



TRADE IN BLACK SEA COUNTRIES

BLACK SEA BULLETIN
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TABLE OF CONTENTS

Introduction	1
Exports, Imports, and Trade Balances of Black Sea Countries	2
External Exports, Imports, and Trade Balances in Goods	2
Intra-Black Sea countries' trade	4
Trade Agreements and Trading Partners of Black Sea Countries	6
International and regional trade agreements.....	6
Main Trading Partners	7
Impact of the Russo-Ukrainian War on Trade in Black Sea Countries	9
Trade-related Sanctions on Russia	9
Trade in Ukraine	10
Closing Remark.....	14

INTRODUCTION

The Black Sea holds significant trade importance due to its strategic geographic location, serving as a bridge between Europe and Asia. Of similar importance are the six countries surrounding the Black Sea, namely Bulgaria, Georgia, Romania, Russia, Türkiye, and Ukraine. They all have access to vital trade routes, making the region a critical link in the global trade network. The Black Sea region's potential to serve as a crucial trade corridor is also important in the context of seeking alternative routes that bypass Russia, an endeavor which has become especially pressing since Russia launched its war on Ukraine in February 2022. The Trans-Caspian International Transport Route (TITR), or the so-called Middle Corridor, has been particularly highlighted as such an alternative transport route. Important initiatives in this respect, such as the planned Black Sea energy submarine cable project, as well as the intent to develop Anaklia deep water seaport in Georgia have been pushed since the start of the war. Though challenges such as political tensions, economic disparities, and security concerns continue to hinder the realization of substantial trade and logistics opportunities laid in the Black Sea region. The ongoing war in the region has also widened disparities and amplified challenges. Thus, enhanced collaboration among the countries is essential to unlock the full economic potential of the region.

With this context in mind, it is important to analyze intra-Black Sea countries' trade, to identify the patterns and volumes of goods exchanged among these countries, and to determine the dynamics of regional economic cooperation and transportation networks. Currently, Black Sea countries are enhancing their trade relations through a number of regional and international trade agreements. Additional opportunities are expected with the recent developments regarding the EU accession prospects of two Black Sea countries – Ukraine and Georgia – both of which applied for EU membership in early 2022. In November 2023, the European Commission adopted 2023 Enlargement Package,¹ recommending that membership negotiations be opened with Ukraine and that Georgia be granted candidate status.

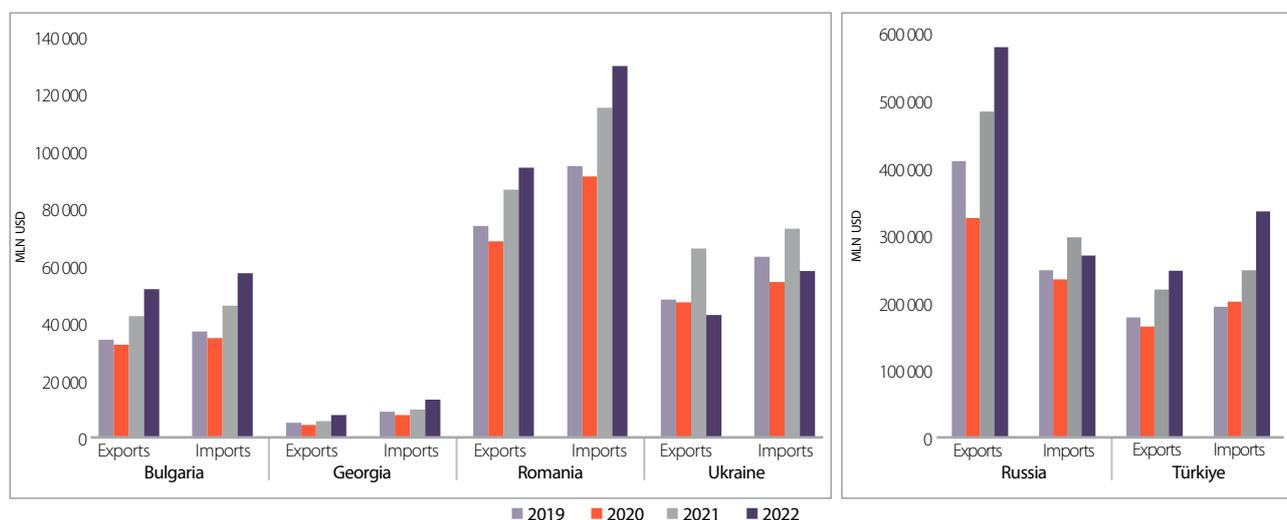
This bulletin starts with an analysis of external trade in goods of Black Sea countries. This includes trends in external imports, exports, and trade balances, as well as an overview of international trade agreements and the main trading partners of Black Sea countries. Accordingly, the chapter immediately below focuses on intra-Black Sea countries' trade, including a wider examination of regional trade agreements. Meanwhile, the subsequent chapter discusses some of the key recent developments that have created both challenges and opportunities with respect to the development of external and internal trade in the Black Sea region. The final chapter presents a summary of the main trends in trade in and among Black Sea countries and provides some recommendations on how to both address existing challenges and realize opportunities. The data used in the document mainly covers the 2019-2022 period. Nevertheless, even though the annual data for 2023 are not yet available, important developments in that year are also discussed in the document.

