

**CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE**

**EXTERNAL AFFAIRS INQUIRY**

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**Scotland's European Policy and the Innovation and Investment Hubs**

1. This written evidence responds to the Engaging with the European Union strand of the Committee's inquiry. It focuses on the Scottish Government's European policy and the European Innovation and Investment Hubs. The sections of this evidence consider (1) principles for Scotland's European policy; (2) priorities of the Innovation and Investment Hubs; (3) the Innovation and Investment Hubs and Government policy; (4) evaluation of the Innovation and Investment Hubs; and (5) concluding thoughts on Scotland's European and external engagement. This evidence reflects the state of affairs as of summer 2019.

**Section 1: Principles for Scotland's European Policy**

2. Scotland is currently enduring a high degree of political uncertainty connected with Brexit. The prospect of leaving the EU is undisputedly the central question facing Scotland and the UK. Concerns abound not only on the implications of EU withdrawal generally, but particularly the manner in which the UK might leave the EU – or indeed if the UK will leave the EU at all. Consequently, Brexit is presently impeding Scotland's European and external relations in two principal ways: (1) it limits the scope of policy, due to the lack of clarity on the UK's future relationship with the EU and the rest of the world, and (2) it consumes attention and diverts it from wider EU and external objectives. These challenges make it difficult for Scotland to conduct effective European and external affairs policies.
3. The Scottish Government is not in a position to substantially mitigate the uncertainties of Brexit, given the reserved status of foreign policy and relations with the EU. Moreover, the UK Government's approach to Brexit since the EU Referendum has not been conducive to collaborative processes in which Scotland could be a contributing participant. Provision for the Scottish Government to have a greater role in the UK Government's Brexit and future EU policies would most likely only come from constitutional change – which appears unlikely in the present UK political context, or indeed to happen in sufficient time to include Brexit. As a result, the Scottish Government will shape its European policy in the years ahead in an environment of unpredictable circumstances and limited room for manoeuvre.
4. Even if the UK does leave the EU, with a deal, the consuming nature of Brexit will endure for years to come as the future EU-UK relationship is constructed. Brexit preoccupies the UK's foreign policy and will continue to do so – not least as the UK will not be in a practical position to conduct trade and wider international relations until the shape of its new relationship with the EU is clear (and partners will demand such clarity). For instance, the UK Government has intensified its bilateral engagement with EU Member States in the anticipation of Brexit. The effectiveness of this engagement has however been constrained by the fact that

the EU27 have largely viewed this activity as transparent. In developing its own European and external affairs policies, the Scottish Government should aim to avoid being similarly defined by Brexit.

5. The Scottish Government's present European policy is largely focused on responding to the realities of Brexit, articulating a distinctive Brexit position and mitigating the consequences of Brexit. Considering the circumstances, this emphasis is understandable – but Brexit policy should not completely overtake European policy. Effective engagement with the EU institutions and EU Member States is predicated upon participating in Europe's core debates. Brexit has not been a core EU issue for some time. The prospect of a no-deal Brexit will certainly raise its salience, but the EU has many other pressing demands deemed more important. While Brexit is of course a major concern for Ireland, the EU27 set out from the beginning to contain Brexit from the wider EU agenda, and they have largely managed to do so. Accordingly, the Scottish Government should as much as possible also connect with that wider agenda.
6. Differentiation on Brexit has been a central aspect of the Scottish Government's external projection and engagement with the EU: the UK Government has a policy of leaving the EU, including potentially without a deal, whereas the Scottish Government opposes leaving the EU and rejects a no-deal Brexit. The Scottish Government's approach is grounded in the EU Referendum result in Scotland and the pro-European support of the Scottish Parliament. This differentiation is logical; it has a democratic mandate; and it aligns with the Scottish Government's existing EU priorities. The Government's articulations of its antipathy to Brexit and its support for the free movement of people have been noted and appreciated by EU actors. However, for the EU27 those are UK-centric debates. The EU is certainly not debating the merits of the internal market, the free movement of people or EU trade policy. The effectiveness of differentiation is therefore limited where not complemented by other aspects of engagement.
7. Scotland's engagement with the EU will need to be sustained through active participation in EU policies, EU programmes and EU debates – incorporated in a modern European strategy for the Scottish Government. While the Government and many other Scottish actors, ranging from businesses and universities to NGOs and other civil society groups, of course already engage on numerous European themes, their efforts could be multiplied through greater national coordination. This line of reasoning brings up core questions which should be addressed to have the most effective European policy. What are Scotland's fundamental EU interests? What are Scotland's priorities for its EU positions and relationships? What is Scotland's vision for the future of the EU? How will Scotland contribute to the EU's development? The answers to these questions, ideally determined through national civic dialogue, and with substantial parliamentary involvement, could form the basis of a new European strategy that recognises the challenges of Brexit but emphasises the EU's wider agenda and debates.

