

Agenda – Economy, Trade, and Rural Affairs Committee

Meeting Venue:

Committee room 4 – Tŷ Hywel
and video conference via Zoom

Meeting date: 25 February 2026

Meeting time: 09.30

For further information contact:

Robert Donovan

Committee Clerk

0300 200 6565

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Hybrid

Private pre-meeting

09.15 – 09.30

Public session

09.30 – 11.30

1 Introductions, apologies, substitutions, and declarations of interest

09.30

2 General Ministerial Scrutiny: Economy and Skills

09.30 – 10.30

(Pages 1 – 33)

Rebecca Evans MS, Cabinet Secretary for Economy, Energy and Planning,
Welsh Government

Liz Lalley, Director – Economic Policy and Strategy, Welsh Government

Attached Documents:

Research brief

Evidence paper – Welsh Government



Break

10.30 – 10.35

3 General Ministerial Scrutiny: Economy and Skills

10.35 – 11.30

Rebecca Evans MS, Cabinet Secretary for Economy, Energy and Planning,
Welsh Government

Jack Sargeant MS, Minister for Culture, Skills and Social Partnership, Welsh
Government

Liz Lalley, Director – Economic Policy and Strategy, Welsh Government

Jo Salway, Director – Social Partnership, Employability & Fair Work, Welsh
Government

4 Papers to note

11.30

4.1 The Chemicals (Health and Safety) (Amendment, Consequential and Transitional Provision) Regulations 2026

(Pages 34 – 37)

Attached Documents:

Letter from the Deputy First Minister and Cabinet Secretary for Climate
Change and Rural Affairs – 2 February 2026

4.2 Follow-up from the Committee meeting held on 26 November 2025: Scrutiny of the Welsh Government Draft Budget 2026–27

(Pages 38 – 41)

Attached Documents:

Welsh Government response – 11 February 2026

4.3 Learning and Work Institute report: A Work, Health and Skills Plan for Wales

(Pages 42 – 43)

Attached Documents:

Letter from the Director for Wales, Learning and Work Institute – 6 February 2026

4.4 Follow-up from the Committee meeting held on 21 January 2026: Inward Investment

(Pages 44 – 63)

Attached Documents:

Response from Councillor Dave Hughes, Leader of Flintshire County Council – 9 February 2026

Response from Councillor Rob Stewart, Leader of Swansea Council – 19 February 2026

Response from Ken Poole, Head of Economic Development, Cardiff Council – 19 February 2026

4.5 UK-EU Trade and Cooperation Agreement (TCA)

(Pages 64 – 73)

Attached Documents:

UK-EU Parliamentary Partnership Assembly: Sixth meeting summary report

4.6 Holyhead Port closure

(Pages 74 – 75)

Attached Documents:

Letter from the Cabinet Secretary for Transport and North Wales – 12 February 2026

4.7 Local Growth Fund

(Pages 76 – 78)

Attached Documents:

Written evidence from Industrial Communities Alliance – 9 February 2026

4.8 Report on the UK–India Comprehensive Economic and Trade Agreement: The Welsh Government Perspective

(Pages 79 – 133)

Attached Documents:

Letter from the Cabinet Secretary for Economy, Energy and Planning – 13 February 2026

4.9 Follow-up from the Committee meeting held on 29 January 2026

(Pages 134 – 137)

Attached Documents:

Letter from the Cabinet Secretary for Economy, Energy and Planning – 17 February 2026

4.10 Inward Investment

(Pages 138 – 141)

Attached Documents:

Letter from New York Welsh – 17 February 2026

4.11 Farming Connect Procurement

(Pages 142 – 144)

Attached Documents:

Letter from the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs – 18 February 2026

- 5 **Motion under Standing Order 17.42(ix) to resolve to exclude the public from the remainder of the meeting and under Standing Order 17.42(vi) for item 1 of the meeting on 5 March 2026.**

11.30

Private session

11.30 – 11.45

- 6 **General Ministerial Scrutiny: Consideration of evidence**

11.30 – 11.45

Agenda Item 2

Document is Restricted



Economy, Employability and Skills

Welsh Government Evidence Paper

The Economy, Trade and Rural Affairs Committee has invited the Cabinet Secretary for Economy, Energy and Planning and Minister for Culture, Skills and Social Partnership to attend a general scrutiny session on Economy and Skills on 25 February 2026.

This paper is intended to inform the discussion, providing an update on policy developments in these areas, and progress the Welsh Government has made.

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1. Introduction

1. The Welsh Government continues to prioritise delivery of the First Minister’s ambitions, with a strong focus on creating jobs, driving green growth and supporting a fairer, more prosperous Wales. This work is underpinned by close collaboration across all Welsh Government portfolios and by constructive partnership with the UK Government, ensuring that national priorities are aligned and mutually reinforcing. Together, this underpins delivery across the four national priority areas set out in our Economic Mission for this Senedd term, supporting a well-being economy that builds on Welsh strengths and opportunities, reduces inequalities, and spreads wealth more evenly across communities.

2. In 2025, the Welsh economy strengthened its position in high-tech and renewable energy industries, driven by multi-billion-pound commitments and major strategic projects. The confirmation of Wylfa as the site of the UK’s first small modular reactor (SMR) nuclear power station marks one of the biggest energy investments in decades, set to support thousands of highly skilled jobs across engineering, construction, advanced manufacturing and long-term plant operation. Alongside this, the announcement of new AI Growth Zones in both North and South Wales is expected to catalyse significant private investment and generate wide-ranging opportunities in data science, software development, cyber security and digital innovation. Together, these initiatives are projected to attract billions in investment and create a substantial pipeline of high-quality employment across Wales.

3. In terms of energy and infrastructure, Trydan Gwyrdd Cymru announced its first three wind farms (Clocaenog Dau, Glyn Cothi, and Carreg Wen) with a total potential of 400 MW, enough to power 350,000 homes. Major progress was also made in the Celtic Sea, with Project Mona receiving development consent and preferred bidders named for the first large-scale floating wind leasing rounds.

4. The Wales Investment Summit, held in December in Newport, attracted 350 global delegates from 29 countries to showcase Wales as a prime destination for high-value investment. In the twelve months prior to the Summit, and including company announcements made on the day, over £16bn of investment in Wales was committed for the coming years, which is anticipated to create more than 10,000 jobs. Investments include major commitments from Vodafone (£600m for 5G), GE Aerospace, Associated British Ports (£42m), RWE (£200m battery storage), Eni (carbon capture), Bad Wolf (TV productions), and Vantage Data Centers’ £10bn programme creating over 5,000 data centre jobs.

5. In relation to employability and skills, the Welsh Government has focused heavily on vocational excellence, green transitions, and youth employment support through a series of strategic milestones and national events. The Green Skills Review was published in November, providing 10 key recommendations to align the qualifications system with Net Zero targets. This, alongside initiatives such as the Young Person's Guarantee, Jobs Growth Wales+ and Careers Wales, will ensure we continue to deliver for our young people and provide them with the support they need to thrive in the industries of the future.

2. The Economy, Employability and Skills

The Economy

6. Throughout this Senedd term, this government has been focussed on delivering a better economy for all regions of Wales, and is taking forward the First Minister's priorities, particularly in relation to jobs and green growth.

7. The Economic Mission, published by the Welsh Government in 2023, set out a long term, mission led framework to guide Wales's economic development. It provides a clear strategic direction for government, partners and industry by focusing on long term priorities that support a stronger, fairer and more resilient Welsh economy.

8. These have helped to turn Wales's research strengths into commercial scale and higher value jobs, aimed at closing Wales's long-standing productivity and inclusion gaps, in order to create a more resilient, future ready economy. There have been many successes, including:

- Major delivery through the Welsh Government Energy Service and Optimised Retrofit Programme, over £270m invested, 49MW installed, 1.1Mt carbon savings, and 31,000 homes upgraded, positioning Wales to capture floating offshore wind and wider clean energy supply chain opportunities.
- The Young Person's Guarantee has supported 48,500+ young people, with 6,000+ moving into work and 725+ business starts, while Jobs Growth Wales+ continues to improve progression rates. These programmes are driving inclusive labour market recovery and supporting the skills needed for Net Zero and advanced manufacturing.
- Freeports, Investment Zones and the £547m Local Growth Fund provide Wales with long term regional economic tools comparable to other UK nations. City and Growth Deals across Wales are progressing, with Cardiff Capital Region alone forecasting up to 26,000 jobs by 2036.
- Our Freeports and Investment Zones are already delivering critical activity across the regions. All requested tax sites have been legislated for and are active. To help accelerate development of key sites in our Freeports we have also worked closely with the UK Government to award around £800,000 of additional UKG funding over and above the £25m seed capital each has available.

- Wales is leveraging UK wide innovation funding, growing semiconductor and AI clusters, and delivering strong business support. The Development Bank of Wales has surpassed £1bn investment, supporting around 5,000 firms and over 50,000 jobs, with £5.8bn GVA impact, demonstrating a significant uplift in Welsh innovation and enterprise performance.

9. The UK's Industrial Strategy is closely aligned with our Economic Mission, and we are working with the UK Government across a number of shared priority areas. This collaboration is already helping to secure major investments in the Welsh economy. Together, these joint efforts are strengthening Wales's competitive position in key sectors while supporting long-term, sustainable growth.

10. As well as the progression of Freeports, Investment Zones and City Deals, we saw the announcement of Wylfa as the site of the UK's first small modular reactor (SMR) nuclear power station, the establishment of two AI Growth Zones (AIGZs) for North and South Wales, and the confirmation of a major UK-wide defence deal that will bring further investment and high-skilled jobs to Wales.

11. The Welsh Government is finalising the plans and initiatives associated with both AIGZs. The former industrial site of the Ford engine plant in Bridgend, for example, is already subject to plans for regeneration and multi-billion-pound investment as part of the South Wales AIGZ. We will be able to present and announce more detail in the months ahead, as discussions between the Welsh and UK governments are finalised.

12. We have also continued to focus on the steel sector, vital to both the Welsh and UK economies. Wales-based steel companies (Tata Steel UK and 7 Steel UK) continue to invest significantly in technologies which support decarbonisation and the production of low-carbon steel.

13. The UK Government has added a further £22m of support to the Tata Steel UK (TSUK) Transition Board funding for those affected by TSUK's transition to Electric Arc steelmaking. This provides total funding of £122m (£102m from the UK Government and £20m from Tata Steel UK) which will help with training, business start-ups, and business growth.

14. Operating conditions for the Wales-based steel sector continue to be challenging, however. These include matters affecting trade, energy prices, carbon mitigation measures, and global overcapacity, which impact on the sector's ability to compete both domestically and internationally. However,

many of the levers to effect changes in these wider policy areas are outside of the Welsh Government's control.

15. Alongside these challenges, we are ensuring that economic prosperity reaches all regions of Wales. In North Wales, we are working with partners including local authorities and the UK Government to maximise every opportunity - this includes long-term strategic investments through the North Wales Growth Deal, Wrexham and Flintshire Investment Zones, and the Anglesey Freeport, right down to local investment through our Transforming Towns programme.

16. In Mid Wales, we have committed £55 million to the Mid Wales Growth Deal, matched by the UK Government, unlocking £400 million in investment and supporting up to 1,400 jobs over 15 years. Local authorities are leading delivery, working with project sponsors to bring forward business cases and drive regional growth.

17. In South West Wales, we are providing funding of £125.4 million for the Swansea Bay City Deal, to deliver a portfolio of interventions aimed at improving the economy of the region. The Celtic Freeport is a transformative initiative that will attract international investment, boost trade, and create thousands of jobs in green energy and advanced manufacturing. By leveraging the region's coastal assets and industrial heritage, the Freeport will drive long-term economic transformation and make the region a global player in renewable energy.

18. In South East Wales, the Cardiff and Newport Investment Zone, part of the joint UK–Welsh Government initiative focused on compound semiconductors is designed to drive innovation, attract investment and create high-quality jobs. The world's first compound semiconductor cluster is located in the region, showcasing a clear Welsh success story, and this is further strengthened by the Local Innovation Partnership, which brings together industry, academia and government to accelerate innovation and support commercialisation across the cluster.

19. We will also work closely with each region over the next three years to invest the £547m Local Growth Fund for Wales strategically to help address investment gaps, add value to regional economic plans, and support productivity growth in those areas at risk of falling behind. We are finalising our approach for this Fund following a public consultation at the end of 2025.

20. We have continued to provide support for businesses through a range of mechanisms, including Business Wales and the Development Bank of Wales, as

well as support for companies to innovate and export. The Welsh Government is committed to delivering a proactive entrepreneurship and SME business support service and is investing £22m in the Business Wales service from April 2025 until March 2026.

21. Total investment in Wales by the Development Bank has now passed £1 billion, creating or safeguarding over 50,000 jobs since it was formed in 2017. Over this time almost 5,000 businesses have benefited from the support of the Development Bank, including more than 780 start-ups.

22. In delivering the Export Action Plan for Wales, the Welsh Government has supported businesses across Wales to develop existing and new export markets for their products and services, to drive growth in Welsh exports. Since the publication of the plan, businesses in Wales have secured more than £435m of new export business as a direct result of Welsh Government export support.

Employability and Skills

23. We have also recognised that, for our economy to be the best it can be, we also need to focus on support for employability and skills. Skills excellence, for example, is a cornerstone of our approach. Through Skills Competitions Wales, we have supported more than 5,000 young people during this government term. Wales continues to excel on the national stage, with 606 competitors representing our nation at the UK National Finals and achieving 333 medals. These achievements are a testament to the talent, ambition, and determination of our young people - and to the dedicated staff and partners who support them.

24. Careers Wales provides comprehensive support to school-leavers, learners, and adults through careers guidance, employer engagement, training, and digital resources. It also delivers tailored support for learners with disabilities and learning difficulties, including specialist one-to-one guidance, regional ALN What Next careers fairs, offering the support needed to make confident, well-informed transitions into further education, training or employment. Since the careers guidance offer to all learners before leaving compulsory education began in September 2024, Careers Wales reached around 87% of the 2024/25 school-leaver cohort.

25. Working Wales is our national careers service for those aged 16+, offering personalised impartial careers guidance and employability support to overcome

barriers and progress into work, training or apprenticeships - including support to those in the prison estate and those seeking sanctuary. Since its launch in 2019, Working Wales has supported nearly 165,000 individuals and made nearly 270,000 referrals into programmes such as Jobs Growth Wales+, ReAct+, traineeships and apprenticeships across Wales. Through this, we continue to support transitions into sustainable employment and ensure that individuals can upskill or retrain as the labour market evolves.

26. We also recognise the role apprenticeships play in building a skilled workforce - these support people to gain practical skills, confidence and clear pathways into work across sectors including construction, infrastructure, business support and growing green industries. The Welsh Government set a target of creating 100,000 apprenticeship opportunities this Senedd term. Medr data confirms this milestone was reached in January 2026 and delivery will continue to increase before the term ends.

27. It is worth noting that the Welsh Government's plans for initiatives associated with the AIGZs have skills development and career pathway activities as part of a core deliverable. This is in addition to activities with investment partners that operate their own skills pathway provisions to support their supply chain needs.

28. Jobs Growth Wales Plus (JGW+) serves as the Welsh Government's principal employability and skills programme for individuals aged 16-19 who are NEET (Not in Education, Employment or Training). According to operational data, since 2022, JGW+ has supported 20,168 participants.

29. Communities for Work Plus (CfW+) continues to be an essential service for those most distant from the labour market, offering tailored one-to-one mentoring, access to training opportunities, and practical assistance such as support with childcare, travel expenses. Its adaptable approach and robust local partnerships enable the programme to engage individuals who are often underserved by traditional employment support, thereby facilitating the development of confidence, skills, and clear pathways into sustainable employment. Operational data indicates that since 2022, CfW+ has supported 44,733 people.

30. The significant effects of redundancy are also recognised, as it impacts long-term economic prospects and can place pressure on families, communities, and public services. Introduced in 2022, ReAct+ has offered support to those affected; operational data reflects that since 2022, ReAct+ has assisted 6,831 individuals.

31. We also launched our innovative pilot work on Economic Inactivity Trailblazers in Blaenau Gwent, Denbighshire, and Neath Port Talbot to test new localised approaches to engage people furthest from the labour market, for example people with health conditions, disabilities, and caring responsibilities. As part of this, we are developing innovative multi-agency models including health aligned employability support.

32. We hope this assists the Committee in its research, but would be happy to expand further on any of the aspects mentioned within this paper during the session on 25 February.

Additional Information

33. The latest published position on progress against Programme for Government commitments is available at <https://www.gov.wales/sites/default/files/publications/2025-07/welsh-government-annual-report-2025-annex.pdf>.

34. We would also be happy to provide individual updates on any commitments that are of particular interest to the Committee during the session on 25 February.



Llywodraeth Cymru
Welsh Government

Ein cyf/our ref: MA/HIDCC/3171/25

Andrew RT Davies, MS
Chair,
Economy, Trade, and Rural Affairs Committee
Senedd Cymru

SeneddEconomy@senedd.wales

2 February 2026

Dear Andrew,

The Chemicals (Health and Safety) (Amendment, Consequential and Transitional Provision) Regulations 2026

I wish to inform the Committee of the intention to agree to the Secretary of State making the Chemicals (Health and Safety) (Amendment, Consequential and Transitional Provision) Regulations 2026 (“the Regulations”). The Regulations apply to Wales (they also apply to England and Scotland).

The Regulations amend assimilated chemicals legislation, will be laid before the UK Parliament (the intended laying date is 24 February) and are subject to the affirmative procedure. They will be made in exercise of powers in sections 14 and 20 of the Retained EU Law (Revocation and Reform) Act 2023. Section 14(9) of that Act provides that no regulations may be made in exercise of the powers in section 14 after 23 June 2026. A summary of the amendments made by the Regulations is set out below for ease of reference.

A final point of context to assist the Committee is that the Health and Safety Executive (“HSE”) deliver many chemical functions on behalf of the Welsh Ministers, Scottish Ministers and Secretary of State.

The Great Britain Biocidal Products Regulation (GB BPR)

GB biocides legislation is based on EU Regulation (EU) No 528/2012 of the European Parliament and of the Council of 22 May 2012 concerning the making available on the market and use of biocidal products (‘EU BPR’) and is known commonly as the Great Britain Biocidal Products Regulation (‘GB BPR’). GB BPR regulates the placing on the market and use of biocidal products, which are a diverse range of products that control harmful organisms, such as insecticides, rodenticides and disinfectants. It also makes provision for the assessment of active substances that are used in biocidal products, which are the chemicals that have the controlling effect on the harmful organism. The Regulations:

Bae Caerdydd • Cardiff Bay
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CF99 1SN

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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.

- ensure that a group of up to 173 approved active substance/product type combinations remain on the GB market until 31 July 2031, subject to a renewal of approval application being received, where their approvals would otherwise have lapsed through no fault of the applicants because they had reached their expiry dates (which fall on different dates between 23 June 2026 and 30 July 2031 inclusive). This extension to expiry dates will enable wider reforms to the biocides regime to be developed and undertaken during this period by the HSE, with the aim of changing how approved active substances are managed to avoid the need for further similar extensions in future.
- update provisions which allow essential biocidal products to remain on the GB market where they are necessary to deal with a danger to public health, animal health or the environment which cannot be contained by other means. This will allow for the biocidal product to be kept on the GB market either for up to 550 days (as at present) or until the biocidal product is authorised, in a case where the continued need to use it is unlikely to be temporary.
- amend data protection rules in GB BPR to correct a drafting error originating from EU BPR, so that all approved active substances gain the relevant data protection periods as originally intended.

The societal benefits of maintaining these active substances on the market include: preventing the spread of disease (including through international air travel), preventing damage to businesses and homes and averting business disruption and loss of stock.

The Great Britain Classification, Labelling and Packaging Regulation (GB CLP)

GB CLP is based on Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures ('EU CLP') and is known commonly as the Great Britain Classification, Labelling and Packaging Regulation ('GB CLP'). GB CLP aims to ensure the effective identification and communication of chemical hazards and the safe and secure packaging of chemicals in order to protect human health and the environment. It also provides the legislative means through which the UK continues to adopt and give legal effect to the United Nations Globally Harmonized System of classification and labelling of chemicals, an internationally agreed voluntary system of hazard identification and communication.

EU CLP was designed with the needs of the EU and the combined resources of all EU member states in mind. As a result, GB CLP contains some procedures and requirements which HSE's experience of operating the regime has found to be time consuming and costly to comply with. The Regulations:

- simplify and consolidate the existing procedures used to reflect scientific and technical changes to the legally binding 'Mandatory Classification and Labelling List' ('the MCL List') produced by HSE and establishes a faster evaluation pathway to determine the hazards of chemical substances.
- remove the obligation on HSE to automatically consider EU classification and labelling proposals to enable greater flexibility to prioritise hazard classification evaluations that are most relevant to the GB market.
- amend the mechanism by which the Welsh and Scottish Ministers are informed of proposed changes to the GB MCL List to remove duplication.
- remove technical notes pertaining to entries on the MCL List from GB CLP to facilitate the relocation of those notes to HSE's website (where the MCL List itself is located). In conjunction with the amendments to the MCL procedures described above, these changes will enable more efficient delivery of MCL updates to quicker timescales using requirements and processes that are more appropriate for the GB market. This will reduce uncertainty for chemical suppliers who are legally required to apply those mandatory classifications and labelling elements.

- remove burdensome chemicals notification requirements placed on suppliers to reduce the cost of compliance and facilitate business growth. They also remove associated requirements for HSE to establish and manage a publicly accessible database of the notifications it receives. The requirements are considered unnecessary as the notifications are not used by HSE for the immediate enforcement or delivery of GB CLP. Instead, HSE will achieve the aims of providing oversight of chemicals placed on the GB market and encouraging industry cooperation to agree self-classifications through alternative means already set out in GB CLP. For example, under Article 49 of GB CLP, HSE is able to request from suppliers information they use to classify and label the chemicals they place on the GB market and part 1.1.0 of Annex I to GB CLP encourages suppliers to cooperate to meet requirements.

Greater oversight of the chemical substances supplied in GB is also provided under other regulations governing the supply of chemicals. This includes the assimilated Regulation (EC) No 1907/2006 on The Registration, Evaluation, Authorisation and Restriction of Chemicals (UK REACH) and sector-specific chemicals legislation such as the GB BPR. Therefore, the benefits of the existing notification requirements are outweighed by their impacts on business burden.

The Great Britain Prior Informed Consent Regulation (GB PIC)

GB PIC is based on Regulation (EU) No 649/2012 of the European Parliament and of the Council of 4 July 2012 concerning the export and import of hazardous chemicals ('EU PIC'), known commonly as the Great Britain Prior Informed Consent Regulation ('GB PIC'). GB PIC requires exporters of certain hazardous chemicals from GB that are specified in the GB PIC list to notify the importing country and for some chemicals the consent of the importing country is required before export can proceed.

It also implements the UK's obligations as a party to the international Rotterdam Convention on the prior informed consent procedure for certain hazardous chemicals and pesticides in international trade. GB PIC is administered by HSE as the Designated National Authority. The Regulations:

- remove excessive additional conditions that were applicable only to certain chemicals, so that the same conditions apply to all chemicals that require explicit/prior informed consent to import. Additionally, they update references to assimilated EU law so that the references are current.
- remove a redundant and burdensome requirement for exporters in certain cases to obtain a special reference identification number to be included in their export declaration.
- amend some other procedures to reduce administrative burdens on businesses and HSE. The changes are in line with the intentions of the Retained EU Law (Revocation and Reform) Act 2023 to ensure regulators and regulation support growth.

The changes the Regulations make are to provisions of GB PIC that do not directly implement the Convention requirements.

Although the Welsh Government's general principle is that the law relating to devolved matters should be made and amended in Wales, on this occasion, it is considered appropriate for the UK Government to legislate on a GB-wide basis.

Chemicals engage a mix of reserved and devolved matters. Broadly speaking, in Wales, consumer protection, product labelling and import and export control are reserved matters while environmental protection and public health are devolved matters. Chemicals are an area where legislation, policy and delivery have been approached on a GB and UK wide basis. This approach promotes regulatory certainty for businesses operating across multiple jurisdictions, reduces administrative burdens and ensures effective risk management and

high public protection standards. Our shared legislation aligns with international obligations, supports smooth supply chains, and prevents regulatory gaps. This harmonisation facilitates cooperation between regulatory bodies and ensures that Wales remains aligned with best practice in chemical safety and public health protection, ultimately safeguarding the wellbeing of workers and the public, while supporting the competitiveness of Welsh businesses. HSE undertake multiple chemical functions on behalf of Welsh Ministers, Scottish Ministers and Secretary of State through Agency Agreements.

The legislation being amended by the Regulations was not made bilingually (in English and Welsh).

I have written similarly to the Chair of the Chair of the Legislation, Justice and Constitution Committee.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Huw Irranca Davies', written in a cursive style.

Huw Irranca Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion
Gwledig Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

Agenda Item 4.2

Mark Drakeford AM
Ysgrifennydd y Cabinet dros Gyllid a'r Gymraeg
Cabinet Secretary for Finance and Welsh Language

Rebecca Evans AS/MS
Cabinet Secretary for Economy, Energy and Planning
Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Andrew RT Davies MS
Chair
Economy, Trade and Rural Affairs Committee

11 February 2026

Dear Chair,

Freeport Tax Revenues

At the Economy, Trade & Rural Affairs Committee meeting on 26 November 2025, Welsh Ministers committed to providing the Committee with information on the projected tax relief revenues for Welsh Freeports, their potential budget impacts, and the expected economic activity and associated benefits. The relevant analysis is now complete and presented below.

Background

The Welsh Government is responsible for devolved tax policy. For Freeports this encompasses Non-Domestic Rates (NDR) and Land Transaction Tax (LTT).

Tax revenues for reserved taxes (including Zero-rate Secondary National Insurance Contributions, Enhanced Structures & Buildings Allowance, and Enhanced Capital Allowance) are a matter for the UK Government.

The expected impacts of these subsidies are set out in a Subsidy Control Scheme for Welsh Freeports prepared jointly with the UK Government.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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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.

NDR

Claims for NDR relief will only materialise if there are new economic activities and associated growth within the tax sites. These sites are selected as underdeveloped areas within which significant growth would not take place without intervention.

If no new activity takes place, no reliefs will be granted, and the result is fiscally neutral. If there is new economic activity the costs of reliefs should be offset by the long-term impacts, including a broadening of the tax base from new and growing businesses, and new jobs from inward investment and business growth.

The amount of NDR relief which will be claimed is uncertain and dependent on the level of additional economic activity and subsequent claims made. Based on the business cases submitted by the Freeports, it is estimated the total amount of NDR relief that businesses will qualify for during the life of the Freeport Programme (i.e. to 2034) will not exceed £100m. This will be closely monitored.

The cost of Freeport NDR reliefs will be met from Welsh Government budgets.

LTT

LTT costs will be foregone tax revenue. As the relief provided for Welsh freeports will broadly be the same as stamp duty land tax (SDLT) relief available to the English freeports the calculation of the block grant adjustment should take into account the relief available in England. It is possible the cost of foregone LTT revenues may partly be offset through the block grant adjustment.

Freeports aim to stimulate economic activity which would not otherwise have happened. It is therefore possible transactions would not have occurred without the LTT relief being available or without the areas having freeport status. As such the costings related to transactions that would not occur without the freeport being designated could be seen as revenue neutral (assumes no displacement).

The amount of LTT special tax sites relief which will be claimed is uncertain. This is because the land transactions that will occur are unknown and the nature of the transactions (grant of a lease for rent only, grant for premium and rents, assignment of lease or freehold transactions) will all have differing tax consequences because of different calculation methods and rates applied to the consideration given. Based on the business cases prepared by the Freeports, it is estimated the amount of LTT special tax sites relief that businesses will claim during the first 5 years of the Freeport Programme period¹ will be £10.1 million. It is anticipated that a smaller amount of relief will be provided in the second 5-year period, if the next Welsh Government chooses to extend that time period.

Annual and mid-point reviews

Each Freeport has agreed to regular reporting and an annual review process. This will allow us to track the progress of each Freeport and the uptake of both devolved and reserved reliefs.

¹ <https://senedd.wales/media/q52dexi0/sub-ld16757-em-e.pdf>

The provision of NDR and LTT reliefs will also be subject to a policy review in 2028 to provide assurance that sufficient progress is being made by each freeport. If the Welsh Ministers decide to extend the LTT relief for freeports for an additional 5 years, to 2034, then further regulations, with accompanying Explanatory Memorandum/Regulatory Impact Assessment, will need to be laid and approved by the Senedd.

NDR Retention

Local authorities in Welsh Freeport tax sites are permitted to retain up to 100% of NDR growth above an agreed baseline, guaranteed over a 25-year period enabling them to borrow for infrastructure, regeneration, skills, innovation, and Net Zero initiatives.

