

EU tariff rate quotas and anti-circumvention trigger volumes for imports from Moldova

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Summary

- The EU-Moldova deep and comprehensive free trade area (“DCFTA”) allows for duty free shipments from MDA to EU for a vast majority of goods
- However, in the agro-food sector (Annex XV) some restrictions prevail:
 - EU tariff rate quotas (“TRQs”) for 6 product categories
 - EU anti-circumvention mechanism for 14 product categories
- Regarding tariff rate quotas
 - Most quotas are not full and have no limiting effect on shipments to the EU
 - But: the TRQ for plums is full and is likely to limit sales to the EU
- **Recommendation: MDA should aim for a higher TRQ on plums**
- Regarding the anti-circumvention mechanism
 - In general: less relevant than TRQs; negative effect only due to uncertainty and bureaucratic costs; only limiting trigger volume for processed cereals
- **Advice: MDA should aim for higher trigger volume for processed cereals**

Outline

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8. Assessment of priorities
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1. Introduction

- Since September 2014, DCFTA in place between EU and Moldova
- Duty free access to EU market for most Moldovan products, but restrictions in agro-food sector (Annex XV):
 - Tariff rate quotas (“TRQs”) for 6 product categories
 - Anti-circumvention mechanism for 14 product categories
 - Entry prices for 20 products
- In January 2020, EU and MDA amended Annex XV:
 - Introduction of TRQ for cherries (before: subject to entry price)
 - Expanded TRQs for table grapes and plums
 - Increased trigger volume under anti-circumvention mechanism for wheat, barley, maize and cereal

Main question of this briefing:

- Assuming the EU is ready to discuss higher quotas/trigger volumes: which products should be prioritised?

2. EU tariff rate quotas for imports from MDA

- A tariff rate quota (TRQ) entails a lower or no import duty for imports of a specific product below a certain quantity (“quota”) and a higher duty beyond this quantity
- As such, TRQ entails no restrictions on the overall quantity of an imported product; it limits the volumes of preferential trade
- Since 2020, EU TRQs in trade with Moldova for 7 products:
 - Tomatoes
 - Garlic
 - Table grapes
 - Apples
 - Cherries
 - Plums
 - Grape juice

3. Criteria for assessing priorities for higher quotas

Four criteria:

A. Large importance of product for Moldovan exports?

B. Strong decline of exports to Russia since 2013?

C. Is the respective quota exhausted?

D. Limiting effect of quota on exports?

➤ **Objective criteria for prioritisation of potential higher quotas**

4. Assessment: economic importance (A.) and export loss to RUS (B.)

Category	Criterion A		Criterion B			
	Export 2020, USD m	% total exports, 2020	Exports to RUS, 2013, USD m	Exports to RUS, 2020 USD m	Relative change exports to RUS, %	Absolute change exports to RUS, USD m
Tomato	0.0	0.0%	0.2	0.0	-100%	-0.2
Garlic	0.0	0.0%	0.0	0.0	0%	0.0
Table grape	26.9	1.4%	8.8	12.2	+38%	3.4
Apples	78.2	4.1%	42.7	76.9	+80%	34.2
Cherries	0.0	0.0%	1.1	0.0	-100%	-1.1
Plums	25.0	1.3%	6.7	10.8	+61%	4.1
Grape juice	0.0	0.0%	0.1	0.0	-100%	-0.1
Total	130.0	6.8%	59.5	99.9	+68%	40.3

Sources: WITS, own estimates; exports without re-exports

- Criterion A: significant exports of grapes, apples and plums
- Criterion B: decrease in cherries and tomatoes exports to Russia in absolute terms compared to 2013; other exports increased

Assessment: quota usage (C.) and limiting effect (D.)

