

# **EUROPEAN AND EXTERNAL RELATIONS COMMITTEE**

Tuesday 16 March 2004  
(*Afternoon*)

Session 2

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## EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

6<sup>th</sup> Meeting 2004, Session 2

### CONVENER

\*Richard Lochhead (North East Scotland) (SNP)

### DEPUTY CONVENER

\*Irene Oldfather (Cunninghame South) (Lab)

### COMMITTEE MEMBERS

\*Dennis Canavan (Falkirk West) (Ind)

\*Mrs Margaret Ewing (Moray) (SNP)

\*Phil Gallie (South of Scotland) (Con)

\*Mr John Home Robertson (East Lothian) (Lab)

\*Gordon Jackson (Glasgow Govan) (Lab)

\*Mr Alasdair Morrison (Western Isles) (Lab)

\*Mr Keith Raffan (Mid Scotland and Fife) (LD)

### COMMITTEE SUBSTITUTES

Ms Wendy Alexander (Paisley North) (Lab)

Murdo Fraser (Mid Scotland and Fife) (Con)

Nora Radcliffe (Gordon) (LD)

Nicola Sturgeon (Glasgow) (SNP)

\*attended

### THE FOLLOWING GAVE EVIDENCE:

Professor George Blazycha (University of Paisley)

Dr Gregg Bucken-Knapp (University of Gothenburg)

Professor Michael Keating (University of Aberdeen and the European University Institute)

Diane McLafferty (Scottish Executive Enterprise, Transport and Lifelong Learning Department)

Mr Jim Wallace (Deputy First Minister and Minister for Enterprise and Lifelong Learning)

Dr Alex Wright (University of Dundee)

### CLERK TO THE COMMITTEE

Stephen Imrie

### ASSISTANT CLERKS

Nick Hawthorne

David Simpson

### LOCATION

Committee Room 2



## Scottish Parliament

### European and External Relations Committee

*Tuesday 16 March 2004*

*(Afternoon)*

[THE CONVENER *opened the meeting at 14:03*]

**The Convener (Richard Lochhead):** I welcome everyone to the sixth meeting of the European and External Relations Committee in 2004. We have received no apologies; Dennis Canavan should be joining us in a short while.

Following the atrocity in Madrid last week, I know that the committee will want me to express our condolences to the people of Spain. At this difficult time, our thoughts are with the families of the victims. On behalf of the committee, I shall be writing to the appropriate Spanish authorities to express our condolences.

### Regional Development Funding Inquiry

14:04

**The Convener:** The first item on the agenda is our continuing inquiry into the future of regional development funds in Scotland. I extend a warm welcome to the Deputy First Minister and Minister for Enterprise and Lifelong Learning, Jim Wallace, who is with us to give evidence, and colleagues from his department.

Our inquiry focuses on the review of regional funding that the United Kingdom Government has proposed and on the changes that have been proposed by the Commission in the light of enlargement of the European Union. As we all know, £1 billion of funds for Scotland are at stake and we are keen to hear the Executive's thinking on the future of regional funding. We have a written submission from the minister, on which we hope he will elaborate today. The minister has agreed to give a short opening statement for a few minutes, after which I will invite questions from committee members.

**The Deputy First Minister and Minister for Enterprise and Lifelong Learning (Mr Jim Wallace):** Thank you very much, convener. It is a pleasure to be back before the European and External Relations Committee, which has a somewhat different constitution to that which it had when I had responsibility for Europe and external

affairs. I introduce my officials Diane McLafferty and Lynn Henni from the Scottish Executive's European structural funds division.

I welcome the opportunity to discuss with the committee the important issue of the future of structural funds. It is widely recognised that, along with domestic regional policy, structural funds have played a key part in promoting sustainable economic growth throughout Scotland. As the committee will be aware, the important debate on what happens when the current programmes cease in 2006 was initiated by the European Commission back in 2001, when it published its second cohesion report. The pace has picked up since then and a number of member states have put forward their views. Last year, as the committee knows, the UK Government announced its proposals, which include a proposal on an EU framework for devolved regional policy.

As part of the contribution that we made to the debate last year, which was triggered by the UK Government's announcement, the Scottish European structural funds forum—of which the convener and the deputy convener, Irene Oldfather, are members—identified the key principles that future regional policy should address, regardless of how it might be funded. In particular, we agreed that it was necessary to acknowledge the continuing regional disparities in Scotland and to focus resources on tackling both regional and intraregional disparities. We also agreed that it would be important to promote competitiveness and innovation to support the Lisbon agenda of higher productivity and employment.

The future of structural funds was debated at the informal ministerial meeting on regional policy in Rome last autumn. The First Minister participated in that debate and was interested to hear at first hand the positions of member states and the accession countries. In November last year, I had a meeting with Commissioner Barnier to discuss his vision for structural funds in the 2007-13 programming period. More recently, the Commission published its third cohesion report, which examines progress towards economic and social cohesion throughout EU member states and the accession countries. It also outlines the Commission's plans for the future of structural funds.

I hope that members found useful the summary note, which we circulated not only to the committee but to other MSPs. Broadly, the Commission has proposed that EU regional policy should fund the three strands, which are convergence, competitiveness and co-operation; it is suggested that 78 per cent, 18 per cent and 4 per cent of the funding should be spent on those respectively. Spending on convergence, which

makes up the largest part of the funding, would be concentrated on the poorest regions across all member states. The regional competitiveness and employment strand, which would take up nearly a fifth of the budget, would replace objectives 2 and 3 and would operate outside convergence regions; priorities would be chosen from a menu of themes. The small element of the budget that would be allocated to co-operation would build on the Interreg Community initiative.

The Commission has acknowledged the need for real simplification of EU regional policy. That point is dealt with in the UK proposals and is supported by a number of member states. Given the demanding challenge of meeting the N+2 targets last year, I hope that the commitment to simplification will not generate controversy.

There is much to digest from the cohesion report and it is widely recognised that it will take some time to work through the implications of the Commission's proposals. Therefore, we have set up an analytical working group of key partners to examine the report in detail on behalf of the Scottish European structural funds forum.

It is important that we understand fully the financial implications of the Commission's high-budget approach, which suggests an increase of more than 30 per cent in the structural and cohesion fund budget. It is important that everybody appreciates the cost of such an increase. Although it would allow for generous funding for poorer regions within member states, it would mean an increase in the United Kingdom's net contribution to the European Union budget. That could imply a reduction in the Scottish budget which, in turn, could mean that less funding would be available for domestic regional spending in Scotland.

We must also consider the purpose of the funds and how that fits with enlargement of the European Union. The funds exist to promote economic and social cohesion throughout Europe by tackling barriers to development and encouraging innovation. The structural fund programmes have indeed brought many benefits and have provided a catalyst to the promotion of economic development across Scotland over the past 25 years.

Many of the new member states have considerably greater development needs. If true cohesion is to be achieved across an enlarged Europe, and if we are to meet the goal that European leaders set in Lisbon of becoming the most competitive and dynamic economy by 2010, it is both logical and fair that future structural funds be concentrated largely in the new member states.

It is therefore important to make the best possible use of the available structural funds in

order to provide benefits that will long outlive the current programmes. That said, I readily understand the concerns that many have about the future. I appreciate that there continue to be regional disparities and economic challenges; I also appreciate that we need effective policies to address them. The promotion of economic growth is the Executive's top priority. Our overarching strategy—in "A Smart, Successful Scotland: Ambitions for the Enterprise Networks" and "A Framework for Economic Development in Scotland"—provides the tools to push forward economic growth throughout Scotland.

In the meantime, the debate on the future of the funds has a long way to go. Draft regulations are expected to emanate from the European Commission in July. It is likely that that will be followed by up to 18 months of negotiations among member states. The Scottish Executive will, of course, work hard to influence the debate at UK and wider European level in order to seek our objective—namely, the best outcome for Scotland and her regions.

**The Convener:** Thank you, minister. You acknowledged the scepticism that has been expressed by many organisations and local authorities in Scotland, particularly over the UK Government's proposal to repatriate regional funding to the UK. Have you expressed a view to the UK Government on that proposal?

**Mr Wallace:** The committee will be aware—indeed, I think that it has a copy—of the document that was submitted by the Scottish European structural funds forum, which my colleague Lewis Macdonald, the Deputy Minister for Enterprise and Lifelong Learning, chairs. That document sets out the forum's view and that of the large number of partners that are engaged in the forum. The covering letter, which I think is also in the public domain and which has also been made available to the committee, states:

"the Scottish Executive does support the principles behind an EU framework for devolved regional policy and is keen to hear more regarding the details of the proposed Framework."

The letter goes on to say:

"We also can see the benefits of developing regional support with UK funds within that framework. In an enlarged Europe, that could guarantee support for Scotland more effectively. However, the Forum has also asked for further clarification from the Government on the commitment expressed in the paper to ensure that the nations and regions of the UK would have sufficient resources to continue to be able to promote regional productivity and employment."

I think that it is fair to say that the letter highlighted to the United Kingdom Government that there is a wide range of views on the subject. I can assure the committee that discussions with the UK Government on the issues are continuing, both at official and ministerial level.

**Irene Oldfather (Cunninghame South) (Lab):** I will follow through on what Mr Wallace said. Paragraph 19 of the report says:

"The Forum supports a central role for the EU in regional policy although would not be able to support the UK's proposed EU Framework without further detailed discussion with UK Government officials on the precise implications of it."

I assume that that is what Mr Wallace is talking about just now.

**Mr Wallace:** Yes.

**Irene Oldfather:** What kind of clarification are we looking for?

**Mr Wallace:** A host of questions are raised if we want to know precisely what kind of amounts we are talking about. Another issue is that the UK Government has indicated that any guarantee will be based on the current EU funding regime that will be applied to an enlarged Europe. Although it is impossible to put a figure on it at the moment, it is likely to be considerably less than current receipts. It is important that we tease out such details. Put quite simply, there is mention of a guarantee, but we need to tease out how the guarantee would work in practice.

14:15

**Irene Oldfather:** I am trying to understand the figures a little. I understand that the UK has favoured a figure of around 1 per cent of gross national product and the European Commission is considering 1.2 per cent of GNP. Is there a possibility of meeting somewhere in the middle? I presume that that is what the discussions over the months to come will consider.

The Commission will have a cohesion forum in May. Is the Scottish Executive likely to be represented at that forum? I know that I will be able to attend. It will be an important opportunity to tease out some of the arguments.

The minister said that we might end up being net contributors with a new budget, but if the same sums are to be guaranteed in Scotland, the money must come from somewhere. At the end of the day, are we not looking at more money coming from some budget anyway? I am trying to clarify in my head how things will work.

**Mr Wallace:** I do not wish to be disrespectful, but everyone is trying to clarify things—that is our difficulty at the moment. Given the nature of the negotiations, that is not surprising. There will be a long iterative process. As I said, even after we have the draft regulations, the process is liable to continue for some 18 months. One issue is what the relative figures are. It is impossible to have an exact quantification of the figures at the moment, but that is one reason why the Scottish European

structural funds forum has established an analytical group, which is modelling the financial implications of the different approaches that are being taken.

It is correct to say that the United Kingdom Government favours around 1 per cent of GNP. It is probably not alone in doing so. However, the question is not one of our becoming net contributors—we are already net contributors.

