

EUROPEAN AND EXTERNAL AFFAIRS COMMITTEE

MINUTES

Date: 26 June 2003
Time: 09.00
Venue: Committee Rooms 3 & 4, National Assembly Building

Attendance:

Members

European & External Affairs Committee:

Sandy Mewies (Chair)	Labour: Delyn
Nick Bourne	Conservative: Mid and West Wales
Christine Chapman	Labour: Cynon Valley
Mike German	Liberal Democrat: South Wales East
Christine Gwyther	Labour: Carmarthen West and South Pembrokeshire
Jonathan Morgan	Conservative: South West Central
Rhodri Morgan	Labour: Cardiff West
Rhodri Glyn Thomas	Plaid Cymru: Carmarthen East & Dinefwr

Economic Development & Transport Committee:

Christine Chapman	Labour: Cynon Valley
Alun Ffred Jones (substitute)	Plaid Cymru: Caernarfon
Lisa Francis	Conservative: Mid & West Wales
Christine Gwyther (Chair)	Labour: Carmarthen West and South Pembrokeshire
Elin Jones	Plaid Cymru: Ceredigion
Lynne Neagle	Labour: Torfaen
Jenny Randerson	Liberal Democrat: Cardiff Central

Standing Invitees

Janet Royal	European Commission Office in Wales
Eluned Morgan	MEP

Invitees

John Neve	Director, Regional European Funds & Devolution Directorate, Department of Trade and Industry
Neil Bond	Regional European Funds and Devolution Directorate, Department of Trade and Industry
Mark Parkinson	Head of Devolution Branch, HM Treasury

Officials

Phil Bird	European and External Affairs Division
Jackie Brown	Head of Unit, European Programmes
Gary Davies	Head, European and External Affairs Division
Des Clifford	European & External Affairs Division, Brussels

Secretariat

Claire Bennett	Committee Clerk
Lara Date	Deputy Committee Clerk

09.00 - 09.05

Item 1

Introductions, apologies and declarations of interest.

1.1 The Chair welcomed everyone to the first meeting of the European and External Affairs Committee in the Second Assembly.

1.2 Apologies had been received from European & External Committee members Rosemary Butler AM and Ieuan Wyn Jones AM, from standing invitees Jill Evans MEP, Jonathan Evans MEP, Glenys Kinnock MEP and Eurig Wynn MEP, Cllr Brian Smith, Cllr Jon Huish, Rose D'Sa, and Glenn Vaughan.

1.3. For the joint session with the Economic Development and Transport Committee, the following members had sent their apologies: Alun Cairns AM, Andrew Davies AM, Janet Davies AM and Brian Gibbons AM. Alun Ffred Jones AM was substituting for Janet Davies as a member of that Committee.

1.4 There were no declarations of interest.

09.05 - 09.34

Item 2

Draft Forward Work Programme for European and External Affairs Committee

Papers: EUR(2)01-03(p1) – Draft forward work programme

EUR(2)01-03(p2) – Future role of the standing invitees

EUR(2)01-03(p3) – Feedback from standing invitees

2.1 The Committee considered its draft forward work programme. It was agreed that a working visit to Brussels in the Autumn term would be useful and possible dates should be identified as soon as possible. It was acknowledged that it was difficult for MEPs to attend Committee meetings because of the constraints of their schedules, the meeting in Brussels should be scheduled for a time when MEPs were available.

2.2 There was discussion about using video links to involve MEPs and others in Brussels in meetings, which presented technical challenges due to the way meetings were broadcast, and might be in breach of standing orders regarding Committee proceedings. The Secretariat would look into this, including considering venues outside the Assembly building and report back to the Committee. It was also agreed that informal meetings with MEPs, once or twice a year might be helpful, but the Chair stressed that these meetings would need to be transparent and open, with published minutes.

2.3 Members agreed that they wanted to meet more often, with formal slots allocated. The Secretariat would take this forward, and in doing so would continue to take into consideration the schedule of other EU-related meetings including the Objective One Monitoring Committee.

2.4 The Chair had received a letter from the Convener of the Scottish Parliament's European and External Relations Committee and it was agreed that the Scottish Committee should be extended a formal invitation to visit the European and External Affairs Committee and build links. The Scottish European and External Relations Committee were also expected to host a meeting of the Chairs of all the UK national and devolved European scrutiny Committees in the autumn.