The baseline is set as the NDR income in the tax site(s) on the day before designation. Any subsequent increase - due to new builds, extensions, or improvements - is considered growth. Growth is calculated net of any displacement factors prescribed by Welsh Government.

Figures for NDR retention are uncertain and dependent on the type and scale of growth taking place, net of any displacement.

Celtic Freeport's projected long-term NDR retention, driven by assumptions of and dependencies on major energy and industrial developments, is estimated at around £1 billion.

Anglesey Freeport expects between £100m and £275m of NDR retained over 25 years, depending on development pace and rateable values.

Headline Benefits

Welsh Freeport targets will be met through a broad range of Welsh Government interventions, including tax incentives, retention of NDR growth revenues, seed capital funding, ad hoc revenue funding support, trade facilitation, and assistance via business support, skills, and other programmes. The UK Government is applying similar levers to reinforce Freeport development. These public sector measures will complement significant private sector investment.

Given the complexity of this combined support landscape, it is not practical to attribute specific Freeport outcomes - such as job creation - to individual interventions like a particular tax relief.

The sections below outline high-level Welsh Freeport targets. It should be noted these figures are dependent on a range of activities taking place. These programmes involve less direct intervention in specific projects so there is a less direct causality. However, public subsidies via tax reliefs are only provided where new economic activity is taking place supporting value for money considerations.

Job Creation (business case)

- Anglesey Freeport: up to 4,900 jobs by 2030, including 1,400 direct jobs at the Central Anglesey site and 1,800 direct jobs at the Anglesey Prosperity Zone.

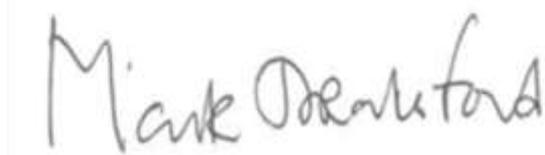
- Celtic Freeport: 11,500 new jobs projected across South Wales in floating offshore wind (FLOW), hydrogen projects, advanced manufacturing, and other areas.

Investment Attraction

- Anglesey Freeport is aiming to deliver additional GVA of around £1 billion over its development period, primarily focused on technology developments, advanced manufacturing, clean energy projects (including hydrogen and renewables), and logistics infrastructure.
- Celtic Freeport is aiming to attract over £8bn investment in FLOW infrastructure, hydrogen projects, and advanced manufacturing.

I hope the Committee will find this information helpful.

Yours sincerely,



Mark Drakeford AS/MS

Ysgrifennydd y Cabinet dros Gyllid a'r
Gymraeg
Cabinet Secretary for Finance and Welsh
Language



Rebecca Evans AS/MS

Cabinet Secretary for Economy, Energy
and Planning
Ysgrifennydd y Cabinet dros yr Economi,
Ynni a Chynllunio

Agenda Item 4.3

Dear Mr Davies,

A Work, Health and Skills Plan for Wales – Boosting employment opportunities for 60,000 people and tackling economic inactivity.

On behalf of [Learning and Work Institute](#) (L&W), I am writing to share our recent report [A Work, Health and Skills Plan for Wales](#), which I hope will be of immediate interest to you and the work of the Economy, Trade, and Rural Affairs Committee. I appreciate this Senedd term will shortly come to an end, but I hope the Committee support service and Members' Research Service may also find it helpful for work in the next Senedd.

With the imminent devolution of employment support, the report sets out how the Welsh Government can immediately utilise its devolved powers to increase employment in Wales, deliver a potential £1.4 billion economic boost for Wales, and save taxpayers up to £500 million per year.

Background to the research

L&W is an independent policy, research and development organisation dedicated to lifelong learning, full employment and inclusion. Our vision is for a fair and prosperous society where learning and work enable everyone to realise their potential.

Through our work in Wales, we conduct high-level research to provide a robust evidence base for policy development. For example, our analysis of youth participation underscores a concerning national trend. Of the nearly one million young people aged 16 to 24 across the UK who are not in education, employment, or training (NEET), our findings reveal that in Wales, approximately seven in ten (69%) are economically inactive - meaning they are currently neither seeking nor available for work.

This report arrives at a pivotal moment. With the commitment from the UK Government to devolve non-Jobcentre Plus support, the Welsh Government will have greater control over impactful employment policies that can reduce economic inactivity and support economic growth. The report sets out timely analysis to create a richer understanding of the groups most impacted by labour market inequalities and suggests clear, implementable policy recommendations for a more inclusive Welsh labour market.

The labour market realities our analysis reveals

Our analysis provides definitive evidence that the persistent employment gap between Wales and the rest of the UK is a major economic constraint.

Learning and Work Institute

Patron: HRH The Princess Royal | Chief Executive: Stephen Evans
Director for Wales: Michelle Matheron
A company limited by guarantee, registered in England and Wales
Registration No. 2603322 Registered Charity No. 1002775

Sefydliad Dysgu a Gwaith

Noddwr: Ei Huchelder Y Dywysoges Frenhinol | Prif weithredwr: Stephen Evans
Cyfarwyddwr Cymru: Michelle Matheron
Cwmni cyfyngedig trwy warrant a gofrestrwyd yn Lloegr a Chymru
Rhif cofrestru 2063322 Rhif cofrestru elusen 1002775



Wales experiences higher rates of economic inactivity (15.8%) compared to England (14.2%). The primary driver of this disparity is disability and poor health, accounting for 6.9% of the working-age population's inactivity.

Employment opportunities and outcomes also differ greatly based on where someone lives. Mid-Wales, for example, sees the biggest employment gaps for disabled people and one in eight working age people in Blaenau Gwent are receiving Universal Credit health, this is double the proportion in Gwynedd.

These challenges are often exacerbated by a lack of skills: among people who are economically inactive due to poor health, 42% have no qualifications, a rate three times higher than the wider population.

Collectively, these barriers to employment compound inequalities affecting disabled people, those with long-term health conditions, women, and ethnic minority groups.

Report proposals

The report proposes a bold, long-term 10-year strategy to close this employment gap between Wales and the UK by raising the current 73% employment rate to a minimum of 75% of working-age adults. Achieving this increase (an extra 60,000 people in work) is projected to deliver a potential £1.4 billion economic boost for Wales and save taxpayers up to £500 million per year.

As part of our recommendations, the plan calls for specific actions for the Welsh Government to:

1. **Establish a 10-year Work, Health and Skills plan**, led jointly by the Welsh Government's Health, Economy and Education departments.
2. **Develop a new, single Employment Support Network for Wales** to join up health, skills, and employment support effectively.
3. **Invest £180 million in additional annual funding** to resource this critical intervention and support the transition of those 60,000 people into work.

Further recommendations can be found [in our report](#).

With the imminent devolution of employment support, we are keen to work with the Welsh Government to utilise its devolved powers to implement this comprehensive plan to shape the future policy landscape in Wales.

An invitation to meet

I would also welcome the opportunity to meet with you to discuss our research and the wider work of Learning and Work Institute in Wales.

My colleague Nisha Patel (nisha.patel@learningandwork.org.uk) would be happy to work with your office to find a suitable date.

Yours sincerely,



Michelle Matheron
Director for Wales, Learning and Work Institute

Agenda Item 4.4

Councillor Cyngorodd Dave Hughes
Leader of the Council
Arweinydd y Cyngor



Andrew RT Davies MS
Welsh Parliament
Cardiff Bay
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Via Email
SeneddEconomy@senedd.wales

Your Ref/Eich Cyf
Our Ref/Ein Cyf DH/NW/AB
Date/Dyddiad 9th February 2026
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Dear Mr Davies

Re Follow-up from the meeting held on 21 January 2026 - Inward Investment

The Welsh Government approach to inward investment is delivered centrally with support from the regional teams. Limited information reaches the Council regarding the activities of the central inward investment function even when the business interest is located within the county. This makes it very difficult to comment, therefore, on the strengths or weaknesses of the approach being taken.

Locally, the Council works very closely with regional Welsh Government officers on those inward investment opportunities that they are able to discuss or where the business has approached the Council directly. The Council, with the regional Welsh Government team and Further and Higher Education colleagues provides a broad service to potential investors to assist them with identifying sites and premises, connecting them with recruitment, training and finance support and helping them to engage with the wider business ecosystem and key Council departments.

The limited local engagement from the central Welsh Government team weakens the service that businesses receive and can cause practical problems where, for example, business proposals are brought to the Council at an advanced stage of development and face local regulatory challenges which could have been resolved more smoothly had the proposal been discussed with the Council on a confidential basis earlier in the process. Further, the Council has a wealth of knowledge about the area and its opportunities which could be of value to the potential investor but

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Ewlo, Sir Y Fflint. CH5 3FF
www.siryfflint.gov.uk

We welcome correspondence in Welsh. We will respond to correspondence received in Welsh without delay.

Rydym yn croesawu gohebiaeth Gymraeg. Ymatebwn yn ddi-oed i ohebiaeth a dderbynnir drwy gyfwrng y Gymraeg.

which they may not get the opportunity to understand through a wholly centralised approach.

Businesses are understandably confused by the different layers of Government and the roles that each play. The layers of Government should be working together to ensure that businesses receive a “no wrong door” service but this only operates to a limited extent currently due to the limited communication between the tiers. Welsh Government does operate a client management function to support the larger businesses located in the County and to provide day to day liaison. Little information reaches the Council regarding this bipartite process to enable us to judge its effectiveness.

In a Flintshire context, there is considerable business interest in investment but also significant barriers that preclude businesses from doing so. These barriers include:

- Energy infrastructure to enable site development and/or expansion limits opportunities for investment.
- Very short supply of good quality employment land or commercial premises.
- Skills shortages in many sectors and an aging workforce with significant recruitment challenges.

The availability of employment land and sites and premises is of particular concern especially given the designation of Deeside as a national growth zone by Welsh Government. This growth goal is highly achievable but needs a step change in the approach to investment with the new Investment Zone representing the first opportunity to test this and already seeing significant investment likely in the near future. The Welsh Government owned employment land at Warren Hall, which has been undeveloped for several decades, needs to be readied for development with some urgency to capitalise upon the potential growth opportunities in Flintshire.

Kind regards

Cllr Dave Hughes



Dave Hughes
Leader of The Council

Swansea Council's response to the additional questions from the Inward Investment Inquiry by the Economy, Trade, and Rural Affairs Committee.

How much of a barrier is infrastructure to Wales attracting more inward investment?

What are the key challenges Wales faces, and how should these be addressed?

Infrastructure provides the essential, long-term platform needed to attract inward investment. It enables economic activity, raises productivity, and creates the stable conditions that foreign investors look for. Futureproof and dependable infrastructure is critical for maintaining competitive economic growth, reducing regional disparities, and supporting high-value, sustainable investment.

Transport infrastructure is considered one of the primary barriers to Wales's international competitiveness. Although significant capital has already been committed to rail and public transport, persistent bottlenecks in the transport network (particularly East to West) act as a deterrent to inward investment. Poor connectivity increases operational costs, complicates supply chains, and weakens the case for locating in Wales, especially for high-value manufacturing and tech firms that rely on efficient national/international transport links.

Locally, the rollout of the Swansea Bay and West Wales Metro, along with extending mainline electrification to Swansea, would significantly ease existing transport challenges.

Digital connectivity remains a challenge for Wales. Despite progress with full-fibre and 5G, gaps (particularly in rural areas) continue to limit business competitiveness and reduce Wales's appeal to data-driven industries. Reliable, high-speed digital networks are now essential for attracting investment and supporting the growth of technology-focused sectors.

Grid capacity is also a growing barrier to economic development. Limited electrical capacity can cause delays to projects and deters energy-intensive investors. Upgrading and expanding the grid, along with faster connection times, is crucial for supporting renewable energy, enabling industrial decarbonisation, and ensuring Wales can compete for large-scale, low-carbon investment.

Commercial property infrastructure is a critical barrier to inward investment in Wales in 2026, primarily due to a severe shortage of modern "Grade A" office and industrial space. While demand for prime locations remains high, a lack of available stock is actively suppressing large-scale investment. Further expansion of the Commercial Property Fund is essential for bridging the "viability gap" that prevents private developers from creating modern commercial spaces in Wales.

To what extent do businesses in your area currently benefit from inward investment supply chains, and how can they be better supported to do so by the Welsh and UK governments?

Inward investment into Swansea has been driven largely by the Swansea Bay City Deal and the £1 billion+ regeneration programme, which has generated clear and growing opportunities for local businesses. Schemes like our social value Beyond Bricks and Mortar initiative help maximise local supply chain opportunities within key developments.

To strengthen supply chains linked to inward investment, both governments can focus on strengthening infrastructure, having a coordinated approach, offer fiscal incentives, provide sector-specific support, improve skills and supply-chain resilience.

With only four months until the next Senedd election, what would be your top three inward investment priorities for the next Welsh Government to take forward from May 2026, and why?

Targeting New & Emerging Sectors for Inward Investment

Wales' industrial landscape has changed significantly, and attracting inward investment now requires a strong focus on future-facing, high-value sectors. Across the South West Wales region, several key industries offer strong growth potential and a compelling proposition for investors.

- **Green Growth & Renewable Energy**
Wales has natural strengths in marine, offshore wind, hydro and tidal energy. Growing global demand for clean energy technologies positions Wales as a competitive destination for inward investors working on decarbonisation, storage, hydrogen, and smart grid systems.
- **High-Tech & Advanced Manufacturing**
Wales is already recognised for excellence in advanced manufacturing, supported by strong research institutions, high-value supply chains, and national investment strategies.
- **Life Sciences**
Swansea is emerging as a regional anchor for life sciences, supported by major public and private investment and strong university and health board collaboration.

Ensuring Investment-Ready Space in Wales

Expansion of the Commercial Property Fund will help ensure a consistent supply of ready-to-develop and ready-to-occupy commercial space, which is critical for attracting inward investors into Wales. Investors increasingly expect immediately developable plots and modern, high-quality premises when considering new locations. By accelerating site preparation, de-risking early-stage development, and supporting Welsh developers to bring forward new commercial stock, strengthening Wales' competitiveness and making it far easier to convert investment enquiries into landed projects.

Improving Skills

Strengthening the skills base is one of the most important levers Wales can pull to boost inward investment. Investors consistently look for locations with a skilled,

adaptable and future-ready workforce, especially in high-value sectors such as digital, advanced manufacturing, clean energy, and life sciences.

Response to Further Questions from the Economy, Trade and Rural Affairs Committee, Senedd Cymru / Welsh Parliament



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Introduction:

Following the provision of evidence to the ETRA Committee by Ken Poole, MBE, Head of Economic Development, Cardiff Council. The Chair of the Committee has asked the Council for further evidence based upon the following questions:

How much of a barrier is infrastructure to Wales attracting more inward investment? What are the key challenges Wales faces, and how should these be addressed?

Infrastructure remains a material and, in certain sectors, decisive barrier to Wales attracting higher levels of inward investment. While Wales offers strong fundamentals - competitive operating costs, skilled labour, university strength, and quality of life - investors consistently assess three enabling conditions before committing capital:

1. Availability of high-quality commercial property
2. Access to serviced, development-ready land
3. Strategic transport and energy infrastructure capacity

In each of these areas, constraints, particularly in Cardiff and South East Wales, are inhibiting Wales' ability to compete effectively for foreign direct investment (FDI).

1. Availability of High-Quality Commercial Property

Grade A Office Supply – Cardiff

Cardiff remains the principal gateway for inward investment into Wales. However, the city currently faces a constrained supply of Grade A office accommodation. For many international occupiers (particularly in financial services, tech, professional services and life sciences) modern, ESG-compliant, centrally located office space is a prerequisite.

The speculative development market has stalled due to:

- Elevated construction costs
- Higher financing costs
- Increased build quality and sustainability requirements
- Investor risk aversion in the post-pandemic office market

Without speculative development, supply becomes reactive rather than proactive. FDI decisions are often made within tight timeframes; if suitable accommodation is not immediately available, investors will redirect to competing UK cities. If Cardiff — as Wales’ primary commercial centre — cannot stimulate private sector speculative office delivery, this will constrain Wales’ overall FDI performance. The absence of available Grade A space signals limited market depth and reduces investor confidence.

“The ongoing shortage of both new build and refurbished space is unlikely to change in the near future. The development pipeline remains constrained with only one scheme underway. No 1 John Street, Cardiff is fully let and due to complete within the next 12 months. Beyond this, the schemes in the pipeline require a substantial prelet before starting on site”. **JLL Commercial Property Agents**

As it stands, if a high value service sector office based business sought to come to Wales with any sizable quantum of jobs, we simply would not have the accommodation for them. Furthermore, we are also at risk of existing, mobile, businesses leaving the country for other UK Core Cities.

Manufacturing and Industrial Premises

The challenge is equally acute in manufacturing and advanced production.

Cardiff and its City Region (and across Wales) lack sufficient:

- Large-scale, modern industrial units
- Immediately available advanced manufacturing space
- Fully serviced development-ready employment sites in strategic investor locations

International manufacturers require:

- Buildings capable of accommodating advanced production processes
- High power capacity

- Immediate operational readiness

Currently, many sites require long lead-in periods for planning, servicing, and infrastructure upgrades. This undermines Cardiff and Wales' competitiveness compared to regions that can offer turnkey solutions.

Cardiff has been unable to respond effectively to two recent FDI technology projects because of the lack of suitable property. For a biomedical investor, the city and the city region was unable to identify available property with a clean room to meet the locational needs of a US investor. In addition, on a recent enquiry from a tech manufacturer looking for 30,000 square feet of modern industrial space in Cardiff, no options were available and across the city region the limited options available there were all limited to aged industrial buildings.

“With no further speculative development of units over 50,000 sq. ft currently underway and very limited smaller scale developments, the supply of new-build space in Wales has reached critically low levels. Cardiff is no exception with close to a 200,000 sq. ft decrease in supply over the last 12 months “. **Alder King Industrial Property Agents**

2. Lack of Readily Available and Serviced Sites

An investor concern is the limited pipeline of:

- Strategically located
- Fully serviced
- Power-enabled
- Development-ready land

The issue is not land availability in principle, but deliverable land at pace in the right locations.

Without intervention to:

- De-risk site servicing
- Underwrite infrastructure provision
- Accelerate planning
- Support speculative development

the private sector suggest they are unlikely to bring forward sites at the scale and speed required.

Some form of targeted intervention is therefore necessary. Potential mechanisms include:

- Public-private risk sharing models
- Infrastructure funding packages tied to employment outcomes
- Development guarantees

- Strategic site enabling funds
- Power infrastructure co-investment

This will not be straightforward in the current fiscal environment, but without enabling property and serviced land in the right locations, particularly Cardiff and the M4 corridor, Wales will struggle to secure transformational FDI.

3. Energy and Power Constraints

Energy infrastructure is emerging as a critical constraint.

Businesses report:

- Grid connection delays
- Insufficient power capacity in key employment locations
- Uncertainty over upgrade timelines

This is particularly acute for:

- Advanced manufacturing
- Electrified production
- Large logistics operations
- Data centre investments

Data centre investors, in particular, require:

- Very high-capacity grid connections
- Certainty of supply
- Speed of connection
- Access to renewable energy

Current constraints are already deterring investment enquiries. If power availability cannot be guaranteed within commercially acceptable timescales, Wales risks exclusion from rapidly expanding sectors such as hyperscale and AI data infrastructure.

A coordinated approach is required involving:

- UK grid operators
- Welsh Government
- Local authorities
- Strategic landowners

Energy infrastructure planning must align with economic development priorities, not follow them.

4. Strategic Transport Constraints

The M4 Corridor

The M4 motorway at Newport remains the primary gateway into South Wales and Cardiff.

Persistent congestion around the Brynglas Tunnels and surrounding sections of the M4:

- Impacts logistics reliability
- Reduces labour mobility
- Increases business operating costs
- Signals infrastructure fragility to investors

For advanced manufacturing and logistics investors, network resilience is a core site selection criterion. The lack of long-term resolution to M4 congestion continues to feature in investor due diligence assessments.

A sustainable and deliverable solution to improve capacity and resilience on the M4 corridor is essential to strengthen South Wales' competitive positioning.

Local Transport Connectivity

Whilst there has been significant rail investment in the form of the SW Metro, there are still significant gaps in public transport infrastructure within the city. Much of the Metro enhancement scheme has seen investment in the Core Valley Lines, the vast majority of which lie outside the city boundaries. This investment is important to the city but still leaves swathes of the city underserved by public transport infrastructure, including the east of the city which has neither a single railway station nor suitable road connections into the city. This constrains the city's labour market with the inevitable impact on competitiveness for businesses.

Cardiff as the Test Case for Wales

Cardiff's success is disproportionately important to Wales' inward investment performance. As the capital city and principal tech and commercial centre, its infrastructure readiness shapes investor perception of the entire nation.

The key challenges are clear:

- Limited Grade A office supply
- Insufficient modern manufacturing premises
- Lack of serviced, development-ready employment land
- Power and grid capacity constraints

- M4 congestion at Newport

If these constraints are addressed through coordinated intervention, particularly enabling speculative development and infrastructure servicing, Cardiff's role as the leading investment location in Wales can be significantly enhanced.

If they are not addressed, Wales and Cardiff risks losing competitive ground to other UK and City regions.

Inward investment decisions are time-sensitive and infrastructure-led. Without property, power and connectivity in the right place at the right time, Wales cannot expect to fully compete for global capital.

To what extent do businesses in your area currently benefit from inward investment supply chains, and how can they be better supported to do so by the Welsh and UK governments?

1. Current Position: A Service-Led Supply Chain Model

Cardiff's supply chain dynamics differ structurally from those of manufacturing-led regions. As Wales' leading service, financial and technology centre, the city's inward investment impacts are primarily:

- Knowledge-based
- Skills-intensive
- Professional services-driven
- Cluster-accelerating rather than vertically integrated

Over the past 30 years, Cardiff has successfully transitioned from an economy heavily concentrated around the public sector to a diversified, private sector led service hub.

The initial attraction and the subsequent growth of financial services businesses such as Admiral Group and Legal & General established a critical mass in financial and business services. This anchored:

- Actuarial, risk and compliance functions
- Legal and accountancy expansion
- IT and digital services growth
- Back-office and shared service operations

These investments created deep local labour pools and specialist supplier ecosystems. As a result, Cardiff was able to transition organically into:

- Fintech
- Cyber security

- Data analytics
- Digital financial services

This evolution demonstrates a strong “second-order” supply chain effect: inward investors stimulating indigenous firm formation and scaling.

All of this has created a deep eco-system that includes a range of actors, including Higher Education, Further Education and the range of other service sector businesses that interact with the fintech and knowledge exporting services sector.

2. Supply Chain Impacts in the Tech and Cyber Sector

In the tech and cyber space, supply chain effects are less about physical procurement and more about:

- Talent circulation
- Spin-outs and start-ups
- Collaboration with universities
- Professional advisory services
- Venture and innovation networks

Former employees of major financial services inward investors and spin outs from the higher education sectors have founded or staffed fintech and cyber firms. The city’s ecosystem now includes:

- Cyber security SMEs
- Digital consultancies
- Software providers
- Regulatory technology firms

However, these supply chain relationships are often informal and talent-driven rather than contractually embedded. This makes them more fragile and dependent on continued ecosystem coordination.

3. Creative Sector: A Cluster-Strengthening Model

The creative industries demonstrate a clearer cluster amplification model.

The attraction of companies such as:

- Bad Wolf
- Great Point Media

alongside other major studio and post-production investments, has reinforced Cardiff’s position as one of the UK’s largest creative clusters outside London and Manchester.

Supply chain impacts include:

- Growth in local post-production firms
- Expansion of set construction and technical services
- Costume, design and specialist creative SMEs
- Freelance and contractor ecosystem deepening

In this sector, inward investment has demonstrably expanded local business capacity and reputation. Cardiff now competes nationally for production work.

4. The Key Challenge: Deepening Local Embedding

While Cardiff businesses benefit significantly from inward investment, the principal challenge is deeper economic embedding.

Risks include:

- Footloose service operations
- Limited local procurement strategies
- Talent leakage to larger UK markets
- Weak formalised supply chain mapping

Embedding requires structured aftercare and coordinated partnership.

Cardiff Council recognises this and is prioritising enhanced aftercare across:

- Local authority
- Welsh Government
- UK Government
- Universities
- Industry networks

Effective aftercare should include:

- Proactive supplier brokerage programmes
- Cluster networking
- Innovation funding alignment
- Graduate retention initiatives
- ESG-linked local procurement incentives

Embedding must move from passive presence to active integration.

5. The Financial Constraint: Competing UK Offers

One of the structural weaknesses in Wales' inward investment proposition is the scale of financial incentives available.

Evidence from international FDI consultants OCO Consulting suggest Wales is increasingly disadvantaged relative to regions such as Scotland, where larger and more flexible grant offers are routinely deployed to influence investment decisions.

Scotland's ability to shape outcomes through stronger capital and revenue support packages has been widely acknowledged within the investment community.

In contrast, Wales faces:

- More limited discretionary funding
- Tighter intervention thresholds
- Less flexibility in structuring bespoke support

This constrains the ability to:

- Secure higher-value mandates
- Encourage R&D-intensive functions
- Anchor headquarters operations
- Strengthen local supply chain commitments

If Wales is to maximise supply chain spillovers, inward investment wins must be:

- Higher value
- More strategically targeted
- Accompanied by embedding conditions

This requires enhanced financial resources.

We are also seeing policy decisions put Wales in a less competitive position – for example the rates retention element of the Investment Zones in Wales is only 50% - half of that in England. This means that the same areas in England have significantly higher capacity to invest in infrastructure in their Investment Zones.

6. What Governments Can Do

Welsh Government

- Increase scale and flexibility of grant intervention
- Develop structured supply chain integration programmes
- Link financial support to local procurement commitments
- Expand cluster development funding (cyber, fintech, creative)
- Strengthen aftercare resource capacity

UK Government

- Align UK-wide sector strategies with Welsh clusters
- Ensure grid and digital infrastructure upgrades support growth
- Expand R&D tax and innovation incentives regionally
- Enable greater devolution of economic development flexibility

Cardiff businesses do benefit meaningfully from inward investment supply chains, particularly in:

- Financial services and fintech
- Cyber and digital technology
- Creative industries

However, the supply chain effects are ecosystem-driven rather than manufacturing-led and therefore require active coordination to deepen and sustain.

The next phase of policy should focus on:

- Embedding investors more firmly within the local economy
- Strengthening formal supply chain connections
- Scaling financial intervention tools
- Ensuring Cardiff retains its competitive edge within the UK

With stronger aftercare, enhanced financial capability, and coordinated delivery across partners, Cardiff can further consolidate its role as Wales' primary inward investment engine and ensure broader economic spillovers across the nation.

With only four months until the next Senedd election, what would be your top three inward investment priorities for the next Welsh Government to take forward from May 2026, and why?

With only four months until the next Senedd election, there is an opportunity to set a clear and credible inward investment agenda for the incoming Welsh Government. If Wales is to accelerate growth, productivity and innovation, inward investment policy must move from being a supporting tool to being a central pillar of economic strategy.

The following three priorities could help shape the next government's programme:

1. Prioritise FDI as a Core Economic Growth Instrument

The first priority must be a clear policy reset: fully recognising foreign direct investment (FDI) as a primary driver of growth, innovation and cluster formation — not simply a job creation mechanism.

Other UK regions such as Scotland and Northern Ireland and other competitor small nations treat FDI as a strategic lever to:

- Accelerate sectoral transformation
- Attract R&D-intensive activity
- Anchor high-value functions (HQ, design, innovation)
- Build new clusters around emerging technologies
- Internationalise domestic firms

Wales has demonstrated this potential in financial services, cyber, fintech and the creative industries. However, investment attraction must now be more resourced, more targeted and more assertive.

Key actions should include:

- Increasing the financial resources available for strategic investment wins
- Prioritising R&D-led and innovation-driven investments
- Embedding supply chain and local collaboration requirements into support packages
- Fully aligning FDI targeting with Wales' strongest sectoral capabilities

International evidence is clear: regions that invest in professional, well-resourced, sector-specialist inward investment teams secure disproportionate returns. If Wales underinvests in attraction capability, it will continue to be outcompeted by better-resourced UK regions and global peers.

A significant change in resource, both capital and revenue, is required.

2. Position Cardiff and its City Region at the Forefront of International Marketing

We believe that successful investment ecosystems are city-led. Wales also needs to recognise that in seeking to attract mobile, competitive investors, it needs to put forward its best and most appropriate proposition, and in doing so get the best value for any public sector involvement.

Global investors assess cities and regions — not nations in isolation. Cardiff and the Cardiff Capital Region are Wales’ most internationally recognisable economic assets and must be positioned accordingly.