¹ https://neighbourhood-enlargement.ec.europa.eu/news/commission-adopts-2023-enlargement-package-recommends-open-negotiations-ukraine-and-moldova-grant-2023-11-08_en

EXPORTS, IMPORTS, AND TRADE BALANCES OF BLACK SEA COUNTRIES

EXTERNAL EXPORTS, IMPORTS, AND TRADE BALANCES IN GOODS

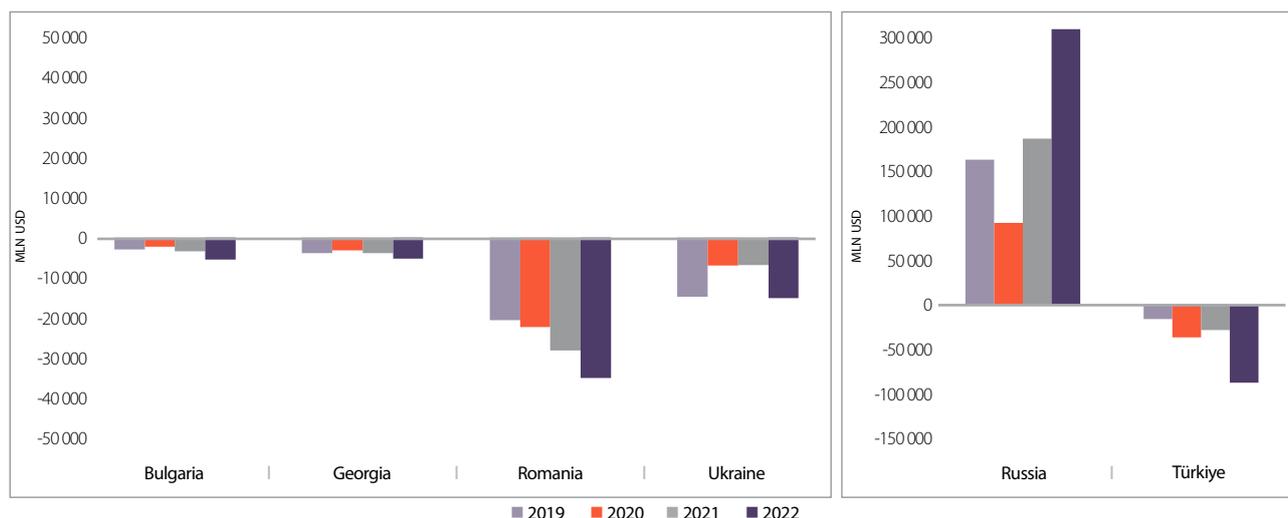
Graph 1: Exports and Imports of Goods in Black Sea Countries (2019-2022)



Source: Central banks of the respective countries

Looking at the exports and imports of goods of Black Sea countries, **Russia has the highest trade volume in the region, while Georgia has the lowest.** Throughout the analyzed period (2019-2022), all countries experienced a decline in trade in 2020, compared to the previous year (except for imports in Türkiye, which saw a YoY increase of 3.7% in 2020). In 2021, both exports and imports recovered and even surpassed pre-pandemic levels in all six countries. Subsequently, in 2022, exports and imports in goods continued to grow in Bulgaria, Georgia, Romania, and Türkiye. In Ukraine, suddenly faced with the war which started in February 2022, both exports and imports declined YoY by 35.2% and 20.4% respectively. Meanwhile, in Russia, imports declined YoY by 9.0%, though exports continued to grow and increased YoY by 19.8%. Notably, in the same year, **Georgia experienced the highest growth compared to other countries in the region both in exports (YoY 36.0%) and imports (YoY 35.5%).** The growth of trade in Georgia in 2022 is related to Russia waging its war on Ukraine, as this led to the redirection of transport routes away from the countries involved in the conflict, with Georgia emerging as an alternative transit route, increasing the demand for transport and logistics services in the country. This development is a notable example of just how interlinked the countries of the Black Sea region are, and how changes in one country can affect another.

Graph 2: Trade Balances in Goods (2019-2022)



Source: Central banks of the respective countries

Together with exports and imports, it is also important to analyze the balance of trade in goods, which refers to the difference between the value of a country's exports and imports. The trade balance (as it is also known) is influenced by various factors, including the competitiveness of a country's industries, domestic and international economic conditions, exchange rates, and government policies. It is a crucial indicator when assessing the economic health and competitiveness of a nation in the global market. **Russia is the only country in the Black Sea region with a positive trade balance, also referred to as a trade surplus.** In 2022, Russia's trade surplus considerably increased (YoY 165.8%) and reached USD 315.6 billion (as previously explained, Russia's exports increased while its imports decreased in 2022, which resulted in a substantial trade surplus). Generally, a trade surplus contributes positively to a country's overall balance of payments, indicating that it is exporting more goods and services than it is importing. Such a surplus can lead to an accumulation of foreign reserves and strengthen the given country's currency. However, the impact of a trade surplus can vary depending on the wider economic context, government policies, and the structure of the economy. In the case of Russia, its trade surplus in 2022 cannot be interpreted as a sign of economic strength, but rather as a temporary consequence of the war. Russia's increase in exports over this period was related to increased revenues from fossil fuel exports resulting from higher prices, much of which were used to finance the war, rather than boosting the national economy. At the same time, falling Russian imports can be explained by a decline in the imports of sanctioned goods.

