

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 7 October 2008

Session 3

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EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

16th Meeting 2008, Session 3

CONVENER

*Irene Oldfather (Cunninghame South) (Lab)

DEPUTY CONVENER

*Alex Neil (Central Scotland) (SNP)

COMMITTEE MEMBERS

*Ted Brocklebank (Mid Scotland and Fife) (Con)

Patricia Ferguson (Glasgow Maryhill) (Lab)

*Charlie Gordon (Glasgow Cathcart) (Lab)

*Jamie Hepburn (Central Scotland) (SNP)

*Jim Hume (South of Scotland) (LD)

*Gil Paterson (West of Scotland) (SNP)

COMMITTEE SUBSTITUTES

Keith Brown (Ochil) (SNP)

Jackson Carlaw (West of Scotland) (Con)

Ken Macintosh (Eastwood) (Lab)

Iain Smith (North East Fife) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Craig Egnor (Scottish Government Europe, External Affairs and Culture Directorate)

Linda Fabiani (Minister for Europe, External Affairs and Culture)

Donald Henderson (Scottish Government Europe, External Affairs and Culture Directorate)

CLERKS TO THE COMMITTEE

Lynn Tullis

Simon Watkins

ASSISTANT CLERKS

Lewis McNaughton

Lucy Scharbert

LOCATION

Committee Room 2

Scottish Parliament

European and External Relations Committee

Tuesday 7 October 2008

[THE DEPUTY CONVENER *opened the meeting at 11:00*]

Interests

The Deputy Convener (Alex Neil): Good morning and welcome to the 16th meeting in 2008 of the European and External Relations Committee. I am temporarily taking the chair this morning because Malcolm Chisholm has demitted office and left the committee to go to pastures new. I place on record our gratitude to him for his work as convener of the committee.

We have received apologies from Patricia Ferguson. I am sure that the committee will join me in wishing her all the best. We hope that she is back with us soon.

Item 1 is a declaration of interests. I welcome to the committee Charlie Gordon, who is replacing Malcolm Chisholm, and invite him to declare any interests.

Charlie Gordon (Glasgow Cathcart) (Lab): Thank you. The only interest that I have to declare is that I am a member of the GMB union.

Convener

11:01

The Deputy Convener: Item 2 is to choose a convener. The Parliament has agreed that only members of the Labour Party are eligible for nomination as convener. That being the case, I seek nominations for the post of convener of the committee.

Charlie Gordon: I nominate Irene Oldfather.

The Deputy Convener: I do not think that we need one but, just in case, is there a seconder?

Gil Paterson (West of Scotland) (SNP): Yes.

Ted Brocklebank (Mid Scotland and Fife) (Con): Yes.

The Deputy Convener: There are loads of seconds. There are no other nominations.

Irene Oldfather was chosen as convener.

The Deputy Convener: I give Irene Oldfather my best wishes, and condolences.

Decision on Taking Items in Private

11:02

The Convener (Irene Oldfather): I thank Alex Neil and echo his thanks to Malcolm Chisholm for all the hard work that he put in. I wish him well in his new endeavours.

Item 3 is to ask the committee to agree to take item 7 and item 8 in private. Are members agreed?

Members indicated agreement.

Scottish Government's European Union Priorities

11:02

The Convener: Item 4 is evidence from the Minister for Europe, External Affairs and Culture on the Scottish Government's European Union priorities. I welcome the minister, who is accompanied by Donald Henderson, the new EU director and head of the Scottish Government's Brussels office; and Craig Egner, senior policy officer on rural affairs and health in the Brussels office. I understand that the minister will make a short opening statement.

The Minister for Europe, External Affairs and Culture (Linda Fabiani): It is really nice to be sitting opposite you like this, convener. Welcome to your post. I look forward to working closely with you. I thank the committee for giving us the opportunity to present our updated EU priorities.

You will recall from my previous appearance at the committee that the Government has identified key EU political objectives—crucial political issues—that we will pursue proactively in the long term. They are fisheries and aquaculture, agriculture, the EU budget review, justice and home affairs issues, and EU energy policy. I do not propose to make any changes to that list of long-term objectives.

You will also recall that we identified a table of current EU priorities, which reflect the most pressing issues on the European agenda. You will notice that four things have been removed from the table of priorities. The habitats directive has been removed because the EU legislation is now in place. However, it is important to note that officials will continue to monitor concerns about how the provisions of the directive impact on renewable energy developments and to demonstrate the approach that we are taking in Scotland so that we can reconcile energy objectives and environmental objectives and make them work.

The nutrition white paper has also been removed from the table, because it would have no practical impact in Scotland—Scotland is already meeting or exceeding all the measures that are proposed—and the anti-dumping measures against Norwegian farmed salmon have been removed because the European Commission's review of the matter has concluded. Last, enforcement of judgments in absentia has been removed because substantive negotiations on the proposal have now been concluded.

The removal of those priorities from the table does not necessarily mean that they are no longer

important to Scotland; often, removal means that the opportunity to influence outcomes has ended because negotiations have concluded or legislation has been enacted.

Members will note that we have added three new issues to the table of priorities. The first is the European judicial network. Negotiations on that dossier commenced on 4 September. It is a practical measure that should benefit ordinary Scottish citizens and legal stakeholders. It should be noted that the measure does not create or limit rights.

The second addition is renewal of the EU aquaculture strategy. The presidency wishes to progress that dossier, in which Scotland has a significant interest. If Scotland were a member state, it would be the fourth biggest EU aquaculture producer.

