

Scottish Affairs Committee

Oral evidence: [Scotland and Brexit: Trade and Foreign Investment](#), HC 925

Tuesday 3 July 2018

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Members present: Pete Wishart (Chair); Deidre Brock; David Duguid; Hugh Gaffney, Christine Jardine; Ged Killen; John Lamont; Paul Masterton; Tommy Sheppard; Ross Thomson.

Questions 64 - 147

Witnesses

[I](#): Ruth Watson, Keep Scotland the Brand; Dr Gail Evans, Queen Mary University of London; and Lindesay Low, Law Society of Scotland.

[II](#): Tim Allan, President, Scottish Chamber of Commerce; Matthew Lancashire, Director of Policy, Scottish Council for Development and Industry; and Allie Renison, Head of Europe and Trade Policy, Institute of Directors.

Written evidence from witnesses:

- [Keep Scotland the Brand](#)

Examination of witnesses

Witnesses: Ruth Watson, Dr Gail Evans and Lindesay Low.

Q64 **Chair:** We welcome you to the Scottish Affairs Committee to help us with trade and Brexit and its impact on Scotland. Thank you for attending this morning. Just for the record, please tell us who you are, who you represent and anything by way of a short introductory statement. Mr Low, we will start with you.

Lindesay Low: Good morning. My name is Lindesay Low and I sit on the Law Society of Scotland's Intellectual Property Sub-Committee. I am a Scottish solicitor practising in intellectual property law and I am the Deputy Director of Legal Affairs at the Scotch Whisky Association.

Ruth Watson: My name is Ruth Watson. I started the campaign Keep Scotland the Brand when I recognised that PGI could be under threat and the impact that might have on, for example, our Scotch Beef farmers, our Arbroath smokie smokers and the rural economy.

Chair: Thank you. Before we get to Dr Evans, can everybody hear all right? I know we have fans in the background and so on. Is everybody okay? Maybe you could help us by speaking up just a touch, because we do have sound here but it is not all that efficient sometimes.

Dr Evans: Thank you, Mr Wishart. It is a pleasure to be here. My name is Gail Evans. I teach the law of geographical indications at Queen Mary University of London's Postgraduate Law Centre, the Centre for Commercial Law Studies, Lincoln's Inn. I also do consultancy work for the World Intellectual Property Organization, going into transitional economies, advising and speaking about geographical indications and their advantages—and disadvantages, sometimes.

Q65 **Chair:** I am grateful. Those were very concise, short statements, which in this Committee we always like.

For the people who are watching here, could you perhaps talk us through exactly what geographical indications are and what are the main benefits for products that manage to secure GI status? We will start with you, Ms Watson.

Ruth Watson: PGI started for Scotch Beef in 1996. It came out of the crisis that was BSE, when it looked as though the beef market was going to collapse and put a lot of farmers and farming communities out of business. The Farm Assured scheme was devised by some of Scotland's farmers: 100% of the abattoirs deal with it and 75% of Scotland's farmers. What that means is that from farm to fork, from the moment a calf is born until it ends up on your plate, the provenance is there. I say often that local provenance is good for global sales. It is stringently checked, as opposed to the Red Tractor scheme, which is pretty meaningless; you fill out a form and send it off.



The farm assurance scheme means something to the point that the return for a farmer is 12% per head of cattle. That translates roughly, on average, to £146 per head of cattle over what a farmer in England and Wales would get, 50 pence per kilo on the carcass to a farmer. That is what PGI means in real terms. PGI protects the name. Nobody else can call beef Scotch Beef, for example, within Europe. What concerns me, and one of the reasons that I started this campaign, is the realisation that as part of trade deals, the Americans want the right to sell what they call Black Angus steak, they want to be able to sell that here; the Australians want to sell their Scotch fillets here. Those products are both products that have growth hormones in them and antibiotic use in them, which currently is not even legal within the European Union because it is thought that some of the growth hormones might be carcinogenic to people. PGI means protection.

Q66 Chair: Dr Evans, we understand that there are different types of GI. How do they differ from each other? Please feel free to pitch in on the original question too.

Dr Evans: Yes, certainly. I will deal with the two main types: the protected geographical indication and the protected designation of origin, which are present in European law. First, the protected designation of origin, which is the most absolute in the sense that all the steps, the production and processing, must take place in a defined geographical area. Of course in some parts of Scotland that is self-defining, where you have an island or a group of islands, but in other parts of Europe and certainly in the UK the area may be—but will not necessarily be—defined by administrative district. That is the protected designation of origin, which derives from the wine appellation of origin.

Then there is the protected geographical indication. Most products can come within the legal definition of the PGI and that is because as long as one step in production or processing takes place within the defined geographical area, PGI protection is certainly a possibility.

Before I conclude, the other main point to grasp, which encapsulates the difference between the trademark and the GI, following what you were saying, Ruth, because the difference is not well understood—so much political rhetoric, you understand; transatlantic, new world/old world rhetoric—is that the European GI is based on what I call the terroir factor.

Chair: The what factor?

Dr Evans: Terroir. Everyone understands wine and terroir; it is this rather mysterious connection between the climactic and the human skills that go into making a particular wine. Transpose that to not only wine and spirits, but also food. The idea with Scottish lamb or Scottish beef is that there are environmental factors and/or there may be human skills and factors that go into making up what I, in shorthand, call the terroir factor.



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Chair: Thank you for that.

Dr Evans: The trademark is quite different in its base or foundation, because whereas the European GI is based on the terroir factor, the trademark simply identifies a business—it distinguishes an Apple computer from a Dell computer. The trademark identifies for the consumer one enterprise from another. The GI is so much more.

Q67 **Chair:** Mr Low, we have 15 GIs in Scotland on the EU register; that is right, is it not?

Lindesay Low: That is probably correct. I do not have the exact figure at my fingertips, but that sounds about right.

