



House of Commons  
Welsh Affairs Committee

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**Brexit and trade:  
implications for Wales:  
Government response  
to the Committee's  
Fifth Report of Session  
2019–21**

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**Fifth Special Report of Session  
2019–21**

*Ordered by the House of Commons  
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## Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Wales (including relations with the Senedd Cymru—Welsh Parliament).

### Current membership

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[Tonia Antoniazzi MP](#) (*Labour, Gower*)

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The following member was a Member of the Committee during this inquiry:

[Anna McMorris MP](#) (*Labour, Cardiff North*)

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via [www.parliament.uk](http://www.parliament.uk).

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### Committee staff

The current staff of the Committee are Dr Adam Evans (Clerk), Louise Glen (Committee Operations Manager), Simon Horswell (Committee Specialist), Ffion Morgan (Assistant Clerk), Kelly Tunnicliffe (Committee Operations Officer), Tim West (Media Officer) and Rhiannon Williams (Committee Specialist).

### Contacts

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# Fifth Special Report of Session 2019–21

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The Welsh Affairs Committee published its Fifth Report of Session 2019–21, [Brexit and trade: implications for Wales](#) (HC 176) on 11 December 2020. The Government's response was received on 11 February 2021 and is appended to this report.

## Appendix: Government Response

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The Government is grateful to the Welsh Affairs Select Committee for its report *Brexit and trade: implications for Wales*, published on 11 December 2020. I would like to thank the Committee and all those who contributed evidence to its inquiry for their efforts. The Government has carefully considered the Committee's recommendations and has responded to each in turn below.

### Recommendation 1

***We expect DIT to finalise governance arrangements by agreeing on a concordat by January 2021 and recommend that other UK government departments consider using this as a model for strengthening their relationships with the devolved administrations.*** (Paragraph 18)

- Whilst international trade is a reserved matter, we recognise that modern trade policy can interact with areas of devolved competence.
- In recognition of the importance of this relationship, we have committed to a substantial program of Ministerial and official engagement with the devolved administrations. We welcome the Committee's acknowledgement of the positive working relationship established with the Welsh Government.

### Recommendation 2

***We welcome the establishment of the Ministerial Forum for Trade in 2020 as a mechanism for cooperation between UK Government and the devolved administrations. It is important that key Welsh interests are fully considered in trade talks.*** (Paragraph 24)

- The Ministerial Forum for Trade has been central to our constructive discussions on Welsh trade priorities. It has been warmly welcomed by devolved Ministers and will continue to facilitate conversations about our current and future free trade agreements as well as all other trade related matters. The Minister of State for Trade Policy regularly discusses ways of working with devolved Ministers, most recently at the Ministerial Forum for Trade in December 2020. Wider working arrangements will be constantly reviewed as part of the current engagement process.

### Recommendation 3

*We therefore urge Ministers to continue to work with business groups and other stakeholders, including the devolved administrations, to ensure as many businesses and organisations are as prepared as possible. Such efforts should make full use of Welsh media outlets and be available bilingually.* (Paragraph 30)

- The Office of the Secretary of State for Wales held a series of events in November and December to help businesses and Business Representative Organisations (BROs) in Wales prepare for the end of the Transition Period. The events included four webinars attended by over 600 Welsh businesses in total.
- The Office held two of these webinars jointly with officials from HMRC, enabling Welsh businesses to question HMRC directly on the new arrangements for import and export with the EU after the end of the Transition Period, and one webinar with Home Office officials, enabling close examination of the new immigration system.
- The fourth and final webinar took place on 10 December and was hosted jointly by the Secretary of State for Wales and the Welsh Minister for the Economy, Transport and North Wales. The webinar demonstrated to Welsh businesses the close working relationship between the UK Government and Welsh Government on the end of Transition. It followed on from a 3 December joint letter from both Ministers to Welsh business explaining where and how they could obtain further help and support.
- The Office complemented the webinars with a series of roundtables with the Secretary of State for Wales. The roundtables provided for in-depth discussion with firms from specific sectors of Welsh industry—including advanced manufacturing, construction and agriculture, food and drink—on how leaving the EU Single Market and Customs Union could affect the sector. Each session was chaired by a Welsh BRO and included guests from elsewhere in Government—for example, the Secretary of State for the Environment, Food and Rural Affairs, George Eustice, attended the agriculture, food and drink roundtable.
- The roundtables resulted in a number of subsequent industry-led, “self-help” events where firms in specific sectors got together to share best practice on preparing for the end of the Transition Period.
- OSSW has continued to engage with Welsh business and BROs following the end of the Transition Period, including events chaired by the Secretary of State for Wales to learn more about the content of the UK-EU Trade and Co-operation Agreement and its practical operation.

