



ISSN 1857-9973

JOURNAL OF ECONOMICS

Special issue

THIRD INTERNATIONAL CONFERENCE ON BUSINESS,
ECONOMY AND FINANCE (ICBEF)
“ECONOMIC AND SOCIAL IMPLICATIONS OF COVID-19,
CHALLENGES AND PROPOSALS FOR OVERCOMING”

2021

GOCE DELCEV UNIVERSITY OF STIP
FACULTY OF ECONOMICS

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Special issue

THIRD INTERNATIONAL CONFERENCE ON BUSINESS, ECONOMY AND FINANCE (ICBEF) “ECONOMIC AND SOCIAL IMPLICATIONS OF COVID-19, CHALLENGES AND PROPOSALS FOR OVERCOMING”

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Contents

	Title	Page
1	<p>Geopolitics and geoeconomics of the eurasian space in modern realities: scenarios of the strategic choice of civilizational systems</p> <p>UDC 327:911.3(4/5) 339.9:911.3(4/5)</p> <p><i>Roman G. Vlasov</i></p>	1-7
2	<p>The impacts of COVID-19 on the logistic ecosystems and benefit for the circular economy</p> <p>UDC 338.121:658.567]:658.78}:616.98:578.834(4-672EU)</p> <p><i>Riste Temjanovski</i></p>	8-21
3	<p>The Challenge of 21st Century Leadership: The Transition from "I" to "We"</p> <p>UDC 005.322:316.46"20"</p> <p><i>Gabriela Krstevska, Sonja Rizoska-Jovanovska</i></p>	22-29
4	<p>Managing the monetary and fiscal efforts to alleviate the turbulence from the COVID-19 crisis in the world and in our country</p> <p>UDC 338.23:336.74]:616.98:578.834(100) 336.02]:616.98:578.834(100)</p> <p><i>Marija Gogova Samonikov, Elena Veselinova</i></p>	30-44
5	<p>A gender analysis of Covid-19's impact on the Hungarian Labor Market</p> <p>UDC 331.5:305]:616.98:578.834}-036.21(439)</p> <p><i>Timothy Yaw Acheampong</i></p>	45-57
6	<p>Have banks been supportive during the COVID-19 pandemic?</p> <p>UDC 336.71]:616.98:578.834}-036.21(498)</p> <p><i>Mihaela Roxana Marcu, Alexandra Zbucnea</i></p>	58-71
7	<p>Online teaching in conditions of pandemic Kovid-19 - problems, challenges and opportunities for students and universities in the Republic of North Macedonia</p> <p>UDC 37.018.43:004]:338.4}:616.98:578.834(497.7)</p>	72-84

	<i>Natalija Atanasova, Sanja Velkova</i>	
8	Telecommuting Best Practices Prior and During the COVID-19 Pandemic UDC 331.102-027.553]:616.98:578.834}-036.21(100) <i>Zlatko Bezovski, Riste Temjanovski, Elenica Sofijanova</i>	85-100
9	The Albanian Mutual Funds during the COVID pandemic UDC 336.76]:616.98:578.834}-036.21(496.5) <i>Brian Balliu</i>	101-108
10	Fiscal Challenges in Pandemic Times UDC 336.02]:616.98:578.834}-036.21(497.7) 336.27]:616.98:578.834}-036.21(497.7) 336.5]:616.98:578.834}-036.21(497.7) <i>Stevan Gaber, Ilija Gruevski</i>	109-118
11	The Full VAT/GST Regime of Digital Platforms in the Collection of Taxes on Online Sales UDC 339.1:004.738.5]:336.226.322(100) <i>Ilija Gruevski, Stevan Gaber</i>	119-134
12	The upcoming recession due to Covid 19 and its impact on economic growth and the digital transformation in the Balkan region UDC 338.124.2]:616.98:578.834(497) 330.55:303.724]:616.98:578.834(497) <i>Mila Mitreva, Blagica Koleva</i>	135-144
13	The burden on the accountants caused by the Covid-19 pandemic UDC 657-057]:616.98:578.834}-036.21(497.7) 657-057]:616.98:578.834}-036.21(497.11) 657-057]:616.98:578.834}-036.21(497.4) 657-057]:616.98:578.834}-036.21(497.5) <i>Janka Dimitrova, Olivera Gjorgieva-Trajkovska, Eftimija Dimitrova</i>	145-159
14	The rights against the obligations of the accountants UDC 657:340.13(497.7) 657-057(497.7)	160-173