The next Welsh Government should consider:

- Placing Cardiff and its region at the centre of national and international marketing campaigns
- Empower city-regional leadership in sector promotion
- Co-brand Wales’ offer with its strongest urban assets
- Develop coordinated international promotion strategies

Cardiff’s strengths in:

- Financial and professional services
- Fintech and cyber
- Creative industries
- Digital and data-driven sectors

provide a compelling platform for international positioning.

If Cardiff performs strongly, the wider Welsh economy benefits through supply chain, skills and reputational spillovers. International experience from Scotland, Ireland and other European regions, demonstrates that concentrating effort on globally competitive cities increases national returns.

A mature inward investment strategy recognises that strong cities enhance national performance.

3. Benchmark and Reform Wales’ Investment Attraction Model

The third priority should focus on institutional and operational reform.

Wales should conduct a structured review of its current inward investment arrangements, benchmarked against best practice in:

- Scotland
- Ireland

- The Netherlands
- Selected English combined authorities- Manchester, Birmingham

Key review questions should include:

- Is the scale of financial support competitive?
- Are decision-making processes sufficiently agile?
- Is sector expertise embedded within teams?
- Is aftercare as strong as initial attraction?
- Are city actors like Cardiff fully integrated into delivery?

Research and market intelligence indicate that Wales is increasingly disadvantaged in the scale of grant intervention compared to Scotland. If competitors can offer materially larger and more flexible packages, Wales will struggle to secure transformational investments.

Reform should therefore focus on:

- Increasing funding flexibility
- Accelerating approval processes
- Enhancing aftercare and embedding services
- Strengthening public–private collaboration
- Introducing clearer performance metrics focused on value and impact, not just volume

Investment attraction must be treated as a professional, globally competitive function — not an administrative process.

The next Welsh Government faces a critical choice.

If Wales wishes to close productivity gaps, grow its innovation base and build globally competitive clusters, inward investment must become:

- Better resourced
- More strategically targeted
- More city-led
- More internationally benchmarked

The top three priorities from May 2026 should therefore be:

1. Elevate and resource FDI as a central growth and innovation tool.
2. Position Cardiff and its region at the forefront of global promotion.
3. Reform and strengthen Wales' investment attraction model based on international best practice.

If these priorities are pursued with clarity and commitment, Wales can enhance its competitiveness, deepen cluster development and secure a stronger long-term growth trajectory.

UK-EU Parliamentary Partnership Assembly: Sixth meeting summary report

February 2026

The Parliamentary Partnership Assembly (PPA) is a formal body established under the UK-EU Trade and Cooperation Agreement (TCA). It plays an important role in overseeing the implementation of the TCA and all subsequent UK-EU agreements.

The sixth meeting of the PPA took place in London on 17-18 November. This report provides a summary of the issues discussed of importance to Wales.

Delyth Jewell MS, Chair of the Culture, Communications, Welsh Language, Sport and International Relations Committee and Hannah Blythyn MS, a member of the Economy, Trade and Rural Affairs Committee participated in the sixth meeting and the report has been agreed by them in that capacity.



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1. Roles and responsibilities

The [UK-EU Trade and Cooperation Agreement \(TCA\)](#) provides for the establishment of a UK-EU Parliamentary Partnership Assembly (PPA) as part of its governance structure, referred to as the 'institutional framework'. This framework will oversee the TCA and all subsequent UK-EU agreements.

The TCA does not provide a formal role for the UK's devolved legislatures, the EU's regions and cities, nor for civil society in the work of the PPA.

However, given that large parts of the TCA fall within areas of devolved competence or have an impact on them, the rules of procedure adopted allow for the devolved legislatures to be invited to attend meetings as observers. Representatives with observer status do not have ordinary speaking rights during Plenary sessions and have no voting rights.

The proceedings are available to view on the UK Parliament's YouTube channel, [17 March Plenary session](#), [18 March Plenary session](#).

Senedd Member contributions

Senedd Members were asked to contribute to Plenary agenda items on two topics and to participate fully at breakout groups. The invitation to participate in two plenary items rather than one, as has previously been the case, is welcome progress.

Plenary

Delyth Jewell MS contributed to the Plenary agenda item on creative and cultural exchange. She said:

Four of our committees published a joint report on how the TCA operates in Wales, we heard once again about Brexit's adverse effects on touring artists and how UK participation in Creative Europe remains elusive.

Our artists are crying out for help, we must show them that we are listening. Touring artists have been handed one of Brexit's most intractable problems, it need not be so. Young artists in particular risk missing out on opportunities that cannot be measured as they never were.

We must ensure that we do not create a generation of lost chances, missed moments, broken dreams. We owe them nothing less than to ensure that does not happen. Culture connects us. Culture enriches us. Above all as the great Welshman Raymond Williams said 'culture is ordinary'. Let us do all we can to keep it as the treasure of the many and not the luxury of a few.

Hannah Blythyn MS spoke in the item on AI and digital cooperation, drawing particular attention to the need to consider workers' rights in UK-EU conversations. She said:

AI is the topic of our time, the automation of our age, bringing with it both opportunities and the need to balance challenges. In Wales, we want to get a better understanding of what AI means for the workforce and my Senedd committee's work on AI has recently reported on the potential impacts on both individual businesses and workers.

We have called for greater analysis on which groups are most likely to be impacted by job displacement in order to best place governments to mitigate against adverse effects.

We do need to move beyond the hype and focus on hope, working together with workers to put them front and centre of this. We have heard repeatedly that we don't want to be left behind but to make sure we leave no one behind, workers' rights should be at the heart of our discussions on AI in this Assembly and a collective approach and commitment to ethical AI is not just essential to our economies but to our democracies as well.



*Hannah Blythyn MS and Delyth Jewell MS during the Plenary session
©House of Commons*

Breakout group: Trade, supply chains and workers' rights

The need for a regular UK-EU social dialogue summit was a key recommendation from the breakout group. The group agreed a summit could help to ensure the protection of workers' rights features more 'systematically' in the UK-EU economic relationship.

Hannah Blythyn MS attended the breakout group which discussed the need for further action to reduce non-tariff barriers to trade between the UK and EU. This was an important issue highlighted in the cross-committee Senedd report on the implementation review of the TCA.

The discussion considered how the proper protection of workers' and social rights, in addition to tackling the cost of living, are key tools in tackling the rise of the far-right. The group discussed the shared challenge of ensuring sustainability in their supply chains and said that cooperation on this issue is critical.

Breakout group: Review of the Trade and Cooperation Agreement and the 2026 UK-EU Summit

Delyth Jewell MS highlighted the key findings from the Senedd cross-committee [report on the implementation review of the TCA](#).

The [group agreed the TCA review](#) and the regular UK-EU summits should ensure the agreements governing the UK-EU relationship keep pace with the changing geo-political climate.

The group agreed the full potential of the TCA has not yet been maximised and the review should:

- map underused or unimplemented provisions, and set out a clear roadmap to exploit the potential of the TCA to the full including:*
- regulatory cooperation and dialogue,*
- financial services cooperation,*
- mutual recognition of professional qualifications, and*
- customs cooperation.*

On the Common Understanding agreement, the group agreed work on an SPS agreement, ETS-linkage, electricity trading, and UK participation in Erasmus+ should be accelerated.

Issues that should be a focus of the next UK-EU summit include support for touring artists and broader cultural and creative cooperation. The UK and EU should also develop a more long-term strategic approach to identifying areas for deepening cooperation, and where appropriate, alignment.



Delyth Jewell MS contributes to the TCA review breakout group

2. Key issues for Wales

The TCA sets the terms for the UK-EU relationship after the Withdrawal Agreement withdrew the UK from the EU. Many of its provisions either fall within devolved competence or affect areas within devolved competence, from fisheries to healthcare cooperation.

State of play

The Common Understanding agreement and the progress resulting from the May UK-EU summit were welcomed in the Assembly's discussions, but the need to 'proceed swiftly' to implement commitments was emphasised. Nick Thomas-Symonds MP, UK Minister for EU relations, welcomed and agreed with calls for the 'need for speed' and urgency to implement agreements reached in May in his remarks to the PPA. He said this was critical to ensure citizens feel the benefits in their everyday lives.

The EU's Ambassador to the UK, Pedro Serrano, noted that what has been agreed shows a high level of ambition for closer cooperation and said the EU

hopes to have concluded agreements on a number of areas ahead of the next UK-EU summit in 2026. He also set out the European Commission's view that work is needed to fully implement the Windsor Framework and citizens' rights provisions of the Withdrawal Agreement are needed.

The recommendation adopted by the Assembly sets out the need for work and progress by the UK and EU.

The co-chairs of the Assembly called for greater parliamentary engagement in the 2026 UK-EU summit to enhance transparency and the democratic accountability of its outcomes.

Specific areas of cooperation

Over two days, the PPA debated specific areas of UK-EU cooperation of importance to Wales and the Senedd:

- The EU's proposals for **steel tariffs** were discussed in the Plenary and breakout groups. Concern about the impacts on the UK were expressed by UK members. The EU's Ambassador to the UK said the EU's proposals foresees a similar regime to the current one for GB-Northern Ireland steel movements and that specific country and product quotas would be discussed with the UK. The recommendation adopted by the Assembly called for this to be done at the 'earliest opportunity' and for collaboration to take place between the UK and EU at fora like the Global Forum on Steel Excess capacity and the OECD Steel Committee.
- On **creative and cultural exchange**, delegates once again expressed strong support for further and more comprehensive measures to support touring artists. Delegates spoke of the need to ensure the opportunities available to young people are not less than those afforded to previous generations. Addressing the Assembly, Richard Szostak, Director of Western European Partner at the European Commission, said the issue of touring artists is more challenging than may appear on the surface but the European Commission notes the strength of feeling on this issue which it will report to Member States. He said the European Commission is 'open to hearing ideas' for how issues could be resolved. He highlighted the increased investment by the EU in its Creative Europe programme and noted the opportunities for third party countries to participate in it. Rejoining Creative Europe is a key priority for the culture sector in Wales, as set out in the Senedd

committees' TCA review report. The UK Minister for Creative Industries, Media and Arts, Ian Murray MP, told the Assembly that the existing UK-EU agreements and the commitments reached in Common Understanding should be viewed as a 'floor' and not a 'ceiling' to future cooperation between the UK and the EU. He urged the Assembly to continue its collective work on this issue, setting out his view that Assembly discussions will be a key part of the political context for further agreements at the next UK-EU summit.

- On **climate and energy**, the view that UK-EU cooperation is essential to lowering energy costs and ensuring energy security was reiterated. There was support for the principle of linking the UK and EU emissions trading schemes but concern was expressed about the potential impact of the EU's Carbon Border Adjustment Mechanism (CBAM) on trade. They called for temporary exemptions to be provided while negotiations on linkage continue, particularly for Northern Ireland. The Assembly said agreeing interim measures could avoid unwanted costs and impacts for industries and households in the UK and EU.

3. Recommendations

As we have noted previously, devolved legislatures have much to contribute to the PPA. The number of devolved issues discussed in this most recent meeting alone highlights the necessity of ensuring that we are fully engaged in the work of the Assembly. This will be more important than ever as negotiations for closer alignment on fully devolved areas such as SPS and emissions trading continue and conclude.

We welcome the opportunity to have contributed to more than one item in Plenary and the opportunity afforded to us by the UK Co-chair to input ideas for agenda items in advance. These are important developments in the role of the devolved legislatures and we hope they are now adopted as routine practices. We reiterate two of our recommendations in our last report and will continue to explore opportunities to further this work with colleagues in the PPA.

Recommendation 1: We welcome improvements in the engagement and role of the devolved legislatures in the work of the PPA. These important developments should be adopted as routine practice.

Recommendation 2: We continue to press for devolved representatives to participate fully in the PPA interparliamentary meetings where devolved matters are engaged.

Recommendation 3: The Co-chairs of the PPA should explore hosting a UK meeting of the PPA in a devolved nation.

This report will be shared with relevant Senedd committees and the Welsh Government as with previous reports.



*Delegates of the UK-EU Parliamentary Partnership Assembly
©House of Commons*

Agenda Item 4.6

Ysgrifennydd y Cabinet dros Drafnidiaeth a Gogledd Cymru
Cabinet Secretary for Transport and North Wales



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: KS/PO/83/2026

Andrew RT Davies MS
Chair
Economy, Trade and Rural Affairs Committee

CC: Llyr Gruffydd MS
Chair
Climate Change, Environment, and Infrastructure Committee

12 February 2026

Dear Andrew

Thank you for your letter regarding the recent closure of Terminal 3 at Holyhead Port on 7th January 2026.

Port closures are always disruptive, and the duration of any closure has a significant bearing on the impacts felt by the local community and wider economy. I consider that the overall response to this incident in January was timely and organised. I spoke with the Port Authority following the brief closure (due to incident at Terminal 3) and will continue to do so on the basis of these conversations, I am currently assured of the integrity of the port and its services.

My announcement of the Irish Sea taskforce followed the temporary closure of Holyhead port following damage to its berthing infrastructure inflicted by Storm Darragh in December 2024. Members of the Irish and Welsh Governments, transport officials and stakeholders worked collaboratively on a systematic and thorough review of what had been learned.

As you know, the published recommendations outline how to achieve improved resilience, deliver better contingency plans that will protect connectivity for passengers and improve how disruption is managed. There is now a commitment from all of the Welsh Ports involved in the Task Force that, when dealing with an incident, they will inform Governments and the core taskforce membership group as quickly as possible and continue to share communication in a timely manner until normal operations resume.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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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.

The work of the taskforce was reflected in the response to the January incident, with the Port Authority communicating with key stakeholders and the Welsh Government in a timely manner, ensuring the effective dissemination of key information.

On 21 January the Port authority issued a confidential update on Terminal 5 to a small group of stakeholders, myself included. I am now able to share that the Port Authority's detailed structural engineering assessments have confirmed that remedial works are required, and upgrades will be undertaken to improve the resilience of the Port. Terminal 5, which was scheduled for significant resilience upgrades before the December 2025 incident, is due to receive a complete replacement of the fendering systems on both berths, involving the removal of 40-tonne steel panels and installation of large energy-absorbing cone systems supported by heavy-duty chains. The Port Authority will replace all 13 cones, chains and panels on both Terminal 3 and 5, additionally fitting hundreds of sacrificial zinc anodes to the underwater structure of both berths and central columns as part of the life extension.

The Port Authority is combining its remediation and enhancement work streams into a unified programme to make best use of the down time of Terminal 5. As a result, Terminal 5 will not be available before Easter 2026, however it is expected to be operational during the high-season period. Until then all services will continue to operate from Terminal 3. I have been reassured that new contingency plans have also been developed by the Port Authority to ensure the continuity of operations whilst only a single Terminal is open.

I understand that the Marine Accident Investigation Branch will report on both of the recent incidents in due course and that the Maritime and Coastguard Agency is due to conduct a port health check later this year under the Port Marine Safety Code, which will further independently assess the integrity of the Port and its services.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ken Skates', with a large, stylized flourish extending to the right.

Ken Skates AS/MS

Ysgrifennydd y Cabinet dros Drafnidiaeth a Gogledd Cymru
Cabinet Secretary for Transport and North Wales

Agenda Item 4.7

LOCAL GROWTH FUNDS: THE CAPITAL/REVENUE SPLIT

Submission to the Economy, Trade and Rural Affairs Committee

Steve Fothergill, National Director, ICA

Meirion Thomas, Wales Director, ICA

The new Local Growth Funds

The UK Government's new Local Growth Funds, due to come into operation in April, are to all intents the replacement for the UK Shared Prosperity Fund (UKSPF), which in turn replaced EU funding to the regions. The activities to be funded – infrastructure investment, business support and skills development – are the same, the new funds kick in as the UKSPF comes to an end and, like the UKSPF, the new funds are managed outside the Barnett formula.

The new funds' predecessors were cornerstones of UK regional development and strongly targeted at less prosperous parts of the country.

In the forthcoming three-year spending round (2026-29), £675m has been allocated to the new Local Growth Fund in England, £140m to the fund in Scotland and £547m to the fund in Wales. Compared to the UKSPF in 2025-26 these are all reductions – a 60% cut in England, 39% in Scotland and 13% in Wales – because the former UKSPF budget line is also being used to pay for the UK Government's Pride in Place neighbourhood initiative. In England, the reduced funding goes exclusively to eleven mayoral authorities in the North and Midlands, so their cut is less severe, but the flipside is that the rest of England faces a 100% cut.

The capital/revenue split

Cutting the budget is a political choice, but the truly inept proposal is to radically shift the capital/revenue split.

In Scotland, Wales and Northern Ireland, capital spending presently accounts for 26% of UKSPF expenditure. In the new Local Growth Funds the UK Government is imposing a 70/30 capital/revenue split from April 2026 onwards.

In England, capital spending presently accounts for 15-30% of UKSPF expenditure, depending on the authority. For the new Local Growth Fund, the government is imposing a capital spending share that rises through time to 58% in 2028-29. Unlike in the rest of the UK, the government also adds a fourth year's funding for 2029-30 that's 100% capital (though revenue spending isn't normally allocated that far ahead).

The consequences of the capital/revenue split

The revenue-funded activities supported by the UKSPF are mainly **business support, training, and employability schemes**, the latter intended to engage the economically inactive and bring down the benefits bill.

The proposed shift to capital spending takes a sledgehammer to these services, all of which match the UK government's mission to create growth and jobs and the vast majority of which take place in less prosperous parts of the country.

Thousands of jobs delivering these services are also put at risk. On the basis of data from a sample of authorities, it's estimated that in England 4,000 local authority jobs are presently directly supported by UKSPF funding, a further 1,500 in Wales and more than 500 in Scotland. Probably at least as many jobs are supported in Third Sector organisation delivering revenue-funded UKSPF services.

In addition, it's nigh-on impossible to deliver meaningful capital projects within the short timescale set by the new Local Growth Funds. It takes time to secure permissions and then to issue contracts, let alone to deliver on the ground. This was one of the painful lessons of the Johnson-era levelling up initiatives. It had been thought that the Treasury had taken on board this lesson because the 2025 Spending review said the government would establish *"a new local growth fund, including a 10-year capital settlement from 2026-27 to 2035-36"*. This commitment has clearly been overlooked.

The root of the problem

The absurd capital/revenue split now being imposed is rooted in an administrative adjustment.

In the 2021 Spending Review, when the UKSPF was first established, it was included as an independent budget line, separate from the mainstream budget for the then Department for Levelling Up, which managed the money. The capital/revenue split for the UKSPF was set at 12/88 for the three years through to 2024-25.

In the 2025 Spending Review, the former UKSPF monies were fully absorbed into the budget of the Ministry for Housing, Communities and Local Government (MHCLG), which was given a 70/30 capital/revenue split for the sum of its spending beyond England's Local Government Financial Settlement. This capital/revenue split has then been applied mechanically to the new Local Growth Funds in the devolved nations.

In England it's a little different because alongside the new Local Growth Fund the UK Government created a recyclable Mayoral Growth Fund worth £500m, which is wholly capital and partially offsets the larger percentage cut in funding that England would otherwise be facing. Add the two new English funds together however and over the three-years 2026-29 the capital/revenue split becomes 66/34, little different to in Scotland, Wales and Northern Ireland.

In the same way, a 70/30 capital/revenue split has been mechanically applied to the Pride in Place initiative, but unlike the new Local Growth Funds the Pride in Place initiative does not inherit a substantial body of existing services and jobs in need of financial support.

Who's to blame?

The proposed capital/revenue split for the new Local Growth Funds reeks of bureaucratic ineptitude and inertia.

MHCLG and the Treasury should have been aware of the activities currently supported by UKSPF monies and how they would be put at risk by the proposed capital/revenue split. Officials in both departments should also have been aware that prior to the 2025 Spending Review UKSPF monies were, quite sensibly, accounted for separately to the mainstream MHCLG budget and with a quite different capital/revenue split.

One of the problems here is that institutional memories within the civil service are exceedingly short. In the Treasury, for instance, the staff presently overseeing this area of MHCLG spending are two generations on from those involved in the 2021 Spending Review.

Ministers can't escape some of the blame – they should have spotted the consequences of the mechanical application of MHCLG's capital/revenue split. On the other hand, they would have had to be on top of the details and the key players (MHCLG Secretary of State, Communities Minister, Chief Secretary to the Treasury, Scottish Secretary) were all new in the September reshuffle.

The way out of the mess

The solution requires commonsense rather than additional spending.

In the context of the Local Growth Funds, the distinction between capital and revenue spending is meaningless. Training, for example, creates an asset for the labour market that might deliver benefits to the economy for forty years or more, longer than the lifespan of some bricks-and-mortar investments. Business support – advice, consultancy, marketing etc. – can be as invaluable as investment in machinery. It's all an investment in local economies and in growth and jobs.

The obvious way forward is to abolish the distinction between capital and revenue spending in local growth funding, or at the very least to return to the capital/revenue split that previously applied to the UKSPF. This may not be the way accountants in the Treasury see things but it's the sensible way their political masters need to proceed.

***National Secretariat
Industrial Communities Alliance
9 February 2026***

Rebecca Evans AS/MS
Cabinet Secretary for Economy, Energy and Planning
Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio

Agenda Item 4.8



Llywodraeth Cymru
Welsh Government

Economy, Trade, and Rural Affairs Committee
Senedd Cymru,
Cardiff Bay,
Cardiff
CF99 1SN

SeneddEconomy@senedd.wales

13 February 2026

Dear Andrew,

Please find enclosed the finalised text of the Welsh Government's report on the UK-India Comprehensive Economic and Trade Agreement (CETA).

Should the Committee wish for further information on the report, my officials would be happy to brief members separately.

Yours sincerely,

Rebecca Evans.

Rebecca Evans AS/MS
Cabinet Secretary for Economy, Energy and Planning
Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio

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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.



Llywodraeth Cymru
Welsh Government

UK-India Comprehensive Economic and Trade Agreement: The Welsh Government Perspective

2026

gov.wales

Contents

The chapter numbers refer to the actual chapter of the UK-India Comprehensive Economic and Trade Agreement. For the purposes of reviewing, the chapters have been grouped together according to theme.

1. Ministerial Foreword
2. Executive Summary
3. The Welsh Government Approach to Trade Policy
4. UK Government Interaction with Welsh Government During the Negotiations
5. Engagement with Welsh Stakeholders During the Negotiations
6. Assessment of the Agreement Text:

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- Chapter 3: Rules of Origin
- Chapter 4: Trade Remedies
- Chapter 5: Customs Procedures and Trade Facilitation
- Chapter 6: Sanitary and Phytosanitary (SPS) Measures
- Chapter 7: Technical Barriers to Trade (TBT)
- Chapter 18: Subsidies

Trade in Services

- Chapter 8: Trade in Services
- Chapter 9: Financial Services
- Chapter 10: Temporary Movement of Natural Persons
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- Chapter 12: Digital Trade

Sustainable Trade and Trade Facilitation

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Annex 1: Economic Analysis

1. Ministerial Foreword

This report provides a detailed assessment and a Welsh perspective on the UK-India Comprehensive Economic Trade Agreement. This Free Trade Agreement (FTA) marks a significant moment in the UK's independent trade journey and presents a range of opportunities and challenges for Wales. The Agreement reflects both our, and the UK Government's, ambition to forge deeper economic ties with high-growth markets. For Wales, it is essential that our voice continues to be heard in shaping and implementing these FTAs.

India is a key trading partner for Wales, and this Agreement presents new opportunities for our businesses to grow, innovate and expand into one of the world's fastest-growing economies. In the year ending 2025, our total goods trade with India reached around £1bn, with strong growth in imports and a steady flow of exports. This Agreement has the potential to unlock new opportunities for Welsh businesses – particularly in advanced manufacturing, agri-food, and consumer goods – whilst also requiring us to remain vigilant to the risks posed to domestic industries and public services.

However, we must also be clear about the challenges. Increased competition from Indian imports, complex rules of origin, and limitations in services market access mean that some sectors could benefit more than others. Due to the dependencies on businesses utilisation, changing global trading conditions, and length of implementation, it is difficult to accurately determine the impact this FTA will have on Wales. However, the Welsh Government will continue to ensure that Welsh businesses – particularly Small and Medium Enterprises (SMEs) – are supported to navigate and make the most of the opportunities available.

The Welsh Government's approach to trade is guided by our values: sustainability, fairness, and the well-being of future generations. We are committed to ensuring that trade supports inclusive economic growth, protects our environment, and upholds high standards in areas such as labour rights, animal welfare, and public health.

This report reflects our constructive engagement with the UK Government throughout the negotiation process. It also highlights areas where further clarity, support, and collaboration will be needed to ensure Welsh interests are fully represented in the implementation of this Agreement.

We will continue to work closely with stakeholders, industry, and our UK counterparts to ensure that Wales benefits from international trade in a way that is fair, sustainable, and aligned with our economic ambitions.



Rebecca Evans MS
**Cabinet Secretary for Economy, Energy
 and Planning**

2. Executive Summary

- 2.1 On 24 July 2025, the United Kingdom and the Republic of India formally signed a Free Trade Agreement (FTA), known as the UK-India Comprehensive Economic and Trade Agreement (CETA), to conclude three years of negotiations. This marks the UK's fourth major FTA following the UK's exit from the European Union. CETA follows the UK's trade agreements with Australia, New Zealand, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- 2.2 From a Welsh perspective, India is a growing trade partner. In the year ending June 2025, total goods trade between Wales and India was around £1.0 billion, with imports valued at £634.6 million and exports at £395.2 million. India is Wales's 9th largest export market and 10th largest import market for goods¹. Services trade data is less complete, but India remains a key market for Welsh service providers, particularly in engineering, financial technology (FinTech), and professional services. Available estimates suggest Welsh services exports to India are valued at approximately £314 million, with imports at around £165 million².
- 2.3 The Agreement spans 30 chapters and covers a wide range of areas including trade in goods and services, investment facilitation, digital trade, intellectual property, labour, environment, and gender equality. Key provisions of interest to Wales include:

Trade in Goods

- 2.4 As part of the Agreement, India will eliminate tariffs on 90% of its tariff lines, with 64% becoming tariff-free immediately. The UK will eliminate tariffs on 99% of Indian goods. This liberalisation presents opportunities for Welsh exporters, particularly in advanced manufacturing, agri-food, and consumer goods, but also poses risks to domestic producers due to increased competition. While the liberalisation is less reciprocal than other UK FTAs, it reflects India's status as a growing economy and offers Welsh exporters a competitive edge in accessing the Indian market.
- 2.5 Tariff reductions on whisky, lamb, confectionery, and medical devices present opportunities for Welsh producers. Welsh automotive and electronics sectors may benefit indirectly through UK-wide supply chains.

Rules of Origin

- 2.6 The Agreement includes flexible arrangements and product-specific rules that should help Welsh businesses navigate compliance and preferential tariffs, particularly for those that have global and European supply chains. However, the complexity of these rules may require additional support for SMEs.

¹ Regional Trade Statistics, HMRC

² International trade in UK nations, regions and cities, 2023, ONS

Trade Remedies

- 2.7 A bilateral safeguard mechanism is included to protect against unfair trading practices and import surges, offering reassurance to Welsh industries potentially impacted by increased imports.

Customs and Trade Facilitation

- 2.8 Commitments to simplify customs procedures and improve transparency are welcomed, though challenges remain around state-level customs in India.

Services, Mobility and Investment

- 2.9 While the Agreement improves transparency and facilitates temporary movement of professionals, India has retained significant restrictions in key services sectors, including financial services. Legal services liberalisation also remains limited despite recent domestic reforms in India. Provisions on temporary movement of professionals and the Double Contributions Convention (DCC) will support cross-border business activity. The absence of a full investment chapter reflects ongoing negotiations on a separate Bilateral Investment Treaty.

Sustainability and Labour

- 2.10 The Agreement includes provisions on environment, labour, and gender equality, aligning with the Welsh Government's values. However, commitments are largely aspirational and cooperative rather than binding.

Procurement and SMEs

- 2.11 Through the Agreement Welsh businesses may benefit from improved access to Indian government procurement markets, including mitigation of the "Made in India" policy. The SME chapter encourages cooperation to reduce barriers and improve access to trade information.

Regulatory Cooperation and Dispute Settlement

- 2.12 The Agreement includes mechanisms for regulatory transparency and a binding dispute settlement process, though several chapters are excluded from enforcement provisions.

Conclusion

- 2.13 Overall, the Agreement offers potential benefits for Welsh exporters and investors, particularly in sectors where tariff reductions and regulatory cooperation can unlock new market access. However, realising these benefits will depend on business awareness, capacity to comply with complex rules, and continued engagement with UK government to ensure Welsh interests are represented in implementation.
- 2.14 The Welsh Government contributed actively throughout the negotiation process, engaging with UK government and Welsh stakeholders to ensure Welsh interests were represented.
- 2.15 The Welsh Government will continue to monitor the Agreement's impact, support businesses in navigating its provisions, and contribute to ongoing discussions on investment and regulatory cooperation.

