

Brexit update

Pwyllgor Materion Allanol a Deddfwriaeth Ycwhanegol | 10 Hydref 2016
External Affairs and Additional Legislation Committee | 10 October 2016

Research Briefing:

1. Introduction

This paper provides an update on the most recent developments on Brexit of relevance to Wales. It includes sections on the work in the Assembly and Welsh Government; EU-level; UK-level; and Scotland and Ireland. The period covered is 20 September to 4 October, although reference is made to later events where information is available at time of final drafting.

2. Developments in Wales

National Assembly for Wales

External Affairs and Additional Legislation Committee

The External Affairs and Additional Legislation (EAAL) Committee is the lead Committee in the Assembly for co-ordinating the Brexit-related activities of Committees. The Committee is undertaking an inquiry into the Potential Implications of Leaving the EU in Wales.

Regular updates on the work of the EAAL Committee are posted on the Assembly Blog: <https://assemblyblog.wales/tag/european-union/>.

Last week the Committee looked at the impact on Higher Education, with the Vice Chancellor of Cardiff University, Professor Colin Riordan, and Deputy Vice-Chancellor of Swansea University, Professor Iwan Davies. This week the Committee held a session on the implications of Brexit to the agriculture and fisheries sectors, and next week they will look at public services, with a focus on health and social care, and local government.

The Committee will be writing to the First Minister outlining a number of issues that have come out of these initial sessions, ahead of the scrutiny session scheduled for 7 November. The Committee has also written to the Secretary of State for Exiting the EU, David Davies MP, and to the Secretary of State for Wales, Alun Cairns MP, inviting them to appear before the Committee.

Climate Change, Environment and Rural Affairs Committee

This Committee has launched an inquiry to look at [Future of Agricultural and Rural Development Policies in Wales](#), including a stakeholder consultation. In an evidence session on 28 September the committee heard about possibilities for the immediate post-Brexit period, and what the longer-term policy focus could be for agriculture and rural affairs.

Other

A number of the other Assembly Committees are discussing possible inquiries into Brexit and as these firm up we will include details in this *Brexit Update*.

Plenary debates

On 21 September the [Assembly agreed a motion](#) on the Single Market:

1. Notes the importance of access to the EU Single Market for the Welsh economy.
2. Calls for clarity on the Welsh Government's position on the free movement of people between the UK and the EU, post the UK leaving the EU.
3. Welcomes the interest in establishing new trade agreements between the UK and other countries around the world.
4. Calls on the Welsh Government to work with the UK Government to ensure the best deal for Wales.

Welsh Government

On 28 September First Minister Carwyn Jones lead the [first meeting of the European Advisory Group](#).

The Cabinet Secretary for Education has established a Higher Education Working Group on Brexit, which met for the first time on 28 September.

On 29 September [Finance Secretary Mark Drakeford announced that more than £16m of EU funds](#) will be invested in two North Wales projects: one focusing on the marine energy sector the other on training programmes for people affected by long-term unemployment and economic inactivity.

The Cabinet Secretary for the Environment and Rural Affairs, Lesley Griffiths, has announced an expression of interest window for a [£1.5million scheme to support organic farmers and producers](#) will open on the 17 October 2016.

Welsh stakeholders

NFU Cymru has written to the Cabinet Secretary for Environment and Rural Affairs, Lesley Griffiths AM, to outline [their priorities for RDP delivery during the period of the transition out of the EU](#).

3. EU level developments

The Single Market

The Single Market continues to be the prominent theme in the discussions around Brexit, and the question of flexibility (or not) on freedom of movement.

For example on 29 September the [Italian Prime Minister Matteo Renzi](#) was asked 'whether there could be "flexibility" over EU rules on freedom of movement and access to the single-market, he said "I think this is a very interesting debate, because this debate will be a debate about the concept of rules in the EU." But he said that debate could only begin once the UK had triggered article 50 – the official procedure for it to start leaving the EU – and he warned: "It will be impossible to give to British people more rights than other people outside the EU."

A number of business leaders have spoken out on this as well. For example at the Paris Motor Show on 28 September the [chief executive of the Society of Motor Manufacturers and Traders \(SMMT\)](#), Mike Hawes was quote as saying: "We are very concerned that the future state of the automotive industry and the success could be jeopardised if we are not in the single market."

