NON-TARIFF REGULATIONS TRENDS IN THE CONTEXT OF BREXIT AND RELATION OF UNITED KINGDOM AND REPUBLIC OF MOLDOVA WITH EUROPEAN MARKET

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Abstract: This paper is designed in order to highlight the non-tariff regulations and barriers trends in the context of Brexit and European market trends.
While the effect of Brexit on trade between the UK and the remaining EU member states has received considerable attention, to date little work has considered the issue of non-tariff barriers. This column explores how increased documentary compliance and border delays will affect EU members' exports/imports to/from the UK. Time-sensitive goods are found to be most at risk of suffering from increases in non-tariff barriers.
One the other hand, an Association Agreement between the Republic of Moldova and the European Union, including its most important part DCFTA, was signed on June 27, 2014, however it entered into force on July 1, 2016. In accordance with provisions of the Association Agreement, the Republic of Moldova is obliged to take the necessary steps to ensure progressively consistency with the Union's regulations, especially with regard to the EU regulations on trade, since the free movement of goods is one the four fundamental principles of the internal market and is guaranteed by the abolition of customs duties and other quantitative restrictions.

Timeliness of the topic: The world's competitiveness is due to the trade links between these countries and demonstrates how national economies manage in present, in the conditions of the crisis, but especially their future. The whole world is under the impact of globalization, and international trade is considered the main vector of its manifestation.
The proposed research methods are: scientific reading, analysis and synthesis, organization and systematization of information.

Keywords: Trade; Non-tariff barriers; Import; Export; Economics; EU

JEL CLASSIFICATION: F1

Affiliation to a strong economic, social and political union is an important opportunity and possibility for all developed and developing economies, especially in trade terms, to membership of the EU. First, there are no tariffs or customs duties between member states. Second, there are efforts to minimize 'non-tariff barriers' (NTBs). In particular, there are EU-wide agreements on product standards and rules of origin. This means that firms who import goods from outside of the customs union can then trade those goods across borders within the union without being subject to additional checks. Upon leaving the EU, the UK will no longer be party to these agreements and as such, there is likely to be a significant increase in NTBs.
Border delays and NTBs have been shown to be a potentially larger barrier to trade than tariffs. The importance of NTBs in the negotiations on the Transatlantic Trade and Investment Partnership and the EU-Canada Comprehensive Economic and Trade Agreement highlight their role as the most significant impediment to trade in developed markets with low tariffs.
NTBs reduce trade through two main channels. Firstly, they can increase the cost of doing business. NTBs that raise the cost of doing business may be quite specific – such as adherence to individual product standards – or more general, such as more stringent customs and documentary related procedures. Secondly, NTBs can restrict full access to markets (as in the case of quotas).
For EU member states conducting trade with the UK after Brexit, an increase in NTBs could reduce trade in two ways. First, outside of the customs union, British importers would be exempt from adherence to EU regulatory standards on goods imports from non-EU countries. This would harm

the competitiveness of exporters selling EU-compliant goods to the UK market. Second, under any scenario, delays associated with increased customs handling times and documentary compliance requirements will exceed the current arrangement of frictionless trade and therefore increase costs for EU exporters. While the extent of checks at the UK border is not yet clear, the EU Union Customs Code sets out procedures required for EU exporters when exporting to a third country. These procedures include declarations at point of export, outward customs arrival, outward clearance, import, inward customs arrival, and where goods consignments must be held in temporary storage. In addition to this paperwork, goods are required to pass UK customs inspection procedures and are likely to be subject to additional handling delays due to the increase in volume of imports subject to such procedures.

On the other hand it is estimated to have an effect of potential increases in border delays and documentary compliance on trade between Ireland and the UK after Brexit. Estimating the effect of potential increases in NTBs on trade requires two ingredients. First, we need the elasticity of trade to NTBs for high-income countries (both in aggregate and at the goods level). Second, we require an estimate for the likely increase in NTBs at the EU-UK border after Brexit.

