

Committee on Exiting the European Union

Oral evidence: The UK's negotiating objectives for its withdrawal from the EU, HC 1072

Tuesday 7 March 2017

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Members present: Hilary Benn (Chair); Maria Caulfield; Joanna Cherry; Mark Durkan; Jonathan Edwards; Peter Grant; Jeremy Lefroy; Craig Mackinlay; Seema Malhotra; Mr Pat McFadden; Emma Reynolds; Stephen Timms; Sammy Wilson; Mr John Whittingdale.

Questions 1274 - 1314

Witnesses

I: Mark Drakeford AM, Cabinet Secretary for Finance and Local Government, Welsh Government; Piers Bisson, Deputy Director, European Transition, Welsh Government; Andrew Slade, Director, Agriculture, Food and Marine Group, Welsh Government.

Examination of witnesses

Witnesses: Mark Drakeford AM, Piers Bisson and Andrew Slade.

Q1274 **Chair:** It gives me very great pleasure to welcome by video link Mark Drakeford AM, Cabinet Secretary for Finance and Local Government, with particular responsibility for Brexit. Mark, would you be so kind as to introduce your two colleagues?

Mark Drakeford: On my left we have Piers Bisson, who heads the Welsh Government's official team on Brexit, and on my right Andrew Slade, an official who leads on agriculture, environment and those aspects of the Welsh Government's responsibilities.

Q1275 **Chair:** Thank you very much indeed. We have a lot of ground to cover and questions to put to you in the course of this session. If answers could be as succinct as possible so that we can cover all the ground, that would be extremely helpful. Can I begin by asking you to tell us what



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you see as the main risks to Wales, and the opportunities from the process of the United Kingdom leaving the European Union?

Mark Drakeford: The main risks to Wales would come from what is called a hard Brexit. This is a Brexit in which there are no agreements over trade and in which we revert to WTO rules. That would pose the single greatest threat to the Welsh economy. It is why we say in our White Paper, *Securing Wales' Future*, that full and unfettered participation in the single market is our single most important priority.

I imagine that the opportunities are in some ways the reverse side of that coin. Post the European Union, there will be some opportunities for those businesses that trade beyond the European Union. There will be some ability to take a greater degree of direct responsibility for some responsibilities that we currently choose to exercise through our membership of the European Union.

Q1276 **Chair:** Indeed, we will come on to that point. On the question of trade, there are concerns, if we fall out on WTO terms, about tariffs. We have received a lot of evidence as a Committee, including on our visit to Swansea last week, that there is concern about paperwork, bureaucracy, delay, rules of origin and all those things. It would be very helpful if you could give an indication of where you see the balance of worry in relation to the WTO option, if that was what transpired.

Mark Drakeford: Two thirds of Welsh exports go the European Union, so free and frictionless trade with the European Union is a top priority for us. For some parts of the Welsh economy—automotive or aeronautic for example—tariff barriers are a real concern. If you are working in food processing and selling fresh produce to the European Union, it is not about tariff barriers, but non-tariff barriers. If your produce is held up at a customs post for days on end while endless bureaucratic forms are filled in, so that by the time your produce gets there it is no longer fresh at all, that is a major concern for you. If we had to say where we thought the balance of risk lay, it would probably be more in non-tariff barriers as a whole, but tariff barriers are very important for some sectors as well.

Q1277 **Seema Malhotra:** Thank you very much for your evidence today. I want to ask a bit more about the arguments you are making in the White Paper around your six strategic interests, the first being the single market and international trade. You talk about what you see as the direct and indirect effects of leaving the single market on the Welsh economy. I was wondering if you could explain your concerns a little more, and particularly where you see the impact coming on productivity.

Mark Drakeford: There are a series of direct impacts that the Welsh economy would feel if we did not have free and frictionless access to the European single market. You hear it in specific sectors. Those of you who were in Swansea will have heard, I am sure, concerns about the Ford plant at Bridgend. That plant deals with a supply chain that crosses



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the border with the European Union all the time. Anything that gets in the way of that will undoubtedly have an impact on that sector's ability to go on prospering.

In other parts of the Welsh economy, it is not the direct, tariff-based factors that will have the greatest impact. We believe it will be all the things that go with regulatory equivalence, the need to demonstrate country of origin and so on. All those things, which do not get in the way of trade today, could get in the way of trade tomorrow, if we leave on the wrong terms.

Q1278 Seema Malhotra: There has been analysis by Economists for Brexit, for example, who may challenge some of that, in that having free trade agreements with other countries across the world could compensate for some of the downside. What would your view be about that, and particularly the impact for the Welsh economy?

Mark Drakeford: If there is anything like an iron law in trade, it surely is that trade halves as distance doubles. You trade most intensively with your nearest neighbours, and that is absolutely true of the Welsh economy. As I said, two thirds of our exports go into the European Union. We trade right across the world now, and we do not for a moment deny the possibility that, post Brexit, our exporters will want to focus on different sorts of markets.

