



HOUSE OF COMMONS

European Scrutiny Committee

Oral evidence: UK's EU representation, HC 123

Wednesday 29 March 2023

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Members present: Sir William Cash (Chair); Geraint Davies; Margaret Ferrier; Mr David Jones; Gavin Robinson; Greg Smith.

Questions 48-75

Witness

I: Vaughan Gething MS, Minister for the Economy, Welsh Government.

Examination of witness

Witness: Vaughan Gething MS.

Chair: Good morning, Mr Gething. On behalf of the Committee, welcome and thank you for appearing virtually to give evidence. We have rearranged this session twice and we very much appreciate your time and understanding. Given recent Government changes in Scotland, we haven't been able to get a Scottish Minister today, because a lot is going on up there at the moment in relation to the new leadership. And for obvious reasons, it has also not been possible to secure an official from Northern Ireland.

This is the third and final session of our inquiry, and we are very grateful to you for coming along to represent the Welsh Government. In today's session, we are going to cover how the Welsh Government are engaging with the EU after Brexit and how you work with the UK Mission to the EU in Brussels on your own interests and UK shared interests. We are also going to deal with the effectiveness of the institutional structures established by the UK Government—such as the Joint Ministerial Committee—for representing the interests of the Welsh Government and UK Government policy in Brussels, and with EU-related policy areas that are of greater interest to you in that context.

Before we start, and for those watching at home, perhaps you would be kind enough to introduce yourself and give—I am aware of this, of course, because you are appearing remotely—a description of who you are and what you do.

Vaughan Gething: My name is Vaughan Gething. I am the Member of the Senedd, the Welsh Parliament, for Cardiff South and Penarth, and I am the Welsh Government Minister for the Economy; I have in my range of responsibilities research and innovation, and borders.

Q48 **Chair:** That is very kind of you; thank you very much indeed. To get started, could you give us a synopsis of what devolution means to you?

Vaughan Gething: Devolution means that we have the ability to make a range of our own choices in Wales, while still remaining part of the United Kingdom. It is a sharing of power, transferring some powers that were formerly held in Westminster. Of course, that has happened after two successive referenda: one in 1997 and one in 2011. There are a range of areas where the UK Government or the UK Parliament is the responsible body, and a range of areas where my colleagues in the Welsh Parliament are responsible, and they are responsible for holding me to account.



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We have been able to make a series of choices that I think are more nimble, and we are closer to a range of the decisions that we need to make. We remain an outward-looking nation. We want to be a constructive part of a United Kingdom, but we respect as equals the different constituent parts of it. I think devolution has been good for the UK as well. I think that if we continue to have a relationship founded on respect for each of the partners in the Union and the different Parliaments, there is a positive future for the Union, with devolution at the heart of it.

Chair: Thank you very much indeed. Geraint Davies will now ask a question—he is from Wales, of course.

Geraint Davies: Bore da, Vaughan.

Vaughan Gething: Bore da, Geraint.

Q49 **Geraint Davies:** It is good to see you. I want to ask you how effective the now disbanded Joint Ministerial Committee was at representing your positions on the EU during the Brexit negotiations and, subsequent to that, on the engagement with the UK, particularly in relation to the Internal Market Bill and the Retained EU Law Bill. To what extent has Wales's position been taken into account, and what is the Welsh Government's position on the Internal Market Bill and the Retained EU Law Bill?

Vaughan Gething: When it comes to the JMC, which was in place prior to the Brexit negotiations being concluded—or, at least, the first set of them—it worked, in the sense that there was regular and predictable contact. Welsh Ministers, and indeed Ministers or representatives of the other devolved national Governments, were able to clearly articulate their positions. In terms of how that is taken into account, the reality is that the UK Government is the state engaging with the EU in those negotiations, so our view was not always reflected as the UK's position, but there was not any lack of understanding about what our view was, and there was an ability to have some influence in the process. The regularity and predictable nature of that contact was a significant part of it.