The third addition is the strategic energy technology plan, which proposes the strengthening of industrial research and innovation by aligning European national and industrial activities and the creation of a European energy research alliance.

Finally, members will see that two existing priorities have been slightly refocused. We have replaced the maritime green paper with the integrated maritime policy, which has emerged from the Commission's consideration of responses to its 2006 green paper. We have also replaced the family law priority with a reference to succession and wills, as that will be the most important part of family law in the coming period.

The committee will know that the European Commission recently published the renewed social agenda, which is a wide-ranging package of proposals that cover matters such as health, equalities and social inclusion. I reassure the committee that officials are examining that package's implications in detail. We might designate it an EU priority in due course.

As ever, I am open to suggestions from the committee about the composition of the list of priorities. As the convener said, with me are Donald Henderson, who is the new head of the Scottish Government's EU office in Brussels, and Craig Egner, who is also from the EU office. They will assist me and give detailed answers to questions about day-to-day activities in Brussels, on which members might find it interesting to spend time.

The Convener: I welcome the further detail in the documents that are before us. I understand that you and Malcolm Chisholm held meetings in the summer to progress such matters.

Linda Fabiani: Before we came into today's meeting, we had a chat about the documents.

Members will see that, as requested, quite a lot of detail is provided on each dossier. I appear before the committee only every six months, but we thought that it would be extremely useful for our internal purposes, for the committee and for wider stakeholders if we put the papers on the net and updated them monthly, so that people can see the situation at a glance, rather than have just a six-monthly report.

The Convener: Yes.

One issue that we have explored but on which we do not have absolute clarity is how priorities get on to the agenda. What is the process? When we discussed the priorities, an official said:

“the priorities of the presidency of the day drive the development of our priorities.”—[*Official Report, European and External Relations Committee*, 11 March 2008; c 496.]

I will give a few examples that spring to mind. The French and the German presidencies put urban regeneration high on their lists of priorities. I think that we in Scotland agree that that is important, but I see nothing in particular about that on the Scottish Government's list. The job mobility action plan is a big issue in Brussels and funding is available for pilot studies. I would have thought that Scotland could contribute to that.

Another issue that springs to mind, which I have raised before, is that the French have made Alzheimer's disease one of their European priorities. That has been echoed throughout Europe. The Government, too, has said that dealing with Alzheimer's and an ageing population is a priority. I am unclear about the criteria that have been used in getting to this stage and about how we can get some of these issues on to the agenda.

Linda Fabiani: We consider the various discussions that take place in and the proposals that emanate from Brussels; indeed, the people in our Brussels office and individual ministers look ahead at what might come up. I should point out that, as minister with responsibility for European affairs, I do not determine priorities; rather, I am responsible for overall co-ordination.

As a starting point, we identify not only the areas that might have the most impact on Scotland and on the Government's attainment of its purpose and strategic objectives, but the areas where Scotland might be able to influence outcomes. However, as I have said before, we are always happy to consider amendments to the list of priorities in the six months before it is republished. For example, last time, I took on board a proposal made by officials to the Cabinet Secretary for Justice. I am also very happy to consider suggestions from committee members or, indeed, from stakeholders in the European framework. We should, after all,

be flexible and open to suggestions about what others find important.

I note that the Parliament's European officer is giving the committee a very good regular bulletin that I have been privileged to see. If the committee identifies issues that it thinks would be worth not only investigating itself but flagging up to Government as a priority, I will be more than happy to consider them at any time.

The Convener: One area that springs to mind is the European job mobility action plan. I am sure that, after our discussion at the end of the meeting, we will write to you on these matters.

Linda Fabiani: Of course.

The Convener: Could the financing of pilot activities be built into all of this? You have highlighted the importance of Scotland's participation in Europe. If money became available, would that trigger making a particular issue a priority?

Linda Fabiani: We are willing to consider that. For example, I have recently been made aware of 10—or perhaps 12—pilot projects on renewables and carbon capture. The commissioner has said that there will be no central funding for such projects and that each member state will have to find the money, but just because certain pilot projects have been introduced, that does not necessarily mean that money is available or that additional funding can be applied for. I am more than happy to look at whatever committee members or other MSPs have in mind and find out whether we have investigated the proposal already or take on board the suggestion that it should be investigated.

Alex Neil (Central Scotland) (SNP): That leads me nicely into the two areas that I want to emphasise.

Linda Fabiani: Are you getting us more money?

Alex Neil: Absolutely.

I know that Edinburgh, London and Brussels are still discussing the funding of demonstration projects, but I must highlight the importance of securing for Scotland at least one carbon capture and sequestration demonstration project. Given that the Peterhead project seems to have gone to Abu Dhabi and given Scotland's low-sulphur coal reserves, the coal-related project at Longannet is probably the top priority now. Although we started off in Europe ahead of the game on carbon capture and sequestration, we are now badly trailing the Canadians, the Norwegians and others. Scotland has to get ahead of the game again, and is ideally placed to do so. This area is not only important to our strategy of becoming an energy-exporting nation but could, over the next 10, 20 or

30 years, transform our ability to meet not only our own but Europe's energy requirements.

11:15

The second area is not mentioned in the document. I have written to the Cabinet Secretary for Finance and Sustainable Growth and the Minister for Enterprise, Energy and Tourism about this matter, which resulted from the visit that Jim Hume, Lucy Scharbert and I made to Brussels last week. We discussed with the Czechs what the priorities would be for the Czech presidency of the European Union, which starts on 1 January 2009. It became clear during that discussion that, within the overall remit of the single market, a high priority for the Czechs will be to try to get agreement on the directive on extending the single market to defence procurement. It seems to me that that has to be a high priority for Scotland in Europe because of the importance of the shipbuilding, aerospace and electronics industries to the Scottish economy.

