

Jeremy Miles AS/MS
Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg
Cabinet Secretary for Economy, Energy and Welsh Language



Llywodraeth Cymru
Welsh Government

Paul Davies MS
Chair, Economy, Trade and Rural Affairs Committee
Welsh Parliament
Cardiff
CF99 1SN

10 July 2024

Dear Paul,

I'm pleased to share the Welsh Government's Approach to Trade Policy Paper which will be published on 11 July 2024.

The purpose of this paper is to set out our approach to trade policy, its grounding in the Well-being of Future Generations Act, and explain the cross-cutting policy objectives we believe the UK government should pursue when negotiating trade agreements.

Yours sincerely,

Jeremy Miles AS/MS
Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg
Cabinet Secretary for Economy, Energy and Welsh Language

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NS

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Jeremy.Miles@llyw.cymru
Correspondence.Jeremy.Miles@gov.wales

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

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



Llywodraeth Cymru
Welsh Government

The Welsh Government's Approach to Trade Policy



June 2024



Statement

The Welsh Government's approach to trade policy is underpinned by our ambition to increase prosperity in Wales, our values, our wider commitments to sustainability and our responsibilities through the Well-being of Future Generations Act. This includes growing our economy sustainably, enhancing exports and attracting inward investment; acting as 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.



Purpose



The purpose of this document is to set out our approach to Trade Policy, its grounding in the Well-being of Future Generations Act, and explain the cross-cutting policy objectives we believe the UK government should pursue when negotiating trade agreements.



What is trade policy?

Trade policy refers to a set of rules, regulations, and agreements established by governments to govern their international trade activities. These policies outline the terms under which goods, services, and investments can be exchanged between countries. Traditionally, trade policies aimed to promote economic growth and investment, protect domestic industries, and ensure fair competition in global markets.

Key components of trade policy include tariffs (taxes on imported goods), quotas (limits on the quantity of goods that can be

imported), subsidies (financial assistance to domestic industries), and trade agreements (bilateral or multilateral agreements between countries to facilitate trade). Trade policy also encompasses regulations related to intellectual property rights, labour standards, and environmental protections.

Trade policy can also include levers to encourage inclusive trade, thus ensuring access to trade agreements for Small and Medium Enterprises (SMEs) and removing unnecessary barriers to trade.



Context

In recent years, the trade environment has changed beyond all recognition. As the world changes, Wales changes with it.

Our prosperity has long depended on trade, with opportunities opening up around the world and here at home. The collective challenge for us in Wales is to identify those opportunities and equip ourselves to take fullest advantage of them to boost the economic, social, cultural and environmental well-being of Wales, consistent with our values and our obligations under the [Well-being of Future Generations Act](#).

Our trade policy in Wales needs to complement our [International Strategy](#), which sets out our three core ambitions: to raise Wales' profile on the international stage, to grow our economy by increasing exports and attracting inward investment, and to establish Wales as a globally responsible nation.

Our trade policy also needs to meet our [Export Action Plan](#) commitment to:

“Ensure our exporters are prepared for any new trading environment (requirements) with the EU, following the ending of the transition phase following the UK's exit from the EU and any other new free trade agreements”.

Trade and Devolution



The UK's exit from the EU means that the UK government can now negotiate and agree new trade agreements with trading partners across the world. Only the UK government can enter the whole of the United Kingdom into trade deals. However, Welsh Ministers have the power to make representations to the UK government whilst negotiating trade agreements and the Senedd has competence to pass laws relating to the observation and implementation of international obligations.

Wales, therefore, has a clear interest in trade deals as they can impact on our people, places and businesses and create new international opportunities and obligations. The Senedd, and the Welsh Government, are responsible for implementing obligations in devolved areas.

Our role in negotiations is to promote Welsh interests so that the UK government negotiates agreements that create opportunities which benefit Wales, align to our values, and do not undermine our own domestic policy.

Securing economic benefits within trade negotiations is fundamentally important. Alongside this, trade is inherently linked with other global issues and we want to ensure our core values are contained within the UK's international treaties. For example, the UK's new Free Trade Agreement with New Zealand contained comprehensive cross-cutting provisions including distinct chapters on the Environment, Labour, Development and Trade and Gender Equality.

