

Reducing Non-Tariff Barriers To Trade Between Republic Of Moldova And European Union

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Abstract

The paper describes the importance of non-tariff barriers in the field of trade that refer to direct or indirect discriminatory measures against foreign goods and / or producers or policies that restrict trade and their influence on the trade of the Republic of Moldova with the European Union. According to the recommendations of the European Commission, the Republic of Moldova intends to continue the reforms in order to optimize and improve the tax and control system, in line with the provisions of the World Trade Organization and the European Union.

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Non-tariff barriers in trade relate directly or indirectly to discriminatory measures applied to goods and/or foreign producers (i.e. importers) or policies that restrict trade and have similar effect on tariffs. The current practices of EU countries, based on barriers such as protectionist measures (quotas, embargoes, dumping) as needed to protect import-sensitive industries, while their use based on the amount and control of price levels significantly decrease.

Moldova seeks the opposite practices currently outlined for services provided by national customs authorities, for example, the fee for customs procedures, or a customs commission.

In turn, the fee for customs procedures category is attributed to non-tariff measures in the form of the non-transparent quantitative customs duties representing trade barriers to the potential imported goods and indirectly influence prices and commodity prices.

Therefore, as recommended by the European Commission to establish the Deep and Comprehensive Free Trade Zone (DCFTA) between Moldova and the European Union, it is intended that "Moldova will continue reforms to remit duties that do not comply with the EU trade provisions and will demonstrate that any fees applied are consistent with those provisions".

According to international law, the assessment of rules compliance and technical standards should not create unnecessary obstacles to international trade. However, it is recognized the right of every WTO country member to take the necessary measures:

- Protection of national security;
- Health protection and security;
- Protection of animal and vegetable world;
- Protection of the environment;
- Use of national natural and energy resources;
- Prevention of goods counterfeiting;
- Production quality assurance.

It should be noted that trade barriers introduced by some countries against entering on their domestic markets to goods from import, are the most commonly measures applied.

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The application of various forms of barriers on a constant note usually leads to an outcome such as price rise for producers, decrease in foreign trade and reduce the competitive advantages of the countries participating in trade.

Practice shows that in some cases the application of non-tariff barriers is transparent and clear, others contradictory, confusing and ambiguous. This complicates defining their influence on international trade. Vagueness often leads to the emergence of commercial litigation.

The most widespread forms of barriers are such as standards, technical regulations and procedures for assessing the products and services compliance. Regarding foreign trade regulations, main commercial quantitative policy measures are contingency imports, import and export licenses, currency restrictions, state monopolies of import-export and protectionism.

Technical regulations and standards are spread worldwide. This can influence the growth of production efficiency, facilitate communication and information exchange, improving market transparency and reduce transaction costs and basic state policy goals in terms of health, safety and the environment.

Certain standards are effective when we have the intention to reduce costs and improve production efficiency. For example, most companies involved in a modern industrial process, do not have sufficient opportunities to produce independent the full range of parts and necessary subassemblies. That is why they are forced to buy these from ancillary industries often located in distant countries. Having a list of parts and assemblies according to uniform standards, businesses have access to more opportunities and can purchase at lower prices.

Even if we have a high rate of imports and small exports, they face difficulties of entering and leaving the country. Mainly they face tariff barriers that have emerged and developed because of the national economic protection, achieved through the tariffs. It has proved inadequate in the face of offensive competition or even in the desire of countries to keep custom taxes as a mean of possible backup negotiations on mutual concessions.

In Moldova, we identify a situation where these non-tariff barriers with other economic measures and changes, contributed to the concentration of exports and its evolution as follows in the table below.

Table 1. Evolution of the RM trade with EU countries

	2011	2012	2013	2014	2015
Export – total	2216815,0	2161880,0	2428303,0	2339529,6	1966837,2
which:					
in EU member states	1083006,1	1013418,4	1137286,1	1245980,0	1217587,1
(UE-28) *					
Import – total	5191270,6	5212928,3	5492393,1	5316958,9	3986820,3
which:					
From EU member states	2256291,5	2318613,6	2472111,6	2567695,4	1954251,1

Source: NBS (National Bureau of Statistics)

In 2016, exports of goods to the EU market totaled 1332.4 mln. USD (9.4% more than in 2015), which implies a 65.1% share in total exports (61, 9% in 2015). At the same time, imports of goods from EU countries gone to 1973.7 mln. USD (1.0% less than in 2015), with a share of 49.1% of total imports (49% in 2015).

The tendency is confirmed by data on the number of businesses that have started the export operations with partners from EU countries, where the number of companies is growing, from 1018 in 2013, to 1360 in 2016. If we refer to the total number of exporting companies, we note that the share of businesses exporting to the EU are consistently exceeding the 60% from total and is growing.

Beside the considerable importance had the development of tariff headings from 1756 in 2014 - to 2102 in 2016 the non-tariff barriers have also boosted the positive commercial relations with EU countries.

Market access facilitation, customs administration and trade facilitation, tend to be priorities that should be developed and also it is necessary the adoption of the new tax code and new customs code, connected to the *acquis communautaire*. Quality infrastructure is another priority for the next period and an important step is to join as soon as possible the European National Institute of Metrology organizations such as EURAMET and WELMEC.

Another priority by the end of 2017 is the accession of the National Accreditation Center (MOLDAC) to the European body EA. During February 2017, has been held the MOLDAC peer evaluation by EAMLA team, for signing the Multilateral Recognition Agreement with European Cooperation for Accreditation and active participation in technical meetings and committees of EA body according to the agreement.

Also, on the parliamentary dimension, are in discussion a number of important laws to facilitate goods and services trade between EU and Moldova (for example):

- draft Law on amending and supplementing Law no. 284/2004 on electronic commerce;
- adoption in the second reading of the bill on amending the Law on Electronic Communications.

In this context, analyzing the spectral evolution of trade between Moldova and the European Union in terms of any changes in non-tariff barriers and not only, we express the following conclusions and recommendations:

- continuous homogenization with a very important market such as that of the EU, making it possible to maximize exports;
- products and services need to gain a better quality which makes them more competitive;
- reduction or elimination of restrictions in trade on certain products;
- protective tariff tools effect more powerful (and complex), from the initial stage of negotiating a transaction until the final of the collection of the money due exporter, which are good for domestic producers but influencing directly trade and customer behavior;
- tariff regulations are extremely varied areas of application, they produce effects on both, trade relations and cooperation on the financial or foreign exchange;
- regulations of non-tariff instruments and their use are not always (or all) public, which is why it is difficult to determine their actual degree of protection or the discrimination;
- training of key persons within the relevant institutions on the provisions and application of agreements reached and their transposition into legislation and regulatory framework;
- evaluation of training mechanisms and implement measures to analyze import restrictions and licensing activity data;
- institutional capacity building of subdivisions for monitoring and evaluating non-tariff measures applied on trade;
- prioritizing technical regulations by introducing new measures taking into account the needs and priorities of Moldova's foreign trade promotion.

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