

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 3 November 2009

Session 3

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CONTENTS

Tuesday 3 November 2009

Col.

DECISION ON TAKING BUSINESS IN PRIVATE.....	1245
CHINA PLAN INQUIRY	1246
“BRUSSELS BULLETIN”	1255
EUROPEAN UNION AND SCOTLAND.....	1258

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE 12th Meeting 2009, Session 3

CONVENER

*Irene Oldfather (Cunninghame South) (Lab)

DEPUTY CONVENER

*Michael Matheson (Falkirk West) (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)

*Sandra White (Glasgow) (SNP)

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

THE FOLLOWING GAVE EVIDENCE:

◇ Ian Duncan (Scottish Parliament European Officer)

◇ Ian Hudghton MEP (SNP)

Iain Smith (North East Fife) (LD)

◇ Catherine Stihler MEP (Lab)

◇ by videolink

CLERKS TO THE COMMITTEE

Lynn Tullis

Simon Watkins

ASSISTANT CLERK

Lewis McNaughton

COMMITTEE ASSISTANT

Kathleen Wallace

LOCATION

Committee Room 1

Scottish Parliament

European and External Relations Committee

Tuesday 3 November 2009

[THE CONVENER *opened the meeting at 10:17*]

Decision on Taking Business in Private

The Convener (Irene Oldfather): Welcome to the 12th meeting this year of the European and External Relations Committee. We have apologies from Ted Brocklebank, Jamie Hepburn and Jim Hume. I am pleased to welcome Gil Paterson, who is the Scottish National Party's substitute for Jamie Hepburn.

Under item 1 on the agenda, I seek the committee's agreement to take items 5 and 6 in private. Item 5 is a discussion of the responses that we have received to our financial crisis report, and item 6 involves consideration of our approach to the Lisbon treaty inquiry. Do we agree to take those items in private?

Members *indicated agreement.*

China Plan Inquiry

10:18

The Convener: Under item 2, we will take evidence from Iain Smith, the convener of the Economy, Energy and Tourism Committee. As members know, as part of his committee's forthcoming inquiry into international trade, Iain recently visited China as part of a trade mission that was organised by Scottish Development International. We thought that Iain's observations about the trade mission and engagement between Scotland and China might be helpful to our China plan inquiry.

I invite Iain Smith to make a few introductory remarks.

Iain Smith (North East Fife) (LD): Unaccustomed as I am to being on this side of the table, I will make some brief remarks. Before I do so, I declare an interest, in that, the week before I went to China, I visited Taiwan with a cross-party delegation. That trip was paid for by the Taiwanese Government. I will make some reference to the Taiwan visit at the end of my remarks.

I will briefly outline the nature and purpose of my visit, and share with you some observations based on the information that I gleaned from it.

As you said, convener, my committee intends to conduct an inquiry early next year into the internationalisation of the Scottish economy—that is, imports and exports. As part of that inquiry, SDI invited me to go on one of its trade missions. That trade mission was a particularly interesting one from my point of view, as it focused on wind energy in China and my committee has an interest in energy.

I received excellent support from Ian Ross and Paul O'Brien of SDI. I want to put on record my thanks for their assistance throughout the week.

A number of Scottish companies went on the mission, which was run in association with UK Trade and Investment. Among the Scottish organisations were the Aberdeen Renewable Energy Group; the all-energy conference, which is an annual conference that is based in Aberdeen; the Met Office, whose marine centre of excellence is based in Aberdeen; MLS Intelligent Control Dynamics, which has offices in Glasgow; SeaEnergy Renewables; and SgurrEnergy, which is already quite heavily involved in wind businesses in China.

The trade mission started off in Nanjing, where a dinner was held in—of all things—an Irish pub, which is owned and operated by a global Scot. That was an opportunity for the delegates to get to

know one another and to meet Scots who work in the Nanjing area, who were invited along to give their impressions of what it means to work in China.

The following day, there was a seminar that was jointly organised by SDI and UKTI that enabled the British companies to make presentations to representatives from Chinese companies and to have individual meetings with them over lunch time.

The mission then moved to Shanghai, where we visited the Shanghai Electric wind turbine factory and the companies had an opportunity to present their wares to Shanghai Electric, which builds turbines and undertakes various other energy projects.

We then moved on to Beijing so that we could attend the wind energy exhibition conference, which was the main purpose of the mission. UKTI and SDI had a joint stand, at which a number of the Scottish and UK companies took space. It acted as a base from which members of the mission could tour the exhibition and meet people from other companies. I know that a number of links and contacts were made with Chinese energy companies.

We managed to attract quite a bit of attention by having a whisky reception, which was assisted by Iain Todd, from the Aberdeen Renewable Energy Group, who brought along his bagpipes. That gathered a crowd quickly and the whisky kept them in there, so Scotland's unique contribution continued.

On the second evening of the exhibition, the British ambassador held a reception at his residence, which was attended by representatives of a number of Chinese companies. It is important to point out that a large number of the companies that were invited were asked to attend as a result of SDI's knowledge of the companies that are involved. Most of the companies were SDI contacts rather than UKTI contacts. SDI clearly has a lead in the promotion of wind energy and renewable technologies, simply because of the depth of knowledge that it has in energy.