If a single market is created in defence procurement, it will present not only problems but huge opportunities—if we are ready to take them. Obviously, the problem is that when the Ministry of Defence puts out a contract in the future, anyone in Europe will be invited or be able to tender for it on a level playing field. That works both ways; it also means that our shipyards and aerospace and electronics companies can compete for any business that is put out to tender by any European Government. It seems to me that preparing for the introduction of a single market in defence procurement must be a high priority for us. I just wanted to highlight that as being extremely important. I see that Craig Egner is nodding in agreement.

Linda Fabiani: Is he? Oh, good. I am glad that he is here.

I thank Alex Neil for raising those two issues, particularly the carbon capture one. It is galling that we have so often been at the point of doing something, then the chance disappears. Craig Egner will talk about that. We have been looking at the issue closely, because we want to be involved. Climate change is one of the issues on the agenda of the October council of the EU. I have emphasised to Westminster that, because of the great contribution that Scotland can make, we want to be part of the discussion that takes that forward.

We should keep an eye not only on the defence procurement issue but on what other member states do, given the experiences that we have had in that area. Some always play according to the rules, but it is our view that some do not. I will pass over to Craig Egner, who will speak about the detail.

Craig Egner (Scottish Government Europe, External Affairs and Culture Directorate):

Thank you. I was nodding sagely because I was taking copious notes as I was about to get involved in defence matters, but we have noted that.

I concur that the Scottish Government is doing a lot of work on energy and climate change. Indeed, we are working with our colleagues in Scotland Europa, whom I think Alex Neil met. I just want to touch on one area of business, which is the Scottish European green energy centre, which the Government and our colleagues in Scotland Europa are pushing very hard indeed. The idea is in its infancy, but it is about collaboration and exploring opportunities for renewable technology, including low-carbon technology. It all feeds into the 2020 package that, as members will know, is all about cutting carbon emissions.

The centre is currently housed in the University of Aberdeen and will not get off the ground fully until early next year. It is looking at a number of things, such as projects on wind and wave energy, and carbon sequestration is part of the battle plan. It is also looking at how we move energy around. Scotland has lots of wind, as we know, and a lot of wave energy; the question is how we store it and move it around. I think that the committee should be confident that those matters are being addressed. It is an area in which Scotland can and will innovate.

Alex Neil: My impression is that the problem is getting Europe to move on the issues—part of the problem is a framework directive about burying carbon and what is and is not possible, which is obviously a prerequisite to a demonstration project being contracted. It is important that at least one of the demonstration projects comes to Scotland.

Craig Egner: Yes—noted.

Jamie Hepburn (Central Scotland) (SNP): Minister, I wonder whether you can speak a wee bit more about the new issues that have been added as priorities. Can you give us a bit more background on why they have been added? I suppose that the EU aquaculture strategy speaks for itself, given the importance of that sector to our economy historically and today. You mentioned that the European judicial network is a practical initiative that will benefit Scottish citizens. Can you tell us how that might happen? In relation to the strategic energy technology plan, can you tell us how Scotland might benefit from the EU-wide approach to which you referred?

Linda Fabiani: The European judicial network is a new initiative that we are looking at. We want to play a full part in the operation of it and other matters that relate to it. We want to influence the negotiations on the proposal, which is about

amending the Council decision that established it. We want to be involved so that we can influence those negotiations in a way that benefits people in Scotland. I was going to say “stakeholders”, but if anybody can come up with a word other than “stakeholders” please pass it on to me. We also want to promote Scotland’s very distinct legal jurisdiction.

The negotiations on the Commission proposal commenced on 4 September, and we contributed to the United Kingdom’s negotiating line. When it comes to justice issues, there is a good relationship between Westminster ministers and our Scottish minister and law officers, as there is recognition of Scotland’s distinct jurisdiction and legal status. That works rather well.

I will give you a wee bit of the background. The European judicial network was established in December 2002 to facilitate co-operation between member states. It is a good example of how practical, non-legislative work can bring added value to citizens and businesses in civil and family justice, which are the areas on which it focuses. We think that it is valuable as a tool for supporting mutual recognition and as a mechanism for providing information to help those who seek access to justice here and in other member states. As I said, it does not affect people’s rights in any way.

We think that it is in our interest to support such measures and to make them more effective for our citizens. Our strategy is to continue to ensure that we are able to represent and promote Scotland as a separate legal jurisdiction within the UK, in case that is ever forgotten.

Craig Egner or Donald Henderson—whoever is more involved with the initiative—could perhaps give a wee bit more background information.

Donald Henderson (Scottish Government Europe, External Affairs and Culture Directorate): People often see the European Union and the European Commission as operating only through legislation. Sometimes, that can be a fair impression. As the minister said, we think that this is an excellent example of an initiative in which the judicial and legal networks around Europe can trade their experiences of what has worked in relation to their domestic jurisdictions, particularly where legal systems abut each other and there is a need to transfer information or in cases involving people who live in different countries when, for instance, a family has split up. Those are always enormously sensitive cases in which none of the jurisdictions involved wants to add to the problems that the individuals or families face. The more information is exchanged as to how we can make the systems work together more smoothly, the better it will be for all our people right across Europe.

