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**Cardiff Met Annual Forum 27th November 2017**

**FM Speech: Wales Post-Brexit**

Good evening. Noswaith Dda.

Can I begin my remarks by thanking members of The Forum for this very kind invitation to speak and by putting on record my appreciation to Cardiff Metropolitan University, and in particular Professor Cara Aitchison and her team, for hosting tonight’s event.

Before we get into tonight’s topic - I wanted to take a moment at the start of my speech to pay tribute to Carl Sargeant, who sadly died on 7th November.

It goes without saying that it has been a sad and difficult time for everyone who knew and worked with Carl over the last few weeks.

Coming as he did from the industrial heartland of North East Wales, Carl himself was an interesting and perceptive barometer of the challenges of Brexit.

Representing the constituency of Alyn and Deeside, home to the huge Airbus factory in Broughton employing over 6,500 people, and more than double that in the supply chain, he understood perhaps better than anyone the scale of the interconnectedness of our economy and our businesses in the Single Market.

But coming from Flintshire, an area that had voted to leave in the 2016 referendum, he also understood, too, the need for the democratic message sent by the electorate to be respected.

What we are witnessing now is one of the most turbulent and volatile periods of politics.

A period of change and instability that will have a profound impact on our economy, our society and our politics for a generation and more.

In thinking about this lecture and the title for tonight’s speech – Wales’ future post-Brexit - I felt it was important we took the opportunity to look beyond the negotiating lines and the policy papers.

Brexit may not have been my choice.

I voted for us to maintain our membership of the EU.

But it is happening.

And we now need to use the debate to build the future we want to see for our country in the coming years.

And so tonight I want to share with you the ways in which the Welsh Government is working to lay the foundations of that future and to underscore some of the ways in which we are influencing the Brexit debate to help us get there.

In 2017 Wales stands at a crossroads.

Two decades on from the referendum in 1997, Wales is now comfortable with devolution, but ready to play a bigger political role within a reformed United Kingdom.

Wales’ economy is stronger - thanks in part to our interventions, but also thanks to the new confidence that now exists in Wales. Our country now has its own strong voice, and that has given business, universities and our brightest lights many more opportunities to succeed – both locally, and on a global stage.

This year, employment levels are rising faster and unemployment is lower than anywhere across the other countries and regions of the UK.

And Wales is increasingly a global nation, attracting investment from all around the world – we were able to fight off major competition from across the world for CAF, the major train manufacturer, to bring 300 high quality jobs to Newport, at the same time as Brexit is fundamentally re-engineering our trading relationship with the rest of the world.

Now is the time to prepare for the coming changes ahead.

To re-shape our constitutional structures and re-cast our political relationship with the rest of the UK so they are fit for a modern age.

To re-shape ourselves as a government to ensure that we are working together more effectively to support our stronger, more confident country.

As everyone here today will know, there is no silver bullet for the challenges we face.

There is no single answer to the economic injustice that still plagues the lives of too many individuals and too many places in Wales.

Though they are crucial parts of the jigsaw, there is no apprenticeship programme, no new school building or no new funding stream that can, in and of itself, ‘solve’ the structural economic and social challenges facing our communities.

And so we are re-designing the way we do Government, based on the central mission with which I led my party into the Assembly elections in 2016– to be there for people at the moments that matter. To bring all departments and all our resources together to tackle the problems as they exist in people’s lives, not in budget lines, spreadsheets or lists of responsibilities.

Stronger support for small businesses that drive our economy; an NHS modernised not privatised; all schools better funded; more help for those juggling a busy family life – policies designed to make a practical difference to people’s lives when they need it.

We are joining up the structures of government to allow those things to happen in a more coherent way.

Our new national strategy, Prosperity for All takes our manifesto commitments and places them in a long-term context, setting out how they will be delivered by bringing together the efforts of every single arm of Welsh Government and the public sector.

Our work this term – and the solutions to those questions above – must not be derailed or knocked off track by Brexit and the changes coming as a result of leaving the EU.

Instead we have re-doubled our efforts to come together – and to face the future in a way that allows us to work together more effectively in facing those challenges over the next few years.

What has characterised our response as a Welsh Government to the UK’s decision to leave the European Union, is the belief that we should be active and bold in setting out the kind of future we see for Wales post-Brexit.

One that recognises the reality that we are leaving the EU, but we are not leaving Europe.

