



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 1 February 2011

Session 3

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EUROPEAN AND EXTERNAL RELATIONS COMMITTEE
2nd 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 ALSO ATTENDED:

Ian Duncan (Scottish Parliament European Officer)

CLERK TO THE COMMITTEE

Lynn Tullis

Simon Watkins

LOCATION

Committee Room 1

Scottish Parliament

European and External Relations Committee

Tuesday 1 February 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 second meeting in 2011 of the European and External Relations Committee. I have received apologies from Ted Brocklebank and Patricia Ferguson.

Colleagues will want to join me in expressing our condolences to the family of Phil Gallie, who was a stalwart member of the European and External Relations Committee in session 2. Phil was very studious and assiduous in undertaking scrutiny of European Commission legislation, and he certainly enjoyed that role in the committee—much to the chagrin of Commission officials, I am sure. He was a long-standing and highly regarded member of the committee, and I thought that we should note that in the *Official Report*.

Under agenda item 1, do members agree to take in private items 4 and 5 and further consideration of our legacy paper at any future meetings?

Members indicated agreement.

“Brussels Bulletin”

10:31

The Convener: The next item is consideration of the latest edition—the 54th—of the “Brussels Bulletin”, for which Ian Duncan is with us. Is this the final edition before dissolution?

Ian Duncan (Scottish Parliament European Officer): It is the last but one.

The Convener: Would you like to make any introductory remarks before we go to questions, Ian?

Ian Duncan: I have a few brief introductory remarks to make.

The issues that are dominating Europe and exercising most people at the moment are to do with the economy, the crisis and the next financial settlement—the next budget. All those issues are, of course, interconnected. In advance of the publication of the proposals for the reform of the budget, we are beginning to see a number of groups and institutions beginning to talk about what they would like to see happening. That is occurring against a backdrop of austerity.

I like to think that there is a Franco-German seesaw, which has been well balanced for a number of years, but is no longer quite in the same sync. We are beginning to see Germany exerting far greater influence in respect of what it thinks the financial nature of Europe should look like; that is having a huge impact on the European financial stability facility, and it will almost certainly have a huge impact on the next budget settlement, particularly the common agricultural policy. In the past, Germany has been the main banker and funder of that, of course, but that may not be true in the future. Therefore, we may find that there will be far greater changes than might have been expected.

There is a small thing to mention. It is a pity that Ted Brocklebank is not here. The mackerel situation is moving forward. It looks like the European Union is trying to do its utmost to flex its muscles in that area. It has not done that in fisheries in its external remit, but it is trying to do so now. The real question is whether it will make any difference. The EU has tried everything else, and it is a matter of watching this space to see whether it can bring about changes in fisheries outside its own waters by dint of an approach that is not far off strong-arm tactics.

Bill Wilson (West of Scotland) (SNP): The Faroese are obviously much more vulnerable from that perspective. Is there any sign that they are moving, or are they and the Icelanders still sticking closely together?

Ian Duncan: The Faroese are a bit like a koala clinging on to someone's arm. They are closely allied to Iceland. The Faroese and the Icelanders are sticking together and hoping that having their fish is in itself a strong card for the negotiations. The negotiations are on hold just now, but they will have to start again if the issue is ever to be resolved.

Bill Kidd (Glasgow) (SNP): Obviously, everybody knows about the crash of the Icelandic banking system. I do not know whether there have been any negotiations—perhaps they have been kept in camera—with Iceland on the EU's bailing out its economy for a while so that Iceland does not have to launch itself into taking outrageous fish catches to try to balance its books. I presume that it has taken such catches. Is Europe negotiating on that?

Ian Duncan: Iceland would have to catch every fish in the world to balance its books, I am afraid. The situation with its banking system is so difficult that it has relied on a big loan from Russia to more or less bail it out. The ultimate threat is to withhold or halt Iceland's membership application to the EU, but that threat is perhaps not as strong as it could be, because Iceland is no longer quite as keen to join the EU as it seemed to be during the height of the crisis.

Iceland recognises that now that it has no major banks, all it really has is fish, and if the fish are no longer to be fished exclusively by Iceland, the country will lose its only big asset and the situation will become much more complicated. I think that the EU, for lots of different reasons, would like Iceland to be a member. It has been trying to set aside the negotiations at the moment in order not to entwine the two. It has been trying to sort out the fisheries issue separately from saying, "You're not getting in." However, it is only a matter of time before the failure of the first one inevitably leads to the second stage, which is potentially a far greater threat. However, it is a threat only if the Icelandic people want to come in, and there is a lot of doubt about that in the opinion polls in the Icelandic press.

