



**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Y Pwyllgor Materion Ewropeaidd ac Allanol  
The Committee on European and External Affairs**

**Dydd Mawrth, 22 Mehefin 2010  
Tuesday, 22 June 2010**

**Cynnwys**  
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee. In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Nick Bourne	Ceidwadwyr Cymreig Welsh Conservatives
Jeff Cuthbert	Llafur Labour
Michael German	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Rhodri Morgan	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales

**Eraill yn bresennol**  
**Others in attendance**

Jill Evans ASE/MEP	Plaid Cymru—Green/European Free Alliance (y Gwyrddion/Cynghrair Rydd Ewrop)
Andy Klom	Plaid Cymru—Green/European Free Alliance Pennaeth Swyddfa'r Comisiwn Ewropeaidd yng Nghymru Head of the European Commission Office in Wales
Derek Vaughan ASE/MEP	Llafur—Cynghrair Flaengar y Sosialwyr a'r Democratiaid Labour—Progressive Alliance of Socialists and Democrats

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Lara Date	Clerc Clerk
Gwyn Griffiths	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Gregg Jones	Pennaeth Swyddfa UE Cymru, Gwasanaeth Ymchwil yr Aelodau Head of Wales EU Office, Members' Research Service
Sarita Marshall	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 9.32 a.m.*  
*The meeting began at 9.32 a.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon**  
**Introduction, Apologies and Substitutions**

[1] **Rhodri Morgan:** Yr wyf yn **Rhodri Morgan:** I welcome all Members, croesawu bob Aelod, swyddog a phawb yn y gynulleidfa. officials and everyone in the audience.

[2] The headsets are available for translation and sound amplification. Translation is on channel 1 and amplification is on channel 0. Please ensure that all of your mobile phones, BlackBerrys, PlayStations, and so on, are switched off, as these can interfere with the sound equipment. In the event of an emergency, it probably means that it is an emergency and therefore an alarm will sound—it will not be a practice—and ushers will direct everyone to the nearest safe exits. We do not have any apologies because we are all here. Are there any

declarations of interest under Standing Order No. 31.6? I see that there are none. There is one person present in spirit if not in body, namely Gregg Jones of the Assembly's European office over in Brussels. I understand that he is hearing us loud and clear.

[3] You will have received a general European brief, namely no. 42, to support today's agenda items. Today's agenda looks a bit thin on the surface, yet underneath that superficial thinness there is a lot of depth because of the huge amount of interest in public sector deficit reduction programmes across Europe in the individual member states, and the spin-off from that to the European Commission's approach to its own public expenditure, the interlocking between the two and whether or not, if everyone cuts their public expenditure simultaneously, there is a risk of a double-dip recessions, and so on. That whole agenda is very much a pan-European and eurozone agenda following near-catastrophic events in Greece, and last weekend's European summit, which concentrated heavily on the problems within the eurozone and of economic governance throughout Europe. Further details will emerge on the UK perspective on that following events in Westminster in about three hours' time. That is probably the context for what is a very big issue of how Europe handles public sector deficits, accumulated debts and the running debts of this and next year, and so on.

[4] We have agreed that our second report will be published on Wednesday, 7 July—which we do not describe as an interim report, although it is not the final word on EU cohesion policy, which is still emerging from the fog in Brussels—and it will be published simultaneously with the Enterprise and Learning Committee's report. That follows a suggestion from this committee that I approach Gareth Jones on this issue; he was amenable to that idea, believing that we would make a bigger splash if we published our reports together. Therefore, the two reports will be published simultaneously on 7 July. Those two reports are the Enterprise and Learning Committee's report on structural funds, and our report on the wider strategic issue of cohesion policy.

[5] Finally, before we move on to item 2, I wish to congratulate Mike German once again, but also to express our sadness that, on assuming his seat in the House of Lords, he will cease to be an Assembly Member, and will therefore cease to be a member of this committee. This is therefore his last meeting of the European and External Affairs Committee. There will be a vacancy at our next meeting—which is the final meeting this term—unless it has been filled by the good offices of the Business Committee. I therefore wish to record our official thanks to Mike for his enthusiastic and professional participation on this committee, for a long time now; I cannot remember how many years it has been, Mike.

[6] **Michael German:** I believe that I have been a member of this committee for most of my life in the Assembly.

[7] **Rhodri Morgan:** We are sorry that you are going, but we all understand the reasons. Obviously, if you are not an Assembly Member, you cannot be a member of this committee—they's the rules, folks. I am sure that, had they offered you membership of the House of Lords, as well as being able to continue as a member of the European and External Affairs Committee, you would have accepted it, but that was not available.

[8] **Michael German:** I deeply regret that I will not have the opportunity to do both jobs at the same time.

[9] **Rhodri Morgan:** Are there any other points on those initial items, before we move on to item 2? I see that there are not.

9.36 a.m.

### **Y Wybodaeth Ddiweddaraf am Weithgareddau'r Comisiwn Ewropeaidd Update on European Commission Activities**

[10] **Rhodri Morgan:** We receive regular updates from Andy Klom, the Head of the European Commission Office in Wales. This morning, he will give us an update on what has happened since 16 March, when we had his last update, shortly after the publication of 'Europe 2020: A European strategy for smart, sustainable and inclusive growth'. Do you wish to take us through the Commission's activities—in Wales and outside?

[11] **Mr Klom:** Yes. Thank you. I will focus on four themes, rather than giving a chronological overview. The first theme is the European Year for Combating Poverty and Social Exclusion, for which we have held a series of school events. In February, we were in Cardiff, in March we were in Wrexham, and in July we will again be in north Wales, in Rhyl. This week I am participating in a conference in Swansea organised by the UK Government's Department for Work and Pensions, called 'Poverty: It's everyone's business. Be heard'. That is one theme of the activities that we have been pursuing with our partners in Wales, which is targeted at younger people, and raises their awareness about poverty.

