



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Tuesday 20 September 2011



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**EUROPEAN AND EXTERNAL RELATIONS COMMITTEE**

**3<sup>rd</sup> Meeting 2011, Session 4**

**CONVENER**

\*Christina McKelvie (Hamilton, Larkhall and Stonehouse) (SNP)

**DEPUTY CONVENER**

\*Hanzala Malik (Glasgow) (Lab)

**COMMITTEE MEMBERS**

Helen Eadie (Cowdenbeath) (Lab)

\*Annabelle Ewing (Mid Scotland and Fife) (SNP)

\*Bill Kidd (Glasgow Anniesland) (SNP)

\*Jamie McGrigor (Highlands and Islands) (Con)

\*Aileen McLeod (South Scotland) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Neil Findlay (Lothian) (Lab)

Ian Hudghton MEP (European Parliament)

Alyn Smith MEP (European Parliament)

**CLERK TO THE COMMITTEE**

Dr Ian Duncan

**LOCATION**

Committee Room 1



## Scottish Parliament

### European and External Relations Committee

*Tuesday 20 September 2011*

[The Convener opened the meeting at 14:00]

### Decision on Taking Business in Private

**The Convener (Christina McKelvie):** Good afternoon, everyone. I welcome members and the public to the European and External Relations Committee's third meeting in session 4. I ask everyone to ensure that their mobile phones and any other electronic devices are switched off, as they interfere with the electronic equipment.

The first item on our agenda is to decide whether to take agenda items 4 to 7 in private. Under item 4, the committee is to agree the actions arising from its recent business planning day, and under item 5, it will consider its approach to the Scottish Government's draft budget for 2012-13. Under item 6, the committee will consider a scoping paper for engagement with the European dimension of the Scotland Bill, and under item 7, it will consider options for future engagement with Scottish members of the European Parliament.

Taking those agenda items in private would allow the committee to have a full and frank debate on the options for future committee work. As there are new members on the committee, I should explain that such an approach is normal practice, as it allows us to have such discussions in private. However, any decisions that are taken will be publicly available in the minute of the meeting.

Are members content to take items 4 to 7 in private?

**Members** indicated agreement.

## European Issues

14:01

**The Convener:** Agenda item 2 is a videoconference evidence session on European issues with two of our Scottish MEPs. One of those MEPs is in attendance, but we expect two of them. All the Scottish MEPs were invited, but the other four were unable to attend. However, we have received written information from most of them, which should be helpful in the committee's deliberations. We asked the Scottish MEPs to outline what they consider to be the key issues of importance to Scotland that are likely to unfold over the short or medium term, and their views are compiled in the "Brussels Bulletin" supplement, which is in paper 1.

I welcome Ian Hudghton MEP to the meeting. Before I invite members to ask questions, perhaps he can tell us a wee bit about his priorities for engagement with the committee and for Europe.

**Ian Hudghton MEP (European Parliament):** Thanks, convener. I assume that Alyn Smith is on his way.

My priorities are outlined in what was written in my name in the "Brussels Bulletin" supplement. You also have, of course, a fairly comprehensive "News in brief" section in the current edition of the "Brussels Bulletin", which is a good summary of what is forthcoming in the wider European Union spectrum.

Inevitably, my priorities focus largely on the committees of which I am a member, which include the European Parliament Committee on the Internal Market and Consumer Protection. In that committee, one issue that we are due to vote on quite soon is the review of public procurement procedures, which I know is of interest to Scotland, from the Government to local authorities and other bodies. We will look closely at that and whether we can help to bring about a framework that is perhaps more appropriate to our economic times and our public bodies' financial situation.

I am also a member of the European Parliament Committee on Regional Development, which is looking at structural funding, cohesion funding and so on. Such funding is of great interest to local authorities in particular. In a wider sense, it is clear that the rules and regulations for future funding from the European Union are important, and there is certainly a big question mark about the size of the budgets that might be available to particular strands of funding in the future. We must have input to that.

Given the forthcoming reform of the common fisheries policy, my main committee here is the

Committee on Fisheries, which, of course, is of interest to Scotland, because we are still the primary driver of the fishing industry in United Kingdom terms, so it is very important to all our coastal and island communities.

From our point of view as members of the European Parliament, the reform is more interesting this time because, for the first time, we—the European Parliament—will have our input into that process under the co-decision procedure, which means that our views cannot be ignored and whatever is agreed as the new common fisheries policy and the common agricultural policy must be agreed in every aspect by a majority of the 27 member states and a majority of members of the European Parliament. That is not to say that in the past we have not taken our input on those matters seriously, because we have always put a great deal of effort in Parliament into putting across Scotland's point of view in relation to fisheries and agriculture.

The fact that, this time, our views will be part of the decisive process is to be welcomed in principle, although whether we benefit from that will depend on the outcome of the process. There are already some slightly alarming signs in relation to how the discussion about CFP reform is shaping up. That has always been highly controversial and it will be this time again.

**The Convener:** Thank you very much. You have raised a number of issues that are pertinent to the committee's work. Before I invite members to ask questions, I welcome Neil Findlay, who is not a regular member of the committee but is standing in for Helen Eadie.

