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Trade Activity between EU and the ENP Countries



European Neighbourhood Policy

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Ευχαριστίες

Θα ήθελα καταρχήν να ευχαριστήσω όλους όσους συνέβαλαν με οποιονδήποτε τρόπο στην επιτυχή εκπόνηση αυτής της διπλωματικής εργασίας. Θα πρέπει να ευχαριστήσω θερμά τον καθηγητή μου κ. Γεώργιο Πετράκο για την επίβλεψη αυτής της διπλωματικής εργασίας. Στη συνέχεια, ευχαριστώ ιδιαίτερα την καθηγήτρια κα Τσιάπα Μαρία για την εξαιρετική συνεργασία που είχαμε, και ελπίζω πραγματικά να συνεχίσουμε να έχουμε στο μέλλον. Μέσα στον τελευταίο χρόνο ήταν πάντα διαθέσιμη να ασχοληθεί με κάθε απορία μου σχετική με ακαδημαϊκά ζητήματα, εντός και εκτός των πλαισίων της παρούσας εργασίας. Την ευχαριστώ θερμά για τις ιδέες που μου προσέφερε καθ' όλη τη διάρκεια εκπόνησης αυτής της εργασίας. Έπειτα, θα ήθελα να ευχαριστώ τους καθηγητές της σχολής Χωροταξίας και Περιφερειακής Ανάπτυξης του Πανεπιστημίου του Βόλου που με καθοδήγησαν τα τελευταία δύο χρόνια σε αυτό το πολύ ενδιαφέρον και ευρύ αντικείμενο.

Βέβαια, το μεγαλύτερο ευχαριστώ το οφείλω στους γονείς μου, των οποίων η πίστη στις δυνατότητες μου αποτέλεσε αρωγός σε όλους τους στόχους και τα όνειρά μου, και οι οποίοι με ανέθρεψαν σε ένα ειδυλλιακό περιβάλλον χωρίς καμία στέρηση.

Abstract

In the present research I will try to examine in depth the bilateral trade relationships between European Union and the European Neighborhood countries during a period from 2003 to 2013. The main goal of these research is to identify whether trade patterns have change over this period of 10 years since the introduction of the European Neighborhood Policy in 2004. In order to achieve my goal I will examine trade flows from European Neighborhood Countries towards EU and From EU to the ENP's. In order to reach to a conclusion that represents the trade flows thoroughly I will use 5 indexes that I believe are the most representative and reliable of all. In order to examine if Europe is losing its share on its European Neighborhood partners, I will go one step further and I will also study the trade relations of the ENP's with all of their significant partners and not just with European Union. I will have the opportunity to draw reliable conclusions on whether EU is losing its key role and whether other partners of the global trade economy are gaining a significant market share of the ENP's trade activity. I will try also to examine if the resilience of the ENP's economy, during these 10 years, is closely dependent to their sectoral concentration and trade structure.

Key-words: Trade, EU countries, ENP, Trade shares, Trade flows.

Περίληψη

Στην παρούσα εργασία θα επιχειρήσω να μελετήσω εις βάθος τις εμπορικές σχέσεις ανάμεσα στην Ευρώπη και τις χώρες που ανήκουν στην Ευρωπαϊκή πολιτική γειτνίασης, σε ένα διάστημα από το 2003 μέχρι και το 2013. Ο κύριος στόχος αυτής της έρευνας είναι να εντοπίσω αν οι εμπορικές σχέσεις έχουν αλλάξει μέσα σε αυτό το διάστημα των συνολικά δέκα χρόνων από την εφαρμογή της Ευρωπαϊκής πολιτικής γειτνίασης το 2004. Για να επιτύχω αυτό το σκοπό θα μελετήσω τις εμπορικές ροές με κατεύθυνση από τις ENP χώρες προς την Ευρωπαϊκή Ένωση καθώς και το αντίστροφο. Για να επιτύχω ένα αξιόπιστο αποτέλεσμα, θα χρησιμοποιήσω 5 εμπορικούς δείκτες που πιστεύω ότι είναι οι πιο αξιόπιστοι και αντιπροσωπευτικοί για να επιτύχω το στόχο της εργασίας μου. Εκτός από τις διμερείς εμπορικές σχέσεις Ευρώπης και των ENP, θα μελετήσω επίσης την συμπεριφορά των εμπορικών ροών και προς όλους τους σημαντικούς εταίρους για κάθε ENP χώρα. Έτσι θα καταφέρω να καταλήξω σε ένα ασφαλές συμπέρασμα για το αν η Ευρωπαϊκή αγορά χάνει ένα σημαντικό κομμάτι των εμπορικών της σχέσεων με τις ENP λόγω της εισχώρησης σε αυτές και άλλων σημαντικών διεθνών εμπορικών εταίρων, που διεκδικούν και εκείνη μερίδιο στην αγορά τους. Τέλος θα επιχειρήσω να απαντήσω στο ερώτημα αν η ανθεκτικότητα μιας χώρας της ευρύτερης Ευρωπαϊκής χώρας οφείλεται στον κλάδο στον οποίο έχει επικεντρωθεί το εμπόριο της και στον οποίο διατηρεί συγκριτικό πλεονέκτημα έναντι των εμπορικών της εταίρων.

Λέξεις-κλειδιά: Εμπόριο, E.E., E.N.P., Εμπορικές ροές.

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List of abbreviations

Acquis: Acquis communautaire (Community legislation)

BRICS: Brazil, Russia, India, China, South Africa

BRIC: Brazil, Russia, India, China

CARDS: Community Assistance for Reconstruction, Development and Stabilisation

CEES: EU/Russia Common European Economic Space initiative

CFSP: EU Common Foreign and Security Policy

CIS: Commonwealth Independent States

DCFTA: Deep and Comprehensive Free Trade Area

EBRD: European Bank for Reconstruction and Development
EIB: European Investment Bank
ENC: European Neighborhood Countries
ENP: European Neighborhood Policy
ERA: European Research Area
EUROMED: Euro-Mediterranean Partnership
ESDP: EU European Security and Defense Policy
EU: European Union
FDI: Federal Direct Investment
FEMIP: Facility for Euro-Mediterranean Investment and Partnership
FTA: Free Trade Agreement
GDP: Gross Domestic Product
GSP: Generalised scheme of preferences
IFIs: International Financial Institutions
ILO: International Labor Organization
IMS: Index of Import Shares
INTERREG: Community programme aiming to stimulate inter-regional
Cooperation within the EU
ITB: Index of Trade Balance
ITI: Index of Trade Intensity
ITO: Index of Trade Openness
IXS: Index of Export Shares
JHA: Justice and Home Affairs
MEDA: Community assistance programme for the Mediterranean countries
MFA: EU macro-financial assistance
NIS: Newly Independent States (Armenia, Azerbaijan, Belarus,
Georgia, Turkmenistan, Kazakhstan, Kyrgyzstan, Moldova,
Tajikistan, Ukraine, Uzbekistan)
OSCE: Organization for Security and Cooperation in Europe
PCA: Partnership and Cooperation Agreement
PHARE: Community assistance programme for the Central European
Candidate countries
RCA: Revealed Comparative Advantage
RTD: Research and Technological Development

SEARCH: Sharing Knowledge Assets: Interregional Cohesive Neighborhoods

TACIS: Community Technical Assistance programme for the
Commonwealth of Independent States

TENs: Trans-European Networks

UN: United Nations

USA: United States of America

WNIS: Western Newly Independent States (Ukraine, Moldova, Belarus)

WP: Working Package

WTO: World Trade Organisation

1 Introduction

On 1 May 2004, European Union entered a new and historic phase. An enlarged population of 25 countries, with greater population and Gross Domestic Product (GDP) from these period which fundamentally increased its political, geographic and economic weight on the European continent. There were new patterns in the movement of people, capital, goods and services, which increased diversity in culture and traditions.

Enlargement boosted European Union's growth and employment opportunities and gave new impetus to the effort of drawing closer to the 385 million inhabitants of the countries on the external land and sea border. The accession of the new member states strengthened the EU's interest to enhance relations with the new neighbors.

Closer geographical proximity means an equal stake for both of them, in furthering efforts to promote trans-national flows of trade and investment, as well as even more important mutual interests as in working together to tackle trans-boundary threats.

The European Neighboring Countries are the EU's essential partners, to increase through cooperation their mutual production, economic growth and external trade and to create an enlarged area of political stability and mutual exchange of human capital, ideas, knowledge, culture and as a result to mutual benefit.

That's why it's so important and vital to study their trade relations to draw important conclusions on whether their bilateral association is of mutual economic development of both of the partners.

2 The Region under Study: A review of the theoretical literature.

2.1 European Neighborhood Policy (ENP)

A new historic phase for the future of the EU (European Union) started on 1st May of 2004 with the entrance of 10 new member states with combined population of more than 75 million. In the enlarged EU of 25 member states in 2004 which were forming a political and economic area of almost 450 million citizens and of almost €10000 billion GDP (Gross Domestic Product) (European Commission, 2015), emerged the need of a policy framework towards the new, enlarged EU borders, neighborhood countries. The new European Neighborhood Policy developed as a bridge between Europe and its closest neighborhoods in the enlarged European Union.

The ENP (European Neighborhood Policy) was developed in 2004, in order to create a ‘ring of friends’ (PETRAKOS, et al., 2013) that will ensure prosperity, stability and security of all. This indicates an apparent mismatch between ENP requirements/ demands on the one hand, and ENP potential gains/rewards on the other. This means that despite the fact that the proper “membership anchor” is missing, the progressive compliance with the *acquis communautaire* (i.e. the corpus of EU laws and policies) is a necessary condition for the ENP countries to increase their “weight” on the EU market (Kallioras 2013).

ENP was launched among EU and 16 of EU’s closest neighborhoods, which are Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestine, Syria, Tunisia, and Ukraine (European Union, 2015). It is an ambitious political and economic project.

2.2 Origins and Objectives

The ENP among others reinforces stability and security and contributes efforts in resolutions in cases of conflict. ENP is strengthening the relations with EU neighbor countries through the purpose of mutual benefitting and avoiding dividing lines from emerging among enlarged EU and its neighbors (Johannes & Kai-Olaf, 2007).

ENP has designed in order to erase dividing lines among the enlarged EU and European neighborhood countries, giving them the opportunity to participate in EU activities through greater cooperation (Cadier, 2015). Towards this purpose EU

established a number of bilateral agreements between EU and each of the countries participating in ENP. ENP agreements provide a privileged relationship for the ENP countries that operate under conditions of ‘neighborhood Europeanization’ (PETRAKOS, et al., 2013) (AXT, et al., 2007)

The privileged relationship with EU neighborhood countries is built through bilateral agreements for common values mainly within the fields of good governance, the promotion of good neighborly relations, the rule of law, the respect of human rights, including minority rights, and the principles of market economy and sustainable development (COMMISSION, 2004).

The main vision of the ENP is the development of a close relation with all EU neighborhood countries as the way to achieve further economic and political integration. This will benefit all the countries together with the EU as it will bring stability, security and wellbeing of all.

Although the main goal of the European Neighborhood Policy is the economic and political integration, it’s very important also to focus on the nature of the EU-ENP trade because of the strongly asymmetric gains during the economic integration between two dissimilar developmental partners in favour of the most developed one has been broadly expressed. This is because the nature of the EU-ENP trade relations may not be leading to sustainable type of integration, and thus to a reduction of the existing development gap between EU and the ENP countries. The EU-ENP trade relations seems to be uneven and as a result leading to an unbalanced and asymmetric integration between EU and ENP countries. Therefore, greater integration induced by the ENP will likely disproportionately concentrate the generation of growth in regions with conducive characteristics (Monastiriotis, et al., 2014) (Tsiapa, 2015).

2.3 SEARCH Project

By the University of Barcelona, in cooperation with 17 others universities¹ and institutes from all over the world, developed the Sharing Knowledge Assets

¹ University of Thessaly, Brunel University London, Urban and Regional research center of Utrecht, London school of Economics and Political Science, Institute of Economic and Cultural Geography of Leibniz University of Hannover, University of Tartu, Center of research in Economic policy of University of Pecs, Economic research center of the University of Saint-Etienne, University of Cady Ayyad, International center of Black Sea studies, European Institute of the Mediterranean, Hebrew University of Jerusalem, Middle East technical University, the Scientific and Technological research Council of Turkey, Institute of Regional and Environmental Economy, the State University- Higher School of Economics and the Bournemouth University.

InteRregionally Cohesive NeighBorhoods (SEARCH) project, which is a project financed by the European Union under the Seventh Framework Programme for Research and Technological Development in the Socio-economic sciences and the humanities area (FP7)².

The main objective of the SEARCH programme is to assist in the strengthening of the European Union and European Neighborhood Policy countries, through the analysis of the impact of the ENP on the integration of the European Union and neighboring countries in terms of their trade and capital flows, mobility and human capital, technological activities and innovation diffusion, and institutional environment (Search Project, 2014).

From the 8 working packages Search is formed of, working package 2 (W.P.2) is the one that focuses on the theoretical and empirical study of the patterns of economic interaction between EU and the ENP countries, projects future trends and identifies the effects of higher levels of economic integration on the growth, competitiveness and cohesion prospects of the two areas. In the present research I will focus mainly on W.P.2 and more specifically on the analysis of the trade patterns between the EU and ENP countries, as well as the potential impact of these on growth, structural change and cohesion in both areas.

SEARCH W.P.2 covers a period of almost ten years till 2010³. I will present you above most of Dr George Petrakos⁴ team results on European Neighborhood Policy Patterns on trade with the European Union.

Firstly, as far as the growth potential from trade for the ENP countries is concerned, it seems that there is a sign for ENC growth, when trade expansion occurs mainly with EU's middle-and low-income members of the EU. Whereas when trade as a share of GDP increases with the high-income states, the impact on growth for the ENP's turns negative (Anagnostou, et al., 2013).

In a different paper (Kallioras, 2013) Kallioras and Petrakos are trying to find using gravity equations the volume of trade intensity with EU new member states, by relating distance with trade flows. As it is expected ENP's trade more with their nearest

² FP7 was the European Union's Research and Innovation funding programme for 2007-2013. The current programme is Horizon, but there are still running projects funded under FP7 (European Union - European Commission, 2015).

³ By the year 2013 there weren't any updated trade data from 2010 to 2013. I will try through my research to evaluate trade patterns change from 2010 till 2013.

⁴ George Petrakos is the Team Leader of the University of Thessaly research team, as well as W.P.2 research Leader.

than their more distant core EU neighbors. As i have already stated trade with these countries contribute to GDP growth for the ENP countries and it's something that the EU should openly promote, as it is stated by the policy recommendations brief of the SEARCH project (Search Project, 2013).

Another important point on the SEARCH Project findings is that EU should promote and support trade between its newly entered member states and the ENP partners for the mutual benefit of both of them. This can happen only by export diversification (Boschma, 2013).

Last but not least SEARCH Project indicates that EU policies should promote trade flow parity as a whole in ENP countries and increase assistance and investments to ENP countries and support firm emergence and firm growth.

Finally, Search project indicates that EU policies should further promote trade flow balance as a whole in ENC's by reducing trade restrictions in all EU and ENC's.

To sum up SEARCH Project findings on trade activity indicate that economic integration is not always beneficial. The most important fact is the mix of products/activities trade partners focus. In any case, benefits accruing from the process of economic integration contribute to the increase in regional inequalities (Sharing Knowledge Assets: Intere regionally Cohesive Neighborhoods, 2014). These pro-cyclical nature of regional inequalities establishes a new framework for the debate about regional policy in-low-income countries (Sharing Knowledge Assets: Intere regionally Cohesive Neighborhoods, 2014).

2.4 History of European Trade Policies towards European Neighborhood Countries

In order to prepare the implementation of the ENP the European Commission prepared a communication in 2003 titled: The Wider Europe-Neighborhood (COM, 2003), in which it was decided to unify EU's wide range of policies towards the neighborhood countries in order to safeguard stability and prosperity of all in this new wider group of partner neighbor countries. As a reward for convergence towards the EU on areas of economic regulations, protection of human rights, prevention of illegal migration, and improvement of borders security, the new European neighborhood countries although they will not be given accession perspective, it will be offered to

them accession to the unified European market economy and close political cooperation.

The European council approved this proposal and a further discussion followed the next years on more detailed recommendations in order for this new significant policy to be based on concrete steps.

Prior to the launch of the European Neighborhood Policy EU supported a series of reforms in these countries mainly through policy mechanisms. These policy mechanisms supported specific reform goals such as regional economic reforms and investments to support the creation of a free-trade area between Mediterranean countries and EU (MEDA) (European Union, 2015). INTERREG's aim was the increase of cross-border cooperation to enhance internal cohesion (European Union, 2015). TACIS offered technical assistance to the Commonwealth independent states (CIS) of the former Soviet-Union republics to enable political reform and transition to market economy (Anon., 2015) (European Union, 2015). CARDS support Balkan countries in economic reform and reconstruction and PHARE support the East European Countries in the accession process mainly by funding (European Union, 2015).