I think things have gone backwards since then, broadly. The Internal Market Act is perhaps the most obvious example of where the UK Government has chosen to take powers in plainly devolved areas. These are not taken on an unusual, extraordinary basis; they are actually used and threatened relatively regularly. Of course, as I said in answer to the first question, the Parliament that I sit in, and the Government that I am a member of, have been created by two successive referenda. I think no one voted in the Brexit referendum to take powers back from this Parliament and this Government, but we are seeing that the current iteration of the UK Government is much more prepared to walk over devolved areas, and not in a way that is generally extraordinary. It is becoming far too common. The Internal Market Act powers are used on a relatively regular basis to impose UK choices on Wales in areas that are plainly devolved—something as benign as community sport policy, where a direct announcement was made by the Chancellor and a previous DCMS



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Secretary of State on the use of money in an area that has been devolved for more than two decades. I think that is unhelpful when it comes to the way the Union functions.

When it comes to our ongoing relationship around EU policy, we would like to see a healthy dose of pragmatism in the Retained EU Law Bill. There are a range of areas where we have not significantly diverged, and we do not think there is a practical point to getting rid of the law that is now on our statute book, but there will be a significant job of work in trying to make sense of that. We think that deadlines are not practical, and the Welsh Parliament may end up having to legislate, to make sure we still have a coherent approach and process. There will be other areas of EU law where we may well be able to agree, on a pragmatic basis, that they no longer need to apply, but it would be much better if that were a pragmatic conversation between Governments with an outcome that we could all sign up to, rather than a hard deadline that does not appear to have a pragmatic purpose for the way that businesses, environmental standards and others need to operate.

- Q50 **Geraint Davies:** In terms of co-operation between the UK Government and the Welsh Government on the EU Retained Law Bill in order to ensure that rights and protections in the areas of working and the environment do not inadvertently fall out of bed because we do not get to evaluate them by the sunset at the end of the year, is there any joint working to ensure that the Welsh Government is in a position, if need be, to legislate for any gaps and avoid the risk that various protections and rights that we could have protected will be lost in Wales? If it is not managed properly, they will lapse.

Vaughan Gething: The Counsel General and Minister for the Constitution, Mick Antoniw, is leading on that work for the Government. He made a statement yesterday to the Senedd. There was a legislative consent motion, but I do not think it would be difficult to get a fuller brief on that for you. We have engaged and continue to engage with the UK Government. We want to see, as I say, a pragmatic approach that does not have a hard deadline on sunset. The way the current Bill is drafted means that it does not recognise the responsibilities that we or Parliament have. We are looking at alternative options if needs be. I would not want to rush through emergency legislation here in the Senedd; I would much rather it was planned and co-ordinated, but we have to think about more than one option to ensure that we have a coherent approach that does not see a reduction in the rights of citizens, and the sort of standards that I think both sides in the referendum campaign, to be fair, said should not be under threat if the UK left the European Union. There are still choices for us to make, and I hope that we can find pragmatic and common ground to make sure that we do not lose rights by accident.

- Q51 **Geraint Davies:** Finally, is there enough engagement on issues like trade deals? Was there any consultation on the Windsor framework? I do not know whether you have any comment on the implications of the Windsor framework for Wales, if any.



Vaughan Gething: One of the things that will be helpful for us to do is to have a more predictable set of relationships between the Governments and between Ministers with the same policy responsibilities, including those areas that are plainly reserved to the UK Government but have an impact on devolved responsibilities. Trade is a good example. We are not responsible for striking new trade deals, but they almost always engage devolved areas of responsibility. Between our respective officials, there has been good engagement, and there is a clear understanding of the Welsh Government perspective on new trade deals as they are being approached.

Again, we do not always think that our perspective is taken account of. You heard what George Eustice had to say when he left the Government about the way that agriculture was bargained for in some of the trade deals that have been struck. We said that at the time. We are open about our concerns over that. That was a position where we did not have the influence we would have wanted on the trade deal that was eventually struck. But once the deal is struck, we have legal responsibilities to honour international obligations. We are not proposing to upend our responsibilities. I just think that the earlier, and more regular, the sight of what is taking place between Ministers and officials, the better. I do not think we entirely have that when it comes to all our relationships. It depends on different Departments—that is the honest truth. Some Departments are better than others on early engagement and line of sight.

