



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 18 January 2011

Session 3

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**Tuesday 18 January 2011**

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**EUROPEAN AND EXTERNAL RELATIONS COMMITTEE**  
**1<sup>st</sup> Meeting 2011, Session 3**

**CONVENER**

\*Irene Oldfather (Cunninghame South) (Lab)

**DEPUTY CONVENER**

\*Sandra White (Glasgow) (SNP)

**COMMITTEE MEMBERS**

\*Ted Brocklebank (Mid Scotland and Fife) (Con)  
\*Patricia Ferguson (Glasgow Maryhill) (Lab)  
\*Jim Hume (South of Scotland) (LD)  
\*Bill Kidd (Glasgow) (SNP)  
\*Mr Frank McAveety (Glasgow Shettleston) (Lab)  
\*Bill Wilson (West of Scotland) (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 Campbell (Scottish Government Directorate for International and Constitution)  
Fiona Hyslop (Minister for Culture and External Affairs)  
John Swinney (Cabinet Secretary for Finance and Sustainable Growth)

**CLERK TO THE COMMITTEE**

Lynn Tullis  
Simon Watkins

**LOCATION**

Committee Room 2



**Scottish Parliament**  
**European and External Relations**  
**Committee**

*Tuesday 18 January 2011*

[The Convener *opened the meeting at 10:30*]

**Decision on Taking Business in**  
**Private**

**The Convener (Irene Oldfather):** Good morning everyone, and welcome to the first meeting of the European and External Relations Committee in 2011. I have received no apologies today—we have a full house, and an interesting couple of sessions ahead.

The first item of business is to agree to take items 7, 8 and 9 in private. Are members happy to do so?

**Members** *indicated agreement.*

**European Union Budget (Europe**  
**2020 and Cohesion Policy)**

10:30

**The Convener:** The second item is to hear evidence in relation to our on-going work on the European Union budget and Europe 2020 and cohesion policy. I am pleased to welcome from the Scottish Government John Swinney, the Cabinet Secretary for Finance and Sustainable Growth; Ian Campbell, the deputy head of the Brussels office; and John Rigg, the head of the European structural funds division. I am not sure whether Mr Swinney intends to make an opening statement.

**The Cabinet Secretary for Finance and Sustainable Growth (John Swinney):** I will make an opening statement.

I thank you for the opportunity to meet the committee today, and I place on record the Government's thanks to the committee for its "Inquiry into the EU Budget Review" report and its on-going interest in the matter. I last updated the committee with a written response to the report in July, and a lot has happened since then.

We now have the European Commission's communication on the EU budget review, which focuses on three key policy priorities that provide new opportunities for Scotland. The smart growth proposals complement Scotland's aim to position ourselves as a leader in research and creativity. On sustainable growth, the future action and funding that is aimed at achieving the climate and energy targets in the Europe 2020 strategy potentially offers huge opportunities for Scotland. On inclusive growth, the Commission's proposals to develop a common framework and single budget heading for structural, agricultural and rural development and fisheries may also provide new opportunities for Scotland.

The Cabinet discussed the EU budget review at the end of November, including the potential impacts on individual portfolios and the scope for the Scottish Government to influence outcomes. Our broad objectives are to retain Scotland's participation in structural funds from 2014 to 2020, to achieve a better deal on the size and allocation of the common agricultural policy budget and to ensure that outcomes are clearly linked to the Europe 2020 priorities of energy and research.

It is difficult to argue strongly against a smaller EU budget and suggestions to improve the efficiency of the budget in the light of the current economic and financial climate. However, we must ensure that the consequences of that do not result in a disproportionate impact, notably on rural

areas in Scotland, and that new opportunities for research and energy are protected.

Those are key priorities of the Europe 2020 strategy, which aligns closely with the Scottish Government's economic strategy—a point that I think I made in our earlier discussions. Since I last spoke to the committee on the 2020 strategy, we have been working closely with the United Kingdom Government on the draft national reform programme that was submitted to the Commission in November. Working with stakeholders, we intend to produce a separate Scottish national reform programme in the spring to reflect more closely Scottish conditions and plans.

The Commission's review on the future of cohesion has recently been published; it is impossible to separate that from the wider EU budget review. The Scottish Government is fully involved in the debates that are currently taking place on the future of cohesion in structural funds, and will respond to the proposals through the UK and directly to the Commission.

We have set out our broad principles in response to an earlier consultation in 2009, stating that we support cohesion and equity as an objective of EU policy and that structural funds should be aligned to Europe 2020 objectives, particularly where there is added value at Europe level.

At this stage, it is reasonable to assume that Scotland will be eligible for structural funds in 2014-20, but at a lower level than for the current programme, which is itself smaller than it was from 2000-06. We recognise that difficult choices will have to be made on how the budget is allocated—on what themes and where. We will continue to consult stakeholders in Scotland as the situation develops.

In the coming months, we will need to watch developments closely as details of the Commission's proposals emerge. I believe that as we continue to engage with the EU institutions, and with the UK Government in particular, there is further scope to work more closely and to set common objectives with other EU actors in Scotland.

I truly believe that Scotland's voice will be louder if we find common ground, work together and develop a shared Scottish view on key issues such as the budget review, Europe 2020 and cohesion. I am delighted to answer any points this morning.

**The Convener:** Thank you very much, cabinet secretary. You mentioned the actual size of the EU budget. Obviously, a deal has been struck over what the European Parliament wanted, which I believe was around a 5.9 per cent increase, and what the UK Government wanted, which was a

stand-still budget. Did the Scottish Government have a view on that or offer any input to the final overall figure?

**John Swinney:** We did not offer a view in that debate, but as I said in my opening remarks, it would be hard to argue that the EU budget cannot face some of the challenges that, in the current economic and financial climate, we are all having to face, at whatever level of governance we are operating. We must now be very careful that the implications of the approach that is taken to the EU budget do not damage in any way some of Scotland's vital interests and various areas of activity involving structural funds, cohesion and, indeed, the research and innovation work that is particularly significant, given our leading-edge position in that regard.

**The Convener:** Are you broadly content with the 2.9 per cent increase that has been agreed?

**John Swinney:** Yes. I would say that that is fair.

**The Convener:** You say, rightly, that Scotland is facing considerable challenges and that we might well not qualify for as much money as we have in the past. Has there been any analysis of new ideas that we could bring to the debate to ensure that Scotland gets the best out of the situation?

Secondly, I absolutely agree with you on the need to find common ground with other actors and, perhaps, other regions. What are those discussions looking like?

**John Swinney:** The key is the approach to achieving Europe 2020. If, as it is fair to assume, Europe 2020 is going to dominate the thinking and choices of the Commission and other bodies—and if, as I think, the EU is very serious about this—we must align ourselves with efforts to contribute to achieving that aim, and do so with the aspiration of ensuring that any funding vehicles that emerge play to our strengths and attributes.

In that respect, we must ensure that a sectoral approach is taken to delivering Europe 2020. For example, in energy, which not only relates to the Europe 2020 agenda but has enormous potential for Scotland's economic growth, we have a multiplicity of different initiatives and approaches that could contribute to the aim of achieving Europe 2020. As a result, we need a strong strand and profile of thinking to allow us to compete in that area of activity. Obviously, if we compete from a position of strength, we will be able to secure the necessary resources.

As for having a dialogue with other actors, the committee will be familiar with our involvement in a range of discussions with other jurisdictions. For example, when the First Minister was in the Basque Country, he made a number of visits that

related to energy issues. With such activity, we are seeking common cause with other EU communities to shape the agenda as effectively as we can to satisfy the Scottish Government's aspirations and interests. At the core of our approach is the ability to manage a sectorally based agenda to realise the objectives of Europe 2020.

**The Convener:** I agree that the synergy between Europe 2020, cohesion policy and structural funds is important. I will throw into the pot an idea that I have raised in the UK delegation to the Committee of the Regions, because it would be useful for us in Scotland to consider it. The 2020 strategy talks about challenges and priorities on several indicators, such as an ageing society and care-dependency ratios. However, in the allocation of structural funds and in cohesion policy, we tend to stick to economic indicators. We in Scotland could widen that beyond gross domestic product to include other indicators—a vehicle is available to do that, because the 2020 strategy considers wider indicators. Has the impact on Scotland of taking that wider approach been analysed?