It is important that this is done in a non-legislative manner; if the Commission attempted to legislate in the area, given that there are 27 member states and 28 legal systems, it would be enormously difficult and would come down to a single average, which would not suit many people. There is no need for legislation. This is an area in which co-operation and the exchange of experience is the right way to go.

Jamie Hepburn: So, in a nutshell, it is about ensuring that the interfacing of different legal systems works smoothly?

Donald Henderson: Yes, and it is about legal systems. The term “judicial” might give the impression that it is about judges getting together for a chinwag. It is about the legal systems as a whole exchanging experience and—a term that I hate—best practice.

Linda Fabiani: Best practice for stakeholders.

Donald Henderson: Yes.

Jamie Hepburn: What are the benefits of the strategic energy technology plan?

Linda Fabiani: We can talk about that as well. The other one is the EU aquaculture strategy.

Craig Egner talked about the Scottish European green energy research centre. The focus of our work is to develop partnerships to promote the objectives of the energy policy for Europe. Scotland has much to offer.

Alex Neil talked about low-carbon technologies. The EC is presenting its ideas on financing that during 2008, in conjunction with plans for reforming the EU budget. Although it is consulting on the technology separately, it is considering the two issues in tandem. We want to ensure that Scottish institutions and companies play an active role in the implementation of the strategic energy technology plan, including through the green energy research centre. It goes back to what we heard earlier about funding being targeted on priorities such as carbon capture and storage and marine energy.

The aquaculture strategy is the third of our new priorities. For obvious reasons, we want to engage with that. As I said earlier, if Scotland were a member state, it would be the fourth largest aquaculture producer, behind France, Spain and Italy. We are also the largest EU producer of farmed salmon. The industry is significant, with a farm gate value of £400 million. We produce approximately 85 per cent of the United Kingdom’s total of farmed fish and shellfish. Aquaculture is therefore an absolute priority for us and for Richard Lochhead.

The Convener: That is an appropriate point at which to bring in Ted Brocklebank.

Ted Brocklebank: I am interested in your EU priorities. You will be aware that, last month, the Commission announced that it was going to undertake a mid-term review of the common fisheries policy. Do you not think that that should be a key priority for Scotland? It would be useful for us if you reiterated the Government's policy on the CFP. Is it, as we sometimes hear, withdrawal, or is it reforming the common fisheries policy from within?

Linda Fabiani: I have made it plain on many occasions how the Government feels about the common fisheries policy. An independent Scotland would have much more say, but where we are now involves focusing on getting the best possible deal for Scotland's fishermen and the industry. Richard Lochhead always does that.

There will be an environment council in December and Richard Lochhead will be there. Environment councils always impact on fisheries. He managed to secure a better deal than might have been secured when he was out there in December last year. This year, he is going with the same aim of making maximum impact. He wants to maintain an economically viable fishing industry in Scotland, and that is all about the sustainable exploitation of stocks.

The total allowable catches will be discussed at the December council—as will quotas, of course. We want to ensure that quota levels agree with sound science and, as always, we want Scottish fishermen to get a fair deal. Our priority is therefore to work for the best deal we can possibly get within what we have to work with.

We back total revision of the common fisheries policy where possible.

Ted Brocklebank: You have explained why the common fisheries policy is so important to Scotland, but not why it is not listed as one of your priorities.

Linda Fabiani: Internal and external fisheries negotiations is one of our listed priorities, and it always will be because it is so important.

Ted Brocklebank: What about reform of the CFP? If the Commission is looking at it as part of a mid-term review, why does the Scottish Government not see it as a priority in line with what the Commission is doing?

Linda Fabiani: We always consider those issues, but our fisheries industry is the priority for Scotland. Internal and external fisheries negotiations is and always will be a key priority. Whatever comes out of the EC or the European Parliament in relation to fisheries will be considered seriously by the Government.

11:30

Ted Brocklebank: Will you say a little about progress with the cod recovery plan? This summer, we all saw the disgraceful scenes of cod being thrown back because our fishermen did not have the quota to catch them. There was a fairly high-level conference in Edinburgh recently to draw attention to the subject. You talked about sound science, but some of us have always been a little leery about the science. Why is it that, at a time when our quotas tell us that we can catch a certain tonnage, we are catching twice as much as that and we have to put half of it back?

Linda Fabiani: I will pass the question to one of my officials, because I do not pretend to have detailed knowledge of that. If you wish any further detail, I can ask the Cabinet Secretary for Rural Affairs and the Environment to write to you. In the meantime, I hand over to my officials.

Donald Henderson: Craig Egner is probably best placed to respond.

Craig Egner: No one denies that discards are a huge problem. It seems that the stocks and the science might not be in sync at the moment. As Ted Brocklebank said, the cabinet secretary hosted a meeting on discards. It is clear to us that the number 1 priority for the fisheries council in December will be to find a means of allowing our fishermen to land more marketable fish while cutting the number of fish that we kill. That brings me to the cod recovery plan.

At present, we are saying to the Commission, "There must be more sophisticated ways of managing cod stocks." We realise that there is a problem—no one denies that—but simply relying on total allowable catches, catch limits and the blunt instrument of days at sea is not solving the problem. In February, we instituted the pilot conservation credit scheme in the North Sea to trial the system of real-time closures that Norway has used for some years. When we find an aggregation of lots of small fish or fish that are in a position to breed, we close the area for three weeks. We also introduce a one-net rule and take various other technical measures.