Q68 **Chair:** I am hoping it is, because it is in my brief and they are usually quite accurate. Maybe you could help us. How effective has GI status been in promoting Scottish products?

Lindesay Low: I believe GI status is extremely important. Looking to my day job, of course Scotch whisky is probably Scotland's—if not the UK's—biggest GI. That has enabled us to launch a product in over 180 markets around the world—a product that has to be made in Scotland.

There are probably three main benefits bestowed by GIs. The first of these benefits is to the producers, because of course they are able to protect their reputation and their quality, and they are not going to be undercut by foreign competitors cutting corners. The second one, which is perhaps sometimes overlooked, is that it protects consumers. A consumer buying Stornaway black pudding or an Arbroath smokie will know that it is that particular type of sausage or fish made in a traditional way in a traditional place. That is extremely important.

The last thing is that it is good for the Administration of the country because geographical indications are products that are sold at a premium and typically they are made in rural areas, which means that people can invest, get jobs and promote tourism in particular parts of the country. Geographical indications have a broader national importance beyond the individual traders' benefits.

Q69 **Chair:** Could you describe to the Committee how the current GI registration process works? What do you have to do to get on the register? Who do you have to satisfy that you meet criteria? What are the criteria for securing registration?

Lindesay Low: This is for geographical indications in the UK. For different types of products, there are slightly different procedures, but broadly speaking, typically a producers' association will come up with a technical file and that technical file will set out what the GI is called, what its particular characteristics are and what its connections are to the place where it is made. It may also cover rules regarding labelling, production and so on. That document is produced, usually with a lot of input from DEFRA, which will help steer the process. DEFRA, once it is satisfied that



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it meets the necessary requirements set out under EU law and the particular regulation, will submit that dossier to the EU Commission. The EU Commission will then consult and review it, and if it is satisfied that it meets the criteria, it will be granted.

Q70 Chair: It is through the Commission then. The Commission is the ultimate arbiter and authority for granting the GI status?

Lindesay Low: That is correct.

Q71 Chair: It presented by national Governments, so then it goes through. That is very clear. Thank you for that.

Once a GI has been granted, how is it enforced and what are the penalties if it is breached?

Lindesay Low: Typically it is up to the GI producers to enforce their own intellectual property rights. In my experience, it will normally be done through action in the civil courts. It is sometimes quite challenging to get trading standards or authorities excited about infringement of a GI, unfortunately—it comes down to scarce resources—so it is, to a large degree, self-help.

Q72 Chair: Could you help us with this, Dr Evans? How would these penalties be enforced if, for example, there is a sense that somebody has broken the GI status? The way that these things are registered, does that satisfy you that this is being done properly?

Dr Evans: Yes, up to a point. Of course there is room for improvement. With the concept of Brexit, however, most of the examination of the GI is done at the national level and that has been a point of criticism. They do have a GI scrutiny committee at the Commission—that is where the applications are forwarded to—but there is a criticism that there is almost rubberstamping. If we were considering domesticating the GIs—I think that is the proposal on the table: to domesticate the GIs so we would have a UK GI system—most of the examination is done here anyway, but of course that is not to say that there is not room for improvement with the examination.

You mentioned penalties. The GI is enforced at two levels, unlike the trademark. There is the level of the specification—that is the control system—and the production step. You will be familiar with the fact that there are regular inspections by the control body. Yes, it is resource intensive.

Then in the civil courts—I am thinking of a case when Parma ham sued Asda supermarkets, because Parma ham wanted to maintain the premium pricing. The case went on appeal to the House of Lords, at that time. Certainly it is possible to enforce the GI. Its strength, as Ruth pointed out and unlike the trademark, lies in the absolute reservation of the name for the producers of that area.



I did want to go back to the advantages. One chief advantage of the GI has not been raised, and that is over land ownership. The GI, unlike the trademark, is not alienable. That is lawyer talk for transferable. The GI operates on the land. It is a collective form of intellectual property belonging to the producers in that area and if I, as a farmer, move out of the area, I have no right to use that protection. It gives the local community security over land and agricultural industrialisation—global conglomerates moving in and buying up land. It is one of the strengths of the GI. Admittedly, you might say that it is proportionately a small strength, but it is highly valued by rural communities.

I have been to the Shetlands and spoken to people there, and they do value the GIs they have. They would like geographical indications to be extended to non-agricultural products such as Shetland woollens and knitted clothing. There is an EU proposal to do that, but of course post-Brexit, the UK could show the way on that.

Q73 Chair: Lastly from me to Ms Watson, you mentioned Scottish beef. I do not know if you have been involved in any of the processes around registration of GIs and how valuable you have found that. Is there any difficulty, in your view, in securing this status? What are the particular hoops that groups of producers have to go through in order to ensure that they do get this protection?

Ruth Watson: My knowledge is limited; it is only as a spectator, having spoken to people. I did have an extremely informative breakfast one time—he came to visit, I hasten to add—with a farmer who came down from Shetland to explain to me the process he went through to put Shetland lamb and Shetland wool into the GI status. That is rigorous, with the various hoops and proofs that you have to go through. I cannot talk about that in detail, but what I can tell you is that, for example, in Orkney North Ronaldsay mutton, which is a GI for Orkney, is threatened because the Orkney abattoir has closed and this guy, a Mr Briggs from Shetland who helped bring Shetland lamb into being, quite frankly is currently saving Orkney's GI by enabling the North Ronaldsay lamb to go up to Shetland to be slaughtered so it maintains its terroir—its locus—within the Northern Isles.

When I lived up in Shetland, for a Shetland lamb going to mart, you would be lucky if you got £20, but he says that with the GI, because it is such a premium product that primarily sells across Europe, if we lose the European market there is going to be a lot of trouble. He said that if he, as a sheep farmer, goes to mart with sheep, he will watch the sheep that have the GI going for a much higher price. He said that for the sheep that are not GI, for whatever reason, the price the farmer sees for those will end at the point that the bidding starts for the GI mutton. When you have a specialist mutton, like North Ronaldsay lamb—North Ronaldsay is a tiny wee island, they do not produce a lot—it is a highly-exclusive meat with a particular flavour, and the value to the islanders is significant. Losing that, whether through loss of GI or through loss of resources and



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infrastructure, would be catastrophic. Extending GI—Shetland wool counts for the GI because it comes off the sheep—to the developed product would be significant.