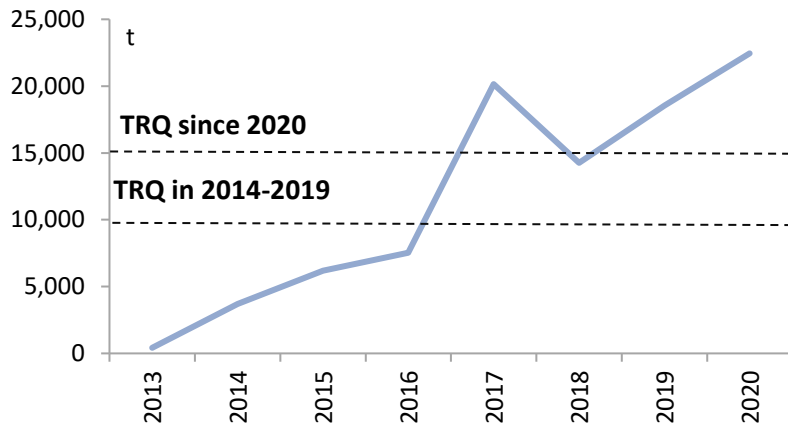
Category	Quota (2020), t/y	Out-quota duty ¹	Ad-valorem equivalent, % ¹	MDA exports to EU, 2020, t ²	Criterion C: Quota full?	Criterion D: Limiting effect of quota?
					Exports to EU / quota	Limiting effect on exports to EU? ³
Tomato	2,000	8.8% + up to 29.8 EUR/100 kg	8.8% - 42.1%	0	0.0	No
Garlic	220	9.6% + 120 EUR/100 kg	79.0%	0	0.0	No
Table grape	20,000	11.5%	11.5%	13,864	0.7	No
Apples	40,000	4% up to 6.4% + 23.8 EUR/100 kg	4.0% - 29.2%	1,557	0.0	No
Cherries	1,500	12.0%	12.0%	201	0.1	No
Plums	15,000	6.4%	6.4%	22,447	1.5	Yes
Grape juice	500	22.4% + up to 27 EUR/100 l; 40% + up to 17 EUR/100 l	22.4% - 92.4%	74	0.1	No

Sources: 1 – Market Access Map; 2 – Eurostat; 3 - Effect is considered to be limiting if $1 \leq \text{exports} / \text{quota} \leq 1.5$

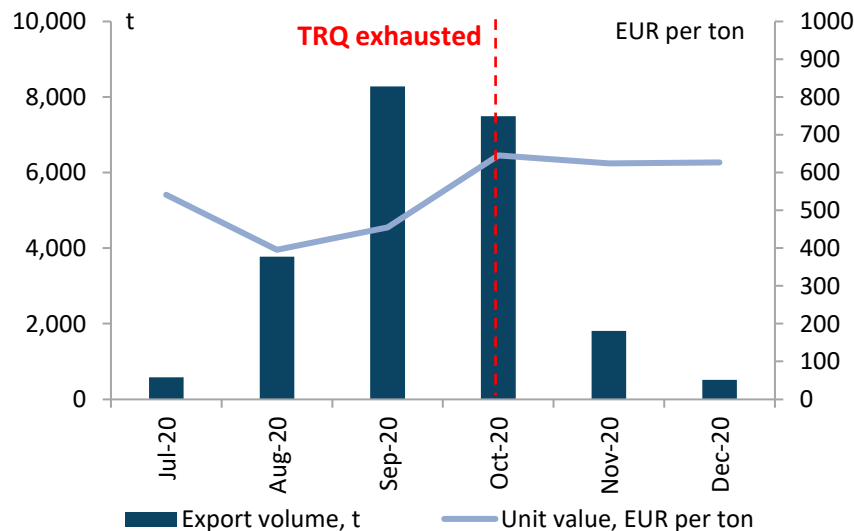
- Criterion C: quota for plums was exhausted in 2020
- Criterion D: reduced exports beyond quota for plums; sign of limiting effect of quota

MDA exports of plums to the EU

Volume of MDA plums exports to EU



MDA plums exports to EU, 2020, monthly



- TRQ enlargement in 2020: from 10,000 to 15,000 t
- But: TRQ volume remained below MDA export capacity
- Interviews with producers:
 - Cheaper plums for processing are exported immediately after harvesting
 - More expensive high-quality plums for fresh consumption are exported later, often when in-quota volume exhausted
 - Thus, more expensive plums are subject to duties → losses for exporters
- **Further TRQ increase would benefit MDA producers, especially of plums for fresh consumption**

5. Recommendations on tariff rate quotas

Category	A: Large importance for exports?	B: Strong decline of exports to RUS?	C: Quota full?	D: Strong limiting effect of quota?	Priority for higher quotas
Tomato	No	Yes	No	No	Low
Garlic	No	No	No	No	Low
Table grape	Yes	No	No	No	Low
Apples	Yes	No	No	No	Low
Cherries	No	Yes	No	No	Low
Plums	Yes	No	Yes	Yes	High
Grape juice	No	No	No	No	Low

- For most products: quota not exhausted; no need for immediate action
 - But for plums: quota is full, limiting effect of quota (especially for plums for fresh consumption) and large importance for exports
- **Recommendation: MDA should aim for a larger TRQ for plums**

6. EU anti-circumvention mechanism for imports from MDA

- DCFTA: anti-circumvention mechanism for some agro-food products
- EU can suspend preferential treatment of imports, if predefined volumes are reached

How does it work?