On Friday, I did not go to the final session of the exhibition. Instead, I had meetings with some of the other organisations that are involved in the area. I met Lucy Watkins, who is the first secretary for Scottish affairs in the British embassy in Beijing; Marie MacRae, who is SDI's head of office there; the China-Britain Business Council, which is headed by another global Scot; the British Council; and VisitBritain, which provides services for VisitScotland in China. Some useful information came out of those meetings.

Lucy Watkins was clear that being based in the British embassy was a distinct advantage, as she

was able to pick up on more information that was of benefit to Scotland—information about inward-trade missions, for example—than she would if she were in a separate office.

Marie MacRae gave a detailed briefing about the work that is being done by SDI in China, which includes helping to organise trade missions from China to Scotland—there have been about nine on energy alone in the past year—and helping Scottish companies with visits to China.

I had a very interesting discussion with CBBC about some of the difficulties of setting up in China, the bureaucratic rules that businesses have to deal with and how the organisation can assist Scottish companies that wish to establish a base in the country.

My discussions with the British Council related largely to education and how we might improve links with Chinese universities, schools and colleges. Given that a number of universities and colleges have already established such links, we were particularly interested in how we might expand our school links with the country.

As for my discussions with VisitBritain, I was surprised to find that, despite the size of the growing Chinese market, the organisation has only four staff—two in Shanghai and two in Beijing—to market Britain to the whole country. Perhaps we should examine with VisitBritain and indeed VisitScotland whether we should be doing more to promote Scotland in China.

I also want to say a few words about my visit to Taiwan, because a number of useful issues arose that might be of interest to the committee. The Taiwanese Government is particularly interested in developing more links in areas such as renewable energy, life sciences and the creative industries. Again, of course, there are opportunities for our universities not only to improve recruitment links with the country but to develop joint research projects with Taiwanese institutions, and I hope to pass that message on to the various universities through Universities Scotland.

I also met Reggie Wu, SDI's Taiwanese representative, who made the interesting point that because of the bureaucratic difficulties of setting up in China there might be advantages in Scottish companies setting up in Taiwan and using it as a base for entering the mainland Chinese market. Links between mainland China and Taiwan are opening up all the time—indeed, I was able to take advantage of new direct air links to fly from Taipei to Nanjing—and opportunities certainly exist. I also met the British Council to discuss not only university links with Taiwan but the need for school links between Taiwan and Scotland.

I hope that those comments are of some interest to the committee. I am happy to take members' questions.

The Convener: Thank you very much for that comprehensive report. It sounds like you had a hectic and detailed trip.

I realise that you visited China for only a short time but I wonder whether you could give us your observations on a couple of things in the China plan that we highlighted in our inquiry as possible weaknesses. First, could we be doing more to encourage Scotland's visibility in China? Secondly, do you feel that there is sufficient partnership working between SDI and UKTI, CBBC and other organisations to ensure better support for businesses?

Iain Smith: On your first question, we need to bear in mind that China is a huge country. For example, 45 of its cities, including the three I visited—Nanjing, Shanghai and Beijing—have a population greater than that of Scotland. Given that kind of scale, Scotland is going to make relatively little impact.

Instead of trying to have a presence throughout China, which is simply not feasible, we should concentrate not only on where we should invest our resources but on the sectors with which we want to get involved. After all, Scotland has particular strengths and advantages in offshore wind energy; life sciences, with our world-leading institutions and research facilities; and computer gaming.

When I was discussing with VisitBritain how it marketed Scotland, I was told that the Chinese identify Scotland with golf. It did not matter whether it tried to promote golf in Wales or anywhere else; when the Chinese people think about golf they think about Scotland. Of course, whisky is another clear identifier. However, although there are a number of very clear Scotland brands in the Chinese market, I still think that the key thing is to concentrate on particular sectors.

10:30

SDI works closely with agencies such as UKTI; perhaps better in some areas than in others. It is a case of horses for courses. When SDI has knowledge about a subject, such as energy, the best way is for it to play a lead role; UKTI might have more expertise on other matters, so we need to work closely with it on them.

It is important that those who are on the ground in China decide how best to assist Scottish companies, whether that is through UKTI resources or our own resources. What matters is added value—what SDI can add to what is done

for UK businesses to provide a little bit extra for Scotland.

The Convener: Your comment that Lucy Watkins feels that it is important for her to be located in the UK embassy emphasises points that have been made to the committee about the importance of the partnership between Scotland and the UK in a country that is as large as China.

Iain Smith: The message is clear, and we need to bear it in mind for Scottish Government representation in countries such as America, where being part of the British embassy provides access to resources that might not otherwise be available and to information that might be missed if we were not sitting in an office with the other people who are involved.

It might be worth asking the Scottish Government to consider seconding Scottish Government civil servants to the Foreign Office to spend time in embassies in countries with which we are particularly interested in developing links. That would give staff experience and knowledge of those countries. Lucy Watkins was seconded to be our first secretary for Scottish affairs and her term is coming to an end. Perhaps we could use secondments more to broaden our knowledge and influence in embassies throughout the world.

The Convener: We have a videoconference coming up, so I must stick to the timetable.

Sandra White (Glasgow) (SNP): I thank you for your comprehensive introduction and for your answers to questions, Mr Smith. You said that SDI organised the trip for you. You will have read our report, in which we were pretty scathing about SDI's contacts in some areas—that view comes not just from us but from people to whom we have spoken—but you speak highly of SDI and say that you had excellent support from it.

You mentioned wind energy. Did you speak about tourism when you were in China? That represents a huge market for Scotland. Is the lack of direct flights from Scotland to China a disadvantage? How much input does SDI have not just on energy but on other parts of your committee's remit?

