



Foreign, Commonwealth  
& Development Office

# Continuing the United Kingdom's Trade Relationship with the Republic of Moldova

**Strategic Partnership, Trade and Cooperation Agreement between the United Kingdom  
of Great Britain and Northern Ireland and the Republic of Moldova**

January 2021



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Presented to Parliament

by the Secretary of State for Foreign, Commonwealth and Development Affairs

by Command of Her Majesty

January 2021



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## Introduction

1. This report explains the Government's approach to delivering continuity in the United Kingdom's ("UK") trade relationship with Moldova now that the UK has left the European Union ("EU").
2. With our exit from the EU, the Government has sought to deliver the maximum possible certainty to businesses and consumers through ensuring continuity in the UK's existing trade relationships. It is in no one's interests to disrupt existing trade flows.
3. To achieve this, the Government has developed new bilateral agreements that replicate, as far as possible, the effects of the UK's existing trade agreements with existing partners. The new bilateral agreements provide for entry into force when the existing agreements between the EU and a third country cease to apply to the UK or as soon as possible thereafter. The agreements will form the starting point for the UK's future trade agreements with partners.
4. Wherever possible, the Government has sought a technical replication of the existing EU agreements through these new bilateral 'continuity trade agreements', but in some cases, it has applied bespoke solutions for individual agreements as necessary to ensure continuity of effect and operability in a bilateral context.
5. This report gives details of, and explains the reasons for, any significant trade-related differences between:
  - a. Strategic Partnership, Trade and Cooperation Agreement between the United Kingdom of Great Britain and Northern Ireland and the Republic of Moldova ("the UK-Moldova Agreement" or "the Agreement"); and
  - b. The Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Moldova, of the other part ("the EU-Moldova Agreement").
6. This report first sets out the general drafting changes which are necessary across all the UK's continuity trade agreements and which do not have a significant impact on the effect of the UK's current trade relationships. It then explains any significant differences between the trade-related provisions in the UK-Moldova Agreement and the existing EU-Moldova Agreement. To assist the reader, we have included some discussion of the economic impacts, as appropriate. This report focuses solely on the changes made to the trading arrangements between the UK and Moldova in preparation for the UK ceasing to be bound by the EU-Moldova Agreement and entering into the UK-Moldova Agreement. Any wider economic impacts resulting from the UK's exit from the EU or the nature of the Future Relationship Agreement (the "FRA") have been excluded from this report.

## Legal approach

7. The UK and Moldova have agreed that the most appropriate form of legal instrument to ensure continuity in this case is a long form agreement. To draft the UK-Moldova Agreement, we have reproduced all relevant sections of the existing EU-Moldova Agreement with the necessary technical and administrative changes to make it operable in a bilateral context.

## Resources

8. This report is intended to aid businesses, consumers, and parliamentarians in understanding any significant changes made to the UK's trade or political, economic, or social cooperation relationship with Moldova by the UK-Moldova Agreement, the reasons for any changes, and their impact.
9. Should you wish to view the EU-Moldova Agreement as originally published, it can be found online on the [European Commission's website](#).
10. More detail, including decisions of the Association Council established under the EU-Moldova Agreement, can be found on the [EUR-Lex website](#). A consolidated version of the EU-Moldova Agreement can also be found on the [EUR-Lex website](#). The consolidated text is not an authoritative version of the EU-Moldova Agreement but will assist readers to understand how the EU-Moldova Agreement has been amended since its entry into force.
11. Should you wish to view the full text of the UK-Moldova Agreement, it will be laid in Parliament alongside an Explanatory Memorandum as part of the UK's treaty ratification process in accordance with the Constitutional Reform and Governance Act 2010 (the "CRaG Act"). The text will also be available on GOV.UK.

## Economic Background

12. This section provides a country-specific background analysis of trade between the UK and Moldova.

### Trade between the UK and Moldova

13. Moldova is the UK's 105th largest trading partner<sup>1</sup>, accounting for less than 0.1% of total trade. Total trade in goods and services between the UK and Moldova was £0.4 billion in 2019.<sup>2</sup>

14. In 2019, UK exports to Moldova were £44 million, making it the UK's 149th largest export market (accounting for less than 0.1% of all UK exports). UK imports from Moldova were £351 million, making it the UK's 84th largest import source (accounting for less than 0.1% of all UK imports).

**Table 1: Trade between the UK and Moldova, 2019 (£ million)**

	Trade in goods	Trade in services	Total trade
UK exports to Moldova	26	18	44
UK imports from Moldova	34	317	351
Total trade	60	335	395

Source: [ONS, \(2020\). UK total trade: all countries, non-seasonally adjusted \(accessed 13<sup>th</sup> November 2020\)](#). Totals may not sum due to rounding.

15. Using data from HMRC for trade in goods only, Table 2 shows that, in 2019, the top goods exported to Moldova were vehicles other than railway or tramway rolling stock (HS87, £11 million), representing just under half of the total value of goods exported to Moldova. The UK's top goods imported from articles of apparel and clothing, not knitted (HS62, £20 million), together representing almost 60% of goods imported from Moldova.

<sup>1</sup> EU member states are treated as individual trading partners with the UK.

<sup>2</sup> [ONS \(2019\), UK total trade: all countries, non-seasonally adjusted](#), accessed 13<sup>th</sup> November 2020



**Table 2: Top 5 UK goods exports to and imports from Moldova 2019 (HS2<sup>3</sup>, £ million)**

<b>Top 5 UK goods exports to Moldova</b>	<b>Value</b>	<b>Top 5 UK goods imports from Moldova</b>	<b>Value</b>
Vehicles other than railway or tramway stock	11	Articles of apparel and clothing, not knitted	20
Machinery and mechanical appliances	4	Articles of apparel and clothing, knitted	5
Pharmaceutical products	1	Beverages, spirits, and vinegar	5
Electrical machinery and equipment	1	Edible fruit and nuts	2
Optical, photographic, cinematographic, and medical equipment	1	Machinery and mechanical appliances	1

Source: [HMRC trade statistics by commodity code](#) (accessed 3<sup>rd</sup> December 2020). Sectors classified according to Harmonised System chapters. Data presented is recorded on a physical movement basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

16. A detailed breakdown of services exported to and imported from Moldova is not available.

## **UK businesses exporting to and importing from Moldova**

17. Data on the amount of VAT-registered UK businesses which exported goods to or imported goods from Moldova is not available.

18. For context, provisional survey data from the ONS shows that around 340,500 (non-financial) registered businesses in the UK traded in either goods or services, or both in 2018 with another country.<sup>4</sup> This was just under 15% of all VAT/PAYE registered businesses. There were around 211,100 (non-financial) registered businesses in the UK engaged in goods trade with another country and 188,400 (non-financial) registered businesses trading in services in 2018. Some of these businesses traded in both goods and services. There will be other businesses trading internationally, which are not identified by these surveys as they are not registered for VAT. Neither of these sources include businesses trading below the VAT registration threshold.