**Phil Gallie (South of Scotland) (Con):** It is about our becoming bigger contributors.

**Mr Wallace:** Indeed, the question is the extent to which we would be bigger contributors. The United Kingdom Government's estimate in relation to the Commission's proposals is that it could cost the United Kingdom some €3 billion to €4 billion more over the period of the new regime from 2007 to 2014. It is not possible to predict that we could meet each other half way in negotiations. A long negotiation lies ahead, which is why we want to continue to engage with the United Kingdom Government. I am sure that this will not be my only appearance before the committee to discuss the matter because there is much more to come. That is why we keep in close contact with the Government and why an analytical working group has been set up.

**Irene Oldfather:** I have one more question. One issue that has been raised with the committee by groups that are currently involved in accessing funding, and one of the attractions of the Commission's policy over the UK's policy, is the seven-year programming period, which will offer continuity and some stability and consistency. It would be helpful to put that on the table. Will there be any discussions with UK ministers on whether it might be possible to consider a longer programming period that would give stability to local projects?

**Mr Wallace:** I am not sure whether we have had a specific discussion with UK ministers on the length of the period—I can take advice on that. I do not think that the matter has been uppermost. However, as the committee has raised the issue, it can be raised in our engagements.

I have another point to make while I remember it. Lewis Macdonald will attend the cohesion forum in May, so the Executive will be represented at ministerial level.

**Phil Gallie:** We have tended to concentrate on the loss of funding through structural funding changes and we note that the Scottish Executive is rightly in favour of the idea of supporting new members where their levels of income against gross domestic product across Europe are very low. However, is there another aspect to the loss of qualification status that could affect us? If some financial support were to go, would there be

changes in how central Government and the Scottish Executive support industry and business in various ways through structural funding?

**Mr Wallace:** I take it that Mr Gallie is talking about a situation in which there is what I think is termed renationalisation. Is that the case? Or generally, or even under the Commission's—

**Phil Gallie:** No. What I am saying is that, under the Commission's proposals, there will be a change in respect of the way in which structural funds are paid to Scotland—they will probably be withdrawn. I am asking whether that change will affect regions of Scotland in ways that the Government will not be able to address through providing any other support for business and industry in those areas to create economic growth.

**Mr Wallace:** I am grateful for that clarification. The second category in the Commission's proposals—competitiveness, which I said would provide about 18 per cent of the likely funding—is intended to replace the current objective 2 and objective 3 funding criteria. It would, therefore, deal with issues such as competitiveness, innovation, employability, skills and training issues that are currently covered by objective 2 and objective 3 funding.

It is not particularly clear what the process would be or what the commissioner would be looking for under that category, but there would have to be some sort of national programme that we would have to be engaged in. However, it is unclear how the funding for that would be allocated. Would it be allocated on a population basis? Certainly, in the United Kingdom, we would want to make a strong argument that, given Scotland's geography and relative disparities, we should get more than a population-based allocation; however, what would be chosen from the menu would be principally themed support.

What are the themes that would be looked at and what are the geographical areas that would qualify? Ostensibly, under the Commission's proposals, those could all be areas that were not receiving cohesion funding support although, in working up a national programme, the UK Government, in consultation with the devolved Administrations, would want to be more specific. Does it make sense to give an innovation grant to a company to allow it to locate in Cambridge when it was going to do that anyway? Such issues would have to be addressed if the Commission's proposals in their published form—with regard to giving support in areas outside any area that might qualify for cohesion funding support—were to come about.

The answer to the question is, therefore, yes. There will probably still be some scope for Government to support business; however, only a

matter of weeks after the report has been published, it is impossible either to quantify or even to give a flavour of what the shape of that support is likely to be. That is something that the Executive would want to be engaged in, and I am sure that members of the committee will have views on that as well.

**Phil Gallie:** Thank you. On the basis of the comments that you have just made and earlier comments, one of the objectives for Europe and the Scottish Executive is to have sustained economic growth, while accepting that things are changing in industry and business, with the provision of different levels of expertise from different parts of Europe leading to cost savings. However, one area in which we have been fairly successful is the financial services industry. When we look at that industry, we recognise that there is still a need for infrastructure, particularly if we use outlying areas for the provision of such services. Can the minister tell us what effect other European legislation—for example, the investment services directive—may have on that?

**Mr Wallace:** Without having had notice of that question, I cannot provide a very detailed answer. I will willingly reply to the committee in detail later, however. As far as financial services are concerned, it is important to remember that Edinburgh, for example, does not qualify under any of the schemes. The growth of the financial services sector in Scotland over the past 10 years has been quite significant, especially in Edinburgh.

There are some things that we are able to do with regard to, for example, the telecommunications infrastructure, which—subject to state-aid rules—are easier to implement in the Highlands and Islands because of that area's transitional status than is the case in other parts of Scotland. There are one or two exceptions to that, however. There is a project in the Borders, which I launched about a month ago. There was market failure with respect to the more traditional exchange trigger routes and, because of the European rules, we have had to rely very much on a demand-led marketing campaign to try to extend broadband. As I said, it has been easier to facilitate development of the infrastructure in the Highlands and Islands than in other areas. I hope that, by 2006 or 2007, we will have made considerable progress on extending broadband.

The financial services industry is important to Scotland, and we would need to consider the ramifications should the Commission's proposal go ahead. We have been limited in what we were able to do—more so than we are at present.

**Phil Gallie:** I have just one more question. I promise it will be short.



**The Convener:** I will bring you back in at the end.

**Phil Gallie:** All right.

**Mr Keith Raffan (Mid Scotland and Fife) (LD):** I am trying to relate what is being said to what is happening on the ground. In your written submission, you make a point about regional disparities within Scotland. There are pockets of acute deprivation within regions. In my own region of Mid Scotland and Fife, there is Raploch, which you recently visited. There are also Alloa south-east, Buckhaven and Methil—and that is without going into the rural areas of deprivation. Even in Perth and Kinross, which is often regarded as being highly prosperous, there are pockets of acute deprivation.

I refer to the competitiveness strand and the menu of themes to which you referred—you may have partly answered this already in response to Mr Gallie. Could you say a little more about skills and training and using employment as a means of preventing social exclusion? How would that help on the ground with respect to the menu of themes?

**Mr Wallace:** As the committee will be aware, objective 3 funding currently allows us to develop a number of programmes to promote employability and to develop skills and training. The skills agenda is identified in “A Smart, Successful Scotland” as being a key pillar in improving economic development and in enabling people to take up employment. The kinds of skills that people are acquiring for employment, as well as what are called—unfortunately, I think—soft skills, meaning the qualities and attributes that make a person able to contribute more to a work venture, are absolutely essential for pursuing economic growth. We have the opportunity to support specific schemes under the European social fund and objective 3.

Under the Commission’s proposal, that would be subsumed into the competitiveness strand. Under the thematic menu approach that is proposed by the Commission, competitive funding would be split equally: 50 per cent would be for national European social fund programmes that target skills and training; and 50 per cent would be for regional European regional development fund programmes that target accessibility, services of a general economic interest, the promotion of innovation and the promotion of the knowledge economy. Within what we have as part of the UK’s distribution, 50 per cent is badged for—

**Mr Raffan:** How will that work in practice, on the ground? How will that dovetail with Scottish Enterprise Forth Valley, Scottish Enterprise Tayside and so on? Will they be involved? What about the further education sector? You are effectively feeding the funding down to the ground.

**Mr Wallace:** I will ask Diane McLafferty to add a word or two. It is early days to say how that would work. However, the important point to emerge is the involvement of the local enterprise companies, employers and the further and higher education sectors. It is fair to say that one feature of the delivery of structural funds programmes in Scotland has been a partnership approach. I very much hope that, in any developments under the new regime, although there might not be exactly the same structure as we have at the moment, that concept of partnership will be built on and fostered. Diane McLafferty may be able to add some detail.

14:30

**Diane McLafferty (Scottish Executive Enterprise, Transport and Lifelong Learning Department):** The support for community economic development in the current programmes has been a particular success and has involved capacity building and generating local engagement in promoting economic development. We have received every indication from the Commission that that is important and something that it wants to be continued in any future funding regime.

There is also a hint—perhaps more than a hint—in the Commission’s proposals that, in the context of monofund programmes, whereby European regional development funding and European social funding would be delivered in separate programmes, there would nevertheless be the flexibility to use ERDF in support of training and, conversely, ESF in support of infrastructure. We are prevented from using the funds in that way at the moment, which can inhibit some of the more creative community economic development proposals that we would want to take forward. On the face of it, that is an attractive proposal.

**Mr Raffan:** Yes, the point about flexibility is encouraging.

I have a final question for the minister. Annex A of the briefing paper states that

“there may also be changes in scope to fund national regional interventions, such as Regional Selective Assistance”,

and that there are on-going discussions with the Department of Trade and Industry. Can the minister update us on that? Obviously, everything is in a state of flux, but it would be useful to know the current position.

**Mr Wallace:** Yes, the situation with that is in even more flux than the situation with the structural funds. As yet, we do not have formal proposals from the Commission, although I think that they are imminent. We cannot be absolutely certain what the outcome will be; it is a question of

the extent to which the guidelines for state aids and regional selective assistance might impact on regional policy. Clearly, we are at an early stage and awaiting the Commission's proposals. Nevertheless, I assure the committee that the issue has been raised between Scottish ministers and United Kingdom ministers to ensure that, in any negotiations or dealings with the Commission, Scotland's specific interests are considered.

**Mr Raffan:** What outcome would you like to see? I do not expect you to explain your negotiating position, but what principles underlie the outcome that you would like to see?

**Mr Wallace:** We would like maximum flexibility in the state-aid rules to allow us to try to address regional disparities and pursue the policies that we have successfully pursued in using RSA to attract businesses. The committee will be aware that there has been a refocusing of RSA over recent times to support indigenous business as opposed to foreign inward investment—although we should not decry foreign inward investment when it comes. We would like to ensure, as best we can, that we will still have that degree of flexibility. It is an important policy lever in trying to overcome regional disparities. We would also like some of the distortive forms of aid that perhaps put us at a competitive disadvantage to be reformed.

**Mr John Home Robertson (East Lothian) (Lab):** I will return to the vexed question of the boundaries and which areas can access the funding under which part of the system. I think that, in reply to another question, the minister said that the city of Edinburgh could not get anything. That is understandable, because overall, under any statistical analysis, Edinburgh and the Lothians are pretty prosperous. However, as the minister well knows, there are pockets of acute poverty in parts of Edinburgh and outer Lothian. Conversely, although overall the Highlands and Islands is sufficiently badly off, statistically, to qualify, it has prosperous pockets. Is there any scope for more flexibility to enable the Scottish Executive to access any of the funding for the benefit of deprived areas in other parts of Scotland, for example, or will that be a no-no?

**Mr Wallace:** I do not think that there is any such scope under the existing scheme.

**Mr Home Robertson:** I realise that; I am looking to the future.

**Mr Wallace:** As far as the future is concerned, the NUTS II regions are there and I am not aware of any plans to revise them. That would have to be done at a UK level—we have no opportunity to revise them ourselves. I think that I am right in saying that RSA can be altered at ward boundary level; I seem to remember some very detailed discussions the last time that the boundary map was drawn.

To discuss that is almost to anticipate what kind of RSA there will be post-2006. As I have said, if the Commission's proposals go forward—the "if" is important, because we just do not know the shape of what will emerge—there could be more flexibility than there is at the moment, because such assistance would apply principally to non-cohesion areas. My understanding is that, at the moment, we use objective 3 funding throughout lowland Scotland but, in the future, we would expect a social justice agenda to be pursued there through European social fund intervention. The indications are that, under the Commission's proposals, there might be more flexibility than we have at present.

**Mrs Margaret Ewing (Moray) (SNP):** I am glad to hear that we are in a state of flux and a state of flexibility at the same time. I have found the discussion interesting. I read through annex A carefully but, in your responses, you have already covered some of the points that I intended to raise.