The Convener: Thank you.

Sandra White is asking her question through the chair, which Mr Wilson did not do.

Bill Wilson: Sorry.

Sandra White (Glasgow) (SNP): I do not have a problem with that.

On page 4 of the bulletin there is a report about the multi-annual financial framework and what I presume is a wish list from the Alliance of Liberals and Democrats for Europe. ALDE talks about abolition of the second home of the European Parliament in Strasbourg, and abolition of the

Committee of the Regions and the European Economic and Social Committee—it says that the latter two do not provide enough value. It talks about the budget structure and the importance of the EU raising its own moneys rather than relying on contributions from member states. Is there any likelihood of those things coming to pass?

Ian Duncan: Probably not. Theoretically, the most vulnerable of those is the Economic and Social Committee. In fact, it is one of the most protected because it is in the founding treaties of the EU. In order for the ESC to be abolished, we would have to rewrite the base treaty. The ESC was instituted at a time when there was no European Parliament and no democratic element to the EU institutions, so it performed a sensible function. It is at its most vulnerable when it comes to the issue whether there needs to be greater reform of the EU institutions in order to reflect the appearance of the European Parliament and its co-legislative quality, and of the Committee of the Regions. When ALDE's proposals came out there was quite a fight, with a lot of finger pointing, and a lot of "We're worth more than you. No, you're not. Yes, we are." There was a high-level discussion last week about the proposals.

The fact that the ALDE group, which in many respects is one of the most pro-European groups, is already saying that some quite fundamental issues should be considered, if not resolved, is a sign of a recognition that the next budget settlement will be hard fought and that a number of sacred cows may have to move ever closer to the abattoir. Although those are the issues that are being edged into the open, there are lots of other things that are costly. Much of the outcome will depend on member states' willingness to find money to pay for things and their desire to cut things that do not impact upon themselves.

Sandra White: There is an energy council this month. Obviously, the energy commitments will be discussed. I assume that Scotland and the United Kingdom will be represented. Will we get a report back from that?

Ian Duncan: I am not entirely certain that the Scottish Government will be represented at that council on this occasion. It is not a typical subject-specific council but an extraordinary summit, which involves heads of state and Government. That being said, I know that the Scottish Government has been quite active in the past week or so ensuring that the UK is well aware of the Scottish Government's position on energy.

There will be a minute of the discussions at the council, which I suspect will come out quite soon. A number of energy issues are coming into focus, not least of which is the multibillion-pound funding of pipelines, connectivity and hubs to try to ensure that electricity can flow north to south and east to

west more efficiently than it does at present. As you will remember, the lights in eastern Europe were being turned off by abuse of the pipelines and so forth.

The North Sea grid will be one of the most important projects for Scotland because it involves trying to bring Scotland's energy resources into Europe. I think that that will be green-lighted and progress made imminently.

The final issue, which is important to Scotland, is energy efficiency, which is one of the more devolved aspects of energy policy. There is perhaps wishful thinking on the part of some in the Commission that we will move towards binding targets for energy efficiency. There is not a great willingness among member states to join with that. At the moment, there is a recognition that the greatest progress can be made in energy efficiency if people are willing to invest in various energy efficiency projects, plans and commitments. However, whether that will ever be binding is debatable.

Sandra White: We need to highlight that and keep an eye on it.

The Convener: I would have thought that the issue would be raised at the joint ministerial committee on Europe. In thinking about that, it occurs to me that we were promised that agendas and reports of what has happened at the JMCE would be submitted to the committee regularly. I do not recall that that information has ever been passed on to us. Can you update us on that, Simon?

Simon Watkins (Clerk): The latest report that we have is from the October meeting of the JMCE. We are still waiting for the December one.

The Convener: That report should be tabled. We want to have those documents at committee meetings so that all members can be made aware of what is being discussed.

Sandra White: I have one further issue, convener. I will not go through the whole bulletin, but I want to mention the cross-border health initiative. I have highlighted that continuously and we should keep an eye on it, particularly the different countries—

The Convener: Does anyone have anything else to say about energy?