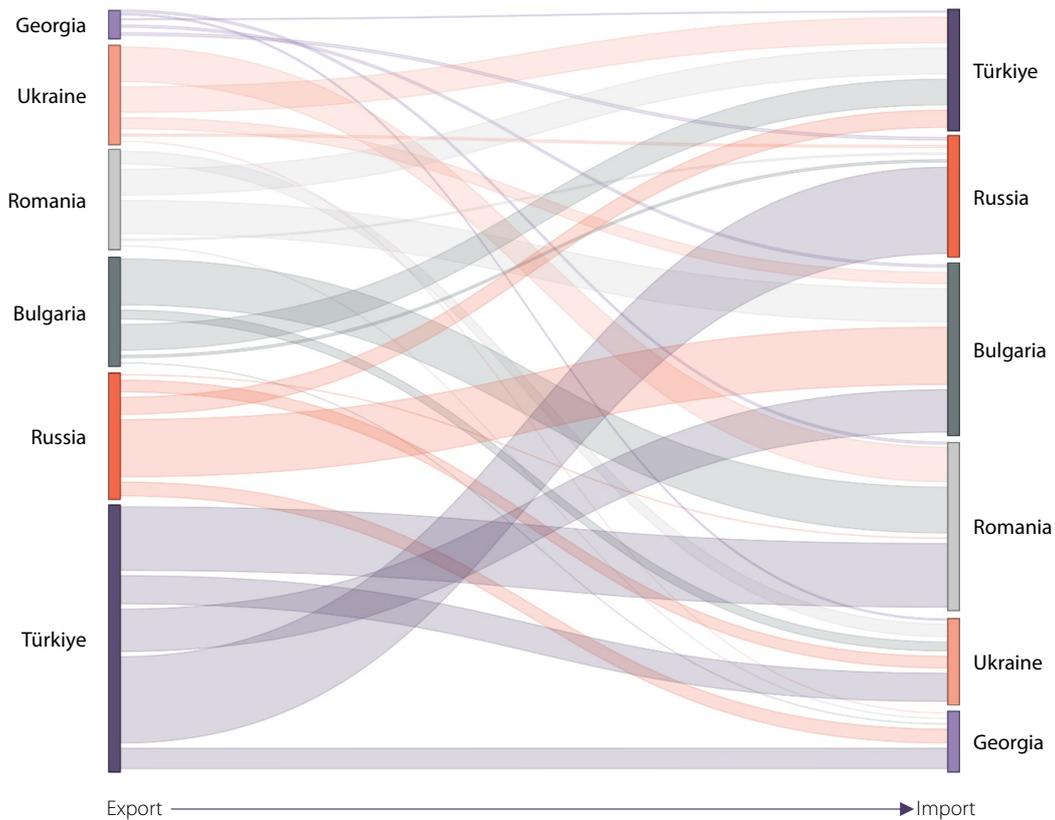
In the analyzed period, all of the other five countries in the region have experienced a trade deficit, whereby their exports have been lower than imports. A trade deficit implies that the country is buying more goods and services from other nations than it is selling, which could lead to a decrease in foreign reserves and may put pressure on the given country's currency. However, the impact of a trade deficit depends on contextual factors and the effectiveness of policy management. Higher trade deficit stemming from increased imports of goods can also stimulate economic activity and contribute to overall economic growth, meeting domestic demand and supporting various industries. **The highest trade deficit here is recorded in Türkiye, which also reports the second-highest volumes of imports and exports in the region,** as outlined in Graph 1. In 2022, the trade deficit in Türkiye amounted to USD 89.6 billion, which was about triple the size of the country's trade deficit in 2021. Elsewhere, the trade deficit considerably deepened in Ukraine, reaching USD 14.6 billion in 2022.

In general, a sustained trade imbalance, whether it be a surplus or a deficit, can have implications for a country's employment, economic growth, and overall stability. Thus, it is important to closely monitor the trade balance and implement measures to address such imbalances if they are deemed unsustainable or detrimental to the given economy.

INTRA-BLACK SEA COUNTRIES' TRADE

When analyzing trade relations within the Black Sea region, it is important to look at the import-export dynamics among the countries.

Graph 3: Dynamics of Exports and Imports Among Black Sea Countries (2022)

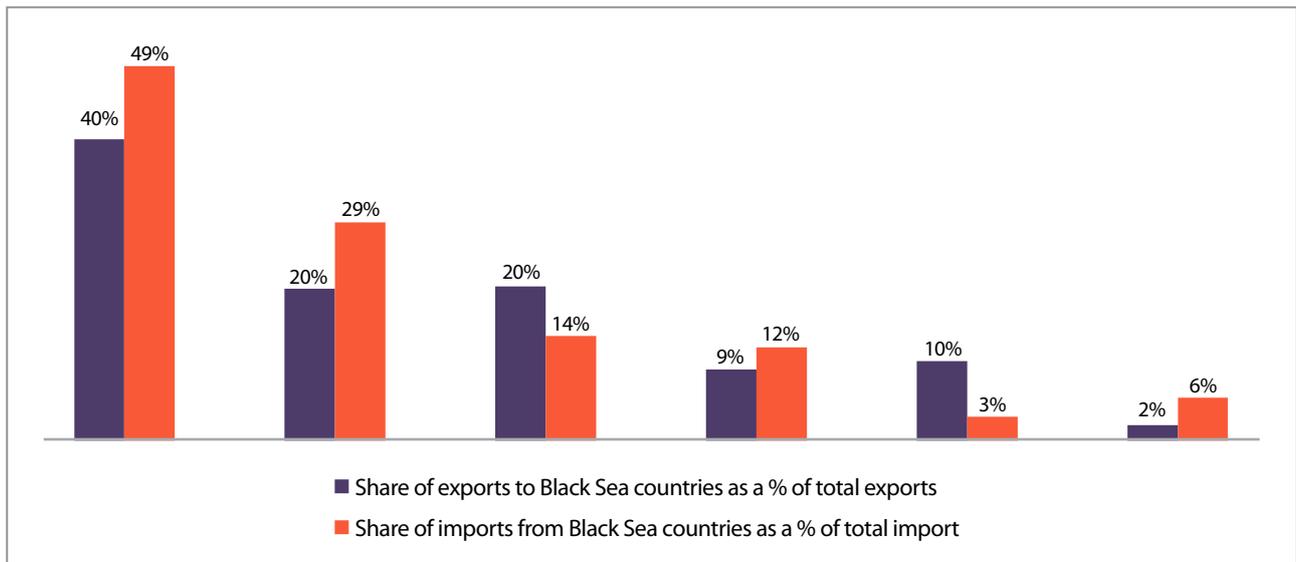


Source: Trade Map

Analyzing intra-regional trade exclusively, in 2022, Türkiye was the leading exporter, with a total export value of USD 26.6 billion. Meanwhile, Bulgaria was the top importer of goods from the Black Sea region, with a total import value of USD 16.7 billion. Among the Black Sea countries, Türkiye, Ukraine, and Russia maintain positive trade balances with the rest of the region. Consequently, the trade balances of Georgia, Bulgaria, and Romania are all negative.

