



HOUSE OF LORDS

Revised transcript of evidence taken before
The Select Committee on the European Union

Inquiry on

VISIONS OF EU REFORM

Evidence Session No. 2

Heard in Public

Questions 10 - 21

MONDAY 19 OCTOBER 2015

1 pm

Witnesses: Rt Hon Carwyn Jones AM and Dr Robert Parry

Members present

Lord Boswell of Aynho (Chairman)
Lord Davies of Stamford
Baroness Falkner of Margravine
Baroness Prashar
Baroness Wilcox

Examination of Witnesses

Rt Hon Carwyn Jones AM, First Minister for Wales and **Dr Robert Parry**, Head of European Affairs, Welsh Government

Q10 The Chairman: I would like, very warmly, on behalf of the Committee, to welcome the First Minister. You have many commitments. We are delighted you have been prepared to spend time with this inquiry. We regard it as very important that we should work with the devolved Administrations and get a view across the United Kingdom of what will be, inevitably, a United Kingdom-wide reform and referendum process. If we may, we will kick straight off and I will ask the first question, but we are not scripting this too tightly; we very much want to have a conversation with you.

The first question is: do you feel you have a clear understanding of what the United Kingdom Government are seeking to achieve in their discussions on EU reform ahead of the referendum and are these objectives achievable?

Carwyn Jones: I cannot say that I do know what the plan is as far as the UK Government are concerned. I am not sure the UK Government quite know that yet. Certainly, nothing has been shared with us. We do not know what the final objective will be. I am prepared to understand the Prime Minister wants to see the referendum take place on favourable terms. I suspect he will want to campaign for a vote to remain in the European Union. Beyond that, we do not know. The discussions are not being shared with us. We would share a very different view, I suspect, in terms of the future of the EU and the UK's place in it, but it is very difficult to understand how much common ground there is, for example, if we do not know really what the UK's position is in terms of the negotiations or, indeed, of what would be an acceptable solution.

Lord Davies of Stamford: Are you satisfied by the degree of consultation that you have had and by the extent to which you have been able to make your own points known to the national Government in advance of their determining on their strategy for negotiation?

Carwyn Jones: No, is the answer to that. There is the mechanism of the Joint Ministerial Committee on Europe, which the Finance Minister attends from the Welsh Government. That tends to look at broader European issues. Certainly, we have not been part of the process of establishing a UK position nor, indeed, of understanding what an acceptable outcome would be.

Lord Davies of Stamford: Would you like to be part of that process?

Carwyn Jones: Yes, we would like to be part of that process. For example, we learned of the UK's position recently through the pages of the *Sunday Telegraph*. We were not informed formally. The UK Government, I have no doubt, would argue this is a non-devolved matter. It is and it is not. It is right to say that relationships with the EU are per se non-devolved, but the reality is that much of what is devolved would be affected by what the UK's final position is prior to the referendum.

Lord Davies of Stamford: Yes, but the reserved and devolved distinction would not prevent consultation. Have you made any representations and felt that they have not been taken account of properly? Have you asked to see Ministers and been declined? Has anything of that kind occurred?

Carwyn Jones: Via the Joint Ministerial Committee—discussions have taken place there, but what we have found is there is no real understanding, and certainly it has not been shared with us, of what the UK's position is.

Lord Davies of Stamford: But you have not had any initiatives of yours actually rejected.

Carwyn Jones: Not to my knowledge personally. I am still waiting for a meeting with the Prime Minister on this and other matters. I have not had a response yet. That is quite normal.

Lord Davies of Stamford: You have asked for one, but you have not yet had a positive acceptance of a meeting.

Carwyn Jones: It is quite rare for there to be bilaterals between the Prime Minister—it is not our choice—and First Ministers, but, from our point of view, we would prefer to be involved in the UK's negotiating position rather than be told about it afterwards or through the pages of the press.

Baroness Falkner of Margravine: So your office has requested a meeting with the Prime Minister and that request is extant now, is it?

Carwyn Jones: There is a request for a meeting with the Prime Minister on a number of issues—primarily, I have to say, with regard to the Wales Bill that will be published tomorrow. We are still waiting for a response.

Baroness Falkner of Margravine: Can I just take you back to the Joint Ministerial Committee? I think you said that Wales was represented by the Finance Minister. Is there not meant to be a meeting of the Joint Ministerial Committee that involves the First Ministers of the four countries?

Carwyn Jones: Yes.

Baroness Falkner of Margravine: Surely there has been some discussion there, has there not?

Carwyn Jones: There is a meeting of the plenary of the JMC, which has had to be postponed because no date has yet been found where all the heads of Government are available. It was due next month, but, as far as I am aware, no date has yet been found for that discussion. I have no doubt that this issue would be part of the discussion at that plenary session.

Lord Davies of Stamford: How much contact have you had specifically on the renegotiation and preparations for it with the Minister for Europe, Mr Lidington?

Carwyn Jones: Personally, very little. These matters are dealt with primarily through the Finance Minister, who holds the portfolio of European Minister as far as we are concerned.

Lord Davies of Stamford: She has had considerable contact with Mr Lidington, has she?

Carwyn Jones: There has been formal contact, but, in terms of there being regular contact to establish the UK's negotiating position, the answer to that would be no.