Table 2.1 Policy mechanisms preceded ENP

| NAME | STAGES | DATE | FUNCTION |
|------------------------|--------------|-----------|--|
| <u>INTERREG</u> | INTERREG I | 1989-1993 | Diminish the influence of national borders in favor of equal economic, social and cultural development of the whole EU |
| | INTERREG II | 1994-1999 | |
| | INTERREG III | 2000-2006 | |
| | INTERREG IV | 2007-2013 | |
| <u>TACIS</u> | ENPI (2007) | 1991-2006 | Offers technical assistance to help members of the CIS in their transition to democratic market-oriented economies |
| <u>MEDA</u> | MEDA I | 1995-1999 | Offers technical and financial support measures to accompany the reform of economic and social structures in the Mediterranean partner countries |
| | MEDA II | 2000-2006 | |
| <u>PHARE</u> | | 1989 | Finance pre-accession instruments to assist applicant countries in their accession to EU process |
| <u>CARDS</u> | | 2000 | Provides financial assistance to the western Balkans, to support reconstruction, development and stabilization |

Sources: <http://www.enpi-info.eu/#> / Authors' elaboration

The new policy implemented under the name ‘European Neighborhood Policy’ in January 2004. It is a bilateral policy between EU and each of the neighborhood countries but it is further enriched with regional and multilateral cooperation initiatives such as the Eastern Partnership, that was launched in 2009, the Euro-Mediterranean Partnership (EUROMED) in 2008, formerly known as the Barcelona Process, and the Black Sea Synergy in 2008.

In May 2011, EU reconfirmed the importance of closer relationships with the neighbors through the ‘more funds for more reform’ approach and the promotion of pioneering principles through the innovative funding mechanism, the ENPI (European Neighborhood and Partnership Instrument), which in 2014 has been replaced by European Neighborhood Instrument (ENI), which focuses on stricter conditionality, more flexibility and incentives for best performers.

The ENP is based in the bilateral ENP Action Plans, which sets out an agenda of political and economic reforms with short and medium-term priorities, in each country (European Union External Action, 2015).

Each country’s Action Plan differs according to its reform priorities but all cover the following areas:

- Political reforms
- Economic and social cooperation and development
- Market and regulatory reforms
- Cooperation on justice, liberty and security
- Reforms in the sectors of transport, energy, information society, environment and development
- Human rights, civil society, education and public health (European Union External Action, 2015)

In return EU offers the following privileges, according to each country’s progress:

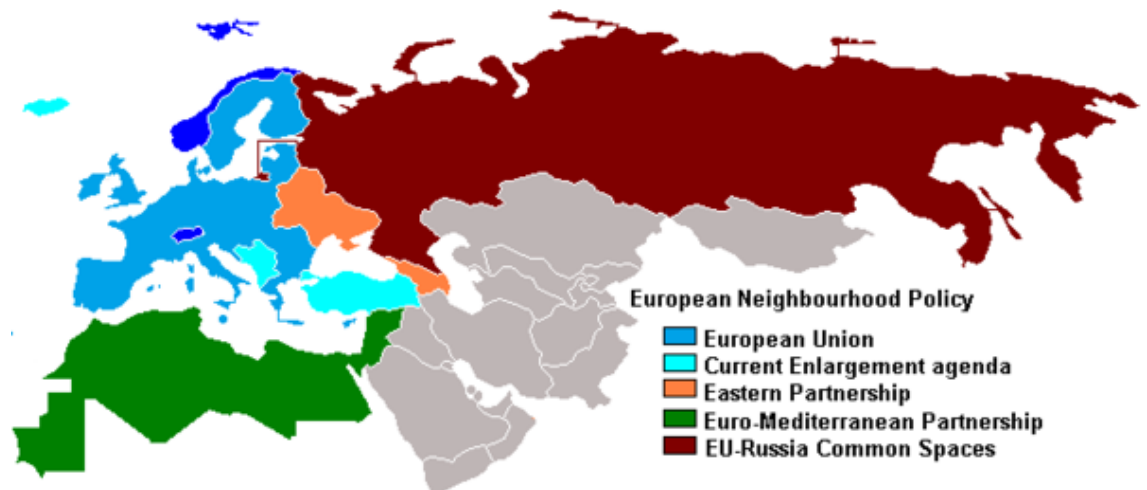
- Greater integration into European programs and networks
- Increased economic and political assistance
- Enhanced market access
- Improved cross border cooperation along the EU’s land and maritime borders (European Union External Action, 2015)

All partner countries except Algeria, Belarus, Libya and Syria (European Union External Action, 2015), have signed and adopted the Action Plans.

Trade agreements between EU and its member states, and countries outside European Union are negotiated through the European Commission. More specifically trade policy towards the neighboring countries is covered by regional trade agreements (RTA) and EU Free Trade Agreements (FTA) (Anon., 2014). From 2006 EU re-direct its trade policy with ‘Global Europe’, which is a more aggressive FTA policy by determining economic criteria such as economic size, growth, tariffs and non-tariff barriers in order to ensure competitiveness of the European economy. As a result ‘Global Europe’ is the path towards a deep trade agenda, known as ‘Deep and Comprehensive Free Trade Areas’ (DCFTA) towards its trade partners (Liargovas, 2013).

European Neighborhood Policy, Association Agreements (AA), Partnership and Cooperation Agreements (PCA) and multilateral agreements, such as Black Sea Synergy, Euro-Mediterranean Partnership (known as Barcelona Process) and Eastern Partnership, are EU’s trade policy instruments in the world economy.

Table 2.2 European Neighborhood Map



3 Categories of the European Neighborhood Countries

3.1 ENP- South Region

Under the Barcelona process of the European Council, in November 1995, the Euro-Mediterranean Partnership was launched, known as EUROMED. This program was aiming to create a free trade zone by 2010 between the EU and the Mediterranean-rim nations, and to achieve peace, stability and growth in the Mediterranean Partner countries (Center, n.d.).

The EUROMED process was formed by bilateral agreements, which are in force with most of the partners with the exception of Syria and Libya. The main scope of the bilateral agreements is mostly limited to trade in goods, but as the negotiations are ongoing between the EUROMED partners and the EU the main goals for the future agreements are further liberalization of trade in agriculture, liberalization of trade in services and investment and further negotiate agreements on the acceptance of industrial products.

The bilateral Association Agreements, between EU and Mediterranean countries, were financed by an aid programme, known as MEDA, which from 2007 was replaced by European Neighborhood and Partnership Instrument (ENPI). For the period from the establishment of Euro-Mediterranean Partnership in 1995 till 2006, through MEDA I and MEDA II the EU supported the Mediterranean partners with 16€ billion whereas through ENPI, that replaced MEDA in 2007 till today, approximately 12€ billion were available from the Community budget to support the partners' reforms.

The partner countries that form the Euro-Mediterranean Partnership are Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the occupied Palestinian territory, Syria and Tunisia.

Total population of the ten Southern partner countries of the European Union was about 217 million in 2013, which is about 40% of the European's Union population.

Among the 10 countries Egypt is by far the most populated country, with its population reaching the 82 million inhabitants in 2013. All the EU's southern partners experienced a rapid population growth from 177 million inhabitants in 2001 to 217 million in 2013.

The EU's South countries witnessed decelerating growth as a result of the weaker global environment of the past 10 years. As far as the global crisis of the 2009 is

concerned the economies of the European Neighborhood Policy South countries, they faced with the lower possible impacts as a result of their lower degree of openness of their economies. Another important aspect that protected the ENP-South economies is their participation in the Gulf Cooperation Council.

From the following table we can observe that Algeria and Morocco have the greatest growth rates among the European Neighborhood South countries which at the same time have and the biggest population among the 10 countries of the EUROMED together with Egypt. As we can observe Egypt is the third one with a growth rate equal to 128% from 2001 to 2013. As far as the population growth is concerned Egypt is again the first country among the 10 with a biggest population growth.

Table 3.1 EU-ENP Bilateral Agreements

| ENP partner countries | Population (m.) | Previous agreements | ENP Country Report | ENP Action Plan | Adopted by EU | Adopted by country |
|-----------------------|-----------------|--------------------------------|--------------------------|--------------------------|---------------|--------------------|
| Algeria | 33 | AA – 2005 | <i>Under development</i> | <i>Under development</i> | -- | -- |
| Armenia | 3 | PCA – 1999 | March 2005 | <i>Under development</i> | -- | -- |
| Azerbaijan | 8 | PCA – 1999 | March 2005 | <i>Under development</i> | -- | -- |
| Belarus | 10 | -- | -- | -- | -- | -- |
| Egypt | 77 | AA – June 2004 | March 2005 | <i>Under development</i> | -- | -- |
| Georgia | 5 | PCA – 1999 | March 2005 | <i>Under development</i> | -- | -- |
| Israel | 6 | AA – June 2000 | May 2004 | Agreed end 2004 | 21.02.2005 | 11.04.2005 |
| Jordan | 6 | AA – May 2002 | May 2004 | Agreed end 2004 | 21.02.2005 | 11.01.2005 |
| Lebanon | 4 | AA - <i>imminent</i> | March 2005 | <i>Under development</i> | -- | -- |
| Libya | 6 | -- | -- | -- | -- | -- |
| Moldova | 4 | PCA - July 1998 | May 2004 | Agreed end 2004 | 21.02.2005 | 22.02.2005 |
| Morocco | 33 | AA - March 2000 | May 2004 | Agreed end 2004 | 21.02.2005 | 27.07.2005 |
| Palestinian Auth | 4 | Interim AA - July 1997 | May 2004 | Agreed end 2004 | 21.02.2005 | 04.05.2005 |
| Russia | 143 | PCA – December 1997 | - | - | - | - |
| Syria | 18 | AA <i>pending ratification</i> | -- | -- | -- | -- |
| Tunisia | 10 | AA – March 1998 | May 2004 | Agreed end 2004 | 21.02.2005 | 04.07.2005 |
| Ukraine | 47 | PCA – March 1998 | May 2004 | Agreed end 2004 | 21.02.2005 | 21.02.2005 |

Source: WTO / Authors' elaboration

3.1.1 Algeria

Algeria as an important trading partner for EU in the Mediterranean region. Algeria is a country of about 39,2 million inhabitants (see Table 2.1). Due to its abundant hydrocarbon revenues and low trade and financial integration, experienced a strong resilience with stable GDP growth rates, in the weaker global economic

environment (Commission, 2013). Algeria was benefited by the high hydrocarbon prices since 2010, as one of the major oil and gas exporters. This fact gave her the opportunity to maintain a solid GDP growth and recover from the global financial crisis. But despite the significant success in the macroeconomic level, Algeria must promote important structural reforms (Commission, 2013).

Algeria has signed the 'Association Agreement' setting out the framework for EU-Algeria bilateral relations in all areas, from April 2002 and by September 2005 it had entered into force. In 2012 Algeria and the EU launched consultations on an Action Plan, but as Algeria isn't a member of the WTO (World Trade Organization) it cannot enter into force. Algeria with the strong support of the EU is now in the process of accession to the WTO.

Algeria receives financial assistance as a partner of the European Neighborhood Policy from the EU to support its economy. For the period from 1995-2006 under the MEDA I and II programmes, the financial aid from EU amounted about 500€ million and 2,2 € billion was the amount of loans from the European Investment Bank (Commission, 2007). For the period from 2011 to 2013 the amount of financial assistance was 172€ million, and was covering the sectors of Sustainable Development and Economic Growth and Employment (Commission, 2007).

For the present period from 2014-2017 the Single Support Framework (SSF) has been drafted and amounts about 121€ to 148€ million financial aid for the 1st period (Commission, 2014). It focuses on justice reforms, labor market and employment as well as on management and the diversification of the Algerian economy (Commission, 2014).

3.1.2 Egypt

Egypt is a major trade partner in the Mediterranean region for the EU. Total population of Egypt is about 82 million and its EU's major trade partner mainly in fuel and mining products whereas Egypt imports mainly machinery and transport equipment from EU (European Union, 2015).

Egypt and EU have signed the Association Agreement which came into force in 2004 (Center, n.d.). EU except from the close trade relations supports democratic and social reforms, economic modernization and is in close cooperation for migration issues with Egypt.

From June 2013 EU and Egypt have begun conversations on how to deepen trade and investment relations, through the negotiation of a Deep and Comprehensive Free Trade Agreement (DCFTA) (Center, n.d.). Egypt already has a signed a Free Trade Agreement with EU and it has access to EU market through the Generalized System of Preferences (GSP) scheme from January 2014 and is also member of the World Trade Organization (WTO) (Anon., 2014).

3.1.3 Israel

Trade relations between EU and Israel are based on the EU-Israel Association Agreement which entered into force in June 2000 (Commission, 2004) (Commission, 2004) and it is the legal base for the EU-Israel Action Plan that was entered into force in April 2005 (Policy, 2005). Except from a free trade agreement the EU-Israel Association Agreement it enables also regular dialogue in a wide variety of fields such as promoting peace, stability and prosperity of the Mediterranean neighbor (Commission, 2004). Total population of Israel amounts about 8 million inhabitants. EU and Israel have also signed an Action Plan in February 2005 which helped to strengthen the bilateral relations and gradually integrate Israel into European policies and programmes (European Union, 2015).

Israeli economy, despite the global economic crises, shows relatively good performance in terms of growth. It's GDP, which remains above the average for the rest of the Mediterranean region (see Table 2.1), decelerated in 2012 but accelerated in 2013. Israel is party (with developing country status) to the WTO's Government Procurement Agreement (Center, n.d.).

3.1.4 Jordan

Jordan is a country of almost 6,5 million inhabitants. The legal basis of the relationship between EU and Jordan was the Association Agreement that was entered into force in May 2002 (Communities, 2002). The Action Plan, which was adopted in January 2005, aimed at encouraging and supporting Jordan's national reform objectives and further integration into European economic and social structures (Communities, 2005).

Jordan's economic conditions are worsening since 2011 due to domestic events related to Arab Spring and the weaker global economy. Its GDP is one of the lowest in the whole ENP South countries and it still remains below the average (see Table 2.1). The higher international energy prices and the repetitive disruptions to the flow of

natural gas from Egypt, forced Jordan to seek for more expensive fuels to replace gas imports from Egypt, and therefore put a drag on growth. The situation deteriorated even more from the lower FDI (Federal Direct Investment) inflows and the inflow of refugees due to Syria political crisis.

3.1.5 Lebanon

The Euro-Mediterranean Association Agreement between EU and Lebanon entered into force in 2007 with both parties share the commitment to democracy and human rights, as well as common political and economic interests (Union, 2002). Further cooperation and integration into European economic and social structures achieved through the first Action Plan between EU and Lebanon entered into force in 2007 (Union, 2005). For the present period a new Action Plan has been signed between the two parties aiming at encouraging and supporting Lebanon's national reform objectives, and differentiates from the previous one in the operational character of the second Action Plan, with the focus being limited on jointly identified priority objectives (Union, 2013).

During the economic crisis of 2009 the Lebanese economy performed really well by experiencing GDP growth of about 8% in 2009 and 2010 as well. EU is Lebanon's top trade partner, with the trade balance being in favor of EU.

3.1.6 Libya

Libya remains outside of most of the structures of the ENP as hasn't signed so far any Association Agreement with the EU. The negotiations for a Framework Agreement between EU and Libya have started from November 2008 with the aim to include a Free Trade Agreement covering trade in goods, services and investment. However, following the events in 2011 in Libya, negotiations were suspended in 2011 without concluding to a Free Trade Agreement with EU. Libya despite the absence of a Free Trade Agreement with the EU is eligible for funding under the new European Neighborhood Instrument (ENI) with the total EU's programme in Libya standing by now to €108 million (Center, n.d.).

Libya is a country of 6,5 million inhabitants and its GDP is deteriorating every year due to mainly the political instability in the country. Libya is a fundamental trade partner for EU, with its exports to EU are dominated by energy, in particular petroleum and petroleum products.

Libya has only observer status in the Barcelona process and the Euromed partnership (Center, n.d.).

3.1.7 Morocco

Morocco is a Mediterranean country of more than 33 million inhabitants and its GDP from 55154 million in 2003 raised to almost 85000 million in 2013 mainly because of the close trade relations with the EU in machinery and transport equipment.

Morocco's fundamental relations with EU emphasize on close economic modernization, migration issues and cooperation on democratic reforms, and are based on the Association Agreement that entered into force in 2000, and the implementation of the Action Plan on the 2005 replaced by a new one which was adopted in 2013 (Center, n.d.). The same year through the adoption of the new Action Plan, negotiations started on the launch of a Deep Comprehensive Free Trade Area between EU and Morocco (Center, n.d.).

EU is Morocco's basic trading partner with total trade amounting about €27 billion in 2013. Morocco is importing mainly machinery, transport equipment, fuels and chemicals from EU, whereas it exports to EU machinery, agricultural products and clothing.

3.1.8 Palestine

Palestine is a country of 4,2 million inhabitants and its GDP almost double since 2003 and was amounting 6004million US\$ in 2013. Due to difficult economic situation and restrictions on movement and access of goods trade with EU is very limited.

EU and Palestine have signed since 1997 an Association Agreement on Trade and Cooperation which provides duty-free access to EU markets Palestinian industrial goods, and phase-out of tariffs on EU exports to Palestine over 5 years. One more bilateral agreement on further liberalization of agricultural products entered into force in 2012 between the two partners (Center, n.d.).

Palestine exports to EU are very low and consists mainly of agricultural products, whereas exports of EU to Palestine are composed mainly of machinery, chemicals and transport equipment.

Palestine is one of the partners in the Euro-Mediterranean Partnership that promotes economic integration and democratic reform. EU believes that greater trade with Europe will offer economic growth and stability to Palestine and works closely with Israel to improve Palestinian access to international markets although the difficult

nature of relations with Israel makes it hard for Palestine to achieve greater economic integration with its neighbors.

3.1.9 Syria

The first legal bases of EU-Syria relations dates back in 1977 with the Cooperation Agreement. In 2011 EU and Syria further suspended their bilateral cooperation programme under the European Neighborhood Policy. In 2013 EU adopted a joint communication (European Union , 2013) that sets out a comprehensive EU approach, in response to the conflict and its consequences in Syria.

EU and Syria has also negotiated an Association Agreement, however the signature has been put on hold due to the internal situation in Syria.

