



House of Commons
Welsh Affairs Committee

Implications of the UK- Australia FTA for Wales

Third Report of Session 2021–22

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 22 July 2021*

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

[Stephen Crabb MP](#) (*Conservative, Preseli Pembrokeshire*) (Chair)

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

[Simon Baynes MP](#) (*Conservative, Clywd South*)

[Virginia Crosbie MP](#) (*Conservative, Ynys Môn*)

[Geraint Davies MP](#) (*Labour (Co-op), Swansea West*)

[Ruth Jones MP](#) (*Labour, Newport West*)

[Ben Lake MP](#) (*Plaid Cymru, Ceredigion*)

[Robin Millar MP](#) (*Conservative, Aberconwy*)

[Rob Roberts MP](#) (*Independent, Delyn*)

[Dr Jamie Wallis MP](#) (*Conservative, Bridgend*)

[Beth Winter MP](#) (*Labour, Cynon Valley*)

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.

Publications

© Parliamentary Copyright House of Commons 2021. This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/site-information/copyright-parliament

Committee reports are published on the [Committee's website](#) and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Rosie Akeroyd (Committee Specialist), Dr Adam Evans (Clerk), Louise Glen (Committee Operations Manager), Chloe Jago (Media Officer), Xameerah Malik (Senior Committee Specialist), Lucy Morgan (Committee Specialist), Kelly Tunnicliffe (Committee Operations Officer).

Contacts

All correspondence should be addressed to the Clerk of the Welsh Affairs Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 0316; the Committee's email address is welshcom@parliament.uk.

You can follow the Committee on Twitter using [@CommonsWelshAff](#)

Contents

1	Background	3
	Free trade agreements	3
	Our inquiry	3
2	Impact assessment	4
	UK Government trade strategy	4
	Consultation with Welsh Government	4
	Welsh impact assessment	5
3	The agri-food sector	7
	Tariffs on Australian imports	7
	Food production standards	9
	Trade and Agriculture Commission	9
	Export opportunities	11
4	Overall conclusions	13
	Mobility	13
	Further scrutiny	13
	Conclusions and recommendations	14
	Formal minutes	16
	Witnesses	17
	List of Reports from the Committee during the current Parliament	18

1 Background

Free trade agreements

1. The free trade agreement (FTA) between the UK and Australia will be the first major trade deal “negotiated from scratch” by the UK Government since EU Exit.¹ In September 2016, Australia and the UK established a Joint Trade Working Group, to scope the parameters of an FTA.² In 2018, the UK Government consulted on the trade agreement, with a summary of responses published in July 2019.³ In June 2020, the UK Government published *UK-Australia free trade agreement: the UK’s strategic approach* and the first round of negotiations began.⁴ An Agreement in Principle (AIP) was published on 17 June 2021.⁵ The final text is expected by the end of 2021, and, to facilitate scrutiny, the UK Government anticipates leaving a three-month period between publication and laying the text before Parliament under the Constitutional Reform and Governance Act (CRAG) 2010.⁶

Our inquiry

2. Following the publication of the AIP, we decided to hold two sessions to explore the implications for Wales. The first session, on 15 July, heard from Welsh farming unions and trade experts. At our second session, on 22 July, we took evidence from the Rt Hon Greg Hands MP, Minister of State for Trade Policy in the Department for International Trade (DIT). We would like to thank all the witnesses for their time and contributions.

3. We intend to scrutinise the final agreement text when it is made available. This report offers some initial conclusions and recommendations for the UK Government to consider, both as it finalises this FTA and as it pursues negotiations with other trading partners, such as New Zealand and members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).⁷ While this is not our final word on the UK-Australia FTA, we expect a full response from the UK Government to the points raised in this report.

1 Prime Minister’s Office, [UK agrees historic trade deal with Australia](#), 15 June 2021; the FTA with Japan known as the Comprehensive Economic Partnership Agreement (CEPA), signed in October 2020, was based on the EU-Japan Economic Partnership Agreement (EPA)

2 Department for International Trade, [Establishment of Australia-UK trade working group](#), 6 September 2016

3 Department for International Trade, [Trade with Australia: consultation outcome](#), 20 July 2018

4 Department for International Trade, [UK-Australia free trade agreement: the UK’s strategic approach](#), July 2020; Department for International Trade, [Negotiations on the UK’s future trading relationship with Australia: Update](#), 14 July 2020

