

POLICY BRIEF

October 2026 | N° 9

How to Make the Most of EU Customs Preferences

“A crisis is a terrible thing to waste.” This observation is attributed to Nobel Prize-winning economist Paul Romer.

The restrictions Russia has imposed on Armenian products since May 2026 can only be described as a crisis. Against the backdrop of this prolonged crisis, and in response to Russia’s actions, the European Union (EU) has introduced temporary trade liberalisation measures for Armenia – known as autonomous trade measures – exempting a wide range of Armenian-origin products from import duties. This policy brief assesses the economic scale of this window of opportunity and explores how Armenia can make the most of it.



The Economic Impact of Russia's Restrictions

The restrictions imposed by Russia since May targeted all major product groups exported to the Russian market, including fruit and vegetables, flowers, fish products and dairy products. According to preliminary estimates, if the restrictions remain in place until the end of the year, all else being equal, Armenia's export losses could reach approximately [USD 260 million](#), equivalent to 0.9% of

Armenia's 2025 GDP and 7.4% of its total exports of domestically produced goods.

Russia's restrictions also apply to exports transiting through its territory to other Eurasian Economic Union (EAEU) member states. Potential export losses to these destinations are estimated at approximately USD 3 million.

EU Customs Preferences

Russia's restrictions were followed by an EU legislative package introducing temporary trade liberalisation measures that exempt a wide range of Armenian-origin products from import duties. The measures [entered into force](#) on 10 October and will remain in effect for two years.

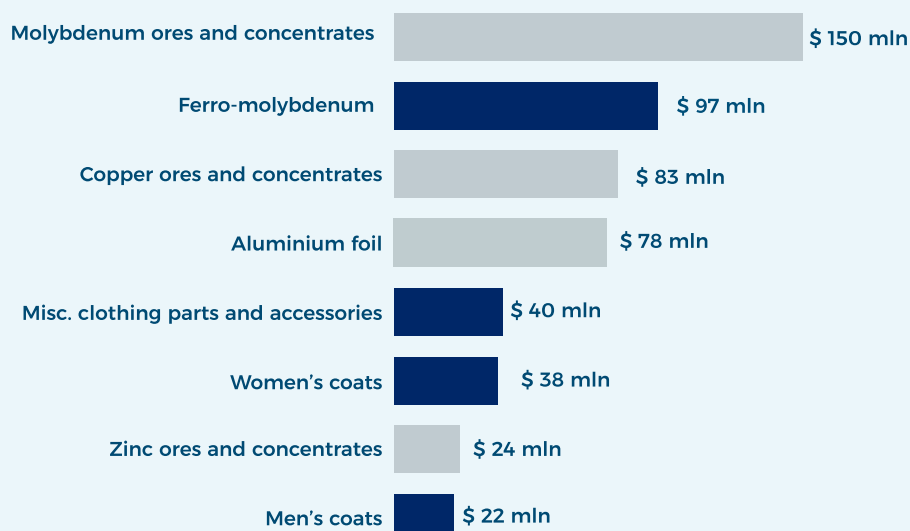
In 2025, Armenia exported USD 667 million worth of goods to the EU across 1,166 eight-digit HS codes. **The temporary trade liberalisation measures cover 1,096 of these codes, accounting for USD 330 million of**

those exports. According to EU estimates, the measures will generate annual import duty savings of approximately EUR 3 million.

Among the leading product groups exported to the EU, the preferential regime excludes only molybdenum, copper and zinc ores and concentrates and aluminium foil, while covering other major exports, such as ferro-molybdenum and clothing.

The temporary trade liberalisation measures cover 1,096 of the 1,166 commodity codes exported from Armenia to the EU in 2025

Figure 1. Armenia's Leading Product Groups Exported to the EU, 2025



Note: Product groups highlighted in blue are exempt from import duties under the proposed trade liberalisation measures.
Source: Statistical Committee of the Republic of Armenia.