2.5 It was agreed that scrutiny of external affairs should be more focused, with concentration on outputs. There might be themes the Committee could explore that did not duplicate the work of subject committees, for example using the Assembly's unique 50:50 gender balance to promote women's role in democratic institutions internationally. Other organisations such as the British Council or the Welsh Institute for International Affairs could be invited to take part in exploring this area of work.

2.6 Monitoring of the Assembly's involvement in 'RegLeg' and other similar organisations should be added to the forward work programme.

2.7 It was noted that it was Trade Justice Week and this was an area where the Committee could work with organisations such as Oxfam to consider international fair trade issues.

2.8 The Committee noted opportunities to link its work in with EU-sponsored events such as the EU Day of Languages and EU Day of Poverty, in coordination with the relevant subject committees.

2.9 The Convention on the Future of Europe included a proposal for an 'early warning system', to allow National Parliaments to consider the implications for of planned EU legislation for subsidiarity. This had important implications for the Committee's forward work programme. A detailed paper setting out the options would be prepared for the Autumn.

2.10 The Committee would continue its rolling programme of discussions with the Chairs of subject committee about their Committee's consideration of EU and external affairs issues.

2.11 The Committee requested an update on the latest position on Assembly representation in Brussels.

2.12 As there would not be another meeting until the Autumn term, the forward work programme was agreed subject to the additions noted, and would be circulated to members in correspondence. Members should submit any further topics for consideration on the future agenda to the Clerk.

2.13 The role of standing invitees was discussed. Since the paper on feedback was distributed, comments had been received from Glenn Vaughan of the Welsh European Centre. He said it was helpful for the WEC Director and Head of WLGA Brussels office to be standing invitees. Attendance would

depend on whether there were relevant agenda items and they would want to coordinate which of them attended. The verbal reports of standing invitees from EU institutions or bodies were important. Given the changed role of WEC, ad hoc reports to inform the committee of specific initiatives or events would be relevant, and he saw his role as being able to contribute another informed view to discussions.

2.14 The participation of MEPs at meetings was very important. In discussion members felt that even having MEPs attend on a rota basis would at least allow input on relevant issues, regardless of their party affiliations. Having too many standing invitees could make it harder for the Committee to do business effectively. Additional organisations, for example the British Council, should be invited as and when required to consider particular items.

2.15 The Committee supported the European Commission representative attending regularly as a standing invitee.

2.16 Members wanted to invite the representatives from ECOSOC to alternate their attendance. It was important to have the Assembly Members who were members of the Committee of the Regions (COR) present, but members questioned the need to have the local authority representatives too. To give effect to this change there would need to be a change to Standing Orders. Members also supported changing Standing Orders to allow them to nominate substitutes for this Committee.

Action points:

- The Secretariat would circulate the revised forward work programme to members for comment and approval.
- The Secretariat would propose dates for a Committee visit to Brussels as soon as possible.
- The Secretariat would investigate further the possibility of video conferencing meetings between Committee members in Cardiff, including at venues outside the Assembly, and MEPs in Brussels.
- The Head of Committee Secretariat would be informed of the members' request for more meetings, and to include EU monitoring committee meetings in those taken into consideration when drawing up the schedule.
- A detailed paper on the proposed 'early warning system' on subsidiarity, and scrutiny of legislation by the Committee in general, would be considered by the Committee at its next meeting.
- ECOSOC would be invited to send a rotating representative to future meetings.
- A proposal to change Standing Orders to allow representation from Committee of the Regions to alternate, and to allow Committee members to be substituted, would be prepared by the Secretariat to go to the Business Committee.

09.34 – 10.14

Item 3

Minister's Report

Paper: EUR(2)01-03(p4) – Minister's Report

3.1 The First Minister made additions to his written report.

3.2 Agricultural Ministers had come to agreement at 5 am that morning on CAP reform and it was too soon to provide more than brief comments. The Minister for Environment, Planning and Countryside would make a full statement on the implications for Wales in plenary the following week and to the next Environment, Planning and Countryside Committee meeting (16 July), with a plenary debate planned before the summer recess. The agreement did seem to provide a measure of flexibility for some Member States such as France but the UK would be able to proceed with de-coupling from 2005. Media coverage implied that UK farming unions felt there were elements where the French farming industry would benefit but the UK Minister for Agriculture had said that France's position had moved substantially. The CAP reform issue, like enlargement, was one that would have a significant effect on day to day life in Wales but there were still unanswered questions about the details. Members were keen for a response from the Minister responsible on how it would impact on the Rural Development Plan, on dialogue with farmers about retirement packages, and how agreement on de-coupling might affect agreement on modulation.