5 Gov.uk, [UK-Australia FTA negotiations: agreement in principle](#), 17 June 2021

6 Oral evidence taken by the Lords International Agreements Committee, [Comprehensive and Progressive Agreement for Trans-Pacific Partnership \(CPTPP\)](#), 19 July 2021

7 CPTPP members are Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam

2 Impact assessment

UK Government trade strategy

4. In July 2020, the UK Government published an assessment of the potential impacts of a FTA with Australia. It found that a trade agreement with Australia could increase UK GDP in the long run by between 0.01 to 0.03 per cent. This is equivalent to an increase of £200 million or £500 million compared to the UK's 2018 level of GDP. For Wales, the FTA could lead to a 0.00–0.05 per cent change in “regional value added”.⁸ The impact assessment published with the final treaty text may contain different figures.

5. The UK Government considered that the FTA will boost the UK's bid to join the CPTPP as “pivoting towards the Asia Pacific will help diversify our trade, make our supply chains more resilient and make the UK less vulnerable to political and economic shocks in certain parts of the world”.⁹ In 2017, £1,057 million of Welsh exports went to CPTPP countries (6.2 per cent of total Welsh exports), and accession to the CPTPP could lead to a £53 million increase in Gross Value Added (GVA) for Wales.¹⁰

Consultation with Welsh Government

6. Under the devolution settlement, the UK Government is “responsible for international relations” and “has overall responsibility for concluding treaties and other international agreements”.¹¹ However, trade agreements may affect areas of devolved competence, such as agriculture, environment and economic development.¹² Our 2020 report on *Brexit and trade: implications for Wales* therefore recommended that “the devolved administrations therefore should be routinely consulted in the development of UK-wide trade strategies”.¹³ In response, the UK Government stated that it had “committed to a substantial programme of Ministerial and official engagement with the devolved administrations”.¹⁴

7. For the Australia FTA, the UK Government stated that:

During the consultation, we took steps to engage widely in Scotland, Wales and Northern Ireland, including holding round tables [...]. The Scottish and Welsh Governments have provided views on the potential UK-Australia FTA via written responses and during discussion with DIT ministers and officials. [...]. DIT will continue to actively engage with the devolved

8 Department for International Trade, [UK-Australia free trade agreement: the UK's strategic approach](#), July 2020

9 Department for International Trade, [UK-Australia free trade agreement: the UK's strategic approach](#), July 2020; Prime Minister's Office, [UK agrees historic trade deal with Australia](#), 15 June 2021

10 Department for International Trade, [UK Accession to CPTPP: The UK's Strategic Approach](#), June 2021

11 Cabinet Office, [Memorandum of Understanding and Supplementary Agreements between the United Kingdom Government, the Scottish Ministers, The Welsh Ministers, and the Northern Ireland Executive Committee](#), 1 October 2012, p 43

12 Welsh Affairs Committee, [Brexit and trade: implications for Wales](#), Fifth report of session 2019–21, HC 176, para 5

13 Welsh Affairs Committee, [Brexit and trade: implications for Wales](#), Fifth report of session 2019–21, HC 176, para 10

14 Welsh Affairs Committee, [Brexit and trade: implications for Wales: Government response to the Committee's Fifth Report of Session 2019–21](#), 16 February 2021

administrations regarding any new potential trade deal with Australia through a new DIT/DA Ministerial Forum and our regular Senior Officials Group and Policy Roundtables.¹⁵

However, the Welsh Government stated on 16 June that “although we have engaged with the UK Government throughout the negotiations and have had the opportunity to feed in our views on the potential opportunities and risk for Wales, we have yet to see the exact details of what will be included in the agreement”.¹⁶ This appears to differ from the Welsh Government’s involvement in the UK-Japan Comprehensive Economic Partnership Agreement (CEPA), which included looking at negotiating positions and draft texts.¹⁷ The Welsh Government stated that it will publish a report detailing “the potential impacts on Wales and our thoughts on the agreement”.¹⁸

8. The Rt Hon Greg Hands MP, Minister of State for Trade Policy in the Department for International Trade (DIT), stated that he “personally makes it a priority to keep the devolved administrations updated throughout the [negotiation] process”. He drew attention to the “structured quarterly ministerial forum for trade” through which the UK Government received feedback from the Welsh Government, and told us that he had updated the Welsh Government on the Agreement in Principle on the day of its publication.¹⁹