Iain Smith: SDI's role is to support any businesses that are interested in working in China, which includes those in the financial sector. I am aware that the committee's report criticised SDI's work to support the financial sector. I did not obtain clear information on that, because that was not the focus of my visit.

SDI provides support. When it does not have the expert knowledge, it should obtain that from the UK agencies with which it works. What matters is adding value; SDI does not necessarily have to be an expert on all sectors. It is clear that SDI is the

primary expert on energy for the UK, as UKTI uses SDI's expertise on energy to assist its work, but the situation is the other way round in other sectors—SDI uses UKTI's expertise. The position varies.

A tourism issue that perhaps needs to be examined involves VisitBritain. VisitScotland does not have a presence in China; VisitBritain provides Scottish support and runs Scottish campaigns. For example, when the First Minister visited China in April, a campaign was run to promote Scotland and golf-related tourism. VisitBritain might need to consider its strategy, because having only four members of staff to cover China is insufficient.

Michael Matheson (Falkirk West) (SNP): It is fair to put our comments about SDI into context. The evidence was from one individual from Standard Life, and we have subsequently received a letter from Standard Life that—let us say—changes the tone of the comments. The criticism did not come directly from the committee; it reflected comments that were made to us. I certainly do not have enough detailed knowledge of SDI's work in China to offer criticism.

Did you get an opportunity to explore with the other businesses that were on the trade mission their impressions of SDI? I suspect that some of them have been on other trade missions at other times. I am just interested to hear what you picked up from those other businesses about how effective they find SDI.

Iain Smith: In general, I received positive comments from the businesses that were on the trade mission. One company in particular was extremely positive and was keen to give evidence to my committee, when we have our inquiry, about the support it has received. After the company had been on last year's trade mission, SDI was able to give it contacts that it could build on, and just last week it signed a major contract with Taiwan as a result. The Met Office representatives who were there were grateful to SDI because of the links and knowledge that it has and the companies that it put the Met Office in touch with while it was there. When SDI has such knowledge, companies benefit from it, and generally speaking the responses were positive.

That might be a self-selecting group, of course, because those who go on the trade missions are those for whom SDI is able to provide something, so I might not have given a balanced reflection. However, the ones that I spoke to were very positive.

Michael Matheson: That is helpful; thank you.

Gil Paterson (West of Scotland) (SNP): Following on from a point that Michael Matheson made, I wonder if we are punching our weight in China—although perhaps I should say, "Punching

the weight that we are allowed to by the amount of money we are spending." How many people does the SDI have and where are they located? How does that compare with Ireland? The paper I have in front of me compares Scotland with Ireland and the USA, which I find quite bizarre.

Iain Smith: I cannot tell you the exact numbers. SDI has offices in Shanghai and Beijing in mainland China, and in Hong Kong, but I am not sure about the exact number of staff. I think that there are three in Beijing, and there might be two or three in Shanghai.

Gil Paterson: From your experience, what is your evaluation of the value that we get from that number of people?

Iain Smith: I think that we get very good value from the work done by a relatively small staff. As I say, China is a very large country so there is a limit to what can be done. However, if the effort is focused on the areas in which we have particular strength, such as renewable energy and finance, it can add value over and above what we would get otherwise. Obviously, if we put more resources in, we might get more out, but we get good value for money from the resources that we have there.

Gil Paterson: You have just touched on the point I was going to raise. Do you think that the SDI is fully using the resources it has and needs more to do more work? You were talking earlier about doing more, but I wonder if that is physically possible with the resources that Scotland has at its disposal at the moment.

Iain Smith: I would be pre-empting my committee's inquiry on the issue if I were to answer that question just now. It is certainly one of the issues that our committee will be considering when we look at the internationalisation of Scotland's economy and ask whether the resources that we are putting into organisations such as SDI are sufficient to meet their needs.

Gil Paterson: My final question is about visibility. Again, we are comparing ourselves with Ireland and the United States. Did you find anything that was uniquely visible that sticks in your mind? Is there anything that we should be homing in and building on?

Iain Smith: It is a bit difficult to answer that on the basis of what I was able to see when I was there. I spent quite a lot of time travelling in taxis between the hotel and the exhibition centre so I did not really get out and about to see what is on the ground. However, the evidence suggests that golf and whisky are clearly identified as Scottish, and we can certainly build on them. That is not necessarily the tartan and shortbread approach, but certain things are clearly identified as being Scottish and we can build on them.

Patricia Ferguson (Glasgow Maryhill) (Lab): I realise that Iain Smith's trip was focused on a particular industry, but were you able to gain any overall impression? One or two individuals suggested to us that to do business with China you have to build up the relationship. You cannot just go in and do business there and then; the relationship has to be built up over time. For that reason, and because of the scale of the country, they suggested that our focus should be on one or two specific geographical areas so that we can get the biggest bang for our buck, as it were. Were you able to gain any ideas about that from your own experience or through conversations with SDI or businesses?

Iain Smith: That is probably a very fair assessment. China is so large and we are a very small country, so it would be madness to try to spread ourselves across the whole of China. We have to concentrate on geographical areas and sectors where we have particular strengths. If we can find a geographical area that links in with some of our strengths or that is developing in sectors in which we have particular things to support, such as offshore energy or life sciences, we should focus our efforts on it rather than try to be all things to all men.