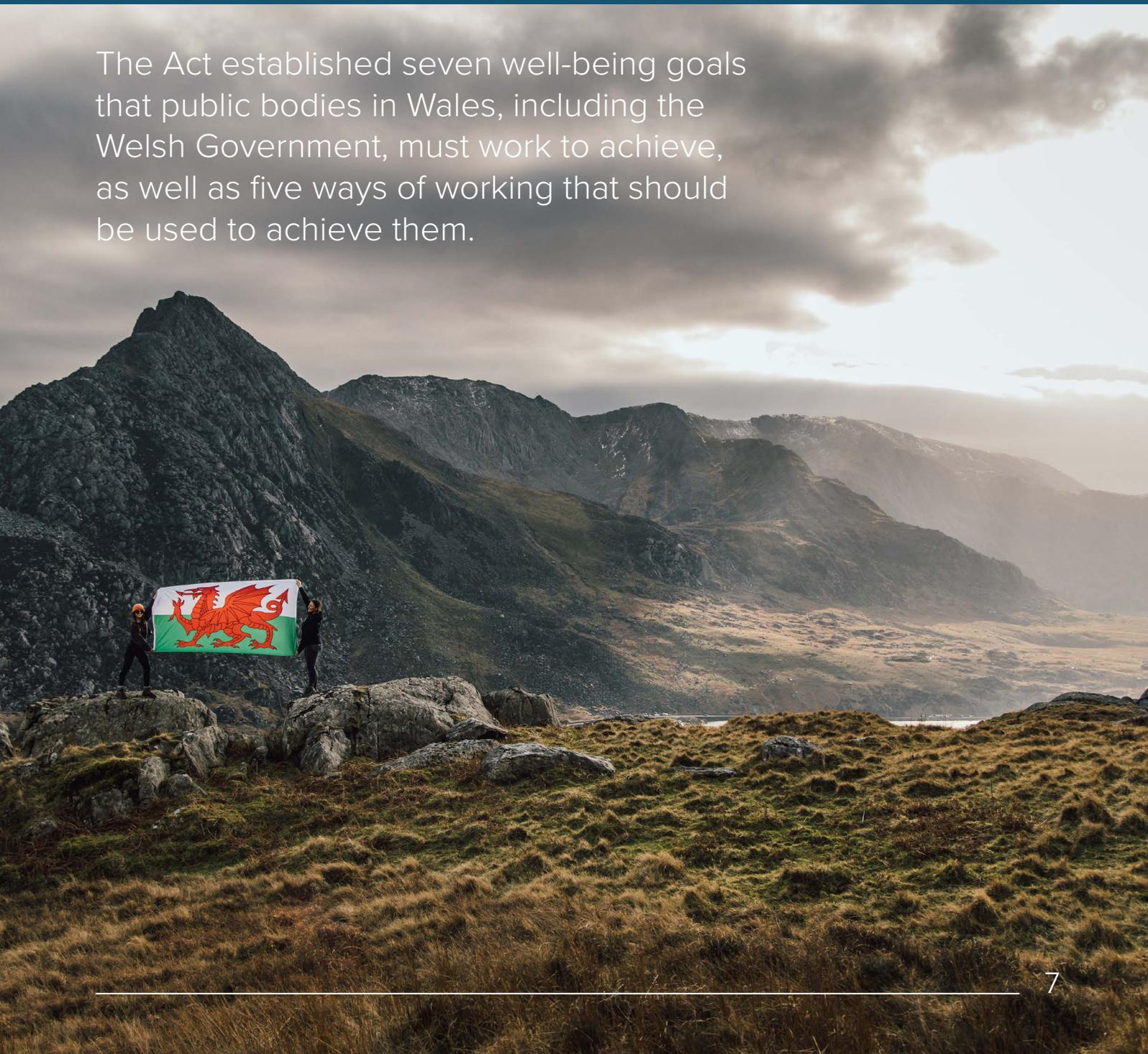
Different countries may have different approaches to issues, such as human rights and environmental protection, and engagement with these countries must be considered carefully but not ruled out.

Wales has always sought to influence change through positive international engagement, public diplomacy, and leading by example with the Well-being of Future Generations Act, whilst accepting that significant change takes time. We use our international engagement and relationships to promote our values and culture and trade deals should not undermine this approach.

Approaching Trade Policy through the Well-being of Future Generations Act

The Well-being of Future Generations (Wales) Act 2015 ('the Act') requires public bodies in Wales to think about the long-term impact of their decisions, to work better with people, communities and each other, aiming to help prevent persistent problems such as poverty, health inequalities and climate change. The Act is about improving the social, economic, environmental and cultural well-being of Wales.

The Act established seven well-being goals that public bodies in Wales, including the Welsh Government, must work to achieve, as well as five ways of working that should be used to achieve them.





Only the UK government has the power to conclude international agreements that bind the UK, but any trade agreement will likely have long-term impacts on the economic and social well-being of Wales and, therefore, the link between the well-being goals and international trade policy is significant. Trade deals will also directly impact on the ability of the Welsh Government and other Welsh public bodies, including local authorities, to deliver against the goals and objectives set out in the Act.