We are impressing upon the Commission that, although we accept the need to cut fish mortality, we need a more sophisticated and area-specific solution to enable us to do that. We are finding some support among other member states. The presidency will be looking for a deal in November, and we hope that the incentive approach that we are using will feature in what is agreed then. We are working towards that.

We are also telling the Commission that a 1 per cent cut in fish mortality does not necessarily equate to a 1 per cent cut in the number of days' fishing. We need a more sophisticated approach

that rewards fishermen who observe the measures.

There has been a lot of ministerial activity. Richard Lochhead has been at every council at which the matter has been discussed. I expect it to be discussed again later this month in Luxembourg, and we expect political agreement in November, which will clear the way for the end-of-year quota negotiations.

Ted Brocklebank: Thank you.

Linda Fabiani: I add that the cabinet secretary has set up an expert panel on the common fisheries policy. All these things are being discussed. The panel, which is being established, is considering the potential for alternative models that will better suit the Scottish fisheries. We expect it to come to its conclusions within about a year.

The Convener: We are grateful for that information. There is still a query about why the matter was not included as a priority for the mid-term review, but we will leave it at that.

Charlie Gordon: At the risk of stating the obvious, we have a global financial crisis that is starting to impact on the economy. We saw examples this week of the EU's attempts at a collective response and we also saw member states taking unilateral action. I gather that the EU finance ministers are still locked in a room somewhere trying to piece things back together again.

Most of the focus—and rightly so—is on the UK Government's response, but the Scottish Government is potentially in a position to respond and, through that response, have a specific impact in Scotland. There could be an impact on jobs in financial services, of which there are many in Edinburgh, Glasgow and elsewhere, and in sectors such as tourism, because of the impact on people's discretionary spend, and manufacturing, because the bankers do not seem to be willing to lend anyone much in the way of money.

How flexible are the five priorities? How flexible are the associated EU programmes, especially those that can lever in additional funding? I support the convener's point about urban regeneration, given that the structural funds, as we knew them, will taper away over the next few years. Members will be interested in other sectors that are not necessarily urban related. I guess that I am asking whether the Scottish Government's EU priorities and, indeed, its programmes are flexible enough to be refocused on damage limitation in the Scottish economy. Should that become the urgent priority, over and above the developmental view that—rightly—we usually take?

Linda Fabiani: Those are certainly good points. As far as the Scottish Government is concerned, everyone knows what we are doing because we are being open and transparent about that. Measures that have already been taken include the provision of rates relief for small businesses. We will carry on trying to fight Scotland's corner on jobs and so on.

As far as the European Union is concerned, where possible and where appropriate, we will make representations direct to EU institutions and the UK Government to ensure that we get the best possible deal for our economic and business environment, and for the individual, who has been hugely affected in all sorts of ways. Interestingly, all those issues should be discussed at the October council, which will be held over two days next week. As I mentioned earlier, one of the main items for discussion will be climate control, but the headline issue is, of course, the financial crisis. I know that the UK is putting together a lot of information for the council, and I imagine that every other member state is doing the same.

As regards the developments of the past few days, there is a view that the member states are not working closely enough to align their solutions. All that will be discussed next week, but the fact that we are not a member state means that we are not right in the middle of the high-level discussions. At yesterday's joint ministerial committee on Europe, I pledged co-operation to secure the best possible outcome for Scotland within the UK. It would be fair to say that everyone is working together to that end.

The Convener: Following up on Charlie Gordon's point, are the priorities that you have set flexible? I think that you mentioned in your opening comments that you wanted flexible arrangements. Will you take that on board when you next discuss priorities with stakeholders? I imagine that small and medium-sized enterprises will be the first to ask, "What can you do to assist us?"

Linda Fabiani: Absolutely. Such work is ongoing. When events of the magnitude of those that are affecting world markets hit, it is the responsibility of everyone to have flexibility at the forefront of their minds. Given that every one of our political objectives has some impact on the country's economy and what is happening, we are working to ensure that our approach is flexible. The fact that our European action plan, on which we have had numerous meetings, is still out for consultation means that we are constantly getting feedback.

I hope that, as a result of the openness and transparency with which we work on European engagement, people will come to us with suggestions about how we can hone certain

policies and priorities to our maximum advantage. We will listen to those suggestions and take them on board. Of course, each minister also receives feedback from the sectors with which they deal, and that informs the process.

Gil Paterson: I have a couple of questions about the joint ministerial committee on Europe meeting. First, you no doubt raised Scottish Government priorities at that meeting. How do the Scottish Government's priorities chime with those of the UK Government and the other devolved Administrations?

Secondly, I refer to Charlie Gordon's question. Devolved Governments and Administrations are bystanders in many ways when it comes to the credit crunch, although Alex Salmond has been a very vocal bystander. What impact is the credit crunch having? Is there a collective feeling among the devolved Governments that they are in tune with one another in trying to have their voice heard on how it is impacting on their part of the United Kingdom?

Linda Fabiani: Gosh, where should I start with those questions? I submit our priorities to the joint ministerial committee on Europe and to our colleagues in the other devolved Administrations, as I do to the Scottish Parliament's European and External Relations Committee. Joint ministerial committee on Europe meetings do not involve us all sitting down and discussing our different priorities; rather, it is a committee for people to come together prior to the councils to discuss issues that will be raised there. It is also supposed to be a dispute-resolution forum, of course.