### Recommendation 4

*Should there be a deal then we urge the UK Government to continue working with the EU and business groups in 2021 to explore how non-tariff barriers and additional burdens and costs can be minimised for Welsh producers. For example, we are concerned about the implications of new processes and checks for just in time supply chains. In the*

***event that a deal cannot be struck then we call on the UK Government to write to us with evidence of preparations and proposals to mitigate any specific risks to the Welsh economy as a result of trading with the EU on WTO terms.*** (Paragraph 44)

- On the 24 December the Prime Minister agreed a free trade agreement with the EU. The UK-EU Trade and Co-operation Agreement (TCA) honours the instruction of the British people—expressed in the 2016 referendum and the 2019 General Election—to take back control of our laws, borders, money, trade and fisheries. The Agreement ensures tariff free and quota free access to the EU market for Welsh businesses.
- Since the TCA was signed, the Secretary of State for Wales has continued engagement with Welsh businesses to get feedback from them on their first hand experiences of the new trading arrangements with the EU. Furthermore, the Chancellor of the Duchy of Lancaster met Welsh business people on 4 February—as part of the Brexit Business Taskforce series of meetings—to identify challenges facing traders in Wales and find solutions to outstanding issues.
- The Government believes the TCA is generally working well. The majority of Welsh firms are trading with the EU much as they have always done. There are however a number of teething problems in specific import/export sectors which the Government is committed to resolving, both by engaging with business to help familiarisation with the new trading arrangements and engaging with the EU to iron out difficulties in specific areas.

## **Recommendation 5**

***The readiness of Welsh and UK ports for trade with the EU after the transition phase is a major undertaking. The UK Government needs to provide reassurances that digital and physical infrastructure will be up and running in time and that sufficient physical capacity at or near ports will be available before July 2021.*** (Paragraph 59)

- From July 2021, infrastructure will be needed to meet the further requirements of full border controls on EU goods as set out in the Border Operating Model. In July 2020, the Government committed to spending £705 million on new border infrastructure to support ports in building extra capacity to meet the new control requirements where there is space to do so. This funding was provided for improved IT systems as well as for infrastructure at ports (through the £200 million Port Infrastructure Fund—PIF) and at Inland Border Facilities (£270 million) to support ports which do not have the space to build new infrastructure on site.
- Holyhead, Pembroke and Fishguard have all been allocated funding from the PIF to deliver on-site infrastructure at the port. The UK Government is also working with the Welsh Government to deliver Inland Border Facilities in North and South Wales to accommodate necessary checks which cannot be accommodated on-site due to space constraints.
- Timescales for inland facilities are challenging but the UK Government is working closely with the Welsh Government to speed up delivery, including

regular discussions between Ministers. The provision of inland facilities for Holyhead is a shared responsibility between HMRC and the Welsh Government. The Welsh Government is responsible for facilities for South West Wales because it has devolved responsibility for sanitary and phytosanitary (SPS) checks.

## Recommendation 6

***The UK Government must redouble its efforts to work with business and port operators to provide confidence that the necessary systems and infrastructure will be in place, fully tested and functioning well in advance of July 2021. The UK Government should also maintain an ongoing dialogue with the EU, post January 2021, to monitor the impact of new processes and, where possible, work to ensure as frictionless trade as possible.*** (Paragraph 67)

- The Government undertakes on-going regular engagement with ports, port associations (BPA and UKMPG), and business stakeholders across the UK, including in Wales and through our Welsh Government colleagues, to ensure the smooth delivery of key borders' infrastructure.
- Grants through the Port Infrastructure Fund will provide one-off financial support to more than forty ports (including Holyhead, Pembroke and Fishguard) which have the space to build on site the border infrastructure required for 1 July 2021. We continue to work constructively with ports to realise that deadline. The UK Government continues to engage with the EU to jointly monitor and resolve impacts on trade and the effective functioning of the border.
- The programme for getting inland infrastructure ready for July is challenging. The UK Government remains focused on delivering the required infrastructure as quickly as possible and is working closely with the Welsh Government to expedite delivery for the Welsh ports.