Whilst the UK government is not subject to the Well-being of Future Generations Act, the Welsh Government will be guided by the well-being goals and ways of working in communicating its priorities to the UK government and in its analysis of trade agreements.

Historically, trade negotiations have focused narrowly on the economic benefits of developing closer trading relationships with other trading partners. However, more recent trade agreements have expanded to include a wider set of cross-cutting areas such as small and medium enterprises (SMEs), female economic empowerment, labour and climate change. The impact of trade agreements on wider policy areas cannot be overlooked and, if not considered fully, trade deals can have unintended consequences in a range of areas. Trade agreements create international obligations which, in principle, bind future generations. Those obligations may diverge over time from domestic policy aspirations and can be complex and time consuming to renegotiate.

The potential impact that trade policy could have on our well-being goals, whether through affecting businesses, consumers, communities, domestic policy or the impact that we have globally, is at the forefront of our minds. In Wales, we consider trade policy through a Well-being of Future Generations lens, as well as in economic terms. The analysis we've conducted on the [Australia, New Zealand and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTPP\)](#) agreements has been done through this lens, taking into account how chapters of these agreements relate to the national well-being goals.

How The 7 Well-Being Goals Influence Trade Policy

The seven established national well-being goals relate to the UN Sustainable Development Goals.

The Well-Being of Future Generations Act requires policymakers in Wales to put the sustainable development principle into practice:

“

Act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

”

Underpinning these goals is the principle of sustainable development incorporated into the foundation of devolution in Wales from 1998. The Well-being of Future Generations Act also includes five ways of working intended to demonstrate best practice and to support the well-being of future generations. These are integration, collaboration, long-term, involvement and prevention.

In Wales, we have a responsibility to align our trade policy values with the seven well-being goals and five ways of working.

The Well-being Goals:

A Prosperous Wales

How trade agreements could contribute to a Prosperous Wales:

- ◆ We want to see trade agreements unlock additional trade for Welsh businesses by boosting the economy and increasing wages across Wales, whilst eliminating tariffs on Welsh goods exports.
- ◆ Any trade agreement negotiated by the UK government should serve to increase fair work in Wales and should not undermine, or put at risk, existing worker's rights and protections.
- ◆ We want to see provisions to help support Small and Medium Enterprises to take advantage of trade agreements.
- ◆ We want to see innovation provisions, including a separate innovation chapter, included in all trade agreements to provide a mechanism to discuss innovation on trade. This should include regulatory approaches, commercialisation of new technologies and supply chain resilience to ensure that trade agreements remain fit for purpose as our economy grows.
- ◆ We would want to see appropriate safeguards to prevent domestic industries from the adverse effects of cheap imports.
- ◆ Trade agreements should take account of the proportionate and efficient use of resources when it comes to what we trade.

Goal: An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing fair work.

