

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 18 November 2008

Session 3

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EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

18th 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)

*Keith Brown (Ochil) (SNP)

*Patricia Ferguson (Glasgow Maryhill) (Lab)

Charlie Gordon (Glasgow Cathcart) (Lab)

*Jamie Hepburn (Central Scotland) (SNP)

*Jim Hume (South of Scotland) (LD)

COMMITTEE SUBSTITUTES

Jackson Carlaw (West of Scotland) (Con)

Ken Macintosh (Eastwood) (Lab)

Gil Paterson (West of Scotland) (SNP)

Iain Smith (North East Fife) (LD)

*attended

CLERKS TO THE COMMITTEE

Lynn Tullis

Simon Watkins

ASSISTANT CLERKS

Lewis McNaughton

Lucy Scharbert

LOCATION

Committee Room 1

Scottish Parliament

European and External Relations Committee

Tuesday 18 November 2008

[THE CONVENER *opened the meeting at 10:30*]

Interests

The Convener (Irene Oldfather): Good morning, colleagues. I welcome all of you to the 18th meeting of the European and External Relations Committee in 2008. I have received apologies from Charlie Gordon.

Alex Neil (Central Scotland) (SNP): Gil Paterson had hoped to stick his head in to say thank you to the committee and the clerks for his time on the committee. He asked me to pass on his best wishes.

The Convener: Thank you very much, Alex. That brings us to agenda item 1, which is a declaration of interests. We are pleased to welcome our new member of the committee, Keith Brown, who replaces Gil Paterson. Before I invite Keith to declare any interests, I know that the committee will want to join me in thanking Gil for his contribution to the committee in the past year and a half.

Keith, do you have any relevant interests to declare?

Keith Brown (Ochil) (SNP): I refer the committee to my entry in the register of members' interests, and I add that I am a member of the European Committee of the Regions. That is all.

The Convener: Thank you.

Decision on Taking Business in Private

10:31

The Convener: Agenda item 2 is to take a decision on whether to take item 6 in private. Doing so will allow the committee to consider our approach to the EU budget review inquiry and, perhaps, realign it a little in relation to some recent events.

Do members agree to take item 6 in private?

Members indicated agreement.

“Brussels Bulletin”

10:32

The Convener: The next item on our agenda is our first special edition of the “Brussels Bulletin”, which is on the theme of energy and climate change. I am pleased that we have with us Ian Duncan, who writes the “Brussels Bulletin” for us. I take the opportunity to thank him for all the work that he does on our behalf in preparing it.

It is envisaged that special editions of the bulletin that will allow a more in-depth look at some issues will be published quarterly. The committee considered that that would be a good way forward.

Do members have any comments on the special edition of the “Brussels Bulletin”?

Alex Neil: I draw members’ attention to the section on backing research on page 4, which states:

“The European Commission will work to stimulate the construction and operation by 2015 of up to 12 large-scale fossil fuel plants to demonstrate CO₂ capture and storage technology, and will provide a clear indication of when coal- and gas-fired plants will need to install the technology.”

That technology could be extremely important for Scotland, so we should write to the Government and ask where it is on the matter. Longannet is a possible candidate for one of the demonstration projects. We need clarification of what will be funded by or through Europe and whether separate funding for demonstration projects is still on the table from the Westminster Government.

We should keep an eye on the area because it is potentially extremely important for Scotland, in relation not just to coal but to oil and gas.

Ted Brocklebank (Mid Scotland and Fife) (Con): That is correct. Another committee is visiting Longannet today, is it not? Longannet is important.

The Convener: I am happy for the clerks to prepare a letter such as Alex Neil suggests. We have a challenge ahead of us but, as the bulletin states, challenges are also opportunities. Some of the challenges that we face give rise to opportunities to invest in jobs in renewables and so on. Scotland is well placed to do that.

Do members have any other points?

Jamie Hepburn (Central Scotland) (SNP): I read with interest point 1 on page 3, but I am not sure what it means in effect. It states:

“Creating an efficient and competitive EU energy market: a more efficient and competitive energy market will result in more reliable supply at a lower cost to consumers.”