One that ensures that the interests of our people, our economy and our communities are understood by the UK Government as they negotiate a future for the UK outside of the structures of the EU.

We will also continue to express our clear vision for the strong alliances at EU level, and within the UK, that will allow Wales and its economy to flourish.

From politics to trade; migration to economic development – we have sought to listen, to learn and to lead.

To ensure that Wales’ voice is heard in the EU negotiations.

The Welsh Government has been clear from the outset that the will of the people must be respected.

Our democracy is founded upon, and we govern through, the principle of consent.

We are leaving the EU. But from the morning after the referendum I have been equally clear that the terms of that exit are a different matter and they must protect Wales’ vital interests.

And in doing so we should seek to bring together those who voted to leave and those who voted to remain.

Not one person in the June 2016 poll voted with the intention of leaving themselves, their families or Wales worse off.

The decisions we take as a country about leaving should involve us all, with the interests of everyone in Wales at the forefront of our minds.

We took different sides in the referendum, but we should move forward into the post-Brexit future together.

As I said at the opening of the fifth Assembly in 2016, neither the Welsh Labour Party, nor the Welsh Government as a whole have a monopoly on good ideas.

Following the result, we worked with the European Advisory Group, businesses, trade unions and wider civic society on how to build a changed United Kingdom.

The fruits of that work led us in January 2017 to publish our White Paper which set out the main issues facing Wales as the UK moves to leave the EU.

It made clear our desire to be a positive and constructive voice in the debate.

To work with the UK Government to develop a new relationship with our European neighbours.

In our document we identified six key issues that would need to be addressed if we are to develop a sustainable future for Wales after we leave the EU.

**The first** set out our very clear belief that any sustainable future for Wales as we leave the EU has to be founded upon full and unfettered access to the European single market and strong international trade.

A Brexit - and a future - based on jobs.

The Welsh economy is closely integrated into the EU Single Market, with 61% of identifiable Welsh exports going to EU countries.

Wales’ success in attracting foreign direct investment over many decades is largely based on access to the EU market of more than 500 million customers.

It had become clear in our discussions with businesses large and small that any significant reduction in access to the Single Market post-Brexit would be damaging to our economy.

That is why we have been clear that full and unfettered access to the Single Market for goods, services and capital – including our key agricultural and food products – is vital to the success of any future for Wales outside of the EU.

Business leaders in Wales from Aston Martin to the FSB; Toyota to the CBI have made clear to the UK Government their worries for our economy and its future if we shut ourselves off from vital European trading markets.

As I have said before many times, ‘No Deal’ is not an option for the Welsh economy.

A “No Deal” Brexit will not represent a show of strength by the Theresa May Government, as some hardliners seem to suggest – it would represent the single biggest diplomatic failure in the history of the United Kingdom.

With the stakes this high, it is vital for us as a Government and as a nation, to make our voices heard.

One of our next interventions will come on the crucial issue of trade - a new policy document will be published in the New Year.

It will be clear that the imposition of tariffs and non-tariff barriers such as product certification and customs checks between the UK and the EU could only be damaging for trade.

There is strong consensus among mainstream forecasters that replacing Single Market participation with World Trade Organisation (WTO) rules could result in a UK economy up to 8-10% smaller than would have been the case and would devastate trade in certain key sectors.

This would have both immediate and long-term harmful impacts on living standards and poverty in Wales.

We welcome the UK Government’s recognition of the Welsh Government’s role in developing and implementing future trade policy.

If the UK Government is in future able to negotiate new trade deals independently it is crucial that Welsh interests can be adequately represented as part of those negotiations.

In our Trade Paper we will therefore propose a new ‘Council of Ministers’ to discuss and agree a number of issues including International Trade.

This is essential in order to ensure the UK Government and the devolved governments can work together on a trade policy that works for the whole of the UK.

**The second issue** in our White Paper set out our clear belief that in a global economy, continued access to the right skills is vital to Wales’ future post-Brexit as is the need to develop a sensible approach to migration.

Now, I understand well the centrality of this issue to the result we saw in June 2016.

I heard it on the doorsteps campaigning in Bridgend as I did across Wales.

It is clear that a desire to address concerns arising from EU Migration was a major part of what stimulated support for leaving the EU, both in Wales and across the UK.

Equally, we need to recognise the very significant and positive contributions EU migrants make every day to Wales’ economy and our communities.

