



Eich cyf/Your ref: MA-VG-2133-22

Baroness Hayter of Kentish Town
Chair of the International Agreements Committee
House of Lords
London
SW1A 0PW

HLIntlAgreements@parliament.uk

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Dear Baroness Hayter,

I understand that the House of Lords International Agreements Committee has been in touch with my officials regarding its inquiry into UK-India trade negotiations. I am writing to you with some of my views on the negotiations and on the engagement we have had with UK government to date.

Wales and India share a strong relationship with the value of goods trade between India and Wales valued at around £473.5m in the year ending December 2021. India is also currently the second highest investor by country of origin into the Welsh economy, and a future UK-India Free Trade Agreement (FTA) has the potential to further increase the investment by Indian businesses into Wales.

We fully support the merits of international trade and recognises the benefits that new FTAs can bring to Wales. However, new FTAs must not undermine our ability to regulate domestically, in line with our own government priorities, and must not lead to gains for parts of the UK at the expense of losses to Wales. In addition, we have always been clear with the UK government that trade negotiations should not be rushed in order to meet arbitrary deadlines. Such practice will place negotiators under immense pressure to secure a deal at any cost, rather than secure a deal for the long-term benefit of the UK.

FTAs are complex legal treaties that can cover a broad range of issues from tariffs and regulations through to environment and labour rights. Our approach to trade policy in Wales uses the Well-being of Future Generations (Wales) Act as a lens to consider all elements of trade deals, rather than viewing deals purely in economic terms. We believe trade deals should contain ambitious provisions, on other key policy issues such as labour, gender rights and the environment.

The UK-India trade negotiations were launched in January of this year and the UK government has since stated that it wishes to secure a deal by October 2022. We are

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

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Gohebiaeth.Vaughan.Gething@llyw.cymru
Correspondence.Vaughan.Gething@gov.wales

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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.

somewhat concerned that the pressure to conclude a deal with India in such a short timeframe will lead to a slim deal that will be predominantly focused on the removal of tariffs and lack in ambition across various key policy areas such as the environment and digital trade. For comparison, the recently signed Australia-India FTA took almost 11 years to negotiate and conclude (May 2011 to April 2022, albeit the negotiations were suspended between 2015 and 2020), and challenges still remain in its implementation.

The pace of delivery for concluding the negotiations has also impacted on the engagement between ourselves and UK government. Although we still remain predominately positive about the engagement we have had to date, the timeframes we have been given to comment during the negotiations has been reduced, and on occasion, we have not been given a meaningful opportunity to discuss elements of the negotiations. It should be noted that this differs to other FTA negotiations where engagement is largely positive and information has been shared in a more timely manner.

Our main views on a trade deal with India are set out below.

Trade in goods

An FTA with India has the potential to liberalise the fairly high Most Favoured Nation (MFN) tariffs that India currently has in place on UK exports, with Wales potentially benefitting from any tariff liberalisation on the trade of machinery (including automotive); metals; and chemicals (including pharmaceuticals), as well as food and drink.

Any reciprocal tariff liberalisation on the UK side will need to take into account our sensitive products, and the need to put in place tools, such as staging or safeguards, to protect our domestic industries from harm. This is particularly important if the UK is unable to secure full tariff liberalisation commitments from India on goods that are manufactured in Wales and which make up the UK's domestic supply chains.

Trade in services

We would support any UK government ambitions in securing increased market access for UK services providers in India, as well as ensuring India recognises UK qualifications. However, this needs to be considered against the backdrop of how the UK will continue to maintain the quality of its professional standards and the independence of regulators, when it is choosing to recognise professional qualifications from overseas.

Provisions related to digital trade must not impact on the UK's data adequacy regime and commitments.

Standards and Regulations

We expect the UK government to maintain the UK's high standards as part of any FTA negotiations. This includes our high standards on Sanitary and Phytosanitary measures (SPS), health and environment safety, and animal welfare.

An FTA which removes or reduces the high number of non-tariff barriers in place when exporting to India will be of benefit to Welsh exporters.

As ever, nothing in any FTA should impact on the UK and Devolved Governments' approach and right to regulate.

Environment

We would like to see strong and enforceable environmental provisions to be established as part of the UK-India FTA on climate change and energy, in order to support the UK's and Wales's decarbonisation and climate change agenda.

In addition, as a member of the Beyond Oil and Gas Alliance (BOGA), Wales is committed to working with stakeholders to facilitate the managed phase-out of oil and gas production. Therefore, we would want to see a trade deal with the India that includes strong transitioning arrangements to support a diversification away from oil and gas production, and a focus on renewable energy.

Procurement

We would want to see significant and increased easement for UK companies to access the Indian market via procurement exercises.

Mobility

We want to be kept informed of the UK Government's position on increased mobility for India

Health

There should be no increase in the cost of medicine and the principle that the NHS remains free at source must be upheld. We expect the UK government to honour its commitment that the NHS is off the table in any trade negotiations.

I trust that this will be useful for your inquiry.

If you require any further information, please contact my officials.

Yours sincerely,

Vaughan Gething AS/MS
Gweinidog yr Economi
Minister for Economy