

Wales' future relationship with Europe and the world

Summary of rapporteur visit to London

Background

1. On 22 October 2018, the Chair led a rapporteur visit with Jane Hutt, Mark Reckless and Michelle Brown to London.¹ The purpose of the visit was to speak to colleagues about how Wales can shape its future approaches to external relations after Brexit. The rapporteur delegation met with representatives of Norway, the Basque Country; Québec, and Switzerland. Each was chosen as an example of best practice and/or an example of a country that enjoys privileged Third Country relations with the European Union.
2. The terms of reference for the inquiry are to:
 - assess the Welsh Government's approach to external affairs and identify best practice example from elsewhere in the world;
 - examine how the Welsh Government should prioritise its future external relations with key European and/or international institutions, regions and networks, including the support it provides to trade associations and civil society;
 - explore how third countries and sub state nations and regions engage with the EU and EU institutions, and the grounds for cooperation, in order to identify potential models that could be adopted by Wales after Brexit; and

¹ NB: Michelle Brown was not present for the meeting at the Norwegian Embassy; Jane Hutt was not present for the meeting at the Québec Mission and Swiss Embassy



- explore the National Assembly for Wales' own relationships with European networks and institutions and make recommendations on how these can be taken forward after Brexit.

3. This document has been prepared as a summary of the discussions held during the rapporteur visit to London. It will be presented to the Committee in early 2019 before being published as formal evidence to the inquiry.

Profiles

Norway

Norway has been a member of the European Economic Area (EEA) since 1994, when a referendum on EU membership resulted in it declining to join. Membership of the EEA gives Norway access to the EU's single market, and means that it is governed by the same basic rules as EU Member States. Membership of the EEA also means that Norway has agreed to the free movement of goods, services, persons and capital – the 'four freedoms' set out in EU legislation.

The Basque country/Euskadi

The Basque Government is a sub-state government within the Kingdom of Spain, an EU Member State. It is the sub-state government for the Araba, Bizkaia and Gipuzkoa provinces, but does not govern other areas with Basque populations such as Navarre province in Spain, or the Northern Basque Country in France. The Basque Government has its own Delegation of the Basque Country for the European Union.

Québec

The Québec Government is a sub-state government for the Canadian province of Québec. Québec is the second most populous of Canada's thirteen provinces. It is the only Canadian province to have a predominantly French-speaking population, with French as the sole provincial official language.

Switzerland

Switzerland is not a member state of the EU; instead, it conducts its relations with the EU on the basis of bilateral sectoral agreements. The bilateral approach allows Switzerland to pursue tailor-made policies with regard to its European neighbours, with more than 120 bilateral agreements in place. The approach has been endorsed by the Swiss electorate in various referendums.

Key issues

International strategies and approaches

4. A key message from the discussions was the importance of a strategic approach to international relations and engagement. All of the representatives highlighted the strategic framework within which they approach their international work which are tailored to their own unique constitutional circumstances.
5. Basque Trade and Investment told the delegation that its international strategy is agreed every five years by the Council of Ministers of the Basque Government. The Basque Parliament then oversees and scrutinises the plan and its implementation. They told the delegation that its approach had been influenced by the approaches taken by the German *Länder*. The strategy centres on working directly with companies to both attract foreign direct investment and to secure opportunities for companies in the Basque country to invest overseas. Whilst this approach was closely linked to the government's overall strategy the Basques emphasised the importance of approaching each target market or country flexibly and that having the same structure in each country was unlikely to work well.
6. The Basques highlighted that in addition to its overall international strategy, there are also four industry plans that sit below that.
7. Norway highlighted the fact that its relationship with the European Union (as a member of the European Economic Area ("EEA")) was a pragmatic response to the political situation in Norway and the two 'no' votes in referenda to join the EU in the 1990s. Its strategy therefore is designed to minimise the negative impacts of not being an EU member in a way that suits Norwegian priorities.

Constitutional arrangements

8. All of the representatives that the rapporteurs spoke to outlined the unique constitutional arrangements within which they operate.
9. In the case of Norway, it operates largely as a unitary state on the European and international stage. Norwegian representatives stated that regions and municipalities have a strong voice in Norway, and are able to influence the central government's position. They stated that investment is not just prioritised according to economics – the remote nature of northern regions within Norway means there is often a social purpose to this as well. At the same time, some

regional business organisations are represented in Brussels, however, they do not generally coordinate their work with that of the central government although they are often co-located.

10. As an autonomous region within Spain, the Basque Government has considerable responsibilities, including a completely separate tax system. This is a long-standing arrangement, however, there are areas such as social security which are shared between the Spanish and Basque governments, and defence which is wholly undertaken by the Spanish Government.

11. In Switzerland, there is a federal approach to regional government. Foreign relations are a federal power, with the exception that the cantons are able to enter into sub-national treaties with sub-national bodies in areas that fall within the scope of their powers. This is known as ‘small foreign policy’.