Chair: I know Mr Duguid has a supplementary before we move on.

Q74 **David Duguid:** Ms Watson, I want to clarify: North Ronaldsay lamb at the moment can be exported to Shetland and be slaughtered there and retains its GI, but if it were to go to—

Ruth Watson: Because it is part of the Northern Isles.

David Duguid: But if it were to go to the mainland it would lose that?

Ruth Watson: It would lose its GI, yes, because of terroir.

Q75 **David Duguid:** Would it really be that different, if there was an abattoir in the north of Scotland somewhere?

Ruth Watson: Yes, it would be different. I do not think there are any abattoirs in the north of Scotland. The nearest abattoir—is it Aberdeen or Edinburgh? The point is that it loses its terroir; it has to be processed within the area. Part of the reason, I believe, for that is to ensure that those in the community benefit from the GI; you are not exporting a product. If you have a product that is raised locally and slaughtered locally, apart from the fact that it is more humanitarian because the animal has not been transported so far—

Q76 **David Duguid:** It has been transported not overseas, but over the sea to Shetland.

Ruth Watson: Yes, it is not ideal.

David Duguid: It is not as far.

Ruth Watson: Yes. Also you are keeping the jobs in the local community. That is the point.

David Duguid: I just wanted some clarification. Thank you.

Dr Evans: Two points—

Chair: I know you want to come in, Dr Evans, but we will need to move on. There will be opportunities later on for your further points.

Q77 **John Lamont:** My question has been partially answered by Dr Evans, but how do GIs differ from other forms of IP protection, such as trademarks? You have touched already on some of the differences between trademark protection and GIs, but could you expand on that, if indeed there is anything further to say?

Dr Evans: Yes, you can see that the basis of the GI, insofar as it relates to the land, is a means of maintaining consumer confidence. That is what I wanted to say about taking the slaughterhouse outside the defined geographic area—that it would undermine consumer confidence. Case law shows that it would also undermine the premium pricing, because



consumer confidence in these products resides in the fact that they trust the area where the food is produced.

The trademark is different in that, to sum up, it identifies one commercial enterprise from another, whereas the geographical indication goes with the land. As they say with Harris Tweed, "From the land comes the cloth". That is their slogan, which really encapsulates the power of the geographical indication for premium pricing and to give local communities a fair return. The price premium would be two to three. As Ruth was pointing out, statistics show the price premium is two to three times as much as the average commodity price at the time.

Q78 John Lamont: So it is very distinct, the protection you get with GIs, compared with the other protection you might get with trademarks or other IP protection.

Dr Evans: Yes, indeed. I appreciate the opportunity to say this, because there is a lot of misleading information. The trademark is the same, and it is not. It does not give the absolute protection; it does not reserve the name. When I was visiting the Shetlands, they said, "Oh, the Chinese are using 'Shetland.'" I thought that, given the relative lack of natural resources they have there, that was not fair. When you look at it proportionately in world trade, I am all for Shetland with regard to lamb or wool being reserved for the producers of the Shetland Islands. That is the strength of the GI in premium pricing and a return to the local community and land conservation.

Lindesay Low: Could I add something to that? Another advantage we have under the current system of protecting geographical indications is that it extends beyond the actual name itself. A very important part of that is that under current EU law, evocation is illegal. That covers indirect indications: looking at my own industry, putting a bagpipe on a bottle. We had a recent case in the Court of Justice, in which the Scotch Whisky Association said that that was potentially misleading, even if you state the true origin. I do think that goes beyond what you would get if you had to fall back on a trademark. That is a benefit we are very keen to preserve. It would be a loss to lose it.

Dr Evans: And the latest case, the word "glen".

Ruth Watson: In Germany.

Dr Evans: Yes, a German whisky producer was forbidden by the Court to continue using "glen" because it evokes Scotland.

Q79 John Lamont: My next question is to Ruth Watson. In your written evidence, you said GIs have been crucial in promoting the Scottish brand. Could you expand on that?

Ruth Watson: Keep Scotland the Brand: Scotland is the brand. You talk about evocation. For many years I lived in Asia. You go to the exclusive supermarket and it sells "Scottish" water. The Scottish water has a zero



on top of what I would normally pay for water, and beside it they have the sign, "Filtered for 10,000 years by Scots granite." People would buy that because Scotland's brand evokes cleanliness and mountains. If you buy a Scottish potato in Asia, it costs a ludicrous amount of money, but people are buying it. At Burns Night, in some of the exclusive supermarkets, you cannot set a foot out of place for stepping over tartan and GI produce, and people will spend that premium because they like the idea of Jamie from "Outlander" skipping over their table. Then they might think, "Maybe we will go to Scotland," and that brings in the tourist dollar.

I was explaining to Lindesay earlier that I have been lucky enough to go to Chinese weddings and for Chinese toasts, they have a fabulous tradition called the Yum Seng, which you enter with a strong stomach. If they are given as a gift a bottle of Scotch, if it is a gift on its own, it would be—depending on the economy of the family—at the head table as a sign of status. If you are going to a state governor's event and there is a bottle of Scotch on each table, that is an indication for them that they have arrived.

Q80 John Lamont: I want to delve a bit further into your organisation, Keep Scotland the Brand. It says on your website that you are non-political and it is not about Scottish nationalism, but your Facebook and website admit that Keep Scotland the Brand grew out of Yes Kirriemuir and Yes Forfar, so is Keep Scotland the Brand just a political movement dressed up as something else?