The heads of [Nissan](#), Toyota and [Jaguar Land Rover](#) have also talked about needing to review their investment decisions and raised the possibility of compensation if UK-EU trade is subject to tariffs.

On 23 September [German Finance Minister Wolfgang Schäuble and his French counterpart Michel Sapin](#) brushed aside comments from British Foreign Secretary Boris Johnson suggesting there was no link between the EU's principle of free movement and access to its single market, saying they could send Johnson a copy of the Lisbon Treaty and even travel to London to explain it to him in English.

Maltese Prime Minister Joseph Muscat told British TV channel [Sky News](#) that the 'Brexit deal 'must be inferior' to membership'

The impact of Brexit has been a prominent theme in recent months, both pre-referendum and post-referendum. Markets saw turbulence last week following the Prime Minister's speech on Brexit, with sterling reaching a 31-year low against the dollar.

The International Monetary Fund (IMF) published its [World Economic Forecast](#), which included a cut in the its forecast for UK economic growth next year to 1.1% and an assessment that the global recovery remains "weak and precarious".

On the 27 September the World Trade Organisation issued its [trade forecast](#). This included the following reference to Brexit:

The outlook for the remainder of this year and next year is affected by a number of uncertainties, including financial volatility stemming from changes in monetary policy in developed countries, the possibility that growing anti-trade rhetoric will increasingly be reflected in trade policy, and the potential effects of the Brexit vote in the United Kingdom, which has increased uncertainty about future trading arrangements in Europe, a region where trade growth has been relatively strong.

The UK referendum result did not produce an immediately observable downturn in economic activity as measured by industrial production or employment; the main impact was a 13% drop in the exchange rate of the pound against the US dollar and an 11% decline in its value against the euro. Effects over the longer term remain to be seen. Economic forecasts for the UK in 2017 range from fairly optimistic to quite pessimistic. Our forecast assumes an intermediate case, with a growth slowdown next year but not an outright recession.

On 21 September the [OECD forecast UK growth at 1% in 2017, down from 1.8% this year](#) (the pre-referendum forecast for 2017 was 2% growth). For the Eurozone the projection is 1.4% next year, down from 1.5% this year:

Global GDP growth is projected to remain flat around 3% in 2016 with only a modest improvement projected in 2017. This forecast is largely unchanged since June 2016 with weaker conditions in advanced economies, including the effects of Brexit, offset by a gradual improvement in major emerging market commodity producers.

Also on 21 September the Office for National Statistics published its [Assessment of the UK post-referendum economy: September 2016](#). The Chief Economist said:

As the available information grows, the referendum result appears, so far, not to have had a major effect on the UK economy. So it hasn't fallen at the first fence but longer-term effects remain to be seen. The index of services published soon and the preliminary estimate of third quarter GDP, published at the end of October will add significantly to the evidence.

European Council/Council of Ministers

Nothing to report.

European Commission

On 29 September the [Commission referred the United Kingdom to the Court](#) over its failure to propose sites for the protection of the harbour porpoise.

European Parliament

On 29 September the European Parliament's [Constitutional Affairs Committee \(AFCO\)](#) held a session on the consequences of the EU referendum vote, with presentation by experts:

Guntram Wolff (Director of Bruegel); Giorgio Maganza (former Director for Institutional Affairs at the Council of the EU); and Yves Bertoncini (Director of Notre Europe). This Committee also commissioned a number of studies on the implications of Brexit, which have been prepared by the European Parliament's policy department and which are available from this [link](#).

Once Brexit negotiations begin the European Parliament will be a responsible and active partner, [President of the European Parliament Martin Schulz](#) told UK Prime Minister Theresa May on 23 September.

On 20 September the European Parliament's Information Office in the UK held a debate on [British Press Coverage of the EU Referendum](#).

Other: EU media

[Europe unimpressed by May's tough talk on Brexit](#) (Politico).

