

UK Trade Deals and the Impact on Devolution in Scotland and Wales

09:45am- 12:00pm

Thursday 30th September 2021

Co-Chaired by Co-Convenor of the Commission Peter Norris and Commissioner Andrew Ballheimer

Apologies: Paul Blomfield MP

AGENDA

CLOSED Session 9.45am-10.00am [15 MINS] - Commissioners Only

1. Approval of Minutes and Transcript from State EU-UK Diplomatic Relations Session (16th September)
2. Update on an upcoming Meeting with Minister for Exports
3. AOB

Minutes

The Chair welcomed everybody to the session, before then asking Commissioners to approve the Minutes and Transcript for the previous session. The sets of Minutes and Transcripts were approved.

Jake Verity from the Secretariat gave an update that the Secretariat is speaking to civil servants to organise a meeting with the new Minister for Exports, Mike Freer, and that Commissioners would be updated in due course as to when a meeting is agreed.

Following this, the Chair ran through operational points ahead of the session.

The Chair then started the Live Evidence session.

Live Evidence Session 10:00am - 12:00pm [120 MINS] - Commissioners and Witnesses

1. Q & A

Peter Norris

Good morning everyone and welcome to this session of the UK Trade and Business Commission. This morning we are covering the extremely important topic of the relationship between the devolved Governments and Westminster. We hope to hear about how that relationship has evolved over the last five years, how the various settlements are being affected by our new trading relationships and how effective the relationship between Westminster and the Governments is being, in terms of negotiating and determining the basis of further new trading relationships and hopefully from all of that we'll be able to draw out some suggestions for improvements and enhancements in the next phase.

We're extremely grateful to our three witnesses in the first session from the Welsh and Scottish Governments and from the Institute of Government and I would like to ask each witness to briefly introduce themselves before we get going with the first question. Ivan could I start with you?

Ivan McKee

Indeed you can, I'll just come off mute. Thank you very much for the invitation this morning, my name is Ivan McKee and I'm the Scottish Government Minister for Business, Trade, Tourism and Enterprise.

Peter Norris

Vaughan would you like to go?

Vaughan Gething

Yes, my name is Vaughan Gething, I'm the Welsh Government Cabinet Minister for the Economy.

Peter Norris

And Jessica.

Jess Sargeant

Great, hi thank you for having me. I'm Jess Sargeant, I'm a Senior Researcher at the Institute for Government, specialising in devolution and Brexit.

Peter Norris

Thank you very much. Let me put the first question and just as a reminder to our witnesses, we have seven minutes allocated for each question and I'll endeavour to keep us all to time. I'd like to ask if we could perhaps put some of the context together about how the Westminster and the devolved

Governments have worked together over Brexit and new trading relationships. What sort of infrastructure for consultation and debate has been created?

Vaughan Gething

Well, perhaps if I start because over Brexit I was in a different Ministerial role, I was a Health Minister and so in all the iterations of getting ready for both No Deal preparations and then the reality of what did happen we had a varying experience because there were essentially different iterations of the UK Government in that time. There was lots of engagement around getting ready for the health and care consequences of Brexit, getting ready for potential challenges with pharmaceutical supply and more, so there was quite a lot of very practical conversation, but it did differ slightly between different departments. There is unevenness within the UK Government about each department's willingness to engage with devolved Governments. We did have engagement but that doesn't mean to say that we'd be content with the end result, the situation that was reached, and of course the end position we find ourselves in went through Parliament in less than a day.

On the trade, whilst I think there was lots of lots of engagement and in particular a very practical engagement on some things in the lead up to Brexit, but not all, we have good relationships between officials but again I think it is characterised by a lack of information about positions before they are reached on a UK point of view, so UK negotiating positions on trade there is some engagement where there's a recognition that issues are clearly devolved, there isn't really adequate engagement on issues that are reserved but plainly impact on devolved responsibilities as well, and that's one of the things we are looking to resolve. We have asked for the development of the concordat properly with the Department for International Trade so we can see reserve positions and contribute to them because there is almost always going to be a devolved impact.

Ivan McKee

Yeah, I'll come in and just comment on that question and very much to agree with much of what Vaughan said, I suppose from the outset it is worth restating the Scottish Government's position that we think Brexit is a mistake, we think it shouldn't have happened, we think it should be reversed and we are suffering extremely severe consequences as a consequence of the actions that the UK Government has taken. However, we did seek to engage constructively through the process, recognising that the result of the 2016 referendum, we published papers on how we saw the best process and the best approach to take forward the UK's exit from the European Union might be best managed and the role of devolved administrations in that process and to be perfectly honest with you the UK Government frankly completely ignored our position and our input on how that should be taken forward.

I would echo Vaughan's point about the UK Government, it is difficult to treat it as a single entity, different departments have different ways of looking at things, different approaches, different styles. Frankly don't always agree with each other, very often don't agree with each other and also don't even talk to each other. So, that makes it difficult to give an over-arching answer there. With regard to trade, again we've been very clear and published a paper on this some two years ago now that the role of the devolved administration in that interaction with the UK Government on free trade deals was hugely important and we offered a structure and processes for that to be managed. Again, that hasn't been engaged in seriously by the UK Government, and as Vaughan indicated the concordat would have been at least a step in the right direction in terms of understanding how we dealt with devolved issues as impacted by trade in a constructive way, but the UK Government hasn't taken that forward either.

So, we do have meetings with UK Government Ministers at official level, the amount of information that can be shared at official level is limited and Ministerial level where we have some constructive discussions in large part because of the absence of structures it has been difficult to have a meaningful engagement at that level.

Vaughan Gething

If I may just briefly before Jess comes in, there is [inaudible 0:06:43.5] a consistent theme as to what is said about different departments behaving differently, but there is a challenge in whether we have structures that help us to engage as well as a cultural change in personal behaviour, because actually Greg Hands the previous Trade Minister was always very decent in our conversations, so actually there wasn't a personal difficulty there at all, but the difficulty is inter-Governmental relationships only rely on good personal relationships and actually there is an obvious risk and challenge and difficulty in the future.

Ivan McKee

I would absolutely echo those comments from Vaughan.

Peter Norris

Thank you both. Jessica would you like to come in?

Jess Sargeant

Yeah I mean absolutely, just to kind of say something a little bit about structures obviously over the Brexit process there was the JMCEN, so the Joint Ministerial Council for European Negotiations that was established, although perhaps that didn't serve the function in terms of coming to an agreed negotiating position that perhaps it was intended to initially. There has been some really good work that's happened through that forum, particularly around common frameworks and No Deal planning and such like. But obviously as the European negotiations have come to an end there's a question of what replaces that and actually a lot of the other inter-Governmental machinery at the moment is not fully functional, for example the plenary JMC in which the First Ministers and the Prime Minister are meant to meet, isn't meeting at the moment. So there's a big question about this gap, there's on-going work between the four Governments through the review of inter-Governmental relations, we saw a progress report published in March and that includes things like an inter-Ministerial forum on trade, which could to some extent formalise these relationships, but as both Ministers have pointed out at the moment are slightly problematic because they rely so much on kind of individual personalities and individual will, so I know we'll come on later to some of the solutions here, but I think one of the solutions here is to formalise those arrangements and to make progress on the inter-Governmental review.

Peter Norris

Thank you very much Jessica. I think that paints a rather gloomy picture at the beginning of the session but hopefully we'll identify some positive themes to draw attention to later on. I'm now

going to ask Liz, we have slightly re-jigged the order here because one of us wasn't able to attend at the last minute, Liz is going to put two questions now, Liz.

Liz Saville-Roberts MP

Thank you very much Peter. [Welsh dialogue 0:09:13.9] Ivan and Peter and Jess. I'm going to ask these questions in an order please, if I could ask Ivan the first and then Vaughan to you and then to Jess. You've all of you mentioned the need to formalise relations and I think what I'd like to go under the skin of that some more in the sense of what actually in terms of resources do you require to formalise those relations? Obviously there is the will as well, but do you feel, and particularly to the Scottish Government and then to the Welsh Government, that as things stand you have the resources within your present capacity to deal as things stand at the moment and then if it is to be formalised what would you require in terms of resources there, so Ivan if I could go to you first please?

Ivan McKee

Yeah, in terms of resources we've worked hard to put in place our Directorate of International Trade and Investment over the last three years. I was the first Scottish Government Minister to have Trade in my title and that was in 2018, and we've built up resources within Scottish Government to be able to address those issues, both in terms of the practicalities, for example our export plan, our inward investment plan, our global capital investment plan, they were published over the past two years but also in terms of broader trade policy issues and our vision for trade that we published earlier this year that's had I have to say very positive feedback across the whole of the UK and beyond. And to give us the capacity to be able to engage and publish or present to UK Government Scottish perspective on sectoral impacts and broader impacts of trade deals, for example with Australia, New Zealand and so on, and we continue to engage with that information.

So, to answer your question we've put in place a directorate to deal with that, we continue to grow and expand that and I think more of the challenge isn't so much that it's about getting information cooperation back from UK Government that allows us to efficiently address those questions is probably more of a challenge than resources.

Liz Saville-Roberts MP

Thank you, Ivan. And Vaughan, to what degree has Welsh Government been able to put similar arrangements in place and what would be the ideal arrangements?

Vaughan Gething

If you think about leaving the European Union we had quite a range of papers you'll recall have been published on potential impacts and the different models for leaving as well. So we did marshal lots of resources, lots of Ministerial time as well as officials to draw people in. Now leaving the European Union is a fact and it's actually part of standard business but that does provide different challenges together with trade because we don't have the same resources that the UK Government does have in terms of the physical resources available to it, not just money. [Inaudible 0:12:09.3] point about structures because there are good relations between officials, but it is then the ability to have influence within those as well and I think the structure to allow to have earlier engagement would allow us to prioritise where the greatest gain is maybe not from our point of view but from a UK one

as well. And if you think about on-going reality of our relationship with Europe. The TCA is a framework, there's lots of detail to fill in and there are detailed meetings that are taking place, now if we were to have Welsh Government representation in every single strand of those that might be rather challenging and stretching, but actually if we understood more clearly the direct impact of those we could be upfront about the areas that mattered most to us and one area where we're not taking part for example is in discussion around the Northern Ireland Protocol, where actually what happens there has a direct impact on trade and the economy in Wales and I'm sure it does in Scotland as well. So it's the ability to have a conversation and in honesty we have been constructive and trusted interlocutors in this, you won't find that the Welsh Government has leaked information that we've been provided with because actually we want to get on and do something that's of value and I think it is both the cultural part of investing in some trust and having structures that allow us to do that, because I think if we tried to say we just need more money that gets us into a conversation that takes away from getting the relationships right which is actually more important.

Liz Saville-Roberts MP

I think we'll be touching on the money, and I think the things you've said in the past about the Shared Prosperity Fund as well. But I'd be very interested if you could come back a little more to formalise what you were saying about a concordat, what would the idea shape of that be?