**Jamie McGrigor (Highlands and Islands) (Con):** At question time last Thursday, I had lodged a question to ask the Scottish Executive what action it is taking to support farmers who are concerned about the implementation of electronic identification for sheep. Because my question was not taken, I received the following written answer from the Cabinet Secretary for Rural Affairs and the Environment:

"The Scottish Government has successfully negotiated with the European Commission a more proportionate cross-compliance system that will not penalise keepers for failures in technology and we will shortly be writing to all sheep keepers with further guidance."—[*Official Report, Written Answers*, 15 September 2011; S4O-00153.]

Following that, on Friday, I saw George Lyon MEP, who said that that was not the case. Can you perhaps give us some news on that? What is actually happening about EID?

**Ian Hudghton:** It is my understanding that the information that you were given in your written answer is correct. You will also have noticed in the story surrounding George Lyon's comments on a

paper that had been leaking around Brussels that representatives of the industry were—if I read it correctly—urging a bit of calm in this situation, because of the need to ensure that the discussions that have been had between the Scottish Government, the industry and the European Commission, which have been productive, can be brought into effect. Only by testing out the systems and so on will we have the final proof of this issue. I would be a little bit cautious about the interpretation that was put on the allegedly leaked paper that was referred to in that story.

**Hanzala Malik (Glasgow) (Lab):** What can we do in the Scottish Parliament to support your endeavours, particularly with regard to fisheries and agriculture policy? I know that you have had input and you seem to be hopeful that you might be successful to a degree. Is there anything else that we can do to support you in that, so that you are successful in the future?

**Ian Hudghton:** How long have you got? You may need to interrupt me if I run out of time, because this is a difficult issue in many respects, and the history of Scotland's fishing communities as part of the common fisheries policy is not a happy one.

I am glad that you asked me that particular question. You can help by working with us, our communities and the industry to build a strong Scottish position that we can take to the political debate on the CFP and the common agricultural policy, and—when it is necessary, as historically it has been—by applying pressure to the UK Government. From time to time the UK Government has not made fisheries a priority, and as a result it has in effect let down the Scottish fishing industry in successive EU negotiations on policy reform—such as those that I experienced in Europe 10 years ago—and on the day-to-day, or year-to-year, allocation of fishing opportunities.

Our fishing and farming industries have a pretty strong record of working with Government and within the regulations, and yet they repeatedly find that inappropriate additional regulations are inflicted on them from Europe. That has partly been, as I said, because UK Governments have sometimes not argued our case. I would certainly prioritise that aspect as much as I would prioritise lobbying the European Commission and European parliamentarians.

Having said that, there have been some welcome developments on CFP reform this time round, not least the fact that everyone who is involved in the debate—including the European Commission—now accepts that the common fisheries policy to date has failed. Some of us have been saying that for a long time, but that recognition is welcome nevertheless.

Most people who are involved in the debate are talking about support for decentralised management—or some aspects of it—in future. That is welcome in principle, but the Commission also proposes to set down as mandatory things such as a requirement for transferable fishing rights, and it is opening up the possibility, through article 31 of the proposed new CFP regulations, that those rights may be transferable to and from different member states. That would be highly—

**The Convener:** Houston, we have a problem.

14:12

*Temporary loss of sound.*

14:13

**Ian Hudghton:** —including your analysis of CFP and CAP reform and Scotland's requirements, to the Scottish Government, the UK Government, the European Commission, other comparable fishing and agriculture nations, and of course MEPs, to keep us involved in the process. Each of us as individuals has the right to table amendments, but I am sure that there will be joint working in the key areas in which there is broad agreement on what Scotland's interests are.

**Bill Kidd (Glasgow Anniesland) (SNP):** We missed a wee bit of your response, so you may have to say the same thing again for my benefit.

You were talking about article 31, which I think could allow trading in quotas—I think that that is what you were saying just before you disappeared.

I am not an expert on the CFP, as you are. Would every nation in the EU have quota trading rights? Do all member states have rights regarding fishing in the waters around the EU? If nations that have no coastline had the right to trade in quotas, how would that affect fishing communities around the coast of Scotland?

14:15

**Ian Hudghton:** Thank you for that anything-but-simple question. Convener, please interrupt me if need be in the interests of time.

The issue is highly complex, because of the nature of the common fisheries policy. Currently, the basic regulation of the policy says that there shall be

“equal access to waters and resources”,

and the Commission is carrying that forward as a proposal for the continuing common fisheries policy.

What that actually means is that all 27 member states have the right of access to the European

Union's sea areas and fishing resources. The only thing that protects individual fishing nations or member states from the implementation of such an approach is a series of temporary measures—or derogations, depending on what you want to call them. One of those protections is the principle of relative stability, which means that whatever the total amount of fishing opportunities that is allocated, for example for next year in the North Sea, the UK as the member state will be allocated a fixed percentage of that quota or allowable catch, whatever it might be—the total quota might be so many thousand tonnes of haddock, of which the UK is automatically entitled to 80-something per cent. The protection mechanism that is afforded by relative stability is based on the historic fishing rights that we had when we joined the CFP. It is one of the few mechanisms that protect Scotland and the UK from a free-for-all under the equal access principle.