Patricia Ferguson: It has always struck me that it requires a fairly sophisticated approach and strategy to do exactly what you describe, which is to look at the sectoral interest and the geography. Do you feel that SDI recognises that fully and is taking such an approach? I am thinking not only of SDI—it is a shame to single it out—but of all those who, on our behalf, do business daily with China.

Iain Smith: Scottish Enterprise's overall strategy, which is to concentrate on key sectors, feeds through into what SDI does. The information that I received from the energy sector is that it is very focused and is looking at companies that have the potential to provide both inward investment into Scotland in developing our offshore wind market and opportunities for us to sell services and expertise to China. That approach is reflected in not only outward visits from Scotland to China but inward visits from China to Scotland, when SDI has a knowledge base of the companies that might be of interest and can show Chinese businesses what Scotland has to offer. That approach seems to be paying some dividends; a number of companies such as Clyde Blowers and SgurrEnergy seem to have benefited from it.

The Convener: I have one final question. Some of the evidence that we received suggested that doing business in China is enhanced when it is underpinned by parliamentary or political support and that there is therefore a strong argument for parliamentarians to be involved in trade missions,

as you were. Did you get a feel for that during the visit?

Iain Smith: Yes. It seems to be worth emphasising the point that parliamentary and ministerial support for trade missions is important. The point that Patricia Ferguson made about building up a long-term relationship is also important. You cannot just go in and do business on one trip; you have to go and build up trust to enable the relationship to develop. Parliamentary and ministerial support for those efforts is probably very important.

The Convener: Unfortunately, we have run out of time. Because of our videoconference link we must stick to our timetable this morning, but I thank Iain Smith for coming along and sharing his experiences. We look forward to his own committee's inquiry report; I am sure that we will read it with some interest.

I will suspend proceedings for a couple of minutes while we undertake the technical work that is required to videoconference with Brussels.

10:44

Meeting suspended.

10:50

On resuming—

“Brussels Bulletin”

The Convener: I reconvene the meeting. As we seem to be a little bit ahead of schedule as far as the videolink is concerned, I propose to bring forward item 4 and to hear from Ian Duncan on the “Brussels Bulletin”. I hope that Catherine Stihler will turn up in the meantime.

Can you hear us, Ian?

Ian Duncan (Scottish Parliament European Officer): I certainly can.

The Convener: Thank you very much for the “Brussels Bulletin”. You have said in the bulletin that one or two items are under consideration but you might, as the heads of Government have now met, be able to update us on one or two things. Do you wish to make any introductory remarks before I move to colleagues’ questions?

Ian Duncan: Yes. The European Council had one main item of business, which was climate change, and one item of business that was discussed primarily in the corridors, which was the Lisbon treaty situation and associated issues.

On climate change, no resolution was reached on financing. The sticking point is aid to poor nations, which will, according to European Commission estimates, need €2 billion to €15 billion per annum. That is a lot of money and a number of European Union states, led by Poland and Hungary, are not convinced that it should come primarily from them: indeed, the Prime Minister of Poland has said that he is not sure why he should be providing this subsidy, given that his country is actually poorer than Brazil. Poland would like any such contributions to be voluntary. As I say, no resolution was reached, but a working group has been set up, which might make a difference.

As an aside, the focus of the climate change discussions in Copenhagen is on replacing the Kyoto protocol in 2012. However, between 2010 and 2012, there will have to be some financing, which has been estimated at between €5 billion and €7 billion. It is hoped that the working group will resolve the issue when it reports, but that is unlikely to happen before the Copenhagen discussions.

On the Lisbon situation, members will be aware that the Czech Government requested, and was granted, an opt-out from the chapter on fundamental rights. In having an opt-out, the Czech Republic now joins the United Kingdom and Poland. However, the Czech president has not yet signed the Lisbon treaty because the

Constitutional Court of the Czech Republic has not reached a conclusion on the matter. It will do so today, so watch this space.

The decision on who will be the next President of the European Council has not been resolved, but a number of issues have emerged. As the committee might be aware, Tony Blair’s candidacy has likely not secured the backing of the large member states, so he is unlikely to be the next President; indeed, it looks like the Council will seek to appoint a chairman rather than a charismatic leader; the current code word is “mild-mannered”, and there are four such candidates in play. In the bulletin, I mention Guy Verhofstadt, the former Prime Minister of Belgium, but he has been deemed to be not mild-mannered enough and appears to have been replaced in the running by the current Belgian Prime Minister, the very mild-mannered Herman Van Rompuy. The other front runner is the Luxembourg Prime Minister, Jean-Claude Juncker, and the Dutch Prime Minister, Jan Peter Balkende—I am sorry, I meant Balkenende; I have been practising that all morning—is the dark horse. However, Mr Balkenende is unlikely to take that any further forward because his coalition Government would collapse, which would cause an early election.

There are several candidates for the high representative. You might recall that, if the right-of-centre grouping secures the presidency of the Council, the high representative is almost certain to be drawn from the socialist groupings, and there are a number of candidates there. You will have heard quite a lot of talk about the UK Foreign Secretary. He is not really breaking cover here in Brussels, although he may yet be a dark-horse candidate. The foreign secretary of Spain, Miguel Ángel Moratinos, is at the front of the queue. Adrian Severin, a Romanian member of the European Parliament, is also a candidate. Also in the running are three former foreign secretaries of Germany, France and Austria: Frank-Walter Steinmeier, Elisabeth Guigou and Alfred Gusenbauer. Of course, none of those candidates was officially discussed at the meeting.