**John Swinney:** You make a fair point that resonates with the Government's approach to constructing the national performance framework. The Government's purpose focuses on delivering increased sustainable economic growth, but that is underpinned by the achievement of a range of indicators that concern not just GDP but inclusion, tackling geographical differences in economic performance and tackling long-term inequalities in our society. If the debate is exclusively about GDP, we will miss an opportunity to address other challenges in improving our society's general wellbeing. I understand that the danger might be that Europe 2020 ends up in a GDP assessment, if I can characterise it in that way, but it is clear that we have the opportunity to construct a much more broad-based approach. I am sure that such an argument would resonate with other players in the EU.

**The Convener:** I will make a final point before bringing in my colleagues, who are all anxious to speak. Does the Scottish Government have a view on the Commission's proposal of an intermediate status—rather than transitional status—under cohesion policy? That could have merit for Scotland. We do not qualify for cohesion funding, because of the criterion that GDP must be less than 75 per cent of the EU average. If an area does not qualify under that regulation, it does not qualify at all. The Commission's new thinking is that an intermediate status could be introduced, which would create flexibility. To be honest, I do not see how we could not argue for that. Have you considered that proposal?

**John Swinney:** The key is whether the achievement of Europe 2020 will dominate the decision-making process on such vital matters. If Europe 2020 drives many such decisions, that will mean a different way of thinking about resource allocation. The danger that you described is that the 75 per cent rule excludes us from cohesion funding. If we argued that Europe 2020 should be at the centre of all thinking and decision making about such questions, that could open up a different approach to how funds are distributed for a key matter such as cohesion. That might affect structural funding questions, too. If some of that investment were made in Scotland rather than elsewhere, that might contribute more to achievement of Europe 2020 objectives.

That is a substantive issue to pursue, but—as, I suspect, I will say a few times this morning—the devil will be in the detail and in how we translate all the strategic material into making a difference and into funding streams. We must be attentive to the implications of proposals that emerge from the Commission.

**The Convener:** I guess that we do not have much time, as the consultation ends on 31 January.

**John Swinney:** Knowing European decision making, I cannot imagine that 31 January will be the end of the story. I am sure that there will be a few iterations beyond that. These are the points that we have been advancing in those discussions and with the United Kingdom Government. We must remain attentive to how the issue takes its course.

10:45

**Sandra White (Glasgow) (SNP):** Good morning, cabinet secretary. There is absolutely no doubt that it is an important time for Europe, particularly regarding the budget and cohesion and structural policy. In your introductory remarks, you outlined the Government's position on the common agricultural policy. You said that it is important but that it should be more focused. Perhaps you can go into more detail on that, or perhaps one of your colleagues will.

You also mentioned structural funds—which the convener mentioned—and cohesion policy elements of the budget and why we have to look at the 2020 strategy. What is the position of the UK Government on the Scottish Government's position on the need to be more focused on the CAP? On structural and cohesion funding, the Scottish Government's position is that we should look at the poorer regions regarding cohesion funding and structural funding, while the UK Government wants to look at poorer regions of member states. Is the UK Government

sympathetic to the Scottish Government's approach to the issues that I have raised?

**John Swinney:** On your first point, about the work to focus more effectively the common agricultural policy regime, we are in the fortunate position that much of that thinking or aspiration is consistent with the outcome of the inquiry that Brian Pack undertook on behalf of the Scottish Government. That independent inquiry looked at the shape of farm support and reported early last November. Our position has been that the single farm payment system cannot be sustained and that we must reform the system of farm support to improve the link between payments and land management activity to ensure that we have a much more effective way of distributing those resources. We are all concerned about the fact that, under the single farm payment regime, it is possible for people to be paid for doing nothing. At the very root, that is an impossible position to sustain. The CAP reform agenda strikes me as being something to which we have a lot to contribute, especially because we have been the beneficiaries of such a clear and full report from Brian Pack following the inquiry that he undertook.

Our dialogue with the UK Government takes place at several levels. It takes place at the level of our Europe team here and our office in Brussels, where we work closely with UK Government representatives in the EU. It also takes place at ministerial level, through dialogue between ministers and the joint ministerial committee on Europe. It has been a persistent feature of devolution that that organisation meets and transacts business in an effective way.

There is an opportunity for us to advance the points with the EU, in concert with the UK Government, assisted by the fact that, at its root, the agenda is consistent with the approach that the Scottish Government would want to take.

**Sandra White:** Regarding the position on cohesion strategy and structural funding, is there a great deal of difference between the way that the UK Government wants money to go to poorer regions of poorer member states and our position, which is that we would prefer the money to go to poorer regions? Does the UK Government have a difficulty with the Scottish Government's approach?

**John Swinney:** To be fair to the UK Government, I am pretty sure that its position is that it wants to get as much out of Europe as it possibly can. I do not think that it goes into such discussions with any other objective.

As I have said to the convener, the critical issue is whether the decision-making process for distributing resources will be driven spatially—in other words, whether resources will be allocated to

particular areas of Europe based on economic indicators—or on achieving the Europe 2020 strategy and therefore on areas of economic activity that, in being made both easier to develop and stronger through development, will deliver more such activity. That is the key discussion, but I cannot tell the committee today what course it will take. We will get an answer in due course, but I do not think that such an approach will put us at odds with the UK Government.

**The Convener:** The Local Government Association has made it very clear that, as far as cohesion policy is concerned, it would like a place-based strategy that is flexible enough to accommodate local differences. There seems to be some synergy with that as well.

**Bill Kidd (Glasgow) (SNP):** Obviously, in the EU, sub-national legislatures such as the Scottish Parliament, the Basque Parliament and the German Länder have to operate within larger national units. Has Scotland considered ways of co-operating at its own parliamentary level within Europe to achieve a greater benefit for each of the countries operating in synergy with one another?

**John Swinney:** With a range of other communities that operate on the same basis as devolved institutions within a unitary state, we have been keeping open a dialogue, seeking common ground in a host of different areas and taking any opportunity to influence agendas. I mentioned the First Minister's visit to the Basque Country, which was very much about seeking common ground on certain aspects of the energy debate. We would seek to pursue within the UK any arguments or points that might arise from such discussions—with regard to, for example, the fossil fuel levy—and we would then have an opportunity to argue for and promote some of those agendas at Europe level in concert with partners in other countries. Attempts will be made to create common cause; we have good relationships in that respect with a number of different organisations that operate at our level.

**Bill Kidd:** Are co-operative agreements between Scotland and the Länder or the Basque Country encouraged?

**John Swinney:** I am not sure that they are formally encouraged, but I think that any analysis of EU processes would throw up the need for common ground to be found on all questions. As far as I can see, not much can be achieved in the EU on your own; you have to find common ground and secure agreement with other players, so that is very much the spirit in which we enter the process. On some occasions, we ensure that we are comfortable with the UK position in order to find common ground with other member states; on other occasions—and in the circumstances that Mr



Kidd has highlighted—we work with other institutions that operate within a unitary state.

**The Convener:** I want to follow through on that point. As Bill Kidd was raising that matter, it occurred to me that Scotland is obviously slightly disadvantaged in relation to transnational co-operation programmes because it is a peripheral region and it suffers from maritime peripherality. I suppose that our nearest partners, with which we have done work on the Interreg programmes, are Northern Ireland and Ireland, but has the cabinet secretary considered, or does he wish to reflect on, the idea that is floating around of having a single European Union-wide transnational co-operation programme that would allow regions to do what Bill Kidd has suggested at a practical level with funding, and co-operate across the EU without their necessarily needing to have a border?

**John Swinney:** I think that that characteristic is percolating its way through EU thinking. There are various programmes that encourage communities such as Scotland to work with others. It does not strike me that the question whether a territorial border is shared with somewhere to enable that to happen is a particular impediment to gaining access to some of those EU programmes. We have to find areas in which we can pursue joint working to tackle common problems or to address common opportunities. In that respect, there will be plenty of cases in which we can take forward such an agenda.

**The Convener:** I think that the idea is to get the Commission to move from allocating funding strictly on the basis that a border is needed.

**John Swinney:** I return to a point that has been made. It may be difficult to achieve the objective that you have just mentioned if future EU budget decisions are driven by the spatial consideration. However, if we can succeed with the argument in which we say, “Well, actually, if you’re interested in achieving Europe 2020, there are great sectoral opportunities for achieving it, and those opportunities will not just exist between country A and country B, which happen to be located side by side in other geographical locations; there will be common strengths in sectors,” there will be a pretty compelling case to the EU that decision making should be done more on a sectoral basis than on the basis of geographical distribution.