I had a letter, for example, this week from Kemi Badenoch in her new business and trade role telling me that she had already agreed to review another trade remedies body. Actually, there was no engagement with me or my officials in advance about it. That claim she has impacts on devolved areas of responsibility, especially in my portfolio. I would like to see improvement in that. Some stability in UK Ministers and stability in ministerial relationships would be good for all of us, especially on those areas where we do not always agree.

Q52 **Geraint Davies:** So nothing about the Windsor framework.

Vaughan Gething: Sorry, on the Windsor framework, we were aware there were talks, but there was not a consultation with us in advance about the sorts of negotiations that were taking place. There was offline indication about broadly what was happening, just to do with getting close but, to be honest, that was being briefed publicly as well. I generally think that the Windsor framework seems to be a pragmatic step forward, but there are still parts that we need to resolve.

The framework talked about Northern Ireland and GB, whereas actually we need to understand what the impact is on those goods coming through the Republic of Ireland. Some of those may come from the north through Dublin or potentially Rosslare. Rosslare is less likely, but actually livestock would potentially matter through Rosslare as well. We do need, and we are engaged in, constructive conversations with Baroness Neville-Rolfe, who is Minister of State in the Cabinet Office, on looking to resolve borders policy as it relates to the island of Ireland, both the north and the republic.



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I am hopeful that we can reach agreement on that, but we need to work through what the Windsor framework will mean for goods coming from the Republic of Ireland, including those that originate from the north, and how they could and should be treated—both at ports in the Republic and when they arrive in GB. That would normally mean Holyhead and the ports in Pembrokeshire. There is some trade that goes to Liverpool and Cairnryan, but most of it that comes from the Republic of Ireland comes to Welsh ports, so it is significant and important.

Chair: Thank you very much. Gavin Robinson, please.

Q53 **Gavin Robinson:** Thank you, Chair. Good morning, Mr Gething. On a point of clarity, you mentioned that the UK Government do not take into account the position of the Welsh Government. Is that fair, or do you mean that they take into account what you say but choose an alternative course?

Vaughan Gething: I think I have been pretty clear that it can be both. There are times when there is a position taken without consultation with us. For example, the trade remedies point is one where they could not have taken account of our position, because they had already made a decision about what to do first. On other occasions, they simply do not agree with us.

It goes back to my point about why I think regular conversation is important, particularly in those areas where you might not agree. Often the conversation can lead to a proper understanding of why you disagree, and sometimes it can lead to an accommodation on both sides, even if it does not get either side to where you ideally want to be. But that often is the art of negotiation, is it not?

Q54 **Gavin Robinson:** Thank you; that is helpful clarification. Mr Davies was asking you about the Joint Ministerial Council; of course, from this Committee's perspective, the important strand was the Joint Ministerial Council on Europe, when it existed. Did you attend that?

Vaughan Gething: No, that was not part of my responsibilities at the time. The Welsh Minister attending at that point in time would either have been the First Minister or the Counsel General, but obviously all those conversations had input from the whole Government. At the time, I was the Health Minister, and certainly those conversations had a direct impact on my responsibilities in terms of planning for what a Brexit deal could look like in either a positive scenario or a worst-case scenario. I spent lots of my time on no-deal Brexit planning, for example, which was difficult and a distraction from the normal business of being the Health Minister, but those were the times we went through.

Q55 **Gavin Robinson:** Did you attend other Joint Ministerial Council variants that were relevant to your portfolio at the time?

Vaughan Gething: I had direct engagement with the UK Government, and we had joint ministerial meetings around health issues—for example, on no-deal Brexit planning and what would happen if there was an



interruption to the supply of medication or medical radioisotopes, and the related challenges of not having a common framework for professional qualifications and what that meant for recruitment and retention. There were engagements.

The challenge—and I think some of this is understandable because of the nature of the negotiations that were going on—is that some of those had to be ad hoc rather than quarterly and regularly planned. Having regular planned engagement was useful, and having something like that again would equally be useful in a range of our portfolio areas, whether on sport, trade or, for example, the economy and the steel sector. There is lots on which officials and Ministers could and should engage properly.