One hopes that the matter will be resolved at the extraordinary summit that is scheduled to take place on 13 and 14 November. That should clarify all the horse trading that is going on at the moment. The Council hopes to reach a unanimous decision but can, if need be, use qualified majority voting.

That is the run-down of what took place at the Council on Thursday and Friday of last week. I am happy to report on any other aspect of the bulletin that may be of interest.

The Convener: Thank you very much, Ian. I will not have time to take questions from all members, as we must move on to evidence from the MEPs,

but I am sure that members can raise a couple of pressing points.

Before we do that, I welcome Iain Smith to the committee, wearing a slightly different hat as the substitute for Jim Hume. It is lovely to have you here as a committee member, Iain.

Sandra White has a point to raise.

Sandra White: We will have to agree to disagree on how charismatic Tony Blair is.

On page 8 of the bulletin, under the heading "Carbon capture and storage", we are told that Longannet did not receive funding. Is there any explanation for that? Have you gleaned any more information about that? Hatfield, in the north of England, secured funding but, unfortunately, Longannet did not.

Ian Duncan: Yes. I suspect that that was quite a surprise for a number of individuals, not least Scottish Power, which is behind the Longannet scheme. Scottish Power is very frustrated—there is no doubt about that. One of its representatives said, "If we had just bought a large greenfield site somewhere in Scotland, we would have been ahead of the race." There is, as yet, no detail on the machinations that went on behind the decision. There will almost certainly be a number of issues at national level. There may be some benefit in writing to the Scottish Government or the UK Government for information, either of which would be able to provide a clear update on what has gone on. I suspect that the MEPs from whom you will hear this morning might be able to provide more information, too.

The Convener: Sandra White has raised an important point that we will perhaps pursue with the MEPs.

European Union and Scotland

10:57

The Convener: For agenda item 3, I welcome Iain Hudghton MEP and Catherine Stihler MEP to the committee via videoconference. I assume that you can hear us all right.

Iain Hudghton MEP (SNP): Loud and clear.

The Convener: You will both make short introductory statements, after which we will be pleased to question you. Do you want to start, Iain, since you were there first?

Iain Hudghton: Thank you, convener. I welcome the opportunity to say a few words before we move on to questions. I will outline some of the events that are taking place or that will take place soon and over the next few years.

The big headline issues that you have just discussed with Iain Duncan are the subject of much chat, gossip and horse trading around here. We are all waiting with bated breath to see not just the outcome of the proposal for an EU president—assuming that the Czech court clears the way and the Czech President signs up to the Lisbon treaty, as seems likely—but who will be nominated for Commission membership and which members will be lined up for which portfolio. The big issues are the reform of the common fisheries policy and the common agricultural policy and the budget issues, which we mention in the special edition of the "Brussels Bulletin". The individuals who are nominated for those portfolios will be very influential in those processes. They will be among the most sought-after portfolios by member states that have a strong interest in those areas and a strong political commitment to those sectors. We are waiting for those decisions to be made.

11:00

In the meantime, we have already started in our Committee on Fisheries. Tomorrow we will have a second exchange of views on the green paper on CFP reform and that will be followed by a public hearing early in December. There is also a proposal to have a hearing with members of national Parliaments, to which I referred in my article. Around here, "national Parliament" normally means "member-state Parliament", but the co-ordinators of the Committee on Fisheries will consider and, I hope, agree that Parliaments from fishing nations can be involved in that, including the Scottish Parliament, which clearly has a predominant interest so I expect that somebody from there will want to take part in such an event here in Brussels. I will stop there.

The Convener: Thank you, Ian. Good morning, Catherine Stihler.

Catherine Stihler MEP (Lab): Good morning.

The Convener: I invite you to make a few opening remarks to the committee.

Catherine Stihler: Thank you, it is a pleasure to be with you this morning. I hope that we can have meetings like this more often because they are useful. I will talk about the work of the two committees of which I am a member—the Committee on Internal Market and Consumer Protection and the Committee on Economic and Monetary Affairs. You asked us to raise numerous issues that are relevant to Scotland, so I will put some of those on the committee's agenda.

The big issue dominating the Committee on Internal Market and Consumer Protection is the consumer rights directive. The proposal is to bring together four pieces of legislation, which sounds good if we are trying to mainstream and harmonise. However, some of you might have read the Sunday papers in which Consumer Focus and Which? were quoted as saying that as it stands, the consumer rights directive would undermine people's consumer rights not just in Scotland but across the United Kingdom and other countries. As MEPs who want to defend consumer rights, we are working hard to monitor the directive, which is in its early stages at first reading. I bring that matter to the committee's attention as an issue that concerns us and on which we have to work. We will have to amend the directive thoroughly unless it is withdrawn.

The other issue is about late payments, on which we are having a mini hearing tomorrow. The idea has arisen because public services in many countries have terrible records of making late payments between different public authorities. The United Kingdom and Scotland have a good record and a good story to tell in that regard. However, there is concern in local government that although 93 per cent of payments are made within 30 days, 7 per cent are not. There could be hefty fines for those who, for simple reasons, misaddress an invoice or for whom something just goes wrong. Again, the late payments directive is at an early stage. One of my colleagues, a German Social Democrat MEP, is leading on it. I bring it to the committee's attention because local authorities and the Convention of Scottish Local Authorities have been lobbying us about it.