**Jim Hume (South of Scotland) (LD):** You mentioned working with the Basque region and so on, which is all very good. However, on its visit to Brussels, the Local Government and Communities Committee was made aware that the Welsh Government and the Welsh Assembly had made joint representations on structural funds, which are, as you said, under threat. We are all aware of that. It also criticised

“a comparative ‘lack of engagement’ by Scottish actors”,

which is slightly worrying. What is the Scottish Government’s strategy for lobbying the Commission? Would it consider copying what seems to be good practice by the Welsh? Would it consider having joint representation from the Scottish Government and the Parliament?

**John Swinney:** At the beginning of my remarks, I said that an interesting thing that has come out of the dialogue that we have had is that the committee has done some excellent work in all those areas, which the Government welcomes. I think that the Government’s thinking and the Parliament’s thinking are largely the same, so the issue of parliamentary and governmental representation would present the Government with no difficulties whatsoever. It would be helpful to work jointly in that respect.

I am not familiar with all the details of the Welsh example that Mr Hume mentioned. A lot of dialogue goes on on behalf of the Scottish Government about issues such as the future of cohesion policy. We have officials who are engaged in that discussion in the European Union on a constant basis. A number of ministers have been involved in dialogue with the Commission on the issue. Mr Stevenson met Commissioner Hahn, the director general for regional policy, last September. When Mr Brown was the Minister for Skills and Lifelong Learning, he met Commission officials on structural funds. Towards the end of this month, our officials will attend a cohesion forum in Brussels. There will be a range of interactions in that respect to ensure that our perspective is heard. I assure Mr Hume that the Government is actively involved in the matter at ministerial and official level, and I would be delighted to take forward any representations that the committee may wish ministers to make in those discussions.

11:00

**Jim Hume:** You obviously disagree with the Commission’s view that there was

“a comparative ‘lack of engagement’ by Scottish actors”.

**John Swinney:** I am not sure where that quotation comes from.

**Jim Hume:** It comes from the Local Government and Communities Committee’s report on its visit to Brussels.

**John Swinney:** I would be very surprised if that was a European Commission statement criticising the Scottish Government. It might have been an observation by the Local Government and Communities Committee—it could explain the detail of the surrounding circumstances. What I can say to Mr Hume and the committee is that the

Government is actively involved in the discussion on such matters.

**Bill Wilson (West of Scotland) (SNP):** Just for clarification, I think that the statement was made by a witness; it was not made on behalf of the European Commission.

**The Convener:** Patricia Ferguson is on that committee, so she can clarify the situation.

**Patricia Ferguson (Glasgow Maryhill) (Lab):** I am, and I was on the delegation. The statement was made by an official of the employment directorate-general to the committee. It was recorded by the clerks who accompanied us and formed part of the committee's report, which has been published and put into the Scottish Parliament information centre.

I do not think that the committee necessarily regarded that comment as a heavy criticism of the Government. We interpreted it as a suggestion about where further work could be done. Mr Hume is quite right to raise the issue and to suggest that the example that was given when that comment was made was that of the Welsh Assembly Government and the National Assembly for Wales, which only a week or two before our visit had been to Brussels to lobby jointly on behalf of Wales.

As part of the same set of discussions during the Local Government and Communities Committee's visit, officials from the employment directorate-general indicated that the Commission sought a response from Scotland on its consultation on the future of EU cohesion policy. Has the Scottish Government responded to that? If so, what was the nature of your response?

**John Swinney:** As ever, Patricia Ferguson puts the case on the European Commission's perspective extremely diplomatically. As I said to Mr Hume, I would be delighted to engage with the committee on aspects of such representations. As I said, our officials will attend a cohesion policy forum in the EU towards the end of the month, and we will certainly put forward the committee's perspective.

The Government will respond to the Commission's consultation on the reform of cohesion policy before the end of January. Our approach will make it clear that we support the high-level objectives that are set out in the Commission's 2020 agenda. We will highlight the importance of cohesion and equity as objectives of EU policy, and emphasise support for areas of opportunity. That comes back to the point that I made to the convener about the need to focus on where the potential exists to improve economic performance through new interventions.

We will also highlight the need for EU policy to demonstrate that value can be added by

addressing market failure at Europe level and ensuring that there is adequate flexibility in that regime to support initiatives that emerge at national or regional level. We will highlight the importance of local governance decision making and partnership and of ensuring that there is a flexible and joined-up approach to all EU policy support. That is to ensure that when resources are allocated we can concentrate more on the impact, delivery and effectiveness of that expenditure, rather than on what strikes me—this preoccupies a lot of Dr Rigg's work on our behalf—as managing the audit and compliance that goes with it. That way, we can focus on the substance and the substantive change that can be delivered, rather than the surrounding audit and compliance regime.

**Patricia Ferguson:** The Europe 2020 targets were also raised during the Local Government and Communities Committee visit, which, as you will have gathered, was a very productive visit from that committee's point of view. It had been indicated at that point that the UK Government was not minded to set targets. Obviously we hope that the UK Government will reconsider that position, but has the Scottish Government considered setting its own targets and submitting them to the EU?

**John Swinney:** As I said to the convener a moment ago, when we constructed the national performance framework in 2007, we built into it a number of targets to judge Scotland's performance in relation to the achievement of our purpose as a Government. Those are a broad range of indicators that cover economic growth, inclusion, regional equity and sustainability. They represent the core of the Government's view of how we should be measured and assessed on our performance. I would be very satisfied if those targets were the core of any assessment that we submitted to the Commission.

I would certainly be against coming up with another set of targets, because I do not see what the purpose of that would be. We set out those indicators, which are there to judge whether we are making progress. They are reported on in real time. It is important to keep these data sets in place for as long a period as possible, to ensure that consistent approaches to policy are being taken and that we can judge whether they are successful. I would be happy for those targets to be the mainstay of the assessment of Scotland's position. We will submit a separate national reform programme to the Commission and my assumption is that those targets will feature in that submission.

**The Convener:** A joined-up approach is important and has a great deal of merit. I think that we could probably all do better on that. I am trying

to be constructive, because later today we will look at a legacy paper and at what thoughts we might pass on to a future committee. It seems to me that there is merit in doing more on this. I am aware of other regions where there is a more joined-up parliamentary and governmental approach. For example, I take your point that officials are attending the cohesion forum at the end of the month, but for some areas both parliamentarians and Government ministers will be attending.

In formulating your submission on the cohesion policy, have you had discussions with the Convention of Scottish Local Authorities or Scottish members of the European Parliament?

**John Swinney:** We have certainly had discussions with COSLA and I am sure that we have had discussions with MEPs. Dr Rigg has just pointed out to me that representatives from COSLA and Scotland Europa are attending the forum at the end of the month. I cannot imagine that there would be an issue about members of the Scottish Parliament attending if the committee wanted.

**Ian Campbell (Scottish Government Directorate for International and Constitution):** The Commission set out who should be invited. We will be represented through the UK delegation, and it has to follow the guidelines. I cannot recall anything in the Commission's guidance to say that it is looking for representation from national or regional Parliaments. I know that the UK is not sending a minister. I think that Wales is, but that invitation is a follow-on from when Rhodri Morgan was First Minister and led on the cohesion policy with a speaking slot at the forum the last time around. I am not aware of any member states sending a minister.

**John Swinney:** We will examine the question and give the committee a swift response as to whether there is any opportunity to do that. I am happy to explore and identify areas in which there can be parliamentary and governmental co-operation.

**The Convener:** We had a meeting of the UK delegation here in the Parliament two weeks ago and there was a meeting of the Scottish membership. One of the criticisms that was levelled was that, for example, no one knew what Scotland's submission on the cohesion policy would look like or what innovative ideas we would bring. People who are on different committees and the Committee of the Regions were saying that if we had a common position we could all be arguing for the same things. There was a bit of a worry that MEPs, COSLA, the committee and you, cabinet secretary, might all have different ideas and that we were not all saying, for example, "These four things will benefit Scotland." That seemed to be a fair criticism. It was levelled at the

Parliament as much as at the Government. If there are opportunities to build on joint working and look at what the Welsh are doing, that would be a good idea.

**John Swinney:** As I said, convener, I am open to pursuing that discussion with the committee. I suspect that the committee should be having this discussion with Ms Hyslop and I am happy to encourage that.

**Bill Wilson:** Minister, I doubt whether there is a non-state nation that does not have an interest in the reforms to structural funds. If there is one, I am sure that you could identify it, but I would be surprised. Have we made any effort to identify whether we have common interests with other non-state nations, such as the Basque Country, Wales or Catalonia, and to consider joint lobbying?