Baroness Falkner of Margravine: Mr Lidington told us last Monday that he had just had a meeting of the Joint Ministerial Committee that afternoon.

Carwyn Jones: Europe, yes.

Baroness Falkner of Margravine: Yes, the EU section—and she was there?

Carwyn Jones: Yes.

Baroness Prashar: You said you had not been consulted, but have you made your views known of what you and Wales would like to see as part of the negotiations?

Carwyn Jones: Yes. I have been very public in saying that I want to see Wales remain as a member of the EU, as I want to see Wales remain a member of the other union, the UK. That is not to say that there is no scope for reform within the Union itself; that would be wrong, as there is much wrong with the UK's machinery and that is not a reason to leave the UK. There is a need for reform in the EU. It is obscure.

Baroness Prashar: What would be on your reform agenda?

Carwyn Jones: There needs to be more thought given to increasing the powers of the Parliament and making the Parliament more effective, probably streamlined as well.

The Chairman: The European Parliament?

Carwyn Jones: The European Parliament, yes, I beg your pardon. The Council of Ministers is obscure to most people and I think the major problem is that the Commission is not seen as accountable properly to any one organisation and, unfortunately, of course, it issues directives, which makes it look as if it is something that everyone has to follow without there being any kind of democratic input. There is scope there for reforming the way that the Commission operates and there is scope there in terms of making it more accountable to the Parliament in a stronger way than is the case at the moment.

Lord Davies of Stamford: How? What concrete proposals have you made for making the Commission more accountable?

Carwyn Jones: It is a matter for the UK Government to decide what they wish to do, but, from our point of view, I would prefer if the Commission had more regular contact with the Parliament.

Lord Davies of Stamford: With the European Parliament?

Carwyn Jones: Yes, the European Parliament. I would prefer it if there was a more robust system of scrutinising directives particularly, because at the moment the impression is given that they appear without any real scrutiny. I think we have to accept that the European Union is not as democratic as most people would want it to be because of the existence of the Council of Ministers—it is the way member states want it; I understand that—and because of the way that the Commission operates in terms of issuing directives without there being any kind of vote.

Lord Davies of Stamford: What you have in mind is not the co-decision procedure; it is the lack of consultation before the legislative procedure starts, when the Commission is first conceiving legislative proposals or beginning to decide on its priorities. Is that what you are talking about?

Carwyn Jones: That is right.

The Chairman: For the record, it sounds as if it is the upstream problem about policy formulation and the downstream problem about accountability after the event, and you are worried about both.

Carwyn Jones: Yes.

The Chairman: Can I follow that? It would be fair to say what you have said is, as it were, neutral as to place; fundamentally, you have been talking about issues of democratic accountability generally. If you are looking at the economy of Wales, it is characterised by some interesting and pretty deep-seated structural problems, high levels of unemployment certainly in some areas—in the valleys or whatever—problems of youth unemployment and

maybe some problems in the educational sector. We were hearing evidence this morning suggesting that the European initiatives, whether it is ESF or other programmes, such as Erasmus+, for example, were particularly helpful in dealing with some of these. Do you have a view, driven by the Welsh constituency, if I may put it that way, as to the reform agenda maybe, for example, leading on a little wider to the balance between what you might call social and economic policy and how that should gel? Is that a vision you can share with us and, indeed, will be arguing with the UK Government as well?

Carwyn Jones: We would not want the funding stream that currently exists from Brussels to be transferred to London, because we do not believe we would see it, bluntly. Brussels is a better friend to us in terms of funding at the moment. There are two issues for us. First of all, access to the market is critically important for the Welsh economy. We have almost 500 companies from other EU Member States based here that are here because of access to the single market. Anything that interferes with that or fetters that is not in our interest. Secondly, of course, we have benefited not just from the structural funds but from other sources of funding as well: access, for example, to funding from the European Investment Bank, which has helped to build a brand new campus at Swansea University, which I opened last week. There is no guarantee that those funds would be made available via the Treasury. For us, anything that interferes with that is a problem. It has worked, because our unemployment rate is 6.2%; it is not much above the UK average, and we are seeing some of the inherent structural problems that have existed since the 1980s being addressed, in terms of training and connectivity, particularly broadband and, in the future, a metro system for this part of Wales. All this is dependent upon European funding. We cannot do it otherwise.

Q11 The Chairman: Thank you. That is very clear. We ought perhaps to move on to the issues the Prime Minister raised some time ago in the famous Bloomberg speech. There will be slightly different interpretations as to his analysis of the European Union being founded in terms of the need to win peace, but he then goes on to say “secure prosperity”. As you know, the United Kingdom Government puts a quite strong emphasis on the internal market, but more particularly on external competitiveness and the ability to compete in world markets. We have had some evidence this morning and I would like to take a little more note of your views on the balance between economic efficiency and what you might call social justice, if I can put it in that way, given the distinctive problems and issues in Wales and whether you see those better addressed by European reform, and, if so, the kinds of reform that you think would be appropriate for that. Although it clearly affects the institutions and the way they

operate, it also is about the kinds of programme that ought to be within the European framework.

Carwyn Jones: I suppose we would prefer to see a little more flexibility in the way in which the funding programmes operate, particularly with regard, for example, to being able to do more to fund transport programmes, which have been constrained, in our view, over the past few years, particularly with regard to the road programmes. They are important. They improve connectivity. We have to bear in mind that we are on the western edge of Europe and connectivity, therefore, becomes even more important for us in that regard.

