

## **External Affairs and Additional Legislation Committee response: Wales' Future Relationship with the European Union**

**9 February 2018**

### **1. About the IWA**

1.1 The Institute of Welsh Affairs is an independent think tank. Our only interest is in seeing Wales flourish as a country in which to work and live. We are an independent charity with a broad membership base across the country. We aim to bring people together from across the spectrum in a safe space where ideas can collide and solutions can be forged in our five priority areas: the economy, education, governance, health and social care, and the media in Wales.

1.2 The IWA has five Policy Groups for each of its priority areas. These groups guide and inform our policy priorities. Members include practitioners, academics and policy professionals with expertise across a diverse range of issues. A list of members is available on request.

### **2. About this response**

2.2 We have chosen to focus on the strategic approach taken by Government and the External Affairs and Additional Legislation Committee to developing priorities for the future, the nature of relationships with Europe, and to reflect headline concerns from our health and economy policy groups where Brexit has been a key focus for discussion. We have not sought to provide detailed evidence on each of our thematic areas, as other delivery-focused organisations are better placed to describe their priorities based on their first-hand knowledge and experience. Instead, we reflect on what we have observed through our policy groups and networks as emerging priorities.

### **3. Key points**

#### **3. Strategic approach to developing priorities**

3.1 Across our five priority areas, we have observed a significant amount of thematic overlap between concerns about the UK's exit from the European Union. Common themes include people (in particular workforce and citizens rights), trading arrangements, and the replacement

of structural funds. We are also aware that a number of Welsh Government departments have undertaken stakeholder engagement exercises to understand the implications of Brexit for specific sectors such as agriculture and higher education. We are not aware of any such exercise being undertaken for the health service, which - if indeed true - seems a significant omission. We would welcome clarity on this point.

3.2 The mechanism being used by Government to bring these concerns together and identify areas of common concern across sectors is not clear. It is important not to lose sight of the whole in seeking to understand the individual pieces, and thereby miss opportunities to make broader connections and ensure all sectors benefit from any gains made. We warmly welcome the recent exercise by the External Affairs and Additional Legislation Committee to bring a diverse range of stakeholders together to identify common priorities. This sort of exercise, which builds on subject specific examination and knowledge, allows us to look across sector boundaries, make connections and develop coherent priorities. We consider the extent to which Welsh Government is balancing sector specific concerns with cross-cutting themes an important area of particular interest for scrutiny.

3.3 We also consider that some of these common challenges present a potential opportunity. Innovation can rise out of crisis, and Wales has a number of ongoing challenges to overcome. Take, for example, the persistent difficulty in integrating health and social care delivery in Wales. Both are now facing a common potential crisis in workforce recruitment and retention. A cross-sector examination of the issues may provide opportunities to work more closely in order to overcome these challenges.

#### **4. Relationships with Europe**

4.1 We welcome the Committee's inquiry, and agree that the political and governmental institutions in Wales, the UK and Europe of course have a central role to play in determining Wales' future relationship with the UK. However, we believe it is also important to consider the role of other formal and informal links, including those maintained by civil society, academia, and the third sector in particular, who play a key role in Wales' relationship with similar groups in Europe. Change is never only driven by state actors, and many parts of Welsh society will have to play important roles in developing new and different relationships with European colleagues.

4.2 In effect, these formal and informal links provide Wales with an array of potential allies who may also themselves wish Wales to continue to be involved in the exchange of ideas, policy and practice. These relationships, which often exist outside state-led mechanisms, currently provide a platform for Wales to voice its concerns to and share its learning with our European colleagues, and vice-versa, and so present an opportunity to retain links on a wide variety of policy and practice issues after Brexit. Any strategy developed by the Welsh Government or by the National Assembly for Wales should seek to identify, nurture and actively support these relationships, in recognition of their value to Wales. If we are to maintain effective arrangements

for the future a systematic exercise to chart the extent of these links, the nature of relationships and examine how they can be maintained, would add significant value.

## **5. Health**

5.1 There are already existing acute recruitment difficulties in several disciplines and geographic areas of Wales, which largely reflect UK shortages. These shortages are predicted to become worse as the proportion of the Welsh population over 65 increases and the working age population decreases. It is difficult to predict the scale of the impact if there is a reduction in workers from the EU in the Health service, and the source of replacement workers is not obvious. As well as the makeup of the workforce itself, arrangements for mutual recognition of qualifications, and ensuring communication between national professional regulators, will need to be preserved to ensure future alignment and to prevent additional barriers to recruiting a well skilled workforce.

5.2 Regulation is also a key issue with regards to access to medicine, as well as the workforce. It has been announced that the European Medicines Agency is to leave London, and it is not clear yet what relationship it will have with the UK. If the UK is not closely linked, this is likely to result in delays of at least months to the adoption of new medicines. This may also have an impact on pharmaceutical companies based in Wales.

## **6. Economy (trade)**

6.1 Welsh goods are far more reliant on the EU as an export destination than the UK as a whole: the EU accounts for 67% of Welsh exports compared to 49% for the UK<sup>1</sup>. By sector the most important exporters to the EU are: food and live animals; machinery and transport equipment; manufactured goods; chemical and related products; miscellaneous manufactures; animal and vegetable fats and waxes; mineral fuels; lubricants and related materials. However, the vulnerability of each sector is unique. For example, given the perishability of the products of the processed food sector, geographical proximity to the final market is important, whereas this matters far less for machinery and transport equipment, which are likely to be affected by individual product costs crossing trade borders numerous times before the final product is exported from Wales.

6.2 Clarity for Welsh producers is paramount for those dependent on EU trade either directly or as part of a supply chain. A sector by sector analysis of trade implications is a priority. The IWA is planning to undertake an analysis of various Brexit scenarios and their consequences for a number of key Welsh industrial sectors and the Welsh economy in Spring 2018. We will share this information with the Committee as soon as it is available.

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<sup>1</sup> National Assembly for Wales, HMRC data, 2016

## **7. Contact details**

Thank you for your consideration of our response.

For further information, please contact:

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