Another protection relates to the 6 and 12-nautical mile limits. For 10 years at a time, what goes on out to 12 miles is delegated to member states to manage, with very limited access to other member states, based on historic access. The Commission now acknowledges that that area of activity has been managed well, comparatively speaking. There is a lesson that we can learn in that regard.

Article 31.2 of the proposed new regulation on the CFP says:

“A Member State may authorise transfer of transferable fishing concessions to and from other Member States.”

That follows on from article 30, which says:

“Member States shall establish and maintain a register of transferable fishing concessions”.

There are two points in that regard. First, at the same time as the Commission is advocating decentralised management it is laying down that there “shall” be transferable fishing concessions in each member state. Secondly, article 31, in saying that member states “may” authorise the transfer of concessions to other member states, opens up the prospect of international within-EU trade in fishing entitlement. That would in effect torpedo the principle of relative stability, because if people or companies from other member states could simply use their financial muscle to buy fishing entitlement from hard-pressed Scottish fishing skippers, for example, inevitably the control of the resource would go with that. No explanation is given about whether there would be safeguards or whether any such transfer would be temporary. I think that that is highly dangerous.

At the moment, the theoretical right of equal access exists, but the member states have recognised that the protection of historic rights and the activities of coastal communities ought to be

covered by the principles of relative stability and the 12-mile limit, and not by having a transfer free-for-all. There is a package of things here that could be damaging in the long term and which would lead to market forces determining who owns the right to fish and the right to harvest the resource within our waters. That would be dangerous.

My view would be—

14:20

*Temporary loss of sound.*

14:21

**Ian Hudghton:** —there are multiple types of fishing fleet because of the geography and the climate and so on. I reject the notion that we have a single European sea.

What we do have, should have and want to continue to benefit from is a single European market in the product—the seafood. In my view, the CFP should not be so heavily involved in allocating the right to harvest the resource, which is what goes on at the moment. To open up the resource to transferability and market forces is, in effect, to give away what should be a public resource to private enterprise to trade in. Profit would be the motive for trade, rather than conservation.

**Annabelle Ewing (Mid Scotland and Fife) (SNP):** Last Wednesday at the Rural Affairs, Climate Change and Environment Committee we had an interesting discussion on the CFP and, tangentially, on CAP issues. I found last week's briefing on the CFP extremely helpful.

My question concerns structural funding. It might be helpful if you could explain to the committee where matters stand on any changes to the structural funding package that is in the pipeline. When is that likely to kick in? What is the potential impact on Scotland? If it is negative, what can we do to improve the position?

**Ian Hudghton:** The EU budget is under pressure, just like all other public budgets. Discussion is still going on to a large extent about the global amount of money that will be available to the EU budget in the next financial period. I am shuffling paper here but failing to find the Parliament's "Brussels Bulletin", which contains an item on that, under broad headline discussions about future financial frameworks. That covers pretty well where the member states are or are seeking to go.

There is huge controversy between member states, some of which say that we should invest to help economic recovery and some of which say

that the EU budget should be cut because they are having financial troubles at home and do not want to cough up any more money to the European pool. All that will obviously have an impact.

It is reasonably obvious that, overall, there will be significant pressure on future EU budgets, and that what goes to particular budget headings—not least the common agricultural policy, which is still the biggest single spender of EU financing in percentage terms—will be key to the outcome. We should demonstrate that we have a pretty good record overall in Scotland in maximising the use of EU funding. We have excellent Scottish schemes—I am sure that committee members are aware of such schemes in their constituencies—in which European funding has been, and is being, used effectively to help people with employability skills and a host of other issues that will help families. We want such things to continue.

I am a member of the European Parliament Committee on Regional Development, which produced a report that the July plenary adopted and which commented on the European Commission's broad outline thinking on the future of cohesion funding. For example, we agreed with the Commission that there ought to be what are called transitional regions in a new funding framework so that we do not have areas that currently qualify for EU funding suddenly being cut off just because they are a tiny half percentage point above a threshold, which has happened in the past. We have been considering such things in terms of how the mechanics of funding might work.

On more targeted aid, in general we want aid to be targeted at commitments that could be demonstrated to have a reasonable likelihood of delivering something positive. We sometimes have ambitious projects that turn into white elephants because they have not been thought through properly. We in Scotland have lots of experience in operating the funds, and that experience could be contributed to a rule book for targeting aid at what will work.

Something to watch out for from Scotland's point of view is an issue that arose in the European Parliament Committee on Regional Development regarding the many entities in the EU that are not currently member states. Some people suggested that there might be a conditionality clause for the use of future structural funds, whereby it would have to be demonstrated or proved that social and economic reforms have been carried out of the type that countries with euro troubles have had to undertake. Scotland and many other entities that manage structural funds at the moment—and would do so in the future—do not currently have the authority to make such



reforms. We would want to avoid a situation whereby structural funds were allocated to, say, Scotland on the condition that something had to happen with regard to economic and social policy that was actually a Westminster competence over which we had no control and therefore could not give a guarantee about. I am glad to say that the European Parliament did not support that proposal, but it is one of many that we will have to watch out for in the future.

You have probably seen that Alyn Smith has just joined us, so I will pause now.