Ruth Watson: No, absolutely not. The reason that I put on the website that it grew out of Yes Kirriemuir and Yes Forfar is because I believe in transparency. If I were to try to hide that, people would say, "Well, it is just a front." What is not a front is the fact that whatever you do, whenever you sit down to eat, that is the one thing that unites us all; we all need to eat. I have made a point, because I am an ethical person, of engaging with as many people within my community and without as I can. One of the examples that I put in the evidence I submitted was a farmer who told me that he is concerned when he hears that Whitehall is prepared to let sectors of farming fail because it is cheaper to import than to support. This gentleman came to me and said, "There have been people farming on my land for 4,500 years. I have archaeological evidence in my back garden, and I do not want to be the last." That gentleman has been a lifelong supporter of your party.

When I speak to the guys from the Arbroath smokies, who quite happily tell me that they voted for Brexit and are your supporters, I go to them and involve them in the campaign because that is what is ethical. I am firmly of the belief that when my children go to a party or when they have friends at school who I know might end up leaving the community if farming fails, they are not looking at the party politics of the people they are hanging out with. If I go to the dancing—which I do, because I like Scottish country dancing—and if I am doing a Highland Schottische, I am



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not looking at the politics of the people; I am looking at my whole community. If farming fails in my community, everyone is going to go. Keep Scotland the Brand is absolutely strictly cross-party, no-party, all-party—

John Lamont: I think we get that.

Ruth Watson: —because we all have to eat.

Q81 **John Lamont:** Indeed. You claim not to be a boycott movement, but your Twitter feed, frankly—

Ruth Watson: My Twitter feed, sorry to interrupt you—

John Lamont: —is full of people with comments like, for example, “It’s got a Jack, put it back.” I will read you some more: “Out getting veg in Aldi today, nearly picked up some spring onions, hubby says “they’re jacked”. Right enough, it was on the wee tag. So we did the right thing and put them back.” You have retweeted that, and there are similar comments on your Twitter feed, so is this really about anti-British or is it about promoting Scotland?

Ruth Watson: If you look at every tweet that I put out—and I was putting out several again yesterday in response to those—I have even had a video made that explains that this is not a boycott campaign. If you go to the Facebook page, if you go to my website and if you go to the Twitter page, at the top of my Twitter page for Keep Scotland the Brand, it says that this is a “positive campaign for clear provenance.” I go through frequently, as you would see if you were to scroll down a little bit. Probably the bit that you are saying I retweeted was not that directly—it would be other things within that thread, but I have not seen that—because I make a point, diligently, of saying, “This is not a boycott campaign.”

When the furore threw up over people talking about Walkers Shortbread, as soon as I heard about that, I contacted Walkers directly and offered to help. I went to their Facebook page and their Twitter page and I posted clear statements from Keep Scotland the Brand, saying, “This is not a party political campaign and it is not about boycotts,” because boycotts do not help the local economy. Rural communities need rural jobs.

Q82 **John Lamont:** I am afraid that from my perspective, the credibility of your evidence is significantly diminished because of the particular comments that you have allowed to be on your Facebook page and your Twitter.

Ruth Watson: I cannot control—

John Lamont: I get the impression that it is more about stopping the British brands, which also add value to our products. As a farmer’s son, I understand very clearly the benefit that can also contribute, as well as promoting the Scottish brand. I do not think you are making that distinction clearly enough.



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Ruth Watson: I am afraid to say that I suspect that you have an agenda in putting that point—

Chair: I am going to draw the line at this kind of thing.

Ruth Watson: You are being disingenuous, I am afraid, Mr Lamont.

Q83 **Tommy Sheppard:** In response to that, can I thank you for the efforts you have made in trying to promote Scotland, the brand? I regret that colleagues are trying to undermine your position by alluding to your political sympathies in a completely different dimension. I think the work your campaign has been doing has been excellent and I commend you for it.

I want to ask about a statement you made. You said that Scotland the brand was in danger of being subsumed by the GREAT campaign—the UK-wide promotion campaign. Could you say a little more about how you see the interrelationship between Keep Scotland the Brand and the GREAT campaign, and whether it is a help or a hindrance to the objective you are trying to achieve?

Ruth Watson: In preparation for coming down, I spoke to the people at Quality Meat Scotland and had a statement from them. They say about Scotch PGI that DEFRA claims to have an alternative scheme, but has shared no details going forward and they are concerned. Their fear is that future GI and GREAT campaigns will be imposed upon them without consultation. That is Quality Meat Scotland.

James Withers, the chief executive of Scotland Food and Drink, says, “Scotland’s brand has been successfully developed by the industry”—that is Scotland’s food and drink and farmers—“and that is what the market wants. The market, globally and domestically, wants that”. I have had communications from farmers in Somerset, Dorset and Devon. I have had communications with farmers from across the UK. Being an avid follower of my Twitter account, for which I thank him, Mr Lamont will know that I quite often tweet, “We should be keeping England, the brand, keeping Wales, the brand, and keeping Ireland, the brand, because local provenance is good for global sales and DEFRA’s GREAT campaign puts a broad stroke across that.”

If you are looking, for example, as a Shetland mutton exporter to Europe, it has to be said that given the way the trade negotiations are going, having a Great British stamp on Shetland lamb will not help it sell in Italy. Quite frankly, that has to be the case. We are talking about business and economics. There may well be countries where Scotland is not a particularly well-known brand, and James Withers says that there may be countries where using DEFRA’s GREAT campaign could be a way of piggybacking into that market, but Scotland Food and Drink is of the view that Scotland is the brand that does continue to make advances because it is such a well-known brand.



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I have an Orkney fisherman friend. The velvet crabs that he dives into the water to pick by hand are not eaten in this country; they are eaten in Spain. For him the Scottish brand is important because the Spaniards look for that and they will recognise that that is a mark of quality. I think it is crucial.

Q84 Tommy Sheppard: Are you saying that you would like to see GREAT promote a basket of brands within it, one of which would be Scottish produce?