I am the rapporteur on construction products and I am leading for my group on an initiative called SOLVIT, which tries to help individuals and businesses who feel that EU law has been misapplied to access information and get redress within 10 weeks. We support the initiative.

On the economic committee, I bring to the committee's attention the AIFM directive, which for those who do not know is the alternative investment fund management directive. It is sometimes known as the hedge funds directive. It is an all-encompassing directive that impacts on Scotland's investment trust companies in a damaging way. The committee has probably taken evidence on the financial crisis. As it stands, the directive is not just about hedge funds and private equity but includes charitable trusts. We have been lobbied heavily about the fact that investment trust companies in Scotland, which have been pillars of sense and risk management and could be models for how we conduct ourselves in the future, could be completely destroyed by the proposal.

I hope that we will get sense and that we will ensure that those companies are not destroyed, but I bring to the committee's attention the fact that the alternative investment fund managers directive could have severe implications for Scotland. We have raised the issue with John Swinney and Mike Russell when they have visited and we must watch it. The directive is at first reading and we will have a hearing on it next week.

The final issue that I will bring to the committee's attention is about the solvency II directive and the illiquidity premium, which concerns insurance policies. The directive treats insurance companies the same as it treats banks in relation to risk, which will have severe implications for Scotland's insurance industry. We are trying to look into that and to get sense on that.

The Convener: You have probably answered almost all our questions about your committee's work programme, but that is fine.

I have just heard that the Czech court has cleared the objection to the Treaty of Lisbon this morning, which is interesting. That will have implications for our inquiry on the treaty, which we will discuss later.

That brings me neatly to asking both of you what the treaty's major implications for Scotland are. On devolved matters, will the treaty change the architecture of relationships for policy development between regional Governments, national Parliaments and the European Commission? I would welcome your thoughts on that.

I will make one more point, as videoconferencing is always subject to a delay. I have no doubt that you know that recommendation 4.18 in the Calman commission's report was that there should be closer involvement between Scottish MEPs and the European and External Relations Committee. What could "closer involvement" mean? The commission suggested

that MEPs could attend committee meetings but not have a vote, but perhaps that was suggested by someone who does not understand the practicalities of our timetables. Achieving such attendance would be difficult. How could we increase engagement between us?

Catherine Stihler: The news about the Czech constitutional court is welcome. I hope that the Lisbon treaty will be ratified, so that we will have clarity about how the European Union's structures will work. I also hope that we can move away from constitutions and institutions to talking about issues in which people in Scotland are interested—the issues to which Ian Hudghton referred, consumer protection and all sorts of matters. With the Lisbon treaty ratified—as I hope it will be—we will have the new set-up of a president of the Council and the high representative for foreign affairs. The European Parliament has a new president—Jerzy Buzek—and José Manuel Barroso has been reappointed.

I am concerned about the gender representation in Commission appointments. At the end of the "Brussels Bulletin", Ian Duncan has kindly listed the people whom we think have been nominated to be commissioners. In the next few weeks, the commission candidates will become clear. I am concerned that female representation will drop and that no one from an ethnic minority will be appointed. To be frank, in 2009, we must push José Manuel Barroso and the member states on that as he puts his team together. He has been so worried about the issue that he has written to ask every member state to consider gender when nominating candidates. As the committee knows, the UK has an excellent commissioner in Baroness Cathy Ashton. However, if the UK had the foreign high representative post, we would no longer have a commissioner—the high representative would have to be the UK's one person. The situation is being debated and many of us have concerns about it.

In my mind, the Lisbon treaty makes the way in which we work more efficient and effective. In terms of the work that the committee does, it means that there will now be more co-decisions on fishing and agriculture, which Ian Duncan touched on. That has severe implications for the way in which MEPs work. Before, we were just consulted on those issues although, as we know, agriculture takes up about 50 per cent of the EU budget and will have big implications particularly as we go through to the budget review post-2013. That is where I think the committee can come into play.

The UK will have to get to grips with how we can ensure that Scotland's voice is heard in the consultations of national Parliaments, and the committee can play an important role in that. If, during the consultation, enough national

Parliaments reject a piece of legislation before it came before the European Parliament, it will have to go back to the Commission. That is a very good check in terms of democratic accountability.

As for how we can work with you, I think that we should have more of this type of hour-long conference call. You have heard only from me and Ian Hudghton this morning, but I am sure that my other four colleagues would welcome the opportunity to take part. It is not only Scottish MEPs who have taken part in previous videoconferencing. For example, my colleague Brian Simpson MEP, who represents the North West of England, is now the chair of the European Parliament's Committee on Transport and Tourism. I am sure that the Scottish Parliament could call on his expertise. There is lots of talent within the European Parliament that could be utilised through videoconferencing and the work that Ian Duncan and others are doing, whether in Scotland House or Scotland Europa, to involve people in promoting Scotland's perspective.

The Convener: Thanks very much, Catherine. Do you want to add anything, Ian?

Ian Hudghton: The implications of the Lisbon treaty will roll out over time. The options, according to individual opinion, are that it is either just a tidying-up exercise or the drawing away of another list of umpteen powers from member-state Parliaments and Governments. The reality is usually something in between. The tidying up is necessary, but I have anxieties about some aspects of the treaty. I do not want to harp on about fisheries, but it is of great importance to Scotland that we examine exactly what is meant when the Lisbon treaty says that the CFP or the conservation of marine biological resources should be an exclusive competence in what are now treaty terms as opposed to relatively simple legal terms.