3. The Welsh Government Approach to Trade Policy

- 3.1 The Welsh Government's approach to trade policy is underpinned by our values to be a responsible nation on the global stage; respecting and protecting human rights; taking action to respond to the global climate emergency and safeguarding our valued public services, as well as our ambition to increase prosperity in Wales. It also reflects our wider commitments to sustainability and our responsibilities established through the Well-being of Future Generations (Wales) Act 2015, to sustainably grow our economy while also enhancing exports and attracting inward investment.
- 3.2 The context behind this approach, and details of how the well-being goals influence our work on trade policy can be found in our [Approach to Trade Policy](#) paper.

4. UK government interaction with the Welsh Government during the negotiations

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- 4.1 Whilst only the UK government has the power to conclude international agreements that bind the whole of the UK, the Welsh Government has the power, under Section 62 of the Government of Wales Act 2006, to make representations about any matter affecting Wales. As a result, we have sought to engage with the UK government on the negotiation of all new FTAs as constructively as possible, given the impact trade agreements can have across society in Wales.
- 4.2 In addition, the Senedd has the power to pass laws relating to the observation and implementation of international obligations, meaning the Welsh Government and the Senedd both have legitimate and crucial interests in the negotiation and terms of any international agreements that require Welsh implementation.
- 4.3 The Welsh Government has always sought to be a constructive partner in working with the UK government to ensure the representation of Welsh interests are reflected in trade negotiations. UK-India CETA is the first FTA secured by the UK government following the 2024 General Election, although it is the fourth³ overall FTA that the UK has secured since EU Exit.
- 4.4 During the negotiations with India, UK government's engagement with the Welsh Government was, in the main, positive. The Inter-Ministerial Group for Trade is the main forum where ministerial level discussions took place on the negotiations. These discussions were supplemented with bilateral meetings, as and when such a need arose. At an official level, most draft text of chapters was shared, and officials were able to meet with the relevant chapter and policy leads on a regular basis, including with the negotiation team itself.
- 4.5 However, there was a notable change in approach whereby market access information could not be shared beyond select officials. This made it difficult for assessments to be made on market access proposals, especially when the potential impact of proposals needed further engagement from across Welsh Government and beyond. There were also issues with the sharing and engagement in relation to the impact assessment.
- 4.6 We experienced a greater level of information sharing on market access for the UK-New Zealand and CPTPP negotiations. Therefore, we are disappointed that there has been a regression in this particular area.

3 UK-Australia, UK-New Zealand, and CPTPP are the three trade agreements secured by UK government prior to the 2024 General Election.

5. Engagement with Welsh stakeholders during the negotiations

- 5.1 Formal engagement with Welsh industry and civil society representatives were conducted for these negotiations via the Trade Policy Advisory Group (TPAG). The ministerial appointed group provided expert advice to the Cabinet Secretary for Economy, Energy and Planning and senior officials that aided the shaping of the Welsh Government's positions on the UK-India negotiations.
- 5.2 Information on TPAG, and its members, can be found [here](#).
- 5.3 Welsh Government also engaged with Welsh industry via established channels, such as through our export clusters, industry forums, our links to UK industry bodies, as well as directly with businesses that have a particular interest with or who are already trading with India.

6. Assessment of the Agreement Text

Trade in Goods

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- 6.1 In the year ending June 2025, Welsh trade in goods with India was valued at around £1.0bn (increased from £628.5m in the previous year), of which imports and exports were worth £634.6m (increased from £408.1m in the previous year) and £395.2m (increased from £220.4m in the previous year) respectively.
 - 6.2 The data shows that India was the 9th largest export market for Wales accounting for around 2.3% of Welsh goods exports, and the 10th largest import market with around 3.1% of Wales's total goods imports.
 - 6.3 In 2024, of the 3,188 Welsh businesses that exported goods to the world, around 256 (8.0%) exported goods to India. Around 389 (3.3%) of the 11,693 Welsh businesses that imported goods from the world, did so from India.
 - 6.4 According to the UK government, CETA is estimated to provide growth and trade opportunities across all goods sectors. Most sectors are also estimated to see an increase in imports from India, notably for textiles and apparel, but with a smaller limited impact on agricultural goods. The UK government sees such opportunities transferring across to all nations and regions of the UK, rather than being exclusively concentrated to any specific areas.
 - 6.5 Feedback from Welsh industry has indicated that any available opportunities to trade with India under CETA will be dependent on a variety of factors, including their ability to meet the underlying documentation and compliance requirements to access the

preferential tariffs and regulations, and their ability to compete on a level playing field with domestic suppliers within the India domestic market. As much of the trade with India is likely to be based around finished goods, our Welsh supply chain companies may find CETA being of less benefit to them. However, CETA could lead to an indirect benefit as Welsh companies sell and supply to manufacturers elsewhere in the UK that then export to India.

- 6.6 With the liberalisation of UK tariffs for Indian businesses, this will see an increase in the amount of imported goods entering the UK and Wales from India. The increase of goods could have both positive and negative effects. The increased imports could lead to more consumer choice of products and lower prices, but it could also result in domestic businesses not being able to compete due to production costs being much lower in India than they are in the UK and Wales.

Chapter 2 – Trade in Goods

- 6.7 Under CETA, India will reduce tariffs on 90% of their tariff lines, with 85% of tariff lines becoming fully tariff-free within 10 years. On entry into force (EIF), 64% of India's tariff lines will be immediately tariff-free, covering almost £2 billion of UK exports.
- 6.8 In return for the India tariff liberalisation, the UK has agreed to eliminated tariffs on 99% of Indian goods.
- 6.9 The level of tariff liberalisation agreed is less reciprocal in outcomes compared to the UK's other FTAs. This reflects how India defines its status at the World Trade Organisation (WTO) and having most

favoured nation (MFN) tariffs⁴ across more products at a higher rate compared to the UK. Although the Welsh Government would have wanted the UK to agree a more reciprocal outcome, particularly in terms of goods market access, we recognise the difficulties in trying to secure this with India. However, the mixture of tariff free access and reduced tariffs (depending on the type of good) under CETA should provide Welsh businesses with an advantage over other global competitors when accessing the Indian market.

6.10 Conversely, we also recognise the potential risk and damage to domestic industries that the opening up of the UK market to India may create. Further comments on this are covered in our assessment of chapters such as Trade Remedies and Labour.

6.11 As is the case in FTAs (not only those agreed by the UK), the trade in goods chapter contains a provision that sees the incorporation of the national treatment⁵ principle under Article 3 of the WTO General Agreement on Tariffs and Trade⁶ (GATT). This agreement confirms that both Parties will treat imported goods the same as domestic goods once they are within the respective markets. Interestingly CETA contains a provision that says that regional or state level governments must also treat imported goods the same as it treats similar goods from within its own region or state. This is the first time that such a provision has been include in a FTA agreed by the UK government. As Indian State governments have taxation powers⁷ in a number of areas, including tax powers related to the sale of goods (particularly alcohol), the inclusion of this clause will help ensure that any changes being imposed by Indian States on goods will be the same for both domestic and imported goods. The clause will also mean that the Welsh Government (and other Devolved Governments) will have to ensure that it treats domestic and imported goods the same in any devolved policy and regulatory areas it is responsible for.

6.12 As part of the chapter, both UK and India will allow for the temporary tariff free admission of goods, provided that such goods are for the purposes outlined in the chapter (e.g. for exhibitions, demonstrations, sport, etc.) and abide with the specific rules. If there is a breach in the rules, then relevant penalties and taxes can be charged. The temporary tariff free admission of goods will enable Welsh businesses to import and showcase their products in India to prospective customers without having to pay costly import charges.

6.13 The inclusion of the 'repair or alteration' article in the chapter will be of benefit to our Welsh businesses that undertake maintenance and repair work on goods they sell, but which need to be sent back and forth between Wales/UK and India. The import and export of goods requiring repair and maintenance can be a particularly expensive element of trade if there is no specific provision allowed to exclude tariffs being accrued each time the product crosses the border.

6.14 Due to India's high MFN tariff rates, the expectation is that many businesses will wish to utilise this Agreement and try to access the lower preferential tariffs available for the trade of goods between UK/Wales and India. This will be a marked difference compared to previous FTAs agreed by the UK government, where the tariff rate differentials were minimal.

Schedule of Tariff Commitments

6.15 Tariffs liberalised under CETA, are set out by UK and India in their respective schedules of tariff commitments. The schedule is essentially the 'staging' or timings of when the actual agreed reduction of tariffs will happen. Staging is used as a method to protect domestic markets from the shock of the likely increase in imports as a result of a trade deal. Staging is also used to provide

4 MFN (Most Favoured Nation) tariffs are standard, non-discriminatory import duties applied by [World Trade Organisation](#) (WTO) members to all other members, meaning any lower tariff offered to one country must be extended to all others unless a specific Free Trade Agreement (FTA) or preferential deal exists.

5 The national treatment principle refers to imported goods (and services) to be treated the same and equally as domestic goods. In essence the principle prohibits discrimination between imported goods and domestically produced goods.

6 https://www.wto.org/english/docs_e/legal_e/gatt47_e.htm#art3

7 <https://www.constitutionofindia.net/schedules/list-ii-state-list/>

industries with the additional time and opportunity to adapt to any increase in competition and potentially mitigate against the impact of increased competition through their operational strategies (e.g. pricing).

6.16 Although staging in tariff liberalisation is a common arrangement in FTAs, we have chosen to outline the arrangements agreed under CETA due to the high number of them (with regards to India) and their potential complexities for businesses.

6.17 It is important to note that the starting point for the staging of India's tariff commitments is a 'Base Rate of Customs Duties', which refers to India's applied MFN rates.

6.18 The "base rate of customs duties" is the combined rate used by India to determine the overall tariff rate on any given good being imported into India. The base rate is a combination of India's Basic Customs Duty (BCD) – the primary duty/tariff on imported goods; Agriculture Infrastructure and Development Cess (AIDC) – a cess (tax) for funding agricultural infrastructure; Health Cess – a cess imposed on medical equipment; and Social Welfare Surcharges (SWS) – charges imposed on imported goods to support education, health and social security in India.

6.19 All goods being imported into India have a BCD rate, but only certain types of goods will attract one or a combination of the other charges. For example, some textile products only attract tariffs that are based on just the BCD rate, whilst some automotive products will attract a combination of both the BCD rate and the SWS rate.

India

6.20 Under CETA, India will have in place 21 tariff commitments or staging categories.

6.21 Welsh and UK businesses will need to be familiar with the precise category (and the timing and rate of tariff liberalisation) for their goods when exporting to India. Familiarity with the arrangements can help businesses as they could make plans to export to India

when the tariff rates are much lower (compared to say the tariff rates at entry into force).

6.22 The staging categories for India are:

- a) 'EIF' – originating goods under this category will have their associated tariffs fully removed on the date of entry into force of CETA.
- b) 'E5' – originating goods under this category will have their associated tariffs reduced gradually over a period of 5 years, and with the same amount of reduction each year, until all tariffs are removed in year 5 of the Agreement. The start of the reduction is from the entry into force of the Agreement.
- c) 'E5 (EIF+5)' – originating goods under this category will have their associated tariffs reduced gradually over a period of 5 years, and with the same amount of reduction each year, until all tariffs are removed in year 10 of the Agreement. Unlike the previous category, the start of the reduction happens 5 years after the entry into force of the Agreement. For the first 5 years of the Agreement, there will not be any lower/preferential tariffs available.
- d) 'E7' – originating goods under this category will have their associated tariffs reduced gradually over a period of 7 years, and with the same amount of reduction each year, until all tariffs are removed in year 7 of the Agreement. The start of the reduction is from the entry into force of the Agreement.
- e) 'E10' – originating goods under this category will have their associated tariffs reduced gradually over a period of 10 years, and with the same amount of reduction each year, until all tariffs are removed in year 10 of the Agreement. The start of the reduction is from the entry into force of the Agreement.
- f) 'E10 (99%)' – originating goods under this category (platinum group metals) will have their associated tariffs reduced gradually over a period of 10 years, and with the same amount of reduction each year, until all tariffs are removed in year 10 of the Agreement.

However, this arrangement only applies if the goods contain at least 99% platinum by weight.

- g) 'R0 to 2.5% end duty' – originating goods under this category will have their associated tariffs reduced to 2.5% from entry into force of the Agreement.
- h) 'R0 to 5% end duty' – originating goods under this category will have their associated tariffs reduced to 5% from entry into force of the Agreement.
- i) 'R0 to 50%' – originating goods under this category will have their associated tariffs reduced to 50% of their base rate from entry into force of the Agreement. For a good that has a base rate of 10%, this arrangement will see tariffs being reduced to 5% (i.e. 50% of 10%).
- j) 'R5 to 5% end duty' – originating goods under this category will have their associated tariffs reduced gradually over a period of 5 years, and with the same amount of reduction each year, until the tariff rates reach 5% in year 5 of the Agreement. The start of the reduction is from the entry into force of the Agreement.
- k) 'R5 to 50%' – originating goods under this category will have their associated tariffs reduced gradually over a period of 5 years, and with the same amount of reduction each year, until the tariff rates reach 50% of the original base rate in year 5 of the Agreement. The start of the reduction is from entry into force of the Agreement. For a good that has a base rate of 20%, this arrangement will see tariffs being reduced by 2% each year, until the base rate reaches 10% by year 5 (i.e. 50% of 20%).
- l) 'R5 to 75%' – originating goods under this category will have their associated tariffs reduced gradually over a period of 5 years, and with the same amount of reduction each year, until the tariff rates reach 75% of the original base rate in year 5 of the Agreement. The start of the reduction is from entry into force of the Agreement.
- m) 'R5 to 50% (EIF+5)' – originating goods under this category will have their associated tariffs reduced gradually over a period of 5 years, and with the same amount of reduction each year, until the tariff rates reach 50% of the original base rate in year 5 of the Agreement. This is because the start of the reduction happens 5 years after the entry into force of the Agreement, meaning there are no changes to tariffs until year 6 of the Agreement.
- n) 'R10 to 40%' – originating goods under this category will have their associated tariffs reduced gradually over a period of 10 years, and with the same amount of reduction each year, until the tariff rates reach 40% of the original base rate in year 10 of the Agreement. The start of the reduction is from entry into force of the Agreement.
- o) 'R10 to 50%' – originating goods under this category will have their associated tariffs reduced gradually over a period of 10 years, and with the same amount of reduction each year, until the tariff rates reach 50% of the original base rate in year 10 of the Agreement. The start of the reduction is from entry into force of the Agreement.
- p) 'R10 to 70% end duty' – originating goods under this category will have their associated tariffs reduced gradually over a period of 10 years, and with the same amount of reduction each year, until the tariff rates reach 70% in year 10 of the Agreement. The start of the reduction is from the entry into force of the Agreement.
- q) '75%, R10 to 40%' – originating goods under this category (bottled and bulk whisky) will have their associated tariffs reduced to 75% from entry into force of the agreement. The tariffs will then reduce gradually over a period of 9 years, starting from year 2 after entry into force of the Agreement, until the tariff rates reach 40% in year 10 of the Agreement.
- r) '110%, R10 to 75%, MIP 5' – originating goods under this category (other alcoholic spirits in bulk) will have their associated tariffs reduced to 110% from entry into force of the Agreement. The tariffs will then reduce gradually over a period of 9 years, starting from year 2 after entry into force of the Agreement, until the tariff rates reach 75% in year 10 of the Agreement. However, the preferential rates will only apply if the imported product has a cost, insurance and freight (CIF) value of at least US \$5 per litre.

s) '110%, R10 to 75%, MIP 6' – originating goods under this category (other alcoholic spirits, bottled) will have their associated tariffs reduced to 110% from entry into force of the Agreement. The tariffs will then reduce gradually over a period of 9 years, starting from year 2 after entry into force of the Agreement, until the tariff rates reach 75% in year 10 of the Agreement. However, the preferential rates will only apply if the imported product has a CIF value of at least US \$6 per 750 millilitres.

t) 'TRQ – ICE', 'TRQ – EV', and 'TRQ-Trucks' – originating goods under these categories will be subject to the respective Tariff Rate Quotas (TRQs) and conditions as set out in the Agreement by India.

u) 'Exclusion' – goods under this category are excluded from any tariff elimination or reductions under this Agreement.

6.23 In comparison to India, the UK only has 3 different staging categories:

a) 'A' – originating goods under this category will have their associated tariffs fully removed on the date of entry into force of the Agreement.

b) 'TRQ' – originating goods under this category will be subject to the respective Tariff Rate Quotas (TRQs) and conditions as set out in the Agreement by the UK.

c) 'U' – goods under this category are excluded from any tariff elimination or reductions under this Agreement.

Tariffs on Agri-food Products

6.24 There are a number of agri-food products exported to India from Wales which may be able to benefit from tariff reductions as part of the Agreement. Indian tariffs on whisky and gin will be reduced from 150% to 75% at entry into force, before a phased reduction to 40% by year ten of the Agreement.

6.25 Indian tariffs will also be reduced on other agri-food products with potential for Welsh producers such as lamb where the tariff will be reduced from 33% to 0% on entry into force.

6.26 Further Indian tariffs will be reduced on confectionery and chocolate items which will be eliminated by seven equal annual reductions beginning on the date of entry into force of the agreement. Tariffs on soft drinks will be eliminated from the current rate of 33% to zero by five equal annual reductions beginning on the date of entry into force of the Agreement.

6.27 The UK has agreed to lower UK tariffs on imports of frozen food from India. The Agreement also agrees to liberalise tariffs on dairy imports from India. Although India is the world's biggest dairy producer it has limited export health certificates for dairy products into the UK.

6.28 However, the UK has excluded sugar, pork, chicken and eggs from the UK tariff reductions.

Tariffs on Industrial Products

6.29 The most notable tariff reductions on industrial goods relate to automotive, where headline Indian tariffs of up to 110% will reduce to 10%, over a 5 or 10 year staging depending on the type of vehicle concerned. However, the tariff reductions also operate under a Tariff Rate Quota (TRQ), which means that only a certain number of cars can be exported from the UK to India and qualify for the lower tariff rates each year. Cars that are exported beyond the specified quota will still benefit from some tariff reduction by India, although the tariff rates here will be much higher compared to the tariff rates on offer within the allowed quota.

6.30 For example, under the first year of the Agreement, UK petrol or diesel cars with engines above 3000cc and diesel cars with engines above 2500cc will see tariffs reduced from 110% to 30%, but only for 10,000 vehicles. In contrast, smaller cars (petrol engines between 1500cc and 3000cc, and diesel engines between 1500cc and 2500cc) will see tariffs reduced from 66% to 50%, but only for

5,000 vehicles. The out-of-quota tariff rates for the larger cars would be 95% (reducing to 50% by year 10), whilst for the smaller cars it would be 60% (reducing to 45% by year 10).

- 6.31 The tariff reductions on zero emissions (electric, hybrid or hydrogen) vehicles do not happen until year 6 of the Agreement, when tariffs will reduce from 110% to 50% (for vehicles with a CIF value between £40,000 and £80,000) but for 400 cars. For those zero emissions vehicles with a CIF value above £80,000, the tariffs will reduce from 110% to 40% for 4000 cars. Unlike for petrol and diesel vehicles, there is no out-of-quota tariff rates available for zero emissions vehicles, meaning that for those vehicles that are imported beyond the quota will have to pay the standard tariff rate i.e. 110%.
- 6.32 Although the overall reduction in tariffs should be welcomed by the automotive industry, the staging and length of time of the tariff reductions potentially means that actual benefits may not be recognised for a good number of years until after entry into force of the Agreement. Furthermore, the related quota volumes attached to the tariff reductions, means that there is a ceiling that would inhibit any growth ambitions on automotive trade between UK and India.
- 6.33 For Wales, we would expect the reduction in tariffs on automotive to have more of an indirect benefit for the majority of our automotive businesses as they start to sell more automotive parts and components to end vehicle manufacturers either based in Wales (such as Aston Martin) or elsewhere in the UK (such as Jaguar Land Rover) that then go on to export to India. Aston Martin themselves may be able to take advantage of the lower tariffs available.
- 6.34 The India tariff reductions on other industrial goods, particularly those on machinery and electronics, should be of benefit to our Welsh advanced manufacturing sector. Many commodities under this sector should see their associated tariffs either eliminated on entry into force of the Agreement, or eliminated after 5 to 10 year staging.
- 6.35 Welsh manufacturers and exporters of medical devices and equipment can also see a tariff reduction from current tariffs of up to 13.75% either eliminated on entry into force of the Agreement, or

after a period of staging. However, for some specific devices (such as pacemakers), the tariffs would not be fully eliminated but rather reduce to 50% of the current base rate over 5 years to see a final tariff of around 6.9%.

- 6.36 The reduction of Indian tariffs (currently around 22%) on cosmetics and toiletries, with many fully eliminated after 10 years, will help to support the growth of the Welsh consumer products and cosmetic/skincare exporters.
- 6.37 In return for the various tariff reductions offered by India, the UK has agreed to fully liberalise tariffs for India originating industrial goods, except for a TRQ arrangement for automotive vehicles.
- 6.38 This liberalisation of UK tariffs will likely potentially see an increase in competition within the UK domestic market for Welsh manufacturers, particularly if similar products can be sold by Indian exporters at a lower price due to the lower production costs available in India.

Chapter 3 – Rules of Origin

- 6.39 For goods to benefit from the tariff reductions agreed under CETA, they must meet the agreed rules of origin (ROO) arrangements to show that they are originating from either the UK or India.
- 6.40 Goods that cannot meet the ROO arrangements cannot access the preferential tariffs, and as a result will be subjected to the respective WTO MFN tariffs which will be higher than those agreed as part of the Agreement. MFN tariffs are tariffs imposed on goods by a country with all trading partners, unless there is an agreed trade agreement in place.
- 6.41 ROO arrangements help to ensure that only originating, and sufficiently processed, goods can make use of the preferential tariffs available under CETA. ROO stops goods from being simply imported (transhipped) into the UK or India from elsewhere and then re-exported to UK or India to take advantage of the lower preferential tariffs available.

6.42 ROOs are one of the main non-tariff barriers to trade for businesses, especially if they are overly complex and difficult to navigate (especially when considering the associated administration and compliance).

6.43 In other FTAs that the UK has secured with trade partners, businesses may have opted not to use the preferential tariffs (especially if the difference between the MFN and preferential tariff rate is minimal) due to the difficulties involved with meeting ROO arrangements and the cost (in time and finance) implications involved in completing the various documentations.

6.44 However, due to the high rate of MFN tariffs that India has in place across all goods, businesses will likely find it worthwhile to undertake the work, despite the possible additional cost and time involved with meeting the ROO arrangements, in order to access the much lower preferential tariff rates available under CETA. This would be particularly the case once the Agreement has been in force for a number of years, and tariffs are either fully eliminated or significantly lower when compared to the MFN tariffs imposed by India.

6.45 Under CETA, goods qualify as 'originating' provided that they are wholly obtained (e.g. grown or extracted) or produced entirely from materials and/or ingredients that come from within the UK or India. Goods can also count as originating if any non-UK/India materials and ingredients used satisfies the Product Specific Rules (PSRs) that have been agreed. The Agreement also includes a bilateral cumulation arrangement where UK originating materials and ingredients can be considered India originating, and India originating materials and ingredients can be considered UK originating. Due to the nature of suppliers and supply chains in Welsh manufacturing, we would expect most of our exporters to be reliant on the PSRs to access the preferential tariffs when exporting to India. This is because PSRs can permit materials and contents from the EU and the rest of the world to be used in the production process, and have

the final good qualify as UK (or India) originating, as long as the required specific conditions are met.

6.46 Further considerations around PSRs for Welsh businesses are detailed below.

6.47 Due to the difficulties that can come with meeting ROO, especially for SMEs, the Agreement provides some flexible arrangements in the form of tolerance thresholds that allow small amounts of non-originating materials and contents to be used and not breach the terms of the Agreement. The thresholds differ depending on what type of good is being exported:

- For goods in HS (Harmonised System) chapters⁸ 01-03, 05-06, 10 and 14 (mostly animal and plant products), the threshold allows for non-originating materials to make up:
 - No more than 7.5% of the total value of the final good, or
 - No more than 7.5% of the net weight of the final good.
- For goods in HS chapters 04, 07-09, 11-13 and 15-24 (mostly food and agricultural products), the threshold allows for non-originating materials to make up:
 - No more than 12.5% of the total value of the final good, or
 - No more than 12.5% of the net weight of the final good.
- For goods in HS chapters 25-98 (industrial/manufactured goods), the threshold allows for non-originating materials to make up:
 - No more than 12.5% of the total value of the final good.

6.48 Based on the thresholds, a Welsh cake (HS chapter 19) may not meet the agreed ROO arrangements (e.g. if the sugar and sultanas come from outside of the UK and/or India). However, if the non-originating ingredients make up less than 12.5% of its total value or weight, then it can still be considered UK originating for the purposes of accessing the preferential tariffs available.

⁸ <https://www.business.gov.uk/export-from-uk/learn/categories/selling-across-borders-product-and-services-regulations-licensing-and-logistics/get-your-goods-into-the-destination-country/using-commodity-codes/>

- 6.49 Another important flexible arrangement secured in the Agreement relates to being able to use non-originating materials and have them qualify as originating, provided that those non-originating materials have undergone further production and 'transformed' to become originating. In addition, the value of local (i.e. UK or India) processing used to make or modify the non-originating material can also count towards helping the final product to meet the agreed ROO. Essentially, this arrangement means that once non-originating materials are processed enough to meet the originating rules, that component part or input can be treated as being 100% originating in any further downstream production.
- 6.50 For example, non-originating crankshafts could count as originating in the production of engines so long as those crankshafts undergo further production – perhaps say where the final machining and precision grinding is undertaken in the UK or India.
- 6.51 The Agreement contains a list of 'non-qualifying operations' where local input and processing will not count as originating. This list helps to ensure only high value processed goods can access the preferential tariffs and limits the potential for others to abuse the Agreement through the creation of simple processing operations either in the UK or India.
- 6.52 As with most FTAs, there is an agreement that both the UK and India will ensure goods retain their originating status when being transported, provided no further production or alteration take places (although there are allowances to account for arrangements that happen under customs control, such as labelling and bottling enroute, which should be of benefit to Welsh drinks and beverages exporters).
- 6.53 Apart from the rules themselves, the chapter outlines the administrative procedures that importers and exporters will need to comply with on ROO. This includes the documentation that can be used to prove the origin of a good (and how it complies with the rules).
- 6.54 For UK importers (goods coming into the UK from India), they can use an origin declaration from either the exporter or producer, a certificate of origin from an issuing/recognised authority, or an importer's own knowledge that the good qualifies as originating. For India importers (goods coming into India from the UK), only an origin declaration from either the exporter or producer is allowed. The agreed proof of origin arrangements provides India businesses with more flexibility, potentially making it easier for India imports to come into the UK compared to UK imports into India. The importer's knowledge requirement is particularly useful as this removes the need for formal certificates of origin or origin declarations, which is an added layer and cost, although importers must hold the relevant evidence i.e. have it in their possession to access and show how it complies with ROO requirements.
- 6.55 Certificates of origin or origin declarations must also be valid for at least 12 months, submitted to the relevant customs authority in written format using the English language in an agreed format, and accompanied by the associated invoice or another commercial document that describes the goods in detail. The certificate or declaration can apply to a single shipment of goods, but for UK importers only (goods from India), one certificate or declaration can cover multiple shipment of identical goods over a 12-month period.
- 6.56 Unlike previous FTAs (Australia, New Zealand), businesses will be required to use a mandatory structure (template) for either certificates of origin or origin declarations. In some regards, this can be seen as a useful inclusion as it provides businesses (particularly smaller businesses) with more clarity on what type of information is required as part of the ROO arrangements and procedures.
- 6.57 As part of the proof of origin process, India will also need to verify and check the authenticity of any origin declarations before they will grant any preferential tariffs available. This authentication process will be implemented upon entry into force of the Agreement. In contrast, the UK will not require prior verification/authentication before granting preferential tariffs.
- 6.58 The UK has also granted an exemption over the need to provide proof of origin requirements (i.e. certificates or declarations) for low value goods being imported from India. Goods imported from India under the value of £1000 will not need to provide a proof of origin

(although this rule will not apply if customs authorities suspect manipulation where goods are being purposely divided into small shipments to stay under the £1000 criteria).

- 6.59 India has not granted this exemption to UK businesses, meaning UK goods of low value will still need to provide the relevant origin declaration. The exemption rule will need to be carefully monitored to ensure that no fraudulent activity or misuse/overuse that would potentially be detrimental to UK and Welsh businesses.

Product Specific Rules (PSRs)

- 6.60 As forementioned, PSRs can allow for non-originating materials and contents to be included in the final product, provided that specific conditions are met.

- 6.61 The PSRs in CETA are more restrictive when compared to those in the UK-Australia FTA and UK-New Zealand FTA. For instance, under CETA, there are a number of “combined rules” which require a change in tariff classification, as well as a Qualifying Value Content (QVC) requirement.