- When volume reaches 70% of trigger volume, EU notifies Moldova
- When volume reaches 80% Moldova has to provide sound justification of export increase (e.g. growth of production, harvest abundance, etc.)
- If 100% reached without sound justification, EU may suspend preferential treatment

Why does Moldova request an increase in trigger volumes?

- Bureaucratic costs for justification
- Uncertainty for producers, exporters and possible investors
- But in contrast to TRQs, preferential trade is only suspended if there is no sound justification for exports increase

Products and recent developments

What goods are under the anti-circumvention mechanism?

- 14 products under the mechanism:
 - Animal products: pig meat, poultry meat, dairy products, eggs in shell and eggs and albumins
 - Plant products: wheat, barley, maize, sugars, processed cereals
 - Foodstuffs: cigarettes, processed dairy, processed sugar, sweet corn
- In 2020, trigger volumes under the anti-circumvention mechanism were increased for wheat, barley, maize and cereal
- Analysis whether there is a need to increase the trigger volumes based on four criteria
- We do not consider products, which Moldova is not allowed to export to the EU due to missing sanitary certificates (animal products and processed dairy)

7. Criteria for assessing priorities for higher trigger volumes

Four criteria:

A. Large importance of product for Moldovan exports?

B. Strong decline of exports to Russia since 2013?

C. Is the respective trigger volume exhausted?

D. Limiting effect of trigger volume on exports?

➤ **Objective criteria for prioritisation of potential higher trigger volumes**

8. Assessment: economic importance (A.) and export loss to RUS (B.)

Category	Criterion A		Criterion B			
	Export 2020, USD m	% total exports, 2020	Exports to RUS, 2013, USD m	Exports to RUS, 2020 USD m	Relative change exports to RUS, %	Absolute change exports to RUS, USD m
Wheat	27.5	1.4%	0.0	0.0	0%	0.0
Barley	3.4	0.2%	0.0	0.0	0%	0.0
Maize	73.0	3.8%	0.1	0.1	+12%	0.0
Sugars	4.0	0.2%	1.0	0.0	-100%	-1.0
Cereal processed	49.4	2.6%	0.0	0.0	0%	0.0
Cigarettes	0.3	0.0%	0.0	0.2	+100%	0.2
Sugar processed	10.2	0.5%	0.5	0.8	+69%	0.3
Sweet corn	3.6	0.2%	3.2	0.2	-95%	-3.0
Total	171.4	8.9%	4.8	1.3	-73%	-3.5

Sources: WITS, own estimates; exports without re-exports

- Criterion A: significant importance of maize, processed cereals and wheat for MDA exports
- Criterion B: strong decrease in sugars and sweet corn exports to Russia in absolute terms compared to 2013

Assessment: quota usage (C.) and limiting effect (D.)

Category	EU trigger volume, 2020, t	Criterion C: Export to EU higher than trigger volume?		Criterion D: Limiting effect
		Exports to EU, 2020, t	Exports to EU / trigger volume	Limiting effect on exports to EU? ¹
Wheat	150,000	68,062	0.5	No
Barley	100,000	31,330	0.3	No
Maize	250,000	220,631	0.9	No
Sugars	37,400	8,479	0.2	No
Cereal processed	5,000	18,584	3.7	No
Cigarettes	1,000	0	0.0	No
Sugar processed	4,200	2,035	0.5	No
Sweet corn	1,500	1,305	0.9	No

Sources: Eurostat; own estimates; 1 – Effect is considered to be limiting if $1 \leq \text{exports} / \text{trigger volume} \leq 1.5$

- Criterion C: after the increase in trigger volumes in 2020, only processed cereals exceeded trigger volume
- Criterion D: trigger volumes have no limiting effect on MDA exports

9. Recommendations on anti-circumvention mechanism

Category	A: Large importance for exports?	B: Strong decline of exports to RUS?	C: Trigger volume reached?	D: Limiting effect?	Priority for higher trigger volume
Wheat	Yes	No	No	No	Low
Barley	No	No	No	No	Low
Maize	Yes	No	No	No	Low
Sugars	No	Yes	No	No	Low
Cereal processed	Yes	No	Yes	No	High
Cigarettes	No	No	No	No	Low
Sugar processed	No	No	No	No	Low
Sweet corn	No	Yes	No	No	Low

- For most products: trigger volume is not reached; no need for immediate action
 - But for processed cereals: trigger volume is reached despite being recently revised upwards; large importance for exports
- **Recommendation: MDA should aim for a larger trigger volume for processed cereals**

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Financed by the Federal Ministry for Economic Affairs and Energy, the German Economic Team (GET) advises the governments of Ukraine, Belarus, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

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