Products exempt from EU import duties under the trade liberalisation measures also account for a substantial share of Armenia's total exports. According to our estimates, Armenia exported nearly USD 3.5 billion worth

of domestically produced goods in 2025, more than two-thirds of which would qualify for the proposed preferences.

Figure 2. Armenia's Leading Product Groups Exported Worldwide, 2025



Note: (1) Product groups highlighted in blue are exempt from import duties under the proposed trade liberalisation measures. (2) The figure excludes re-exports of gold and jewellery, as well as diamonds and electrical equipment. EU preferential tariffs apply to goods originating in Armenia.
Source: Statistical Committee of the Republic of Armenia.

In 2025, more than two-thirds of the approximately USD 3.5 billion worth of domestically produced goods exported from Armenia qualified for EU trade preferences

What Are the Risks Associated with EU Customs Preferences: Tariff-Rate Quotas

The preferences are extensive, but certain restrictions apply to fruit and vegetables. Duty-free imports into the EU are subject to quotas for products including apricots, grapes, plums, peaches, sour and sweet cherries, strawberries, cucumbers and pears. Once these quotas are exceeded, standard tariffs apply. In many cases, the quotas are substantially below Armenia's actual export volumes in 2025: for example, the quota for plums is equivalent to just 13% of those exports, and the quota for apricots to 16%.

These small quotas reflect the EU's methodology and established practice more than an intention to protect its own market. Quota levels were determined using data available in the UN Comtrade database on exports by businesses registered in Armenia in 2025. However, particularly in the case of fruit and vegetables, most exports are carried out by individuals.

The experience of Moldova, Ukraine and Georgia shows that trade preferences alone are insufficient to redraw a country's export map

The scope of trade liberalisation is substantial, but the experience of Moldova, Ukraine and Georgia shows that preferences alone are insufficient to break entrenched patterns of dependence and reshape export markets.

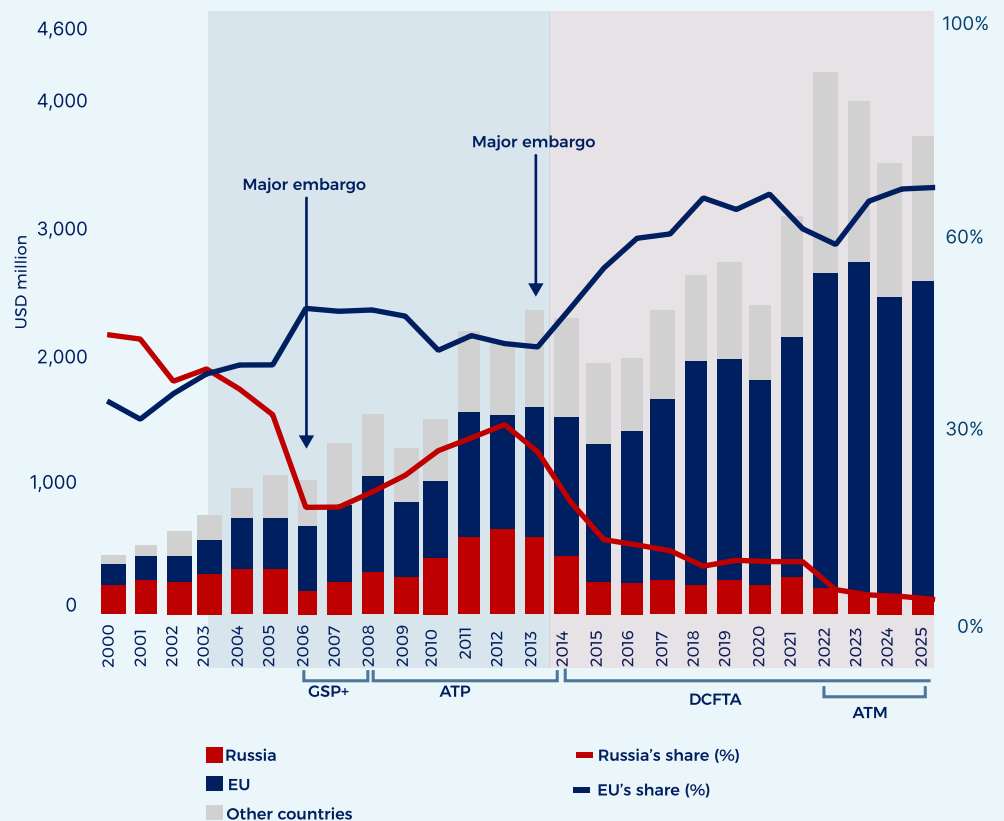
Examining these countries' experiences can help identify the actions needed to diversify exports.

