

Ken Skates AC/AM
Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
Cabinet Secretary for Economy and Transport



Llywodraeth Cymru
Welsh Government

Russell George AM
Chair, Economy Infrastructure and Skills Committee

2 February 2018

Dear

A handwritten signature in black ink that reads "Russell,".

Trade Policy: the issues for Wales

I am writing to draw your attention to our new publication *Trade Policy: the issues for Wales*. This document builds on the issues raised in our White Paper *Securing Wales' Future*, and outlines the Welsh Government's proposals for working constructively with the UK Government and other Devolved Governments in future on a coherent approach to trade.

We recognise that international trade is not in itself a devolved competence. However it is important to understand the connections between trade policy and devolved matters such as agriculture and environmental standards. I am pleased that the UK Government has acknowledged these interconnections in its recent Trade White Paper.

We believe a new way of working is needed between the UK Government and the Devolved Governments to ensure the smooth functioning of the UK after we leave the EU. In relation to trade specifically, our paper outlines the need for a Memorandum of Understanding on how the devolved governments will be engaged in trade policy and the establishment of a new Ministerial forum for agreeing joint approaches on trade – this could be a UK Council of Ministers or as an interim measure a Joint Ministerial Committee on International Trade. It is worth noting that the EU has in the past recognised the need for regional governments to participate in trade negotiations, for example during the negotiations with Canada.

The Welsh economy is deeply embedded in the EU's Single Market – 61% of Welsh goods exports go to the EU compared with only 49% of the UK as a whole. For this reason we have been consistent that full and unfettered access to the EU's Single Market is vital to Wales' future economic interests and we remain to be convinced that leaving a Customs Union with the EU is in our best interests, at least for the foreseeable future. The risk analysis by Cardiff Business School, published alongside this report clearly highlights some of the potential negative economic impacts on sectors in Wales.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Canoifan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400
Gohebiaeth.Ken.Skates@llyw.cymru
Correspondence.Ken.Skates@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.

We remain deeply concerned about the current lack of clarity and certainty around the future trading arrangements. In order to maintain business and investor confidence it is critical that a comprehensive transitional deal is agreed immediately which enables businesses to continue to trade on current terms.

We welcome the progress made by the UK Government in moving to the second phase of negotiations with the EU and we are ready to engage constructively with the UK to achieve an outcome that works for the whole of the UK.

It is worth remembering that Wales has important connections to the Republic of Ireland through our major ports. 80% of goods transported (in Irish registered HGVs) between the Republic of Ireland (ROI) and the EU pass through Welsh ports each year. The Welsh Government is fully supportive of a soft border, but we cannot support any outcome which has the potential to stimulate traffic away from Welsh ports in favour of another part of the UK.

Wales is a small outward-facing, globally trading nation and we are committed to internationalism. The Welsh Government fully accepts that there are significant trading opportunities outside of Europe and we are committed to working with the UK Government and other Devolved Governments to maximise the economic opportunities for businesses abroad.

Yours ever,



Ken Skates AC/AM

Ysgrifennydd y Cabinet dros yr Economi a Thrafnidiaeth
Cabinet Secretary for Economy and Transport