



Rt Hon Michael Gove MP
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Jeremy Miles AS/MS
Counsel General and Minister for European
Transition
Welsh Government

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Dear Jeremy,

Thank you for your letter of 14 October, setting out the Welsh Government's priorities on UK-EU negotiations. I look forward to discussing this with you at a Joint Ministerial Committee on EU Negotiations (EN) this week.

Let me first of all reassure you that the UK and the EU have already agreed to intensify negotiations. For our part, we remain clear that the best and most established means of regulating the relationship between two sovereign and autonomous parties is one based on a free trade agreement. This remains our strong preference and we recognise the benefits that zero-tariff zero-quota trade has for businesses in both the UK and the EU. We will not, however, agree a deal at any cost.

With regards to fisheries, I am afraid we strongly disagree with your premise that we should 'back down' on fisheries. The UK Government's view is that in all circumstances, the UK must be an independent coastal state, no longer be bound by the Common Fisheries Policy. Our position is reasonable and seeks the best outcome for the whole UK, informed by discussions with the Welsh Government and other devolved administrations on fisheries priorities. We seek a separate fisheries framework agreement which reflects our international law rights and is based on the scientific principle of zonal attachment. This is squarely in line with the precedent of the EU's fisheries agreement with Norway. The UK Government has also been unequivocally clear that we will be leaving the Single Market at the end of the UK transition period. We of course recognise the importance of access to the EU market for UK goods, which would be the case whether or not we secure a free trade agreement (FTA).

In terms of state aid, it is unusual for FTAs to include anything beyond limited and specific provisions on subsidy policy, focused on transparency rather than on defining requirements for each side's subsidies arrangements. The UK Government's approach has been framed by the precedent established in existing EU FTAs with independent countries, such as Canada or Japan. These are rooted in and uphold World Trade

Organisation principles - the globally-recognised standard on subsidy control. We are aware of the EU's requests for further reassurances on domestic subsidy arrangements.

On Rules of Origin, the UK Government worked closely with industry to develop appropriate, modern rules reflecting business interests across the UK. Our proposals on Product Specific Rules are clear, simple and appropriate for the nature of UK-EU trade. We have repeatedly stressed to the Commission the importance of meaningful discussions on Product Specific Rules that reflect the requirements of UK and EU industry. I am sorry to say that so far the Commission have not agreed to share any proposed text with us. We have been clear with the Commission that third country cumulation would have significant benefits for businesses and consumers in the UK and the EU, and put forward detailed proposals. The Commission has made clear it will not agree to third country cumulation in any circumstances. This is a cause of regret, but we cannot insist upon it.

On Technical Barriers to Trade, the UK seeks to agree a package of annexes which facilitate trade in specific sectors. These minimise regulatory barriers to trade while preserving each Party's right to regulate. They are consistent with the approach the EU has taken with other trading partners. In your letter of 29 June, you stated support for such annexes. Disappointingly, the EU has so far not been willing to engage with these proposals in any detail, despite frequently praising their use with other partners.

On services, the UK and the EU are each other's largest export market in services. Drawing on CETA, EU-Japan and other recent EU FTAs, we have proposed measures to support trade in services. To date, the Commission has refused to negotiate on texts, so we have been unable to move onto detailed discussions. On law enforcement and judicial cooperation matters, there is a good degree of convergence on the operational capabilities sought by the UK and EU. In terms of data, the UK Government is committed to high data protection standards, and protecting privacy for individuals will continue to be a priority.

Lastly, on EU programmes, it is the UK Government's position that any agreements should contain fair terms - fair treatment of participants, a fair and appropriate financial contribution, and appropriate governance. If fair terms cannot be reached, we must ensure we are prepared and so we continue to develop domestic alternatives. With regard to Horizon Europe and Erasmus+, the UK Government is working collaboratively with devolved administration counterparts to develop domestic alternatives which will enable world-class collaborative research and innovation, and support education exchanges.

Coming to your comments on the UKIM, the Bill is essential for safeguarding the prosperity and welfare of businesses and citizens in Wales and the rest of the UK. I very much disagree with the notion that this Bill undermines the devolution settlements. All devolved policy areas will stay devolved; our proposals ensure sure there are no new barriers to UK internal trade. Following the UK transition period there will be no change to the powers the devolved administrations already have and the vast majority of powers with devolved competencies returning from Brussels will go straight to Holyrood, Stormont and Cardiff Bay. These include measures covering agriculture, air quality, energy efficiency of buildings and employment law. The Scottish Parliament, the Senedd, and Northern Ireland Assembly, which are already among the most powerful devolved administrations in the world, will therefore have even more powers.

Thank you again for your letter. As ever, we value our conversations with the Welsh Government and all the devolved administrations and will continue to maintain an open dialogue, as we have thus far. I am copying this letter to the Paymaster General, Lord Frost, the Secretaries of State for Wales, Scotland and Northern Ireland, the First Minister and deputy First Minister of Northern Ireland and the Cabinet Secretary for the Constitution, Europe and External Affairs in the Scottish Government.

With every good wish,

A handwritten signature in black ink, appearing to read "Michael Gove". The signature is fluid and cursive, with a prominent initial 'M' and a long, sweeping tail.

**Rt Hon Michael Gove MP
Chancellor of the Duchy of Lancaster
and Minister for the Cabinet Office**