## **Section 2: Priorities of the Innovation and Investment Hubs**

8. The Scottish Government currently operates five Innovation and Investment Hubs in Europe (the Hubs). They should be considered in three categories: (1) Brussels, with the focus on EU engagement; (2) London, with the focus on UK engagement; and (3) the European National Hubs – Berlin, Dublin and Paris, with the focus on local engagement. The Foreign and Commonwealth Office is aware of the external Hubs and each has a relationship with the local UK diplomatic mission – indeed, several Hub offices are located within British embassies. While Scotland House Brussels is well established, the other Hubs are relatively new, with launches in Dublin (2016), London (2017), Berlin (2018) and Paris (2019). The Hubs have the potential to form a central component of Scotland’s European engagement.
9. The Hubs provide formal representation of the Scottish Government in their respective locations. Their headline objective is therefore the promotion of Scotland and its interests. Despite the name, the Hubs do not concentrate solely on trade and investment, and instead conduct engagement across the political, economic, social and cultural domains. It is eminently reasonable for the Scottish Government to undertake holistic engagement with European and external actors. In our highly interconnected continent and world, the successful pursuit of domestic objectives often involves or benefits from engagement at European and international levels. Each Hub prioritises different areas of focus, depending upon its placement. The Brussels Hub concentrates its engagement on EU policymaking, and the London Hub on UK policymaking – while also developing economic and cultural strands. The European National Hubs, which have smaller staff numbers, pursue their own distinct objectives based on the host context – and that degree of flexibility is important.
10. For the European National Hubs, the development of their policy engagement will necessitate choices of focus – on bilateral matters or EU matters. Most European sub-states prioritise bilateral relations in their representations in EU Member States, and instead concentrate their EU policy engagement in Brussels (and their state’s capital). Conversely, European states conduct EU policy engagement in national capitals, as they have greater power, resource and ambition to interact extensively on EU affairs – and to triangulate on EU policy between Brussels, EU national capitals and their own capital. In that regard, while Scotland engaging on EU affairs directly in Berlin and Paris for instance would be relatively unique, such efforts could prove productive depending upon the context and objectives. Since Berlin, Paris and London are major European capitals, and Brussels the administrative centre of the EU, they attract diplomatic investment from across Europe and around the world – and therefore offer economies of scale for Scotland in European and external engagement.
11. To a large extent, the work of the Brussels and London Hubs follows the local policy agenda, responding to new developments according to the Government’s priorities. The European National Hubs have greater scope to define their mission and to build the profile for Scotland best suited to the national context. It is important that they have the autonomy to foster organic lines of cooperation, informed by acquired local knowledge, and to enable potential successes to develop. Given their resource limitations, the Hubs are not in a position to cover the full range of relations between Scotland and the host locations and

prioritisation is necessary. The Hubs already work closely with Government bodies such as Scottish Development International – indeed, SDI is considered an intrinsic part of the Brussels and London Hubs. Having established the European Hubs network, the Scottish Government should continue to review how best to organise the activities of its European and external offices and agencies.

12. Government strategy also has a role to play in shaping the work of the Hubs and in defining how they fit into the Government's wider EU engagement profile. The Scottish Government should ensure that the Hubs are fully integrated into its future European strategy, accounting for their capacity on the ground and leveraging it in the service of its wider European objectives. The European strategy should incorporate EU-level policy priorities, set out Scotland's strengths and areas of focus, and identify particular Member States or regions for priority cooperation – all of which will be highly relevant to the Hubs. At the same time, the Government should consider how best to maintain the individual approaches of the Hubs, while also providing them with an evolving strategic framework of European priorities to be taken forward in the host countries. European actors are likely to remain open to future cooperation with Scotland, despite the uncertainties of Brexit – though Scotland may have to pursue it more actively, and a comprehensive strategy would prove essential in that context.

