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EU trade liberalisation boosts Moldovan and Georgian exports, while also benefitting oligarchs

Trade liberalisation has helped the Eastern Partnership countries Moldova and Georgia to export more to the EU. While in some export sectors it has benefitted a broad range of economic actors, including small and medium-sized local enterprises, in others, only large, mainly foreign firms and oligarchic networks have reaped rewards, a new ZOIS report reveals.

Through in-depth analysis of the ownership structures of top export sectors in Georgia and Moldova, a team of researchers from ZOIS, Justus Liebig University and Expert-Grup, and the Economic Policy Research Center (EPRC) examine which economic actors have really profited most from trade liberalisation with the EU. Their results are published in a new ZOIS Report.

‘Trade liberalisation has certainly helped to foster closer trade relations between the EU and the two Eastern partners’, the authors state, ‘but a closer look reveals that it has also unintended, negative effects’.

Trade liberalisation with the EU (unintentionally) contributes to strengthening the power position of rent-seeking coalitions in both countries, albeit to a higher degree in Georgia than in Moldova. In Georgia, liberalised trade with the EU predominantly helps to maintain oligarchic structures. More than 60% of exports to the EU in 2020 came from sectors dominated by rent-seeking coalitions like minerals and metals. Only about 31% of Moldova’s exports to the EU in 2020 came from sectors where there are allegedly traces of rent-seeking coalitions.

‘EU initiatives need to put greater emphasis on fostering cooperation between firms, consultants, research institutions, and regulatory authorities in promising sectors and where firms not linked to oligarchic networks are important market players (e.g. Moldova’s and Georgia’s textile industry and wine production)’, is one recommendation of the researchers to equip businesses in those sectors with the necessary know-how to find their niches in European supply chains.

Through its new Eastern Partnership (EaP) policy beyond 2020, the EU aims to create inclusive development, which benefits a broad range of economic actors. One of the tools for that is trade liberalisation. By abolishing (non-)tariff barriers to trade, the EU seeks to increase the exports of Eastern Partners, with the aim to benefit local economic actors, including small and medium sized enterprises.

Publication:

[Julia Langbein, Denis Cenusă and Irina Guruli: ‘Ambivalent Effects of Trade Liberalisation with the EU: Insights from Moldova and Georgia’, ZOIS Report 1/2022](#)

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