

EU exports to Ukraine, Moldova and Georgia in the context of the DCFTA

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Summary I

- The DCFTA came into effect in 2014 (MDA/GEO) and 2016 (UKR)
- In order to assess the effect of the DCFTA, we compare EU exports to these countries in 2018 with 2013/2015 (last full year before DCFTA)
- Comparison suggests a strong effect of DCFTA on EU exports to UKR
- The effect on exports to MDA is moderately positive
- Only limited increase of exports to GEO due to special factors (see next slide)
- **All in all:** DCFTA seems to have supported EU exports

Indicator	Ukraine 2018 vs. 2015		Moldova 2018 vs. 2013		Georgia 2018 vs. 2013	
	Change	Assessment	Change	Assessment	Change	Assessment
EU exports in EUR	+58%	++	+21%	+	+4%	0
% of total EU exports	+0.34pp	++	+0.01pp	+	-0.01pp	-

Summary II

Exports by EU member countries

- **Exports to UKR:** large increase for all EU members
- Czechia and Hungary more than doubled exports
- Strong increase of two largest partners: DEU +48%, POL +50%
- **Exports to MDA:** key role of ROU; ROU exports +61%
- **Exports to GEO:** higher exports for most EU members

EU exports by sectors

- **Exports to UKR:** highest increase related to capital goods
 - **Exports to MDA:** crucial role of metals; link to FDI in wiring harnesses industry
 - **Exports to GEO:** most sectors show a strong increase of exports
 - But: strong decline for energy due to lower energy prices and for transport equipment due to lower exports of used cars
 - Key role of two special factors; if excluded: 41% increase of EU exports to GEO
- **Sector analysis reveals sizeable DCFTA effect on exports to GEO after all**

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1. Introduction

2014: EU concludes deep and comprehensive free trade agreements (“DCFTAs”) with Ukraine, Moldova and Georgia

- MDA/GEO: DCFTA comes into effect in 2014
- UKR: DCFTA comes into effect in 2016

Goal of this research: Assessment of effect of DCFTA on

- EU aggregate exports
- Exports of EU member countries
- Exports by different sectors of the EU economy
- Exports by different sectors of German economy

Effect on EU aggregate exports: Assessment using two indicators

- Exports in EUR (nominal exports)
- Share in total exports (relative importance)

2. Method

Assessment of the DCFTA effect

- Comparison of EU exports to the three partners in the last full year after DCFTA with the last full year before the DCFTA came into force
- MDA/GEO: comparison 2018 vs 2013
- UKR: comparison 2018 vs 2015
- Main source of data: Eurostat

Interpretation of results

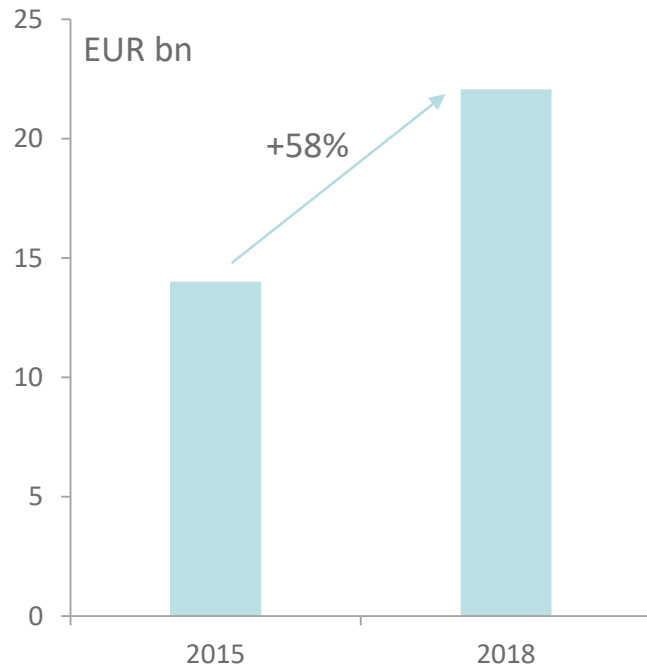
- Many factors influence EU exports, not only the DCFTA
- In particular in the case of UKR: major economic turbulences during the relevant period
- Thus: results should not be interpreted in a strict causality sense
- Having said that: it is worthwhile and important to check how EU exports developed after the DCFTA conclusion