Vaughan Gething

Well we've actually made proposals as well so there has been some work taken forward on this, but there has been a view from the Department for International Trade, because relations were good there is no need for a concordat and that goes back to our point about wanting to have something that doesn't rely on personal relationships and it comes with the point Ivan and myself have made about formalising that where areas are devolved, about [inaudible 0:14:13.6] information provided, but also about before issues are published we then understand what the likely position is on reserve matters so we can input into where those matters directly affect devolved responsibilities, because there have been times we have learnt about things very late in the day, if not at the point of publication and a concordat would set out when we would share information and how we'd do that, how we'd input into that, I think it would clarify how we all want to behave in an area that just takes away the personal element of it that I think would help all of us, including the UK Government.

Liz Saville-Roberts MP

Yes, well of course I mean the personal arrangement we've just shown we're moving from day to day under the present arrangements and it is not structurally there in place, there is no structure in place to acknowledge the new position. Thank you very much Vaughan, I'll be back to you in a moment on something but if I could turn to Jess from a view from the Institute of Government about you know the resources available to the devolved Governments.

Jess Sargeant

Yes, absolutely there are, I mean it is no secret that the devolved administrations are smaller than the UK Government, they don't have the same capacity particularly in an area like trade, and I think one of the important things is talking about what Vaughan was talking about there about trust and I think Brexit has meant that perhaps that is slightly less cooperation in kind of sharing information and intelligence and analysis than perhaps there should be, and while I think it's very important where the devolved administrations in Scotland and Wales have distinct interests in trade negotiations where their economies might be slightly different that they are able to kind of conduct that analysis and present that to the UK Government. In many areas all part of the UK will have very common interests when we're talking about negotiating with an international partner, so I think it is important that resources are pooled in some way or shared between the UK Government and the devolved administrations so they can all make use of that work that's being done and we don't end up duplicating that resources. But you know as Vaughan mentioned there I think a very important part of being able to do that is kind of rebuilding trust and changing the mind-set of officials in some way in that you know there is a common interest in when the UK as a whole is negotiating with international trading partners rather than kind of tensions within between the different governments.

Liz Saville-Roberts MP

Thank you very much and I will move on to what you probably have on your list as question four. And if I could turn to Vaughan first of all, but my particular question in relation to the impact of Brexit on the devolution framework, has a particular point with Welsh Government in that Welsh Government I know submitted a request for a judicial review of the Internal Market Act back at the beginning of this year, that at the time was turned down as being premature but it has now been resubmitted successfully. Vaughan, could you tell us some more about why this application was made in relation to the Internal Market Act, and I'd also be very grateful if you could touch on the Subsidy Control Bill which of course is one of the manifestations now of how the Internal Market Act is going to play out.

Vaughan Gething

Well we think the Internal Market Act is heavy-handed and has a very real potential to undermine 20 years of settled will on devolution. We've already seen that it allows UK Ministers to reach into devolved areas to spend and make alternative choices and actually that's really unhelpful from a business point of view to have two Governments competing in exactly the same space. We could get drawn into a long and unhelpful constitutional argument on where powers lie and after all the powers that we have have been settled after two referenda here in Wales as well. And I think it is really unproductive. We do recognise that there is a need to have some idea about what a UK internal market means but it can't simply be that one partner decides the lowest common denominator and everyone else has to act in that way and I'm afraid that's a bit of the structure of the Internal Market Act, as well as the ability to take the powers to essentially to override devolved decision making.

The thing with the Subsidy Control Bill, we think that we recognise there should be a framework of subsidy control within the UK as well but again it does seem that lots of the power, the ultimate arbiter ends up being a UK Minister and that in itself is obviously going to be fraught with difficulty and challenge in the future. So the Court of Appeal are going to look at the challenge the Welsh Government has provided, they've indicated they think there are generally important issues about the devolution settlement how Government interact with people. I do think though that it's not just about goodwill between Ministers but a need to look seriously at how the Governments are going to

behave when we are going to have an era where the UK Government says well we don't like what you are doing, we'll decide for you. I think that is the wrong way to go about the future of the Union, I think it is actually a really awful environment for other decision makers, not just businesses. So, I hope that the work on inter-Governmental relations can be concluded because that should show that there is a way for us to behave differently and there could be potential later questions on common frameworks as well, so in that there isn't an alternative way to resolve some of these challenges.

Liz Saville-Roberts MP

Could you just give me some indication, what do you think that Welsh Government might want to do which this possible intervention on the part of the UK Government might actually stymie or even prevent?

Vaughan Gething

Well on subsidy control we need to have a clear framework where we understand how it can support businesses, in particular in those areas where you know there is a case where you need to stimulate economic activity. Broadly if you think about [inaudible 0:19:49.3] Wales, the M4 corridor and below actually it's ease of a similar economic activity in the [inaudible 0:19:55.3] or potentially in rural parts of Wales, so we need to understand the framework of subsidy control to know what we can do and not get drawn into disputes.

If you think about some of my old areas of responsibility in my former life, if we wanted to introduce labelling for public health reasons, for product that are alcohol-related, foods or otherwise potentially we could end up in a position where we couldn't do that and if you import goods into one part of the UK then they are supposedly then allowed to go on and not have a different way of being presented in different parts of the UK too. Now the problem there is that if they are imported into England with different labelling requirements, different health information then potentially our ability to regulate within our devolved competencies could be overridden. And those are real examples that could take place, there are many others and I think we sent these to colleagues in Parliament in the past when the Internal Market Act was going through.

Liz Saville-Roberts MP

Lovely, thank you very much Vaughan. And Ivan I know the devolution settlement for Scotland is quite considerably different to that of Wales, but could you illustrate ways in which the new framework may actually impact on your freedom to govern Scotland in the way that you would see best?

Ivan McKee

Yeah, absolutely and again just to echo much of what Vaughan has said, the Internal Market Act we see as deeply problematic and effectively attempting to roll back the powers of devolution and rather than approaching this on a consensual basis where we can all sit down and agree on frameworks and approaches that work for everyone, it's very much about the UK Government taking the opportunity of Brexit to challenge the devolved Governments with regards to the power that, where that power lies. So we do see that as deeply problematic and breaches of the Sewel Convention the constitution of the role that the UK Government obviously wouldn't pass us on

devolved matters but the concern of devolved Parliaments is something that has been breached and undermined at various junctures as well. So we've seen that unfold over the past years as we've moved through the Brexit process. So that's concerning and as Vaughan said there's examples across many of the devolved responsibilities be it labelling was mentioned and health, environment, and many others where we can see that there are aspects which impinge on international trade and other areas where the frameworks would allow there to be agreement across the UK where the situation we're in, the UK Government going ahead on its own without that agreement is problematic and impinges on the devolved areas that are devolved.

So in general we think there's very much scope for us to have a common approach, a framework is something that I support, but the approach to the Internal Market Bill has been hugely difficult in that regard in the way that the UK Government has approached that, very heavy-handed and makes it difficult for us to operate in the way that we think we should. And with regard to subsequent control again clarity there is hugely important as has been said by Vaughan so that we understand what we can and can't do and I've got several situations coming across my desk at the moment where we need to understand what the scope of the ability of the Scottish Government to support industrial development in Scotland is and where we could potentially bump up against the issues with regards to subsidy control, so clarity on that is very important. And again, from our perspective maintaining alignment as much as possible with the EU with an eye to re-accession is something that we do take on board as part of these considerations as well.

Liz Saville-Roberts MP

Lovely, thank you. Sorry Jess, I think I'd better hand over back to the Chair now for time, but those are very useful answers, thank you very much indeed Ivan and Vaughan.

Peter Norris

Thank you Liz. Paul, would you like to put your question about the history of the negotiations over the last five years.

Paul Girvan MP

Thank you very much indeed and thank the panel for their answers thus far, but in doing so do you think that during the past five years that the UK Government has welcomed the involvement of the devolved administrations in the Brexit and trade questions and I'm just prefacing this with the fact that you know Northern Ireland and it has been mentioned, we have the protocol, the Northern Ireland Protocol in place which has inhibited trade even within the United Kingdom and between the different regions, so we are getting a double-whammy in Northern Ireland in respect of what's been happening and we do think that the Government have been tone deaf in relation to the questions that we were putting forward prior to what we ended up with in January of this year, being imposed upon us. Just I would ask that probably first to Ivan.

Ivan McKee

Yeah, sure. I think welcome is a very big word in this context, obviously it was very far from welcoming, it's been not just my own brief right across all engagement between Scottish Government and Scottish Government Ministers and the UK Government it is very often a question of having to elbow our way in to conversations and find opportunities to make our points heard and

get those points across. So the UK Government has approached this very much frankly I would say with regard to, I would say they view the devolved administration as more of a nuisance that has to be dealt with than something that they see value in having us as part of the process. I think that's unfortunate and I think if you look across other subnational Governments in other countries around the world they've got much more developed mechanisms and processes for that engagement at a sub-national level and we can look at Canada, Australia or Belgium there's plenty of examples of where there is much more structured approach to that and much more meaningful engagement.

So I find it unfortunate that the UK Government has taken that approach which really has been fairly grudging and not much more than a tick box exercise and I think it's the same with regard to the trade agreement negotiations outside of the EU, we've been very clear about a constructive approach modelled on some of those other international examples of dealing with this at a sub-national level that we think adds value, not just to us, not just to the UK but also to the trading partners because it gives them the confidence that across a whole range of reserved and devolved matters when the trade deal is agreed it is agreed and will be implemented right across the country and they're not going to hit wrinkles of problems or challenges because they're impinging on devolved areas as a consequence of those agreements. So I think the support, I think it's unfortunate the UK Government hasn't taken seriously our representations in this regard.

Paul Girvan MP

And probably the same question to Vaughan but you know on the back of what has been said, we believe that some of the out workings of what we've ended up with has potentially put the devolution settlement that we have in Northern Ireland in jeopardy and that's a point that needs to maybe be highlighted but that's by the by. Vaughan?

Vaughan Gething

I think it's pretty clear that the UK Government haven't always welcomed our involvement in both Brexit and the negotiations and indeed all of the issues around international trade, but like I said going back to my first answer it depends which department you are working with because real practical cooperation that was real, I had a number of meetings with Health Ministers, it got off to a bumpy start but actually by the second and third iterations and No Deal preparations there was a clear understanding of the level of risk that was shared across the UK if we left on those terms. And you know my former First Minister Calvin Jones regularly talked about issues on the island of Ireland, the soft or the hard border and what that meant in terms of relations with the rest of the UK and our relationships with Customs Union and Single Market. So the issues were known and actually the difficulty I think has been that our engagement hasn't not just been not very welcome and not listened to in terms of trying to engage with what the ultimate answer is, and you know UK Parliamentarians passed the agreement and they agreed to pass it in less than a day, so we're fixed with what came from a 2019 election and what the UK Parliament then decided to do in very short form with it.

Now I think the issue then is what can we do to make the position work and that's why we want to be engaged in the TCA negotiations and actually my officials are engaged in a range of those, but I do think that some greater honesty and clarity about the wide range of those consequences is really important because when we talk about trade it's not just new trade deals with other parts of the World, but of course it's our on-going trading relationships with our nearest trading partners, so I think about Welsh ports and I have a great deal of interest with what happens on the island of Ireland as well as a trade that would flow through on the former land bridge when it was much easier. So there is real direct interest and we want to try to find a constructive way through but it

does require some honesty about the choices that are available to us and I do think that if we make real progress on finalising the inter-Governmental framework and in finalising some of the common frameworks we could have much greater clarity not just the Ministers and officials in Government, but actually for people we represent whether you are in a business or a normal citizen trying to understand what your ability to move around and work in different parts of the UK and Europe is.