Moldova's Experience of Radical Transformation

Moldova's export structure underwent a radical transformation between 2000 and 2025. Russia shifted from its main trading partner to a secondary export

market, with its share of Moldova's exports falling from 44% in 2000 to 3% in 2025.

Figure 3. Moldova's Export Structure, 2000–2025



Source: UN Comtrade

This political and economic transformation unfolded in two phases. The first began in 2003, when Chişinău [abruptly declined](#) to sign a Russian proposal to settle the Transnistrian conflict. The second was marked by the signing of the [Association Agreement](#) with the EU in 2014, which established a Deep and Comprehensive Free Trade Area (DCFTA).

These developments, which strained Russia–Moldova relations, were accompanied by Russian restrictions on meat products, fruit and vegetables, and Moldova's main exports to Russia—[wine and brandy](#).

In response to Russian economic pressure, the EU gradually liberalised trade with Moldova, successively granting access to GSP+, Autonomous Trade Preferences (ATP) and the Deep and Comprehensive Free Trade

Area (DCFTA), followed by Autonomous Trade Measures (ATM) in 2022-2025 after the outbreak of the Russia-Ukraine war (Figure 3).



Source: MoldovaLive

During the first phase, **production practices rooted in Soviet agricultural traditions were not yet suited to the European market, while small quotas discouraged businesses from turning towards Europe.** For example, tariff-rate quotas for wine were often exhausted by mid-year. Under these conditions, the business community adopted a wait-and-see approach, hoping that relations with Russia would improve. When Russia partially lifted the ban in 2007, exports to the Russian market began to recover gradually (Figure 3).

In the second phase, following another embargo, Moldova's business community abandoned its illusions and embraced economic transformation.

This time, both the EU's financial and technical assistance and its trade preferences were substantial. All industrial goods were exempt from customs duties, while tariff-rate quotas for agricultural products were gradually expanded or removed. Following the outbreak of the Russia-Ukraine war, the

EU's Autonomous Trade Measures (ATM) for Moldova in 2022-2025 eliminated customs duties on all products and fully suspended the remaining tariff-rate quotas.

Following the expiry of the support measures, the terms of the DCFTA were revised in 2025. Quotas were retained only for apples, plums, sweet cherries and grapes, with volumes increased by up to six times their 2014 levels.

This export transformation would not have been possible without the political and economic resolve of Moldova's government and business community to first accept reality and then take coordinated, comprehensive action to build a new one.

Small quotas limit the trade potential of zero tariffs

For exporters, especially small and medium-sized enterprises, the greatest challenge is often finding buyers in foreign markets

What Did Moldova's Government Do?

Harmonisation of Legislation and Standards. In line with the Association Agreement, Moldova aligned its legislation, food safety standards and sanitary and phytosanitary (SPS) measures with EU requirements. Laboratories obtained EU accreditation, and food safety in Moldova is now [considered](#) to meet European standards.

Infrastructure Development. The government pursued full integration of its transport and energy networks with neighbouring EU member Romania. Cooperation on road infrastructure [continues](#), with projects largely financed by the Romanian government.