Generally, I have to say, I think the system has worked well for us. We have no major problems with the way that, for example, structural funds have operated, the ESF has operated, even though we would argue, of course, that there might be a little more flexibility in terms of what we can do with the money.

The Chairman: Do you have additionality as being a constraint from time to time on things you would like to do but, at HM Treasury level, this becomes difficult because there will be a clawback in its contribution?

Carwyn Jones: No. I have to say that is not something we have experienced. It was an issue many years ago, in 1999 to 2000, but it is not an issue that we have found is a problem in terms of the operation of the funds in the last few years.

Q12 Baroness Falkner of Margravine: Are you, by any chance, engaged in the discussion about eurozone “ins” and “outs”? One of the things that is of some concern for the UK as a whole, certainly much more so for Edinburgh than, I would imagine, for Cardiff, but I want to know if it is a concern, is the momentum to push economic and monetary union, the momentum towards deeper integration, potentially fiscal union as well, an advisory board for the eurozone and other integrationist measures, transfers, bailout funds and so on. That would have an impact on the eurozone “outs” and particularly, from the UK’s perspective, for Edinburgh and London, on the financial services sector, which would be very exposed. We have seen legal moves on the part of the European Central Bank to try to restrict the UK’s hub as a financial centre through court cases and stuff. Does that matter in Wales? Is it on your radar?

Carwyn Jones: Well, we do have a financial services industry. We have companies in Wales that are operating on the stock exchange from Cardiff. Why be in London now? There is no reason for it with the LSE being virtual. That said, financial services are not as important to us as to London. We sit here sometimes and wonder what it is that makes financial services so special when we, for example, still have a large steel industry that gets very little support

from the UK Government, when we have major industries outside the financial sector, even though we are trying to build our portfolio, to use the phrase, in the financial sector. But it is not in London, so it does not have the same effect. The City has no real resonance in terms of its needs outside the City, I think.

There are a number of issues that you raise there, though. I suppose the concern I would have is I would not want to see a scenario arising where there is an inner EU and an outer EU—in other words, an EU with monetary union but not fiscal union, which, of course, is the problem with the euro at the moment that made it difficult for the ECB to address the problems of some European countries in the past few years. I would not want to see a scenario where somehow those on the outside were seen as being of less worth and less value than those on the inside, particularly if we ever saw a scenario where there was a more favourable approach to structural funds for those who were within the eurozone rather than those without the eurozone.

Lord Davies of Stamford: No one has suggested that, have they?

Carwyn Jones: Not that I am aware of, but my concern would be seeing that happen. I certainly hope that that does not happen, clearly.

The Chairman: On that one, can I pick your mind a bit more on the question of liaison with other devolved Administrations and, in certain cases, member states that are smaller rather than larger? As you look at the model, you see a number of major states, of course, of which the United Kingdom is one, and some of those states have devolved Administrations in some of their areas, if not always. In certain cases, they will share common industrial or other issues, maybe maritime issues, where it may make sense to collaborate. There is also the separate issue about discussions on constitutional matters. There is you and Holyrood and Northern Ireland and, indeed, the Irish Republic as a neighbour. Do you see it as being important and useful to you to maintain those sorts of links, what I call the horizontal links, as well as the vertical links up through the United Kingdom Administration in terms of getting your voice heard in Brussels and across the European Union?

Carwyn Jones: We maintain our own representation in Brussels, which is essential to us bearing in mind, for example, that with agriculture it is entirely devolved, in effect. There is no UK policy on agriculture, more or less, these days. It is fair to say that we are able to work closely with UKRep. The understanding is that we will pursue our own policies but we do not try actively to undermine the UK—otherwise why use UKRep in those circumstances? We do work with the other devolved Administrations where there is common ground. That is not always the case, of course. Let us take agriculture as an example. In Wales, sheep meat is

an important sector, less so in Scotland and Northern Ireland. In Scotland, the beef and grain sectors particularly are important in a way they are not in Wales and so forth. But we will seek to work together where there is that common ground and we will do that in discussions that we have with the UK Government as well where there is that common ground.

Baroness Falkner of Margravine: Will you work with the other member states' sectors where there is a commonality of interest—with French farmers?

Carwyn Jones: We will. For example, we have established working relationships with the Spanish regions, particularly with the Basques and the Catalans. The same is true with the German Länder. Much of it depends on the structure of the state that we are dealing with. There are some states that do not really perceive any level of government below that of the sovereign state. Some do understand it, so we will tailor our approach according to whom we are dealing with.

The Chairman: On the previous question, for the record, I ought perhaps to have declared an interest as a farmer. I still do that and there was a time when I used to buy sheep in Builth, so we ought to put that on the record, but I find your comments interesting on that.

Q13 Baroness Wilcox: I am from the fishing industry, so I am not talking about farmers. If one took a more generous view, going from 12 countries to 27 countries is like taking a small business to a bigger business, and every now and again you need to stop and look and see if you are running it well, if there are other ways of doing things, because you are not what you looked like all that time ago. I would like to think that that is what the Prime Minister is doing. I also think that he is speaking to the leaders of other countries and saying, “What is on your shopping list? What would you like to get rid of, if you could? What is it that we could ask for that we could all agree with?” or something like that. In the best of all possible worlds, that is what it would be for me.