Welsh impact assessment

9. In 2020, we recommended that, as part of trade negotiations, the UK Government should “publish a Wales-specific impact assessment of any trade agreements”.²⁰ The UK Government did “not plan to publish a Wales-specific impact assessment for trade agreements”, highlighting that scoping assessments for agreements with Australia and others had “set out the potential economic impacts on the UK including on all UK regions and nations”. In addition, “impact assessments on future new free trade agreements will also include an assessment of the potential economic impacts on UK regions and nations”.²¹ The impact assessment for the 2020 UK-Japan CEPA, included some analysis of “impacts by regions and nations of the UK” such as Gross Value Added (GVA) in the “long run” and shares of potential tariff reductions on UK exports to Japan. It also included impact by sector on a UK-wide basis.²²

10. When we raised this matter again, the Minister told us that he “very much” expected the impact assessment to include the impact on Wales, although he cautioned that impact assessments were, in general, “a snapshot at that time”.²³

15 Department for International Trade, [Consultation outcome: public consultation on trade negotiations with Australia](#), 17 June 2020

16 Welsh Government, [Written Statement: UK-Australia Free Trade Agreement](#), 16 June 2021

17 Welsh Affairs Committee, [Brexit and trade: implications for Wales](#), fifth report of session 2019–21, HC 176, para 21

18 Welsh Government, [Written Statement: UK-Australia Free Trade Agreement](#), 16 June 2021

19 Q 43

20 Welsh Affairs Committee, [Brexit and trade: implications for Wales](#), fifth report of session 2019–21, HC 176, para 92

21 Welsh Affairs Committee, [Brexit and trade: implications for Wales: Government response to the Committee’s Fifth Report of Session 2019–21](#), 16 February 2021

22 Department for International Trade, [Final Impact Assessment of the Agreement between the United Kingdom of Great Britain and Northern Ireland and Japan for a Comprehensive Economic Partnership](#), 23 October 2020, p 43

23 Q 40

11. We are satisfied that the UK Government has sufficiently engaged with the Welsh Government during the consultation phase for the UK-Australia free trade agreement. *However, given that trade agreements overlap with areas of devolved competence, we suggest that the Welsh Government should have access to the draft treaty text prior to publication. This would enable the Welsh Government to provide feedback on regional and local impacts to inform the UK Government's impact assessment and to produce its own impact assessment.*

12. *We welcome the UK Government's commitment to including the impact on Wales in the impact assessment for the UK-Australia FTA. However, we reiterate our previous recommendation that the UK Government should publish a Wales-specific impact assessment for free trade agreements (FTAs), including the UK-Australia FTA. This should provide more detail than the impact assessment for the UK-Japan Comprehensive Economic Partnership Agreement (CEPA) did, and include short-term impacts and impacts by sector in Wales.*

3 The agri-food sector

13. The Welsh Government explained that “Welsh farmers, like others in the EU, have benefited from decades of Common Agriculture Policy funding and a single market protected by an external tariff boundary”. Welsh farm businesses are therefore facing change and uncertainty following EU Exit. The Welsh Government is proposing legislation to “establish a farm support scheme - the proposed Sustainable Farming Scheme - to replace current EU schemes”.²⁴

14. Welsh red meat production (lamb, beef and pork) was worth an estimated £690 million in 2018, equivalent to 41 per cent of the total value of Welsh agricultural output. In 2020, Wales produced 62,100 tonnes of sheep meat, 52,100 tonnes of beef and 2,400 tonnes of pork.²⁵

Figure 1: Destinations of Welsh beef and lamb²⁶

	% consumed in Wales	% consumed in rest of UK	% exported
Welsh lamb	5	55–60	35–40
Welsh beef	5	80	15

Key export markets for Welsh lamb and beef were the EU (Belgium, France, Germany, Italy, Ireland and the Netherlands) and Hong Kong.²⁷

15. During our sessions on 15 and 22 July, we heard varying perspectives on the potential implications of the FTA for the Agri-food sector.

Tariffs on Australian imports

16. In June, details of tariffs to be applied to Australian imports were published:

- a) Beef tariffs will be eliminated after 10 years. Australia will have immediate access to a duty-free quota of 35,000 tonnes, rising in equal instalments to 110,000 tonnes in year 10. In the subsequent five years a safeguard will apply on beef imports exceeding a further volume threshold rising in equal instalments to 170,000 tonnes, levying a tariff safeguard duty of 20 per cent for the rest of the calendar year.
- b) Sheep meat tariffs will be eliminated after ten years. Australia will have immediate access to a duty-free quota of 25,000 tonnes, rising in equal instalments to 75,000 tonnes in year 10. In the subsequent five years a safeguard will apply on sheep meat imports exceeding a further volume threshold rising in equal instalments to 125,000 tonnes, levying a tariff safeguard duty of 20 per cent for the rest of the calendar year.²⁸