Brand Development. With financial and technical support from Western organisations, including the United States Agency for International Development (USAID), the National Office for Vine and Wine ([ONVV](#)) was established in 2013, alongside the launch of the unified national brand “Wine of Moldova”, which became a central focus of Moldova's diplomatic efforts.

Support for Establishing Business Connections. Finding buyers in foreign markets is often the greatest challenge for exporters, particularly small and medium-sized enterprises (SMEs). Since 2023, Moldova's state investment [agency, Invest Moldova](#), has organised World Bank-funded [B2B missions](#) to Romania and Germany, expanding to Italy and Poland this year. Through hundreds of meetings, Moldovan companies establish business connections with firms in the host countries, expanding exports of traditional products while also entering new market niches.

The agency also maintains a [register of Moldovan exporters](#), making it easier to find suppliers from Moldova and establish business cooperatives within the country.

Target Market Research. Invest Moldova also conducts [market research](#) in cooperation with partner organisations to identify consumer needs and preferences in target regions and countries.

Business Subsidies. The Agency for Intervention and Payments in Agriculture ([AIPA](#)) was established to channel state subsidies, supported by European and American donors, to farmers for purchasing modern equipment, building cold storage facilities and establishing modern intensive orchards.

Grants are also available through Invest Moldova's Bridge programme, covering up to 60% of the costs of export promotion activities, research, business missions, marketing campaigns and export capacity development projects undertaken by business associations. Grants range from approximately USD 5,500 to USD 110,000 per project. For example, in 2022–2025—a period that coincided with the EU's Autonomous Trade Measures (ATM)—business associations received approximately USD 450,000 in support, generating USD 100 million in [exports](#).

What Did Moldova's Business Community Do?

Fundamental Technological Changes. Moldovan producers began studying the new market intensively. While they had supplied the Russian market with large volumes of inexpensive semi-sweet wine shipped in bulk, the European market demanded bottled, premium dry wines with protected geographical indications (PGI). Wineries [purchased](#) European equipment, brought in French and Italian oenologists, and began using both international and indigenous grape varieties to impress European consumers. The [Technical University of Moldova](#) also contributed to this transformation through a viticulture and winemaking curriculum developed entirely with American support.

Changes in Varieties and Product Ranges. Fruit growers [began uprooting](#) old Soviet-era orchards. Areas planted with apples, plums and peaches declined, while those devoted to fruits in greater demand in Europe, such as apricots, [sweet cherries and sour cherries](#), expanded. [Apple varieties](#) also changed: while the traditional Russian market had absorbed long-storing Idared and Renet Simirenko apples, the European market demanded newer varieties with brighter, more uniform colour and consistent size, such as Gala and Fuji. Growers also shifted towards [seedless grape varieties](#) to meet European consumers' preferences.



Source: freshplaza.com

Establishment of Cooperatives. To supply consistent volumes to the EU market, Moldovan farmers began joining agricultural cooperatives, such as [Berries Group](#). This enabled them to deliver large, reliable volumes and meet demand from European [supermarket chains](#), while also investing in post-harvest infrastructure that would have been prohibitively costly for an individual company.



Source: EastFruit

Investment in Post-Harvest Infrastructure. With financial and technical support, agricultural cooperatives began building controlled-atmosphere (CA) cold storage facilities, packing facilities, and automated sorting and washing lines to reduce costs. For example, [cold storage facilities](#) reduce losses and allow growers to store their harvest and sell it when seasonal prices are higher.

Entering New Market Niches. Industrial enterprises rapidly shifted towards [textile production](#), though still operating under toll manufacturing arrangements. Another important niche was [automotive components](#), particularly [wire and cable production](#), [alongside software development and design](#).