4. UK level developments

UK Government: Prime Minister speech

On 2 October the Prime Minister made a [speech](#) on Brexit at the Tory Party conference, covering a number of issues:

- **Article 50:** the UK Government will trigger this no later than the end of March 2017. It will not consult the Houses of Parliament in doing this, asserting the right of royal prerogative, and that the UK Government will defend this position in the courts
- **Great Repeal Bill:** to be presented in the next Queen's Speech, the Bill will remove the European Communities Act 1972 from the statute book and enshrine all existing EU law into British law. The repeal Bill will enable Parliament to amend and cancel any unwanted legislation (subject to international commitments and future trade relations with the EU) and also end the jurisdiction of the European Court of Justice in the UK. The repeal of the 1972 act will not take effect until the UK leaves the EU under Article 50. The Prime Minister's speech makes no reference to the role of the Devolved Legislatures in this process.
- **Control over immigration:** the UK will decide on its own immigration rules post-Brexit.
- **Workers' rights:** the Prime Minister gave a commitment to preserve existing workers' rights enshrined under EU law and to further enhance these
- **No opt-outs, one United Kingdom:** the Brexit negotiations will be undertaken as the UK and the UK will as one United Kingdom – there is no opt-out for Brexit and the Prime Minister stated 'I will never allow divisive nationalists to undermine the precious union between the four nations of our United Kingdom'

- **No replica model:** negotiations with the EU will not be about copying another model – Norway model or Switzerland model. It is going to be an agreement between an independent, sovereign United Kingdom and the European Union. The focus will be on free trade, in goods and services aimed at giving British companies the maximum freedom to trade with and operate in the single market – and let European businesses do the same in the UK.

An initial assessment of the Prime Minister's speech and Great Repeal Bill idea was made [Professor Mark Elliott, Professor of Public Law at the University of Cambridge](#), on the Public Law for Everyone web-site.

On 29 September Theresa May [spoke to the Czech Prime Minister Bohuslav Sobotka](#), and on 27 September she met [President Anastasiades of Cyprus](#) and also spoke to the [Belgian Prime Minister Charles Michel](#) as part of her continuing rounds of consultation on Brexit.

On 27 September Foreign Secretary Boris Johnson MP said that the [UK will help Turkey join the EU](#).

UK Government: EU funding guarantee update

On 3 October the UK Chancellor Philip Hammond MP published an updated UK Government guarantee to support projects receiving funding under the current round of EU programmes. This follows on from the original guarantee published by the Chancellor in August.

The August statement gave a deadline for the guarantee to cover projects submitted before the 2016 Autumn Statement (i.e. effectively a November 2016 deadline). The October statement extends this deadline to 'the point at which the UK leaves the EU', following pressure from the Devolved Administrations, including the Welsh Government for the deadline to be extended. This gives every prospect that the guarantee would last at least until early 2019, given the Prime Minister's announcement at the Tory Party Conference on 2 October of her intention to trigger Article 50 before the end of March 2017, and given the general expectation the negotiations on withdrawal would take at least 2 years (the timeframe set in Article 50 – which can be extended if there is unanimous agreement by the EU27 and UK to do this).

The October statement confirms that the UK Government will:

guarantee EU funding for structural and investment fund projects, including agri-environment schemes, signed after the Autumn Statement and which continue after we have left the EU.

... These conditions will be applied in such a way that the current pipeline of committed projects are not disrupted, including agri-environment schemes due to begin this January.

... Where the devolved administrations sign up to structural and investment fund projects under their current EU budget allocation prior to Brexit, the government will ensure they are funded to meet these commitments.

The specific references to agri–environment schemes due to begin in January alleviates the concerns expressed by the Welsh Government about the uncertainty around funding for these, and which had not been addressed in the Chancellor’s original Autumn statement. The Welsh Government has not yet (at time of writing) made a formal response to the most recent statement, however, the [First Minister in response to the August statement](#) by Hammond, had called for the guarantee to be extended to 2023 to cover the whole of the current funding period (which runs from 2014–2020).

House of Commons

The House of Commons has been in recess between 15 September and 10 October. However, during this period a number of Committees have issued calls for evidence:

- 20 September the Select Committee on Health issued a call for evidence for a new inquiry [Brexit and health and social care](#).
- 29 September the Select Committee on Education issued a call for evidence for a new inquiry [The impact of exiting the European Union on higher education](#).