EU is the fourth trading partner for Syria after Iraq, Saudi Arabia and U.A. Emirates. Exports of EU to Syria consist mainly of agricultural products and machinery and transport equipment as well as chemicals. On the other hand Syria exports to Europe fuels and mining products.

Syria's total population is about 23 million inhabitants whereas its GDP in 2003 amounted 25,5 million US \$ deteriorating year by year due to its political situation and restrictions implied by the EU towards its exports.

3.1.10 Tunisia

Tunisia was the first Mediterranean country to sign in 1995 Association Agreement with the EU. Under this agreement tariff dismantling was completed in 2008, with the resulting Free Trade Area, the first between the EU and a Mediterranean partner (Center, n.d.).

In 2013 total trade of Tunisia with EU amounts approximately €20,5 billion. Tunisia exports to EU dominated by machinery and transport equipment whereas EU exports to Tunisia fuels, chemicals as well as machinery and transport equipment.

Tunisia's population in 2013 was almost 11million inhabitants and its total GDP amounted 43336 million US\$.

3.2 ENP- East Region

Since the 24 enlargement process in Europe, developed an even deeper relationship with EU neighbors as I said above. Except from the Euromed, that I already I have analyzed, and its aimed was to bring the South neighbors closer and support them, Europe developed also dialogue with its Eastern neighbors. Six of them are Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine which participated in one of the newest EU's external relations policies, the Eastern Partnership and the European Neighborhood Policy. Each of them except from Belarus has a Partnership and Cooperation Agreement that serves as a political and legal framework for cooperation. All of the previous mentioned countries participate in the European Neighborhood and Partnership Instrument, the financial toolbox that turns decisions taken on a political level into actions on the ground (Center, n.d.). Each of the states except from Belarus has also signed an Action Plan that lays out the strategic objectives.

The ENPI that replaced the TACIS programme, is the instrument that funds each partner countries depending on their needs and absorption capacity, as well as their implementation of agreed reforms (Center, n.d.).

3.2.1 Armenia

EU-Armenia bilateral agreement on the basis of Partnership and Cooperation Agreement, including Deep and Comprehensive Free Trade Area, are in force since 1999 (Center, n.d.).

Armenia is a country that counts 2,976 million inhabitants and its GDP almost doubled since 2003, being approximately 7 million US\$. EU is Armenia's main trading partner, accounting for about 29,7% of Armenia's total trade.

EU's exports to Armenia consist mainly from machinery and transport equipment, whereas Armenia exports to EU manufactured goods, crude materials, beverages and tobacco.

3.2.2 Azerbaijan

Azerbaijan is a member of the Partnership and Cooperation bilateral agreement with EU since 1999, providing a legal framework in areas of political dialogue, trade, investment and economic and cultural cooperation. In 2006 an Action Plan was adopted between EU and Azerbaijan aiming in further cooperation between the two partners (Center, n.d.).

EU is Azerbaijan's main trading partner, accounting for about 42,4% of Azerbaijan's total trade, consisting mainly of mineral fuels, machinery and transport equipment. On the other hand, EU exports to Azerbaijan are dominated by machinery and transport equipment and Azerbaijan is still being one of the biggest EU's import and export market.

Country's total population counts something more than 9 million inhabitants whose GDP per capita in 2013 was about 3253 \$, being one of the higher after Belarus among the 6 ENP East partners.

3.2.3 Belarus

Belarus is an eastern border partner of EU of about 9,5 million inhabitants and its GDP in 2013 was 46511 million US\$.

EU has frozen negotiations for a bilateral Partnership and Cooperation Agreement due to its lack of commitment to democracy, political and civil rights, as a result their bilateral trade and economic relations remain covered by the Trade and Cooperation Agreement signed by EU and Soviet Union in 1989 (Center, n.d.).

EU is Belarus' second main trade partner mainly in mineral fuels, chemicals and agricultural products, whereas EU exports machinery and transport equipment to Belarus. Their bilateral trade the last years has been growing steadily over the past years.

3.2.4 Georgia

Georgia and EU are engaged in a close political association and economic integration with Georgia being one of the main priority countries in European Neighborhood Policy and Eastern partnership. EU supports Georgia's efforts towards overcoming internal conflicts in South Ossetia and Abkhazia.

Georgia has been a member of the World Trade Organization since 2000, and since 2014 has also signed with EU bilateral Association Agreement which introduces a preferential trade regime- the Deep and Comprehensive Free Trade Area (DCFTA) (Center, n.d.).

EU is the main trade partner of EU followed by Turkey and Azerbaijan. Key export products of Georgia are mainly mineral and agricultural products, whereas EU exports to Georgia machinery, chemical products and transport equipment.

Georgia amounts 4,5 million inhabitants in 2013 with their per capita GDP being in 2013 2160\$ raised significantly from 1277 US\$ that was in 2003.

3.2.5 Republic of Moldova

An Association Agreement signed in 2014 between Moldova and EU, introduces a preferential trade regime- the Deep and Comprehensive Free Trade Area aiming in deeper economic integration between the two partners (Center, n.d.).

Moldova is a country of 3,5 million inhabitants, with their per capita GDP almost doubled since 2003 to 2138\$ in 2013.

EU remains the biggest trade partner for Moldova, as 46,4% of its total trade takes place with EU, followed by Russia and Ukraine. On the other hand Moldova's exports to EU accounts only 0,1% of its overall imports. Moldova is exporting mainly textiles, machinery, appliances and agricultural products, whereas its imports from EU machinery, mineral products and transport equipment.

3.2.6 Ukraine

EU and Ukraine signed as part of their Association Agreement the Deep and Comprehensive Free Trade Area on 27 June 2014 and granted preferential access for Ukraine products to the EU market, in response to the security, political and economic challenges that the country is facing (Center, n.d.).

Ukraine's population amounts almost 45,5 million inhabitants, being the biggest in population East partner country for EU and second after Egypt among the European Neighborhood Policy countries. Its GDP amounts 97,2 million US\$ in 2013 which is the higher among the East Partnership countries.

EU is Ukraine's major trade partner accounting for more than a third of its trade. Main Ukraine's exports to EU are raw materials, chemical products and machinery. On the other hand, Europe exports to Ukraine mainly machinery, transport equipment and chemicals.

Table 3.2 Macroeconomic and Demographic Data

| | GDP (m.\$;2005) | | GDP p.c.(\$/inh;2005) | | GDP p.c. annual growth(%) | | POP TOTAL | |
|----------------------|--------------------|--------------------|-----------------------|-------|---------------------------|--------|------------------|------------------|
| | 2003 | 2013 | 2003 | 2013 | 2003 | 2013 | 2003 | 2013 |
| Algeria | 93432 | 127191 | 2831 | 3244 | 5,80 | 0,90 | 33003442 | 39208194 |
| Egypt, Arab Rep. | 82472 | 128545 | 1188 | 1567 | 1,51 | 0,44 | 69432477 | 82056378 |
| Israel | 128830 | 196167 | 19258 | 24340 | -0,73 | 1,34 | 6689700 | 8059500 |
| Jordan | 10721 | 18445 | 2076 | 2855 | 1,62 | 0,57 | 5164000 | 6460000 |
| Lebanon | 19285 | 32347 | 5226 | 7241 | -1,64 | -0,06 | 3690110 | 4467390 |
| Libya | 38349 | 37986 | 7072 | 6125 | 11,29 | -11,55 | 5422612 | 6201521 |
| Morocco | 55154 | 84972 | 1841 | 2531 | 5,24 | 2,81 | 29586937 | 33008150 |
| Syrian Arab Republic | 25420 | ... | 1470 | .. | -1,17 | .. | 17298476 | 22845550 |
| Tunisia | 29442 | 43336 | 2992 | 3981 | 4,41 | 1,49 | 9839800 | 10886500 |
| West Bank and Gaza | 3998 | 6041 | 1267 | 1449 | 6,45 | -7,24 | 3154969 | 4169506 |
| ENP SOUTH TTL | 487103 | 675031 | | | | | 183282523 | 217362689 |
| Armenia | 3896 | 6875 | 1283 | 2310 | 14,45 | 3,24 | 3036032 | 2976566 |
| Azerbaijan | 9509 | 30631 | 1155 | 3253 | 10,36 | 4,44 | 8234100 | 9416801 |
| Belarus | 24777 | 46511 | 2529 | 4914 | 7,79 | 0,87 | 9797000 | 9466000 |
| Georgia | 5526 | 9692 | 1277 | 2160 | 11,78 | 3,40 | 4328900 | 4487200 |
| Moldova | 2588 | 4043 | 716 | 1136 | 6,90 | 8,93 | 3612874 | 3558566 |
| Ukraine | 74824 | 97269 | 1565 | 2138 | 10,29 | 2,11 | 47812950 | 45489600 |
| ENP EAST TTL | 121120 | 195021 | | | | | 76821856 | 75394733 |
| Austria | 299931 | 349515 | 36931 | 41217 | 0,27 | -0,36 | 8121423 | 8479823 |
| Belgium | 367143 | 420483 | 35383 | 37601 | 0,47 | -0,21 | 10376133 | 11182817 |
| Bulgaria | 25951 | 34928 | 3317 | 4808 | 5,96 | 1,63 | 7823557 | 7265115 |
| Croatia | 41891 | 44922 | 9435 | 10556 | 5,56 | -0,66 | 4440000 | 4255700 |
| Cyprus | 15695 | 17805 | 21716 | 20517 | 0,18 | -5,82 | 998142 | 1141166 |
| Czech Republic | 121737 | 154008 | 11942 | 14648 | 3,63 | -0,73 | 10193998 | 10514272 |
| Denmark | 251625 | 265136 | 46679 | 47220 | 0,12 | -0,90 | 5390574 | 5614932 |
| Estonia | 12013 | 15892 | 8764 | 12057 | 8,16 | 1,99 | 1370720 | 1317997 |
| Finland | 191388 | 212607 | 36713 | 39090 | 1,75 | -1,66 | 5213014 | 5438972 |
| France | 2109964 | 2351943 | 33899 | 35668 | 0,11 | -0,16 | 62242474 | 65939866 |
| Germany | 2804399 | 3161936 | 33979 | 39205 | -0,78 | -0,17 | 82534176 | 80651873 |
| Greece | 233895 | 201026 | 21228 | 18229 | 6,30 | -2,74 | 11018324 | 11027549 |
| Hungary | 102414 | 113124 | 10110 | 11434 | 4,08 | 1,80 | 10129552 | 9893899 |
| Ireland | 190348 | 217268 | 47628 | 47257 | 1,29 | -0,06 | 3996521 | 4597558 |
| Italy | 1807415 | 1759566 | 31536 | 29212 | -0,29 | -3,06 | 57313203 | 60233948 |
| Latvia | 13346 | 17845 | 5833 | 8866 | 8,24 | 5,23 | 2287955 | 2012647 |
| Lithuania | 22540 | 31185 | 6600 | 10544 | 11,15 | 4,30 | 3415213 | 2957689 |
| Luxembourg | 33888 | 43202 | 75034 | 79509 | -0,03 | -0,34 | 451630 | 543360 |
| Malta | 5798 | 7084 | 14548 | 16732 | -0,52 | 1,95 | 398582 | 423374 |
| Netherlands | 645556 | 720788 | 39787 | 42893 | -0,21 | -1,02 | 16225302 | 16804432 |
| Poland | 279624 | 415427 | 7319 | 10786 | 3,63 | 1,72 | 38204570 | 38514479 |
| Portugal | 192314 | 190475 | 18388 | 18215 | -1,31 | -0,81 | 10458821 | 10457295 |
| Romania | 87143 | 121236 | 4039 | 6067 | 5,92 | 3,90 | 21574326 | 19981358 |
| Slovak Republic | 55900 | 83211 | 10403 | 15371 | 5,48 | 1,32 | 5373374 | 5413393 |
| Slovenia | 33489 | 38396 | 16780 | 18639 | 2,78 | -1,13 | 1995733 | 2059953 |
| Spain | 1081462 | 1172453 | 25635 | 25150 | 1,34 | -0,90 | 42187645 | 46617825 |
| Sweden | 362708 | 437303 | 40489 | 45551 | 2,01 | 0,64 | 8958229 | 9600379 |
| United Kingdom | 2290071 | 2578691 | 38393 | 40225 | 3,82 | 1,08 | 59647577 | 64106779 |
| EU TOTAL | 13679647,88 | 15177452,35 | | | | | 492340768 | 507048450 |

Sources: WTO / Authors' elaboration

4 The Geography of Trade Relations

4.1 Methodological Framework

In the present paper I will try through the estimation of a series of trade indicators, and the consequent descriptive statistical analysis of the findings derived, to provide a basis of EU-ENP trade relations. There is a plethora of trade indicators as the handbook of commonly used trade indicators offered by Mikic and Gilbert, 2009 (Mikic & Gilbert, 2007), indicate, among which I choose the most representative (to present trade relations between EU and ENP countries) and reliable of them, as a basis for my empirical research. The indicators I choose are: i) Index of Export/Import Shares ii) the Index of Trade Balance, iii) the Index of Trade Openness, iv) the Index of Trade Intensity and v) the Index of Revealed Comparative Advantage.

In particular the Index of Export / Import Shares (Box 1) is the share of a country's total exports/imports to the world's total exports/imports (Mikic & Gilbert, 2007). This ratio is used to assess changing world market share of a country over time. More significantly is the country's under consideration exports/imports to a partner economy as a percentage of the country's total exports/imports to the world. The Index of export/import share takes values from 0 (for no export/import activity) to 100 for trade activity only with the partner country under consideration.

Equation 1 Index of Export / Import Shares

$$IMS = \frac{MV_{cp,t}}{MV_{wp,t}} \times 100 \quad IXS = \frac{XV_{cp,t}}{XV_{cw,t}} \times 100$$

MV= import values

XV= export values

c = country under consideration

w = world economy

p = partner economy

t = year under consideration

IMS and IXS takes values in the interval [0,100], from no trade with a partner country to trade only with partner country

The Index of Trade Balance (Box 2) is defined as the difference between exports and imports presented in millions of dollars. The Index of Trade Balance is also known

as Index of Net Exports. More specifically I will assess the difference, in value terms, between the exports and imports of each ENP country under consideration with each trade partner, in terms of GDP. A positive balance (i.e. exports higher than imports) indicate a trade surplus, whereas a negative balance (i.e. imports higher than exports) indicate a trade deficit.

Equation 2 Index of Trade Balance

$$ITB_{c,p,t} = XV_{c,p,t} - MV_{c,p,t}$$

XV = export values

MV = import values

c = the country under consideration

p = partner country

t = year under consideration

ITB takes values from $-\infty$ to $+\infty$, values greater than 0 indicate positive trade balance, whereas values lower than 0 indicate negative trade balance

The Index of Trade Openness (Box 3), also called Index of Trade Dependence is measured by the exports and imports sum as percentage of nominal Gross Domestic Product. The Index of Trade Openness is utilized to measure how open is the economy of the EU (ENP) counterparts to each ENP (EU) country under consideration, in terms of GDP (Mikic & Gilbert, 2007). This index takes its minimum value (i.e.) when the economy of the country under consideration is totally closed. On the other hand, it takes its higher values when the economy of the country under consideration is perfectly open to each partner economy.

Equation 3 Index of Trade Openness

$$ITO_{c,p,t} = \frac{XV_{c,p,t} + MV_{c,p,t}}{GDP_{c,t}}$$

XV = export values

MV = import values

GDP = Gross Domestic Product

c = country under consideration

p = partner economy

t = year under consideration

ITO takes values greater than (or equal to) 0, from no openness with a partner country to perfect openness with a partner country

The Index of Trade Intensity (Box 4) is used to determine the level integration of two partner countries under consideration or to the world economy. It is defined as the share of one's country's exports to a partner divided by the share of world exports going to the partner (Mikic & Gilbert, 2007) (PETRAKOS, et al., 2013). The index is expressed as the percentage share of the bilateral trade between two countries in relation to the total trade of the country under consideration. The index takes its minimum value when no trade activity takes place between the country under consideration and its partner, whereas it takes its maximum value when the economy of the country under consideration has trade transactions only with its partner country.

Equation 4 Index of Trade Intensity

$$ITI_{c,p,t} = \frac{XV_{c,p,t} + MV_{c,p,t}}{XV_{c,w,t} + MV_{c,w,t}} \times 100$$

XV = export values

MV = import values

c = country under consideration

w = world economy

t = year under consideration

ITI takes values in the interval [0,100], from no trade with a partner country to trade only with partner country

In the light of an increasingly comparative international environment, it is useful to examine where ENP's comparative advantage lies. Comparative advantage is the term used to describe the tendency for ENP countries to export those commodities which they are relatively adept at producing, vis-à-vis the rest of the world, or Europe in our case. In other words, if an ENP country can produce a good at a lower relative cost than a European Union or another ENP country, than with trade, that country should devote more of its scarce resources to the production of that particular product. The index of revealed comparative advantage (Equation 5) basically measures normalized export shares, with the respect to the exports of the same industry in a group of reference countries. More significantly these index intensifies a country's strong and more

resilient sectors⁵. In my research I will estimate the revealed comparative index in 6 specific sectors of each ENP country against EU counterparts. When the index takes values greater than 1, a comparative advantage is revealed, whereas if the value of the index is below 1 the country under consideration has a comparative disadvantage.