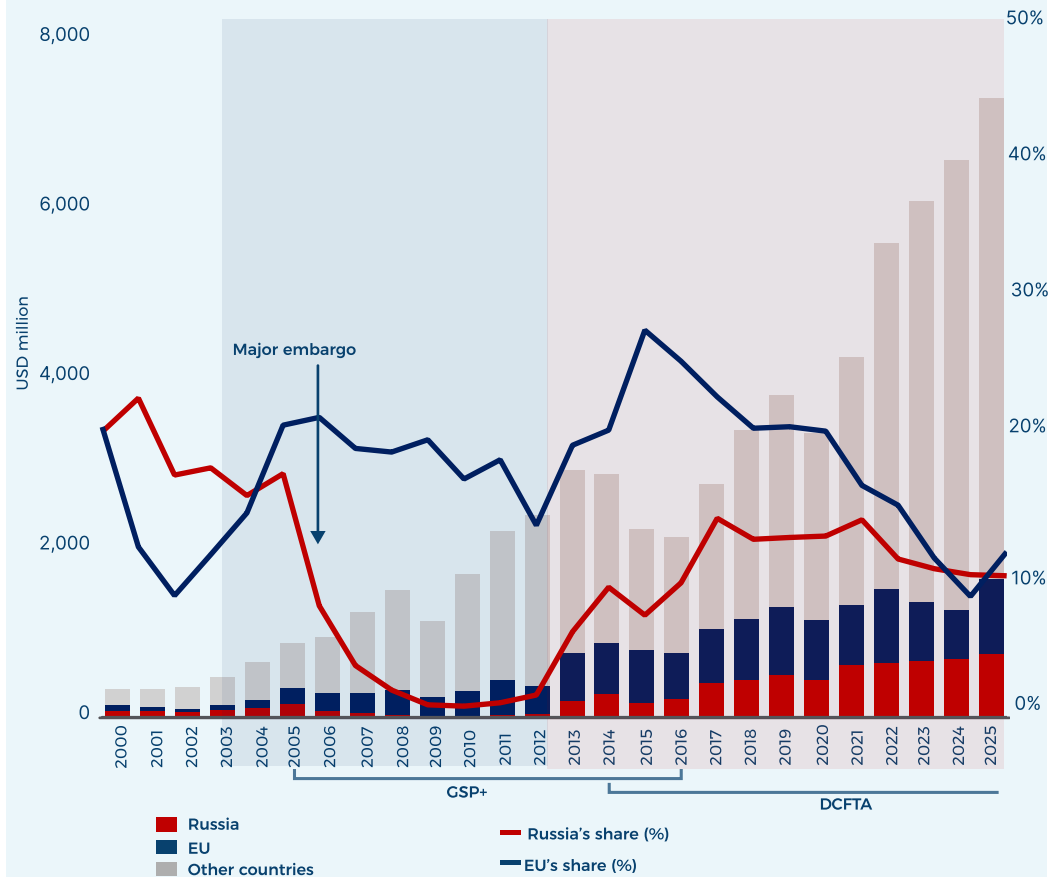
Moldova's experience shows that exports can grow not only through traditional products but also through new market niches, as wire and cable manufacturing did in Moldova's case

Georgia's Experience of Balancing Two Orientations

Unlike Moldova, Georgia did not undergo a radical transformation, with almost as much financial and technical assistance as Moldova, although Western donors [provided](#) it

Georgia's exports to the EU are held back by logistics: there is no direct land connection, and shipping across the Black Sea is expensive

Figure 4. Georgia's Export Structure, 2000-2025



Source: UN Comtrade

The changes over the past 25 years can also be divided into two phases. The first began with the Rose Revolution in 2003, when Georgia adopted a strongly pro-Western policy. Tough political rhetoric was followed by economic restrictions and a major [embargo](#) in 2006. As in Moldova's case, the EU [granted](#) Georgia access to the GSP+ preferential trade regime. However, Georgian businesses were unable to shift quickly towards Europe. **Alongside domestic structural factors, they faced logistical challenges, including the lack of a direct land connection and high shipping costs across the Black Sea.**

Moreover, unlike Moldova, Georgia was not granted Autonomous Trade Preferences (ATP).