**The Convener:** We saw him arrive, but we cannot see him on our screen. Can you ask him to move to the seat on your other side so that we can see him and he can contribute to the debate? I welcome Alyn Smith MEP. I am not sure whether Annabelle Ewing wants to continue with her line of questioning.

14:30

**Annabelle Ewing:** Thank you, Ian. That was a very full answer on where we stand. It is interesting to hear that you have managed—at this stage, at least—to head off at the pass a provision that, on the face of it, might not have seemed to be of particular relevance to Scotland, but which, as you rightly said, would have had a big impact on our ability to participate in certain programmes. Well done for spotting that—keep up the good work.

**The Convener:** Jamie McGrigor has a question—is it a supplementary?

**Jamie McGrigor:** No; it is on another issue.

**The Convener:** I will allow other members to ask their opening questions first. We can have supplementaries after that, if you want to come back in.

**Jamie McGrigor:** Yes; I want to come back in on the euro.

**Aileen McLeod (South Scotland) (SNP):** Hello, Alan and Ian. I have a couple of questions about the EU budget negotiations. I remember only too well the pain that we went through the last time round, in December 2005, when the EU budget for 2007 to 2013 was negotiated during the UK presidency and the deal that was finally reached after a mammoth, through-the-night, behind-closed-doors session resulted in Scotland's EU funding being cut by 55 per cent.

As Ian Hudgton said earlier, the scenario this time round is very different. The negotiations on the EU budget for 2014 to 2020 take place against a backdrop of the most severe fiscal and economic crisis that has been experienced.

What do both of you see as the key flashpoints for Scotland in the negotiations? For example, the Commission has proposed allocating more money to areas such as research and innovation, and streamlining three existing programmes—the competitiveness and innovation programme, the European Institute of Innovation and Technology and the seventh framework programme, FP7—into one common strategic framework, FP8, with policy areas such as the CAP and the cohesion policy staying where they are, more or less. What risks do you think that presents for Scotland?

**Alyn Smith MEP (European Parliament):** I am sorry, but the sound cut out midway through your question. You had got as far as research and innovation.

**Aileen McLeod:** I asked about the Commission's proposal to allocate more money to areas such as research and innovation, and to streamline the three existing programmes on competitiveness and innovation, the European Institute of Innovation and Technology and the FP7 into one common strategic framework—the FP8—with policy areas such as the CAP and the cohesion policy staying where they are, more or less. What are the key flashpoints for Scotland? Where do the potential risks lie?

**Alyn Smith:** I will start with an apology for being late. I am afraid that we had a diary disaster at this end—we had the start time down as Brussels time rather than Edinburgh time, which meant that I was elsewhere for the beginning of your discussions. I am sorry about that.

I had meetings with Scottish Government officials about the budget only this morning. Scotland has a huge stake in the greening of all the cohesion funds, the greening of the CAP and the encouragement, through EU investment in infrastructure and university research, of low-carbon technologies. Scotland is a huge centre for low-carbon technological research, which is putting us on the map globally, never mind in the EU.

We have a great stake in the budget negotiations. Bluntly, I am sure that the two of us, at least, will take our line in those negotiations from the Scottish Government as regards what will best suit Scotland and how the structural funds, the CAP funds and all the other funds should be allocated, and what priorities are taken forward as the negotiations proceed.

If you are looking for flashpoints, the biggest one is the UK rebate, which remains a fixation of the UK Treasury. The implications of that as regards how much Scotland gets out of the UK rebate are considerably more nuanced, but those negotiations are just in their early stages.

**Neil Findlay (Lothian) (Lab):** In the “Brussels Bulletin”, you say:

“It is also likely that there will continue to be legislative, policy and budgetary reforms proposed, which will seek to fundamentally strengthen the EU as a single economic unit, and centralise fiscal and economic policy to align with the already-centralised monetary policy.”

Given the crisis in the euro zone, is that an attempt to repair a system that is already bust? Secondly, in referring to that issue, will you say whether there are any moves in the EU for integrated policies on a financial transaction tax?

**Alyn Smith:** Repair a system that is bust? Nobody would claim that, at present, the euro is functioning as well as it should. The on-going dilemmas with the weaknesses in the Greek economy and others indicate that euro zone stability leaves a lot to be desired. That is work in progress. I have said before, and I remain of the view, that the euro zone will emerge the stronger for the current issues, as a more coherent and stronger currency block. That will have implications for us in a variety of guises.

We are paying attention to that on this side of the water. In future, the internal mechanisms in the euro zone will be different from the current ones, which have been shown to be not fit for purpose. For example, previously, each member of the European Central Bank mechanism would produce an annual report, but there was no way in which Eurostat or the European Central Bank in Frankfurt could verify those statistics and numbers. For a number of years, the Greek state's returns were, frankly, fictitious. To improve transparency and accountability, that must be tidied up. Broadly, we welcome that approach. Within sterling, or with whatever choices Scotland makes, we need the euro to continue to be a success. It is going through growing pains at the moment.