Q56 Gavin Robinson: I get a sense from your answers that you are worried about where I am going. Don't worry—there are no traps in any of this. I was trying to paint a picture as to how beneficial you felt the JMC was, before now reflecting on the review that took place from 2018. That recommended that there should be an IGR—intergovernmental relations—body with three separate structures: from tier 1, Prime Minister, down to a couple of standing committees and then sectoral bodies. That recommendation was made in January 2022. Could you give me any reflections not only on the outcome of that process from the Welsh Government perspective but on whether you believe it has been effective as a new structure in the intervening 14 months?

Vaughan Gething: The JMCs were useful. I am not trying to say that they weren't useful, because I think it is important to make sure that there is regular and reliable contact and that everyone understands what that contact should look like. I think the IGR set out a sensible way forward, and it is one that the Welsh Government want to engage constructively and positively with. It has not really been implemented, though, in the way that the IGR suggested and envisaged.

If you want to take a view about what actually happened, the reality is that we quickly ran into the pandemic, and the engagement between Ministers in every Government in the United Kingdom was focused on the pandemic. Some of that was regular and useful, some of it less so. The Prime Minister did not directly engage with First Ministers in Northern Ireland, Scotland or Wales on a regular basis. There was engagement with Michael Gove who, of course, is not the Prime Minister and would not have been able to speak for the Government in the same way. There was regular engagement between all four Health Ministers.

When you disagree, it is still important to talk, and that was really important there as well. We certainly did not always agree, but the fact that we knew we would have a regular conversation helped us to work through some of the differences that we had. When it came to international travel, it was an imperfect conversation, as, frankly, all of them were, but there was an attempt to engage around that too. Post the pandemic, we have not seen the IGR implemented. We can accept that, during the pandemic, a number of things were pushed to one side because of the extraordinary circumstances and choices we had to make. Post



pandemic, I would like to see a return to what normal should look like and to proper implementation of the IGR.

- Q57 **Gavin Robinson:** I used to attend the Joint Ministerial Committee in Europe as a support act around a decade ago, and at that stage, the Scottish Government used to host a Celtic fringe meeting in advance to co-ordinate devolved input to the committee. Are you aware of such engagement occurring at this point in time, at least between the Scottish and Welsh Governments, in advance of Whitehall engagement, or do you, as they say, paddle your own canoe?

Vaughan Gething: We have regular conversations with colleagues in the Scottish Government. Again, we do not see eye to eye on every issue—apart from anything else, I believe in a future for the Union, and Scottish Ministers do not; it is not their preference—but we do talk pragmatically about areas where we think we have common interests. One example is the engagement around borders; I met the previous Scottish Minister, Mairi Gougeon—I am not aware who the new Minister with that borders responsibility will be. As I said, I have also engaged directly and pragmatically with Baroness Neville-Rolfe. The way forward is for us to have regular conversations, and I hope that, in the future, we can return to having conversations with Ministers in Northern Ireland, but that is a matter for people and parties in Northern Ireland to resolve.

Gavin Robinson: Thank you very much indeed.

- Q58 **Margaret Ferrier:** Good morning, Mr Gething. When it comes to wider strategic international issues, how often do you engage with the Foreign Office, and what does that engagement look like?

Vaughan Gething: We have regular engagement with officials in the Foreign Office on a range of areas. That includes at senior level. For example, last summer the Welsh Government permanent secretary met the permanent secretary from the Foreign Office, but that engagement takes place at a range of tiers. There is a regular senior officials group at director level covering wider strategic international issues, and officials brief outgoing heads of mission on devolved Government priorities.

We have not had regular ministerial engagement since the start of the pandemic. We have had some engagement around the borders issue with different Ministers, including Foreign Office Ministers—for example, I had a meeting with James Cleverly, in his previous role as a Minister of State in the Foreign Office, about some of the ongoing borders issues to try to get to agreement on that—but that is largely led by Cabinet Office. There is engagement between officials. Again, the ability to have regular and reliable engagement with Foreign Office officials and Ministers would be helpful for all of us.