24 Welsh Government, [Consultation document: Agriculture \(Wales\) White Paper](#), 16 December 2020

25 Hybu Cig Cymru, [Industry statistics](#), accessed 20 July 2021

26 Hybu Cig Cymru, [Industry statistics](#), accessed 20 July 2021

27 Hybu Cig Cymru, [Industry statistics](#), accessed 20 July 2021

28 Australian Government, [New free trade agreement to deliver jobs and business opportunities in Australia and The United Kingdom](#), 15 June 2021; Gov.uk, [UK-Australia FTA negotiations: agreement in principle](#), 17 June 2021

According to the UK Government, the safeguard mechanism will “provide a safety net for industry if they face serious injury from increased imports as a direct consequence of the FTA”. In return, Australia has agreed to remove tariffs on all goods exports that originate in the UK.²⁹

17. Nick Fenwick, Head of Policy at the Farmers’ Union of Wales (FUW), stated that under this FTA, the quota for Australian beef would increase “to around 70% of what we import into the UK annually”, which would be “a huge quota increase”. For lamb “we would be on a transition to increasing the quota to more than what we annually import in lamb on average”.³⁰ While David Swales, Head of Strategic Insight at the Agriculture and Horticulture Development Board (AHDB), suggested that “we would see some increase” in beef and sheep meat products, which “probably would have an impact elsewhere on our trade”, his overall assessment was that “we would not have a huge flood of extra products on our market, predominantly because Australia has access to profitable markets closer to home”.³¹

18. Sam Lowe, Senior Research Fellow at the Centre for European Reform (CER), told us that “there is very little substantive threat to Welsh farmers as of now. Of course, circumstances in the future could change and we could see a big uptick in Australian exports of agri-food products to the UK”.³² Similarly, Dmitry Grozoubinski, Director of ExplainTrade and former Australian trade negotiator, stated that there was “no guarantee” that the numbers of Australian red meat exports to the UK “will ever become threatening”. However, he also noted that “you never know what is coming 10 or 15 years from now”, and emphasised that by offering tariff free access, the “UK Government “will have given away their ability to use tariffs” to protect Welsh farmers”.³³

19. The precedent set by removing tariffs was also mentioned by John Davies, President of National Farmers’ Union (NFU) Cymru. Mr Davies told us that this FTA “sets the bar for future trade deals, so this will be something that other countries look to emulate”, and that there could be a “cumulative impact” from multiple FTAs for the Welsh agri-food sector.³⁴ Sam Lowe, CER, stated that giving Australia tariff-free access was “a solid indication that the UK is willing to give substantial market access to potential third country FTA partners” and agreed that the “the UK would probably have to offer the same to New Zealand”.³⁵ Dmitry Grozoubinski, ExplainTrade, cautioned that “these deals make it much harder for UK negotiators to turn around to a counterparty—including those like the US and Brazil—and say, ‘Eliminating tariffs on agriculture is something we cannot do’”.³⁶

20. The Minister told us that he did not think there would be “a surge in imports” although he expected an increase. He explained that details of the safeguards would be subject to further “fleshing out of the agreement”. He stated that the pace of tariff liberalisation

29 Department for International Trade,, [UK-Australia FTA: Agreement in principle explainer](#), 17 June 2021

30 Q 6

31 Q 6

32 Q 30

33 Q30

34 Q 5

35 Q 20

36 Q 20

could be slowed if there were unexpected surges. He stated that this FTA would not set a precedent as it would depend on that market, circumstances and what the UK could offer in return.³⁷

Food production standards

21. Food production standards have been raised a number of times in relation to the UK's FTA negotiations with Australia, with RSPCA Cymru, NFU Cymru and the FUW criticising Australian production standards, particularly around animal welfare.³⁸

22. However, David Swales from the AHDB stated that "Australia will already meet a range of different standards and legislative requirements in different markets" and that "if the rewards are there, they'll pivot production and processing to meet the standards that we impose".³⁹ For example, Australian cattle producers "have various integrated assurance and traceability schemes to ensure that cattle destined for markets that prohibit growth promoters, such as the European market, are free from them".⁴⁰

23. The Agreement in Principle (AIP) stated that there will be a standalone chapter on animal welfare and antimicrobial resistance, including:

- a) appropriate provisions around non-derogation from respective levels of animal welfare protections and recognising the importance of high levels of animal welfare protection and non-regression; and
- b) appropriate provisions on cooperation on combatting antimicrobial resistance including bilaterally and in relevant international fora on areas of mutual interest.⁴¹

This is first time that Australia has recognised animal welfare in a trade agreement.⁴² Although Dmitry Grozoubski considered it to be a "good symbolic gesture", he explained that if Welsh farmers had concerns, this chapter would provide "tools to raise it and to discuss it, but Australia will not be obligated to treat an animal in any way differently because of this deal than they were a week before it was signed".⁴³

Trade and Agriculture Commission

24. A non-statutory Trade and Agriculture Commission (TAC) was established in 2020 and reported in March 2021.⁴⁴ John Davies, NFU Cymru, who was a member of the TAC, stated that its report was submitted to Government "with a list of core standards that would be safeguarded in future trade deals".⁴⁵ The UK Government has not yet responded to the non-statutory TAC's report.

37 Q 55

38 RSPCA, [RSPCA welcome Welsh Govt stand as Australia FTA proposals could put animal welfare at risk](#), 20 May 2021; Farmer's Union of Wales, [Concerns over Australia and other trade deals 'well founded' says FUW](#), 18 May 2021; NFU Cymru, [NFU Cymru responds to news of UK/Australia free trade agreement](#), 15 June 2021; Qq 12–13

39 AHDB, [The UK-Australia free trade deal - just how is it significant for UK agriculture?](#), 15 June 2021

40 AHDB, [Future trade deals: livestock production systems in Australia](#), 14 May 2021

41 Gov.uk, [UK-Australia FTA negotiations: agreement in principle](#), 17 June 2021

42 Department for International Trade, [UK-Australia FTA: Agreement in principle explainer](#), 17 June 2021

43 Q 32

44 Trade and Agriculture Commission (TAC), [Final report](#), March 2021

45 Q 2

25. The UK Government is currently setting up a new, statutory Trade and Agriculture Commission (TAC). The Agriculture Act 2020 requires the UK Government to publish a report explaining whether certain trade agreements (including the agreement with Australia) are consistent with UK statutory protections relating to human, animal or plant life or health, animal welfare and the environment. When preparing the report required under the Agriculture Act, the Secretary of State must ask the TAC for advice on animal or plant life, animal welfare and the environment.⁴⁶

26. The UK Government has confirmed TAC will be in place to scrutinise the agreement with Australia, although members are yet to be appointed.⁴⁷ The UK Government has clarified that “the TAC’s role is not to inform or comment on negotiations, but to scrutinise treaty text after signature, and will be set up in advance of signing the Australia FTA”.⁴⁸ Dmitry Grozoubski stated that “if the TAC comes in once the agreement is done, what it is doing is offering transparency and helping the public and MPs to understand the deal”.⁴⁹ Sam Lowe, CER, did not think “it will have much of an impact” as “it is quite late in the day and decisions have already been made”.⁵⁰

27. We have previously highlighted “the importance of having representation from Wales” on the statutory TAC.⁵¹ The UK Government recently sought expressions of interest for TAC members, which stated that “your area of specialism may relate to one region of the UK. The Committee collectively must have detailed knowledge of the regulatory landscape of the UK: this will come from the breadth of the membership”. TAC members “will be experts in their field, selected for their expertise, and will not represent any organisation”.⁵² When we asked the Minister whether TAC would have representation from Wales, he replied that it was “vital to have experts in the field” from a broad range across the UK, but that it was not the UK Government’s intention to have specific representatives from the UK nations.⁵³

28. We are alert to the concerns of Welsh farmers that the gradual removal of tariffs on Australian beef and lamb potentially poses a competitive threat. However, this is unlikely to manifest in the short term, and it is far from certain that the UK will be flooded with Australian beef and lamb imports in the longer-term. The UK Government should clarify, in the explanatory memorandum accompanying the final treaty text, what conditions would need to be met for agricultural safeguards to be applied in years 10–15 after the agreement comes into force. In response to this report, the UK Government should also explain how it intends to work with the Welsh Government to ensure that its wider trade strategy is coherent with ambitions to make farming more productive and sustainable.