Evidently, Türkiye-Russia and Russia-Bulgaria are the most pronounced trade partnerships within the Black Sea region. Türkiye's biggest share of exports among Black Sea countries is directed to Russia, and, correspondingly, Russia's largest share of imports in the region is from Türkiye. The trade dynamics between Russia and Bulgaria are similar.

Graph 4: Exports and Imports Among Black Sea Countries by Share in Total Exports and Imports (2022)



Source: Trade Map

Within the Black Sea region, **Georgia is the country most dependent on trade with its counterparts.** Notably, Georgia’s exports to Black Sea countries constitute 40% of the country’s total exports, while 49% of imports to Georgia come from the Black Sea region. In terms of regional trade dependency, Georgia is followed by Bulgaria, Ukraine, and Romania. Meanwhile, Türkiye and Russia have comparatively low reliance on Black Sea trade and are more integrated into global value chains.

TRADE AGREEMENTS AND TRADING PARTNERS OF BLACK SEA COUNTRIES

INTERNATIONAL AND REGIONAL TRADE AGREEMENTS

Black Sea countries are enhancing their trade relations within and outside the region through a number of regional and international trade agreements.

Romania and **Bulgaria** are both member states of the European Union and, therefore, participate in the trade agreements negotiated by the EU as a bloc.² Meanwhile, EU enlargement countries, namely Ukraine, Georgia, and Türkiye, all have important trade agreements with the EU.

Since 2016, **Georgia**, under the EU-Georgia Association Agreement, has had its own Deep and Comprehensive Free Trade Area (DCFTA) with the EU. This agreement includes provisions for trade liberalization and economic cooperation. Moreover, the DCFTA is based on the principles of the World Trade Organization (WTO). It removes all import duties on goods, provides for broad mutual access to trade in services, and allows EU and Georgian companies to set up a subsidiary or a branch office on a non-discriminatory basis. This enables a foreign company to benefit from the same treatment as a domestic one in the respective partner's market. Moreover, in 2018, Georgia also signed an FTA with European Free Trade Association (EFTA) member countries, namely Iceland, Liechtenstein, Norway, and Switzerland.

Overall, Georgia has free trade regimes with all Commonwealth of Independent States (CIS) countries, Türkiye, the EU, China, and the EFTA.³ Georgia has also signed FTAs with the following countries: Russia, Azerbaijan, Armenia, Ukraine, Moldova, Kazakhstan, Uzbekistan, Turkmenistan, and Türkiye. However, the existing free trade regimes with Russia and Türkiye contain some exceptions with regard to certain goods.

In October 2023, Georgia signed the Comprehensive Economic Partnership Agreement (CEPA) with the United Arab Emirates (UAE).

Similarly, **Ukraine** also has a DCFTA with the EU as part of its association agreement. The DCFTA has been provisionally applied since 1 January 2016. The AA/DCFTA aims to boost trade in goods and services between the EU and Ukraine by gradually cutting tariffs and bringing Ukraine's rules in line with those of the EU in certain industrial sectors and agricultural products. To better integrate with the EU market, Ukraine is aligning its legislation to the EU's norms and standards for industrial and agri-food products. Ukraine has also concluded FTAs with the EFTA, the CIS, Montenegro, North Macedonia, Georgia, Azerbaijan, Uzbekistan, Tajikistan, and Turkmenistan.⁴

Türkiye's association agreement with the EU dates back to 1963, and it has had a customs union agreement with it since 1995. The latter marked the EU's first substantial customs union with a non-EU country. The corresponding agreement covers all industrial goods except those classed as agricultural (except for processed agricultural products) or relating to services or public procurement. Bilateral trade concessions apply to agricultural, coal, and steel products. The EU- Türkiye Customs Union provides for a common external tariff for the products covered. It also foresees that Türkiye's alignment

² See a detailed list of EU trade agreements here: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/negotiations-and-agreements_en

³ <https://www.economy.ge/?page=ecopolitic&s=12&lang=ge>

⁴ <https://mfa.gov.ua/en/about-ukraine/economic-cooperation/free-trade-agreements-fta#:~:text=Ukraine%20concluded%20free%20trade%20agreements,%2C%20Uzbekistan%2C%20Tajikistan%2C%20Turkmenistan.>

with EU law in areas related to the Customs Union, such as customs legislation, the removal of technical barriers to trade, and the approximation of laws on protecting intellectual, industrial, and commercial property and competition rules (including state aid). Moreover, Türkiye has various FTAs with other countries and regions, including in the Middle East and North Africa. Currently, Türkiye has 23 FTAs in force, namely with: the EFTA, Israel, North Macedonia, Bosnia-Herzegovina, Palestine, Tunisia, Morocco, Egypt, Albania, Georgia, Montenegro, Serbia, Chile, Mauritius, South Korea, Malaysia, Moldova, Faroe Islands, Singapore, Kosovo, Venezuela, the UK⁵, and the UAE.⁶ The US and Türkiye primarily engage on bilateral trade issues through the 1999 Trade and Investment Framework Agreement, which was later revised in 2017 to discuss issues such as digital economy, intellectual property rights (IPR), and market access. The US and Türkiye do not have an FTA.