- Q59 **Greg Smith:** Good morning, Mr Gething. Can you explain for the Committee how the Welsh Government engage directly with the European Union? We know that you work with the UK mission to the EU, but do you have your own specific Welsh Government offices in Brussels? Do you set your own Welsh Government strategic objectives for EU



engagement, separate from the UK mission?

Vaughan Gething: Yes, we do have our own international strategy and objectives, and we do have an office in Brussels. We have appointed Derek Vaughan, a former Member of the European Parliament, as our European representative. Derek still has a range of links with other parliamentarians that are useful for us in looking to understand and influence what might happen; that is genuinely useful for us. We also have offices in a couple of other European countries. We have offices in Ireland, France and Germany, as well as Brussels. Those are because of the nature of our trading relationships. In Wales more of our trade is undertaken with the European Union as a whole than with the UK as a whole, so it is an even more important trading relationship for us.

Ireland is a neighbour; we are joined by the Celtic sea. France and Germany are the other areas where we have a significant amount of imports and exports as well. We have a programme of activity in France this year. It helpfully coincides with the rugby world cup. There are significant trading relationships and investment in Wales and France together.

Our programme for Government has committed us to maintaining a positive presence in the European Union, but in a way that our objective of promoting Welsh interests should not present surprises from the UK mission's point of view. I think we have a properly constructive relationship with the UK mission. There will be times when there are differences that are nuanced, and other times when there are wider differences between the Welsh Government and the UK one.

Q60 **Greg Smith:** That is very helpful. Could you take us through, further to what you have just said, how the offices you have are structured? What is the total headcount of employees that operate across them on behalf of the Welsh Government? Have the headcount and the overall budget increased since the United Kingdom left the European Union?

Vaughan Gething: We have increased the headcount by having a European representative. The office in Brussels has nine members of staff and a wide range of policy areas: trade, investment, science, research. I am also, effectively, the science Minister in Wales. We are part of the Vanguard network, which includes sub-state governments. There are other parts of Europe that recognise they have countries within countries—Flanders, for example. There are regional governments in the Netherlands and Germany that we are engaging as well. Being part of that network allows us to understand how they use their own levers at the member state level and where there are opportunities for co-operation and collaboration.

I do not think we have increased the budget for those offices, because there are understandable budget pressures. The one increase is the headcount, with Derek Vaughan and his role. It is really about how we maximise Wales's interest across a broad range of areas. Sometimes that is in agreement with the UK. I know that George Freeman has set out very



clearly the UK Government's position. It wants to associate with Horizon, as do we. We have lots of interest in an association between Welsh university and research institutions and European partners. On that, I see us as adding to what we get from the UK mission, not competing with it. There are also areas where, you will understand, the UK mission would not go into the detail that we would, in having those direct engagements with regional and sub-national governments in the EU. "Sub-national" is always an awful phrase, but it can be a genuine region of, say, the Netherlands or Germany, and Flanders sees itself as a country within a country. It is the same with Catalonia and others. We look to engage in ways that are genuinely constructive and, as I say, maximise Wales's interests within the European Union and the UK.

- Q61 **Greg Smith:** My final question is, what proportion of your time as a Minister in the Welsh Government is spent working directly with those offices, either directly to the European Union or individual member states of the European Union, such as Ireland, which you referenced? Or is that very much something that your officials get on with, with your oversight?

Vaughan Gething: It is more about officials with oversight. If I wanted to try to manage the four offices—Brussels, Ireland, France and Germany—I could take up lots of my time doing that, but I have a range of other responsibilities. Some of it comes when I look at the international plan, not just for visits but for engagements, and I have a conversation with the First Minister about that. I also look to see whether we are maintaining and getting value from those relationships.

For example, we undertake a range of activities directly through our international trade team. I have just been in North America—outside Europe, obviously—to talk about international trade opportunities. On the ground, we have a good relationship wherever we have offices within and outside Europe, and with the former Department for International Trade, now the Department for Business and Trade. There's a practical conversation to be had, but obviously, we are closer to businesses, and the support we provide—we try to make sure—is both maximised and doesn't compete with support that the UK provides in a range of those areas. Generally, it is, "How do we add to that and give further advantage to Welsh interests, whether they are trading, research or otherwise?"