The JMCEs are certainly working better than they did even a year ago. Agreements have been made as a result of pressure from us, the north of Ireland and Wales on the format of meetings, what should be discussed in them and the input from all of us. I have good relationships with the other devolved Administrations. We will not always agree on what is a priority, but we get together and agree common ground on some things and provide support on others. Trying to build up a relationship with the UK Minister for Europe is just as important for our priorities. The new Minister for Europe is, of course, Caroline Flint, and she attended yesterday's meeting. We agreed to co-operate with her and the Scotland Office on how to go forward.

Ministerial involvement in formal and informal councils is probably the main area in which we think that we do not get proper co-operation. There is an on-going discussion about that. For example, departments treat requests for ministerial involvement differently. Earlier, I mentioned justice, on which a good working relationship exists, but the devolved Administrations do not think that we have the

same level of discussion and representation that we should have with Whitehall departments that deal with other matters. There is also an on-going discussion about that. Discussions are generally fairly good at officer level, although sometimes we have thought that they have not been as good as they should be. Again, there is an on-going discussion about that.

At a time when there is a particularly stark issue such as the current worldwide financial situation, we are very much pulling together on hugely important measures for climate control, for example—I had a good discussion yesterday with Joan Ruddock, the UK energy minister, about how we can inform the UK position for council meetings. So I would say that, yes, there are shared priorities on those large issues because it suits all partners.

11:45

Gil Paterson: Is there a separation between the priorities of the UK Government and those of the devolved Administrations, or—

Linda Fabiani: I am afraid that we are not party to the priorities of the UK Government.

Gil Paterson: Okay. The next question relates to that answer. Are there tensions across the ministerial portfolios? From what you are saying, it seems that relations are good in some departments and not so hot in others. Rather than just letting the situation continue and having you continually bringing the matter to the table, are there formal mechanisms in place to lance that, so that the voices of the devolved Parliaments are heard?

Linda Fabiani: The joint ministerial committee on Europe is supposed to be that mechanism. Its work is informed by the concordat that was agreed in 2000, which is part of the memorandum of understanding between Westminster and the devolved Administrations. With the coming together and restarting of the plenary joint ministerial committee, which oversees the work of the sub-committees, such questions are up for discussion at that level.

The Convener: Jim Hume has been patiently waiting to speak, but I have been very interested in the work of the JMCE and I would like to ask the minister a further question about it. We previously had a discussion in which you rightly said that you could not attend a committee meeting ahead of a JMCE meeting and tell us what matters you would be raising. It has, however, been interesting to hear about yesterday's meeting and some of the matters that came up. Is there any way to build on that? Perhaps the committee could receive reports after JMCE meetings. That might assist us to assist you on some of the matters that Gil

Paterson has raised. We clearly have an interest in ensuring that the Parliament has a voice on some of those matters. There might be a constructive way forward on that.

Linda Fabiani: I am not saying that I do not want to find a way forward, but there is a difficulty there. Everybody knows what the October council will discuss, so my coming to you and telling you what was discussed at yesterday's JMCE is not an issue. However, the concordat and the memorandum of understanding, which I mentioned a minute ago, are clear about the confidentiality of the discussions at those meetings, so it is about more than just me deciding what it is right to relay or not. I respect those agreements, so I find your request a difficult one. With all the other players involved, I do not think that it is my place to agree to that. If the committee wishes that sort of dialogue, the correct thing to do would probably be to write formally to request it; such a request would allow the other partners in the JMCE to give their opinion.

The Convener: Perhaps that is something that we can discuss.

Jim Hume (South of Scotland) (LD): I have a couple of broad issues to raise, but also a couple of specific points. One is the common agricultural policy health check; the other is structural funds, which are both priorities. I wanted to highlight a couple of points regarding the CAP health check and ask the minister to give her views on it. There are two issues that could affect Scotland quite badly. One is increased compulsory modulation. As you may or may not know at the moment, this country and Portugal are the only ones that have voluntary modulation. Adding compulsory modulation would probably put the Scottish agricultural industry at a bit of a disadvantage. That is one issue; another is progressive modulation. As the minister well knows, in Scotland there is the potential for larger farms, as opposed to smaller ones, to lose out there. I highlight that situation and ask the minister to comment.

Another issue is structural funds. Those of us who were in Brussels last week met Donald Henderson's predecessor, Michael Aron, on his last day in office. I believe that he is now ambassador to Kuwait—or is it Qatar?

Alex Neil: Kuwait.

Jim Hume: Kuwait—I got it right in the first place. I hope he is enjoying that position. One of the issues that I brought up with him was the potential to get the south of Scotland recognised as a region in the same way as the Highlands and Islands have been recognised. There has been a long campaign to that end by the south of Scotland alliance, Scottish Enterprise and the local

authorities. The south has a low gross domestic product, and infrastructure problems, so it will be interesting to see whether its region status is likely to be addressed in the near or medium-term future. If it is possible, what sort of timetable can we expect?

Linda Fabiani: I will start with the structural funds rather than the compulsory and progressive modulation. Any detailed discussion of structural funds should be held with the Cabinet Secretary for Finance and Sustainable Growth's department. However, I reflect to you what Charlie Gordon said earlier, which was about the reduction in structural funds because of EU enlargement. That will become more of an issue.

We tried to maximise the use of that funding for the 2007 to 2013 programmes because it was very much reduced from previous years. We are using it to support projects to contribute towards that sustainable legacy of growth, employment opportunities—which are hugely important—access to skills, and lifelong learning. The programme monitoring committees are split into two—one in the Highlands and Islands and the other in lowland and upland Scotland. That was the subject of a lengthy investigation by the European and External Relations Committee in the previous parliamentary session. Any view that that should be changed should be addressed straight to John Swinney.