Given that it is not yet clear what the allocation among the various nations of the UK will be, what claim is the Scottish Executive going to make to access the funds for Scotland? How often does the Executive meet the DTI and the Commission, both of which are referred to in annex A?

John Home Robertson mentioned that there are pockets of deprivation in all parts of Scotland, of which we are all well aware. I am highly conscious of the income disparity, which does not seem to be dealt with in the annex. In many parts of Scotland, the level of income is low. In my area of Moray, the average weekly income is £239, which means that, for the second year in a row, we have the lowest weekly income of all the areas in Scotland. I wonder whether that argument could be used to consider ways of boosting the local economy so that additional funding can come into households.

**Mr Wallace:** I am not quite sure that low income would lend itself to direct supplement. Perhaps that is not quite what Mrs Ewing is suggesting.

**Mrs Ewing:** I was suggesting that, with economic development, the wages might go up.

**Mr Wallace:** You mean generally, as part of the rising tide?

**Mrs Ewing:** Yes.

**Mr Wallace:** There is no doubt that the promotion of cohesion is one of the principles that underlie structural funds. The Lisbon agenda sought to drive forward economic growth and employability within the Community as a whole, but the Community that we are looking forward to is much wider than it was at the time of the Lisbon agenda, which we all very much welcome—I do not think that there is much political dispute around the table about that.

There is a recognition that we will achieve some of the Lisbon objectives only if all parts of the Community are contributing and we are not just depending on a few honeypots in a limited number of countries. The objective—and, perhaps in the long term, what the whole system should be tested by—is the extent to which economic growth and prosperity can be driven up in some of the poorest regions of the Community.

What are we looking forward to? How are we engaged, how have we been engaged and how do we intend to be engaged in the future? We want to see what will be the best outcome for Scotland in net terms. The difficulty that I have now is that what might be perceived today as the best outcome for Scotland might not be perceived as the best outcome for Scotland in six months' time. We simply do not know what size the pot will be. A number of member states are uncomfortable—they might put it stronger than that—with the Commission's proposals, given the increase in the net contribution that they would be expected to make.

I am aware of the view that, given the challenge of achieving cohesion between the accession states and the existing member states, the Commission's proposals do not necessarily strike the right balance. Whatever levels of deprivation we might have in Scotland, there are levels of deprivation in some of the accession countries that I suspect would shock us. There is a widespread view that that must be addressed.

We want to develop a situation in which we can access a level of resources, matched by funding that we put in ourselves, that lets us tackle the disparities that exist in our country and through which we can raise levels of economic activity and growth in areas where that has not been done successfully before now. We want to be able to use funding to address important issues around training and skills. We need the flexibility to be able to direct the programmes so as to help those areas of Scotland that are in greatest need.

Although, overall, structural funds are intended to reduce disparities within the European Union, we recognise that there are disparities in Scotland, too, which we would want to reduce. We are working on that already and there are a number of programmes that we can implement by our own hand, but we want the necessary flexibility—and, whenever possible, the resources—with regard to any additional EU support programmes.

**Mrs Ewing:** I fully appreciate all the issues around the size of the pot and the negotiations that must take place, but I asked how often the Scottish Executive meets representatives of the DTI and the Commission to discuss the various issues.

**Mr Wallace:** I could give you a detailed list of some of the ways in which we have been engaging with the DTI and with Europe. To give a more general answer, officials in my department are members of the UK steering group, which meets quarterly. Its next meeting is next week, when it will take stock of the Irish informal council on the issue, which took place last month.

Back in 2001, the Commission published its second report. Subsequently, Peter Peacock spoke at a cohesion forum when he was Deputy Minister for Finance and Local Government. Angus MacKay, the then Minister for Finance and Local Government, was part of the UK delegation to the Namur informal council in July 2001. Later that year, Angus MacKay met Commissioner Barnier to discuss the future of the funds. When Commissioner Barnier visited Scotland in May 2002, he met Peter Peacock. As I said, I met Commissioner Barnier last autumn and, as part of the UK delegation, the First Minister attended the informal regional policy council in Rome.

Moreover, last summer Lewis Macdonald participated in the cohesion conference, which Commissioner Barnier hosted. Again, in January of this year, Lewis Macdonald was involved in a Conference of Peripheral Maritime Regions of Europe on regional policy and he is to attend the cohesion forum that the Commission is organising in Brussels. In addition, there have been extensive phone calls, meetings and correspondence between UK ministers and Scottish ministers—and officials, too. The issue is not something that we have not engaged in.

14:45

**Mrs Ewing:** Certainly, I do not want to undermine the work that is done by Scottish Executive officials, but I would like to know which ministers meet representatives of the DTI.

**Mr Wallace:** I can tell you. Following the election—I hope that this is a comprehensive note—Lewis Macdonald forwarded the structural funds forum response, from which I have quoted, to the DTI and the Secretary of State for Trade and Industry on 4 July. Following on from that, there was correspondence between the DTI, the secretary of state, the First Minister and the other devolved Administrations—

**The Convener:** I think that the question was about face-to-face meetings, minister.

**Mr Wallace:** The First Minister met Jacqui Smith on 20 October; a videoconference was held between Lewis Macdonald and Jacqui Smith on 25 November; and a meeting between Lewis Macdonald and Jacqui Smith took place on 22 January. I had hoped to have a meeting with Patricia Hewitt when I attended the

competitiveness council in November. However, the council overran considerably and the meeting was not able to take place. I have had phone calls with Jacqui Smith and Patricia Hewitt. There is a fair degree of engagement—indeed, my most recent discussions with Patricia Hewitt were a reaffirmation of her willingness to engage with Scottish ministers.

**Irene Oldfather:** I seek clarification on a point that I am unsure about. I acknowledge what the minister said about the mountain that the new accession countries have to climb in relation to deprivation. However, I seem to recall that Commissioner Barnier mentioned somewhere that 50 per cent of regional funds would go to existing member states. Officials might have to clarify that. I also recall that particular recognition was given to areas with natural handicaps. I am not sure about that, but—

**Mr Wallace:** No, you are right or at least my understanding of the Commission's proposals that were published last month is of a split of about 50:50 between the accession states and existing member states. The point that I was making was that I am aware that some member states—and possibly some accession states—think that the balance is not right and that the emphasis should be more towards the accession states. There is no unanimity on whether the balance has been properly struck.

**The Convener:** In your view, minister, is the split correct, or should it be changed?

**Mr Wallace:** That all depends on how the distribution takes place and what the available resource is. If a huge resource is available, one could more easily justify the 50:50 split. If the resource is more limited, it could be argued that, if the policy objective is to tackle deprivation in the accession countries, the balance should be switched more towards the accession countries and away from the existing member states.

**The Convener:** So what should the resource be?

**Mr Wallace:** That is the whole difficulty in trying to discuss the issue. We know neither what the size of the cake will be nor how it will be divided up—indeed, how it is to be divided up internally within the United Kingdom. I am thinking of the situation in which we were to get funding from the three strands to which I have referred.

**The Convener:** You suggest that the Executive's view on the split depends on the size of the resource, so what is the Executive's view on the size of the resource?

**Mr Wallace:** The difficulty that we have with that question is that we do not want to have a situation of "Heads, you win; tails, you lose." If getting a

resource on one hand means that it is taken away on another, that is certainly not a win-win situation.

**The Convener:** You will appreciate that we are just trying to get your view as part of our inquiry, which is a difficult one.

**Mr Wallace:** The point is that a larger budget would mean a higher net contribution from the United Kingdom—the UK Government would have to find resources for that somewhere, which could mean that Scotland would get a smaller block grant. We do not know what the figures will be or how the UK Government might fund a higher net contribution. It could fund it in ways that did not have negative Barnett consequences, in which case we might not be losers. However, if the outcome is that the UK contributes €3 billion to €4 billion more over a six or seven-year period, that could mean that fewer resources would come to Scotland.

**Dennis Canavan (Falkirk West) (Ind):** My apologies for being late; I had a previous engagement.

When we received evidence previously on the possible repatriation of European funding, witnesses, including some from local authorities, argued in favour of the status quo because they felt that they knew where they were under the existing arrangements. Indeed, they seemed to put more trust in the judgment of the European Commission than they did in that of the UK Government or the Scottish Executive. They felt that they might lose out under new arrangements that would decentralise decision making on the allocation of funds. How do you respond to that, minister?

**Mr Wallace:** The devil you know is always better than the devil you do not know. I do not want to quibble about what the status quo is, but I do not believe that it is an option. The sheer fact of accession means that what we have had to date will not continue beyond 2006.

**Dennis Canavan:** I am referring to how many people argued against repatriation.

**Mr Wallace:** I understand where that view comes from, but the same people probably also strongly supported the kind of partnership arrangement that we operate in Scotland, which Scottish ministers have nurtured, as did—to be fair—our predecessors in the Scottish Office. That partnership involves devolved administration and responsibility, which might also be the case under a repatriated system or under another of the Commission's proposals. A welcome aspect of the Commission's report is the indication that the Commission will be less keen to micromanage in future. I think that most people will be relieved to hear that.

I do not believe that the issue is just about whether the structural fund system emanates from Europe or is a repatriated one. The devil is in the detail in terms of how much the different routes would deliver and how they would deliver to allow us, as a devolved Administration, to have more control over, and flexibility in, delivering the funds locally. I honestly do not believe that any of us knows the answer to that at the moment. Therefore, it does not surprise me that people want to cling on to the existing system, which has worked reasonably well, by and large. However, the truth of the matter is that whatever comes after 2006 will not be a repeat of the present structural funds arrangement, particularly because of the arrival of the accession countries.

**Dennis Canavan:** Have you discussed people's concerns, particularly local government's concerns, with the Convention of Scottish Local Authorities or the UK Government?

**Mr Wallace:** COSLA is, of course, represented on the Scottish European structural funds forum. I have not attended those meetings, as my deputy minister chairs the forum, but I am aware, from reports, that COSLA has engaged fully on the issue. Those concerns have been expressed to me in my talks with individual councils. Indeed, they are reflected in the submission that we made through the forum to the UK Government. It is also important to say that the forum is part of the Scottish delegation to the cohesion conference that the Commission is organising in May. As the delegation includes representatives from COSLA, COSLA will get the opportunity to express its views first hand at the cohesion conference.

**The Convener:** My question follows on from Dennis Canavan's comments about repatriation and relates to the guarantees that can be offered by the present UK Government or successive UK Governments. If the UK Government fulfils its guarantee, what guarantee is there that the Scottish Executive will in turn use the money for the purpose for which it was used previously? If you are still the minister with responsibility for handling these matters in 2006-07 and the UK has repatriated the funds, would you ring fence the money that came from the UK Government?

**Mr Wallace:** Ring fencing is a subject that ministers think twice about before they commit themselves. I will therefore say, without using the term "ring fencing", that Scottish ministers recognise fully the importance of the objectives that the structural funds are intended to deliver—so much so, indeed, that match funding has been put in place. Given that our overall economic approach is to grow the Scottish economy and reduce regional disparities within Scotland, it is unthinkable that we should act differently. We would have a difficult job before the Parliament if

money that had clearly been earmarked for structural funding was being spent on something different.

**Phil Gallie:** You referred to competitiveness, which, effectively, relates to objective 2 funding. Within that strand, reference is made to the targeting of the development fund on areas such as the environment and the prevention of risk. Given that Scotland is tied to a 20 per cent target on renewables, will consideration be given to that issue in the application of the second strand of competitiveness payments? In asking the question, I remind you that one of the objectives of the Lisbon agreement was to ensure the security of the electricity supply.