	<i>Janka Dimitrova, Blagica Koleva, Eftimija Dimitrova</i>	
15	The Impact of COVID-19 Pandemic on Firms Performance: Analysis of the Companies from the MBI10 Index UDC 334.72:005.332.1]:303.72}:616.98:578.834(497.7) 336.76:303.72]:616.98:578.834(497.7) <i>Elena Veselinova, Marija Gogova Samonikov</i>	174-184
16	Covid 19 and non-tariff measures UDC 339.543.025.3]:616.98:578.834}-036.21(100) <i>Emilija Miteva-Kacarski, Kostadinka Panova, Vlatko Paceskoski</i>	185-195
17	Covid 19 implications on financial reporting UDC 658.14/.17]:616.98:578.834}-036.21 <i>Marija Mitevaska, Olivera Gjorgieva-Trajkovska, Vesna Georgieva Svrtinov</i>	196-203
18	Economic and social impact of Covid 19 pandemic on global scale and in case of the Republic of North Macedonia UDC 338.121]:616.98:578.834}-036.21(497.7) 304]:616.98:578.834}-036.21(497.7) <i>Marica Antovska-Mitev, Tatjana Drangovska</i>	204-220
19	Banking Sector Performance During the COVID-19 Crisis in the Republic of North Macedonia UDC 336.71:005.332.1]:303.724}:616.98:578.834(497.7) <i>Vesna Georgieva Svrtinov, Emilija Miteva Kacarski, Vlatko Paceskoski</i>	221-230
20	Macroeconomic overview of the Covid-19 impact on the SEE Region UDC 338.121:303.72]:616.98:578.834}-036.21(4-11) <i>Darko Lazarov, Misho Nikolov</i>	231-239
21	How artificial intelligence can help the sector of accounting and audit deal with Covid-19 UDC 657:004.8]:616.98:578.834}-036.21 657.6:004.8]:616.98:578.834}-036.21	240-248

	<i>Marija Mitevska</i>	
22	Analysis of the disclosed financial results of Macedonian companies for the year 2020 UDC 658.14/.17:334.72]:616.98:578.834}-036.21(497.7)"2020" <i>Mihaela Trajkovska</i>	249-257

COVID-19 AND NON-TARIFF MEASURES

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UDC 339.543.025.3]:616.98:578.834}-036.21(100)

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Abstract

Non-tariff measures are closely linked to the current COVID-19 pandemic. They play an important role to protect human, animal and plant lives and to prevent pandemic outbreaks, have been used frequently during the pandemic to achieve trade and non-trade objectives and play an important role for the economic recovery from the devastating economic and social effects of the pandemic. NTMs such as export restrictions have been used to prevent shortages of supplies of medical products in exporting countries as a reaction to increased domestic demands. At the same time, other NTMs have been adapted to facilitate imports of important goods. Transparency in NTMs is important for traders. OECD (2019) finds that increased transparency on sanitary and phyto-sanitary (SPS) measures and technical barriers to trade (TBT) in regional trade agreements boosts trade by around 25 per cent. During the pandemic, transparency in NTMs coming into force during the pandemic was particularly grim. Most data were collected from news articles.

The aim of this paper is to examine the various NTMs imposed by countries during the COVID-19 outbreak and to attempt to assess the many implications these can have.

Key words: Non-tariff measures, COVID-19 pandemic, transparency, trade.

1. Introduction

Over the years, non-tariff measures have become quite interesting issues for making an analysis regarding some of the trading policy instruments given the impact they have on the international trade whether through the price, the trading quantity, or both of them. What the non-tariff measures have in common is their group comprising of such policies and practices that have two common goals even though they are often internationally not related. In fact, they divert trade in favour of domestic manufacturers, and they do it without using the tariff instrument. In contrast to relatively transparent and clearly imposed tariffs, non-tariff measures cannot be always easily identified. The analysis of the private sector's reports indicates that the fulfillment of the imposed technical regulations is a serious trade challenge [12].