- Q62 **Greg Smith:** That is helpful. I wasn't suggesting you should personally manage them; it was more to get a sense of your time dedicated to working with them, but otherwise I think you've answered the question.

Vaughan Gething: It is really hard to put a useful percentage figure on it. There are other people in the room who have been through this too. Sometimes you are driven by events; other times, you are driven by wanting to have an overview of what you plan to do and want to achieve. I am not trying to be difficult in avoiding the question; I am trying to be helpful and constructive.

Greg Smith: It is appreciated, thank you. Back to you, Chairman.

Chair: David Jones, please.



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Q63 **Mr Jones:** Thank you, Chairman. Mr Gething, I think you mentioned you have nine officials working in your Brussels office. Is that right?

Vaughan Gething: Correct.

Q64 **Mr Jones:** That's under the leadership of Mr Derek Vaughan, who I think I am right in saying is a former Labour MEP. Is that right?

Vaughan Gething: He was, indeed, yes. He was appointed in an open process, and I am very pleased to have him. He has significant links, and across parties. It is particularly helpful that he knows people in different countries and different political groups.

Q65 **Mr Jones:** Is your office in Brussels manned full time or do a number of your officials there work from home?

Vaughan Gething: I am not aware of the exact working relationships within the Brussels office. I would not expect to understand all the detail of those. I wouldn't be at all surprised if there was an element of working outside the office. In fact, we want them to work outside the office from time to time. They will need to be engaged in Parliament buildings and others as well. If you are really interested in that detail, I am sure I can write a note setting out the broad nature of work that takes place.

Q66 **Mr Jones:** That would be helpful, because I think a large number of Welsh Government officials do work from home at the moment, don't they?

Vaughan Gething: That is correct. As in large amounts of the public service, we have found that the pandemic forced a range of choices upon us, including remote working. We have found that there are some benefits from that, but also there is value in some of the personal contact people still have. Finding the balance for that is the challenge.

Funnily enough, Mr Jones, this is exactly the same conversation I have with a range of businesses. They are looking at the balance of how often you get real value from people physically being in an office together, and how often you can get real value from people not being there. Some businesses have found productivity gains. Others—for example, in the creative sector—get additional value when people are together, because some things are easier to do in person than on a screen.

Q67 **Mr Jones:** That is very true. I suppose that, that being the case, you will be carrying out an audit of your needs for your current office accommodation.

Vaughan Gething: We regularly review our office accommodation needs as we get to the end of lease term arrangements. That would have been the case before the pandemic, as well as after it. It is fair to say that businesses and public services in every sector are again looking at what their needs are. What are the things we look at? We look at city and town centre developments. It isn't that businesses don't want office accommodation, but their needs and specifications may differ from what



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they would have forecast and wanted, say, five years ago. It's both a challenge and an opportunity, depending on where you live, Mr Jones.

- Q68 **Mr Jones:** In June last year, the British ambassador to the EU, Lindsay Croisdale-Appleby, told us that his senior team meet the heads of the offices of the devolved Administrations in Brussels weekly, and that he regarded the relationship as positive. I think you used the word "constructive". You clearly are having those regular meetings. In terms of co-ordinating your work more generally, would you describe the working arrangements that your Brussels office has with the UK mission to Brussels?

Vaughan Gething: It's a fair statement from the UK ambassador that there is a constructive, positive relationship—not just the weekly dialogue, but working through issues. I expect my officials to work with the UK mission in a way that is constructive. I think it is difficult to maximise your influence if you are always looking to avoid what the UK mission is doing. So positive, constructive and regular engagement is what I expect from my officials in the Brussels office.

- Q69 **Mr Jones:** Are your officials there meeting UK Government officials more frequently than the meetings that the ambassador has with the heads of the devolved missions, which, of course, as I have just said, are weekly?

Vaughan Gething: There will be contact during the week, because it will not be a single point of contact in a single weekly meeting. Some of it will be driven by what happens around—so, for example, if myself and the First Minister, or the Education Minister, were going to Brussels, you would expect there to be further engagement around supporting that visit and looking to achieve objectives for it.