3.3 No agreement had been reached yet on CAP rebate and this was one area within the Convention discussion where bargaining could be expected in the Inter-Governmental Conference until the last minute.

3.4 In discussion on the Euro, the Committee received an assurance that the Permanent Secretary would ensure that any information campaign by the Welsh Assembly Government on introducing the Euro would be according to rules on use of government resources. It should be a non-political campaign to inform the public about preparations for its introduction. The First Minister intended to play a full part in the Secretary of State for Wales' led Committee on preparations for the Euro. That Committee was intended to feedback to Westminster in a non-political and non-controversial way on what was needed for Wales to be prepared.

3.5 The First Minister would provide the Committee with a note to explain the wide fluctuations in figures for trading links between regions and the EU that were in Annex 2 of his report.

3.6 The Minister had visited Barcelona with the British Council. He had discussed the Euro with a steelworks owner who believed that the introduction of the Euro there had benefited businesses by forcing Spanish politicians to introduce necessary reforms that had previously been put off.

3.7 Concerns were expressed by some Members of the Committee about the process of appointment of the head of the European Commission Office in Wales who had previously stood as a political candidate. It was noted that the

EU Commission's rules on appointments were different to those that applied in the UK civil service.

3.8 The evaluation of the Structural Funds programmes would finish by 30 June and overlap with the Mid-Term Review that would be looking forward from a financial perspective. The First Minister had been part of the UK Ministerial Delegation to the Regional Affairs Council in Halkidiki that had discussed the future of the Structural Funds and Dutch and British propositions for repatriation of funds post-2006. Members were keen to meet with EC Commissioner for Regional Policy Michel Barnier to discuss this issue when he visited Wales in September. The EC Office in Wales also offered to arrange for an EC official to come to the Committee and brief it on the Commission's viewpoint.

Action points:

- The Committee would write to the Minister for Environment, Planning and Countryside to request a response to the EU Agricultural Ministers' agreement on CAP reform issues.
- The Committee would receive a note to explain the fluctuations in figures on trading links between the EU and regions that were contained in Annex 2 of the Minister's report.
- The organisers of M. Barnier's visit in September would ensure members were given an opportunity to meet with him.

10.14 – 10.25

Item 4

Enlargement Working Group

Paper: EUR(2)01-03(p5) – Future of the Enlargement Working Group

4.1 It was proposed that the Enlargement Working Group be wound up as its work was almost complete. The Committee was asked to endorse replacing it with a networking group whose members could engage on those issues that they could contribute to. It would report to the Welsh Assembly Government, which was engaged in an increasing amount of work related to accession and future candidate countries, across a wide range of areas.

4.2 It was suggested that the Minister's report should contain periodic updates on its areas of work and outputs. The Committee would also feed in suggestions on external affairs links that could be taken forward by the networking group.

Action points:

- The Committee would receive more information on the terms of reference and operation of the networking group.
- Periodic updates on the network's areas of work and outputs would be included in the Ministers' report.

10.25 – 10.40

Item 5

Convention on the Future of Europe

Papers:

EUR(2)01-03(p6) - Latest position on the Convention on the Future of Europe

EUR(2)01-03(p7) - Note of informal meeting between members of the previous European and External Affairs Committee and the Secretary of State for Wales

EUR(2)01-03(p8) - Letter from the Secretary of State for Wales

5.1 The draft treaty had received quite a high level of approval from leaders of Member States and accession states at the recent meeting in Thessalonika. The UK Government view was that it needed a lot of fine-tuning before signature, which might be delayed beyond the six month Italian EU Presidency ending in December 2003, into the Irish EU Presidency. It remained to be seen whether negotiations would calm some Member States' fears about the EU having a legal personality.

5.2 The 'regional' tier of government gained recognition through the Protocols on subsidiarity and the role of national parliaments in legislation.

5.3 The two committees in the UK Parliament had expressed keen interest in working with Assembly officials on the subsidiarity early warning system. Under the system the timetable for responding to draft EU legislation would be six weeks. The head of the Assembly Government's office in Brussels offered to advise the Secretariat on how the system could work for the Assembly.

5.4 It was noted that if such a system had been in place when the Assembly began it could have helped take account of EU regulations for example the 'Natura 2000' requirements in relation to Structural Funds.