A financial transaction tax has been proposed, but not in any detail. Consideration could be given to whether that would add value, what it would do and whether it would calm speculation. However, nobody has said what the rate would be or what the tax would cover. There could be implications for financial trading if the EU implemented such a tax. Would the financial trading go elsewhere and suddenly be based in Moscow instead? Many issues still need to be worked out about that proposal but, philosophically, it merits further investigation.

**The Convener:** I ask Ian Hudgton and Alyn Smith to give us a bit more insight into the first point that Alyn Smith made in his response to Neil Findlay, which was about a successful euro and economic recovery and growth coming from that. The “Brussels Bulletin” states that the Dutch Prime Minister and finance minister have called for a

commissioner on budgetary discipline. Do you have an insight into the appetite for that proposal in the euro zone nations, and would you want to make a personal contribution to that role?

**Ian Hudgton:** It sounds like a reasonably common-sense suggestion, but how we react to it depends on to whose budgets the commissioner would apply the discipline. If such a commissioner were to exercise budgetary discipline over the budgets of EU institutions to ensure that proper value was achieved from all EU spending, that would be one thing, but if—as I think is being suggested—the commissioner were to crack a whip and hold a big stick over the finance ministers or chancellors of member states, that would be another matter and I do not think that it would be enthusiastically welcomed.

The fact is—and it is welcome in principle—that financial, taxation and fiscal matters remain member state competencies and the EU cannot simply decide to have a tax on something without unanimity among the member states. Some member states will never agree to that. Frankly, I would rather that Scotland could be involved in discussions on such matters as a member state. We would not want such measures to be inflicted on us if we had not had full and proper input into the discussion.

It is clearly in the interests of Scotland and the UK to have a healthy euro trading area. The domestic market, which is the EU, is still growing—indeed, it is not that long ago that the last member state formally joined the euro—and it is likely that the number of member states using the currency will grow and that it will continue to be a marketplace of great importance to Scotland. As I said, having a euro trading area that can buy Scottish goods is clearly in our interests.

**Alyn Smith:** I absolutely agree. Certain member states are engaging in pretty rosey domestic politicking over budget discussions, which are on-going and indeed are only in the very early stages. The idea that northern Europe is thrifty and financially sound and southern Europe is profligate is simply a fiction; the picture is much more complicated and the suggestion made by some domestic voices that we can demonise one bit, one country or one region of the EU while claiming that the rest of us are doing fine simplifies things to absurdity. Some member states might well be calling for budgetary discipline in other member states, but the fact is that we have got all the mechanisms that we need in that respect. We very much want more transparency in the spending of EU budgets, but there is markedly less appetite for that.

**The Convener:** That was a very full and comprehensive answer.

I am prepared to take supplementaries on topics that have already been raised, but I should remind members who wish to raise any new subjects that we are now limited for time.

**Jamie McGrigor:** Alyn Smith is on record as saying that the euro would be a good currency for an independent Scotland. However, at last week's First Minister's question time, the First Minister refused to give total agreement to that. Given recent events and Vince Cable's remarks that the euro zone crisis has led us into a wartime economy, does he still advocate that Scots vote for the euro for an independent Scotland?

**Alyn Smith:** Where do I start? I was thrilled to hear—on my birthday, no less—my name being mentioned twice in First Minister's questions, both times in vain, by Opposition parties who should have more to say about their own difficulties over the euro. I was selectively misquoted. What I said on the record was that I believed that the euro will emerge stronger from all this; indeed, I have said as much in this meeting. Of course we are keeping an eye on the situation but, philosophically, we are in favour of joining things. We are not looking to tear things up and be separate; instead, we want to be part of a wider picture, which is why we want to be independent.

The idea that sterling is doing well is a flat delusion. It is simply not the case. The Scottish National Party's position on the euro is robust; as we said in "Your Scotland, Your Voice: A National Conversation", we are in favour of euro membership at the right time and at the right rate, subject to an affirmative referendum from the people of Scotland. This is not the right time; we are not at the right rate; and the people have voted. I can see why the Tories would desperately want to deflect attention from their own difficulties over this but to say, "No, nay, never, sterling's magic" is even dafter.

**Hanzala Malik:** Is there any scope for us to engage with the European Union on education, particularly with the new member states that might have aspirations regarding academic qualifications? What is the bigger picture for us with regard to delivering such a service?

14:45

**Ian Hudghton:** The delivery of education has been clearly and naturally placed as a competence of the member states and, in any case, is devolved to Scotland. Thankfully, it is not being managed at EU level.

However, the EU can and does help through many projects and in many ways, which include the partnership project that I will speak about at a connected seminar here in Brussels tomorrow. Angus College in my home area has been the lead

partner in a Leonardo da Vinci project that is developing and sharing best practice that was developed in Scotland on teaching soft skills—as they are known nowadays—to people who might struggle to find employment, so that they build confidence to go to interviews and make a good personal pitch for employment opportunities. Much of that is happening, and we should encourage Scots organisations to take part in it.

At the EU regulatory level, a bit more could be done to improve the interoperability or interrecognition of qualifications, so that the theoretical right to freedom of movement that we enjoy becomes practical and so that people who want to can travel to seek employment and have their qualifications recognised. That is a positive aspect on which the EU is working.