Paul Girvan MP

Jessica, maybe in your role as Senior Researcher in this field could you maybe give us your opinion?

Jess Sargeant

Yeah, from the outside I think one of the things I'd pick up there is the questions about kind of over the past five years and I think Paul was right that there is differences within Government, but I think there has also been differences between different Governments, between the Theresa May administration and the Boris Johnson administration and that's not to pretend that under Theresa May involvement was always perfect and I think the commitment she made early on to have a kind of joint position on Brexit was never realised, but things like common frameworks were established, as Vaughan said there was some good planning around No Deal, the fact there was the unusual step in which 12 Ministers were invited to UK Cabinet Committees which hasn't happened since.

But I think since the Boris Johnson administration came in we did see even over No Deal, some of that joint working slightly falter and obviously since then we've had the agreement of the Withdrawal Agreement and the TCA without the agreement of the devolved administrations. So I think there has been a journey over time, I would draw a bit of distinction here between negotiations of Brexit and international trade, I think on Brexit it was very clear that all the Governments had essentially mutually incompatible political positions, that there's kind of very little way to reconcile the UK Government's desire for this complete regulatory autonomy and the Welsh and Scottish Government's desire for a kind of closer relationship with Europe. On international trade I think there is more space for common interests and kind of a joint negotiating position, it's interesting to hear that the Ministers don't think that we're perhaps making as much progress to that as we could do, but I think politically there is more potential for better working on international trade than there has been on Brexit, so hopefully there's a bit more of a positive note there.

Paul Girvan MP

Thank you very much indeed. Thank you, Chair.

Paul Norris

Thank you very much Paul. Hilary, would you like to take the next question?

Hilary Benn MP

Thank you, Peter, very much indeed. I want to ask about common frameworks because they are being sought as a way of trying to sort this out and agree as the name suggests a common approach which will help when it comes to trade relations with other countries. And I mean as you said Ivan there are lots of other countries in the World that have grappled with this because they've got

devolved systems with Government, so my question perhaps if I could start with you Ivan is how are the discussions on the common frameworks going?

Ivan McKee

They're on-going. We are working to finalise those but I think the Internal Market Act makes that more difficult, on a number of levels in terms of the message it sends that the UK Government considers itself in a position to be able to move forward without the consent of devolved administrations, that sets an unhelpful tone, it's clearly incompatible with the devolution settlement and to our mind it's opened the door to a race to the bottom on a whole range of aspects, food standards, environmental standards and so on and so forth. So that context, backdrop, is unhelpful and of course what it also means is that it probably removes an incentive to manage policy divergence by agreement because it puts the Government in a position where it doesn't have to, so that back-drop in that context is frankly unhelpful with regards to moving forward with the common frameworks, but we do continue to engage at that level and move forward where we can.

Hilary Benn MP

OK, Vaughan?

Vaughan Gething

Yes so there is progress being made here. There was, Ministers from different governments met earlier this month and the plan is to be able to publish an update on the work on frameworks to communicate, we are going to have our own legislators who will want to see what is being done and there'll be great interest there as well, so I'm hopeful that in the coming weeks we will be able to publish something more for scrutiny, I know this Committee Commission will take an interest in that too. And I think what that does show is it does show there is an alternative to simply turning up and saying there is one decision maker and everyone else has to do what they're told. That guarantees conflict, whereas a common framework and the inter-governmental relations review which should go alongside it, if they're implemented and make progress it would show there is a way to be clear about how to resolve issues, how to avoid issues being in dispute in the first place, clarity in dispute resolution frameworks with the inter-governmental relations built on some common frames as what we are thinking that we can do together.

Now, I think that's a much better place for us to be so you have this sort of odd relationship, on the one track there is something that looks a lot more like you just need to do what you're told, and on the other hand there is work going on that says actually this is how we can work together, and it will be really interesting to see in practical terms how Michael Gove's new responsibilities for the Union, including inter-governmental relations means we will now see agreement, because I think there'll be a definite and a positive step forward, I'd much rather spend my time investing in how we make these things work rather than having an argument about why they haven't happened.

Hilary Benn MP

And if, I mean if you are able to reach agreement on all of the common frameworks that have been identified then that would render the powers which are hanging over the discussions, that Ivan and you referred to, in effect obsolete.

Vaughan Gething

Well it would be a way of resolving those potentially because there is an intersection with the Internal Market Act, now what we'd like to have is some framework to say actually that's an answer and you don't need to go over here to use these heavy-handed powers that exist, or alternatively in that the difficulty is that as long as those powers are there then that is just a problem and again you rely on the personal relationships and whether individual Ministers or the Prime Minister decides I don't want to go down the published framework of how we'll do things, I will use the legal powers that exist in the Internal Market Act. So, it will be a helpful way to show that you don't have to go down a much more confrontational approach, I think that isn't necessarily the best way to do business internationally let alone within the four nations of the UK.

Hilary Benn MP

OK, and Jess, what's your view of how it's going?

Jess Sargeant

Yeah, I would agree with a lot of what has been said. I think common frameworks are to some extent the answer to some of the problems raised by the UK Internal Market Act. Ivan mentioned the question about race to the bottom, that can obviously be countered if all four Governments agree to jointly raise standards and while that might sound a bit naïve we have had things like the four Governments agreed to include folic acid in bread on a UK-wide basis, so there is the potential there. I mean one other thing just to mention about the interaction between common frameworks and the UK Internal Market Act is that the Act does have a power to add new exclusion to what's called the Market Access Principles, I think mutual recognition being the most important one here which would allow any goods that meet for example English standards to be sold in Scotland. So that exclusion can be added by the UK Government, including on the basis of an agreement through a common frameworks process. And I think this is an opportunity for all four Governments to look at policies on a kind of case by case basis and ensure that the terms of the UK Internal Market Act don't prevent the devolved administrations from pursuing legitimate policy aims. So, for example an example that's often given is around kind of single use plastics that if there was a ban on single use plastics in Wales that ban wouldn't be effective against single use plastics produced in England which could still be sold in Wales. That's an example where all four Governments could come and look together and look at the evidence and consider whether that ban would actually be detrimental to the UK Internal Market or whether actually the kind of policy logic behind it, the kind of environmental objective behind it is stronger than the potential kind of barrier to trade that that might create and then they could agree to add a new exclusion.

So I think there are ways in which we could make this framework more palatable and work on a more cooperative basis.

Hilary Benn MP

Thank you and just finally and very, very quickly to Ivan and to Vaughan, could you just identify the areas that are being discussed under the common frameworks arrangement where you think there will be most difficulty in reaching agreement? What are the issues? Ivan?

Ivan McKee

Oh. I mean it's an evolving landscape and there are many different moving parts to this so I'm not in a position to be able to point to specifics at the moment, I would say that yeah, I think there's progress being made across a range of them but I wouldn't be able to point to any specifics with that regard at this time.

Hilary Benn MP

No, that's fine OK and finally Vaughan.

Vaughan Gething

Well I'd say that probably the most significant area is the one we've just covered, the exclusions in the Internal Market Act, because there's policy choices here and of course you know in the area that's just been highlighted previously, Jessica has highlighted too, a ban on single use plastics, plainly within our devolved powers to do so, Internal Market Act could prevent us going there despite that it's within our devolved powers and it's a clear manifesto pledge that people in Wales voted on just a few months ago. And that has real potential, a quite ugly conflict goes beyond what happens within the Internal Market Act, so bring on those exclusions, how common frameworks can actually make sense of that, I think would be really important and I think that will mean that if we can do that there should be progress on other issues like international trade and the protocol and what happens with the TCA as well.

Hilary Benn MP

OK, that is really helpful, thank you very much indeed. Peter.

Peter Norris

Thank you very much Hilary. We'll now turn to Dr Whitford to ask a question on the Shared Prosperity Fund.

Philippa Whitford MP

Thanks very much. Obviously we've just touched on how the UK Government can reach into devolved competencies such as environment or public health measures like Scotland's minimum unit pricing of alcohol through the Internal Market Act, but another big issue is the loss of EU funding which was under the strategic control of the devolved Governments but is likely to be replaced by a

more centralised shared prosperity fund. So starting with yourself Ivan, could I ask what your experience of the levelling up fund, which appears to be a forerunner, whether that's given you reassurance or concern, do you think the devolved Governments are going to have sufficient input and do you think the funds are actually likely to be a sufficient replacement for what we're losing in EU funding?

Ivan McKee

Yeah, I mean I've had full responsibility for this area up until May of this year so I've been very closely involved with the development or the lack of development of it over the previous two or three years and it was a deeply frustrating process, it became increasingly clear that not only did ... and this goes back to the comments I made earlier that the UK Government itself within the various different departments didn't have agreement or coherence or alignment in what they were trying to achieve or how they were going to do it. So, we worked with a group of stakeholders, we spent quite considerable time developing and publishing how we saw the shared prosperity fund based on a Scottish context as a replacement for EU funds which as you rightly said were under the control of, controlled within the Scottish context entirely so we were able to allocate those in alignment with other policy issues, be it on economic development or regional inclusion or other aspects of what was happening across the Scottish policy landscape.

So that was all lost, we published our, the output from that group, we pulled together that expert group and frankly that hasn't been taken on board by UK Government at all, they've gone off on a very difficult to understand direction, they've allocated different parts to Scotland with different priorities for consideration under shared prosperity and levelling up fund which we struggle to understand how they came to those conclusions. Some cynics have suggested it's got more to do with marginal seats than anything else but I wouldn't want to comment on that. So, it's been difficult to understand, local government has found it hugely frustrating in Scotland because of the lack of clarity, lack of alignment, lack of sense of where this is going and why and it's been a difficult experience and at the end of the day if you look at the huge value that Scotland derived from EU structural funds over previous decades and you look at the potential disruption to much of that activity it really hits communities, individuals and businesses at all levels and across Scotland and we find that concerning as well.

Philippa Whitford MP

Obviously, the levelling up fund itself as in money is relatively limited, does the Scottish Government have any ideas yet what scale the shared prosperity fund would be, is it likely to replace in scale the EU funding do you think?

Ivan McKee

No, we did some work on what those funds would have to look like to replace EU funds in their entirety that come to Scotland and how that would have looked in the next seven year EU period and published that information as part of an analysis and the funds that we're looking at, as indicated by UK Government fall short of that, far short of that. So in terms of quantum as well as in terms of clarity of policy alignment it's far short of what we benefited from under the EU programmes.

Philippa Whitford MP

Thanks very much. Coming to yourself Vaughan obviously as Ivan touched on the areas that were highlighted, you know under the EU Highlands and Islands was always given a significant priority but is not under levelling up fund, have you had the same experience in Wales of the areas that are highlighted as priority not matching what you would have expected?

