



Welsh Government Evidence Paper – Trade and Borders

05/03/2026

The Economy, Trade and Rural Affairs Committee has invited the Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs and the Cabinet Secretary for Economy, Energy and Planning to attend a joint scrutiny session on Trade and Borders on 5 March 2026. This paper is intended to inform the discussion, providing an update on policy developments in this area, and actions taken by the Welsh Government.

Contents

1.	Introduction.....	3
2.	United States.....	4
3.	UK-EU Common Understanding Agreement.....	6
4.	India Free Trade Agreement.....	10
5.	Rest of World Negotiations.....	11
6.	Border Controls - Border Target Operating Model.....	12

1. Introduction

- 1.** The international trade landscape in 2025 was characterised by a high degree of uncertainty in international trade markets, in part caused by the announcement of US ‘reciprocal’ tariffs in April 2025. Against this backdrop the UK Government has concluded several agreements with key international trading nations, such as the free trade agreement agreed with India, the UK-US Economic Prosperity deal and the UK-EU Common Understanding Agreement. The UK EU Summit also led to several announcements, including further negotiations to agree a Common Sanitary and Phyto-Sanitary Agreement, negotiations in these areas will continue at pace over the coming year.

2. United States

US Tariffs

2. On 2 April 2025, the US administration announced a series of 'reciprocal' tariffs on all countries. Whilst higher level tariffs were subsequently paused for 90 days, a 10% baseline tariff on all imports into the US, including from the UK, was put in place.
3. The 'reciprocal' tariffs are separate to the series of sector specific tariffs that the US also imposed on goods such as steel, aluminium, and automotive.
4. The US continues to use tariffs as a means to regulate trade. There are several investigations underway in respect of import into the US, with many of these investigations expected to conclude this year.

UK-US Economic Prosperity Deal

5. On 8 May 2025, the UK and US announced the general terms for a UK-US Economic Prosperity Deal¹ (EPD). This agreement sets out the intentions for a future trade agreement and is not legally binding. Some elements of the deal have now been implemented. For example, the EPD included a commitment to establish a reciprocal tariff free quota for 13,000 metric tonnes of beef to enter the respective UK and US markets. This quota arrangement came into full effect on 1 January 2026.
6. Other elements of the deal require further negotiation to formalize the specific details set out in the EPD. For example, under the EPD, the US agreed to establish a tariff free quota for the import of UK steel. However, this arrangement is yet to be established as negotiations continue. In the meantime, the UK is the only country to have secured a 25% US tariff rate on steel, avoiding the 50% rate the US has applied to other countries.
7. Welsh Government officials continue to work closely with the UK Government to understand how the remaining details of the arrangements set out in the EPD will be applied to any final agreement.

UK-US Pharmaceutical deal

8. On 1 December 2025, the UK Government announced that the UK and the US had concluded a UK-US pharmaceuticals deal which grants UK

¹ [UK-US Economic Prosperity Deal](#)

pharmaceutical exports to the US exemptions from any US tariffs. In return, the UK Government has agreed to increase the price it pays for new medicines by around 25%. The text of the agreement has not been made public and while medicine pricing is a reserved matter the nature of medicine pricing will have a direct impact on the NHS in Wales.

Wales-US Trade Data

- 9.** The latest data available from the year ending September 2025 shows that the US was Wales' second largest goods export partner, with 12.9% of total Welsh goods exports heading to the US, and also Wales's top import partner, accounting for around 18.1% of all Welsh goods imports.
- 10.** Goods trade between the US and Wales was valued at £5.9bn in the year ending September 2025², with imports and exports contributing £3.8bn and £2.2bn respectively. Latest services trade data for 2023³ estimate the value of services trade with the US to be around £3.6bn, of which imports and exports account for £1.1bn and £2.5bn respectively.

² Based on [HMRC RTS](#). Due to the upcoming pre-announced HMRC corrections due to be published on 19th March 2026, these figures may change and should therefore be treated with caution.

³ [ONS Subnational trade, 2023](#)

3. UK-EU Common Understanding Agreement

General Update

- 11.** On 19 May 2025, at the UK-EU summit, the UK Government announced that it had reached a UK-EU Common Understanding Agreement with the EU on trade, energy and security⁴.
- 12.** The agreement is primarily a framework agreement, setting out key areas for further negotiation and cooperation in key areas such as Sanitary and Phytosanitary (SPS) measures, linking Emission Trading Schemes (ETS) Youth Mobility, and electricity trading.
- 13.** The UK and the EU have begun negotiations on an SPS agreement and the linking of ETS, and have committed to conclude negotiations by the next EU UK Summit which will take place in 2026.
- 14.** Welsh Government Ministers and officials are in regular contact with the UK Government to ensure Welsh interests are represented in negotiations. There are regular Inter-Ministerial Group Meetings where these issues are discussed, including IMG-Rural Affairs, IMG – Trade, which last met on 8 January and IMG – EU, which last met on 21 January. The Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs has also had two quadrilateral meetings to discuss the ongoing negotiations. The intention is for these meetings to continue on a monthly basis.

ERASMUS +

- 15.** On 17 December 2025, the UK Government announced⁵ that it had agreed with the EU for the UK to associate to the Erasmus+ programme from 2027.
- 16.** Erasmus+ is an EU programme that provides grant funding for international placements and partnership projects for organisations working in education, training, youth and sport. It aims to help people improve their education, gain work experience, and grow personally by offering chances to study, learn and work in eligible countries.

