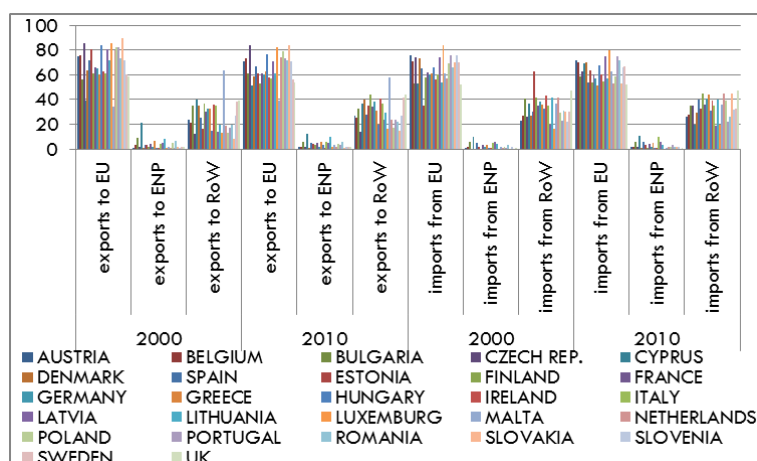
Sources: <http://comtrade.un.org/db/> // Authors' elaboration

Figure 6: The spatial allocation (%) of the ENP trade flows to and from the world economy, years 2000 and 2010



Sources: <http://comtrade.un.org/db/> // Authors' elaboration

Figure 7: The spatial allocation (%) of the EU trade flows to and from the world economy, years 2000 and 2010



Sources: <http://comtrade.un.org/db/> // Authors' elaboration

Table 4: Revealed comparative advantage against the ENP countries, years 2000 and 2010

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6
Austria	✓ (only in 2010)		✓ (only in 2010)	✓	✓	✓
Belgium	✓		✓	✓ (only in 2010)	✓	✓
Bulgaria	✓			✓	✓	✓
Czech Rep.	✓ (only in 2000)			✓	✓	✓ (only in 2010)
Cyprus	✓				✓ (only in 2010)	✓ (only in 2010)
Denmark	✓			✓ (only in 2010)	✓	✓
Spain	✓		✓	✓	✓	✓
Estonia	✓		✓	✓	✓	✓
Finland			✓		✓	✓ (only in 2010)
France	✓			✓	✓	✓
Germany	✓ (only in 2000)			✓	✓	✓
Greece	✓			✓	✓	✓

Deliverable 2.2. Complete report on patterns of economic interaction between the European Union and its neighboring countries  
SEARCH Working Paper, 2/07

Hungary	✓				✓	✓
Ireland	✓				✓	✓
Italy	✓ (only in 2000)		✓	✓	✓	✓
Latvia	✓ (only in 2010)		✓	✓ (only in 2000)	✓	✓
Lithuania	✓		✓ (only in 2010)	✓ (only in 2000)	✓	✓ (only in 2010)
Luxemburg				✓	✓	✓ (only in 2010)
Malta	✓ (only in 2000)		✓ (only in 2000)	✓ (only in 2000)	✓	✓
Netherlands	✓			✓	✓	✓
Poland	✓		✓	✓	✓	✓
Portugal	✓		✓	✓	✓	✓ (only in 2000)
Romania	✓		✓	✓	✓	✓ (only in 2010)
Slovakia	✓		✓	✓	✓	✓
Slovenia			✓	✓	✓	✓
Sweden	✓ (only in 2010)		✓	✓	✓	
UK	✓ (only in 2000)		✓	✓	✓	✓