**Alyn Smith:** Under the on-going Sorbonne-Bologna process, the interoperability of qualifications is work in progress, as Ian Hudghton says. We are still coming up with a common nomenclature on how the qualifications in all the different parts of the European Union fit together, such as, even closer to home, translating a Scottish higher into the English system? That is part of a common wider EU framework that encourages movement.

I know that Hanzala Malik has been interested in the issue for many years and was interested in it before his election as an MSP. Examining the subject would be fruitful for the committee, in conjunction with Holyrood's Education and Culture Committee, because it involves a continuing discussion.

The Erasmus programme's budget and that programme in general are throwing up several challenges, which the committee could usefully ventilate with the Scottish Government and Holyrood's Education and Culture Committee.

**Hanzala Malik:** I am particularly interested in attracting people for vocational training. The new European nations that have joined the EU present pretty large opportunities, because they are developing modern infrastructure systems in which vocational training will play an important role for communities. We are well placed to deliver such a service. Can we identify areas to engage with so that we can tap into that need and promote Scotland for such training?

**Alyn Smith:** That is a good point. The West of Scotland Colleges Partnership has done great work to assist partner colleges in Lithuania to build capacity, which is good for them and for us. Our lecturers receive consultancy fees, further budgets go into our colleges and the flow of ideas across the EU increases. That is very much to be welcomed.

Such work continues. The committee could push at a rich seam to propagate opportunities. Scotland Europa, which is a membership organisation that is based partly in Brussels and partly in Scotland, has been good at identifying other opportunities, but plenty more opportunities are out there. More hands to the pump are welcome.

**The Convener:** I will pick up on a point that Alyn Smith made. Part of the committee's work programme is considering how we can work more closely with subject committees when we have a direct impact on their work. We are developing the work that you suggested with the Education and Culture Committee, the Rural Affairs, Climate Change and Environment Committee, the Economy, Energy and Tourism Committee and several other committees. We will not sit in our silos on some subjects—we will work across committees.

We welcome our MEPs' support for that initiative, because we cannot take forward issues for Scotland unless all our committees and our Parliament work together with our Government, all our political parties, our MEPs and Europe. You can rest assured that the committee will progress such work.

I have a couple of wee supplementaries to fit in. We are tight for time.

**Bill Kidd:** Hello, Alyn. In your submission to us, you mention the European Commission and the renewables agenda and state:

"the green energy sector will become an integral part of European economic recovery."

You say:

"One such project will be the North Sea supergrid, which is not only of massive importance to Scotland, it offers the European continent the possibility of real energy security, and economic stimulus to go with it."

That is very much the case. I believe that everybody knows that Scotland is in a unique position to contribute to the growth of the green energy sector in Europe. From your engagement in the European Parliament, do you know how much the UK Government has become involved in co-operation, planning and roll-out of the supergrid? *[Interruption.]*

I have stunned him into silence.

**The Convener:** If we wait a few seconds, the connection will be restored.

**Alyn Smith:** Forgive me, you went all pixellated again. Do we have you back?

**The Convener:** We are back. Welcome back.

**Bill Kidd:** I emphasise that I was not pixellated; it is just the way that I speak.

I do not know how much of my question you caught, if any of it. It was about what you said on the green energy sector in your submission to us.

**Alyn Smith:** We heard that.

**Bill Kidd:** All that I asked was: given that Scotland has a unique position in the production of renewable energy, are you able to say how much we benefit from whatever UK Government engagement there has been on co-operation on, planning of and roll-out of the supergrid? Has it been strong enough?

**Alyn Smith:** To be blunt, no it has not. The UK's interest in promoting the nuclear sector and in UK interoperability rather than a wider European framework has not helped us overly much.

Together with the Irish Government and the Northern Ireland Executive, the Scottish Government will roll out the Irish-Scottish links on energy study—ISLES—project on interconnectors. We have also been working with the Norwegians on a wire across the North Sea. That is the start of the interconnector project.

The EU is considering how to make the markets fit. Scotland has clean, green energy and will need to sell it somewhere, so we want massive economic investment in wiring up the different electricity markets—they are certainly not a single market as things stand. I am not convinced that the UK has been at the forefront of that debate. Scotland could be and, indeed, is at the forefront of it. With our new Government now re-elected, we can do a number of things to promote that positive European case.

**Jamie McGrigor:** To return to the fishing industry, the fact that Iceland has unilaterally increased its mackerel quota from 2,000 to 150,000 tonnes and the Faroe Islands has increased its quota from 15,000 to 50,000 tonnes is a huge potential threat to Scotland's successful pelagic fishing industry. Are you trying to get the Commission to impose sanctions on Iceland and the Faroes to make them stand down on those issues?

**Ian Hudgton:** We are trying repeatedly to get the Commission to act as strongly as it speaks on the issue, because we have heard the fisheries commissioner say that strong action must be taken and we all recognise that the impact of those countries' activity on the overall stock of mackerel is likely to be disastrous. There is a precedent in recent times, as the blue whiting stock was similarly destroyed.

We know that big issues are involved but, at the same time, we have found that, while the Commission would be able to take fairly extreme disciplinary action against a member state of the European Union, and, I presume, a member of the

European fisheries policy, it does not seem to have the clout to demand that an independent country such as Iceland should stop catching fish in its own 200-mile limit, which is what is happening.