## **Economic impact of the EU-Moldova Agreement**

19. The EU-Moldova Trade Agreement entered into force in 2016 after being provisionally applied since 2014. The EU-Moldova Trade Agreement is the main economic pillar of the EU-Moldova Agreement.

<sup>3</sup> The Harmonised System (HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes.

<sup>4</sup> ONS, (2019). [Annual Business Survey exporters and importers](#) (accessed 25th September 2020)

20. A 2018 European Commission report looking at implementation of EU free trade agreements included information on the EU-Moldova Agreement.<sup>5</sup> It highlighted that total trade in goods between the EU and Moldova increased by 20% between 2016 and 2017, although it is not clear how much of this resulted from the EU-Moldova Agreement versus trade which would have occurred regardless if the EU-Moldova Agreement was not in place.

## **Potential loss to the UK if the UK-Moldova Agreement is not brought into force**

21. Not being able to bring into force the transitioned Agreement would result in UK businesses losing the preferences negotiated in the EU-Moldova Agreement. This would include the re-imposition of many tariffs, returning to World Trade Organization (“WTO”) Most-Favoured-Nation (MFN) treatment with Moldova. The benefits derived from trading under preferences within the EU-Moldova Agreement, such as increases in trade flows, may then be reversed.

22. It is unlikely that the entire effect of the EU-Moldova Agreement would disappear. Tariffs would revert to MFN (or GSP) rates, discussed in further detail below, but it could take longer for some of the other benefits to be lost. Some gains might endure even in the long run. For example, the UK might still benefit from any regulatory arrangements agreed because of the EU-Moldova Agreement. Business connections formed because of the EU-Moldova Agreement might also endure.

23. The size of the impact of not bringing into force the UK-Moldova Agreement would depend on the responsiveness of trade flows to increased costs brought about by the loss of provisions within the Agreement.<sup>6</sup>

## **Immediate impact if not brought into effect**

### **Impact of tariffs under current MFN and GSP rates<sup>7</sup>**

24. Much international goods trade takes place in products for which MFN rates are already zero. However, a free trade agreement provides additional opportunities by reducing tariffs in products where this is not the case. If the UK-Moldova Agreement is not brought into effect, tariffs between the two countries would revert to MFN rates, other than where Moldova would benefit from preferential access to the UK market under a unilateral preference scheme that the UK is implementing after EU exit (the “UK GSP” (Generalised System of Preferences), see below). This would lead to an increase in duties on some UK exports to and imports from Moldova.

25. The UK is implementing a unilateral preference scheme as the transitional period agreed with the EU comes to an end. It is the Government’s intention that countries that currently benefit from preferential access to the EU through the Generalised Scheme of Preferences (GSP)

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<sup>5</sup> European Commission. (2018). [‘Individual reports and info sheets on Implementation of EU Free Trade Agreements’](#).

<sup>6</sup> Head K and Mayer T. (2014). [‘Gravity Equations - Workhorse, toolkit and cookbook’](#). *Handbook of International Economics*, 4, pp. 131-195.

Dhingra S, et al. (2018). [‘Beyond Tariff Reductions: What Extra Boost From Trade Agreement Provisions?’](#). *CEP Discussion Paper No 1532*, LSE, pp. 1-38.

<sup>7</sup> Tariff schedules used in this impact assessment are the applied tariff rates, not bound tariff rates.

would continue to receive the same access through a new UK trade preference scheme.<sup>8</sup> At the end of the transition period, we will follow the EU's eligibility criteria. Moldova is classified as a Lower-Middle Income Country by the World Bank, and, as such, it would be eligible for unilateral preferences under the UK's GSP scheme. This would provide tariff reductions, but not the same level of access as that offered by a free trade agreement. Higher-income partner countries would not benefit from unilateral preferences.

26. To estimate the potential impact of losing tariff preferences, assumptions have to be made. It is assumed that all current trade between the UK and Moldova occurred at the negotiated preferential tariff rate and current patterns of trade remained unchanged in future. Without taking into account the effect of any unilateral preferences other than the UK's GSP tariff rates, reverting to Moldova's current MFN tariff rates and the UK's GSP tariff rates would result in an annual increase in total duties of around £0.6m. This would predominately be duties on UK imports (£0.6m). Duties applied to UK exports would be estimated to increase by £0.1m.<sup>9</sup> This is relatively small compared to the value of total trade with Moldova of £0.4 billion in 2019.
27. These estimates assume that all tariff preferences offered under the current EU-Moldova Agreement are fully utilised by exporters. This is unlikely to be true. For example, data from the European Commission estimates that 43% of the UK's eligible goods imports from Moldova in 2019 (defined as those which occurred under tariff lines where a preferential rate was offered under the EU-Moldova Agreement) were imported utilising the preferences under the EU-Moldova Agreement.<sup>10</sup>
28. Similar data on UK eligible goods exports to Moldova is not publicly available. The European Commission has recently published available data on preference utilisation of exports to selected partner third countries with FTAs in place.<sup>11</sup> For these countries, 68% of UK eligible goods exports were traded under preferences. This means that the actual increase in duties could be lower than the estimates above.
29. The total duty which would in fact be charged on exports and imports would depend on how quantities and prices of traded products adjusted to the imposition of tariffs. If UK producers were not previously utilising the preferential rates or producers and consumers changed their behaviour in response to higher tariffs, this cost would be lower than estimated above. These

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<sup>8</sup> The Taxation (Cross-Border Trade) Act 2018 enables the UK to put in place a UK trade preference scheme for developing countries. The necessary secondary legislation is now well-advanced, and regulations will be laid in Parliament ahead of the end of the transition period. The Government intends to put in place a trade preference scheme which maintains the preferential market access we currently offer to around 70 developing countries under the EU's Generalised Scheme of Preferences (GSP). This will grant duty-free, quota-free access to Least Developed Countries, which is a target in the UN's Sustainable Development Goals and is in line with our commitments in the WTO. It will also maintain the generous tariff reductions for other developing countries.