Vaughan Gething

Yes, we have and I'd say the challenges with the replacement funds are both about the promises about no funds being lost when as a matter of fact in this pilot phase funds absolutely have been lost. We would have expected still within the European Union to have £275 million available to us this year, in the pilot phase we think we're getting nearer £10 million. So in there first year there is just, it's a matter of fact not opinion there will be less money available. Then the structure of the funds, both how those areas are included and excluded as priority areas it just isn't clear to us how that is being done and I know they have been talked about there was a methodology, it's never been shared with us or published. But it is then more than that the structure of how the pilot phase being run with the Local Authority led bidding process is causing real angst and unhappiness within local government, and local government of every political leadership, Independent, Plaid Cymru, Conservative led and Welsh Labour led authorities are struggling with the way that the bids have been structured. So Local Authorities had to get their bids in very quickly, six months left of this financial year to spend the money and decisions haven't been made, so the timeframe for decision making, but more than that because it's a competitive bidding process that doesn't guarantee that areas of greatest need will actually get the monies, so you could have people able to have better bids acquiring more funds from the central pot and that means areas of need will lose out.

Also because it's Local Authority led, it doesn't allow to have regional and strategic approaches. So for example, we fund a third of our apprenticeship programme in Wales came from former European funds and I don't think anyone on any side in politics wants to have a structure that potentially capsizes a third of our apprentices, you know every party is competing to say how much they want apprenticeships for the future rather to reduce the size of them and that's the same for a range of other areas where regional and national strategic approaches aren't possible with the current pilot phase. But there is also a structural problem for the UK Government as well because there was a previous European Union framework and within that then there were choices made at local or regional levels and Welsh Ministers made those choices in Wales for 20 years. Now at the moment it looks as if the one decision that was made was that Welsh, Scottish and Northern Irish Governments couldn't undertake that same role and decisions would be made by UK Ministers. Actually if you are running a Local Authority bid process across the UK you need an awful lot of capacity within a UK department to centrally manage that not to make choices, but to manage the detail along with that. So actually I don't think it's a practical way of managing the process for the future. Future funds may get up to the level that we would otherwise have had if we were still part of the European Union structure but there is an opportunity for Michael Gove to reset the clock, because it isn't a secret that he hasn't got a plan he's inherited from Robert Jenrick, there just isn't really a plan and that's the same in any part of the UK. So there's an opportunity to do something much more sensible here and work with the grain of devolved Governments rather than having what I think is a needless fight where there just isn't the capacity to deliver on the previous approach.

Philippa Whitford MP

Coming to yourself Jess, I mean as well as undermining if you like the devolution strategic input, do you think that there's going to be a lot of wasted effort in local governments preparing these bids, particularly at high speed, which will require a lot of resources and then maybe not being successful that this may actually be quite a wasteful approach and also quite difficult for the UK Government to run as Vaughan was suggesting?

Jess Sargeant

Absolutely, I think it will put pressure on kind of local Government and as Vaughan was saying I think also there's a question of how this works in central Government in the UK and particularly the department which is obviously now changed name now that Michael Gove has gone there. It was traditionally a very kind of English department that looked at things like housing in English local Government so didn't really have the understanding of devolution to be able to administer this scheme on a UK-wide basis. With the appointment of Michael Gove perhaps that might change, but I think the other thing I would also mention, I know this session is focused on Scotland and Wales but there are some real questions about how the scheme will be allocated in Northern Ireland, there is a different approach being taken there, where there is less involvement from Local Authorities and even more centralisation in how those decisions are made. There are also particular considerations to be taken there in ensuring that money is distributed on a kind of cross-community basis and in a fair way. The Northern Ireland Executive has a huge amount of experience of administering funds in that way, the UK Government at lot less so, so I think I hope that lessons will be learnt from this pilot scheme that will help to iron out some of those issues and potentially that a greater role is given to all of the devolved administrations to ensure that the objectives of the schemes and the objectives of the devolved administrations and Local Government are all joined up to make sure the money is spent most effectively.

Philippa Whitford MP

Thank you very much.

Peter Norris

Thank you very much, yes, we must move on, Tamara please.

Tamara Cincik

Thank you Chair. So my question which I'm going to pose to all of you is, in many countries there is a tension between the ability of devolved Governments to set their own regulations and the requirements of international trade. How do you think that could be best managed and do you think the UK Government has the right balance, and please when you answer could you give examples, and I'm going to start with you Jess, please?

Jess Sargeant

Thanks. I think there are two aspects to this question really, the first is how kind of states with sub-regional governments manage their internal markets and we've discussed a bit now recently about how what the proposals the UK Government has put in place. There are various options, you can have something like harmonisation of rules like we have in the EU, this kind of mutual recognition that we have in the UK now, alongside non-discrimination which basically prevents kind of sub-regional governments from discriminating against each other. It's worth noting that some places like the US have a lot less in place to ensure that there are kind of, that trade can move freely, that there's a lot more regulatory autonomy for individual States, though that does mean trade barriers, so there is this kind of trade-off here between regulatory autonomy and frictionless trade within the State which then has implications for being able to sign international treaties with trading partners who want access to the whole of that market. So there's a question there about how exactly that works.

The second aspect is how sub-regional governments are involved in national decisions, so for example how they are involved in trade agreements. If we look at somewhere like Austria, the Länder have the ability to kind of make a statement, input into negotiating positions where it has implications for their own competencies. In somewhere like Belgium kind of international relations is completely within the competence of some of these regions and so they essentially have a veto over trade agreements, and we saw the big drama over the Walloon Parliament not approving the CISA [ph 0:52:46.1] deal. So there are kind of different levels of that. I think the problem when we talk about both the system for regulating the internal market and input into national trade agreements is the fact that the UK has these slightly strange structures in that the UK Government is the Government of kind of one part of the UK and that it's the Government of England in some areas, but it's also the Government of the UK and similarly we see this same problem with the UK Parliament, which means that it feels like the system for regulating the internal market rather than being kind of agreed between multiple regional Governments or the kind of Federal Government that sits above and is kind of slightly more kind of impartial or neutral, it feels like this is a system that has essentially been imposed by England and similarly when trade deals are signed, again it feels like that's a decision that is prioritising one part of the UK. So it's not an easy answer but I think part of the answer is to think about how we conceive of the UK, whether this kind of unitary status is still appropriate in the times in which we are.

Tamara Cincik

I mean I think having spoke to members of the SNP you are leading to the question of why people want greater independence aren't you and your answer is that if a party that you are not a part of is in control of your region and also of a country that you are unified with, it adds layers of problems. Vaughan when I come to you I also want to just say that we did an event looking at the Australia trade deal and there was a lot of talk from the farmers about the concerns around that and I'm thinking of that in terms of international trade and regulations and what you think, when you draw out your answer if you could just give an aspect of what that future trade deal could mean for Wales as well.

Vaughan Gething

OK, do you want me to start or do you want Ivan to start.

Tamara Cincik

Yes, please, no I'll go to you first please.

Vaughan Gething

OK, so I agree with a lot of Jess's analysis about where we are and there are other parts of the World where there are different models available, you know Canada again is another one where they have interaction with their provincial governments, they understand the need to manage that at a Federal Government level, but there's clarity, there is a Federal Government and Provincial Governments, and you know we have this odd position of a UK Parliament who is also acting for England at various points in time as well. But I think that you know we've been really clear with the UK Government that trade policy should not set domestic policy in areas that are devolved and have been for 20 years. The difficulties going back to some of our first questions about the fact there are times where reserved areas end up butting up into and having an impact onto devolved government, devolved competence and the only way to resolve it is to have earlier engagement and involvement so we can understand those and attempt to resolve them first. And to be fair when we were part of the European Union Welsh Ministers regularly had conversations with Ministers in Scotland, Northern Ireland and the UK Government in trying to agree a UK position before going into the European Union Council of Ministers. So there is actually a history and a memory only a few years ago of different Ministers agreeing on a position or understanding their position before the UK line is then taken and actually I don't think it's that difficult to recreate it if the will is there, that's what I hope the inter-governmental relations will allow us to do.

On current trade policy with the rest of the World we are really concerned that essentially agriculture is being offered up as a make way to not understanding the impacting of that across the whole of the UK and in particular what it means for Wales. So it isn't just what it means for agriculture as a production and economic sector, actually what that means for rural life and [inaudible 0:56:32.6] is really important and it's not taken account of. And the danger in the Australian deal is it sets a precedent, the percentage increase and the quota that's set is really significant and if that happens in New Zealand and other areas too you could actually find that there's a very real threat to agriculture, not just one that might exist at a long and distant point in the future, it will affect people's willingness to stay in the industry and to invest in the future as well. And also I'd much prefer it if we could have some more clarity on animal welfare standards and things that I think are important across the UK too, the current text though, the draft text on climate change and many other things was positive, I know there were headlines about moving back on that, but the text that was there actually help us to move forward, so there are things that we can agree with and work to that would set a positive stand on future trade deals as well and the plain risks that the agriculture deal provides for us here in Wales and I guess across the rest of the UK as well.

Tamara Cincik

Thank you. And I know that we've been running over slightly on time.

Peter Norris

Yes, we need to keep to time.

Tamara Cincik

So if Ivan could just answer before I hand back to the Chair but just bearing in mind everyone's run over, so I'm trying to make up time, thank you.

Ivan McKee

Good for you. Yeah, I'll be brief. I agree with much of what Vaughan said with regards to the Australian deal, it does set a precedent and the challenges there for the agriculture sector are stark. But also as Vaughan rightly said you're looking at specifics about animal health and welfare is an area we have communicated strongly to the UK Government that we are concerned. But in terms of the general principle of your question, this clearly is a tension, not a tension, it's a situation that exists in countries all around the World, the US has been mentioned previously, access to the US market on services is largely determined at a state level but the US has some quite well-structured processes whereby States are able to input to any changes to that environment at a federal level. So there are plenty of opportunities and even just looking back to the way the EU operates within its Member States, when it takes on board commentary and positions with third countries, there are plenty of precedents we can learn from and I think it's down to the UK Government to approach this with an attitude of trying to find a solution that works for everybody and not as up to now been as it has been articulated them acting as they see fit and everyone else has to fall into line.

Tamara Cincik

Thank you, I'm going to hand back to the Chair, thank you very much for your answers.

Peter Norris

Thank you very much Tamara, thank you and that's a good segue Aodhán into your questions.

Aodhán Connolly

Thank you very much Chair, good morning everyone. Jess it's lovely to see you again but I'm not asking you any questions this morning. You are lucky you're getting off the hook. I want to look at the wider trade deals and particularly we have been hearing over this past few months about all the different trade deals that have either been speculated or that have been rolled over. I'm going to start with Ivan and then Vaughan, I've two questions, the first one is what discussions have been held between the UK Government and the devolved Governments over future trade relationships and do you feel adequately consulted?

Ivan McKee

I would say no, there has been discussion but we are always running to catch up in terms of we get information right at the last minute on what's happening. We don't get impact assessments shared with us, we don't get sight of the negotiating position and the approach the UK is taking in terms of those very important trade-offs when it comes down to the wire on trade deals. So we are shall we say, we have conversations but we absolutely don't feel that we are, our opinions are included as we would hope that they should be and particularly where those trade deals impact on devolved matters.

Aodhán Connolly

Vaughan if you wouldn't mind answering that as well please?