[12] The second theme that we have been pursuing during these past months is Europe 2020—the draft strategy proposed by the Commission back in March. We have been briefing the Assembly Government on this strategy, as well as Assembly Members and Welsh universities, who took a particular interest in the theme. Fortunately, at last week's meeting of the European Council, all the preliminary discussions and negotiations came to an end. The council has now adopted Europe 2020—with some amendments and changes—and we can now focus on the period ahead, where we slowly and steadily start to present the different initiatives that should be forthcoming from this strategy. The first initiative is the one that we expect in September—the proposals by the Commission for the EU budget review.

[13] The third theme that we are pursuing, as usual at this time of year, is what we call European public spaces, where we try to ensure a European presence—not just a European Commission presence—at the multitude of big, public events in Wales. At the end of May and the beginning of June, we attended the Urdd Eisteddfod in Llanerchaeron in Ceredigion, with the British Council Wales, which manages several of our European programmes, such as Comenius and Erasmus. We will once again be present at the Royal Welsh Show this year, as guests of the Assembly Government in its pavilion, where we will be talking about the common agricultural policy, among other subjects. Thirdly, we will be attending the National Eisteddfod in Ebbw Vale. Hopefully, that will once again be in partnership with the British Council, and possibly even with CILT Cymru, the language promotion organisation. That is the third vein of activities that we have been developing.

9.40 a.m.

[14] The fourth and final theme is the Welsh education system. As you know, we have been in long-standing contact with the Welsh Assembly Government about getting more about the European Union into the curriculum. The Government's position is that it is contained in the module called 'Wales, Europe and the world'. Guidance has been issued over the past two years by the Government on that module and on the education for sustainable development and global citizenship module, both of which are disappointing in relation to their EU content. So, in April, we had high-level discussions with the director general of the Department for Children, Education, Lifelong Learning and Skills in April to address these issues, and, in July, we will be having a follow-up discussion. The Government apologises for any deficiency that there may be in the content. In the meantime, we are working with Cardiff

Council to develop a teacher training package on the topic of Europe to provide more substance to schools and teachers.

[15] That summarises the four themes that we have been focusing on, but I will also mention a few extra small items. In March, we had the European Parliament office briefing in Cardiff for the Welsh press, which is held every two years. We had our Europe Day 2010 reception here and celebrations were held elsewhere through our Europe Direct centres in Wales. There was also the sad passing away of Gwyn Morgan, the first head of the European Commission office in Wales, and I attended his funeral in Aberdare in April. The Swiss ambassador visited Cardiff to make a speech on Switzerland and Europe, which was interesting but unfortunately led to an altercation with UKIP members who thought that the ambassador was too positive about Europe. I warmly welcomed the ambassador's approach.

[16] Friends of the Earth Cymru recently lodged a complaint with us regarding a Pembrokeshire power station. As you know, the European Commission has a procedure to check whether EU law has been breached, and that procedure is open to citizens and citizens' organisations. Such complaints are lodged regularly through the European Commission office in Wales. This recent complaint by Friends of the Earth Cymru is one of many; people seem to know more about the complaints procedure, which often involves both Welsh and UK authorities.

[17] **Rhodri Morgan:** Am I right in saying that there is no injunction procedure involved in that sort of complaint? A complaint cannot stop something from proceeding.

[18] **Mr Klom:** That is right. The European Commission does not have the power to stop proceedings during its investigation. The Commission must first ascertain whether EU law is involved, because people are sometimes confused about that.

[19] That sums up what we have been doing in the past few months and possibly where we are heading in the next few months, after the summer. The Assembly Government is, for the third time, organising a mock EU council, which is to be held here in the Assembly, with the participation of 27 schools from Wales. We will be organising a conference for EU stakeholders on the Lisbon treaty, because there is very little knowledge about it, so we want to provide information about the treaty. The European Day of Languages, which is held in September, is nowadays a marker point, with more and more organisations in Wales wanting to celebrate and promote the Welsh language and other European languages. I will leave my update with that, Chair.

[20] **Rhodri Morgan:** Thank you for your update. Are there any questions?

[21] **Jeff Cuthbert:** I want some clarification on the fourth issue that you raised, namely education. I take it that the module that you referred to, which was 'Wales, Europe and the world', is part of the Welsh baccalaureate?

[22] **Mr Klom:** Yes, that is right.

[23] **Jeff Cuthbert:** I am a great supporter of the Welsh baccalaureate, but it is not taught in every school and institution. So, could you expand on how European issues are getting across, in secondary schools and also in primary schools, given that the Welsh baccalaureate does not apply to them? Are you seeking to arrange, through the Welsh Joint Education Committee or other means, in-service training for teachers on this issue?

[24] **Mr Klom:** We are aware that that module has limited coverage across Wales. However, the Assembly Government insists that that is the main module through which education on Europe is communicated to young Welsh people. It is true that that only covers

secondary schools. Since this committee carried out an inquiry in 2006-07 into civic education and EU education, we have engaged with the Welsh Assembly Government several times through the Ministers to address the issue of having more EU education in primary and secondary schools by whatever means the Government considers to be appropriate. The main Government response has been that that is done by the module, 'Wales, Europe and the World'. However, there is very little EU content in that module. Guidance was issued in the autumn of 2009, but in a guidance document of 55 pages there was one reference to the EU and no reference to MEPs. The rest of it refers to Europe as a geographical area rather than something political or institutional.

[25] The other way to address this is by providing input for teachers. It would be perfect to be able to do that at Welsh Government level. However, we are not being invited to do that. We have been invited by Cardiff Council to do that, and we are most willing to do that, of course. The training that we are developing for it right now, which we will be trying out in July for the first time, is something that can be copied and repeated for other authorities here in Wales.

[26] **Michael German:** Thank you for your update, Andy. The EU summit held a few weeks ago agreed that one priority would be to reduce the drop-out rate of pupils from school. You may not have had time to consider this. I do not know what competence the European Commission has with regard to under-16 education. Can you think of ways using your existing competence, given your interest in education in Wales, to do something more? If so, how would you see that being done, given the lack of competence in this area in relation to a European directive?