12. Cantons in Switzerland are also able to participate in foreign policy decisions, and are consulted on decisions that affect their powers or competencies. Furthermore, cantons are consulted on negotiation mandates where powers under their ambit are at stake. The Conference of the Cantonal Governments, the representative body of the 26 Swiss cantons, also meets the Swiss federal government every 2 months to discuss the state of relations on bilateral affairs between Switzerland and the EU.

13. A key message from the discussions was the need for Wales (and the Welsh Government) to gain clarification and certainty from the UK Government on the scope and breadth of its powers to operate in the international sphere after Brexit. It was emphasised by some of those who took part in the discussions that where future foreign and/or trade policy directly intersect with devolved responsibilities in issues such as economic development and health policy, for example, Wales would need to ensure that its priorities were reflected at the UK level. Furthermore, some noted that, as a consequence of foreign policy being a reserved matter for the UK Government, Wales should seek to strengthen its relations with London and Westminster after Brexit.

14. In a similar vein, during the discussions, representatives of Québec highlighted the fact while some of its priorities are different to those of Canada more widely, this does not mean that they are necessarily contradictory.

Networks

15. Direct or indirect participation in networks (both EU and non-EU) varied across each of the delegations that the delegation met with.

16. Basque Trade and Investment stated that it benefitted greatly, in terms of competitiveness, from the EU Research and Development networks. In terms of networks that the Basque Country considers that Wales should prioritise after Brexit, Basque Trade and Investment suggested that the Conference of Peripheral Maritime Regions is one to continue with, noting that it is open to EU and non-EU regions and that Wales is already a member. Within this, the Atlantic Arc Commission was also highlighted as an important element. The Vanguard Initiative on growth through smart specialisation was also suggested as a network Wales should continue to participate in.

17. As a sub-state actor from a non-EU state, Québec is a member of a number of global networks that it uses to promote Québec and exert influence on the international stage. These include the Climate Group's Under 2 Coalition (which aims to achieve greenhouse gas emissions mitigation); and the Arctic Circle. Furthermore, it has its own seat on the *Organisation internationale de la Francophonie*. Representatives of Québec noted that it occasionally comes to an agreement with the federal government to ensure that a representative is able to sit on international groups on behalf of the Québec Government.

18. Switzerland highlighted the fact that it pays to participate in Horizon 2020, and therefore participation is available to all of the cantons. This arrangement was entered into by the federal government on behalf of all Switzerland.

19. Norway highlighted the need to build networks as a critical means of influencing the EU policy-making process as a non-member state.

20. It was also highlighted by some participants that Israel is an example of a non-EU member state that is a participant in a number of important EU networks such as Horizon 2020.

Influencing the EU and the EU policy-making process

21. Apart from the Basque Country, all the representatives that the delegation spoke to have 'Third Country' relations with the EU. Experiences in terms of influencing the EU policy-making process varied greatly in terms of breadth and depth.

22. Each representative highlighted the fact that they have an office presence in Brussels. It was suggested by some participants that Wales should seek to increase its engagement and influence with the UK Government in terms of foreign policy development after Brexit. This could include enhancing the Welsh presence in London.

23. Norway stated that it does not have an ambition to shape EU policy in general, rather it tries to ensure that its circumstances are taken into account during policy development. Norway tries to achieve this at the pre-Directive stage through access to expert groups. It also uses its relationships with other countries to influence its ability to secure its objectives, and states that these have developed over time.

24. The Basques noted that it has two groups of countries within the EU with which it prioritises relations, as set out in its international strategy. These countries are the UK, Germany, and France (its largest trading partners); and Denmark, Finland and Sweden (countries highlighted by the Basque government as priority countries for it to learn from). During discussions it was also noted that, for them, there has been a general shift away from emerging markets back to traditional trading partners since the 2008 financial crisis.

25. The Swiss outlined the way in which Switzerland's relationship with the EU is set out in around 120 bilateral agreements with the EU, of which 20 are major agreements. The baseline agreement is the 1972 Free Trade Agreement, with subsequent agreements being added on in subsequent years. In general terms, the Swiss approach can be characterised as trying to strike a balance between market access and sovereignty.

Collaboration and Memoranda of Understanding

26. The Basque Country and Wales have a Memorandum of Understanding based on areas of common interest, which include taxation, culture, language, economy and trade, vocational training and ERASMUS+. In particular, it was noted that Wales and the Basque Country have a common interest in the protection and promotion of minority languages. Furthermore, it was argued that in light of Brexit, the legal status of these relationships may change but that the fact of, and nature of these relationships will not.

27. The Basque Country also noted that it has agreements with regions and states outside the EU, and that these relationships are easier to build where there are common values and shared economic interests.

28. Québec also noted a number of ways in which it collaborates with Wales in areas such as aerospace, and life sciences. Examples include the collaboration agreement signed between Aéro Montreal and Aerospace Wales in 2018. It was suggested there is scope for further collaboration between Wales and Québec in areas such as science, innovation and culture in the future.