

Brexit's stake for the Republic of Moldova: why should we carefully watch Britain's exit process from the European Union?

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The UK Government's decision to leave the European Union will have repercussions for both parties as well as for the countries outside of the EU. The application of a new economic, commercial and migration regime for the UK market, different from the one existing in the European Union, will influence the dynamics of bilateral relations between the United Kingdom and third countries in the proximity of the EU. The reference here is implicitly made to the Eastern Partnership countries implementing the Association Agreement with the European Union, which includes the Deep and Comprehensive Free Trade Area (DCFTA), the provisions of which will no longer apply to trade with the United Kingdom once the Brexit is completed and the period of transition is over. The Republic of Moldova is not an exception. Moldova has initiated last year the procedures for negotiating and signing of a new bilateral political partnership and trade agreement with the United Kingdom.

The withdrawal agreement of the UK from the EU, agreed by the British Government and the European Council on November 25, 2018, mentions a transition period from 30 March 2019 (currently postponed) until 31 December 2020, a period of time in which the EU legislation will continue to apply throughout the United Kingdom. This period coincides with the finalization of the EU Multi-Financial Framework for 2014-2020 and will provide the necessary instruments for negotiating the bilateral agreements between the UK and non-EU countries, including Moldova.

Commercial relations between Chisinau and London

The most important sphere, in which Brexit's consequences will be visible, concerns the trade relations between the Republic of Moldova and the United Kingdom. At this point, the European Union is the biggest market for the goods and products coming from the Republic of Moldova. In 2018, exports to the EU reached 68.8%, of which about 4.2% ended up in the UK market.

It is worth mentioning that trade between the Republic of Moldova and the United Kingdom decreased by more than 42% after the June 2016 referendum. If in 2017 it amounted to 136 149 US dollars, in 2018 the total value amounted to only 78 816 US dollars. Although the Moldovan exports to the EU countries increased by 16.6% in 2018 compared to 2017, the UK market was less demanded by Moldovan products. Even under these conditions, the United Kingdom ranks fifth among the main trading partners of Moldova in the EU after Romania, Italy, Germany and Poland.

Due to the uncertainty surrounding the vote on the withdrawal agreement between the UK and the EU, the attractiveness of the British market for Moldovan exporters is lower. In the absence of a bilateral trade partnership agreement between the Republic of Moldova and the United Kingdom during the transition period (2019 - 2020) it is expected that the trade between the two parties will decrease and the interaction of the UK business environment and the Republic of Moldova will not register any major progress. On this dimension, Brexit has generated uncertainties for EU and Moldovan producers regarding medium and long-term cooperation with UK trading partners.

Economic migration to the UK

The exit of the UK from the EU will entail new regulations for granting legal employment to EU citizens settled in that state. Taking into account that the number of Moldovan migrants with a Romanian passport established in the United Kingdom is estimated to tens of thousands, it is still to be seen to what extent Brexit will affect the migration dynamics to the UK and the reorientation of the Moldovan migrants to the EU labor market.

The new regulations aim to introduce the migrant status into a registration scheme (EU Settlement Scheme), based on which the profile of the migrant is checked and the decision on granting or not granting pre-residence status is made for people residing for less than 5 years in the United Kingdom (Pre-settled Status) or for those who have been residents for more than five years in the United Kingdom (Settled Status). The registration for obtaining one of the status types will take place during the transition period, time in which the EU legislation for the labor market will remain in force.

The new conditions set by the UK government will directly affect EU migrants who do not have a job, but also migrants who worked illegally without a work contract in the pre-Brexit period. Respectively, Moldovan migrants with a Romanian passport will be obliged to comply with the new legislative requirements, rules that will decrease the attractiveness of the UK as a host country for migrants coming from Moldova.

At the same time, the volume of remittances coming from the United Kingdom (amounting to about 70 million US dollars in 2018) could decrease in the coming years due to the lower flow of Moldovan migrants willing to settle in this country.

Instead of conclusions

The uncertain situation regarding the UK's exit from the EU leaves many questions related to the consequences of Brexit for the Republic of Moldova. It is certain that the political, institutional and legal changes that arise from Brexit will bring the entry into force of a new political and economic cooperation framework between the Republic of Moldova and the United Kingdom.

Trade flows between the two parties may have a progressive and regressive dynamic in the medium and long term, depending on the adaptability of Moldovan entrepreneurs to the conditions set by London.

When it comes to the issue of emigration to the United Kingdom, Moldovan citizens will have to get acquainted with and know in detail what the new UK residence regime requires for the post-2020 period. The intervention of the Moldovan and British authorities is needed in order to provide the informational and technical support for this group of migrants.

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