Of course, in the fishing industry, for us, it would become enforcement. Enforcement would be a big word for us in the fishing industry, because we have our quotas and we fish our quotas with our common law system and then we have to sit there and watch while the Spanish come in and completely wipe through their quotas, and they only have two people looking after them and they sit in Madrid. They never come out and you cannot report another country, you have to do it only for yourself. So there are lots of bits and pieces in there that I hope the Prime Minister is speaking to other countries about.

One of the things I would like to ask you about, since you have been talking about farming, is the common agricultural policy. We are going to look and see whether we are going to stay in; we are going to give our people the opportunity to look at what is on offer and see if it is

good enough. It might be better. It might be much better than we ever thought it was going to be and we can be deeply enthusiastic about staying. I would particularly like to know something I do not know anything about, which is the common agricultural policy. You have already started talking about farming and about the money that you get from the EU, et cetera. What would you do about the common agricultural policy?

Carwyn Jones: It is moving in the right direction, away from headage payments. Not so long ago, farmers were being paid to overproduce; it affected the price in the market. We knew, for example, that we were producing between 20% and 25% too much in terms of sheep meat production in Wales. Certainly, some of the regimes that used to exist, such as the tobacco regime, the banana regime, the tomato regime made very little sense in reality and were aimed at special interests. What I am glad to see is that there is a continuous movement away from Pillar 1 payments, the straight production subsidies, to Pillar 2, which includes, for example, green subsidies. That benefits us in Wales. We are not a country with farms that stock at a high intensity particularly, and so, for us, we prefer to see a system where farmers are able to have economic sustainability while, at the same time, of course, they do not have to degrade the environment to do so. There has been a movement in that direction over the past decade particularly.

Baroness Wilcox: If the Prime Minister turned up here next week and asked you what it is you would like to see changed in the common agricultural policy, would there be something?

Carwyn Jones: No. I think it works pretty well in our interest. What I would not want to see is the CAP replaced with something run from London. That would be disastrous for Welsh farmers.

Baroness Wilcox: I do not think it is likely.

Carwyn Jones: I have dealt with Defra and its impression of farming is large arable farms, large units. It does not really get, for example, sheep farming, and that has been true regardless of the party running the department. From our point of view, it is much easier for us to be able to be part of a larger system where different types of farming are more recognised.

Q14 Baroness Prashar: Can I just go back a bit? Next week, the Prime Minister is going to make a statement, so he has said. Have you been consulted about what might be in it?

Carwyn Jones: No.

Baroness Prashar: So there have been no discussions with you about the overall vision of the kind of Europe you would like to see?

Carwyn Jones: No.

Baroness Prashar: My other question is: what sort of process would you like of consultation? Ideally, if you were to be properly engaged, what is the kind of consultation process that you would like to see for the negotiations?

Carwyn Jones: The JMC Europe would have been the ideal place for that, but really it is a question now of the heads of Government meeting. Let us be realistic about it. I think we are going to be in very different places and I would be surprised if all the other three Governments were in a position to be able to support the UK Government in their vision—but then we do not know what it is yet. It would have been easier, given that it affects devolved areas, to have had this conversation upfront, but no, we do not know, as I said earlier on, what the endgame is or what the negotiations have encompassed.

The Chairman: If the Prime Minister goes into, say, in the December Council, a substantive negotiation, clearly he and his Ministers will be responsible for that, but will there be a Welsh input, in one sense or another, either through UKRep or maybe even the device of literally having an open line to someone so you could say, “I can live with that” or whatever, if it is getting into a live negotiating situation? I am not asking for the details of position, but I am just anxious to establish whether you have any handle on this really at a stage where something could be changed.

Carwyn Jones: There is no reason why that cannot happen. It used to happen, for example, in agricultural negotiations, where it was normal for it to be the English Minister, as far as agriculture was concerned, who went into the Council of Ministers and would come out and discuss what was on the table with Ministers from the other administrations. That was normal at one time.

Baroness Falkner of Margravine: When would that have been?

Carwyn Jones: That would have been between 2000 and 2002 and, beyond that, 2003 to 2007. I can say that because they were my personal experiences of the way it happened when I was the Minister in charge. So, yes, it did happen where the Minister would come out and say, “Right, this is what is being discussed. What is your view on it?” That precedent is still there. There is no reason, for example, why, in different stages of negotiations, at least officials from the devolved Administrations should not be there in order to be able to feed back what is happening.

The Chairman: I think that will become critical, and perhaps you may like to reflect on how you make this point, if you agree with it. If it literally is a choice between two options, it would be helpful to have the views of yourself and the other devolved Administrations as to which one to go for. You are nodding, so I think that is an assent.

Carwyn Jones: I am not sure we will come to a position where we all agree, but then we do not know, at the moment, what the basis of any agreement might be.

The Chairman: No, but at least one assumes that you will hear in good time what the Government have decided on and you will, no doubt, be able to make your representations then.

Carwyn Jones: Hopefully not through the Sunday papers.

The Chairman: Thank you. I have noted that.

Lord Davies of Stamford: Is one of the things that you are hoping might come out of the renegotiation greater powers for national Parliaments? If so, how would you see, if at all, regional parliaments, such as your own, feeding in their own initiatives, views or insights to the national Parliament, so that the national Parliament can represent them at the Union level?