[27] **Mr Klom:** Of course, education is an area where the EU has very limited competence. The European Commission tries to co-ordinate and stimulate, but it is a member state competence, and in Wales it is a devolved competence. We try to convince member states that, in the context of our Europe 2020 strategy, it is necessary to have higher levels of education and training. We have analysed the situation and found that only 30 per cent of people in Europe have some sort of tertiary level diploma or degree, compared with 40 per cent of people in the US and 50 per cent of people in Japan. Looking at our economic future, based on a knowledge-based economy and the Europe 2020 agenda based on innovation, we clearly distinguish the need for more training and education and for keeping people in education longer. However, it comes to down to convincing member states to do the right thing and to steer them further in that direction, helping them where we can within the very limited competence that we have.

[28] **Michael German:** The agreement is about reducing drop-out rates. Is that drop-out rates from school or from further education and training, post-16 as it would be in Wales?

[29] **Mr Klom:** I think that you have to address the secondary school level first in order to get people to move on to tertiary education. However, it must all be linked if we want a highly skilled workforce.

[30] **Michael German:** Given that all members of the Council of Ministers have signed up to this, we can presumably expect some joint action. Or is it just a matter for member states and, in our case, the Welsh Assembly Government to deal with?

[31] **Mr Klom:** It is one of the targets of Europe 2020, under which there will be national analyses, and member states will have to put forward their proposals for realising the agenda. The Commission will monitor those annually, and they will be discussed in the Council of Ministers, among peers, you could say, to address what member states are doing, whether it is sufficient and whether more can be done. That will be one of the targets to be discussed.

[32] **Nick Bourne:** I am not sure whether this is the appropriate place to ask this. Perhaps it is a question for Gregg or perhaps for both of you. You mentioned the eurozone and budget position at the start, Rhodri. I wonder whether Andy has any feel for how fragile that situation is in relation to Spain and Portugal in particular. What is your reading of the situation?

9.50 a.m.

[33] **Rhodri Morgan:** Let me put that to Andy. Is that better dealt with by Gregg or do you have a view from the Commission? This is one of those difficult areas, where we are almost straying into item 3. What do you think?

[34] **Mr Klom:** I will have to tread carefully to avoid speculation. We are set upon stabilising the situation, both in Greece as well as in the rest of the eurozone. Eurozone concerns are shared concerns for the whole EU. Since we are linked together through a single market, and since most of our economic fortune depends on that single market, what happens to a eurozone country affects non-eurozone countries as well. The package adopted—I think that it was in April—of safeguards of economic backing and financial potential by the EU as a whole, but focusing on the eurozone, is there to support countries such as Spain, Portugal and Greece, or any other country that might get into trouble. The package is also supported by non-eurozone countries such as Poland and Sweden, which have recognised that it is in their interest to contribute to this, because they will be severely economically affected if anything happens. If you look at the discussion on deficits and debts, you will see that we should also be concerned about non-eurozone countries. What will be happening in London today is of great importance to the interests of the EU and of the European Commission. We have created the instruments to stabilise the situation, and we have to work together to stabilise it. Otherwise, any discussion on Europe 2020, innovation, or moving forward to joint growth for the next decade in the EU, does not have any substance. We need to get stability. As for the euro and the eurozone, I consider the euro to be quite stable. Most economic activity in and between eurozone member states happens through the euro, and no matter what the external value of the euro is, internally, it is still the same currency, as if you are paying £1 from Wales to London or from London to Edinburgh.

9.52 a.m.

**Trafod y Blaenoriaethau Gwaith: y Wybodaeth Ddiweddaraf am Gynigion y  
Comisiwn Ewropeaidd sydd ar y Gweill drwy Fideo Gynadledda  
Consideration of Work Priorities: Update on Forthcoming European  
Commission Proposals via Video-conference**

[35] **Rhodri Morgan:** We move to item 3. We have Gregg in Brussels to help us to go through the paper on the work programme, on which he has produced an update. I welcome Gregg officially for item 3. Do you want to add any additional comments on your paper before I throw this open to Members? In particular, I want to look at the proposed actions—1, 2 and 3—at the top of the paper, then we can formulate a more detailed work programme. Also, do you want to pick up on any of the points that were made by Andy in response to Nick's question on the summit and the mood music there in terms of whether there were big cracks in the eurozone or whether it looked as though the cracks were being polyfilled over fairly successfully? Was everyone pointing the finger at Spain and Greece or were the Spaniards and the Greeks pointing the finger at the Germans for not expanding their economy and reducing their trade surplus, and so on? Give us your view, as you were in the same city, at least.

[36] **Mr Jones:** First, I will introduce the paper, and then come back to the question on economic governance, which is essentially what we are talking about here. It is the dominant



theme in Brussels at the moment, and there is a general feeling that that issue will run for some time. With a debate on the future of the EU budget, the multi-annual financial framework, which will hot up during this autumn period, and the proposals that are due to come out by the middle of next year, the state of European and national finances will have a major impact on that discussion. Essentially, the question is the affordability and how much national governments will be prepared to put into the European collective pot to support the initiatives that they want to take forward at a European level.

[37] Going back to the paper, this follows on from the paper that we discussed back in April. By way of introduction, I will apologise for the thinness of detail. It is a bit tricky to put detail onto some of these issues at the moment, because we are waiting for proposals to come forward. The intention is to get a steer from the committee about whether you are happy with the first action point, which is that we will continue to focus on the big issues, namely the future European budget; the detail of how the Europe 2020 strategy will be taken forward, particularly the flagship initiatives; the extent to which Wales can be involved in those; and the extent to which the Welsh Government is looking to take those initiatives forward. Obviously, there is also the debate around the future of cohesion policy, which the committee has been following closely. In a sense, that would be the first action point, namely to agree to maintain that as a broad theme that the committee wishes to follow.

[38] Tables 2 and 3 set out some more specific policy areas that you may wish to consider taking forward. Table 3 suggests actions that some of the other Assembly committees may wish to consider—we have identified which committees they are. I would emphasise that tables 2 and 3 are updates on the tables that were included in the original paper, which we discussed in April.

