



Ein cyf/Our ref: MA/VG/3543/21

Paul Davies MS
Chair, Economy, Trade and Rural Affairs Committee
Welsh Parliament
Cardiff
CF99 1SN

2 November 2021

Dear Paul,

Thank you for your letter of 8 October 2021 in which you request more information on the Free Trade Agreement between the UK, Iceland, Liechtenstein, and Norway.

Trade between Wales and Iceland and Norway is relatively low. Trade in goods with Norway and Iceland accounted for nearly 1.5% of Welsh goods trade in the year ending June 2021 compared to the EU that accounts for around 51.1% of Welsh goods trade. There is no data available on the value of trade between Wales and Liechtenstein. A macroeconomic assessment is attached to this letter under Annex A. Given these countries do not represent significant import or export markets for Wales and the goods element of the deal predominately aims to create greater continuity from when we were members of the EU, no full assessment of the impact of the deal has been carried out.

Throughout the negotiations, my officials met with the Chief Negotiator for the deal as the negotiations progressed, as well as receiving updates from individual UK Government policy teams. This provided us with an opportunity to understand and highlight any elements of the negotiations that did not align to our own priorities or domestic policy. However, given the nature of the deal, representations to seek changes to the UK Government's negotiating priorities, or to any of the provisions negotiated, were not necessary. My officials were also able to consider the draft text of the chapters relating to devolved matters and its potential impact on Wales. As this agreement results from renegotiations and aligns trading arrangements with the terms of the UK-EU Trade and Co-Operation Agreement, it means there will be minimal changes for our businesses already trading with Norway, Iceland and Liechtenstein. However, it is positive that the deal includes dedicated chapters on digital trade and small businesses. This is the first time any trade agreement with these three European countries has included standalone chapters covering these areas.

The only legislative change identified to date to implement this agreement relates to a procurement chapter within the FTA that needs to be added to UK international trade agreement schedules in domestic procurement regulations. The following pieces of domestic legislation will require amendments in England, Wales and Northern Ireland: the Public Contracts Regulations 2015; the Utilities Contracts regulations 2016 and the

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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.

Concession Contracts Regulations 2016. The Cabinet Office propose to make the amendments through a statutory instrument under section 2 of the Trade Act 2021.

I look forward to attending the next Committee meeting on 11 November.

Yours sincerely,

A handwritten signature in black ink that reads "Vaughan Gething". The signature is written in a cursive, flowing style.

Vaughan Gething AS/MS
Gweinidog yr Economi
Minister for Economy

Macroeconomic Assessment of Welsh Goods Trade with Norway, Iceland and Liechtenstein

Latest available data for the year ending June 2021, show the value of Welsh goods trade with Norway and Iceland is relatively low, valued at around £398.5m and £9.0m respectively. This accounts for around 1.46% and 0.03% of total Welsh goods trade. There is no data available on the value of goods trade between Wales and Liechtenstein.

Analysis¹ suggests that our goods exports to Norway are dominated by a small number of sectors, with 'Iron & steel', 'Power generating machinery & equipment', and 'Road vehicles' accounting for 44.9% of Wales' total goods exports to Norway. On the import side, over 75% of our imports from Norway are within the 'Petroleum, petroleum products & related materials' sector. Evidence indicates that trade within this sector involves goods moving in and out of Wales with little domestic processing, therefore indicating limited opportunities within this sector to contribute to employment and value added in Wales.

For Iceland, top export sectors include 'Cereals & cereal preparations', 'Professional, scientific & controlling appliances', and 'Buildings, plumbing, heating & lighting fixtures', which combined account for around 27.0% of total Welsh goods exports to Iceland. On the imports side, 'Animal oils & fats' account for around a third (33.0%) of our total goods imports from Iceland. It should however be noted that the low value of imports and exports means the relative importance of sectors can be volatile, therefore care needs to be taken to avoid over-interpretation of the available data.

Given the low value of goods trade and limited availability of data, a proportionate approach is undertaken with regards to a macroeconomic assessment of the FTA. Under this approach a high level assessment of the available trade flow data is undertaken, however the agreement doesn't meet the criteria for a full assessment based on economic modelling. This is broadly in line with the approach undertaken by UK Government: [Norway, Iceland & Liechtenstein Impact Assessment \(publishing.service.gov.uk\)](#)

Value of Welsh Goods Trade with Norway, Iceland and Liechtenstein

Country	Value of Goods Exports (% of total Welsh goods exports)	Ranking	Value of Goods Imports (% of total Welsh goods imports)	Ranking
Norway	£103.2m (0.8%)	22 nd	£295.3m (2.1%)	14 th
Iceland	£6.2m (0.05%)	78 th	£2.8m (0.02%)	79 th
Liechtenstein	No data available		No data available	

Source: HMRC RTS, Year ending June 2021.

Please note, the table above shows the value of goods trade with each individual country for the latest available period (year ending June 2021), therefore there may reflect the impact of the Covid-19 pandemic. There continues to be uncertainty around the future trajectory of the recovery in Welsh goods trade, therefore these figures should be interpreted carefully.

¹ This analysis is based on a three year average (2018-2020) to reduce the impact of trade volatility.