

Trade Policy and Free Trade Agreements

Following EU Exit, the UK Government has been pursuing an ambitious programme of Free Trade Agreements (FTAs) and other trade related agreements.

FTAs with Japan, Australia and New Zealand have been signed, whilst negotiations are currently ongoing with countries and partners like India, Mexico, Israel, Switzerland, Turkey, South Korea, and the Gulf Cooperation Council (GCC - Oman, Bahrain, UAE, Kuwait, Saudi Arabia, Qatar).

The UK is also undergoing the ratification process to formally be a part of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). CPTPP is made up of 11 countries – Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, and Vietnam.

By their very nature, FTAs, and other trade agreements¹ will result in negative and positive impacts for certain industry sectors and certain regions of the UK. The Trade Policy Team ('team') seeks to minimise the negative effects, whilst simultaneously maximise the opportunities, for our businesses from FTAs and other trade agreements though ensuring that Welsh interests are represented and included in UK Government's developing international trade agenda.

Welsh Government Trade Policy Team

The team works with UK and other devolved governments to push for the UK to achieve the best trade deals possible with partner countries and seek the inclusion of Welsh economic and policy interests in any agreement.

Once a trade agreement is signed, the team works together with their exports colleagues to implement the agreement and raise awareness of the opportunities and benefits for our businesses.

The team also lead on the ongoing review of agreements for WG once they are in force to identify areas for possible improvement. The team can also look at market access barriers for businesses where no trade deals exist.

Sector Input

Intelligence from Welsh businesses is crucial in helping the team to understand what the potential threats and opportunities may be for them from global markets, and from specific trade deals.

An understanding of specific business issues (on areas like HS commodity codes of importance, rules of origin, customs (including paperwork and fees), and product regulations (including testing and certification)), will ensure that the right matters are identified and addressed in trade deals and to improve trade more generally.

¹ These include Enhanced Trade Partners, Memorandum of Understandings, and Mutual Recognition Agreements

Points of note in FTAs

India

- The FTA negotiations are currently on pause as India have entered their pre-election period. Negotiations are expected to resume in June 2024 with the aim to sign an agreement as soon as possible thereafter.
- The team are aware that businesses struggle to trade with India due to India's high tariffs (import duties) on all goods, complexities to do with Indian regulations, shortfalls to do intellectual property protection, and government policies around procurement and subsidies (e.g. Make in India). Differences in taxes and regulations in individual states are also problematic.
- UK will look to reduce as many of these issues as possible in an FTA with India, with goods such as **alcoholic beverages, automotive, and medical devices (including biotech)** being main beneficiaries. The services sector (legal, financial) are also potentially beneficiaries.
- WG feels there are also potentials for **chemicals, consumer products and machinery (including electricals)**. However, given India's low-cost base, the team recognises the practical difficulties with penetrating the India market even with an FTA. The team also recognises the risk an FTA could bring to businesses via increased competition through increased imports from India.
- Aside from increased mobility, India will most likely want to be able to export more **agrifood, textile and apparels, pharmaceuticals, machinery, and consumer products** to the UK.

GCC

- Round 7 of the FTA negotiations between UK and GCC will take place in May following the end of Ramadan and the Eid holiday.
- Although GCC is a political and economic union between six gulf countries, it does not have a customs union that operates like the EU. Therefore, businesses must deal with different tariffs, regulations, and rules between the six countries.
- The UK will look to reduce and standardise these differences as much as possible to make exporting to the gulf easier.
- Apart from issues to do with customs and regulations, the team have noted that intellectual property is an issue with trading and investing in GCC.
- As the gulf countries look to diversify away from oil and gas, they have become more protectionist as they look to grow their own agrifood, manufacturing and services industries.
- UK goods such as **alcoholic beverages, automotive, medical devices (inc. biotech), pharmaceuticals, consumer products, textiles and apparel and machinery (inc. electricals)** may all benefit from an FTA with the GCC.

Israel

- Round 7 of negotiations took place in February.
- The team would be interested to hear from businesses that export or import goods from Israel, and the barriers they experience in doing so.

Switzerland

- Round 4 of negotiations took place in March.
- There will be interest from both parties to remove barriers to trade for **dairy products, medical devices (inc. biotech), pharmaceuticals, consumer products** and **machinery (inc. electricals)** in any potential FTA.

Republic of Korea (RoK)

- Round 1 of negotiations took place in January.
- These negotiations will only focus on improving specific areas of the existing UK-RoK FTA.
- As tariffs on industrial goods are already fully liberalised (i.e. 0%), negotiations will likely concentrate on removing regulatory barriers on industrial goods; tariffs on agrifood; and access to services.
- UK **agrifoods, alcoholic beverages, automotive, medical devices (inc. biotech), consumer products (inc. cosmetics),** and **textiles and apparel** may all benefit from a better FTA with RoK.
- RoK are likely to want to see better access for their **agrifoods** and **alcoholic beverages, automotive, and consumer products (inc. cosmetics)** into the UK.

Turkiye

- Negotiations between UK and Turkiye are due to be launched in June.
- The team would be interested to hear from businesses that export or import goods from Israel, and the barriers they experience in doing so.
- The team suspects that **agrifoods, machinery (inc. electricals), automotive, steel, chemicals, consumer products,** and **textile and apparel** to be of interest to both parties in the FTA.

There are also several other FTAs either in negotiation (Maldives, Greenland) or on pause (Mexico, Canada) that have not been highlighted here.

Request to Businesses

The information provided in the different FTAs to do with goods of interest and trade barrier issues are based on information and ad hoc feedback received from the team from industry bodies and associated available Welsh trade data. Therefore, these may not necessarily align with goods and issues, experienced directly by businesses.

To aid our understanding, and to support the team in reducing barriers to trade, businesses are invited to provide feedback and views they have on trading with any of the aforementioned FTAs and countries. Information to do with tariffs, customs difficulties, regulatory compliance, intellectual property concerns, etc. will be greatly appreciated.

Businesses and members can get in touch directly with the trade policy team at tradepolicy@gov.wales.