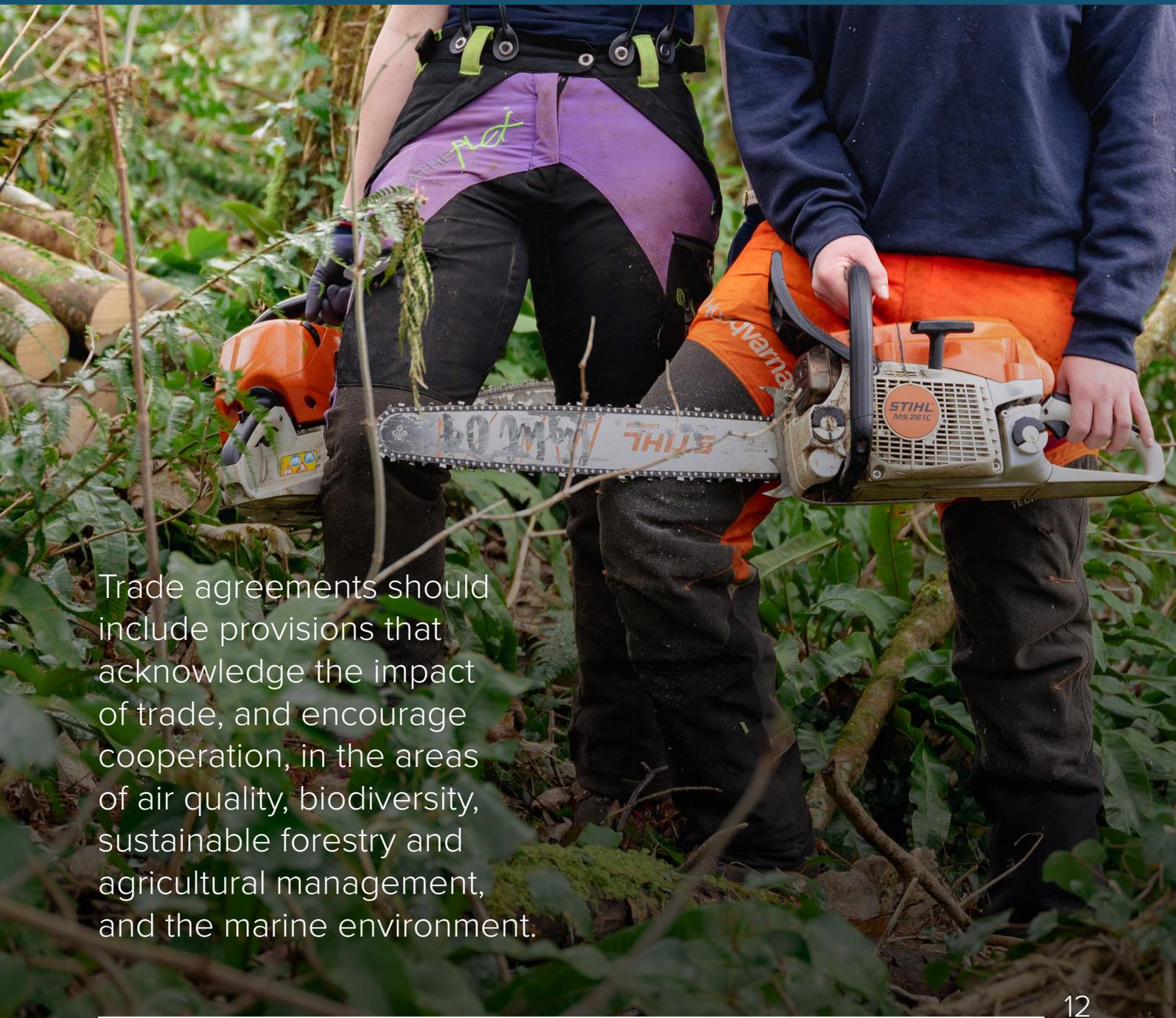
The Well-being Goals:

A Resilient Wales

How trade agreements could contribute to a Resilient Wales:

- ◆ Our expectation is that environmental provisions should form a key part of trade negotiations, and that no trade agreement should impact on our ability to meet our existing commitments both domestically and under international agreements and alliances (e.g. our membership of the [Beyond Oil & Gas Alliance](#)) or prevent us from making ambitious commitments in the future. Furthermore, trade agreements should not simply seek to restate international commitments or targets but, instead, should be used as an opportunity to enhance and strengthen existing commitments.
- ◆ We will always ask the UK government to seek high ambition provisions to reflect the importance that the Welsh Government places on the environment, both in terms of addressing climate change and ensuring high levels of environmental protection.
- ◆ Trade agreements should include provisions that acknowledge the impact of trade, and encourage cooperation, in the areas of air quality, biodiversity, sustainable forestry and agricultural management, and the marine environment.

Goal: A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example, climate change).



Trade agreements should include provisions that acknowledge the impact of trade, and encourage cooperation, in the areas of air quality, biodiversity, sustainable forestry and agricultural management, and the marine environment.

The Well-being Goals:

A Healthier Wales

How trade agreements could contribute to a Healthier Wales:

- ◆ Trade agreements must not change the fundamental principles of the NHS in the UK and Wales – free care provided to all on the basis of need at the point of use and funded through general taxation.
- ◆ Every trade agreement negotiated by the UK government should not affect our ability to regulate and deliver on our devolved health commitments.
- ◆ We would want trade agreements to help to increase supply and access to health and social care workers, and to cost effective medicines.
- ◆ Trade agreements should be used to gain access to a wider choice of low-cost healthy foods.
- ◆ Any trade agreement should ensure that we can maintain our high standards on Sanitary and Phytosanitary measures and measures to combat anti-microbial resistance are maintained and improved.
- ◆ Wider economic, environmental and social factors impact on our health and well-being. We want to ensure that all provisions in a trade agreement support the health and well-being of those in Wales and does not worsen health inequalities.

Goal: A society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.

The Well-being Goals:

A More Equal Wales

How trade agreements could contribute to a More Equal Wales:

- ◆ Trade agreements should include provisions to help reduce poverty and socio-economic disadvantage across populations and geographic areas including access to fair work and opportunities for businesses and people in Wales to contribute towards trade discussions.
- ◆ We want to see a separate chapter on trade and gender included in the UK trade agreements, as this sends a clear signal to trading partners of the importance of advancing gender equality and enhancing women's ability to take full advantage of trade agreements. We would also want to see gender-related provisions throughout the trade agreement.
- ◆ Trade agreements should include enforceable labour provisions, including a separate labour chapter with provisions to enforce the 8 core conventions of the International Labour Organisation (ILO).
- ◆ We want to see realistic impact assessments from the UK government so that we can mitigate the impacts for the sectors and communities in Wales that may be negatively impacted from a trade agreement. Trade agreements should not create advantages for some, at the expense of significant disadvantages for others.