Our anxiety is that, in doing that and taking advantage of any opportunity that may lie there, we do not want that to be at the expense of the very successful and rich trading relations we already have. We do not want this to be a binary choice, as the Prime Minister would say. We say, "Let us make sure that we leave the European Union on terms that allow us to go on doing the things that we do successfully today". Then we will see whether there are other opportunities lying beyond our regional trading bloc to develop new markets and new possibilities in the future.

Q1279 Seema Malhotra: You have said as well that, if we do not have full membership of the single market, you would want to see us retain maximum possible access. What alternative models would, in your view, be a better fit for the needs of the Welsh economy and why?

Mark Drakeford: We understand as a Welsh Government that, if you are not a member of the European Union, you cannot be a member of the single market. We put that to one side. What our White Paper does is rehearse a range of different ways in which you could fashion a new relationship that would provide full and better participation in those arrangements. We are agnostic at this point on what the best arrangements would be. We look in our White Paper at the models that already exist, such as the arrangements that Norway and Switzerland have. We talk about the bespoke arrangement that the UK Government's White Paper rehearses. We have been looking recently at the deep and comprehensive free trade area agreement with Ukraine.



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From the Welsh Government's point of view, we are not the best placed organisation to say, "This is the right answer; this is the right model". The core purpose of our White Paper is to try to influence the UK Government's negotiating stance as article 50 is triggered. We say that it is for the UK Government to explore that range of possibilities. We would be supportive of an arrangement that delivers the greatest degree of free and frictionless participation in single market arrangements for the future.

Q1280 Seema Malhotra: Do you feel that your views on that, and on how we need to think about and assess those options, are being fully engaged with and heard by the UK Government?

Mark Drakeford: That is a very big question. If I narrow it down to the conversation we have just had, we talked from the very first JMC (EN) about full and unfettered access to the single market. The UK Government's White Paper uses the language of free and frictionless trade. We think we see some influence there from the language and approach that we have been using.

Probably the biggest difference between the two White Papers is that, while we are clear that we are prepared to prioritise market access as our major ambition in negotiations, in the UK's White Paper it lies alongside a series of other ambitions, without it being as clear as we would be from a Welsh perspective that market access is our top priority.

Q1281 Jonathan Edwards: Bore da, Gweinidog. The joint Welsh Government-Plaid Cymru paper emphasised the importance of full single market participation or membership, and similarly for the customs union. Based on your evidence today, is that still the position of the Welsh Government?

Mark Drakeford: It is. I should have been clearer than I have been that the document is a joint production between the Welsh Government and Plaid Cymru as the official opposition in the Welsh Assembly. Free and unfettered access to the single market free of tariff and non-tariff barriers remains our top priority.

Q1282 Jonathan Edwards: The UK Government's White Paper said they saw the future outside the single market and the customs union. Do you accept what the UK Government have said? Have you given up on the Welsh Government's prior ambitions in terms of the single market and the customs union?

Mark Drakeford: We certainly have not given up on the Welsh Government's ambitions. As I said in answer to an earlier question, as far as the single market is concerned, you can see some of the language that we use in our White Paper reflected in the language that is used in the UK Government's White Paper. However, in the UK paper, free and frictionless access is just one of 12 different ambitions, without it being, as it would be for us, the top ambition.



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On the customs union, the position is more complex. One of the things that we are frustrated about today in our discussions with the UK Government is that we think the UK Government should be prepared to publish the evidence that leads them to the conclusions that they have reached, in a way that they have not done so far. They reach a particular conclusion in relation to the customs union that is not the one we would have arrived at. The evidence that they have used to come to that conclusion is concealed from us. It is very hard for us to understand why the UK Government believe leaving the customs union and having a different, bespoke arrangement would deliver the best set of outcomes.

Q1283 Jonathan Edwards: When Sir Ivan Rogers came before us, he said that you could never create a free trade agreement that matches the current membership status and the benefits of single market membership. Do you think that he is wrong and that we could negotiate an FTA that keeps all the current benefits?

Mark Drakeford: No, he is right. An FTA will never deliver everything that you can get through membership of the single market. From our point of view, as a Welsh Government, membership is a term that goes along with membership of the European Union. That is why we use the term “full participation” in our White Paper. A very good paper, which I am sure Members will be aware of, was published very recently by the CBI on the future of trade for the UK. It rehearses what you can achieve from a free trade agreement and sets out what a free trade agreement cannot deliver. That is page 31, if you want to look at it. It tells you all the things that a manufacturer of hats will have to face in a free trade agreement but does not have to face with membership of the single market.

Q1284 Jonathan Edwards: Did the Welsh Government have advance sight of the UK Government’s White Paper or, indeed, the 12-point plan announced by the Prime Minister at the end of January?

Mark Drakeford: No.

Q1285 Jonathan Edwards: A week from now, we expect that the article 50 letter will be sent to the European Commission. Do you expect to have foresight of that letter before it goes? Are you having any input into that letter?