Russia is a founding member of the Eurasian Economic Union (EAEU), a regional economic union comprising Armenia, Belarus, Kazakhstan, and Kyrgyzstan. The EAEU has FTAs with Iran, Vietnam, China, Serbia, and Singapore.⁷

MAIN TRADING PARTNERS

In the course of analyzing trade dynamics within the Black Sea region, an essential aspect to cover is the main trading partners of the countries of the region. The above-mentioned trade agreements can be important variables in terms of trade between the Black Sea countries. The main trading partners in the discussion below were identified based on each country's overall trade balance.

Table 1: Top 5 Trading Partners of Black Sea Countries in 2022

Black Sea country	Top 5 trading partners in 2022
Bulgaria	Germany, Romania , Italy, Greece, Türkiye
Georgia	China, Russia , Bulgaria , Türkiye , US
Romania	Germany, Italy, Hungary, France, Bulgaria
Russia	China, Netherlands, Germany, Türkiye , Belarus
Türkiye	Germany, US, Iraq, UK, Italy
Ukraine	Poland, Romania , Türkiye , China, Hungary

Source: Trade Map

For EU member states **Bulgaria** and **Romania**, the top trading partners are EU countries and the two also make each other's top five. Bulgaria's list of main trading partners also includes another Black Sea country, Türkiye, which has a customs union agreement with the EU, boosting trade between the two countries.

Moreover, **Türkiye** is the EU's seventh-biggest trading partner, representing 3.3% of the EU's total trade in goods with the world (imports and exports combined) in 2022. The EU is by far Türkiye's largest merchandise import and export partner too. In 2022, 26% of Türkiye's goods imports came from the EU and 41% of the country's goods exports went to the EU.⁸ Looking at individual countries, there are 2 EU member states among Türkiye's top five trading partners: Germany and Italy. The rest of that list

⁵ The preferential trade treatment within the context of the FTA between Türkiye and the United Kingdom entered into force as of 1 January 2021, and the agreement as a whole entered into force on 20 April 2021.

⁶ <https://www.trade.gov.tr/free-trade-agreements>

⁷ <https://eec.eaeunion.org/en/comission/department/dotp/torgovye-soglasheniya/>

⁸ https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/turkiye_en

consists of two Western countries, the UK and the US, and one Middle Eastern country, Iraq. Interestingly, even though Türkiye makes the list of top five trading partners for Black Sea countries, none of the Black Sea countries are among the main trading partners of Türkiye itself.

Georgia's main trading partners are diverse, which is in line with the diversity of the country's trade agreements and partnerships. In particular, Georgia has two Black Sea countries among its top five trading partners: Bulgaria and Türkiye. The list also consists of China, Russia, and the US. Bulgaria is the only EU member state among Georgia's main trading partners. The EU as a whole would be among its main trading partners of Georgia as 20.5% of its trade was with the EU in 2022.⁹ The EU's trade with Georgia accounts for 0.1% of its total trade, with a turnover of around €4.25 billion in 2022. Meanwhile, EU exports to Georgia amounted to €3.2 billion in 2022, marking an increase of 57.9% compared to the previous year.

Ukraine also has two Black Sea countries among its top five trading partners in 2022: Romania and Türkiye. Including Romania, there are in total three EU member states in this list, with the others being Poland and Hungary. China also makes the list of Ukraine's top five main trading partners. Aided by the Solidarity Lanes helping Ukraine to export its products by road, rail, and inland waterways following Russia's invasion of Ukraine and blockade of its seaports, Ukraine's trade relations with the EU have been considerably enhanced since February 2022.

Russia's top five main trading partners include Türkiye, the only Black Sea country in its list, as well as Netherlands and Germany, the only EU countries to do so. Belarus, which is one of Russia's closest political allies, is also among its top trading partners. China completes the list of Russia's top five trading partners in 2022. Russia's trading relationship with many countries in the world, including Black Sea countries (see more in the chapter below), has been limited since the imposition of trade-related sanctions in response to its invasion of Ukraine in February 2022.

⁹ https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/georgia_en

IMPACT OF THE RUSSO-UKRAINIAN WAR ON TRADE IN BLACK SEA COUNTRIES

Russia's military invasion of Ukraine on 24 February 2022 has been an important date in terms of changing the trade dynamics in Black Sea region. The most obvious developments **include economic and trade sanctions that many countries around the globe have imposed on Russia**, including Black Sea countries, and **trade challenges faced by Ukraine due to the severity of ongoing war and blockade of Ukrainian seaports**.

Importantly, **the war has accelerated the pace of EU accession for Ukraine and Georgia**. As previously described, Georgia and Ukraine have had DCFTAs with the EU as part of their association agreements with the bloc. Additional opportunities for enhancing trade and economic relations between Georgia and the EU, and between Ukraine and the EU (including Romania and Bulgaria) are expected to arise following the recent developments in the EU Ukraine and Georgia. The two countries applied for EU membership in early 2022, shortly after the war began. In November 2023, the European Commission adopted its 2023 Enlargement Package,¹⁰ recommending that membership negotiations be commenced with Ukraine and that candidate status be granted to Georgia. These speedy developments in the EU aspirations of both countries are related to Russia's war in Ukraine and a consequent escalation in tensions between the EU and Russia.