Goal: A society that enables people to fulfil their potential no matter what their background or circumstances (including their socio-economic background and circumstances).

The Well-being Goals:

A Wales of Cohesive Communities

How trade agreements could contribute to a Wales of Cohesive Communities:

- ◆ We will make it clear to the UK government that deals which have disproportionately negative impacts on particular sectors would inevitably affect the communities around them. For example, agriculture is particularly important to rural communities, providing economic activity and employment. The same is true for other areas that have a high reliance on one particular sector. Wider employment opportunities, as well as health considerations (as noted under 'prosperous' and 'healthier' above) will also have an impact on communities.
- ◆ The inclusion of provisions in trade agreements to enable youth mobility and business-to-business mobility could promote diversity and global responsibility in our future generations.
- ◆ Trade agreements should include provisions to improve key services, which could lead to better connected communities.

Goal: Attractive, viable, safe and well-connected communities.

We will make it clear to the UK government that deals which have disproportionately negative impacts on particular sectors would inevitably affect the communities around them. For example, agriculture is particularly important to rural communities, providing economic activity and employment.



The Well-being Goals:

A Wales of Vibrant Culture and Thriving Welsh Language

How trade agreements could contribute to a Wales of Vibrant Culture and Thriving Welsh Language:

- ◆ We will make clear to the UK government throughout trade agreement negotiations that certain sectors, such as agriculture, are integral to supporting Welsh culture and Welsh speaking communities. We will use our export activities, where appropriate, to highlight the strength of Welsh culture and national identity as positive factors in encouraging trade and inward investment opportunities resulting from trade agreements.
- ◆ We would ask the UK government to exclude any commitments and obligations made on the audio-visual industry (creative industries) as these provisions could have a negative impact on the Welsh language and culture.

Goal: A society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation.

The Well-being Goals:

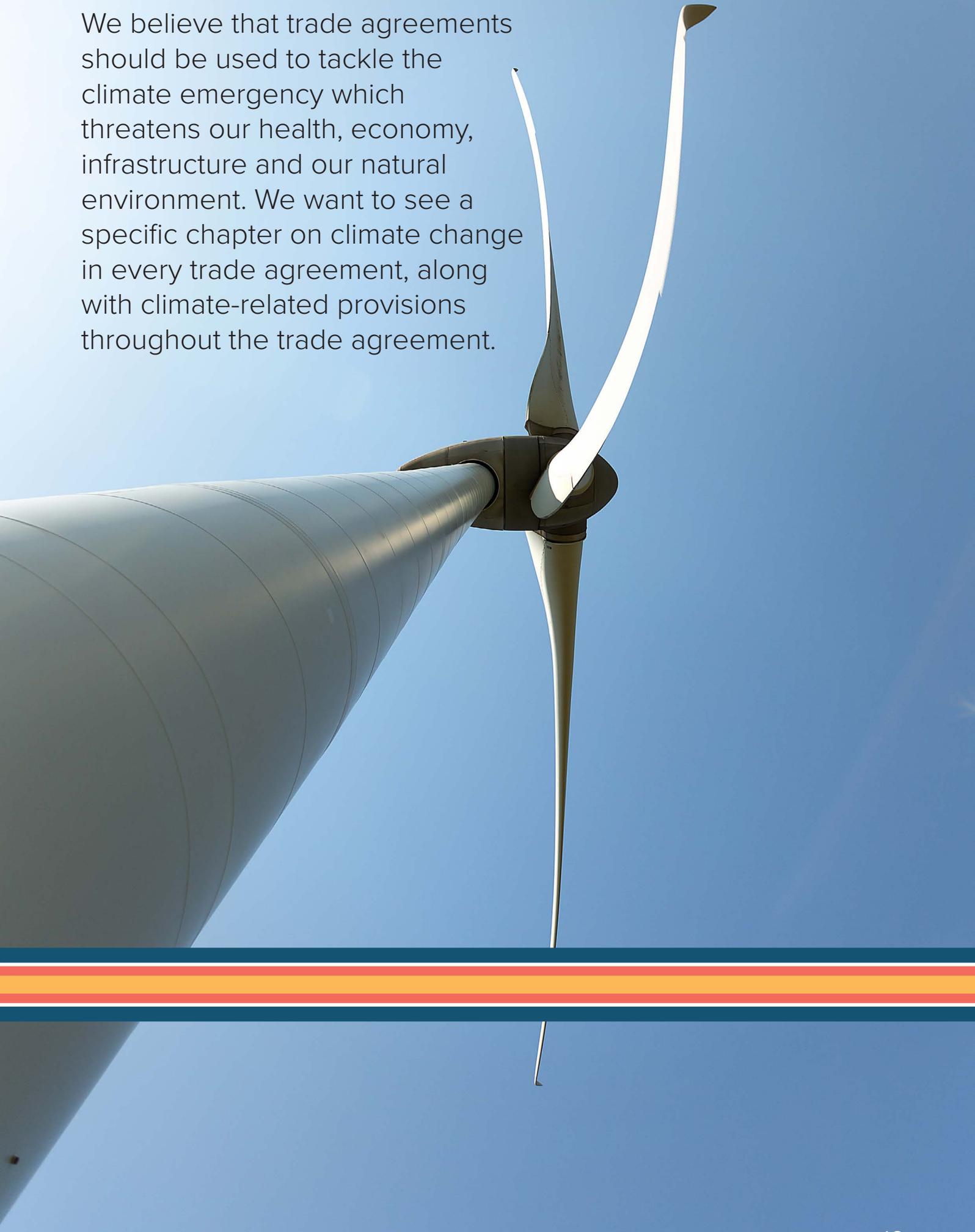
A Globally Responsible Wales

How trade agreements could contribute to a Globally Responsible Wales:

- ◆ We believe that trade agreements should be used to tackle the climate emergency which threatens our health, economy, infrastructure and our natural environment. We want to see a specific chapter on climate change in every trade agreement, along with climate-related provisions throughout the trade agreement. Trade agreements should not simply seek to restate international commitments or targets relating to the climate emergency but, instead, should be used as an opportunity to enhance and strengthen existing commitments.
- ◆ We would want to see firm commitments within trade agreements to help improve animal welfare standards and the global threat of anti-microbial resistance.
- ◆ Trade agreements should include a Trade and Development chapter to acknowledge the importance of trade as a tool for promoting sustainable and inclusive economic growth and poverty reduction. Provisions within trade agreements should allow for the monitoring of the impacts of the agreement on developing countries.
- ◆ Trade agreements should be used as a platform for constructive engagement around the environment, human rights, health and equality.

Goal: A nation which, when doing anything to improve the economic, social, environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being.

We believe that trade agreements should be used to tackle the climate emergency which threatens our health, economy, infrastructure and our natural environment. We want to see a specific chapter on climate change in every trade agreement, along with climate-related provisions throughout the trade agreement.



Influence

The Well-being of Future Generations Act puts in place a “sustainable development principle” which means that we must act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.



How The 5 Ways Of Working Influence Trade Policy

There are five ways of working that we need to consider in order to apply the sustainable development principle. Here is how we will apply the ways of working, and how we want the UK government to apply the sustainable development principle, when negotiating trade agreements:



Collaboration: How acting in collaboration with any other person (or how different parts of the body acting together) could assist the body to meet its well-being objectives or assist another body to meet its objectives.

What we ask of the UK government:

- ◆ To continue to engage with devolved governments consistently, at both Ministerial and official level, and be transparent throughout. We would also encourage the UK government to engage directly and regularly with Welsh businesses, trade unions, public bodies and civil society throughout the lifecycle of a trade agreement.

What we will do:

- ◆ Continue to work closely across the policy areas of Welsh Government, and with our range of stakeholders, to identify the potential opportunities and risks resulting from trade agreements being negotiated by the UK government. We will also continue to engage regularly with the UK government to ensure it receives the Welsh perspective on potential trade agreements and how trade agreements could potentially help or hinder our well-being goals.



Integration: Considering how the public body’s well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives of other public bodies. In particular where steps taken by the body may contribute to meeting one objective but may be detrimental to meeting another.

What we ask of the UK government:

- ◆ To put in place a comprehensive trade policy strategy that sets out how trade should interact with key policy areas such as environment, human rights, health and equality.
- ◆ To undertake comprehensive impact assessments before signing a trade agreement to identify potential impacts across a range of sectors, including their impact on devolved governments.

What we will do:

- ◆ We will continue to consider trade policy through a Well-being of Future Generations lens, as well as in economic terms. The analysis we’ve conducted on the Australia, New Zealand and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) agreements has been done through this lens, taking into account how chapters of the agreement relate to the national well-being goals.





Involvement: The importance of involving other persons with an interest in achieving the well-being goals and of ensuring those persons reflect the diversity of the population.