## Recommendation 7

***There is an unacceptable level of risk that inland facilities will not be ready in either North or South-west Wales for the full introduction of border checks and processes in July 2021. It has been clear since the beginning of the UK-EU trade talks, that regardless of a deal being reached or not, there would be new processes and requirements at the border, and it has also long been apparent that Holyhead, Fishguard and Pembroke lack the capacity to accommodate such checks on-site. If there is to be any chance of a North Wales and South-west Wales facility being operational before July 2021, then decisions on site locations must be confirmed before the end of December. As a precaution, the UK Government must publish its contingency plans for how checks will be conducted on goods arriving at Holyhead and Fishguard/Pembroke in the event that the inland facilities are not operational for July. The UK Government should also be clear whether its contingency plans include checks at port and detail the measures it would take to minimise the disruption such a step would entail.*** (Paragraph 80)

- The UK Government has published the Border Operating Model which details the port and inland facilities which will be required under the model. This includes sites which will be required to be in place to support both Holyhead and

specific ports in South West Wales. Inland sites in Birmingham and Warrington will be available for hauliers using Welsh ports until such time as sites in North and South West Wales are complete.

## Recommendation 8

***We urge the UK Government to continue to invest significantly in this campaign in the run-up to 1 January and to continue to do so during 2021. This campaign should fully involve all relevant stakeholders in Wales to maximise its reach within Wales.*** (Paragraph 86)

- The Time Is Running Out campaign ran until the end of December and was augmented in Wales by webinars and roundtable events ran by the Office of the Secretary of State for Wales delivered with representatives from the Welsh business community (see response to recommendation 3).
- Since the end of the Transition Period the Government has supported businesses adapting to the new trading arrangements through our transition pages on GOV.UK, export helplines, subject-specific webinars with policy experts and offering businesses support via the Government's network of 300 international trade advisers.
- The Office of the Secretary of State for Wales continues to support the Government-wide campaigns and engagement on trading with the EU post-transition—including as part of the UK-wide Keep Your Business Moving campaign and New Rules Are Here messaging. We want to ensure that as many Welsh businesses as possible are adapting successfully to the new arrangements and trading smoothly with partners in the EU. The Office is continuing to discuss the operation of the TCA with businesses in Wales through set-piece events (such as roundtable meetings) and through specific one-to-one engagement to resolve any issues.

## Recommendation 9

***We call on the UK government to publish the outstanding guidance required for the logistics industry as a matter of urgency. In light of these delays, the UK Government should also explore what additional measures will be needed to effectively, and at such late notice, communicate this guidance to the sector and what additional financial support the sector may require.*** (Paragraph 90)

- The haulier handbook was launched on 18 November. It is one part of a wider package the Government has put in place to help and guide hauliers, which also includes the roll out of 46 Information and Advice Sites. Two of these are in Wales, at Roadking (for Holyhead) and Pont Abraham (for Fishguard & Pembroke Dock) There is also a multimillion pound information campaign running both across the UK and Europe.
- The handbook explains complex procedures that hauliers and drivers will need to follow. Government has worked with stakeholders to make it as clear as possible. Both Logistics UK and the RHA were extensively involved in reviewing drafts

of the handbook and tested the content with their members. This has proven invaluable in ensuring the handbook meets the needs of hauliers and drivers. The Haulier Handbook is available in 14 languages, including Welsh, Romanian, Polish, Dutch, Bulgarian, French and Spanish.

- The Government is publicising the haulier handbook in the EU via the IRU (the International Road Transport Union), via DIT, FCDO and BPDG channels and directly with trade bodies in EU Member States.

## Recommendation 10

***As part of its trade negotiation strategy, we call on the UK Government to publish a Wales-specific impact assessment of any trade agreements, including the recently signed agreement with Japan.*** (Paragraph 92)

- The Government does not plan to publish a Wales-specific impact assessment for trade agreements. We have published scoping assessments for agreements with the United States, Japan, Australia, and New Zealand.<sup>1</sup> These scoping assessments set out the potential economic impacts on the UK including on all UK regions and nations. Impact assessments on future new free trade agreements will also include an assessment of the potential economic impacts on UK regions and nations.
- We have published an impact assessment for the Comprehensive Economic Partnership Agreement (CEPA) with Japan, which sets out the potential economic impacts on all nations and regions of the UK, including Wales.<sup>2</sup> The CEPA Impact Assessment shows that all parts of the UK could benefit from the CEPA. Output in Wales could increase by 0.05% in the long run, equivalent to £34 million in 2017 terms.