[39] **Rhodri Morgan:** Picking up on the theme of the European summit held last weekend, how do you think it went in terms of being able to hold the eurozone and non-eurozone member states together? In particular, did it look as though the tensions within the eurozone were reducing or growing between the trade surplus countries such as Germany and the problem countries further south?

[40] **Mr Jones:** It would be difficult for me to give an inside view, because I was not at the meeting itself. I can only go on the feedback that I picked up in the press and from talking to people. There was a sense of uncertainty about how the European Council meeting would play out. In particular, there is a new British Prime Minister; David Cameron attended his first meeting. Also, prior to the meeting, a letter was submitted by France and Germany, setting out things that they want to see happen in terms of economic governance, which perhaps go a bit further than the UK Government would like. One of the strong messages to emerge was that the UK defends its position that any measures introduced in the form of sanctions for failure to comply with the stability and growth pact should be directed at eurozone members. The UK is not a eurozone member, so it cannot be penalised by a club that it does not belong to. The view was also put forward that there is a collective interest in having a strong eurozone, because the UK benefits from that—something like 50 per cent of the UK's exports go to the eurozone area. President Sarkozy was on record as, essentially, offering conciliatory words on that. That has perhaps been seen as a pulling back.

[41] I do not have any views from Spain or Portugal that I could feed in at the moment, but I could check that out. There is a sense that the European economy is fragile at the moment—that is fairly obvious. There is also an element of uncertainty about what the next stages are. The question about this being a global issue has also been mentioned. The issue will no doubt be discussed further at the G20 talks to be held this week. Europe is seen very much as being part of the global picture.

[42] **Rhodri Morgan:** Good morning, Derek.

[43] **Mr Vaughan:** Good morning, everyone.

[44] **Rhodri Morgan:** This is the last question from me before I throw this open. Apropos of this week's G20 talks, have you picked up any scuttlebutt in Brussels yet of a reaction to President Obama's letter of yesterday to the other G20 heads of Government expressing his view that, if everyone tries to cut their budget deficit too quickly and simultaneously, the danger of tipping back into a double-dip world trade recession is greatly increased? Do we know whether that view will resonate in Europe or whether it will be dismissed as an isolated view because it is quite different from that expressed by the majority of EU Governments?

10.00 a.m.

[45] **Mr Jones:** I have not seen any formal responses yet, because I have not had a chance to look through the press this morning. I suspect that there will be some sympathy with that view from certain member states, but I do not know. We will see what will happen later this week.

[46] **Rhodri Glyn Thomas:** Mae cyfeiriadau yn nhabl 3 at yr hyn y dylai'r pwyllgorau fod yn ei wneud o ran mynd ar drywydd yr hyn sy'n digwydd yn yr Undeb Ewropeaidd. A allwch roi unrhyw arweiniad inni ynghylch yr hyn sy'n ddisgwyliedig gan y pwyllgorau? Yr wyf yn edrych yn arbennig ar yr Is-bwyllgor Datblygu Gwledig, ac mae rhestr go hir o bethau sy'n effeithio arno. Mae'n cwrdd unwaith y mis, ond ni wn i ba raddau y gallwn ymateb. Yr ydym wrthi'n paratoi adroddiad ar y polisi amaethyddol cyffredin, a hefyd ar y sector llaeth, felly gallwn wneud rhai o'r pethau hynny.

**Rhodri Glyn Thomas:** There are references in table 3 to what the committees should be doing to follow up on what is happening in the European Union. Can you give us some guidance on what is expected of the committees? I am looking specifically at the Rural Development Sub-committee, and there is quite a long list of things that have an impact on it. It meets once a month, but I do not know to what extent we can respond. We are preparing a report on the common agricultural policy and on the dairy industry, so we can do some of those things.

[47] Byddwn hefyd yn hoffi cael rhyw fath o arweiniad o ran y polisi newydd ar dyfu organeddau a addaswyd yn enetig, oherwydd mae'n bwysig i Gymru, ac yn draddodiadol mae Cymru wedi cymryd agwedd wahanol i agwedd swyddogol y Deyrnas Unedig tuag atynt. Ni wn faint o arweiniad y gallwch ei roi inni ar y materion hyn.

I would also like some kind of guidance in relation to the new policy on the cultivation of genetically modified organisms, because it is important to Wales, and, traditionally, Wales has taken a different view from the official view of the United Kingdom on GMOs. I do not know how much guidance you can give us on these matters.

[48] **Mr Jones:** It would be up to the Rural Development Sub-committee to decide whether to take those issues forward. I have tried to group the various lists of proposals by theme, and have suggested which committees might be most relevant to discuss them, having discussed that with colleagues. As for why you should follow them and take that level of interest, part of the motivation has come from the fact that the Rural Development Sub-committee is looking at the future of CAP, which the Committee on European and External Affairs could also have looked at, and some issues are tied into that. For example, the report from the high-level group on the dairy sector, which came out last week, includes suggestions for proposals that are likely to be brought within the framework of future CAP reform anyway. On the package on agricultural product quality, the commissioner has emphasised that he views quality as one of the strong points of agriculture in the EU, along with diversity and the regional and local dimension, which he wants to strengthen. So, just as we on the

Committee on European and External Affairs have been looking at some issues grouped together, there may be merit in looking at them collectively.

[49] On the GMOs, I will come back to you with a detailed written answer on that. You have mentioned Wales having concerns about GMOs, and some member states also have major concerns about GMO cultivation across the EU. However, there are strong proponents of GMO cultivation, looking at it from the business side. There is a bit of an impasse in the decision-making process: if the council cannot agree, the European Commission by default is able to go ahead with proposals. So, they are trying to find a better procedure, and they are having more of a debate about what the procedure should be to try to reconcile the different views around the table.

[50] **Jeff Cuthbert:** There are concerns, Gregg—and I am glad that Derek is there with you—that the level of public expenditure cuts that are feared could have an impact on the money that is available to the Welsh Assembly Government for the targeted match funding of European structural programmes. Although we do not know whether that is the case, it is a reasonable concern. If that were the case, has there been any consideration that you are aware of to relax the intervention rates further?