Sandra White: Oh, I am sorry, convener.

Members: No.

The Convener: Okay. We will take up Sandra White's point about the health initiative.

Ian Duncan: Sandra White is absolutely right. This European issue is about to become a domestic issue, because it looks like we are

moving from co-determination of the legislation in Brussels to agreement being reached and almost certainly being signed off within the next eight weeks. If that is the case, the legislation will come to London and the process will begin.

From following the dossier for some time, the committee will appreciate that the requirements to prepare for this piece of legislation are significant. A lot of information has to be available to everyone in the country so that they know how to access care and to judge what the cost will be in different countries. There will be a lot of preparatory work and, given the nature of health and the devolved settlement, I suspect that a significant amount of work will have to be done by the Scottish Parliament and next session's health committee. I hope that by following the issue for some time, the next committee will be forewarned and well armed to prepare for the legislation, because it will be difficult.

The Convener: We have passed information to the Health and Sport Committee. Do we have any feedback on whether that is in its work programme?

Ian Duncan: It intends to put it into the legacy paper. There is a recognition that what is about to unfold will require that committee's attention, whether it be in advance of the legislation or when it eventually arrives. From the moment that the law is adopted in Brussels, there will be 30 months for it to be enacted in the United Kingdom, including Scotland.

Jim Hume (South of Scotland) (LD): I declare my rural interest again. You mentioned the common agricultural policy and Germany. In the meetings that we have had with European partners, it has been hinted that there might be a slight adjustment to arrangements. Would you like to expand on what you said about the Germans no longer being the largest funders?

Ian Duncan: I am glad that you asked that, because I have just written a big paper for the Rural Affairs and Environment Committee; it will consider that paper tomorrow.

As you can imagine, at one end of reform is complete change, while at the other end is no change at all. Needless to say, everything else will move on to the centre ground. Within the retention of the two-pillar system, we will see far greater emphasis being placed upon environmental policies and the public good. Farmers will face more requirements to show that they are delivering by producing food and raw materials, and by producing rural good, meeting climate change commitments, and so on. Those things will be far more significant.

The big question is how much money will be available. At the moment, France is arguing that

the CAP should grow. It would like it to be bigger than it is now, which seems a bit outlandish, given that everyone is talking about austerity and the reduction of the overall EU budget. If the CAP grows, other things will have to be sacrificed. So, the likelihood of the CAP growing is low, because there will almost certainly be less money. In addition, and importantly, when the new member states joined several years ago they were held at arm's length from full funding for a number of their commitments, but those restrictions will now fall away. Irrespective of whether the budget rises or falls, more money will move towards the east; just as an inevitable equity issue, those member states will have greater funding. Again, it is important to remember that two eastern European member states will hold the rotating European Union presidency this year. They will be anxious to ensure that this debate makes great progress during their time in the presidency.

10:45

How the budget is settled, and how much money will be available for it, will be the important issue. Scotland must be very careful in that regard, because its needs from agricultural policy are very different from those of England, as you know better than anyone. That means, therefore, that Scotland must pay great attention in that respect. The Rural Affairs and Environment Committee will have a discussion tomorrow with George Lyon, a Scottish member of the European Parliament, who drafted the Parliament's report on the issue. That committee will also hear from Brian Pack, who has written a report for the Scottish Government on how Scotland could best prepare itself and encourage the development of agricultural policy.

There is no doubt that Germany is loth to be as open with its finances as it once was and that, as we all face austerity, it is becoming harder to justify such a large spend on agriculture. However, many countries will want that spend to continue because they receive significant moneys from the agricultural policy. Even today, France remains the principal beneficiary of CAP funding, which is hard to believe when we think of the funding that Romania, Bulgaria, Poland or any of the eastern European states gets in that regard. Clearly, there will be significant shifts away from that position, although I wonder whether France will be keen to have too much money shifted away from its own borders.

Interestingly, on cohesion funding, which I know is dear to the convener's heart, the UK Government has been playing a fancy game. It has been saying that, because cohesion funding will almost certainly move ever further towards eastern Europe, perhaps it would be far better to

have significant cuts in cohesion funds while protecting the CAP funds, which still go to western Europe. Interesting games are being played, and the UK Government has even hinted that it may support retention of the CAP at its current size and significant cuts in cohesion funds, knowing full well that the UK would be less affected by that. So, there are interesting wheels within wheels; we might look to the left, but find that things are happening to the right. Everything is connected up and it will all be under the umbrella of the budget—the annual financial settlement.