Apparently, we have a competitive energy market in the United Kingdom, but I am not sure that consumers would agree that it has resulted in lower costs to them. Can we find out more about that?

The Convener: That comes from the energy commissioner’s paper, but we can ask Ian Duncan to look into it further.

Jim Hume (South of Scotland) (LD): Halfway down on the right, the page—page 3—that Jamie Hepburn talked about mentions the target of reducing emissions by 30 per cent by 2030 and by 60 to 80 per cent by 2050. It would be interesting to know whether Europe has set annual targets to ensure that it is on track to reach those targets as such targets have been the subject of controversy in this Parliament.

The Convener: We can certainly seek further information on that. The clerk’s paper recommends forwarding the special “Brussels Bulletin” to the relevant subject committees. If those committees wish to raise points with us, I will be happy for us to take them up. As well as agreeing to that recommendation, it is important to note the timetable at the end of the document, which helpfully outlines key developments in the EU’s energy position.

As members have no other comments, do we agree to that recommendation and to take up the points that members have raised, which will come back to the committee?

Members indicated agreement.

The Convener: I thank Ian Duncan for the effort that he put into preparing the document.

Agenda item 4 is the regular “Brussels Bulletin”, which contains quite a bit about fishing, so I am sure that Ted Brocklebank has a lot to say. I open the meeting to members’ comments.

Ted Brocklebank: I noted the various proposals for reducing catching capacity and that

“These issues will be resolved at the Fisheries Council, 17-19 December”.

At our previous meeting, we considered appointing reporters from the committee to examine European policies, one of which was the fisheries policy. I do not know whether we will return to that in the near future, but I am interested in taking such an opportunity, should it arise.

The Convener: Absolutely. We will note that carefully and I will meet the clerks to discuss it. If the committee agrees, we will draw on Ted Brocklebank’s expertise.

Ted Brocklebank: We might have to work in conjunction with the Rural Affairs and Environment

Committee, but I do not see why we should not be part of such an undertaking—

Alex Neil: Especially as Ted Brocklebank takes a completely different view from David Cameron on the issue. [*Laughter.*]

Ted Brocklebank: He does not have a view. Was that on the record?

Patricia Ferguson (Glasgow Maryhill) (Lab): Would you like it to be?

Alex Neil: Sweden will take over the European Union presidency in July, after the Czech Republic. We have had one meeting with the Czechs and we plan to have another meeting with them in Prague. We have found such meetings to be helpful in deciding on the key issues for Scotland to address. I therefore suggest that we start to think about when we will approach the Swedes and look at their agenda for the presidency. I note in passing that the Czech Republic and Sweden are roughly the same size as Scotland and that they are successive presidents of the European Union, which shows that Scotland would be capable of doing the same thing one day.

The Convener: I think we will ignore that last point, but it is on the record. I point out that, at the end of the meeting, the clerks want to share with us an update on the visit to the Czech Republic.

Patricia Ferguson: I have a small point to make. At the last meeting I attended, which I admit was before the summer recess, we agreed to consider earlier engagement with the incoming presidency. We did not necessarily expect that to influence its work programme, but that would give us an early start on monitoring and thoroughly examining the work.

The Convener: Absolutely.

Patricia Ferguson: It would be good to do such work sooner rather than later.

The Convener: We all agree on that. That was the initial approach that we took to the visit to Prague—unfortunately, however, other things have got in the way a bit. Patricia Ferguson is right that early planning for the Swedish presidency would be no bad thing.

Jamie Hepburn: Members will recall that I referred at our previous meeting to the financial crisis and the reference in the previous “Brussels Bulletin” to the meeting of European Union leaders on 7 November. I asked for an update on that. I note that we have that update in the current “Brussels Bulletin”, which is helpful.

The bulletin reports that President Sarkozy has said:

“We want to change the rules of the game in the financial world.”

However, the bulletin also reports that one of the principles that European leaders agreed at the 7 November meeting is that the International Monetary Fund should have

“a more central role in financial architecture.”

I hesitate to comment on the contradiction between those two statements.