The non-tariff measures are closely related to the global pandemic caused by the virus COVID-19. Their use has marked peculiar dynamics under conditions of the global pandemic

since they have a significant role in protecting people's health, flora, and fauna. Therefore, it can be seen the importance of their role in making possible the economic recovery from the catastrophic economic and social effects of the pandemic. However, contrary to some of the non-tariff measures most often used during the pandemic in order to facilitate the import of medical products automatically generating positive effects on people's health and national economies' welfare, the other non-tariff barriers' application has caused import and export restrictions which can further result in negative implications for people's health and national economies' welfare.

Therefore, the aim of this paper's research is to make an analysis of the different types of non-tariff barriers imposed by the countries under conditions of the global pandemic and to perceive their influence.

2. Use of non-tariff barriers under conditions of COVID-19

Due to the increased demand, non-tariff measures such as export restrictions have been used in order to prevent the possible lack of export countries' medical products. However, some other non-tariff measures have been used to facilitate the necessary products' import from abroad.

Given the use of non-tariff measures, transparency is really important for trading partners. According to OECD research carried out in 2019, the increased transparency of sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) in regional trade agreements increase trade by about 25% [10]. Unfortunately, the transparency regarding the use of non-tariff measures has been on a very low level during the global pandemic.

Coordinated non-tariff measures and the ones based on international standards facilitate the international trade. Once again, research shows that the regulation's similarities among the countries can reduce trade expenses by 25% [8]. A significant part of the expenses related to NTMs descends from the fact that technical regulations among the countries are very different. Thus, producers have to make an analysis of the proper regulation and to adjust the production according to it, and also to provide a distinct certificate for a different export destination. The balancing of regulations, mutual recognition, and adherence to international standards can significantly reduce these expenses and enable the creation of an economy of scope. All of it leads to trade mitigation and competitiveness improvement being of really great importance, especially under conditions of a pandemic.

The import of medical products not satisfying the proper quality standards has accentuated even more the necessity of technical non-tariff measures used to provide a high quality of goods and consumers' protection [1].

During the recovery phase after the pandemic, it is really important for trade barriers to be reduced to a minimum because trade is one of the economic growth's instigators. Having in mind that poorer and smaller trading partners are often disproportionally affected by the global pandemic and the application of non-tariff measures, this problem's analysis is of particularly great importance.

The main sources of data for this research are the UNCTAD and WTO databases of COVID 19 and non-tariff measures. In accordance with the disposable data, the most often applied non-tariff measures under conditions of COVID 19 are shown in table 1:

Table 1. Commonly used NTMs

Trade Facilitating Measures	Trade Restricting Measures
-----------------------------	----------------------------

L41* Tax and duty exemptions, reductions, other fiscal incentives reducing burden of taxes otherwise due	P31 Export prohibition
G4 Regulations concerning terms of payment for imports	P33 Licensing, permit or registration requirements to export
E125* Licensing for the protection of public health	A11 Prohibitions for SPS (sanitary and phytosanitary) reasons
A83* Certification requirements for SPS (sanitary and phytosanitary) reasons	E313 Temporary prohibition, including suspension of issuance of licenses
L11 Transfers of funds (monetary transfers) by the Government (to an enterprise) – Grants	P32 Export quotas
D12* Anti-dumping duties	P22 Export monitoring and surveillance requirements
B83* Certification requirements for TBT (technical barriers to trade) reasons	E325 Prohibition for the protection of public health
L9 Support for consumers or producers not elsewhere specified	C9 Other pre-shipment inspection formalities not elsewhere specified
E325 Prohibition for the protection of public health	B14 Authorization requirements for importing certain products TBT (technical barriers to trade) reasons
B7* Product quality, safety, or performance requirements for TBT (technical barriers to trade) reasons	
B14* Authorization requirements for importing certain products TBT (technical barriers to trade) reasons	