It is a complicated dispute. The headlines that were read out underline that there ought to have been a joint agreement on the matter by now. The fact is that what we have is an independent country fishing in its own waters and refusing to accept what it claims is a derisory offer from the other partners of a share in the stock. That is what Iceland says.

At the same time, from Scotland's point of view, we are in a very frustrating position, as we have demonstrated a significant amount of self-restraint in sticking to the agreement that had been reached between the EU, Norway and the Faroe Islands up until recently. As a result, the stock is recovering and it is extremely galling to find that there may be a setback to that successful conservation because of the lack of an agreement.

The only solution that can really work is to get all the parties round the table and reach an agreement. It seems that, legally speaking, because Iceland is part of the European Economic Area, although not the EU, it has certain legal rights of access to the EU market for its goods. It seems that the lawyers have discovered that the EU cannot be, if you like, as robust in applying, for example, trade sanctions as the Commission would like. We would support such sanctions and have been asking for them.

**Annabelle Ewing:** On a different matter, looking at the banking crisis that has taken place and at the on-going difficulties that face many economies in Europe, which are linked to the position of banks and their exposures, and given that much of the banking regulation throughout the European Union is based on minimum standards set at EU level, do you have any knowledge of any plans that the Commission has to bring forward proposals to tighten up solvency issues, capital adequacy issues and large exposure issues to instil some confidence among the public in the financial and banking sector?

**Alyn Smith:** It has lots of plans, but whether it will be able to do anything about the situation remains to be seen, as it is taking place within a wider framework than the EU. The International Monetary Fund is also involved. Much of the scrutiny of banks' exposure was kicked off by Christine Lagarde a few weeks ago. A response to the situation will require wider co-ordination, beyond the EU or the euro zone. A number of discussions are on-going and the finance ministers continue to meet, but it would be difficult to say that any particularly coherent road map has

emerged recently or will emerge any time soon, which is regrettable.

**Neil Findlay:** Given the moves, which Alyn Smith refers to in the "Brussels Bulletin", towards economic centralisation, and given the poor performance of Greece, Ireland and many others, will you comment on how other EU member states consider Scotland's desire to cut significantly corporation tax?

**Alyn Smith:** I do not think that it is the talk of the steamie over here. What we do with our taxes is a matter for the democratic will of the people of Scotland and is about what is in the best interests of our economy.

**Ian Hudghton:** Ireland, a member state of the EU, was not slow to seek and win an undertaking that the EU would not intervene in its right to set its corporation tax rate.

15:00

**Aileen McLeod:** At the Rural Affairs, Climate Change and Environment Committee last week, Ian Hudghton mentioned that there had been a bit of a rammy in the European Parliament Committee on Fisheries over the allocation of various reports considering reform of the common fisheries policy. Have decisions been taken by the fisheries committee on where the various reports will go?

**Ian Hudghton:** Not yet. We had been due to settle the issue yesterday but, when we arrived off the afternoon flight, we found that the building had been evacuated because of a fire in an electricity substation, which blacked out the whole neighbourhood, so all of yesterday's meetings were cancelled. I am beginning to think this issue is jinxed because it had been rumoured that the political groups were closer to making a deal on the allocation of reports. Now, it must wait until next week.

**The Convener:** I thank both MEPs for taking part in the meeting. Committee members have skills and experience in a number of areas of our communications with Europe. I hope that this is the start of an open, frank and constructive dialogue between MEPs and the committee and that we will see you again in the near future.

**Ian Hudghton:** Thank you.

**Alyn Smith:** Thank you.

**The Convener:** The final part of this agenda item is to ask whether members are content to send the "Brussels Bulletin" and the supplement with contributions from our MEPs to the relevant committees for their consideration. Is the committee minded to do that?

**Members indicated agreement.**

**Hanzala Malik:** Does that mean that we will contact the education department about the vocational training that we discussed today?

**The Convener:** We can do that.

**Hanzala Malik:** Our MEPs are keen for us to assist in the process of supporting them in Brussels. Who would do that? Should we ask the chief executive to identify a source that can support our MEPs in that process, in collaboration with the MEPs?

**The Convener:** That moves us on nicely to the next agenda item.

## “Brussels Bulletin”

15:03

**The Convener:** Agenda item 3 is a discussion on the latest edition of the “Brussels Bulletin”. Ian Duncan, who compiles the report, is present if we have any questions about the evidence that we heard from our MEPs. We will note Hanzala Malik’s comments.

**Hanzala Malik:** I note the contributions of our MEPs. I welcome the opportunity to engage with them and if they feel that they need additional support, we should put that in motion. I was disappointed by the suggestion that sometimes the UK Government is not as supportive as it could be. That is detrimental to the UK, let alone Scotland. It is important that our MEPs are given all possible support so that they can be more successful. It would be fantastic if we could identify the person to do it.