From the 1,360 academic staff in our universities, to the 1,140 hardworking individuals in the Welsh NHS, to the 27% of workers in the Welsh food and drink sector, our economy and our communities rely hugely on the contribution those from the EU make to Wales.

The Institute for Fiscal Studies has shown that immigration creates a net benefit for public finances. On average, EU migrants pay more in taxes and receive less in benefits than the UK born population.

The White Paper made clear our view that apart from students and those able to sustain themselves independently, freedom of movement of people should be linked to employment.

This should be accompanied by rigorous enforcement of existing legislation to prevent exploitation of workers, particularly those in low-wage sectors.

In September, I launched our “Brexit and Fair Movement of People” paper which set out further detail and evidence to support our approach.

Whilst we want to see people’s concerns about migration addressed, it is in nobody’s interests to see controls introduced that would harm the Welsh economy or Welsh public services.

That is why in our paper we outlined a flexible, but managed approach to migration, which supports our future ambitions for full and unfettered access to the Single Market, whilst outlining the ways in which exploitation of workers can be tackled more effectively.

We do not believe that students should be counted as ‘migrants’ for the purposes of national statistics and advocate the retention of reciprocal arrangements which enable EU students to study at UK institutions, and vice-versa, when the UK is outside the EU.

A return to the original vision where migration is tied to employment – either the offer of a job, or the ability to find one quickly – would not only provide the stability and balance our economy needs to thrive, but also begin to repair the relationship of trust between governments and citizens that has all too clearly broken down over the last twenty years.

**The third area** of any sustainable future for Wales and its economy post-Brexit relates to finance and investment.

In budgetary terms, Wales is a net beneficiary of EU membership.

It currently receives around £680m in EU funding each year.

Not only is this funding hugely important to Wales in relation to jobs and driving economic growth, it has also been used to leverage significant match funding from the private sector.

Whilst the UK Government has now largely guaranteed funding for projects agreed prior to 2020, we have set out clearly and consistently our view that leaving the EU should not leave Wales worse off.

It is vital that EU funding is replaced with an equivalent uplift to the Block Grant and that we have continued access outside the EU to vital programmes such as Horizon2020, ERASMUS+, Creative Europe and the Wales-Ireland Programme.

Just recently I joined more than twenty local and regional representatives from Scotland, France, Ireland, Spain, Germany, Sweden, Norway and the Netherlands in signing the Cardiff Declaration which called for continued strong relationships and co-operation between the UK and nations and regions across Europe after we leave the EU.

**The fourth element** of any viable future for Wales post-Brexit relates to our Constitutional future.

Now it is at this point in the evening that the brows of my staff furrow and the eyes narrow.

They have the audacity to claim that I maybe talk too much about our constitution and its future.

But it’s self evident that withdrawing from the EU is a major turning point for Wales and the UK as a whole.

Powers already devolved to Wales will in future be exercised without an EU regulatory framework.

Similarly, reserved powers on issues - such as competition or international trade - which would in principle be exercised at a UK level, will have the potential to impact significantly on Wales.

Now is the time to put in place new inter-governmental machinery - and new ways of working - which can, if entered into freely by the UK Government and the three devolved administrations, provide a more secure settlement for devolution within the United Kingdom.

In June we published “Brexit and Devolution”, setting out our thinking on how these new constitutional arrangements can be developed.

The document provides a blueprint for reform, and proposes a new ‘UK Council of Ministers’ to discuss and agree UK frameworks; new independent adjudication mechanisms and a Convention on the Future of the UK.

The crucial point here is that the UK will be stronger from an open debate on the constitutional implications of leaving the EU.

Leaving the political structures of the EU may not have been what I campaigned for in the referendum, but it now only further amplifies the need for the wider debate on the UK’s future relationship that has been postponed for far too long.

Now is the time to re-found the UK for the devolved age.

**A fifth element** of our future relates to Social and Environmental Protections.

The UK has been a part of the EU for more than 40 years and in that time a substantial body of legislation has been developed which protects Wales’ environment, workers and our social well-being.

We have been clear, the UK Government has no mandate to erode those rights, those protections and those freedoms in our exit from the EU.

People did not vote in the referendum to leave themselves or our natural environment less protected and more exposed.

Nobody would argue that the rights at work derived from the EU are perfect.

Changes in the labour market driven by new technologies; the gig economy and zero hours contracts have all demonstrated that laws need to keep pace with the changing ways in which firms interact with their workers.

