

STATEMENT BY THE WELSH GOVERNMENT

TITLE Update on Brexit Negotiations

DATE 24 October 2017

BY Carwyn Jones AM, First Minister

I would like to make a statement on recent developments with regard to the UK's decision to leave the EU.

In my written statement earlier today, I reported on recent meetings with the UK Government, including last week's Joint Ministerial Committee (European Negotiations) which was attended by the Cabinet Secretary for Finance and Local Government.

From that, members will have seen that at last there is some indication that the Government realises it needs to work far more closely with the Devolved Administrations on these vital issues. We secured an assurance that we would be more fully involved with the development of future policy positions when the negotiations move into the second phase of detailed discussions on our future relationship with the EU.

Though, Llywydd, I have say that this would not be difficult, given the way in which papers on vital issues such as Customs Arrangements, the Ireland/Northern Ireland border, and even the largely devolved policies of Research and Development were published without any input from this Welsh Government.

Moreover, on the constitutional implications of Brexit within the UK and the crucial issue of providing legal certainty as we leave the EU, we appear to have seen a significant shift in the UK Government's position. In line with the ideas we set out in July, we have agreed with the Scottish and UK Governments, the principles that should underpin common frameworks that could be developed jointly between administrations for areas where cooperation or common standards are needed when EU frameworks cease to operate (I have published these principles for Members, via a Written Statement). Work to take this forward is now underway and I look forward to this Assembly having the opportunity to scrutinise future joint agreements.

And while it is far too early to conclude that the UK Government will address our fundamental concerns on the EU (Withdrawal) Bill, it is clear that they do at least recognise the seriousness of the issues we have raised and the breadth of support within Parliament for the amendments which we, together with the Scottish Government, have proposed. As a Government we are absolutely clear that we will not recommend that this Assembly gives its consent to the legislation unless and

until there are meaningful amendments on two fronts. First, to remove the imposition of new restrictions on the legislative competence of the Assembly, and second, to ensure that UK Ministers must consult us before making any changes to legislation within devolved competence, however ‘technical’. To use a rather hackneyed phrase, the ball is now in their court.

If we have seen some positive developments in terms of the domestic agenda, I see less reason to be optimistic over the negotiations with the EU-27.

Last week, the European Council met to consider whether sufficient progress had been made to proceed to the second phase of negotiations. Regrettably, they concluded that more work has still to be done on the terms of the UK’s exit from the EU before negotiations can commence on the long-term relationship and the vital question of transitional arrangements.

In the view of our EU partners, the UK Government has not given sufficient clarity on how to protect the rights of EU nationals in the UK, on how to resolve the complex issues arising from the Northern Ireland land border, nor on the financial terms on which the UK should leave. This is deeply worrying and a massive failure of policy and political leadership.

What would we have said if we had been told on June 30 last year that 16 months later - and less than 18 months before we will leave the EU by default even if no agreement is reached – that we would have not even started negotiating the terms of our future relationship with the EU?

Of course, the issue of how to disentangle the hugely complex nexus of ties that have bound us together with our closest neighbours for more than 40 years was always going to be highly complex.

But on citizens’ rights, we argued from day 1 that the UK Government could and should have made a generous and unilateral offer to secure the existing rights of all EU citizens who have chosen to live and work in the UK for the future. It is not too late to do so now.

This is not just a moral issue - EU nationals living in Wales make a valuable contribution to our businesses, our public services and our society and we can ill afford to lose them.

In terms of the Ireland/Northern Ireland border, it has become increasingly clear that a so-called soft border can only be maintained if we continue to work within a Customs Union with the EU. And again, here, the choice should be clear cut. The UK Government has presented no evidence at all to justify its assumption that the economic advantages of moving away from a Customs Union – seduced by the prospect of hypothetical new free trade agreements – would compensate for the disadvantages of erecting new barriers to the ‘free and frictionless’ flow of trade to our biggest market.

And while it would clearly be wrong to sell UK taxpayers’ short in terms of any financial settlement, we need to recognise two things. Firstly, that the potential for

economic damage from no deal would make any loss to the exchequer from a one-off payment recognising our liabilities pale into insignificance. And secondly, that we have moral and political responsibilities to honour commitments made with our agreement as a member-state. I ask Members here to think how we would react if the European Commission notified us that the Structural Fund Operational Programmes in Wales agreed with them after years of development and negotiation were going to be drastically cut back because of a decision taken in another member-state which the rest of the EU had had no opportunity to influence.

To the prospect of five or six more years of funding for apprenticeships, for crucial infrastructure like the Metro, for support to harness the potential of our Universities to apply research to the real world economy which we believed was secure, being snatched away?

The failure to ensure sufficient progress on these issues by the time of the October European Council is a critical one. While the UK Government has at long last accepted the need – which we have advocated since the referendum – for a transition period to provide an element of economic certainty, businesses and business organisations are telling us that they need to take critical investment decisions right now. There really is no time to lose. Don't take my word for it: ask the CBI.

Llywydd, last week I was attacked for saying that no deal was unthinkable and that it was impossible to mitigate the effects of such a disastrous conclusion to the negotiations with the EU 27. Let me quote just a few of the examples of expert organisations' warnings of the impact of no deal published in just the last month:

- The BMA says it would 'remove the guarantee of consistent and timely access to radioisotopes' which are 'vital..for the treatment of cancer', 'potentially resulting in delays in diagnosis and cancelled operations for patients'
- The British Airlines Pilots Association says 'UK airlines could find they have to stop flying – it's that serious'
- The British Retail Consortium says reverting to WTO tariffs might mean UK shoppers paying up to a third more for everyday food items, with the price of cheese up 30% and tomatoes up nearly 20% while the introduction of customs controls with little notice would create 'enormous disruption and have a potential impact on the availability of food on the shelves'
- The Freight Transport Association says a cliff edge solution would 'send costly shockwaves through EU trade flows and supply chains'
- The Agriculture and Horticulture Development Board models a 'Fortress UK' scenario where we trade on WTO terms would render upland farms economically unsustainable.
- And the leading Dutch bank, Rabobank, estimates that 'no deal' could lead to a level of GDP 18% lower in 2030 than it would have been had we remained in the EU.

A disorderly Brexit would take decades to recover from and lead to chaos and damage to our economy, our social fabric and our security. Preventing this outcome, not preparing contingency plans for it, is what we should be doing, and what we are doing. To do otherwise would be like a passenger on the Titanic who, seeing the iceberg straight ahead, goes below to find his lifejacket and pack his bags, rather than rushing to the bridge and hammering on the door in a desperate attempt to alert the captain to the disaster ahead.

So I repeat what I said last week - 'no deal' cannot be an option. However difficult, the UK Government must do absolutely everything in its power to reach a position on the terms of exit so that the December European Council will move negotiations into the second phase and very rapidly thereafter conclude agreement on a transition phase of at least two years. Our offer to support and contribute to the negotiations remains and we continue to press at every opportunity to ensure the interests of Wales are taken into proper account.

Check against delivery

**Embargoed until after Carwyn Jones, First Minister
has delivered the statement.**