Vaughan Gething

I think I've covered a good bit of this previously about good personal relationships, good relationships between officials in areas that are plainly devolved there's a greater recognition of the importance to talk to us, less so in areas of reserve but actually there has been some improvement in that in the conversations around New Zealand compared to Australia where we did see things when they were published. There's been engagement on us with those but of course because the Australia deal in principle already exists there are things to talk about, and I'd like to see that again formalised in a way where we don't have to keep on coming back to this with each and every single potential new free trade agreement.

Aodhán Connolly

I think that is a view that's shared in Northern Ireland as well as that formalisation of process will allow proper consultation. Moving on then to the second question, obviously there is the Scottish and Welsh offices through FCDO in Brussels but have the devolved Governments sought any relationships with the EU or other countries with which the UK is negotiating, have you been reaching out the feelers to those countries? Vaughan, if I start with you this time please.

Vaughan Gething

Well we do have representation within Brussels and within other countries, so we have envoys, we have direct relationships with subnational regions and nations, we have well developed relationships and agreements with the Basque countries for example, as well as a presence within Brussels. Then I think part of the difficulty is that occasionally the UK are suspicious of devolved governments having any activity with other governments around the World and seeing us almost as giving away or undermining the UK position. We've always tried to be straight about what we're doing and why, we need to understand the position other people are taking because it directly affects our ability to go and influence the course of Welsh economic interests, apart from anything else. So, we've had those relationships and we continue to have them and we've been open with the UK Government about where we're active and why, and we think that it would be helpful if that were reciprocated, it would benefit us as well as the whole UK I think.

Aodhán Connolly

Has that been more of a priority for the Welsh Government over this past two years?

Vaughan Gething

Well since we've left the European Union and we don't then have directly elected representatives, the work of our Brussels office has been important in understanding the mood with what's going around but again I wouldn't characterise that as looking for a way to disagree with the UK Government because we have those disagreements here and we try to have those discussions here.

But it is about making sure that intelligence exists for how we discharge our responsibility to support the future of the Welsh economy.

Aodhán Connolly

Thank you Vaughan. Ivan, has the Scottish Government been putting out those feelers and building those relationships with wider countries?

Ivan McKee

I mean we value our international relationships, Scotland is an outward looking international facing country and we've always had engagement internationally. I think it's important to say at the outset that clearly where there are formal negotiating channels, where there are matters that national governments are talking to each other in a formal sense, clearly we are not, nor would we seek to be, part of that process at that level, we'd do that through the UK channels while we are still part of the UK. And neither would the EU or other countries or other Member States of the EU have those discussions on those matters directly with us, that everyone respects those processes but having said that of course we have those discussions, we have broader discussions round about aspects of what we are working on, our policy priorities, areas for cooperation at a national and a subnational level, we have our network of Scottish Government offices now in, how many, six, seven countries around the world with Poland and the Nordics soon to be added to that network. We have our Scottish Developmental National Trading and Investment offices in 30 countries. We have our trade envoys, we have our global Scots, we've got a whole range of international engagement. We engage through EU bodies like the Vanguard Initiative which we're still part of despite Brexit. But we also work very closely with DIT, I meet with the Ambassadors, the UK Ambassadors on my international trips, engage closely with UK Trade Commissioners, so we work together where it makes sense to promote Scottish [inaudible 1:05:10.1] but we also reach out and engage proactively on areas of common interest and sharing of perspectives with countries, national level and the subnational level globally.

Aodhán Connolly

Thank you both for those very illuminating answers and back to you Chair, but I believe we're back on time.

Peter Norris

We're back on time, thank you very much everyone. We're now going to have last question of this part of the session before we're joined by industrial representatives and Shearer will try and pull together some specific recommendations for the future.

Shearer West

Yeah, so thanks for all the witnesses, this was really interesting and this is the summative part of the session really, the idea, one of the ideas behind the Commission is to be able to make recommendations for improvement and all of you have talked about structures for collaboration and joint working, either not being in place or not being activated and I just would like to hear from each

of you very briefly what you think the one or two major steps the UK Government needs to take in order to improve relationships with devolved Governments. And can I start with you Jess?

Jess Sargeant

Thanks, I mean first and foremost we've already mentioned it but I think one of the most important things that can be done in the short-term is to conclude the review of inter-governmental relations and implement that as soon as possible I think. We're hopefully nearly there and I think that could go a long way to kind of formalising relationships, having a proper dispute resolution procedure, having an independent secretariat so that IGR structures feel more jointly owned. I think it could all be really positive in improving inter-governmental relations.

Specifically on the trade element, I think one of the things that the UK Government could do is include the devolved administrations more in the room, in some of these kind of discussions on the negotiations, on the TCA or on the Northern Ireland Protocol. It might sound a bit kind of radical at the moment given that relationships are perhaps a bit frayed, but I think that could help in kind of getting a sense of collective ownership of some of these agreements and as I said I think in a lot of areas there are more shared interests between the UK and the devolved administrations than there are differences in position and I think we need to kind of build on that and make sure that trade agreements are more jointly owned, so those are my two things.

Shearer West

Thank you, Vaughan.

Vaughan Gething

I agree with much of what Jess has just said. You know going back to Ivan's previous answer, there are Welsh Government offices around the World as well looking to promote trade and cooperation, we have visits for international Ambassadors, we have the Ambassadors of Canada and Japan visit us recently, there are bilateral arrangements that exist that don't cut across UK interests in doing so and we see that in the way we promote businesses around the world. In the areas where there is potential disagreement making progress on genuine dispute resolution is hugely important because at the moment and I'll give you an example, in the previous administration when there was an agreement on confidence supply with a sum of money that was part of it, and was paid into Northern Ireland, Welsh and I think Scottish Government both said we think there's a dispute because there's no consequential. The response to the Treasury was there is no dispute and that was it. So there wasn't even an attempt to have a conversation about it. And that's really harmful and doesn't get us somewhere sensible, so having a conclusion to the review, the progress of the conference, I thought put us in a much better place. Because we have shown it is possible to have sensible and grown up conversation, we've had those at various stages in the pandemic as well, so it is possible to talk and to find areas of agreement, but also where we disagree to be much clearer about why we disagree and be able to manage those effectively and properly. So, I am hopeful that that robust inter-governmental machinery with clearer and fairer ways to manage disputes when they exist, but more importantly to avoid disputes arising in the first place is actually really important for all of us.

Shearer West

Thank you, that's really clear. And finally, Ivan.

Ivan McKee

Yes, I mean to round off this part of the session I'll maintain the level of agreement, I agree with much of what has been said so far on this. I think from a UK Government perspective it's about recognising that they need some more constructive approach to it, it's about recognising that other countries have done this and in some cases done it well and we should seek to learn from that. It's about reading and looking at the document we've published on this which have put forward proposals on how these issues could be challenged. It's about working to get those frameworks and the machinery that supports that as effective as possible, recognising as Vaughan said that there are main areas where we all agree and areas where we disagree, we need to be clear about that and understand how we approach that. It's about taking forward and getting the concordat on international trade and finalised and agreed. And I suppose at its core it's about respecting devolution and legitimate interests and responsibilities that devolved administration have starting from there, I think we can make good progress.

Shearer West

Thank you, those were very clear and concise answers and it doesn't sound like rocket science but thank you for that. I'm going to hand back to the Chair and we're going to move onto the second part of this session.

Peter Norris

Thanks Shearer and I'd like to thank each of our witnesses very, very much indeed for their contribution to that, both illuminating and thought-provoking. I'm now going to hand over to Andrew Ballheimer to introduce the second half of the session where we'll look at more specific economic impacts and reactions that we need to consider to those. Andrew.

Andrew Ballheimer

Thanks Peter, well Chaired, on time or even earlier, ahead of time, obviously impressive. Thank you everyone for the questions up to now, I'd like to welcome our new witnesses who are going to introduce themselves in a minute. The topic of this session is impacts of the trade policy on Welsh and Scottish industry, so I'll pass you to each of the witnesses in turn who can please offer a brief overview of their role and their position. Elspeth.

Elspeth Macdonald

Good morning, thank you for inviting me here today to give some perspectives to the Commission from the Scottish fishing industry. I'm the Chief Executive of the Scottish Fishermen's Federation. The Federation is made up of eight constituent associations and we have around about 450 fishing vessels within the membership of those associations and we have a very broad church if you like in terms of the members that we represent. We have all different types of fishing sectors, so shell fisheries, demersal fisheries, the white fish and our pelagic fisheries and we also represent a very wide range of sizes and shapes of fishing vessels, so everything from the very largest to the very smallest. So as I say, quite a broad church. I think it would be perhaps useful to give a sense of

perspective, we in Scotland the fishing industry accounts for around about 60% of the, in fact slightly in excess of 60% of the total UK landings of fish and shellfish, both in terms of tonnage and in terms of value, so you know the majority of the sector sits north of the border. So, I hope that's a flavour of who I represent and we're very happy to answer your questions today as we go through the session, thank you.

Andrew Ballheimer

Thanks very much Elspeth. Dylan.

Dylan Morgan

Yeah, thank you very much Chair and thank you very much for the invitation today. My name is Dylan Morgan, I'm Deputy Director and Head of Policy for NFU Cymru, so the National Farmer's Union in Wales. You know we represent farmers and growers across the length and breadth of Wales sort of covering all sectors and all areas of Wales. Obviously given that sort of around 80% of Wales is what's classified as less favoured, so basically hills and uplands really, we are very much a grass based system in Wales, so very much our production is based around dairy, beef and sheep but we do also have some small but significant sectors of poultry production and cropping in Wales and yeah, as you say I look forward to discussing the issues and how trade and devolution impacts on our sector over the next three quarters of an hour.

Andrew Ballheimer

Thank you Dylan. And finally James.

James Withers

Thank you Chair, morning everyone, like Elspeth and Dylan really appreciate the opportunity to give evidence to the Commission, the work of which we've been following closely and really welcome. James Withers, I'm Chief Executive of Scotland Food and Drink. Scotland Food and Drink I suppose has two parts to its life, we're a membership organisation, we've got about 430 companies in the food and drink supply chain that are members of ours and they'll range from small artisan food producers to multi-national companies and everything in between. The second part to what we do, we also coordinate a public/private partnership in Scotland, so we bring together the different sectors of the food and drink industry alongside Scottish Government and its agencies working collectively to grow the sector of both its value and its reputation. A sector that is worth around, or was prior to Brexit and Covid, worth around about £16.5 billion to Scotland's economy and its biggest single export. Thank you.

Andrew Ballheimer

Thank you very much, that's very helpful. So we'll now get into questions, the ground rules are we have seven minutes for each of the questions, split across each of the witnesses if that's OK. I'll kick off if that's fine. So, the first point is are there particular impacts of leaving the EU or as a result of the new trade deals for Welsh and Scottish businesses, I'll start with Elspeth if that's OK and fish clearly has been adversely impacted by the TCA, but.

Elsbeth Macdonald

Yeah certainly. A lot of what we catch in the UK and in Scotland is exported. So, we export quite a lot of fish and seafoods to the EU and beyond the EU. So clearly the biggest impact of the exiting of the EU and the trade and cooperation agreement was that now exporting into the EU as a third country rather than as part of the Single Market. So that brought with it, and I'm sure James will touch on this too and Dylan I'm sure, new requirements for exporters in terms of new administration, new bureaucracy, new paperwork and additional cost that comes with that. So that's been the biggest impact I would say in relation to trade as a consequence of leaving the EU, it is that issue of now exporting into the EU as a third country as opposed to being part of the Single Market.