Products are being categorized in 6 sectors (see Table 6.4)

Equation 5 Index of Revealed Comparative Advantage

$$RCA_{c,p,i,t} = \frac{\frac{XV_{c,p,i,t}}{XV_{c,p,t}}}{\frac{XV_{p,i,t}}{XV_{p,t}}}$$

XV = exports values

c = country under consideration

p = partner economy

t = year under consideration

i = sector under consideration

RCA takes values greater than (or equal to) 0, values greater than 1 indicate relatively better exporting performance and a possible comparative advantage

4.2 Trade Activity of Neighboring Countries, by origin and destination

During the last thirteen years that I have studied, the trade relation between EU and ENP's have been stable and trade relations even deteriorated especially with the ENP-South partners. But prior to analyzing the results of the import and export share indexes is worth stating that, in case of Azerbaijan, Syria and Libya due to lack of the appropriate data of imports and exports in 2001 and 2013, I will use the more representative period in order to draw the most reliable results.

⁵ See the appendix, for analytical product sector.

4.2.1 Estimation of exports and imports shares of ENP's with EU, US, BRICS and Intra-ENP.

From Table 3.1 of ENP's export shares with their partners we can clearly observe Armenia's exports to EU raised about 7% during these period whereas Azerbaijan decreased its exports to EU for about 23% of its total exports, whereas its exports to US raised about 6% and quadruple its exports to BRICS. This means that BRICS economy is significantly important for Azerbaijan, especially for the mineral fuels that Azerbaijan is mainly exporting. Belarus remained stable during the period from 2001 to 2013 towards most of its importers except from the Intra ENP partners that its exports doubled. The same we can observe also for Georgia that half of her exports in 2013 was for its ENP-East partners. Georgia's economy as we already said above is specialized in non-fuel primary commodities and labor intensive and resource based products, which are the main value of its exports during the above period. Especially non-fuel primary commodities value of exports has almost doubled from 2001 to 2013. Ukraine doesn't face any significant changes in its volume of exports during this period whereas Ukraine faces a significant decrease in its exports from 2001 to 2013, mainly because of the unstable political conditions that faced during the last 3 years. But even its problems, Ukraine follows the trend that all of her ENP-East partners face, a raise in the exports towards Intra-ENP neighbors, and also towards BRICS. Ukraine as we said already above is specialized mainly in non-fuel primary commodities exports and mineral fuels whose exports from 778589 thousand US dollars in 2001 raised to 1048400 thousand US dollars in 2013. The raise in export values that Ukraine experienced during this period is impressive.

Table 4.1 Export Shares (%) of ENP's in 2001 to 2013

| ENP countries | EU28 | | Non - EU | | US | | BRICs | | Intra-ENP Neighbors | | Total - World | |
|--|--------------|--------------|-------------|-------------|--------------|-------------|--------------|--------------|---------------------|--------------|---------------|---------------|
| | 2001 | 2013 | 2001 | 2013 | 2001 | 2013 | 2001 | 2013 | 2001 | 2013 | 2001 | 2013 |
| ENP-EAST | | | | | | | | | | | | |
| Armenia | 27,41 | 34,69 | 7,12 | 2,09 | 15,33 | 6,03 | 17,22 | 27,36 | 7,20 | 6,74 | 100,00 | 100,00 |
| Azerbaijan (2001-12) | 71,71 | 48,39 | 7,03 | 2,53 | 0,59 | 6,72 | 3,50 | 12,74 | 4,80 | 2,81 | 100,00 | 100,00 |
| Belarus | 28,94 | 28,48 | 0,62 | 1,26 | 1,04 | 0,23 | 57,01 | 47,51 | 6,36 | 12,67 | 100,00 | 100,00 |
| Georgia | 19,60 | 20,90 | 27,24 | 6,43 | 2,75 | 4,69 | 25,03 | 7,94 | 11,19 | 43,77 | 100,00 | 100,00 |
| Moldova | 32,14 | 47,62 | 0,34 | 2,17 | 4,52 | 1,05 | 43,80 | 26,65 | 15,62 | 11,13 | 100,00 | 100,00 |
| Ukraine | 35,51 | 26,47 | 7,58 | 6,74 | 3,45 | 1,41 | 26,38 | 31,55 | 3,82 | 7,06 | 100,00 | 100,00 |
| TOTAL ENP-EAST | 35,88 | 34,43 | 8,32 | 3,54 | 4,61 | 3,35 | 28,82 | 25,62 | 8,17 | 14,03 | 100,00 | 100,00 |
| ENP-SOUTH | | | | | | | | | | | | |
| Algeria | 64,74 | 64,96 | 5,40 | 4,06 | 13,96 | 8,09 | 5,73 | 8,58 | 2,17 | 5,33 | 100,00 | 100,00 |
| Egypt | 33,13 | 28,16 | 2,38 | 6,54 | 8,32 | 4,11 | 7,87 | 11,00 | 10,49 | 15,57 | 100,00 | 100,00 |
| Israel | 28,50 | 27,60 | 2,49 | 5,98 | 38,24 | 26,58 | 4,77 | 10,94 | 0,38 | 0,40 | 100,00 | 100,00 |
| Jordan | 4,27 | 3,43 | 1,17 | 1,53 | 10,23 | 15,22 | 11,17 | 8,10 | 13,82 | 11,38 | 100,00 | 100,00 |
| Lebanon | 23,24 | 9,00 | 12,87 | 13,75 | 6,83 | 1,62 | 2,25 | 2,24 | 12,69 | 20,84 | 100,00 | 100,00 |
| Libya (2007-10) | 78,02 | 82,04 | 0,34 | 0,53 | 6,99 | 2,51 | 8,43 | 11,27 | 2,97 | 1,41 | 100,00 | 100,00 |
| Morocco | 73,40 | 60,59 | 1,32 | 3,23 | 3,87 | 4,23 | 5,79 | 12,48 | 2,50 | 3,12 | 100,00 | 100,00 |
| Syria (2001-10) | 70,94 | 40,48 | 9,17 | 5,61 | 1,26 | 3,52 | 0,88 | 1,51 | 8,16 | 13,86 | 100,00 | 100,00 |
| Tunisia | 80,22 | 71,33 | 1,65 | 5,36 | 0,96 | 2,33 | 1,81 | 1,62 | 6,25 | 9,69 | 100,00 | 100,00 |
| TOTAL ENP-SOUTH | 50,72 | 43,07 | 4,09 | 5,18 | 10,08 | 7,58 | 5,41 | 7,53 | 6,60 | 9,07 | 100,00 | 100,00 |
| TOTAL | 43,30 | 38,75 | 6,20 | 4,36 | 7,34 | 5,47 | 17,12 | 16,58 | 7,38 | 11,55 | 100,00 | 100,00 |
| BRICs include Brazil, Russia, India, China and South Africa | | | | | | | | | | | | |
| non-EU include European countries that are not member states of EU EXCEPT RUSSIA (διότι η Ρωσία είναι στην κατηγορία BRIC) | | | | | | | | | | | | |

Source: (The World Bank, 2015) /Author's elaboration

To sum up ENP-East countries despite the free trade and association agreements they signed with the EU and the demolition of barriers and tariffs they didn't experienced impressive changes to their exports to EU. The EU market remains unfamiliar and highly competitive for their products, whereas the trade with their Intra-ENP neighbors begins to flourish. This can be clearly a sign that their newly opened economies to the free trade, are vulnerable to the developed economies of its 28 EU neighbors, whereas trade with its relatively poor and developing neighbors is easier and safer to access and more profitable.

Table 4.2 Import Shares (%) of ENP's in 2001 to 2013

| ENP countries | EU28 | | Non - EU | | US | | BRICs | | Other ENP-South-East | | Total - World | |
|------------------------|--------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|----------------------|-------------|---------------|---------------|
| | 2001 | 2013 | 2001 | 2013 | 2001 | 2013 | 2001 | 2013 | 2001 | 2013 | 2001 | 2013 |
| ENP EAST | | | | | | | | | | | | |
| Armenia | 32,46 | 24,41 | 6,94 | 9,05 | 9,97 | 2,79 | 20,73 | 38,59 | 4,34 | 7,84 | 100,00 | 100,00 |
| Azerbaijan (2001-12) | 21,87 | 27,71 | 11,90 | 17,53 | 16,14 | 7,42 | 15,15 | 23,47 | 3,44 | 7,74 | 100,00 | 100,00 |
| Belarus | 21,32 | 24,42 | 1,10 | 2,35 | 1,59 | 1,34 | 67,02 | 59,71 | 3,90 | 5,22 | 100,00 | 100,00 |
| Georgia | 35,58 | 28,84 | 16,25 | 18,06 | 8,49 | 3,23 | 13,64 | 16,61 | 18,00 | 18,49 | 100,00 | 100,00 |
| Moldova | 48,67 | 45,03 | 4,15 | 8,39 | 3,14 | 1,34 | 18,78 | 23,96 | 21,47 | 15,34 | 100,00 | 100,00 |
| Ukraine | 30,64 | 35,13 | 2,32 | 4,41 | 2,80 | 3,60 | 39,18 | 42,15 | 3,16 | 5,23 | 100,00 | 100,00 |
| TOTAL ENP EAST | 31,76 | 30,92 | 7,11 | 9,97 | 7,02 | 3,29 | 29,08 | 34,08 | 9,05 | 9,98 | 100,00 | 100,00 |
| ENP SOUTH | | | | | | | | | | | | |
| Algeria | 61,44 | 52,15 | 5,30 | 5,01 | 10,37 | 4,32 | 5,41 | 19,77 | 1,64 | 3,31 | 100,00 | 100,00 |
| Egypt | 32,52 | 32,01 | 4,11 | 6,11 | 14,40 | 7,82 | 10,53 | 20,13 | 1,51 | 1,93 | 100,00 | 100,00 |
| Israel | 42,89 | 30,02 | 7,65 | 6,97 | 20,13 | 11,55 | 5,39 | 16,41 | 0,19 | 0,28 | 100,00 | 100,00 |
| Jordan | 33,06 | 21,75 | 3,76 | 5,99 | 8,13 | 6,32 | 8,75 | 18,60 | 6,18 | 6,33 | 100,00 | 100,00 |
| Lebanon | 44,48 | 39,38 | 7,96 | 8,51 | 7,08 | 7,07 | 12,94 | 18,65 | 6,98 | 5,41 | 100,00 | 100,00 |
| Libya (2007-10) | 28,30 | 31,53 | 7,53 | 11,04 | 6,32 | 5,27 | 13,86 | 14,48 | 9,76 | 6,27 | 100,00 | 100,00 |
| Morocco | 55,43 | 50,19 | 2,36 | 3,95 | 3,69 | 7,52 | 8,95 | 14,34 | 3,41 | 4,57 | 100,00 | 100,00 |
| Syria (2001-10) | 38,92 | 25,35 | 5,36 | 11,21 | 5,64 | 3,26 | 10,49 | 21,01 | 3,95 | 7,53 | 100,00 | 100,00 |
| Tunisia | 72,26 | 55,85 | 2,65 | 4,58 | 4,04 | 3,29 | 4,41 | 11,59 | 5,84 | 8,08 | 100,00 | 100,00 |
| TOTAL ENP SOUTH | 45,48 | 37,58 | 5,19 | 7,04 | 8,87 | 6,27 | 8,97 | 17,22 | 4,38 | 4,86 | 100,00 | 100,00 |
| ENP TOTAL | 38,62 | 34,25 | 6,15 | 8,50 | 7,94 | 4,78 | 19,03 | 25,65 | 6,72 | 7,42 | 100,00 | 100,00 |

Source: (The World Bank, 2015) /Author's elaboration

In the ENP-South partners we observe that they face similar trends to its East neighbors from 2001 to 2013. In particular most of the ENP-South countries has decreased their exports to EU, except Libya, that had a rise in its exports to EU of almost 4%, and Algeria that remained almost stable to its 2001 ratio. As total exports of the ENP-South it worth our attention the significant reduction of Lebanon exports to EU. From 23% in 2001, in 2013 only a 9% of Lebanese exports directed to EU, they raised about 8% towards their neighbors in the ENP-South district. Israel on the other hand except from a reduction in its exports to USA, its exports to the rest of the world and especially to Intra-ENP countries, where its ratio of exports almost doubled. Similar behavior experience and the rest of the remaining ENP countries as Tunisia, Syria, Morocco and Jordan, that except the last one who faces a raise of its exports to the BRICS, raised their exports ratio to their neighboring countries in the ENP district.

But is very important to observe as well the behavior of ENP imports. Who are the main suppliers of the ENP countries? ENP's raised its imports from 2001 to 2013, from the countries that belong to BRICS as well as from their ENP neighbors, whereas its imports from EU and US decreased. Both ENP East and South neighbors raised their imports from BRIC's, whereas decreased their imports from EU and USA. We can estimate that the ENP's economies are not so important for their suppliers' exports and their exports are directed to more profitable and emerging markets but to reach to a more reliable conclusions we have to study EU's buyers as well⁶.

4.2.2 Trade Openness of ENPs

Trade openness or index of trade dependence as it is also called measures the importance of trade with each partner country or group of countries, for the ENP countries or for each ENP partner under consideration.

⁶ I will try to estimate EU's exports and imports behavior more thoroughly in the next chapter of my research

Table 4.3 Index of Trade Openness

| INDEX OF TRADE OPENESS | | | | | | | | | | | | | | |
|------------------------------------|---------|---------|------------|---------|--------|---------|--------|--------|---------|---------|---------|--------|---------|---------|
| 2003 | ALGERIA | ARMENIA | AZERBAIJAN | BELARUS | EGYPT | GEORGIA | ISRAEL | JORDAN | LEBANON | MOLDOVA | MOROCCO | SYRIA | TUNISIA | UKRAINE |
| European Union (EU 28) Aggregation | 0,3343 | 0,2458 | 0,3712 | 0,3467 | 0,0641 | 0,1303 | 0,1988 | 0,1618 | 0,1722 | 0,4768 | 0,3070 | 0,2139 | 0,5266 | 0,3313 |
| BRICS | 0,0354 | 0,1095 | 0,0948 | 0,7292 | 0,0252 | 0,0788 | 0,0384 | 0,0850 | 0,0513 | 0,2657 | 0,0445 | 0,0333 | 0,0244 | 0,3067 |
| United States of America | 0,0828 | 0,0586 | 0,0270 | 0,0515 | 0,0159 | 0,0678 | 0,1468 | 0,1005 | 0,0463 | 0,0344 | 0,0165 | 0,0214 | 0,0116 | 0,0243 |
| INTRA-ENP | 0,0191 | 0,1282 | 0,0580 | 0,0142 | 0,0216 | 0,0266 | 0,0055 | 0,0892 | 0,0248 | 0,2396 | 0,0157 | 0,0562 | 0,0463 | 0,0594 |
| ROW | 0,5629 | 0,6794 | 0,7172 | 1,2063 | 0,2056 | 0,4015 | 0,5561 | 0,8569 | 0,4328 | 1,1069 | 0,4618 | 0,4967 | 0,6913 | 0,9193 |
| INDEX OF TRADE OPENESS | | | | | | | | | | | | | | |
| 2009 | ALGERIA | ARMENIA | AZERBAIJAN | BELARUS | EGYPT | GEORGIA | ISRAEL | JORDAN | LEBANON | MOLDOVA | MOROCCO | SYRIA | TUNISIA | UKRAINE |
| European Union (EU 28) Aggregation | 0,3190 | 0,1328 | 0,1861 | 0,3227 | 0,1120 | 0,1370 | 0,1454 | 0,1354 | 0,1906 | 0,3849 | 0,2918 | 0,0000 | 0,5202 | 0,2128 |
| BRICS | 0,0719 | 0,1506 | 0,0654 | 0,5259 | 0,0570 | 0,0556 | 0,0467 | 0,1330 | 0,0735 | 0,1743 | 0,0662 | 0,0000 | 0,0572 | 0,2390 |
| United States of America | 0,0902 | 0,0198 | 0,0454 | 0,0774 | 0,0384 | 0,1167 | 0,1100 | 0,0776 | 0,0528 | 0,0114 | 0,0300 | 0,0000 | 0,0221 | 0,0131 |
| INTRA-ENP | 0,0213 | 0,0416 | 0,0640 | 0,0096 | 0,0337 | 0,0207 | 0,0062 | 0,1113 | 0,0518 | 0,1497 | 0,0275 | 0,0000 | 0,0761 | 0,0769 |
| ROW | 0,6155 | 0,4462 | 0,4698 | 1,0135 | 0,3656 | 0,5108 | 0,4631 | 0,8582 | 0,5611 | 0,8386 | 0,5165 | 0,0000 | 0,7719 | 0,7260 |
| INDEX OF TRADE OPENESS | | | | | | | | | | | | | | |
| 2013 | ALGERIA | ARMENIA | AZERBAIJAN | BELARUS | EGYPT | GEORGIA | ISRAEL | JORDAN | LEBANON | MOLDOVA | MOROCCO | SYRIA | TUNISIA | UKRAINE |
| European Union (EU 28) Aggregation | 0,3402 | 0,1484 | 0,2066 | 0,2954 | 0,1083 | 0,1785 | 0,1365 | 0,1473 | 0,2018 | 0,4556 | 0,3481 | 0,0000 | 0,5458 | 0,2469 |
| BRICS | 0,0786 | 0,2003 | 0,0771 | 0,6070 | 0,0624 | 0,0961 | 0,0652 | 0,1380 | 0,0667 | 0,2464 | 0,0892 | 0,0000 | 0,0656 | 0,2955 |
| United States of America | 0,0367 | 0,0199 | 0,0337 | 0,1015 | 0,0334 | 0,1735 | 0,0889 | 0,0762 | 0,0647 | 0,0125 | 0,0418 | 0,0000 | 0,0254 | 0,0206 |
| INTRA-ENP | 0,0257 | 0,0483 | 0,0526 | 0,0092 | 0,0235 | 0,0242 | 0,0071 | 0,0728 | 0,0563 | 0,1486 | 0,0350 | 0,0000 | 0,0999 | 0,0785 |
| ROW | 0,5753 | 0,5487 | 0,4870 | 1,1227 | 0,3509 | 0,6687 | 0,4732 | 0,8750 | 0,5924 | 0,9945 | 0,6495 | 0,0000 | 0,8769 | 0,7908 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

As we can observe from the results derived from the calculation of Index of Trade Openness, ENP countries are not important trade partners for the majority of their neighbors as well as for the European Union countries as a whole. ENP's experience really no change to their trade dependency by their EU partners from 2001 to 2013. But we observe that during 2009 the majority of the ENP countries, except from Egypt, reduced their trade dependency from the European market economy. On the other hand most of the ENP's raised their dependency from the economies of the BRIC countries, especially Algeria, Armenia, Egypt, Israel, Morocco and Tunisia, whose trade openness index in 2013 almost doubled from that of 2001, with a slightly decrease during 2009, for some of them, probably as a result of the global economic crises, that caused trade to decrease during these period.