**John Swinney:** The key to that undoubtedly rests with the point on which I have concentrated this morning, which is the extent to which there is any ability to change the approach to the distribution of structural funds from one that essentially addresses economic underperformance, to a model that is more beneficial to Scotland because it highlights economic opportunity and enables a contribution to be made to the Europe 2020 agenda. We will have common ground with a number of other countries and we will actively pursue that to identify where we can secure joint interests. Dr Wilson makes the point that every player will focus on and have an interest in structural funds, and there will be different and divergent views about how those funds should be distributed in the future.

**Bill Wilson:** Cabinet secretary—I have got your title right this time—how hopeful are you that you can do that? There will be a lot of opposition and certain nations will want to see some form of GDP threshold. I make the small aside that I do not like GDP as a measurement of anything, but we can ignore that.

**John Swinney:** Yes, I am surprised to hear you talking about GDP, Dr Wilson, but there we are.

**Bill Wilson:** There will obviously be a group of countries that will want to stay in that situation and I imagine that there will be another group of countries that will agree with your idea of looking for the opportunities to meet climate change targets through renewable energy, for example. Realistically, how hopeful are you that we can achieve that focus?

11:15

**John Swinney:** The key to this is whether the EU is serious about achieving the 2020 objectives.

I do not think that the EU will be able to achieve those objectives if it continues with its current approach. There is a compelling case to be made and we will pursue it vigorously. We will find out whether we will be successful in due course. Our success will be a consequence of the discussion that we have around changing the approach.

**Bill Wilson:** It occurs to me that we could say that we are not expecting all nations to meet the 2020 target at the same level, as it were, and that the argument could be that the EU should be meeting the target as a whole, rather than each individual state necessarily meeting the target, with some countries coming, for example, 60 per cent above the target and other nations failing to meet it.

**John Swinney:** That would be the core of the argument.

**Mr Frank McAveety (Glasgow Shettleston (Lab):** Cabinet secretary, I have followed your career so well that I know your title accurately.

**John Swinney:** I have followed your career, too, Mr McAveety.

**Mr McAveety:** It has been turbulent but wonderful.

Bill Wilson and I engaged in mini-coalition politics by visiting the European Parliament in early December. One of the key messages that came out of our trip—and which was reflected in the earlier discussion about the issue of Scottish engagement with the Commission—involved the need to ensure that folk who understand the system within the UK, particularly the Scottish dimension, can influence and be part of the decision-making process inside the Commission. I want to talk about that with all the ministers who come to this committee.

How do we create a dynamic whereby those who have the interests of Scotland at the centre of what they want to achieve in Europe can use their role in Europe effectively, and how do we encourage our best people to go and work inside the Commission so that we can influence it, which will help to ensure that the issues that we were discussing earlier will not be repeated in future?

**John Swinney:** That is a fair point. There are clearly examples where countries gain an advantage by having their own nationals, who have an understanding of what is going on in their country, well placed within the Commission. Many people who are well briefed on the Scottish situation operate within the Commission and that should be encouraged. It is important that individuals in our society regard European governance and European administration seriously as a career path. Equally, we must also ensure that we take forward action on our

interactions at ministerial and official levels with the Commission, so that we are able to influence agendas to our satisfaction.

In September, when I was talking to the Commission about issues on behalf of the financial services sector, in relation to the way in which the Commission was pursuing the agenda of financial services regulation, I wanted to ensure that the concerns of companies that are fundamental to our economic strength were fully recognised and taken into account. That is just one example of what I am talking about, and my colleagues are engaged in similar activity. For example, Mr Lochhead is frequently in discussion with the Commission on agriculture and fisheries matters, Michael Russell is going to Brussels later this month to discuss issues relating to his portfolio and the skills agenda. There is an essential need for us to have that dialogue to pursue our interests.

The two elements—ensuring that people with knowledge and experience of the Scottish dimension who can communicate the character and flavour of our situation work within the Commission and ensuring that ministers have an appropriate dialogue with the Commission—are equally important.

During my recent discussions on the financial services sector, I was struck by the deep understanding within the Commission of the sector in Scotland and its many facets. I think that there is a good knowledge base there, at the outset.

**The Convener:** Does the Scottish Government have a view on the idea that is being floated about holding back structural funds from countries that are failing to comply with the growth and stability pact?

**John Swinney:** That is not an issue with which I am familiar. I would have to explore that and give you some more detail in writing.

**The Convener:** It occurs to me that, if the UK Government failed to comply, Scottish structural funds could be penalised. That is something that is certainly worth reflecting on.

**John Swinney:** I understand the logic of the point that you make and I will explore it further, because there could be dangers in that respect.

**The Convener:** Everyone has had an opportunity to question the cabinet secretary and we have had a useful and productive session. I know that, if there is anything that we feel that we have not covered, you will be happy for us to write to you. We look forward to seeing the Government's report on cohesion, which I assume will be available in the next couple of weeks.

**John Swinney:** We will make that available to you.

**The Convener:** We will suspend for a couple of minutes to allow a change of witnesses.

11:24

*On resuming—*

11:21

*Meeting suspended.*

## **Scottish Government's China Plan**

**The Convener:** I welcome to the committee the Minister for Culture and External Affairs. She is accompanied by Heather Jones.

Before we start our questions on the China plan, minister, I think that officials have alerted you to the fact that the committee understands from the Network of International Development Organisations in Scotland that £4 million of the £9 million that has been allocated to international development remains unallocated in the proposed 2011-12 budget. NIDOS asked us to clarify that with you, and as you are here today we thought that we would ask whether you have plans in place to ensure that the full international development fund for 2011-12 is spent. Are you able to do that?

**Fiona Hyslop (Minister for Culture and External Affairs):** The answer is yes, but I am sure that you want a bit more information. Obviously, it is subject to the Scottish Parliament's deliberations on the budget, which we hope that the committee will support, particularly as we have maintained the £9 million for international development. Any risk to the Scottish budget would put in jeopardy the funding that you have just identified.

Regarding allocations, the Malawi development programme for 2011-12 has already been allocated more than £3 million. Previously, the committee expressed concern about whether we are ensuring that we maintain Malawi funding. In fact, as I have indicated, under our stewardship the funding has exceeded the figure of £3 million by a considerable amount.

Our international development funding activity tends to begin in the summer, but applications must be made. I reassure the committee that NIDOS and all the different organisations that are involved were given notice last week that the application procedure is open. I know from experience that officials stand ready to ensure that the applications are turned round quickly. There are some concerns because we are coming to the end of the current parliamentary session and the spending review period. The 2011-12 budget cycle begins in April, but that is not necessarily when the international development programme spend or allocation takes place—that tends to be a summer cycle.

The outstanding total funds that are still to be allocated for the 2011-12 cycle amount to £3,855,000. Invitations and guidance were issued

last week to the relevant organisations to ensure that allocation can progress. With regard to the grant applications for NIDOS and the Scotland Malawi Partnership, I know that there are some concerns because the cycle is April to April, so both organisations have been reassured that the cycle will continue. Obviously, however—as with any of this—it is subject to the Scottish Parliament's budget deliberations.

I hope that that is helpful.

**The Convener:** Thank you for clarifying that point.

**Ted Brocklebank (Mid Scotland and Fife) (Con):** Convener, may I ask a supplementary on that?

**The Convener:** Yes, of course.

**Ted Brocklebank:** The minister has heard me speak on this subject before, but I will make one last attempt at clarification.

As we have discussed in recent meetings on the international development budget, you have for some reason decided not to state categorically that a sum will be allocated to Malawi in the forthcoming year. You have stressed to us over and over again that that does not mean that this Government is reducing its spending, but you have still shied away from actually putting it in the budget.

I put a proposition to you. In the totally hypothetical event that a different Government were to come in after May 5—who knows which Government, if any, might come in?—would not it be better that the figure was there in writing, so that the new Government would at least know that this Government had fastened its colours firmly to the mast?

I know that you cannot necessarily tie any future Government to what you were planning to do, but would not it be valuable to put the figure in writing, simply to encourage a possible future Government to stick to it?

**Fiona Hyslop:** The Scottish National Party has reaffirmed in the international plan that there is a minimum of £3 million to be spent in Malawi. We have spent £4.5 million in one year, which is half of the international fund at present. I am delighted that Ted Brocklebank has such faith in the SNP Government. We have been very enthusiastic about our funding for Malawi, which has been far in excess of the funding under the previous Administration.

If you trust the SNP, but do not have that much faith in the Labour Party, the Liberal Democrats or the Conservatives, the committee may put forward the argument that you might want to put something in the budget bill.