*Measures relaxed to facilitate trade

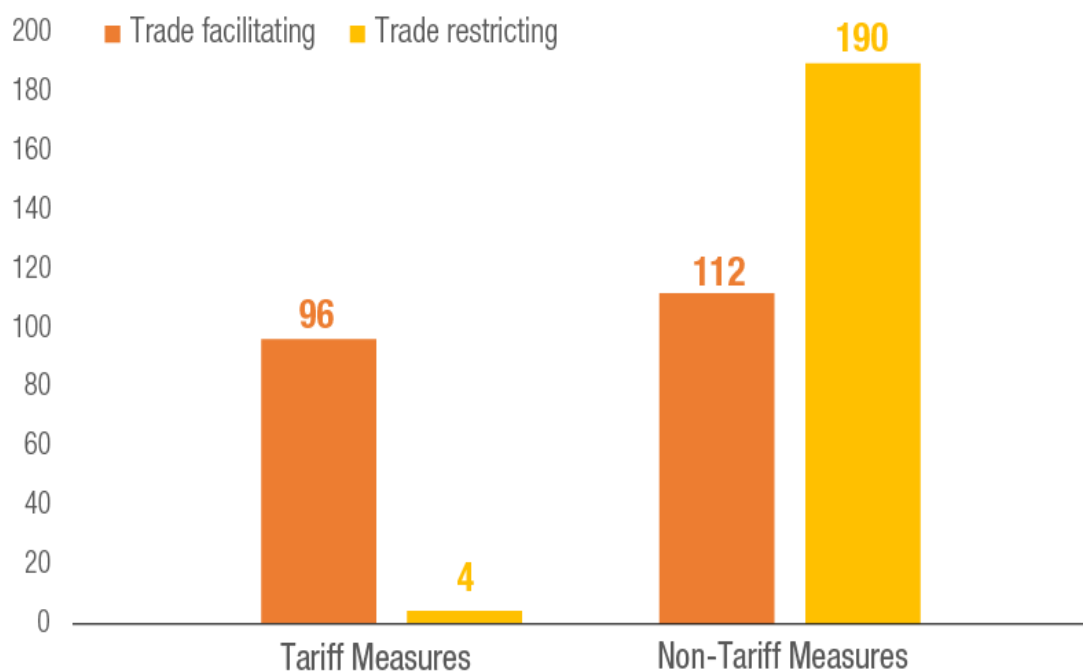
Source: <https://unctad.org/topic/trade-analysis/non-tariff-measures/covid-19-and-ntms>

The most applied trade facilitating and restricting non-tariff measures are shown in table 1. On the one hand, trade facilitating NTMs range across 8 chapters, namely A. Sanitary and phytosanitary measures; B. Technical barriers to trade; C. Pre-shipment inspection and other formalities; D. Contingent trade-protective measures; E. Non automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade; F. Price control measures, including additional taxes and charges; L. Subsidies and other forms of support; and P. Export-related measures. They intervened mostly on import. There were only three applied to export and did not have behind-the-border measures. On the other hand, trade restricting NTMs range across 6 chapters, omitting chapters D and L [15].

As it can be seen in table 1, the measures imposed to facilitate trade (L41, A83, B7, B14, B83, and E125) assisted in accelerating trade with main products, thus providing an adequate supply of the same. However, the application of non-tariff measures such as P31, P32, and P33 affected negatively both the trade and the accessibility of main products,

particularly in import-dependent countries [15]. These measures often imposed without any coordination with the trading partners have negatively impacted the global supply chains and have additionally prevented the continuous flow of main products under conditions of the global pandemic. The application of certain non-tariff measures, such as P22, had the aim to provide a guarantee that the exported product is safe and of good quality. However, due to the imposed additional inspections and analyses, their application has resulted in export delay.

