

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

29 June 2020

Dear Michael

I am writing to you to set out some further detail on the Welsh Government's priorities for Trade in Goods as part of the UK/EU future relationship negotiations.

We have been clear that 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 the transition period should be extended. Despite this, we want to remain a constructive partner in ensuring that the negotiations represent the interests of the whole of the UK.

Our ongoing fight against the coronavirus remains our top priority, but we recognise that there is a need to put in place strong recovery packages, in order to help revitalise the economy once the coronavirus becomes more contained. A suite of Free Trade Agreements (FTA) concluded with our closest and most active trading partners can rightly be the boost the UK economy needs, but only if there is enough time, will and resource to ensure that the content of those agreements are developed and agreed in the proper manner. Furthermore, the first FTA (be that with the EU or another party) that we sign in 50 years will undoubtedly be seen as a precedent by other potential third countries with whom we are looking to negotiate future trade deals. As a result a strong and comprehensive first FTA deal for the UK would put us in a much stronger position in successive trade negotiations to come.

The Welsh Government position on Trade in Goods continues to prioritise securing a comprehensive FTA with the EU27 that avoids any tariffs or quotas, and which removes (or at least minimise as much as possible) non-tariff barriers, especially for those goods and industries that are heavily reliant on, or heavily integrated into, EU markets. This includes the likes of Welsh agri-food, automotive, aviation, steel and pharmaceuticals.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400
YPCCGB@llyw.cymru / PSCGBM@gov.wales

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.

The UK Government position when entering the trade negotiations with the EU was the same in this regard and I am seeking your reassurance that it is indeed still the intention. Recent, worrying press reports, suggest that the UK Government is now contemplating accepting EU tariffs on goods. The UK Government has reiterated many times its ability to secure a deal with the EU on the basis of “zero tariffs and zero quotas”. Therefore, if the UK Government has now chosen to unilaterally move away from that, it is deeply concerning and will be deeply damaging to the economy.

You will be aware that the manufacturing sector is more important to the Welsh economy than the UK as a whole. An essential part of the success of the manufacturing sector in Wales has been the integration of our supply and processing chains with the EU and the current seamless and tariff free access to the EU. Many of these businesses will not be viable if EU companies chose to source their supply and processing chains elsewhere other than the UK. If the UK Government is in any way considering moving away from the zero tariffs, zero quotas ambition, what analysis have you undertaken to support the case? What are the impacts across sectors of the economy and what analysis have you undertaken on the impact on Wales?

Furthermore, alongside zero tariffs and zero quotas, we have indicated that removing and minimising as many non-tariff barriers on goods as far as possible in a future FTA with the EU should be a priority for the UK Government. This will require a softening of some of the UK Government’s positions on the Level Playing Field. The UK position of seeking additional sectoral annexes with the EU to support this on chemicals; medicinal products; motor vehicles and parts; and organic products, as well as protocols on mutual recognition of conformity results and mutual recognition of certificates of conformity for marine equipment, are welcomed but they must be full and comprehensive.

Below I set out some specific details on our priorities

Participation in EU regulatory bodies

The Welsh Government’s position remains one of close alignment, and ideally continued membership, when it comes to our participation with EU regulatory bodies such as European Union Aviation Safety Agency (EASA) and European Chemicals Agency (ECHA). As the UK and the EU start negotiations from a unique position of having complete convergence of rules, anything else other than alignment going forward will increase non-tariff barriers to trade in goods. We are disappointed that it now looks likely that the UK will be outside the EU’s regulatory bodies, leading to the inevitable creation of dual regulatory regimes and increased financial burdens on business. If this is indeed the UK Government’s final position then I would urge you to ensure that there will be as a minimum an agreement with the EU on mutual recognition, ensuring the removal of dual regulatory requirements.

We understand that the UK’s own regulatory bodies, such as Civil Aviation Authority (CAA) and Health and Safety Executive (HSE), will replace the regulatory functions that were previously undertaken by EU regulatory bodies such as EASA or ECHA. However, we share industry’s concerns that there is a lack of resource and skills available to fully replicate the functions post transition. We would appreciate details of work that has been undertaken to date by the UK Government to upskill and resource our regulatory bodies, and how these extra activities will be managed and coordinated going forward. We are also concerned that much of the preparatory work to upskill our UK regulatory bodies was conducted on the basis of a no-deal arrangement with the EU, and therefore will require additional work to re-align with arrangements proposed and agreed in a future UK-EU FTA.

Non-tariff barriers at the border

Currently the free movement of goods between the UK and the EU helps facilitate smooth manufacturing processes and trade of many goods and products, including the likes of 'just-in-time' motor vehicles and parts, and 'cold chain' (i.e. a temperature-controlled supply chain) medicinal products. In the absence of an effective FTA and streamlined customs procedures to support the frictionless movement of goods between borders, the competitiveness of Welsh manufacturers will suffer. We are already seeing evidence of this with Welsh businesses losing out on contracts to EU27 based competitors.

Free movement of goods is also important particularly in relation to agricultural products. We have been clear that as our standards currently align with the EU's we should seek a full equivalence agreement for all agricultural commodities. This will reduce friction at the border and reduce barriers for trade for our producers. However, we understand that this will not be the UK Government approach and we will therefore continue to work with Defra to ensure that priority is given to negotiate equivalence on the commodities most important to Wales.

Finally, I again raise the importance of the services that are supplied alongside manufactured goods. I will write to you separately on our priorities for services but for many goods manufacturers, barriers to provide services alongside those goods would be deeply damaging. I ask you to negotiate specific arrangements for these "mode 5" services.

Rules of Origin

We welcome the UK Government's proposed position in seeking cumulation arrangements with the EU, as that will minimise the complexity surrounding Rules of Origin for many businesses that have only ever traded with the EU. We are yet to see what Product-Specific Rules of Origin are being proposed and included in the FTA negotiations with the EU. We would appreciate sight of these as soon as possible to ensure that they take into account the industries and businesses in Wales that trade with EU27 businesses.

I look forward to receiving a substantive response on these points, as well as to my previous letters, and for the opportunity for further conversations with you upon the detail of 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 at the Scottish Government; and to the First Minister and deputy First Minister of Northern Ireland.

Yours sincerely,



Jeremy Miles AS/MS

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