**Ted Brocklebank:** But the figure has been in previous budgets—why not this time?

**Fiona Hyslop:** We will be judged by our actions, and we have far exceeded £3 million—indeed, we have spent £4.5 million. That quite clearly gives people confidence in the SNP and our investment in Malawi. I think from what you are saying that you have doubts about the commitment of the other parties, which is why you want the figure to be set out in an amendment to the budget bill. As I indicated in my answer to a question from the convener, I can reassure you on that. I can now say that £3,024,916 has been allocated to Malawi in the financial review for 2011-12. Having already allocated the funding, we have confidence that the £3 million figure has already been met by the SNP Government. If you have doubt about the commitment of other parties, it is open to any political party to lodge an amendment to the bill.

11:30

**The Convener:** We will await an amendment from Ted Brocklebank.

I turn to the China plan. As members are aware, the committee conducted an inquiry into the plan and reported to the Parliament in October 2009. This session is a follow-up and I hope that it will provide a stocktaking exercise on Government progress in engaging with China. At a time when Sino-Scottish relationships seem to be developing, it is also pertinent. I am sure that the committee will join me in welcoming the trading agreements that coincided with Vice-Premier Li Keqiang's recent visit to Scotland.

I understand that the minister will not make an opening statement, so we will move straight to questions. We received the Scottish Government's response to our committee report in January 2010. Will you update us on the work that the Government has done on the China plan since then?

**Fiona Hyslop:** Most of the activity is to reinforce and deliver on the China plan, including the reinforcement of relationships in the partnerships that we are developing. The First Minister's visit in July and the Cabinet Secretary for Education and Lifelong Learning's visit in October reinforced the strength of our activity, as did the very welcome and successful recent visit of Vice-Premier Li, along with six of his ministers.

For example, the geographical indication registration that ensures access to China markets for Scotch whisky has been welcomed. The First Minister raised the issue in his 2009 visit and there has been a great deal of activity with UK counterparts in trying to ensure that we achieve that. As I said, the outcome of that activity, which

has been on-going for many years, was very much welcomed. The access to China markets for Scottish salmon has also been welcomed. Much of the activity is on such practical trading issues.

I turn to other development issues. For example, I am pleased that 2010 saw further development between Oban-based GlycoMar and AsiaPharm. Interestingly, I oversaw the sign-off agreement on a visit to China in 2008. The development has extended to include the University of Edinburgh and China's Ministry of Health. A number of such activities are involved. We are using the plan to reinforce different levels of activity.

I have said previously that many of the education targets are well embedded and supported, as is activity in that area. I can now report the same in terms of activity on trade. The recent announcements put effect to that. I think that we are all very pleased that Edinburgh zoo has been given the gift and loan of the pandas. That is very welcome. Indeed, Vice-Premier Li made it clear that this is part of relationship building in the relationship and friendship that the people of China have with the people of Scotland.

**The Convener:** The plan has seven headline objectives. The most recent data are for 2006-07. Can you update us on progress on those objectives and say whether up-to-date information is available?

**Fiona Hyslop:** The intention is to conduct a full assessment of progress on each and every one of those. The activity around that is happening at the moment. The Government's analytical services and China team are in the process of producing a report on outcomes. The four-year plan ends in May 2011. At that point, you will get the full report.

I think that the convener is interested in the headline figures on progress to date. I will give such information as I can; other information will follow on from the assessment and research. On Chinese language learning and learning about China in Scottish schools, I can report that 240 pupils were presented for Chinese exams in 2010. In 2006, no pupils were presented. I know that an issue is encouraging a faster pace, but that depends on teachers, too, which is one reason why we are trying to encourage Chinese students to come to Scotland. The fact that we now have higher and advanced higher Mandarin examinations is a great step forward and represents progress.

Developments have taken place on Confucius institutes. When Michael Russell discussed education with the Chinese, he talked about the work of the Confucius institute to support and promote Chinese teaching in schools and the interest in parts of Scotland in developing Confucius institutes.

That is the headline for objective 1 on education. Is that helpful? I can go through all the objectives, but I do not know how the convener wants to handle the questioning. Will that be done by section?

**The Convener:** I have a list of members who want to ask questions. Does anyone want to ask about the targets that the minister has mentioned or are all the questions on new subjects?

**Bill Wilson:** I am curious about the two ministers' visits, which had much publicity. You mentioned one issue that was discussed—the Confucius—I knew that I should not have tried to pronounce that word in a committee meeting. You referred to the institutes. What other hard benefits have come out of ministerial visits?

**Fiona Hyslop:** Anybody who has worked with China knows that a lot relates to relationships that are built over time. The whisky example that I gave will make a huge difference to Scotland's economy and will have an impact on jobs in relation to one of our key exports. The First Minister first discussed that with the relevant Chinese ministry in 2009 and the issue was followed up on his visit in 2010. Other people—not least the Scotch Whisky Association—have been involved, too. The way in which relations with the Chinese Government work is that, when we want to make progress on education, trade or other matters, a strong value is placed on ministerial contact and support.

Imports of live breeding pigs were addressed on visits—that is an important aspect for us to progress. Scottish Development International and the Scottish Council for Development and Industry were involved in several trade missions as part of the First Minister's visit.

The joint venture by PetroChina and INEOS is important. Grangemouth is not in my constituency, but a number of my constituents work there. Securing 2,000 jobs in that part of the country is important. Anybody who knows the history of Grangemouth knows that concerns have been felt about the future of the plant there at different periods. That venture was the result of the First Minister's visit to China.

On Michael Russell's visit, discussion took place on the commitment to develop more Confucius institutes and on university-to-university contacts, which are important. The saltire scholarships offer 50 places for Chinese students. We are developing such scholarships for key areas of life sciences, renewable energy and important industries of the future. The aim is not just to increase the volume of Chinese students who come to Scotland but to ensure collaboration between the brightest and best of both countries.

A key part of Vice-Premier Li's visit was going to Pelamis Wave Power in Leith, with which the University of Edinburgh is working closely on tidal power. He saw an impressive demonstration of Scotland's capabilities. It is interesting that much of the science and engineering that is involved in that activity builds on our existing transferable strengths and technologies in oil and gas. Interest has been shown in how we can use our expertise in oil and gas to work on renewable energy. There are practical examples of that.

The First Minister reached agreement with the Chinese culture minister to develop a memorandum of understanding on culture.

In the week when I visited China in 2009, health reforms were announced there. That presents great opportunities. As the Cabinet Secretary for Health and Wellbeing, Nicola Sturgeon will engage in the memorandum of understanding between the UK and China on health reform opportunities.

The developments are probably too numerous to mention them all; I am sure that we can follow up any particular issues in writing. The work is about having a common understanding, friendship and partnership, but it also has a result in industry opportunity. The export opportunity for the whisky industry alone is huge, but whether the industry is food and drink or a key sector for the future, the opportunities are strong.

There are also opportunities in culture. One important element of our cultural relationship with China is the fantastic opportunity that is presented by the 2011 Edinburgh festivals, which will have a big Asia focus; the National Ballet of China is coming. We are operating on different strands, many of which are reflected in the China plan. However, if we look at the relationship's rate of progress and achievements under the China plan, it is fair to say that there is far more movement on trade and industry, for example, than I would have been able to report to the committee this time last year, when education was probably the strongest area.

**Bill Wilson:** The opportunities are too numerous to mention, but it must be said that you have made a good effort to do so.

I turn from the Confucius institutes to the issue of renewable energy. I understand that the partnership in Shandong concentrates mainly on education. Given that China is aware of the damage that climate change may do to its environment, and given that it has a constant and growing demand for energy, should we not look at putting more effort into building our renewable collaboration with China?

**Fiona Hyslop:** Absolutely. The presentation that was given to Vice-Premier Li at Victoria Quay focused on explaining the range of activity that the

Scottish Government is undertaking on climate change and renewable energy. It was followed up by a visit to the Pelamis plant. One area in which China is particularly interested is carbon capture. When I visited China in 2008, Professor Tim O'Shea, the principal of Edinburgh University, was part of our delegation. During that visit I met the Chinese science minister, who was interested in what we were doing on renewable energy and on carbon capture, in particular. Tim O'Shea kindly offered to ensure that Professor Haszeldine, an expert on many renewables issues, was at hand to explain some of the activity that is under way in Scotland when the science minister visited Heriot-Watt University two or three weeks later.