All trade policy measures (tariffs and non-tariff measures) imposed by countries up to March 2021 are shown in graph 1:



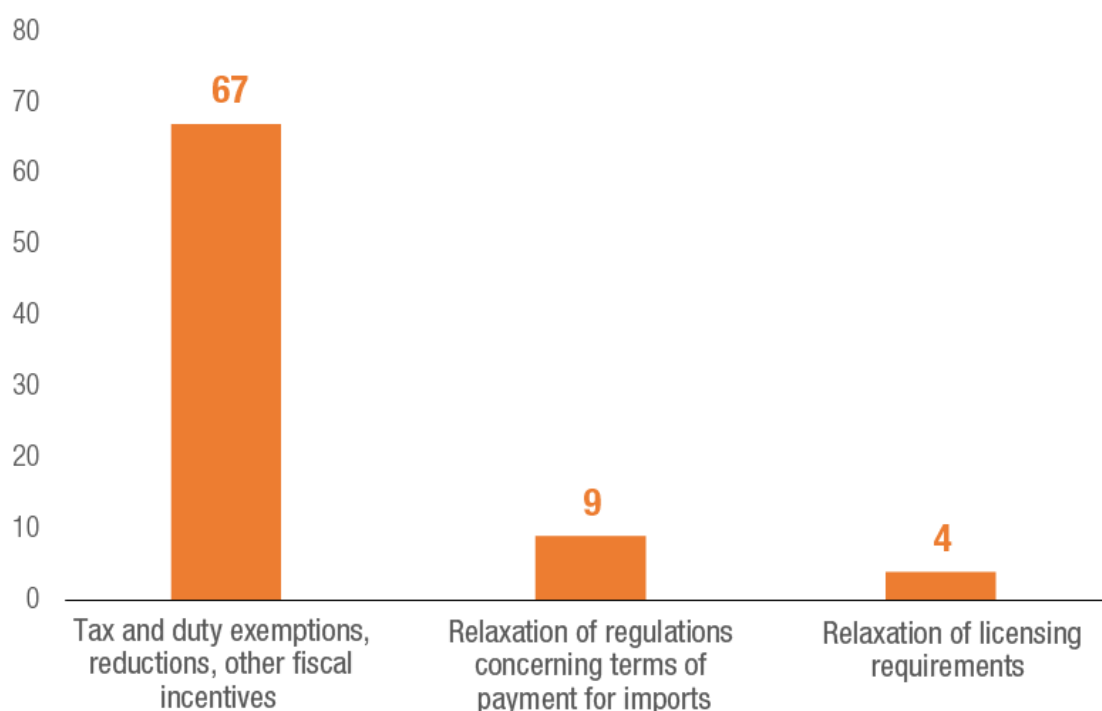
Graph 1: COVID-19 Trade Measures

Source: <https://unctad.org/topic/trade-analysis/non-tariff-measures/covid-19-and-ntms>

In accordance with the disposable data provided up to March 2021, there were 402 trade policy measures in total (tariffs and non-tariff measures) imposed by countries as a response to the crisis caused by the virus COVID 19 [15].

As it can be seen in graph 1, under conditions of the global pandemic countries resort more to the application of non-tariff measures (by imposing 302 non-tariff measures) rather than to the application of tariffs (100 measures). Unlike the tariffs which were either reduced or eliminated to a great extent in order to facilitate the trade of main and essential goods, the non-tariff measures have been mostly imposed on the export and as well as on restricting trade. To be more concrete, out of 100 measures regarding the tariffs, 96 are imposed on facilitating trade, whereas only 4 are imposed on restricting trade. However, considering the application of non-tariff measures, about one-third (112 out of 302) is imposed on trade facilitation, whereas nearly two-thirds (190 out of 302) are imposed on trade restrictions.

The concrete non-tariff measures whose application makes trade facilitation possible are shown in graph 2:

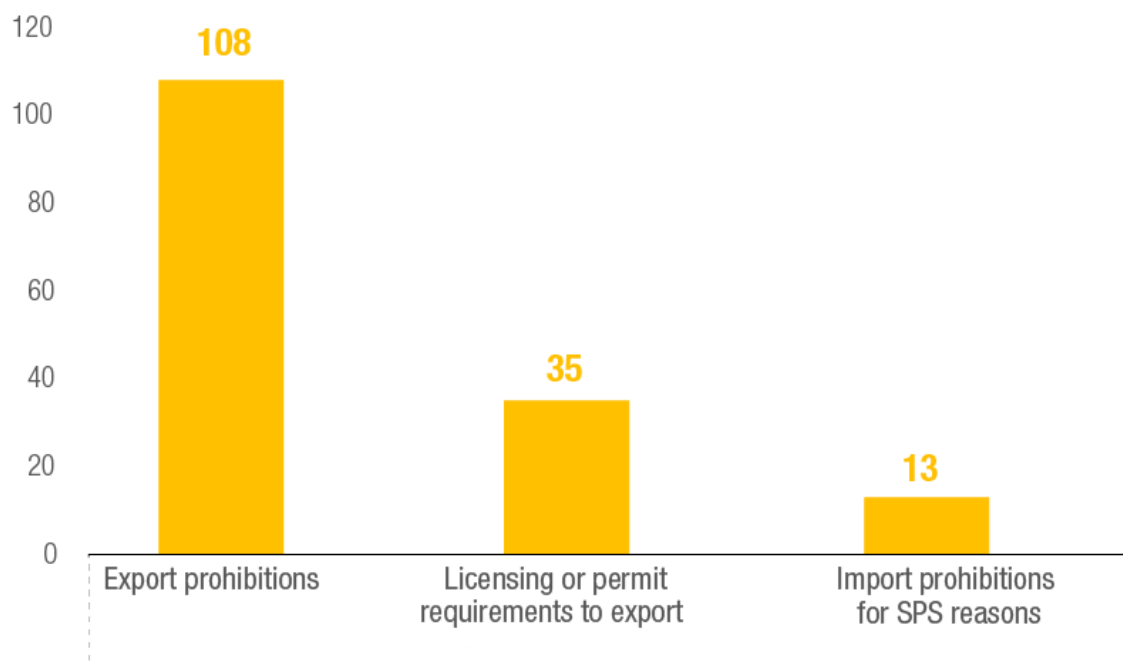


Graph 2: Frequently used Trade Facilitating NTMs

Source: <https://unctad.org/topic/trade-analysis/non-tariff-measures/covid-19-and-ntms>

Regarding trade facilitating measures, countries tried to mitigate companies' financial restrictions on imports and to relax requirements for importing goods. As it can be seen in this graph, countries largely apply the L41 non-tariff measure referring to tax exemptions and other fiscal incentives of import companies, and the G4 non-tariff measure referring to regulations concerning import payment terms in order to help importers. For instance, Singapore eliminated tariffs and other import taxes on medical, pharmaceutical, and agricultural products. Moreover, Saudi Arabia postponed both the payment of import customs duties for 30 days and the submission of bank guarantee for 3 months [11].

Different types of trade restricting non-tariff measures are shown in graph 3.



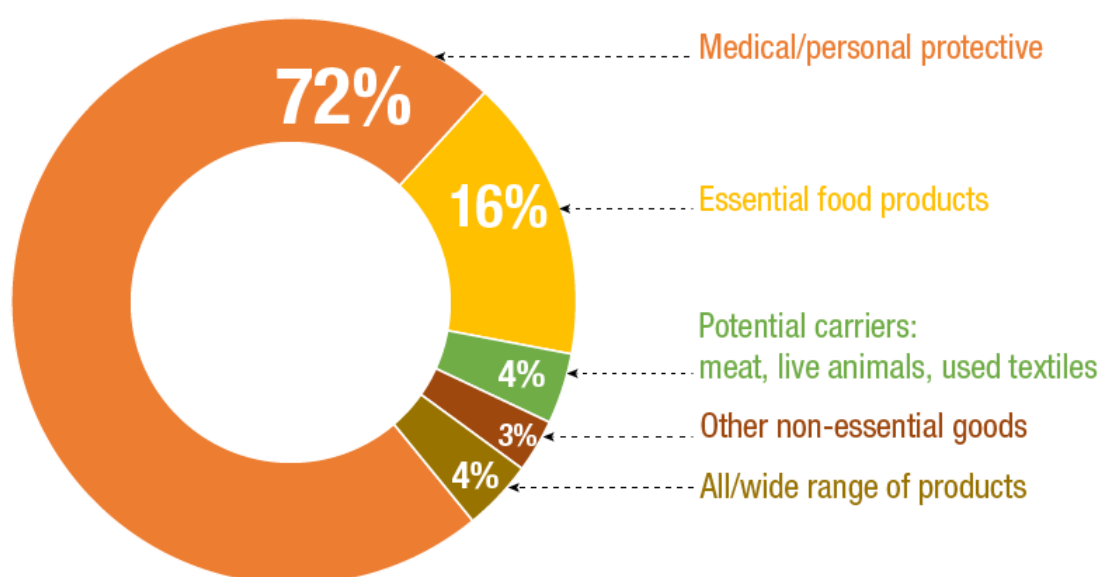
Graph 3: Frequently used Trade Facilitating NTMs