TRADE-RELATED SANCTIONS ON RUSSIA

The leader when it comes to imposing sanctions on Russia has been the EU, which has adopted unprecedented measures aiming to significantly weaken Russia's economic base, depriving it of critical technologies and markets, and thereby significantly curtailing its ability to continue the war. Notably, until 24 February 2022, Russia was an important trading partner to the EU. However, since the invasion, the EU has introduced a series of trade-related restrictive measures on Russia.¹¹ **Between February 2022 and September 2023, the value of Russia's imports from the EU fell by 81%, while exports from Russia to the EU fell by 62% in this period**. As a result, the EU's trade deficit with Russia, which peaked at €18.6 billion in March 2022, fell to €1.0 billion in September 2023.¹²

As for the non-EU member states of the Black Sea region, Türkiye refused to join the sanctions claiming its import dependence (mainly energy) as a reason. Georgia has also abstained from imposing its own sanctions on Russia, albeit the Government of Georgia declared that it did not intend for the country's customs territory and/or financial institutions to be used to circumvent the international sanctions. The responsible agencies in Georgia stated that all products included in the list determined by the countries participating in the international sanctions, as well as any customs operations (i.e. export or re-export) that may be carried out by sanctioned individuals or companies, were subject to special customs controls.¹³

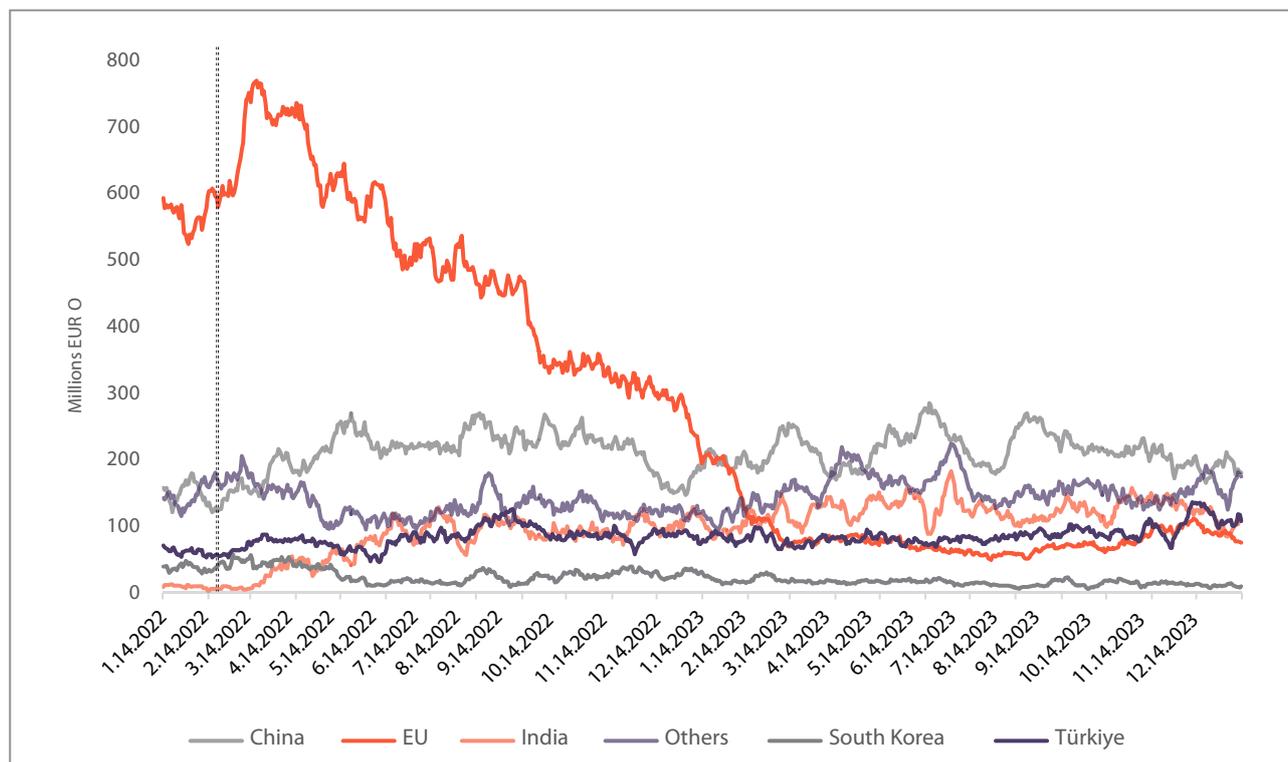
¹⁰ https://neighbourhood-enlargement.ec.europa.eu/news/commission-adopts-2023-enlargement-package-recommends-open-negotiations-ukraine-and-moldova-grant-2023-11-08_en

¹¹ <https://www.consilium.europa.eu/en/policies/sanctions/restrictive-measures-against-russia-over-ukraine/#economic>

¹² Eurostat, https://ec.europa.eu/eurostat/statistics-explained/index.php?oldid=558089#Latest_developments

¹³ https://idfi.ge/en/georgias_implementation_of_the_international_sanctions_imposed_against_russia

Graph 5: Top Importers of Russian Fossil Fuels (February 2022 – January 2024)



Source: Centre for Research on Energy and Clean Air (CREA)

Importantly, Russia is a major player in the global energy market, with **the EU in particular being highly dependent on Russian gas and oil**. Before the war, the EU was the largest importer of Russian fossil fuels. However, the EU's imports of Russian fossil fuels have rapidly declined since the end of March 2022, with the monetary value falling to about one-eighth of pre-invasion levels. Nevertheless, as of January 2024, the EU remains among the largest importers of Russian fossil fuels. At the same time, **the value of exports of Russian fossil fuels to China and India have considerably increased since the war and both countries have surpassed the EU to become the two largest importers of Russian fossil fuels**. Meanwhile, exports to Türkiye have remained relatively stable since February 2022. In recent months, the value of such Russian exports to Türkiye have grown compared to exports to the EU.