We are conscious of the fact that much of our influence and capability relates to the climate change issue. In 2008, I visited Jinan in Shandong. The town is known for its springs, which could provide energy as well as water, so there is obviously interest in that issue. In our collaboration with China, we are interested not just in the support that we can get for jobs, such as those at INEOS in Grangemouth, but in the technology that we can offer. It is still early days, but one of the things that will have made the biggest impression on last week's Chinese delegation is the briefing that it received on renewable energy and its visit to Pelamis. We would like to work with the Chinese Government in relation to our expertise. Climate change is a big challenge, so the more that we can influence China's activity on the issue, the better. There is particularly keen interest in carbon capture.

**Ted Brocklebank:** I have a follow-up question to counterbalance slightly Bill Wilson's cheerleader activities on behalf of the Government. Today you have said that the investment at Grangemouth was to secure the 2,000 jobs that are there; the First Minister has used the same phrase. Can you explain that to me? Why we are seeking to secure those jobs at a time when oil prices are almost at an all-time high? I can see strategic reasons for having a Chinese partner at Grangemouth. However, given that the plant has never been doing better business economically, why does that have anything to do with securing jobs there?

**Fiona Hyslop:** I am not saying that there is an overall threat, but anyone who knows the area and the industry over decades will know that there have been different pressures at different times. Joint ventures, with joint investments for the future that allow cutting-edge technology to be exploited both here and elsewhere, are good news. Direct inward investment is important for any business.

We need to see the issue in overall terms. The area in which Grangemouth works—petrochemicals—is important strategically, but the plant is also a major employer in the area. I know



at first hand that, even during the lifetime of this Government, there have been concerns about the future for employment purposes. At the end of the day, we are dealing with people's jobs. The location of 2,000 jobs in Grangemouth has a massive impact on the economy both in Falkirk and more widely. Grangemouth has a national strategic role and an international strategic energy role, but we should not forget that it has the basic role of providing bread-and-butter income for families in homes across central Scotland. That should not be underestimated.

11:45

**Ted Brocklebank:** No. It is just that the terminology that was used slightly surprised me, given that the refinery is Scotland's only one and that there are boom conditions in the industry at the moment. I can think of all kinds of reasons why the Chinese might want to buy into the technology at Grangemouth, but that has nothing to do with protecting the 2,000 jobs there.

**Fiona Hyslop:** Perhaps I should invite you or arrange a visit to—

**Ted Brocklebank:** I have been to Grangemouth many times.

**Fiona Hyslop:** We are trying to emphasise the importance of Grangemouth to the local economy from a domestic point of view. However, your points about its strategic importance are well made.

**Jim Hume:** On a completely different subject, you mentioned in your response to the committee's report that you are actively promoting direct flights between Scotland and China. What work has been done on that? Are there any fruits of that labour?

**Fiona Hyslop:** Members should bear with me, as Vice-Premier Li's visit was only last week, and many of the discussions were private. However, it is clear that that is a major issue for us, and we are pleased that we will be taking forward discussions in that area. You are right to identify that direct flights can make a big difference in trade and investment and people-to-people relationships. I cannot give you further details on the matter at this stage, but I hope to be able to report to the committee in the future on the progress that has been made in such areas. That is certainly a key area in which there are active discussions.

**Jim Hume:** So work is in progress.

**Fiona Hyslop:** Yes.

**Jim Hume:** I presume that you will also have to work with the UK Department for Transport on the

matter. Is that already happening or is it still to happen?

**Fiona Hyslop:** That will undoubtedly happen. It is important to stress that, in our relationships with the Chinese Government, we have to work closely with UK Government departments. I am sure that the committee will be reassured by that. Education provides a recent example. We contributed to the Sino-UK education summit as well. We worked closely with the Foreign and Commonwealth Office on the most recent visit, and we work in bilateral relationships with each of the departments, including the Department for Transport. It is clear that we will work with that department.

I will ensure that when we have any progress that we can proactively report to the committee, we will do that, but I do not want to jeopardise discussions that might be taking place. Vice-Premier Li's visit took place only recently, but I will ask my colleagues to update the committee on any progress on transport.

**Jim Hume:** I look forward to some progress.

**The Convener:** Ted Brocklebank wants to come in on a separate subject.

**Ted Brocklebank:** I return to the momentum that seems to be building in our relations with China. Putting a small quibble aside, I was gratified to see all that came out of the visit the other week. We are going in the right direction, but it is strangely surprising, given that momentum, that the Government has decided to cut China and India funding in this year's draft budget while increasing North America funding. Does that not endanger the momentum that you seem to be building up?

**Fiona Hyslop:** I have just received a note from an official that relates to Jim Hume's question—obviously, things are moving quite quickly. The visit was only last week, but I understand that officials will meet UK Department for Transport officials this Friday. That may be helpful.

On Ted Brocklebank's question about spend, we must remember that not all the Scottish Government money that is spent on a country comes from my budget. You are looking at the spend from the budget of the office of the First Minister and where we are with that. With respect to China, there is a great deal of activity on educational aspects, for example. I know from the committee's inquiry into international spend that one of the reports that it received was critical of the Scottish Qualifications Authority and its international spend. The SQA spends a great deal because there has been a huge increase in the number of Chinese students who are taking SQA qualifications. That budget will not appear under my portfolio spend; it is part of the SQA's

education spend. The same applies to issues to do with higher education and trade. Spend on business activity, for example, will not come from my budget, which will tend to be for ministerial visits. There are regular visits. There have been two ministerial visits this year, although there tends to be only one a year. Members will know that parliamentary time constraints restrict when we can go. There tends to be Government-to-Government activity, which probably does not cost as much. North American activity tends to be organised through the North America office.

There has been interest from the committee in what we are doing in Canada. We have just implemented a Canada plan. We did not think that it would be sensible to reduce our spend in North America at a time when we are asking for more input—and in another country as well—so that is why there is a differential. However, I reassure you that I do not feel constrained in our activity in China because of a lack of spend. A lot of the activity tends to be more diplomatic and political, and you will understand that the pace of diplomatic and political activity is more constrained in our relationship with China than in our relationship with North America, where there is perhaps more locus to undertake initiatives in-country on our own. Those relationships are, understandably, different because of the political circumstances. I hope that that gives you some reassurance.

**Ted Brocklebank:** Although today's session is specifically about China, the same issues arise with India, which is the next major economy that is roaring up. We are spending more in North America than we seem to have allocated to either China or India.

**Fiona Hyslop:** India is very much a developing area for us. As I explained when I gave evidence on the overall international development plan, each country is at different stages and our international activity is more sophisticated and more embedded in the United States. It was started by the previous Administration and our involvement with China came after that and our involvement with India, on a nation-to-nation basis, has come after that. Our involvement with those countries is therefore at different stages. The challenge for us is in making sure that the distribution is fair as we aim to maximise the impact of future budgets on all the areas. The committee will have an important role in ensuring that we do that.

You are right to ask that question. A lot of our spend in India will come in trade and industry and in education, and the challenge for the Government and the Parliament will come once we are operating at full capacity. I do not think that we are doing that yet in all the areas. Everybody realises that there is more to be done and that we

are at an earlier stage in some relationships than we are in others.

**Patricia Ferguson:** The minister will recall that, in our comments on the China plan, the committee was especially keen to emphasise that human rights issues should be raised with China. You responded by saying that that would be done sensitively and where appropriate. Was there an opportunity to discuss those issues with Vice-Premier Li Keqiang when he was here a week or two back?

**Fiona Hyslop:** You will understand that I am unable to reflect on conversations that were held privately. The Government has made it clear that we will take any opportunity that we can to make our views known. Indeed, in a speech that the First Minister made at a dinner in the castle that was given to mark Vice-Premier Li's visit, he talked about the importance of there being a moral aspect to free market development of the economy. The First Minister referred to the fact that Premier Wen Jiabao is renowned for carrying a copy of "The Theory of Moral Sentiments" by Adam Smith and quoted from a lecture that Jiabao gave at the University of Cambridge, in which he stated:

"Adam Smith, known as the father of modern economics, held the view in *The Theory of Moral Sentiments* that if the fruits of a society's economic development cannot be shared by all, it is morally unsound and risky, as it is bound to jeopardise social stability ... Within the body of every businessman should flow the blood of morality."

Within the friendship between our countries, there is an opportunity to emphasise the importance of the free market economy going hand in hand with recognition of that view, which should be shared by all.

I reassure the committee that human rights are an issue of which we are very conscious. I note the committee's interest in the issue and assure you that it has been raised.