29. The UK Government should respond to the report of the first Trade and Agriculture Commission.

46 House of Commons Library, [UK-Australia free trade agreement](#), 28 June 2021

47 House of Commons Library, [UK-Australia free trade agreement](#), 28 June 2021; Gov.uk, [TAC information pack](#), 23 June 2021

48 [Letter from Liz Truss to Neil Parish](#), EFRA Committee, 2 July 2021

49 Q 29

50 Q 29

51 Welsh Affairs Committee, [Brexit and trade: implications for Wales](#), Fifth report of session 2019–21, HC 176, para 128

52 Gov.uk, [TAC information pack](#), 23 June 2021

53 Q 51

30. We are concerned that the statutory Trade and Agriculture Commission (TAC) is not yet operational and we urge the UK Government to set up the TAC as soon as possible. The UK Government intends to allow the TAC to scrutinise the final text of the UK-Australia free trade agreement (FTA), but this may occur too late to enable effective Parliamentary scrutiny of the agreement. *To improve scrutiny of future FTAs, the TAC's report should be published alongside the final text, impact assessment and explanatory memorandum.*

31. *On establishing the statutory TAC, the UK Government should publish a statement clearly outlining the role of the TAC and the role that the TAC will play in feeding into Parliamentary scrutiny of FTAs.*

32. *The TAC must include at least one member who understands and has direct experience of the agricultural and regulatory landscape of Wales.*

Export opportunities

33. It is worth noting that Wales does not export a significant amount of agri-food goods to Australia.

Figure 2: The top three goods exports to Australia from Wales⁵⁴

Goods exported (annual average 2016–18)	Values £ million
Other transport equipment	£21.1
Medicinal and pharmaceutical products	£21.0
Professional, scientific & controlling instruments and appliances	£11.7

Welsh exports to Australia in 2018 were worth £135 million, which was 0.8 per cent of total Welsh exports.⁵⁵ Australia was the 21st largest export destination for Wales.⁵⁶

34. The UK Government has emphasised the importance of backing farmers in exporting their products, particularly to Asian markets.⁵⁷ David Swales, AHDB, also stated that “the big opportunities for growth in the future “were “Asia-Pacific and the Middle East”.⁵⁸ John Davies, NFU Cymru stated that “we have some fantastic farmers” and “our environmental credentials are strong for opportunities for export to other places”. He added “we have to be ambitious here, but we also have to put an equal team on the field”.⁵⁹

35. In 2015, the UK Government appointed the UK’s first Agriculture and Food Counsellor in China to “help increase our growing food and drink exports to the country”. The role was designed to “help British firms tap into China’s growing interest in speciality foods

54 Department for International Trade, [UK-Australia free trade agreement: the UK’s strategic approach](#), July 2020, p 40

55 Department for International Trade, [UK-Australia free trade agreement: the UK’s strategic approach](#), July 2020, p 40

56 Welsh Government, [Statistical bulletin: Welsh exports year ending June 2018](#), 25 October 2018

57 Prime Minister’s Questions, [Col 697](#), 19 May 2021; Debate on free trade negotiations: Australia, [Col 452](#), 17 June 2021

58 Q 15

59 Q 5

- a market expected to be worth a potential £39 billion [in 2015]”. A 2019 inquiry by the Environment, Food and Rural Affairs (EFRA) Committee found widespread support for this role and its support for UK exporters.⁶⁰ In 2019, Graham Stuart MP, Parliamentary Under-Secretary of State, Department for International Trade, told the EFRA Committee that:

The Government are boosting our overseas network of posts focusing on agriculture, environment, fisheries and trade negotiations, with four posts spread across Canberra, Ottawa, Wellington and Tokyo. As a result of ongoing support from DIT and Defra working together, DIT Dubai will access regional FCO funding to recruit an agriculture, food and drink counsellor for the Gulf region.⁶¹

36. In September 2019, the UK Government stated that it was “pleased to see that the food and drink industry is supporting a similar appointment in India, which will be based at the UK India Business Council. Recruitment is also underway to fill a similar position in UAE which is being wholly funded by Government”.⁶² However, in June 2021, the NFU stated that there were still “just two-full time agricultural counsellors paid for by a levy on farmers”.⁶³ David Swales from the AHDB (which collects the levy and partially funds the agriculture counsellors), considered this to be “a key issue on export development” and added that “the amount of investment into opening up those opportunities by Government in the UK probably does not match some of the countries we have been talking about until now”. He stated that “more Government investment would be very welcome”.⁶⁴ In July, the Minister stated that “the DIT’s international commercial network is in 119 different markets around the world, with 1,500 people working on export and market access”.⁶⁵ However, he acknowledged that they were generalists rather than agriculture experts.⁶⁶

37. Free trade agreements offer opportunities for Welsh businesses to export and we welcome that the UK-Australia FTA will result in the removal of tariffs for British exports. However, in order to maximise opportunities for Welsh farmers to export their goods and access new markets, the UK should significantly increase the number of Agriculture and Food Counsellors based overseas, particularly in the Asia-Pacific and Middle East regions.