Carwyn Jones: I do not know what powers might be returned.

Lord Davies of Stamford: There have been suggestions of a stronger yellow card, a red card, a green card, all these initiatives, which you have probably heard about.

Carwyn Jones: In terms of work permits?

Lord Davies of Stamford: No, in terms of greater powers for the European Parliament in European legislation, so that national Parliaments might more easily be able either to veto Commission initiatives or to instigate Commission legislative initiatives—those are among the suggestions—or, indeed, might just have some greater direct access to the Commission. Quite a lot of ideas have been suggested from different sources. Do you think they are realistic and, if they are, do you see any role for regional parliaments feeding your particular input into the national Parliament in that connection?

Carwyn Jones: I do not see what possible advantage that would be to Wales, to be honest with you. What difference does it make whether it is a decision taken in London or in Brussels? Many of these decisions anyway are taken in Wales. For example, agricultural policy I have mentioned. The implementation of directives: why would the UK Parliament be able to veto certain directives when, in fact, they are devolved? There would need to be recognition that there is a very strong role for Scotland, for Wales and for Northern Ireland. It is not entirely a matter for the UK Parliament.

For example, I come back to agriculture. If agricultural policy was returned to member states that would worry me and I would not be in favour of it, because that would simply mean a transfer of power from Brussels and Cardiff to London. This needs to be handled very carefully, considering the devolution settlement that we have in the UK.

Lord Davies of Stamford: This comes back to my original question as to whether you have any additional suggestions to make to the Government about things that they might be going for in this renegotiation. I think you told us that you have not put in any formal proposals or suggestions of that kind.

Carwyn Jones: We have not come to the conclusion that there is a need, or rather the case has not been made, thus far, to return powers to the UK Parliament from the European Union, and we do not know what effect that would have on the devolved Administrations. Without the detail, it is very difficult to know what our position might be.

Q15 The Chairman: Perhaps I can touch on the REFIT initiative that First Vice-President Timmermans has been shepherding. It seems to me that, at least in principle, there is a possibility that you could have an enhanced democratic interest in that through national Parliaments, but possibly also devolved Administrations, in trying to clean up some of the excess bureaucracy in the European Union and/or, to use your own phrase, to inculcate a bit more flexibility in getting the thing about. I just wondered if you have been bolted on to that process or taken an interest in it, because it may be one of the ways in which we can, as it were, square the circle of having greater democratic interest and involvement with the Union without necessarily that meaning the creation of huge and inappropriately centralised schemes. Can you pick out that line of argument a bit?

Carwyn Jones: It is very difficult for us to be able to form a position without fully understanding what the UK's position is. We have a broad idea in terms of what the Prime Minister has said, but we do not really know what the UK wants. What will happen, inevitably, is the UK Government will form a position, will not really understand the issues as far as devolved Administrations are concerned—that is usually what happens—and then we will have to work out what it means for us. Until we know how these mechanisms will intermesh with each other, it is difficult for us to know how it will work as far as Wales is concerned.

The Chairman: Your best hope probably, at the working level, would be what you can do through your involvement with UKRep, for example, at the technical level, so your officials will be there when a particular area—it could be, for example, sheep identification—is under discussion.

Carwyn Jones: We are not entitled to be at Council of Ministers meetings. We go there by invitation. It is the same for our officials. Our officials can go to the *salle d'écoute* and listen to the proceedings, but we are not entitled to be at the meetings. It is possible for devolved

Ministers to represent the UK in its entirety on certain issues, but that has happened rarely in the past and, I suppose, would be a rarity in any event.

Yes, through our representation in Brussels, we do a lot of work making sure that the Commission understands what the Welsh viewpoint is with regard to a particular issue, but there is no formal mechanism by which we can input into the UK's position—informal, yes, and it works to an extent, but there is no formal mechanism to do it. At one time, there was a mechanism where the Agriculture Ministers met every month in advance of the Council of Ministers and agreed the UK position. That certainly was the case a decade ago, mainly because such is the degree of devolution in agriculture that there had to be agreement. It was not possible for the UK Government to do certain things without the agreement of the devolved Administrations, but it worked. Nobody went there with a view to try to disrupt things and it worked very well.

Q16 Lord Davies of Stamford: I am drawing two conclusions from this discussion and I wonder if you can tell me if they are the right conclusions to draw. One is that, although an exercise of this kind, a renegotiation of our membership of the EU, is obviously a very important matter for all of us and might be an obvious occasion for detailed consultation in advance with the regions to see how they felt about the various issues that we confront, there has not been that kind of consultation at all and you are in as much doubt as we are about what the Government intend to come up with. My second conclusion is that you feel about this exercise that it is rather unnecessary, perhaps otiose, perhaps even dangerous, and that you do not see the need for a renegotiation in the national interest or in the Welsh interest. Maybe it is a party-political agenda by the Prime Minister, but it is not something that you see an intrinsic merit attaching to. Is that correct?

Carwyn Jones: I would agree with both those points. I accept that the UK Government have earned the right to hold a referendum, but the Scottish referendum created uncertainty and this does as well. It cannot be true for one and not the other, especially when the terms of any renegotiation are not known.