Of course, as Catherine Stihler said, we will share decision-making powers with the European Parliament in a host of new areas. The reality of the so-called stealing away of vetoes from member states is that, in the first instance—this must be understood, but it is not often clearly understood—the member states themselves have agreed to that. Also, the application of it will mean that there will be more majority voting among the member-state Governments in the council and there will be co-decision making with the European Parliament, which will mean that our view cannot be ignored and that we can genuinely make a difference. On the occasions when we fail to reach agreement, we will be able to prevent things from happening, which is a useful thing to be able to do from time to time.

On fisheries and agriculture, it will be a new experience for us to share the decision-making

power on the policy side. In fisheries, that comes at an important time because it means that we will have co-decision input to the proposals for reform of the CFP as they develop over the next two or three years.

One of my anxieties is that that brings with it one of the problems that the member states have faced over the years, namely that some MEPs come from countries that are extremely interested in, and place high political priority on, fisheries management and conservation, and some have not the slightest interest because they are landlocked or have relatively little economic interest in it. How that plays out here under co-decision is something to watch out for.

11:15

It certainly gives Scotland an opportunity to argue the case for the sensible, hopefully root-and-branch type of reform that Commissioner Borg referred to when he launched the green paper some months ago. I certainly look forward to taking a constructive role in that. It is in all our interests—none more so than Scotland's fishing communities—to achieve a management system that works and conserves the resource for the long term.

On past occasions, we have agonised over the question of how the Scottish group of MEPs, the European and External Relations Committee and the Scottish Parliament should relate better to each other. What we are doing today with this videoconference is one relatively easy way to do that, and with the facilities here, it could be done at any time the committee's programme permits it. You would probably get more of us. I am not sure why there are only two here today; normally there would be more of us, I am sure.

Although we have not been good at it in the past—I plead guilty to this—we could volunteer to feed information to you from our offices either through Ian Duncan, directly, or however the committee thinks would be appropriate, because things are happening all the time. The committee has already had an update from Ian Duncan on general matters, but so much is going on here now, and will be going on here during the next few months and years that I suspect we could all contribute a little bit more. I volunteer to try to do that myself.

The bit in the Lisbon treaty about the greatly enhanced role for national Parliaments means member-state Parliaments, so from Scotland's point of view, it will be important for the Scottish Parliament and, I presume, the European and External Relations Committee in particular, to strike up some sort of deal and get some kind of guarantee from the UK Parliament that referral will

be made to the committee and Scottish Parliament on the issues. There will be a short time for action to be taken by however many member-state Parliaments wish to object to something, and I imagine that most, if not all, will set up scrutiny systems that will mean that members will be able properly to look through proposals as they come across the table. It would be useful to the UK Parliament if Scottish Parliament back-up were available to point out issues that are of special interest and importance to Scotland.

The Convener: Thank you. I call on Michael Matheson, the committee's deputy convener.

Michael Matheson: Good morning from Scotland, although I suspect that it might be afternoon in Brussels. I have questions on two areas; I will ask them together to save time. The Committee on Fisheries in Brussels is due to take evidence from different national Parliament committees with a view to reform of the common fisheries policy. Will the relevant Scottish Parliament committee be part of those evidence sessions? Can you do anything to ensure that that happens, given our clear interests in that important industry?

The second area is the European energy programme for recovery. Given that the Scottish Power bid for the carbon capture initiative at Longannet has not been successful, what other initiatives in Scotland do you believe will benefit from that fund in the coming financial year?

Ian Hudghton: The Committee on Fisheries proposes to have a hearing with national Parliaments. That was the concept that was outlined originally. When that intention was stated, I made the point that there are national Parliaments with a strong interest in fisheries that are not member-state Parliaments. The jargon normally confuses national Parliaments with member-state Parliaments. I will be hoping and pushing for the principle to be agreed that Parliaments of fishing nations ought to be represented. Particularly, no Parliament has a stronger bid in that regard than the Scottish Parliament, given that Scotland is home not just to 70 per cent of the UK's fishing industry, but to something like 20 per cent of the European Union's fishing waters.

There is a strong case for that. However, the initial recommendation to the committee on the format will be made by the co-ordinators of the committee, which is constituted of one member from each of the political groupings. I think that they will meet on that subject this week. I have submitted a reasoned statement that backs up the idea—the necessity, I would say—that Parliaments such as the Scottish Parliament should be invited to take part. If that is agreed, I assume that it will be for the Scottish Parliament to

determine which committee or which individuals it would be most appropriate to send. The principle is the important thing.

Scotland has much to gain from developing our potential in renewable energy and all things to do with that. Although it is disappointing that we will not be the carbon capture leaders because of the failure to secure European funding, other areas could be bid for—interconnectivity, the grid connections, and so on. There is European support for that, so that the wind and wave power capacity that we have in northern Scotland can be harnessed and sold to a needy European market. A lot of effort needs to go into putting the case for Scotland's interests in general terms and in specific projects.

Catherine Stihler: I have a few comments to add on the carbon capture and storage issue at Longannet. We are obviously disappointed that we missed out narrowly in the first round of funding opportunities. I have written to the Commission for a clear explanation of why that was the case when we were all very supportive of the Scottish Power bid. My understanding is that the money was available only because of an underspend and that the big money is coming through the emissions trading scheme. Therefore, although failure to secure funding in the first round is a disappointment, all is not lost. We must look at what is happening with the emissions trading scheme and take the opportunities that arise through that. I will visit Longannet on Friday.