Ruth Watson: I think that the GREAT campaign damages Scotland's brand. The GREAT campaign does have potential, but that potential was not explored with Scottish producers. I have heard Tory farmers from Angus telling me they have walked out of supermarkets in disgust when they have seen the way that their produce is being branded because they know that that damages their returns. That is strong. Those are not my words. However, DEFRA's campaign, were DEFRA to work with Scotland's producers, could be of value if it was working with rather than imposing upon.

Q85 Christine Jardine: Do you think it is important that we keep the discussion of GI protection, Scottish brands, Scottish produce and what is best for them completely apolitical and avoid judging it on whether it suits our own political agendas?

Ruth Watson: That is what the campaign strives to do. I make a point, absolutely scrupulously, of being cross-party and speaking to everybody about this and trying my best to represent everybody's views. That is why I speak to the guys who sell the Arbroath smokies and I go around various farming communities, trying to hear what they have to say.

Q86 Christine Jardine: Would you agree it is important that we listen to what you have to say today, rather than getting involved in any party-political bickering about which side you might be on?

Ruth Watson: My personal political views are there for anyone to see if they choose to look for them. This campaign is scrupulously impartial because I am scrupulously impartial when it comes to this. Thank you.

Q87 Ged Killen: I think a lot of the work you are doing is good, in particular when it comes to exports. I do think there is a need to make sure we are protecting local provenance. However, when you get into flags on milk cartons, you have lost me, I am afraid, and I think that sort of thing is something that I have seen quite a lot of on Twitter. Do you accept that there may be producers out there who do not agree that their product has to contain a Scotland flag? They might want it to have a British flag, or they might want it to have a Glaswegian crest on it because they are a Glasgow-based company. Do you accept that you cannot necessarily assume that you speak for every producer in Scotland? Is there not a danger that you are damaging producers who do not agree with your campaign—that whether your campaign is a boycott or not, that is what we are seeing? Do you not accept that there may be other producers out



there who want to speak up for the fact that they have a British product and are quite happy for it to be characterised in that way?

Ruth Watson: For private companies, of course it is within their right to market how they see fit. This campaign does not do that. What we seek to do is to have the conversation. The very fact that I am sitting here with the opportunity to speak to a cross-party body of people representing Scotland's farmers, our rural communities and our fishing communities shows that the campaign has had some success in awakening people's understanding of what is happening.

To take it back to potatoes, why does it matter if a bag of potatoes has a Scottish flag or a Union Jack? To be honest, I remember those heady days not that long ago when there were no flags on food, and we just had the name of where it came from. I would love to get back to that, because quite frankly I think it is a bit nonsensical, to be honest. What I do think is important is what people understand and recognise. If you are busy and you are diving through the shops and you want to pick something up off the shelf—I make a point of buying Scottish milk, which has a better flavour because most of Scotland's milk is raised on grass and there is a significant difference. If you bake, you will understand about Scottish unsalted butter. That is one of the reasons why Scots bakers are so good, because our butter is good. Clear provenance is good for local producers. I do not think it is nonsensical.

Chair: I am very conscious, with respect, that we have spent a great deal of time discussing this.

Q88 **David Duguid:** I do want to make one point. First of all, I am the son of a Scottish beef farmer—we are Scottish Farm Assured, by the way—so I totally appreciate the value of the Scottish brand, as do my father and my whole family. However, would you agree that in light of your response to Mr Lamont, it is wrong for Keep Scotland the Brand to be used for political purposes, particularly for the purpose of promoting nationalism or independence?

Ruth Watson: When I see a campaign of flags, it makes me raise my eyebrows. I think you could have the same argument with DEFRA. I think that what is important is making sure we are doing the best for our rural economy and for Scotland's communities. I do not want to see my Angus community, regardless of people's personal politics, being compromised. If there is a campaign of flags, which does not help that, that should be looked at.

David Duguid: Sorry; I will come back to it.

Chair: Yes, please, because we only have eight minutes left of the formal session. Deidre Brock.

Q89 **Deidre Brock:** Further on this issue, would you agree that at a time when the British reputation has been considerably damaged as a result of Brexit, it is more important than ever to make some of these distinctions on behalf of our food and general produce?



Ruth Watson: To try to take some of the heat out of the obsession with flags, let me say that I have an acquaintance, a colleague—I called him a fishmonger and he blanched, the poor man—who is an exclusive fish merchant. When I said that I thought there should not be flags on any food because it is nonsense, he said that actually, the Saltire helps. When he is going international—he was in Boston recently selling his produce—he says that having the Scottish flag helps because people recognise that Scotland is the brand. He sells a particular kind of salmon, which has been caught in the same way since the days of Robert the Bruce, using a haaf net. You stand in the water, you feel a thump, you howk up the net and, if you are lucky, there is a wild-caught salmon.

He then smokes that with woodchips from the forest several miles from where the salmon is caught. That is local provenance and a local story. From his perspective, a clear Scottish brand on that salmon adds money value to it. That is not about flags or nationalism; that is about the economy. He lives in the area. He used to work at Pinneys. When we are looking at communities that are losing jobs, we have to do everything we can to get an edge. Brands matter. If you tried putting Nike's slash on something, or you tried taking away McDonalds' golden arches, there would be a response to that. That is not being jingoistic, that is being economically prudent.

Q90 **Deidre Brock:** I want to ask about the suggestion that some sort of UK GI framework outside the EU might create more opportunities for Scottish products to get GI status. What are your thoughts on that? I am shifting along to Dr Evans.

Dr Evans: From the lawyer's point of view, it is a matter of looking at the legal options. To answer your question first, I cannot say, "Yes, there will be more opportunities," because there are several applications going forward. It is all a matter of encouraging; this is about the local communities and encouraging them to apply. That is one issue. The other issue is how, post-Brexit, the UK is going to relate to the European system, and there are various legal options there. The one that I would favour—by the sound of it, most here would—is incorporation, to incorporate the EU GI system. That is called the Montenegro option. Montenegro has an agreement with the EU and it simply swallows or incorporates the EU GI regulation. I support the idea that GI is something for the local community and it has to be differentiated from the idea of the flag and the trademark. The flag has a trademark, not a GI, so the two are legally different.