It is worth saying that both Belarus and Moldova are experience high rates of openness to the world economy, as their Trade Openness Index is above 2 units, which means that their sum of imports and exports are equal to twice the value of their GDP.

4.2.3 Trade Integration

The index of Trade Intensity is used to indicate the importance of EU trade counterparts in terms of the overall trade activity of each ENP. The results I have derived (Table 4.4), it's revealed that EU is the most important trade partner for the vast majority of the European Neighborhood Policy countries in 2003 as well as in 2013. Although the ratio of trade intensity with European Union is decreased during the period of the 10 years it EU still holds a significant share of ENP's trade flows. If we take a closer look we can observe that BRIC's begin to emerge as a new important trade partner for the majority of the European Neighborhood Policy countries, and especially for Armenia that her trade relations with the BRIC's almost doubled in the period of 10 years.

Table 4.4 Index of Trade Intensity

| INDEX OF TRADE INTENSITY | | | | | | | | | | | | | | |
|--------------------------|---------|---------|------------|---------|-------|---------|--------|--------|---------|---------|---------|-------|---------|---------|
| 2003 | ALGERIA | ARMENIA | AZERBAIJAN | BELARUS | EGYPT | GEORGIA | ISRAEL | JORDAN | LEBANON | MOLDOVA | MOROCCO | SYRIA | TUNISIA | UKRAINE |
| European Union (EU 28) | | | | | | | | | | | | | | |
| Aggregation | 59,39 | 36,19 | 51,76 | 28,74 | 31,18 | 32,45 | 35,75 | 18,89 | 39,79 | 43,07 | 66,47 | 43,07 | 76,18 | 36,03 |
| BRICS | 6,29 | 16,11 | 13,22 | 60,44 | 12,23 | 19,63 | 6,91 | 9,76 | 11,85 | 24,01 | 9,65 | 6,71 | 3,53 | 33,36 |
| United States of America | 14,71 | 8,62 | 3,77 | 1,18 | 10,52 | 6,61 | 26,40 | 11,72 | 5,73 | 3,11 | 3,58 | 4,32 | 1,68 | 2,64 |
| INTRA-ENP | 3,41 | 18,87 | 8,09 | 4,27 | 7,74 | 16,89 | 0,99 | 11,07 | 10,68 | 21,65 | 3,40 | 11,31 | 6,69 | 6,77 |
| ROW | 16,20 | 20,21 | 23,17 | 5,38 | 38,33 | 24,42 | 29,95 | 48,57 | 31,95 | 8,17 | 16,91 | 34,59 | 11,92 | 21,20 |
| 2009 | ALGERIA | ARMENIA | AZERBAIJAN | BELARUS | EGYPT | GEORGIA | ISRAEL | JORDAN | LEBANON | MOLDOVA | MOROCCO | SYRIA | TUNISIA | UKRAINE |
| European Union (EU 28) | | | | | | | | | | | | | | |
| Aggregation | 51,84 | 29,77 | 39,61 | 31,84 | 31,84 | 26,81 | 31,40 | 15,78 | 33,97 | 45,90 | 56,50 | 23,65 | 67,39 | 29,31 |
| BRICS | 11,69 | 33,75 | 13,92 | 51,89 | 51,89 | 10,88 | 10,08 | 15,32 | 13,10 | 20,79 | 12,83 | 12,52 | 7,41 | 32,92 |
| United States of America | 14,66 | 4,43 | 9,66 | 7,64 | 0,95 | 4,05 | 23,74 | 9,05 | 9,40 | 1,36 | 5,81 | 2,77 | 2,87 | 1,81 |
| INTRA-ENP | 3,60 | 9,33 | 13,62 | 0,95 | 7,64 | 22,85 | 1,33 | 13,47 | 9,23 | 17,85 | 5,33 | 18,72 | 9,86 | 11,17 |
| ROW | 18,22 | 22,73 | 23,19 | 39,52 | 39,52 | 35,40 | 33,44 | 46,37 | 43,53 | 14,10 | 19,54 | 42,33 | 12,47 | 54,10 |
| 2013 | ALGERIA | ARMENIA | AZERBAIJAN | BELARUS | EGYPT | GEORGIA | ISRAEL | JORDAN | LEBANON | MOLDOVA | MOROCCO | SYRIA | TUNISIA | UKRAINE |
| European Union (EU 28) | | | | | | | | | | | | | | |
| Aggregation | 59,14 | 27,04 | 42,43 | 26,31 | 30,85 | 26,70 | 28,85 | 16,83 | 34,63 | 45,81 | 53,59 | | 62,24 | 31,23 |
| BRICS | 13,67 | 36,50 | 15,84 | 54,07 | 17,79 | 14,38 | 13,78 | 15,58 | 16,08 | 24,77 | 13,73 | | 7,48 | 37,37 |
| United States of America | 6,38 | 3,62 | 6,92 | 0,82 | 6,70 | 3,62 | 18,79 | 8,71 | 6,22 | 1,25 | 6,44 | | 2,89 | 2,61 |
| INTRA-ENP | 4,60 | 8,81 | 10,80 | 9,05 | 9,51 | 25,95 | 1,51 | 8,80 | 10,21 | 14,94 | 5,39 | | 11,39 | 10,47 |
| ROW | 16,22 | 24,02 | 24,01 | 9,75 | 35,15 | 29,36 | 37,07 | 50,08 | 32,87 | 13,22 | 20,85 | | 16,00 | 18,33 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Noteworthy is also the fact that most the ENP-East neighbor countries have a great ratio of trade intensity relations with the BRIC's. This happens mostly due to intense trade relations with Russia, especially Belarus and Ukraine that it is obvious that their trade intensity with Russia is greater than that of Europe. Even in 2009, when their trade intensity with Europe decreased significantly, their trade relations with BRIC's remained stable or even raised in some cases.

The Intra-ENP trade intensity ratio we observe that it ranges in low rates, which means that ENP economic space is still fragmented, with weak demand-supply chain links.

4.2.4 Trade Balance: Significant World Trade Partners

Finally, index of trade balance or of net exports as it's also known, was negative for almost all of the ENP partners towards EU in 2013, except from Azerbaijan and Algeria that recorded a trade surplus.

Table 4.5 Index of Trade Balance

| INDEX OF TRADE BALANCE | | | | | | | | | | | | | | |
|------------------------------------|---------|---------|------------|---------|--------|---------|--------|--------|---------|---------|---------|-------|---------|---------|
| 2003 | ALGERIA | ARMENIA | AZERBAIJAN | BELARUS | EGYPT | GEORGIA | ISRAEL | JORDAN | LEBANON | MOLDOVA | MOROCCO | SYRIA | TUNISIA | UKRAINE |
| European Union (EU 28) Aggregation | 11,48 | -5,79 | 12,97 | 6,14 | -1,28 | -8,90 | -4,59 | -13,93 | -15,45 | -16,59 | -3,70 | 10,88 | -5,24 | 1,67 |
| BRICS | 1,02 | -4,12 | -4,85 | -14,66 | -0,98 | -3,30 | -0,61 | -3,74 | -4,82 | 4,67 | -2,06 | -2,93 | -1,64 | -7,95 |
| United States of America | 3,00 | -1,94 | -0,95 | -0,27 | -0,21 | -1,89 | 5,69 | -1,68 | -1,82 | -0,05 | -0,67 | -0,20 | -0,81 | 0,44 |
| INTRA-ENP | 0,00 | -1,11 | 1,93 | 0,20 | -0,91 | -2,76 | 0,01 | 2,96 | -2,47 | -12,97 | -0,80 | 0,16 | -0,60 | 4,04 |
| ROW | 16,81 | -20,17 | -0,48 | -9,05 | -5,71 | -17,03 | -2,05 | -25,23 | -28,10 | -30,90 | -10,95 | 2,84 | -10,65 | 0,09 |
| 2009 | ALGERIA | ARMENIA | AZERBAIJAN | BELARUS | EGYPT | GEORGIA | ISRAEL | JORDAN | LEBANON | MOLDOVA | MOROCCO | SYRIA | TUNISIA | UKRAINE |
| European Union (EU 28) Aggregation | 1,89 | -6,12 | 11,24 | 5,57 | -3,95 | -9,36 | -2,47 | -12,12 | -16,49 | -13,84 | -8,71 | | -2,94 | -5,04 |
| BRICS | -3,04 | -12,10 | -1,38 | -20,77 | -2,86 | -4,96 | -0,56 | -6,82 | -7,08 | -6,83 | -3,63 | | -3,79 | -4,80 |
| United States of America | 6,09 | -0,44 | 3,35 | -0,79 | 0,90 | -1,38 | 5,31 | -3,74 | -4,90 | -0,51 | -2,02 | | -1,31 | -0,89 |
| INTRA-ENP | 0,00 | -2,58 | 2,79 | 1,72 | -1,65 | -4,84 | 0,17 | -0,44 | -2,59 | -7,91 | -1,64 | | -0,09 | 4,12 |
| ROW | 4,33 | -28,80 | 19,35 | -14,76 | -10,97 | -30,02 | 0,28 | -32,37 | -36,28 | -36,68 | -20,69 | | -10,70 | -4,88 |
| 2013 | ALGERIA | ARMENIA | AZERBAIJAN | BELARUS | EGYPT | GEORGIA | ISRAEL | JORDAN | LEBANON | MOLDOVA | MOROCCO | SYRIA | TUNISIA | UKRAINE |
| European Union (EU 28) Aggregation | 6,77 | -5,08 | 12,89 | 0,29 | -4,87 | -10,31 | -1,07 | -13,11 | -18,05 | -16,77 | -9,06 | | -2,94 | -5,80 |
| BRICS | -2,47 | -12,33 | 1,12 | -10,86 | -3,68 | -6,75 | -1,53 | -9,99 | -8,73 | -8,53 | -3,61 | | -5,38 | -7,03 |
| United States of America | 1,41 | -0,29 | 1,29 | -0,68 | 0,03 | -0,73 | 3,23 | -2,25 | -3,24 | -0,61 | -2,39 | | -0,85 | -1,06 |
| INTRA-ENP | 0,00 | -2,83 | 2,84 | 3,41 | -1,48 | -1,34 | -0,03 | -0,46 | -2,06 | -7,82 | -2,10 | | -2,96 | 3,10 |
| ROW | 5,28 | -26,73 | 20,64 | -7,52 | -13,93 | -30,79 | -1,73 | -40,47 | -39,00 | -38,99 | -22,46 | | -15,29 | -7,70 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Each of the remaining ENP neighboring countries recorded trade deficits. However it's noteworthy the fact that ENP neighbor countries that trade mainly non-fuel primary commodities have negative trade balance with the EU. Trade balance ratio is obvious that from 2003 to 2013 deteriorates significantly for all ENP's with almost all their partners.

4.2.5 Revealed Comparative Advantage of ENP's

The index of revealed comparative advantage accentuate that a key-sector in the study for the ENP's trade relations is the sector of mineral fuels, oils and distillation products.

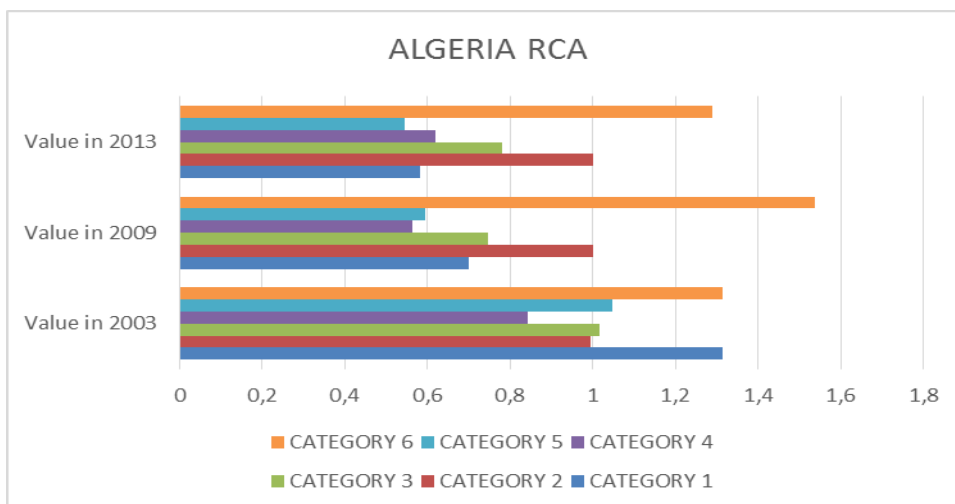
The period from 2003 to 2009 Algeria, Azerbaijan, Belarus, Egypt, Georgia, Libya, Moldova, Syria, Tunisia and Ukraine raised significantly their index of revealed comparative advantage on the mineral fuels, oil and distillation products against EU. Moreover during the same period Lebanon and Jordan revealed a comparative advantage in the non-fuel primary commodities sector. However, Algeria, Georgia, Lebanon and Libya exhibit their higher revealed comparative advantage in the sector of high skill, technology, capital and scale intensive sector, whereas Jordan, Ukraine and Morocco have during these period a revealed comparative advantage in the labor-intensive and resource-based sector.

Table 4.6 ALGERIA RCA INDEX

| Product label | Algeria's Revealed Comparative Advantage to European Union (EU 28) | | | |
|---------------|--|---------------|---------------|---------------|
| | | Value in 2003 | Value in 2009 | Value in 2013 |
| CATEGORY 1 | non-fuel primary commodities | 1,314423284 | 0,701169569 | 0,58325228 |
| CATEGORY 2 | Mineral fuels, oils, distillation products, etc | 0,995954794 | 1,000511944 | 1,001931937 |
| CATEGORY 3 | labour-intensive and resource-based | 1,01492113 | 0,746235611 | 0,78039418 |
| CATEGORY 4 | low skill-, technology-, capital- and scale-intensive | 0,842390118 | 0,563755739 | 0,61914535 |
| CATEGORY 5 | medium skill-, technology-, capital- and scale-intensive | 1,046905703 | 0,59582932 | 0,546071073 |
| CATEGORY 6 | high skill-, texhnology-, capital- and scale-intensive | 1,3143565 | 1,535837463 | 1,290427504 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Diagram 4-1 ALGERIA RCA INDEX



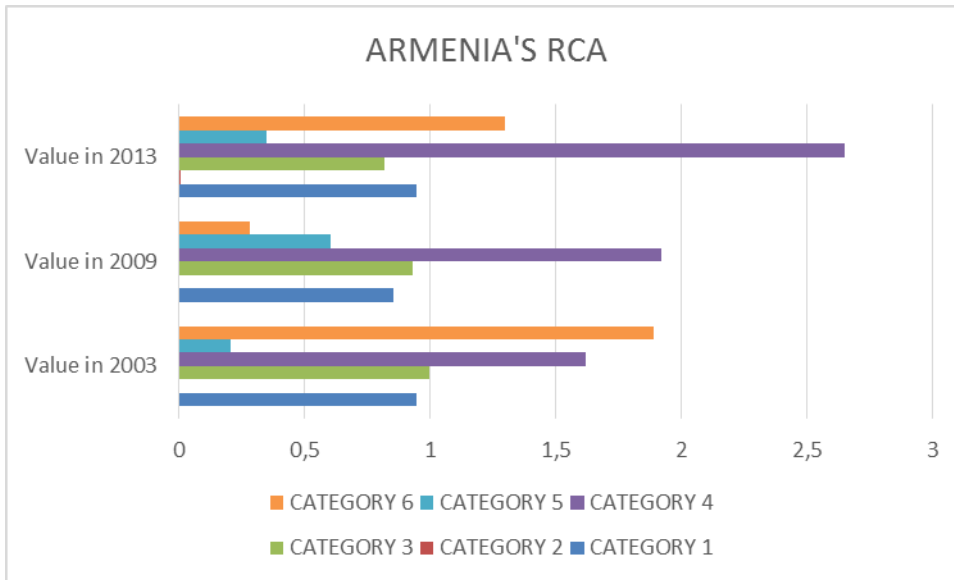
Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 4.7 ARMENIS RCA INDEX

| Product label | Armenia's Revealed Comparative Advantage to European Union (EU 28) | | | |
|---------------|--|---------------|---------------|---------------|
| | | Value in 2003 | Value in 2009 | Value in 2013 |
| CATEGORY 1 | non-fuel primary commodities | 0,944082746 | 0,852742673 | 0,947328351 |
| CATEGORY 2 | Mineral fuels, oils, distillation products, etc | 0 | 0 | 0,000391221 |
| CATEGORY 3 | labour-intensive and resource-based | 0,996724597 | 0,931095836 | 0,819223622 |
| CATEGORY 4 | low skill-, technology-, capital- and scale-intensive | 1,619821323 | 1,922693351 | 2,649953833 |
| CATEGORY 5 | medium skill-, technology-, capital- and scale-intensive | 0,205021003 | 0,605165292 | 0,346910396 |
| CATEGORY 6 | high skill-, texhnology-, capital- and scale-intensive | 1,892900558 | 0,282877463 | 1,298828554 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Diagram 4-2 ARMENIS RCA INDEX



Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

The period from 2009 to 2013 Algeria retained its comparative advantage in mineral fuels and oils sector, whereas despite the decrease in its ratio, Algeria managed to retain her comparative advantage on the high skill technology sector.