From different studies, we can find a 9.6% decline in trade between Ireland and the UK, should the UK leave the Customs Union, as a direct result of an estimated increase in these delays. In particular:

- This equates to a 1.4% decline in total Irish exports and a 3.1% decline in total Irish imports under the current composition of trade between the two countries.
- Fresh foods, raw materials (such as metals and some intermediate inputs into firms' supply chains), and bulky goods are most exposed to delays.
- Trade in petrol and other fuels, and chemicals and related goods do not appear exposed to delays.

Also, to have a large-scale vision, we apply the approach to exports by EU countries to the UK. The extent to which countries are affected by increases in NTBs after Brexit depends on the volume and type of goods they trade with the UK. Certain goods, such as non-perishable foods, are found to be unaffected by NTBs. Countries whose exports to the UK are comprised of a larger share of these goods will be less affected. For example, Latvia appears most exposed to border delays due to its significant UK exports of Crude Raw Materials (in particular timber), goods that are highly sensitive to delays due to their role as intermediate inputs into supply chain networks and the fact that they are often perishable). The effect for Ireland is largely driven by its exports of fresh foods and manufacturing materials. Croatia and Slovenia appear least exposed. This is due to both the overall share of the UK market in their total exports the small quantity of their UK exports identified as being time-sensitive.

After decades of EU membership UK business regulations are already heavily harmonized with Europe, meaning that the UK could probably strike a very quick deal if – and it's a big 'if' – it was prepared to go on applying those rules in exchange for access to the EU single market, much as Norway does today.

In practice, the UK would be more likely seek to negotiate a novel form of Free Trade Agreement, but as Pawel Swidlicki of Open Europe notes, the trade-off is between "speed and scope". If the UK wants a broad deal, particularly one covering services, including financial services, it could take some time.

Past precedent for other deals suggests negotiations might take anywhere from four to 10 years. How long precisely might depend more on politics than economics.

German car makers and French winemakers might well be pushing for access to the UK, but given other tensions in the EU and the need for the deal to be agreed by a qualified majority vote, there would be plenty of scope for other nations to hold the process to ransom. In the absence of a deal

between the UK and the EU, the UK would then be required to follow World Trade Organization rules on tariffs.
The UK would pay tariffs on goods and services it exported into the EU, but since the UK would pay 'most favored nation' rates, that would prohibit either side imposing punitive duties and sparking a trade war. These WTO tariffs range from 32 per cent on wine, to 4.1 per cent on liquefied natural gas, with items like cars (9.8 per cent) and wheat products (12.8 per cent) somewhere in between.
John Springford, an economist with the Centre for European Reform, consider that the total cost of those tariffs would be large, ranging from a 2.2 per cent of GDP (£40 billion) to 9 per cent. Business for Britain, which campaigns for exit, estimates that at worst, tariffs would cost British exporters just £7.4 billion a year and says the UK would save enough on EU membership fees to be able to compensate exporters for that.
Damian Chalmers, professor of European Union law at the London School of Economics, says the bigger threat to the UK exports would not be from WTO tariffs, but other EU states imposing new regulations and other "non-tariff barriers" to keep UK services out. This is eminently possible, but is likely to take time. Having ceded responsibility for trade policy to the EU, the UK civil service may lack the capacity to strike major trade deals quickly. It is also possible, as David Cameron argues, that other countries will want to see what terms the UK receives in Europe before committing to their own deal, potentially leading to further delays.
A larger question will be about the UK's bargaining power with countries whose domestic politics push them towards protectionism, not free trade. Professor Chalmers warns that striking trade deals with major economies such as the US, China and India would be "tough" for Britain. Brexit campaigners note that the EU has so far failed to secure such free trade deals, and suggest the UK would have a better chance negotiating in its own right with politicians in Washington, Beijing and New Delhi.
Other specialists consider that Britain is preparing to return to the 19th century in the event of a hard Brexit — or at least to experiment with unilateral free trade on a scale unseen since the repeal of agricultural tariffs in 1846 changed the course of history. But in the modern world, tariffs just aren't as important as fans like President Donald Trump make them out to be. Other barriers, such as regulation, are likely to be the biggest obstacle to trade and cause of damage to the U.K. economy.
The government's plan — temporary, of course, ministers assure us — is to allow 87 percent of the U.K.'s total imports in tariff-free, compared with about 80 percent today. Levies would only apply to meat, some dairy products, finished vehicles (although not car parts) and a small assortment of other goods. Since no customs controls will be applied at the, shall we say, porous border with Ireland, the U.K. seems willing to unilaterally allow all goods to be imported tariff-free, at least for a time. This is in line with advice the government has been getting from pro-Brexit economists. They argue that unilateral free trade will lower prices for consumers and force firms to compete harder, boosting their productivity. Before the U.K. repealed its protectionist Corn Laws, a similar argument was made: Cheap grain imports would drive bread prices down, allow industrialists to lower wages, and help industry flourish.
It's politically impossible to make that case today, but a similar argument can be masked by verbiage about a boost to the U.K.'s international competitiveness that would offset the tariffs facing British exports. It all worked famously in the 19th century, helping to transform Britain from an agricultural into an industrial power. But the U.K.'s problem after Brexit won't be the loss of the substantial tariff protections that come with being a European Union member; those, as free traders correctly argue, are as much of a curse as a blessing. The bigger danger is being kept out of