To answer your question, yes, I would support a strong GI system. That is not to say that the UK could not be flexible, because Brussels and the Commission are flexible, with free trade agreements with our Commonwealth partners. We could also flex the law to suit countries like Australia, but I do not think we should do that at a cost to small rural communities in Scotland and elsewhere in the UK.

Q91 **Deidre Brock:** Professor Drew Scott talked about this when he appeared



in front of us. He said that as a member of the EU, the UK has much higher levels of protection against aggressive trade policies. As we know, some of the countries that I know the UK is keen to do trade with after Brexit do not support the concept of GIs—particularly, America, for example, and I think Australia and perhaps New Zealand as well. What are your thoughts on that? Drew Scott contends that with the EU's backing behind the UK's protection of those GIs—

Dr Evans: Yes, I know what you are saying. I had a look at chapter 18 of the Trans-Pacific Partnership because I know—I have been there—that a lot of the Asian countries who are members of the current Trans-Pacific Partnership support GIs, the system that is similar to the EU model. It is possible to embrace both the GI and the trademark. There is some realpolitik trade-off, but personally I think that is worth it. They have not been publicising it, but Brussels has been doing that in their free trade agreements with the Pacific region. As long as we can maintain the strength of our European model GI protection within the United Kingdom and Scotland, yes.

Ruth Watson: Last week, Quality Meat Scotland sent me a press release. Well, they wrote to me. I have given a couple of excerpts from that, not being an expert; these esteemed people are. QMS says the Scotch PGI could be protected within the EU, but not in the UK after Brexit, and that is a concern for them. They also say that DEFRA claims to have an alternative scheme but has shared no details, and the fear is that a scheme will be imposed without consultation with Scotland, which is what happened with the GREAT campaign. DEFRA is of value if it liaises and deals with the Scottish market, industry leaders and industry players. That, I think, is the issue. We have to do what the industry, the farmers and the community—

Q92 **Deidre Brock:** In any alternative framework, there needs to be a very clear commitment from the UK Government to the protection of those GIs and potentially the creation—

Ruth Watson: Yes, they have to listen to Scotland's food and drink producers.

Dr Evans: May I say that here in the draft agreement of March—that is the draft agreement UK-EU—it is still in white; it is to be negotiated. However, here there would be the incorporation that was the Montenegro model where we would simply incorporate, so there should not be any blips in the current system as we know it if this model is adopted.

Q93 **Paul Masterton:** I think that this has largely been covered in terms of the general question I had about various options for continuing to protect products post-Brexit. I wondered if, Mr Low, I could bring you in at this point, perhaps talking specifically about Scotch whisky and your concerns. Certainly, my understanding is that leaving the EU will not change the fact that Scotch whisky is a GI. It may just change the protection afforded to it or how we protect it. From your industry, what



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are you—you being third parties—looking for from the UK Government through rolling over existing trade deals to keep those GIs to ensure that Scotch whisky is protected?

Lindesay Low: Sure, I am happy to answer. I probably should just preface this by saying that of course I am here on behalf of the Law Society today, but I think that in this area the Law Society and the Scotch Whisky Association are largely aligned.

We certainly distinguish between a geographical indication and the way that you protect a geographical indication. Looking at Scotch whisky, it is a GI in the EU. In China, it is a collective trademark. In other countries it is a certification trademark; it has to meet certain rules. We are pragmatic about that.

I would make two points, the first being that I agree with the other panellists. I think that the EU system currently is the best. It serves our needs well and it would be a shame to lose that. Another important thing to remember is that in most overseas jurisdictions it is a condition of protection that you are protected in your home country. At the Scotch Whisky Association we are already being asked by countries, "What is happening in the UK after you leave the EU?" because if Scotch whisky is not protected in the EU, then other protections overseas could become vulnerable. It is very important that we get something in place, and I think that the current system seems to work well.

Q94 **Paul Masterton:** My colleague Douglas Ross, who is the MP for Moray, had some correspondence with DExEU on this issue. The response from Robin Walker, the Minister, was, "Through the EU (Withdrawal) Bill, the relevant EU legislation will be incorporated into domestic law. This will make sure that all UK GIs are fully protected in the UK after exit. In terms of future protection of all UK GIs in third country agreements, we are aiming to adopt EU agreements that protect UK GIs in third countries into UK law. This would provide continued protection for UK GIs listed in these agreements". Does that match with your understanding? Is what DExEU is saying there correct, in your view?

Lindesay Low: I certainly think if that happened as outlined, that would be good for Scottish geographical indications. I think that there is still a degree of uncertainty. I am not in a position to comment on detailed negotiations or what is happening, but certainly that is an aspiration. I think that it would be a good situation to be in.

Q95 **Paul Masterton:** If the UK Government are able to follow through on its aims and ambitions in terms of the GIs, that would, in your view, carry across sufficient levels of protection?

Lindesay Low: I think that it would, yes.

Dr Evans: Assuming we withdraw from the EU, we will need a Canadian-type agreement to protect the geographical indications because we will be outside CETA—the EU agreement. Lots of countries have this



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agreement. That would be one of the advantages of joining a plurilateral agreement in the Pacific region, hence all this talk about the UK making its own trade agreements. That groundwork needs to start so that there is no space for Scotch whisky to fall; hence the transition period is very important too.

Deidre Brock: Can I ask a question?

Chair: No, you can't. We are going to move on.

- Q96 **Christine Jardine:** Under the World Trade Organization rules, the minimum standards on intellectual property protection are provided by the TRIPS agreement. How well does that system work? How does the protection it offers compare to GIs?