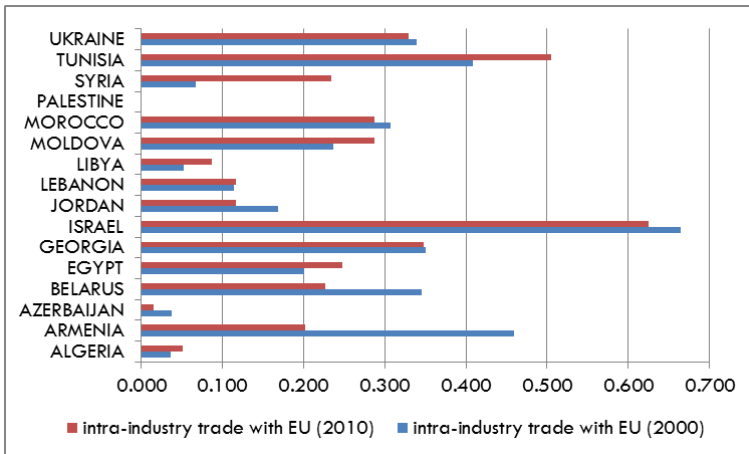
Sources: <http://comtrade.un.org/db/> / UNCTAD (1996) / Balassa (1965) / Authors' elaboration

Table 5: Revealed comparative advantage against the EU countries, years 2000 and 2010

	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6
Algeria		✓				
Armenia	✓		✓	✓ (only in 2010)		
Azerbaijan		✓				
Belarus		✓	✓	✓		
Egypt	✓	✓	✓			
Georgia	✓	✓				
Israel		✓ (only in 2010)	✓			✓
Jordan	✓		✓			✓
Lebanon	✓		✓	✓ (only in 2010)		
Libya		✓				
Moldova	✓		✓	✓ (only in 2000)		
Morocco	✓		✓			
Palestine	n/a	n/a	n/a	n/a	n/a	n/a
Syria		✓				
Tunisia		✓	✓			
Ukraine	✓	✓	✓ (only in 2000)	✓		

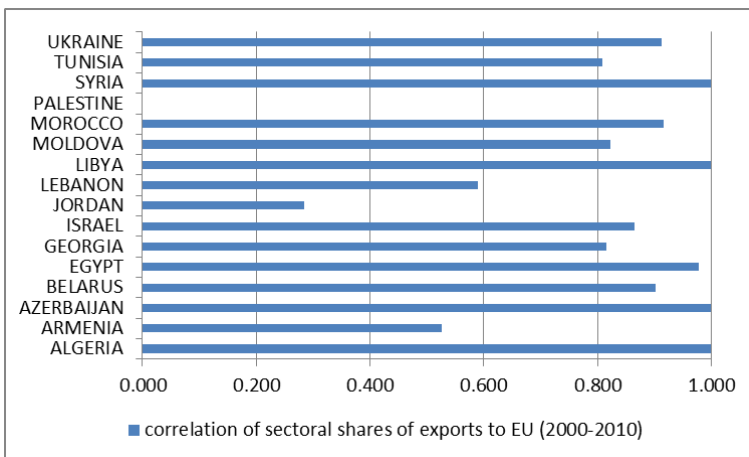
Sources: <http://comtrade.un.org/db/> / UNCTAD (1996) / Balassa (1965) / Authors' elaboration

Figure 8: Intra-industry trade between the ENP countries and the EU, years 2000 and 2010



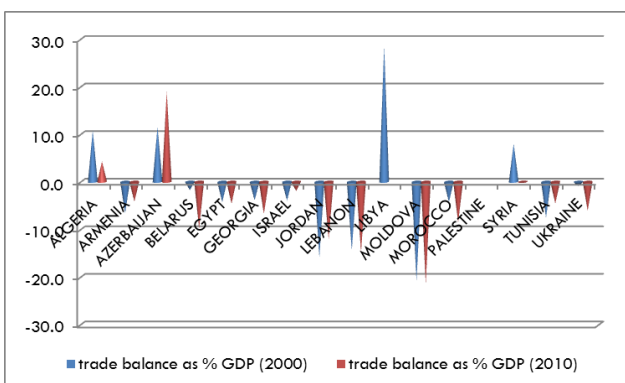
Sources: <http://comtrade.un.org/db/> / Grubel and Lloyd (1971) / Authors' elaboration

Figure 9: Sectoral shares' correlation of the ENP exports to the EU, period 2000-2010



Sources: <http://comtrade.un.org/db/> / Authors' elaboration

Figure 10: Trade balance (% GDP) of the ENP countries in respect to their trade activity with the EU countries, years 2000 and 2010



Sources: <http://comtrade.un.org/db/> / Authors' elaboration