5.5 The Committee endorsed the Chair's attendance at a European Parliament conference on the Convention in London on Friday 27 June.

The Committee decided to break from 10.40 – 11.15

11.15 – 12.35

Item 6

**Joint Session with the Economic Development and Transport Committee
Reform of the Structural Funds: A modern regional policy for the United Kingdom**

Paper: EUR(2)01-03(p09) – Executive summary of 'A modern regional policy for the United Kingdom'

6.1 The Chair welcomed a delegation from the Venice Assembly who were observing the Committee as part of their visit to the Assembly.

6.2 The European and External Affairs Committee and Economic Development and Transport Committees were in joint session to consider the UK Government consultation on the reform of the Structural Funds (SF). A presentation was received from John Neve and Neil Bond from the Department for Trade and Industry (DTI), and Mark Parkinson from HM Treasury. The proposals in the consultation were put forward jointly by the DTI, HM Treasury and the Office of the Deputy Prime Minister.

6.3 The main points of the presentation were:

- The consultation document had been published on 6 March and the consultation deadline was 4 July. The Welsh Assembly Government had a slight extension to enable it to respond after considering the views from stakeholders in Wales.
- UK Government was genuinely seeking views and ideas on its proposals which were a framework at conceptual stage. Responses would be reported to the Ministers, probably in early September, so that they could take a view on their formal position for negotiation.
- The 'EU 25' situation post-2006 would be very different, with more member states with much lower GDP and employment rates and Bulgaria and Romania also hoping to join in 2007.
- The benefits of the SF as they had worked so far were: they encouraged partnership working; offered multi-annual funding with high evaluation criteria; they acted as a catalyst and increased cross-border co-operation and best practice sharing; were high profile projects and a visible benefit of EU membership.
- Disadvantages were that they could be inflexible, bureaucratic and costly, and it could be difficult to hit spending targets. Low take up was an issue and it was questioned whether some advantages were really limited to Structural Funds alone.
- Rolling forward the current system post-2006 would result in most parts of UK not being eligible for Objective 1 funding. Cornwall's allocation was estimated at a third of current level; it was estimated that half of Objective 2 funding would be lost due to low unemployment and one third of Objective 3 due to good employment record.
- The UK Government's objectives for reform were that:
 - new Member States were given assistance with institution building and infrastructure,
 - the UK and other richer States were more in need of funding targeted at the five drivers of productivity, with flexibility to adapt as necessary.
- If all Member States claimed SF its budget must increase ie. cutting into national resources. It wanted an outcome that supported and added value to Member States' existing policies and the EU Lisbon Agenda's objectives, concentrating support on poorer Member States. There should be a significantly simpler system of support, a fair deal in budgetary terms, and an overall SF budget that was constrained and focused on value for money.
- The options put forward so far were set out:-

Option 1: Community funding continues across the EU, from the Commission. This continues recycling among richer Member States and poorer Member States pay for richer Member States to receive funding. It retains the inflexibility – is not always easy to join-up with national policies. The Structural Funds budget increases substantially, diverting UK national resources away from domestic priorities.

- Option 2: Re-nationalisation of regional policy was put forward by the Dutch Government. It would end recycling among richer Member States and concentrate EC funds where most needed. It would give richer MS flexibility to address domestic issues and contain the

Structural Funds budget, but there was no EU-wide dimension to regional policy, no explicit link to Lisbon and no possibility of transitional support.

- The UK Government's proposal was a hybrid. It suggested an EU framework for devolved regional policy. The principles of cohesion policy would be agreed at EU level and based on Lisbon objectives; richer Member States (with a GNP per head >90% EU average) would use national policies and national funding to address EU principles; poorer Member States would use a mix of national and EU policies and funding to address EU principles
- The advantages for UK stakeholders would be:
 - Commitment to long-term Government support for improving regional performance;
 - Keeping the best of the SF processes;
 - supporting the same policies as now;
 - more flexibility;
 - simplification;
 - multi-annual budget;
 - decision-making would be devolved or decentralised to nations, regions and areas;
 - Possibility of EU badging.
- The advantages for EU stakeholders were:
 - Maintained a single policy framework across the EU;
 - More flexibility for Member States to act (needed State Aid reform);
 - SF budget and Commission resources focused on the new MS;
 - Less recycling of funds between richer MS;
 - overall SF budget and MS contributions kept down;
 - EU programmes with clear added value could continue everywhere.
- The Government had made a guarantee on the level of funding under its approach as follows:

"We would guarantee that by increasing spending on regional policy, UK nations and regions receive a level of funding which ensures they do not lose out from the UK's proposals on SF reform, for example from transitional funding they would have automatically received from the application of the eligibility criteria to EU25 instead of EU15. We would commit to ensuring that nations and regions have sufficient resources to continue to be able to promote regional productivity and employment from increased domestic spending on regional policy; targeted on those areas of high unemployment and low GDP."