Last week, I visited Trondheim as part of the Iceland-Norway-Switzerland delegation. Some fantastic work on carbon capture and storage is being done there. In fact, the Scandic renewables energy centre is in Trondheim, which is twinned with Dunfermline, where I live. That is a lovely link. If there is any way in which we can use that know-how on carbon capture, it is important that we work together on such things.

I hope that the deputy convener is reassured that all is not lost. Although the Longannet decision was disappointing, we must work towards the next round of funding.

The Convener: If the committee can do anything to assist with that, let us know. We would certainly welcome an update on any progress and the response that you receive from the Commission. That would be helpful.

Sandra White: I am disappointed, but I accept what was said about Longannet. I understand that it was a favourite but it had continuously been put on the back burner, if you will pardon the pun, by the German Government's interventions. I would be happy to look at that, and I hope that we get the bid.

That brings me neatly to what I wanted to ask about EU budget reviews and European regional development funding, which is very important for Scotland's future. What is the nature of the current discussions on the budget review? How will the next multi-annual framework look?

Catherine Stihler: On the discussions, there is a working paper to which members on the budget committee have had access. However, on structural funds, there will be the same debate as the one that took place in the previous round of funding discussions, which was about trying to ensure that we get something from the pot and that it does not all go to central and eastern Europe. There will also be debates over renationalisation and the funding pots.

Many MEPs support the structural fund programme. Because of the money that we have received for the Highlands, we know that we will not get as much in the next round. However, we must keep fighting for the principle that structural funds make a difference in our communities, and that we still want that to be part of the European framework.

The Convener: We are running very short of time. Iain Smith would like to ask a final question. Perhaps colleagues could make their responses brief.

Iain Smith: I am being a bit cheeky, because I am a substitute member. However, as convener of the Economy, Energy and Tourism Committee, I am interested in the issues around the financial crisis that the EU is facing. We have heard today's announcements about state aid for Lloyds TSB and RBS and the divestments that they will have to make to meet the requirements for state aid. Could you say a bit more about that? Catherine Stihler mentioned the fund management regulations, which might be of particular interest to Scotland.

Catherine Stihler: Ian Hudghton says that I should go first because I was named in the question.

How is the European Union looking at the financial crisis? First, we have a temporary committee of which Alyn Smith is a member. That committee will examine the reasons for the financial crisis, but the de Larosi re report will form the basis of much of the legislation on regulation that is coming through.

Next week, there will be a hearing on the alternative investment fund management directive. We will get the report at the beginning of December and table amendments in January; the report will probably be voted on in committee in February or March, if everything goes smoothly.

In between all that, we will have commissioner hearings to decide whether we say yes to the Commission candidates. Timetables for many of our reports might therefore be put back a little bit.

The AIFM directive is a specific issue for investment trust companies in Scotland, and we must monitor it closely. As we discuss the issue in the European Parliament's Committee on Economic and Monetary Affairs, the Council will also discuss it with representatives from various treasury departments across the European Union. It is almost as if there are two parallel discussion processes going on.

The European Parliament discussions are at a very early stage. If Iain Smith is interested, next week's hearing will be streamed on the web, so he could listen to the discussions. If anyone is interested in that piece of legislation, it might be useful for them to monitor that.

11:30

As for the de Larosière report and the supervisory architecture, the Economy, Energy and Tourism Committee will probably be most interested in what will happen with banking, insurance and securities. Those reports have just been allocated to various groups and will work their way through Parliament.

You mentioned today's announcements. Neelie Kroes has been worried about competition and consumer rights. I have been reading about how the announcements affect RBS and Lloyds HBOS—it is very interesting. As someone who is interested in consumer rights I hope that, at the end of the day, that will provide more consumer choice and better competition in the financial services market.

If the committee is interested in any of the legislation that is working its way through the Parliament—especially in relation to the Committee on Economic and Monetary Affairs—please get in touch with my office. We are very keen that there should be engagement with the Scottish Parliament on issues that directly affect it. Around 200,000 people in Scotland are employed in financial services and much of the new legislation will have a direct impact on them. We need to monitor the situation very carefully.

Ian Hudghton: Catherine Stihler talked about parallel processes. Such processes are going on in the European Parliament as well, in that the temporary committee that is looking into the reasons for the crisis will eventually make recommendations. However, without waiting for that, we already have important proposals on the table and perhaps others will materialise with the new Commission. We need to be on the ball.

We should look constructively at anything that would help to give better transparency, particularly from the point of view of consumers across the European Union. We do not want to go too far in making overarching European legislation that would limit the flexibility of individual countries to put in place their own regulatory arrangements and to be flexible and able to encourage and nurture their financial sector and other sectors.

The Convener: Thank you. I am afraid that I have to bring the meeting to a close. I thank Catherine Stihler, Ian Hudghton and Ian Duncan for taking time to give evidence to the committee. It has been a constructive session.

I am sure that you know that we are coming to Brussels at the end of November. We look forward to continuing our discussions then. It has been helpful to know that it is quite easy for you to arrange these sessions in Brussels. The committee might discuss how we could programme more regular meetings into our timetables. If such meetings were in the diary, more MEPs might be able to attend.

Thank you again. With that, we move into private session.

11:33

Meeting continued in private until 11:56.

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