<sup>9</sup> DIT calculations using tariff data from ITC Market Access Map ([MacMap](#)) and trade data from [ITC TradeMaps](#) for exports calculations (accessed 21<sup>st</sup> September 2020). DIT calculations using tariff data from the European Commission and Eurostat trade data (accessed 25<sup>th</sup> August 2020) for imports. Implied additional duties are calculated using the difference in MFN and preferential tariff rates (simple average tariffs at CN8 level) and the most recent value of trade for each product at CN8 level (2019 for imports, 2016 for exports). Different approaches and data sources for this analysis are likely to yield different results. Calculations on duties applied to UK exports also assume trade is not eligible for duty relief under inward/outward processing rules, nor under specific plurilateral agreements such as those covering civil aviation and pharmaceuticals, nor WTO or preferential quotas. Calculations on import duties take into account inward/outward processing rules and trade which is eligible for relief under specific plurilateral agreements but not WTO or preferential quotas. Totals may differ due to rounding.

<sup>10</sup> Data from the European Commission, last updated 20<sup>th</sup> September 2020

<sup>11</sup> Nilsson L and Preillon N. (2018). ['EU Exports, Preferences Utilisation and Duty Savings by Member State, Sector and Partner Country'](#). *European Commission*, pp. 1-17. This report uses data collected by EU Delegations from relevant authorities in countries with which the EU has bilateral reciprocal free trade agreements in place.

are strong assumptions, so this figure should be treated as an indicative estimate of the magnitude of the trade barrier under this scenario.

30. The indicative estimates show that the largest implied increases in duties applied to UK exports would be for plastics and articles thereof (HS39) at around £34,000, furniture; bedding, mattresses, cushions (HS94) at £13,000, and articles of apparel and clothing accessories, not knitted (HS62) at £2,000.
31. Accounting for unilateral preferences, the largest implied increases in UK import duties would be on articles of apparel and clothing accessories, not knitted (HS62) of around £500,000, articles of apparel and clothing accessories, knitted (HS61) of £200,000, and edible fruits and nuts (HS08) of £3,000.
32. Indicative estimates of implied additional duties are provided above to provide a sense of scale of possible additional costs of trade. Tariff duties are transfers, where the cost to business is equal to the extra tariff revenue collected by the UK Exchequer and Moldova's government. However, there could be wider effects of increased costs of trade, including negative impacts on consumer choice, prices, and ultimately economic growth and welfare.

## **Businesses**

33. Additional duties could be absorbed by either UK or Moldovan businesses (depending on whether it is the importer or exporter paying the duty), passed on to consumers, or existing trade patterns could be interrupted. This could impact on the competitiveness of UK businesses, leading to disruptions in supply chains and job losses in the short term.
34. Businesses that rely on imports as part of their supply chains may be affected if import prices rise, including UK exporters that rely on Moldovan inputs to export goods to the rest of the world. In 2016 (latest data), around 15.4% of the value added in UK's gross exports reflected imports from abroad, even though the data does not provide how much of this is from imports from Moldova.<sup>12</sup> UK companies which rely on Moldovan imports would become less competitive. Given the small share of UK trade under the EU-Moldova Agreement, in this case we would expect these impacts to be relatively small but could be noticeable for some specific companies.

## **Consumers**

35. Imported products could be more expensive for consumers if retailers pass on additional duties to consumers through increases in domestic prices. This could disproportionately affect certain groups of consumers, for example, those at the lower end of the income distribution, depending on the specific sectors affected. Consumers might also see a reduction in choice of products and services available. Given the small share of UK-Moldova trade under the EU-Moldova Agreement, in this case we would expect these impacts to be relatively small but could be noticeable on specific product lines.

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<sup>12</sup> OECD, 2018. [Trade in Value Added \(TiVA\): Origin of value added in gross exports, December 2018](#). Experimental statistics.

## Longer-term impact

36. In the long run, the UK would forgo the longer-term benefits that the UK-Moldova Agreement would have brought to UK. This could result in the long-term UK Gross Domestic Product (“GDP”) marginally decreasing if a deal is not reached. Given the small share of UK-Moldova trade under the EU-Moldova Agreement, we would expect the impact on GDP to be relatively small.

## **Explanation of this Agreement, including Significant Differences between the UK-Moldova Agreement and the EU-Moldova Agreement**

37. This section provides a discussion of the changes in the UK-Moldova Agreement as compared to the EU-Moldova Agreement.

### **Nature of the EU-Moldova Agreement and the UK-Moldova Agreement**

38. Technical transition of the EU-Moldova Agreement with few changes means that the substance of the new UK-Moldova Agreement is broadly the same as that of the EU-Moldova Agreement. This includes on those issues of particular importance, such as human rights, democracy, and good governance. The Financial Assistance provisions in the UK-Moldova Agreement were simplified to make these more appropriate for a bilateral agreement. Further details on those provisions are available in the Explanatory Memorandum.

### **Trade**

39. The main effects of the EU-Moldova Agreement have been to encourage greater trade and investment between the EU and Moldova. It has addressed obstacles to trade in goods and services, eliminating almost all tariffs on trade in goods, banned anti-competitive practices, created a level playing field for the export of goods and services, increased transparency, moved towards international standards in a number of areas, developed small- and medium-sized enterprises (SMEs) and simplified requirements in customs. The UK-Moldova Agreement contains clear commitments to international standards on Intellectual Property (IP), and UK Geographical Indications (“GIs”), such as Scotch whisky and Irish whiskey, which are protected in the Moldovan market.

## General Provisions

### Removal and replacement of references to the EU

40. Where necessary, references to the “European Union”, “the European Community”, the “EU”, and “Member States” are replaced by “the UK”. Similarly, references to EU institutions have been replaced with appropriate references to the equivalent institutions in the UK. All other references to “European Union”, “the European Commission”, the “EU”, “Member States” and similar are explicitly changed.

### Territorial Application

41. In the existing EU-Moldova Agreement, the territorial application article defines that Agreement’s territorial application to the EU by referencing the territorial application of the Treaty on European Union, the Treaty on the Functioning of the European Union and the Treaty establishing the European Atomic Energy Community (“EURATOM Treaty”). Article 391 of the UK-Moldova Agreement applies the Agreement to the UK to the extent that and under the conditions which the EU-Moldova Agreement applied immediately before it ceased to apply to the UK.
42. In respect of the Republic of Moldova, the Trade Title of the EU-Moldova Agreement was extended to the region of Transnistria in 2016, by way of a Joint Decision of the EU-Moldova Association Council. The Trade Title of the UK-Moldova Agreement will apply to this region in the same way. The non-trade titles of the UK-Moldova Agreement will not apply to Transnistria.
43. In respect of the UK, the territories to which the UK-Moldova Agreement will apply, other than the UK itself, are:
- a. the Crown Dependencies (Isle of Man, Bailiwick of Jersey, Bailiwick of Guernsey), to which, broadly, provisions relating to trade in goods and customs apply; and
  - b. Gibraltar, to which, broadly, provisions not relating to trade in goods or customs apply
44. The European Atomic Energy Community (“EURATOM”) is a Party to the EU-Moldova Agreement and Article 462 of the EU-Moldova Agreement provides that such Agreement applies to the territories to which the EURATOM Treaty applies, under the conditions laid down in that Treaty. The EURATOM Treaty applies to all Overseas Territories for whose international relations the UK is responsible, excluding the Sovereign Base Areas of the UK in Cyprus. The Government understands that EURATOM is specified in the EU-Moldova Agreement because provisions relating to civil nuclear trade and co-operation (which make up only a small part of the Agreement) fall within an area of EURATOM competence. It was not intended that this should extend the application of the EU-Moldova Agreement to territories to which such Agreement would not otherwise apply. The Government has therefore amended the territorial scope of the EU-Moldova Agreement to remove reference to territories to which the EURATOM Treaty applies, having consulted with relevant territories to ensure they would not be affected. We do not expect this change to have an impact