6.4 The points raised in discussion are summarised below:

- There had been a degree of scepticism about the UK proposition including from the Commission and some member states but others had been quite supportive including Netherlands, Sweden and Denmark. Some had questions and dialogue was taking place with them.
- The European Commission's proposals were not formalised or costed to see if they were affordable, so it would be wrong to measure the UK approach against current estimates

- More dialogue was needed at local level to determine details of how the framework could be delivered. There was also ongoing EC dialogue on possible tri-partite arrangements.
- State Aids reform fell under a different part of the EC – in DG Competition, rather than DG Regio - and had been slow to start work. It would be necessary to look at the Assisted Area map, which defined where in Wales state aid could be paid.
- It was not possible at this point to identify figures for the fall in Objective 1, 2 and 3 funding and the possible cost to the Treasury of a guarantee to plug the gap. The figures could be a loss of 84% of Objective 1 funding, 47% of Objective 2 and 33% of Objective 3. It would only be possible to provide estimate at this stage. There were too many uncertainties, but the possible impact on the UK's net contribution to the EU budget was a key issue that had to influence its negotiating position.
- There were proposals for transitional arrangements for 2007 to deal with the impact of moving from 15 to 25 Member States.
- The funding guarantee from the UK Government was conditional on their proposals being accepted by the EU. If a different proposal was taken forward a different set of financial arrangements would need to be agreed.
- In Wales there was a stronger alignment between domestic policy and EU structural funds, unlike in England.
- It was pointed out that some of the bureaucracy of the current system was created nationally and the Assembly was currently making recommendations to improve that in Wales.
- Welsh businesses might support repatriation because they saw the current focus skewed away from transport and infrastructure, premises and sites. But there were concerns that the UK proposals would still support other policy imperatives for community initiatives in Wales.
- The Welsh Local Government Association and some local councils had also expressed concerns about whether the UK Government proposals would help reduce the gap between the economy of South East England and that of Wales.

6.5 The main points raised in discussion were:

- There was concern about the security of the programme: even if funding was over 3 or 5 years, it would be at risk from political factors such as change of policy or change of government, in contrast to the seven year programmes guaranteed under the EU system.
- There were questions about who would develop regional policy in practice under the proposed arrangement and concerns about whether despite the objective of de-centralising policy, repatriation might in fact lead to greater centralisation. Decisions might end up being taken at an All-Wales rather than a local level.
- There were concerns about how benchmarking would be possible under the proposed arrangements. The current system allowed for comparisons across Member States, but this might be more difficult with Member States operating different systems.

- Reforms to State Aids would be required and there were concerns as to whether how likely this was and how any reforms would work with the UK proposals on Structural Funds reform
- There was concern that although the proposals were joint, one of the major drivers was Treasury concerns to reduce the financial burden to the UK.
- There was concern that the Barnett formula arrangement would not necessarily be flexible enough to deal with payments under this system.
- The current Structural Funds programme had brought huge benefits for Wales' interaction and links with Europe and these could be at risk under the proposals, which did not make a clear case for the same benefits.

6.6 The presenters said that the Ministers thought the proposals would be good for Wales, would result in better cohesion policy at EU level, and at national level would deliver UK regional policy development objectives. The PSA target for England and commitment to different growth rates showed that the government would not have put forward the proposals if it did not think they would deliver better economic development for Wales.

6.7 It was felt important that the issue should come before the Assembly in plenary before the summer recess, but a log-jam of business might prevent that from happening.

Action points:

- Estimates of the figures for the possible falls in funding, based on assumptions, would be provided to the Committee.
- A letter summarising the Committee members' views on the proposals would be circulated to all members for agreement before being put forward to the First Minister and Minister for Economic Development and Transport in response to the consultation.
- The letter would be copied to the EC Commissioner for Regional Policy, M. Barnier.

6.8 The next meeting of the Committee would be in the autumn.

The meeting closed at 12.35 pm.