Clearly there was a huge fisheries element of the negotiations separately if you like in terms of not so much about the trade element but more about the negotiations of fisheries, access to fishing waters, quota negotiations etc, the fishing industry in the UK had really hoped that that would be an opportunity for the UK to be able to make far greater benefit of the resources within UK waters, that outcome has not come to pass, the settlement on fisheries has been pretty disappointing, perhaps more opportunity in the future, but certainly in the short-term nothing like the ability for us to really be able to expand the sector and have greater access to the fishery resources in our own water. So, that side of the negotiations certainly very disappointing from the fishing industry perspective and as I say in relation to trade the main issue has been the change in that trading relationship with the EU.

Andrew Ballheimer

And the new trade deals, any sort of upside as part of the new trade deals?

Elsbeth Macdonald

I think too early to say yet, but certainly we see a market for seafood well beyond the EU and the UK. There's certainly been a growing market, certainly pre-Covid and hopefully recovering in parts of South East Asia, we've got businesses who are keen to be trading more perhaps into the US, so certainly opportunities there that we would be keen to develop.

Andrew Ballheimer

Thanks very much. Dylan.

Dylan Morgan

Thanks, well you know in terms of Wales obviously we are an agriculture and a food producing nation, so we generally produce far more food than we consume in Wales, so access to export markets is extremely important to us and over the years the EU has been crucial to that and I think in terms of Wales we generally exported more to the EU than on average other countries across the UK and in particular with regards to our agri food and drink exports prior to Brexit, you know around three quarters of our exports would go to the EU markets, so absolutely crucial for us. With regards to the TCA earlier on this year, obviously it was welcome news that that was agreed at the last moment, you know our view all along was that we wanted to continue with sort of tariff-free and friction-free trade to the EU, you know we were pleased that we've maintained the tariff-free but as Elsbeth has mentioned you know we have got that friction being introduced into the trading

relationship now and you know particularly for all of us on the call this morning, when we're dealing with sort of animals and plants for example the animal and plant health regulations and the rules around that, you know do put in place significant friction for our businesses for that. And I think whilst there are a number of reasons for the export figures that we've seen in the first half of the year, if you just look at two of our key exporting sectors, beef exports are down 31% and sheep exports are down by a quarter really, since the start of the year. So you know, clear it's having a big impact on us really and what, you know, concerning for us what that might have long-term.

In terms of the new trade deals, I mean I think those have been sort of really the main issue for us the last few months because you know it appears that you know the UK Government are negotiating really with countries that have major offensive interests within agriculture and obviously we've seen the agreement in principle with Australia which is a huge concern to us and obviously you know we're quite far on now in terms of negotiations with New Zealand, again another major exporting country. And so, you know there is concern amongst our members with regards to potential impacts that that could have.

Andrew Ballheimer

And what are the countries, you know that would actually help you if we had new trade agreements with?

Dylan Morgan

What are the countries? Well, as I mentioned the most important thing for us is to be able to maintain and continue to build those markets in Europe. I think you know there are certainly opportunities for us in the Middle and Far East with a number of those countries over there, you know what we do tend to find with a lot of those countries though it's not so much having a trade deal with them it's overcoming those barriers around the sanitary and phytosanitary rules and regulations around there. So, it's not necessarily the trade deal that's hindered us in the past, it's getting over those rules. But as I mentioned we are an exporting nation, we are supportive of opening up new markets provided they're sort of fair for all as such.

Andrew Ballheimer

Thank you. James.

James Withers

So the impact of the type of Brexit that was pursued has certainly been acute in Scotland and one of the reasons for that is because as Dylan and Elspeth have alluded to, the importance of the farming, fishing, food and drink industry is significantly greater in devolved areas of the UK than it is for the UK as a whole. So to put that in a bit of perspective, clearly food and drink manufacture is important across the UK, as a manufacturing sector it's worth more than aviation and automotive combined, but in a Scottish context food and drink manufacturing is twice as important to the Scottish economy as it is to the UK as a whole and food and drink exports are four times as important to the Scottish economy as they are to the UK as a whole. And the hard Brexit that has been pursued has caused huge damage to that export trade, certainly in the short-term with real questions as to whether we

can recover some of that and that will require solutions to be pursued, whether veterinary agreements or other things.

The other element I would add in from a Scottish perspective is the proliferation of SMEs that we have. So we have a lot of businesses that do not have departments that deal with export bureaucracy and paperwork, so the lack of preparedness that they had in losing a transition period to a pandemic, in having seven hours from a Brexit deal to its implementation on the 1st of January and a matter of hours from the final publication of the border operating model, and aside from Government systems not being ready, it was particularly acute on smaller businesses. Many of whom have not resumed export trade with the European Union because it is just frankly too difficult, too costly and there's not enough margin in it. And clearly these would be SMEs that use mechanisms like groupage and consolidated exports which have remained, well which have been amongst the most negatively impacted by the type of Brexit that we've got. So a huge impact on devolved nations and an impact that I personally don't believe was understood by negotiators, and to be honest part of me hopes it wasn't understood because if it was, you reach a more unsettling conclusion which is that it was just priced in as collateral damage that was worth accepting in order to get a deal. But it's been very, very acute certainly on Scotland and because of the nature of the importance of our farming, fishing, food and drink industry to our economy.

Andrew Ballheimer

Thank you very much. I'll pass the floor to Alison.

Alison Williams

Thank you Chair and welcome to the witnesses. So, I'd like to hear from you about the opportunity for the devolved Governments to do more independent promotion around trade and investment and whether you think there's an opportunity for them to do more and what kind of opportunities that would provide to the businesses you represent. So if we could hear from Elspeth first please?

Elsbeth Macdonald

Thank you. I'm sure from a Scottish context James will talk in some detail about this, but I think the devolved Governments do certainly in the context of Scotland certainly do make considerable efforts, I think as James described the relative importance of the food and drink sector to the Scottish economy is such that this has always been a priority area for them, I think through bodies, through public sector, or publicly funded bodies, the likes of Seafood Scotland and my sector, but also through that wider Scottish development and enterprise networks, the Scottish Government, and I think Minister McKee spoke about this earlier in his session, there's I think a considerable network of contacts, on the ground experts, in-market specialists that are working very hard in key markets for Scottish produce to try and develop and grow our exports into these territories. So I think there's a lot of good work that's already been done and I think we would be very keen for that to continue.

Alison Williams

Thank you, and James is there anything you want to add to cover the Scottish perspective and then we'll move onto Dylan.

James Withers

I would echo what Elspeth has said, there's a huge amount going on and in fact this has been done for about 20 years now, so the development of the food and drink industry as a sector has been a devolved issue since 1999 and a huge amount of effort has gone into developing this trade, so as an example in-market specialists, we have a global team of food and drink specialists on the ground in key markets and have done since 2014. They are jointly funded by the industry and Scottish Government working together and that follows a model that Ireland and New Zealand have had for many years.

One of the reasons that devolved nations I think particularly took the lead on this, and I think Wales have done a fantastic job in building their brand, building their presence in international markets, one of the reasons devolved nations took such a lead is because food and drink and the promotion of exports in our sector wasn't a priority for UK Government for years and we all understood that, the likes of food from Britain had its funding cut, was abolished back in 2009, so in many ways devolved nations filled that gap in terms of driving and developing the leadership for that trade and investment promotion.

What has changed more recently has been that UK Government has become more interested in that and even just I think a week ago, or ten days ago, UK Government announced they're going to follow the model of putting more in-market specialists on the ground. One of the challenges with that is how do we make sure that the UK Government work, which is welcome in the food and drink area, complements what's happening in devolved areas and doesn't run across the top of it, because we've had some bad experiences if I'm honest in the last few years of where UK Government has started to get busy in this area, but has cut across what has been happening in devolved areas. Brand would be a good example, the great brand used now around the World was developed without any involvement of devolved nations despite the fact Wales have developed their brands, Scotland had developed our land of food and drink brand and had done it for a decade or so. And it needs a better culture of collaboration from UK Government if we're going to make the most of brand Britain and brand Scotland and brand Wales and our experience has been that just has not been the case.

But in terms of the level of work that has gone on in Scotland, it's been great and phenomenal success. We've doubled our food exports in a decade, admittedly that's now taken a step backwards because two thirds of our food exports got to the European Union.

Alison Williams

And do you have any recommendations of how to create that collaborative relationship and avoid those scenarios of cutting across?

James Withers

So, I think it's a big cultural piece about how devolved nations and UK Government work together. I really question in a post-Brexit environment whether the structures of devolution are fit for purpose. One of the announcements last week was around an Export Council, the idea of the four nations coming together on an equal basis to look at the markets we're interested in, to share insight and crucially to operationally do things well. We've had trade missions before where we've had UK Government and Scottish Government trying to recruit the same companies for the same trip to the same market at the same time, just makes us all look rather daft, so having a mechanism which allows both ministerially and officials to work more collectively would be a big step forward, but I'll be honest it just does not exist at the moment either on, certainly not on developing trade policy but

even in terms of that export market development strategy, we need a much more collaborative approach from all four nations in working together on that.

Alison Williams

OK thank you. Dylan, do you have anything to add, is there anything more the Welsh Government could be doing?

Dylan Morgan

I just support what's already been said by my Scottish colleagues really, I think with regards to us in Wales similar to Scotland we've had food and drink strategies operating through Welsh Government for the past 20 years and the most recent one ran from 2014 to 2020 and so you know a 30% growth in terms of the industry in Wales to £7.5 billion really, so I think you know we've gone ahead and done that, we've got a very strong food and drink industry board in Wales who operates and sort of leads that strategy and obviously looking to move forward and everybody does similar really, so I think you know there's a lot of good work that's been done, what we've got to do is obviously not rest on our laurels and look to build on that.

I just echo a little bit of what James said really, I think in the last couple of years we have seen a little bit from the UK Government almost trying to put sort of tanks on our lawn as such with regards to what we've done in Wales through their sort of Great British export approach really and I think you know similar to again what James has said I mean I think there's a way that we can all work together rather than trying to be at crossed wires really. I think it's important that all of the UK devolveds work together to open up our markets and to make sure that we can remove any barriers in place, but once we get into those markets I think it's important that we give, you know each country those opportunities then to build and grow their brand within those markets. Now you know in many instances they'll want to work to be able to, on their own product, to build up. There may be occasions as well where you know it's still in all our interests really to work together to grow and sell a product there, but you know that should be in the gift of each individual nation rather than one nation sort of imposing on anyone else how we go about growing our markets overseas.

Alison Williams

Thank you, thanks for your answers.

Andrew Ballheimer

Thanks Alison. Stephen Farry has the floor next please.