### Continuation of Time Periods

45. Article 147(5) of the EU-Moldova Agreement provides that during the third year after its entry into force, the Parties shall assess the situation with regard to the elimination of customs duties on imports, taking into account the pattern of trade in agricultural products between them, the particular sensitivities of such products and the development of agricultural policy

on both sides. The equivalent provision and all other references to time periods in the EU-Moldova Agreement have been replicated in the UK-Moldova Agreement.

## **Institutions and Committees**

46. Most of the institutional provisions and bodies provided for in the EU-Moldova Agreement have been incorporated and adopted into the UK-Moldova Agreement with some modifications to remain operable in a bilateral UK-Moldova context. Changes have been made to the institutional provisions to reflect the bilateral context of the UK-Moldova Agreement.
47. The primary body responsible for overseeing the operation and implementation of the UK-Moldova Agreement is the Political and Strategic Dialogue (“the Dialogue”), which will be comprised of representatives of the UK and Moldova.
48. Article 375(3) provides that the Dialogue shall meet at least once a year in a specific configuration to address all issues related to Title V (Trade and Trade-related Matters) of the UK-Moldova Agreement.
49. Article 375(7) provides that, upon entry into force of the UK-Moldova Agreement, any decisions adopted by the Council and any Committees or sub-committees established by the EU-Moldova Agreement before the EU-Moldova Agreement ceased to apply to the United Kingdom shall, to the extent those decisions relate to the Parties to the UK-Moldova Agreement, be deemed to have been adopted, *mutatis mutandis*. This approach provides for continuity of effect as it ensures that the decisions in force when the EU-Moldova Agreement ceases to apply to the UK continue to apply under the UK-Moldova Agreement.

## **Amendment Clauses**

50. The Government is committed to ensuring the right level of Parliamentary scrutiny for all amendments to international agreements, whilst ensuring that the UK can keep agreements up-to-date and respond to changes in domestic legislation or wider economic considerations.
51. The parties to a treaty can mutually agree to amend the text by way of an exchange of notes, in accordance with their internal procedures. The EU-Moldova Agreement includes an amendment article which makes this clear. In the UK, amendments to an agreement that are subject to a formal exchange of notes to confirm completion of internal procedures would engage the parliamentary scrutiny process set out in the CRaG Act 2010.
52. Article 373 of the UK-Moldova Agreement establishes a ‘Political and Strategic Dialogue’. This committee streamlines the powers of the Association Council and the Association Committee (which had the power to sit in a trade configuration) under the EU-Moldova Agreement whilst retaining the necessary sub-committees in Title V (Trade and Trade-Related Matters). The Association Council under the EU-Moldova Agreement has the power under Article 436(3) to update or amend the annexes to that Agreement. The Dialogue of the UK-Moldova Agreement therefore also has the power under Article 376(2) to update or amend the annexes to the UK-Moldova Agreement. It is in the UK’s interests for the Dialogue to have this function, both to ensure continuity of effect of the EU-Moldova Agreement as far as possible and to streamline the process of making changes to the UK-Moldova Agreement, if required.

## **Entry into Force and Provisional Application**

53. Entry into force provisions specify the date from which the terms of an agreement will bind the parties. Existing entry into force provisions have been replaced with new provisions to ensure



that, whatever the scenario in which the EU-Moldova Agreement ceases to apply to the UK the UK-Moldova Agreement enters into force as swiftly as possible thereafter.

54. Article 392(2) of the UK-Moldova Agreement provides that the Agreement will enter into force on the date of receipt of the later of the Parties' notifications that they have completed their internal procedures.
55. For the UK-Moldova Agreement to enter into force between the UK and Moldova, both Parties must first complete their domestic legal procedures required for entry into force and notify the other Party of the completion of these procedures. In UK domestic law, before an agreement subject to ratification may be brought into force, it must be laid before Parliament for scrutiny under the CRaG Act 2010.
56. Provisional application is a mechanism which allows an agreement to be applied prior to its entry into force. This means that the treaty can be provisionally applied prior to completion of the procedures required by the domestic law of the respective negotiating States for its entry into force, provided any necessary domestic implementing measures are in place. Where the negotiating states have agreed that a continuity trade agreement may be provisionally applied from (at the earliest) the date the underlying EU agreement ceases to apply to the UK, the agreement may be operated provisionally from that date if this becomes necessary while, in the case of the UK, the procedures set out in the CRaG Act are being completed. A number of the existing EU agreements provide for provisional application and were provisionally applied by the UK as an EU Member State.
57. The UK and Moldova have agreed to provide for the UK-Moldova Agreement to be provisionally applied once their domestic legal requirements for this have been met. Given that the Government is seeking to maintain the effects of the existing EU agreements as the Transition Period ends, this is a proportionate approach to manage the timing constraints during this unique period and reduces the risk of businesses and consumers experiencing disruption at the end of the transition period.
58. Article 392(4) of the UK-Moldova Agreement provides that the UK and Moldova may agree to provisionally apply the agreement, or provisions of it, by an exchange of notifications. In order to ensure continuity of the UK-Moldova trade, political, economic and social cooperation relationship, this provision will be used to provisionally apply the UK-Moldova Agreement. Such provisional application shall take effect on the later of: (a) the date on which the EU-Moldova Agreement ceases to apply to the United Kingdom; and (b) the date of receipt of the later notification of provisional application from the United Kingdom or from the Republic of Moldova.

## **Trade Remedies**

59. Trade remedies provide a safety net for domestic industry against injury caused by unfair trading practices, such as dumped or subsidised imports, or against injury caused by unexpected surges in imports. Most WTO members have a trade remedies system. The UK will operate its own system once the transitional period agreed with the EU comes to an end.
60. The UK-Moldova Agreement replicates the effects of the trade remedies provisions in the EU-Moldova Agreement *mutatis mutandis*.