Awards in the first full round of the European regional development fund and European social fund were made in April 2008 and a total of £180 million was earmarked for projects. There is, however, an issue about reduced funding, of which we are all aware, because of the changing nature of the European Union.

As far as the health check on common agricultural policy reform is concerned, our aim is to get a simplified CAP with sufficient flexibility to retain agriculture in our most fragile areas and head off any reduction in the size of the rural development budget up to 2013. We do not expect that the health check will lead to radical changes of the magnitude that we saw at the most recent mid-term review. We anticipate political agreement on the dossier in November.

I will pass over to Craig Egner who will speak about the detail of increased compulsory and progressive modulation.

Craig Egner: Modulation is basically about moving money from the direct payments pillar of the CAP, which is a big pillar, to the rural development pillar. I hope that I can offer you some comfort in response to your first point about increased compulsory modulation and voluntary modulation. The Commission has been clear with the UK and Portugal that as compulsory modulation goes up, voluntary modulation will

have to come down, because it has fundamental concerns about voluntary modulation. We use it because, historically, our allocation for rural development has been so low. Scotland and Portugal are the two countries that will not see their rural development spend rise as a consequence of the health check, but you should not worry too much about additional modulation over and above. The two questions that relate to us in that area are technical, but we need to ensure that the overall size of our rural development pillar does not go down. There are some technical reasons why, if compulsory modulation is increased by 1 per cent and voluntary modulation is reduced by 1 per cent, it could move downwards. We are trying to find technical solutions with the Commission and I am confident that we will do it.

The other question relates to what folk in the Community are expected to do with their compulsory modulation. The Commission has said that the sums that are raised from the additional requirement should be spent on what it calls new challenges—one obvious one is climate change. We seek assurances from the Commission that our rural development plan as currently constituted is sufficiently forward looking. We do not seek additional money for the new challenges; we want the Commission to accept that we are taking them on board with the sums that we have. Again, that is looking positive.

We do not like progressive modulation as it would basically involve taking more away from larger farms and penalising farms because they are larger. It would set a bar and would almost suggest that some farms are too big and should therefore pay more. We continue to oppose that, as does the UK. There is no difference between Scotland and the UK on the issue. However, it is hard to judge how the process will go. I imagine that Germany is against progressive modulation, too. At the October council, we will get a better idea of how the overall package will shape up. We expect a compromise package. I hope that that answers the questions.

The Convener: Minister, I cannot believe how the time has flown. Regrettably, I must draw this part of the meeting to a close.

Linda Fabiani: Can I not just stay?

The Convener: I would be happy to have you stay for a while, but unfortunately my colleagues have other committees and appointments to rush away to. Thank you for coming along. We have several questions that we have not had time to ask. May we write to you on those matters?

Linda Fabiani: Of course.

The Convener: We look forward to receiving the replies in due course.

Brussels Visit

11:56

The Convener: I would normally suspend the meeting for a couple of minutes, but Alex Neil has to rush off shortly and he is leading on the next agenda item, which is his report on his and Jim Hume's visit to Brussels, where they represented the committee.

Alex Neil: I apologise to the committee, because after I have introduced the item, I need to leave to go to another meeting. I am sure that my good colleague Jim Hume will be able to field the questions without any difficulty. Jim and I are at one about the content of the report. The committee should put on record our gratitude to Michael Aron, who was extremely helpful to the committee during his time as the Scottish Government representative in Brussels. We have had a good working relationship with him. I am sure that the post has been good preparation for his new one, as ambassador to Kuwait. We look forward to an equally productive relationship with Donald Henderson, his successor.

In general, the visit underlined the need for us to be in touch regularly with Europe. We cannot function as a European committee if members of the committee are not regularly physically in Europe. The report on the visit demonstrates the benefit of what was in effect a 24-hour visit. The information that we gleaned will inform our work, particularly our planned inquiry on budgetary reform and our work on issues such as the priorities and the single market in defence procurement, which is extremely important.

I will emphasise three issues that we discussed that will have implications for us. Jim Hume will add to that, no doubt. The committee has agreed to carry out an inquiry into the review of the EU budget. In fact, the review has now been called the reform of the EU budget, which puts a different twist on the matter. When we started out, like most members, I thought that the process would involve going straight into issues such as how much is spent on the common agricultural policy vis-à-vis regional funds and all the rest of it. In fact, the process will be long and definitely different from our original view. The EU will not take any decisions on numbers until 2010-11. The process currently involves starting from basics and considering the global challenges that Europe will face up to 2025.

12:00

The representatives of the Commission suggested that the two big winners in the global economy will be the US and China and, in the

current scenario, the two biggest losers are likely to be Japan and the EU. That presents us with many challenges. They referred in particular to a paper on innovation that was produced for the Japanese Prime Minister. I suggest that every member get a copy of that paper, because it is very interesting and it would inform our view.

Fundamentally, what all that means is that no decisions will be taken even on agreeing what the challenges are until after the European elections next year and almost certainly not until the new Commission is in place next October. We should revisit the remit of the inquiry that we intended to hold on the EU budget. I suggest that, as phase 1 of our inquiry, we look at the challenges between now and 2025 and consider how best Europe can meet those challenges and how Scotland can meet them, both in Europe and in the global economy. We must recognise that we will have to deal with the European budget reform process in chunks. The phase that I have outlined will have to be taken as chunk 1. Chunk 2, which will be the next stage of our inquiry, will probably come some time after the new Commission is in place and chunk 3, when we get down to the brass tacks of figures, will probably take place about three years from now. This will not be a one-off inquiry in which we come up with all the answers on EU budget reform. We have some thinking to do about our approach as a result of the discussions.