[51] **Mr Jones:** I have not heard anything specific on that yet. That issue came up last year as the first reaction to the financial crisis, and the European Commission took quite a progressive view, if that is the right way to phrase it, to encourage flexibility. Again, I will come back to you with a written response on that. I have not picked up anything explicitly on that, but I know that the issue has been in the background since the changes that were agreed last year.

[52] **Rhodri Morgan:** Are there any other questions for Gregg? I see that there are not, in which case we will slide imperceptibly onto the next item.

10.06 a.m.

**Y Wybodaeth Ddiweddaraf gan Aelodau Cymru o Senedd Ewrop ym Mrwsel  
drwy Fideo Gynhadledd  
Updates from Welsh Members of the European Parliament in Brussels via  
Video-conference**

[53] **Rhodri Morgan:** The next item is to receive updates from the Welsh MEPs, which I have put in the plural, but I can see only one of them at the moment. We have an indication that Jill Evans will join us soon—do we? At least, we have not heard that she will not be. We hope that Kay Swinburne will try to make it for the end of the session, because she has a meeting of the Economic and Monetary Affairs Committee this morning. Derek, we are dependent on your ability to keep this going until Kay Swinburne arrives, which she may or may not do. Could you give us an indication of your impression of both the broad responses in the European Parliament to the European summit last week and to any specific responses from your committees?

[54] **Mr Vaughan:** Good morning, everyone. I have put on a bit of weight, so it might look as though two MEPs are sitting here, but I assure you that it is only me. [*Laughter.*] I was looking at your list of priorities for discussion for the future, and I think that anyone who has any doubts about how important the EU is to Wales need only look at that list of important topics that the EU covers and that you are to cover in your future discussions, to have those doubts dispelled.

[55] My main committee in the European Parliament is the Committee on Budgets and I

can tell you that an awful lot is going on in that committee at the moment. First, we are looking at implementing the changes resulting from the ratification of the Lisbon treaty, which include the establishment of a new external action service. I am trying to find some funding for that to be established. The European Parliament, particularly the Committee on Budgets, is pressing for a mid-term review of the current financial perspective, because of the increased spending pressures. However, the member states are reluctant to do that for obvious reasons. I think that there will be a mid-term review, but it is likely to involve some tweaking only, rather than anything more substantial.

[56] We are also looking at the 2011 budget, and we expect some difficult discussions with the European Commission and the council on that, because member states will be reluctant to put any extra resources into the EU at this time. We have also had the publication of the EU 2020 strategy, which was approved by the last council meeting. Following on from that will be the discussions on the new financial perspective for 2013-20. The idea is that the EU 2020 strategy sets the political aims and objectives of the EU, and then we need to find the funding to meet those objectives. That is where the new financial perspective comes in. There are some big topics to discuss when those discussions come. The UK rebate will be discussed again. That is currently around £3 billion. I think that the UK MEPs in the Parliament will be in a minority of one in those discussions. Certainly, all the colleagues with whom I have spoken from other political groups and parts of the EU are very keen to see an end to not only the UK rebate but to all forms of rebates and delegations across the EU. So, that will be a difficult topic.

[57] Another big topic within the discussions on the EU financial perspective will be the future of CAP and the overall level of funding that goes into it, as well as a discussion on the differences between pillar 1, which are the direct payments to farmers, and pillar 2, which is the rural development funding that goes to certain areas. I have seen that in Neath Port Talbot, for example, where we have had funding for the first time for things such as helping farmers to diversify, to create small businesses in rural areas, and to support transport and tourism, to promote tourism and so on. So, there will be a big discussion on those two pillars and whether money should be moved from one pillar to the other.

10.10 a.m.

[58] The other big discussion for Wales will be on funding for the new framework programme, namely the research funding for higher education institutions in Wales and the rest of the EU. We will shortly have a consultation paper on FP8 and we need to keep an eye on that. I have already been talking to universities in Wales about some ideas that they have about what FP8 might look like.

[59] Another issue for us is the future of cohesion policy and structural funds. Linked to that is the publication of the fifth cohesion report in about November, which will be important for Wales. I will not go through the arguments on that, but you will be aware of the paper that was leaked before Christmas from the budget directorate suggesting the renationalisation of cohesion policy and structural funds. Under that, only the poorest member states in the future would be eligible for structural funds and, in the richer member states, which would include the UK, the Governments would be responsible for regional policy. That would cause huge problems for us.

[60] As for my role, we have established a friends of cohesion group in the Parliament, which I lead and chair, and there will be a meeting next week to discuss future lobbying and some ideas about what future structural funds might look like. The Parliament has also set up a temporary committee to look at the new financial perspective. I am pleased to say that I will be a member of that committee, although I am not sure whether my three colleagues from Wales will be on it. That will give me the opportunity to have an input into the new financial

perspective, and I can push the case for the future of cohesion policy and structural funds from within that committee.

[61] As for how things might pan out, I still get the feeling that there are elements in the European Commission that would like to see the renationalisation of cohesion policy. A number of member states will argue against that case, including the UK. The feeling here is that we have moved on from that. So, when we see the report in November, my guess is that we will see structural funds being made available to all regions across the EU, as long as they qualify. I also think that transitional status will be mentioned. The real battle is to ensure that those arguments are won, but we also need to start talking about some of the detail of what structural funds should look like post 2013. I will be focusing on that in the coming weeks and months.

[62] **Rhodri Morgan:** Fine. There are a couple of questions from me to begin with. From this end, we have been trying to elicit from the UK Government whether it has yet formed an opinion on the renationalisation of regional policy, and whether it is for or against. We are still hoping to persuade the incoming Secretary of State for Wales, Cheryl Gillan, to come to committee to give a view, but it is possible that that view simply has not been formed yet because there is so much concentration on other priorities for the new coalition Government. I guess that we could also get that view from UKRep, the United Kingdom Permanent Representation to the EU, because if anyone knows the emerging Government view, it will be UKRep. So far, we have not got UKRep to participate in a video-conference with us either, but we may be able to do that before the end of term. We want clarity on the issue of whether the Government has formed a view yet, as then we will know whether there is a danger of its adopting the renationalisation position. If there is such a danger, we want to make it aware of the committee's report.

