



Llywodraeth Cymru
Welsh Government

Brexit is done – Where next?

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Key issues

- Possible outcomes of next phase – future negotiations
- Scope for WG to influence negotiations – and other FTA negotiations
- Impact on Wales - Economic
- Impact on Wales - Inter-Governmental Relations
- Shared Prosperity Fund as a test case
- Wales and the World

Possible outcomes of next phase negotiations - Context

- Withdrawal agreement resolves very little about future relationship – apart from unique status of NI
- Boris' solution to impossible trilemma – cave in on border in the Irish sea
- UKG adamant on getting trade agreement by December 2020
- UKG positioning decisively moving away from (non-binding) Political Declaration
- Seemingly wholly incompatible starting positions of two sides – clever tactics or repeat of 2016?

Possible outcomes of next phase negotiations

- What is not likely to happen – extension of transition.
- 3 main possible outcomes:
 - Deadlock – stand off: we exit on ‘Australia’ terms – i.e. WTO - quite possible, though might be shortlived
 - Boris caves in again on level playing field (at least non-regression)
 - A limited FTA, not eliminating all tariffs and lots of non-tariff barriers

Scope for WG to play a role

- JMC (EN) and Terms of Reference
- Honoured in the breach not the observance – but WA issues not directly in devolved competence
- No longer true – huge range of issues which will impact on devolved policies – from Erasmus + to state aids to environmental regulation.
- What we've been arguing for 'not normally' and structured engagement.
- Will we get it?
- Why? UK antagonism to SNP; (over?)-confidence

Impact on Wales - Economic

- Potential 1 and 3 both mean a pretty hard Brexit – no longer ‘frictionless trade’ -UKG estimates of c 6.5% hit to GDP over long term
- Potential major damage to advanced manufacturing reliant on complex supply chains and goods/services linkage – over longer term
- Service sectors currently trading with EU negatively affected – particularly audio-visual
- Competitiveness affected by consolidation of focus on UK (GB?) market
- Broader impact on tax base and public finances
- But much depends on other issues in global economy

Impact on Wales – IGR

- Context – devolution settlements only made sense with EU ‘lid’ on divergence.
- Potentially devastating for IGR – and even UK
- UKG bullish on tackling SG head on – we are collateral
- NI Protocol hugely problematic for thinking on ‘UK internal market’
- Risk of collapse of common frameworks work – particularly if UKG start unilaterally moving away from *acquis* e.g Environment Bill
- If devolved institutions refuse to go along with implementing necessary legislative changes to implement agreements with EU (or US), UKG likely to resort to blunderbuss powers – head on conflict
- For Wales, Scottish independence combined with NI unique status (even if no reunification) could leave devolved institutions very exposed.

A Case in Point – Shared Prosperity Fund

- Role of ESIF in Wales
- Clear position of WG – ‘not a penny less, not a power lost’
- 2019 Tory manifesto – commitment on funds BUT...
- Origin of ‘Shared Prosperity Fund’ - UKG playing role of EU Commission, building on City Region funding
- BUT for DAs – UKG not a ‘neutral player’
- Still waiting for consultation and meanwhile significant preparatory work for replacement funding underway.
- Potential to become major WG/UKG conflict if UKG either top slice or seek to micro-manage

Wales and the World

- Focus on EU not just myopic – but dependence on access to EU market for past inward investment
- International Strategy signals determination not to see a binary choice between being European and global ambition
- Focus on inward investment and exports with 3 emblematic focus sectors – cyber security; semi-conductors; TV and film
- Links to building awareness of Wales
- Focus also on diaspora
- But very early days!



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Thank you / Diolch