Secondly, on the discussions with the Czechs, who take over the presidency in January, I have already mentioned the single market in defence procurement and there are other details in the paper. To my mind—I think that Jim Hume agreed—our discussions underlined the benefit of talking in advance to the people concerned while they are planning their presidency and before they take over. The French, the Czechs and the Swedes have been planning their three presidencies together over an 18-month period. We must get in there early if we want to try to influence things. I have no doubt that it is important for the committee to have a further meeting with the Czechs and a meeting early in the new year with the Swedes, who will take over from the Czechs. If the Parliament has any hope of getting on the inside track, we must keep up that programme of contact and meetings.

My final point is that the meeting with the members of a parallel committee from one of the German Länder was productive. Both we and they learned a lot about processes. It was also helpful to talk through some of the issues. Their full committee of 17 members was present, but I think that Jim Hume and I held our own.

The Convener: I am sure that you did.

Alex Neil: It is a good idea to use our time in Brussels or any other part of Europe as

productively as possible and to meet our counterparts in other Parliaments—as opposed to other Governments—in Europe, so that we can compare notes and see where we can learn lessons from them.

Those are the points that I would emphasise; I have no doubt that Jim Hume has some more. I have every confidence in my Liberal Democrat colleague fielding all the committee's questions—I apologise for having to leave.

The Convener: Thank you for a comprehensive report. You raise some important issues, on which I hope we will have a wider discussion at a later stage when you are around. Would Jim Hume like to add anything?

Jim Hume: I think that Alex Neil has covered the key points. I will look a little deeper into a couple of issues. He mentioned that Japan and Europe are shrinking and the USA and China are growing. Emphasis is being placed on the demographic aspect, as the EU and Japan have ageing populations, whereas China and the US have young populations. There will therefore be many retired people and many people not working in our areas.

The member of the budget commissioner's cabinet whom we met, Vasco Cal, said that the EU will look outwith its boundaries to see how it plays within the global market. That is how the Commission is now starting to think, rather than just looking within the EU's boundaries. I do not know whether that represents much of a change in its thinking.

Alex Neil mentioned meeting the Czechs, who will have the EU presidency next year. I agree that it is essential that we get out of our Holyrood bubble and meet people. We do not all have to do that; we could have a rota for such meetings.

When we were at Czech house, I asked whether the Czechs would go out and meet Parliaments such as the Scottish Parliament. They said that they would not, because they do not have the time or resources to do so. It is up to us to engage.

We had an interview with a full committee of the Saxony-Anhalt Land, plus its officials. The more bridge building we can do, the better.

The Convener: Thank you. We have a longstanding interface with Saxony-Anhalt, particularly in the west of Scotland. It is useful to build on such contacts. We used to get the ambassadors to come to the committee to discuss EU priorities. Perhaps we should consider doing that again.

Jim Hume: I met Wolfgang Mössinger, the German consul general, last week and he said that he was going to come to the committee at some stage.

The Convener: I will check that with the clerks.

Ted Brocklebank: I agree with Alex Neil and Jim Hume. The committee should be aware that we have to get in early and that we have to get over there to discuss issues—I know that Malcolm Chisholm instituted that early in his convenership. We should go to Strasbourg as well as to Brussels. We do not know how long Strasbourg is going to carry on in tandem with Brussels, but the committee should be represented regularly.

The Convener: One of the advantages of Strasbourg is that everybody goes there—the commissioners and all the MEPs—which means that everybody whom we might want to lobby is in the one place. The disadvantage is that it is a little bit further to travel to than Brussels.

Colleagues will recall that we are going to discuss a paper on these issues at our next meeting. Perhaps we could build the comments that Alex Neil and Jim Hume have made into that discussion.

I thank Jim Hume, Alex Neil and Lucy Scharbert for all the hard work that they undertook. You certainly accomplished a lot in 24 hours—I am most impressed.

“Brussels Bulletin”

12:08

The Convener: Item 6 is consideration of the most recent issue of the “Brussels Bulletin”. Do members have any comments on it?

Ted Brocklebank: At our most recent meeting, Malcolm Chisholm undertook to check with the Rural Affairs and Environment Committee what it was doing in relation to the mid-term health check of the CFP. I do not know whether he received a report back from the Rural Affairs and Environment Committee or whether we know what that committee is doing.

The Convener: I will check with the clerks.

Simon Watkins (Clerk): We can double-check this, but I understand that the Rural Affairs and Environment Committee is doing relatively little on that at the moment, because the Flood Risk Management (Scotland) Bill is consuming most of its time.

Ted Brocklebank: We should be aware that the mid-term review is coming up. I see the dreaded words in the bulletin that Joe Borg wants to tackle such issues as

“overcapacity in the EU fleet”,

which normally involves cutbacks in the Scottish fleet and all the problems that we have seen previously. We have already seen a massive cutback in the Scottish fleet and the Commission is already talking about further overcapacity in the EU fleet.

The Convener: We discussed previously the possibility of having committee rapporteurs who have an interest in particular subject areas. That will form part of our report next time round. We will bear in mind your interest in the CFP.

Do members agree to note the contents of the bulletin?

Members indicated agreement.

12:10

Meeting continued in private until 12:24.

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