- 6.62 The PSRs in the CETA include:

- “CC” (Change of Chapter) – this means the final good cannot be classified under the same HS chapter as the non-originating materials for it to qualify as originating i.e. the final good must be in a different HS chapter (first 2 digits of the HS code) than the non-originating materials.
- “CTH” (Change of Tariff Heading) – this means that, to qualify as originating, the final goods cannot have the same tariff heading as any of the non-originating materials i.e. the final good must have a different HS code at the 4-digit level than the non-originating materials.
- “CTSH” (Change of Tariff Sub-heading) – this means that, to qualify as originating, the final goods cannot have the same tariff sub-heading as any of the non-originating materials i.e. the final good must have a different HS code at the 6-digit level than the non-originating materials.

- 6.63 These PSRs are relatively straightforward to understand for businesses since they are based on HS commodity codes and are objective without needing detailed calculations (essentially if the HS commodity codes change, the final good could qualify as originating). However, businesses will still need to ensure they are familiar with their supply chains and where non-originating materials are coming from.

- 6.64 CETA also includes PSRs based on “QVC” (Qualifying Value Content). QVC refers to the minimum percentage of the good’s value that must come from within a trade region (in this case UK or India). It is similar to, but not completely the same as, “RVC” or Regional Value Content that can be found in the UK’s other FTAs. QVC is used together with the agreed calculation methods of ‘build-up’ or ‘build-down’.

Build down method:

$$QVC = \frac{\text{Value of Good} - \text{Value of Non - Originating Materials}}{\text{Value of Good}} \times 100$$

Build up method:

$$QVC = \frac{\text{Value of Originating Materials}}{\text{Value of Good}} \times 100$$

- 6.65 In addition to considering which calculation methods to use, businesses will also need to consider the method for determining the value of their good based on either the ‘ex-works’ price or the ‘free on board value’. The meaning of these two terms can be found in the full treaty text.

- 6.66 Although we would expect most businesses to be able to use the QVC rule and have their good qualify as originating, the practicalities of administering the rule may be too resource intensive resulting in a lack of utilisation of CETA when it is in force.

- 6.67 Although PSRs help to account for the global supply chains and cross border manufacturing processes for our businesses, PSRs (and ROOs) are complicated and must be followed correctly to avoid

potential penalties by authorities for any errors. This creates a challenge for businesses, especially first-time exporters.

- 6.68 Business understanding of the methods (build-down, build-up) to work out the QVC of their goods will need to be adequately supported by UK authorities going forward to ensure businesses can benefit from the preferential tariffs available.
- 6.69 ROO arrangements and processes are one of the most complex and resource intensive elements to any FTA, and CETA is no exception. Industry and businesses will need to ensure that they are familiar with the rules on originating goods, including any relevant product specific rules, as well as the documents and procedures around how origin must be declared. This will include using the correct format and structure for certificates and declarations, the agreed length of time for record keeping and the verification of origin (audit) process that will be used by respective customs authorities to authenticate claims. Cases of non-compliance, incorrect documentation and/or inaccurately declared origin are subject to potentially high penalties.
- 6.70 Businesses need to be mindful of the differences in the ROO arrangements between this FTA and FTAs that the UK has with other countries and regions.
- 6.71 ROOs are often unique to a particular agreement and, although there are similarities, businesses must always ensure that they use the correct rules for the trade agreement they wish to use. Inaccurate use of rules will be non-compliant and subject to non-preferential tariff rates where they exist, as well as potential financial penalties by customs authorities.
- 6.72 This analysis has been carried out at a high level and will not have considered any unique arrangements on specific products or all available goods. Businesses should always seek expert advice and guidance on how the specific arrangements affect their product, if they wish to make use of preferential tariffs under this Agreement when trading with India.

Chapter 4 – Trade Remedies

- 6.73 Trade remedies are actions that are available for governments to take in response to unfair trading practices or substantially harmful import surges in goods.
- 6.74 Trade remedies are underpinned by three separate WTO Agreements: Agreement on Safeguards, Agreement on Subsidies and Countervailing Measures, and the Agreement on the Implementation of Article VI (more commonly known as the Antidumping Agreement).
- 6.75 Safeguard measures, available under the Agreement on Safeguards, allows tariffs to be applied on certain goods in response to sudden and substantial increases of those goods from other countries. Countervailing measures, available under the Agreement on Subsidies and Countervailing Measures, allows for tariffs to be put in place to protect domestic producers from the import of heavily subsidised goods. Anti-dumping measures, available under the Anti-Dumping Agreement, allows for tariffs to be imposed in response to the dumping of goods (i.e., when exporters are selling goods at a much lower price than offered domestically, or at prices that are unprofitable).
- 6.76 The chapter affirms both countries' rights and obligations under the three WTO Agreements, meaning the commitments and obligations the UK and India have already agreed to under those Agreements will form part of this FTA. Before the bilateral safeguard mechanism, or indeed any trade remedy measure, can be implemented, the UK and India must comply with international rules related to certain procedures (such as notifying the other country or WTO members at certain stages of an investigation) and carrying out an evidence-based investigation to determine whether the unfair practice/import surge is damaging domestic industries.
- 6.77 In addition to the WTO commitments, the chapter sees the UK and India agree to the inclusion of a bilateral safeguard mechanism (bilateral safeguard measures do not fall within the remit of the WTO). This mechanism will allow the UK or India to temporarily increase tariffs or suspend tariff concessions if the tariff liberalisation

agreed in CETA leads to a surge of imports that causes or threatens to cause serious injury to domestic industry. This temporary measure will primarily be used to help industry to adjust to the new market conditions of the Agreement.

- 6.78 The bilateral safeguard mechanism also allows the UK and India to apply a provisional measure before conducting a full investigation in critical circumstances where a delay would cause damage that would be difficult to repair. However, the required investigatory procedures would still need to be undertaken once the provisional safeguard is applied, and if the investigation found that a definitive measure was not justified, the relevant Party would need to refund any provisional duties collected accordingly.
- 6.79 A Party applying a bilateral safeguard measure must consult the other Party to agree compensation to the affected party within 30 days of the safeguard coming into force. If compensation is not agreed, then the affected Party can unilaterally suspend concession to counteract the measure. However, this right to take action cannot be exercised for the first two years that the bilateral safeguard measure is in effect.
- 6.80 Ultimately many of the obligations and commitments secured and agreed under this chapter replicate those that are already available under the WTO Agreements.
- 6.81 Trade remedy investigations are usually opened following a request and evidence submitted by the domestic industry impacted (some countries can also open investigations on their own initiative, but this also requires sufficient evidence) and measures are applied by governments following an investigation by their investigatory authorities. Therefore, UK and Welsh businesses in all sectors will need to familiarise themselves with how trade remedies work, and how to raise a case for trade remedies to be taken by UK government against unfair competition or import surges from within and outside of FTAs.

Chapter 5 – Customs Procedures and Trade Facilitation

- 6.82 This chapter contains provisions as to how the UK and India will improve and simplify customs procedures to benefit trade.
- 6.83 UK and India have agreed to simplifying customs procedures in a number of ways which could be helpful to Welsh businesses trading with India. These include being able to defer payments of customs duties until after the release of imported goods, enabling the payment of customs duties to cover multiple imports at periodic intervals, and the use of a guarantee with a reduced amount or a waiver from the use of a guarantee.
- 6.84 Both Parties have also agreed to publish online or make publicly available their respective customs laws, regulations, and procedures. However, as there is no agreement that such publication must be in the English language (although there is a provision to publish in English whenever and practicably possible), businesses may still find it difficult to locate and interpret the relevant customs information published by India. The agreement to establish or maintain an enquiry point to deal with customs enquiries may help to alleviate some of these issues for businesses.
- 6.85 UK and India will ensure that they have respective electronic systems in place that will help to ease the administrative and financial burden of dealing with customs controls for businesses, and to facilitate the rapid release of goods. However, as there is no commitment on ensuring interoperability between both Parties' electronic customs systems (only a commitment to try and cooperate in the development of one), businesses may potentially still have to submit the same information and deal with multiple systems.
- 6.86 Although there is an agreement on the release of non-perishable goods within 48 hours of arrival, this is seen as a soft commitment, where both Parties will try to release such goods in the timeframe specified.
- 6.87 Similarly, there is no real commitment made on the timeframe for the release of perishable goods, only that both Parties will do so 'in the shortest time possible' subject to all of the required

documentary and regulatory checks. A timescale for the release of perishable products would have given exporters of perishable items, particularly food products, with more certainty that potentially makes Welsh suppliers of perishable products more attractive to the Indian market. Although Parties have agreed to set internal targets on the release of perishable goods, this provides no practical benefits for businesses (although the targets offer an avenue for raising concerns with Indian authorities by UK government).

- 6.88 UK and India have agreed to issue advance rulings to do with tariffs, origin and customs charges to applicants. This should help businesses from both Parties to understand what their customs charges are on their goods before they decide to export/import such goods. However, businesses in Wales and the UK will need to be aware, that unlike some of the UK's other FTA partners, India may charge a fee for this service. The UK does not charge a fee for this service.
- 6.89 Whilst having more efficient and transparent procedures at a federal level may be helpful for businesses, there are no agreements on dealing with different state level procedures and processes (or any commitment to ensure state customs authorities align with federal customs authorities). Feedback from stakeholders indicates that state-level customs arrangements are often a major barrier for businesses trading with India as decisions about goods entry and charges are reported to be unpredictable and inconsistent.

Chapter 6 – Sanitary and Phytosanitary (SPS) Measures

- 6.90 The inclusion of a chapter detailing agreement between the UK and India on SPS measures affecting trade in plant products and products of animal origin and any product in scope of SPS measures is welcomed by the Welsh Government.
- 6.91 While the objectives of the chapter in a number of areas are focused on enhancing co-operation rather than the more ambitious language that was secured in previous Free Trade Agreements we recognise that the chapter includes provisions that go further than any previous SPS chapter that India has agreed and welcome this being secured.

- 6.92 The Agreement retains the right of the UK to regulate our own standards across all aspects of SPS, and also that each Party has the right to determine whether or not to see each other's SPS measures and standards as equivalent, and to refuse the import of those goods produced to lower standards.
- 6.93 Producers in Wales meet some of the highest animal welfare regulatory standards in the world. Whilst the Welsh Government would prefer to see high ambition provisions on both Animal Welfare and anti-microbial resistance (AMR) included in stand-alone chapters, there is recognition that managing to secure any provisions on these issues in this agreement is a significant achievement.
- 6.94 The Welsh Government would have preferred to see a high standard of ambition in the provisions for both issues. This would include firm commitments to animal welfare standards and recognition of the threat that AMR poses and commitment to reduce and phase out the use of anti-microbial agents for non-medicinal purposes, including uses as growth promoters. Despite this, the provisions included will lead to increased cooperation on exchanging information and expertise on both of these issues. Despite this the provisions included will lead to increased co-operation on exchanging information and expertise on both of these issues which is welcomed by the Welsh Government and we look forward to the discussions on cooperation beginning and to contributing to them.

Chapter 7 – Technical Barriers to Trade (TBT)

- 6.95 The Technical Barriers to Trade (TBT) chapter does not change any of the UK's approach to standards and regulations, meaning that imported goods from India will continue to have to comply with the UK's high product standards, before they can be sold in the UK market. Likewise, UK goods accessing the Indian market will need to demonstrate that they can meet the standards and regulations of India.
- 6.96 The UK and India have reaffirmed their rights and obligations under the WTO TBT Agreement and their recognition of the role of international standards, guides and recommendations

in harmonising technical regulations, standards and conformity assessment procedures. This means that both Parties have restated their commitments and obligations contained within the WTO TBT Agreement, and that those commitments and obligations will form part of CETA as well. This is a recognised practice for FTAs and TBT Chapters, as this allows Parties to focus on agreeing provisions and obligations that go beyond the WTO TBT Agreement.

- 6.97 The UK and India have agreed to encourage their respective national standards bodies to cooperate on international standards, and that international standards should be used in the development of necessary technical regulations or conformity assessment procedures⁹. These approaches will align approaches to regulation to potentially reduce non-tariff barriers to trade.
- 6.98 CETA also contains encouragement for both Parties to support the creation and use of gender responsive standards in line with United Nations (UN) guidance. Currently there is a global recognition, especially by the UN, that industry standards are not reflective of the physical and physiological differences between genders. By encouraging their respective national standards bodies (British Standards Institute and Bureau of Indian Standards) to develop gender responsive standards, it aims to ensure gender-based characteristics like grip strength, physical dimensions, skin thickness, biological makeup, etc. are factored into any standards development. The Welsh Government would have liked to have seen a stronger commitment beyond encouragement (i.e. through commitments in approaches to regulation), but view this as a positive outcome which aligns with our values.
- 6.99 The chapter contains provisions that aim to reduce the administrative and financial burden that comes with complying with conformity assessment procedures. Such provisions include making information on fees associated with conformity assessment publicly available, and using international standards and WTO rules as the basis for

developing and administering such procedures. There are also agreements for both Parties to accept, whenever possible, the results from conformity assessment procedures as being equivalent. Both Parties have also agreed to recognise a range of mechanisms to help facilitate conformity assessments, including recognising a supplier's declaration of conformity (essentially self-declaration rather than independent third-party verification).

- 6.100 The chapter also contains an agreement by UK and India to allow for, if appropriate, the national treatment of conformity assessment bodies (NTCAB) in specific product sectors.
- 6.101 NTCAB effectively means that the UK will need to treat Indian conformity assessment bodies (CABs) on the same terms as UK conformity assessment bodies, allowing for India-based CABs to apply for accreditation and potential approval by the UK government (so long as they meet the relevant criteria and standards) to undertake Conformity Assessment Procedures (CAPs) against UK regulations. Conversely, UK CABs will need to be treated the same as India CABs by India. NTCAB can help reduce the time and costs associated with trade for exporters between UK and India, as it allows them to use CABs in their own country.
- 6.102 The UK already offers NTCAB for countries that are members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- 6.103 It is important to note that in India, anyone can set themselves up to be an accreditation body and "accredit" CABs to undertake CAPs.
- 6.104 Food and drink exporters may benefit from new and improved arrangements for marking and labelling products. For example, labels and corrections can be applied to products in custom warehouses or other areas in the country of import, they do not have to be applied in the country of origin as is currently the case.

⁹ Conformity assessment procedures are used to demonstrate that a product, service, process, system, body, or person meets specified regulatory requirements. This can involve activities like testing, inspection, and certification.

6.105 The scope of the chapter only applies to standards, regulations, and CAPs made by the central level of government (i.e., UK government). Therefore, standards, regulations, and CAPs made by devolved and state level governments do not necessarily need to comply with the agreed provisions under this chapter (although in reality, devolved and state level governments will be complying with many if not all of the agreed commitments).

Chapter 18 – Subsidies

6.106 This chapter puts in place the rules and commitments that tries to ensure a level playing field in the use of subsidies by UK and India.

6.107 Subsidies are incentives given by governments to individuals or businesses in the form of cash, grants, or tax breaks that aim to improve the supply of certain goods and services. It could also refer to subsidised loans, free/cheap guarantees, and provision of goods at below market value (such as low cost/free land made available to developers).

6.108 Subsidies are used by governments for several purposes ranging from addressing market failures to supporting innovation and growth. All governments use subsidies as a tool to aid their economies. However, depending on the type of subsidies, and their value and intervention, they can contribute towards undermining international trade by creating uneven economic conditions for businesses operating across different countries.

6.109 The chapter seeks to mitigate against this potential uneven playing field issue through both Parties reaffirming their commitments for this area under the relevant WTO Agreements (specifically the Agreement on Subsidies and Countervailing Measures (SCM Agreement), and Article XVI of the General Agreement on Tariffs and Trade). This includes what both Parties will define and recognise as being a subsidy. Through reaffirming shared principles on the use of subsidies, there is a recognition that subsidies can be useful to achieve public policy objectives, but which have the potential to distort the proper functioning of markets and undermine the benefits of trade liberalisation under CETA.

6.110 The obligations put in place to do with transparency and consultations provide additional opportunities for both Parties to identify and ‘challenge’ any misappropriate use of subsidies should they occur (although the obligations will not necessarily stop misappropriate use of subsidies from happening).

6.111 As the chapter only applies to the trade in goods, subsidies provided to the services sector are excluded from the obligations agreed. However, there are subsidy consultation provisions contained in the Trade in Services and Financial Services chapters that offer the ability for both Parties to request consultations if it believes they are being adversely affected by a services subsidy of the other Party. Subsidies related to the agricultural, fisheries or aquaculture sectors are also excluded from the scope of the chapter. The chapter also provides for the Parties to consult each other in light of any developments of new rules at the WTO, with a view to their incorporation into the chapter (although this would still have to remain within the existing scope of the chapter e.g. new rules related to agriculture or fisheries would not be included). In addition, a similar review clause can be found in the financial services and trade in services chapters, for the Parties to review treatment of services subsidies in light of any developments in disciplines agreed at the WTO.

6.112 In addition, the chapter also does not apply to a subsidy if the total amount is below 18 million Special Drawing Rights (SDRs) over a period of two consecutive years. This equates to £16.3 million at time of writing this report. SDRs are units of account, used by the International Monetary Fund. SDRs are not a currency, and their value is based on a basket of five currencies. Therefore, even though this inclusion is welcomed in the chapter, the high threshold effectively means that nearly all subsidies are out of scope with perhaps the exception of major infrastructure projects.

6.113 Furthermore, as dispute settlement is not applied to the chapter, this chapter is arguably reduced to reinforcing WTO commitments, rather than providing any genuine mechanisms to ensure the effective challenge and address of any misappropriate subsidies being used by either party.

Trade in Services

Investment

- 6.114 In the early stages of negotiations, both the UK and India agreed that there would be no investment chapter within the final Agreement. Instead, both Parties agreed to negotiate a separate Bilateral Investment Treaty (BIT) which seeks to protect investors from discrimination, unfair treatment, and from having their assets expropriated without compensation at fair market value.
- 6.115 Whilst negotiations for CETA have concluded, both Parties have not yet been able to reach an outcome on the BIT.
- 6.116 The UK is a significant capital exporter globally, with its total stock of Foreign Direct Investment (FDI) in India totalling £17.5 billion at the end of 2023¹⁰. A new BIT would help to ensure that investments are treated lawfully and protected against unfair or arbitrary action.
- 6.117 A BIT between the UK and India entered into force in 1995. However, following a change in India's approach to international investment treaties, India unilaterally terminated the majority of its BITs, including its BIT with the UK. India's aim was to replace the treaties with agreements that struck a better balance between investor rights, regulatory space, and investor responsibilities. Pursuant to the provisions in the BIT, UK investors with existing investment in India when the treaty's termination came into effect are still protected by the BIT until 2032. However, any investment made after that date is not protected.
- 6.118 Instead of a full investment chapter, there are some investment facilitation provisions woven throughout CETA. In addition, the UK and India governments are subject to structured consultations and binding dispute resolution panels as detailed in Chapter 29 of CETA.

- 6.119 Welsh Government officials will continue to monitor the UK government's BIT negotiations with India to understand the risks and opportunities for Wales arising from any agreement reached.

Chapter 8 – Trade in Services

- 6.120 The trade in services chapter sets out rules governing trade in services between service suppliers and recipients in India and the UK. Market access commitments and the treatment businesses from India and the UK can expect to receive in each other's country due to CETA are detailed. There are three annexes which must be read carefully in conjunction with the chapter text to determine how far a specific sector, i.e. accountancy or engineering services, is covered under each provision.
- 6.121 The chapter includes:
- Market access provisions preventing Parties from placing restrictions on services suppliers in listed sectors (Annex 8B) including quotas, economic need tests and local employment requirements.
 - National Treatment provisions (Annex 8B) and MFN provisions (Annex 8C) mean that Parties cannot discriminate against service suppliers in listed sectors in favour of their own domestic suppliers.
 - A professional services annex (Annex 8A) which encourages mutually interested UK and Indian relevant bodies to enter into negotiations on agreements or arrangements for recognition of professional qualifications. This includes encouraging dialogues between regulators and the establishment of a Working Group on Professional Services to monitor and facilitate progress.
 - Articles which establish a Subcommittee on Trade in Services to review and monitor the implementation and operation of this chapter and of Financial Services, Temporary Movement of Natural Persons, Telecommunications, and Digital Trade chapters.

The Subcommittee will also consider ways to further enhance trade between the Parties in the areas covered by the relevant Chapters.

Business sectors covered

a) Engineering, accounting and auditing services

- 6.122 It is positive that important sectors of strength for Wales including engineering and accounting services are covered within the Indian schedule with minimal restrictions placed on market access.
- 6.123 However, in several other sectors of strength for the UK, India has restricted or placed caveats on market access. For example, auditing services are listed, but cross-border supply of these services is unbound. This means that India could introduce or maintain law or regulations to limit market access or national treatment it affords to UK auditing businesses in the future.
- 6.124 In context, UK imports of services from India has seen growth of 13.3% in 2024 to £15.9 billion, according to data from the Office of National Statistics, while growth in services exports to India was more modest at 1.7% to £10.6 billion¹¹. It is therefore understandable that India is seeking to protect some potentially sensitive domestic services sectors within the Agreement.

b) Legal Services

- 6.125 Whilst the UK has taken market access commitments on legal services in its schedule, India has not taken any reciprocal commitments. This outcome is disappointing for the UK, given the importance of the legal services industry to its reputation in international trade. However, significant liberalisation of the Indian legal services sector had already been announced in March 2023, when the Bar Council of India (BCI) said that it would allow for the

establishment of foreign lawyers and law firms in India¹². Changes to regulations which aim to clarify the framework under which foreign lawyers and law firms can operate, were then announced in May 2025¹³. Implementation of these new rules will enable foreign lawyers and foreign law firms to practice foreign law, international law, and international arbitration matters in India on the principle of reciprocity¹⁴ although trade barriers including cost and other potential restrictions may remain in place.

- 6.126 Further liberalisation within CETA would therefore have been highly desirable from the UK's perspective. For context, the recent changes to the Indian legal services sector were announced after more than two decades of discussion between the Law Society and the BCI.

Benefits

- 6.127 The main benefit arising from this chapter is that covered services businesses in Wales already exporting to, or with a commercial presence in, India will have more certainty about trading arrangements. For example, it is positive that the Indian government (central, regional and local governments and authorities) will be required to publish information about any measures (laws or regulations) they decide to take forward affecting trade in services. It is also positive that the obligation to publish such measures will be subject to dispute settlement provisions under the Agreement as it will make it easier for the UK and India to raise any issues should the other Party fail to comply with the transparency obligations.
- 6.128 Such transparency provisions could increase confidence amongst Welsh businesses to consider exploring the Indian market, especially SMEs, as they may be able to compete with Indian firms on fairer terms than is currently possible.

¹¹ <https://assets.publishing.service.gov.uk/media/693ffafd5cc812f50aa421b8/india-trade-and-investment-factsheet-2025-12-17.pdf>

¹² [India opens its legal market to foreign players – Marsans Gitlin Baker](#)

¹³ [Press Release Dated 14.05.2025 | Bar Council of India](#)

¹⁴ [Decision to publish regulations on foreign lawyers in India welcomed | The Law Society](#)

Chapter 9 – Financial Services

- 6.129 Financial services and financial technology (FinTech) are important and growing sectors for Wales. It is therefore positive that CETA provides rules and commitments to support companies to deliver cross-border financial services to clients in India and the UK. Welsh companies should assess Annex 9A of the Agreement for the specific services commitments, of each party, particularly the market access and national treatment limitations listed.
- 6.130 Financial businesses based in a host country can outsource their back-office functions in certain circumstances, provided that respective domestic requirements of the host country are met.
- 6.131 Sectors of strength for the UK such as the insurance sector are restricted by market access and national treatment restrictions which are listed in the Indian schedule. These restrictions should be carefully considered by Welsh businesses looking to establish a presence in India.
- 6.132 In addition, many more modes of supply¹⁵ are listed as ‘unbound’ in the Indian schedule than in the UK schedule. This means that India will continue to be free to introduce or maintain laws or regulations that limit market access or national treatment or favour domestic firms over foreign firms in many financial services sector modes of supply. This reduces the likelihood that Welsh businesses will gain significantly higher levels of market access in practice.
- 6.133 It is positive that to help financial services companies navigate the regulatory environment, the Parties are obligated to publish their finance regulations in advance, where practicable, and provide reasonable opportunities for members to respond. However, it is important to note that more in-depth provisions on transparency detailed in Chapter 25 do not apply to this chapter.

- 6.134 This chapter supports innovation and collaboration in financial services, with commitments on the provision of new financial services. It is positive that the CETA also commits the UK and India to cooperate on issues such as FinTech, Regulatory Technology¹⁶ (RegTech) and other areas of new and emerging technology and to share best practice to promote diversity in financial services and the financial services industry.
- 6.135 However, the chapter does not establish a specific financial services subcommittee, instead, the Subcommittee on Trade in Services will be responsible for the implementation and operation of the chapter. Having a specific financial services subcommittee would have been preferable, to ensure cooperation on issues including FinTech and emerging issues is prioritised.

Chapter 10 – Temporary Movement of Natural Persons

- 6.136 CETA will make it easier for UK and Indian service providers and investors in covered sectors to travel and work temporarily in each other’s country. This is positive as it could provide Welsh service providers and investors in covered sectors with smoother access to India when travelling for business, potentially leading to new trading opportunities.
- 6.137 The Chapter sets out how the Parties will facilitate temporary entry into their countries for certain categories of businesspersons. For Indian visitors temporarily working in the UK, the chapter applies to natural persons with Indian citizenship, whereas for UK visitors temporarily working in India, the chapter applies to natural persons with citizenship or permanent residents in the UK.
- 6.138 Annexes to the chapter set out each country’s specific commitments within schedules. The key point is that the UK and India have committed to allowing businesspersons in their ‘Business Visitors’ categories in covered sectors to enter without obtaining a work

¹⁵ The term ‘modes of supply’ refer to the four different ways in which services can be delivered across borders, as defined under the General Agreement on Trade in Services (GATS) by the World Trade Organisation (WTO). These modes describe the manner in which a service crosses a border or is provided internationally.

¹⁶ The use of advanced technologies to facilitate regulatory compliance.

permit or other prior approval. This will make it easier for certain types of Indian business visitors in covered sectors to travel to, and work in, the UK temporarily. It will also be easier for UK businesspeople in covered sectors to travel to, and work temporarily in India.

6.139 The schedules are not totally reciprocal. For example, India's commitments are more generous than the UK's commitments in the Business Visitor category, allowing natural persons 180-day stays compared to the UK's schedule which allows for 90-day stays in a 6-month period. In addition, the UK has a specific category for investors, allowing a stay not exceeding 1 year whereas India is less generous, providing for a 180 day stay with scope for extension within its business visitors category.

6.140 The chapter does not apply to measures affecting natural persons seeking access to the employment market of a Party or measures regarding citizenship, nationality, residence, or employment on a permanent basis. This aligns with the UK's broader immigration system and policies.

6.141 Commitments taken under business visitors, investors (UK-only category), intra-corporate transferees, and installer and servicer (India-only category) categories are made only in services that are within the scope of Chapter 8 (Trade in Services) or Chapter 9 (Financial Services). There are various limitations and conditions applicable to each category.

6.142 Coverage of services sectors in the contractual services suppliers and independent professionals categories is in line with each country's respective trade in services market access schedule. The UK has included 33 service sectors in its contractual service suppliers category, whilst India has included 27 service sectors. In the independent professionals category, the UK has included 16 service sectors whilst India has included 12 service sectors. It is disappointing that there are sectors not included on the Indian side, including legal services. However, this is in line with the absence of commitments taken in legal services and financial services sectors

throughout the Agreement (see Trade in Services – Chapter 8 for further information).

6.143 Wales has strengths in the engineering services sector, and it is therefore positive that India has included a specific additional installer and servicer category in its schedule. The inclusion of this category will make it easier for UK engineers travelling to work in India to gain entry for up to three months, depending on the length of the contract.

6.144 Feedback from Welsh companies suggests that accessing the Indian market can be a complex process. Therefore, provisions covering the processing of applications and transparency will be welcomed by businesses, but only if the application process for temporary stays is quicker and easier in practice.

6.145 The chapter also establishes a working group specifically focused on the temporary movement of natural persons. The group will meet within one year of the entry into force date of the Agreement and thereafter as agreed by the UK and India. This could lead to further facilitation of temporary entry which could be positive for both UK and Indian businesses.

6.146 The Chapter is only subject to dispute settlement procedures if the matter involves a pattern of practice and the natural persons affected have exhausted all available administrative remedies regarding the matter.