**Bill Kidd:** Following Hanzala’s comments, I want to ask Ian Duncan about pages 3 and 4 of the “Brussels Bulletin”. Surprisingly, party politics creeps into things occasionally, and this is about the North Sea grid and the interconnector. The bulletin considers energy security and infrastructure, and I was wondering about two aspects. First, from your background knowledge, do you know whether the North Sea supergrid is being pursued strongly by the UK Government? Secondly, the energy security submission on page 3 of the bulletin mentions the opening of a southern corridor in Europe, but I am not quite sure where that corridor emanates from or goes to.

**Dr Ian Duncan (Clerk):** I will address those points in reverse order. The southern corridor is in the south-east, so it will bring in oil via a pipeline from the oil fields of the Caucasus. The energy security issue more or less involves trying to build good relations with our neighbours to the east in order to bring in oil to the eastern European states. That has been an ambition, but there have been a lot of issues with Russia not behaving in a useful manner, and there have been a number of times when the pipelines have run dry. The ambition behind the energy security proposal is to try to secure a better way of engaging with neighbouring states to secure free-flowing, stable oil supplies.

A lot of work is being done on the supergrid in the EU just now, because it is viewed as the best way of connecting the northern part of Europe—around the North Sea—with mainland Europe. Again, the concept is about bringing in safely and reliably the energy that is produced by the reserves—those around the UK, in some

instances—in a manageable way while trying to connect in the renewable sources, which Scotland is well placed to harvest.

The UK would say that it is being very diligent in that area, but others may not agree so strongly. However, the Scottish Government has been very assiduous, as the committee will be aware, in a lot of the activities that it has undertaken. My colleagues in Scotland house have had significant high-level contact with the European energy commissioner and the directorate-general energy in order to push that particular case. I know that the Scottish Government also has very good relations with the UK Government Department of Energy and Climate Change, and a lot of work has been done.

The big issue, of course, is money. The supergrid will cost money and will get wrapped up in the debate around the budget and how much cash is available and where the money will fall. In the past, when there has been a project in the north, there has also been a project in the south, because everybody wants to get a bit of something or other. One tends to find that the southern part of the equation involves bringing in the solar power from the Iberian peninsula and trying to connect that up the way, so it is a question of keeping everyone moderately happy and keeping the energy flowing where it needs to go.

**Bill Kidd:** Your comments on the grid and the interconnector are interesting. With regard to the opening of the southern corridor, “southern” to me means south rather than east, but there you go. When I read that piece, I wondered whether it was referring to north Africa and what is going on in the Arab countries. I was not sure whether it meant taking advantage of what is happening there just now under the new regimes.

**Dr Duncan:** No, it does not—that is the simple answer. I imagine that when north Africa reaches a certain level of stability, there will be greater exploration of exactly how to bring energy from there into southern Europe. Prior to the Libyan situation, there was a great deal of collaboration—a level of sharing of practice and exploratory dialogue—but circumstances have stepped in the way of that. I suspect that it will return, probably in the not-too-distant future, depending on circumstances.

**Bill Kidd:** That is interesting.

**Neil Findlay:** Helen Eadie asked me to make this point. She noted that there is to be a conference on the multi-annual financial framework and she hoped that the Scottish Government would send someone to that important event—perhaps that is a wee freebie for you.

**Dr Duncan:** It is an important event. It will be a high-level meeting, which will involve member-state representation. The question is how that representation will be determined; I do not have the answer but I can probably find out. There will also be representation from the European Parliament, which is beginning to appoint its—I was going to say rapporteurs, but the people who are involved in the negotiations are called something else. There has been a discussion about how national Parliaments—the Westminster Parliament—can connect with the European Parliament to have a voice in the dialogue. It might be useful if I come back to you with an answer on that at the next meeting or circulate a note in advance of the meeting.

**Jamie McGrigor:** You put an item in the bulletin on alcohol labelling. An issue was raised with me yesterday not about labelling but about the fact that, in the euro zone, specialist whisky shops that export whisky to European countries have to pay the taxes in the country of delivery. That does not seem to apply in other parts of the world, such as America and South Africa. On 5 April, a new directive was born—it seems that there has been a directive for some time, which has not been particularly used. The new directive strengthens the approach and means that our specialist whisky shops in Scotland will lose up to 20 per cent of their trade to European countries if they follow the approach. That does not seem to be in the spirit of free trade in Europe. Perhaps this was not the time to make the point, but I thought that I would make it. Can you check the matter out?

**Dr Duncan:** I absolutely can. I cannot comment just now but I will circulate a note in advance of or at the next meeting.

**Aileen McLeod:** Can I ask about two issues that were not in the bulletin? Two consultations were launched last week. On Tuesday there was a relaunch of the consultation on the European research area. As I have said before, FP8, the European framework programme, is extremely important for our universities sector in Scotland and I would welcome more background on the European research area. I understand from the Commission’s press release that it will make proposals for a new European research area framework by the end of 2012. The consultation runs until 30 November.

The other consultation was on the new state aid rules for services of general economic interest. There are potentially implications for public services in that regard, particularly in the context of public service reforms. It would be helpful to have some background on that, too.

**Dr Duncan:** Absolutely, no problem. I will find more material on the issues for the next bulletin.

**The Convener:** We agreed to take item 4 in private. I thank members of the public for being with us and ask for the public seats to be cleared.

15:13

*Meeting continued in private until 15:52.*



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