Mark Drakeford: This was extensively discussed at the last meeting of the JMC (EN), which I attended on behalf of the Welsh Government. From the Welsh Government’s perspective, it depends a great deal on what the nature of that letter will be. If the letter is a very short, simple, “triggering of a process” letter, we understand that throwing together the whole machinery of the JMC simply to be told that may not be commensurate.

If the article 50 letter goes beyond a basic triggering and tries to create the parameters within which those negotiations will begin, that is a very different matter. In my belief, the JMC would want at the very minimum



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a bilateral conversation about the nature of that letter in advance of it being published. That is the only thing that would be commensurate with the ambition that the Prime Minister had set out of engagement with the devolved Administrations in this whole process.

Q1286 Jonathan Edwards: The First Minister last week made a pretty serious intervention, talking about the need to create a UK internal market and how that would need to be refereed, if I can use that term. The White Paper published by the Welsh Government was described last week as “radical devolution”, if I am correct, by Professor Scully. Could you amplify some of the thinking behind the White Paper, in terms of the need to change the constitution of the UK?

Mark Drakeford: There are two points here, one of which is becoming an area of greater concern to us as a Welsh Government. Our position is very clear. There are matters that are devolved to the Welsh Government today, as they are devolved to Scotland and Northern Ireland, but which we choose to operationalise through our membership of the European Union. When the European Union is no longer there, those competencies are where they are today: at the devolved level. They are not free-floating or capable of being grabbed by the UK Government. They are here now. They remain here after we leave the European Union, and suggestions to the contrary are very unhelpful.

Beyond Brexit, we will not be returning to the United Kingdom of 1972. The United Kingdom no longer looks like that, as far as constitutional arrangements are concerned. Our White Paper and the remarks made by the First Minister are about how we shape a United Kingdom beyond Brexit: a United Kingdom based on the four nations coming together, on a basis of equality and equal respect, to form agreements between ourselves on matters of joint importance, where there would have to be some dispute resolution mechanism to deal with those occasions where agreement was not possible.

Q1287 Stephen Timms: Can I ask you some questions about immigration policy? You said in *Securing Wales’ Future* that you envisage a migration policy with “a stronger link between employment and the right to remain for new EU migrants”. You go on to make the point that you think that would be broadly compatible with the principles of freedom of movement of people.

Could you tell us a little more about the sort of policy that you envisage there, and particularly tell us what grounds you have for asserting that it would be regarded as broadly compatible with freedom of movement? It is obviously different from how freedom of movement works at the moment, but you are saying it would be compatible with the principles. Tell us what you mean.

Mark Drakeford: We recognise that migration is a serious matter to be resolved within the Brexit negotiations. Given the way that Wales voted in the referendum, we can see that concerns about immigration played



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their part in the way that some people voted. We try to craft in our White Paper a pragmatic way of responding to people's concerns, but also a way forward that we think would not create enormous barriers to achieving our primary ambition in relation to the single market.

We say that we could perhaps operate a migration system for people coming from other parts of the European Union to Wales that was clearer that their arrival here would be to take up employment or, for a short period, seek employment. If that set of arrangements was more tightly organised and clearly pursued, it would meet some of the concerns that people have felt about migration. It would also not be entirely inconsistent with some of the ways that these things are done elsewhere already.

One of the things that it is important to grasp is that the four freedoms are not written in stone and operated completely identically in every part of the European Union. There are different ways in which different member states calibrate the four freedoms in their own circumstances. Norway is outside the European Union, but its approach to free movement is not very different to the example that we set out here.

We always say that our White Paper is there to be discussed and refined, and no doubt we will want to add things to it as discussions happen. We put it forward as a constructive and pragmatic way of trying to respond to concerns, while at the same time having a set of arrangements that we think we could explain to what will be our former partners as not being that different from many of the things that they are already familiar with.

Q1288 Stephen Timms: Is your proposition that people from other parts of the European Union would be guaranteed the ability to come to Wales or to the UK if they had a firm job offer? Would they have to produce a letter? I wonder how that would work in practice.

Mark Drakeford: Many services in Wales already rely heavily on people coming from other parts of the European Union, so we already have very familiar ways of organising the flow of people from outside Wales into Wales. It would need to be more formal in the future. You would need a greater sense of a more explicit rulebook that you could pursue more openly than under the current arrangements. We do not think that would be impossible to do, and it would largely be simply making more explicit the arrangements that already exist.

Without that flow of people from outside Wales to work in our health service, to work in our universities, to provide social care, to be the 27% of people who work in food manufacturing in Wales who come from other countries in the European Union, businesses in Wales will simply not be able to survive and thrive in the way we would like to see.

Q1289 Stephen Timms: You have referred to the precedent of Norway. Are there other examples that you know of around the EU or the EEA where this sort of arrangement is in place?



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Mark Drakeford: I do not want to pluck examples out of the air in front of the Committee. We believe there are other examples. If I can follow up today with a note setting that out, I will be very pleased to do so.