3. Effect on EU exports

- i. EU exports in EUR
- ii. Share of total EU exports
- iii. Overview of two indicators

i. EU exports in EUR to Ukraine

EU exports to UKR, 2015 vs 2018



Source: Eurostat

Note: exports of goods

EU exports to UKR

- 2015: EUR 14.0 bn
- 2018: EUR 22.1 bn

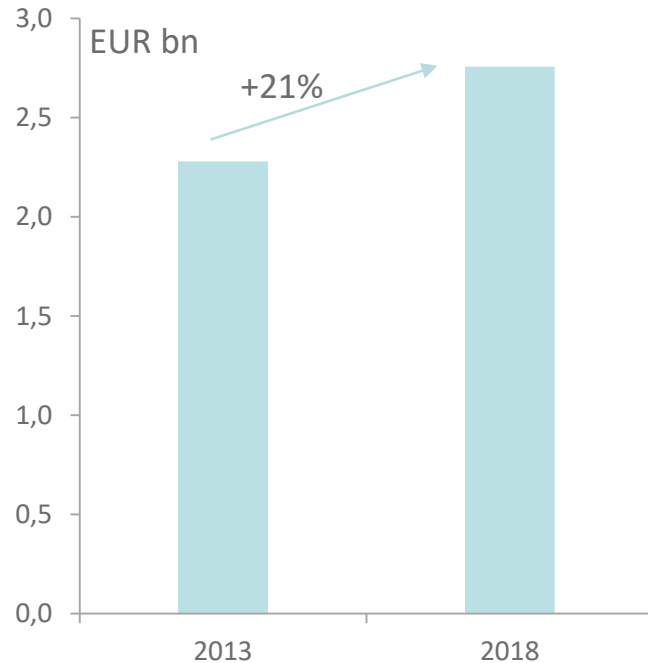
→ **Strong increase by 58%**

Reasons

- DCFTA-related tariff liberalisation
- Average import (MFN) tariff before DCFTA amounted to 4.5%
- But also: economic recovery after the crisis in 2014-2015
- Reorientation of trade away from Russia due to bilateral conflict

EU exports in EUR to Moldova

EU exports to MDA, 2013 vs 2018



Source: Eurostat

Note: exports of goods

EU exports to MDA

- 2013: EUR 2.3 bn
- 2018: EUR 2.8 bn

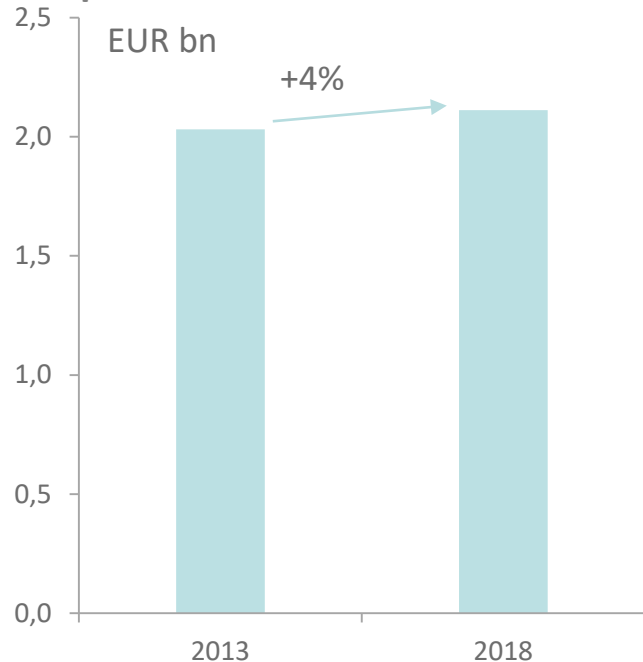
→ Moderate increase by 21%

Reasons

- Tariff liberalisation
- Average import (MFN) tariff before DCFTA amounted to 5.3%

EU exports in EUR to Georgia

EU exports to GEO, 2013 vs 2018



Source: Eurostat

Note: exports of goods

EU exports to GEO

- 2013: EUR 2.0 bn; 2018: EUR 2.1 bn
- **Very limited increase by 4%**

Main reason for low increase

- Drop in energy exports due to lower prices
- Decline in transport equipment due to lower exports of used cars
- If these two sectors are excluded: exports +41% (see slide 22)