**Mr Wallace:** Although the objective of having 40 per cent of electricity generated from renewable sources by the year 2020 is an important Executive target, which we are intent on pursuing, I do not recall mention of it in any discussion on the future use of structural funds under the third cohesion report. Our objectives for renewables are being promoted in current programmes. I think that the competitiveness strand would give us the opportunity to continue that kind of support. Indeed, I understand that a number of the programmes for which we receive funding contribute to our renewables objectives. When the draft regulations appear, we might be able to see what is feasible in that regard.

**The Convener:** I do not want to go too much further into this debate.

**Phil Gallie:** I am interested in the underlying principle in respect of how we achieve our European objectives in accordance with world trade requirements on the reduction of emissions, for example. On the basis that the renewables target is a European objective, should it not be allowed for?

**Mr Wallace:** As I said—

**The Convener:** Just briefly, minister, as we want to move on.

15:00

**Mr Wallace:** As I said, in addition to the Lisbon agenda, the Gothenburg agreement had a strong emphasis on sustainability in relation to economic growth. Indeed, it could be said that that agreement has an environmental dimension. As I said, we fund some renewables objectives under the existing structural funds. That is something that we would want to bear in mind, looking at the detailed regulations of any new schemes. Mr Gallie rightly says that an overall objective is to meet targets for the reduction of CO<sub>2</sub> emissions. The development of renewable energy brings opportunities in relation not only to the

environmental aspect, but to the jobs that go with that development, both in electricity generation and in manufacturing—for example, in the manufacture of turbines. As we have seen, such jobs can be delivered in areas that have not enjoyed economic growth on the same scale as other areas have, so there is a contribution to be made in terms of economic growth.

**Irene Oldfather:** You mentioned that the working group would undertake an analysis of the Commission's proposals. In that context, will there be an assessment of the strengths, weaknesses, opportunities and threats—a SWOT analysis—of various scenarios that might arise during the next 12 months and what they might mean for Scotland? Also, what is the timescale for the group's report? Obviously, the report will be crucial to the committee's deliberations and to discussions that will take place in Brussels during the next six to 12 months.

**Mr Wallace:** Ministers established the working group on behalf of the Scottish European structural funds forum. It includes partner organisations that are involved in the forum and economists from those organisations and it will primarily consider the implications of the third cohesion report. I understand that it will also model other options.

**Irene Oldfather:** What about the timescale for reporting back?

**Mr Wallace:** I think that the group will make its initial report to the forum in May, but I doubt that it will have completed its work by then. Perhaps Diane McLafferty can give some indication of its work pattern.

**Diane McLafferty:** It is fair to say that quite a bit of work is in prospect, so the group will give an interim report to the forum in May. Probably by that time there will have been some shifts in position and perhaps more information will have emerged from the Commission to inform that work.

**Mr Wallace:** David Patel, who is head of the analytical services division in the Executive's Finance and Central Services Department, is chairing the group. He is present in the public gallery today and I am sure that he is noting the points that have been made.

**The Convener:** I have a final, brief question. I understand that the forum's submission to the UK Government, which you provided to the committee in annex A, was made quite a few months ago. Since then, there has been a statement in the House of Commons from the DTI. Has the Scottish Executive made no further submissions to the DTI?

**Mr Wallace:** The forum provided the submission as part of its response to the UK Government's

consultation. As I think that I indicated when I was speaking about the engagement that there has been between Scottish ministers and the UK Government, there has been correspondence on the matter, but as you will readily recognise, the nature of such ministerial exchanges is confidential. I am aware of other correspondence between ministers prior to the statement that the Secretary of State for Trade and Industry made in the House of Commons. If I were to check back, I suspect that I would find that some oral conversations took place before that statement was made.

**The Convener:** I am sure that the committee will want to pursue the content of that correspondence.

I have a final question.

**Mr Home Robertson:** Not another one.

**The Convener:** We have not been able to secure a UK minister, either from the DTI or from the Treasury, to give evidence to the committee. Such evidence would greatly help our inquiry, so we hope to send a delegation from the committee to London to meet ministers on their own turf. Do you think that the UK Government has an open mind on the arguments for and against repatriation? My feeling is that it certainly does not.

**Mr Wallace:** Coalition government in Scotland is one thing, but you are asking me to answer a question on behalf of the UK Government and I am probably not the right person to ask. It would be improper for me to answer questions on matters that are essentially for the UK Government.

I understand that the steering group to which I referred earlier, which involves the devolved Administrations as well as the UK Government and which is due to meet on 23 March, will take stock of the position in the light of the informal discussion that took place last month in Ireland.

**The Convener:** Okay. If ministers grant us a meeting in London, we will certainly put my question directly to them.

Thank you for coming to today's meeting. We will take on board everything that you said and no doubt we will pursue some of the issues with you before we conclude our inquiry.

We will take a short comfort break while the new witnesses take their places.

15:05

*Meeting suspended.*

15:09

*On resuming—*

## Promoting Scotland Worldwide Inquiry

**The Convener:** The second item on the agenda is the next stage of our promoting Scotland worldwide inquiry. Again, the committee will take oral evidence from a panel of witnesses; today, we will hear views from the academic world.

I will introduce the witnesses in the order in which they are sitting. I am delighted that we have with us Professor George Blazyca from the University of Paisley, Dr Gregg Bucken-Knapp from the University of Stirling and the University of Gothenburg in Sweden, Dr Alex Wright from the University of Dundee and Professor Michael Keating from my local university, the University of Aberdeen, and the European University Institute in Florence. I welcome all of you to the meeting and look forward to hearing your views.

As you know, the inquiry is the committee's major inquiry for this year. We began it a couple of weeks ago. We do not intend to take opening statements, but I would like you to introduce yourselves and perhaps mention your area of expertise to help committee members with their questioning. Professor Blazyca might like to start.

**Professor George Blazyca (University of Paisley):** I am the director of the centre for contemporary European studies at the University of Paisley. The centre is a small research centre that specialises in central Europe. My interest is in political, economic and social developments in Poland in particular.

**Dr Gregg Bucken-Knapp (University of Gothenburg):** I am from the University of Gothenburg in Sweden and am currently on leave at the University of Stirling. My field of expertise is the politics of labour migration. I have spent the past two years working on a book on labour migration in Sweden and have interviewed a number of key policy makers and representatives of interest groups about their attitudes towards whether Sweden should implement labour migration as a way of counteracting a declining work force.

**Dr Alex Wright (University of Dundee):** I am from the department of politics at the University of Dundee and my specialism is Scotland's relations with the European Union. I am part of the devolution unit monitoring team for the whole of the UK, although my specialism is simply Scotland's relations with both the UK Government and the EU.

**Professor Michael Keating (University of Aberdeen and the European University Institute):** I am from the University of Aberdeen and the European University Institute. I have worked on regions in Europe for the past 20 years or so and on Scottish politics for even longer than that. I think that my role here will be to try to put Scotland in an international comparative context.

**The Convener:** Thank you. I invite questions from members.

**Mr Alasdair Morrison (Western Isles) (Lab):** My questions relate to tartan day and are for the two gentlemen who introduced themselves last. Dr Wright specifically mentioned tartan day in his submission. Can you give us an overview of the effectiveness or otherwise of the tartan day experience over the past few years? Secondly, can you contextualise for us the damage that has been done by the involvement of dodgy characters such as Trent Lott in tartan day?

**Dr Wright:** Tartan day is a tricky issue. It is important that Scotland reconnects with its diaspora in America and globally—doing so has been quite a powerful thing for Ireland. However, in its briefing material, the Executive points out that tartan day is essentially an American rather than a Scottish celebration. There is therefore a difficulty about the extent to which it can be capitalised on from a Scottish point of view. That said, anything that highlights Scotland in a market as big as America must be a good thing.

I have not researched the efficacy of tartan day, so I simply do not know what results it produces. However, if it at least highlights once a year to people in different parts of America that Scotland is there, that it is a beautiful country and that they have some sort of connection with it, things might flow from that, which is all that could be expected from events such as tartan day. It is very ephemeral.

**Professor Keating:** I belong to a generation that was brought up to regard tartanry with a little reserve. The Trent Lott business shows the danger of investing too much in purely symbolic things that one does not know much about. When one is getting one's foreign relations together, one must be careful who one is going to deal with and how one is going to be exploited and used on the other side, as there will be two sides.

What Alex Wright said about the diaspora is absolutely right. The Irish have used the diaspora extremely effectively, as have the Basques and other stateless nations of Europe. More substantively, it is important that the promotion of a nation must blend economic and cultural images—it must blend the past and the present. Whether tartan can be used for that is one thing, but the projection of Scotland as a dynamic culture

and a culture with its own tradition looking to the future is absolutely critical. That has been the secret of success in many other cases.

15:15

**The Convener:** Is your question on tartan day, Dennis?

**Dennis Canavan:** Yes, it is related to that. According to a recent survey, which I think was commissioned by the Scottish Executive, when people overseas were questioned about the image that they had of Scotland, they conjured up images of tartan, haggis, shortbread and castles in the mist. There might be nothing wrong with that in itself. The VisitScotland people will tell you that people come to Scotland to see castles and all that, thereby contributing to the Scottish economy. I think that there is general agreement, however, that we want to broaden our international image. What specific measures does the panel think the Scottish Executive should be taking to broaden out the image of Scotland so that people overseas will have a truer reflection of Scotland and will—hopefully—see Scotland as a modern, 21<sup>st</sup> century, multi-ethnic, multicultural democracy with a modern knowledge economy?

**Professor Blazya:** Such a broadening out is of great interest to me. As a specialist dealing with a part of Europe that was until recently invisible, I know that things are changing fast. I know that Scotland does not have the visibility in central Europe that we might hope it would have. Broadening out is therefore something that we really need to do; it is an idea that we need to connect with. The Executive is trying to achieve such a broadening out in many of the initiatives that it is undertaking, with which the Parliament and various other public sector organisations are also involved. We are all trying to do that, but I do not know how effective we are being.

To turn to my own institution, I hope that members know about the forthcoming event in Paisley—I think that I wrote to everyone about it—that we are organising for the end of April in order to celebrate the enlargement of the European Union. It has been a little frustrating, however.

With regard to Dennis Canavan's question about broadening out, my interest is to ensure—in a rather parochial way, you might think—that we connect with the new Europe. My colleagues might have expertise with some of the older continents, if I may put it that way, but it seems to me, at any rate, that enlargement represents an opportunity, and we will try to crystallise that at an event on 1 May. I have been a little bit surprised about how difficult it has been to drum up interest for it, both here, on our side, and elsewhere. Despite that, I think that we are doing the right

things; we just need to do them and co-ordinate them in a more effective way.

**Dr Bucken-Knapp:** Coming from the narrower field of labour migration, I think it is necessary to take a step back first and engage in some form of benchmarking exercise. As we try to market any country to economic migrants, it is imperative to know how that country stacks up against other nations on a number of issues. Aside from wondering how we might move away from the ephemeral notion of castles in the mist, we should also be coming up with answers to questions about how we can show that it is easier to get a work permit in Scotland compared to other potentially competitive national settings. People need to be aware of whether that permit, once granted, allows for permanent residence or for earning permanent residence over time, or whether permanent residence is simply not allowed. They need to have a clear understanding of taxation and salary levels in a comparative setting.

