



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# EUROPEAN AND EXTERNAL RELATIONS COMMITTEE

Thursday 19 February 2015

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**EUROPEAN AND EXTERNAL RELATIONS COMMITTEE**  
**4<sup>th</sup> 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:**

Roger Albinyana i Saigí (Government of Catalonia)  
Edward Barker (United Kingdom Government)  
Lord Livingston of Parkhead (Minister of State for Trade and Investment)  
Lukas Van Damme (Government of Flanders)  
María Ángeles Elorza Zubiria (Basque Government)

**CLERK TO THE COMMITTEE**

Katy Orr

**LOCATION**

The Mary Fairfax Somerville Room (CR2)



# Scottish Parliament

## European and External Relations Committee

Thursday 19 February 2015

[The Convener opened the meeting at 09:02]

### Connecting Scotland Inquiry

**The Convener (Christina McKelvie):** Good morning and welcome to the European and External Relations Committee's fourth meeting in 2015. I make the usual request for mobile phones to be switched off, please.

We have a very full agenda, so we will move swiftly to agenda item 1, which is the continuation of our inquiry on connecting Scotland and how the Scottish Government and its agencies engage internationally. I am delighted to welcome four excellent witnesses, who will give us evidence on how they do things in their countries and Governments.

I formally welcome Roger Albinyana i Saigí, Secretary for Foreign and European Affairs in the Government of Catalonia; from the Basque Government, María Ángeles Elorza Zubiría, General Secretary of Foreign Affairs, and Mikel Antón Zarragoitia, European affairs director; and Lukas Van Damme, deputy general representative of the Government of Flanders in the United Kingdom. Good morning, one and all. I believe that you all have brief opening statements. For ease of purpose, we will use alphabetical order for each of you to speak. Roger is first.

**Roger Albinyana i Saigí (Government of Catalonia):** Thank you very much, madam convener and honourable members. Allow me to express first my and my Government's gratitude for the invitation to address this committee of the Scottish Parliament in this beautiful and marvellous building that was designed by a Catalan architect, Enric Miralles. I also introduce our delegate representative to the United Kingdom and Ireland, Mr Suárez, who is based in London.

Honourable members, regardless of the political process that Catalonia is going through, the Catalan Government has developed foreign actions since the recovery of our democracy and before the approval of the 2006 Statute of Autonomy of Catalonia, which consolidated Catalonia's foreign and European Union activity in a text that the Spanish Parliament approved.

For the Government of Catalonia, our foreign action is an instrument that should serve the needs of Catalonia as well as its citizens' interests.

The Catalan international strategy places us in the world. It is a policy that is capable of consolidating alliances and which puts Catalonia in direct contact with the European Union, other Governments and multilateral organisations, as well as with civil society and Catalan citizens and communities abroad.

The current political situation in Catalonia has led us to use our foreign action as a tool to raise awareness of the process that is going on in Catalonia. Our main goal is to help our allies and opinion makers in other countries to understand better that ours is a democratic process whose main goal is, in the first place, to let the Catalan people vote and decide on their political future. However, that is not the only goal of our foreign action.

I will now go through the main goals and tools. First, there is the internationalisation of the Catalan economy, which is a strategy of economic diplomacy that includes the promotion of exports, tourism and attracting foreign investment as key elements to compensate for the contraction that has been suffered in Catalonia, with the overall objective of overcoming that and boosting our economy.

For the record, Catalonia's population represents 16 per cent of the Spanish population, and Catalonia is similar in size and population to Switzerland. Catalonia accounts for 19 per cent of the Spanish gross domestic product and its GDP is similar to that of Denmark. Catalonia also accounts for nearly 28 per cent of Spanish exports and foreign trade. Internationalisation is therefore 40 per cent of the Catalan GDP, and Catalonia received 17 million foreign tourists last year.

According to the *Financial Times*, we were first among continental regions for attracting foreign direct investment in 2013 and 2014. One of the instruments that we have at our disposal is an important network of external representation offices. For instance, we have seven Government delegations around the world in Brussels, London, Paris, Berlin, Washington and New York—the Washington delegation is for bilateral purposes, while that for New York follows the activity of the United Nations and its system—as well as Rome and Vienna to represent Catalonia's political, business and cultural interests abroad. The Catalan Government plans to enlarge that network in the coming months.

We have more than 60 sectoral offices that are mostly devoted to trade issues but also address cultural and touristic issues. We have offices in, for instance, Beijing, Berlin, Bogotá, Buenos Aires, Casablanca, Copenhagen, Dubai, Cairo, Hong Kong, Istanbul, Johannesburg, London, Mexico City, Miami, Milan, Montreal, Moscow, Mumbai, New York, Paris, Prague, Santiago de Chile, São

Paulo, Seoul, Sydney, silicon valley, Singapore, Stuttgart and Tokyo, et cetera, et cetera, et cetera.

The second issue that I will address is bilateral and multilateral relations. A main priority of Catalonia's foreign strategy is to create, maintain and reinforce bilateral and multilateral alliances with other actors and organisations at the international level. For example, our president, Artur Mas, has held since 2013 about 200 bilateral meetings with governmental and multilateral representatives. We work with a scale that defines priority countries, which are mainly EU member states—particularly France, Germany, the United Kingdom and Italy—but also include Israel, Morocco, China, Japan, Korea, the United States and Mexico. We have developed enhanced co-operation and bilateral collaboration with some of those countries through what we call country plans, which involve their embassies and their consulate generals in Barcelona.

On priority regions, we focus mainly on the European Union and the Mediterranean region. The bilateral sectoral relations go beyond the commercial and trade interests and focus on sectors such as health, research and development and development co-operation.

In our work with international organisations, we have prioritised mainly the international and multilateral organisations that are in the United Nations system, especially the United Nations Educational, Scientific and Cultural Organization, the International Labour Organization and the World Health Organization, which has a regional office in Barcelona. We also work with the Council of Europe and the Organization for Security and Co-operation in Europe at the parliamentary assembly level; the Organisation for Economic Co-operation and Development, which is based in Paris; the World Bank Group; and the Union for the Mediterranean, which has its secretariat in Barcelona. The Catalan Government has underlined its commitment to working with multilateral organisations by setting up a new directorate-general in the foreign affairs secretariat to deal with multilateral and European affairs.

The European Union is the third element that I will address. Catalonia has a strong pro-Europe vocation and orientation—so has Scotland, as we know. Catalonia has had a governmental presence in Brussels since 1986. We were—one of my colleagues from the Basque Government will correct me if I am mistaken—the first of all the autonomous Spanish communities to have an office there.

We have a permanent representative to the European Union in the Catalan Government's delegation to the EU. Through them, we defend our interest. For example, we are focused very much on the European strategic investment plan—

the Juncker plan—as well as the transatlantic trade and investment partnership negotiations and the multi-annual financial programme. We try to participate in the decision-making processes but, as the committee knows, sub-state Governments do not have a clear and decisive decision-making role in Brussels. We are trying to ensure that European funds are available to Catalan companies and the Catalan people at large.

The fourth element is the law on external action and EU relations, which is a pioneer law. We do not know of many sub-state Governments that come with a law as complete as that. The law was approved a couple of months ago by a large majority in the Catalan Parliament, with 100 out of 135 votes. I think that it was only the People's Party of Catalonia and a smaller party that voted against the law, but we managed to grasp a broad consensus.

The law creates a set of new tools to promote, co-ordinate and give more coherence to the Government's foreign action as a whole—not only internally but vis-à-vis the Parliament, other public institutions, local authorities and Governments. New elements that the law sets include the development of a strategic plan on external action and relations with the EU.

The four-year plan presents the priorities sectorally, geographically and institutionally. It establishes four strategic objectives. The first objective is promoting and defending Catalonia in Europe and the world by the internationalisation of the economy, culture and knowledge. Some examples of that are the agreements signed on research and development and on innovation issues with Israel and Massachusetts, as well as the one that our President will sign in the coming months in California.

The second objective is confirming our commitment to the European and Mediterranean projects and defending Catalonia's interests in the EU and other European institutions.

09:15

The third objective is contributing to the global objectives of peace, security, human rights, sustainable development and social cohesion. An example of that is participation in processes such as the COP21 summit in Paris or the discussion on visioning the sustainable development goals that will be decided in New York in September this year.

The fourth objective is practising modern and effective diplomacy by supporting, providing services to and assisting Catalans abroad and giving civil society a greater role.

Those are the four strategic objectives that are envisaged in the strategic plan. Apart from that, we have developed other instruments to coordinate and give coherence to the Catalan foreign policy, such as the—I am sorry for hesitating; I have the acronyms in Catalan—cross-department committee of external action and relations with the EU or the council of external action and relations with the EU, which gathers the President with a number of actors and stakeholders from civil society outside the public institutions.

I will underline two additional points. One is about public diplomacy. Especially during the past three years, we have developed a strong public diplomacy strategy. Three years ago, we created the public diplomacy council of Catalonia, which is a private-public institution that counts on representatives from the political, social, economic and academic arenas to influence the external perception of Catalonia through the organisation of visits by parliamentarians, individuals from the culture sector and professors, for example, and by binding relations with all those sectors. Basically, its role is to promote Catalonia as a trusted and leading southern European economy with its own differentiated language and culture.

Next to that public diplomacy strategy, we have been working on an internal communications strategy, which is quite important. It aims to establish permanent and fluid contacts with media from around the world, particularly in Europe—not only correspondents who are located in Madrid but those who are in their own countries—to ensure a continuous and close dialogue with international opinion leaders.

That is pretty much all. I thank you once more for the opportunity to address the committee and I hope that we will have a fruitful discussion.

**The Convener:** Thank you very much.

**María Ángeles Elorza Zubiría (Basque Government):** Convener, members of the Parliament and colleagues from Catalonia and Flanders, good morning to all of you. It is a great pleasure to appear before the committee. I will briefly give you the key elements of the Basque Country's strategic framework for internationalisation—a plan that we approved in April last year.

Traditionally, Basque society has had high-level contacts abroad at the institutional level and through its stakeholders. In recent times, when democracy was restored, the Basque Government reinstated that tradition.

In 1988, we set up a representative office in Brussels. That led the Spanish Government to appeal to the Constitutional Court, alleging that its competence in foreign relations had been breached. The court ruled in the Basque

Government's favour. Its ruling, which was a milestone, clarified that autonomous communities and therefore the Basque Country have the rights and the political autonomy to develop international relations in the sphere of their competences.

Nowadays, internationalisation is more than ever on our agenda, and we consider it to be a strategic goal and challenge for the whole country. The reasons for that are obvious. For a start, we live in a globalised context. We are part of the European Union; our society faces problems that are common to other societies; and such common problems require global responses.

One of the framework's four elements is the will of our society to participate and be an actor in designing a global society. We do not want to be mere spectators. In short, our future is on the global stage. We cannot turn a blind eye to the reality that internationalisation is a tool for reactivating the economy, creating jobs and achieving sustainable human development.

How can we do this? In our opinion, we need to start with a global strategy—a road map that involves not only all the Basque Government's ministries but society as a whole. After an intense participatory process, we have constructed the strategy framework. Our goal is to achieve a common vision based on the experiences and contributions of a broad number of actors that represent a large range of sectors. Our vision for the future is to become a global actor, position ourselves abroad, participate directly in the European Union and intensify our international presence.

To achieve that, we have defined four strategic objectives, whose function is to give coherence to the set of activities that are carried out not only by the Basque Government but by Basque actors abroad. The first objective is to showcase the Basque Country internationally. If we want to attract investors, tourists or talented people, we need to attain an appropriate international position.

To reach that position, we have committed ourselves to the Basque Country brand, which is the vehicle for communicating our strengths and what makes us distinctive and interesting. It concerns our language and culture, our shared values, a proven track record in self-government, and a very large industrial specialisation. We want the Basque Country brand to give us a competitive advantage. We are also committed to bringing to the Basque Country international events, and we are driving for Basque stakeholders to participate in events that are organised in other countries.

The second objective is to promote our multilateral interests and to contribute to global challenges through inserting Basque

socioeconomic actors into global value chains and networks. As a result, our external action will be focused on detecting opportunities, opening doors and setting up alliances with strategic partners to better promote common interests in the international arena.

In addition, we aim to reinforce our ties with international organisations. For example, we plan to enter into new partnership agreements with some of them; we already have such agreements with the Organization of American States, the United Nations Educational, Scientific and Cultural Organization, the United Nations Development Programme and the secretariat for Latin America. We want to foster the insertion of Basque stakeholders into thematic networks and to exchange views and knowledge.

This strategic objective also includes a key element for us: our responsibility for and with third parties. If we really want to become a global player, we have to make our contribution to solving global problems. We have to channel the commitment of Basque society to the fight against the poverty conditions in which millions of people on this planet live.

The third objective relates to the European framework. We want to have a say in European projects. Our aim is for the Basque Country to have its own space in the European Union by means of active participation in European fora in which discussions that affect our self-government are made, such as in the economic and financial affairs—ECOFIN—council. We participate in the ECOFIN working groups, but we cannot participate in the meetings of ministers. We have our own Treasury and fiscal system, so we are fully competent in that area. We are also working to increase the participation of Basque stakeholders in European programmes and projects, and we are promoting interregional and cross-border co-operation, especially with Aquitaine.

The fourth and final objective is knowledge acquisition. The capacity to innovate and to manage new knowledge is key for our future social wellbeing and economic competitiveness, so we have to look for new inputs in all fields of activity. Nowadays, continuous improvement is required, and capturing knowledge is a key ingredient of that. We will consolidate relations with countries and regions that have innovative models in different areas. That proximity will enable us to discover the best practices and to adapt and improve our public policies.

The strategic framework that I have described marks a turning point. Internationalisation is becoming a new cross-cutting aspect in this new stage, so the whole Basque Government will be committed to it. I will give some examples. The

Department of Justice and Public Administration is extending co-operation with international organisations on transparency and efficiency in public management. We are promoting our small and medium-sized enterprises' access to foreign markets, but support will also be given to the international presence of Basque artists and culture. In the European framework, we will search for the best practices in social policy. In the meantime, we will encourage our people and companies to participate in the horizon 2020 programme. In the health arena, we are committed to exchanging knowledge of health system, single medical history and e-prescription models. Those are just some examples of the things that we are working on.

The strategy includes geographical priorities. We have identified the territories in which the majority of Basque interests are focused. I will not mention all of them, because time is short, but the European Union countries stand out in our strategy for obvious reasons. More precisely, the Scandinavian countries stand out because they are home to systems with high social welfare standards, and Germany, France and the United Kingdom stand out because they are our main commercial partners. We would also like to continue to work with other regions, federated states and nations. We already have agreements with Aquitaine and Bavaria. In a couple of months, we will sign an agreement with Flanders, and we would like to co-operate with Scotland in the future.

The general secretariat for foreign affairs, for which I am responsible, co-ordinates and fosters the implementation of the strategic framework. We rely on our international network, which consists of six delegations—in Brussels, New York, Mexico, Bogotá, Santiago de Chile and Buenos Aires. We have a representative office in Madrid and a commercial network that covers more than 70 countries.

That is what I wanted to say. Thank you for the opportunity to appear before the committee. If members have any questions, I would be pleased to answer them.

**The Convener:** Thank you very much. We move on to Flanders.

09:30

**Lukas Van Damme (Government of Flanders):** Thank you very much for the invitation and for your interest in Flemish foreign policy. I will give a short general outline of Flemish foreign policy and then move to the management summary of our recent policy note, with its five strategic objectives. Having listened to our colleagues from Catalonia and the Basque

Country, I note that there are quite a few similarities.

As you might be aware, Belgium is a peculiar country with specific constitutional arrangements. One of those concerns foreign affairs. The main principle for us is the *in foro interno, in foro externo* principle, which means that state entities in Belgium, such as Flanders, are responsible for all external aspects of their internal competences. For instance, in the Bologna process on higher education, it is Flanders and our Francophone colleagues that will be signing a treaty, not our Belgian federal ministers.

Belgian sub-state entities have treaty-making powers, although they are within the framework of general Belgian foreign policy. There are many bilateral treaties. This year, we are celebrating 20 years of a cultural treaty with the Netherlands—which we have for the obvious reason that we share the Dutch language—although there is a recent trend of moving from formal treaties to memoranda of understanding.

There are a lot of multilateral treaties. In the case of EU treaties and UN conventions, when Flemish competences are concerned the Flemish Parliament also has to approve the international treaty before it can be ratified by Belgium.

We are competent to set up our own representation offices abroad—again, within the framework of broader Belgian foreign policy. That means that many of those offices are embedded in Belgian embassies and they have diplomatic status. As regards our network of offices abroad, we do not have one integrated network; rather, we have three interdependent networks of offices, each reporting to their home office. We have 11 general representation offices—I work for the UK one in London. In addition, there are two development co-operation offices—one in Malawi, where Scotland is active as well, and one in Mozambique. We also have about 70 economic offices that report to the Flanders Investment and Trade agency, and we have about 15 tourism offices that report to the Flanders tourism agency. Whenever possible, however, if all those services are in one city, we combine them in one Flanders House, as is the case in The Hague, Paris, New York and London.

There is the expression, “Put your money where your mouth is.” I will outline our budget to give you an idea of the situation. The overall budget of the Government of Flanders amounts to about €40 billion for 2015—about £30 billion. About half a percent of that budget is for the foreign policy domain, which is about €185 million or £136 million, although a big chunk of that—€85 million—is for tourism purposes, including international promotion and leisure investments in Flanders itself.

That amount excludes investment and expenditure by other departments—the education department gives contributions to UNESCO, for instance, and the agriculture department is deeply involved in the common agricultural policy at the European level. However, just to give you an idea, we are investing about £130 million in foreign policy. I do not have recent figures for the cost of our network abroad but in 2012 it cost about £23 million, so a big chunk of the budget goes to our network of economic offices. That is an introduction to where we are, more or less.

The strategic objectives have been identified recently. Since June last year, we have had a new Government of Flanders. In the autumn, the Government drafted a new policy paper on foreign affairs for the next five years.

At the core of the first strategic objective—as with any foreign policy—is the duty to defend our interests internationally, and you will not be surprised to hear that the most important lever that is identified to that end is the European Union. Flanders wants a strong and performing EU that takes into account Flemish interests. There is direct involvement of the Flemish Administration, and Flemish ministers sit round the table in European ministerial meetings when our policies are at stake and are concerned. As Belgian regions and communities, we make Belgian positions within the EU. When we read the Smith commission proposals, we see that they hint towards that approach for Scotland, and I hope that it can be further developed for you as well.

The EU is important, and so are bilateral relations with countries and partners inside and outside the EU, although there is a priority on the neighbouring countries. Thanks to the channel tunnel and the direct trains that we now have, we consider the UK as a neighbouring country as well. The UK, Germany, France and the Netherlands are the main partners.

We also want to continue our involvement with the international organisations that our Spanish colleagues mentioned, including the OECD and UNESCO.

The second objective is to enhance the reputation of Flanders abroad. That plays an important role in public diplomacy and, as the witnesses from the Basque Country mentioned, showcasing oneself. International promotion of Flanders is important to make our region more attractive to a series of target groups including students, researchers, cultural visitors, fashionistas, investors—they are quite important—and tourists. That also involves linking with expatriate communities. There are quite a few of those in Belgium, including in Brussels, and we also take them to heart. We have a special eye for international guests in our visitors programme, and

that also comes within the second objective or goal.

The third objective concerns the internationalisation of the Flemish economy. That subject was also mentioned earlier in relation to Catalonia. It is important that Flemish companies realise that the key to sustainable growth for their businesses as well as for the Flemish economy as a whole is to go global, and we want to support that by strengthening our network of economic posts abroad, as well as by having one co-ordinated strategy. With public authorities, civil society and companies working together, we will develop a multi-annual strategy on that.

Attention is being paid to the need for more free trade, as well as fair trade, worldwide. That brings me to the fourth objective, which is to contribute to the international fight against poverty. Flanders is not obliged to give any development aid, but as an affluent region we feel that we have a moral responsibility to contribute, so we look forward to the new, post-2015 UN global framework for sustainable development and poverty reduction. Specifically, Flanders will look at focusing and limiting our investments or contributions to one sector per partner country. I mentioned Malawi and Mozambique, and we have also worked with South Africa in the past, although that is under review. We consider that South Africa will remain an important bilateral partner, but perhaps not in the framework of development co-operation.

The fifth objective—I am going quickly—is the commitment to a more democratic and just society worldwide. The Flemish Government has always promoted human rights, good governance, democracy and sustainable and responsible entrepreneurship. For example, in trade agreements, we always insist on social and environmental standards. That is important to us. In addition, Flanders is responsible for licensing policy for international trade in strategic goods and weapons, and we want to do that work responsibly with an eye on—in the end—world peace. It is important to do that in a careful way.

Last but not least is peace promotion. Quite a lot of world war one commemorations have been going on and we believe that it is important that we approach them from the angle of peace promotion.

I will leave it at that. If members have any more questions on practicalities in relation to how things are done in the UK and Scotland, I would be happy to come back to that subject.

**The Convener:** Thank you. You have raised many subjects that we would like to explore, and I will open the discussion to my colleagues.

To help maintain a free flow of communication, I remind members that us Scots sometimes talk too

quickly for other people, so please be mindful of how quickly you speak.

**Jamie McGrigor (Highlands and Islands) (Con):** I am always accused of speaking too slowly. [*Laughter.*]

I am very aware of the historic significance of the Basque peoples, especially their contribution to the fishing industry. It is quite possible that they took advantage of the cod industry in Newfoundland long before other European nations.

My question is about the geographic range of sub-state Government overseas offices, the number of offices and how they are funded. On overseas sub-state offices, Professor Michael Keating told us:

“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.”—[*Official Report, European and External Relations Committee*, 5 February 2015; c 22.]

Is that your experience? I know that Catalonia wants to open another 53 overseas offices. How will those be funded, given the current economic crisis?

**María Ángeles Elorza Zubiría:** I can start by explaining how we do it in the Basque Country. As I said before, we have six delegations, which represent the Basque Government in the countries where they are located. They are part of the Government structure and are funded by the Government. They come under my budget and I have an amount for each of the delegations—they are directly funded by Government.

None of our delegations has been closed. Although it is true that at a certain moment the Socialist Party announced their closure, that did not happen. The issue was that in some of those offices at the time there were no delegates. The Socialist Party decided that some delegations would, rather than act in a single country, act in that country and some neighbouring countries. We have changed the structure and we now have delegates in each office. It is important to have delegates because it keeps the priorities and pushes the presence of the offices.

We have a representative office in Madrid, which is very helpful in maintaining contact, especially with diplomatic bodies based in Madrid. We have a close relationship with many of the foreign embassies located in Madrid.

As I said, we have an institutional network and a commercial network. You asked how it is financed. The commercial network is not linked to the Government but to a public agency. We have a development agency—SPRI, or the Society for the Promotion of Industry—which depends on the

Ministry of Economic Development; SPRI finances the network of offices.

The nature of the offices differs from country to country. In several countries we have offices that are 100 per cent ours alone. We have many companies operating in that market, so there is a lot to be done and we need someone to work for us 100 per cent of their time.

09:45

In other countries, rather than having an office, we have freelancers. We select them but we do not have enough critical mass to have people working just for us. We start like that in many countries and, if we start to receive demands from companies to assist them, we move from the freelancer scheme to an office.

Nowadays we have 14 commercial offices. Some of those 14 are located within the delegations because, when there is a delegation, it covers everything. Our others are located in places such as Beijing, Singapore, Mumbai, the Czech Republic, Bologna and Turkey—I do not remember the others right now. They are more or less in the markets that we are selling to or investing in. Because our companies are not producing final products but components, they have to follow their customers throughout the world. They are investing and opening plants in many of those countries and we help to support them.

I do not know whether that answers your question.

**Jamie McGrigor:** Yes, that sounds very good. I would like you to talk about the different sorts of office. How do you prioritise whether they are cultural or financial or both in the different areas?

**María Ángeles Elorza Zubiría:** I mentioned two types of office—the institutional and the commercial ones, and the commercial ones being open 100 per cent of the time, depending on the amount of money we have.

When do we move from one scheme to the other? To be honest, the commercial network grew much more quickly than the institutional one, for obvious reasons. In the past year, our companies have invested a lot abroad, which meant that the network grew up very quickly. It also grew quickly because it is less complicated to open a commercial office of a development agency than it is to open an official delegation of a Government, which is perceived differently. It is true that, once we are in a country, having a delegation is not the same as having a commercial office. Having a delegation opens doors, whereas having a commercial office opens smaller doors.

I mentioned delegations earlier and, if the budgetary situation was different, we would open more delegations because they are a really important tool that are necessary for the internationalisation process. People work with our delegations. The delegations work for the Government but they are open to support any international projects that come from any actor, whether it be a cultural or economic project or whether it be people who want to contact the universities of the country or to reach some kind of agreement. The areas covered are very wide.

Nowadays we have what we have. That is the picture. In the future, once the budgetary situation improves, we should open delegations in Europe and Asia to complete the picture.

**The Convener:** Does any of the other witnesses have anything to add?

**Roger Albinyana i Saigí:** I do not have much to add to what my Basque colleague has already said because we work similarly. Catalonia probably has a few more delegations and offices. They are also financed directly by our Government's budget.

One of the things that our Flemish colleague referred to is particularly important and we have asked the Spanish Government for it on different occasions. We are looking at the possibility of having diplomatic status for our personnel abroad. That would simplify many of the tasks that our delegations have to carry out. For various reasons that I am not going to mention, the Spanish Government has always denied such a possibility.

Going back to your question about the number of institutional and representational delegations that we envisage creating in the future, we are talking about fewer than 50 new offices because we already have seven. That is part of a plan to expand our foreign service; it is not that, in the next two months, we are going to open 30 new delegations.

We have conducted a study that shows that, in the mid to long term, we will be able to provide accurate service to our companies and our citizens abroad, as well as to represent the Government for institutional reasons, if we can get established in around 43 countries across the world. Countries of a similar size to Catalonia normally have even more institutional embassies abroad. For example, if you compare that figure with the number of embassies that countries such as Denmark and Finland or even relatively newborn countries such as the Slovak Republic have, you will see that they have significantly more. We envisage a step-by-step process of building on our foreign service.

With the passing of the law on foreign nationals to which I referred, we are now developing a

decree to regulate the personnel in our delegations abroad. This is not an immediate process—we opened an office in 1986, we opened more offices in 2008 and we are now opening more offices—and we have learned that we must harmonise working conditions and salaries. Given that all those offices are also extending their personnel, it is important to harmonise all those aspects, and that is one of the things that we are now mandated to do.

**Jamie McGrigor:** Part of my question that you have not really answered was about how you finance those offices, especially in a financial crisis.

**Roger Albinyana i Saigí:** By prioritising. Perhaps our delegate to the United Kingdom and Ireland could better explain that. We normally rent buildings or offices that are not expensive. Especially in London, the rental costs are surprisingly low. We also concentrate all the units and all the sectoral offices within the same building. If you go to Paris, you will notice that the Kingdom of Spain has seven different buildings, including the official residence of the bilateral ambassador and two more embassies that are located in different buildings. That multiplies the cost, whereas we restrict the number of personnel and do not have big offices. We also use interns, who are a useful and profitable source of human power. We try to save as much as we can.

**The Convener:** Mr Van Damme, do you have anything to add?

**Lukas Van Damme:** Reference has been made to offices opening and closing. From what I know, Flanders has closed some offices, but that has been compensated for by the opening of others. The one in Washington has closed, but one has opened in New York. One in Japan has closed, but one has opened in Spain and another has opened in Poland. There is a bit of reprioritising, rather than a tidal wave of coming and going.

On the issue of opening posts in certain cities or not opening them in certain countries, it is also good to add that our most important and largest network of economic offices report to Flanders Investment and Trade, which has a governing board that includes not only Government representatives but private sector representatives. Private sector industry co-decides where posts will be opened, according to its needs. The process is really market-driven.

On cost-effectiveness, there is quite a variety of posts that are open. We have offices with one or two members of local staff and others that involve an ex-pat Flemish representative living abroad, which are a bit more costly. In the UK, Flanders Investment and Trade has a large office with five people, and it also has one in Edinburgh. In order

to strengthen our network, we can co-operate with our Walloon and Brussels colleagues. Our Walloon colleagues can use our office in Edinburgh and we can use their one in Birmingham. Further, being in the same building with other services is useful in terms of cutting costs. We hire premises in the Belgium embassy, which is cost-effective.

**Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP):** How have your constitutional powers to act internationally developed over time? Have they been increasing or have they been confined?

**Lukas Van Damme:** The general principle is that whatever you are responsible for at home you are responsible for in your external relations. Our powers are increasing as more devolution takes place in Belgium. In the recent state reform, we received more welfare powers, so we will be taking care of more welfare programmes. Later this year—probably in September—a mission will visit the Scottish NHS to see how Scotland deals with retirement homes and so on, because that is a new competence that we have. However, there has been no big constitutional change with regard to foreign policy powers, and that has been the case since the early 1990s.

**María Ángeles Elorza Zubiría:** I will try to describe what is more or less the situation. Under the constitution, the state has exclusive competence in international relations. However, according to the Constitutional Court, the term “international relations” must be understood in a restrictive way. When we speak of international relations that are exclusive to the state, we are talking about powers to enter into treaties, open diplomatic missions abroad, recognise states or create obligations that bind Spain. That is the sense of the exclusive competence.

On the other hand, under the various statutes, the autonomous communities have a number of competences. In our case, that number is large, and we are competent not only to act inside our autonomous community but to exercise those competences abroad. That is what the Constitutional Court ruled in 1994 with regard to the application that the Spanish Government made after we opened our office in Brussels.

It is a complex system that involves two powers. The state has exclusive competence in external relations, which are understood in a restrictive way, while we have the political autonomy to act abroad within our own competences. The system requires trade-offs as well as mutual loyalty. The fact that, in our case, external relations are not the monopoly of the state creates on-going tensions. The state tries to control and limit things, while autonomous communities such as ours demand that our political autonomy be respected.

10:00

In the most recent chapter of this issue, the Spanish Government has, as Roger Albinyana i Saigí has mentioned, approved a new law for state external action. We announced that we would apply to the Constitutional Court, because it was our understanding that the law was an expression of a will to control and limit our capacity to act internationally. In the end, we came to an agreement with the Government on how the law should be interpreted, and that agreement comes back to the ruling of the Constitutional Court. All of us accept that external relations, as strictly understood, lie in the hands of the state, but for those who have the political capacity to act, not all activity abroad can be called external relations.

**Adam Ingram:** You are saying that you have the powers to act internationally to further the competences devolved to you, but does that extend to representation on key international decision-making bodies instead of having to go through the state representatives on those bodies?

**María Ángeles Elorza Zubiría:** There is no easy answer to that question—it all depends. We do not have membership of international organisations such as the UN and UNESCO; in such cases, the state is the member. To be honest, the situation at European level is a funny one. For example, in 2004, we asked to participate in the sectoral meetings of the European Council of Ministers in which matters affecting our self-government were discussed and because of the will on our side, an agreement was reached between the Spanish Government and all the autonomous communities. Nowadays, we can participate in four sectoral meetings, three of which are agriculture and fisheries, environment and employment. I cannot remember what the other one is—I think that it is youth.

**Roger Albinyana i Saigí:** It is health.

**María Ángeles Elorza Zubiría:** Indeed—it is health.

Under the system, one autonomous community represents the rest of the autonomous communities with that particular competence at a meeting of ministers as a member of the Spanish delegation. However, although that is an important step, it is not enough, as there are other matters in which we are fully competent. Ministers are discussing issues that affect us and we are not present at those meetings. For example, there is the economic and financial affairs council or what is known as ECOFIN. The fact is that fiscal policy in the Basque Country—the tax regime—is decided by the Basque institution, and we have our own legal tax system, which is different.

**Adam Ingram:** And you would like your powers to be extended to that area to allow a minister in your Government to play a leading role in the Council of Ministers, particularly on matters that have been devolved to the Basque Country.

**María Ángeles Elorza Zubiría:** Yes. In December, our minister of culture attended the Council of Ministers, together with a Spanish minister, and our minister for employment participates in discussions on employment matters. However, the tricky thing is that we have stopped with participation in just four sectoral meetings, and it is purely a question of will to ensure that we open the door to the rest. After all, the logic is the same. Given that the powers are in our hands and the discussions affect our self-government, we are asking the ministry to change its position.

It is difficult for bilateral fora to be recalled. We have a bilateral commission on European affairs—a bilateral forum involving the state and the Basque Country—and, last year, we asked for it to be recalled and even proposed an agenda for it. However, we are still waiting for that to happen. We will keep demanding that, because we have not only the right to do it but a huge interest in it. These are very important matters.

**Adam Ingram:** That sounds familiar to us in Scotland. Does anyone else want to comment on those matters?

**Lukas Van Damme:** In Belgium, the federal state and the regions and communities have had an internal co-ordination agreement specifically for the EU since the early 1990s. When it comes within our competence, Flemish civil servants participate in EU Council working parties on, for instance, fisheries, culture, youth, sports, the environment or agriculture. Also, when EU Council meetings relate purely to our competences, Flemish ministers will attend without any federal ministers.

Because of the lack of sea in Wallonia, a Flemish minister will go to every fisheries council. With environment councils, the role changes; it will be the Brussels minister one year, the Walloon minister the next and the Flemish minister the year after that. However, the Belgian point of view that those ministers communicate will have been co-ordinated beforehand with everybody involved so that one minister speaks for the whole of Belgium.

There has been a bit of a quarrel about whether we should be more involved in other councils such as ECOFIN. We are in the process of reviewing the Belgian co-operation agreement and adapting it to the recent state reform to enlarge the transport element a bit more and see whether the federal Government's lead on that can be overturned.

As for other international organisations, it depends a bit on their nature. For instance, as UNESCO purely concerns community matters—culture, science and education—the Flemish and French-speaking communities do the bulk of the work and ministers are able to participate in those meetings as well.

**Adam Ingram:** That sounds a bit more collegiate than elsewhere.

**Lukas Van Damme:** It sometimes depends on political tensions. Sometimes it is less collegiate. [*Laughter.*]

**Adam Ingram:** Jolly good. Thank you.

**Anne McTaggart (Glasgow) (Lab):** I welcome the witnesses and thank them for their presentations. How do you measure some of the good work that has been happening? Can you give us some examples of how you measure the effectiveness of the international engagement work that your Governments do and the less tangible aspects, such as cultural diplomacy?

**Lukas Van Damme:** The offices that deal with more clear-cut matters such as the economy and tourism have clear targets for, say, the number of meetings, the amount of turnover and the number of visitors. For general representations, things are obviously less clear cut. The yearly programme has to be approved and we have to implement it but, given that it is highly political on some issues, it all depends on many different factors and on how things go. The situation is less concrete and clear cut than it is for economic matters.

Unfortunately, when it comes to culture, we try to do our utmost but a lot depends on how much funding is available. Obviously we do it within the means that are available.

**Roger Albinyana i Saigí:** Your question is very relevant, and it is not normally asked in many established countries that have their own foreign services. We all assume that a country counts on having a large network of embassies and consulate generals, but some countries are starting to review the number of representative offices that they have abroad, because in some places there has been too much expansion.

I tend to agree with my Flemish colleague. On issues of trade, economic development and the representation of business interests abroad, there is some clear measurement aside from the general statistics. As every trade office normally charges a symbolic fee for the services that it delivers to companies, you can see how its activity develops.

It is more difficult to measure tourism and, especially, culture. As I have said, Catalonia is a world-leading destination. Last year, we welcomed 17 million foreign tourists. They came mainly from

Europe but also from Russia—although the number of tourists from Russia is going down due to the present situation—and we also welcomed tourists from Asia and the US. All our 11 sectoral tourism offices provide reports, and through their engagement and agreements with tour operators, we can control the activity that those offices perform.

Things are more difficult with culture, although we can measure the amount of impact that it is having. For instance, through the Institut Ramon Llull office in London, which works mainly in the territory of the United Kingdom, we know exactly how many festivals there are, how many Catalan artists and Catalan novelists come here and what kind of presence Catalonia has at international book fairs. We are very much present at such events.

Our strategic plan is continuously evaluated, year after year, and that evaluation is given to Parliament. The Government is accountable to the Parliament and in that specific area the Parliament exercises its specific function of controlling not only expenditure but activities. All the sectors related to our foreign service also undergo a long process of scrutiny.

**María Ángeles Elorza Zubiría:** It is a complicated question, because many times the things we do in not only external relations but public policies do not create immediate results. The connection between what is done and the result is not always clear, because many other factors intervene. However, I will try to answer Anne McTaggart's question.

As I said, in our commercial offices we deal with enterprises, through our delegations, and we help companies to go international. In those cases it is very easy. We know the number of companies that we are in touch with every year. Some of those companies, many of which are small to medium-sized enterprises, come because they are looking for commercial representatives. Others come because they want to set up a commercial office in the country and they do not know how to do it. We help them with procedures and give them advice until their office is open. We assist the companies when they are investing in a country. That might be an industrial investment. All the contacts, the links and the relations that we maintain with public authorities help us to obtain the best conditions for our companies. That is one example, but it happens in many countries.

10:15

I mentioned the European Union. As I said, we are not a state. We do not sit in the Council of Ministers as a state; rather, we sit as part of the Spanish delegation. However, we have spent a

long time—it has been more than 25 years—working in Brussels with that delegation. We have created a very nice link with many people in the Commission. We have the capacity to influence and to talk to many people. We try to approach them not only to look for money for our projects, but to let them know what we are doing and to make proposals that touch on the Government's practical experience.

Sometimes we share our successes; sometimes we share our problems. However, we always try to propose something. That gives us the possibility of having access to a lot of contacts and information. All that is of great value to us when a new regulation is prepared or a new programme is being defined. Being there and knowing what happens gives us an advantage. That then helps our companies, research centres and cultural actors to have better access to the European programmes, for example.

I have other examples. We have an office in New York. We are invited to many UN and side events. We are not invited as members of the public, but to be speakers and to share with others our expertise in many fields. For example, we have been invited to talk about transparency and how to make people participate in the definition of public policies. We are sharing with the UN our expertise in the field of equality between women and men. Our experience of that is long. Although we still have many things to do, we have had some small successes that we are sharing.

We are regularly invited to participate in different fora. For example, we also have close and very good ties with the United Nation's programme for development, through our agency, the Basque Corporation, which was started 25 years ago. We still maintain the corporation even though we are in crisis. Last year, we launched calls for €48 million. Last year, the UNDP organised a conference in Addis Ababa when states were invited to talk about post 2015. We were the only agent at sub-state level that was invited. That is a result of many years of work and because, when we approach other agents, we not only ask for money but we bring proposals.

A final example is China. Around seven or eight years ago, one of our main industrial groups, the Mondragon Corporation, which is a co-operative group, opened an industrial park in the Guangzhou province. It is a big park where many companies have located their plants. The Government—at the time it was the social party—signed a general agreement with the Guangzhou province. We consider that to be a good agreement, which we are trying to implement. Nowadays we are working with the University of Nanjing, thanks to the general framework, in order

to open a Confucius institute in the Basque Country.

Those are specific examples of the things that we do and the outcomes that they achieve.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Mr Saigí mentioned TTIP in his opening remarks. What is each of your Government's policy on whether TTIP should allow access to health services in your territory? What will happen if the Belgian and Spanish Governments agree to access health services through TTIP?

**Roger Albinyana i Saigí:** Unlike Flanders or other sub-state Governments, such as in Canada—or even in Germany, where the Bundesrat has to give a green light to international trade treaties—we do not have a power to block or even influence such a decision. We can influence that kind of policy through lobbying. We can lobby the European Commission. Last week, María and I had a chance to talk to Commissioner Malmström during her visit to the plenary session of the Committee of the Regions. Our President has regular contact with the Belgian commissioner—previously that was Karel De Gucht and it is now Cecilia Malmström—but we do not have an official way in which to influence that kind of policy.

However, our Government's position on TTIP—it is not necessarily the position that is shared by all the political groups in the Catalan Parliament—is rather prudent; it is cautious but positive. As we are a pro-free-trade Government, we acknowledge the improvements that such framework agreements will bring to European society and the United States. At the same time we are prudent, because we are carefully trying to monitor the eight negotiation rounds and their, shall we say, achievements.

It is not a matter of downgrading the social and environmental standards. It is clear that our social and environmental standards in Europe are higher than those in the United States. It is a matter of working in those standards that are similarly positioned; we will advance into free liberalisation when the standards are at the same level.

Transparency is another issue for concern. We have been rather critical of the level of transparency that the negotiation—

**Willie Coffey:** I am sorry to interrupt, but I was asking about health services only. I know that there are many wider issues about TTIP.

**Roger Albinyana i Saigí:** I do not have a specific answer that I can make on behalf of the Government.

**Willie Coffey:** Perhaps I can ask your colleagues for their views. What is the policy on TTIP access to health services in your territory?

**Lukas Van Damme:** Again, I am not a specialist on the transatlantic treaty and health services. In general, the Flemish Government is pro the agreement. Flanders is a big trading region—about 80 per cent of Belgian exports come from Flanders—so that is quite important to us.

As I mentioned earlier, it has always been important to Flanders, and Belgium in general, that there is due respect for social services and protection of culture. I cannot give you details on the specific health agreement but the broad indication is pro the general agreement, paying care and attention to social services and environmental issues.

**María Ángeles Elorza Zubiría:** My comments are more or less similar to those that have been made. In general terms, we see a commercial opportunity and an opportunity for investment, but we must be prudent in the negotiations and ensure that, as Roger Albinyana i Saigí has said, we do not downgrade the European standards.

We will follow the negotiations, but we cannot oblige the state not to sign the agreement. The discussion will be had in the Parliament in Madrid, but we need to find a balance between commercial interests and maintaining the high standards of protection that I believe we have in Europe.

**The Convener:** Rod Campbell has a very quick question.

**Roderick Campbell (North East Fife) (SNP):** I will try to be brief, convener.

Following on from some of the themes that my colleague Mr Ingram highlighted, what lessons can Scotland learn about engaging on the international stage? Are they to do with constitutions or relationships? Should we have a kind of Belgian co-operation agreement?

**Lukas Van Damme:** Who am I to give you advice, but in all humility, I think that what is important to Scotland is its involvement in influencing EU policy making. Given that many laws made in Brussels—for example, those that relate to fisheries—are quite important to and have a direct impact on Scotland, it is important to take the Smith commission proposals and put in place really good internal co-ordination mechanisms within the UK to ensure that a Scottish voice can be heard on Scottish matters. I know that there is a lot of discussion going on, but such a move would be quite important and, obviously, helpful for Scotland.

**Roger Albinyana i Saigí:** It would not be prudent of me to make any recommendations or tell you how you should act, but I can say that the way in which Spanish co-operation mechanisms function with regard to the external action of the

autonomous communities does not provide a good example. Indeed, I recommend that you stay away from that. My colleague María Ángeles Elorza Zubiría has very clearly highlighted our difficulties in having an official presence on EU decision-making bodies or on international multilateral organisations. You will find in Canada, Belgium and even Germany much better examples of how co-operation between sub-state Governments and central or federal Governments can function.

**María Ángeles Elorza Zubiría:** Perhaps I can make a couple of comments about what we have seen in the Basque Country—and if they help you, that is perfect. I do not think that it is my task to tell you what Scotland should do; that task is yours.

From our experience, I would say that it is very important to make very clear the role of each of the Administrations and which competences are in the hands of the state and which are in the hands of—in our case—the Basque Country. In your case, of course, it would be Westminster and Scotland. You must then put in place mechanisms to guarantee that those roles are respected and ensure that there is mutual loyalty and collaboration. That is very important when two levels have to co-exist and find trade-offs and balances.

Secondly, you have a set of competences that allow you to act at an international level. In my opinion, it is very important to have a strategy and to get people involved in its creation to ensure that it is as close as possible to the interests of Scotland's different stakeholders. Otherwise, you could be doing your best and working and moving everywhere and still not be doing what the people—your stakeholders—need. Such an approach gives external action an incredible legitimacy.

**Roderick Campbell:** Thank you.

**The Convener:** That was a superb question to finish with. I am sure that we will learn lots of lessons from how things are done in the regions and states that we are speaking to.

I thank the witnesses very much for their very open, frank and extremely helpful exchanges with us. I believe that the committee is looking forward to continuing some of those conversations over lunch.

10:30

*Meeting suspended.*

10:36

*On resuming—***“Brussels Bulletin”**

**The Convener:** Good morning, and welcome back to the European and External Relations Committee. We are moving quickly on to agenda item 2, which is the “Brussels Bulletin”. I will ask members whether we can agree just to pass the “Brussels Bulletin” and move on. If any issues arise from it for members, they can make the clerking team aware of them and we can take them forward. Is that okay?

**Members** *indicated agreement.*

**The Convener:** Excellent. Thank you very much. Do members agree to make other committees that require it aware of the “Brussels Bulletin”?

**Members** *indicated agreement.*

**Transatlantic Trade and Investment Partnership**

10:36

**The Convener:** Our second substantive issue for this morning’s meeting is our inquiry on the transatlantic trade and investment partnership. I welcome to the committee Lord Livingston, who is Minister of State for Trade and Investment; and Edward Barker, who is head of the transatlantic and international unit in the Department for Business, Innovation and Skills of the UK Government.

I believe that you are Lord Livingston of Parkhead, which is the way to say it if you are an erstwhile fellow Weegie like me.

**Lord Livingston of Parkhead (Minister of State for Trade and Investment):** Absolutely.

**The Convener:** We are delighted to have you along this morning. I believe that you have a brief opening statement to make before we get into questions.

**Lord Livingston:** I am delighted to go straight to questions, because I am conscious of time.

**The Convener:** Thank you very much. I will ask the first question, as that is the convener’s privilege.

You will understand that there has been a lot of keen interest in the transatlantic trade and investment partnership. The delegates that we heard from earlier from some EU member states have said that they see opportunities in TTIP, but—. That seems to be the same as the feeling in Scotland about TTIP, which is that it could have opportunities, but—. Some of the “buts” are the things that we have been looking at.

The main “but” is about public services—in particular, the impact of TTIP on the fully devolved health service in Scotland. I do not know whether you managed to get sight of the press release and information that went out from Unite the Union yesterday on the legal advice that it had sought, which states that the NHS

“is included in the material scope of the TTIP”.

Can you give us some insight into your thoughts on that and maybe some reassurances? I think that we will be looking for pretty strong words from you this morning to reassure the committee and, certainly, the people who have contacted us about TTIP.

**Lord Livingston:** Okay. First, I will take a step back and ask “What’s the intention of all the parties?”, because that seems to have been lost in the discussion about TTIP. I will address that

before I get on to the legal aspects and the view of our trade experts. We got their opinion pretty late last night, although we were trying our best to get it earlier.

If you listen to the European Commission, you will hear it say very strongly that public services are not to be included in TTIP and that the EC does not intend that they will be. It made particular comments about the NHS. You may well have seen the letter that Commissioner Malmström wrote to me a few weeks ago—if you have not seen it, I can give you a copy—in which she set out the position pretty clearly in terms of the NHS being in TTIP: that is, it is expected that the NHS will carry on as before and that it will be up to individual Commission authorities—the Scottish Government and the UK Government are the appropriate places—what they do. I hope that the committee has seen that letter. If not, we can provide it.

If you listen to others on the Commission, they also make it very clear that the NHS is not included. Commissioner Malmström is Swedish. Her predecessor Karel De Gucht, who is Belgian, commented that the NHS is and always has been exempt, and that it is just used in our country for political purposes. Perhaps Swedes, Belgians and others have some reason why they all trying to mislead the UK. I do not think so. The UK Government is very sure that the NHS is not included, nor does it seek to have it, or public services more generally, included.

Does the United States Government want—

**The Convener:** Will you seek that reservation when you go into the negotiations?

**Lord Livingston:** Let me talk about the reservation and go through the whole thing. I will go through what the reservation is: it is about public health services and public services more generally. I make it clear that I have not come across another country in Europe that wants its publicly funded health service to be included in TTIP. The European Commission, the European Governments and the UK Government do not seek to have those services included in TTIP. What about the Americans? The chief negotiator for the Americans, Dan Mullaney, made a statement—we can give you the quotation—in which he says that although there has been a lot of discussion about public services, the US Government does not seek to include public services in its trade agreements. He is happy to confirm that it is not seeking to include the NHS within TTIP.

The Americans are not looking for it, the British Government is not looking for it, and the European Commission and European Governments are not looking for it. I hope that we can come to the

conclusion that they are not all lying. You might not trust the British Government, you might not trust the Americans and you might not trust the Commission either, but not everyone is making it up. If we start from the position that that is the intent—which it is—the question is whether we have adequately covered the issue.

I will read the reservation from the comprehensive economic and trade agreement—CETA—the trade agreement with Canada, which is the state of the art. It says:

“The EU reserves the right to adopt or maintain any measure with regard to the provision of all health services which receive public funding or State support in any form”.

That is the reservation. There are about three or four others that add to it as well, but it is a good start. There is a clear reservation for health services.

What there are not are words about the NHS. The reason why there are not words about the NHS is that we are dealing with 28 states that all have their own publicly funded health services. We cannot start saying that we will mention the NHS but we will not specifically mention the French or German health services—the reservation deals with all publicly funded health services. We also do not say that we will have a special reservation for the police, because the police are also covered by a reservation on publicly funded services. TTIP is clear.

Last night I asked our trade experts about the legal opinion that the convener mentioned. To put it in context, I am sure that the lady concerned is a fine lawyer, but she is not exactly leading counsel. She is an associate—not a senior associate, a principal or a partner, but an associate in her firm. Her expertise is, I believe, in public health and the EU; it is not trade expertise. We basically do not agree with her analysis.

I am happy to hear about things that need to be tightened up. The lack of clarity in respect of public and private ambulances, which the UK has a special reservation for in addition to the health services reservation, has been mentioned to us. I was happy to have that conversation. Such a conversation, however, should start from the point that it is not the intention of any party to include publicly funded services—be they health services or any other type of public service. Unless you believe that the European Commission and the EU are liars or that they are incompetent—given that that is what they believe, that they have tried to put that in their agreements and that they have been pretty good at negotiating trade agreements over the years—we are in a good place.

I dare say that when you look at some of the clauses, you might ask whether we can tweak this, or what exactly the position is on that, or is there a

bit that has fallen through. Those points are fine to have a conversation about. However, publicly funded health services are excluded.

10:45

**Roderick Campbell:** Good morning, Lord Livingston. You said that CETA is the state of the art. I am open to correction, but my understanding is that neither the House of Lords EU Select Committee nor the House of Commons European Scrutiny Committee has undertaken any specific work in relation to CETA. We have not done much examination of it at a democratic level in this country. It might be the state of the art, but perhaps you could illuminate how much scrutiny of it has taken place.

**Lord Livingston:** CETA was agreed at political level a number of months ago. We have kept the scrutiny committees regularly updated on what is involved in CETA, on the issues and otherwise. I have spent quite a lot of time writing letters regarding mode 4 immigration, for example. The committees have been very much involved. In addition, CETA will be a mixed agreement and there will be an opportunity for it to be reviewed.

When I say that it is the state of the art, I mean that the wording represents the EU starting point on negotiations. We could take the South Korean agreement, which has been passed, but CETA represents where the EU is. There will be scrutiny of it, but the final agreement before the legal scrubbing and the translation was about four or five months ago: after political agreement, there was final agreement. That is the course that scrutiny takes. The process can take 18 months to two years.

There has certainly been a lot of correspondence. However, the wording represents the wording with which the Commission would look to start off with the US, because it is aiming to do the same thing as CETA.

**Roderick Campbell:** We have some way to go with ratification of CETA. I can trace only one European plenary debate on it, so we are not really there with proper democratic examination of CETA, either.

**Lord Livingston:** Well, no, but that is because scrutiny is a matter of time. The full text has been published, however, and it represents the latest wording regarding how we are trying to protect Europe as well as to do modern trade agreements, particularly with other advanced countries. It could be that a Parliament somewhere in Europe, in the 28 states, will reject it, but the reason why I quoted it is that it is what the Commission would use as its basis for trade agreements. I was asked, "What is the reservation?" I cannot quote TTIP as it does not exist, but I can quote the state of the art and

the wording that the Commission used in trying to protect public services across Europe. I think that that is perfectly reasonable.

**Roderick Campbell:** The point is that CETA has yet to be fully scrutinised, so your point might be premature. Can I—

**Lord Livingston:** It is not premature to say that that is the wording of CETA. I am not saying that CETA has been adopted. I am saying that it is the state of the art in terms of the wording.

**Roderick Campbell:** I will move on to a second point. I am a lawyer by trade. I have not studied the Unite opinion—I can see that it is quite lengthy—but I pay respect to it and will study it in due course. However, in my trade, as it were, agreements are often reached in which one party says that a provision is not necessary, but a belt-and-braces approach is adopted anyway in order to get an agreement that suits all parties. Why does the UK Government not want to listen to the deep concerns about the NHS and go for a belt-and-braces approach?

**Lord Livingston:** I think that the phrase

"adopt or maintain any measure with regard to the provision of all health services which receive public funding or State support in any form"

is pretty belt and braces. We are part of the EU. If we referred just to "the NHS", would that include publicly funded health services that are not within the NHS? We also need to consider the definition of "the NHS" when we have, in effect, a Scottish health service. Would we have separate wordings for the Scottish health service, the English one and the Welsh one? "Publicly funded health service" covers a wide gamut over a long time, and I think it is a pretty belt-and-braces approach.

I could go on to talk about additional exceptions regarding privately funded medical services, which have further reservations. I think that the UK has historically had an out in terms of private ambulance services and so on. I was just using the first of the main reservations.

The wording on the public provision of health services is wide ranging and it should cover us. Even if, for instance, you choose to have the private sector provide part of your health service, it is still publicly supported, so it is still covered. This goes wider than just the NHS. We should also remember that the wording covers 28 nations. It would be wrong for us to sit here and say that we want words that relate to a particular activity in one nation.

The approach is very belt and braces. I repeat the words:

"public funding or State support in any form"

I think that you have belt, braces, ties and ropes—everything—in there.

**Jamie McGrigor:** During evidence from John Swinney and the European Commission it was suggested that there can be winners and losers in any trade deal. Which sectors of the UK economy might gain and which might lose out? That includes the Scottish economy, as well.

**Lord Livingston:** It is a question of how imports and exports do. You are absolutely right that some sectors of the UK economy—for example, the car industry—will do well. We also think that the food and drink sector should do well. There are many products that we cannot sell to the US just now because of tariffs; for instance, some cheese products have an 18 per cent tariff on them. The partnership will aid small companies in particular, because the current regulatory differences are especially tough for them.

The areas that might lose—some only in the short term—include the electrical machinery market, which the US is particularly strong in. If there was an energy chapter, some parts of energy production might lose. However, given that there is a worldwide price and given that we import Qatari gas with American gas. TTIP might give us more options.

Do you have anything to add, Edward, in terms of gains and losses for the sectors?

**Edward Barker (United Kingdom Government):** We would expect the pharmaceuticals sector to be another significant beneficiary.

**Lord Livingston:** And the life sciences generally.

**Edward Barker:** Yes. When we talk about “losers”, that is a relative position. The study suggests that it is possible that there would still be growth in the sectors that we are describing as “losers” but their relative share would diminish.

**Jamie McGrigor:** Thank you for that. You mentioned—

**The Convener:** Adam Ingram has a supplementary question.

**Adam Ingram:** I am sorry, Jamie. I want to ask about the rosy glow that seems to surround trade agreements and the feeling that, somehow or other, increased competition will lead to increased jobs all round. If we lose market share in areas, will we not also lose jobs in those areas? For every job that we gain in textiles as tariff barriers come down, might we lose a job in the food industry as cheap American imports displace our own products?

**Lord Livingston:** In some sectors, there will be an initial shift. It will be very small in relationship to the totality, but there will be an initial shift. The question is whether some sectors will change. For example, when the UK joined the EU, the New Zealand farming sector was devastated; as a result it has become the most efficient farming sector in the world and is growing tremendously well. You will see that sort of shift.

It comes down to the general question of whether you believe that free trade, particularly between developed countries but also more generally, enhances overall prosperity. The last major trade deal that we did was with South Korea, and UK exports have doubled since that agreement. A chunk of that is oil, but that is good news for Scotland. That has to be good for the economy of the UK, which now has a trade surplus with South Korea of over £2 billion that it did not have before.

If you look at the research that was done on the World Trade Organization’s Uruguay round, you will see price reductions for families of about £500 a year. *Which?* undertook that study a number of years ago. There is real evidence that trade agreements can help; I believe that things such as the single market and free trade agreements assist. We have learned, from other things, that putting up protectionist barriers does not work.

Some industries will adapt, some will do very well from the get-go, some will experience some losses and then adapt, and some—regrettably—will not. However, there will be a decent-sized net gain to the economies of the UK.

**Adam Ingram:** I am sorry, but the point that I was trying to make is that we do not have an agreement in front of us so we cannot assess whether it will be positive or negative for the flow of jobs, for example. With the North American free trade agreement, the Americans believed that they were signing up to something that would increase the number of jobs in their economy, but they exported jobs to places such as Mexico. We cannot take for granted what outcomes the agreement would lead to, can we?

**Lord Livingston:** We can absolutely say that we do not have the final agreement. I would be happy to come back in a couple of years’ time or whenever, when we might have a final agreement, but the committee asked me to come today.

Let us take NAFTA as an example. Many people have different views on NAFTA, but the Mexican economy is very different from the US economy. Its labour costs, for example, are very different. NAFTA might have led to some movement of jobs, but since it, the US economy has powered ahead. The unemployment rate in the US is around 5.6 or 5.7 per cent—it is one of

the few unemployment rates that are equal to that of the UK—and millions of jobs have been created.

The US now has a much more prosperous neighbour in Mexico, as well as having Canada. When I speak to people from Canada and the US, they generally say that NAFTA has been a very good thing, and I think that there is a strong belief that the trade agreement on the single market has been a good thing.

I accept that, if the EU gets a really bad agreement in which it waives all the tariffs with America but America does not waive any of its tariffs—which will not happen—there could be an asymmetrical outcome. However, when two sets of developed economies negotiate on equal terms, there will be benefits for both from increased trade. In fact, there will also be benefits for third-party countries, because there will be growth in two of the biggest economies in the world.

**Adam Ingram:** I apologise for interrupting you, Jamie.

**Jamie McGrigor:** That is all right.

**The Convener:** Do you want to continue, Jamie?

**Jamie McGrigor:** Yes—if I can remember what I was talking about.

My other point is that farmers and others have expressed concerns about food safety standards. Will you comment on that? I apologise for being a bit local, but I have been told that the TTIP agreement may impact on the EU protected food names scheme and on products such as Scotch lamb and Stornoway black pudding, which are very important in my region. Will you talk about the EU protected food names scheme and food safety standards?

**Lord Livingston:** On food safety standards, the EU has been clear that standards will not be lowered. People say, “Oh, well, it’s always a race to the bottom”, but the single market was not a race to the bottom. In fact, many complaints about the single market have been about its having created so many rules, and a high-level set of rules. We often hear that there will be chlorine-washed chicken and hormone-fed beef. That is a case in which the Americans would like to export, but they will not be able to. The EU trade commissioners have said repeatedly and consistently—and the Americans know—that that will not happen and that EU food safety rules are EU food safety rules.

By the way, we should remember that the Americans have quite a lot of concerns about EU food safety. For example, members may know that they will not allow haggis into their country as they believe that it is not safe. We have even had

problems with the Canadians not allowing Irn-Bru. People have strange views on some things.

**The Convener:** Maybe it is a case of beware “the Rustic, haggis-fed”.

**Lord Livingston:** Apparently, the Canadians thought that there were unnatural ingredients in Irn-Bru. The colour is naturally occurring.

To be honest, I think that there will be a bit of a price to be paid in the agreement for saying, “We are not going to lower our standards”, because the American farm lobby would want some of those things included, but the EU has said that they will not be, and I think that there will be a price for certain things that the EU might want that it will not get in return. There will probably be more non-hormone-fed beef. The Irish have concerns about efficient producers, for instance, but it will not be a matter of food safety standards.

What was the second part of your question?

11:00

**Jamie McGrigor:** It was on the EU protected food names scheme.

**Lord Livingston:** At present, we have some protected names in the US, such as Scotch whisky, which is obviously pretty important. There is a big push to have more geographical indicators recognised in the US. That comes in particular from places such as Italy for Parmesan cheese, for example. The Americans consider Parmesan to be just a general name, like cheddar—we could argue about that as well—rather than a geographical location, and that is causing quite an argument. Products that refer to where they are from tend to have greater protection because they state something. Scotch beef—somebody cannot say that they are providing Scotch beef if it is not from Scotland—and Welsh cheddar, for instance, get greater protection.

I do not think that we will go back on anything. The question is how much help we can get. In the Canadian agreement, there was quite a lot of movement on protecting geographical indicators. I suspect that we might get less in the American agreement than we got with Canada, but there is a big push among feta producers and Parmesan producers. Fortunately, there is not a big push among Hamburgers, or it could get silly. However, I do not envisage things getting worse than they are; it is about pushing to make them better.

**Edward Barker:** The more specific the indicator, the easier it is to argue that it is unique. West Country farmhouse cheddar is the one that I tend to think of—because I rather like eating it—compared with cheddar. Our first priority is to protect what we already have with spirits such as Scotch whisky.

**Jamie McGrigor:** Do not forget the black pudding.

**Edward Barker:** Indeed. I hope that products such as Scottish farmed salmon, Scotch lamb and Scotch beef would all be strong candidates within what the EU is asking of the US. It is a difficult issue for the US, but that is what the EU is pursuing.

**Anne McTaggart:** Welcome, Lord Livingston. I have a wee quick question about something on which we have found it difficult to get clarity. It concerns the lack of awareness across the Scottish business community of the TTIP negotiations. What work has the UK Government undertaken to raise awareness of TTIP among the business community in Scotland and the UK?

**Lord Livingston:** It is usually really difficult to get any interest in trade agreements. TTIP is remarkable; I do not recall the Korea agreement getting any attention.

We have worked with the main trade associations—the Federation of Small Businesses, the Institute of Directors and the Confederation of British Industry—to help to get through to their members, and with a number of individual trade associations. We have had roadshows, including some in Scotland, and set up a website with resources.

When an agreement is made, it is important to go to the particular areas that have opportunities or impacts and work with them on how to take advantage of it. We did that in Korea and will do it in Canada.

I have spoken at a number of business events, at a large number of non-governmental organisation events and to NGOs, and the FSB, the IOD and the CBI are very much involved.

Edward Barker and his team do a lot of work on this, so he might like to add something.

**Edward Barker:** I will add a couple of things. When the negotiation was getting under way, we did a fairly broad consultation for which we got a lot of online submissions that helped us with our initial identification of priorities for the UK. We have regular stakeholder sessions with businesses and also with NGOs and consumer groups, so we hear from a range of interests. I have been to Edinburgh a couple of times with the roadshow that Lord Livingston mentioned, and I think that Ken Clarke spoke at one of the roadshow events in Glasgow. We will continue to do those events over the coming months. Also, we have recently tried to improve our website to make it a bit more useful and accessible.

**Anne McTaggart:** Thank you.

**Willie Coffey:** Good morning, Lord Livingston. I want to open up a further discussion on the health issue. You said that publicly funded health services are excluded. Where in the negotiating mandate that was agreed in June 2013 does it specifically exclude health services from being part of the TTIP negotiations?

**Lord Livingston:** From recollection, I think that there is a relation to public services, but I was referring to the wording that we use. I do not think that there is a specific reference in the mandate. It does not contain specific references to many things. However, I think that there is a reference to public services, protecting health and safety and public policy.

**Edward Barker:** I would focus on the text of the agreement, because quite a lot of the framing of any agreement that the EU negotiates starts from a number of assumptions, including the one that public services are protected.

**Lord Livingston:** By the way, that reflects the general agreement on trade in services—GATS. One thing that the EU starts with is the agreement on services that already exist, and the EU believes that it has a strong exemption. We have had GATS for 20-odd years.

One of the somewhat strange things about all of this is that, in some of the discussions, it is as if we have never had a trade agreement before. We have had an agreement on services for many years. That is where the EU started from. It then updated the agreement for CETA, and that will be included.

Rather than asking about the mandate, you should look at what the EU is clearly saying—in writing and verbally—about the position. It has made the position incredibly clear. Again, is it that people do not believe what the commissioner is saying? I refer you to the letter that she wrote to me, and I also refer you to the letter that Ignacio Garcia Bercero wrote to me—and to John Healey, I think. The UK Parliament has had a number of witness statements that all make the same point. I also know the position from speaking to the commissioner. On Monday, when she was in the UK speaking at a number of events in London, she said, “Why do people keep asking me the same question when I have been clear about it?” The EU has tried to be really clear about the position.

Where the original mandate referred to that point, it certainly did not say that publicly funded health services were going to be open to competition. I am sure that it did not say that.

**Willie Coffey:** Yes, but to be absolutely clear, you said that public health services are excluded. I would expect to see that point put clearly within the mandate; otherwise, what is the status of the mandate? Perhaps that explains why there is

confusion and concern across the United Kingdom and across Europe about the issue.

**Lord Livingston:** The mandate will build on GATS, and GATS has already excluded those services. If the mandate changed GATS, it would say so, but it builds on what is already in GATS.

I am sorry, but I do not accept that there is confusion because the point is not in the original mandate. The EU has repeatedly been really, really clear. The only reason why there is confusion is that people are creating confusion and choosing to disregard what the EU is saying. That is the situation.

As I said, there are only two explanations. Either you think that the EU is lying and that lots of different people in the EU are lying, including the Belgians and the Swedes—I accept that you will probably not believe the British Government on the issue—or you think that they are not lying and that they mean what they say about the exclusion but they are not competent enough to put the right wording in the agreement. I cannot see any other option.

Again, I refer you to the letter from Malmström—if you do not have a copy, I have one here—which was sent at the end of January, or I can give you a quotation from her speech on Monday night. It has been said time and time again.

I genuinely worry that people are using the NHS as some sort of political football here. Discussing this issue also means that we are missing out on having a proper discussion about what you want to include and what you do not want to include in the agreement, how to make sure that we tighten things up or what has happened in the world in the past 20 years that might cause different choices, because people are starting from the wrong position. That is quite dangerous, because it might mean that we miss things.

There are genuine issues within TTIP that have to be debated, such as the wording, the intent, the position and what is acceptable for Europe if there is to be a deal, and I am happy to talk about them later. Those issues need to be debated, but I ask you, please, to start from the position that the EU is not lying.

**Willie Coffey:** Well, I am certainly not going to get into that territory, but can I refer you—

**Lord Livingston:** I am sorry, but that is the only logical explanation. You either think that the EU is lying when they say that public health services are excluded or you think that it is not able to put that in.

**The Convener:** I do not believe that that is true. I think it is actually a diversion from the real argument. Yes, there is the reservation in CETA, which states the case quite clearly, from my point

of view, and commissioners in the EU have clearly stated their intention. However, what we need to know is what the UK Government is saying. Will it go to the negotiating table with CETA and say, “This is what we want and this is how we want to protect our public services”? That is the main question here, and not whether people are lying.

**Lord Livingston:** I can answer that very clearly. The UK is happy with CETA and we want to see it replicated.

**The Convener:** Will it be in your negotiating plan when you go to negotiate the UK’s position?

**Lord Livingston:** I do not go to negotiate the UK’s position; the EU negotiates the EU’s position. I sit in the Council meeting, and I have talked to Commissioner Malmström repeatedly about the NHS in order to ensure that she is entirely on side about it, and she is. There is no issue with that. That is why I asked for the letter that she wrote, which was in response to my request for her to be 100 per cent clear in her views.

The situation is clear. The UK Government is happy with the commissioner’s letter. It makes the position clear, and we are fully supportive of that.

**The Convener:** Will the UK Government now be in a position to answer the First Minister’s letter when she seeks those reassurances?

**Lord Livingston:** I got a letter from Alex Salmond and I responded to Nicola Sturgeon very clearly. I am happy to give you a copy of the letter if you do not have it. I made the position clear, as I have done repeatedly. The fact that the Scottish Government chooses not to accept it is a different matter.

**The Convener:** Willie, do you want to finish your line of questioning?

**Willie Coffey:** In September, one of your colleagues, a chap called Earl Howe, who was a UK health minister at the time—I do not know whether he still is—said quite clearly that trade talks must not exclude access to healthcare. He went on to say that exempting health would not be in the interests of British pharmaceutical firms. Who is right—you or him?

**Lord Livingston:** There is a difference between health and publicly funded health services. For instance, Scotland has a good and high-tech pharmaceutical and life sciences industry. Do you want it to have access to the US? That is the question. That is why health is different from publicly funded health services. We want to ensure that the pharmaceutical industry is included in those industries that have access to the US markets. We do not want British firms, including Scottish firms such as Touch Bionics—which I think might be an Edinburgh firm—or others that are doing work on revolutionary

treatment for hip joints to be locked out of the market.

The position is entirely consistent. Health as a whole should not be off limits. Publicly funded health services are reserved.

**Willie Coffey:** I appreciate what you are saying time and again, but where can we see that written down as a matter of UK Government policy?

**Lord Livingston:** As I said, CETA represents the state of the art in terms of Government policy. The CETA agreement is similar to where we would start with the US. You are welcome to see the CETA agreement, and that is what the policy represents. The UK has been active in the European Council—we must remember, of course, that the decision is a European one, which is something that we are very happy about.

I want to protect the health service as much as anyone. You mentioned Parkhead earlier, convener. There are two reasons why I chose Parkhead. One is, of course, because of the first British winners of the European cup. However, the other reason is that my dad was a general practitioner in the Parkhead and Dennistoun areas for 40 years. My sister is a psychiatrist, my wife does research on Alzheimer's and my four first cousins, including two who work in the Glasgow royal infirmary, are all doctors in the health service. The health service is part of me. It was a big disappointment to my father, to his dying days, that I was not a doctor.

We are protecting the health service. It is true that the UK Government may have a different view on how aspects of the health service are provided, but we do not want anything to be put into the agreement that would force us to do things. That should be a matter of Government policy. The Scottish Government may have different policies for its health service from the policies that are in place in the English and Welsh health services, and that should be fine.

**Willie Coffey:** Ultimately, it is for the United Kingdom Government to determine whether it goes along the lines that you are suggesting or whether it changes its view, which may happen after May, for example.

**Lord Livingston:** I cannot guarantee that it will not change its view after May. I cannot even guarantee that I will be around after May. I am not even allowed to vote.

**Willie Coffey:** That is where the power to decide the matter would rest.

**Lord Livingston:** It will rest with the British Government, if it is not happy with the reservations on health, to say that. However, the state of the art says X. Also, the EU Commission has been really clear about it. It is not even pushing at an open

door; there is complete agreement with the EU. No one is saying otherwise, including the US. It has said publicly that it is not seeking to have publicly funded services in the agreement. It does not want its police forces to be open to competition. TTIP does not force a change in how the health service operates.

We have had GATS for a very long time, which also has requirements. TTIP does not go beyond those. I can only keep on saying that. *[Interruption.]*

11:16

*Meeting suspended.*

11:17

*On resuming—*

**The Convener:** We will resume from the point at which we were interrupted.

**Willie Coffey:** I had finished, convener.

**The Convener:** I will pass over to Hanzala.

**Hanzala Malik (Glasgow) (Lab):** Good morning, Lord Livingston and Mr Barker. Welcome to the Parliament. I see that you are getting a bit of a hard time, which you might think is unjustified.

I will raise two points. First, I am a little concerned that not enough work is being done to determine how jobs will be affected in Scotland and whether we will be winners or losers or whether the status quo will remain. We have a high rate of unemployment, and we obviously want to protect our jobs and our industry. We want realistic figures on how TTIP will impact on our employment population.

Secondly, people are a little nervous because TTIP is perhaps not as clear in the mandate as it could be in saying that health services are excluded. Although you have gone to great lengths to reassure the committee that that is the case—indeed, you have repeated that several times—we must have a governmental commitment not just from the European Union but from the British Government to say that health services are not part of the plan, regardless of what happens after the election.

We must send out a clear signal to people who are very uncomfortable with the status quo because there seems to be—I am not suggesting that this is your or anyone else's fault—an apprehension in the community about that. The community needs to be shored up; it needs to be reassured. What steps can you take to do that? You have reassured us at committee level but, at

the end of the day, the population is genuinely worried and fearful.

**Lord Livingston:** I agree that some people are fearful, but that is largely because people are going around saying repeatedly that the Tories are going to sell off the health service to Americans. We are saying that that is not true.

Various Government ministers, including me and the Secretary of State for Health, have said that the operation of the health services will not be affected by TTIP. Decisions on how they are operated will continue to be for the democratically elected Government of the individual area. That is quite clear and straightforward. We will say that repeatedly. It is the British Government's policy.

On the point about that policy not being in the negotiating mandate, we could look back to 2013 and ask whether, if we had known that it was going to be such a big thing, we should have put it in. The reservation is already in the GATS so it is not a new issue. We need to bear in mind that we cannot put absolutely everything on the agenda, and there was no disagreement about that—there were some other areas of disagreement.

We need to park the mandate. It was what it was at the time, and it was built on existing agreements that were quite clear on the issue. The UK Government has been very clear in what it has said repeatedly and we are very supportive of the EU's position.

There is no argument with the EU and I cannot create an argument to oppose the EU. I know that people have tried to say that we are opposing the agreement. The EU has been clear, we are clear, and I can only keep on saying that, as the UK Government stands today, we will continue to say that what is in CETA seems to us to be good. We do not wish to see, seek or agree with changes in the operation of the health service as a result of TTIP.

I can tell the committee that another agreement on trade and services is being negotiated, and I understand that one country that is not in the EU or the US tried to put something in about health services. We and the European Commission pushed back extremely strongly and said that it was not even on the table. That will remain the Government's position. We do not want to see that in the agreement and, as I have said, the Americans do not want it either. I hope that I can keep on saying that.

The jobs issue is complex. One of the problems is that the best economic modelling has been done on a full employment model to see what the impacts would be on the economy. It assumed that the benefits would come through higher wages rather than through net changes in employment because that would be what happens

if there was full employment. As the agreement develops, we will have to do more work on the pluses and minuses.

We have done some work on some of the export industries, and Scottish exports would benefit pretty much in line with the rest of the UK. Within our export industries, we do whisky well and it would benefit from the agreement, as would some of our pharmaceutical industry.

The exact impact on jobs will depend on how companies react and go after exports, for example. If we just sit on our hands and do not do anything, it will not be as advantageous as it would be if we went after the marketplaces.

I speak to a lot of small companies about this and many of them say that they do not export to the US because it is just too difficult. One example is clothing manufacturers, and that is one area in which we will see benefits. Fire destruction testing has to be done in Europe and in the US. That does not really matter if someone is producing and exporting 1 million garments, but a lot of the Scottish knitwear industry might produce only a couple of hundred garments so it is rather expensive to do that kind of destructive testing. That is why, as I stressed earlier, UK Trade & Investment and Scottish Development International are really going to help companies to get after the opportunities and make sure that we get the best result.

The general question we have to ask ourselves is whether free trade is a good thing. Do we agree with the single market? Somebody said to me that free trade agreements are bad. If that is your belief set, I do not agree with it but it means that we should not be making any trade agreements and we should not be part of the European Union—although I know that that is not what Hanzala Malik was saying. We start from the position that free trade aids the wealth of the economy.

Partially it is up to us to ensure that companies around the UK, including those in Scotland, go after these opportunities. Given that we have quite an open economy in the UK, we have a really good opportunity to go after them. We must remember that the US is our biggest export market today.

**Hanzala Malik:** My question about job losses is important. As you will appreciate, we have limited opportunities for employment in Scotland as it is. I am asking about whether we will be winners or losers because, if we are going to be on the losing end, I want to know how we will support industry that will be losing. You made a throwaway comment that we will not be able to export haggis. I eat vegetarian haggis. I do not see what is wrong with vegetarian haggis; it is full of vegetables. That is just an example.

**Lord Livingston:** It is sheep's lungs that the US has a problem with, actually.

**Hanzala Malik:** What I am trying to get at is that I do not want to see any job losses in Scotland. What are you doing to protect jobs in Scotland and how will you support us to build on that? You say that people need to go out and find business, which is fine, but it is not fine if you are a small operator in a small part of the UK and you have to compete against the giants. You need support for that. Where will that support come from if it is required?

**Lord Livingston:** One thing to consider when you take on any agreement is the length of time that people need to adapt. That is not abnormal; a number of these things take a long time to do. A lot of the changes will be about reduced tariffs both ways, which will be good for prices.

At this point, we do not know which areas will be in or out, because there is some negotiation to do. We do not have an agreement on services tariffs, for instance, yet services represent the majority of the UK economy. There is a lot of work to be done on what is going to be in and out. As we develop what will be in and out and what will be regulated, we will make very strong efforts—like those that we made for the Korean arrangement—to help create the winners and help companies adjust.

The reason why we are doing this is to help the UK economy. There is no ulterior motive; we believe that free trade does help. We provide things such as export support and we will work with the SDI very closely—in fact, I will see the SDI later today. It will take a number of years before the agreement is implemented and as it develops we will see what can be done to help businesses export. We will also look at the implications for businesses that might be against more imports—the farming industry for instance, because American farmers are quite efficient—and at what can change and what specialisation might be needed.

It is too early to know that now. We are some distance off knowing, and the implementation will take many years. First things first: working on the Canadian agreement will probably be next.

**Roderick Campbell:** The investor-state dispute settlement is not part of the current negotiating process. After receiving 150,000 responses to its public consultation, the Commission is engaging with stakeholders. Will you outline the UK Government's current position on ISDS provision?

**Lord Livingston:** The current position is that we believe the right ISDS clause should be in the agreement—I stress the word "right".

ISDS is sometimes presented as being something new. The UK has 94 ISDS agreements,

as well as the energy charter treaty, which in effect has ISDS clauses in it. We have had ISDS for a long time: if you add it all up, our 94 agreements have been in existence for 2,000 years in aggregate. Do you know how many cases we have lost in that period? Sorry, that is a rhetorical question. The answer is none; we have never lost a case in the UK.

ISDS is not new, but we believe that it can be improved. There are some bad ISDS clauses around and we want to look at areas where ISDS is being abused and misused and to tighten up the provisions. Again, CETA went quite a long way towards doing that.

We are looking at the consultation responses to understand what people's concerns are and what needs to be reflected in the agreement. For instance, would it be good to have an appeals mechanism in it? People talk about secret courts. In the past, that was largely true with ISDS, but the Americans and Europe are both signed up for the process to be open, as it is in CETA, and NGOs will be able to submit cases, and things like that. There are quite a lot of changes.

Given that we are the biggest investor in the US and the US is a big investor in the UK, we believe that it is helpful to have the right clause. It should make it entirely clear that the Government's right to regulate is protected, but by the same token it should protect against discriminative action against our companies in the US. It should find that balance.

That is our position. We must bear in mind that 97-plus per cent or something of those 150,000 responses were standard letters. All of them will be reviewed, but if the same comment appears on 80,000 occasions it is difficult to separate them out. The discussion on ISDS has been suspended to take that on board. We are also looking at CETA, which moved a long way away from old ISDS clauses.

**The Convener:** We have to finish there, because we have another agenda item that we must deal with before we finish today. Committees are not allowed to continue when the chamber is sitting, and the Parliament will meet in nine minutes.

**Lord Livingston:** I will rush out.

**The Convener:** Thank you very much for coming to the committee. TTIP has been a matter of great consternation, not just in the committee but among the public, as you will have seen in the public gallery. There has been a lot of very keen interest in TTIP, a lot of fear and possibly a lot of misunderstanding, but maybe some very clear statements from the UK Government would address some of that and allay some of those fears. I hope that we have learned a lot from you

this morning and we hope that you have learned a lot from us.

**Lord Livingston:** I hope that you have heard some very clear statements. Thank you very much.

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

11:31

**The Convener:** Under our last agenda item, I seek the committee's agreement to take in private consideration of the committee's draft reports on TTIP and our EU engagement strategy.

**Members** *indicated agreement.*

**The Convener:** I thank members very much for their patience and participation this morning.

*Meeting closed at 11:32.*



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