In the second phase, Georgia took a different path. The political force that came to power in 2012 adopted a pragmatic policy of pursuing parallel tracks: advancing EU integration while restoring dialogue with Russia. Although Georgia signed an [Association Agreement](#) with the EU in 2014, establishing a Deep and Comprehensive Free Trade Area (DCFTA), Russia did not impose an embargo on Georgian products, as it did on Moldovan products

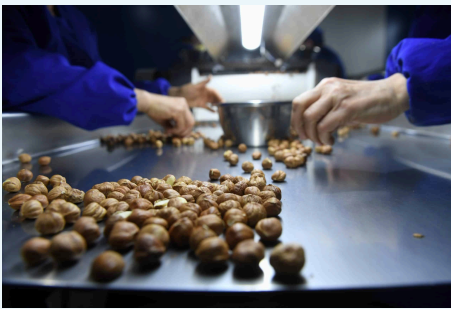
during the same period. Amid cordial political dialogue, exports to Russia recovered (Figure 4), and Russia once again became the main market for Georgian wine and agricultural products. A fragile balance between the two orientations emerged.

Within this balance, Georgia began taking steps to promote exports to the EU, particularly after signing the Association Agreement in 2014.

Georgia fulfilled the same legislative harmonisation [requirements](#) as Moldova. It established the [National Wine Agency](#), [Enterprise Georgia](#) and the Rural Development Agency ([RDA](#)).

Through subsidies, the government encouraged the establishment of intensive orchards and modern [cold storage](#) and packing facilities. However, following the outbreak of the Russia-Ukraine war, the country's political trajectory shifted, leading to a gradual reduction and subsequent suspension of Western financial and technical assistance. Exports to the EU are declining.

Ferrero's Entry into the Georgian Market



Source: eu4georgia.eu

Hazelnuts are now Georgia's leading agricultural export, accounting for 12% of its exports to the EU in 2025. Ferrero's experience shows that attracting major players creates new, deep and complex economic relationships and reshapes the domestic business environment.

In the early 2000s, the Italian company Ferrero sought to diversify its supply chain and reduce its dependence on other countries. Georgia's climate and natural conditions were ideal for growing hazelnuts, while the modernisation of its legal framework in line with EU requirements provided a reliable environment for foreign investment. With funding from the EU and the Swedish government, and in cooperation with the Food and Agriculture Organization of the United Nations (FAO), [Ferrero](#) invested in establishing plantations and processing facilities in Georgia. AgriGeorgia, established by Ferrero, develops and expands these plantations and facilities and also purchases hazelnuts from other producers.

Ferrero's case shows that the entry of major players brings new economic relationships and changes the domestic business environment