Q1290 **Stephen Timms:** That would be very helpful. Can I ask if you have had any response as yet from the UK Government to the proposal that you are setting out now?

Mark Drakeford: Our White Paper was a substantive item at the last full meeting of the JMC (EU Negotiations). There was, I believe, a very genuine discussion of the ideas there. I met bilaterally with David Davis, the Secretary of State, last week, and the First Minister of Wales has a meeting in his diary with the Secretary of State on Thursday of this week. We continue to discuss a range of ideas in our White Paper with the UK Government. We are yet to receive any formal response to our ideas, and we would find a more formalised response very helpful in the future. At the moment, we continue to be in what I would think of as a genuine dialogue about the ideas themselves.

Q1291 **Stephen Timms:** Some people have suggested that in future we could have visas that gave people permission to live and work in one specific part of the UK, in order to meet the needs of businesses in that area. Do you think an arrangement of that kind would help Wales?

Mark Drakeford: We do not rule out that idea and are very happy to be part of discussions about it. For us, it would be a second best fall-back position, below the position we set out in our document between the Welsh Government and Plaid Cymru. We think we provide a more comprehensive and less bureaucratically difficult answer to the idea of regional visas. However, if our idea does not find purchase and cannot be moved forward, we would obviously want to be at the table when the idea of regional work permits or visas was being constructed.

Q1292 **Jeremy Lefroy:** Thank you very much indeed, Minister. If I could come on to the question of finance and investment, the first job that I had after university was as a foreman at Ford in Bridgend. You already mentioned that plant. It was clearly built with a lot of inward investment, certainly by the UK Government, and has benefited from European investment in the past as well. In the Welsh Government's White Paper, you talk of the importance, for instance, of the European Investment Bank's investments in Wales and suggest that the UK could seek to continue being a shareholder and member of the European Investment Bank. Could you perhaps expand on that a little, please?

Mark Drakeford: By all means. The European Investment Bank has been a close partner of the Welsh Government in recent years and we have had a growing relationship with the bank. I met with the vice-president of the bank, Jonathan Taylor, in February, when he came to look at a range of new investment ideas in the fields of housing and health that we would like to pursue with the bank. Our relationship with the bank has been an entirely beneficial one.



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I took the opportunity to at least explore with the vice-president our being, as we describe it, a subscribing member of the EIB, in the way that the UK Government have already said that they would be prepared to pay into the European Union to remain members of certain strands of EU activity, such as Horizon 2020 and so on. In my view, it is one of those problems where the real issue is political will, rather than technical difficulty. There is a series of technical issues that would need to be solved for the UK to remain a subscribing partner of the EIB. Those technical matters can be overcome, we believe, if there is a political will at a UK level and among our current partners to allow it to continue.

From a Welsh perspective, there is every advantage in being able to continue to use the services that the EIB provides, not simply in direct investment, of which we have been a major beneficiary, but in other advisory services that we are able to use through the EIB as well.

Q1293 Jeremy Lefroy: Could we move on to structural funds? To what extent is Wales currently a recipient of structural funds, and in what are they invested?

Mark Drakeford: The United Kingdom is a net contributor to the European Union, and Wales is net beneficiary. We get more out than we put in. Structural funds have been very important to us during the period of devolution. It is, in many ways, almost the only money that comes to Wales on a rule-based basis.

The investments that we make through structural funds are of two essential sorts. First, there is infrastructure investment. We have a very important new investment in the south Wales metro, which you may have heard about when Members were here last week. It is—I try to avoid using this word as much as possible, but I will use it in this case—a transformative project for south Wales, and £110 million to £120 million-worth of ERDF will be necessary to help us achieve that.

Then we have structural funds from the European social fund, which are essentially investments in skills and particularly in tackling the longstanding Welsh issue. Our issue is not unemployment; we have employment levels that are among the best in the United Kingdom. However, we have always had a larger than average number of people who are outside the labour market, where we have to rebuild their ability to participate. The European social fund is really important to us in that regard.

Q1294 Jeremy Lefroy: Many of these projects are long-term or certainly medium-term projects. What guarantees have you been given by the UK Government that investment in those vital things, such as infrastructure and skills, can continue, post leaving the European Union?

Mark Drakeford: For moneys that would be coming to Wales up to 2020, we received guarantees from the Chancellor in the autumn, and we can commit that those funds will continue to flow to Wales. Let me say,



because I do not want to sound churlish at all, that those guarantees were very welcome and helped to reassure our partners. All the money that comes to Wales from the European Union is spent through private sector organisations, local government, universities and so on. It was very important that we could reassure our partners that the money was secure, and the Chancellor's guarantee was genuinely helpful in providing that assurance.

It ends in 2020, though, and Wales would have gone on being a beneficiary of the European Union funding well after 2020. Attention is now turning, and needs to turn, to discussions with the UK Government about what happens beyond the guarantees that the Chancellor has provided so far.