Double Contributions Convention Side Letters

6.147 The UK and India have also agreed to negotiate a reciprocal Double Contributions Convention (DCC), detailed within side letters to the Agreement, which will enter into force at the same time as CETA. A DCC is a type of Social Security Agreement (SSA) which coordinates payment of social security contributions. Agreeing a DCC was one of the Indian government's key asks during the negotiations. India's citizens currently working in the UK must currently pay contributions into both countries' social security systems whilst working in the UK (double contributions).

6.148 The DCC will mean that employees moving between the UK and India, and their employers, will only be liable to pay social security contributions in one country at a time. The DCC will also ensure that employees temporarily working in the other country for up to 3 years will continue paying social security contributions in their home country, helping them maintain a full contribution record at home.

6.149 The DCC is like those the UK already has in place with countries including Chile, Canada and Norway although the specific details, such as timeframes workers are allowed to stay in the UK before they must begin paying social security payments (National Insurance) in the UK, differ. The DCC will not impact on individuals' rights to access benefits from the country in which they pay social security contributions or the requirement to pay the UK immigration health surcharge.

6.150 The DCC could potentially help to support both UK and Indian workers travelling between the UK and India as well as investors, which could be positive for trade and investment flows.

Chapter 11 – Telecommunications

6.151 This chapter sets out regulatory disciplines which apply to measures of the Parties affecting telecommunications services to ensure companies experience a transparent and non-discriminatory trade environment.

6.152 The main provisions agreed under the chapter include:

- Access to public telecommunications services on reasonable and non-discriminatory terms.
- Independent regulatory bodies, with decisions and procedures to be applied impartially and transparently.
- Responsibility on Parties to maintain safeguards against anti-competitive trade practices by their major telecommunications suppliers.

6.153 Telecommunications policy is not devolved to Wales, therefore there have been fewer policy discussions between the Welsh Government

and the UK government in this area compared to other devolved areas. Notwithstanding, the Welsh Government recognises the importance of the telecommunications chapter due to the economic and social implications and will therefore seek close engagement with the UK government to ensure that Welsh interests in the area are effectively presented.

Chapter 12 – Digital Trade

6.154 CETA expands opportunities for UK firms to trade digitally with India. It includes commitments to support and promote the free flow of data between the Parties and to share best practice and technical expertise in a number of areas, including regulations, electronic invoicing, digital identities, cyber security and emerging technologies. CETA also includes provisions supporting digital trade, online consumer safety, cyber security and on tackling digital inclusion.

6.155 There are also commitments to prevent the forced transfer of source code subject to legitimate scrutiny by appropriate authorities in both countries.

6.156 CETA also acknowledges the role of SMEs and includes provisions encouraging SMEs to cooperate to promote digital trade, provisions to share best practice and address challenges.

Sustainable Trade and Trade Facilitation

Chapter 13 – Intellectual Property Rights

6.157 The chapter contains provisions and obligations that may help businesses and individuals in the UK and India to protect their intellectual property rights (IPR) in each other's market, and support trade and investment activities. There are provisions covering copyright and related rights, patents, trademarks, designs, trade secrets and geographical indications (GIs) which is a positive for Welsh exporters looking to sell goods and/or services in India and

vice versa. The enforcement of IP rights, and ongoing cooperation in relation to IPR matters are also covered. The chapter could reassure Welsh and Indian businesses that there is legal protection available in the event of any situation where IPR infringement occurs.

- 6.158 The chapter reaffirms and seeks to build on commitments made by both Parties in international IP treaties and the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, which sets out minimum standards for the protection of various forms of intellectual property among WTO members.
- 6.159 For example, it is notable that improvements to patent procedures in India have been included which should reduce the administrative burden of filing processes and procedures, speed up processes and lock in commitments that provide for transparency and legal certainty in the patent system.

Geographical Indications (GI)

- 6.160 GI is an area of particular importance and interest to Wales because the Welsh Government is responsible for promoting Welsh Food and Drink in Wales, the UK and internationally¹⁷. Creating a strong and vibrant Welsh food and drink sector with a global reputation for excellence, having one of the most environmentally and socially responsible supply chains in the world, is a priority area of work.
- 6.161 The IPR chapter contains the rules and commitments that apply to the protection of GI products. The UK will be able to apply for India's highest level of protection for all UK GI products to be protected under the Agreement. This is positive and goes further than current commitments, where wines and spirits are the only products that receive this higher standard in India.
- 6.162 Both countries have committed to making best endeavours to agree on the GI products that will be put forward for protection as soon as possible after the Agreement is signed. These commitments could help producers of Welsh-protected GI (e.g. Welsh lamb, Single

Malt Welsh whisky) apply for recognition and protection in India to support increased trading opportunities, whilst simultaneously helping to maintain brand identity and protection from misuse.

- 6.163 It is important to note that the UK will not be required to change its IP system as a result of the commitments agreed.

Chapter 14 – Innovation

- 6.164 The inclusion of an innovation chapter recognises the importance of innovation to the economy and global trade, and the interaction between innovation and trade policy.
- 6.165 The chapter seeks to strengthen collaboration through initiatives aimed at Research and Development (R&D), capacity building, technical cooperation and the transfer and development of technology. It aims to encourage innovation across sectors as diverse as agriculture, health and energy. It also aims to encourage cooperation in emerging technologies such as clean and low emissions technology and Artificial Intelligence (AI), all with the objective of supporting trade in innovative goods and services, and innovation-intensive sectors of the economy, whilst futureproofing the Agreement.
- 6.166 CETA also establishes an Innovation Working Group to further the aims above and to encourage cooperation and collaboration across governments, academia, industry and business. The Working Group will also consider the impact of cooperation in a range of areas including enabling SMEs to engage in and utilise the benefits of innovation, and facilitating trade in innovative products and services which support tackling climate change.

Chapter 15 – Government Procurement

- 6.167 The chapter sets out standards for how goods, services and suppliers from one Party are to be treated in the procurement regime of the other Party, in the covered areas of procurement.

The Agreement opens up some sectors of India's government procurement for UK businesses, whilst also protecting key sectors of UK government procurement such as healthcare services, defence and security, and broadcaster content and time. The market access schedules which supplement the chapter text also include general exceptions for agricultural products made in connection with agricultural support programmes and human feeding programmes (e.g. food aid including urgent relief aid) to protect these sectors.

- 6.168 The chapter does not contain any new provisions or change any current public procurement obligations when compared with the UK's commitments under the WTO Agreement on Government Procurement (GPA). Provision on social value has been agreed which was shared by the UK government with Welsh Government procurement officials throughout the negotiation process. This engagement has ensured that the final text aligns with Wales-specific social value clauses in public procurement guidance¹⁸.
- 6.169 It is positive for Welsh businesses that the UK and India were able to agree a mitigation to the Make in India policy. The policy requires businesses to meet certain criteria to obtain a 'Make in India' certificate which proves that a product is manufactured in India. Businesses must have a 'Make in India' certificate to participate in government tenders. The provision means that a UK supplier shall be treated as a 'Class-II local supplier' as defined by the Make in India order, if at least 20% of their product or services is from the UK. In practical terms this means UK content in products and services should be treated in the same way as Indian 'local' content. In theory this should increase the numbers of public procurement contracts UK suppliers will be eligible to bid for but the Make in India preference will still apply for approved 'class 1' suppliers offering 50% or more of their goods or services from India.
- 6.170 Welsh businesses will also be able to compete for a broad variety of goods, services, and construction procurements, for the majority of central government entities in India, as well as for several of India's

federal state-owned enterprises at lower thresholds than previously available.

- 6.171 It is positive that the chapter contains a provision whereby if India were to agree to lower thresholds with another country which is a signatory to the WTO Agreement on Government Procurement, they would have to offer the same thresholds to the UK too, meaning that Welsh businesses would not lose out if lower thresholds are agreed in the future between India and another GPA member country or countries.
- 6.172 A broad range of goods and services are covered. For specific goods and services, exporting businesses should carefully check Section D in the India market access schedule.

Chapter 16 – Competition and Consumer Protection

- 6.173 The chapter reaffirms that both Parties will maintain their own respective competition and consumer protection regimes, and that the regimes are transparent and non-discriminatory.
- 6.174 It also ensures that both the UK and India maintain procedural rights for people and businesses under investigation by competition authorities, including the right to be treated fairly and to defend themselves.
- 6.175 Both Parties recognise the importance of consumer protection and have measures in place to protect consumers from fraudulent and unfair practices.
- 6.176 Provisions to recognise the importance of online consumer protection and commitments to support this issue are found in the digital trade chapter.

Chapter 19 – Small and Medium Enterprises (SMEs)

- 6.177 SME participation in international trade is known to be significantly lower than the trading activities of larger-sized businesses. As the

business landscape in Wales is dominated by SMEs, accounting for more than 99% of the business population, it is positive to see that the Agreement contains a dedicated SME chapter.

- 6.178 The chapter contains standard, high-level provisions commonly seen in modern FTAs, including possible ways both Parties could work together to facilitate SME growth and competitiveness and reduce trade barriers.
- 6.179 Specifically, the chapter sees the Parties committing to publishing respective websites that contain information related to this Agreement relevant for SMEs. Those websites could, if a Party thinks it is appropriate, include links to additional information/websites such as customs regulations, trade programmes and employment regulations. In addition, the Parties will look to include on their websites, a link to a searchable database with information on access to its market, which could include information on their respective customs and tariffs rates. A searchable database could help Welsh exporting businesses to determine the tariffs payable on specific products more easily. The complexity of the Indian tariff classification system, and the frequency with which changes are made to tariff rates and other trade policy instruments were identified by the WTO in India's 2021 Trade Policy Review¹⁹ as creating uncertainty for traders. Reducing this uncertainty would be helpful for Welsh businesses trading with India.
- 6.180 The chapter also sees the Parties recognising the importance of cooperating in identifying and minimising non-tariff barriers for SMEs. It outlines some possible activities that both Parties could work together on to help increase SME's participation in international trade. If such activities do happen, UK government must ensure that it engages thoroughly with Welsh Government to ensure that Welsh businesses are represented accordingly.

Chapter 20 – Labour

- 6.181 Concerns have been raised publicly about India's record on labour rights. During negotiations the TUC (Trades Union Congress) issued a joint statement with Indian unions calling for the previous UK government to suspend trade negotiations²⁰ with India until the Indian government shows respect for International Labour Organisation (ILO) conventions and civil liberties. Despite significant progress in reducing poverty and improving the educational outcomes of the youth, India faces challenges related to its large agricultural workforce, persistent informality and a transforming jobs landscape²¹.
- 6.182 The chapter within this Agreement emphasises the mutual commitments to uphold international labour standards and promote decent work conditions. Both Parties express their commitment to encouraging trade and labour policies that adhere to internationally recognised labour rights, while recognising the role of workers' and employers' organisations. Each Party retains the right to determine its own labour protection levels and priorities, while striving to improve labour laws consistent with international commitments. The chapter states the importance of decent work and the ILO Decent Work Agenda, encouraging both Parties to promote these objectives through their laws and regulations.
- 6.183 However, India has only ratified 6 out of the 10 ILO core conventions, they have not ratified the following 4 core conventions²²:
- C087 – Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
 - C098 – Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
 - C155 – Occupational Safety and Health Convention, 1981 (No. 155)

19 https://www.wto.org/english/tratop_e/tpr_e/tp503_e.htm

20 <https://www.tuc.org.uk/tuc-joint-statement-indian-unions-calling-halt-uk-india-trade-talks#:~:text=trade%20talks%20%7C%20TUC-,TUC%20joint%20statement%20with%20Indian%20unions%20calling,to%20UK%2DIndia%20trade%20talks&text=We%20call%20for%20the%20UK,Organisation%20conventions%20and%20civil%20liberties.>

21 [ILO in India Brochure_0.pdf](#)

22 [Up-to-date Conventions not ratified by India](#)

- C187 – Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187)

- 6.184 This could lead to an unlevel-playing field as India does not adhere with the same labour standards as the UK.
- 6.185 This chapter recognises the goal of eliminating all forms of forced or compulsory labour and commits the Parties to promoting initiatives to discourage such practices.
- 6.186 The Parties acknowledge the need to promote gender equality and eliminate discrimination in the workplace, affirming commitments to non-discrimination and anti-harassment measures.
- 6.187 The importance of responsible business conduct and corporate social responsibility practices is highlighted, with encouragement for enterprises to adopt relevant initiatives.
- 6.188 Each Party is tasked with promoting public awareness of its labour laws and ensuring access to impartial tribunals for enforcement.
- 6.189 The chapter outlines mechanisms for cooperation and consultations between the Parties to improve labour standards and address issues that arise under the chapter. The Welsh Government is disappointed that this chapter is not subject to formal dispute settlement mechanisms as previously agreed by the UK government in their FTAs with Australia, New Zealand and its entry to the CPTPP.

Chapter 21 – Environment

- 6.190 While international trade provides significant economic opportunities, it can also present challenges for the environment in a number of ways. The Welsh Government believes that all FTAs negotiated by the UK should include specific provisions to protect the environment within the trade context, and to seek high ambition, high commitment provisions within these agreements to protect the environment and address climate change.
- 6.191 India has traditionally taken the view that a FTA does not need to include provisions on environmental issues and has resisted their inclusion in previous deals. Therefore, the Welsh Government

recognises that for the UK government to secure a discrete chapter on environment is a considerable achievement.

- 6.192 Addressing climate change is a priority for the Welsh Government. We want to see strong commitments in FTAs to address climate change and the challenges associated with it. While we are pleased that the agreement reaffirms the Parties' commitments to international multilateral agreements, we also want FTAs to go further than commitments already made.
- 6.193 The environment chapter within this FTA is broad and includes elements that are of importance to the Welsh Government, including climate change, air quality and limiting emissions, and the protection of biodiversity. We also note that there is a significant focus on cooperation within the Agreement, with a number of stronger actions in several areas. Whilst the Welsh Government agrees that cooperation can lead to partners meeting the goals outlined, there is also a need to monitor the progress made in key areas.
- 6.194 We welcome the inclusion of a specific provision on climate change within the Agreement. While the CETA reaffirms the Parties' commitment to the aims of the Paris Agreement, we particularly welcome the specific mention of pursuing efforts to limiting temperature increase to 1.5 degrees above pre-industrial levels, and the commitment to working together to address climate change and reach this goal.
- 6.195 Further to this, the Agreement specifically recognises that the emissions of hydrofluorocarbons and ozone depleting substances can modify the ozone layer in a manner likely to result in adverse effects, and the importance of reducing emissions of these substances. We welcome the language used in this provision, and text affirming cooperation to do so.
- 6.196 Air quality is also included as a specific provision within the Agreement, and we welcome the specific recognition of the fact that air pollution is a serious threat to public health and ecosystems. However, while the Agreement states that the Parties shall endeavour to reduce domestic air pollution, and suggests methods

by which this could be achieved, we would have liked to see stronger commitments to specific actions to combat this issue.

- 6.197 With respect to marine litter and protection of the marine environment from ship pollution, while we welcome the inclusion of these issues within the agreement, the text is primarily reliant on mutual cooperation in these areas. We would have preferred to see stronger commitments to action on these issues.
- 6.198 The inclusion of sustainable forest management is positive, in particular the reference to the importance of forests for carbon storage and the maintenance of water quality and quantity, sustainable supply chains and the need to combat illegal logging and deforestation.
- 6.199 We also welcome the inclusion of a provision on the conservation of biological diversity, which specifically references cooperation to combat poaching and illegal ivory trading.
- 6.200 The Agreement should not be seen as the end of the process. There are a number of areas for continued cooperation that will need continuous monitoring of progress. We welcome the references throughout the chapter to the establishment and use of relevant fora to monitor implementation and the publishing of the outcomes of consultations where jointly agreed.

Chapter 22 – Trade and Development

- 6.201 We are pleased to see a Trade and Development Chapter within the Agreement as it could help us facilitate our core ambition to establish Wales as a globally responsible nation and aligns with our commitment to sustainability under the Well-being of Future Generations Act, as outlined in our Approach to Trade Policy paper.
- 6.202 This chapter reinforces the UK and India's commitment to promoting sustainable and inclusive economic growth.
- 6.203 The chapter includes provisions on exchanging information and sharing best practices on trade and development policies and programmes, as well as a commitment for cooperation and joint

advocacy in international fora related to trade and development. Both Parties will also monitor the effects of the agreement on developing countries. This should allow the Parties to identify risks and opportunities for development. Dispute settlement does not apply to this Chapter.

- 6.204 As well as including a standalone development chapter, development has also been incorporated into other inclusive trade chapters, such as gender and services.

Chapter 23 – Trade and Gender Equality

- 6.205 The main objective of this chapter is to create more opportunities for women—as entrepreneurs, business owners, and workers — to participate in global, regional, and domestic economies.
- 6.206 In some respects, this chapter mirrors provisions on trade and gender equality previously agreed between the UK and New Zealand.
- 6.207 For instance, the UK and India agree to incorporate a gender perspective into their trade relationship and to mainstream gender considerations throughout the agreement. Provisions on advancing gender equality are included in other chapters such as financial services, SMEs, labour, digital trade, government procurement, and, for the first time in a UK FTA, innovation, and technical barriers to trade (TBT). New language has also been introduced to the TBT chapter to encourage national standards bodies in the UK and India to make standards more gender responsive.
- 6.208 The chapter introduces some innovative elements not found in previous UK trade agreements, including text that acknowledges the challenges women face in balancing work with care responsibilities. Another positive aspect is the establishment of a trade and gender working group, which will oversee the implementation of the chapter and ensure that its objectives and provisions are effectively put into action.
- 6.209 As is usual with these chapters, potential areas of cooperation are highlighted, where the UK and India agree to work together to support women to take advantage of any benefits arising from the

Agreement. While most cooperation activities seem to replicate those found in the UK's other FTAs (primarily UK-New Zealand), some of them have been presented in a less robust form. For instance, the section on integrating a gender perspective into trade data collection and analysis, and no mandatory commitment to gather and analyse any data about trade and gender.

- 6.210 The chapter relies mostly on aspirational statements. In particular, the Agreement lacks a firm commitment to implementing the obligations under the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) which is often described as the international bill of rights for women. The Parties only acknowledge that there are elements within the Convention that are 'important for promoting women's economic empowerment', and only 'appreciate' that eliminating all forms of discrimination against women is important for advancing gender equality in trade.
- 6.211 The Welsh Government's Approach to Trade Policy sets out a commitment to using trade agreements as levers to advance gender equality. In this context, we welcome the inclusion of this chapter as it marks a positive development in integrating international trade and female economic empowerment.

Chapter 24 – Good Regulatory Practice (GRP)

- 6.212 The GRP Chapter puts in place provisions by both Parties to promote good practices in the planning, developing, issuing, implementing and reviewing of regulations by the respective governments.
- 6.213 The provisions agreed in this chapter help to ensure that both Parties have open and transparent practices in place when introducing regulations that have the potential to impact on trade. The chapter also provides another avenue for the UK and India to address any potential regulatory issues identified, should it not be covered by other chapters.
- 6.214 Provisions in the chapter related to access to regulatory measures and public consultation can be beneficial as they provide Parties

and businesses with an opportunity to review and contribute to the regulatory making processes of either government (with a view to reducing any elements of the measures that restrict trade). Similarly, provisions related to impact assessments and retrospective reviews provide an element of reassurance that potential impacts on trade and business operations are being considered in the development of regulations, and that regulations are being reviewed once they are in force.

- 6.215 However, it is notable that the level of commitment agreed as part of such provisions are not to the same level as those that the UK has previously agreed in other FTAs.

Chapter 25 – Transparency

- 6.216 Under this chapter, both the UK and India have committed to ensuring that there is a transparent process in place related to either the introduction or amendment of any laws, regulations or processes covered by CETA.
- 6.217 The provisions within the chapter look to create standards and best practice requirements around the publication of laws and regulations that are created by either Party, as well as ensure that such information is available in an open and accessible format. This includes administrative rulings of general application i.e., rulings or interpretations that apply generally, rather than to individual persons or goods.

Chapter 26 – Anti-Corruption

- 6.218 The chapter provides reassurance for businesses looking to trade and/or invest in each other's country, that the business environment is generally safe. In other words, businesses can trade and invest with the confidence that legal provisions will help prevent, and/or protect against, any instances of corruption.
- 6.219 The UK and India are already signatories to relevant international conventions including the United Nations Convention against

Corruption (UNCAC)²³ which is the only legally binding multilateral anti-corruption treaty. This chapter reaffirms commitments made under these conventions. Additional measures to eliminate bribery and corruption are also outlined, including commitments to ensure activities involving bribery of public officials, are established as criminal offences.

6.220 Whilst it is positive that this chapter has been included in CETA²⁴, it should be noted that anti-corruption provisions are not subject to the Dispute Settlement chapter. In other words, neither Party has recourse to raise a dispute under this Agreement, and the provisions cannot therefore be enforced if they are not adhered to.

Additional Considerations

Chapter 1 – Initial Provisions and General Definitions

6.221 The purpose of the preamble is to set out the high-level objectives for the Agreement. This includes recognising the individual right of both the UK and India to regulate, protecting domestic policy space in areas including national security and legitimate public welfare objectives such as health, labour rights, safety, food security, environment protection among others. It sets out that the Agreement will build upon existing rights and obligations under the WTO.

6.222 The initial provisions set out the legal relationship between CETA and other international agreements, including the Windsor Framework. The chapter also includes a standard list of general definitions for use across the Agreement, including definitions for central level of government and regional level of government. The chapter also defines the territories covered by CETA and specific chapters.

Chapter 17 – State Owned Enterprises (SOE)

6.223 This chapter contains rules aimed at ensuring open and fair competition in the way commercially orientated state-owned enterprises (SOEs) and state-trading enterprises (STEs) operate. The aim is to ensure that Indian and British SOEs operate fairly, and do not prevent private sector businesses from competing for contracts in each other's markets.

6.224 Whilst there are no definitive lists, surveys such as the 2022-23 Public Enterprise Survey indicate that India has approximately 402 SOEs (also known as Central Public Sector Enterprises in India), of which 254 are operational²⁵ whereas the UK has around 24 partially or fully SOEs at the national level²⁶.

6.225 The SOE chapter covers central level of government entities only. Only commercial activities undertaken by SOEs and STEs are covered, protecting the rights of both Parties to operate SOEs in the public interest. The chapter does not apply to government procurement activities.

6.226 It is positive that both Parties reaffirm rights and obligations under Article XVII of the General Agreement on Tariffs and Trade 1994 and the Understanding on the Interpretation of Article XVII of the General Agreement on Tariffs and Trade 1994.

6.227 In contrast with the UK's FTAs with Australia and New Zealand, there is no obligation for India and the UK to provide each other with, or otherwise make publicly available on an official website, a list of existing SOEs, or provide details about restrictions on non-commercial assistance provided to SOEs.

6.228 No formal sub-committee for the SOE chapter has been agreed.

6.229 Dispute settlement provisions do not apply to this chapter.

23 UNTC – United Nations Treaty Collection – United Nations Convention against Corruption signatories

24 CETA is the first time India has agreed to the inclusion of an Anti-Corruption chapter in their FTAs

25 [India – United States Department of State](#) – Section 7 – 2024 Investment Climate Statement – US Department of State website.

26 [United Kingdom – United States Department of State](#) – Section 7 – 2024 Investment Climate Statement – US Department of State website

Chapter 27 – Administrative and Institutional Provisions

6.230 This chapter sets out the provisions for the creation, functions and rules of a joint committee relating to the implementation of the Agreement. It sets out that the committee must meet within one year of entry into force of CETA and then every two years thereafter unless agreed otherwise. There is also an agreement to establish a sub-committee on sustainability to review, monitor and facilitate the implementation of the chapters covering Labour, Environment and Trade and Development Cooperation. This sub-committee must meet at least once annually in the three years following entry into force of CETA.

6.231 The Chapter also sets out the requirements for contact points for both Parties to be provided within 60 days of entry into force of the Agreement.

Chapter 28 – General Provisions and Exemptions

6.232 This chapter sets out general exemptions to the Agreement and specific chapters they relate to. This includes security exceptions and the protection of essential security interests for both UK and India and requirements on confidentiality, along with discretion in terms of taxation. The chapter also sets out a provision relating to exclusion of the UK's National Health Service (NHS) in areas where it might apply.

Chapter 29 – Dispute Settlement

6.233 The chapter sets out the binding rules and procedures applicable if a dispute arises between the UK and India concerning the agreement. Several provisions are exempt from the chapter. Each chapter contains a statement specifying whether the agreement's dispute settlement arrangements apply.

6.234 The complaining Party has the right to choose the forum in which it wishes to settle the dispute if it arises under a right or obligation which has an equivalent right or obligation under another international agreement to which both India and the UK are Parties.

6.235 There is a requirement that Parties 'shall endeavour' to engage in formal consultations and seek to resolve any dispute via the consultation process outlined in the first instance. However, it is positive that specific timescales for the consultation procedure, are set out in the Agreement, as this commits both countries to taking effective and timely action with regards to disputes.

6.236 Should the dispute remain unresolved, detailed procedures for establishing a panel to consider the dispute are outlined, including terms of reference, rules about the composition of the panel and qualifications of panellists. It is positive that specific timescales are set out for procedures within relevant articles as it signals that both India and the UK are committed to resolving disputes within reasonable timeframes. This sends a positive message to British and Indian businesses about the business and investment environment in both countries.

6.237 Arrangements are detailed for when a panel determines that a Party's measure (law or regulation) is inconsistent with its obligations under the agreement or that a Party has failed to carry out its obligations. The responding Party is required to take 'any measure necessary' to ensure it complies with the findings of the panel report. Detailed procedures for arranging compensation are also outlined.

6.238 Whilst the risk of the Welsh Government acting in a way that would mean India could bring a successful dispute against the UK is low, the costs involved, even in defending such a claim, would likely be significant. There is ongoing uncertainty on how any such claim would be funded and what the implication would be for the Welsh Government. Therefore, we remain concerned about this small but significant risk and will continue to seek clarity from the UK government on how disputes under this and other FTAs agreed by the UK will be funded.

Chapter 30 – Final Provisions

6.239 The final provisions of CETA outlines the processes for amendments and territorial expansion or disapplication of the Agreement if

required by either Party. It also contains a provision on notification of termination of the Agreement by either Party.

6.240 The chapter also includes a provision relating to the general review of the Agreement which shall take place five years from the date of entry into force and then every five years thereafter.

Annex 1 – Economic Analysis

Section 1: Introduction

Most of the results reported within this section are derived from economic modelling undertaken by the Department for Business and Trade (DBT) as outlined in their published [impact assessment](#). The results focus on estimating the long run impacts of the Agreement on GDP, trade and wages, and are based on DBT’s computable general equilibrium (CGE) model, as well as goods Partial Equilibrium (PE) model. The details of the models used are set out in the Technical Annexes accompanying their impact assessment.

CGE modelling is appropriate when there is a significant change in trade policy and an assessment of the impacts on the whole economy is needed. The model considers linkages between domestic markets within each economy and provides impacts at a sectoral and aggregate level. It also considers the knock-on consequences to trade flows of third parties, reflecting trade creation and trade diversion effects, as well as the allocation of resources within an economy. PE modelling is used to complement the CGE results for goods. This type of modelling benefits from greater disaggregation and can model the direct impacts of liberalisation on individual sectors, however, unlike CGE, it fails to consider linkages between individual sectors and the rest of the economy.

All models used are comparative static models²⁷ and produce estimates showing the long run impacts on economic variables of CETA, compared with no agreement in place. They do not account for any other impacts that

might affect economic performance. Whilst they provide a useful indication of the potential magnitude of economic impacts resulting from policy changes, the results should not be treated as a forecast or prediction of the future.

Modelling the long run benefits of any FTA is open to significant uncertainty – this is particularly the case for an FTA with an economy as dynamic as India’s, where any deviations from its predicted growth path will affect the accuracy of the estimated results. Due to this, all estimates should be interpreted as indicative of the direction and broad scale of impacts, rather than precise estimates.

To generate representative pound values for the long run impact of the Agreement (expressed in 2024 prices), the estimates from the modelling are applied to economic projections of the global economy. It is important to note that the modelling is based on stylised assumptions and cannot capture all the benefits that would be expected to be secured through the agreement.

Given there is currently limited economic modelling capability for Wales of the type used for this assessment²⁸, the Welsh Government has been unable to conduct or commission CGE modelling of the final deal and its direct impact on Wales for this report. However, it is expected that the outputs of any such modelling would show very similar results from those produced at the UK level – although it is possible that additional Wales-level sensitivity analysis would be undertaken.

²⁷ These types of models show the long run equilibrium outcomes however do not demonstrate the dynamic path of how these outcomes are achieved.

²⁸ Economic modelling for Wales poses a number of challenges. Most of these are related to data availability. There are some improvements in train here, led by both the ONS and the Welsh Government (including the experimental Trade Survey for Wales). However, the close integration of the economy in Wales with the wider UK means that modelling of the economy in Wales would probably need to be “nested” in a wider model of the UK. This kind of modelling would be relatively novel and unlikely to deliver robust results in the near term.