If there are particular events, whether it is budgets or conversations around Horizon for example, you would expect that it would not simply be channelled in through a single, weekly meeting. It is a common-sense approach, but, I think, again, having a regular and predictable point for a meeting is helpful for all sides.

- Q70 **Mr Jones:** Do you find UKMiS to be supportive to your mission in Brussels?

Vaughan Gething: Yes. As I said, I think it is a positive and constructive relationship. The mission that is set for UKMiS is set by the UK Government and there will be times that we do not see entirely eye to eye, but we do not go looking for areas of conflict; we go looking for areas of agreement, as I said, to maximise our influence and Welsh interests, both within the UK and within Europe.

- Q71 **Margaret Ferrier:** Mr Gething, why does the European Union matter to you and the Welsh Government, and is it important that you maintain a close relationship with it, and look at particular policy areas that are important to you and the Welsh?

Vaughan Gething: Yes, and I think I said earlier that over half of our trade, externally, is with the European Union. It is a larger portion than



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the rest of the UK, so there is a very practical and pragmatic nature to our relationship with the European Union.

If we want to continue trading successfully, we need to understand and be kept abreast of developments within Europe. If there are different regulatory requirements that our businesses would need to meet to trade successfully, we need to understand what those are and what that means for us as well, because there are areas, of course, that are devolved—where we have responsibility.

We talked earlier about borders. That is because we have the phytosanitary responsibilities in each of the devolved Governments, so we need to understand what that looks like. Having a co-ordinated approach is sensible in that area for GB but they are our responsibilities.

I want us to continue being a successful trading country and to be able to be not just outward looking, but getting more investment into Wales and more opportunities for Welsh exporters, whether that is in Europe or the world beyond. We need to have a view on that, as well as on changes that take place to environmental standards—climate, agriculture, research. We all have interests in there that mean we do need to maintain a constructive and positive relationship with the European Union

Q72 Geraint Davies: Minister, can I ask you about European regional development funds and European structural funds, and basically what their loss will mean for Wales? Obviously, there has been some discussion that I have raised in relation to the prospective 1,000 job losses in Welsh universities, by way of example, with 260 projects with the end of EU structural funds that will not be replaced by shared prosperity funds. But, more widely, what are the implications for Wales of the ending of European social funds and European regional development funds?

Vaughan Gething: The higher education sector has, I think, been very clear about the loss of jobs that is already taking place. I think the vice-chancellor of Swansea has set out over 200 jobs in his institutions. He in some ways co-ordinates some of the speaking on this because of the role he has within the higher education sector in Wales. It will make a practical difference with research activity no longer taking place.

I do not think that is a point that anyone in any party would have wanted to see happen when it came to the replacement funds, but it is what has happened. That is about the design, not just the sums of money that are involved. It is about the design of replacement funds. For example, the community renewal fund pilot and the levelling-up fund have been undertaken on a basis of competitive bids, so some areas of Wales have not received any funding. For example, Flintshire hasn't received any funding in any of those rounds under those areas. On the shared prosperity fund, which is supposed to be the direct replacement, we are due to receive £632 million in a three-year period. That amounts to a shortfall of £772 million. There is also an additional loss of £243 million in rural funding. Adding those together makes over £1 billion. If you use the



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inflation-adjusted figures that the UK Government use as well, you get to a bit over £1.1 billion.

I know there are always differences of view about why things have happened, but those are the facts of what is happening with replacement funding. There were clear manifesto pledges in 2017 and 2019 that a funding replacement would at least match what happened within the European Union. The way the funding has been designed also includes a top slice from the shared prosperity fund, so over £100 million has gone into an adult numeracy programme called multiply. The UK Government—the then Chancellor—decided to do that. Again, adult numeracy is an area that is plainly devolved. There was no consultation with us; they were using Internal Market Act powers. It has meant that that money has been taken into a different area. The design of that does not actually work with a range of devolved areas.