We need to be aware of the shortages in the labour market and of the sectors that they are in. The question whether employers are willing to hire non-nationals is a big problem for policy makers in Sweden when it comes to attracting people to that country. There is a great deal of data showing that Swedish employers are not interested in hiring non-European citizens. We need to have an understanding of what it is that Scotland has to offer in those various areas where it needs to compete. That information then needs to be disseminated very widely. The availability and affordability of housing stock near where the jobs are should be made known, as should information about health care systems, welfare provision, and educational and leisure opportunities.

**Dr Wright:** This is quite a difficult question. On the one hand, we can think of the universities as being fairly fundamental, as they encourage people to study in Scotland. There is an increasingly large pool of international students and we are competing with other countries to attract them here. Universities in Scotland have not done badly on that score. If we are talking about specific initiatives, there are difficulties associated with setting up offices in other countries. The Washington office of the Scottish Executive exemplifies those. As I recall, the cost of the office is £200,000 for just two people. I am not having a go at the Executive, but such offices cost money. Scotland has a devolved Executive—it is not a country in its own right—so its resources are relatively limited.

When one talks about mountains, tartans, mists and so on, one needs to bear in mind the sort of people who may have been asked the question. My comments are not meant to be derogatory, but



that may be the perception that those people wish to have. If one were to poll people from a younger generation, they might have a much more dynamic view of Scotland by virtue of the trips that they have made here with colleges and schools. There is a stereotype. If members of the committee were asked about another part of the world in a poll, they, too, might fall back on stereotypes. There is always a danger that we will underplay Scotland, which is a fast-moving place, rather than one of castles and mists.

**Professor Keating:** When I travel around Europe, I notice that Scotland has tremendous name recognition, which is a huge asset. Everyone knows where Scotland is, although they do not know quite what it is. The point was made that we should project the plural Scottish culture. Much is now being done in that respect and it should be encouraged. Scotland can also promote the fact that it is a model of democracy. People are amazed that we have a stateless nation that very peacefully has changed its constitutional status without anyone having been hurt or killed and that we are experimenting with different ways of making policy. That is an export that has economic consequences, because it will get people interested in Scotland.

We also have a model of economic development that pays attention to social inclusion and a consultative form of democracy. In the face of international competition there is enormous temptation to cut social costs and to go for the cheapest model of development. The consensus in the Scottish Parliament is that we should not go down that road. Other people are extremely interested in that. If we can get things right here, other people will be interested in what we have done. That will draw attention to Scotland as precisely the kind of modern, dynamic society that you describe.

**Gordon Jackson (Glasgow Govan) (Lab):** I found the two written submissions very helpful. In particular, I liked the way in which they addressed the broader strategic issue—not the nitty-gritty, but the idea of how Scotland takes its place on the wider European and world stage. A number of issues came to mind, although I will stop if the convener tells me to. On several occasions in his submission, Professor Keating returned to the idea that we need initiatives, not just by Government, but by wider civil society. That is a motif running through the submission. How well do you think we are doing with such initiatives? Do we need other structures to be put in place? How do we achieve what I took to be the important aim of approaching this issue in a pluralistic fashion? Do we lack structures for doing that? Do we need more and better structures?

**Professor Keating:** We lack such structures, which is important for a number of reasons.

Gordon Jackson has mentioned some of those. In addition, when we have Government-to-Government structures there is a tendency for politicians to get very excited about them for six months but for them then to fade away, unless there is a follow-up. It is not the politicians who follow up, but civil society, business, universities, local government and so on, which engage in mutual learning. It is important that Government should facilitate that.

The approach is exemplified very well by how things are done in Catalonia. There are almost no offices of the Government of Catalonia. Instead, there are offices of the cultural agency, public-private partnerships and business-led groups. If initiatives do not work, the Catalan Government closes them down and moves on to something else—it is constantly shifting. In the paper last week I read that it is thinking of shutting down its office in Rome, which was intended to influence the Vatican over the appointment of Catalan bishops. It does not need to do that any more, so it is moving on to something else.

That work is not expensive, but it requires quite a lot of political investment and encouragement. It requires some funding for the bodies that follow it through, and a commitment on the part of the business community. That commitment has not been present in Scotland; the business community in Scotland is not being internationalised as one would expect. There is also a duty on the other actors, such as cultural groups and the universities.

**Gordon Jackson:** How would the Executive facilitate the pluralist approach that you discuss in your paper? I understand what you say about its value, but someone has to set it up. The Executive is, after all, our interest.

**Professor Keating:** The Executive has to draw in the parties that are involved, talk to them, find out their needs and encourage them to get involved. It does not have to provide a lot of funding, but it has to provide some funding. It must not only project Scotland from the outside but bring Europe and the rest of the world into Scotland, and it has to identify the dynamic things that are going on. If they are worth backing, the Executive should back them. If not, it should abandon them. The role is a promotional role—that sounds vague, but the area is not one in which one can simply run a programme. It is a matter of having the intelligence to work out what is going on and how to back it. That should be done not through Government, but through funding not-for-profit private or public/private organisations. Money should be put through such vehicles; the choice of vehicles becomes important.

**Gordon Jackson:** May I pick up on an aspect of the second point, which might be connected? At another point in your paper, you say:

"Politicians can have a short attention span and without sustained leadership from the top, paradiplomacy is difficult to sustain. Personal leadership seems particularly important ... as there is little institutional momentum".

I have sometimes wondered whether the Executive does not have that proper focus, because the responsibility for Europe keeps changing. As your papers indicate, at one time it was the First Minister's responsibility. It has also been the responsibility of the Deputy First Minister and it now lies with the Minister for Finance and Public Services. One is left with the feeling that the finance minister has rather a lot to do to maintain the momentum that is necessary for European matters. I am interested in your comments on that. Should there be a change? Is there a lack of focus that would create what you have been discussing?

**Professor Keating:** In my comment, I was referring specifically to bilateral partnerships such as those in Catalonia and Tuscany. They are great for publicity, but they often have no follow-through. We hope that there will be follow-through, but it is too early to know that. However, it is not for the politicians to follow through, but for the other groups that I mentioned. It cannot be done by the First Minister or in a single place in the Executive. It must be done wherever the need exists; any area that is Europeanised has a need to liaise with Europe. A structure is needed at the centre, but it should be a light, promotional structure that will assist other parts of the Executive and other parts of Scottish society to make links.

**The Convener:** Other members want to ask questions, but do the other witnesses want to comment on the Executive's focus on overseas issues?

**Professor Blazyna:** The discussion relates to a point that I was reminded of today on the train from Glasgow. John Edward, who is sitting in the public gallery, wrote an interesting paper a couple of years ago on the need for a Scottish centre for international studies or European studies—I might have the title slightly wrong. That idea is worth revisiting; times have changed and the idea has perhaps become more pertinent than when John Edward wrote his paper. At that time, the centre was conceived of along the lines of the Irish model—the Dublin European Institute or the Centre for International Studies—as a networking device to raise discussion on policy matters. Perhaps we need something like that—it would do more to connect with other aspects of Executive strategy such as the fresh talent initiative. To return to the point that Dennis Canavan made, that device would raise Scotland's visibility in Europe in a number of interesting ways, and it could help us

to fulfil a number of objectives. For one reason or another, it has not been developed, but I ask the committee to consider whether the idea is worth returning to.

**The Convener:** The committee has expressed support for that concept. Perhaps we should put it back on the agenda.

15:30

**Dr Wright:** I would like to come back on that point. There has been an all-singing, all-dancing approach to the ministers' portfolios for Europe. Initially there was no minister. Then we found that it was Donald Dewar and the Deputy First Minister Jim Wallace. Then, sadly, Donald Dewar died. Henry McLeish then ran the show; he had a portfolio for Europe and so did the Deputy First Minister. At the same time, Jack McConnell was appointed, with Nicol Stephen as his deputy. Then, when Jack McConnell became First Minister, it became Jack McConnell and the Deputy First Minister, with, apparently, nobody being assigned the portfolio. Now, after the election, we have Jack McConnell, the Deputy First Minister and, suddenly, Andy Kerr—which was not on the website.

**The Convener:** And Tavish Scott, Andy's deputy.

**Dr Wright:** Yes. It is a real issue, and it must have been a problem for the civil servants.

The Executive finds itself walking something of a tightrope under the existing constitutional arrangement. These issues are reserved and, if the Executive has a minister with responsibility for Europe, there is always the danger—as Henry McLeish himself discovered—that it can appear to be setting up some kind of alternative foreign policy. I looked at Henry McLeish's memoirs today and I see that he makes that point. He found it impossible to square the circle.

**The Convener:** Margaret Ewing and Irene Oldfather have questions.

**Mrs Ewing:** I agree that we should not dismiss stereotypes. I represent the area that has Walkers Shortbread Ltd, 50 distilleries, Baxters of Speyside Ltd, of course—

**Mr Home Robertson:** And some midges.

**Mrs Ewing:** No, we do not have midges. I have not been in any port across the world where those have not been greatly promoted. Those products are well supported and, obviously, very successful.

A point was made about funding of promotion of Scotland abroad. Professor Keating spoke about light structures. Politicians always have to think about money; taxpayers put the money in and we

have to decide how to spend it. Do you feel that all agreements with Europe should be bilateral or should we be looking beyond bilateral agreements?

I am one of the people who bought Henry McLeish's book and read it. Would it be worth asking him to come along and give evidence to the committee on his role in trying to promote Scotland in the world?

**The Convener:** There were three questions in there. Who wants to pick up on Margaret's questions on funding, Henry McLeish and bilateral agreements with other countries?

**Dr Wright:** I want to make a small comment on funding and—without meaning to be cheeky—I will throw something back to the committee. I was looking at the evidence that the Foreign and Commonwealth Office submitted to the committee. One of the FCO's problems when its embassies were promoting Scotland abroad was that there were not really sufficient funds for the embassy posts. The embassies wanted some seedcorn money from the Executive. There has to be money going from Scotland to the embassy posts if such promotions are to be successful.

**Professor Keating:** In the late 1980s and early 1990s, in many other nations and regions in Europe—and in Quebec and elsewhere—a huge amount of money was spent on such matters. Much of that spending was not justified and many of the posts abroad have been closed. People did not know how to target the money. However, it is now the other way round; there is underspending on such posts. Spending priorities will always compete with one another. We do not have to go back to the notion that we have to have our own foreign policy and an embassy in every country, but we do need to have a certain amount of resources.

Partnerships do not have to be bilateral. The most important thing about partnerships is not whether they are bilateral or multilateral but whether they are sectoral—that is, whether they bring together people who have a common interest, wherever they may be. That notion can sometimes be lost. We may sign an agreement with Flanders or Catalonia or wherever and we may assume that we have common interests across the board, but we will not, because we will be competing with those people. In many cases, we will be on opposite sides; although, in other cases, there may be things that we can do together. A lot of exploration is required into exactly what the other region or nation will give us. Are there complementarities and, if so, what are they? If somebody else wants to join the club, what can they contribute?

A certain amount of learning from mistakes will take place. In the past, many things were

overdone; hundreds of agreements were signed in the 1990s. We know a lot more now: the Scottish Executive knows what has happened and is being fairly discreet. It is not running around signing agreements with everybody, but is being careful about choosing its partners and about what it can contribute.

**Irene Oldfather:** I will follow that through to see whether I understand you. You spoke about Tuscany and Catalonia, which are two regions that have different legislative powers. Given that, is institutional structure really not important? Are drive, co-ordination and cultural identity the important matters? What are the key drivers? It seems that parliamentary powers are not a key driver. Have I interpreted that incorrectly?