60 Environment, Food and Rural Affairs Committee, [Brand Britain: Promoting and Marketing British food and drink](#), Fifteenth Report of Session 2017–19, HC 1039, para 58

61 Environment, Food and Rural Affairs Committee, [Brand Britain: Promoting and Marketing British food and drink](#), Fifteenth Report of Session 2017–19, HC 1039, para 64

62 Environment, Food and Rural Affairs Committee, [Brand Britain: Promoting and Marketing British food and drink: Government Response to the Committee’s Fifteenth Report](#), Seventeenth Special Report, para 17

63 Financial Times, [Farmers lobby Boris Johnson for UK strategy to cope with trade deals](#), 21 June 2021

64 Q 4

65 [Trade and Agriculture Commission: Role in International Trade Deals - Wednesday 21 July 2021 - Hansard - UK Parliament](#)

66 Q 63

4 Overall conclusions

Mobility

38. The UK-Australia FTA Agreement in Principle outlines commitments to “new mobility arrangements”, including “for business travel and to work in each other’s territory, as well as for young people”. It will also mean that “both Brits and Australians under 35 will be able to travel and work in each other’s country for up to 3 years and remove the requirement for Brits to work on Australian farms as a condition of their visa”.⁶⁷ Sam Lowe, CER, told us that these were “improvements”, and that Australia was “somewhere where people from Wales go to, come back, and feel some relationship with”.⁶⁸

39. We welcome the commitments to new mobility arrangements that will make it easier for Welsh people to travel to and work in Australia.

Further scrutiny

40. We welcome the Agreement in Principle reached between the UK and Australian governments and await the final text of the free trade agreement (FTA). However, while the UK-Australia FTA is unlikely to have a significant impact on Wales in the short term, we are conscious of the concerns that exist within the Welsh agri-food sector. Farm businesses are already facing some uncertainty in the transition away from the EU system of farm payments and the changing trade environment. The UK Government and Welsh Government must work with the agri-food sector to ensure that UK producers have the skills and support needed to thrive in a new global trading environment.

41. We welcome the UK Government’s commitment to allow three months for parliamentary scrutiny between the publication of the final text of the agreement and laying the text before the House. We will continue to scrutinise the impacts of this and other FTAs on Wales.

67 Department for International Trade, [UK-Australia FTA: Agreement in principle explainer](#), 17 June 2021

68 Q 35

Conclusions and recommendations

Impact assessment

1. We are satisfied that the UK Government has sufficiently engaged with the Welsh Government during the consultation phase for the UK-Australia free trade agreement. *However, given that trade agreements overlap with areas of devolved competence, we suggest that the Welsh Government should have access to the draft treaty text prior to publication. This would enable the Welsh Government to provide feedback on regional and local impacts to inform the UK Government's impact assessment and to produce its own impact assessment.* (Paragraph 11)
2. *We welcome the UK Government's commitment to including the impact on Wales in the impact assessment for the UK-Australia FTA. However, we reiterate our previous recommendation that the UK Government should publish a Wales-specific impact assessment for free trade agreements (FTAs), including the UK-Australia FTA. This should provide more detail than the impact assessment for the UK-Japan Comprehensive Economic Partnership Agreement (CEPA) did, and include short-term impacts and impacts by sector in Wales.* (Paragraph 12)

The agri-food sector

3. We are alert to the concerns of Welsh farmers that the gradual removal of tariffs on Australian beef and lamb potentially poses a competitive threat. However, this is unlikely to manifest in the short term, and it is far from certain that the UK will be flooded with Australian beef and lamb imports in the longer-term. *The UK Government should clarify, in the explanatory memorandum accompanying the final treaty text, what conditions would need to be met for agricultural safeguards to be applied in years 10–15 after the agreement comes into force. In response to this report, the UK Government should also explain how it intends to work with the Welsh Government to ensure that its wider trade strategy is coherent with ambitions to make farming more productive and sustainable.* (Paragraph 28)
4. *The UK Government should respond to the report of the first Trade and Agriculture Commission.* (Paragraph 29)
5. We are concerned that the statutory Trade and Agriculture Commission (TAC) is not yet operational and we urge the UK Government to set up the TAC as soon as possible. The UK Government intends to allow the TAC to scrutinise the final text of the UK-Australia free trade agreement (FTA), but this may occur too late to enable effective Parliamentary scrutiny of the agreement. *To improve scrutiny of future FTAs, the TAC's report should be published alongside the final text, impact assessment and explanatory memorandum.* (Paragraph 30)
6. *On establishing the statutory TAC, the UK Government should publish a statement clearly outlining the role of the TAC and the role that the TAC will play in feeding into Parliamentary scrutiny of FTAs.* (Paragraph 31)