DBT's UK economic modelling outputs can be used to provide some high-level impacts on Wales. At the more detailed level, the impacts on Wales can be inferred by considering what portion of the net benefits estimated for the UK could be attributed to Wales. Due to changes in the scope of analysis published by DBT, the impacts considered may not be as wide-ranging as for previous FTAs.

In order to fully understand the impact on Wales (and the UK) it is important to consider the wider context, whereby the potential benefits associated with CETA are compared with the impacts of changes in trading relationships with other countries including the EU. Whilst opportunities to grow Wales' trade offers potential benefits, trade gravity theory suggests that geography and proximity to countries still plays a major part for trade, especially for goods. This is supported by the fact that the UK government estimates show the recently revised UK-EU reset (whilst only a partial deal), would have around twice the impact as this FTA with India.

Whilst CETA is a welcome step for facilitating increased trade between Wales and India, the evidence is clear that the impact of this agreement is minimal when compared with the loss of access to the EU market, of which Wales' goods exports are particularly reliant on. Having said that, even a small percentage change in GDP is equivalent to a considerable amount in £ terms and could be of substantial benefit to Welsh importers and exporters that trade with India.

Section 2: What will be the effect on economic well-being?

Benefits of trade

Countries engage in trade because it is mutually beneficial and can lead to several benefits to businesses, consumers and the wider economy. Businesses gain from greater revenue and profit which can lead to more investment, productivity higher wages and innovation. Consumers gain from greater choice in the variety and quality of goods and services, potentially lower prices through increased competition, higher real wages and living standards. Trade allows countries to allocate their resources to activities in which they are more productive. Increasing openness through trade is also found to have a dynamic benefit in that it drives increased domestic productivity through greater competition and contestability. The complexity in capturing this through economic modelling may therefore lead to an underestimation of the benefits of trade.

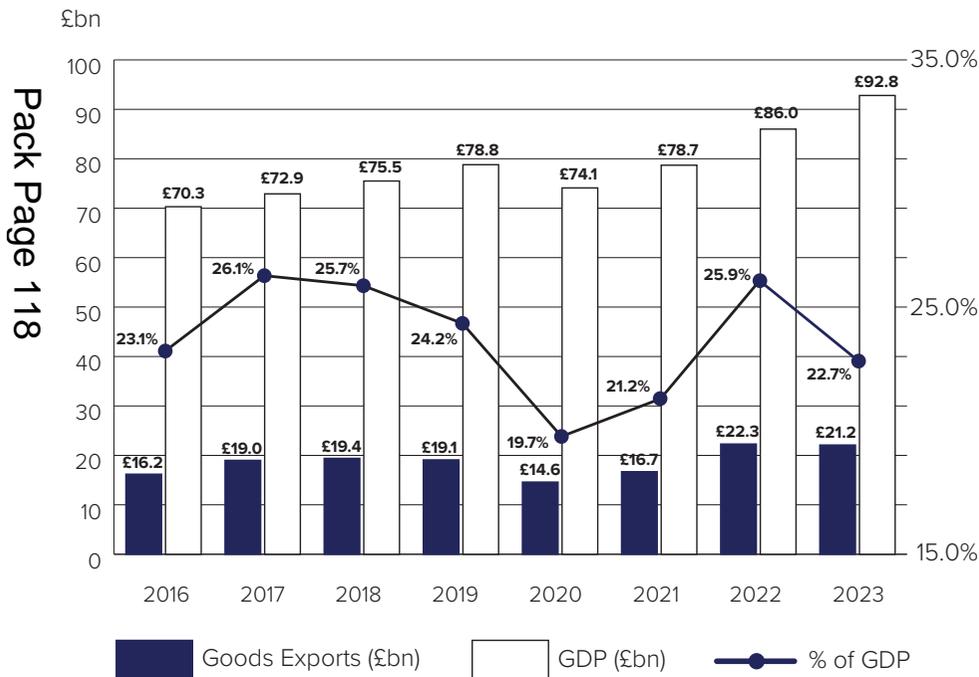
Domestic policies may reduce trade flows between countries and the associated benefits. The most common policy measures are tariffs, tariff rate quotas (TRQs) and subsidies, but can also include complex regulations (for example, health and safety, packaging, labelling and product regulations) and customs procedures. These restrict free trade, which distorts the market price, lowering competition and reducing choice for consumers.

Given the benefits of free trade, liberalisation generally has a positive impact on GDP and citizens' welfare. However, changes in the pattern of trade does lead to some sectors expanding and some sectors declining in response to increased international competition.

Wales as a trading nation

Trade is a vital part of ensuring the prosperity of Welsh people through generating jobs and providing choice for consumers at the most competitive prices. According to latest data²⁹, goods exports make up a considerable part of the Welsh economy, equivalent to nearly 23% of Welsh GDP in 2023.

Chart 1 – Wales’ goods exports as % of GDP (2023)



Source: WG analysis of ONS Regional GDP and Subnational Trade Timeseries

International exports provide an important market for Welsh firms, and imports provide inputs to businesses and goods for consumers, usually

keeping prices down and increasing choice. Latest evidence from the ONS finds Welsh exporters were, on average, about 32% more productive than non-exporters over 2011–2022. For importers, the long-run descriptive premium averages about 28% more productive³⁰.

Between 2016 and 2023³¹, goods exports have on average, consistently accounted for a higher proportion of GDP for Wales than any other part of the UK. This suggests Wales may be more exposed to economic shocks from changes in trading relationships than elsewhere in the UK.

Table 1 – Goods exports as % of GDP for UK countries (3-year average, 2021-2023)

UK Nation	Goods Exports as a % of GDP (3-year average)
Wales	23.3%
Scotland	16.6%
Northern Ireland	18.9%
UK	15.4%

Source: WG analysis of ONS data.

Overall, Wales’ exports are dominated by goods, which accounted for around 67% of total Welsh exports in 2023, much higher than the 46% for the UK. Services exports account for around 11% of Wales’ output (GDP) in 2023, lower than the UK (17%), and also lower than Scotland at 17% but slightly above Northern Ireland at 10%.

The EU continues to be a key market for Wales’ goods trade according to latest data, with 56.8% of Wales’ goods exports heading there, compared

29 HMRC have announced corrections to their [Overseas Trade Statistics](#) (from which Welsh international goods trade data is produced). These corrections will be available in March 2026 therefore until then, goods trade data should be treated with caution.

30 [Trade and productivity in British firms – Office for National Statistics](#)

31 2023 is the latest available data for Wales’ GDP

to 51.6% at the UK level. This is second only to Northern Ireland, who share a land border with the EU. Wales' relatively higher dependence on the EU market for goods reflects how deeply embedded within EU supply chains Welsh businesses are, indicating that a trade agreement with India is likely to have only a minimal impact on Wales' overall exporting performance.

Table 2 – Goods exports to the EU by UK nation (£bn and %)

	Goods Exports to the EU (£bn, YE Q2 2025)	EU % of all international goods Exports (YE Q2 2025)
Wales	£9.7 bn	56.8%
Northern Ireland	£6.9 bn	64.5%
Scotland	£17.7 bn	52.4%
England	£119.6 bn	53.7%
UK	£171.7 bn	51.6%

Source: HMRC Regional Trade in Goods.

Analysis of Wales' comparative advantage in goods, suggests Wales' top exporting strengths lie within 'Transport equipment', 'Power generating machinery & equipment', and 'Iron & steel'³². In comparison, India is found to have a specialisation in 'textiles, apparel and leather', and 'manufacturing'³³. Despite there being differences across key areas of specialisation for both countries, a lack of published product level data for Wales means we are unable to identify whether the specific products produced by each country are economically complementary or not.

Section 3: Trade between Wales and India

According to wave 7 of DBT's [Public Attitude to Trade Tracker](#), evidence shows that public support for an FTA with India was higher for those living in Wales, than in any of the other devolved nations and comparable with those in England, with 52% of respondents saying that they would support a FTA with India compared with 50% and 47% for Scotland and Northern Ireland respectively. Of these respondents, 11% of respondents in Wales opposed, which was broadly comparable to the rest of the UK nations (9-12%).

Trade in Goods

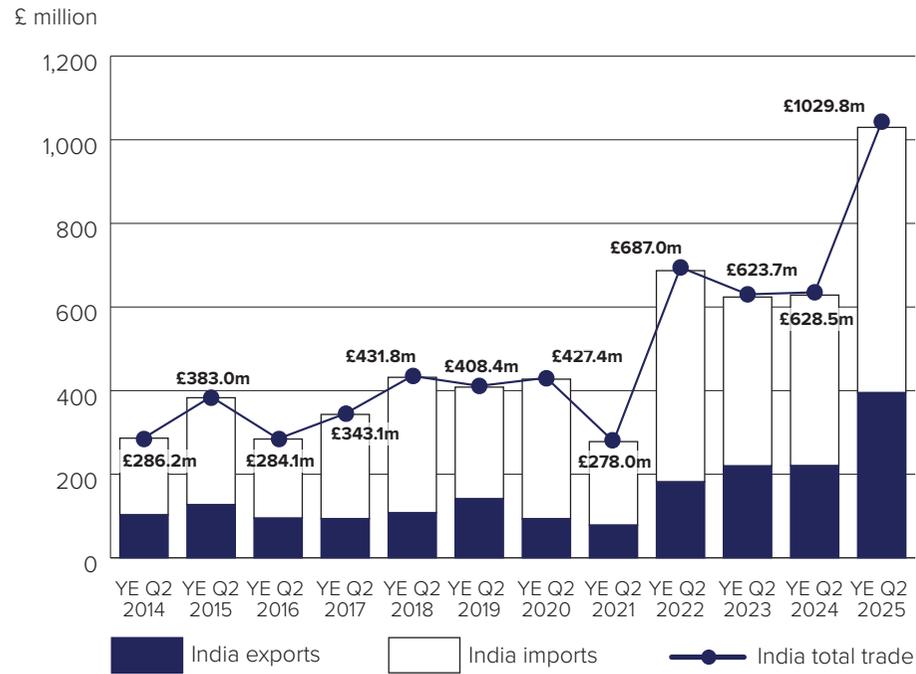
- Latest figures for the year ending June 2025³⁴, show the value of goods trade to be around £1.0bn, of which imports and exports were worth £634.6m and £395.2m, respectively.
- This latest data shows India was the 9th largest export market for Wales accounting for around 2.3% of Welsh goods exports, and the 10th largest import market with around 3.1% of Wales' total goods imports coming from India.
- In 2024, of the 3,188 Welsh businesses that exported goods internationally, around 256 (8.0%) exported to India. Around 389 (3.3%) of the 11,693 Welsh businesses that imported goods internationally did so from India.

32 [Analysis of Wales' comparative advantage in exporting goods: 2015 to 2017 average \[HTML\] | GOV.WALES](#)

33 See table 1, [Impact assessment of the Free Trade Agreement between the United Kingdom of Great Britain and Northern Ireland and India](#) DBT (2025)

34 From 31 December 2020, the way HMRC collects trade in goods statistics changed, resulting in a break in the time series for published UK to EU export statistics from January 2021. This affects the final three months of the latest annual data, and therefore historic comparisons should be treated with caution. More detailed notes of these effects can be read in the [HMRC Commentary](#) on these statistics.

Chart 2 – Trade in goods between Wales and India (£m)



Source: HMRC RTS

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The following tables provide the top 5 imports and exports goods sectors, averaged over three years to reduce the impact of trade volatility:

Table 3 – Wales’ top 5 goods export sectors (2022-2024 average)

Goods Exports to India (2022-2024 average)	Value	% of total goods exports to India
1. Power Generating Machinery & Equipment	£133.9m	56.2%
2. Non-ferrous metals	£23.0m	9.7%
3. Chemical materials & products	£14.7m	6.2%
4. Metalliferous ores & metal scrap	£10.5m	4.4%
5. Ele. machinery, app & appliances	£8.0m	3.3%

Source: HMRC RTS.

Table 4 – Wales’ top 5 goods import sectors (2022-2024 average)

Goods Imports from India (2022-2024 average)	Value	% of total goods imports from India
1. Power Generating Machinery & Equipment	£93.9m	20.1%
2. Petroleum, petroleum products & related materials	£93.2m	20.0%
3. Iron & Steel	£76.0m	16.3%
4. Articles of apparel & clothing accessories	£33.1m	7.1%
5. Road vehicles (including air cushion vehicles)	£26.3m	5.6%

Source: HMRC RTS.

Trade in Services

Experimental statistics are produced by the Office for National Statistics (ONS) which provide sub-national estimates of services imports and exports, for which the latest data available is 2023. This is provided for broad functional category (e.g. financial services), with some information available on the destination of these imports and exports.

Welsh services trade with India was valued at £479m in 2023, of which imports and exports were valued at £165m and £314m respectively. Around 2.6% of Wales’ total international services imports came from India, whilst around 3.0% of Wales’ international services exports were sent to India in 2023.

Table 5 – Wales’ Services exports to India (2023)

Wales’ Services exports to India (2023)	Value	% of total
Other service industries	£180m	57.3%
Transportation and storage	£73m	23.2%
Financial and insurance activities	£21m	6.7%
Manufacturing	£5m	1.6%

Source: ONS subnational trade, 2023.

Table 6 – Wales’ Services imports from India (2023)

Wales’ Services imports from India (2023)	Value	% of total
Travel	£75m	45.5%
Financial and Insurance activities	£57m	34.5%
Non-Manufacturing Production	£2m	1.2%

Source: ONS subnational trade, 2023.

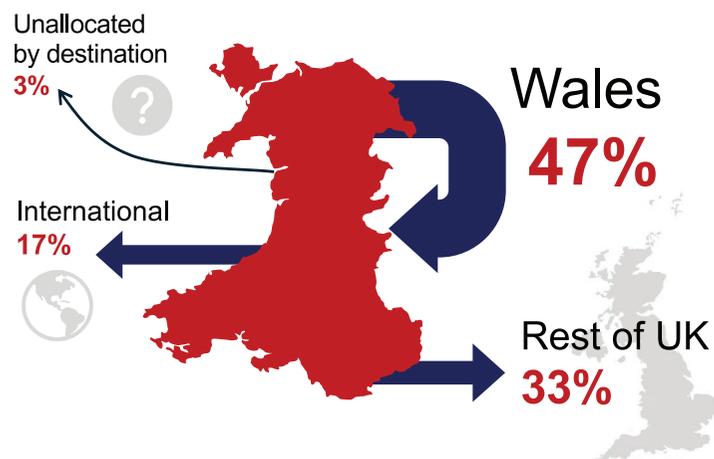
Indirect trade through other parts of the UK

In addition to the direct impact on Welsh businesses, there will also be indirect impacts through supply chains. Given the close proximity to the border with England, the Welsh economy is deeply embedded within the wider UK economy and plays a key part in UK supply chains. Latest data³⁵ from the [Trade Survey for Wales](#) found that around a third (33%) of goods and services sales from Welsh businesses went to the rest of the UK, compared to 17% which went to international destinations. In addition, 42% of all business' purchases came from the rest of UK, highlighting the importance of intra-UK trade for Welsh businesses. This suggests Wales could also be exposed to impacts which are not captured by the modelling undertaken, given the cross-border nature of our supply chains.

Figure 1 – Total Welsh Sales by destination, % (2022)

Destinations of sales, 2022

Four fifths (80%) of business sales were made by Welsh businesses within the UK



Source: Trade Survey for Wales, 2022 (TSW)

This also reinforces the trade gravity theory that suggests countries trade with partners who are geographically closest to them and highlights the relatively limited impact securing a free trade agreement with such a geographically distant country such as India may have on Wales' economy.

Section 4: Computable General Equilibrium (CGE) and Partial Equilibrium (PE) modelling results

The scale of the macroeconomic and sectoral impacts is estimated using Computable General Equilibrium (CGE) and Partial Equilibrium (PE) modelling undertaken by DBT. Further details on the methodology can be found in the annexes included within DBT's impact assessment available [here](#).

Due to technical developments in the economic modelling used, the results presented within DBT's impact assessment are not comparable with those presented within their 2022 [scoping assessment](#). These changes are largely due to the implementation of recommendations from the report of the Modelling Review Expert Panel³⁶.

In addition, these results are not comparable with those presented within previous impact assessments for Japan, Australia, New Zealand, however our understanding is that they are broadly comparable to the methodology used for CPTPP. Whilst methodological improvements are to be welcomed, lack of comparability between the assessments published by DBT makes it difficult to assess the estimated impacts of each FTA relative to others.

35 2022

36 [Trade modelling review expert panel: report – GOV.UK](#)

Section 5: UK, Wales and India Macroeconomic impacts

Table 7 – Summary of estimated long-run³⁷ macroeconomic impacts of UK-India FTA compared to baseline

Impact	Metric	Percentage change on baseline	£ change on baseline (compared to 2040)
GDP	Change in UK GDP	0.13%	£4.8bn
Trade	Change in UK exports to India	60%	£15.7bn
	Change in UK imports from India	25%	£9.8bn
	Change in total trade between the UK and India	38.8%	£25.5bn
	Change in UK exports to the world	0.67%	£6.5bn
	Change in UK imports from the world	0.64%	£6.4bn
Real Wages	Change in UK real wages	0.19%	£2.2bn

Source: DBT modelling (2025).

The macroeconomic impacts for the UK and India estimated using the CGE model are summarised in Table 6. The impacts indicate that a combination of increased competitiveness of exports, increased competition from firms and price changes are expected to drive productivity gains in the UK and India. These can, in turn, lead to an expected long run increase in GDP, wages and trade compared to the baseline. While the analysis draws on robust evidence and the best tools available for this type of analysis, there is inherent uncertainty in the results meaning they should be interpreted with caution and not considered economic forecasts for the UK economy.

The static nature of the approach used for this analysis means that the results are intended to reflect the long-term static impact of an FTA after 15 years but fails to capture the full range of dynamic impacts of the trade agreement. This means that these results tell us very little about the potential short-term impacts and transitions. These results should therefore be considered alongside other relevant evidence.

Given the complexity of producing robust estimates at lower levels of aggregation, CGE modelling results have only been provided at the Wales level showing the estimated change to Gross Value Added (GVA) compared to the baseline. These results have been produced by apportioning the UK

³⁷ The long run is generally assumed to mean 15 years from implementation of the agreement.

level results to each UK nation based on output (GVA) in 2022 and, where possible, employment shares of sectors within each nation and region of the UK.

Table 8 – Estimated long run Impacts of UK-India FTA on Wales

Estimated impact on Welsh GVA % (£m)	
Central Estimates	Sensitivity Analysis Estimates
0.11% (£80m)	0.12% (£80m)

Source: DBT modelling and calculations (2025).

Based upon the pattern of estimated sectoral GVA changes the results suggest that CETA could increase GVA in all nations and regions of the UK, with the estimated long run impact on Wales' GVA found to be around +0.11%. As shown in Table 8, this is slightly higher than the UK figure of +0.10%³⁸, but below Scotland at 0.12%. The impact on Wales is found to be comparable to that of Northern Ireland (0.11%).

DBT have also provided the associated monetary value of such an increase in GVA. This is intended to provide an indicative order of magnitude, based on real levels of GVA in 2022, which for Wales would be a gain of around £80m. To control for the effect of inflation, these figures are presented in real terms. However, this is a change to how these impacts were reported for previous FTAs signed by UK government. For comparability purposes, estimates based on nominal values can also be found in **Annex 8 of DBT's impact assessment** – these show a larger impact for Wales at 0.27% (£190m). Given the limitations associated with this approach and the overall uncertainty, these should be interpreted with caution and as indicative magnitudes rather than precise estimates or forecasts.

Table 9 – Changes in real GVA for UK nations and regions of England from UK-India FTA

UK nations and regions of England	% Change in GVA	Change in GVA £million, 2019
East of England	0.11%	190
East Midlands	0.11%	130
London	0.06%	310
North East	0.12%	70
North West	0.10%	210
South East	0.10%	300
South West	0.10%	150
West Midlands	0.13%	190
Yorkshire and the Humber	0.11%	170
Northern Ireland	0.11%	50
Scotland	0.12%	190
Wales	0.11%	80

Note: Pound values have been rounded to the nearest £10 million. The point estimates are not precise estimates and should be interpreted as indicative of the direction and broad scale of impacts.

Source: DBT calculations using ONS and NISRA Business Register Employment Surveys 2022, ONS regional GVA estimates 2022. Not comparable to previous IAs – further detail on the methodology change can be found in Annex 8.

³⁸ It should be noted that the headline UK figure used within the impact assessment focusses on the impact on UK GDP rather than GVA. A GVA figure is also included to ensure comparability with the outputs for UK nations/Regions. GVA is used for nations/Regions due to lack of sectoral breakdown in their GDP data.

The results presented above reflect the central estimates produced, however given the high degree of uncertainty with the modelling, sensitivity analysis has also been undertaken. At the regional level, this sensitivity analysis involves adjusting the apportioned sectoral impacts using location quotients to account for local spending multipliers. The method is described further in [Annex 8 of DBT's impact assessment](#). For Wales, the results for the sensitivity scenario was broadly comparable with the central estimate, as shown in Table 7.

Whilst CGE modelling is considered the best approach for estimating the long run impacts of a trade agreement with India, it is important that the outputs from such modelling are interpreted within the context of the limitations of the approach. In addition to the general limitations of CGE modelling outlined within DBT's CGE modelling annex, the Wales level results are also subject to the following limitations:

- Fail to explicitly consider the varying trade patterns of individual sectors across each part of the UK.
- assumes the long-term structures of Wales' economy is consistent with GVA and employment data from 2022.
- assumes that the sector GVA shock is the same for Wales as it is for the UK as a whole i.e. the CGE model provides only a UK-wide sectoral shock.
 - does not give any insight into how Wales' economy adjusts to a new long-term equilibrium.
- It is based on sector results and location quotients at a highly aggregate level. It therefore does not fully reflect differences in patterns of production across nations and regions of the UK.
- Fails to account for labour market frictions i.e. currently assumes un-skilled labour can easily move across to skilled sectors.

Section 6: Sector Impacts

The economy of each nation of the UK is made up of a different composition of sectors, therefore there are likely to be differences in how each one is affected by trade agreements – particularly in terms of output and employment. For example, agriculture makes a larger contribution to Wales' economy compared with the UK economy as a whole (although still only makes up a relatively small proportion of Wales' overall economy), therefore the negative impact estimated for this sector's £m GVA is likely to be disproportionately felt in Wales compared to other parts of the UK. Not only this, but as more trade agreements are signed, there is likely to be a cumulative impact on the Welsh economy – particularly in relation to sectors where the partner country has a competitive advantage.

Whilst no CGE estimates are available showing the sectoral impacts for Wales, this information is available at the UK level and can be used to infer the broad magnitude of impacts for Wales. Table 9 outlines the estimates by sector at the UK level. The estimates suggests the impacts will largely be concentrated within a few sectors, with the largest gains felt within 'Manufacture of machinery and equipment' and 'Beverages and tobacco products'. 'Textiles, apparel and leather' is found to face the largest negative impact. For Wales, the majority of the overall positive impact of this agreement is likely to be felt through the manufacturing sector.

Table 10 – Estimated sectoral change in UK GVA (% , £m)

Broad Sector Category	GTAP-23 Sector	Change in UK sector's share of GVA, percentage points	Change in UK GVA, %	Change in UK GVA, % £m 2024
Agri-food	Agriculture, forestry and fishing	0.0000	-0.02%	-5
	Beverages and tobacco products	0.0001	1.48%	165
	Semi-processed foods	0.0000	-0.07%	-9
	Other processed foods	0.0000	0.02%	4
Industry	Chemical, rubber, plastic products	0.0000	0.29%	146
	Energy	0.0000	0.11%	57
	Manufacture of electronic equipment	0.0000	-0.07%	-24
	Manufacture of machinery and equipment n.e.c	0.0002	1.65%	527
	Manufacture of motor vehicles	0.0000	0.47%	80
	Manufacture of other transport equipment	0.0000	-0.40%	-85
	Manufacturing n.e.c	0.0000	-0.10%	-33
	Minerals, ferrous metals and wood products	0.0000	0.24%	93
	Paper and printing products	0.0000	0.46%	56
	Textiles, apparel and leather	-0.0001	-0.68%	-114

Broad Sector Category	GTAP-23 Sector	Change in UK sector's share of GVA, percentage points	Change in UK GVA, %	Change in UK GVA, % £m 2024
Services	Business services	-0.0001	0.02%	108
	Communications	-0.0001	-0.01%	-17
	Construction	0.0000	0.15%	255
	Financial services	0.0000	0.02%	26
	Insurance	0.0000	0.12%	57
	Other services (transport, water, dwellings)	0.0001	0.16%	551
	Personal services	0.0000	0.13%	105
	Public services	-0.0001	0.06%	285
	Wholesale and retail trade	0.0000	0.12%	405

Source: DBT CGE Modelling. n.e.c means not elsewhere classified. It is used to denote entities that do not fit into existing classification categories. Note: For sectoral impacts, equivalent pound values are based on year 2024.

Increased Trade

Reductions in import and export tariffs on goods traded between the UK and India is likely to boost the flow of trade between the countries, by increasing the value of trade from experienced traders and encouraging new exporters to trade with India. The modelling estimates a 60% (equivalent to £15.7bn) increase in UK exports to India and a 25% (equivalent to £9.8bn) increase in UK imports from India by 2040³⁹. This is compared to a baseline where the UK does not have a trade agreement with India.

DBT's modelling does not estimate the increase in trade between Wales and India. This is due to data limitations meaning it is not currently possible to robustly estimate how changes in trade with India by 2040, will differ across UK nations and by sector. To infer what the impact is likely to be for Wales, we must rely on the sectoral breakdown provided in Table 4 of DBT's impact assessment⁴⁰. From this we can identify Wales' proportion of UK trade with India in current prices and calculate Wales' share of the increase in trade with India based on this. Our analysis shows, Wales accounts for around 3.2% of the UK's total exports to India and 2.0% of the UK's total imports from India⁴¹. Therefore, should Wales take its share of the estimated increase in UK trade in current prices this could lead to an increase of around £183m⁴² and £348m⁴³ in goods imports and exports respectively.

Whilst these estimates provide an indication of the potential scale of the impact on Wales, there are limitations to this approach meaning these estimates should be treated with caution. Firstly, the benefit to Wales' exports will be driven by the sector composition of its exports to India and how well this matches across to the sectors that stand to benefit most from the agreement. The CGE estimates show that the benefits will

largely be concentrated within a relatively small number of sectors, with the largest positive impacts for exports found to be within the following sectors at the UK level; 'Manufacture of machinery and equipment n.e.c'⁴⁴, 'Chemical, rubber, plastic products' and 'Manufacture of motor vehicles'. Lack of detailed trade data for Wales means it is not possible to accurately determine what proportion of Wales' trade with India will be within the sectors identified above, and therefore likely to be boosted by this agreement. However, according to latest data around 74.9% of Wales exports to India were within 'Machinery and transport equipment' which is much higher than for the UK as a whole (32.0%), this indicates that the benefits of the increase in exports within the manufacturing sector may be felt more in Wales compared to other parts of the UK. Similarly, exports of 'Chemicals & related materials n.e.s'⁴⁵ accounted for 8.3% of Welsh exports to India, compared to 7.3% at the UK level.

Section 7: Consumer impacts

The provisions set out in the agreement aim to benefit UK consumers through increased consumer choice, better product quality and potentially lower prices for imported products. However, the extent to which consumers will benefit from tariff reductions will depend on the rate at which those savings in terms of lower import costs will be passed onto the end consumer. Given variations in spending patterns across the UK, it is expected that some households will benefit more than others.

For the UK as a whole, the national annual tariff reduction is estimated to be £220m in the long term. The majority of the tariff reductions are estimated to be within 'Manufacture of wearing apparel' at £112m, followed

39 The staging of tariff reductions are not considered within the modelling, therefore it is assumed that tariff reductions are implemented once the deal is in force.

40 DBT's modelling provides a sectoral breakdown of the expected increase in exports and imports between the UK and India (Table 4 of the impact assessment), however this is only available in 2024 prices and therefore is not comparable to the headline GDP figure in their impact assessment.

41 These percentages are calculated using the latest ONS Subnational Trade (2023).

42 Goods imports account for around £175m of the total increase estimated in imports while services account for around £9m.

43 Goods exports account for around £299m of the total estimated increase in exports while services account for £49m.

44 n.e.c = 'not elsewhere classified'

45 n.e.s = 'not elsewhere specified'

by 'Manufacture of textiles' at £33m and 'Other food' at £19m over the long term.

Imports of 'articles of apparel & clothing accessories' on average accounted for around 7.2% of total Welsh imports from India between 2022-2024. This is less than for the UK (9.4%) and therefore suggests that Wales may benefit slightly less than the UK as a whole from tariff reductions in this sector.