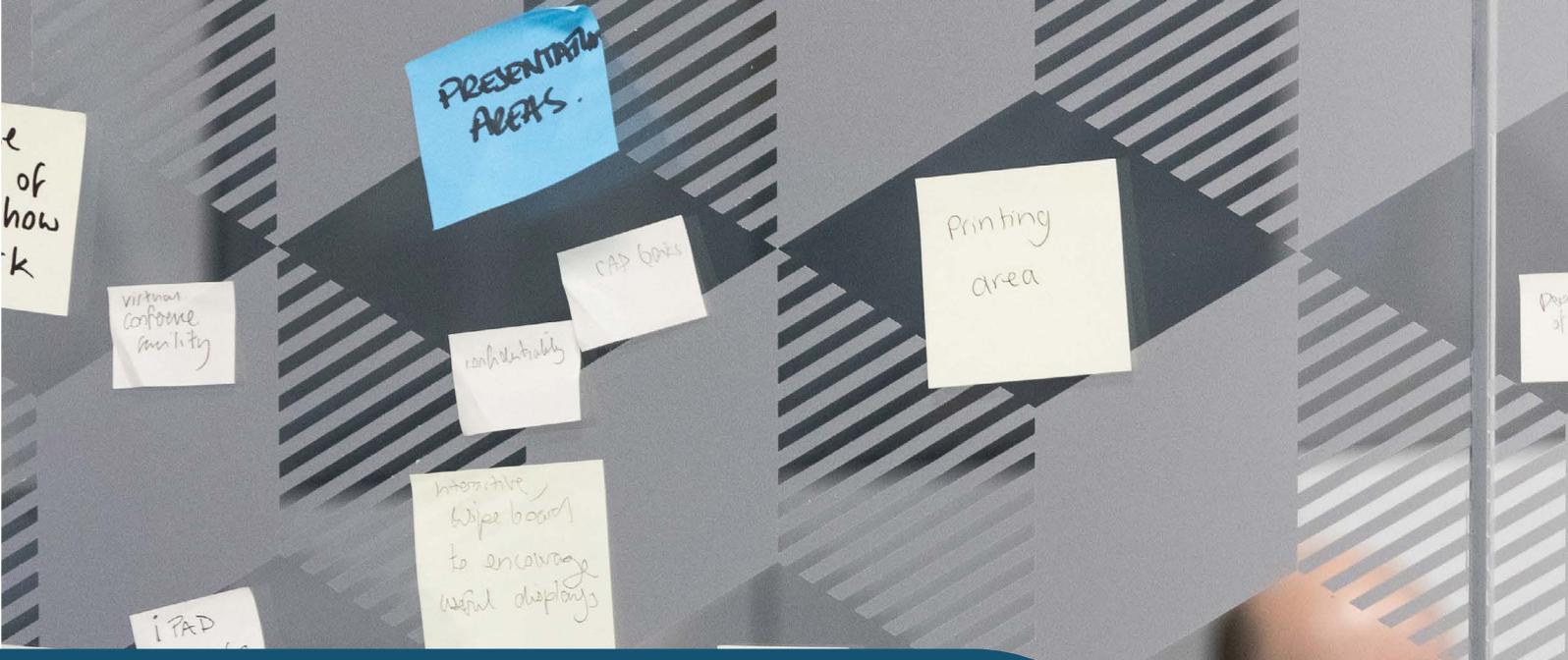
What we ask of the UK government:

- ◆ To put structures in place to ensure that they are engaging effectively with people, businesses, trade unions and civil society in Wales. Engagement should take place throughout the life cycle of the trade agreement, from scoping an agreement right through to implementation and monitoring through the committees established under the trade agreements.

What we will do:

- ◆ Ensure that the Cabinet Secretary for Economy, Energy and Welsh Language's Trade Policy Advisory Group has representation from the different business sectors, civil society including public bodies and academia, and Trade Union representation. The Trade Policy Advisory Group provides expert advice to the Cabinet Secretary for Economy, Energy and Welsh Language and senior Welsh Government officials on trade policy matters and helps to shape the Welsh Government position, with particular reference to the UK government's post-Brexit trade negotiations.
- ◆ We will continue to engage regularly across the policy areas of Welsh Government, and externally with a range of stakeholders including sector leaders, businesses, trade unions, civil society, public bodies such as Public Health Wales, and academia.





Thinking for the Long-Term: The importance of balancing short-term needs with the need to safeguard the ability to also meet long-term needs, especially where things done to meet short-term needs may have detrimental long-term effects.

What we ask of the UK government:

- ◆ To undertake comprehensive impact assessments before signing any trade agreement. The impact assessments should outline the potential impacts of a trade deal on the UK and Wales in the short, medium and long-term across all sectors.
- ◆ Once an agreement has been ratified, ensure that regular, thorough assessments of the economic, social and environmental impacts of trade agreements take place.