**Patricia Ferguson:** I stress that the committee's interest is not just in sharing the fruits of economic growth but in ensuring that there are political and democratic freedoms in countries with which we do business. Those issues must also be raised. I wondered whether there was an opportunity to raise them in the wider context.

**Fiona Hyslop:** It is the wider context—that you cannot have one without the other. If the message that China is giving to the world more generally is the importance of opening up and having more of a free market approach to many things—that therefore you cannot have one without the other—we can also argue that you can have political freedoms without economic growth. That is a philosophical approach that you can take. Quite clearly, though, when we are trying to influence

people on the basis of the relationship that we have with them, we need to use the tools at our disposal. Because of the interest of the Chinese leadership in Adam Smith and his work, that is an important way of articulating a broader issue to do with political rights, freedoms and democracies in a context that is part and parcel of the conversation that we are having with them.

**Patricia Ferguson:** I well understand the need to be sensitive and to raise these issues when the opportunity arises, and I fully appreciate why the minister and the First Minister would choose to emphasise an area in which the Vice-Premier himself has an interest and on which he has been quoted. However, I emphasise that the committee was not saying that the issue is just about free market growth and the need for a country to be moral in its business trading. It was also meant to be a much broader statement about human rights more generally in China, which goes beyond the bounds of trade and development.

**Fiona Hyslop:** I very much appreciate that and I reassure the committee that I have done that personally with Chinese ministers.

**Sandra White:** I echo Patricia Ferguson's point about human rights and ethical trading with countries, and I thank the minister for her reply. I have spoken to her about that on many occasions, as have others on the committee. I hope that, in years to come, even the European Union, which I think is one of China's biggest trading partners, will have more ethical ways of trading. If, as in the case of China, we can emphasise the issue to the EU, I would be more than happy.

I agree with what the convener said about the success of Vice-Premier Li's visit to Scotland—it brought success to businesses, too.

Ted Brocklebank's comments about Grangemouth illustrate why we will never have a Conservative Government in Scotland.

I am not pandering to the Scottish Government, but we must give credit where credit is due and congratulate the Government on an extremely successful visit from Vice-Premier Li. Has the minister had any thoughts about whether anything more can come from the visit—more breeding pandas perhaps? I will leave it to the minister to let us know about that. Does she see anything else relating to trade and employment coming from Li's visit?

I was going to ask about air routes, but they have been covered by Jim Hume.

Tourism, and the issue of how we sell ourselves to other countries, especially China, is a big issue in Scotland. In the committee's report on the Scottish Government's China plan, we suggested that VisitScotland develop a China toolkit for

tourism. The minister agreed with that. How successful has VisitScotland been in that regard? What role has the Scottish Government played in the toolkit? Is that up and running?

**Fiona Hyslop:** There are a number of issues there. Further actions will result from Vice-Premier Li's visit. It was only a week ago, but officials will be meeting the Department for Transport on Friday, and the Chinese embassy, to follow up on a number of actions that we agreed. It is not a reflection on the China plan as is, but it comes back to the point that we are at now, which is about how we can reinforce activity to support the China plan.

In terms of where we go ahead, new areas include health—the health reforms are very interesting, and there are opportunities there. We have done some work on life sciences in the past but less on health generally. In terms of rural development, renewable energy has already been mentioned. There is also tourism and golf. In fact, on his visit to China, the First Minister launched with the tour operator China Holidays its first dedicated Scottish golf brochure. I can give the committee some figures in that respect. In 2005, there were 7,000 visitors from China and, over the past three years, that has increased to 11,000. Obviously, there is still more room for movement in the market, but it shows that there has been some improvement and the publication of the brochure is a major move in that respect. The toolkit has been very much welcomed and is being used and VisitScotland has indicated that it is proving successful in providing support.

12:00

Other areas in which we are looking for greater Chinese investment include air links, which we have discussed, and seed potatoes, which are a very practical area of expertise in which we think we can undertake work. I have already mentioned cultural exchanges; we hope that the Chinese minister for culture will be able to attend the international festival. The invitation has certainly been made, but we have not yet received any confirmation.

We are also looking at more development in Tianjin. Standard Life, the University of Dundee and the University of Glasgow are all carrying out activity in the region and we are growing and improving our links there. We also want to refresh our links with Hong Kong, which we have visited twice, and certainly think that there is more to be made of that relationship. Finally, as I have mentioned, we are looking at whether we can increase support for the Confucius network.

I hope that I have managed to give the committee an overview of the areas that we are

moving forward in. Obviously, more will come out of the recent visit, although I should remind the committee that it took place only nine days ago and that a lot needs to be pursued in that respect. However, we are pursuing the various action points very rigorously and I am sure that there will be more to report to the Parliament and the committee.

**Sandra White:** With regard to tourism and encouraging and making it easier for Chinese visitors to come to Scotland, it is unfortunate that we do not have direct air links, although the fact that the issue is being considered is itself great progress. However, we also have to think about the issue of passports and legislation that is about to be introduced in Scotland. Have you spoken to the UK Government about making it easier for Chinese visitors on packages to come straight to Scotland instead of having to drop off at Heathrow and spend a couple of days in London first?

**Fiona Hyslop:** All that will depend on air links, which we are continuing to address. The kind of visits that you have mentioned are an on-going issue, but we will not necessarily know about any difficulties unless the industry tells us about them. The situation is easier for people who are, say, booking a visa for a foreign holiday; the issues that have been raised with us, particularly by local authorities, relate more to people coming to Scotland as language assistants. We have the Chinese Government's support in pursuing such matters with the Home Office, but that is the only difficulty that has emerged over the past year. The number of people who are affected is not large, but the issue is very important to the councils involved.

**Sandra White:** I was indeed looking to raise the issue of the accreditation of Chinese visitors coming to Scotland. You said that you are pursuing the matter with the Home Office; obviously, the difficulty is on the China side and I wondered whether you would raise the issue with the Premier or Vice-Premier.

**Fiona Hyslop:** That was not an area for discussion, although we have discussed the matter with the Chinese embassy and the Home Office. As I have said, the number of people who are affected is not large. If members know from their own areas or experience of any difficulties that have arisen, it would be helpful if they would let us know about them to allow us to see whether any pattern is emerging.

**Bill Kidd:** At a previous meeting, I asked about the Scottish Chinese community's involvement with the China plan and relations with China. I know, for example, that Scottish Development International is engaging with small and medium-sized enterprises in an attempt to link the Scottish Chinese community into its own work. However,

for a number of reasons, Chinese communities outside China frequently end up being ghettoised. Although that situation is not particularly bad in Scotland, it means that those communities find themselves separated out from everyone else, and it is important that in developing trade and, in particular, cultural links we bring our Scottish Chinese community on board and ensure that it is involved as much as possible. Did the Scottish Chinese community have any opportunity to be involved in the visit, or was it not really about that level of engagement?

**Fiona Hyslop:** There are a number of issues. You are right about our international development work in different countries. The India and Pakistan plans are good examples of where we need to work harder on how we work with the populations in Scotland that have relationships in those countries. We seek to make more progress on that. I recently had discussions with the Pakistan consul about those issues. The same could apply to China, India and other areas.

Visits tend to happen quite quickly and, although we used the short time available to great effect, there was no opportunity to involve the Scottish Government with the Chinese community. However, I was pleased to hear from our Chinese visitors that during their short stay in Scotland they had the opportunity to meet some Chinese students who are studying in Scotland, and that was welcome.

There is an issue about how we deal with the Chinese diaspora—or the Indian and Pakistani diasporas—in Scotland as part of our international development work. I would like to reflect on that more. As I have indicated, we can do more in the business area, but how we support people who live here is also important. We had a good debate in Parliament last week about the Irish diaspora, but you are also right about the Chinese community. I know from my constituency work and my work in education and learning that in terms of outreach and community learning and development we have to approach different communities in particular ways. I know that Edinburgh works hard with the Chinese community on access, particularly for older members of the Chinese community, so that they are served as well as they can be in areas such as health.

We need to reflect on whether our country plans mean that we have a one-way relationship with the countries, and perhaps on how we can help to support what is happening within Scotland with the diaspora communities. For example, Glasgow City Council does a great deal of work with the Chinese community. The issue is whether there is a role for the Scottish Government or whether issues are best dealt with by the local authority,

which knows its area better. How we behave towards and support people from other countries who are living in this country sends a strong signal to those countries and reflects the value that we place on our relationship with them. It cannot be overestimated. It is easy to talk about the economic and monetary value of trade and industry contracts, but Bill Kidd makes the important point that the social value of our behaviour towards people is just as important. If Scotland wants to be known as somewhere that gives people a warm welcome, we have to be aware of how we treat people who live here.