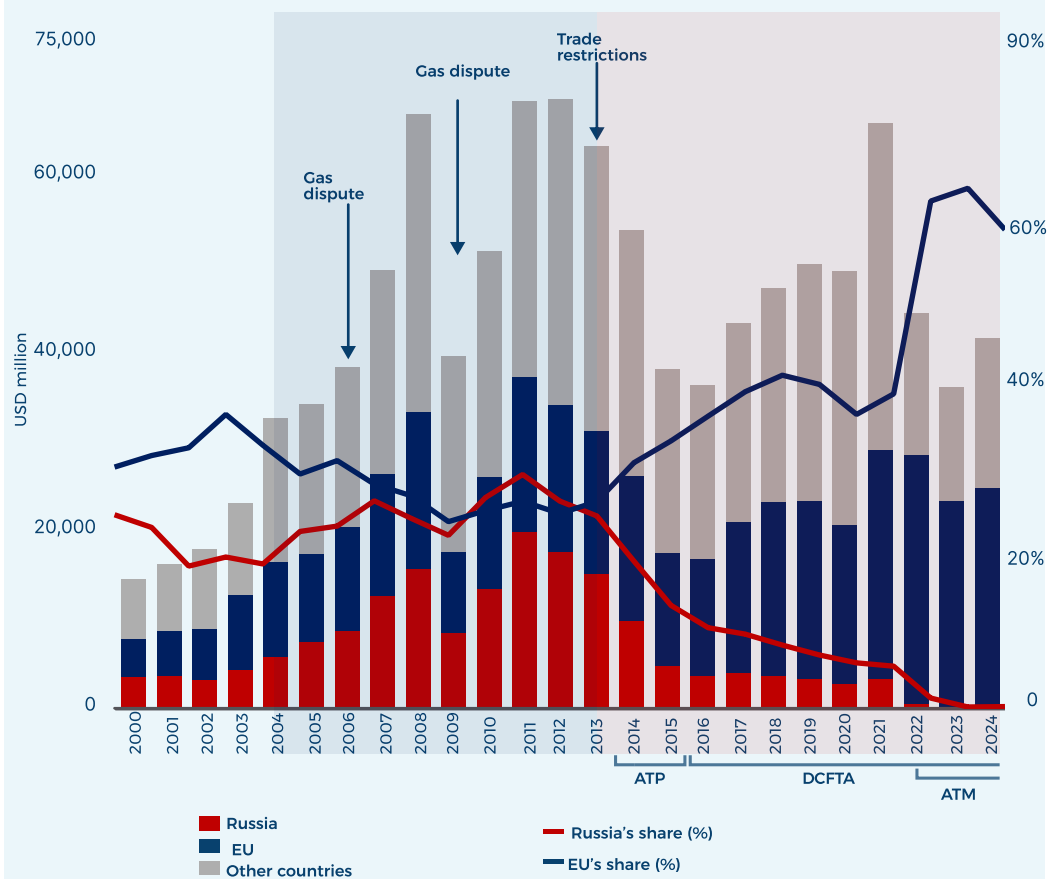
Ukraine Amid Transformation and the Turmoil of War

For years, gas supplies were Russia's main instrument of economic pressure on Ukraine. Disputes between Russia's Gazprom and Ukraine's Naftogaz intensified after the 2004 Orange Revolution, reflecting the shift in the country's political orientation.

In the years that followed, Russia imposed trade restrictions on dairy, meat and other products. Ukrainian exports subsequently shifted towards the European Union.

Ukraine has established an exporter register that brings together information on exporters, their production capacities and quality certificates, providing a comprehensive source of information for potential buyers and others

Figure 5. Ukraine's Export Structure, 2000-2024



Source: UN Comtrade

The EU first [granted](#) Ukraine Autonomous Trade Preferences (ATP), then established a Deep and Comprehensive Free Trade Area (DCFTA).

Ukraine followed the same path of harmonising legislation and standards as Moldova and Georgia. It developed the "Trade with Ukraine" brand and policy framework. In 2015, the Entrepreneurship and Export

Promotion Office ([EEPO](#)) was established. The Office maintains an [exporter register](#) and [regional export potential catalogues](#), helping exporters find partners to form cooperatives. Business missions are its main export promotion activity, alongside exhibitions, workshops and other [events](#).

In 2018, the Export Credit Agency ([ECA](#)) was established to insure against

export risks, including buyer non-payment and defaults on export loans. The agency plays a particularly important role in wartime.

Armenia's Path

As a member of the Eurasian Economic Union (EAEU), Armenia cannot establish the same legal framework for partnership with the EU as Moldova, Georgia and Ukraine. The EU's temporary trade liberalisation measures could serve as a trial run for a free trade area.

As Moldova's experience in 2003–2013 suggests, eliminating customs duties alone is insufficient to expand exports. A comprehensive set of new economic capabilities must also be developed, including in production, post-harvest handling, logistics and marketing. Moreover, where quotas are small, zero tariffs may make little practical difference.

Expanding exports to the EU and diversifying export markets require coordinated, comprehensive action by government and business. Moldova's experience offers a particularly clear roadmap. Armenia will need time and financial and technical support to follow this path.

How Can the Logistics Challenge Be Addressed?