Stephen Farry MP

Thanks very much Chair, good morning, everyone. I think these questions have been slightly picked up upon given the nature of these question but I'll just maybe ask for a little bit more elaboration. There's probably two different elements to this, the first one relates to the non-tariff barriers that the regulatory barriers, in Northern Ireland we're very keen on having a veterinary agreement which would ease a lot of the pressures around the protocol, just wondering also from a Scottish and Welsh perspective given that there must be greater emphasis on agri, food and fisheries, to what extent

those are viewed as critical issues from a UK-wide perspective in terms of exporting into the European Union. And the second question if people can just pick up on this as well is around the nature of trade deals themselves and the danger of a one-size-fits-all approach to negotiating deals where obviously the scale of England and perhaps even the industries in the South-East of England will skew the nature of what the UK prioritises in those discussions, with obviously the particular vulnerability being agriculture, which would be a much bigger proportion of the economies of Scotland, Wales and indeed for ourselves in Northern Ireland. So slightly two different questions to each of the witnesses. And perhaps James, Elspeth and then Dylan please in that order.

James Withers

OK thanks Mr Farry and I suppose the first thing to say is the veterinary agreement, you know is the single most important step that could be taken to improve the trade with the European Union and that's because you know if I look at just food exports from Scotland, seafood and red meat are two of our most significant products of animal origin are now caught in a tsunami of paperwork and bureaucracy which adds little in terms of assurance for EU customers, but adds an awful lot in terms of cost and complexity and challenge for businesses that are here. And I think this is about again the type of Brexit, the TCA is a framework, it creates opportunities to drive solutions and that is one where you know we desperately need some progress. It's really challenging, we have massively struggled to have that engagement with UK Government, we've tried for months now to have a meeting with Lord Frost and three times it's been in the diary and has been cancelled. We need to be able to find a mechanism to have those kind of discussions, no one is trying to unpick the principle of Brexit, there's just a smarter way to do this.

On trade deals and your question there, again you know it goes back to the importance of agriculture to Northern Ireland for sure and we work closely with our Northern Irish counterparts, our Welsh colleagues and the importance of agriculture to Scotland. There's no doubt there's a massive nervousness that you know agriculture is sold down the river in order to secure a deal around financial services or car parts. And why would we say that, you know what evidence is there for fear? There's a history to this, we've seen you know where we've not had our PGIs, our protected geographical indicators protected in deals that have been done elsewhere, the Australian deal has been the kind of precedent in starting new free trade has been done in the dark. There's been no real engagement with industry whatsoever and when there's no engagement that's what starts to fuel fears that there is something happening that could have a huge impact, as Dylan says, given the way we have embraced World class standards here and the risks that they could get undercut due to the priorities of some other sectors. So, we desperately need particularly the recommendations of the Trade and Agriculture Commission to be grasped and taken forward, there's a lack of transparency, a lack of dialogue and certainly a lack of recognition of the importance of some of these sectoral issues to devolved nations and we need structures to be able to reflect that.

Stephen Farry MP

Thank you very much. Elspeth.

Elspeth Macdonald

Thank you. At the start of this year when the seafood sector was very quickly faced with all these new non-tariff barriers that we've spoken about already and I mentioned at the start of the session, you know it became apparent very quickly that businesses were struggling to deal with some of these new requirements, many of these new requirements as for many of the reasons that James

outlined earlier in terms of the very little time that there was to adjust, etc. And both Governments pulled industry people together very swiftly and were very keen to hear about you know what solutions were needed and what could be done to essentially expedite these problems and get around them and find ways to make things work better, make the exports easier to get through the system. So certainly as part of these discussions that took place earlier in this year, there was talk around you know veterinary agreements, what that would bring, would that reduce the requirements for a lot of the SPS burdens that the new requirements that have come into place there. So veterinary agreements certainly very much discussed in the context of these immediate problems that we faced at the beginning of the year.

In relation to there was wider points about trade deals, I mean I think as James has alluded to the importance of the size and the importance of the seafood and the food and drink sector to the devolved administration, to the devolved countries, to Scotland, you know hugely the, it's hugely apparent how critical it is that the impacts of deals on these sectors are fully taken into account. I mean I think we saw very clearly in the negotiation of the Brexit deal, while the Government was saying all the right things about negotiating the right outcome on fisheries, that did not come to pass and I'm sure there were strong reasons and the importance of getting a wider deal that meant that there were sacrifices made in relation to fishing, so I think that's absolutely something that we must be alive to in any future trade deals that the Government makes.

Stephen Farry MP

Thanks very much, and over to you Dylan.

Dylan Morgan

Thanks, well look I just agree with everything that's been said so far with regards to veterinary agreements and just going back to what I said earlier really, as an exporting nation it is so important to us that we can move across borders friction free really, so anything that we can do to make sure that that you know continues to happen is vitally important to us, so it's absolutely crucial that we get that.

With regards to the wider issues, yeah again as I mentioned once to the first question really, you know the trade deals that have been negotiated and are being negotiated at the moment are with countries that have major agricultural exporting interests really, so you know as a Welsh farmer I'm struggling to see sort of any benefit really from what we're at there really and when you talk about the numbers just for Australia for example in terms of what they'll be allowed to bring in tariff-free from day one in terms of beef and lamb it sort of dwarves what they can bring in to the whole of the EU at the moment really, so huge potential impact from us. We're talking about you know an exporting nation where 62% of their cattle are on feed lots of over 10,000 cattle where you know your average size of a beef herd in Wales is around 23.

I think when we look at things as well though we need to go beyond the economic impact really and I think that's something we've highlighted many times in Wales, we need to look at the impact that these trade deals could potentially have really with regards to sort of culture and our language and everything else. Like for example in terms of Wales, sort of 43% of our farmers speak Welsh, our first language Welsh really, what impact really will these trade deals potentially have on some of those impacts. And again, you know as you mentioned in terms of different impacts, different parts of the country, you know in parts of Wales sort of a third of the people are directly employed in agriculture and a significant number of businesses you know rely on a significant proportion of their income from agriculture and that's not just your supplies, your veterinary supplies or your agricultural feed

merchants as in towns where I live in, you know the accountant, the lawyer, the builders, the plumbers, they all rely on farmers for a huge amount of their business really and you know I think our concern is that really hasn't been taken into ... that impact it can have you know at a local level, some of these trade deals.

Stephen Farry MP

Thanks very much for that Dylan and those are important points just to conclude with around the nature of what are effectively often small or medium sized family farms as opposed to industrial scale enterprises in all three of the devolved regions and then the wider supply chain that is based around that and if that all goes that will have a major impact in terms of the economic and social and cultural life of many, many rural communities in particular. So back with that, back to you Chair.

Andrew Ballheimer

Thank you Stephen. Paul Girvan has the floor next please.

Paul Girvan MP

Thank you Chair and I thank the panel for their responses so far. I'm just going to ask in relation to what kind of impact assessment is conducted on trade deals affecting devolved Governments and would there be an opportunity in the case of a negative impact to force a re-negotiation or compensation and you know I look along the lines of the additional paperwork that's required on many cases where we actually have higher standards, even in veterinary aspects to what Europe are trying to put forward, so you know we have to comply by Europe's intransigent, in relation to what we can deal with in Northern Ireland and looking at Northern Ireland particularly where we have very high animal welfare considerations as well as veterinary controls put in place and Europe are demanding additional paperwork and as such are excluding some of our farmers from markets because they just cannot be bothered, I don't mean bothered they find the bureaucracy of filling in all the additional paperwork too prohibitive in accessing those markets. I'll ask that to Dylan first probably.

Dylan Morgan

Thanks. So in terms of impact assessments I mean that's something very much that we've called for is to make sure that you know ahead of entering into negotiation that there is a proper impact assessment done which looks at the impact across each devolved administration, rather than just looking at a UK level for the reasons we've talked about in the previous question really and I think it's vitally important that's done before entering negotiations because the problem with an impact assessment after negotiations is that the deal has pretty much been done as such really. I mean I think internally in Wales, you know working alongside Welsh Government we've had what's called an Evidence Scenarios Group and I think we have done quite a lot of good work looking at that potentially in terms of the impact on land use, perhaps not enough with regards to the economic impact but you know unfortunately again that's not something that holds swell with UK Government or something that they would be looking at ahead of negotiations.

I think in terms of renegotiation or compensation I mean that's a really difficult question to answer really, I mean I think the trouble is with compensation or something like that, you know there are talk about sort of market management groups being set up in Wales going forward to sort of replicate

what we previously had in the CAP, but you know that is only in times of crisis as such really, I don't think any of us want to get to that situation and have to ask for compensation at that moment in time. I think James mentioned earlier on with regards to standards, the importance that we all see with regards to the Trade and Agriculture Commission and I think that's a vital piece of work for ourselves really and we're still disappointed that the UK Government hasn't given an official response to the Commission's report and set up the statutory commissions because I think it's important that ... that can get to work as soon as possible really to be able to support Parliamentarians really in scrutinising deals going forward.

I think maybe the biggest thing with regards to what we can do could potentially be around comprehensive spending review and ensuring that the devolveds have the finance needed to be able to underpin high quality food production and I think with regards to us in Wales we're particularly now looking at future agricultural policy. You know a lot of work had been done on what a future agriculture policy could look like prior to us knowing the sort of trading relationship we're in now with Europe and UK Government's policy with regards to other trade deals and I think, you know there's very much an opportunity and we should be looking again at future agriculture and food policy on the basis of what we know now with regards to that policy and I think we really need to make sure that that policy continues to underpin and support a high quality food production and the standards that we're proud to produce to and our consumer expects from us.

Paul Girvan MP

Thank you, Dylan. Could I ask the same question to James?

James Withers

Sure so I think you know the challenge of the impact assessments has been their lack of existence or certainly the lack of visibility and so one of the scarring effects that Brexit has had I suppose on the trade agenda and trade culture in the UK and with industry is that lack of real understanding as to what the impact would be and trying to in particular impose the EU's third country import model onto a country like the UK that is so integrated into its supply chains, that deals with large volumes of sometimes small consignments, individual consignments of fresh product that needs to complete a journey in 24-hours, not frozen New Zealand lamb that frankly has a long shelf life. And really difficult for industry to get our head around. I mean if you're a farmer and you want to remove a ditch from one of your fields you need to do an impact assessment and yet we had the biggest single trading change for the whole of the UK in our lifetime, affecting our biggest market, without that. Now, that can't be the baseline for how we go forward. I am told there are impact assessments internally within DIT around other FTAs being negotiated, Australia and others, but they're not visible to industry and you know as industry, you know we're grown up enough to know we're not going to get everything we want out of a trade deal, trade deals are a process of trade-offs and we understand that and you know the aviation, automotive, financial services, we can't get everything we want but we have to have an understanding of what the impact might be on individual industries in order to understand what the overall picture of benefit might be for UK PLC and I suppose Mr Girvan the one challenge I have I suppose with the question which is does an impact assessment help force a re-negotiation or compensation, it implies slightly that the impact assessment as Dylan says comes after you've got ink on the paper of something, at which point it's too late. And there are really good models that exist elsewhere where you have business and Government delegations working collectively, the likes of New Zealand during the negotiation piece and we don't have that at the moment and that might be because we haven't done this for 40 years and we're just getting used to doing it. But the early forays into global Britain as a trading nation have not been good from a

business point of view and I think impact assessments will be critical to that. And where there are negative impacts, because the greater prize for UK PLC is out there and worth it, then I think compensation and support for industries to adjust will be absolutely critical.

Paul Girvan MP

Thank you. Elspeth.