## **Dispute Settlement**

61. The economic benefits of the UK-Moldova Agreement can only be realised if the Agreement is faithfully implemented and complied with. A dispute settlement mechanism in an agreement

signals the parties' intention to abide by the agreement, thereby increasing businesses' and stakeholders' confidence that commitments set out in the agreement can, and will, be upheld. The dispute settlement mechanism serves an important deterrent function. It also provides an effective mechanism for enforcing those commitments, and for resolving any disputes that may arise under the Agreement in the future.

62. The UK-Moldova Agreement replicates the effects of the dispute settlement provisions in the EU-Moldova Agreement. The dispute settlement provisions are set out in Chapter 14 of Title V of the UK-Moldova Agreement and its Annexes on the Rules of Procedure for Dispute Settlement and the Code of Conduct for Arbitrators and Mediators.
63. In addition to the trade and trade-related dispute mechanism under Title V, there is a separate procedure in Articles 383 to 385 to address any dispute over the interpretation, implementation, or good faith application of the Agreement. This replicates the same arrangement in the EU-Moldova Agreement in Articles 453 to 455 and requires the parties to endeavour to resolve disputes by entering into consultations within the Political and Strategic Dialogue. It further provides for the possibility of taking 'appropriate measures' if the matter is not resolved within three months, as well as for the power to suspend rights and obligations under the Agreement in the event of a violation by the other party of an 'essential element' of the Agreement. The essential elements are those referred to in Article 2(1): broadly, respect for democratic principles, human rights and fundamental freedoms, and countering the proliferation of weapons of mass destruction.
64. One of the impacts of replicating the dispute settlement chapters in the existing EU trade agreements is that, in the event where a dispute arises, the UK will be directly responsible for any appropriate costs associated with the dispute settlement process.

## Entry Price System

65. The existing EU-Moldova Agreement contains a reference to the Entry Price System ("EPS"). The EPS provides for an additional specific import tariff to be levied on specific kinds of fruits and vegetables entering the EU market if their price falls below specified price thresholds. Some of these fruits and vegetables are produced in the UK whilst others are not. Under Article 126(a) of the UK-Moldova Agreement, the UK has preserved the right, but not the obligation, to introduce legislation replicating the EU's EPS on the same terms. The goods are listed in Annex II-B to the Agreement. We do not expect this to have an impact on trade flows.

## Approximation

66. Approximation obligations in EU agreements provide for a process by which EU partners must align their national laws, rules, and procedures in order to give effect to the entire body of EU law contained in the *Acquis Communautaire* ("acquis").
67. Unless their removal affects market access, articles mandating or promoting the gradual approximation of legislation between the EU and Moldova have been removed. Maintaining these commitments would require our partners to approximate their legislation to both the UK's and the EU's legislation, which would create an inappropriate commitment in a bilateral context. We do not expect this change to have an economic impact.

## Annexes and Protocols

### Goods

68. Goods chapters in trade agreements set out the treatment and the level of access to the domestic market granted to goods of the respective parties. Such provisions include setting tariff levels and quotas on various products, establishing agricultural safeguards and determining the rules of origin for goods to qualify for preferential treatment. Commitments on tariffs for both the UK and Moldova have, other than in those cases detailed below, been transitioned without changes. This means that, under the UK-Moldova Agreement, tariff preferences applied by the UK for products from Moldova will remain the same as those applied by the EU and, likewise, Moldova will continue to apply the same tariff preferences to products from the UK that it is currently applying to products from the EU covered by the EU-Moldova Agreement.
69. The only exception to tariff commitments being transitioned without modifications relates to the size of tariff-rate quotas (“TRQs”, see below), which can be found in Annex II-A and Annex II-D (concerning Annex XV-A and Annex XV-D to Chapter 1 (National Treatment and Market Access for Goods) of Title V of the EU-Moldova Agreement, as incorporated) where these have to be resized to deal with the fact that the UK is no longer a member of the EU. These changes are detailed further below.

### Tariff Rate Quotas (TRQs)

#### Justification for policy change

70. TRQs allow a certain quantity of a product to enter the market at a zero or reduced tariff rate. Imports above that quantity are subject to a higher tariff rate – usually the MFN rate. The EU has agreed TRQs, both for imports to the EU and to partner countries, in some of its trade and association agreements. In order for the products to be able to continue to benefit from the use of TRQs in trade between the UK and Moldova, these quotas need to be present in the new UK-Moldova Agreement.
71. TRQs administered by the UK and by Moldova have been resized to reflect the fact that the UK is a smaller importer and exporter than the EU. Solutions were agreed with Moldova to set quotas to a sufficient level that will allow for continuity of historical trade flows, in most circumstances, for importers and exporters from both countries.
72. The quotas given in the UK-Moldova Agreement were calculated based on a mixture of customs and trade flow data.
73. In order to address future market access opportunities for UK and Moldovan businesses, it was also agreed that a minimum level of access should be provided for these quotas, based on a proxy measure relevant to UK trade. Doing so allows future market access opportunities for UK and Moldovan businesses using a fair and evidence-based methodology.

#### Impacts

74. Without transitioning these TRQs from the EU-Moldova Agreement into the UK-Moldova Agreement, and without any other mitigating actions, goods imported from Moldova that are currently covered by TRQs in the EU-Moldova Agreement could face MFN (or, where applicable, GSP) tariffs as described above. This could make these imports more expensive. The nature of this impact will depend on a number of factors, including existing trading

patterns and the behaviour and responsiveness of domestic consumers and businesses to the change in tariff. Historically, Moldova's usage of TRQs to export to the UK was mostly low. UK imports from Moldova based on trade data (at HS6 level) of products that are currently covered by the 40 inward TRQs under the EU-Moldova Agreement were worth £2 million in total in 2019. This is equivalent to less than 1% of total UK goods imports from Moldova.<sup>13</sup>

75. Overall, we would expect the impact on UK producers and consumers resulting from this approach to resizing TRQs to be limited.

## Inward TRQs

76. See the UK-Moldova Agreement text for more detail of the agreed TRQ, such as the tariff line.

**Table 3: List of Tariff Rate Quotas administered by the United Kingdom for products originating in Moldova (tonnes, unless otherwise specified)**

Quota No. <sup>1</sup>	Product description	Tariff classification <sup>2</sup>	New UK quota volume (tonnes unless otherwise specified)
096800	Tomatoes, fresh or chilled	0702 00 00	272
096801	Garlic, fresh or chilled	0703 20 00	30
096802	Table grapes, fresh	0806 10 10	2724
096803	Apples, fresh (excl. cider apples, in bulk, from 16 September to 15 December)	0808 10 80	5448
096806	Cherries (excl. sour cherries), fresh	0809 29 00	204
096804	Plums, fresh	0809 40 05	2043
096805	Grape juice	2009 61 10 2009 69 19 2009 69 51 2009 69 59	68

<sup>1</sup> Inward quotas, which are administered by the European Union, each have a unique order number. Further information about existing EU quotas can be found on the EU Customs and Taxation [website](#).