7. *The TAC must include at least one member who understands and has direct experience of the agricultural and regulatory landscape of Wales. (Paragraph 32)*
8. *Free trade agreements offer opportunities for Welsh businesses to export and we welcome that the UK-Australia FTA will result in the removal of tariffs for British exports. However, in order to maximise opportunities for Welsh farmers to export their goods and access new markets, the UK should significantly increase the number of Agriculture and Food Counsellors based overseas, particularly in the Asia-Pacific and Middle East regions. (Paragraph 37)*

Overall conclusions

9. We welcome the commitments to new mobility arrangements that will make it easier for Welsh people to travel to and work in Australia. (Paragraph 39)
10. We welcome the Agreement in Principle reached between the UK and Australian governments and await the final text of the free trade agreement (FTA). However, while the UK-Australia FTA is unlikely to have a significant impact on Wales in the short term, we are conscious of the concerns that exist within the Welsh agri-food sector. Farm businesses are already facing some uncertainty in the transition away from the EU system of farm payments and the changing trade environment. The UK Government and Welsh Government must work with the agri-food sector to ensure that UK producers have the skills and support needed to thrive in a new global trading environment. (Paragraph 40)
11. We welcome the UK Government's commitment to allow three months for parliamentary scrutiny between the publication of the final text of the agreement and laying the text before the House. We will continue to scrutinise the impacts of this and other FTAs on Wales. (Paragraph 41)

Formal minutes

Thursday 22 July 2021

Virtual meeting

Members present

Rt Hon Stephen Crabb MP in the Chair

Tonia Antoniazzi

Simon Baynes

Virginia Crosbie

Geraint Davies

Robin Millar

Rob Roberts

Dr Jamie Wallis

Beth Winter

Implications of the UK-Australia FTA for Wales

Draft report (*Implications of the UK-Australia FTA for Wales*) proposed by the Chair, brought up and read.

Ordered, That the Chair's draft report be read a second time, paragraph by paragraph.

Paragraphs 1 to 41 read and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134)

Adjournment

Adjourned to a day and time to be fixed by the Chair.

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Thursday 15 July 2021

Dr Nick Fenwick, Head of Policy, Farmers' Union of Wales; **David Swales**, Head of Strategic Insight, Agriculture and Horticulture Development Board; **John Davies**, President, NFU Cymru

[Q1–19](#)

Sam Lowe, Senior Research Fellow, Centre for European Reform; **Dmitry Grozoubinski**, Executive Director, Geneva Trade Platform

[Q20–35](#)

Thursday 22 July 2021

Rt Hon Greg Hands MP, Minister of State for Trade Policy, Department for International Trade

[Q36–67](#)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2021–22

Number	Title	Reference
1st Report	Railway Infrastructure in Wales	HC 438
2nd Report	Renewable energy in Wales	HC 439

Session 2019–21

Number	Title	Reference
1st Report	Pre-appointment hearing with the Government's preferred candidate for the Chair of S4C	HC 89
2nd Report	Freeports and Wales	HC 205
3rd Report	The Welsh economy and Covid-19: Interim Report	HC 324
4th Report	Wales and the Shared Prosperity Fund: Priorities for the replacement of EU structural funding	HC 90
5th Report	Brexit and trade: implications for Wales	HC 176
1st Special Report	The Armed Forces and Defence Industry in Wales: Government Response to the Committee's First Report of Session 2019	HC 97
2nd Special Report	City Deals and Growth Deals in Wales: Government Response to the Committee's Second Report of Session 2019	HC 146
3rd Special Report	Freeports and Wales: Government Response to Committee's Second Report of Session 2019–21	HC 667
4th Special Report	Wales and the Shared Prosperity Fund: Priorities for the replacement of EU structural funding: Government response to the Committee's Fourth Report of Session 2019–21	HC 1083
5th Special Report	Brexit and trade: implications for Wales: Government response to the Committee's Fifth Report of Session 2019–21	HC 1223