But I am clear that we should not rip up the vital protections we do have and we should not be seduced by the profits of free-market radicalism to believing that Wales can win a race to the bottom.

It can’t.

Wales has been here before.

And we should not try again.

**The final foundation** of a workable post-Brexit future relates to the UK securing effective transitional arrangements.

As we have seen, negotiating both the terms of a deal and a future relationship is not easy.

The thickness of our bonds – economically and socially – built up as a result of our membership of the EEC and then the EU since 1973, meant that it was pie in the sky to think that we were ever going to disentangle ourselves easily or quickly.

It has become clear – as we said from the outset – that the UK Government needs to agree a transitional phase to avoid the chaos of a cliff-edge departure.

I am glad that the UK Government has now seen merit in that argument.

The Prime Minister has herself accepted that there needs to be a two year transitional arrangement after we leave the EU.

I welcomed that announcement as a sensible approach that will help give us more time to craft a permanent and workable arrangement with our largest trading partner that does not damage our economy in the meantime.

In July the UK Government published the Withdrawal Bill.

As a Welsh Government we understand and support the idea of a Bill to provide clarity and certainty for citizens and businesses as Brexit takes effect.

And we accept too that there will be a need to make some amendments so that the existing law is workable in the new context of the UK being outside the EU.

We are willing to play our part in that.

But the Bill was developed without any proper consultation with the Welsh Government and so it’s unsurprising that it’s unacceptable in its current form.

It places significant new constraints on the Assembly’s ability to legislate effectively after Brexit on devolved matters which are currently dealt with in Brussels; existing EU law is frozen, and only the UK Parliament appears to be allowed to unfreeze it.

That cannot be right.

That is why the Welsh and Scottish Governments have jointly published a set of amendments to the Bill in an attempt to reverse the unprecedented attack on devolution which the Bill represents.

These amendments, if taken up, would enable us to consider recommending to the Assembly that it consents to this Bill.

Departing the EU, of course, does not mean that Wales is turning its back on Europe.

Our friends and our neighbours in Europe will continue to be our friends and our neighbours.

It is incumbent on us to find new structures and new ways of working to address the common challenges we have.

Wales should remain open for business.

We all want it to continue to be a great place to invest and to work.

I passionately believe in a Wales that is outward looking and engaged.

A constructive force on the European stage, regardless of our exit from the EU.

Now is the time, more than ever, to sell Wales to the world.

To meet with, and attract, new potential investors across the globe as well as sell Welsh goods to overseas customers.

To embrace the world and its horizons and where new trade opportunities open up, work with businesses to grow our economy.

That is why we have undertaken a series of trade visits to the US, Dubai, China, Japan and Doha to meet with new investors and show them what Wales has to offer.

And that is why we will expand our international footprint, based on assessment of economic opportunity to promote Welsh businesses.

We maintain a presence in the world’s major investing regions: North America, Europe, the Middle East and Asia.

Our presence in these key markets allows us to pursue trade and investment opportunities, build relationships and networks and to promote Wales.

And in 2018 we will open new offices in Canada, Germany, France and Qatar.

Our strengthened overseas presence will not just be based on our economic priorities.

In light of Brexit, we must take the opportunity to strengthen our ties with other countries to further our political, cultural and educational links, alongside the economic opportunities that will be presented by leaving the EU.

I have spent much of this evening’s address talking about specifics. About the detail of how we are preparing Wales for a post-Brexit future.

That work is vital – but there’s something that is even more important. And I want to close with this message, because it is important to all of you here, not just to Government. The most important element in the months ahead comes down to a single word – attitude.

Now is the time to be bold.

In the face of a technocratic nightmare, I will not allow the Welsh Government to become bogged down. We must become more energetic. More imaginative. Work harder.

Now, more than ever we must stay true to our values, to fight for the best for our country.

We will have failed our communities if we allow Brexit to overwhelm us.

Our Welsh Government will not allow the needs of our economy, our public services and our communities to come second to politics.

The economic fundamentals of Brexit may make it more difficult to build the stronger and resilient communities we all want to see – but that is an imperative to redouble our efforts, not to surrender to the currents around us. We must be more resolute. More defiant.

We will not renege on the pledge we made to the people of Wales during the Assembly election.

To actively shape the prosperous future we want for our country as we leave the EU and build a stronger economy.

By working together we can build a better Wales.

Thank you.