### **Section 3: Innovation and Investment Hubs and Government Policy**

13. The creation of the Hubs in Berlin, Paris, London and Dublin – alongside the expansion of the Brussels Hub – was designed to increase Scotland's profile and the Scottish Government's capacity in Europe. The Hubs are conduits for paradiplomacy – the representation of Scotland as a nation, but not a state. While individually focused on their specific remits, collectively the Hubs form the Scottish Government's paradiplomatic network in Europe. This network remains emergent, though in time coordination between the Hubs and connectivity with Edinburgh should prove core aspects of its activity and sources of its value. The Scottish Government should clearly define its vision for the operation of the Hubs in practice and their integration into wider Government. While the Scottish Government has long maintained offices in Europe and abroad, the establishment of a dedicated paradiplomatic network for Scotland is new (including the Government's international offices outwith Europe) – and evolution of Government practice is essential to ensuring that the network is as successful as possible.
14. The overall effectiveness of the Hubs and the network in achieving the Government's objectives is therefore equally dependent upon central government. Internal Government infrastructure in Edinburgh will need to be built to facilitate the functioning of the Hubs network. Besides national representation, the core function of a standard diplomatic network is political intelligence – its gathering, analysis and exchange. In their host environments, the Hubs will be perceptive to large amounts of intelligence on national and European politics and policy. However, Edinburgh will have to ensure sufficient organisation and receptivity to utilise the intelligence and insight which the Hubs can provide. Intelligence is normally transient and must reach the right audience in time in order to prove useful. The Scottish Government should consider how best to

develop systems to collect, process, prioritise, deliver and deploy European intelligence from the Hubs. While the Brussels Hub has long been engaged in such work, the opening of the four new Hubs and the Hubs network changes the landscape – and the Government should review its mechanisms for European intelligence and analysis.

15. The Scottish Government should therefore ensure that its internal structures are modified to accommodate the creation of this European paradiplomatic network and to capture fully the value which the Hubs generate. The Government should equally foster a culture shift at headquarters around the incorporation of the Hubs network into Scotland's European policy – to promote openness and creative thinking in the new forms of opportunity which will arise as the network evolves. Multiple Government directorates are involved in the Hubs network and the priority themes connected to their work. Sufficient interdepartmental connectivity related to the Hubs will be important – particularly between the Directorate for External Affairs (European and external relations), the Directorate for International Trade and Investment (trade) and the Directorate for Constitution and Cabinet (Brexit). The Hubs themselves do not interact only with their home directorates, but instead across Government. Such interaction is useful and these lines of communication should be optimised where necessary to share information and to build coherence on European and external relations.
16. In defining the objectives and activities of the European National Hubs, the Scottish Government should evaluate the portability of its experience in external relations. Under its International Framework, the Government maintains country plans for its relationships with priority international states. It might be useful to develop country plans for European states as well – and the ongoing work of the European National Hubs already forms a basis for those particular states. European country plans would establish a multiannual strategic focus, implemented through the existing (annual) business plans. The Government would need to determine for which states to develop European country plans – potentially including those without a current Hub. Those decisions should principally derive from the European strategy. The geographical remit of the Hubs will prove another important consideration. If the Hubs are in future specifically tasked with larger jurisdictions covering multiple countries, not just the country of base, they will undoubtedly require more resources in response.
17. Over the longer term, the Scottish Government might decide to consider expanding the European Hubs network. It could do so by increasing the capacity of the existing Hubs or by establishing new European National Hubs. The current Hub locations are logical choices – the administrative centre of the EU (Brussels), the capital of the UK (London), the capitals of major European powers (Berlin and Paris) and the capital of a close political and economic partner (Dublin). Future locations should be based on assessment of the political, economic and trade considerations of potential candidate countries and cities (which may not necessarily be the capital). To that end, the Scottish Government might consider undertaking what I have termed Strategic Bilateral Audits of particular European states. Taking inspiration from the Irish Government, these audits would consist of a comprehensive review of Scotland's existing presence in the relevant state, including political, economic, research, cultural and social relations. Further

information is available in Chapter 4 'Small States and Regions: Evolving Strategies in EU Politics' of SCER's major strategy report, *The Future of Europe: Disruption, Continuity and Change*.