Furthermore: good access before DCFTA

- Average import (MFN) tariff only 1.5%
 - Acceptance of EU TBT/SPS-related certificates; low non-tariff barriers
- **Limited increase due to special factors**

Summary for EU exports in EUR

Country	Before DCFTA (2013/2015), EUR bn	2018, EUR bn	Growth	Assessment
Ukraine	14.0	22.1	+58%	++
Moldova	2.3	2.8	+21%	+
Georgia	2.0	2.1	+4%	0 *

Source: Eurostat; exports of goods; *due to special factors

- EU exports to all three DCFTA countries increased
- However: significant different between the three countries
- Largest rise relates to exports to Ukraine, also due to economic stabilisation in 2016

All in all: DCFTA seems to have supported EU exports

ii. Share of total EU exports

Country	% of total EU exports, 2013	% of total EU exports, 2018	Change, p.p.	Assessment
Ukraine	0.78%*	1.12%	0.34	++
Moldova	0.13%	0.14%	0.01	+
Georgia	0.12%	0.11%	-0.01	-
Armenia	0.04%	0.04%	0.00	
Azerbaijan	0.21%	0.14%	-0.08	
Belarus	0.50%	0.33%	-0.16	
Russia	6.88%	4.35%	-2.53	

Source: Eurostat; exports of goods; *2015, given that in the case of Ukraine, the last full year before the DCFTA was 2015, not 2013

- Share of UKR in EU total exports rose strongly; accounts now to > 1% of EU exports
- Limited changes in the (modest) shares of MDA and GEO in EU total exports
- EU exports to DCFTA countries developed better than to other EP-countries
- **All in all:** likely positive effect of DCFTA on EU exports

iii. Overview of two indicators

Indicator	Ukraine 2018 vs. 2015		Moldova 2018 vs. 2013		Georgia 2018 vs. 2013	
	Change	Assessment	Change	Assessment	Change	Assessment
EU exports in EUR	+58%	++	+21%	+	+4%	0
% of total EU exports	+0.34pp	++	+0.01pp	+	-0.01pp	-

- Data suggests a strong effect of the DCFTA on EU exports to UKR, which is by far the largest of the DCFTA countries
 - UKR now accounts for 1.1% of total EU exports
 - By comparison: RUS 4.4%; Canada 2.1%; South Africa 1.2%
 - Effect on exports to MDA seems to be moderately positive
 - Limited increase of EU exports to GEO, due to special factors
- **All in all:** likely positive effect of DCFTA on EU exports

4. Effect on exports of EU member countries: UKR I

	2015, EUR m	2018, EUR m	Change, EUR m	Change, %
Croatia	12	36	24	204%
Luxemburg	7	16	9	123%
Czechia	561	1,225	664	118%
Hungary	1,304	2,618	1,314	101%
Italy	903	1,637	734	81%
Spain	230	399	169	73%
Denmark	158	272	113	72%
Latvia	94	157	63	68%
Romania	309	514	205	66%
Netherlands	662	1,057	395	60%
Estonia	55	88	32	58%
Great Britain	380	583	202	53%
Austria	346	526	180	52%
Poland	2,973	4,449	1,476	50%
Germany	3,095	4,586	1,491	48%
France	592	871	279	47%
Belgium	428	618	190	44%
Ireland	35	50	14	41%

Source: Eurostat; exports of goods

Effect on exports of EU member countries: UKR II

	2015, EUR m	2018, EUR m	Change, EUR m	Change, %
Sweden	231	316	85	37%
Lithuania	643	868	225	35%
Slovakia	313	414	101	32%
Slovenia	123	153	30	24%
Portugal	20	23	3	17%
Bulgaria	161	185	24	15%
Finland	196	221	25	13%
Cyprus	7	7	1	12%
Greece	170	182	11	7%
Malta	0	0	0	na
EU-28	14,006	22,067	8,060	58%

Source: Eurostat; exports of goods

- Exports of all EU members countries to UKR increased
- Czechia and Hungary more than doubled exports to UKR
- Significant increase for two largest exporters: DEU + 48% and POL + 50%