TRADE IN UKRAINE

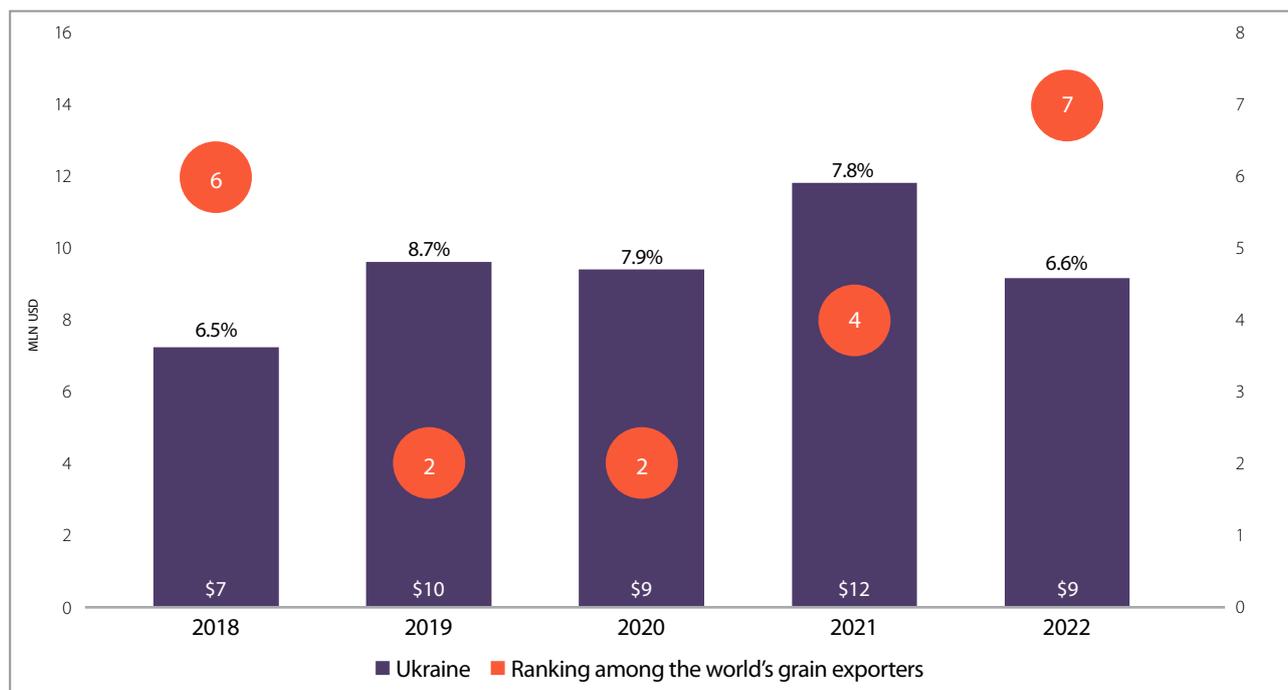
Ukraine had the largest coastline on the Black Sea before the annexation of Crimea in 2014. Moreover, roughly 70% of its exports were normally carried by sea¹⁴ before Russia's invasion in February 2022. Notably, Ukraine, as an important player in the global trade of food and agricultural products, especially grain, also traded the vast majority of these products through the Black Sea prior to the war. **After the full-scale invasion of Ukraine in late February 2022 and the blockade of Ukraine's Black Sea ports by Russia, exports of all major grains out of Ukraine dropped substantially for almost five months**. During that period, Ukraine lost access to its hitherto cost-efficient Black Sea ports and was limited by the existing transshipment capacity of railroads,

¹⁴ The Ukrainian Minister of Infrastructure stated at the Committee on Transport and Tourism (TRAN) meeting in May 2022, at which time all port operations had ground to a halt in Ukraine due to the war, that 70% of Ukrainian exports were normally carried by sea

trucks, and barges heading across EU borders, as well as Danube River ports.¹⁵ This prompted an outcry from developing nations, such as Egypt and Lebanon, that are dependent on Black Sea food and fertilizer to feed their populations. Moreover, these developments had a global impact on food prices, further pushing inflationary pressures which were already high amid the COVID-19 pandemic.

As a result, **in late July 2022, the Black Sea Grain Initiative (BSGI) was signed** between Russia and Ukraine, led by the United Nations and Türkiye.

Graph 6: Ukraine Grain Exports (Volume and Share in Total World Grain Exports, and Ranking Among the World's Grain Exporters), 2018-2022



Source: Trade Map

The BSGI facilitated the resumption of Ukraine's use of its Black Sea ports of Chornomorsk, Odesa, and Pivdennyi. The corresponding agreement, which was in place from July 2022 to July 2023, allowed Ukraine to maintain grain exports during 2022 and for the first half of 2023. **The BSGI collapsed in July 2023 as Russia removed itself after its demand that sanctions be lifted on its grain and fertilizer exports was not met.**¹⁶ After the Black Sea Grain Initiative fell apart, Ukraine adopted new routes via Reni and Izmail on the Danube and transit routes through the EU. Alongside this, Ukraine also developed a maritime corridor for cargo vessels across the western Black Sea coast near Romania and Bulgaria. As it has been reported by Ukrainian officials, so far Ukraine's shipping scheme which has replaced BSGI has been successful and brought relief for Ukrainian farmers and importing countries.¹⁷

¹⁵ https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Grain%20and%20Feed%20Quarterly_Kyiv_Ukraine_UP2023-0040.pdf

¹⁶ <https://www.reuters.com/world/europe/black-sea-grain-deal-expire-monday-if-russia-quits-2023-07-17/>

¹⁷ <https://www.reuters.com/markets/commodities/ukraines-dec-black-sea-food-exports-top-un-brokered-deal-its-peak-brokers-2024-01-10/>

Tables 2&3: Top 10 Importers of Ukraine's Grain in 2021 and 2022 (in thousand USD)

Importers	2021	Importers	2022
China	2,552,514	Romania	1,277,323
Egypt	1,386,442	China	1,106,840
Türkiye	918,330	Spain	983,545
Indonesia	749,760	Türkiye	870,768
Spain	644,883	Poland	645,978
Netherlands	552,241	Egypt	536,492
Iran	533,326	Italy	405,496
Pakistan	354,830	Hungary	401,221
Libya	341,608	Netherlands	338,870
Tunisia	306,103	Korea	189,377

Source: Trade Map

It is worth analyzing how **the war has changed the composition of the main importers of Ukraine's grain. Prior to the war, seven of the top 10 destination markets for Ukrainian grain exports in 2021 were located in Asia and North Africa.** However, the picture changed after the beginning of the war in 2022, as **the same list included more EU member states.** Romania, Poland, and Hungary saw particularly large increases in their ranking with regard to imports of grain from Ukraine, while Indonesia, Iran, Pakistan, Morocco, and Tunisia dropped out of the top 10, as the flow of Ukrainian exports via maritime trade was severely disrupted. Türkiye, a main facilitator of the BSGI, remained among the top 10 importers of Ukrainian grain after the war.