Armenia lacks Moldova's favourable geographical position, making export diversification even more challenging. Geographical distance has also been a major barrier to Georgia's exports to the EU, preventing it from undergoing the transformation seen in Moldova.

Armenia could address its logistics constraints in two ways: by exporting processed products with high added value, such as dried fruit, canned goods and caviar, or by developing innovative logistics infrastructure.

Nevertheless, today's global economy shows that **geography is not destiny when innovative thinking and technology are put to work.**

Logistical barriers can be overcome: geography is not destiny when innovative thinking and technology are put to work

High Value, Low Volume

Processing raw materials extends shelf life, reduces weight and volume, and increases product value, thereby lowering logistics costs as a share of the final price.



Image: AI-generated

Example: Thailand processes 80% of its pineapple harvest into canned products for export to major markets, including the US, the EU and Russia. Long transport distances pose a challenge for fresh fruit, but not for canned products.

Innovative Logistics

Controlled atmosphere (CA), Modified atmosphere packaging (MAP) and Individual quick freezing (IQF) technologies are among the most important innovations in modern logistics.

- **Controlled atmosphere (CA)** technology maintains low oxygen and elevated carbon dioxide levels in storage facilities or containers, slowing ethylene production. This technology extends produce shelf life by two to four times.

Example. Following China's 2021 embargo, Taiwanese-grown atemoya, a tropical fruit, began reaching markets as far away as Canada, thanks to CA technology, which doubles its shelf life.

- **Modified atmosphere packaging (MAP)** is applied only at the point of packaging: the package is filled with a special gas mixture, which extends the product's shelf life by two to five times.

Example. In Chile, cherries are packed using MAP technology, which keeps them fresh for about 60 days.

- **Individual quick freezing (IQF)** is a shock-freezing method that prevents large ice crystals from forming, so the product keeps its properties after thawing. This extends shelf life to up to two years.

Other modern solutions are also available, such as ethylene absorbers, biological coatings, ozonation and UV lamps.



Source: rinac.com

Conclusions and Recommendations

- ✓ According to initial estimates, if the restrictions remain in place until the end of the year and all else remains equal, Armenia's export losses could reach approximately **USD 260 million**, equivalent to **7.4% of its total 2025 exports** of domestically produced goods.
- ✓ The temporary trade liberalisation measures offered by the EU are substantial in scope: they apply to **more than two-thirds of Armenia's 2025 exports** of domestically produced goods by dollar value.
- ✓ Moldova's experience shows that **inadequately small quotas limit the benefits of zero tariffs**. Quotas should therefore be set and regularly reviewed in line with the country's actual export potential.
- ✓ To expand exports to the EU, the following are needed:
 - by the government: harmonisation of legislation and standards, building a country brand, research on target markets, support for establishing business connections and financial and technical assistance to businesses,
 - by the business community: technology modernisation, changes in agricultural varieties and product types, establishing cooperatives, building post-harvest infrastructure and developing new market niches.
- ✓ In practice, one of the government's first steps should be to establish an **export promotion agency** (or assign these functions to an existing body) responsible for all export promotion activities, including **registering exporters and maintaining an open register**.
- ✓ Even with financial and technical support, the structure of exports may not change significantly in the long run if a serious logistical barrier persists and there is no clear political will to overcome it.
- ✓ One of the main constraints on Armenia's exports to the EU is precisely the **logistical barrier, which can be circumvented by focusing on high value-added processed products or by applying innovative logistics solutions**.
- ✓ To gain access to large European markets, it is necessary to attract major logistics companies such as Dole, Greenyard and The Greenery, which already have established supply chains and extensive market knowledge and can facilitate the entry of Armenian goods, especially agricultural products, into the EU market. To encourage such companies to enter Armenia, it is also worth considering substantial budget support, which would improve the effectiveness of budget subsidies for export promotion and ensure financial sustainability.

The opinions expressed in this policy brief do not necessarily reflect those of the Friedrich Naumann Foundation for Freedom.