[63] It would also be interesting to hear your view of Parliament's perception of how the EU institutions—namely, the Parliament, the Commission and the Council of Ministers—manage to keep their eye on the ball when it seems that the only show in town is how to manage the Greek crisis, and the possible contagion of that to Spain, Portugal, Ireland and so on. How does the EU manage to think of anything other than whether we can get through the current eurozone crisis without the euro going up in flames if the Greeks are obliged to leave because they have to renege on their national debt, and so on. How does Europe, in terms of the three or four institutions involved, keep its eye on the ball when it sees this big fire in Greece, and the potential contagion from it, overwhelming almost everything else?

[64] **Mr Vaughan:** On your first point, about the UK Government's view, I do not think that it has been finally established. I believe that the four Welsh MEPs will meet Cheryl Gillan in the next couple of weeks, and we will have the opportunity to discuss that with her. I think that UKRep is also waiting for a view from the UK Government. In the brief discussions that I have had with it, it has indicated that there has not been any feedback from the UK Government. However, these are early days in the life of the UK's coalition Government, and no doubt its views will become apparent soon. I would be surprised if the Government changed tack. The previous Government, formed by my party, argued initially that structural funds should be renationalised, and I doubt that the current Government would change course on that.

[65] As for the EU itself and the financial and economic crisis in a number of member states, that discussion is largely taking place at member state and European Council level. There are some discussions within the European Parliament, but there is not as much focus on it as there is at European Council level. We are still concentrating on the more day-to-day issues and in particular the current financial situation—sorry, someone is entering the room now. It is Jill.

[66] **Rhodri Morgan:** Bore da, Jill.

[67] **Ms Evans:** Bore da.

[68] **Mr Vaughan:** Just to quickly finish that point, within the Parliament itself the discussion has been less about the overall economic and financial crisis and more about trying to concentrate on the day-to-day issues and the various items of legislation that we are involved in. From my point of view, that means the current budget, next year's budget, and the future financial perspective.

[69] **Rhodri Morgan:** I am grateful for that. I welcome Jill Evans.

[70] Croeso cynnes iawn i chi. Yr ydym yn ddiolchgar eich bod wedi ymuno â ni'n awr, Jill. Unwaith ichi dynnu anadl, gwneud eich hunan yn gysurus, a chael eich esgidiau o dan y ddesg, dechreuaf y cwestiynau. A oes pwyntiau yr ydych yn awyddus i'w rhannu â'r pwyllgor ynglŷn â'ch persbectif ar flaenoriaethau'r pwyllgorau yr ydych yn eistedd arnynt, blaenoriaethau'r Senedd yn gyffredinol, neu hyd yn oed sefydliadau Ewrop yn gyffredinol, ynglŷn â'r argyfwng ariannol bresennol? Sut yr ydych yn gallu bwrw ymlaen â'ch gwaith yn y pwyllgorau, er gwaethaf y storm sydd yn chwythu drwy'r byd ariannol?

A warm welcome to you. We are grateful that you have joined us now, Jill. Once you have caught your breath, settled in and got your feet under the table, I will start the questions. Do you have any points that you wish to share with the committee on your perspective regarding the priorities of the committees that you sit on, the priorities of the Parliament in general, or even those of European institutions generally, on the current economic crisis? How can you move forward with your committee work in the face of the storm that is blowing through the financial world?

[71] **Ms Evans:** Diolch yn fawr; thank you very much. I am very sorry that I was late, but I have been at a meeting of the Committee on the Environment, Public Health and Food Safety, where we have been voting on biocides and pesticides this morning, and I could not leave before the end of the vote.

[72] I am sure that Derek has talked quite a bit about the cohesion policy. I looked through your papers and tried to pick out some of the points that I thought might be of particular interest. On EU 2020 and the general financial crisis, there was a European Council meeting on 19 June, and Mr Van Rompuy, the President, will be reporting back to the Parliament. There is a special session of Parliament tomorrow and there will be a debate on that. It will be interesting to see what kind of feedback there was from the various member states.

[73] You will also know, I am sure, that the Parliament has set up a special committee to look not only at the financial crisis—there is a committee looking at that already, which Kay Swinburne is a member of—but also the financial framework of the EU post 2013. That is crucial to us in terms of the cohesion policy, the common agricultural policy, and everything else that we do. I do not yet know whether any members from Wales are members of that new committee—oh, Derek is on it. That will be one that we will follow closely.

10.20 a.m.

[74] We are just moving into the Belgian presidency, of course. I have a meeting this afternoon with some of the Belgian Ministers to discuss their priorities for the next year. It will be interesting for us in Wales in terms of the current constitutional situation in Belgium and in terms of what will happen in the future, particularly as it enters the presidency with a caretaker Government.

[75] On the common agricultural policy, we had a vote in the Committee on Agriculture and Rural Development last week, which was a very positive vote for us in Wales. Many of the things that we wanted to see were agreed by the committee, such as continuing with direct payments, support for local food production, keeping the financial support for farmers, and looking at the crucial role of agriculture within the European Union. It was only a committee vote—a non-binding vote. It was merely the committee's views on the CAP. We also had a presentation here yesterday on the Glastir project, which was attended by several representatives from other countries. It was a very good way of raising the profile of what the One Wales Government is doing in terms of agriculture.

[76] Another issue on which I have been contacted specifically by Ministers in the Welsh Assembly Government is the integrated pollution prevention and control directive on emissions from large plants. Discussions have taken place about that, and there is a compromise agreement now, which includes transitional plans, which is what the Welsh Assembly Government and the UK Government wanted. I think that most groups, if not all, have signed up to that. Therefore, I think that the result will again be a favourable one for us in Wales.