Source: <https://unctad.org/topic/trade-analysis/non-tariff-measures/covid-19-and-ntms>

Definitely, the most often applied import restrictions were the quantitative ones such as the non-tariff measure P31 Export prohibition illustrated by Brazil's temporary export prohibition of personal protective equipment, fans, hospital beds, and medical monitors. This measure was followed by two more non-tariff measures: P33 Export licensing requirements, and P32 Export quotas. The application of the two non-tariff measures P33 and P32 had two implications. Firstly, regarding their nature, these non-tariff measures can be classified within the framework of the non-tariff measure P31 since export licenses are approved by national authorities, whereas imposed quotas can be very low in terms of their commercial value. Secondly, some countries used the non-tariff measures P33 and P32 as mediating measures during the cancellation of the total export prohibition P31. For instance, India first banned thoroughly the export of personal protective equipment, and afterward, it replaced this measure of a monthly quota with an export license [11].

Although in a smaller scope, some countries have also imposed trade restricting measures affecting imports, and most of them were prohibitions imposed due to different reasons. One of them is the non-tariff measure A11 Prohibition for sanitary and phytosanitary reasons. Thus, for instance, the Russian Federation temporarily restricted the import of exotic animals and live fish from China due to their potential risk of spreading the virus COVID 19. Another type of prohibition is the non-tariff measure E313 Temporary prohibition because of economic reasons. For example, Columbia restricted the import of ethanol fuel since the demand was reduced during the pandemic, and the ethanol reserves increased. Moreover, a specific type of non-tariff measure is E323 Prohibition for the protection of the environment because of non-economic factors. For instance, the Republic of Korea prohibited the import of plastic waste in order to promote its household waste recycling which had increased during the pandemic [11].

The application of non-tariff measures in terms of product categories is shown in graph 4:



Graph 4: NTMs: Product Coverage

Source: <https://unctad.org/topic/trade-analysis/non-tariff-measures/covid-19-and-ntms>

In accordance with the presented data in graph 4, most of the non-tariff measures, i.e., 72% of them are imposed on exchanging medical goods or personal protective equipment, whereas 16% of the non-tariff measures are imposed on exchanging essential food products [15].

Generally speaking, the objectives because of which countries resort to the application of non-tariff measures under conditions of the global pandemic are shown in table 2:

Table 2. Key objectives of COVID-NTMs

Objectives	Mechanisms	Main target Products	NTMs used
Objective 1 - To ensure adequate and affordable domestic supplies of essentials and medical goods for combatting the virus	(i) Restricting exports of essential goods (ii) Easing imports of essential goods	Medical/ pharmaceutical/ personal protective goods and essential food items	Chapter A - Elimination of certification requirements for SPS (A83) Chapter B - Elimination of product quality, safety and performance requirements (B7); Elimination of certification requirements TBT (B83) reasons; Elimination of Conformity assessment related