European markets by all sorts of other means applied to outsiders and even to some of the bloc's newer members.

In a recent paper, Erdal Yalcin from the University of Applied Sciences in Konstanz, Germany, and his collaborators calculated that non-tariff barriers such as import controls, subsidies, public procurement policies, and sanitary standards could reduce imports of affected products by up to 12 percent. That's not on the scale of the 50 percent drop in U.S. imports of German cars economists expect if Trump imposes a levy — but it's a substantial reduction nonetheless.

Lax U.K. import controls would lower one potentially costlynon-trade barrier: border controls, with their delays and red tape. However, it looks like U.K. exports to the EU would still face that obstacle since the bloc hasn't committed to abolish customs checks. No economist, however, has a clear understanding of how regulatory obstacles on the EU side will affect U.K. companies trying to trade with Europe. That's because such barriers are numerous and differ between countries.

The Polish Economic Institute, a government-backed think tank, recently released a report on protectionism inside the EU. It argues that "old" members of the bloc often erect administrative barriers to stymie foreign rivals. They also protect their own firms with subsidies, even at the price of violating the common market's rules. According to the report, infringement procedures against the EU's longstanding members tend to drag on rather longer than they do against more recent entrants. Similarly, the EU more regularly orders its newer and less influential members to refund illegal state aid than it does the bloc's older and bigger ones.

With all that going on inside the supposedly free and single EU market, it's difficult to predict what barriers will be thrown up once the U.K. becomes an outsider. Most EU countries will be only too happy to push U.K. companies out of their markets after Brexit. Likewise, it's hard to estimate the impact of non-tariff barriers using those that already exist between the EU and U.S. as a benchmark. Britain will be in a far less powerful negotiating position than the U.S. when it tries to sign any trade agreement.

For Brexiters, much of the current exercise is about reliving the U.K.'s glorious history. The temptation to hark back to the days of the repeal of the Corn Laws is strong. The world, however, has changed too much for such time travel to address real-life problems. The reality of being outside the EU, dependent on it and yet having no say in its rules, hasn't quite dawned on the British yet. But hey, there will be tariff-free French, German and Danish marmalade to sweeten it all until the really painful trade talks with the EU and U.S. begin.

The current absence of political resolution and the fast-approaching date for Brexit means that there is a heightened chance of a no-deal Brexit. If so, World Trade Organisation rules will govern trade with the UK. Currently, the UK is part of the Single Market and the EU Customs Union. If there is a no-deal Brexit, EU law will cease to apply to the UK with the UK becoming a "third country" (i.e. a non-member of the EU) and as a result the UK would no longer be part of the Single Market or the EU Customs Union. As a result, World Trade Organisation (**WTO**) rules would begin to apply to trade between the EU and the UK with the EU's preferential trade arrangements with third countries ceasing to apply to the UK (in particular, Free Trade Agreements (**FTA**s)).