**Professor Keating:** For Government-to-Government collaboration, powers are critical. Often, things fall down because one Government has a power that another does not. The Belgian communities and regions have enormous powers; others have signed agreements with them on which they cannot deliver. When civic society is involved, powers are less important and complementarities are more important.

Much of what is happening is being driven by the legislative regions agenda, whereas the driver a few years ago was economic development. The next driver will be the European constitution. At other times, the vehicle has been the Committee of the Regions, the Assembly of European Regions, the Conference of Peripheral Maritime Regions of Europe and the regions of industrial tradition. Now, it is the regions with legislative power. The agenda keeps changing.

**Irene Oldfather:** It evolves.

**Professor Keating:** Yes.

**The Convener:** That is a positive spin.

**Professor Keating:** The situation becomes confusing, so it is important to think strategically about where to invest resources. I am not convinced that Regleg will be the flavour of the month in two years' time—it may be something else. However, as the Scottish Executive pursued the constitutional agenda in the convention and in the follow-up to the white paper on governance, it is following the Regleg process. That is one reason why it has teamed up with Catalonia and Tuscany, which have been among that concept's promoters.

**Mr Home Robertson:** I would like to move away from the institutional aspect and return not to tartan day—we have established that it is of limited value—but to the principle of reconnecting with the diaspora, which has been referred to. As we know well, there are Scottish people in the most unlikely places for the most unlikely reasons,

some of which we might not want to say too much about. If even a tiny fraction of that diaspora began to identify with Scotland, as Irish people do with Ireland, and visited as tourists, spent a bit of money on Scottish goods or took an interest in Scottish institutions or academia, that could be valuable. Reconnecting with the diaspora is a good idea, but how can it be achieved?

**Professor Blazycza:** I am on the other end of a diaspora and not the end that John Home Robertson has in mind. I do not know how best to reconnect. Many initiatives are being undertaken, of which tartan day is one. However, from the other end, I am struck on my trips to Poland by how strong the Scots influence was at one time over there, although Poland has no Scottish diaspora. I am reminded of lugless Willie of Gdansk and of Jock Baidon. I used to pass a sign that said "Baidon" outside the steelworks in Katowice and—shame on me—I had no idea for a while what it meant. Then I discovered that Jock Baidon established the steelworks there in the 1880s.

The connections are rich. It is not a direct answer to Mr Home Robertson's question, but something can be built on even in the part of international affairs with which I content myself.

**Mr Home Robertson:** Exactly—that is one of the points that I tried to make. Potential connections exist all over place in every part of Europe and every other continent. The trick is to find the way to make those connections.

**Professor Blazycza:** May I continue on that theme? I want to make a connection with the fresh talent initiative, which is commanding some attention. Is that appropriate?

**The Convener:** Sure—that is part of the debate.

**Professor Blazycza:** I was struck that "New Scots: Attracting Fresh Talent to Meet the Challenge of Growth" is interesting but incomplete. It is full of worthwhile ideas. People who work in the universities sector would be the last to say that the initiative should not be taken, because there is a lot in it for us. I am pleased about that, and we can give much back in return. However, the initiative misses the mark by losing sight of the fact that we need young people to move out and then to return. That may sound odd in the context of fresh talent.

It is almost a picture of Scotland as the Gulag. We want to get people coming here and we want to keep them. I know that it is not put across in that way, but what we should be interested in—the word came up during the previous evidence session—is flux: inward movement and outward movement. We are not doing enough to encourage the outward movement that will help us to reconnect with traditions that have existed in the

past, in which Scots were very visible. To give a micro-example, we have exchange relationships at my university—I am sure that other colleagues have, too—with institutions in Poland. Two or three students from Poland come to us every year. We try to get our students to go out to Poland, but I can assure the committee that doing so is very difficult. That is a universal phenomenon in UK higher education and we need to consider why. Those people are also our ambassadors in making the connections, reconnecting, and breathing life into old traditions and old stories that we only read about in "Stone Voices: The Search for Scotland" and other histories.

**The Convener:** Does Dr Bucken-Knapp have any comments on the fresh talent initiative?

**Dr Bucken-Knapp:** On outward flux, Scandinavia is a group of nations that has an incredibly high rate of outward travel of university students. It is commonly understood that one must, as a part of one's university education, go abroad. However, that does not translate into an ability to draw people in. That brings me back to a central point of my opening remarks, which is that there is a need to ensure that permits are available to bring people in. I have heard it argued that the fresh talent initiative is highly interesting but that it is incomplete, but I see it as being incomplete in a very different way. The tone of the fresh talent campaign is that potential economic migrants are being asked to come and bet on a long-term future in Scotland. If that is a fair portrayal, those migrants need to have a clear sense that the choice to come to Scotland will provide them with long-term stability sooner than would be the case if they opted to settle in other countries.

The clearest way to achieve that is either to offer permanent residency immediately or to offer it more quickly than other countries. That would make Scotland an attractive choice. Take, for example, Germany, which in 2000 had a green-card programme to attract highly skilled information technology professionals. That programme allowed for only five years of residency. As a result, it was extremely unappealing to a number of Indian IT experts, who realised that if they came, they would not have the opportunity to stay. Recruitment was vastly below what was expected.

Germany is a worst-case example; the best-case example would be Canada. Canada's independent class economic migrant programme brings in more than 50,000 people a year on the basis of a points system, where Canada says "These are the skills we want, and these are the age groups we want." The reward for having the right set of skills to fit into the right set of job classes is immediate permanent residency. It is

profoundly important to economic migrants to know that when they go to Canada they will have the chance to stay or—at least—that Canada will spell out to them how they could stay. I realise that those comments will open up a can of worms. If I am going to boil down the matter to one suggestion, it is that you should ensure that you have control over which people you want, and that you can issue them with the sorts of permits that you want and that will benefit you.

**Mr Home Robertson:** We have made a bit of start on that, but we have come a long way. This is all very good stuff, but can we get back to the diaspora somewhere down the line, please?

**The Convener:** The fresh talent initiative is relevant as well—that was a very interesting response. Do you want any of the other panellists to respond to your point?

**Mr Home Robertson:** I am still looking for an answer to my question about connecting with the diaspora.

**Professor Keating:** My answer is not directly linked to the diaspora, but it is relevant. Some places—Quebec and Catalonia are two examples—do not just promote inward investment; they promote outward investment. The idea is to become internationalised. If Scottish firms do business in other places, they create a diaspora that has a relevant economic interest in Scotland beyond the cultural aspect. In Scotland, we have not talked about the importance of internationalisation in both directions.

15:45

**Mr Raffan:** Like Gordon Jackson, I found the brief submissions from Dr Wright and Professor Keating to be stimulating. Professor Keating made a point about the way in which the Executive conducts its external relations. He gives examples of the models in Flanders, Quebec and the German Länder, which are more structured and have more specific objectives than the much looser model of the Generalitat of Catalonia. We are somewhere in between them. I ask Professor Keating whether we have got it right or can we draw from others who have greater experience of conducting external relations?

I want to hear from Dr Wright about the direct representation of the Belgian sub-national entities and the German Länder on the Council of the European Union. Towards the end of his submission, he repeats his point about constitutionally entrenching the Executive's powers because we might not always share government with Westminster. How do we get to grips with the strategy of advancing, drawing on best practice from others and safeguarding our position?

**Professor Keating:** We do not want to promote the Scottish Executive abroad. The Scottish Parliament would not see that as being valuable or worth spending money on. That is a political—

**Mr Raffan:** I meant the way in which the Executive conducts external relations.

**Professor Keating:** Some of the examples that you gave were highly partisan examples of promoting abroad a Government that has a political strategy.

It is important to have consensus: some people want an independent Scotland and some do not, but we can all share the notion that Scotland should be projected externally. If we do not, however, the situation will become highly politicised. Politics is all very well and healthy on the domestic agenda, but it becomes a problem when external relations become politicised. That has happened in many cases that I know about. There is greater consensus in some examples, such as Catalonia, than there is in the conflictive situations in Quebec and Flanders. We have avoided that to a degree and the Scottish Executive is doing the right thing.

The major concern is about economic development and how we can enhance Scotland's economic position in the world. As I said, that is not just a matter for Government; it is a matter for society as a whole. If there is a weakness, it is in the societal response. The Scottish Executive has a responsibility for that—it cannot create such a response, but it can encourage it. I identified the business community as being problematic, but one could also say that the universities and other sectors have not responded as they might have. Academics draw the distinction between proto-diplomacy, which is the highly politicised kind, and power diplomacy, which is more consensual and which is really what we have.

**Dr Wright:** With great respect to Professor Keating, I take a slightly different view, although I deeply respect his point of view. There is a dilemma in that the governmental arrangements that predated legislative devolution were inherently flawed—not in relation to day-to-day policy making, but in relation to matters that were of strategic interest to Scotland. The difficulty with the current constitutional arrangement—as it pertains to the European Union—is that there has been a continuation of pragmatism, which is inherent in the concordats of the joint ministerial committee on Europe and in the memorandum of understanding.

The fundamental question is whether there will be a rerun of the kind of strategic matters that went wrong before devolution in 1999 and, if so, whether the current arrangement can prevent them from happening. I do not think that it can. We

now have a Parliament that can protest, but political authority vis-à-vis the European Union still rests largely in London. We live in a kind of paradox whereby, on one hand, a Parliament has come into existence but on the other, a good number of its policies that are not reserved to Westminster are affected by decision making at the European Union.

The question that arises is that—if one prefers the status quo—does it matter if strategic issues do not go Scotland's way? After all, that is politics. On the other hand, is the matter of sufficient concern that we should ensure that the constitutional arrangements are perhaps more robust? If so, is some form of constitutional entrenchment the best way of doing that? Otherwise, we will be in a free-flowing situation. I agree with Michael Keating that it is very easy to become political while we are trying to be constructive.

For example, I do not want to speak against the Conservatives, but as far as fluidity is concerned—Conservative committee members will correct me if I am wrong—I believe that their manifesto for the Scottish Parliament elections proposed a royal commission on the constitution, a legislative base for the concordats of understanding and a stronger role for the Secretary of State for Scotland on European affairs. We find ourselves in a very funny and tricky situation because, with the current set-up, aspects of how Scotland is represented globally can change quite a bit.

**Gordon Jackson:** I am very interested in this subject. Earlier, the witnesses mentioned that the Scottish Executive has to walk a tightrope if it wants to represent itself in Europe without falling out with its Westminster colleagues. However, it was also pointed out that the day might dawn when things will not be as they are at the moment. Indeed, history shows that that always seems to happen. As Keith Raffan said, we might have at Westminster a Government of a different complexion from the Government in Scotland. That is not just a problem as far as Europe is concerned; it is a problem for devolution itself. After all, the challenge of devolution is that it will have to work in such a context, no matter whether we are talking about health, justice, European affairs or whatever.

Obviously, one solution to that problem is independence. However, what about those of us who acknowledge that there is a problem but do not think that independence is the right solution? What other form of constitutional entrenchment would deal with that matter? I, for one, think that we must find out how to deal with the problem if the devolution settlement is to work in the way that I, and others, want it to.

**Dr Wright:** I have to be very careful here because I am not a lawyer. Basically, we would

need some form of federal arrangement; however, the counterargument is that there is at the moment no consensus in the UK in favour of such an arrangement.

I have reflected on this subject because I thought that somebody would ask me about it. Indeed, what would be the point of having us here otherwise? If it wished, the Parliament could play a role in declarations of intent. Indeed, the report on the promotion of Scotland in Europe contained several proposals, such as the creation of a regional affairs council, that were really declarations in principle. That is the optimum solution for improving Scottish representation in Europe.