Baroness Falkner of Margravine: That was precisely the problem. I was on the Constitution Committee at the time when the Scottish referendum took place and that was precisely what the problem was. I suggest that it is in the nature of referendums that are contingent on something happening, rather than mere asks on the basis of a treaty that is already established, that one cannot really tell until fairly late in the game what the story is.

Carwyn Jones: That is true. We are finding, however, that investors are nervous. Investors come to Wales not on the basis that they have a market of 3 million people, clearly not, and

not on the basis that they have a market of 60 million people in the UK. They come to Wales on the basis that this is a base for them to access a market of 500 million. Anything that interferes with that and they will go elsewhere. That is the worry that we have.

The Chairman: Again, I appreciate this is not in your gift or control, but would you generally have a preference for, if we are going to have the referendum, getting on with it and having it reasonably early?

Carwyn Jones: Yes. For me, it cannot occur earlier than autumn next year, but to take it into the autumn of 2017 just heightens that uncertainty.

The Chairman: Can I go on to ask, which we did not ask our witnesses this morning, about what you might call the democratic obligation when a decision is taken? I realise—and we heard some of this in debates on the Referendum Bill in our House last week—that there may be some difficulty in, say, a government source briefing as to the virtues or otherwise of the referendum package, because clearly people want to make an unfettered choice and not feel that the decks are being stacked either one way or the other. On the other hand, there will be a need for people to have their questions answered and their interests at least able to be addressed.

How do you see this working? This may be partly at the Westminster UK level, but also at the Welsh devolved level. How would you see setting about informing the general public? That is specifically about the reform, renegotiation and referendum process. Perhaps further into the future, we are looking at whether or not people here can be or need to be better informed about what is going on in Europe, assuming we do stay.

Carwyn Jones: We have extensive experience of referenda here in Wales, how they operate and how messages are communicated. The UK Government would be entitled to inform the public in any reasonable way they saw fit in terms of what the final deal was and why that would be backed by the UK Government. With the current legislation, of course, there would have to be an organisation on both sides that would be the recognised organisation, to my mind. It is a question then of how those organisations communicate their messages. The difficulty is that the print media are strongly hostile to the European Union and it can be difficult for people to understand what is going on in the EU beyond what they read in some papers, so there will be a job to do.

Lord Davies of Stamford: Is it basically English papers?

Carwyn Jones: Yes. There will be a job to do in order for people to understand what the real issues are. It will not be easy. They managed it in 1975. As somebody who wants the UK to stay in the EU, the message needs to be simple and, if possible, encapsulated in one sentence.

When we had the referendum here in 2011, the question was three paragraphs long. It made reference to Schedule 7 of the Government of Wales Act; most people living normal lives would have no idea what that meant. Basically, I distilled it down to “Do you believe that all the laws that only affect Wales should be made in Wales?” and that was it. That was what the referendum was about. There will be a need to try to communicate the issues in common language, not in technical jargon. That is the major challenge.

Q17 The Chairman: As First Minister, do you feel you have a responsibility to the people of Wales to brief them on the implications of what the UK Government have come up with?

Carwyn Jones: Yes, I do. The difficulty is, of course, it may be that I do not agree with the deal the UK Government come up with. That, to me, is not a reason then to oppose the UK Government if they decide to campaign to stay in the European Union. My argument would be: “I do not agree with this package, but nevertheless I think it is important to remain within the structure, and then at some point in the future this package might be revisited”. That is an important distinction to make. The structure itself is important to Wales. The deal may not be particularly favourable, but that does not mean that I would oppose the deal and then say to people, “I think we should vote to leave”. That would be far too dangerous for us.

The Chairman: Thank you. I wonder if my colleagues have any other points they want to raise.

Lord Davies of Stamford: That is a very logical position to take, Mr Jones, but it is quite dangerous psychologically, is it not? If a headline in *The Sun* is “Welsh Government reject package, bad news for Wales”, and you then say, the next day, “You should still vote yes, please, to stay in the Union”, an awful lot of your voters may get a rather confused message.

Carwyn Jones: If *The Sun* runs a front page story about Wales I would be surprised, but I see your point. I will distinguish it in the same way as I distinguish issues with the UK. There is much wrong with the UK’s constitution now. That does not mean the UK itself is a busted flush. There is a difference here between saying the institution is worthwhile, but at the moment what the UK Government are proposing is not something we would agree with, but we do not think that it means we should vote to leave the institution. That is the distinction I would make.

Lord Davies of Stamford: As I say, your position is absolutely logical and absolutely clear to anybody who thinks about the matter for more than five minutes. We have the same problem, as you well know, nationally in the Labour Party that we may face Cameron coming back with some concession that opts us out effectively of some of the social protection chapters of

the European Union, in which case, some people have said, rather destructively, we should get out of the European Union altogether, which seems a completely suicidal response.

Carwyn Jones: I will not be saying that.

Lord Davies of Stamford: No, quite. Clearly what we should do is try to win the next election and then opt back in, which we did with the social chapter before; that would be the logical approach to adopt. But as I say, psychologically, it may be quite difficult for those who are not following all these matters in great detail to completely understand the message in those circumstances. Are you worried about that?