In addition to impacts on consumer prices, the agreement will also impact household incomes. As resources are allocated towards more productive sectors, this can lead to higher wages, however the impact will not be uniform across all households. The modelling suggests that on average the UK-India agreement could increase UK real wages by around £2.2 billion (0.19%) in the long run as nominal wage growth outweighs the impact of price increases. The fact that this impact may not be evenly spread across different income groups means it is not possible to accurately determine the impact on Welsh households.

Section 8: Business Impacts

India is a relatively important trading partner for businesses in Wales. In 2024, of the 3,188 Welsh businesses that internally exported goods, around 256 (8.0%) exported to India in comparison to around 9,039 (7.4%) of UK businesses. This suggests that Welsh businesses are more reliant on India as an export partner than the UK as a whole; hence Welsh businesses could benefit more from the new agreement. These existing exporters are expected to benefit from tariff liberalisation as well as reductions in non-tariff measures secured within the agreement. By expanding their exports further, businesses in Wales can benefit from economies of scale which lower their operating costs, increase turnover and raise profitability. This in turn can attract investment and support further expansion, with investment estimated to be worth £870m in the long run. Sectors that are most likely to see the benefits of tariff reductions are beverages and tobacco, chemical products and manufacture of motor vehicles. Given Wales' overall

exporting strength within these sectors, particularly within manufacturing, such reductions in tariffs could present new exporting opportunities for businesses in Wales.

In addition, around 389 (3.3%) of the 11,693 Welsh businesses that imported goods did so from India in 2024, in comparison to around 16,329 UK businesses (6.4%). This suggests that Welsh businesses are less reliant on India as an import partner than UK businesses as a whole. These businesses may benefit from increased access to cheaper and more variety of inputs, alongside of increased innovation, jobs, and expansion as a result of increased competition. Estimated tariff reductions on imports from India are estimated to be around £220m in the long run, meaning it will benefit those businesses who use goods from India in their production process.

Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) represent a key component of the Welsh economy; in 2023 these made up around 99.3% of total enterprises, 62.3% of employment and 43.4% of turnover⁴⁶. SMEs make up a larger proportion of these components in Wales compared with the UK as a whole. This indicates that Wales is slightly less reliant on larger businesses for private sector turnover and is more reliant on SMEs for employment, than the UK. In addition, latest data from **Small Business Survey 2024** shows that in 2024, Wales had a lower proportion of exporting SMEs across the UK with some 15% exporting goods or services compared to a UK average of 17%. This was higher than Scotland at 12% but lower than Northern Ireland at 33%.

SMEs generally operate at a small scale and therefore tend to face higher trading costs relative to output. This means that they can be disproportionately affected by trade barriers. This would help explain why SMEs tend to display a lower propensity to export relative to larger firms. Provisions aimed at improving trade facilitation for SMEs could help reduce the costs that these businesses face and thereby positively impact their propensity to export.

SMEs have reported issues relating to limited information about how foreign markets work, difficulties in accessing export-distribution channels and in contacting overseas customers. In addition, SMEs reported costly product standards and certification procedures, and a lack of information about requirements in the foreign country as barriers to trade. Within the Agreement is commitment to share information and co-operate efficiently that aids SMEs ability to take advantage of the terms of the agreement.

As outlined in Table 13 below, it is estimated that the vast majority of the UK's SMEs are within sectors that will experience growth in GVA due to the Agreement with India. The largest growth is found to be within Wholesale and Retail Trade which accounts for 16.2% of UK SMEs. Although not directly comparable, estimates from **Small Business Survey 2024** suggest around 18% of Wales' SMEs operate within this sector. This is higher than Scotland (17%) and England (17%) but less than Northern Ireland (21%), implying that Wales' SMEs could disproportionately benefit from the agreement.

Table 11 – Distribution of SMEs in each sector and total change in GVA in each sector relative to no FTA

GTAP Sector	GTAP Sector	Sectoral Distribution of SMEs	SMEs Turnover by Sector (£m)	Estimated Contribution to Turnover		
				Micro/Small	Medium	Large
Agri-food	Agriculture, forestry and fishing	2.7%	51,792	80.3%	9.2%	10.5%
	Beverages and tobacco products	0.2%	11,950	15.5%	19.4%	65.1%
	Semi-processed foods	0.3%	17,925	15.5%	19.4%	65.1%
	Other processed foods	0.7%	35,849	15.5%	19.4%	65.1%
Industry	Chemical, rubber, plastic products	0.3%	17,925	15.5%	19.4%	65.1%
	Energy	0.5%	49,660	14.3%	10.9%	74.7%
	Manufacture of electronic equipment	0.1%	5,975	15.5%	19.4%	65.1%
	Manufacture of machinery and equipment n.e.c	0.8%	41,824	15.5%	19.4%	65.1%
	Manufacture of motor vehicles	0.1%	5,975	15.5%	19.4%	65.1%
	Manufacture of other transport equipment	0.6%	29,874	15.5%	19.4%	65.1%
	Manufacturing n.e.c	0.2%	11,950	15.5%	19.4%	65.1%
	Minerals, ferrous metals and wood products	0.5%	23,900	15.5%	19.4%	65.1%
	Paper and printing products	1.3%	40,638	21.1%	18.0%	60.0%
	Textiles, apparel and leather	0.3%	17,925	15.5%	19.4%	65.1%

GTAP Sector	GTAP Sector	Sectoral Distribution of SMEs	SMEs Turnover by Sector (£m)	Estimated Contribution to Turnover		
				Micro/Small	Medium	Large
Services	Business services	22.2%	532,740	41.4%	16.2%	42.4%
	Communications	1.0%	28,688	25.4%	17.2%	57.4%
	Construction	15.8%	305,795	61.9%	13.3%	24.9%
	Financial services	1.0%	–	–	–	–
	Insurance	0.5%	–	–	–	–
	Other services (transport, water, dwellings)	9.0%	204,882	37.3%	15.8%	46.9%
	Personal services	9.4%	115,504	37.1%	13.3%	49.6%
	Public services	16.3%	171,911	39.3%	15.3%	45.5%
	Wholesale and retail trade	16.2%	1,029,473	32.0%	20.6%	47.3%

Source: DBT modelling 2025.

Section 9: Labour Market Impacts

The Agreement with India focuses on upholding international labour standards, encouraging goods business practice and corporate responsibility and ensure fair competition for UK and Indian businesses. It is estimated that there will be a 0.19% rise in UK real wages in the long run, equivalent to around £2.2billion when compared to 2024 levels. UK workers of all skill types are expected to benefit from these higher wages.

DBT modelling suggests a marginal shift in the distribution of employment across sectors in the long run, although this impact is relatively small in magnitude with all employment shares increasing or decreasing by less than 0.03%. The scale of these impacts are important to note in the context of the economy's natural churn over time, as the labour market adapts to individuals retiring and school leavers entering the labour market. The modelling indicates a marginal rebalance away from business services, as light manufacturing sectors expand primarily driven by the manufacture of machinery and equipment and motor vehicles.

DBT's modelling does not estimate the impact on Wales' labour market specifically, therefore it is difficult to tell what the impacts may be for Wales and whether the impacts outlined for the UK will cause the same effect in Wales. However, looking at employment shifts at the UK level suggests manufacturing could benefit from increased employment. This could have a disproportionate impact on Wales given its strengths in the manufacturing sector.

As a result of the agreement, employment shares of some protected groups are expected to fall slightly as workers move to different sectors, but in return can expect to see higher wages. The representation of protected groups in sectors where employment is estimated to fall relative to the baseline is broadly in line with the general population for younger, older and disabled workers, as well as those from ethnic minority backgrounds. Female workers are less concentrated in sectors where there is expected to be a contraction in employment in the long run as a result of the agreement. It is difficult to comment on the impact in Wales as this data is not currently available by protected group, however there's no evidence to suggest Wales would be impacted differently.

Section 10: Environmental impacts

Overall, estimates suggest that the agreement is expected to increase UK Green House Gas (GHG) emissions by around 0.21% (0.8 MtcCo2e) when compared to the baseline of 2019. The agreement is projected to have a limited impact on the overall composition of the UK's CO2 emissions, with approximately 73% of national emissions continuing to be caused by business activity, and the remaining 27% from household consumption. While for India, the agreement is expected to increase CO2 emissions by around 0.06%. The 0.21% increase in UK emissions resulting from the FTA compares with a 4% decrease in GHG emissions between 2023 and 2024.

CETA is likely to have a minimal impact on global emissions. Combining the UK, India and third country emission changes, the overall global CO2 emissions are estimated to increase by 0.001% (0.4 MtCO2e), when compared to baseline 2019 emissions of 34,037 MTCO2e. These figures are likely to be overstated because it does not account for the reduction in emissions over the past 5 years, there is a projected decline in future global GHG emissions and emissions intensity in many sectors (such as production or transport) is expected to fall.

There is an estimated increase in transport-related emissions associated with trade of around 43% to 49% between 2025 and 2040 as a result of the increase in volume of bilateral trade from the agreement, and changes in the composition of goods traded. The agreement is expected to have minimal environmental impacts on biodiversity ecosystems, land use and deforestation in both countries.

The modelling doesn't consider the UK's movement towards net zero, changes in consumption patterns or emission intensity, future decarbonisation of international shipping, nor deforestation or land use change. There is also the possibility of some sub-national impacts as a result of the agreement. Although it is difficult to pinpoint specific environmental impacts on Wales, the forecasted contraction of GVA in agriculture and forestry of around -0.2% could have a disproportionate impact on Wales, given the importance of this sector to the Welsh economy.



Llywodraeth Cymru
Welsh Government

Andrew RT Davies
Chair
Economy, Trade and Rural Affairs Committee

SeneddEconomy@senedd.wales

17 February 2026

Dear Andrew,

Thank you for the opportunity to give evidence to the Economy, Trade and Rural Affairs Committee on 29 January. I promised to provide you with more information in specific areas. Please see my responses below.

Inward Investment

Each of our overseas offices operates with an annual business plan which details delivery activity across the broad range of roles and responsibilities which they undertake. Within these plans, there are objectives covering the inward investment function, with pipeline-building set out as the primary KPI. Broader objectives are centred around the delivery activities which promote Wales as an investment destination and maintaining a relationship with the headquarters of existing investors.

Business plans remain internal documents due to potential commercial sensitivities contained within each plan, as they include more than just the inward investment targets. In addition, the small number and size of individual offices means that, across the vast majority of our network, just one or two people work in each office so releasing a KPI for individual offices would, in effect, be releasing an individual's performance targets and compromise data protection principles.

However, I am pleased to provide the aggregated lead generation KPI (Investment) across the whole Overseas Network for 2024-25, together with the aggregated performance.

Pipeline KPI (Leads Generated)	Performance against KPI
96	92 (95.8%)

UK Government Trade Mission

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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.

With regards to the UK Government trade mission to China that was led by the Prime Minister last month, I can confirm that the Welsh Government offices in Chongqing, Beijing and Shanghai were informed of a potential visit to China by a VVIP prior to the Christmas break, but were not given the details, not permitted to join the planning meetings led by the FCDO China team, nor were they asked to nominate companies from Wales to take part in the mission. The full list of delegates can be found on the [UK Government's website](#).

During the Prime Minister's visit, the Welsh Government representatives in Beijing and Shanghai were invited to attend "House of UK" receptions linked to the trade mission. The Shanghai team also had the opportunity to promote Welsh brands (Corgi Hosiery, SmoothSkin, Health&Her, Penderyn and Aber Falls gin and whisky) with display and tasting samples at a business reception on 30 January. This was one of the main events during the Prime Minister's visit to showcase the UK's creativity and innovation to 300-400 Chinese and British businesses in East China.

Overseas Network – Additional Information

Following the submission of the formal written evidence from the Welsh Government, I received a request to provide additional information about our Overseas Network. As my formal response had already been submitted, I agreed to write separately on this matter.

Over the last three years, we have seen a year-on-year rise in the number of investment enquiries that have required a detailed response and further engagement from the Invest or Regional teams in Welsh Government. This increase has been especially significant for enquiries sourced by our Overseas Network, where a rise of 145% was delivered.

Overseas Network referrals, as a proportion of all enquiries, saw a rise during this period growing from 15% to 27% - again highlighting the importance of this channel as a source of enquiries.

It is important to note that enquiries only include those projects that have a clearly defined timeline for the investment project and where additional support is required. To arrive at these, each overseas office also has a broader pipeline of enquiries and ongoing discussions with companies.

In terms of converting enquiries into successes, between 2022-23 and 2024-25, the Overseas Network was involved in over 42% of the project wins where there was Welsh Government involvement. These projects created or safeguarded nearly 6,150 jobs.

As set out in my written evidence to Committee, Wales's investment successes form part of ONS official statistics. Therefore, I am unable to provide a detailed breakdown of the investment generated by each individual office, as this would be in breach of the parameters set by the ONS, which does not allow us to discuss investment from individual geographies as there is a risk of identifying individual projects and breaching data protection.

With the exception of Brussels, every overseas office is co-located with the UK Government in an Embassy or High Commission, often sitting close to the DBT teams. This enables good intelligence sharing, strong coordination on lead generation and management, visibility of the proposition in Wales with UK Government partners and joined-up organisation of events to promote investment.

The Brussels office, whilst not co-located, is situated just a few minutes' walk from the UK Embassy. Our Trade & Invest team meets very regularly with the DBT Belgium team, as well as holding occasional meetings with relevant officials from the UK Mission to the EU.

The Brussels team also invests time on regular engagement with DBT posts across Europe (as well as with DBT Wales). Officials visit UK embassies when they are in market to, again, enable intelligence sharing, coordination on lead generation, and inform/educate UK posts about investment opportunities in Wales.

Relationships are held at multiple levels with UK posts, including Ambassadors. There are multiple examples across all overseas teams of joined-up activity with the UK Government and coordination on investment pipelines, including joint activity at exhibitions, shared meetings with existing and target investors, support with contacts and introductions and the joint organisation of inward missions and events. Specific examples include:

- Welsh and UK ministers at an investment roundtable in Paris for St David's Day.
- UK Government support for Welsh ministerial travel overseas, such as my visit to Japan in April 2025 where the Embassy team in Tokyo helped to develop the programme and supported arrangements for a Wales Investors Showcase and business roundtables.
- Use of UK Pavilions at the World Expos in Osaka and Dubai for business events.
- Organising joint business events around St David's Day in markets where we do not have a presence such as Spain, the Netherlands and Denmark.
- Joined up identification and outreach to secure attendees at the Wales Investment Summit.

Local Growth Plan

In response to the Committee's request for details of progress in agreeing the transition approach with local authorities, I can confirm I wrote to leaders in each of the four existing SPF local authority regional leads on 23 December 2025.

These letters were intended to support early planning, avoid unnecessary redundancies, and included indicative regional allocations for the transition year (1 April 2026–31 March 2027). They also set the expectation that this period would be used to actively transition to the proposed regional model via the Corporate Joint Committees (CJCs).

The letters provided information on the transition proposals and model on which we consulted – all subject to outcomes from that consultation and subsequent decisions. The consultation itself was directly informed by ongoing discussions I have with the WLGA economy spokespeople, and which my officials have with local government.

Proposed Transition Approach

The proposal discussed with local government and set out in the consultation is to retain the existing SPF architecture for the transition year, with current SPF Local Authority regional leads continuing as Accountable Bodies for 2026–2027. These bodies would enter into agreements with the Welsh Government governing the use of transition-year funding based on a transition plan for 2026-2027. The geographical coverage of each SPF region is the same footprint as the City and Growth Deals and CJCs, and the regional leads are:

- SE Wales: Rhondda Cynon Taff County Borough Council
- SW Wales: City and County of Swansea
- Mid Wales: Ceredigion County Council
- North Wales: Gwynedd County Council

Status and Legal Position

Nothing communicated to local government constitutes a promise, guarantee, or warranty by the Welsh Government. Indicative allocations were provided to each region, broken down by capital and revenue, and based on the preferred local government methodology for the transition year of allocating funding in the same proportions as the last year of the SPF during 2025-2026. All figures were indicative based on the consultation proposals and may change due to:

- Outcomes of the public consultation on the Local Growth Fund, which closed on 19 December 2025
- Confirmation of funding and delivery profiles within the Investment Plan and finalisation of agreements with the UK Government
- Completion of Welsh Government due diligence, including compliance with current subsidy control rules and the detailed terms and conditions of any future award letter

Other key points for the transition discussed with local government and reflecting proposals in the consultation include:

- A small amount of revenue funding to be allocated in 2026–2027 to each CJC to support capacity-building and regional planning, reflecting proposals in the consultation to transition to CJsCs from years 2 onwards.
- Up to 4% of funding may be used for management and administration.
- SPF regional leads will develop transition plans for 2026–2027.
- No allocations are being proposed for pan-Wales interventions in the transition year and future pan-Wales activity will be developed collaboratively.
- A six-month review will be undertaken with each SPF regional lead to assess progress against their transition plans and the transition to CJsCs.
- The Welsh Government remains committed to collective planning for transition with local government partners.

Yours sincerely,



Rebecca Evans AS/MS

Cabinet Secretary for Economy, Energy and Planning
Ysgrifennydd y Cabinet dros yr Economi, Ynni a Chynllunio

Agenda Item 4.10



February 17th, 2026

Dear Andrew and members of the Senedd's Economy, Trade and Rural Affairs Committee,

Thank you for inviting Marc Walby and me, representing New York Welsh, to contribute evidence to the Committee's inquiry into inward investment. We welcome this opportunity to share our perspective, informed by sustained engagement with investors, diaspora networks, and Welsh businesses operating on the international stage.

As the largest active, on-the-ground Welsh diaspora organisation (in contrast to the many digital-only entities that claim global reach), New York Welsh has spent two decades strengthening relations between the United Kingdom and the United States.

Marc and I co-founded New York Welsh in 2014 and have since travelled extensively to engage with diaspora communities worldwide, including the Welsh societies of Singapore, Hong Kong, Tokyo, and Paris. During this time, we have placed Wales prominently on the global stage through high-profile media events, among them three market opens at the New York Stock Exchange and Nasdaq, watched by millions of viewers internationally.

We have also hosted multiple trade missions to the United States, welcoming a former Prime Minister and three Secretaries of State for Wales. I was further honoured to serve as Business Advocate to the former First Minister, Lord Carwyn Jones, from 2014 to 2019.

With a membership of over 2,000 individuals across New York and the tri-state area, an established physical presence in the city, and a track record of funding over 1,000 women, girls, and people with disabilities in football and rugby, New York Welsh has delivered demonstrable, tangible outcomes for Wales.

It is therefore with some regret that we note these achievements have been accomplished without the support or engagement of the Welsh Government over the past six years.

However, our observations here are offered constructively and with respect for the ambitions set out in the Welsh Government's International Strategy. While the views below are suggestions rather than prescriptions, they are intended to be practical and evidence-based, and to help strengthen the operational delivery, oversight and long-term effectiveness of Wales' inward investment approach.

We would be pleased to provide further clarification, or assistance should that be helpful to the Committee.

Ty Francis MBE & Marc Walby

Co-Founders, New York Welsh

The Liberty NYC, 29 W35 Street, New York, NY, USA

Please find our answers to your questions below:

Q1. How effective is the Welsh Government's approach to attracting inward investment, and what are its main strengths and weaknesses? How should weaknesses be addressed?

Looking at the Welsh Government's approach, it's more or less strategically coherent but operationally under-specified. They do clearly articulate priority sectors where Wales has a genuine comparative advantage, including cyber security, compound semiconductors and creative industries. There's strong alignment with the Well-being of Future Generations Act and ESG-aligned investment narratives, which increasingly influence global capital allocation decisions. And finally, a clear commitment to using overseas offices and diaspora networks as force multipliers for Wales' international presence.

There are many weaknesses (and these are evident from delivery):

The Strategy does not define clear, externally auditable success metrics for overseas offices, diaspora partnerships or international promotion activity. There is limited transparency linking overseas expenditure to inward investment outcomes, creating difficulty in demonstrating value for money. Engagement with non-funded, high-impact diaspora actors appears inconsistent, weakening credibility and reach.

Our advice for how these weaknesses should be addressed:

- Introduce published, office-level KPIs linking spend to investment leads, conversions and long-term economic impact.
- Establish formal governance and review mechanisms for diaspora engagement and grant-funded partners.
- Embed proportionality and reputational risk management into overseas operations, particularly in high-cost markets.
-

Q2. To what extent does the approach target areas of strength and emerging sectors?

We feel the strategy is well targeted at areas of existing and emerging strength as it prioritizes advanced manufacturing and semiconductors, cyber and digital security and our great creative industries and film production. But, although these sectors align with Wales' skills base, universities and cluster development, and are consistent with global investment trends, there needs to be clearer prioritisation between sectors when resources are constrained. Also, there should be greater transparency on how emerging sectors are assessed, promoted and either scaled up or deprioritised over time.

Q3. How well do different layers of government work together to attract inward investment?

Coordination exists in principle but appears uneven in practice.

In the International Strategy, it recognises the need to work closely with UK Government departments, the Foreign Office and Department for Business and Trade and Regional and local delivery bodies. However, practical issues seem to remain as we've witnessed inconsistent hand-offs between overseas promotion and domestic delivery. Even as businesspeople on the ground with a very global insight into the processes, there still seems to be limited visibility for investors on who owns the end-to-end "customer journey". We would be remiss not to mention how the under-utilisation of trusted diaspora intermediaries who could bridge gaps between investors and government has been a huge miss for the government. From 2019 through 2025, it was non-existent other than some lavish private events for an esoteric audience, which did not seem to have any real connection to trade or investment.

We will add that the new Deputy Head of the Welsh Government, Charlotte Thomas, has been a breath of fresh air, but the coordination between the global offices and Cardiff leaves much to be desired. We would welcome improvement from a single, accountable investor journey owner with some kind of formalized escalation routes when engagement or coordination breaks down.

Q4. How effectively does Welsh Government support existing inward investors?

Support is strong at the point of attraction, but less clearly structured post-investment. The Strategy emphasises attraction and profile-raising, but provides less clarity on Aftercare, Expansion support and the Retention of anchor investors. Best practice internationally suggests that retention and reinvestment often deliver higher returns than first-time attraction. Wales would benefit from publishing clearer aftercare models and success metrics.

Q5. What are the key barriers to attracting and retaining inward investment?

In our opinion, the key barriers include a perceived lack of transparency around overseas spending and outcomes. Fragmentation of responsibility across agencies and offices. Limited visibility of Wales' strongest advocates and intermediaries in key markets. Reputational drag created by adverse media coverage of overseas expenditure, regardless of formal compliance. I would stress that these barriers are not ideological. They are operational and reputational.

Q6. What best practice from elsewhere could Wales learn from?

Comparing other small nations is hard, and also it's not an apples-to-apples comparison, but we MUST demonstrate:

- Clear public reporting of overseas office ROI.
- Formal accreditation and governance of diaspora partners, and the real ones, not the branded websites that operate out of Wales. Their support and help are largely apocryphal.
- Strong separation between promotional hospitality and commercial outcomes.

Wales could adopt these models without undermining its values-led approach.

Q7. Does available data provide a clear picture of inward investment into Wales?

From what we've seen, the current data provides aggregate figures but not sufficient attribution.

While headline inward investment numbers are available, it remains difficult to determine which overseas activities generated which outcomes. Which partnerships are delivering value? Which activities should be scaled down or discontinued?

Improving this would materially strengthen accountability and public confidence.

The Welsh Government's International Strategy is conceptually strong and values-led, aligning economic ambition with sustainability, fairness and long-term wellbeing. It identifies appropriate priority sectors and recognises the strategic importance of diaspora engagement and overseas representation.

However, the Strategy's effectiveness is constrained by weaknesses in delivery governance, transparency and outcome measurement. The absence of clear, published metrics linking overseas spend to inward investment outcomes makes it difficult to demonstrate value for money or to respond credibly to public and media scrutiny.

Recent adverse coverage of overseas expenditure in the media, showing reckless expenses with misaligned and incohesive events, has not created these weaknesses but has exposed them. Regardless of compliance with internal rules, perceptions of disproportionate spending undermine confidence in the system and distract from Wales' genuine strengths.

A recalibration is required. This should focus on:

1. Clear KPIs and public reporting for overseas offices
2. Formal governance of diaspora and grant-funded partners
3. Stronger post-investment support and retention strategies
4. Explicit management of reputational risk in international operations

With these improvements, the Strategy could better translate ambition into measurable, defensible outcomes.

The reporting and oversight needs to change, and the talent recruited to "be the voice and face of Wales" also needs a thorough review. This is our chance to shine, not to just show up.

Kind regards

Ty and Marc

Ty Francis MBE, and Marc Walby

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet
dros Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for
Climate Change and Rural Affairs



Llywodraeth Cymru
Welsh Government

Our ref HID PO 89 2026

Andrew R T Davies MS
Chair
Economy, Trade and Rural Affairs Committee

18 February 2026

Dear Andrew,

Thank you for your letter of 5 January regarding the procurement of Farming Connect and the application of the Rural Support Dynamic Purchasing Framework (DPS).

A Dynamic Purchasing System (DPS) is a procurement process used by public sector organisations that is compliant with UK procurement regulations. It is designed to be flexible and transparent. A DPS is like a live, open marketplace for pre-qualified suppliers. Unlike traditional frameworks, which close to new entrants after setup, a DPS remains open throughout its lifecycle. This means Suppliers can apply at any time if they meet the qualification criteria; and Buyers can run mini competitions among approved suppliers whenever they need to award a contract.

Key Advantages of DPS

1. Continuous Supplier Access

Unlike traditional frameworks, a DPS remains open throughout its lifecycle, allowing new suppliers to join at any time. This ensures a constantly refreshed supplier base, and greater inclusivity for SMEs and niche providers who may have missed initial deadlines.

2. Enhanced Competition and Innovation

Because suppliers can join at any stage and compete in mini-tenders, competition remains strong. This drives better pricing and value for money and provides access to innovative solutions and emerging technologies.

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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.

3. Flexibility and Agility

DPS arrangements allow contracting authorities to adapt quickly to changing market conditions or policy priorities without re-tendering a full framework. This is particularly useful for dynamic markets (e.g. sustainability projects) and responding to urgent or evolving requirements.

4. Reduced Administrative Burden for Suppliers

The process is fully electronic and streamlined. Qualification is simple, suppliers meeting criteria are admitted without scoring and mini competitions are faster than full tenders, reducing procurement timelines.

5. Transparency and Compliance

DPS is compliant with Procurement Regulations and supports fair access for all qualified suppliers and provides ongoing visibility of opportunities, which aligns with social value and sustainability goals under the Social Partnership and Public Procurement (Wales) Act.

The Rural Support DPS commenced on 10 October 2024 following a fair and open competition to deliver a broad range of rural support services for the Welsh Government. It remains open for applications throughout its lifetime, enabling any suitably experienced supplier to join and participate in future competitions.

Once admitted, suppliers who have been successful in being awarded a place on the DPS are eligible for any call-off contracts issued via the DPS in the category or filter that they have been accepted for, such as the Farming Connect contract.

The Rural Affairs Directorate intends to use the DPS for all procured activities, and it is also available for use by colleagues in Climate Change and OCVO.

The DPS is particularly advantageous for the ongoing development of the Sustainable Farming Scheme (SFS), enabling more efficient procurement and a coordinated approach. The DPS categories are as follows:

- **Category 1:** Rural Support Programme and Project Support Services (including grant support)
 - Filter 1.1: Programme/Project Support Services (including grant support)
- **Category 2:** Rural Support Advice and Technical Services
 - Filter 2.1: Advice Services
 - Filter 2.2: Rural Technical Services
 - Filter 2.3: Land Based Technical Services
 - Filter 2.4: Sustainability Technical Services
 - Filter 2.5: Supply Chains Technical Services
- **Category 3:** Rural Support Engagement Services
 - Filter 3.1: Rural Support Engagement

A notification was sent to all 116 suppliers registered on the DPS via eTender Wales on 16 September prior to the tender being published, to inform them all that the Farming Connect contract was being procured through the DPS and to highlight the categories that would be used for the invitations. This was intended to encourage new applications from suppliers who wanted to be part of the mini competition.

Categories 2 and 3 were used to procure the next Farming Connect contract. All suppliers on the Framework for these categories were invited to tender, and at the commencement of the procurement on 13 October, 40 suppliers were eligible to tender, including AHDB, HCC, Lantra, Mentera, AberInnovation, Prifysgol Aberystwyth, and Welsh Lamb and Beef Producers Ltd. Following a panel review of all tenders against the set specification, the Welsh Government Knowledge Transfer Programme (Farming Connect contract) was awarded to Mentera on 19 December 2025.

Yours sincerely,

A handwritten signature in black ink, consisting of several fluid, overlapping loops and lines, positioned below the closing 'Yours sincerely,'.

Huw Irranca-Davies AS/MS

Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd
a Materion Gwledig

Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs