The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

# EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Thursday 5 February 2015

Session 4

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## CONTENTS



## EUROPEAN AND EXTERNAL RELATIONS COMMITTEE
**3rd Meeting 2015, Session 4**

**CONVENER**

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

**DEPUTY CONVENER**

*Hanzala Malik (Glasgow) (Lab)

**COMMITTEE MEMBERS**

*Roderick Campbell (North East Fife) (SNP)
*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
*Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP)
*Jamie McGrigor (Highlands and Islands) (Con)
*Anne McTaggart (Glasgow) (Lab)

*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Dr Eve Hepburn (University of Edinburgh)
Professor Michael Keating (University of Aberdeen and Economic and Social Research Council)
Dr Daniel Kenealy (University of Edinburgh)
John Swinney (Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy)

**CLERK TO THE COMMITTEE**

Katy Orr

**LOCATION**

The Mary Fairfax Somerville Room (CR2)

# Scottish Parliament

## European and External Relations Committee

*Thursday 5 February 2015*

*[The Convener opened the meeting at 09:02]*

## Decision on Taking Business in Private

**The Convener (Christina McKelvie):** Good morning and welcome to the third meeting in 2015 of the European and External Relations Committee. To begin with, I make the usual request for mobile phones and electronic devices to be switched off or turned to silent.

Agenda item 1 is a decision on taking business in private. Do members agree to take in private agenda item 5, which is consideration of our approach paper for our connecting Scotland inquiry?

**Members** *indicated agreement.*

## Connecting Scotland Inquiry

09:02

**The Convener:** Agenda item 2 is an evidence-taking session for our new inquiry, which is on connecting Scotland and how the Scottish Government and its agencies engage internationally. We are joined by a very eminent panel. Professor Michael Keating is professor of politics at the University of Aberdeen and director of the Economic and Social Research Council Scottish centre on constitutional change—welcome back to the committee, Professor Keating. Dr Daniel Kenealy is a lecturer in the University of Edinburgh's academy of government. I welcome you back, Dan, only this time at the other end of the table. Do not worry—we will be gentle with you.

We are also joined by Dr Eve Hepburn, senior lecturer in politics and international relations at the University of Edinburgh, whom I welcome to the committee for the first time. I note that your written submission has gained a wee bit of coverage in the media this morning, so well done. That sort of thing always gives a good focus to a committee.

We are delighted to have you all here. We have decided not to have any opening statements; instead, I will open with a general question. What do you see as the main drivers for substate Governments with regard to their international relations and the international work that they do? If you have different perspectives on that matter, we would love to hear them.

Whoever wants to go first should just give me a nod. Eve?

**Dr Eve Hepburn (University of Edinburgh):** Sure. The main drivers of substate Governments' external relations are usually quite functional, with an emphasis on economic relations. The primary activity of such Governments is to increase trade and foreign investment in the country and boost the economy, and they have gone about that in various ways such as engaging in trade negotiations. Bavaria in Germany has been very successful at that and, in fact, has recently finalised some biotechnology trade agreements in the far east.

Functional considerations are one aspect. There are also political considerations such as achieving more representation on international bodies such as the European Union, the United Nations Educational, Scientific and Cultural Organization, the Nordic Council or other areas where substate regions seek to gain a political profile for themselves.

I have also been interested in what might be called an ethical or moral aspect to a substate Government's foreign relations. It appears that many of the successful strategies that substate Governments adopt have an overarching moral dimension, for example the human rights dimensions to Catalonia and the Basque Country's external relations, California's seeking to be the moral consciousness on environmental matters and the Åland Islands' development of the notion that they are the islands of peace and a model of conflict resolution in the world.

**Professor Michael Keating (University of Aberdeen and Economic and Social Research Council):** The minimum aim is to represent internal competences abroad to ensure that there is a spillover. The Belgians call it the in foro interno, in foro externo principle, which means that if you have responsibility for something internally, you have responsibility for it externally.

That has been particularly important in Belgium, because of its recent state reform in which a lot of competences were devolved to the regions and language communities. Those regions and communities automatically get the external consequences of that devolution, which includes representation not only in Europe but in the Organisation for Economic Co-operation and Development, the International Monetary Fund, the International Labour Organization and general international negotiations. It also includes the economic matters that Eve Hepburn referred to. Indeed, they are the biggest driver, because of this notion of competition that seems to have taken over the entire world and which applies not only to states but substate entities, too. By competition, I mean not only competition for investment and technological advantage but partnerships with other places so that they can work jointly to improve their competitive advantage.

The environment has become extremely important, because it cannot be contained within national or other boundaries. It is also one of the normative issues that Eve Hepburn referred to. Whether we are talking about nations, cities or regions, places try to demonstrate that they are good global citizens and that, despite the demands of competition, they can do more for the environment.

There is a big cultural element, especially in those places where there is a distinct language or where the language is under threat, and there is also a political dimension, which is sometimes important in itself. That shades into what is known as proto-diplomacy or where, for example, a nationalist Government in power might prepare the way for independence or at least constitutional change. This is the dominating theme in Catalonia, which has been making a lot of effort around the world and especially in Europe to assert its right to have a referendum on independence and seeking recognition and external support for that.

Another area of growing importance is partnerships for international development and aid. Scotland has a small international development and aid programme, while the Basque Country's programme is very large.

Those are the main aspects. They become more important as the world becomes more internationalised, but all the substate Governments that I have looked at recently in updating the paper that I submitted to the committee a few years ago are now running into serious resource constraints. They have increasing ambitions and increasing international aspirations and responsibilities but fewer and fewer resources to meet them. As a result, they are being forced to make some very hard decisions about priorities.

**Dr Daniel Kenealy (University of Edinburgh):** I agree largely with everything that my colleagues have said; the only point that I would add is that many of the drivers are linked. I agree entirely with Eve Hepburn that, historically, the functional driver of boosting the economy, trade, foreign direct investment and so on has been the main one, but as far as the cultural side of substate diplomacy is concerned, the promotion of culture can also mean promoting tourism, which feeds back into the more functional, economic side.

Likewise, promoting culture is oftentimes actually part of political subnational diplomacy—these things can shade into each other. The same applies on the normative front. There is academic literature on substates that are looking to stand out as normatively different from the state of which they are a part. Obviously, that has a political dimension. The politics of difference between a subnational Government and a national Government can be quite important. It is important to bear in mind all the linkages between the areas.

**The Convener:** You have mentioned lots of areas that are the main drivers, such as cultural and economic drivers and proto-diplomacy. What strengths does Scotland have on all those things and in what areas are there challenges?

**Dr Hepburn:** As my written evidence points out, one of Scotland's strengths that I believe is quite exportable to the rest of the world is its democratic credentials. I am a comparative political scientist, so I work in lots of other countries. I often find that many people are incredibly impressed by the peaceful constitutional negotiations that we have had in Scotland surrounding our future. I do not think that people in Scotland actually realise how well we have done in that respect.

To that end, I have been looking at various other countries that have had more of a normative or ethical dimension to their foreign policy. For me, the Åland Islands are particularly interesting, because of the model of conflict resolution there, which has been exported round the world. Hundreds of foreign delegations have been attracted to the Åland Islands to learn from that, and the islands have tied that in with their other functional objectives, such as building economic relationships with places elsewhere.

Especially given that we have had the eyes of the world on us for the past couple of years because of the independence referendum, there is an opportunity for Scotland to galvanise that interest and valorise our credentials as a place where we have a strong democratic process. I have spoken to colleagues in Tobago and Tibet about the constitutional convention as a way of engaging civic society and the public in politics. Obviously, we had a high level of voter engagement in the referendum last year, and many people around the world are interested in how we were able to do that. Basically, a public relations campaign advertising those democratic credentials would give us a focus for our other functional objectives and would be of interest to a lot of other countries round the world.

**Professor Keating:** Scotland has the advantage of name recognition, which is important. Of course, the way in which we represent Scotland to the exterior is also important. We are all familiar with some of the clichéd representations of Scotland that have been going round the world and which need to be overcome. A lot of effort is going into presenting Scotland as a dynamic, modern and outward-looking society.

I agree with Eve Hepburn's point about the democratic credentials and the exemplary nature of our referendum, which people in Scotland do not appreciate. Maybe when they pick themselves up off the floor and their bruises have healed, they will realise that it was done quite well compared with how these things are handled elsewhere, or compared with what is going on in Spain at the moment. If the Northern Ireland peace process can be exported round the world, as it has been, Scotland has an even better case to say that these things can be resolved in a peaceful and democratic manner and in a way that means that both sides accept the result.

Scotland has a lot to offer by way of education, as it has a distinct education system with many strengths. There is always a danger in education debates here that we become too parochial or just compare ourselves with England. In the international context, the Scottish education system has a lot to learn and a lot to teach. I emphasise the theme of policy learning, which is an important element of paradiplomacy but which is very rarely done effectively because it requires long-term engagement of civil society as well as Government, and it requires a certain amount of resources going in. That would allow us to improve our policy-making system not only by learning from abroad but by engaging in a debate and showing that there are perhaps some things that we can teach others.

09:15

I turn to questions that are a little bit more problematic. There is the question of relations with the central Government in paradiplomacy. In Scotland—apart from the referendum period, in which there was a great deal of tension—relations are fairly cordial compared with other places and there are not a lot of big, obvious clashes. Until the referendum, there had been remarkable continuity in the main lines of Scottish external policy between different Governments or coalitions. There is a certain amount of consensus there, but that needs to be worked on, particularly post referendum, to ensure that Scotland's position is recognised without necessarily challenging the representation of the UK abroad.

The other big thing that Scotland needs to do is to internationalise itself. It is all very well going abroad and talking to people, but in Catalonia, for example, there has been a huge emphasis on internationalisation and Europeanisation to ensure that society as a whole is informed about international relations and opportunities. We do not do that very well. We are just as bad at languages as other parts of the United Kingdom, and there is not a deep involvement in Europe. In Scotland, the feeling is that Europe is somehow a good thing because it solves all kinds of problems for us, but there is none of the deep engagement that I find in other places. A lot of work must be done on that—in the education system, in business and in civil society generally—by exposing us more to Europe and by becoming part of Europe and international societies. Only in that way will we be able to get more out of international linkages and partnerships.

**Dr Kenealy:** I agree that we should make as much as we possibly can of what we went through in the referendum process by exporting our knowledge to other places. The time to do that is now; the knowledge will fade if we do not strike while the iron is hot.

To add to rather than repeat what my colleagues have said, I point out that there is a tremendous amount of expertise and knowledge in functional policy areas such as energy and climate. We see evidence that that is translating in the Brussels setting in a European Union context.

A lot of the Scottish third sector's work on human rights is exportable. There may be other opportunities that are not currently available to tap into international networks and bodies in the human rights area. That would probably be contingent on a change in the relationship between the UK and Scottish Governments and what the Scottish Government is allowed to do. The potential for that exists. For example, since the mid-1970s Quebec has played a relatively active role in what is now the United Nations Human Rights Council and what was previously the United Nations Commission on Human Rights. The system there allows Quebec that opportunity.

There are also the cultural and creative sectors, but I do not want to get into just listing different areas. On the opportunities right here and now, to return to the areas that Eve Hepburn started with, that would include constitutional change and how to handle that peacefully; it would also include Europe.

I support the UK's membership of the European Union. If you look at the evidence on people's opinions, there seems to be a difference in attitudes towards European integration in Scotland, but the difference is not as dramatic as it is sometimes made out to be. Softer forms of Euroscepticism have, over time, grown quite alarmingly. Over 10 or 15 years, the Scottish social attitudes survey has shown that the number of people who say that we should be trying to repatriate powers from Europe has increased significantly. That is a perfectly legitimate position to agree with; I am just saying that there is an opportunity for the Scottish Government to articulate something quite different on Europe and to take up the role, alongside others in the broader British political context, of being a champion of Britain's membership of the European Union. That is an opportunity for the here and now.

**The Convener:** It is an opportunity that will arise over the next few months, and following the general election.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** I am interested in the idea of Scotland advertising or exporting our democratic credentials. What are your thoughts on who is best to do that? That may seem like a daft question, but should Scotland, Britain or Europe do it? How should we do it better?

During my time on the Scottish Parliament's Public Audit Committee, we had several visits from countries, particularly emerging democracies from the Balkans, that had no systems of democratic scrutiny or accountability and which were looking to countries such as Scotland for assistance. The process tended to stop there—there was a visit, we spent an hour or so together and we all had a good time, but that was it.

The process needs to involve more than that. What thoughts do you have on how we could extend it and reach out to such countries to ensure that they develop their democratic systems and make them much more powerful than they are at the moment?

**Dr Hepburn:** Thank you—that is a very good question.

An example that I have looked at a lot is that of the Åland Islands and how they went about exporting their model of being a place of conflict resolution. For those who do not know, the Åland Islands are about 6,000 islands in the middle of the Baltic Sea, which have been fought over by Sweden and Finland. They were eventually granted autonomy under a League of Nations resolution in 1920.

The Åland Islands are an interesting case, because it was decided in the 1980s that they had to have a bigger international impact and that they had something to tell the world—something that the world could learn from. The process started off with the political parties engaging in discussions about how to do that. Many civic society actors who had a stake in promoting Åland as a place of conflict resolution were involved. Audit Scotland would be an important actor in contributing to debates about how Scotland could be advertised as a bastion of democracy for other places that are undergoing similar constitutional negotiations.

The Åland Islands identified certain parts of the world that could benefit from their advice and support and invited them to the Åland Islands to learn more about their model and their process. In addition, importantly, they got support from the Ministry of Foreign Affairs of Finland, which helped to advertise the Åland model to the rest of the world, as well as Finland's foreign policies. As Michael Keating said, it is quite important to have good lines of co-operation with the central state Government to advertise such a model.

In short, it is necessary to engage with a range of political and civic society actors to come to an agreement on what form the model might take, where it could best be targeted and which countries in the world could benefit most from it.

**Professor Keating:** The problem with such initiatives is the follow-through, as you said. Meetings can be held at which everyone says, "Let's meet again," but nothing ever happens. It is necessary to have partnerships that are focused on things that will have some outcomes, because people will not meet unless they can see that something will come out of it.

Resources are required, too. Not a huge amount of resources are necessary, but at a time when resources are very scarce, expenditure on such

activity is the easiest thing to cut, even though it is very important in the long run.

At the political level, there are international linkages, but members of political parties tend to talk to their counterparts elsewhere instead of talking to people who disagree with them. There are networks, but people do not really come together.

In addition, there is quite a lot of reticence because of the political sensitivity of many of the questions to do with independence or self-government. People become extremely defensive, so they do not have a conversation about creative ways of working through those issues. That was apparent during the referendum here, and it is a constant problem in Catalonia. When I am somewhere else in Europe and the Catalans turn up, either the Spanish Government is not there or there is someone at the back taking notes and people's names. I never see them debating among themselves once they get outside their own country.

We need to involve all levels in such debates. We need to open them up at the political level. We have wonderful debates at the academic level, but that kind of learning does not take place at the political level. People tend to fall into rather rigid positions, which they promote abroad.

On top of that, there is the way in which all these various things go together. There is disagreement in Scotland about whether we should become independent, but there is a huge amount of consensus about what kind of society we want to be. I am setting up a link with an institution in the Basque Country—we had a little Skype conversation about that the other day. The institution is promoting a notion of the Basque Country broadly around inclusive development, the social and environmental dimension of development, and the way in which such ideas can be thought about internationally. The institution has a big problem—namely, the association of the Basque Country with violence. There is a peace process. Beyond the peace process, the institution wants to think about things on which it might be able to get some consensus; it wants to show the world not just the peace process and the ending of violence, but how one can have new ways of thinking about sustainable development at the substate level.

Those things are not politically polarising. They are areas in which we can think about learning and mixing and matching policies in different ways. Again, Scotland will be good at that, because we have had such debates. Our referendum debate was not just about independence, as it is in Catalonia; it was about what kind of Scotland there should be. We should take those bits of the referendum debate and ask ourselves what the implications of them are. What kind of economic model do we want? What kind of social model can we have? What things can we do, and with what different constellations of powers, whether or not that involves independence?

We have learned a huge amount. We have had an intense conversation and I would not like to lose all that just because the independence question is off the agenda for the moment. There are other aspects of the debate that are really very important.

**Hanzala Malik (Glasgow) (Lab):** You said that we have a lot to do in terms of education and business. Scotland launched a languages programme for primary and secondary pupils in a bid to enhance the skills of our youngsters so that when they graduate from university, they can acquire employment in Europe and work with European partners almost on an equal footing. Is there something that we are missing that we still need to do a lot on? If so, what should we concentrate on?

**Professor Keating:** There are international education networks in which Scotland participates, and others in which it does not really get involved because it does not have the resources, including UNESCO or the so-called Bologna process of the European higher education area, in which Scotland has a kind of watching brief but is not thoroughly engaged. Resources will be required if there is to be greater participation.

On languages, the Scottish Government, the UK Government and the Welsh Government have done things, but nothing seems to work. I do not know what we are missing, but there is a reluctance on the part of British people to learn European languages and engage. Eve Hepburn and I were at the European University Institute in Florence for a while, where the lack of language capacity of British students was almost an embarrassment. They were the most linguistically capable British students and even they were frightened about learning languages.

A cultural change is needed. We must get rid of the idea that, because everyone else speaks English, we do not need to speak foreign languages, which means that we can talk to them but we cannot hear what they are saying to each other. We cannot understand the meaning of what they are saying unless we get into those languages. There is an arrogance and a laziness that needs to be overcome. People have to realise that learning languages has rewards. Not only is it culturally enriching but it is really important to be able to operate in the vernacular languages of other countries. I have talked to my colleagues in education about why that does not happen and they do not know any more than I do about that.

Another issue concerns international student exchanges, particularly those within Europe, under the Erasmus programme and other European programmes. We get a lot of students coming here but we do not send a lot of students over there. That is a great pity, because they are losing out on a lot. There should be greater incentives and encouragement for Scottish students—and other UK students, because the situation is as bad elsewhere—to go out and learn not only other languages but other ways of thinking.

That is also crucial in business. If you do business somewhere else, although it is true that you and everyone else will be working in a market economy and that you will be buying and selling things, there are cultural assumptions about how business is done that are important when you get into other markets. Sometimes, we lose out on opportunities because we do not understand that.

**Hanzala Malik:** You have touched on almost everything that we are doing in terms of encouraging language skills in our student population. If we are touching all the bases, what is missing? You say that you and other academics find it difficult to explain the shortcomings, but they are historical; they are not issues for the future. We are dealing with issues so that, in the future, we will be able to communicate better than we have done historically. Do you feel that we are still falling short? Or do you feel that the measures that we have taken to date go some way towards addressing the issues?

09:30

**Professor Keating:** There are many policy measures on teaching languages in schools, but unfortunately the state of languages teaching at university level in Scotland is very poor because of the emphasis on research: language departments often do not do research, but just teach languages, which is not well regarded within universities. The universities are all competing fiercely with one another, so they are all trying to get into the areas that will attract more students and most resources. That means that some languages are being offered nowhere, in particular the less-used languages—for example, Slavic languages, which are in a very poor state in Scottish universities.

That situation requires leadership from the centre, whether it is the Government or the Scottish Further and Higher Education Funding Council, to state that capacity for particular languages is needed somewhere in Scotland and that some university has got to provide it and get the resources for that.

There is also a problem more generally in society in that students should be surrounded by an environment in which the use of languages is appreciated. It is the responsibility of Government, universities, business and everybody to say that languages really matter and to present to young people the opportunities that they will get if they pay attention to learning languages. If that does not happen, the young people will just do something else. The languages will be available, but the opportunity to learn them will simply not be taken up unless they have a positive image and the young people feel that they will get something out of it, which is what those who stick with languages do get. However, the message is not reflected in wider society, so it does not necessarily get through.

**The Convener:** This committee has scrutinised the one-plus-two languages model. Work by the British Council and by the National Union of Students Scotland's "Scotland goes global" project shows that there is a supply chain that we are perhaps not seeing the benefits of just now. However, the committee is keeping a very close eye on that and I can see that you are doing that as well, Professor Keating.

**Jamie McGrigor (Highlands and Islands) (Con):** When I read the committee papers, my immediate wish was to ask a question about paradiplomacy and hard and soft power, but when I got here this morning I found a letter from Professor Kenealy that talks about the difference and more or less explains it. However, I still want to ask questions on that. First, can you tell us what the term "paradiplomacy" actually means and can you provide examples of how paradiplomacy has been used successfully by substate Governments in international engagement policies? Secondly, can you tell us what "soft power" means and what its relevance to Scotland is, and provide examples of successful uses of soft power and positive outcomes for substate Governments that promote soft power?

I hope that those questions are clear. I am sorry if they are too broad.

**Dr Kenealy:** You have promoted me to professor, Jamie. Thank you. I appreciate that.

I will start with paradiplomacy, and if I talk too long somebody else can pick up on soft power. Probably the simplest and most comprehensive way to describe paradiplomacy is simply to say that it means the involvement of substate Governments in international affairs and in the totality of what they do in terms of international policy.

I find "paradiplomacy" to be quite an awkward academic term and I am not really a fan of it. I think that it borders on being jargon, which academics sometimes like to use a little bit. However, paradiplomacy basically refers to the

external policies of subnational entities, such as the Scottish Government, UK local authorities, US states and so on.

Eve Hepburn mentioned examples of substates, including Bavaria, being successful in paradiplomacy. A lot of the German states have success stories. I was looking into Baden-Württemberg, which has been able to set up a kind of international technological hub for renewable energy. It has done that through the power of attraction to the model it has developed, which it is knowledgeable about and can talk about with authority.

That shades us into soft power. Soft power was defined by Joseph Nye, the Harvard professor who is at the centre of the concept. He says that soft power is the ability to attract people through persuasion and the value of your system. It is not about compelling or forcing people to do things; it is a form of power that is about attraction and persuasion. A lot of his work is about US power and he looks at examples in the US cultural sector. Obviously there is the military component of US power, which is fairly well understood, and the economic component.

The third strand includes almost everything else—for example, the Hollywood film industry and its ability to culturally export norms such as a way of life, a set of values and so on. It also includes the US higher education system and its ability to attract students, train them in a certain way and send them back around the world to create networks of alumni that can be tapped into for development and so on. The category of soft power that Joseph Nye looks at is very broad. I have just mentioned two instances of US soft power, but there is even more to it than that; it is a very broad category.

It is perhaps easiest if we distinguish soft power from compelling people, whether through use of force or sanctions, or even tying things to conditionality and trade agreements. Often states will sign trade agreements with developing countries and say, "In order to have these concessions you need to do such and such with human rights and you need to improve your governance." In my understanding that would not count as soft power, because there is an element of compulsion. It is using the stick of trade concessions to get somebody to do something as opposed to effectively convincing them through the power of persuasion that the outcome that you want is the right outcome.

**Professor Keating:** It is extremely difficult to measure success, which is part of the problem in soft power and paradiplomacy and why it is very difficult to get resources into it. Politicians want concrete results in the short term. The approach is long term, and when something works you do not quite know what it was that worked or what would have happened in the absence of that. We know that it is important, but it is very difficult to demonstrate.

I can give you some examples; one of the best documented is the case of Québec. The jargon term paradiplomacy came from looking at what was happening in Québec and elsewhere in Canada, where paradiplomacy was part of what in the 1960s and 1970s was called the quiet revolution: the modernisation of Québec. The quiet revolution involved dynamising the business community in Québec so that it became more internationalised and more connected to international markets through inward and outward investment. There was organisation within society as a whole to support that. There was also a political motive, because at that time the Québécois felt themselves to be somewhat marginalised—a minority within an overwhelmingly Anglophone North America—and there was a hard edge to it, which was about looking for business opportunities.

At some point people started talking about "Québec Inc"—Québec incorporated. That was a very unfortunate expression that has gone away, thank heavens, but it referred to something real: people coming together on things that were identified as being in the interests of Québec, despite their disagreeing politically about other things. There is that notion that they can sit around the table and agree on certain things that are in the common interest.

Scotland had a little bit of that, but it lost some of it since devolution, because devolution has created political divisions within Scotland. Devolution is a thoroughly good thing; do not get me wrong—I have supported it my entire life—but in the old days, before devolution, it was very easy for us to say, "Well, we're all sticking together against that lot out there." Now we have to realise that we differ among ourselves, and we are in danger of losing some of that important common interest. The balance between our internal divisions and protecting ourselves abroad is quite important. Whenever I go to Québec or read things about it I can see that the people there know how to play that game very well.

Another example is Catalonia, which has been extremely active in paradiplomacy. The predominant political opinion there has been in favour of some kind of advanced federalism or devo max and not—until quite recently—independence. There was a feeling that even within the existing constitution they could do certain things on which they agree even though some people supported independence. There was consensus on certain things and differences on others.

For example, Catalonia adopted a teaching policy on, initially, two languages—Catalan and Spanish—which have become three languages. All children who graduate from high school should be competent in Spanish, Catalan and English—it used to be French, but English is now the international language.

Similarly, the business community in Catalonia and the business organisation the Foment del Treball Nacional, which is more or less equivalent to the Confederation of British Industry, are very strongly committed to the internationalisation of Catalonia and, in all kinds of ways, facilitate inward and outward investment. There is a two-way flow of investment and ideas in business.

At the transition in the 1970s, Spanish industry was somewhat behind the rest of Europe, so it was about catching up with the rest of Europe and modernising industry. There is a political dimension to it, which has now become quite conflictual, because there is disagreement about independence. However, until now, there has also been quite a consensus on the idea that, whatever people think about the long-term merits of independence, they agree on certain things about getting Catalonia well-connected in European and international networks.

The Catalans are extremely good at networking and knowing the right places to go to and the right people to talk to in international organisations. Unlike the Brits, who tend to get on the Eurostar or the plane and come back after meetings, they hang around in the evening. That is important, too, because there are informal networks that are important for the exchange of ideas and influence.

That is what soft power is about. It is not about forcing people to do things; it is about diffusing ideas.

**Jamie McGrigor:** Who pays for the Catalans to hang around in the evening?

**Professor Keating:** They are not so puritanical and Calvinistic about entertainment budgets. They are much more Mediterranean, and you eat well when you go there. However, of course, there is a cost. It can easily become junketing but, if the activity is well focused and there is a purpose, such informal networks can be important.

**Jamie McGrigor:** Thank you.

**Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP):** My take on that is that the generality of paradiplomatic activity that we undertake has a purpose to it in that we want to grow our soft power—our influence, if you like—over decision makers, particularly in policy areas that matter to us economically, such as renewable energy or food and drink, and on which we would be engaged with other Europeans or people elsewhere in the world.

I note from Dr Hepburn's written evidence that our

"paradiplomatic strategy has been criticised as 'ad hoc'".

As part of her answer to that, Dr Hepburn suggests that we try to brand ourselves a Scottish model of democracy, which would cover all such areas. To be perfectly frank, I do not see how one such approach could do all that.

Should we not have ad hoc paradiplomatic activity? Are we not trying to get into all the nooks and crannies in order to grow our influence in the world so that people say, "Well, I think that we should have a wee chat with the Scots on that subject, because they know all about renewable energy," for example? That is how we grow our influence.

Even in the academic world, people in Europe will no doubt pick up the phone and give people such as yourselves a call to ask about particular things. Is that what we should be doing generally rather than focusing on one aspect of our experience?

09:45

**Dr Hepburn:** Perhaps I can clarify what I meant in my written evidence. When I was talking about trying to develop and export a Scottish model of democracy, that did not mean that it would take over or replace all those other strategies that we need to focus on. A lot of them have been identified recently by the Scottish Government in its different narratives. There is an economic narrative, an education narrative, a food and drink narrative, and so on. All those are important to Scotland and they should be given different weightings, depending on what our priorities are at different points in time.

My point was merely that some of the most successful strategies of substate Governments, which all have different functional objectives—the Basque Country, Catalonia, Quebec, Bavaria and so on—is to try to present a narrative about their country being somehow different and having a niche in the world. I recommend creating a Scottish model by developing an overarching narrative for all other functional narratives.

Michael Keating brought up education; we could link our education strategy to a narrative about Scottish democracy. We could talk about our advances in education, public education, or the influence of our higher education system throughout the world. I am talking about providing an overarching narrative in which to pursue the different functional objectives. Was that clear?

**Dr Kenealy:** It depends on what we mean by "ad hoc". We need to sort out a couple of different levels of activity. Eve Hepburn was exactly right in what she said; the democratic narrative could be embedded across a range of policies that the Scottish Government could seek to influence internationally. Somebody would need to co-ordinate that narrative and message, although I am not necessarily here to recommend who that should be.

I agree with the point about getting the message out as broadly and into as many different domains as possible, but in respect of specific international or transnational public policy issues, I disagree that the activity should be ad hoc. If it does one thing, the literature on paradiplomacy and small states—even though we had a certain outcome in September, substates can learn a lot from small states—points in the direction of prioritisation, specialisation and picking a handful of key things in which we could excel.

That simply goes back to resource constraint and how small states and substates do not have the resources for foreign affairs that larger states have, so they have to prioritise otherwise they end up with policy that is a mile wide and an inch deep. In that case, nobody will pick up the phone to call us because we would not be seen as expert. If we want to be in Brussels, and to be right at the centre of that policy community as the go-to people on renewables, it takes years to build up the networks and the knowledge. If we dilute that effort by running after everything that might come up in any given week, we undermine the strategy.

**Adam Ingram:** How can we measure the effectiveness of the strategy that we adopt? The notion of soft power, or influence, does not lend itself to measurement, does it? For example, can you give us an indication of how our soft power has grown since devolution? We had a Scotland Europa office in Brussels before devolution. Are we getting more influence since devolution?

**Dr Kenealy:** When we talk to people who work in these policy areas and people in Brussels, we hear that Scotland is building a credible reputation for itself in the European Union in key areas such as energy, justice and home affairs and the other two areas that the Scottish Government identified as priorities in the EU framework in 2009, but that is quite anecdotal.

On harder forms of measurement of soft power, the Scottish Government uses as one of its performance indicators the Anholt index, which looks at the perception that other states have of a state. That measures a range of things including how easy it is to do business with the state and quality of governance and institutions. It was in the news that, last year, Scotland went down a few places, but its overall score actually went up.

I am quite sceptical about whether such measures tell us that much. They remind me of the scene in "Dead Poets Society" in which Robin Williams speaks to the kids about whether it is possible to measure poetry, and then he asks them to tear the page out of the book because he thinks it is rubbish. My sentiments are similar to that.

The use of focused case studies might be a better way of measuring success in the area. In fact, that is something that the Scottish Government and the external affairs team could do better on; I do not want to be critical of them, because I think that they do good work, but they could do better. You have to process trace this over a period of time by, for example, saying, "We went to this meeting; we then saw this output." You have to build up a compelling narrative, and then it is for other people to accept whether it is persuasive and whether it justifies the resources that underpin it. Such evaluations are not quantifiable—they take time and we have to pay people to do them—but they are possible. I do not think that they are being done as well as they could be at the moment.

**Dr Hepburn:** Public diplomacy is not just something that substate Governments do. State Governments, too, have invested a lot of time and resources in public diplomacy to try to increase the country's international standing on the world stage and to build up relationships and positive public reflections on the state.

The US has invested a lot of time, resources and money in evaluating the effectiveness of its public diplomacy. It has various ways of doing that; in fact, I had a look at one of its documents last night. As Dan Kenealy has said, it is difficult to do, but there are various ways in which it can be done. For example, a qualitative approach could be taken. After identifying eight countries that were of importance to it, the US conducted surveys of about 6,000 people to try to evaluate how they perceived the US in various spheres. A quantitative approach could also be taken through, for example, measuring how many times Scotland is referenced positively in social media.

Places such as the US and the UK, which does it as well, have realised the importance of public diplomacy but also the importance of measuring in order to invest more resources in areas where they will have a greater impact and areas of greater strategic priority.

As Dan Kenealy suggested, it is all about identifying certain places and trying to build up a narrative to see how Scotland is perceived and how that has changed. I think that that would be of value to the Scottish Parliament and the Government.

**Professor Keating:** I agree with those points, but I make the more general point that it is sometimes a mistake to prioritise policy objectives that we can measure. That is what got us into all the targetry business that has been such a bane for public policy. Sometimes we just have to take a gamble, and many of these things have intrinsic value anyway. It is good that students should be exposed to different cultures and languages, whether we can measure that or not. We might think that that has positive economic benefits, but that might just be a by-product.

We do not want to present a monolithic or essentialist image of Scotland. Instead, we need to recognise that this is a very pluralistic society; indeed, that is one of its strengths. That does not conflict with what Eve Hepburn was saying, because we have different ways of handling our plurality and differences. That is the Scottish model. It is not that we all think the same way—of course we do not. It is just that we have different ways of handling these democratic differences and debates.

**Roderick Campbell (North East Fife) (SNP):** Good morning. How relevant are constitutional limitations on the activities of substate Governments? What can we learn from the experience in Germany, for example the role of Bavaria compared with that of other Länder?

**Dr Hepburn:** That is especially pertinent for European Union representation and the ability of substate Governments to access decision making at the European level. Constitutional status has a very strong bearing on the extent to which that is possible. You mention Germany. The Bavarian Land, for instance, has a right to represent the country at the Council of Ministers. That is also the case in Belgium and Austria and various other places.

The Belgian constitution is probably one of the most progressive in giving its substate Governments international powers. Michael Keating spoke earlier about the relationship between internal relations and external relations. That has enabled Belgium, a federal country, to write it into its constitution that the regions of Belgium can represent the country at UNESCO and other international organisations. A written federal constitution often comes in quite handy in giving constitutional rights to substate Governments to represent themselves politically on the international scene.

It is quite different when it comes to public diplomacy, as that does not necessarily require constitutional levers or mechanisms to project the substate region across the world. That is why a lot of substate Governments have focused on public diplomacy rather than on areas of hard diplomacy. They do not necessarily have the competence in those areas.

**Professor Keating:** As Eve Hepburn says, the EU is critical, as there are different arrangements in different countries. Belgium and Germany stand out as having constitutionally entrenched rights for regions to participate in the EU. Elsewhere, the situation tends to be much more conflictual.

Outside the EU, there has been a lot of conflict in Canada about constitutional competences, treaty ratifications and so on, mostly but not entirely affecting Québec—it has also affected Alberta and some other provinces. In Spain, the autonomous communities are constantly coming up against constitutional limitations, and a lot of cases end up in the supreme court. In Belgium, there is a right to be represented externally, corresponding to internal competences, but that poses a lot of constitutional difficulties that have to be worked out. It is a problem elsewhere.

It is less of a problem in the United Kingdom, because of the nature and flexibility of our unwritten constitution. There are perhaps some constitutional things that could be done as far as Scotland is concerned, but it is much more important that Scotland should be properly organised and present in the places where there is no constitutional obstacle to it being present—rather than focusing on the constitutional issues, which are not the major obstacle.

**Dr Kenealy:** Germany is an example—as is Belgium—of a state where the substate Governments have quite a lot of powers and protections. They have the power to conclude international treaties, with the consent of the federal Government. They have the right to represent their own interests at the Council of the European Union for a devolved competence. They also have a right to be consulted on treaties that the federal republic signs if they impact on Länder competences. If the Länder are not consulted appropriately, or if one Land has a problem, they will take the federal Government to court. Some people would say that that is not necessarily the best way to handle intergovernmental relationships, and that we do not want to make them too litigious, but it seems to work there. Perhaps that is just a difference between the German political culture and the British political culture, but it seems to work.

Keeping things in the European Union context, I have always thought that issues such as representation at the Council are little bit of a red herring. It got headlines when, for example, the Scottish Cabinet Secretary for Education and Lifelong Learning was able to present the UK Government line late last year, but the important thing is that Scottish interests are properly embedded in the UK's EU decision-making

process before it gets to that point. That is the end point, when ministers are in the room and tied to a negotiating line. What is important is that Scottish interests are more firmly embedded in Foreign and Commonwealth Office processes for determining what the UK line is. There may be room for improvement in that area, but the question of who gets to speak at the Council is less important.

**Anne McTaggart (Glasgow) (Lab):** Good morning. I would like to take us back to looking at specific country plans, as my colleague Adam Ingram mentioned earlier. Could you give examples of how other substate Governments geographically focus their international engagement?

10:00

**Professor Keating:** Most substate Governments that have been involved in this in recent years have produced plans. They have all reorganised their system and appointed a department or agency with lead responsibility, sometimes under the first minister, sometimes under a designated minister for external affairs. There has been a sectoral focus and a geographical focus.

In Québec, it is clear that the focus as far as cultural and language matters are concerned is France, and the focus for economic matters is the United States and the North American free trade area. Then it has priorities, starting with Latin America as an important area. The Francophonie, which is the French equivalent of the Commonwealth, is important for language but also for trade relationships.

In Catalonia, the focus has been first on the European Union, then on Latin America, for historical reasons, and then on opening up to Asia, because all these places are looking to Asia—to the future of China and all the other Asian countries.

That replaces what previously was a scatter-gun approach, whereby Governments just opportunistically went out and did bits and pieces everywhere. Nowadays there is much more of a strategic focus.

**Dr Hepburn:** Michael Keating is absolutely right that the geographical focus of a substate Government depends a lot on its historical and cultural linkages, but it might also have to do with political linkages.

Catalonia has established a public diplomacy council that focuses exclusively on public diplomacy, which is called Diplocat. It has been very active over the past few years, especially on the issue of the Catalan right to vote. I was invited to one of its events in Germany recently and had a good chat with staff afterwards. They were surprised that Scotland does not have the same number of offices in European cities as they do. They had thought that Scotland was way ahead of Catalonia in terms of having representation in Paris, Berlin, Madrid and North America and elsewhere. They have had quite a successful strategy of targeting places, such as European capitals, as part of their proto-diplomacy strategy which, as Michael said earlier, is a strategy that nationalist Governments often pursue to increase awareness about plans for independence. They have launched various public events and have had high-profile talks in different European cities; they have also developed business networking through Diplocat—their public diplomacy machine—so clearly there are economic functional objectives that they are meeting through public diplomacy. They also have quite an interesting component on elections monitoring, which I think has to do with their more ethical issue concerning the right to vote. They clearly have a very strategic and focused set of objectives for Diplocat, and they have been able to get them across quite well in different European capitals.

**Anne McTaggart:** To take you back to something that you just said about the overseas offices, you suggested that we are missing a trick there and that other countries have recognised the benefits of having them. How could we do that better? Can you give us other examples of substates that do it better?

**Professor Keating:** My submission paper lists all the overseas offices. Catalonia and Québec each have a lot. There are different types of offices: some of them have more of a political role, such as the Québec representation in Paris, and some have a purely economic role. Some of the Catalonia and Québec offices are cultural, but they have to do with language, which is not so important for Scotland. Every few years, a new Government closes most of them down, because they are the first thing that go in a crisis. Then another Government comes in and opens them up again. Catalonia says that it wants to open up another 53 overseas offices—I looked that up the other day before coming here—when the resources are available but, while there is a terrible economic crisis, the resources are not going to be available.

There are different kinds of offices. If we include Scottish Development International and the Scottish presence in embassies abroad, Scotland has quite a lot of representation abroad. We do not have our own offices with name plates saying "This is Scotland", except in Brussels, but there is quite a lot going on. It depends on what we are trying to do with it. In the cases of Québec and Catalonia, there is a lot of proto-diplomacy—of saying, "We are here. We are not part of the

Spanish embassy. We have our own place here." In the case of the Canadian provinces, the offices will be part of the Canadian embassy but there will still be somebody there. The important thing is to have a presence. In other cases, there are private entities or public-private entities that are particularly important in business. The Basque Country mobilises its diaspora; it may not have a lot of offices in Central America, but there are an awful lot of well-connected Basques there who know who to talk to.

There are multiple ways of doing it. The trick is in focusing not just on the formal office but on networks and on how to get to the right people in order to influence them and get exchanges of ideas going. We have to focus more on that.

**The Convener:** We are out of time, but a couple of members want to ask very quick supplementary questions. I ask them to be very quick.

**Willie Coffey:** The last answer leads me nicely to the issue of the diaspora and how we reach out to the wider community throughout the world. The number of people throughout the world who claim Scottish or Irish ancestry is huge. Are we doing enough to reach out to them? You described the Basque experience as being a vital economic resource. Do we regard our diaspora worldwide as a vital economic resource for Scotland? How can we connect with it to develop that link?

**Professor Keating:** We do not. The Basque case is almost unique because of the strong sense of Basque identity carried by people across the world—notably in South America, but also in North America. There are historic reasons for that. In Catalonia, there has been an effort to mobilise the diaspora but, for historic reasons, there are fewer Catalans abroad than there are Basques abroad. I spoke to one of my colleagues in Ireland who had looked at the issue, and they said, "We didn't intend to have a diaspora plan—we just stumbled upon it. We woke up one day and realised that there were all these Irish people, many of whom were important in business."

It is important, as long as we do not end up with clichéd representation. We know what happened when, a few years ago, tartan week was hijacked by that guy Trent Lott, who turned out to be a neo-confederalist with very dubious credentials. We must be careful that the culture that we represent is a pluralistic Scotland, not a single vision of Scotland. The situation has become much better and things have improved enormously. Tartan week is much more professional and we would not fall into the problem that we fell into with Trent Lott.

The diaspora is quite important on the business side. I was in New York a few weeks ago, representing the University of Aberdeen, which is mobilising not just Aberdeen graduates but Scots and people with Aberdeen ancestry in New York and that part of the United States. There are a huge number of businesspeople who claim Scottish heritage or ancestry, but they do not seem to be as conscious of it as those who claim Irish ancestry. There may be some potential there as long as it is recognised that we are not trying to promote a single Scotland but are doing other things. It should not just be Scots clubbing together against everybody else; it should be part of a pluralistic approach to the world. There may be people in the United States—that is where this kind of politics goes on; it does not happen in other parts of the world—who could be mobilised more effectively. However, as I say, it tends to happen spontaneously. If Governments try to do it, that will be a put-off. The business community should perhaps take the lead more.

**Dr Hepburn:** I will turn it around a little bit and talk about our relations with not only emigrants from Scotland but immigrants to Scotland, which should be an important part of any international strategy and which have economic, political and cultural ramifications for Scotland.

Immigration is a strong part of the Scottish Government's economic plan. There is a perceived need to increase immigration to meet the demographic and labour market requirements of having an ageing population. The fact that Scotland wants to increase immigration makes it quite different from a lot of other countries in Europe. Scotland also has quite a different approach to integrating immigrants when they arrive in the country. In fact, it has a far more multicultural approach to integrating immigrants than England and many other countries have.

That could also be shouted about in developing an international strategy that links in with the notion of Scotland being quite a plural, diverse place and a place that recognises and values different cultural contributions to its society. I have done quite a lot of work on the immigration strategies of substate Governments, and there is a lot of potential and opportunity for Scotland to develop its strategy further not only in trying to attract immigrants from certain places abroad but in integrating immigrants and even linking to the issue of developing a more multicultural school curriculum, which Mr Malik referred to earlier, to try to accommodate the different ethnic and cultural backgrounds of our various citizens in Scotland. There is a lot to do on that.

**The Convener:** Jamie, has your question been covered?

**Jamie McGrigor:** Not really.

**The Convener:** Be very quick, then, because we are running out of time.

**Jamie McGrigor:** It relates to what Dr Kenealy—I am sorry to demote him so quickly—said about lack of resources and taking years to build up networks. Is it sometimes easier for substates, which already have the mother state's facilities in place, to interact with international organisations and gain international recognition than it is for small independent countries?

**Dr Kenealy:** That takes us back to the question of whether a region is better as part of a larger unit or by itself. Certainly, resource advantages accrue to a substate region that wants to work in partnership and in co-operation with a larger state. Where the policy pushes in the same direction, an advantage will obviously accrue from being able to piggyback—that is not the right word—or supplement and complement that broader approach.

The downside of that is that the substate region is also attached to the larger party when it does things that are perhaps not so popular in certain arenas. In the House of Lords report on the matter that was published on Monday, we hear a lot about British influence struggling at the moment. It is on the wane in Brussels and, therefore, Scotland might get a reputation of being guilty by association.

It can cut both ways.

**Dr Hepburn:** To take an example of that, Bavaria and Flanders, which have a lot of constitutional clout within their systems, would have far more impact on European policy making than, say, Malta, which is a small state in the European Union. To some extent, a region's constitutional status does not matter as much as the resources and capacity that it has to pursue objectives.

**Jamie McGrigor:** That is the point that I was trying to get at.

**The Convener:** We have gone well over our time because it has been an extremely interesting and informative evidence-taking session for the work that we are doing.

Dr Hepburn, as the other two members of the panel know, when you have an engagement with the committee, we tend not to let you go easily because we are interested in the work that you are doing. No doubt, in the course of the inquiry, we will come back to you for some of your wise words. I have Katy Orr taking lots of notes on how we can pursue some of the ideas that you have mentioned.

On behalf of the committee, I thank you all very much. This is only the beginning of the work and we look forward to working with you in the future.

## "Brussels Bulletin"

10:14

**The Convener:** Item 3 is the "Brussels Bulletin". I ask members to be really swift with any comments, questions or clarifications on it.

**Willie Coffey:** I have a comment on the section on youth unemployment, which is on page 9. The bulletins are good, helpful and informative, but I would like more progress reporting in them if possible. We know what and where the youth unemployment issues are, but it would be helpful to the committee if we could see some progress updates from time to time.

**The Convener:** We can definitely ask for that.

**Roderick Campbell:** I was interested in the comments on the progress on the fourth anti-money laundering directive. I draw it to members' attention that that will have an impact on us as individual MSPs if it passes.

**The Convener:** Should we seek more detail on that?

**Roderick Campbell:** We could do.

**The Convener:** Do members agree to make the "Brussels Bulletin" available to other committees?

**Members** *indicated agreement.*

**The Convener:** I suspend the meeting briefly to allow a quick comfort break and to get the Deputy First Minister in. I do not want to keep him waiting.

10:15

*Meeting suspended.*

10:17

*On resuming—*

## Transatlantic Trade and Investment Partnership

**The Convener:** Agenda item 4 is our inquiry on the transatlantic trade and investment partnership. We are delighted to have with us the Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy. He is accompanied by Richard Rollison, whom we have met before in this context—thank you for coming back to the committee. The cabinet secretary has an opening statement.

**The Deputy First Minister and Cabinet Secretary for Finance, Constitution and Economy (John Swinney):** Thank you for the opportunity to discuss the subject, which the Government considers to be important. In examining it, the committee has explored some of the significant public concern on a variety of issues that relate to the TTIP agreement.

At the outset, it is important to put it on the record that neither the Scottish Government nor the Scottish Parliament has any formal role in the negotiation and ratification of international trade or investment agreements such as TTIP. We proposed such a role in our submission to the Smith commission but, unfortunately, that responsibility still lies with the European Commission, the European Parliament and member states. The Scottish Government's role is to represent the people of Scotland and to ensure that the UK, as the member state speaking for Scotland in the European Union, takes full account of Scottish priorities and concerns, whether they are economic or about devolved services such as the national health service.

As we speak, the eighth round of EU and US negotiations is taking place in Brussels. We will hear updates on that but, following Commissioner Malmström's decision to publish position papers and negotiating texts, we have further information on what is being negotiated as part of the process.

We all appreciate and accept that not every aspect of a negotiation can be undertaken in public. However, given the degree of concern that members of the public have expressed, the process needs to be as transparent as possible. I encourage the Commission to consider the European ombudsman's recent recommendations on that issue.

I turn to some specifics that have been a common thread in the discussions that the committee has had. They are the economics of TTIP, the impact on the national health service and public services, and investor-state dispute settlement.

The committee has a note from my officials that summarises the latest statistics from the global connections survey on Scotland's exports to the United States. With £3.9 billion-worth of exports in 2013, it is clear that the US is Scotland's single most important export market outwith the European Union. It is also worth noting that, with 580 companies employing some 98,000 people, the US is our largest inward investor.

TTIP provides an opportunity to build on that relationship. It could provide market access for Scottish goods and services and reduce non-tariff barriers. If that delivers growth and jobs for Scotland, it should be welcomed. However, we have to bear it in mind that, as the committee has explored, the liberalisation of markets does not always mean that business activity is convenient for our side of the argument. It can open up our markets here in the same way as it opens up markets to which we hope to gain access.

That takes me to my second point. It is important that markets are not opened up in a way that compromises public services or the Government's responsibility for them. In the past six months, the Scottish Government has pressed the United Kingdom Government and the European Commission to ensure that TTIP does not affect the Scottish Government's and Parliament's ability to determine how and by whom the national health service and other publicly funded services are provided. We have written to the UK Government and the Commission and we have raised the issue at the joint ministerial committee. Most recently, the First Minister discussed the issue with the Prime Minister when they met in December.

Over the past few months, a number of reassurances have been given on the extent of protection for areas of the Scottish Government's activities, in which the Government would be able to determine how and by whom services are delivered. Reassurances have been given, but it remains the case that, until we see the details of the agreement, we will not know whether those reassurances have any validity at all. I still take the view that the best way to allay our concerns and those of the public is, first, to have an explicit exemption for the national health service in the agreement and, secondly, to have absolute clarity that, although the UK is the member state, any decisions that it takes in the context of TTIP—such as opening up the NHS in England to more private providers—in no way interfere with the Scottish Government's and Parliament's devolved responsibilities.

Investor-state dispute settlement is another issue on which we have expressed concerns to

the UK Government. We are concerned that ISDS might restrict the rights of Governments to regulate in the public interest. I know that the committee has discussed that concern, too. The European Commission was right to consult on the issue, but it clearly has some way to go in the coming months to convince people here and across Europe that ISDS is in the public's interest. The four questions that the Commission has identified and which Mr Houben highlighted to the committee appear to home in on the right issues. I welcome Trade Commissioner Malmström's statement that the Commission

"would never even consider an agreement which would ... limit ... governments' right to regulate."

On that issue and on the national health service issue, although assurances are being given, we will have final clarity only when we see the detail of the agreement that is negotiated.

The Scottish Government believes in free and open trade, but we must take the greatest care to ensure that the issues about which the public are rightly concerned are dealt with. Our ability to regulate and our ability to determine how the national health service should operate in our country should in no way be compromised by such agreements.

**The Convener:** Thank you very much. Many of the aspects that you touched on are aspects that the committee has taken a keen and deep interest in. In particular, the committee has expressed great concern about public services and the investor-state dispute settlement mechanism.

As you mentioned, a few weeks ago we heard from Hiddo Houben, who is the European Commission's deputy chief negotiator on TTIP. He gave evidence by videoconference; the session was not very successful in that his evidence was interrupted a number of times, but it was successful from the point of view of the information that we managed to extract from him. Mr Houben seemed to be clear that all the concerns that people have about TTIP are unfounded. He gave all sorts of assurances, but we could not get an understanding of where those assurances came from. In the meantime, we have received a copy of Cecilia Malmström's letter to Lord Livingston, which backs up Mr Houben's position but does not give us the detail that we seek.

On the NHS, Mr Houben suggested that the UK Government would seek from Brussels a reservation from the trade agreement. He did not seem to understand that the NHS in Scotland is run slightly differently, so it was not clear whether we would need to ask the UK Government to seek a reservation from Brussels on our behalf. There seemed to be a lack of understanding of how that process would work. From your end, have you managed to work out or get any understanding of what the process would be to protect public services in Scotland, especially our NHS?

**John Swinney:** The Scottish Government could not have made it clearer that we in no way want the legitimate right of the Parliament and, under the auspices of Parliament, the authority of the Government to be in any way questioned as regards our ability to determine how the NHS should operate, be structured or deliver services in Scotland. We want there to be no restriction and no danger of restriction on our ability to act properly in exercising our devolved competence in that area. If we want to protect the existing arrangements that allow us to determine those choices democratically here in Scotland, we must be absolutely certain that TTIP does not compromise that ability.

It is almost a double lock that is required. If the UK Government said that an exemption should be written into the TTIP agreement whereby the NHS would be outwith the scope of any possible impact of TTIP, we would also want the Scottish Parliament's devolved responsibilities to be respected in that process because, as we know, the approach that is being taken to the management and organisation of the health service in England is very different from the one that we are taking in Scotland. It is important that a double lock exists in the form of a protection at member state—UK—level and a protection for the devolved competence of the Scottish Government acting with the Scottish Parliament's consent.

**The Convener:** We tried to get to that position, but we did not get far. Lord Livingston will appear before the committee in two weeks' time, so I hope that we will be able to investigate some of that with him.

I open up the questioning to committee members. Jamie McGrigor wants to ask about areas that he is interested in.

**Jamie McGrigor:** Cabinet secretary, I take it from your optimistic approach, which I tend to agree with, that the Scottish Government's current policy approach is to see TTIP as an opportunity. The convener mentioned the letter that we have had, which supports the theory that TTIP cannot affect the NHS.

Is the Scottish Government planning to make a statement about the matter? A lot of MSPs are receiving letters saying that TTIP is an issue, particularly in relation to the NHS. Those letters all seem to be coming from one source, as they tend to be fairly similar. People are looking to the Scottish Government for some sort of statement as to whether the NHS thing is a problem.

10:30

**John Swinney:** That gets to the nub of the issues that are at stake. If Parliament wishes the Government to make a statement on TTIP, we will happily make a statement. My appearance here is designed to help the committee's inquiry and to contribute the Government's thinking to that inquiry but, if there was a desire for a parliamentary statement, the Government would happily agree to that.

Mr McGrigor asks me about the extent to which the Government, in such a statement, could provide reassurance that TTIP would not affect the NHS. I could not give that reassurance on the Government's behalf, for the very reasons that I set out in my opening remarks. Although some reassurances are coming our way, we will not have the answer to that question until we see the concluded proposition. That is why it is so important that the concerns that the public are expressing about the danger of a negative outcome emerging for the national health service continue to be expressed. The Scottish Government will continue to express those views, because we will be concerned about the matter until we see, absolutely in black and white, that we have such protection.

The Government has nothing against trade agreements. There are lots of trade agreements from which Scottish companies benefit and in which they participate. I will make two points about that. First, we must have our eyes open about these things. Trade agreements go two ways—they might well open up opportunities for us, but they also potentially open up threats in our own markets. We should not view trade agreements as dewy-eyed propositions that are just one-way opportunities for us all. Secondly, the determination of such issues relies absolutely on the wording and terminology in the agreement. I do not have any visibility on that—I am not sitting in the room doing the negotiations—so any statement that I gave to Parliament would necessarily be slightly removed from the process of negotiation on TTIP.

**Jamie McGrigor:** I agree with you that things have to be watertight.

How has the Scottish Government engaged with the European institutions and the UK Government on TTIP so far? For example, who have you met to discuss the matter?

**John Swinney:** We have met the United Kingdom Government to discuss TTIP at a number of ministerial meetings and, at the highest level of Government, the First Minister and the Prime Minister have discussed it. It has been discussed in the joint ministerial committee. We have been in touch with UK ministers in writing on a number of occasions.

The issue was first discussed at the joint ministerial committee on Europe in March 2014, concerns have been raised directly with the UK Government and there have been a number of official discussions into the bargain. We have also been in contact with the European Commission about the issues, and we will be happy to engage in further dialogue.

**Adam Ingram:** Does the Scottish Government have any role in approving TTIP? Is it out of your hands altogether?

**John Swinney:** The Government has no role whatsoever.

**Adam Ingram:** You made the point that trade agreements are not a one-way street. Has the Scottish Government or its agencies done any modelling of the economic impact of a trade agreement with the USA?

**John Swinney:** We have undertaken some early modelling on the possible impact using the Government's internal economic model. That is a computable general equilibrium—CGE—model of Scotland.

I do not want to suggest to the committee that the modelling that has been done is anything more than early modelling, but it suggests that the impact could mean that Scotland's gross domestic product expands by 0.2 to 0.3 per cent of GDP. We estimate the range of export growth at between 1.8 and 3.6 per cent, but the range of import growth is expected to be between 0.8 and 1.5 per cent. That illustrates my point about the agreement not being a one-way street.

Those are the results of the early modelling that we have done, but it has been done without sight of all the provisions in the agreement. That is just looking at early indications.

**Adam Ingram:** We got similar feedback from the European Commission people—that there are winners and losers from any trade agreement. I have asked previously whether we can see benefits for the Scottish textiles industry, as there are barriers to Scottish exports to the USA of cashmere-type goods and the like. We could perhaps look forward to an increase in employment and activity in that sector.

On the other hand, for every job that is gained in Scottish textiles, might we lose jobs in other sectors? I am thinking of food and drink, for example. US producers might have increased access to the European market, but their standards might not be as high as we require in Europe. Has any modelling been done on the jobs impact of any agreement?

**John Swinney:** The information that I shared with the committee in response to Mr Ingram's earlier question is at the earliest stage of our economic modelling. I have just noticed that my papers tell me that I should—I wish that I had read this bit first—refer to that as indicative internal analysis. I have now done that, but in slightly the wrong order—heigh-ho. I do not want to overstate the sophistication of that economic modelling, because it is at a very early stage.

I will put some detail behind the estimates. The expectation is that sectors such as food and drink might benefit—currently, Scottish producers face restrictions on imports into the United States, particularly of lamb products.

There might be opportunities in the energy sector. The lifting of restrictions on exports from the United States of crude oil and the associated impacts on downstream activity might be beneficial in that sector, but that is one area in which we could be exposed to as much internal impact in Scotland through the opening up of markets as we might gain from external markets. The situation is not clear cut.

There might well be opportunities to access US procurement contracts and there might be opportunities in financial services, but the financial services markets are equally markets that could be accessible to external parties.

That is some of the thinking that lies behind the indicative internal analysis that we have undertaken.

**Adam Ingram:** Okay. Can I sum things up by saying that you are approaching the economic analysis with some caution about the impact of a trade agreement and that you are not expressing an absolute desire to see such an agreement formed?

**John Swinney:** The Government's policy position is that we believe in international trade, and the Government's economic strategy, which we are currently revising, will have a very big focus on the internationalisation of Scotland's company base. The Government is entirely supportive at that level. Our agencies are involved in the process and we evangelise with Scotland's company base about encouraging companies to be involved in exporting and international business activity.

My point about TTIP is that we have to be careful what we wish for because, until we have clarity and certainty about its provisions, there may be just as many challenges as opportunities for us. Therefore, Mr Ingram's characterisation of my view as being that we should approach the matter with caution is fair.

**Adam Ingram:** To return to your first answer, we really have to take what is given to us, because we do not have any influence on any decision that the United Kingdom makes on approving or not approving the negotiated agreement. Is that correct?

**John Swinney:** De jure, we will not be a signatory to the agreement. In that respect, we will not have the ability to finally control and determine its outcome. However, I reassure the committee that, at the ministerial and official levels, we are making the strongest possible representations to the United Kingdom Government, which will be involved in the process, to ensure that there is the widest understanding and acceptance of Scotland's interests in the UK negotiating position.

The engagement is constructive. My officials are actively involved in dialogue with officials from the Department for Business, Innovation and Skills. There is a perfectly open and participative conversation in which my officials are setting out the issues that matter to Scotland and encouraging the United Kingdom Government to reflect those issues. That has also been the basis of ministerial contact at the very highest level in the Government.

**Roderick Campbell:** I want to make some comments about the interaction with people such as Mr Boyd from the Scottish Trades Union Congress. He has very real concerns about the possible adverse impact on inequality in Scotland from such trade agreements. Obviously, I appreciate that the Scottish Government is not a signatory to TTIP, but can you assure us that you will take on board such concerns and discuss them with the STUC and others?

10:45

**John Swinney:** I have seen a number of the comments to which Mr Campbell refers. We have regular dialogue with the STUC on all those questions, and I would certainly be happy to explore further some of those questions with it.

Tackling inequality is central to the Government's agenda. It was at the centre of the programme for government that the First Minister set out in November and of the budget that we debated yesterday in the Parliament, and it will be at the heart of the Government economic strategy that will emerge in due course.

I assure the committee that the Government will focus relentlessly on tackling inequality. However, we must consider the context and the circumstances in which we do so. If inequality is exacerbated as a result of signing TTIP, the Government will redouble its efforts to tackle any negative consequences.

**Roderick Campbell:** Thank you. I move on to the ISDS situation. As I understand it, there are no current negotiations in relation to ISDS. The point of having the 150,000-name consultation was to allow an opportunity to test public opinion throughout the European Union. The response has possibly surprised the European Commission, and the four questions that you identified are now being discussed further with stakeholders.

There are issues, and there have been assurances that the right of states to regulate will not be affected. There have been discussions on the format of the arbitral tribunals, and it was suggested that a lot could be gained from looking at the trade agreement with Canada, which has not yet been ratified.

Does the Scottish Government have any particular view on the state of play with regard to ISDS? Would the Government be involved in any way in considering the impact on domestic judicial systems, which was the third question? I raised that point with Mr Houben, who suggested that Scotland's separate legal system—I declare an interest at this point as a member of the Faculty of Advocates—would be engaged. Do you have any general comments on where we are with ISDS at present?

**John Swinney:** I am an observer of the process, so I make my comments from that perspective. My sense is that the ISDS element of TTIP is probably retreating, because it is becoming unacceptable. That is quite clear.

I was struck by the European Commission's statement on 13 January that it

"would never even consider an agreement which would lower our standards or limit our governments' right to regulate. Neither would EU Member States, nor the European Parliament."

I take from that the suggestion that the position of the ISDS argument is now very different from what it was six or 12 months ago. That shift has been a product of public concern and public pressure, and I signal to the public that now is the moment to continue to apply pressure in order to ensure that we get the agreement to the right place.

To answer Mr Campbell's fundamental question, I do not see the necessity for a process under the investor state dispute settlement arrangements, because that would contradict or undermine the established systems of law within individual jurisdictions. I do not want the ability of the Scottish jurisdiction to determine issues that relate to the law of Scotland to be undermined in any way.

**The Convener:** Even in the past week, the ISDS argument has shifted a bit further. The Greek finance minister said that Greece would veto TTIP if the ISDS mechanism remained within it, and I think that Greece would veto other areas too.

Given that one member state is taking a harder line, will that offer an opportunity for other member states to come in behind it? We would then be getting not just the public opinion but the geopolitical opinion, too.

**John Swinney:** It is not only the Greek Government that is concerned. I was interested to see the joint statement from the Governments of France and Germany, in which they asked the Commission to examine

"all the options for modifying"

the ISDS clause.

I get the sense that it would be very beneficial for the United Kingdom Government to be part of the movement within Europe that is expressing opposition to the ISDS provisions. Mr Campbell raised a point about the impact that the provisions could have on our domestic jurisdiction, and I make it clear to the committee that I do not want that to happen.

**Anne McTaggart:** Good morning, cabinet secretary. I want to return to the question of the work that the Scottish Government and its agencies have done to raise awareness of the potential opportunities for small and medium-sized enterprises.

**John Swinney:** I will answer that in two respects. First, we are actively involved through the work of Scottish Enterprise, Highlands and Islands Enterprise and Scottish Development International in encouraging Scottish companies to trade internationally. A major part of the dialogue that goes on between our agencies and the company base in Scotland is aimed at encouraging more companies to export.

I would love to see a broader range of companies in Scotland participating in international business activity. The global connections survey was very encouraging on the extent to which that activity is happening, but I would like to see more of it. We progress that work actively with the company base in Scotland through all our existing channels.

Interestingly, I have noticed a fundamental change in the new-start business community in Scotland since I worked in the sector 25 years ago, when Mr Ingram was involved in similar activity. In the late 1980s and early 1990s, emerging start-up companies were unlikely to think of themselves as international business players, but digital connectivity has completely changed that.

In my experience, what happens now is that individuals start up a business and have a

smartphone, and they think, "Here is my access to the world." They think of themselves almost automatically as international businesses. That is very welcome, and I would not, in expressing our concerns about TTIP, want to undermine in any way my encouragement for the SME sector to get involved in international business activity.

The other aspect of my answer to Ms McTaggart's question is that I do not think that we can properly prepare the business community for TTIP until we know what the agreement will be about. It is a bit of a chicken-and-egg question, as the content would determine how best we undertake that work. However, our need for clarity on TTIP notwithstanding, we will continue to support companies through our enterprise networks to get involved in international business activity.

**Hanzala Malik:** Cabinet secretary, you said that the First Minister and the Prime Minister have held discussions on TTIP. That is very encouraging, because it means that a dialogue has been established.

However, on the question of influence, you said that we have none whatsoever. That disappoints me a little. If the First Minister has been speaking to the Prime Minister, we obviously have some influence, so to say that we have no influence whatsoever is not quite true.

**John Swinney:** I must correct you on that. The question that I answered from Mr Ingram was on whether we would be a signatory to TTIP.

**Hanzala Malik:** It was before that, but I will not split hairs.

**John Swinney:** I am quite happy to reaffirm that our dialogue is with the United Kingdom Government and the Commission, and that we put our case to them as assiduously as we possibly can at the highest level of Government. However, it is a matter of fact that we will not be a signatory to TTIP.

**Hanzala Malik:** That is another issue. The point that I want to raise on the back of your two comments is that the US has disproportionate power in extraditing people from the UK to the US compared with the UK's powers in that area. With TTIP, will we be able to protect our business community better than that, will the status quo be maintained or are we discussing how to redress that in any way?

**John Swinney:** That gets to the ground that I was dealing with in my answer to Mr Ingram—no one should view trade agreements as a one-way street. If someone else's market is being opened for us to go to, our market is being opened for someone else to come to. Mr Malik's observations about the strength and the effectiveness of the United States and the disproportionate influence that it can exercise are comments of fact, given the scale of the US and the strength and power of its economy. We should have our eyes wide open about that.

**Hanzala Malik:** I hoped that you would consider looking at the possibility of narrowing the influence gap, so that our business people do not feel vulnerable. I am very pleased with the process and the engagement that we have with the US. I am particularly pleased about the growing trade that we have with the US without TTIP, and I hope that we will have more business with the US. However, while we are encouraging that, I am also very keen to protect our citizens and their rights.

**John Swinney:** I entirely accept that point. It is important that we protect our citizens' rights, opportunities and liberties. The Government supports that important value.

**Hanzala Malik:** Thank you.

**Willie Coffey:** Good morning, cabinet secretary. I want to return to the issue about where the power lies in access to Scotland's NHS potentially being provided through TTIP. Some people are saying that it is the evil European Union that can provide such access. However, at a previous committee meeting, Dr Arianna Andreangeli told us that the EU simply has no power to provide access to member states' healthcare systems through TTIP unless member states confer the power on it to do so. First, does the Scottish Government agree with that? Secondly, does that therefore mean that the UK Government ultimately has the power to decide the matter?

**John Swinney:** It is difficult to give a precise answer to what might or might not be the interpretation of the treaty, because it has not been agreed and I have had no sight of it.

It is important to set out what we consider to be appropriate. Nothing should arise out of TTIP that restricts the ability of this Parliament and, by extension, the Scottish Government to exercise our democratic right to organise the national health service in whatever fashion we decide democratically to be appropriate for us. Nothing in TTIP should compromise our democratic right in Scotland to do that. As I have said, the simplest and clearest way to do that is to make that exemption or exception absolutely central to the drafting of TTIP so that that is beyond question.

**Willie Coffey:** You mentioned various correspondence with the UK Government and the Commission. Are you anywhere near getting the guarantees and reassurances that you seek?

**John Swinney:** We do not have a guarantee that there would be such an exemption. We have argued for it, and that has had a reasonably

sympathetic welcome by the UK Government. However, I do not know where we will reach on the final negotiation on that point.

11:00

**Willie Coffey:** Ultimately, if the UK Government went down the route of supporting the provision in TTIP by providing access to UK NHS services from the United States, would such an agreement have a consequential impact on Scotland by default?

**John Swinney:** We have to be very careful about that point. That is why I advanced to the convener earlier the argument about the double lock, which would mean that the rights and responsibilities that are enshrined in the devolved settlement would be taken into account in the position that the United Kingdom Government reflected. Ultimately, such questions will be answered only by the final agreement that is reached. However, we must ensure that the devolved issue is resolved in a fashion that gives us the maximum protection for our national health service, which would be delivered by exempting the NHS from the scope of the TTIP agreement—that would be the clearest way.

**Willie Coffey:** However, if the UK Government were to negotiate a TTIP deal that included the NHS because that would save its spend on the NHS by say, £10 billion, would that not have an automatic consequential effect on a budgetary settlement for Scotland? Or would we still expect to receive the same amount?

**John Swinney:** The way in which the Barnett formula operates means that if expenditure in England on the health service rises by £10, expenditure in Scotland rises by £1; if expenditure in England falls by £10, expenditure in Scotland falls by £1 in terms of the application of the Barnett consequentials. The scenario that Mr Coffey paints of a rising contribution to the health service budget in England from non-public sources that resulted in a decline in public spending on the health service in England would absolutely have an effect on the Scottish budget.

**Willie Coffey:** Thank you.

**The Convener:** Do committee members have any further questions?

**Roderick Campbell:** Cabinet secretary, I do not know whether you want to say anything generally about the impact of TTIP on regulatory standards. A lot of the evidence that we had from representatives of the business community focused on the point that the impact of TTIP on regulation might be of greater significance than a reduction in tariffs.

**John Swinney:** Regulation is in place to deliver good and positive outcomes in a number of respects. If an argument is to be advanced for the removal of regulation, it must have a sound basis. The Scottish Government has taken away different aspects of regulation at different times where doing so has been justifiable. However, if there was any erosion of the quality of food standards regulation, for example, because of TTIP, I think that people would understandably be horrified, given the journey that we have been through as a country about the quality of food.

The farming interests that I represent, which excel in the quality of the produce that they generate, often ask me “Where’s the level playing field?”, given the level of regulation in Scotland for the care and wellbeing of livestock to which they operate. Our product could be presented on a supermarket shelf next door to another product that has come from a lesser regulated scenario, and I have every sympathy with my farming constituents who have made that very point to me.

Regulation has its purpose, because it provides assurance on a lot of areas in which our confidence has been weakened by poor experiences—I am sure that we can all think of such examples. In no way, therefore, would I want TTIP to undermine our ability to assure our citizens that we have proper and effective regulation in place.

**The Convener:** Jamie, did you want to ask a specific question about a specific foodstuff?

**Jamie McGrigor:** On the food and drink thing, which is so important to Scotland, Scotch lamb and Stornoway black pudding might not be of world-shattering importance, but they are very important to certain areas of Scotland. Can there be any guarantee that TTIP will not adversely affect those products?

**John Swinney:** It would be a very real mistake if TTIP were to reduce regulatory assurance around food safety standards. Indeed, I think that that would simply open up another concern about it, and I would be anxious to ensure that individual jurisdictions’ ability to take the proper approach to food safety was assured.

**Jamie McGrigor:** Thank you.

**The Convener:** So the message is, “Protect the Stornoway black pudding”, Jamie.

**Jamie McGrigor:** It is delicious.

**The Convener:** Absolutely.

We have exhausted our questions, cabinet secretary, so I thank you for coming along this morning. Our inquiry is continuing, and I have to tell you that we have had huge interest in this topic via social media; in fact, some of the questions

that came up this morning were offered by people through those sources. That is a sign of a real 21st century committee and Parliament in operation.

We look forward very much to the evidence from Lord Livingston, who I hope will be able to fill in some of the gaps that we have identified through your evidence and the other evidence that we have taken thus far. Thank you very much for your information, cabinet secretary, and we look forward to seeing you back here some other time.

We move into private session for agenda item 5.

11:07

*Meeting continued in private until 11:20.*

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e-format first available
ISBN 978-1-78534-870-9

Revised e-format available
ISBN 978-1-78534-888-4

Printed in Scotland by APS Group Scotland