



The Rt Hon Conor Burns MP
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15 March 2020

Dear Conor

When we last met, I promised to write with the views of the Welsh Government on the proposed UK Global Tariff (UKGT). **The Welsh Government's view is that the UK Global Tariff (UKGT) should continue to mirror the EU Common External Tariff (CET)** until such time as the future agreement with the EU has been settled and specific proposals have been subject to impact assessment, sensitivity analysis and fuller business engagement. This consultation is a useful first step, but more substantive analysis and engagement is required before making changes.

As a minimum, we would expect to see the following impacts considered in further analysis and subject to further consultation, in line with the requirements set out in the Taxation (Cross-border Trade) Act 2018:

- Impact on supply chains and flows of goods to and from the UK.
- The potential for unfair competition, such as where labour, environmental, health and safety or animal welfare standards fall below our own. Seemingly technical adjustments have the potential to affect this balance, opening up producers in low margin industries like agriculture to unfair competition.
- Risk of unintended consequences, as we simply do not know what effect these changes will have in related sectors across the Welsh economy, with risks associated with those operating at tight margins or with highly integrated supply chains.
- SMEs represent a vital part of the Welsh economy and risks to SMEs need to be fully considered and understood.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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.

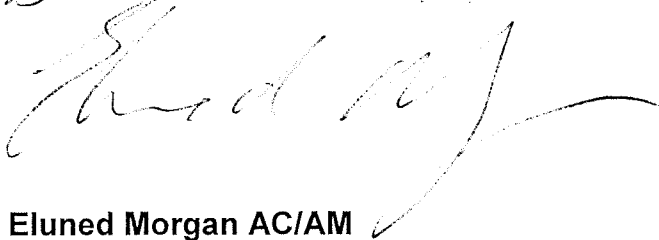
- The UK's objectives in the Taxation (Cross-border Trade) Act 2018 requires the interests of consumers and producers to be taken into account and the UK Government is best placed to carry out this assessment to inform that debate.
- Impact on consumer prices, including whether the scale of the tariff changes makes it highly unlikely lower tariffs will pass through to consumer prices. Consumer impacts are most likely in areas where the changes significantly open up the UK market, with the counteracting impact on domestic production.

UK businesses are used to working with the CET where a preferential arrangement is not already in place. Retaining the CET therefore represents maintaining the status quo for importers. There are potentially significant risks of unintended consequences at a time of already major upheaval for businesses. Delaying any substantive changes also allows for a more iterative and meaningful engagement with businesses to ensure any changes are not rushed, are based on the most complete information possible, and avoid unintended consequences.

The experience of the UK no-deal tariff schedule proposals illustrates the consequences of unilaterally liberalising tariffs on future trade negotiations (with Canada no longer seeing any benefit to negotiating with the UK). We should therefore be equally conscious that while removing tariffs considered as 'nuisance' or with limited production in the UK may appear to be sensible, they would reduce negotiating leverage in future trade negotiations. These are tariffs that could provide easy wins for the UK in negotiations (subject to impact assessments); where preferential liberalisation will be attractive to trade partners but cost the UK little. It is not clear that liberalising them unilaterally, however, offers sufficient additional benefit that would outweigh this given the risk of unintended consequences, particularly for those industries operating at low margins.

Finally, I would welcome further information about the UK Government's intentions for applied tariffs under the UKGT should it fail to reach an agreement with the EU on a free trade agreement. No deal at the end of the year will result in the CET being applied to exports from the UK to the EU. Is the proposed UKGT intended to apply in this scenario or will revisions need to be made? Will the UK consider temporary measures (e.g. tariff suspensions) to protect consumers and importers? Will there be a process established by which potential future tariff suspensions can be proposed?

Attached to this letter at Annex A is further detail behind my comments above. I am copying this letter to the Secretary of State for International Trade and President of the Board of Trade, Minister of State for International Trade Gregg Hands MP, and the Secretary of State for Wales.

Best Dislikes


Eluned Morgan AC/AM

Gweinidog y Gymraeg a Chysylltiadau Rhyngwladol
Minister for International Relations and the Welsh Language