The WTO is a rules-based trading system, founded on a number of multilateral agreements between the numerous WTO Members and concerns trade in goods and (certain) services between the WTO member countries (**WTO Members**). Trading under the WTO rules is based on principles of "most favoured nation" (**MFN**) treatment and "national treatment". The UK would need to change the terms of its WTO membership and the UK has submitted its own draft 'schedule' of trade commitments for goods (and most recently) for services to the WTO - these schedules determine the level of market access for imports of goods (i.e. tariffs) and services (i.e. the level of market access for particular types of services). The issue then becomes what trading under the WTO rules with the UK in a no-deal Brexit will mean for businesses in Ireland as part of the EU 27 in relation to trade in

goods and in services. The General Agreement on Tariffs and Trade (**GATT**) governs how tariffs are applied on goods and addresses certain non-tariff barriers on goods (e.g. product standards specifications, quotas and licenses).

Under GATT, WTO Members cannot normally discriminate against other WTO Members (i.e. the MFN principle) and therefore the UK would need to impose the same tariffs on goods coming from Ireland as from everywhere else – Ireland (as part of the EU) would also need to impose tariffs of goods from the UK according to the tariffs agreed by the EU with the WTO under its schedules (and again consistent with the tariffs it imposes on goods coming from other WTO Members such as the US and China).

While there are some exceptions to this principle (e.g. for FTAs (such as the EU/Singapore FTA) and customs unions (such as the EU Customs Union)), the MFN principle must apply to all WTO Members. Under GATT, each WTO Member (e.g. the EU (including Ireland)) must accord national treatment to other WTO Members (e.g. the US and China) - this means that WTO Members (e.g. the UK in a no-deal Brexit) must treat goods coming from other WTO Members (e.g. from Ireland) in the same way as their domestic goods (once the appropriate tariffs have been paid on the overseas goods).

In a no-deal Brexit, the UK's trade in services with the rest of the world (including Ireland) would be governed by the General Agreement on Trade in Services (**GATS**) – in broad terms, WTO Members have greater flexibility to restrict cross-border services under the WTO rules. The MFN principle applies to trade in services just as it applies to trade in goods but there are more exceptions when it comes to services than for goods (e.g. WTO Members can tailor their commitments under GATS in line with their national policy and schedule their commitments to limit the level of market access that foreign providers of services are permitted).

Services are also subject to the national treatment principle under GATS meaning that a WTO Member should not operate discriminatory measures benefiting domestic services or service suppliers (though a WTO Member can choose to impose national treatment restrictions on certain imported services). One complication is that the demarcation between goods and services for WTO purposes is often not clear and this will add to the post-Brexit challenge for businesses in Ireland.

As a third country in a no-deal Brexit, the UK would face various non-tariff barriers in trading under the WTO rules, including technical barriers to trade, quotas, import licensing, standards and rules of origin requirements as well as administrative and bureaucratic delays (e.g. at customs) - given the substantial trade between Ireland and UK (including between Ireland and Northern Ireland), the impact on business in Ireland of such non-tariff barriers to trading should not be understated.

Several authors point out that since 2006 Russia has understood that the Black Sea Basin's sliding towards Euro-Atlanticism will not be tolerated, imposing economic sanctions on Georgia and the Republic of Moldova. The Russian Federation gave a new blow to our country through the Russian Sanitary Service (Rospotrebnadzor), which on September 10, 2013, announced the ban on imports of Moldovan wines. The technical reasons invoked by Russia are questioned, given that Moldovan wines have passed all the EU health tests, where phytosanitary standards are stricter. So, according to the author, Russia, being a member of the World Trade Organization in 2012 after 18 years of negotiations, clearly violates the principles of the Organization. Academic research has shown that economic sanctions that affect bilateral trade relations increase the volume of trade with alternative partners.

Regarding the effects of the embargo, because of the excessive dependence on the Russian market, Moldovan wine producers remained abruptly without solutions. Other outlets were not sufficiently developed, and in order to overcome the crisis, it was necessary to develop new long-term economic development plans. Wine producers were forced to stop production and put wine on hold. Thus, in

the first half of 2014, the volume of wine and grape exported by Moldova was 4.8 million decalitres, which is a decrease of 30.4% compared to the same period of 2013. " more exports to the Russian Federation have suffered. If we are to make a comparison, then the volume of exports on the Russian market in the first half of 2014, decreased by 77%. During this period, wine was exported in the amount of 40 million euros, while in January-June 2013 the export volume amounted to approximately 63.8 million euros.