Lindesay Low: The TRIPS agreement is the basis of the GI system and it is good. The important thing to remember is that it just requires countries to provide the means of legal protection. It leaves open to national countries how they go about it. On its own, it does not take us far enough and that would not avoid the need for national—

Dr Evans: But it is good for Scotch whisky.

Lindesay Low: It is good for Scotch whisky.

Dr Evans: In the United States, the spirits and the wines have EU-style GI protection, but it is not good for the meat, the cheese and the food.

- Q97 **Christine Jardine:** How does that work, Mr Low? Why is it good for Scotch whisky, but not for—

Lindesay Low: Wines and spirits get better protection under TRIPS. I think that wines and spirits are perhaps less controversial as geographical indications than some foodstuffs. When we hear about wars between the new world and the old world, quite often it relates to dairy products, where there are cheeses that mean a particular geographical indication in Europe, but not so in other countries. I think there is an aspiration that all GIs one day will have protection of a higher level. At the moment we have a list of wines and spirits that are generally recognised as being GIs. Foodstuffs are a work in progress simply because in a number of territories they are already made without any reference to origin.

Dr Evans: The deal breaker is the common names like Parmesan. With the wine, you have the bilaterals coming in to phase out Chablis in the United States, because there is an exception in international law/WTO. It is the food that is so controversial. The consortium of grocery producers in the US are dead against the GI-style cheese protection because of the losses in rebranding.

- Q98 **Chair:** Just on that, this is quite important. There seem to be two categories now. One is drinks, where you have Scotch whisky. Because of bilateral arrangements—because you have American bourbon et cetera—everybody is keen to ensure that their product is protected through all



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this, but we are suggesting that agricultural products, cheeses, foods and perishable goods are more of an issue.

Dr Evans: Yes, because as a matter of international law they could not get the agreement for the reasons stated—the economic and financial detriment to new world countries. They could not get the agreement, so they went for two tiers. No one was bothered about the wines and spirits, so it has EU-style protection. That is Article 23 of TRIPS, but 22 is: you just have whatever you find—when in Rome. The minimum level is unfair competition, which is not bad, but it is not what we want, which is the reservation of the name for the local community.

Q99 **Christine Jardine:** I am struggling to get over the shock of the idea that Chablis might be phased out. What would be the impact, do you think, of reverting to the TRIPS agreement on Scottish products, taking all that into account? Does it make it important to secure a GI protection, particularly on agricultural products and whisky?

Lindesay Low: I think that what would happen is that if nothing was done, we would have to fall back on what is called the law of passing off. That is a case you have to take in court. It is a one-off, so you would have to take individual cases against particular traders. You would have to produce evidence that your product has a reputation. It is uncertain, it is time-consuming, it is expensive and I think that would be an unsatisfactory situation. The trend around the world, as we see it, is for more and more countries to move to protect geographical indications, and I think that we should follow with that trend.

Ruth Watson: When I spoke to the people in Arbroath, I went and I spoke to the fishing processors that do the Arbroath smokies. They said it would be catastrophic to their business if they lost PGI. Last week I spoke to Catherine Stihler, the Labour MEP. She is the vice-chair of the EU's Internal Market Committee. I asked her specifically about whether our PGI protection would continue through the transition period, because my understanding is that as of 30 March next year we fall off that PGI protection cliff edge.

Dr Evans: It is going through the transition.

Ruth Watson: Is it? I asked her specifically. She said the fact that she herself does not know what is happening should concern all of us, because if we do not know what is happening with our deal, how can we protect our businesses?

Q100 **Christine Jardine:** This is a point that has come up several times with several different industries. Dr Evans also just referred to the transitional period. Presumably, if we end up without a deal and with a hard Brexit, all bets are off.

Dr Evans: Nobody knows.

Q101 **Chair:** Dr Evans, could you clarify this for us once and for all? During the



transition period, if there is an arrangement and an agreement with the EU, are PGIs still going to be protected at that point?

Dr Evans: The understanding at the moment is that during the transition period, if you look at the draft agreements and the EU (Withdrawal) Act now, the protection would be maintained. That is a transition until 2020. It is after 2020 that we need to start preparing.

Chair: During the transition period it would still—

Dr Evans: During the transition period, status quo.

Q102 **Ross Thomson:** Non-EU countries such as the US and Australia have been reluctant to accept GIs in previous trade deals. What priority should the UK be giving to securing GIs in trade deals with non-EU countries? I am pretty sure I can predict the answers, but where do you think in the pecking order those should come? That is open to all.

Lindesay Low: I think that they should be a priority. As was said at the beginning, the UK has relatively few geographical indications. I think that they are well protected and they have real connection with the country, and I would hope that they would be less controversial than some other geographical indications about which perhaps in countries like Australia they say, "It has lost its geographical significance." Of course, yes, it is important. For the reasons we gave—for consumer protection, for the benefit to the UK economy—we think that it is an important part of any future negotiations.

Dr Evans: Yes, I think that we should hope for, as I was saying, the maximalist outcome. That is what they call it in free trade agreements. That is maintenance of the EU GI-style protection. Why? Because of the benefits that we have outlined to rural communities. We can still inject an element of realpolitik, which is being done. I can cite various models of FTA where there is this element of realpolitik or compromise, you could say, with the trademark countries. As Mr Low said, these countries are increasingly drawn to GI protection. You look at Tasmania in Australia, which is in a similar position to Scotland with clean foods against the Frankenfood fear. That is why people will buy the Tasmanian cheese, as they do with Scottish products.

Q103 **Ross Thomson:** Dr Evans, why do you think there is such a resistance from some non-EU countries?

Dr Evans: Oh, follow the money. As you could see when feta was withdrawn from Denmark, Bulgaria and the UK, there is a rebranding that has to go on. You now see Danish Apetina. Rebranding costs money, and there is the re-education of the community and the promotion. Of course the consortium of US grocers and politicians say, "We are going to support our farmers" and they do not understand. It is a different mindset. They simply do not understand the terroir factor that I referred to.