The Convener: How interesting.

Jim Hume: So we will probably see some horse trading right up to the last minute.

Ian Duncan: Horse trading, cow trading, sheep trading—you name it, it will all be traded.

Jim Hume: The other issue is that the UK as a whole, including Scotland, fares rather poorly with environmental payments. Is there any sign of that being addressed? I know that the issue is historical and I know all the history, but—

Ian Duncan: As you know, that is linked to one of the reasons why the UK has such a significant rebate. The UK is not a principal beneficiary of CAP funding and never has been. That is why the UK, during the 80s, was able to secure so much money back. In the big bun fight that is yet to come, I suspect that the UK Government will want to protect its rebate for lots of very political reasons that are entirely disconnected from farming or, indeed, anything else. If the UK retains a significant rebate, it is hard to see how it could secure significantly more money for its farmers. On the other hand, if it is willing to sacrifice the rebate, there may be greater opportunity to balance out the money that comes to British agriculture.

The Convener: That is interesting. I think that the next European and External Relations Committee will have some very interesting issues on the agenda.

Bill Kidd: Page 7 of the bulletin reports the proposal for a European accessibility act by European Commission Vice-President Reding. The last paragraph on that issue tends to suggest that an economic driver might be involved in ensuring that the proposal makes its way through the Commission. However, the proposal is still very welcome. The bulletin states that Vice-President Reding hopes to

“present a proposal for a ‘European Accessibility Act’ before the end of 2012”.

I do not know whether the procedures in the European Parliament work well enough, or whether they are labyrinthine enough to ensure that that will not happen until 2020 or something

like that. However, do we have an idea of how long it may take for that proposal to come to fruition?

Ian Duncan: I suspect that the proposal will be relatively popular, and that not many people will stand in its way. If the Commission presents its proposals in the third or fourth quarter of 2012, there is every likelihood that the process of core legislation could begin almost right away.

There will be cost implications for such legislation because a change is expected, but I do not think that any member state wants to be seen to be standing in the way of it.

The countries that usually have the greatest difficulty are those to the east, which in terms of accessibility have far less of a foundation on which to build. They may raise some issues, and it is possible that they would look towards having a special condition to allow the act to be imposed later. I suspect that it would happen later in the east than in the west, although I am speculating; I have no evidence to support that.

However, if things move smoothly and the proposals are produced in the third or fourth quarter of 2012, law can be made in 18 months. We could move from the proposal through to determination and adoption in a year and a half if there is general consensus. If there is any objection, the process could be lengthened almost ad infinitum, but I suspect that that will not happen in this case.

Bill Kidd: That is extremely interesting, because it would fall in the next session of the Scottish Parliament. It would be very apposite for us to make the Equal Opportunities Committee aware of it, because it would fall within that committee's remit as a legacy.

The Convener: I am happy to alert the Equal Opportunities Committee to that.

Bill Wilson: I was going to ask Ian Duncan about his comment that the European Commission might investigate the disparity in power in the food purchasing chain, but I am beginning to think, looking at the "Brussels Bulletin", that I am mixing up his bulletin with tomorrow's report to the committee.

Ian Duncan: Yes, possibly.

Bill Wilson: I will leave that—sorry, I have mixed up the two.

The Convener: I will take one final point, because we are running a little bit over time.

Sandra White: When Bill Kidd was talking about disabled access, I was looking at the EU sports policy that is mentioned. One of the interesting points relates to the communication that the EU has established that calls on sports

associations to establish a mechanism for the collective selling of media rights. Would that mean that they would all get together and pay for Sky? What would that entail exactly? Would Scotland get a better deal out of it?

Ian Duncan: That is a good question, to which I do not know the answer. The notion is to stop abuses in the sale of viewing rights for particular sports. It aims to encourage the implementation of a structure to prevent one particular large entity from being overly aggressive in its ability to secure the rights. It might be better for me to go away and find out more information about that rather than speculating aloud; I will happily return with further information.

The Convener: I thank Ian Duncan for a very helpful briefing.

Do members agree to note the content of the report and pass it on to the relevant committees?

Members indicated agreement.

10:53

Meeting continued in private until 11:47.

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