[77] One other point that is of particular importance to us is that of genetically modified organisms. On 13 July, the Commission will be publishing new proposals on GMOs. It is proposed that although the authorisation of new GMOs would still be done on a European level, member states would be able to decide for themselves whether they should ban or allow the growing of genetically modified crops in their own states. In some ways, this proposal seems attractive but, at the same time, the big question for us in Wales would be whether the Welsh Assembly Government would have the power to say 'no' to the growing of GM crops in Wales, or whether the UK Government would have the power to approve for the whole of the UK. Given the Assembly's policy on GMOs, that is something that we would again be looking at very closely.

[78] **Rhodri Morgan:** Diolch yn fawr, Jill. I will now open the floor to questions. I can see that Rhodri Glyn, Mike German and Jeff Cuthbert wish to ask questions. I will call on Rhodri Glyn first.

[79] **Rhodri Glyn Thomas:** I have a question for Derek first. I was intrigued by the cross-party group that you have set up on cohesion policy, which you referred to as 'friends of cohesion policy'. How many friends of cohesion policy do we have so far?

[80] **Mr Vaughan:** It is surprising how many colleagues are interested from all political groups. Due to the way that things work here, we do not just work with people from our own political groups, but people from similar regions as well. My office tried to identify similar regions or countries to Wales across the EU that are currently receiving structural funds, and then tried to identify the MEPs from those areas. We identified 41 regions and a large number of MEPs. Therefore, we sent out some invitations. The meetings that we have had so far have included people from the former eastern European countries, but also large numbers from Spain, France and Germany, particularly the poorer regions from those areas, which are all interested in the future of structural funds. I think that they were all quite alarmed by the budget paper that was leaked just before Christmas, which suggested that a reasonable policy would be to renationalise. Therefore, that stimulated interest in the group.

[81] **Rhodri Glyn Thomas:** Mae gennyf gwestiwn i Jill ynglŷn ag adolygiad y polisi amaethyddol cyffredin. Gwelais fod Senedd Ewrop wedi mabwysiadu papur gan Aelod Seneddol Ewropeaidd o'r Democratiaid Rhyddfrydol, George Lyon. Deallaf y bydd **Rhodri Glyn Thomas:** I have a question for Jill regarding the review of the common agricultural policy. I saw that the European Parliament has adopted a paper by a Liberal Democrat Member of European Parliament, George Lyon. I understand that there will be

pleidlais ar y papur hwnnw. Beth yw statws y papur hwnnw, oherwydd mae sawl peth ynddo a all fod yn fanteisiol i Gymru? a vote on that paper. What is the status of that paper, because there are many points in it that could be advantageous to Wales?

[82] **Ms Evans:** The paper was voted on by the agriculture committee last week, and it will come to full Plenary in July. It is the Parliament's view on the direction that the CAP reform should take. It is at the early stages of discussion, but it sets out clearly some of the bottom lines for the Parliament, which is important given the Parliament's new status in deciding on agricultural policy. There is co-decision now, which there was not before. Therefore, this is not a legally binding document, but it will have a lot of influence, I hope, on Commission proposals.

[83] **Michael German:** Do you have any further intelligence on the debate that was going on between officials in social policy and regional development on the spatial decoupling of the European social fund and the European regional development fund? When we were taking evidence on this report—before you joined us—officials from the Commission on the ESF side told us that they did not necessarily see it as being coupled to the spatial needs of regions. That is a worry for us, because if we were to lose one leg of it, or have to spread it much more thinly, it would not help us in the two thirds of Wales that currently receives those moneys. Has that argument disappeared, or have you picked up any more about it, or are there strong proposals, on either side, by either of the commissioners?

[84] **Mr Vaughan:** The Directorate-General for Employment, Social Affairs and Equal Opportunities has been keen for a long time on trying to get its hands on European social fund money, and to form a bigger package within employment. I understand, however, that the Commissioner for Regional Policy, Johannes Hahn, is fighting that hard, and at present seems to have the upper hand. Therefore, I would guess that, as things stand at present, European social fund money would stay with DG Regio for the time being, and when we see that fifth regional report in September, I would expect it to remain there. You make an important point; if it goes to DG Employment, we could find that more and more money is based on sectoral projects, rather than territorial projects. If it remains with DG Regio, there is a bigger chance of the funding going to territorial projects.

[85] **Jeff Cuthbert:** Derek will have heard the question that I asked Gregg 15 minutes or so ago; Jill will not have heard it. My question was about the concerns that exist that the significant cuts in public expenditure could mean that there might not be enough money for targeted match funding in terms of the existing convergence and competitiveness programmes. If that is the case, are you aware of any likely support for greater flexibility, or relaxation, of the intervention rates, and would you support that if the need arose?

[86] **Ms Evans:** Yes, I would. About two years ago, when the crisis first started to bite, the Commission was willing to be flexible, particularly with regard to the amounts of money that it put upfront for projects. Therefore, there will be scope for flexibility, and we would be pushing for that, because we want to ensure that Wales gets every penny possible. I would certainly work for that.

10.30 a.m.

[87] **Mr Vaughan:** I do not think that the Commission saw the increase in intervention rates as a long-term measure. The increases that it put in place were seen as a short-term measure, and it will be interesting to see how they will change in the future. When the cohesion report is published in November, this is one of the things that we need to look out for, and during the short consultation period that follows, we need to make the case for at least maintaining the current higher level of intervention rates, and maybe increase them further in the future.



[88] **Rhodri Morgan:** I have one more question. Unfortunately, it is more for Kay Swinburne than for Jill or Derek. Could Gregg check whether she is able to attend? Can you phone to see if she is on her way over?

[89] **Mr Jones:** Yes.