A new Committee on Exiting the EU is also being established and we understand the vote for the Chair (who will be from the Labour Party) is scheduled for 19 October.

House of Lords

The House of Lords European Union Committee and its six Sub-Committees is undertaking a “co-ordinated series of inquiries into the key issues that will arise in the forthcoming negotiations on Brexit”.

As with the Commons the Lords has been in recess from 15 September to 10 October.

The Lord EU Select Committee (Chair Lord Boswell) is holding an evidence session with UK Government Ministers on 11 October as part of its inquiry into [Brexit: UK–Ireland relations](#).

The Lord EU External Affairs sub-Committee and EU Internal Market sub-Committee will hold an evidence session with UK Government Ministers on 13 October as part of their joint inquiry into [Brexit: future trade relations between the UK and the EU](#).

5. Scotland

Scottish Parliament

European and External Relations Committee

On 22 September the European and External Relations Committee took evidence on [The implications of the EU referendum for Scotland: intergovernmental relations](#).

29 September: [The implications of the EU referendum for Scotland](#): The Committee took evidence from a Scottish government Minister and official, and two Scottish MEPs.

The Committee discussed the Scottish Parliament European Union Strategy, and [took evidence from the Slovak ambassador](#).

Scottish Parliament debate

On 27 September the parliament debated [Securing the Interests of Scotland's Rural Economy Following the EU Referendum](#).

The Parliament debated [Scotland's economy: responding to the European Union referendum](#) on 20 September, and [securing the interests of Scotland's rural economy following the European Union referendum](#) on 27 September.

Scottish and UK Government Brexit Ministers meet

A panel of experts met on 3 October to discuss the [impact of the EU referendum on the environment and climate change](#). It will provide advice to the Scottish Government's Standing Council on Europe.

On 30 September Cabinet Secretary for Justice Michael Matheson urged the UK Government to [opt in to a new European policing co-operation framework](#) to ensure police continue to have access to key data and other resources held by EU crime-fighting agency Europol.

Speaking at the annual convention of the Institute of Directors on 27 September, First Minister Nicola Sturgeon described [membership of the single market as the "obvious consensus position"](#) among leave and remain voters in the EU referendum – and said that the UK-wide result was not a mandate for a hard Brexit.

On 26 September External Affairs Secretary Fiona Hyslop [met the French Government's Minister of State](#) for European Affairs Harlem Désir.

6. Northern Ireland

On 4 October Finance Minister Máirtín Ó Muilleoir responded to Chancellor Hammond's statement on [EU structural and peace fund bids](#).

On 22 September the Committee for Agriculture, Environment and Rural Affairs had an oral briefing from their research service – [Northern Ireland's Environment – Background and Possible Brexit considerations](#).

On 21 September and 5 October the Committee for The Executive Office had briefings on [UK Exit from EU](#).

7. British–Irish relations

House of the Oireachtas (Irish Parliament)

On 27 September there was a [Joint Committee on the Implementation of the Good Friday Agreement](#). On the agenda were the following points:

- Implications for the Good Friday Agreement of the UK referendum to leave the EU [Minister for Foreign Affairs and Trade]
- Fiscal implications for Northern Ireland of the UK referendum decision to leave the EU [Mr Máirtín Ó Muilleoir MLA, Minister for Finance, Northern Ireland]

On 4 October there was a joint committee on European Union Affairs, including the [results of the Bratislava Summit](#) and the decision of the UK to withdraw from the EU [Minister of State for European Affairs]. The Minister also gave a statement in the Senate the next day.

8. Other reports published

House of Commons Library:

- [EU budget and the UK's contribution](#) This note considers the EU's spending and how it is financed. It includes the UK's contributions and receipts to and from the EU budget and discusses the UK's rebate.

House of Lords Library:

- [Brexit round-up](#) (summary of all Brexit-related activities in the Lords)

Scottish Parliament:

- [The implications of EU withdrawal for the devolution settlement, Professor Alan Page, Professor of Public Law, University of Dundee](#) (Pdf 2.4MB). This paper was commissioned by the Culture, Tourism, Europe and External Relations Committee of the Scottish Parliament and is part of a series of studies commissioned by this Committee to look at the implications of EU withdrawal to Scotland.