<sup>2</sup> Tariff classification for the products is under CN 2020.

<sup>13</sup> HM Revenue and Customs, UK trade statistics data. <https://www.uktradeinfo.com/Pages/Home.aspx>. 2019 average. It should be noted that not all commodity codes within the HS product codes will be covered in every TRQ. Further, it is not necessarily the case that all trade in products under the quota will enter under this access commitment. As such, estimates based on HS6 data are likely to give an upper bound to the volume of imports and exports covered by the TRQ.

## **Outward TRQs**

**Table 4: List of Tariff Rate Quotas administered by Moldova for products originating in the United Kingdom (tonnes, unless otherwise specified)**

Product description	Tariff classification <sup>2</sup>	New quota volume (tonnes)
Pork meat	0203 11 10 0203 12 11 0203 12 19 0203 19 11 0203 19 13 0203 19 15 0203 19 55 0203 19 59 0203 21 10 0203 22 11 0203 22 19 0203 29 11 0203 29 13 0203 29 15 0203 29 55 0203 29 59	613; for the year 2022: 681; and as of the year 2023: 749
Poultry	0207 11 10 0207 11 30 0207 11 90 0207 12 10 0207 12 90 0207 13 10 0207 13 20 0207 13 30 0207 13 50 0207 13 60 0207 13 99 0207 14 10 0207 14 20 0207 14 30 0207 14 40 0207 14 50 0207 14 60 0207 14 70 0207 14 91 0207 14 99	681; for the year 2022: 749; and as of the year 2023: 817

<p>Dairy Products</p>	<p>0401 10 10                  0401 10 90                  0401 20 11                  0401 20 19                  0401 20 91                  0401 20 99                  0401 30 11                  0401 30 19                  0401 30 31                  0401 30 39                  0401 30 91                  0401 30 99                  0405 10 11                  0405 10 19                  0405 10 30                  0405 10 50                  0405 10 90                  0405 20 10                  0405 20 30                  0405 20 90                  0405 90 10                  0405 90 90</p>	<p>204; and as of the year 2022: 272</p>
<p>Sausages and other prepared or preserved meat, meat offal or blood</p>	<p>1601 00 10                  1601 00 91                  1601 00 99                  1602 32 11                  1602 32 19                  1602 32 30                  1602 32 90                  1602 41 10                  1602 42 10                  1602 49 11                  1602 49 13                  1602 49 15                  1602 49 19                  1602 49 30                  1602 49 50                  1602 90 51</p>	<p>232</p>

Sugar	1701 11 10 1701 11 90 1701 12 10 1701 12 90 1701 91 00 1701 99 10 1701 99 90	953; for the year 2022: 1090; and as of the year 2023: 1226
Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavouring or colouring matter; artificial honey, whether or not mixed with natural honey; caramel	1702 30 10 1702 30 51 1702 30 59 1702 30 91 1702 30 99 1702 40 10 1702 40 90 1702 50 00 1702 60 10 1702 60 95 1702 90 10 1702 90 30 1702 90 60 1702 90 71 1702 90 75 1702 90 79 1702 90 99	87

## Rules of Origin

77. In free trade agreements, rules of origin are used to determine the economic nationality of a good. In order to qualify for preferential tariff rates, a good has to “originate” in the territory of one of the parties to the agreement. The trade pillar in a free trade agreement may also allow materials originating and/or processed in a country other than the exporting party to count towards meeting the specific origin requirements for preferential treatment, a process known as “cumulation”.

78. There are two main categories relevant to determining whether goods “originate” in the exporting country for the purposes of a free trade agreement:

- a. **Wholly obtained** – These are goods that are wholly obtained or produced entirely in a single country. Examples include mineral products extracted from the soil and live animals born and raised there.
- b. **Substantial transformation** – These are goods that are made from materials which come from more than one country, and the origin is therefore defined as that of the country where the goods were last substantially transformed. This can be determined in three ways:



- i. **Value added** – This type of rule requires that a particular proportion of the final value of the product be added in the exporting country.
- ii. **Change in Tariff Classification (CTC)** – This type of rule requires that the final product be sufficiently different from the imported materials so that it moves to a different tariff classification altogether.
- iii. **Specific processing or manufacturing** – These rules typically apply where value added or CTC rules may not adequately determine originating status, and where specific processes are required to meet originating criteria.

79. During the transition period, all UK content is currently considered as “originating” in the EU and UK exports are designated as “EU origin”. This means that originating materials from, and processing in, the UK and the rest of the EU can be used interchangeably in the UK’s bilateral trade with existing EU free trade agreement partners. This will no longer be the case when existing EU free trade agreements stop applying to the UK at the end of the transition period.
80. At that point, the designation of UK exports will shift from “EU” originating to “UK” originating and EU content will (unless specific provision is made in new UK trade agreements) no longer count towards meeting the origin requirements for preferential treatment for either party. This would have implications for goods traded between the UK, EU, and Moldova.
81. To address these implications and to provide maximum continuity for business, the UK-Moldova Agreement provides that EU materials can continue to be used, and count as originating (e.g. cumulated), in UK and Moldovan exports to one another. Furthermore, EU processing can continue to be used and count as originating in UK exports to Moldova. The possibilities to cumulate with other third countries, as per the EU-Moldova Agreement, are replicated in the UK-Moldova Agreement on the same terms.
82. The cumulation arrangements are set out in detail in Title II (Definition of the Concept of “Originating Products”) of Protocol I to the UK-Moldova Agreement and are subject to certain conditions specified in the Agreement being satisfied.
83. Moldova and the UK (as it continues to be bound by agreements to which the EU is a party to) are currently contracting parties to the Regional Convention on pan-Euro-Mediterranean preferential rules of origin (“PEM Convention”) and apply the PEM Convention between them. The PEM Convention is a multilateral agreement that harmonises preferential rules of origin across the Euro-Med area and provides for cumulation between contracting parties to that Convention<sup>14</sup>. The UK’s future relationship with the PEM Convention is yet to be determined, so the UK-Moldova Agreement reflects the provisions of the PEM Convention in a bilateral context with modifications.
84. The text of the Rules of Origin Protocol can be found in Protocol I to the UK-Moldova Agreement.

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<sup>14</sup> The Contracting Parties as defined in the Regional Convention on Pan-Euro-Mediterranean preferential rules of origin as at the date the Agreement is signed.