[90] **Rhodri Morgan:** Okay. In the meantime, I will ask Derek and Jill whether they have views on this, although it is very much a part of Kay's Committee on Economic and Monetary Affairs responsibility. It is a 'what if' question. If the Greek Government cannot ultimately maintain its position in the euro or has to default on its national debt repayments, what are the consequences of that on all of the other European priorities? An allied question is: how soon do the European Parliament's ECON committee and the Governments of all the European countries expect to get back to the 3 per cent gross domestic product public sector deficit in any one year, which was seen as being very important at the time of the Maastricht treaty; that is, that everyone should try to abide by the 3 per cent figure. After the recession, the mindset changed and the view was that you could not hold to that figure in the face of the banking crisis that Lehman Brothers and others had set off. Are you ever going to be able to go back to the 3 per cent figure, and what happens if Greece defaults? Is there much talk of how much of an impact it would have on everything else that the European project is about?

[91] **Mr Vaughan:** I should have said earlier that the Parliament's role so far in terms of the financial package that has been put together has been limited to trying to find the €60 million, which is the EU's direct contribution. The other contributions towards the financial rescue package come from member states and the International Monetary Fund, so our role has been quite limited so far. The discussion that we have had in the Parliament has been quite limited on that element, although there have been many discussions in Kay's ECON committee about future financial regulation. On where we are at the moment, the focus has moved from Greece and on to Spain and some other countries. I am not certain about what happens if they default or not. I would guess that they are unlikely to do so because they will not be allowed to do so. That is the reason why this substantial financial package has been put in place.

[92] On the second part of your question about the stability and growth pact and when member states will be expected to return to the figure of 3 per cent, I have not seen a date for that, but, again, it is more of a discussion for the Commission and the council. Kay's committee will no doubt have a view on it, but it is more of a discussion for them than for us within the Parliament.

[93] **Ms Evans:** I do not really have anything to add to that. There may have been detailed discussion in the ECON committee and we may hear something in the report from the council meeting tomorrow. I do not think that we have gone as far as discussing the consequences of Greece defaulting and the impact of that on the wider budget, although it is something that has been in the back of people's minds. However, as far as I know, there has been no detailed research on it.

[94] There has been some discussion around the nature of the stability and growth pact, but whether or not that will change will be largely a matter for the eurozone countries, as will the question of whether the 3 per cent figure will be kept. There have been no discussions about scrapping it at the moment, but questions are being asked about the nature of the pact, and whether it would be able to deal with this kind of crisis.

[95] **Rhodri Morgan:** Okay, but when you talk to your colleagues from one of the 16 eurozone countries in your groups or on your committees, are they turning white as a sheet at the prospect that the euro could lose a few members around the south, or is there bad blood

between northern and southern eurozone members in the sense that the northern members wonder why they are having to bail out these people in southern Europe who do not seem to be able to get a grip on their national finances? Or is the general feeling of European solidarity much stronger than the feelings of ‘Why are we subsidising them?’ or ‘Why are they getting the whole Europe project into difficulty?’?

[96] **Mr Vaughan:** I certainly have not picked that up in discussions with colleagues in the socialist group or elsewhere. That is probably due to the nature of the politics in the European Parliament, where things are done very much through consensus, with people working together across political groups. The one difference that has emerged has to do with the traditional political and economic differences. The Conservatives and the centre-right and right-wing elements of the Parliament are very much in support of the idea of quick and deep cuts to budget deficits across Europe, while the centre-left, the left and, I assume, Jill’s group are much more cautious on that, saying that we should not take our eye off the ball in ensuring that there is growth in the economy as well. We feel that cutting deficits too quickly and too deeply could put future growth at risk. So, that is the big discussion and the big division in the Parliament at the moment.

[97] **Ms Evans:** I have not picked up on any conflict or that attitude either. I think that there is a great feeling of solidarity. As Derek said, one of the main concerns for our political groups is the impact on social protection. One of the things that I noticed in table 2 of paper 1—one of the things of interest to your committee—was reference to services of general interest. This is one of the major issues for us as well—ensuring that nothing is done that would further undermine any of our public services. That is something that we have been pushing very hard on, but something that is getting largely pushed aside in all of this discussion.

[98] **Rhodri Morgan:** It is coming up to 10.40 a.m. here, 11.40 a.m. where you are. Gregg, Kay is not likely to rush through the door for the last couple of minutes of this meeting is she?

[99] **Mr Jones:** I have spoken to Kay’s office, and, unfortunately, she is not able to make it this morning.

[100] **Rhodri Morgan:** Okay. We will try to pursue this matter via other channels or on 6 July. I know that it will be difficult at that time as well, but we may be able to do this through some kind of written report. We would very much like to hear Kay’s view, from the ECON committee, on how dominant that theme is of how to deliver 3 per cent and what happens with the north-south divide between those who seem to have their budget deficits under control and those who still do not.

[101] Jill and Derek, I thank you for your attendance this morning and for giving us your views at a time when it has never been more important to have close communication between you over there—and I include Gregg and the Assembly office in that as well—and us over here as we try to read the signals and establish what impact it might have on Wales in general and specific terms with regard to the structural funds delivery and the overall picture of cohesion. Best of luck to friends of cohesion. Maximise your membership and develop your lobbying skills, and we might well be able to help each other to win the day on this theme. Thank you very much for your presence this morning. Diolch yn fawr.

[102] **Ms Evans:** Diolch yn fawr.

[103] **Mr Vaughan:** Thank you very much.

10.40 a.m.

[104] **Rhodri Morgan:** Members will have noted the legal advice reinforcing the general view that was taken at the last meeting here on the difference in the ministerial powers relating to international development in Wales and Scotland.

[105] If anyone has any point of accuracy on the minutes, please let the clerk know and I am sure that we can agree an adjustment.

[106] Kim Darroch, the UK's ambassador and permanent representative to the EU has been invited to speak to the committee on Tuesday, 6 July. We will keep Members informed of his availability. We hope very much that Kim will be able to talk to us over the video-conference link then. As I said, we will elicit the views of the other MEPs, Kay and John, either by video-conference or in some other way on or around 6 July.

[107] Diolch yn fawr am eich presenoldeb Thank you very much for you presence this  
y bore yma. morning.

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.41 p.m.  
The public part of the meeting ended at 10.41 p.m.*