Effect on exports of EU member countries: MDA I

	2013, EUR m	2018, EUR m	Change, EUR m	Change, %
Latvia	11	20	9	76%
Romania	713	1,151	437	61%
Czechia	45	67	22	49%
Netherlands	65	95	29	45%
Denmark	8	12	4	43%
Austria	73	96	23	32%
Finland	7	9	2	31%
Spain	27	34	7	25%
Slovakia	27	33	7	25%
Italy	214	250	36	17%
Germany	361	408	47	13%
Portugal	5	5	1	13%
Slovenia	18	21	2	12%
Belgium	35	39	4	11%
Lithuania	31	32	1	2%
Estonia	5	5	0	-4%
France	60	53	-7	-12%
Hungary	113	98	-15	-13%

Source: Eurostat; exports of goods

Effect on exports of EU member countries: MDA II

	2013, EUR m	2018, EUR m	Change, EUR m	Change, %
Great Britain	52	44	-8	-15%
Croatia	2	2	0	-16%
Sweden	15	13	-3	-17%
Bulgaria	70	57	-13	-18%
Poland	269	196	-73	-27%
Ireland	3	1	-2	-62%
Greece	46	16	-29	-64%
Luxembourg	3	1	-2	-73%
Cyprus	0	1	0	na
Malta	0	0	0	na
EU-28	2,280	2,757	477	21%

Source: Eurostat; exports of goods

- Mixed picture: 15 countries with higher exports, 11 with less exports
- Exports from ROU (oil products, insulated wire and switches) up by 61%
- **Key role of Romania**
 - More than 90% of increase of EU exports to MDA due to ROU
 - ROU now accounts for 42% of EU exports to MDA; strong integration

Effect on exports of EU member countries: GEO I

	2013, EUR m	2018, EUR m	Change, EUR m	Change, %
Latvia	18	38	20	113%
Sweden	7	13	6	95%
Slovenia	17	27	10	59%
Austria	63	99	35	56%
Denmark	7	11	4	50%
Poland	76	115	38	50%
Ireland	6	9	3	49%
Finland	9	13	3	38%
Czechia	60	79	18	31%
Great Britain	54	68	14	27%
Netherlands	92	116	23	25%
Luxembourg	2	2	0	23%
France	177	213	36	20%
Italy	162	190	28	17%
Germany	325	360	35	11%
Croatia	8	9	1	6%
Hungary	40	42	2	4%
Lithuania	28	27	0	-1%

Source: Eurostat; exports of goods

Effect on exports of EU member countries: GEO II

	2013, EUR m	2018, EUR m	Change, EUR m	Change, %
Estonia	4	4	0	-2%
Spain	79	77	-2	-2%
Bulgaria	187	175	-11	-6%
Belgium	94	86	-8	-9%
Greece	153	135	-18	-12%
Slovakia	21	15	-6	-27%
Portugal	19	11	-8	-41%
Romania	314	178	-137	-43%
Malta	6	0	-6	-98%
Cyprus	0	1	0	na
EU-28	2,031	2,113	82	4%

Source: Eurostat; exports of goods

- Higher exports for most EU members: 17 countries with higher exports, 10 with less exports
- Main drivers in absolute terms: Poland, France, Germany, Austria and Italy

5. Effect on EU exports by sectors: UKR

	2015, EUR m	2018, EUR m	Change, EUR m	Change, %
Transport equipment	1,039	2,245	1,206	116%
Checking & precision instruments	276	523	248	90%
Machinery (incl. electrical mach.)	3,274	5,785	2,511	77%
Foodstuffs	683	1,186	503	74%
Mineral products	1,346	2,167	821	61%
Animal products	240	372	132	55%
Metals	707	1,063	356	50%
Chemical products	2,386	3,436	1,050	44%
Textiles	837	1,132	295	35%
Vegetable products	449	566	118	26%
Plastics/Rubbers	1,137	1,396	259	23%
Others	1,632	2,197	564	35%
Total	14,006	22,067	8,060	58%

Source: Eurostat; exports of goods

- Strong growth across all major sectors
- Strongest growth relates to capital goods: transport equipment, technical instruments and machinery