Although it falls to the political parties and the people to decide on the particular arrangements, Parliament could suggest that powers that relate to Europe should to some degree be constitutionally entrenched. It would then be up to wider society to consider the matter and, in the end, to vote for the parties that would deliver that. Of course, another conundrum is that the issue relates to Westminster and not to the Scottish Parliament itself. As a result, any change to the Parliament's constitutional status has to be carried out in London, not in Scotland.

**Professor Blazyca:** It seems to me that this is a question of confidence; the Scottish Executive does not act with confidence on the big current issues. On the humble business of organising a conference in Paisley to mark and celebrate enlargement, I found that it was not so easy to connect with the Scottish Executive on the matter. I know that, with such comments, I risk cutting myself adrift from the Executive with all sorts of terrible consequences, so I should say that I am grateful that we managed to secure the attendance of Andy Kerr, who will speak at the conference. It is, however, important to say that it was not easy to do that. I felt throughout the whole process that there was a lack of confidence.

I must also say that it is not easy to find out from the Scottish Executive website what is going on to mark 1 May. I find that bizarre, because this is a historic European event. As I said, it all comes down to a lack of confidence.

**The Convener:** I just want to allow Keith Raffan to ask his last question, before we move on to Phil Gallie.

**Mr Raffan:** We have the vertical hierarchy of the UK Government and Brussels, but there are many lateral links, particularly with other regions in other parts of the world, not just in Europe.

I want to challenge what Professor Keating said about the Executive's choosing carefully with whom it signs bilateral agreements; maybe he was referring to the Executive's current position. In my

view, there has been a pretty scattergun approach in the past. I could not agree more with the point about politicians—including me—having a short attention span.

**Mr Home Robertson:** What were we talking about?

**Mr Raffan:** There was sudden enthusiasm for the Eastern Cape, but nothing has happened. There are the bilateral agreements with Catalonia, Tuscany, North Rhine-Westphalia and Bavaria. Some minister probably also went to Ireland, the Czech Republic and Estonia, said something and something happened, but it has probably not been followed through. We have refused to become a member of the Nordic Council.

**The Convener:** Can I ask you for a question?

**Mr Raffan:** All that suggests the use of a scattergun approach, so I wonder whether we are choosing our agreements carefully. We must be focused because of our limited human and financial resources. We are not being focused; we need priorities. Where is the strategy?

**The Convener:** To whom are you directing your question?

**Mr Raffan:** Professor Keating, in the first instance.

**Professor Keating:** I have a taxi waiting, so I will answer very quickly. There is something in what you say, but there is always a certain amount of redundancy in such initiatives. Exploration is necessary; the important thing is to drop something if it does not work rather than just carry on. That is a general comment.

On Alex Wright's constitutional point, I know of many cases in which nationalist parties have been in power at sub-state level and life has gone on. Life would continue in three ways. First, there could be constitutional change that would entrench the powers of the Scottish Parliament in Europe, although I do not think that that would happen. Secondly, the European constitution is changing—the Regleg agenda is about entrenching powers of sub-states at European level. Getting consensus on some kind of arrangement there would not satisfy both sides in the debate here, but it would satisfy most people. Thirdly, there is politics. If there is a change in Government, the position of the Foreign Office will not continue to be so accommodating, so the rules would have to change. I do not believe in the doomsday scenario in which the devolution settlement would not withstand such a change. There are many cases in which such changes have been withstood. Politics will get around any such situation.

I agree that the Scottish Executive has not been assertive enough. It is so keen to remain a Whitehall insider that it is being hyper-cautious in taking the policy lead in Europe.

**Mr Raffan:** Would having a dedicated minister help? Robin Cook said that there would be a minister for Europe. You have given us the history of the portfolio, which is a story about passing the buck. I hesitate to get too deeply into personalities and structures, but would it help to have a dedicated minister who could draw everything together?

**Professor Keating:** No, because that would simply mean that Europe would be parked in the portfolio of that minister. Europe affects everyone; it affects domestic politics.

**Mr Raffan:** Do we not need someone to co-ordinate across the Executive?

**Professor Keating:** Yes, that is important, but Europe must be the responsibility of everyone. If we study the comparative experience of those nations and regions that have done things best, we find that they ensured that the whole of the Government was Europeanised, not just the European section.

**The Convener:** Thank you for appearing before us.

**Phil Gallie:** I had been tempted to go through Professor Keating's submission, particularly the part of it in which he suggests that a recent visitor to the committee, the representative of the European presidency, lives in some kind of fantasy land, but I will not go down that line.

I have a very simple question about external relationships. We have the world of academia before us today. In the professors' experience, how are the Scottish universities seen throughout Europe and the wider world? What are the universities doing to promote themselves in the international world of academia?

**The Convener:** Professor Keating has had to leave for a flight, but we still have three witnesses who I am sure will want to answer that question.

**Professor Blazycza:** I am sure that Phil Gallie knows that there is no doubt that the higher education sector in the UK and in Scotland is one of the most successful sectors in the economy.

If you were to judge us by any standard of productivity—net export, or inward students, for example—you would find success pretty much across the board. If we visit any university in the UK today—this holds true for Scotland—we will find huge swathes of international students. It is interesting that that population is changing; there are now Chinese students in many universities and it is likely that, if we connect properly with the new Europe, we will be able to do very well in attracting students from the accession countries, because there is a demand for what we provide. We do not have any trouble in selling ourselves. We must be alert, of course, because the

competition never diminishes, but we have a good track record and we can continue to work well. The fresh talent initiative contains interesting things for us in terms of resources to enable universities in Scotland to continue that work. That is all very positive.

However, as I said, we are missing out because we are not properly connecting in terms of getting our students to face the outside world and connect for us. We ought to consider carefully the reasons why students are not doing that and we ought to ask where the barriers are. We are not properly considering languages—it is interesting that that point crops up in the document, “New Scots: Attracting Fresh Talent to Meet the Challenge of Growth”, one paragraph of which suggests that people would feel more at home in Scotland if more people could welcome them in their own language.

Language teaching is in crisis in the UK. There was a story in last week’s *The Times Higher Education Supplement*—you will be pleased to know that it is not a Scottish story, but it is a sad one, all the same—that said that De Montfort University in Leicester is considering closing down languages teaching altogether. My colleagues and I find that to be very disturbing. The problem is deep and demands careful consideration. I do not know the answer. However, as those issues are raised in the fresh talent initiative, that brings us back to the incompleteness of the initiative. Unless we follow such matters through, I doubt that the initiative will work.

A lot of good things are going on in the university sector—I am sure that, deep down, Phil Gallie knows that. That can continue if universities are supported in the right way.

16:00

**Dr Bucken-Knapp:** I teach at the University of Stirling, through its bilateral exchange programme with Gothenburg University. Once a year, Gothenburg sends a faculty member from its politics department to Stirling to teach an advanced undergraduate unit. That is a regular exchange. Undergraduate students also go back and forth between the two institutions.

Perhaps I will put a slightly different spin on the issue, but in Sweden our problem is that we cannot offer sufficient courses in English to provide a space for faculty members from British universities. We also do not run sufficient courses in English to allow undergraduates from Europe and elsewhere in the world to study and fulfil their university requirements. Although it is lovely to hear people say that they must ensure that they are able to learn the languages of the countries where they will go to study, those of us who come

from smaller European states—Sweden’s population is just under 9 million—must acknowledge that we must make it easier for your students to spend time with us. We have to facilitate access to our classrooms for students and scholars, and the best way of doing that is to begin to offer more courses in English.

**Mr Raffan:** I was wondering about outposts. For example, the Stockholm School of Economics has a centre in Riga, in Latvia, which attracts 300 of the best economics and politics students from the three Baltic states and flies professors back and forth weekly. That kind of outpost gives those three states a head start, does it not? Should we not be doing that kind of thing?

**Dr Bucken-Knapp:** Absolutely. Outside academia, there are examples of Sweden doing quite well in that kind of activity in relation to the labour force. For example, there has been fantastic success at county level, where there are nursing shortages that are comparable to the shortage in Scotland. To deal with the problem, Sweden has done what you described in relation to academia: it has gone to the Baltic states and forged close relationships with teaching hospitals and medical schools and it has arranged for special exemptions from the standard work permit rules, so that individuals can come to Sweden for up to 36 months and, after they have learned a sufficient amount of Swedish, be allowed to practise in counties where there are shortages of nurses, doctors and dentists. There is almost a sense that a field of talent is being created and integrated into Sweden.

**The Convener:** Phil, are you happy?

**Phil Gallie:** Yes, I am relatively happy. A lot of comments were made that I would like to ask about, but they seemed reasonable.

**The Convener:** It is on the record that you are happy.

**Mr Raffan:** He is relatively happy.

**Dennis Canavan:** I have a quick question on the fresh talent initiative, which some of the witnesses have mentioned. I agree that it has great potential for building up good relations between Scotland and other countries. Academics or students coming here and student exchanges and so on are all very well; however, outside academia, what are the prospects of attracting a significant number of overseas workers to Scotland, particularly from the European Union accession states, which will join the EU in a few weeks’ time? What specific measures could the Scottish Executive take to try to ensure the success of the fresh talent initiative?

**Professor Blazyna:** That issue has been filling the newspapers over the past few weeks and



raises all sorts of delicate issues. There may be some underlying exaggeration of the possibility of success—we ought to be aware of that. First, even skilled workers do not move unless their prospects are clear, as my colleague mentioned. The movement is likely to be much less significant than anyone expects it to be. Secondly, although the region of Europe that we are talking about is relatively underdeveloped, with a relatively high level of unemployment, we have heard from the Deputy First Minister that it is the region that will attract the bulk of Brussels assistance in the future. It is the region in which growth will be fastest in the future.

I have always believed that what will happen, albeit slowly—perhaps imperceptibly, to begin with—is that the centre of economic gravity will shift eastwards. The fact that economic activity in the countries that we are talking about will pick up at probably a much faster rate than we expect means that the possibility of finding the kind of workers who would be welcome across the board, without there being any of the delegate problems that I have mentioned, might be much less likely than the British Government or others believe.

The perception that unfortunately has been created in the period of heated political debate in the United Kingdom over the past few months has not gone unnoticed in the countries that we are talking about. Workers are likely to be deterred by the idea that they might not be welcome, and signals to that effect have suddenly appeared from the United Kingdom Government, whose previous position had gone down very well in countries such as Poland. The United Kingdom, Sweden and Ireland were three of the few countries that said that there would be no derogations on labour flows after 1 May; however, they then shifted position, and the signals have been noticed.

For a number of different reasons, the flow of workers is likely to be far less significant than anyone expects. There might even be a question mark over whether the Executive can tackle some of the serious demographic problems that it believes it faces. At the very least, conflicting signals are being sent out and, as long as those conflicting signals exist, solving the problem will be very difficult.

**Dr Bucken-Knapp:** It is absolutely true that we will see a much smaller number of EU citizens from the accession states coming here. Study after study has shown that only a small number of them have any interest in coming to a traditional EU state and staying for the long term. At best, they want to stay for a few years before returning home. Plenty of newspaper polls on the subject were conducted in Poland, which showed that only 15 per cent of workers wanted to take up employment in a current member state. Of those

15 per cent, more than 80 per cent indicated that they were likely to return home after a few years.

The question is how we get the individuals to come. Putting aside the permit mantra, we must also begin thinking about how to ensure that individuals have a clear sense of the opportunities that are available to them. In that respect, Scotland has taken a lovely first step by beginning to talk about websites that will show lists of job openings that are available. That idea is still very much in the developmental stage in Sweden, where people have not been able to come to agreement on it.