⁴ [UK-EU Summit - Common Understanding](#)

⁵ [Young people from all backgrounds to get opportunity to study abroad as UK-EU deal unlocks Erasmus+ - GOV.UK](#)

Youth Mobility Scheme

- 17.** The EU and UK are negotiating a youth experience scheme following the announcement in May 2025 at the UK-EU summit that they would commit to doing so. An explanatory memorandum⁶ explaining the EU Council's decision to authorise the opening of negotiations was published in August 2025. Negotiations are underway and ongoing.
- 18.** We continue to be clear in our representations to the UK Government that any scheme must ensure that young people can enjoy the social, cultural and educational benefits gained from living, working and/or studying in each other's countries.

Business mobility

- 19.** The EU and UK committed to setting up a dedicated dialogue on the implementation of the Trade and Co-operation Agreement (TCA) as regards entry and temporary stay of natural persons for business purposes (short-term business visitors), including the UK's visa sponsorship scheme.

Emissions Trading Scheme (ETS) Linking

- 20.** The UK and the EU have also begun negotiations on linking the UK Emissions Trading Scheme (ETS) with the EU ETS. Both parties have agreed to complete negotiations on ETS before the next UK-EU summit in 2026.
- 21.** The ETS is a powerful tool for decarbonisation and supports our goals for green growth and green jobs. Aligning the UK and EU ETS could benefit Wales by creating opportunities for Welsh industries and ensuring a level playing field across a broader market, including reciprocal Carbon Border Adjustment Mechanism (CBAM) exemptions.
- 22.** The Welsh Government shares joint responsibility for the UK ETS alongside the Scottish Government, the Northern Ireland Executive, and the UK Government, and we welcome this development.

Electricity trading

- 23.** The UK and EU announced on 17 December 2025 that they would progress talks on enhanced electricity trading arrangements to reintegrate the UK into EU Internal Energy Market mechanisms. This includes market coupling,

⁶ [Draft EM on COUNCIL DECISION \(EU\) 2025/1286 on youth experience scheme](#)

interconnector efficiency, and regulatory alignment. These changes aim to reduce costs, improve energy security, and accelerate decarbonisation.

Sanitary and Phytosanitary (SPS)

- 24.** The UK and EU are committed to negotiating a Common Sanitary and Phytosanitary Agreement to remove many of the certification and checks on agri-food products which were introduced after the UK left the EU and created significant trade barriers for Welsh producers exporting to the EU.
- 25.** Parties agreed that the UK should be able to take targeted action to protect its biosecurity and public health, in the same way as Member States under European Union law.
- 26.** In addition, the SPS Agreement should include a short list of limited exceptions to dynamic alignment, these exceptions will be subject to negotiations and could cover areas where UK / devolved government rules and regulations justifiably diverge from the EU.
- 27.** Both parties have agreed to complete negotiations on SPS before the next UK-EU summit in 2026.

Wales-EU Trade Data

29. The EU is Wales's most significant trading partner, with the value of total trade with the EU totalling £17.4bn in the year ending September 2025⁷. The EU is also the largest market for inward investment to Wales.

30. Wales is more reliant on the EU for goods trade than the UK as a whole. In the year ending September 2025, around 56.2% of Welsh goods exports went to the EU, this differs from the UK as a whole where 48.5% of goods exports were sent to the EU. In addition to this, around 31.5% of Wales' services exports were destined for the EU in 2023 according to the Office for National Statistics data.

⁷ Due to the upcoming pre-announced HMRC corrections due to be published on 19 March 2026, these figures may change and should therefore be treated with caution

4. India Free Trade Agreement

31. On 6 May 2025, the UK concluded negotiations over a free trade agreement with India. The deal is expected to be signed imminently. The signed agreement will then be laid before the UK Parliament later this year as part of the Constitutional Reform and Governance Act 2010. The Welsh Government has analysed the deal and published a report setting out its perspective on the agreement and the specific impacts for Wales.⁸

⁸ [The UK-India Comprehensive Economic and Trade agreement \(CETA\): a Welsh Government perspective](#)

5. Rest of World Negotiations

32. In addition to the recent agreements reached with India, the US and the EU, there are several trade negotiations currently taking place. These include negotiations with Switzerland, the Gulf Co-operation Council (GCC) and Turkey.

33. Negotiations with the Republic of Korea (RoK) were concluded on 15 December 2025, and formal signature on the upgraded UK-RoK FTA is expected to take place in summer 2026.

6. Border Controls - Border Target Operating Model

- 34.** The Welsh Government actively updates and reviews its priorities as the UK-EU negotiations develop and circumstances change. We will continue to consider any potential impact on Wales as part of this ongoing work. However, as negotiations are currently active, we cannot comment on what may be included or what that impact may be until any agreement is finalised.
- 35.** The Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs set out the Welsh Government's position on Border Control Posts (BCPs) in Wales, and this statement remains the current position⁹. The decision to pause the implementation of the Border Target Operating Model (BTOM) arrangements was made by the UK Government which has indicated that this will remain subject to review.
- 36.** Working with colleagues in the UK and Scottish governments, the Welsh Government will keep the implications for border control posts in Wales under review. We will update the Committee as appropriate.

⁹ [Written Statement: Border Controls on imports into Wales from Ireland](#)