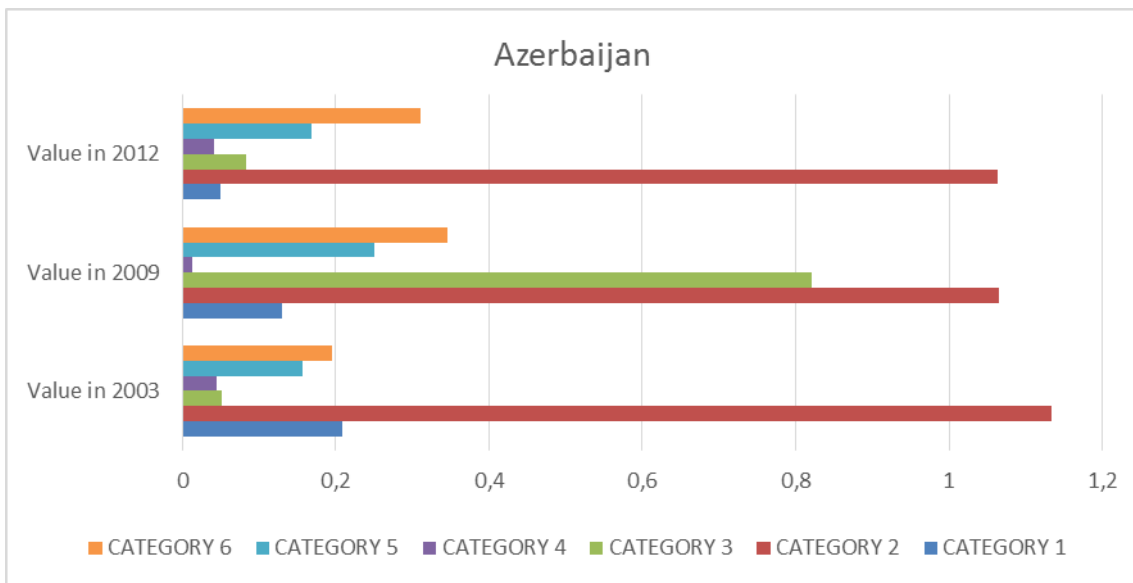
Similar behavior we can observe for Armenia, who despite the competitiveness disadvantage she faced during the period 2003-2009, regained her comparative advantage in both high and low technology sector, while revealing a better behavior with the second one.

Table 4.8 AZERBAIJAN RCA INDEX

| Product label | Azerbaijan's Revealed Comparative Advantage to European Union (EU 28) | | |
|--|---|---------------|---------------|
| | Value in 2003 | Value in 2009 | Value in 2012 |
| CATEGORY 1 non-fuel primary commodities | 0,208854847 | 0,129147829 | 0,04991023 |
| CATEGORY 2 Mineral fuels, oils, distillation products, etc | 1,134144066 | 1,065850431 | 1,063470805 |
| CATEGORY 3 labour-intensive and resource-based | 0,050900043 | 0,82125108 | 0,083264978 |
| CATEGORY 4 low skill-, technology-, capital- and scale-intensive | 0,044690177 | 0,012401943 | 0,041011875 |
| CATEGORY 5 medium skill-, technology-, capital- and scale-intensive | 0,156927733 | 0,249894113 | 0,167753358 |
| CATEGORY 6 high skill-, texhnology-, capital- and scale-intensive | 0,195526865 | 0,34561479 | 0,310956677 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Diagram 4-3 AZERBAIJAN RCA INDEX



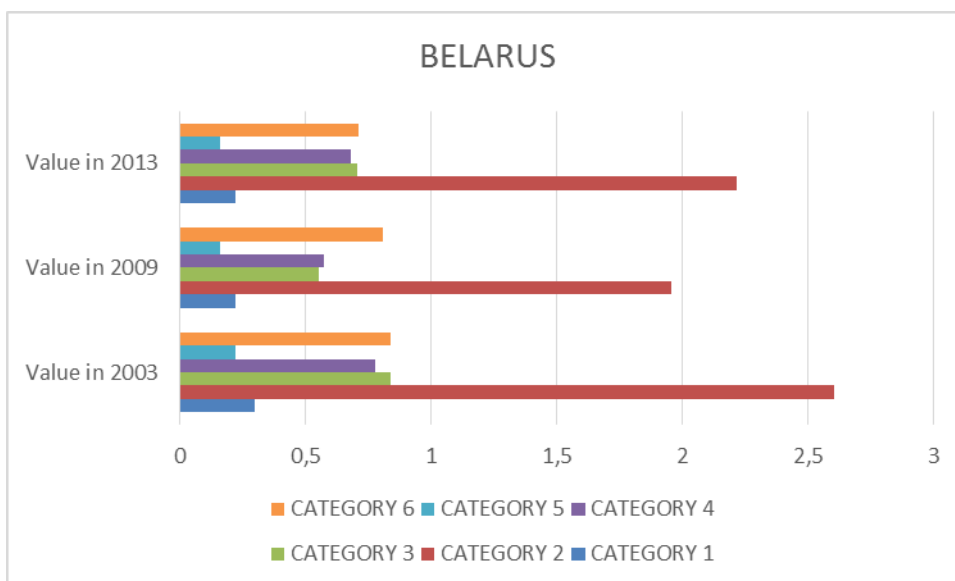
Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 4.9 BELARUS RCA INDEX

| Product label | Belarus Revealed Comparative Advantage to European Union (EU 28) | | |
|--|--|---------------|---------------|
| | Value in 2003 | Value in 2009 | Value in 2013 |
| CATEGORY 1 non-fuel primary commodities | 0,300204805 | 0,221178115 | 0,223264599 |
| CATEGORY 2 Mineral fuels, oils, distillation products, etc | 2,604953923 | 1,956734942 | 2,218676343 |
| CATEGORY 3 labour-intensive and resource-based | 0,836819915 | 0,552823123 | 0,705389259 |
| CATEGORY 4 low skill-, technology-, capital- and scale-intensive | 0,780090924 | 0,572287684 | 0,678716439 |
| CATEGORY 5 medium skill-, technology-, capital- and scale-intensive | 0,220001645 | 0,160802399 | 0,157844598 |
| CATEGORY 6 high skill-, texhnology-, capital- and scale-intensive | 0,838501616 | 0,807528518 | 0,710187369 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Diagram 4-4 BELARUS RCAINDEX



Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Azerbaijan despite the threatening environment in the global markets managed to retain its revealed comparative advantage in mineral fuels and oil sector, with almost the same ratio during the period of the 10 years I studied. The same behavior is faced by Belarus as well, but in these case she achieved a much larger competitive advantage during the same period.

Table 4.10 EGYPT RCA INDEX

| Product label | Egypt's Revealed Comparative Advantage to European Union (EU 28) | | | |
|---------------|--|---------------|---------------|---------------|
| | | Value in 2003 | Value in 2009 | Value in 2013 |
| CATEGORY 1 | non-fuel primary commodities | 0,962221869 | 0,689877448 | 0,889907481 |
| CATEGORY 2 | Mineral fuels, oils, distillation products, etc | 1,141132221 | 1,367567806 | 1,077322233 |
| CATEGORY 3 | labour-intensive and resource-based | 0,984280219 | 0,85243327 | 0,793436955 |
| CATEGORY 4 | low skill-, technology-, capital- and scale-intensive | 0,495587002 | 0,478713212 | 0,439747 |
| CATEGORY 5 | medium skill-, technology-, capital- and scale-intensive | 1,386680868 | 0,820967744 | 1,182708182 |
| CATEGORY 6 | high skill-, texhnology-, capital- and scale-intensive | 1,06396221 | 1,45742424 | 1,50161912 |

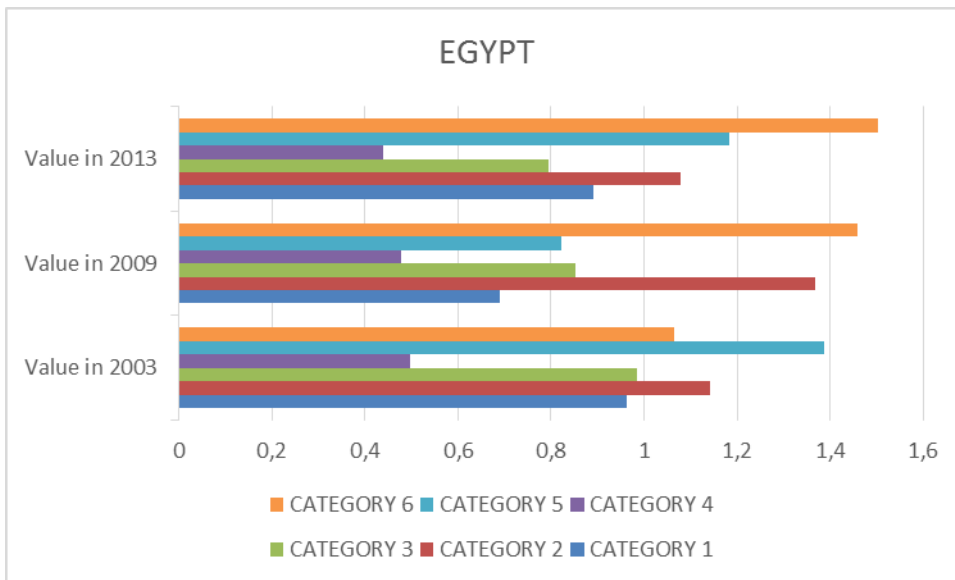
Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 4.11 GEORGIA RCA INDEX

| Product label | Georgiat's Revealed Comparative Advantage to European Union (EU 28) | | | |
|---------------|---|---------------|---------------|---------------|
| | | Value in 2003 | Value in 2009 | Value in 2013 |
| CATEGORY 1 | non-fuel primary commodities | 0,797294175 | 1,468478294 | 1,631003555 |
| CATEGORY 2 | Mineral fuels, oils, distillation products, etc | 0,332465706 | 1,652297361 | 2,804836275 |
| CATEGORY 3 | labour-intensive and resource-based | 3,373033589 | 0,212419561 | 0,81428495 |
| CATEGORY 4 | low skill-, technology-, capital- and scale-intensive | 0,475855679 | 0,197665639 | 0,380554616 |
| CATEGORY 5 | medium skill-, technology-, capital- and scale-intensive | 1,056883542 | 0,783558314 | 0,396957564 |
| CATEGORY 6 | high skill-, texhnology-, capital- and scale-intensive | 1,248031641 | 1,965696474 | 1,254514777 |

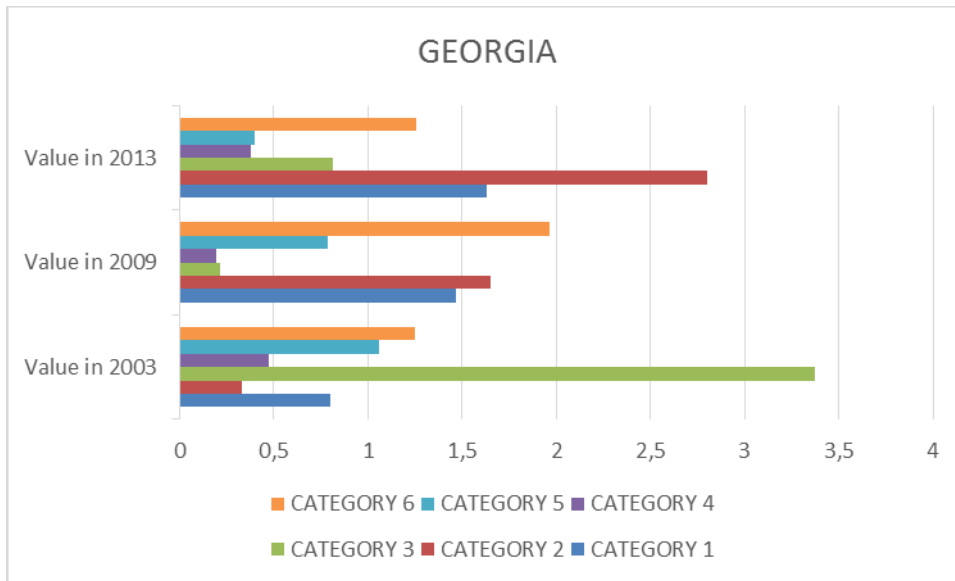
Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Diagram 4-5 EGYPT RCA INDEX



Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Diagram 4-6 GEORGIA RCA INDEX

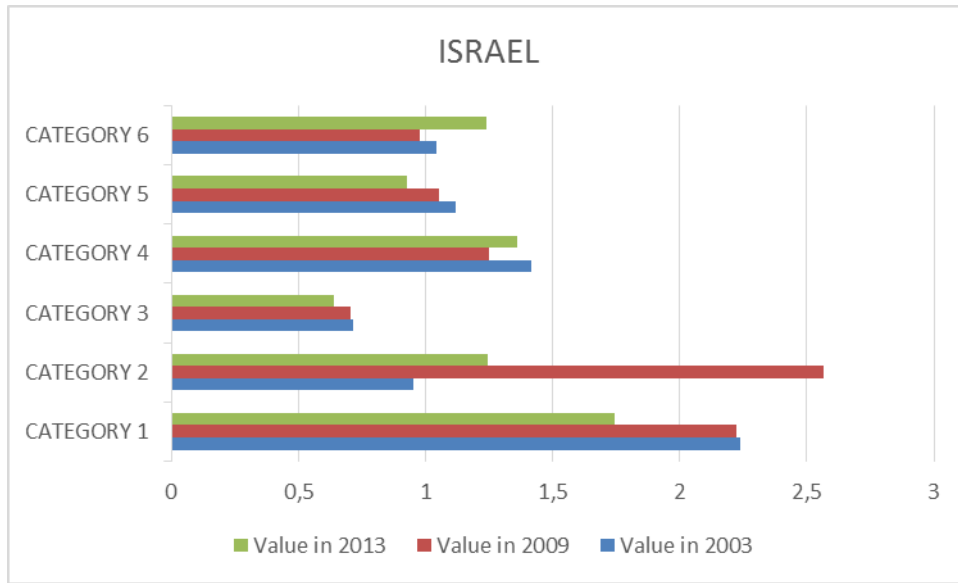


Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Georgia and Egypt retained their high ratio of comparative advantage in both high technology and minerals and fuels sectors, with Georgia achieving a better performance in the global, than the second one.

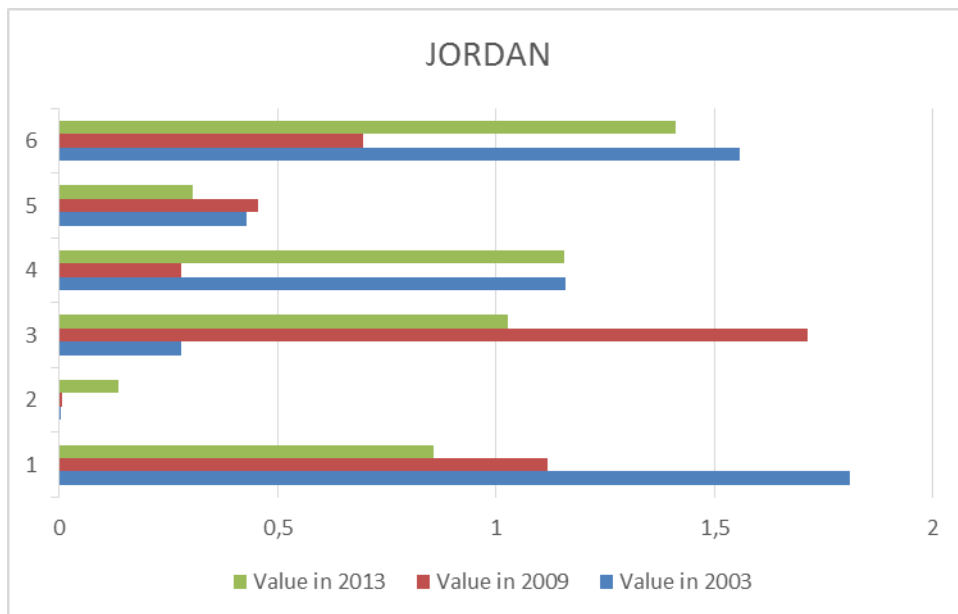
Israel is a country that despite the great losses in its competitiveness during the period from 2009 to 2013, it achieved to retain its high levels of comparative advantage in four sectors, mineral, non-mineral fuels, high and low technology sectors. These can partially explain its overall good performance during the decade I am studying. Israel by having a comparative advantage in more than one sectors proves to be more resilient in the global economy.