#### **Section 4: Evaluation of the Innovation and Investment Hubs**

18. The Innovation and Investment Hubs and the Hubs network are a new endeavour for Scotland. While evaluation of the Hubs should be rigorous, it must equally take into account their specific circumstances as missions abroad in variable environments. For the newer Hubs and for the network as a whole, sufficient time should be given for development before drawing major conclusions. In setting standards of evaluation for the Hubs, it is crucial to have regard to their context. Diplomacy and paradiplomacy are challenging enterprises and often require a long-term perspective. Although direct returns are not always available, investments in political, economic and cultural diplomacy can pay dividends over the long term. Political capital can prove invaluable, but also impossible to quantify. The different national environments in which the Hubs operate equally impact upon their work – political and economic cultures differ, and policy and business decisions can often take longer than might be expected in Scotland. As a point of reference, the Hubs need not be subject to greater scrutiny than that undertaken of UK diplomatic missions, unless specific reasons merit otherwise.
19. Evaluation of the Hubs network should be conducted across five core components: (1) the work and performance of each Hub; (2) relationships and connectivity between the Hubs; (3) relationships and connectivity between the Hubs (collectively and individually) and Edinburgh; (4) policy strategy and direction in Edinburgh; and (5) learning and future development, including expansion of the network. Each of these components is essential to the overall success of the network. While the work done on the ground by the Hubs is imperative, their interconnectivity and the engagement of central government are equally necessary. The effectiveness of one Hub is not determined by its own actions alone – the wider response of Government matters. The Scottish Government should therefore be clear in its expectations for the Hubs – not simply in priorities and business plans, but on their role in achieving its vision for Scotland's European and international profile. It should view the existing Hubs as repositories of expertise and knowledge, upon which it should draw as often as possible.
20. Operating in the European and foreign policy space brings particular challenges and scenarios not otherwise encountered in Scotland's devolved governance. The Parliament, the Government itself or another assessor should therefore consider demonstrating flexibility and innovation in the evaluation and scrutiny of the Hubs and the Hubs network. An evaluator should be cautious of seeking or expecting short-term results or highly demonstrable policy success. Policy engagement and influence can be subtle and difficult to measure. Often the greatest success in influencing policy is to prevent an outcome from ever taking place – this can be hard to evidence and certainly cannot be disclosed publicly. Evaluation should therefore be cognizant of these realities and receptive to alternative evidence and arrangements where appropriate. The establishment of the European Hubs network raises the question of how the Parliament wishes to

scrutinise it, as part of the Government's European and external relations policies. Given the sensitive nature of (para)diplomatic activity, the Parliament might consider making use of closed-door meetings and confidential materials to conduct fuller scrutiny yet also maintain necessary information security.

## **Section 5: Scotland's European and External Engagement**

21. The Scottish Government should develop a comprehensive modern European strategy articulating Scotland's core European interests and priorities, recognising Brexit while ensuring it does not consume its European engagement. Provided Brexit eventually takes place, the principal challenge for Scotland will be to maintain relevance with the EU. The most important means of doing so will be to remain as much a part of the EU's policies and debates as possible. Where Scotland sets out ambitions to contribute to the future of Europe, EU actors are likely to respond positively regardless of Brexit. In refining its European strategy, the Scottish Government should give consideration to the roles which Scottish universities, think tanks, businesses, NGOs and others play in Scotland's European connections. European relations are distinct from foreign policy – and the Government should consider how its European policy relates to its external affairs policies. Scotland's pro-European outlook combined with clear strategy would stand it in good stead in the face of the uncertainties of Brexit.
  
22. In the present political context, the Scottish Government's European and external affairs policies are markedly different from those of the UK Government. It is also undeniable that Scotland possesses a distinct identity recognised in Europe and globally. The Scottish Government will have to navigate current and future disagreements with the UK Government on EU and foreign policy, determining the best means of promoting Scotland's interests. The internal process of Brexit has exposed weaknesses in UK intergovernmental relations and created new ones. If the UK political will were to materialise, the Scottish Government could seek to further codify its rights and positions in European and external engagement. The Parliament might consider what role it wishes to exercise in the formulation and development of Scotland's European and external affairs policies. The public could also be involved in defining Scotland's European and international priorities through citizens' dialogues and other forums for public participation. The European Union will begin its new five-year institutional cycle this autumn, and it will move forward with its full agenda regardless of the outcome of Brexit. Scotland should endeavour, despite the challenges, to participate fully in that European agenda.