Q1295 Jeremy Lefroy: Finally, what impact, if any, have you seen on inward direct investment into Wales since the referendum decision? Clearly, there has been a great deal of inward investment in Wales over the last few decades, with the excellent work of the investment boards in their various incarnations. What have you seen since then? Has there been a continued flow? Has it increased? Has it decreased?

Mark Drakeford: We believe we are seeing a slow-down in inquiries for foreign direct investment in Wales, and that is associated with uncertainty as much as anything else. As we all know, investment decisions need to be made in circumstances where you have the least uncertainty possible, to allow you to make the investment you want to make. Brexit, inevitably and unavoidably, introduces a whole series of uncertainties. Investments being announced now are essentially investments that would have been in the pipeline before June of last year. The flow of new inquiries, while it has not stopped—the tap has not run dry—is less than it would have been, we think, in other circumstances.

Q1296 Sammy Wilson: The Prime Minister indicated when setting up the JMC that she wanted the devolved Administrations to be fully engaged in the UK Government's approach to negotiations. The Welsh Secretary of State said that he wished for us to try to resolve all the issues that could be resolved in the national interest. You already told us that some of the language of your document is now reflected in the White Paper and that the Government have given commitments about funding until 2020. Overall, how would you say the promise that was made by the Prime Minister to work with devolved Administrations is working to date?

Mark Drakeford: I believe the JMC has so far been a frustrating experience, probably for all participants around that table. It has met four times, so it was perhaps getting into its stride. So far, I would characterise it as a forum where devolved Administrations are able to be there and to put our point of view. To date, it has failed to give confidence to devolved Administrations that those views are making a genuine impact on the thinking of the UK Government.



Now, the remit of the JMC is to try to reach an agreement around the article 50 negotiating stance that the UK Government would take. I would have to be straightforward in saying to you that there has been frustration around the table, as we do not seem to be making genuine headway in knowing that the views we express are having the impact that we would like.

Q1297 Sammy Wilson: The Supreme Court, of course, has indicated that the devolved Administrations cannot have a veto on the negotiating position of the Government. Given those are the parameters within which the JMC has to operate, how would you like to see those discussions improved or the differences there may be between the devolved Administrations and the Government dealt with by the JMC?

Mark Drakeford: There are four relatively straightforward ways in which the functioning of the JMC could be improved. First of all, it needs to have a better grip of very simple administrative arrangements. I heard Mike Russell, the Scottish Minister, tell you in his evidence that, while he was in front of you in the morning, he did not know where JMC was meeting that afternoon. We do not have simple things, like minutes of previous meetings, available to us at these JMCs. St Fagans Community Council, in my constituency, would be better organised than most JMC meetings have been. There is a need for greater effort to go into basic running of this very important forum.

Secondly, it needs a work programme. The future work programme has been very weak from the beginning. At the last meeting, the work programme was produced at 8.30 in the morning, for a meeting to be held in the afternoon. It was deeply unsatisfactory, and essentially was so poor that it could not be discussed. A proper focus on the work programme of the JMC would be useful.

The third thing that needs to happen is that the UK Government, as I said a little earlier, need to be more prepared to publish the evidence that lies behind some of the policy positions at which they are now arriving. That evidence should be publicly available, so any citizen can see the information that the UK Government are drawing on. We do not have it available to us at the JMC.

Fourthly, and probably most importantly—this, I accept, is a discussion that would need to go on privately within the JMC—in order to understand and try to influence the evolving UK position, we need better insight into the policy options that the UK Government are considering, not simply to be brought in at the end of the process when all that has been boiled down to a single option. We need to be better engaged in looking at the range of possibilities that exist; to be able to at least comment on them where we can; to help to shape them; and to contribute, where we can, expertise that we may have and we can bring to the table on those matters. So far, the JMC has not functioned in that way. If those four things could be achieved, it would be a more satisfactory forum for all those people who turn up at it.



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Q1298 Sammy Wilson: That has been a very helpful answer. On the last two points that you make, where is the balance? How can the Government reveal the policy options that are open to them in negotiations, and the information or data on which their decisions in negotiations are based, while, at the same time, not giving away or revealing their negotiating hand? Is there not a danger, in the last two points that you have made, that you put the Government's negotiating position with Brussels in some difficulty?

Mark Drakeford: I would make a distinction between the two aspects. The information that the UK Government have at their disposal and the evidence that they are drawing on should be publicly available. I do not see the case for saying that, if we show you what we are drawing on, that will somehow give too much away. It would just allow for a better informed debate, not only for politicians but for others interested in it, too.

When it comes to policy options, though, I agree that, if those were more publicly rehearsed, that would have an impact on the UK's ability to conduct negotiations. The JMC, however, ought to be a trusted space in which the UK Government are more willing to share with their constituent devolved partners some of the thinking that has gone into shaping policy options. The JMC will have to be trusted to conduct those negotiations in a way that does not allow information that ought not to be more widely shared to be more widely shared. The way the JMC has operated so far should at least give the UK Government some confidence to do more in creating a trusted space, where something that you would not want to say publicly can be shared among the partners at that table.

