

FSB Wales welcomes the opportunity to contribute to the External Affairs and Additional Legislation Committee's inquiry into Wales' future relationship with the European Union. We previously provided evidence to the committee's inquiry into resilience and preparedness in light of Brexit and would like to take this opportunity to restate many of the issues we raised during that inquiry.

FSB Wales' Brexit Research

To inform our response to Brexit, FSB carried out four work streams on areas of concern to smaller businesses. These were; access to markets, access to skills and labour, European funding and regulation. Each theme had a published UK-wide report setting out key recommendations for the UK (and where applicable Welsh) government.

This was supplemented with additional survey work specifically with FSB Wales members which we then synthesised into a report for Wales bringing together all four themes and contextualising them in relation to the Welsh Government's Brexit White Paper. We shared the resulting report Making Brexit Work for Wales' Smaller Businesses, with the committee during the previous inquiry and have attached it again for further reference to this submission.

Key elements of the report from our perspective that relate to Wales' future relationship with the European Union are as follows:

Access to Markets

- A transitional deal which provides clarity and stability for Welsh business.
- Post-Brexit trade arrangements that preserve Welsh firms' access to their key markets.
- FSB Wales believe the UK Government should seek to minimise tariff and non-tariff barriers with the EU single market following our exit from the EU.
- Welsh Government should assist the smallest Welsh firms in exploring new markets within the UK, as a first step to trading internationally.
- The Welsh Government should consider the development of a trade and investment strategy and potentially, the creation of a body to support the delivery of this.
- Welsh Government, in partnership with the UK Government where necessary should seek to better define and promote the Wales brand as a more effective vehicle for creating opportunities for Welsh businesses and investment.

Access to Skills and Labour

- Post-Brexit migration arrangements should protect Welsh firms ability to fill skill gaps. Costs associated with hiring migrants should be kept to a minimum.

Regulation

- The Joint Ministerial Council should be repurposed and given greater visibility and transparency as a forum for resolving areas of domestic regulatory divergence where this has the potential to damage the UK internal market.

Wales' economy is one that is based on the success of small firms – the vast majority of firms in Wales hire less than 25 people and most private sector employment in Wales is in SMEs. Therefore, it is crucial that Welsh and UK Government work together to deliver a Brexit that ensures that these firms can have a bright and successful future.

Welsh Government's Brexit Position Papers

FSB Wales has welcomed the work that Welsh Government has undertaken on regional funding, migration and trade following Brexit. We called on the Welsh Government to be proactive in this area in setting out the priorities for Wales as the UK leaves the European Union and have had positive engagement with them on all of the above matters.

One theme that has emerged through all papers, but in particular around the most recent paper Trade Policy: the issues for Wales is the role of the Welsh Government in informing the future relationship between Wales, the UK and the rest of the world, particularly through trade deals. In our previous policy work on Brexit we have emphasised the need for a reformed Joint Ministerial Council process to ensure that all UK governments are able to come to consensus on the priorities for Brexit. This would help avoid threats to the internal UK market, and ensure regulatory alignment where this is needed for international trade deals.

In this respect, we welcome Welsh Government's suggestion of a JMC for International Trade and would see this as a key forum for Welsh Government and businesses in Wales to articulate the opportunities and threats for any proposed trade deal with the EU or a third-party.

Conclusion

I hope you find the comments of this letter of interest and that our report Making Brexit Work for Wales' Smaller Businesses is able to inform your inquiry.

Should you require any further information, please do not hesitate to contact FSB Wales.