This change in the composition of the main importers of Ukrainian grain is related to **temporary measures introduced by the EU in support of Ukrainian exports.** The Autonomous Trade Measures (ATM) Regulation, through which the EU granted Ukraine full trade liberalization, suspending import duties, quotas, and trade defense measures for imports from Ukraine on a temporary basis, entered into force on 4 June 2022 and was renewed for another year on 5 June 2023.¹⁸ Ukraine's exports to the EU amounted to €27.6 billion in 2022, marking an increase of over 15% compared to the previous year. In 2022, Ukraine overtook the US as the third-biggest source of EU agrifood imports. As for Ukraine's imports from the EU, the trade thereof amounted to €30.1 billion in 2022, which was 6.5% higher compared to 2021.¹⁹

On the other hand, the success of the ATM Regulation has reportedly led to **temporary distortions in the markets of the five EU member states sharing a border with Ukraine, namely Bulgaria, Romania, Hungary, Slovakia, and Poland. The EU imposed temporary restrictive measures on exports of Ukrainian foodstuffs to those five countries on 2 May 2023.**²⁰ The measures were intended to protect local farmers struggling to sell their products in the face of a short supply of cheap products coming from the war-affected Ukraine. Nevertheless, transit through these five countries to other destinations continued under this agreement. As the ban expired in September 2023, the EU decided not to extend the measures, claiming that there were no longer any market distortions in those five member states and that the measures were intended to serve as exception-

¹⁸ https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/ukraine_en

¹⁹ https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/ukraine_en

²⁰ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4497

al safeguards, rather than something that should be in place for an unlimited period. In response, Poland, Hungary, and Slovakia have imposed their own bans independently from the EU.²¹ Bulgaria has been accepting grain from Ukraine since the end of an EU-wide ban, while Romania now allows the import and export of grain from and to Ukraine only with a special licensing system, under which a license is only issued for stock replenishment purposes dedicated to farmers and food processors.²² In reality though, Romania has not imported any agricultural products, including wheat, maize, rapeseed, and sunflower, from Ukraine since May 2023, as shown by data on registered customs operations from the Romanian Customs Authority.²³ Accordingly, it could be suggested that the list of main importers of Ukrainian grain for 2023 will be quite different from that of 2022. At the very least, Romania is not expected to be on that list.

As a result of these restrictions and the termination of BSGI, Ukraine has exported 13.4 million tons of grain since the beginning of the 2023/2024 agricultural season²⁴ as of 4 December 2023, which is 26.7% lower compared to the previous year. Nearly all agriculture exports from Ukraine ordinarily sent through Black Sea ports, have been redirected to Ukraine's new corridor along its western Black Sea coast near Romania and Bulgaria, its small ports on the Danube River, and exports over land via eastern Europe. The latest information by Ukrainian official suggests that Ukraine's exports via its Black Sea corridor have substantially increased in December 2023, implying that new route through the Black Sea has been successful in replacing the BSGI.

²¹ <https://www.politico.eu/article/poland-hungary-slovakia-extend-grain-bans-despite-blocs-lift/>

²² <https://intellinews.com/bulgaria-to-accept-ukrainian-grain-romania-plans-30-day-ban-293219/>

²³ <https://www.euractiv.com/section/politics/news/romania-has-not-imported-ukrainian-farm-products-in-the-past-six-months/>

²⁴ July 2023 – June 2024 for wheat. October 2023 –September 2024 for corn, barley, and rye the marketing year.

CLOSING REMARK

The war in Ukraine has significantly altered trade dynamics in the Black Sea region. Firstly, it has created security challenges and increased tensions between countries. On the other hand, it has also unlocked opportunities to utilize the potential of the Black Sea as a strategic location and international transport route.

Key developments include economic and trade sanctions imposed on Russia by many countries globally, including those in the Black Sea region; trade challenges faced by Ukraine due to the severity of the ongoing war and blockade of Ukrainian seaports; and acceleration of the pace of EU accession for Ukraine and Georgia due to the conflict and escalated tensions between the EU and Russia.

Initiatives such as the Black Sea energy submarine cable project and the development of the Anaklia deep water seaport in Georgia have gained momentum since the war, highlighting the region's transit role as part of the Middle Corridor. It is crucial to commit to the successful implementation of these initiatives and provide continuous support as the region receives substantial international backing to overcome war-related challenges and harness its potential.

Western states and organizations should pledge to ensure stability and development in the Black Sea region, including by providing security guarantees that protect trade and allocating financial resources to integrate the wider Black Sea region into the political, economic, and infrastructural domains of the European Union.

Moreover, enhanced collaboration among Black Sea countries, with one notable exception, is essential for the successful development of trade routes passing through the Black Sea. A notable example of such collaboration is the joint agreement signed in January 2024 between Türkiye, Romania, and Bulgaria to clear floating mines threatening Black Sea shipping since the onset of the Ukraine war.²⁵

²⁵ <https://www.euronews.com/2024/01/11/turkey-bulgaria-and-romania-sign-deal-to-tackle-black-sea-mines>

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