Q1299 Sammy Wilson: Finally, the three Administrations across the United Kingdom have widely disparate aims and objectives. For example, some in the Northern Ireland want a totally special status that links us more to staying in the EU north of the Irish Republic. The Scottish Government are insisting that single market arrangements prevail in Scotland. You have made the same point, although you accepted that some of your language has been reflected in the White Paper. Do you see any prospect of the JMC ever coming to an agreed position, even with the best will in the world, with the Government in Westminster?

Mark Drakeford: You are absolutely right that there are challenges at the JMC in reconciling views that are by no means identical. I could give you half a dozen areas, probably quite rapidly, in which there is a large degree of overlapping agreement between devolved Administrations. All devolved Administrations talk the language of free and frictionless trade. They might want to achieve it in different ways, but the objective is a pretty shared one.

All three devolved Administrations emphasise the importance of the people who come to staff our public services and industries from beyond our own shores. We all have an interest in creating organisational arrangements within the United Kingdom that will work beyond Brexit.



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We all share a very clear view that matters that are devolved today must be respected beyond Brexit, and there must be no land grab in devolved competencies. We all have common things to say now—although maybe that was not so much the case at the beginning—about the need for transitional arrangements, to make sure there is no cliff edge in the way that we leave the European Union.

While there are important differences of view, which make some of this conversation complicated, there is a large degree of overlapping ambition. That should give the JMC the opportunity to be a more purposeful and productive forum than it has managed to be to date.

Q1300 Mr Whittingdale: To some extent, Brexit represents a massive act of devolution, with large areas of policy responsibility passing back from Brussels to Westminster. Can you say what ambition you have and what work you have done to look at which areas of policy might keep going, as it were, and be devolved further, to Wales from Westminster?

Mark Drakeford: Our thinking to date would go a little like this. On the areas that are already devolved to Wales, such as agriculture, environment and aspects of regional policy, the first thing we have to secure is a clear understanding with the UK Government that, post Brexit, there can be no alteration in those arrangements.

From a Welsh perspective, in agriculture, for example, we recognise freely that, without the European Union being there, we would like to come to the table in a very constructive way to shape UK-wide frameworks, so we can continue to have a UK single market as far as agriculture is concerned. The key point to make, which is an important one, given some things that have been said recently, is that that must be done by the four participants coming voluntarily to the table to secure those agreements, rather than a Westminster decision to do that on our behalf without our participation.

Beyond that, as to whether new things would flow to Wales in terms of devolution, you could see aspects in which there are possibilities for that. We have focused more on saying that, in future, where there are overlapping matters that are important for responsibilities in Wales but are currently held at Westminster, we need a forum where we can more easily explore those overlaps with shared understanding.

Take protections for people in work. The Prime Minister has been very clear that she wants to preserve all the things that have been gained for people through their membership of the European Union. Those things would have some direct impact on the way we discharge devolved responsibilities in public services, for example. We will need a new arrangement, as a more central part of the way in which we conduct our relations with one another, to make sure that these overlapping issues are discharged in a way that works on a UK basis but is also capable of working for Wales.



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Q1301 Mr Whittingdale: Can I take one of the areas that you mentioned? You said that agricultural policy is currently a devolved matter, but that is only to the extent that you are able to make changes within the framework of the CAP. Post Brexit, the UK will be able to draw up its own agricultural support policy. Are you suggesting that that should be totally handed over to Wales, so that Wales might have a different system of agricultural support from England? How can that happen without also having responsibility for funding it?

Mark Drakeford: Thank you for the question, because it exposes a very real debate and potentially a very real difference of view, in which the devolved Administrations would all be on one side of an argument. Our position is clearly this: agriculture is devolved. It is devolved unambiguously and totally. At the moment, it is operated via the European Union. When the European Union is not there, those competencies will still be at the Welsh level.

Now, we will want to co-operate to create UK-wide frameworks that allow the things you have identified to go on happening successfully. However, there is a really fundamentally important point from our point of view here, which is that that has to be done by agreement. It has to be done by recognising the responsibilities that we have, and which we will want to bring to the table, to create a new set of frameworks across the United Kingdom. It cannot be done at the UK level by saying, "Actually, we are just going to take that from you, and we will tell you what the result will be". By the way, we believe that you would have to legislate to roll back devolution in Wales and Scotland in order to do it that way.

It is a genuinely serious issue, from our point of view. Here you have a UK Government who say they are going to be capable, within two years, of reaching agreements with 27 other member states, but believe the way to treat the United Kingdom is not to seek agreement at all, but to impose a set of arrangements, because they say they know better how to achieve the things that we want to achieve in Wales.

Q1302 Mr Whittingdale: You would accept that, if you were to take on full responsibility for, let us say, agricultural support, that brings with it a considerable cost. Are you expecting the UK Government to continue to meet the cost, while you set the policy?