			<p>to technical barriers to trade (B8); Elimination of traceability requirements (B85)</p> <p>Chapter C – Requirement to pass through specified port of customs (C3) and Other pre-shipment inspections and formalities (C9)</p> <p>Chapter D – Anti-dumping duties (D12)</p> <p>Chapter E - Exemption from obtaining non-automatic import license for public health reasons (E125), Temporary import quotas (E231)</p> <p>Chapter F - Import license fee (F65)</p> <p>Chapter L - Tax and duty exemptions, reductions, other fiscal incentives reducing burden of taxes otherwise due (L41)</p> <p>Chapter P - Export Prohibitions (P31); Export Quotas (P32), Export Licensing Requirements (P33), Measures on Re-export for food products (P7)</p>
<p>Objective 2 - To eliminate entry of potential disease carriers into the national borders</p>	<p>(i) Prohibiting exports for SPS reasons</p> <p>(ii) Prohibiting imports for SPS reasons</p>	<p>Wildlife/live animals, plantbased foods, second-hand goods</p>	<p>Chapter A - Prohibitions for SPS reasons; (A83) Certification requirements for SPS reasons (A11)</p> <p>Chapter C – Other preshipment inspections and formalities (C9)</p> <p>Chapter E – Import prohibition for the protection of public</p>

			health (E325) Chapter P – Export prohibition for sanitary and phytosanitary reasons (P17), Export measures not elsewhere specified (P9)
Objective 3 - To ensure product quality and safety	Increasing inspections and checks for imported and exported medical and personal protective products	Medical/ pharmaceutical/ personal protective goods and essential food items	Chapter B – Elimination of Authorization Requirements (B14) Chapter P - Conformity assessments of exports for SPS reasons (P16)
Objective 4 - Economic objectives: – Protect domestic industries – COVID financial relief for businesses/ otherwise – Manage domestic demand and supply – Relieve pressure on national currency	(i) Subsidies (ii) Prohibit imports of domestically produced goods (iii) Extending time frames for tax payments	Multiple products	Chapter E – Temporary import prohibition, including suspension of issuance of licenses (E313); Prohibition for the protection of environment (E323) Chapter F – Internal taxes and charges levied on imports not elsewhere specified (F79) Chapter G – Regulations concerning terms of payment for imports (G4) Chapter L – Transfer of funds by the government to an enterprise – Grants (L11), Support for consumers or producers not elsewhere specified (L9)

Source: Seul L, Divya P. COVID-19 Non-Tariff Measures: The Good and the Bad, through a Sustainable Development Lens, UNCTAD Research Paper No. 60 UNCTAD/SER.RP/2021/3 <https://unctad.org/webflyer/covid-19-non-tariff-measures-good-and-bad-through-sustainable-development-lens>

The reasons for imposing non-tariff measures by countries under conditions of the global pandemic (402 in total, up to March 2021) can be analyzed through the objectives presented in table 2 [17]. Nearly 60% of all non-tariff measures are imposed in order to accomplish the first objective, i.e., to ensure adequate and affordable domestic supplies of essentials and medical goods for combatting the virus.

3. Conclusion

The application of non-tariff measures has been rather expressive under conditions of the global pandemic caused by the virus COVID 19, and most of the measures were imposed in order to fulfill legitimate objectives. Many of the used non-tariff measures have had positive implications on trade. Nevertheless, as the analysis itself has shown, the application of a great number of non-tariff measures had or can have far-reaching negative consequences.

Unlike the tariffs which were either reduced or eliminated to a great extent in order to facilitate the trade of main and essential goods, the non-tariff measures have been mostly imposed on the export, and as well as on restricting trade. Additionally, the most often applied quantitative restrictions were the ones on exports. Although in a smaller scope, some countries have also imposed trade restricting measures affecting imports, and most of them were prohibitions imposed due to different reasons. Regarding trade facilitating measures, countries tried to ease companies' financial restrictions on imports and to relax requirements for importing goods. Considering product categories whose exchange has faced the application of non-tariff measures, the dominant ones were medical goods and essential food products. In accordance with UNCTAD analyses, up to March 2021, about 40% of the imposed non-tariff measures were eliminated. However, 60% of the measures are still in function including some new non-tariff measures imposed on vaccines [15].

Therefore, it has to be considered carefully whether the application of some non-tariff measures is legitimate, to design high-quality non-tariff measures which are really necessary, and to implement strategically the same ones with full transparency to minimize the potential negative effects on trade. The application of different types of non-tariff measures including their positive and negative effects on facilitating and restricting trade is kind of a lesson for the trade policy creators and the international trade community on the whole. This lesson's aim is to build up a better international trade system where the potential negative effects due to the application of trade policy instruments will be eliminated.

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