## Impact

85. If cumulation of EU content for the UK and Moldova was not permitted under the UK-Moldova Agreement, some UK and Moldovan-based exporters could find themselves unable to qualify for the preferential treatment currently provided by the EU-Moldova Agreement.
86. UK exporters to Moldova who rely on EU inputs might have to revert to paying MFN tariff rates if they continue using EU content, or they might have to review and reassess their existing supply and value chains as a result of this change to the existing terms. The impact would, of course, vary across sectors.
87. The UK-Moldova Agreement provides only for trade between the UK and Moldova and does not provide for either Party's direct trade with the EU, including, for example, where UK and Moldovan-based exporters use content from each other in exports to the EU. The imposition of higher MFN tariffs on such exports may have a minor negative impact on trade flows.

## Customs

88. The EU-Moldova Agreement customs provisions were replicated in the UK-Moldova Agreement. However, minor changes were made to Protocol II.

## Sanitary and Phytosanitary Measures (SPS)

89. Sanitary and Phytosanitary (SPS) articles in free trade agreements concern the application of food safety and animal and plant health regulations. These provisions allow countries to set standards and regulations that allow for the protection of human, animal or plant life and health. FTAs may contain SPS provisions which, for example, increase transparency in the application of SPS measures, or allow the recognition of equivalent measures in relation to animal health, or set import requirements, including health certification.
90. In the UK-Moldova Agreement changes have been made to reflect that both the UK and Moldova are members of the World Organisation for Animal Health ("OIE") and meet requirements on notification of any outbreaks of diseases on the market. We do not expect these changes to have an impact.
91. Minor, non-substantive changes were made to remove the reference to EU Protected Zones and replace them with Pest-Free Areas. This does not affect the operation of the UK-Moldova Agreement. Additionally, in accordance with the approach outlined in paragraph 67, we have deleted all references to approximation. This does not affect the operation of the UK-Moldova Agreement and is not expected to have a significant impact on trade flows.
92. In Article 162(2), concerning import conditions after the recognition of equivalence, the UK and Moldova agreed to replace the commitment to take implementing measures within a 90 day period following the adoption of an equivalence decision (as provided for in the EU-Moldova Agreement) with a commitment to do so within a reasonable period of time. This change allows the Parties greater flexibility when implementing a decision and minimises the resource burden on the UK and Moldova. The text was also amended to permit the Parties to discuss the certificates to be drawn up under Article 162(2); such discussions will be without prejudice to each Party's right to draw up certificates to reflect their levels of protection. Furthermore, Article 162(5) was amended to make the provisional approval of processing establishments subject to and in accordance with each party's domestic legislation. This change was required to address limitations within Moldova's domestic legislative framework relating to the provisional approval of establishments.

## Intellectual Property and Geographical Indications

93. The UK's existing obligations on intellectual property ("IP") found in international agreements will remain in place. The UK will remain a Member of the World Intellectual Property Organization ("WIPO") and remains fully compliant with those WIPO treaties to which the UK is already a party. The UK will also remain fully compliant with the World Trade Organization's Agreement on the Trade-Related Aspects of Intellectual Property Rights ("TRIPS").
94. The IP Chapter in the EU-Moldova Agreement includes issues such as approximation, EU regulation and time-bound commitments. The IP Chapter in the UK-Moldova Agreement retains all the substantive provisions on copyright, trademarks, geographical indications ("GIs"), industrial designs, patents, regulatory test data exclusivity, new plant varieties, genetic resources, and enforcement, as under the EU-Moldova Agreement, with some amendments to ensure continuity of effect and operability in a bilateral context, the more significant of which are detailed below.
95. Article 286 of the EU-Moldova Agreement has been changed to prevent any breach of copyright in the future for certain works and to bring consistency to the Article. In the UK, longer copyright terms are available for certain works and the changes made in the UK-Moldova Agreement ensure that these rights can continue to be protected. The new wording says that the rights of an author of a literary or artistic work shall run for "no less than the life of the author and for 70 years after his/her death". The original wording in the EU-Moldova Agreement said that the rights shall run for "for the life of the author and for 70 years after his/her death". Similar changes have been made in respect of anonymous or pseudonymous works, as well as in relation to unpublished works, in order to provide consistency and ensure legal compliance.
96. There are two types of unregistered design right that operate alongside one another in the UK: (i) the Unregistered Design Right provided for by the Copyright, Designs and Patents Act 1988, and (ii) the Community Unregistered Design Right as transposed into UK legislation by the European Union (Withdrawal) Act 2018. The two types of unregistered design rights differ in scope and duration. In order to provide clarity and ensure continuity of effect, we have added a footnote to make it clear that the unregistered design rights referred to in Article 279 apply only to the Council Regulation (EC) No 6/2002 on Community Designs as transposed into UK legislation by the European Union (Withdrawal) Act 2018.
97. In relation to GIs, the retained provisions continue to protect UK and Moldovan GIs that were already protected under the EU-Moldova Agreement. These provisions include those that extend the protection to the territory of both Northern Ireland and the Republic of Ireland (known as 'transborder GIs') for Irish Whiskey / Uisce Beatha Eireannach/ Irish Whisky, Irish Cream and Irish Poteen / Irish Poitín. All other GIs, traditional expressions and protected designations which relate to EU Member States are not replicated into Annex XIII-C to Chapter 9 of Title V of the UK-Moldova Agreement. This is because the UK-Moldova Agreement is a bilateral agreement, and therefore can only protect GIs of Parties to the Agreement. This has no effect on existing GI protections relating to EU Member States in Moldova, which will remain protected under the EU-Moldova Agreement.
98. In Article 272, the reference to the Lisbon Agreement has been removed as the UK is not a member of that agreement. Dates relating to a transitional period for complementary actions to be implemented by Moldova have also been removed as they predate the UK-Moldova Agreement.
99. An amendment has been made to Article 272(2) to ensure the historic dates of protection for listed GIs are inherited from the EU-Moldova Agreement. To give effect to this amendment, asterisks have been added to certain GIs listed in Annex XIII-C and Annex XIII-D.

100. The changes to the IP provisions are not expected to have a significant impact on trade flows between the UK and Moldova, as they are technical changes designed to ensure continuity of effect and operability.

## Sustainability

101. The UK has long supported the promotion of our values globally and will continue to do so now that we have left the EU. We want to ensure that economic growth, and development, labour and environmental protection go hand-in-hand. The sustainability provisions in the EU-Moldova Agreement have in very large part been replicated in their entirety in Articles 330-346 of the UK-Moldova Agreement. These changes are not expected to have a significant impact on trade flows.
102. The Sustainability Chapter in the EU-Moldova Agreement refers to other (non-EU) international agreements on issues like labour and environment. The UK and Moldova are parties to these agreements in their own right; therefore, the provisions reflecting this will continue to apply to the UK after the end of the transition period.