Mark Drakeford: People in Wales who voted to leave the European Union will have done so on the basis of promises made to them, not simply that Wales would be no worse off outside the European Union, but that we would be a great deal better off and that all sorts of money that goes to Brussels today would be available domestically in the future. It would be a very strange lesson to offer those people who made that choice, were Wales to do less well out of our membership of the United Kingdom than we would have done out of our membership of the European Union.



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It does not seem unreasonable to me at all that we would have a discussion with the UK Government about how the support that currently goes to Welsh agriculture through our EU membership would in the future go to Wales as a result of our UK membership, but the decisions as to how best to deploy that funding would be made in Wales, closer to where those industries are currently discharged, with a better understanding of how to make that money achieve what would be our common position, I am sure, of having a maximum impact in supporting the lives of people who work in agriculture.

Q1303 Mr Whittingdale: Do you anticipate that this argument, which undoubtedly is going to take place at some point, will start at the time of the great repeal Bill? Have you had discussions about whether or not the great repeal Bill may contain elements that will pass competence to Wales, or is that for a latter stage?

Mark Drakeford: We have had a very early discussion of the great repeal Bill. We would wish to be more engaged in some of the detailed preparations of it. We certainly offered to contribute the expertise of some of our lawyers, for example, who are very familiar with some of these areas. It is a very important question from our point of view. At the moment, because we do not feel we have a sufficient insight into exactly what that Bill will contain and how it will go about the very significant business of transposing current arrangements into domestic law, we have to hold fire on coming to a conclusion as to whether we might need primary legislation in Wales.

We certainly believe that we will need legislative consent motions—Sewel motions, as the Scots would have it—added, and we are beginning to see signs that we will need to take very substantial amounts of secondary legislation through the National Assembly for Wales, to regularise some of the *acquis*, as it is called, and make it operable. That, in itself, from a sheer practical point of view of knowing how we can organise the business on the Floor of the Assembly to achieve what we want to achieve, is something that we would be helped to do if we had a slightly more extended sense of how preparations for the Bill are going and what it is likely to contain.

Q1304 Chair: You have been very clear about the powers that currently rest in Brussels, like agriculture and the environment, in respecting the devolution settlement, returning to Wales. Do you say that because you have any indication that you think the UK Government are planning to do otherwise, or is there just silence about what is going to happen?

Mark Drakeford: We fear there are growing signs that the UK Government believe that things done presently at the Brussels level will simply fall to the UK level to be done there in the future; that it will be for the UK Government to set this new UK-wide set of agreements in relation to agriculture, for example; and that it will be for the devolved Administrations to act within the framework the UK Government have set



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out. The Prime Minister came perilously close to saying that in her speech to the Conservative conference in Scotland, I believe.

I sometimes think it is simply because, inevitably—and I am not being critical here—people do not live their lives, as we do all the time, aware of the devolution fundamentals. When I was with the Secretary of State last week, I pointed out to him our belief that this would require legislation at Westminster, to roll back devolution in Wales and Scotland. It would be toxic in a Welsh context, let alone what it would be like in a Scottish sense, if leaving the European Union were to be played out in that way.

Q1305 Peter Grant: Good morning, gentlemen. Cabinet Secretary, thank you for taking time to speak to us today. Can I first of all follow on from your answer to the question from Sammy Wilson about your desire for JMC (EN) to have more access to information that is not for the wider public because of confidentiality? Am I right in believing that, as a Minister of the Government of Wales, you hold a Crown appointment as a Minister in your own right? Are you subject to the ministerial code in the same way as other Ministers of the Crown?

Mark Drakeford: Yes, we are Ministers of the Crown. We operate within the ministerial code in exactly that way.

Q1306 Peter Grant: Would it be a reasonable paraphrase of your comments earlier, then, to say that all you are asking for, as a Minister of the Crown, is that you are trusted with confidential information in the same way as any other Minister of the Crown would be?

Mark Drakeford: In my view, as a participant at the JMC (EN), a greater degree of trust and greater willingness to see that we could all share in that way would be helpful in making the JMC more effective.

Q1307 Peter Grant: Going back to one of the answers that you gave at the start of the meeting to Jonathan Edwards, when you were speaking about the format of the article 50 letter, it was noticeable that you used the word “if” quite a lot. That gave me the impression that, today, the Welsh Government do not even know what format the article 50 letter is about to take. Is that a fair comment?

Mark Drakeford: That is fair. I do not think we know today exactly how the UK Government intend to deploy that letter. I have read in the public print, like anyone else, that the UK Government have been looking at a number of different ways in which they could aim to start negotiations. I was simply saying that, if it is a very simple trigger letter, I am willing to accept that getting the whole JMC together to tell us that would be disproportionate. If it is more than that, it is pretty much a test of the JMC process for the JMC to have an opportunity to be involved in that letter, before we read it on the news ourselves.

Q1308 Peter Grant: There was a report published in February 2017 by the Chatham House think-tank, which said, “Particularly within the Welsh and



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Scottish Governments, there is a feeling that the UK's Government and Parliament are not aware of the vast implications that Brexit will have on the devolution settlements". Is that a fair reflection of your view and the view of the Welsh Government?