Elspeth Macdonald

Thank you, yes echo very much what James has just said there, I think, I would assume and imagine there are indeed impact assessments within UK Government on these trade deals but they certainly have not seen the light of day in so far as industry has been concerned. I was a Civil Servant for very many years before I took this job and in a similar situation to James describing his farmer digging a ditch, Civil Servants taking forward even a relatively trivial piece of legislation would have to provide an impact assessment and indeed consult on that impact assessment to allow stakeholders to improve it, add data into it etc, so it is I think perplexing that as has already been described as the biggest change to our trading relationship for generations appears to not have been subject to any such assessment, or certainly not one that industry or others have been able to contribute to.

In relation to your point about compensation, I think what we saw in seafood at the very early stages of this year was a recognition from both Governments, both the UK Government and the Scottish Government that the seafood sector had been hit very hard very quickly by the impacts of these changes and there certainly was some short-term funding made available to businesses to try to mitigate the impacts of that, but that was by no means a long-term or a structural change, it was simply and indeed welcome financial support to businesses that had been hit and were suffering some very significant impacts in the short-term. I think something that Scottish Government have done is they've recognised the importance of the seafood sector to Scotland and they are in the process of undertaking a piece of work to look at a future seafood trade policy and I think we very much welcome that in terms of recognising the importance of this sector, not just to those who go to sea to catch fish but also indeed to those who farm fish in Scotland and also to the coastal communities around Scotland that depend on these industries. So, I think the recognition of the importance of the sector to Scotland, the fact that the Scottish Government is now giving considered and focused thought to a future trade policy for seafood is very welcome and we've been part of those conversations and look forward to seeing how that will develop.

Paul Girvan MP

Thank you very much indeed and back to you Chair.

Andrew Ballheimer

Thank you very much everyone. I'm conscious of time so if we can have each of the last two questions in five minutes if that would be great please. Anatole.

Anatole Kaletsky

Well really my subject is a continuation of the earlier question from Alison about help for specific sectors. James and Elspeth both pointed out that your sectors are much more important to Scotland and Wales than the UK as its trade with the EU and you've also welcomed the efforts from devolved Governments for support that you've had, but is there more that these devolved Governments can and should do for your sectors or are there risks that Brexit will make help actually more difficult to achieve from a devolved level and that new trade deals and laws such as the Internal Market Act or the Subsidy Control Bill will create new legal obstacles for support for sectors in Scotland and Wales? Why don't we start with Dylan talking about Wales and then hear from Scotland?

Dylan Morgan

Well as you say, you're right it's difficult to know what impact maybe the UK Internal Market Bill could be able to have on that and obviously the subsidy control regime as well. Just to keep it simple and short, I mean I think in terms of financial assistance to the food and drink sector in Wales, further up the supply chain, obviously the support that we've had historically from EU financial assistance schemes has been vitally important to support the sector. You know I think there is an issue going forward about what level of funding there will be available to the sector in future and obviously how that will be delivered with regards to shared prosperity fund and obviously there's some issues at the moment over whether that would be delivered through UK Government or via Welsh Government in Wales.

Just regards with support, again as I mentioned in a previous question I think there is an opportunity now to pause and reflect on our general future agricultural policy in Wales on the basis of what we know now with regards to our trading environment and what we can do to underpin high quality food production. What else you can do, you know regulatory regime, we probably wouldn't want to change that too much for the UK internal market situation, but also you know we don't want to do anything that potentially impacts on our export and as we've talked about already we want to try and make sure there is no friction between us and our EU markets.

Anatole Kaletsky

Elspeth?

Elspeth Macdonald

Thank you. I spoke a moment ago about some of the financial support that came to the seafood sector earlier this year when the industry was suffering the immediate impacts of the changes in the trading conditions and that funding was indeed very welcome and very helpful to businesses. But funding and support was coming from two directions, so there was support from the UK Government and there was support from the Scottish Government and it was very evident that that was not a joined up process. They were almost getting in each other's way and tripping each other up and it was very difficult for businesses to actually know well what am I eligible for, what can I apply for, what should I do. So, we were very clear with Ministers at that time, you know Governments, you must work together it's very welcome that there's some assistance coming but you've got to make it easy for businesses to access this support and that would certainly be a plea going forward. We know that both Governments will want to continue supporting businesses, but to do that well then they need to be able to work together and not get in each other's way and not trip each other up. I think Dylan has already mentioned the replacement of EU funds and I think at some of your earlier session I heard some discussion about that. Clearly we need to know from the UK Government what their intention is for the replacement of the European Marine and Fisheries Fund, that was our very

important source of support for the industry in terms of building infrastructure, undertaking research, a lot of the really important structural things that we need to invest in to build and sustain the industry going forward. We know there's only been a one-year comprehensive spending review this year so we only know what the situation is with a replacement for that fund until the end of March, so we certainly need to start to see some clarity from the UK Government about what the intention is long-term for the replacement of these funds and how businesses will be able to access them.

I think the key issue for us in terms of that devolved reserved structure at the moment is just how the Governments are going to work to make sure that the right decisions are made, that investment and support goes to where it is needed and I think there was some discussion about that in your earlier session and I think business would very much echo the points that were made then.

Anatole Kaletsky

James, any final points about how devolved administrations can make this support for business work better?

James Withers

So I think there's a huge amount of support that's there, I think the critical issue has been touched on is how it now fits with UK Government, you know. Post-Brexit it has kind of put an earthquake under the devolved settlement, life was quite simple actually when we were in the European Union, food and drink was devolved for Scotland and off we crack. And now suddenly decisions over trade policy and UK Government keen to get much more involved with businesses in our sector makes it a more complex landscape. To be clear businesses don't give a hoot who supports them, they just want the right support, but they really get frustrated when they start getting pulled in different directions and there's been a lot of official engagement with the UK Government recently, very well meaning but confusing, so they've been encouraging SMEs in the food and drink industry in Scotland to engage with the National Food Strategy, Dimbleby Strategy, well that's largely a strategy for England, it's relevant for devolveds, but it's largely a strategy for England. Scotland has had a food strategy for 10-12 years, Wales has one, Northern Ireland were going for growth years ago. UK Government is encouraging individual businesses to go and get a trade advisor from DIT, well many of them have trade advisors already working through Scottish Development International so we worked for a long time to align things in Scotland, you know UK Government support is there for businesses across the UK, but it needs to be aligned and there needs to be an understanding that a massive amount has been happening in devolved areas for a long time. If UK want to come, UK Government wants to come to the party now great, but they've got to take a breath and understand what's actually happening and being delivered and understand how they add value to that rather than potentially cause confusion on the ground, because that is starting to happen, as well meaning as it might be.

Anatole Kaletsky

Thanks very much.

Andrew Ballheimer

Thank you all. And to the final question, Geoff.

Geoff Mackey

Thank you very much Chair, good morning everyone. We've already heard about the administrative costs and frictions and there's been comment made about the impact assessment transparency. Given some of the remarks made, just to conclude, could you give us an idea how much the devolved Governments have actually been involved in trade negotiations and as a second possibly looking forward, how should things be going forward for the devolved regions to be able to contribute on behalf of business? Elspeth, could you start there please?

Elspeth Macdonald

Yes, I can. I heard the end of the first session and I heard Ivan McKee speak with some frustration about the fact that the Scottish Government hadn't been sufficiently involved in trade negotiations and that would certainly be my sense looking at it from an inside and outside perspective, that the devolved administrations have not been close to these. And there's perhaps an interesting parallel in my world when we have, and we have had for many, many years, annual fisheries negotiations. Now, until the UK left the EU the UK took part in these fisheries negotiations as part of the EU delegation and these negotiations with our neighbouring countries such as Norway and Faroe. The UK now takes part in these negotiations as an independent coastal state in its own right. Now, recognising, the UK Government recognising that fisheries is critically important in Scotland and we have 60% of the sector up here in terms of value and landings, the UK Government and the Scottish Government I think have always worked very collaboratively and really very well in those fisheries negotiations and the Scottish Government lead negotiators are part of the UK delegation and are very close to it and there is perhaps a model there that Governments might want to look at in terms of how you can engage the devolved administrations in what are essentially international negotiations.

Geoff Mackey

Thank you. James any particular opportunity to contribute and have a conversation on behalf of the business?

James Withers

So again I touched on the New Zealand model, they have trade delegations, business and Government together, it fosters a sense of collaboration, shared understanding and shared goals, whilst recognising that you can't win everything out of any negotiation. To your question to Elspeth, let's be blunt, the devolved nations are not involved in UK trade negotiations, they are not involved in discussions on UK trade policy, nor have they been made to feel in any way welcome in trying to get into those discussions. Now that has got to change, it absolutely has to change for the reason we've talked about, but particularly when you roll across the Internal Market Bill with a UK trade policy, with an Internal Market Bill with again a very laudable aim, let's get consistent business trading across the nations of the UK, but actually the idea that one part of the UK could effectively impose its will on another rips the rug entirely from devolution. So we have to get structures in a better place. There have been examples where it's worked before, I've seen it work. I'm old enough to remember foot and mouth 20 years ago and the way UK Secretary of State at that point I think Nick Brown if my memory serves me right, used to work in coming to a settled will across the four nations worked really, really smartly. He sat there as UK Secretary of State, attempting to get an agreement across the four nations, he pulled his Junior Minister in to represent England, so he

wasn't conflicted by trying to come to a shared UK approach whilst also having to represent England, and he chaired those discussions to try and come to some kind of agreement.

The reality is the structure of devolution has never been able to get to grips with a shared public policy making process which reflects the needs of all four nations and goodness knows we need it now. I'm positive that it can be achieved, but it requires probably some of the politics to be left at the door and a very pragmatic approach to be take forward. The evidence so far makes me glum and gloomy about that, but the opportunities in terms of how we try and develop our export markets mean that we've got to try and make that work.

Geoff Mackey

Thanks James that was very useful. And as a last word, Dylan.

Dylan Morgan

Yeah, I just want to go back to how could businesses be involved really. A couple of years ago I was fortunate enough to be involved in a trip with the British High Commission and the Ministry of Primary Industries in New Zealand to see how they operate in terms of trade deals and building new markets and it was exactly as James said, Government and industry work together as one in terms of developing and agreeing new trade deals to make sure you know that throughout the whole process what's been negotiated is going to be there for the benefit of their industries and that their industries will be able to access and to be able to operate in those markets as quickly as possible. So, you know prior to negotiations going ahead there's discussions between both and obviously industries even out there at the time of those negotiations, and I think that's what I'd like to see going forward is that coordination between Government and industry to be able to open up these new markets but working together to make sure that they're benefit to us, rather than sometimes what we see at the moment is it seems to be a little bit lopsided really.

Geoff Mackey

Thank you Dylan, Chair back to you with the idea that we can do better.

Andrew Ballheimer

No, exactly, absolutely. You know, I think I come away you know with a sense of optimism only in as much as there is plenty of goodwill out there, it's all a matter of engagement and I think that the interests of the Government and the interests of industry and each of the devolved authorities are actually aligned if you take a step back and look at the big picture. But I think I agree, I think that politics sort of hold us back on that. But on behalf of the Commission I'd like to thank each of you, this has been a fantastic insight that you've offered us and on that note I wish you a good afternoon and many thanks.