Diagram 4-7 ISRAEL – RCA INDEX



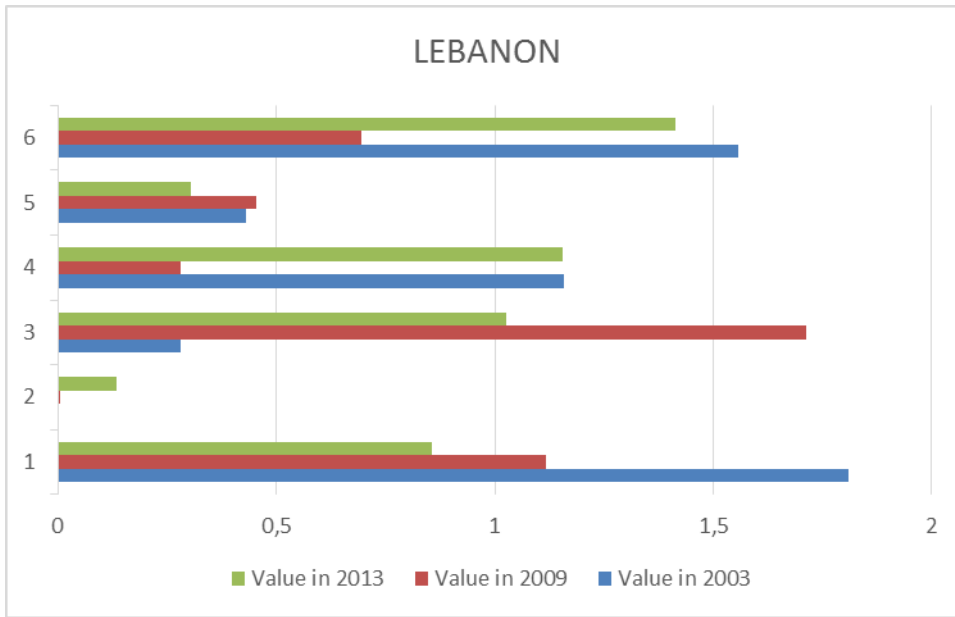
Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Diagram 4-8 JORDAN – RCA INDEX



Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Diagram 4-9 LEBANON – RCA INDEX

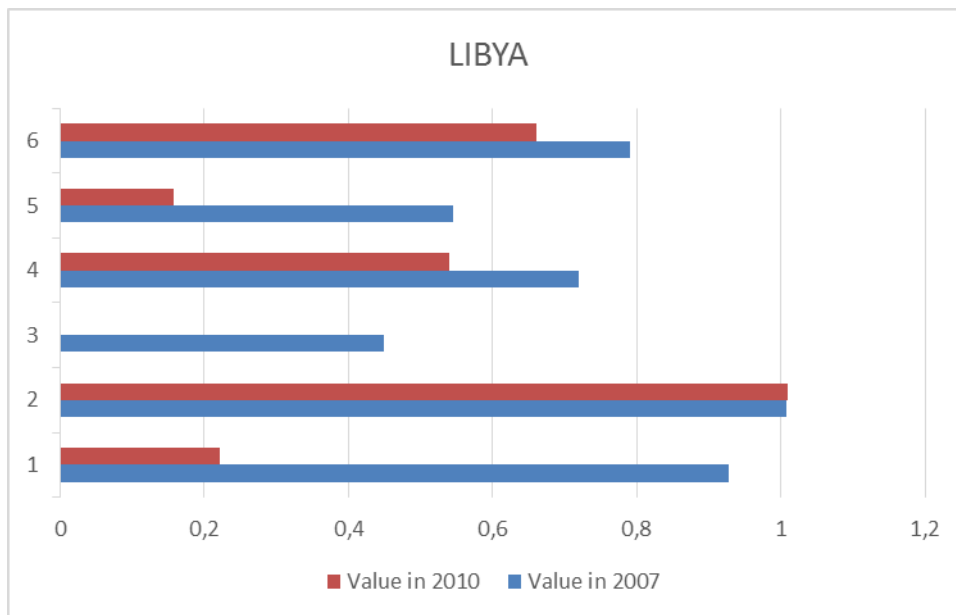


Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 4.12 LIBYA- RCA INDEX

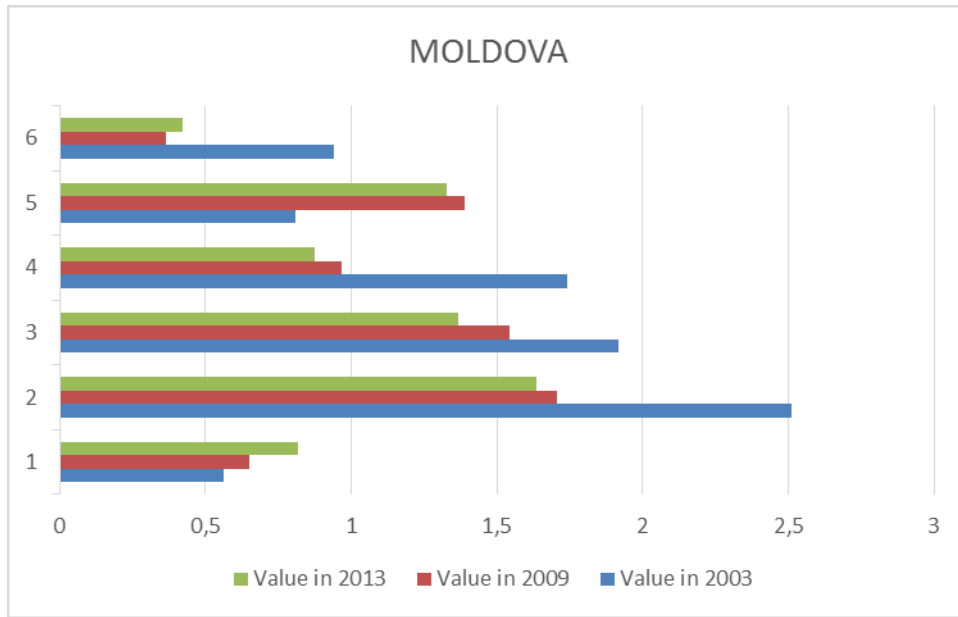
| Product label | Libya Revealed Comparative Advantage to European Union (EU 28) | | |
|--|--|---------------|---------------|
| | | Value in 2007 | Value in 2010 |
| CATEGORY 1 non-fuel primary commodities | | 0,927756363 | 0,221423542 |
| CATEGORY 2 Mineral fuels, oils, distillation products, etc | | 1,008505838 | 1,010181482 |
| CATEGORY 3 labour-intensive and resource-based | | 0,448480611 | 0 |
| CATEGORY 4 low skill-, technology-, capital- and scale-intensive | | 0,720241583 | 0,539937255 |
| CATEGORY 5 medium skill-, technology-, capital- and scale-intensive | | 0,545955164 | 0,157152188 |
| CATEGORY 6 high skill-, texhology-, capital- and scale-intensive | | 0,791540695 | 0,660115841 |

Diagram 4-10 LIBYA – RCA INDEX



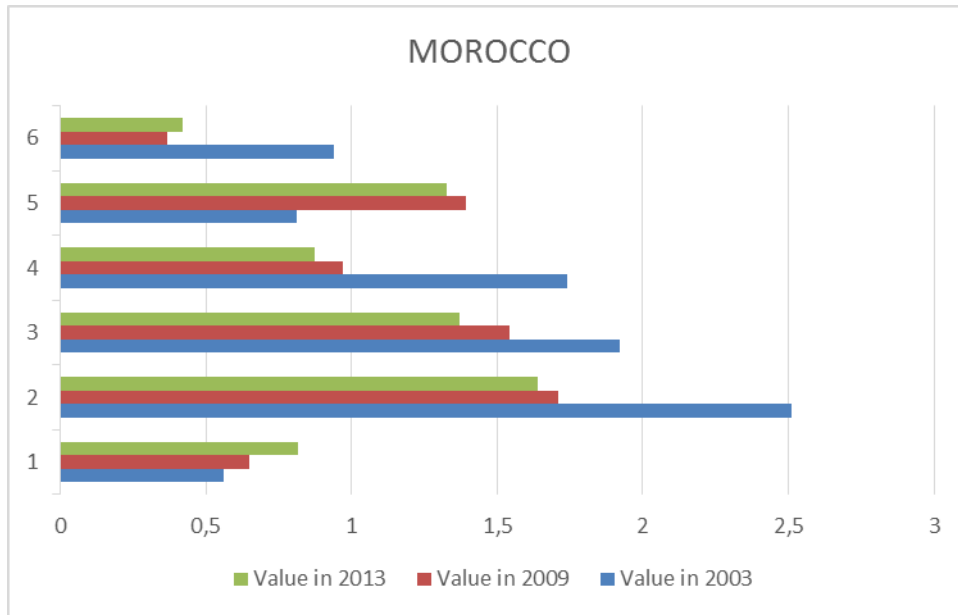
Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Diagram 4-11 MOLDOVA –RCA INDEX



Source: (World Trade Organisation; United Nations, 2015) / Authors’ elaboration

Diagram 4-12 MOROCCO – RCA INDEX



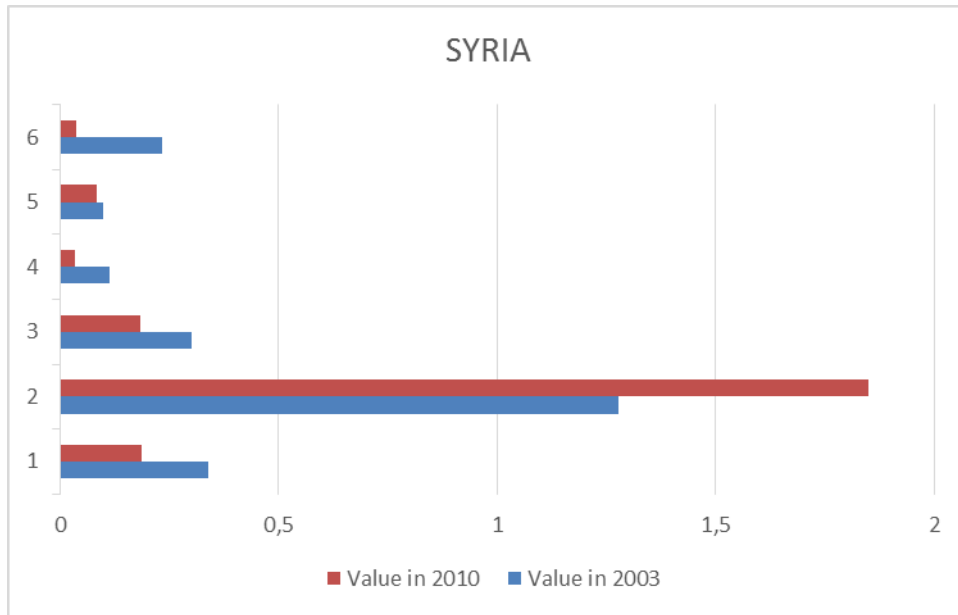
Source: (World Trade Organisation; United Nations, 2015) / Authors’ elaboration

Table 4.13 SYRIA- RCA INDEX

| Product label | Syria Revealed Comparative Advantage to European Union (EU 28) | | | |
|---------------|---|---------------|---------------|---------------|
| | | Value in 2003 | Value in 2010 | Value in 2013 |
| CATEGORY 1 | non-fuel primary commodities | 0,337641515 | 0,185012599 | |
| CATEGORY 2 | Mineral fuels, oils, distillation products, etc | 1,276124707 | 1,850254285 | |
| CATEGORY 3 | labour-intensive and resource-based | 0,301035274 | 0,182699508 | |
| CATEGORY 4 | low skill-, technology-, capital- and scale-intensive | 0,112138974 | 0,034054144 | |
| CATEGORY 5 | medium skill-, technology-, capital- and scale-intensive | 0,09894666 | 0,08432361 | |
| CATEGORY 6 | high skill-, texhnology-, capital- and scale-intensive | 0,234431008 | 0,037663329 | |

Source: (World Trade Organisation; United Nations, 2015) / Authors’ elaboration

Diagram 4-13 SYRIA – RCA INDEX



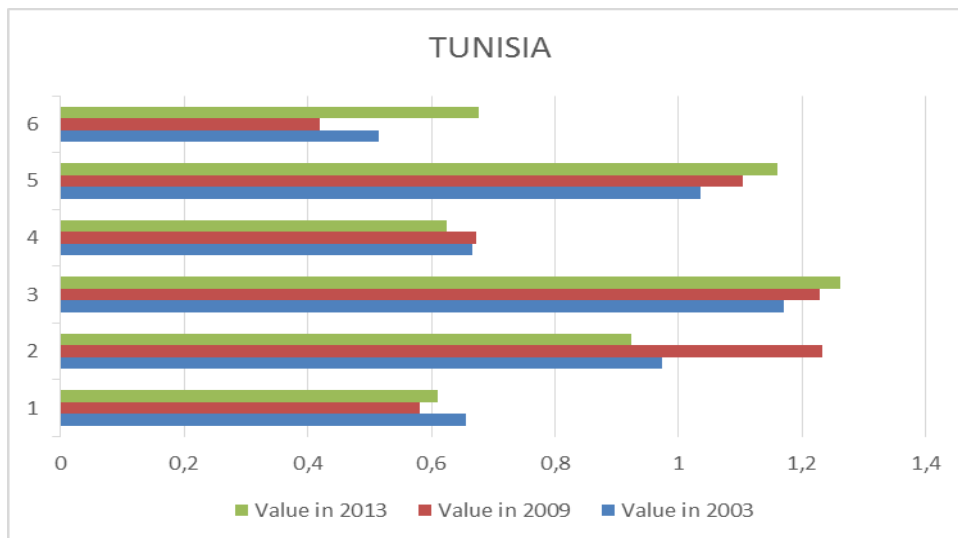
Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 4.14 UKRAINE – RCA INDEX

| Product label | Tunisia Revealed Comparative Advantage to European Union (EU 28) | | | |
|--|--|---------------|---------------|--|
| | Value in 2003 | Value in 2009 | Value in 2013 | |
| CATEGORY 1 non-fuel primary commodities | 0,655477288 | 0,580923811 | 0,609467461 | |
| CATEGORY 2 Mineral fuels, oils, distillation products, etc | 0,97296808 | 1,232933367 | 0,923983212 | |
| CATEGORY 3 labour-intensive and resource-based | 1,17121361 | 1,22870604 | 1,260784239 | |
| CATEGORY 4 low skill-, technology-, capital- and scale-intensive | 0,665777108 | 0,671909569 | 0,624520267 | |
| CATEGORY 5 medium skill-, technology-, capital- and scale-intensive | 1,035024869 | 1,103997694 | 1,159497762 | |
| CATEGORY 6 high skill-, texhnology-, capital- and scale-intensive | 0,515304403 | 0,420169846 | 0,677528576 | |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Diagram 4-14 TUNISIA – RCA INDEX



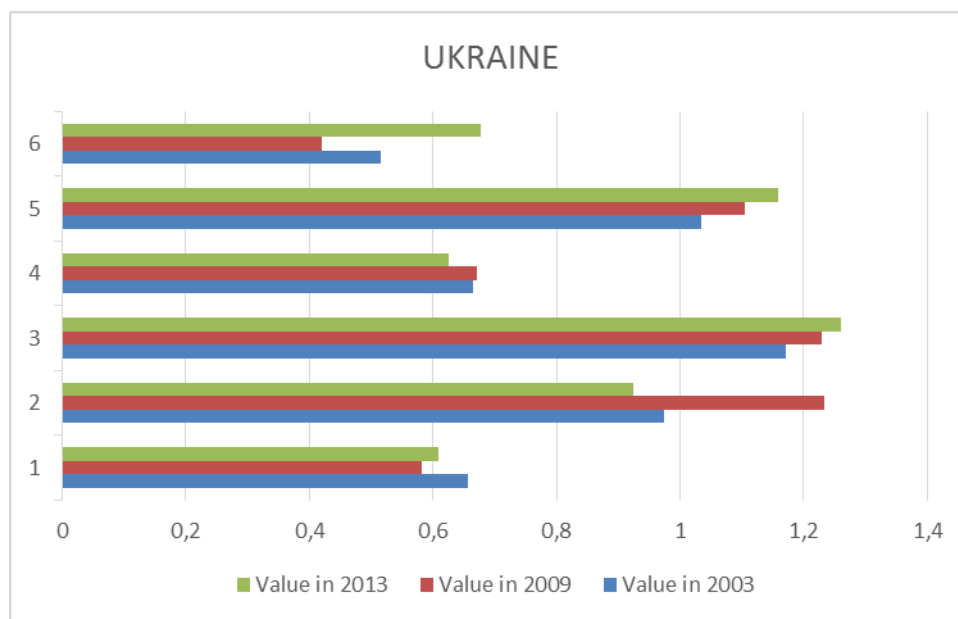
Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 4.15 UKRAINE – RCA INDEX

| Product label | Ukraine Revealed Comparative Advantage to European Union (EU 28) | | |
|--|--|---------------|---------------|
| | Value in 2003 | Value in 2009 | Value in 2013 |
| CATEGORY 1 non-fuel primary commodities | 1,009230213 | 1,068799227 | 1,111910312 |
| CATEGORY 2 Mineral fuels, oils, distillation products, etc | 1,943121629 | 1,161418317 | 1,382129158 |
| CATEGORY 3 labour-intensive and resource-based | 1,733877644 | 2,188618086 | 1,444433955 |
| CATEGORY 4 low skill-, technology-, capital- and scale-intensive | 0,623138973 | 0,674041206 | 0,857504619 |
| CATEGORY 5 medium skill-, technology-, capital- and scale-intensive | 0,859890037 | 1,102679823 | 0,951254923 |
| CATEGORY 6 high skill-, texhnology-, capital- and scale-intensive | 0,854320769 | 0,755730841 | 0,569103067 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Diagram 4-15 UKRAINE – RCA INDEX



Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Something impressive to state is the fact that the ENP countries have a clear comparative advantage in the sector of fuel primary commodities sector against the EU countries economy (PETRAKOS, et al., 2013). These together with the fact that EU's comparative advantage is basically in medium and high skill capital, indicates the asymmetric nature of the EU – ENP trade relations, reminding of the trade relations that occur between core and peripheral EU countries (PETRAKOS, et al., 2013) .