**The Convener:** That is a valid point, and the minister has addressed it constructively. However, when we undertook our inquiry, we had some informal meetings with members of the Chinese community in Scotland, and they were quite vociferous in saying that there was a lack of engagement on the China plan. You are right to say that it is worth reflecting on that and working out how we can move forward.

**Fiona Hyslop:** Yes, I will do that.

**Bill Wilson:** There is a question on mentoring that we should ask. The committee has heard that businesses that are working in China would be happy to provide advice and guidance to smaller businesses, and SDI responded positively to the suggestion of a mentoring scheme, which would be rather more comprehensive than the globalscot network. Has the Government or SDI undertaken any further work on setting up a mentoring scheme for small and medium-sized businesses?

**Fiona Hyslop:** I cannot answer that directly, but I will find out and write to the committee. There is an issue about knowledge of the country. From meetings that I have attended about, for example, the drinks industry, I know that sometimes it is about people with expertise in particular lines of business—the food industry, the drinks industry or other industries—mentoring people with similar experiences in the sector. I am happy to come back to the committee on that. Obviously, SDI is more familiar with that issue.

**The Convener:** We have finished our questioning. Thank you for coming along today. You will write to us on the headline objectives, as we did not have a chance to cover all of them today.

**Fiona Hyslop:** We stopped at number 1. We will come back to the committee on the rest of them.

**The Convener:** We would also like you to come back to us on the mentoring scheme. If there is anything else that we have not picked up on, we will highlight it to you so that you can give us a full response in your letter.

I should not speak too soon, but this may be the last time that you appear before the committee before dissolution. Thank you for working constructively in partnership with the committee.

## Committee of the Regions Event

12:10

**The Convener:** Item 4 concerns the Committee of the Regions event that took place in the Scottish Parliament on 10 and 11 January. We were pleased to welcome delegates from across the United Kingdom, from the Committee of the Regions and from the Congress of Local and Regional Authorities of Europe for their annual meetings here in the Scottish Parliament. The Deputy Presiding Officer chaired the COR plenary session in the chamber, which was followed by breakout sessions for political and regional groups of members.

The day was useful. I reflect back to members that people were impressed by the building and by what we are doing in Scotland in relation to Europe. I thank the clerks who were involved in assisting to arrange matters on the day. One senior member commented that it was the best delegation meeting that he had ever attended. I thank everyone who was involved. We had a useful session in the chamber on subsidiarity. People welcomed the work that the committee is doing.

## British-Irish Parliamentary Assembly Business 2009-10

12:12

**The Convener:** Item 5 concerns the British-Irish Parliamentary Assembly. We have received an annual report from Alasdair Morgan, who is a member of the BIPA, detailing Scottish participation in the assembly. The report is before the committee today because he wanted to ensure that he had a mechanism to report back to the Scottish Parliament on the BIPA's activities. I cannot answer any questions that members have, as the report is Alasdair Morgan's work. Are members content to note the report and its contents, and to thank Alasdair Morgan for bringing it to the committee?

**Members** *indicated agreement.*

## “Brussels Bulletin”

12:13

**The Convener:** Item 6 is consideration of the “Brussels Bulletin”. Do members wish to raise any points?

**Sandra White:** We should note what page 2 of the bulletin says about the Belgian presidency, which was dominated, unfortunately, by financial issues. However, something quite good has come out of that, as the Union is looking to develop a surveillance system to forewarn of economic crises. Hungary has now assumed the rotating presidency.

**Bill Kidd:** The platform against poverty is mentioned on pages 3 and 4 of the bulletin. No one knows what will happen after the election, but it might be interesting for the committee to follow up on the issue, as we are dealing with a long-term platform that is part of the Europe 2020 strategy.

Unfortunately, poverty is an abiding issue in Europe, but circumstances are changing. In the previous, smaller Europe, finances were concentrated on poor areas in the older member states. Now that we have an expanded EU, with a much higher number of people living in poverty, we need to consider the expansion of funding for them. I am not against the expansion of Europe, but if all the money for tackling and eradicating poverty was targeted on Romania and Bulgaria, for instance, those areas in western Europe that still have poverty might lose out. I am concerned about that, so I think that we need to consider it.

12:15

**The Convener:** Those are relevant points. The Commission has agreed that funding will not be concentrated only in the eastern European states—which is a step forward with regard to the arguments that we have been making—and will apply across the European Union. It depends, however, on the thresholds for the criteria that are set. We have to be aware of those important arguments, certainly when it comes to the development of cohesion policy. You are right to raise the matter, Bill.

Europe 2020 contains the headline objective of taking 20 million people out of poverty, and the committee has already made a submission on that. I agree that we should keep a watching brief on the matter.

**Sandra White:** I was going to raise that issue, but Bill Kidd did it eloquently. The cabinet secretary spoke about Europe 2020 earlier. To go back to the EU presidency, countries such as

Poland want money for deprived regions of eastern European, and we have to keep an eye on that.

The cross-border health directive is covered on page 3 of the bulletin. We should be kept informed about what is happening with that, as should the Health and Sport Committee. There has been an agreement to differ on the policy, because of the differences in health provision in the various countries. Some obstacles have been overcome, but there are more to come. We should highlight the matter to the Health and Sport Committee and we should keep a watching brief on the progress of the directive.

**The Convener:** You are absolutely right. We have agreed to keep the Health and Sport Committee informed of developments. As well as sending the “Brussels Bulletin” to that committee, we should write a covering letter, pointing out that the matter has been discussed at this committee, and that we wish to draw particular attention to the current developments.

### *Members indicated agreement.*

**Jim Hume:** Page 6 of the bulletin covers the subject of food labelling. There seems to have been a ratification of two directives, from 2000 and 1990. That could affect large parts of Scotland, and it could be relevant to the work of several committees, for example the Rural Affairs and Environment Committee, the Health and Sport Committee and the Economy, Energy and Tourism Committee. As the bulletin says:

“A second reading in the Parliament is expected by summer 2011”

and a position is expected on the proposal “early in 2011.” Perhaps we should flag up the matter to those three committees.

**The Convener:** Yes, as part of our horizon scanning.

**Jim Hume:** Just in case of any unintended consequences. The bulletin states:

“ministers omitted references to national labelling schemes”.

We do not want anything of that sort to affect our Scottish brand.

**The Convener:** That is a good point. There is plenty of time to influence matters, which is a good thing.

**Jim Hume:** As I said, I think that the matter affects those three committees, apart from this one: the Rural Affairs and Environment Committee, the Economy, Energy and Tourism Committee and the Health and Sport Committee.

**The Convener:** Perhaps, on a regular basis, we should do more than simply send the “Brussels

Bulletin". There is always a danger when it comes to dealing with the last item on the agenda at meetings, because people might not always read items at the back of their papers properly. That does not apply in our committee, of course, but it is perhaps worth attaching a letter to the bulletin, drawing the attention of the various committees concerned to particular items, as part of our horizon-scanning work. That would be a good way to proceed.

**Sandra White:** The bulletin is excellent. It gives us a lot of good information about what is going on in Brussels. I see that the European citizens initiative is covered on pages 4 and 5.

**The Convener:** I am surprised that you have not raised it already.

**Sandra White:** I have indeed raised the matter on numerous occasions. The measures governing the initiative are to be adopted in February. I note that it will take seven member states to register an initiative, but at least we now have more concrete evidence to work with. In addition, Jim Hume was absolutely right to raise the labelling issue. However, I just wonder how much cost will be involved for industry in relabelling.

**The Convener:** Maybe we should write to the Scottish Government asking what it is doing in that regard. Is that agreed?

**Members indicated agreement.**

**Sandra White:** I am boring you about the bulletin, but there is a lot in this particular one.

**The Convener:** Ian Duncan will be very pleased that everybody is taking a close look at it.

**Sandra White:** I always find it to be excellent, and it gives good pointers. Obviously, a current issue is the annual budget for the EU, which has gone up by 2.9 per cent to €126.5 billion, which is good. I note in passing that Estonia has joined the euro zone. Finally, I think that it is important for us to keep an eye on the proposed consumer rights directive.

**The Convener:** Do we agree to note the contents of the bulletin and to refer it to relevant committees?

**Members indicated agreement.**

**The Convener:** That brings the public part of the meeting to a close. We now go into private session.

12:21

*Meeting continued in private until 12:51.*



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