In addition to setting up websites, we should say, "Here are the jobs." During its extensive labour migration in the 1950s and 1960s, Sweden set up Swedish Labour Market Board offices in targeted foreign countries, where it was able to present packages of jobs that were available, to promote the sectors in which there were shortages and to attempt to arrange for blocks of individuals to apply and be admitted. We should explore the possibility of setting up offices in other countries to promote existing job shortages. It is likely that we will need to establish such offices in states outside the EU.

**Irene Oldfather:** There is an evolving regionalism agenda across Europe. I agree 100 per cent with what George Blazysca says about Poland. The country is an economic development challenge, but there are tremendous opportunities, which I hope Scotland will key into. I see Poland as one of the key players. It has the capacity 20 years from now to be the new Germany in terms of economic development.

We have not really discussed the Committee of the Regions, whose significance depends on what we are looking for from it. In the past, Alex Wright has been critical of it, but it offers the potential for tremendous networking opportunities. Would he like to comment on how that may play out in 10 or 20 years' time? I agree that there needs to be structural reform, but some of the key players are involved in the Committee of the Regions. In his submission, Alex Wright mentions the fact that the First Minister influenced the agenda for the convention. Tuscany does not have the same legislative powers as Scotland, but people such as Claudio Martini are playing a key role. Opportunities have been created by the election of Pasqual Maragall as President of Catalonia. What is the potential for developing that agenda, which is contrary to Keith Raffan's point about having a minister for Europe?

**Dr Wright:** As the member knows, I am ambivalent about the Committee of the Regions. I was very optimistic about it when it was established. I attended virtually its first meeting in Brussels as an observer and thought that great

things would happen. The crucial thing about the Committee of the Regions is that its establishment marked the point at which the European Union recognised that the regions have a formal role to play. The draft constitution may run into the sand—God forbid—but at least it refers to the Committee of the Regions, the European Court of Justice and the idea of prerogatives. Potentially, the committee has a safety role to play when the Commission uses its powers improperly. Incrementally, it has moved on from being simply a consultative body to being one that has the role of safeguarding the regions collectively. It is not all doom and gloom.

**The Convener:** I have not had a chance to ask a question, so to finish off the session I ask each of the witnesses to summarise briefly what impact they think devolution has had on the promotion of Scotland overseas and whether it has met their expectations.

**Professor Blazysca:** In the part of Europe with which I spend most time dealing, devolution has not yet had a noticeable impact. That may be a result of the fact that, when the devolution settlement was established and the Scottish Parliament came into being, it was still pretty clear that the part of Europe with which I am mainly involved was not the centre of attention for the UK and Scotland. Things are moving fast, so perhaps that situation will change. Until now, devolution in Scotland has done very little to increase the visibility of Scotland in eastern and central Europe.

**Dr Bucken-Knapp:** I am by no means a Scotland specialist, so I will not say much about the impact of devolution. As someone who has spent a great deal of time examining Sweden, a society that is attempting to erect as many barriers as possible to economic migrants, it is enormously refreshing for me to spend time in a society that has come to terms with the necessity for such individuals to be here and that understands the genuine contribution that they can make. I hope that devolution continues to unleash that spirit.

**Dr Wright:** Devolution has made an enormous difference. We cannot compare what was happening prior to 1999 to what we have now. What we were considering in the early 1990s was Ian Lang's multipronged approach, which, to all intents and purposes, was the external affairs agenda for Scotland. We really cannot compare the two. We have moved on massively. When I read some of the submissions, it seems that other parties do not make that kind of connection. They obviously want more, but they do not realise how much progress Scotland has made in the past four years. So, good for the Executive.

16:15

**The Convener:** On that positive note, I bring this session to an end. I thank the witnesses for appearing today and for spending so much time answering the committee's questions. It has been extremely interesting. I am sure that many of their comments will make their way into the committee's report. It was remiss of me to forget to thank them for their written submissions earlier.

There is a space for committee debating time in the chamber on 22 April. I need guidance from members on whether they would like me to put in a bid for the committee. Many other committees have used debates to consult Parliament on some of their big inquiries. Our inquiry might be a potential subject for a debate in the Parliament on 22 April.

**Mr Morrison:** Is that the first day back?

**The Convener:** It is the Thursday of the first week back.

We have an opportunity and, although we might not get the time to debate the subject of our inquiry and to hear the Parliament's views, as convener I could bid for it. It is a tool that has been used by other committees, and it might be worth while. The inquiry seems to be an ideal subject, but I will take guidance from the committee.

**Irene Oldfather:** It would be helpful if we could reflect on that. The date is in the week before enlargement and if we had a slot on that date, there might be an opportunity to debate enlargement. That might be quite a nice gesture.

**The Convener:** That is a good idea—it is related to the inquiry.

**Irene Oldfather:** Perhaps we could reflect and get back to you by e-mail within the next 48 hours.

**The Convener:** Can I take it from the committee that it wants me to bid for time?

**Mr Raffan:** In case I do not get back to you by e-mail, I support what Irene Oldfather said. Particularly with the proximity to 1 May, focusing on enlargement would be a priority.

**The Convener:** Shall I take it from the committee that we should bid for a debate on enlargement, and that we can agree on the terms of the debate later? Are members happy with that?

**Members indicated agreement.**

16:17

*Meeting suspended.*

16:22

*On resuming—*

## Convener's Report

**The Convener:** There are four items in the convener's report. I propose that we delay discussion of the first two, given that the papers have just arrived on our desks. We can discuss them briefly at the next meeting. I draw particular attention to Andy Kerr's response, following his appearance before the committee—there are a number of interesting issues there. That will be public information from now on, but if members are happy we will postpone discussion of it, given that we have not really had a chance to read it. Is that agreed?

**Members indicated agreement.**

**The Convener:** We can go straight to the item on feedback from our visit to Barcelona. A delegation from the committee visited the Catalan Parliament, which was hosting a meeting of the network of regional parliamentary European committees. The minutes from the meeting are attached to the papers. I hope that members who were there agree that it was a productive and interesting—albeit brief—visit. I hope that we agreed on the way forward for NORPEC, and on whom we should invite to the one-day conference that we hope to host in Edinburgh later this year. I am talking about the Basque Parliament, the German Länder, the Flemish Parliament, as well as the Catalan committee. Do any members who were at the conference want to comment briefly on it?

**Mr Raffan:** The minutes are useful. There are two clear approaches that we could adopt. One is to include many regions, such as all the German Länder, in which case NORPEC would become a very diffuse networking body. The other approach is to be much more focused, and to include those with similar legislative powers. That would give NORPEC a much more effective focus as a network, lobbying on behalf of its members. The discussion on that was one of the most useful aspects. The general view is that we should go down the second route, which is sensible.

**Phil Gallie:** My comments go along the lines of Keith Raffan's. My impression was that we would aim not to invite people to join, but to advance the ideas and information about NORPEC and to accept people along the lines that Keith Raffan suggested—on the basis of strict standards. Acceptance would depend on making an application. We would not go out to search for members.

**Irene Oldfather:** Apart from echoing other members' comments, I place on record my thanks

to the committee clerks, who did a good job of organising the visit and the briefing paper.

**Mr Raffan:** Hear, hear.

**Irene Oldfather:** I know that Nick Hawthorne prepared the paper, which I thought was very good. It gave a helpful description of the political complexion and background to previous meetings. I am sure that all members join me in placing on record our thanks to the clerks.

**The Convener:** I thank Irene Oldfather for that. She has stolen my final remarks, which are to thank the clerks for doing all the work behind the scenes and to thank the Catalan Parliament for hosting the visit. People there went to a lot of trouble to give us a warm welcome, which the committee appreciated.

The other item in the convener's report is our monthly report on external relations priorities in the Parliament. We welcome from the Parliament's chief executive the usual report, which I am struggling to find. Discussions continue about establishing an office in Brussels for the Parliament. The Scottish Parliamentary Corporate Body is due to decide on that and it may be worth while for the committee to reiterate its support for establishing the office and to fire off a letter to the corporate body.

**Phil Gallie:** When Mr Shevin asked our opinions, my opinion was that we should not have separate parliamentary involvement in Brussels and that we should instead draw on those who are there on the Executive's behalf. I do not see why the Executive cannot support the committee through individuals who are already in Brussels. The committee can send off a letter of approval, by all means, but I ask it not to send it in my name.

**The Convener:** Does the committee want to send the letter? It is our policy to support the establishment of an office. We have said that many times.

**Mrs Ewing:** Other groupings in the Parliament have a European connection. We should not hesitate to build that connection in a variety of directions.

**Mr Raffan:** Before Phil Gallie spoke, I thought that for presentation purposes we should talk about individuals in the existing set-up at Scotland House, rather than a separate office. Scotland House is where any base is likely to be located. Perhaps we should not use the word "office", so that nobody thinks that we are embarking on constructing at huge cost a major building by a European architect. Investment in a person or a couple of people would be worth while.

**Irene Oldfather:** The issue is difficult. In the previous session, the committee spent much time on the subject and concluded that we supported a

presence in Brussels. I do not recall that we agreed on where the presence would be located.

My view has always been that it would be better to have a presence in the European Parliament, where many European delegations have their offices, rather than at Scotland House, which sometimes means that the same networking with other regions is not possible. Humberside has five officers in the European Parliament. The UK Parliament's European Scrutiny Committee—Jimmy Hood's committee—has its representation in the European Parliament. I do not know whether the letter will say anything about where the presence should be.

**The Convener:** I suggest that we should leave that out of the letter and just reiterate our support for a presence in Brussels. Phil Gallie's comments are on the record.

**Phil Gallie:** I must make a further point, to contradict your comment. Ever since I came on to the committee, Terry Shevlin has been carrying out a survey. I have no problems with the work that he has done, and he was especially helpful to me last week. However, at no time did I realise that I had signed up in any way to having an additional appointee. I would like that to be recorded. Also, I hope that any letter from this committee would note that I do not approve of the project.

**The Convener:** There will still be a committee view, but your comments are on the record.

**Irene Oldfather:** May I ask that the letter be circulated to members?

**The Convener:** It will be circulated.

## Scottish Executive (Scrutiny)

16:30

**The Convener:** Item 4 on our agenda is pre and post-council scrutiny. I invite comments on the papers before us.

**Phil Gallie:** I want to comment on the letter that was sent to Jim Wallace on 20 November, which remains unanswered. He may not have detected it, but I asked him about the issue during our questioning. He seemed to have no knowledge whatever of the issues at stake. He said that he would write to us. It might be worth while for the clerks to remind him that that letter is still outstanding.

**The Convener:** We will do that. I add that the clerks put in a lot of time and effort behind the scenes to try to chase up replies from ministers. We will try to ensure that your point is incorporated in the next reply.

## Sift

16:31

**The Convener:** The final item on the agenda is our good friend the sift paper. Do members wish to highlight any points before we agree to accept the paper?

**Phil Gallie:** I thank the clerks for giving us European document COM(2004) 101, containing the intentions of the outgoing Commission. The contents are horrific. As has been said, even the UK Government finds the contents a step too far. The Commission appears to intend to have the people of Europe subjected to its own tax-raising powers. A lot more in the paper is contentious and I am grateful that the clerks have passed it to us. It might be worthy of discussion in the committee at a future date.

**The Convener:** Members are free to suggest items for future agendas. Do you want to do that?

**Phil Gallie:** Yes.

**The Convener:** If there are no further points, I thank all members for their attendance. Next week, we will continue our inquiry into regional funding. We will have representatives from the European Commission.

*Meeting closed at 16:33.*



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