The other point about the design is I think it will lead to poor spending of money. Not only will it exclude large parts of our research base and innovation, but because the funding programme is now run on an annual basis, even though there are three years of indicative funding, it means you do not have a three-year programme to spend the money in. That means that money at the end of the year, if it is not spent, will be sent back to the Treasury. That will mean that either money is spent in a short-term way, which does not always provide long-term value, or it will return to the Treasury.

I think we have gone back to a way of delivering those funds that is much more like the first rounds of objective 1, where the UK Parliament, and certainly the Welsh Parliament, were clear that there needed to be a more strategic approach—not lots of different projects because that would splinter the way they were delivered. We have lost sight of some of the learning in having a strategic approach to using these funds. I am afraid the undeniable truth is that, with the way the replacement funds have been allocated, there is a significant loss of funding to Wales of over £1 billion in cash terms and £1.1 billion in inflation-adjusted terms.

Q73 Geraint Davies: In a nutshell, there is £1 billion less, and you cannot spend the money over seven years, so you cannot plan strategically. I know that the Finance Minister, Rebecca Evans, has said that the shared prosperity fund, which allegedly replaces the structural funding, threatens devolution. Would you like to expand on that? How do you see that working?

Vaughan Gething: It is not just the £1 billion shortfall, but the decision-making process. For more than 20 years, the Welsh Government made choices about how to allocate money on a regional basis with partners in Wales. The design of the shared prosperity fund does not have any kind of decision-making role for the Welsh Government. That is not an accident. It is not that UK Ministers did not understand what they were doing. Those powers returned to the UK post Brexit, and they stopped in Whitehall. The powers that Wales had exercised over that whole 20-year period of time have been taken away, and are now exercised in Whitehall. I think that is



the wrong way to exercise those funds. That was not on any ballot paper in any election that I stood in—or indeed yourselves, to be fair. It was certainly not in the manifesto on which everyone was elected to the UK Parliament in 2019.

- Q74 **Mr Jones:** Finally and briefly, because we are close to the end of this session, it is inevitable that UK standards and rules will increasingly diverge from those of the European Union as time goes by post Brexit. What do you see the role of your Brussels office to be in that context, as that divergence continues?

Vaughan Gething: Well, divergence is not inevitable—there are clear-sighted choices for the UK to make, whoever is in government—but understanding what that looks like from a UK perspective and an EU perspective will be more important, not less. What does that mean for our trading relationships? What does it mean for the future of agriculture? What does it mean for our ability to associate with Horizon and the significant funds that could come not just to Welsh universities but across the UK if we can associate? Where there is a difference—where we cannot assume that we will not always have the same rules and standards—having a clear-sighted understanding of what is taking place in Brussels is more, not less, important.

- Q75 **Chair:** Could I ask one last question? Would you take a view on whether it is better to be governed by the European Council of Ministers behind closed doors, without even a transcript, by majority vote, irrespective of what the Welsh people might think or want? This is a general question about the relationship between Wales and the EU. Do you like that kind of undemocratic system?

Vaughan Gething: I think that is a leading question. I used to be a lawyer, so I recognise them when they come. The UK voted in a referendum to leave the European Union; the form of leaving the European Union has been determined by successive UK Governments. I am interested in how we make what we have work, but we need to be clear-sighted: there are choices that have consequences. Choosing to diverge from European standards could make trade more difficult. If you are in favour of that divergence, you also need to be honest about the consequences of it, rather than say, “Actually, we can do what we like and still have the same access.” That just isn’t the way trading relationships operate in any part of the world.

As I say, there are consequences to wanting to be part of the European Union in the way decisions are made—not everyone would agree with your characterisation of it—and there are consequences to not wanting to be part of the European Union in the way we can secure trade and investment. Some pragmatic and honest engagement about what those clear-sighted choices mean would be useful for all of us, regardless of our perspectives on whether we are in a better position economically. Other people take the view that the reduction in our economic prospects is worth it. They are clear-sighted choices for us all to make, are they not?



HOUSE OF COMMONS

Chair: You have certainly given us some very clear answers. We are grateful to you for coming. Thank you very much indeed. I call the meeting to an end.

Vaughan Gething: Thank you very much for your time. Take care.