Carwyn Jones: We need to make sure that people understand they should not throw the baby out with the bathwater in that sense and, you are right, messaging is important so that people are not confused. It is likely that, on the “in” campaign, there will be campaigns that have different messages. They will all be saying, “Remain in the EU”. Some will say remain on the basis of what the Prime Minister has negotiated; there will be others who will say we should remain in anyway and seek to reverse what the Prime Minister has negotiated. What is important is that there is a common message between the campaigns, so that it does not confuse people. The same might well be true on the other side. There will not be a united campaign on the issue of leaving the EU; there will be different gradations there as well.

The Chairman: In fairness, the question is a “remain or leave” issue. It is not with reference to the negotiation.

Carwyn Jones: But they will frame the debate around the question.

Q18 Lord Davies of Stamford: What do you think the Welsh people will be most concerned about in this campaign? What sort of issues are they most concerned about? Is it social protection; is it agriculture; is it the single market?

Carwyn Jones: It is the economy and investment. I am not going to pretend that there is overwhelming and monolithic support for EU membership in Wales. We sit somewhere between England and Scotland in terms of the Europhile-Eurosceptic scale. All the polls show there is a fairly clear majority to stay in, but not as high as the majority to stay in in Scotland.

Lord Davies of Stamford: In terms of investment here and jobs, which are based on access to the single market, would you say that Wales has a higher or greater dependence on the continuation of our membership of a single market than Scotland or England?

Carwyn Jones: It is difficult to say whether it is higher than Scotland or England. What I do know is that it is crucial, from our point of view. When I go and speak to investors who are coming to Wales, access to the EU market is absolutely fundamental to the attractiveness of

Wales as a destination to invest in. We have about 150,000 jobs that are reliant on unfettered access to the European market. We have major employers not very far away from here, such as Ford, Tata Steel, Toyota in the north, Airbus. They are European operations. Anything that interferes with their ability to operate Europe-wide is bad for us. They will look elsewhere to invest; not overnight, they will not suddenly close all their factories overnight, no, but in the longer term it is inevitable that that will happen.

The Chairman: That figure you gave us of 150,000, First Minister, is the primary employment rather than any multiplier effect.

Carwyn Jones: Primary and secondary employment.

Lord Davies of Stamford: Do you find that those investors are not only concerned that we should have continued access to the single market on the same terms as other countries that are members of the single market, but that they want us to remain part of the legislative, the regulatory, the decision-making structure, so that we are still in a position to represent those economic interests in Brussels and the Council of Ministers and elsewhere, whereas if we negotiated some free trade agreement or trade agreement with the EU from outside, we would not have any of that kind of influence when their particular sector of activity comes up for some regulatory or legislative decision?

Carwyn Jones: That is absolutely true. It is true of Norway. The Norwegians call it “fax diplomacy”. I do not suppose it is a fax any more, but they would receive a fax with a directive that they were obliged to follow; they had no influence at all over it. The UK is one of the largest states in the EU. It should be able to exert a substantial amount of influence. It has not been successful at doing that, in my view, over the past five years particularly. What most people sometimes fail to understand in the general public is that, if you leave the EU, you do not suddenly free yourself of the EU’s directives. If you want to export into that market, you play by that market’s rules. Better then to have influence over how those rules are framed than no influence at all.

Q19 The Chairman: This is a slightly left-field question, but you trained as a barrister and therefore you will be familiar with the common law and I am not. In fact, I think none of us is legally qualified in this group. I am just interested. As you look at it, do you find that a common-law jurisdiction, which is us and the Irish Republic, essentially, sits successfully with a civil law administration through Brussels? Does it give rise to tension or can it be smoothed out?

Carwyn Jones: Well, the UK is not a common-law jurisdiction, of course, in its entirety. Scotland is not; Scotland is a civil law jurisdiction.

The Chairman: Indeed, you are quite right, absolutely. Thank you for correcting me.

Carwyn Jones: So I see no problem here. Ultimately, the fundamentals of the principles of law are the same. Natural justice has a particular meaning; fairness has a particular meaning. Process then becomes different, but I do not think anybody would say that, as between, for example, England and Scotland, there is a fundamental difference in outcome necessarily. It may be the principles are slightly different. It may be the process is very different and it is very different in Scotland, but the US, for example, has a common legal system in terms of common law, apart from Louisiana. It seems to work.

As far as Europe is concerned, the same thing applies. At the end of the day, of course, what we are looking at in the European context is commercial law, not human rights law. As you know, that is a matter for the European Convention and the European Court in Strasbourg. The approach to commercial law tends to be fairly common across the EU in terms of principles, in terms of contract, in terms of the approach to competition law, for example. I do not think any of these things are so different that there is no meeting between a common-law system and a civil law system.

Q20 The Chairman: That is very helpful. If my colleagues have no other questions, we will express our formal thanks in a minute, because you have been very businesslike and full, but also concise in your answers and that is very helpful to us. I just wondered if there is a single message you would like us to take back, either on the conduct of the negotiations or on the kinds of issue about conduct and also about vision for a reformed EU in which we are taking an interest.

Carwyn Jones: The one single message would be that the negotiations have to take into account the interests of the devolved Administrations and their people. It means that the UK cannot simply go ahead and agree to something and put something before the British people without understanding the effect it might have on devolved areas, on the powers of the devolved legislatures and government. For me, the elephant in the room is: can the UK survive a vote to leave the EU? I have seen the First Minister of Scotland say there would then need to be a second independence referendum and I think there is some force behind that, because the terms of membership have changed in that regard. What I would never want to see is a situation where the UK left the EU despite the views of people in Scotland and Wales and then people having to choose between the UK and the EU.