Mark Drakeford: It would be a fair reflection of our view. We do not say that in a deeply critical way, because some of the things that are now becoming important because of Brexit would not have been important in the same way previously, so there is a bit of getting up to speed on some of these issues. We are dealing with UK Departments that historically would have had very little to do with us, because of the devolution settlement, and which are now more important. There is a job of work to do in making sure that Whitehall is adequately up to speed on the way in which this whole set of discussions impacts on all three devolved Administrations.

Q1309 **Peter Grant:** You repeated earlier today some of the comments that you gave in evidence to the External Affairs and Additional Legislation Committee of the National Assembly for Wales on 23 January. At the conclusion of your comments to that committee, when you were referring to the Welsh Government's view as to what should happen to devolved powers, you gave a very clear view that those powers come from Brussels directly back to Cardiff, Edinburgh and Belfast. They do not stop off at Westminster on the way. You told the Welsh Assembly committee at the time, "We think it is the legally watertight position. We're not expressing just a point of view here; we're expressing the way that the law currently would require things to happen". For the record of this meeting, is that still the view of the Welsh Government?

Mark Drakeford: That is our view.

Q1310 **Peter Grant:** You referred earlier, Cabinet Secretary, to the comments made by the Prime Minister, and by a number of other keynote speakers, it should be said, at the Conservative party conference in Scotland over the weekend. There appears to be a move within the UK Government to suggest that devolved powers come from Brussels to London, and then someone in London decides where they go after that. Do you have a concern that, if the devolved powers come from Brussels to London, they might get stuck and never be devolved any further?

Mark Drakeford: To be clear, our view is that they do not do that, because they are here already, so they are not coming via London. They are here now and we are choosing to operate them through the European Union. When the European Union is not there, they will just have been here all along. It is why I said what I said about the legally watertight position, and why I have said this morning that the UK Government would have to actively legislate to undo that position. It is a concern for us. I will be pressing the UK Government, in the opportunities I have, to start from the position that this should be done by agreement. That should be their starting point. Let us all agree that we should try to get round the table and form a sensible set of outcomes that will work for us



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all. Only if and when that does not succeed should the UK Government think of doing it in any other way.

Q1311 Peter Grant: The comments that we have heard from a number of Conservative politicians, including the Prime Minister, over the last few days imply that some of these powers will come to London rather than to the devolved nations. A scenario appears to be developing that some of the devolved powers will come from Brussels to London and will not go any further. In your view, would that be consistent with the current devolution settlement for Wales or, indeed, for Scotland and Northern Ireland?

Mark Drakeford: I agree with what Mr Whittingdale said earlier, in that there are things done in Brussels that will in future come to a UK level, if they are not devolved now. That is fine and fair. Things that are devolved already and that we currently choose to exercise through our membership of European Union do not go to London post the European Union; they stay where they are now, in Wales, Scotland and Northern Ireland.

Q1312 Mr McFadden: Mark, I would like to ask you a quick question about Ford in Bridgend. The Ford motor company assembles its cars with engines made in the UK and the rest of the car made elsewhere. It recently announced 1,160 job losses over five years at Bridgend. Do you believe that decision has anything to do with Brexit, or is it to do with other factors?

Mark Drakeford: My belief is that it is not causal but it is contextual, so the decision is not directly to be linked to the European Union, but leaving the European Union undoubtedly forms a clear context in which the anxieties for the future of the Ford plant are being played out.

Q1313 Mr McFadden: What outcome, in terms of the customs union in particular, is the best for the future of the Bridgend plant?

Mark Drakeford: It is free and frictionless trade, free of tariff barriers, which are the important things as far as Bridgend is concerned, but free of non-tariff barriers as well. The Bridgend plant faces none of those barriers today. It still has to compete with other Ford plants elsewhere in the European Union, in Spain and so on. If the Ford plant at Bridgend is put in a position where, every time a component crosses a hard border between the UK and the European Union, costs are added on, it will inevitably be at a serious disadvantage when it come to the internal debate within Ford as where to make its investments in the future.

Q1314 Mr McFadden: Are you making these representations in JMC to the Government in terms of their position on the customs union? The Prime Minister indicated, in the Lancaster House speech, that the UK Government will seek to pull out of the customs union.

Mark Drakeford: As I said earlier, we are struggling to understand the rationale for the UK Government's position on the customs union, which is a difficult issue. We accept that it is a tricky issue to negotiate, but,



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without seeing the evidence and understanding what debate went on in the UK Government to come to that position, it is difficult for us to get a real insight into their proposals. We take a different view in our White Paper. If we understood the UK's position better, we would be better able to explore those differences with them at the JMC.

Chair: Minister, thank you very much indeed. On behalf of the Committee, can I say we are very grateful to you for your evidence today and for its clarity? It will greatly assist us in the work that we are doing and we wish you all the best.