It would be useful to have more information on a few matters in the current bulletin. For example, it states:

“President Sarkozy also suggested closing tax havens ... and creating European sovereign wealth funds”

and so on. Could we find out what the other member states’ positions are in relation to that proposal? The bulletin also states:

“The EU will be represented in its own right at the Washington summit”

alongside some of the member states, which it was. What were the criteria for being in attendance?

The Convener: Okay. We can look into those points. Just to update Jamie Hepburn, we wrote to the Scottish Government, on the basis of our discussion at the previous committee meeting, requesting further information on what discussions the Government is having with the United Kingdom Government on the financial crisis. We sent the letter only this week, so we do not yet have a reply. It will come to the committee when we have it.

I read an interesting article in the *Social Europe Journal* that refers to a number of good recommendations that are coming through the European Union on actions to address the financial crisis. For example, it was proposed to set up a

“European Credit Rating Agency which would offer genuinely impartial advice on credit worthiness, a system of registration and authorisation for managers of hedge and private equity funds and a common European Financial Supervisory Body.”

A lot of work and discussion is taking place at European level in that regard, and I agree that the committee would want to be kept up to date with developments. Dr Ian Duncan, who produces the “Brussels Bulletin”, is present this morning. I am sure that he will take on board the requests that have been made. When we get from the Government a response to the letter that we sent, we can perhaps bring to the committee a paper that will update us on what is happening so that we can discuss it.

Keith Brown: I know that it is early in the game, convener—given what you have just said—but you

know that, given how things tend to work in Europe, it is important to get in first. If a new agency is to be established, and given the pre-eminence of the Edinburgh financial centre in the EU, should not we be thinking, even at this early stage, about positioning ourselves to try and make a bid for it?

The Convener: I think that the deputy convener and I would probably be able to agree on a place in Scotland to put forward for that, which might be in Ayrshire. I acknowledge what Keith Brown said, but discussions on the issue are at an early stage. I know, for example, that my political party has made a sub-proposal on the financial crisis to Europe, with which one or two parties do not agree. Discussions on proposals to address the financial crisis are at an early stage, but we will certainly keep a watching brief on that issue.

Jim Hume: Page 6 of the current "Brussels Bulletin" refers to a Danish referendum on joining the euro zone. I was surprised to see that because the Danes voted in 2000 against joining. It would be interesting to see how we would deal with a referendum. Is it the case that, if Parliaments fail to get the referendum result they want, they just continue until people say yes? I wonder whether Alex Neil wants to comment on that.

The Convener: I would not dare to comment on the internal affairs of how the Danish run their referenda. However, I, too, noted that point and I thought it would be interesting to see what happens, although it is a little bit away from us.

Alex Neil: The arc of democracy.

Jim Hume: We have a new arc.

10:45

Patricia Ferguson: Europe is rightly taking a keen interest in the current financial crisis and is giving a lead to the countries that comprise the European Union. Important talks have also been going on about trade between the developing world and Europe. Those talks are at a critical stage and it is hoped that things will be sorted out by February. We do not hear much about that or about the other discussions on trade that are going on, which to an extent I understand. On the other hand, during the crisis the developing countries are likely to take an even bigger hit than the developed countries. Is there some way in which we can highlight that issue and get some more information about those discussions? Very little has been said about them.

The Convener: One proposal is that we should try to close the tax-avoidance loophole whereby EU investors can register offshore and avoid paying any taxes. The article to which I referred

earlier, by the president of the European socialist group, Poul Nyrup Rasmussen, says:

"It has been calculated that the tax revenues lost through offshore tax avoidance could pay for the Millennium Development Goals to be implemented."

I hope that that comes out in the discussions. When everybody is taking a hit, it is ridiculous that we should still have offshoring loopholes in the tax system. Those investors could be contributing, and the link has been made between that and the millennium development goals. We will ask Ian Duncan to keep us abreast of developments.

Ted Brocklebank: I wonder whether it would be appropriate, seeing as Ian Duncan is here, to ask him to stargaze a little and tell us where he thinks the Lisbon treaty is going. I have read little about it in the newspapers recently. It is interesting to see that the Czech Republic is unlikely to ratify the treaty before it assumes the presidency. I also see that the Czech President is having talks with the Irish "no to Lisbon" campaign. I wonder whether anybody can give us an update on where they think the Lisbon treaty is going.