Effect on EU exports by sectors: MDA

	2013, EUR m	2018, EUR m	Change, EUR m	Change, %
Metals	100	188	88	88%
Animal products	51	75	23	45%
Chemical products	210	296	86	41%
Plastics/Rubbers	117	163	46	39%
Vegetable products	74	100	26	35%
Checking & precision instruments	41	55	14	34%
Textiles	169	212	43	25%
Machinery (incl. electrical mach.)	451	559	109	24%
Foodstuffs	107	128	21	20%
Mineral products	379	444	64	17%
Transport equipment	345	261	-83	-24%
Others	236	277	41	18%
Total	2,280	2,757	477	21%

Source: Eurostat; exports of goods

- Increase in all sectors, excluding transport equipment
- Huge jump in exports of metals, especially copper, which is used in wiring harnesses industry → direct link to FDI from EU

Effect on EU exports by sectors: GEO

	2013, EUR m	2018, EUR m	Change, EUR m	Change, %
Checking & precision instruments	48	103	55	115%
Animal products	28	52	24	86%
Foodstuffs	107	177	70	66%
Textiles	48	71	24	50%
Chemical products	266	370	103	39%
Plastics/Rubbers	43	57	15	34%
Machinery (incl. electrical mach.)	348	438	90	26%
Metals	54	67	13	24%
Vegetable products	25	24	0	-2%
Transport equipment	244	150	-94	-39%
Mineral products	663	377	-286	-43%
Others	158	227	69	43%
Total	2,031	2,113	82	4%

Source: Eurostat; exports of goods

- Strong export growth in most sectors
- But: strong decrease of mineral products due to lower prices and of transport equipment due to lower exports of used cars
- Without these two special factors: EU exports to GEO increased by 41%
- **Limited overall export dynamics due to special factors beyond DCFTA**

6. Effect on German exports by sectors: UKR

	2015, EUR m	2018, EUR m	Change, EUR m	Change, %
Transport equipment	325	669	344	106%
Checking & precision instruments	90	164	74	82%
Machinery (incl. electrical mach.)	865	1,466	601	70%
Metals	130	195	65	50%
Chemical products	602	868	267	44%
Foodstuffs	135	191	56	41%
Mineral products	33	47	13	41%
Textiles	167	220	53	32%
Vegetable products	54	69	15	27%
Plastics/Rubbers	236	291	55	23%
Animal products	51	63	11	22%
Others	406	342	-63	-16%
Total	3,094	4,585	1,491	48%

Source: Eurostat; exports of goods

- Similar pattern as for EU exports to UKR
- Higher exports for all main sectors
- Largest dynamics for capital goods: transport equipment, technical instruments and machinery

Effect on German exports by sectors: MDA

	2013, EUR m	2018, EUR m	Change, EUR m	Change, %
Metals	11	33	22	213%
Textiles	26	41	15	58%
Plastics/Rubbers	23	30	7	32%
Chemical products	43	54	11	26%
Vegetable products	9	11	2	22%
Mineral products	4	5	1	20%
Checking & precision instruments	13	15	2	18%
Foodstuffs	19	20	1	4%
Transport equipment	86	87	1	1%
Machinery (incl. electrical mach.)	92	84	-8	-9%
Animal products	11	8	-3	-28%
Others	25	21	-4	-15%
Total	362	409	47	13%

Source: Eurostat; exports of goods

- Higher exports in most sectors
- Largest increase: metals, especially copper, used in wiring harnesses industry (link to German FDI)
- Increase in textiles: synthetic fibres as well as felts & nonwovens

Effect on German exports by sectors: GEO

	2013, EUR m	2018, EUR m	Change, EUR m	Change, %
Animal products	5	8	4	78%
Foodstuffs	16	27	10	62%
Checking & precision instruments	20	31	12	60%
Chemical products	48	70	23	48%
Textiles	7	10	3	46%
Plastics/Rubbers	16	22	6	36%
Machinery (incl. electrical mach.)	69	86	17	25%
Metals	12	13	1	10%
Mineral products	7	6	-2	-24%
Vegetable products	5	4	-1	-26%
Transport equipment	105	57	-48	-46%
Others	15	25	10	69%
Total	325	359	35	10%

Source: Eurostat; exports of goods

- Strong growth for most product categories
- Key reason for limited increase: lower exports of transport equipment (mainly used cars); special factor
- Excluding special factor: overall export increase by 37%

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