## Recommendation 11

***We call on the UK Government to work with the Welsh Government and businesses in Wales to explore how best to promote Welsh produce globally. We also recommend engagement with the Welsh Government in discussions about the impact of trade negotiations on the Welsh economy. The UK Government must recognise the importance of agricultural exports in trade deals with non-EU countries such as the US, New Zealand and Australia.*** (Paragraph 108)

- UK Government will continue to work with the Welsh Government and businesses in Wales to find the most effective ways to promote Welsh produce globally. We are working together to help Welsh producers build back exports hit by covid-19 and capitalise on the opportunities we are opening up through Free Trade Agreements. We have developed an innovative package of measures which allow Welsh suppliers and international buyers to interact virtually and Welsh products have been dispatched around the world in hampers to give buyers a taste of what Wales can offer. As a result Welsh food and drink producers

1 HM Government, [US scoping assessment](#), [Japan scoping assessment](#), [Australia scoping assessment](#), [New Zealand scoping assessment](#), accessed 12 February 2021

2 HM Government, [Japan impact assessment](#), accessed 12 February 2021



are already seeing a clear international demand for their products, for example Welsh dairy in the Middle East. In addition we will continue to highlight Welsh produce such as lamb as part of the Food is GREAT campaign, which drives awareness and increases positive perceptions of UK food and drink products amongst international trade audiences and consumers.

- DIT has regular working level discussions with devolved administrations on the impact of trade agreements on different parts of the UK. This includes roundtables with DIT analysts and advanced sight of impact assessments to inform discussions.
- The Government recognises the value of agricultural exports of quality UK produce, which is why we are seeking to secure new and improved access to additional markets through FTAs, including the reduction and removal of tariffs on agricultural goods.

## Recommendation 12

***We call on the UK Government to write to us with updated progress on the negotiations in early 2021, following the new administration taking office. We also urge the UK Government to discuss lifting the ban on lamb during trade talks.*** (Paragraph 122)

- Following the conclusion of the fifth negotiating round on 30 October, almost all chapter areas are now in the advanced stages of talks. A significant proportion of legal text has been agreed across multiple chapters.
- Following the progress made in talks to date, we are confident that we are on track for a comprehensive agreement which would provide a significant and mutual benefit to our economies. We believe we are in a good position to move forward with the Biden administration. Securing a comprehensive deal that delivers for the UK is more important than meeting any particular deadline.
- The dates of next negotiating round are dependent on decisions made by the Biden administration. We continue to have regular discussions with US counterparts at an official level, and we eagerly await the confirmation of the new United States Trade Representative, Katherine Tai.
- Following the successful US Department of Agriculture Food Safety and Inspection Service audit of UK production systems in 2019, the UK was granted market access for lamb and beef. However, lamb exports cannot commence until the so-called Small Ruminant Rule has been published in the US.
- We will continue to work closely with the new administration in order to facilitate the export of UK lamb to the US.

## Recommendation 13

***TAC should continue to work with Welsh agricultural interests to explore workable proposals for strengthening UK food standards while facilitating growth in UK's international agricultural trade.*** (Paragraph 128)

- The Trade and Agriculture Commission (TAC) is an independent advisory board, established in July 2020 by the Secretary of State for International Trade, to advise and inform the government on its future trade policies. Members of the Commission were selected to provide a wide range of relevant knowledge and expertise, consisting of individuals across the agriculture, retail, consumer, hospitality, animal health and environment sectors. Notably, this includes representatives of both Welsh farmers' unions who have both been providing valuable contributions throughout.
- Alongside the TAC itself, Welsh voices are represented within its three Working Groups and the TAC has also heard directly from agricultural stakeholders through a dedicated Welsh evidence gathering roadshow and a call for evidence survey. The TAC Secretariat has kept in touch with DIT's Devolved Administration team and the Chair of the Commission has had further direct engagement with Welsh Government and DA representatives too. This extensive engagement will ensure that the TAC's recommendations will be representative and robust.
- Membership of the statutory Trade and Agriculture Commission has not yet been determined but will include those with expertise of standards across the UK.
- The statutory Trade and Agriculture Commission will provide advice to the Secretary of State as part of the scrutiny process for Free Trade Agreements. Whilst this is a reserved matter, a copy of the report must be shared with the devolved administrations when shared with the UK Parliament.

### Recommendation 14

***It is essential that UK regulatory standards are not compromised in any future trade deals. Any move to unpick UK food production standards in order to secure free trade agreements with large agricultural exporters would be a betrayal of Welsh farming interests.*** (Paragraph 138)

- Our high standards of food safety will not be watered down in the pursuit of a trade deal. High standards and high quality are what our domestic and global customers demand, and that is what we will provide. It is vital that we explore new trading opportunities, but these should not mean a dilution of the standards for which British food is world renowned.
- Any agreement must respect the autonomy and sovereignty of both parties. The UK will decide how we set and maintain our own standards and regulations and operate our own autonomous SPS regime.