## Government Procurement

103. Government procurement commitments in trade agreements provide enforceable rules and standards for a transparent and non-discriminatory framework on government procurement. They also liberalise specific procurement markets between the parties and provide enforceable market access commitments.
104. The UK-Moldova Agreement has retained the commitments on public procurement that relate to the UK and Moldova.
105. Article 240 of the EU-Moldova Agreement refers to a requirement that Moldova shall gradually approximate its domestic public procurement legislation with the EU public procurement *acquis*. This approximation is to take place in accordance with the timetable and phases set out in the EU-Moldova Agreement's Annex XXIX to Chapter 8 of Title V. In the UK-Moldova Agreement, commitments relating to approximation to aspects of the EU procurement *acquis* have been removed, but commitments that relate to the time-phased reciprocal opening of the procurement market access offer have been retained. In the UK-Moldova Agreement, the phased opening of the market will take place on the dates specified in Annex XII-B, rather than when the approximation targets have been reached (i.e. the specified dates in the UK-Moldova Agreement are the same as the approximation dates in the EU-Moldova Agreement). This approach retains the staged market access benefit of the Agreement. We do not expect the changes to have a significant impact on trade flows.

## Technical Barriers to Trade

106. Technical Barriers to Trade ("TBT") articles in free trade agreements cover aspects relating to regulations, standards, and conformity assessment for goods. TBT provisions in preferential trade agreements play an important role in reducing non-tariff barriers for businesses, for example, through increasing the transparency of a trading partner's regulatory requirements. Changes to these provisions have been limited to non-substantive technical changes.
107. The EU-Moldova Agreement originally contained provisions for Moldova to approximate their legislation to the EU *acquis*. We have followed the general approach detailed earlier in this report and removed this provision from the UK-Moldova Agreement, as it would not be appropriate to replicate such a provision in a bilateral context. This change is not expected to have significant impact on trade flows.

## Competition and Subsidies

108. Chapters or articles in free trade agreements relating to competition and subsidies/state aid help to ensure that open and fair competition exists for both parties.
109. Article 333 of the EU-Moldova Agreement sets out the definitions for each of the Parties' competition laws and authorities. This Article has therefore been amended in the UK-Moldova Agreement to remove references to EU laws and authorities and replace them with references to the relevant UK domestic laws and authorities.
110. Article 340 of the EU-Moldova Agreement also provided that both parties shall assess state aid on the basis of criteria arising from the application of EU rules. This Article has been removed from the UK-Moldova Agreement, as it would not be appropriate to replicate such provisions in a bilateral context. Removing this provision is not anticipated to have an impact on British businesses.
111. Article 341 of the EU-Moldova Agreement committed both parties to establish or maintain, as appropriate, an operationally independent authority to regulate state aid. This Article has been removed from the UK-Moldova Agreement, as it would not be appropriate to replicate such provisions in a bilateral context.
112. Other minor non-substantive technical changes to remove references to the EU acquis have been carried out in the areas of competition and state aid to ensure that the effect of the provisions are replicated without altering their substance. The UK-Moldova Agreement will not have any effect on the financial support the Government provides to our agricultural and fishing industries. As a result, it is not expected to have significant economic impacts.

## Services

113. Services chapters and corresponding annexes in free trade agreements set out the treatment and level of access to the domestic market granted to that trade partner's service suppliers and services. Commitments written into these agreements build upon the level of access and the treatment granted to all WTO members, whilst protecting governments' right to regulate their domestic markets.
114. Amongst the EU's agreements with third countries, the content of the services chapters and depth of the commitments undertaken vary considerably. The variety of these services provisions have in some cases necessitated a bespoke approach to deliver continuity in services commitments between the UK and the third country. Some agreements have not required amendment, whilst others have required technical alteration to their text to deliver continuity of effect. Where such technical changes have been necessary, the effects of the original commitments undertaken in the EU agreement have been replicated as far as is operable.
115. The services provisions in the UK-Moldova Agreement include changes from the EU-Moldova Agreement to remove references to regulatory approximation. Regulation for services governs the operation of services markets, and influences service trade flows. Regulatory approximation by a trading partner guarantees that trade in services in the specific sectors is regulated as the EU would expect.

116. In replicating the effects of the EU-Moldova Agreement into the UK-Moldova Agreement, the provisions which contain the obligation to approximate in services have been removed because they would no longer be operable. This has created the need for consequential amendments to maintain operability of the establishment commitments for service providers, ensuring continuity in the bilateral trade relationship between the UK and Moldova. This includes amendments to Articles 215 and 234 of the UK-Moldova Agreement, and the inclusion of additional reservations in Annex XI to bring the UK-Moldova Agreement into line with other EU trade agreements which do not contain the obligation to approximate. These changes are not expected to have a significant impact on trade flows.

## **Transport – Air Services**

117. The Common Aviation Area liberalises air transport by extending the single market in the field of aviation to various third countries. It is based on various international agreements between the EU and third countries, including the European Common Aviation Area (“ECAA”) Agreement. Third-country parties to these agreements are required to implement the relevant EU acquis in the aviation sector. After the end of the transition period, the UK will no longer be a party to the ECAA and related agreements and will instead revert to traditional bilateral air services arrangements with partner countries. In line with the Government’s wider approach to international agreements affected by our departure from the EU, these new bilateral arrangements will seek to replicate the effects of existing EU agreements as far as is possible on a bilateral basis. Therefore, references to the ECAA throughout the EU-Moldova Agreement have been removed or replaced with references to an agreement or arrangement governing air services between Moldova and the UK as appropriate, to reflect the UK-Moldova bilateral context.

## **Electronic Communication and Network Services**

118. Paragraph 4 of Article 236 of the EU-Moldova Agreement (under *Electronic communication networks and services*, sub-section 5 of section 5, Chapter 6 of Title V) has been removed from the UK-Moldova agreement. Article 210 details obligations related to Universal Service provision. This change removes the requirement for the UK and Moldova to ensure a directory of subscribers is available to users of the service. The UK and Moldova agreed this modification to reflect Moldova's stated intention not to maintain such a directory beyond 2023, when Moldova intends to implement EU legislation under which they consider they will no longer be obliged to maintain a directory. This change is not expected to impact trade flows

## **Professional Services Recognition**

119. A reservation clarifying that EU Directives on mutual recognition of diplomas only apply to nationals of EU Member States and that the right to practice a regulated professional services in one Member State does not grant the right to practice in another Member State has not been replicated in Annexes XI-C and XI-D to the UK-Moldova Agreement, as this is not applicable in a bilateral context. This change is not expected to have a significant impact on trade flows.

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