The Convener: We could do one of two things: we could produce a paper for a later meeting of the committee, if members were interested in that; or, as Ian Duncan will be here when we go into private session, I am sure he will tell us what he knows, if members want a verbal update.

Alex Neil: If the Irish re-run the referendum, we should all go and campaign for a no vote.

The Convener: I will resist the temptation to engage with that, although it is difficult. If I were on the sidelines, I would not be able to resist.

Jim Hume: I have a question about upcoming events and meetings. When Alex Neil and I were in Brussels, we met many people. European defence procurement was obviously of great interest to us. Tomorrow, there will be a plenary vote on public procurement in defence then, later this week, there will be a seminar on it in Maastricht. It may be interesting if, at the next meeting, we can get a bit of feedback about what has gone on this week.

The Convener: I am sure we will be able to have that.

Alex Neil: After we got back, Jim Hume and I recommended that the committee write to the Government, asking what it is doing. Did that happen, and did we get a reply?

The Convener: I do not think that we have had a reply.

Alex Neil: Why do we not write? If the defence procurement directive is introduced next year—the Czechs intend as part of their presidency to ensure that that happens—it will fundamentally

change the prospects for key industries such as shipbuilding, aerospace and related industries in Scotland. It will provide both opportunities and disadvantages. The opportunity will be that the whole defence procurement market will be open to Scottish companies; the downside will be that anything we do in the UK will be open to wider competition. If we play our cards right, Scotland might be a net beneficiary of the opening up of the defence procurement market. I would have thought that the Government, along with the industries that are involved, should be doing preparatory work on the implications of the defence procurement directive. We should be preparing for it in order to take advantage of it.

Jim Hume: Alex Neil is right that it is an opportunity. At one point, the Czech Republic was the eighth-largest manufacturer in the world—I do not know whether that is still the case—so there are large parts of eastern Europe that may have cheaper production costs than us. It is a threat and, I hope, an opportunity.

The Convener: I recall that matter being raised previously, but I am not sure that we acted on it, so we shall do that.

We have had a good, wide-ranging discussion on the “Brussels Bulletin”, so we will note its contents.

Handling European Union Obligations

10:50

The Convener: Item 5 concerns a paper by the clerk on the Scottish Government’s draft guidance on handling European Union obligations in Scotland. The Government’s draft guidance and covering letter are attached at annex A. Committee members will note that the minister would welcome any comments that we might have on the guidance by 31 December, so it would be useful if we had a bit of a discussion about it.

It is important to give a warm welcome to the progress that has been made. The committee has done a lot of work on the matter, which has focused on pointing out the advantages of early engagement, including stakeholder engagement. The Government has taken that work on board.

Another area that we highlighted was the involvement of the Scottish Parliament in the transposition plan, which the Government has acknowledged. However, there are one or two details that we have not yet fleshed out. The clerks have noted those from paragraph 10 onwards. I suggest that we go through them to check that committee members are happy.

Although we welcome the progress that has been made, the clerks have drawn attention to a number of points in relation to discussions that we have had, and we may want to reflect those in our response to the minister. We will take them section by section. The first section concerns engagement with the Scottish Parliament. The point is that scrutiny is an on-going process. We want to develop our scrutiny of the Scottish Government on EU issues, particularly at the pre-legislative stage.

Are committee members content with paragraphs 10 and 11?

Members indicated agreement.

Alex Neil: Perhaps we can short-circuit the discussion. Personally, I am happy with the paper and to accept the recommendations without discussion. We have been discussing transposition for more than a year and are dancing on the head of a pin.

The Convener: If committee members are content to go straight to the recommendations—

Alex Neil: I am just saying what the others are all thinking.

The Convener: We will raise the specific points that are set out in the preceding paragraphs. Is that agreed?

Members *indicated agreement.*

10:53

That takes us to item 6, which concerns the EU budget review. We agreed to take that item in private, so I thank members of the public for attending and ask them to leave.

Meeting continued in private until 11:30.

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