What we will do:

- ◆ Work with our partners and stakeholders, across a range of sectors, to identify the potential long-term impacts of a trade deal on businesses and citizens of Wales and make representations to the UK government.
- ◆ Continue to engage with our partners and stakeholders to monitor the impact of the trade agreement after ratification to ensure that it continues to benefit Wales and does not negatively impact on our well-being goals.



Prevention: How deploying resources to prevent problems occurring, or getting worse may contribute to meeting the body's well-being objectives, or another body's objectives.

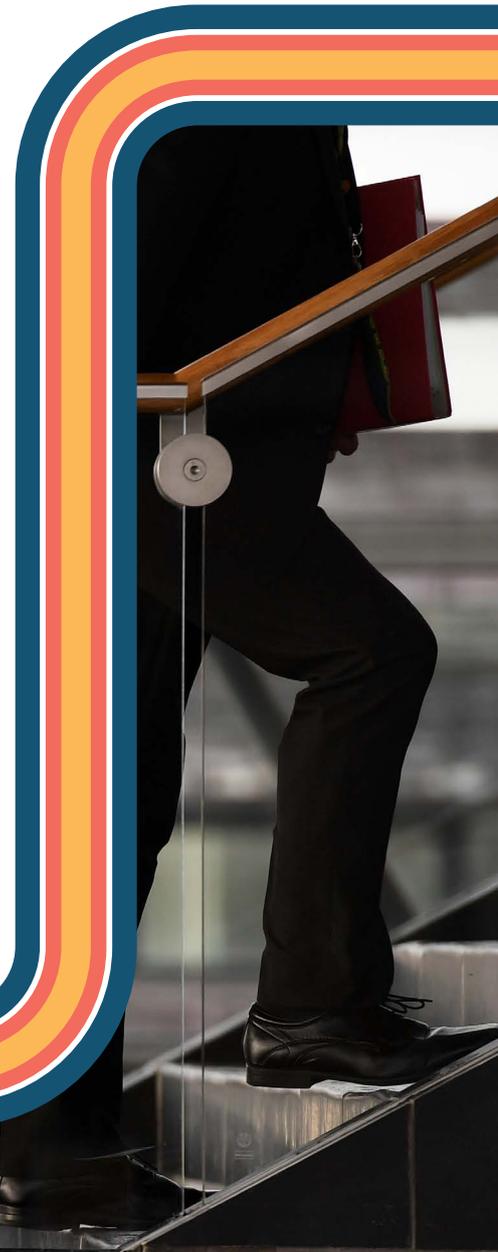


What we ask of the UK government:

- ◆ Engage widely with stakeholders, including devolved governments and civil society, to identify potential risks of trade agreements during the scoping and negotiating process.
- ◆ Effectively monitor the impact of new trade agreements to see how they compared with initial projections. Monitoring reports should be comprehensive, transparent and include stakeholder responses and parliamentary debate.
- ◆ To effectively use the committees established under the agreements to tackle any problems arising from the agreement – inviting contributions from devolved governments and relevant stakeholders when presenting evidence to the committees. The main purpose of committees is to oversee the implementation of trade agreements, which, in broad terms, involves monitoring compliance with the obligations outlined in the trade agreement; discussing further market access; reviewing and amending elements of the agreement to ensure it works efficiently; assessing the impact of the agreement on trade flows; and engaging with businesses to understand market challenges.

What we will do:

- ◆ Work with our stakeholders to identify potential risks that might have a bigger impact on certain regions or sectors of Wales (for example, agriculture) than in the rest of the UK.
- ◆ Work across the Welsh Government, and with our partners and external stakeholders, to contribute evidence from a Welsh perspective to committees established under the trade agreements.





The Future

Our trade policy will continue to be underpinned by our ambitions for a prosperous Wales, our vales, our wider commitments to sustainability and our legislative responsibilities through the Well-being of Future Generations Act.



Looking to the Future

We will continue to act as 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.

We will ensure that our values, as outlined in this document, are being heard and considered by the UK government throughout the whole process of negotiating a trade agreement, from scoping a potential agreement through to implementation. We continue to engage with the UK government to make the case that trade agreements should contain provisions to act as a platform for constructive engagement around the environment, consumer standards, workers' rights, human rights, health, and equality.

We will ensure that our exporters are prepared for new trading environments to enable them to take advantage of trading opportunities as a result of trade agreements. We will continue to support businesses in Wales to understand trading conditions, procedures and regulations in target export markets, including those where trade agreements are in place, as part of the delivery of our Export Action Plan for Wales.