5 Influence of Trade on Growth of the ENP Countries

Despite the fact that European perspective acts as a very strong stimulus for political, economic and institutional development of the European Neighborhood countries to achieve growth and prosperity, thus we come to the conclusion that are in dire need for economic restructuring, sociopolitical transformation and development, the process of European integration has largely gone wrong.

Despite the facilitation of political reforms, towards democratization and in some cases conflict resolution and normalization of external relations, the effects in the economic growth of the European Neighborhood countries are based on a long term process without significance results for the economy.

Moreover economic integration involves significant welfare losses for the less developed economies. The spread and the direction of trade flows determine to a large extent the prospects for economic development. Furthermore, due to unequal exchange mechanisms, economic integration involves, according to the critics of the traditional theory, significant welfare losses for the less developed countries.

6 Conclusions

Finally, as we observed from the research most of the European Neighborhood Policy countries specialized in typical labor-intensive or resource-intensive economic activities, as a result of their inability to successfully compete with their more advanced counterparts in the markets for capital-intensive and knowledge intensive economic activities. But such a structural diversification is doubtful if it can produce long-term income convergence. The peripheral and less developed European Neighborhood Policy economies, are struggling in the process of integration to effectively redeploy their resources in order to gain from the opening-up to markets.

Despite the policies adopted by the European Union towards the ENP countries, which tariff reductions, investment protection in order to protect its markets and the economic reform and accession of the ENP's in the European market, the political upheaval in the ENP South and the slow reforms in the ENP East, didn't allow the goals of the ENP to be reached, and is proved that they have, still a long way ahead.

However, the EU-ENP trade relations expanded significantly over the period 2003-2013, which a clear sign that the interaction of the ENP countries with EU increased. But these sign of trade activity as we observed in the results wasn't balanced. ENP South and the EU15 countries have a dominant position in terms of exports and imports shares, whereas ENP East as they are experiencing increases in their trade activity, altering to some extent the overall picture of trade activity in the ENP neighbor.

Another important conclusion that I derived is the fact that European Union countries are losing their shares of exports to the ENP's, in contrast to shares from BRIC's and other RoW trade partners. Furthermore, ENP's are not important trade partners for the vast majority of the EU countries, as their trade is mostly intra-EU, and this is something that must concern seriously the EU policy makers towards the ENP countries.

To sum up, even though trade activity between EU and ENP's has been expanded significantly during the period 2003-2013 there are some observations that can lead us to concerns. These are, first of all the declining trade activity between EU and ENP countries, in favor to the BRIC's. The second observation is that the trade activity between the two counterparts is not balanced. For the vast majority of the ENP's, EU remains a significant partner, but for EU, the ENP's aren't a so important partner, as I

said before EU's trade activity is mostly concentrated in the inter-EU partners. Third but not least ENP countries that don't have a comparative advantage in fuel primary commodities, have a negative trade balance with the EU, which is possible to be converted in fiscal deficit, given the experience of the peripheral EU countries.

The fourth observation is the fact that the ENP is experiencing an inter-industry type of economic integration with the more advanced EU partners.

An important point in the EU-ENP trade relations would be not only the further expansion of their trade activity, but also the nature of their bilateral trade. In order to have a reduction of the existing development gap and cure asymmetries and unbalances between the two counterparts, the ENP countries should focus on the resilience of their economy. They must diversify, and expand their productive base, and implement export-led growth strategies.

EU must consider a further liberalization of trade and a stronger financial support to the ENP's as a reward for their reforms. As the ENP neighborhood is sensitive economically as well as demographically, it is crucial for EU to implement a policy that will support the exports of goods by ENP's to EU instead of the export of population. By supporting the ENP's economically and politically EU may double benefit by the gains of its policies, as the ENP neighbor is an area almost twice as big in population and full of economic opportunities for the EU, which may benefit, if the trade activity continue to deteriorate with EU, the group of BRIC's.

Table 6.1 EU(28) SUPPLIERS / IMPORTS in thousand US \$

| Exporters | Imported value in 2003 | Imported value in 2009 | Imported value in 2014 |
|---|------------------------|------------------------|------------------------|
| TOTAL EU IMPORTS FROM WORLD in thousand US \$ | 3080034284 | 4650952361 | 5885565636 |
| United States of America | 192711360 | 258787240 | 289991921 |
| EU TOTAL | 1974748455 | 2787292551 | 3587515212 |
| ENP TOTAL | 69965775 | 128448979 | 155139624 |
| BRIC TOTAL | 242612461 | 577335125 | 770445621 |
| ROW | 599996233 | 899088466 | 1082473258 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 6.2 EU(28) BUYERS/ IMPORTS in thousand US \$

| Importers | Exported value in 2003 | Exported value in 2009 | Exported value in 2013 |
|---|------------------------|------------------------|------------------------|
| TOTAL EU EXPORTS TO WORLD in thousand US \$ | 3081426533 | 4513212094 | 6059825068 |
| United States of America | 258754655 | 287884506 | 384541358 |
| BRIC TOTAL | 118959626 | 273691377 | 456208608 |
| ENP TOTAL | 73905787 | 138898952 | 189468883 |
| EU TOTAL BUYERS | 2107602226 | 2985625147 | 3674327568 |
| ROW | 522204239 | 827112112 | 1355278651 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 6.3 EU(15) SUPPLIERS/ IMPORTS in thousand US \$

| Exporters | Imported value in 2003 | Imported value in 2009 | Imported value in 2013 |
|-----------|------------------------|------------------------|------------------------|
| WORLD | 2797561684 | 4090391785 | 5114351287 |
| BRIC | 207456421 | 486643245 | 635456140 |
| USA | 184780687 | 247837286 | 268368644 |
| ENP TOTAL | 62741912 | 117205557 | 156077648 |
| EU TOTAL | 1781857497 | 2424569375 | 2979499431 |
| ROW | 560725167 | 814136322 | 1074949424 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 6.4 Israel RCA Index

| Product label | Israel's Revealed Comparative Advantage to European Union (EU 28) | | | |
|---------------|---|---------------|---------------|---------------|
| | | Value in 2003 | Value in 2009 | Value in 2013 |
| CATEGORY 1 | non-fuel primary commodities | 2,23910397 | 2,223949268 | 1,742993499 |
| CATEGORY 2 | Mineral fuels, oils, distillation products, etc | 0,950242081 | 2,56537767 | 1,244365891 |
| CATEGORY 3 | labour-intensive and resource-based | 0,715410025 | 0,706215392 | 0,638156322 |
| CATEGORY 4 | low skill-, technology-, capital- and scale-intensive | 1,415106024 | 1,247345515 | 1,362163337 |
| CATEGORY 5 | medium skill-, technology-, capital- and scale-intensive | 1,118894202 | 1,055000016 | 0,925726638 |
| CATEGORY 6 | high skill-, texhnology-, capital- and scale-intensive | 1,044026047 | 0,977025844 | 1,240218534 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 6.5 Jordan RCA Index

| Product label | Jordan Revealed Comparative Advantage to European Union (EU 28) | | | |
|---------------|---|---------------|---------------|---------------|
| | | Value in 2003 | Value in 2009 | Value in 2013 |
| CATEGORY 1 | non-fuel primary commodities | 1,80846303 | 1,118621217 | 0,855452168 |
| CATEGORY 2 | Mineral fuels, oils, distillation products, etc | 0,003578434 | 0,005923479 | 0,135694555 |
| CATEGORY 3 | labour-intensive and resource-based | 0,280031783 | 1,713675125 | 1,02684678 |
| CATEGORY 4 | low skill-, technology-, capital- and scale-intensive | 1,159599054 | 0,280117407 | 1,156129502 |
| CATEGORY 5 | medium skill-, technology-, capital- and scale-intensive | 0,429578608 | 0,45523098 | 0,305374203 |
| CATEGORY 6 | high skill-, texhnology-, capital- and scale-intensive | 1,557935849 | 0,695816592 | 1,412330542 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 6.6 Lebanon RCA Index

| Product label | Lebanon Revealed Comparative Advantage to European Union (EU 28) | | | |
|---------------|--|---------------|---------------|---------------|
| | | Value in 2003 | Value in 2009 | Value in 2013 |
| CATEGORY 1 | non-fuel primary commodities | 1,641719776 | 1,102904131 | 1,595305585 |
| CATEGORY 2 | Mineral fuels, oils, distillation products, etc | 0,121879596 | 0,020914866 | 0,005177205 |
| CATEGORY 3 | labour-intensive and resource-based | 0,702312612 | 0,730829314 | 0,893821426 |
| CATEGORY 4 | low skill-, technology-, capital- and scale-intensive | 0,813822939 | 0,816389117 | 0,412446341 |
| CATEGORY 5 | medium skill-, technology-, capital- and scale-intensive | 0,612806626 | 1,530680537 | 0,912942699 |
| CATEGORY 6 | high skill-, texhnology-, capital- and scale-intensive | 1,777767482 | 1,107163188 | 1,269928055 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 6.7 Moldova RCA Index

| Product label | Moldova Revealed Comparative Advantage to European Union (EU 28) | | | |
|---------------|--|---------------|---------------|---------------|
| | | Value in 2003 | Value in 2009 | Value in 2013 |
| CATEGORY 1 | non-fuel primary commodities | 0,56117533 | 0,649437583 | 0,817162787 |
| CATEGORY 2 | Mineral fuels, oils, distillation products, etc | 2,511179574 | 1,707634332 | 1,637798539 |
| CATEGORY 3 | labour-intensive and resource-based | 1,919190578 | 1,541697343 | 1,369406217 |
| CATEGORY 4 | low skill-, technology-, capital- and scale-intensive | 1,742637699 | 0,968767307 | 0,876006489 |
| CATEGORY 5 | medium skill-, technology-, capital- and scale-intensive | 0,810860039 | 1,390911457 | 1,325881816 |
| CATEGORY 6 | high skill-, texhnology-, capital- and scale-intensive | 0,939377818 | 0,366407322 | 0,419617294 |

Source: (World Trade Organisation; United Nations, 2015) / Authors' elaboration

Table 6.8 HS CATEGORIES

| categories | Description |
|------------|--|
| 1 | non-fuel primary commodities |
| 2 | fuel primary commodities |
| 3 | labour-intensive and resource-based |
| 4 | low skill-, technology-, capital- and scale-intensive |
| 5 | medium skill-, technology-, capital- and scale-intensive |
| 6 | high skill-, texhnology-, capital- and scale-intensive |

Source: UNCTAD (1996)

Table 6.9 COMMODITY CATEGORIES

| HS | name | category |
|----|---|----------|
| 1 | Name: Live animals | 1 |
| 2 | Name: Meat and edible meat offal | 1 |
| 3 | Name: Fish, crustaceans, molluscs, aquatic invertebrates nes | 1 |
| 4 | Name: Dairy products, eggs, honey, edible animal product nes | 1 |
| 5 | Name: Products of animal origin, nes | 1 |
| 6 | Name: Live trees, plants, bulbs, roots, cut flowers etc | 1 |
| 7 | Name: Edible vegetables and certain roots and tubers | 1 |
| 8 | Name: Edible fruit, nuts, peel of citrus fruit, melons | 1 |
| 9 | Name: Coffee, tea, mate and spices | 1 |
| 10 | Name: Cereals | 1 |
| 11 | Name: Milling products, malt, starches, inulin, wheat gluten | 1 |
| 12 | Name: Oil seed, oleagic fruits, grain, seed, fruit, etc, nes | 1 |
| 13 | Name: Lac, gums, resins, vegetable saps and extracts nes | 1 |
| 14 | Name: Vegetable plaiting materials, vegetable products nes | 1 |
| 15 | Name: Animal,vegetable fats and oils, cleavage products, etc | 1 |
| 16 | Name: Meat, fish and seafood food preparations nes | 1 |
| 17 | Name: Sugars and sugar confectionery | 1 |
| 18 | Name: Cocoa and cocoa preparations | 1 |
| 19 | Name: Cereal, flour, starch, milk preparations and products | 1 |
| 20 | Name: Vegetable, fruit, nut, etc food preparations | 1 |
| 21 | Name: Miscellaneous edible preparations | 1 |
| 22 | Name: Beverages, spirits and vinegar | 1 |
| 23 | Name: Residues, wastes of food industry, animal fodder | 1 |
| 24 | Name: Tobacco and manufactured tobacco substitutes | 1 |
| 25 | Name: Salt, sulphur, earth, stone, plaster, lime and cement | 1 |
| 26 | Name: Ores, slag and ash | 1 |
| 27 | Name: Mineral fuels, oils, distillation products, etc | 2 |
| 28 | Name: Inorganic chemicals, precious metal compound, isotopes | 6 |
| 29 | Name: Organic chemicals | 6 |
| 30 | Name: Pharmaceutical products | 6 |
| 31 | Name: Fertilizers | 6 |
| 32 | Name: Tanning, dyeing extracts, tannins, derivs,pigments etc | 6 |
| 33 | Name: Essential oils, perfumes, cosmetics, toileteries | 6 |
| 34 | Name: Soaps, lubricants, waxes, candles, modelling pastes | 6 |
| 35 | Name: Albuminoids, modified starches, glues, enzymes | 6 |
| 36 | Name: Explosives, pyrotechnics, matches, pyrophorics, etc | 6 |
| 37 | Name: Photographic or cinematographic goods | 6 |
| 38 | Name: Miscellaneous chemical products | 6 |
| 39 | Name: Plastics and articles thereof | 5 |
| 40 | Name: Rubber and articles thereof | 5 |
| 41 | Name: Raw hides and skins (other than furskins) and leather | 3 |
| 42 | Name: Articles of leather, animal gut, harness, travel goods | 3 |
| 43 | Name: Furskins and artificial fur, manufactures thereof | 3 |
| 44 | Name: Wood and articles of wood, wood charcoal | 3 |
| 45 | Name: Cork and articles of cork | 3 |
| 46 | Name: Manufactures of plaiting material, basketwork, etc. | 3 |
| 47 | Name: Pulp of wood, fibrous cellulosic material, waste etc | 3 |
| 48 | Name: Paper & paperboard, articles of pulp, paper and board | 3 |
| 49 | Name: Printed books, newspapers, pictures etc | 3 |

Source: UNCTAD (1996) / Author's elaboration

Table 6.10 COMMODITY CATEGORIES

| | | |
|----|---|---|
| 50 | Name: Silk | 1 |
| 51 | Name: Wool, animal hair, horsehair yarn and fabric thereof | 1 |
| 52 | Name: Cotton | 1 |
| 53 | Name: Vegetable textile fibres nes, paper yarn, woven fabric | 3 |
| 54 | Name: Manmade filaments | 3 |
| 55 | Name: Manmade staple fibres | 3 |
| 56 | Name: Wadding, felt, nonwovens, yarns, twine, cordage, etc | 3 |
| 57 | Name: Carpets and other textile floor coverings | 3 |
| 58 | Name: Special woven or tufted fabric, lace, tapestry etc | 3 |
| 59 | Name: Impregnated, coated or laminated textile fabric | 3 |
| 60 | Name: Knitted or crocheted fabric | 3 |
| 61 | Name: Articles of apparel, accessories, knit or crochet | 3 |
| 62 | Name: Articles of apparel, accessories, not knit or crochet | 3 |
| 63 | Name: Other made textile articles, sets, worn clothing etc | 3 |
| 64 | Name: Footwear, gaiters and the like, parts thereof | 3 |
| 65 | Name: Headgear and parts thereof | 3 |
| 66 | Name: Umbrellas, walking-sticks, seat-sticks, whips, etc | 5 |
| 67 | Name: Bird skin, feathers, artificial flowers, human hair | 5 |
| 68 | Name: Stone, plaster, cement, asbestos, mica, etc articles | 3 |
| 69 | Name: Ceramic products | 3 |
| 70 | Name: Glass and glassware | 3 |
| 71 | Name: Pearls, precious stones, metals, coins, etc | 3 |
| 72 | Name: Iron and steel | 4 |
| 73 | Name: Articles of iron or steel | 4 |
| 74 | Name: Copper and articles thereof | 1 |
| 75 | Name: Nickel and articles thereof | 1 |
| 76 | Name: Aluminium and articles thereof | 1 |
| 78 | Name: Lead and articles thereof | 1 |
| 79 | Name: Zinc and articles thereof | 1 |
| 80 | Name: Tin and articles thereof | 1 |
| 81 | Name: Other base metals, cermet, articles thereof | 1 |
| 82 | Name: Tools, implements, cutlery, etc of base metal | 4 |
| 83 | Name: Miscellaneous articles of base metal | 4 |
| 84 | Name: Nuclear reactors, boilers, machinery, etc | 5 |
| 85 | Name: Electrical, electronic equipment | 5 |
| 86 | Name: Railway, tramway locomotives, rolling stock, equipment | 4 |
| 87 | Name: Vehicles other than railway, tramway | 5 |
| 88 | Name: Aircraft, spacecraft, and parts thereof | 6 |
| 89 | Name: Ships, boats and other floating structures | 4 |
| 90 | Name: Optical, photo, technical, medical, etc apparatus | 6 |
| 91 | Name: Clocks and watches and parts thereof | 6 |
| 92 | Name: Musical instruments, parts and accessories | 4 |
| 93 | Name: Arms and ammunition, parts and accessories thereof | 5 |
| 94 | Name: Furniture, lighting, signs, prefabricated buildings | 4 |
| 95 | Name: Toys, games, sports requisites | 3 |
| 96 | Name: Miscellaneous manufactured articles | 4 |
| 97 | Name: Works of art, collectors pieces and antiques | 4 |
| 99 | Name: Commodities not elsewhere specified | 4 |

Source: UNCTAD (1996) / Author's elaboration

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