Lord Davies of Stamford: But you would not have a referendum here on membership of what remained of the United Kingdom because England had voted by a majority to leave the EU, would you?

Carwyn Jones: No. The Scots would; I have no doubt about that. My worry has always been not so much the issue regarding Wales, but if the Scots were to leave the UK—I have said this publicly—is what is left sustainable? I can see a campaign starting in some of the newspapers a few years after a Scottish referendum that says, “Why are we stuck with Wales and Northern Ireland? Why can England not be on its own?” All things that seem unlikely become more likely with the sort of constitutional earthquake that occurs after Scotland leaves.

From our point of view, I would never want the people of Wales to be in a position of having to make the choice between the EU and the UK. If our economy started to tank as a result of us leaving the EU, then who knows where the debate might lead in the future? It is a debate certainly I would not want to see.

Baroness Falkner of Margravine: I have been looking at a lot of figures about the economic impact; every think tank and university is producing a new report these days. It seems that the jury is pretty much out. It is very narrow: you might lose 0.6% of GDP; you might gain 0.8%, a range that is very small, minus or plus 1%. It seems to me that the economic argument is that we cannot know the economic argument this far out. You talked about the economy of Wales beginning to tank, but what if it went the other way? Naturally there would then be, presumably, a different reaction.

Carwyn Jones: I cannot see how it could. I cannot see how the existing large employers that are already here would stay in the long term. Why is it attractive to them? If you are an investor and you are looking for a market to invest in, you are going to choose the largest market, as long as it is secure, as long as you know you can be sure that the legal system is secure and your interests are going to be protected. Why go to the UK with 60 million people rather than the EU with 440 million? That is the difficulty, and it is already an issue I am picking up from potential investors. They do not believe the UK will leave; I think it is fair to say that, but it is an issue for them: “Why would we come to you if you are not part of the much larger market?”. The argument that will be put by people who wish to leave is they will say, “Of course there will be a free trade agreement”. That is not guaranteed and that is another example of the kind of uncertainty that we are encountering.

Baroness Falkner of Margravine: Yes, I agree.

Lord Davies of Stamford: Surely the point is that you can argue all day about how many jobs would be threatened if we left the EU, but not a single job would be created. There is no reason why anybody would make any investment they would not otherwise make, whether they are foreign or British, simply because we have left the EU.

Carwyn Jones: There is. Let us take, for example, Ford Europe. Ford have three engine plants in Europe, in Cologne, Valencia and Bridgend, in my constituency. They all go through a system of internal competition in order to secure new contracts. If there was any barrier between the Bridgend plant in terms of it securing contracts, whether that was market access, for example, then Cologne and Valencia are immediately in a more privileged position. That is the difficulty and it all comes down to whether it is perceived that there is a fetter on market access. If it is felt that there is an extra barrier that is involved when it comes to investing in the UK, people will not come to the UK.

Lord Davies of Stamford: I quite agree with you, but the point is this: if there is a prospect of our leaving, and certainly if we left, we would lose, undoubtedly, a lot of investment. We can argue how much investment we would lose; we can argue how many jobs that would mean we would lose and we would come up with different figures and, as Baroness Falkner says, different think tanks will come up with different estimates. But, by virtue of our leaving, we would not create any jobs at all. This is the big discrepancy and that is the key point. You do not know what the downside is, but there is no upside.

Carwyn Jones: That is right.

Baroness Falkner of Margravine: What I was trying to flesh out was not speculation about how many jobs would go or not. What I was trying to flesh out was whether you believe—and I think you have answered that—that the arguments for choosing to remain in the European Union would be primarily economic, from a Welsh perspective.

Carwyn Jones: Yes. That is fair to say.

Q21 The Chairman: Having said that—and this will have to be our concluding question—do you think in the debate leading up to the referendum it will be important to introduce a degree of wider political perspective as well, as to the kind of society, the kind of ambience in which we want to live? Are we internationalist or not and is that appropriately defined by the European Union or does it go wider? We all came into politics for different reasons, but some of them are a bit more than simply the price of fish, if I can put it at the bluntest level.

Carwyn Jones: First of all, we are more connected to Europe than at any time in our history. The world has become a much smaller place and so has Europe as a result of it. Last year, at the anniversary of the start of the First World War, I was reflecting on how far away Flanders was from, for example, north-west Wales at that time. It was days' journey away. Now it is a question of a few hours. More people holiday in Europe. In terms of what we eat, we are much more European than was the case before. We are much more integrated in that sense, but what does worry me is that we end up with a debate that is based not on logic but on a

blinkered form of nationalism: let us just hope the world goes away and let us stick our heads in the sand here, because we are an island, even though we are not, because we have a large land border with the Republic of Ireland, which people sometimes forget. That is the greatest danger: that the debate is framed around a feeling of some kind of nationalism rather than what is best for the UK, its people and its economy in the future.

The Chairman: First Minister, that is an appropriate note, if I may say, to end on. We would like to express the thanks of all the Committee for your time and for the reflectiveness and quality of your answers. We are very grateful. Diolch yn fawr.

Carwyn Jones: Thank you. Croeso.