An important aspect to be considered in this context is the reorientation towards other outlets. The Russian market has been lost, but exports have increased in Poland and the USA, and during this period the emphasis was on the production of quality wines. On the one hand, in order to show its force, Moscow launched direct negotiations with representatives of wine factories in the autonomous region of Gagauzia and offered some the possibility to export wines to Russia. On the other hand, the European Union has liberalized the Moldovan wine import market to support domestic winemakers. However, Moldova needs to strengthen its presence on the EU market and access non-traditional markets for its wines.

Referring to the new economic sanctions imposed by Russia, several authors believe that Russia's decision to ban the import of fruits, cans and meat from the Republic of Moldova has speeded up the implementation of the Association Agreement between the Republic of Moldova and the European Union. Non-tariff economic sanctions are rusty tools that produce unwanted effects. The embargo is not a new method of political blackmail practiced by Moscow.

The biggest effect of restrictions imposed by Russia is on the ban on fruit imports, materialized in a 76% decrease in Moldovan exports. Stopping wine and spirits exports is less dramatic for 2014 than in 2013, the reason being the introduction of this measure as early as 2013. The effect was also felt, however, by reducing exports by 45 million dollars. Restrictions on meat imports caused a loss of USD 17 million, and the introduction of increased customs duties on 19 product categories reduced export to Russia by USD 7 million.

Thus, the result of measures taken by the Russian Federation against Moldovan products project Moldova's exports to this destination in the amount of US $ 145 million or 25% for the whole of 2014. And the effect on GDP, as estimated GET Moldova declined by 2% for 2014.

Similarly, German Economic Team Moldova has the opinion that a substantial increase in exports to European markets could change Russia's behavior in trade relations by renouncing non-tariff economic sanctions as an instrument of blackmail against the authorities in Chisinau.

In this context, it is noteworthy that the EU has so far responded to Russia's aggression against Ukraine by introducing sanctions against those responsible for undermining the territorial integrity of Ukraine, as well as by adopting selective sectoral sanctions (restrictions on foreign trade in technologies - petroleum production and dual-use products - and the limitation of access for Russian banks co-owned by the Russian government to the European capital market). The question remains open whether and what else could be changed in the current EU policy towards Russia and how this could affect the existing format of the Eastern Partnership.

In 2018, the Russian Federation reached the fourth place in the top of the countries after the destination of Moldovan exports, after Romania, Italy and Germany. This reveals an optical change of the Moldovan companies and exports.

In 2018, exports of goods destined for the countries of the European Union totaled 1.9 billion US dollars, 16.6% more than in 2017. Moldovan goods deliveries to the EU account for 68.8% of total exports (65.8% - in 2017). CIS countries were present in Moldovan exports with a weight of 15.4% (2017 - 19.1%). Exports of goods to these countries declined by 10% compared to 2017, reaching a value of 416 million US dollars.

Last year, Moldova's exports to Romania (+ 31.9%), Italy (+ 31.2%), Germany (+ 32.4%), Turkey (+ 2.1%), Ukraine (+ 22.6%), Czech Republic (+ 43.0%), Serbia (1.9 times), the Netherlands (+

35.1%), United Arab Emirates (4.8 times). At the same time, exports to the United Kingdom (-42.1%), the Russian Federation (-14.1%), Bulgaria (-38%), Belarus (-20.7%), 7%), etc.
After four years have passed since the signing of the Association Agreement with the EU, there has been a complete shift in geographical direction on the export and import side and the exchange of positions among the top trading partners. At the same time, on the import side, the share of European countries is the top one and accounts for more than half of the total goods and products inputs in the Republic of Moldova. The trade relations of the Republic of Moldova with different countries which have a certain level of development are anyway influenced by the non-tariff barriers. This factor confirms one more time, that even if we speak about a high developed country or about a country from the „third world", not everything is ruled through tariffs.

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