

**Jeremy Miles AS/MS**  
**Cwnsler Cyffredinol a'r Gweinidog Pontio Ewropeaidd**  
**Counsel General and Minister for European Transition**



**Llywodraeth Cymru**  
**Welsh Government**

The Rt Hon Michael Gove MP  
Chancellor of the Duchy of Lancaster  
Cabinet Office  
70 Whitehall  
London  
SW1A 2AS

24 June 2020

Dear Michael,

I am writing to you to set out some further detail on the Welsh Government's priorities for trade in services and investment as part of the UK/EU future relationship negotiations. As stated in my previous correspondence on our priorities for the EU negotiations, the Welsh Government would have set a different approach to the negotiations than the one advanced by the UK Government and we continue to believe that in the current circumstances, the transition period should have been extended. Despite this, we want to remain a constructive partner in seeking to ensure that the negotiations represent the interests of the whole of the UK.

Compared to other major economies, the UK has suffered the sharpest economic contractions on record. The impact of COVID-19 has been acutely felt by services industries with a far steeper decline experienced by services than goods arising from the complete shutdown of consumer facing businesses. The global nature of the economic downturn caused by COVID-19 emphasises the need for a collaborative national response. There has never been a more pressing time for us to work together for the strength of the UK economy and this is especially true in relation to the negotiations with the EU.

Below I set out some specific details on our priorities.

### Services

#### *Modes*

In *The Future UK/EU Relationship: Negotiating Priorities for Wales* published in January 2020, the Welsh Government emphasised the importance of the EU market for trade in goods and services and the importance of prioritising the EU market over other markets. With the services sector making up over three-quarters of the UK economy, it is crucial that no new barriers to trade in services are put in place.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

We welcome the UK Government's high level ambition across all four modes of trade in services as outlined *The Future Relationship with the EU*. However, I am concerned that it does not specifically mention a key and often hidden area of trade in services – services embedded within a good or product known as 'Mode 5' or 'servicification'. It is crucial to recognise the close link between the trade in services and goods and that any adverse impact to any of the modes for trade in services will have a knock on adverse impact on trade in goods.

This is an area where the UK Government's precedent-based approach fails to recognise the needs of the economy. I have frequently sought assurances from the UK Government that you recognise the importance of 'mode 5' services and the need for explicit recognition in the Comprehensive Free Trade Agreement. Can you confirm whether the UK Government has specifically advanced in the negotiations with the EU the need for these services to be recognised in the trade agreement? Can you also set out exactly how in the coming phase of negotiations you will seek to ensure that these services will be fully provided for in the new trade agreement? Our concerns on this link to broader concerns I set out in relation to mobility in my letter relating to that area, which also specifically references 'mode 5' services to highlight the importance of these to Wales.

It is also crucial to recognise that the different modes for trading services are inextricably linked – for example, without data crossing borders (mode 1) and natural persons crossing borders (mode 4) a business cannot realistically establish in a third country (mode 3). Therefore an adverse impact on one mode of trade in services will lead to adverse impacts on the other modes too. I am seeking your assurance that these modes are being considered together and not in silos.

#### *MRPQ*

Another vital area linked to trade in services is that of the recognition of professional qualifications. Without the ability for UK professionals to cross borders to pursue professions internationally, UK trade in services will be severely compromised. Therefore the Welsh Government welcomes the ambition stated by the UK Government to achieve an outcome on MRPQ that will go beyond EU-Canada and EU-Japan and to expand the scope of MRPQ to include newly emerging professions e.g. in the digital sector. Given a number of regulated professional qualifications are the responsibility of the Welsh Government I am seeking your assurances that you will work jointly with the devolved governments as the negotiations progress to ensure our interests are protected.

#### *Data*

With the impact of COVID-19, the importance of digital trade is set to rise. Alongside any trade negotiation it is vital that arrangements are in place to ensure no disruption to the two way flow of personal and business data between the UK, EU and rest of world destinations. Given this I am keen to understand the progress the UK Government has made on providing assurances to the EU to secure the data adequacy agreement that is essential across a number of areas of the future relationship including services.

#### *Investment*

We support a future position that maximises the ease of doing business across the UK and which thereby benefits all countries and regions of the UK, making it easy for UK services trade and investment opportunities to continue internationally. However, I am particularly concerned about the lack of engagement on investment – even in this reserved area there are many cross cutting impacts that will affect the Welsh economy and we therefore need to be closely involved in developing UK wide policy in this area.

Wales has an extremely successful track record of attracting international investment, borne out by the number of international companies with a significant presence here. This is a vital aspect of the Welsh economy and one that we would not want to see compromised due to restrictive terms of trade for investors, entrepreneurs or overseas operations seeking to establish a base in Wales.

The Welsh Government works with UK Government offices and posts through our international offices and wants to ensure that this productive joint working continues and is supported in the spirit of any trade deal.

I look forward to receiving a substantive response to these points, as well as to my previous letters, and for the opportunity for further conversations with you on these questions.

I am copying this letter to the Secretary of State for Wales, and the Paymaster General; to the Cabinet Secretary for the Constitution, Europe and External Affairs in the Scottish Government; and to the First Minister and deputy First Minister of Northern Ireland.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jeremy Miles', with a stylized, cursive script.

**Jeremy Miles AS/MS**

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