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Lindesay Low: I think that there has been mistrust on both sides, in that where you have problems you will have a country—we talked about the United States, where they have been openly making a particular type of cheese. Possibly emigrants from Europe brought it over with them. Where there is an issue is when as part of a negotiation, somebody says, “You are going to have to stop doing that.” They will say, “Nobody realises that it comes originally from Greece or Spain. They think it is from us.” That is really where the flashpoint occurs. Could the Europeans feel, “They are trading on our reputation”? I cannot think of a UK GI where we are in that situation in that they are made in the UK and exported around the world. I would hope we would avoid that sort of controversy going forward.

Q104 **Ross Thomson:** Dr Low, you say it is part of negotiations. The question would be: if, for whatever reason, GIs were not secured in any trade deals, what other tools are available to help protect these products, if any?

Lindesay Low: If the country is a member of the WTO and is a signatory to the TRIPS agreement, they are obliged to provide some legal means. There are a variety of ways. A group of producers can come together as a collective and register a collective mark that would say, “Only we can use this mark on our goods” and enforce that. You could have a standard-setting body registering what is called a certification trademark where only goods meeting particular technical standards can use the mark. There are options through the courts. Some countries will have their own GI systems in place, so if there was no bilateral deal it would then be up to the producers to go and use the national laws. There are a variety of options, but they are expensive, time-consuming and uncertain. Obviously the best solution is to reach an overall understanding of what can be done.

Chair: Lastly—I know we have extended this session a little bit—we have David Duguid.

Q105 **David Duguid:** A point of correction, first of all. I think, Ms Watson, you referred to the UK Government’s GREAT campaign as being led by DEFRA. It is actually led by the Department for International Trade.

Ruth Watson: The Department for International Trade do the international aspect. DEFRA is the one that deals with the food packaging within the UK.

David Duguid: Okay, but the overall GREAT campaign is DIT-led. I just wanted to make that point clear.

Ruth Watson: Yes, but for the general punter, then that is what they are seeing, yes.

Q106 **David Duguid:** For food, yes, obviously DEFRA is responsible for food packaging et cetera.

I just wanted to say as well that we are told by the Department for



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International Trade that the EU has substantially more GIs than the UK and that this gives the UK leverage in the Brexit negotiations. Do you agree with this assessment? Could the UK Government use the negotiations to obtain more GI protection for Scottish products on the EU register, or should they?

Ruth Watson: I welcome anything that protects our PGI, and anything that protects our farmers, our fishers and our food producers. I am of the view, having been a fan of David Attenborough films, that if there are 3,000 muskoxen on the steppes and you have your own 80 in the middle as the wolves circle, you are going to do better than if you decide to take a foray across the steppes on your own. I shall leave that image with you there.

Chair: I think that we are satisfied with that. Thank you very much and sorry for detaining you a little bit. I knew we were not going to get all this shoved into three-quarters of an hour, so we are grateful to you for spending that little bit of extra time with us. Thank you for coming in today. Again, if there is anything you have observed as we continue this inquiry, please get back in touch with the Committee. We are always interested to hear from you—whatever your views and whatever your politics, because that does not matter when you are giving evidence to a Select Committee. Thank you.

Examination of witnesses

Witnesses: Tim Allan, Matthew Lancashire, and Allie Renison.

Q107 **Chair:** Thank you very much for helping us out in our inquiry into Brexit and trade with Scotland. For the record, could you say who you are, who you represent and anything by way of a short introductory statement? We will start with you, Mr Lancashire, just because you are on the left.

Matthew Lancashire: Thank you very much. First, thank you for having us along today to be part of the inquiry and give evidence. My name is Matt Lancashire. I am Director of Policy and Public Affairs at the Scottish Council for Development and Industry. We are an independent economic development member organisation made up of around about 60% private members and about 40% public sector members. I include in the public sector not just local authorities and the NHS, but charities, universities and other third sector bodies too.

Our primary interest is to ensure Scotland is competitive now and in the future, moving forward. We support inclusive economic growth and we try to enable the people of Scotland to flourish. Our primary concern is to keep Scotland competitive nationally, but also globally as well, to ensure that we can further export, further increase investment into Scotland and further support our economy going forward.

Without touching too much on what we might discuss further on in this inquiry and session, our members are keen that there is a frictionless exit from the EU. Part of that is that we have concerns, as our members do,



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about the transitional arrangements on any agreement that is made and the impact that it will have on the Scottish economy and Scottish businesses in general. I think that a bit more foresight and a bit more information on that would be helpful for businesses across Scotland.

We are absolutely delighted that exports have risen from Scotland in the past year or so, but we are also concerned that only 8,900 businesses are exporting for Scotland. The makeup of that is generally whisky, food and energy, which is great and there are opportunities to further expand that across markets in the EU and globally too, but how do we increase the number of businesses that are exporting for Scotland? How do we support them post-Brexit in the transitional period as well?

Allie Renison: I am Allie Renison. I head up Europe and Trade Policy for the Institute of Directors, which nationwide has about 35,000 members. In Scotland we have just under 2,000, in addition to its being my home and residence at the moment.

We find, in terms of the survey data, that the membership in Scotland are a little bit less reliant on EU trade than the rest of the membership. Having said that, in terms of how they look at the rest of the world—particularly in respect of questions like the single market—there was a much stronger preference from our membership within Scotland to stay in the single market than nationwide. Having said that, I think that marginally we see a little bit more preference for the potential to tailor certain regulations to UK domestic needs among the Scottish membership, marginally greater than we see in Scotland.

One of the messages that we are keen to try to promote throughout the Brexit process and beyond is that this does not have to be an either/or approach to international trade. Trade agreements are a very important initiative and mechanism for Government to try to improve and facilitate trade, but, at the end of the day, they may not be happening for some time. We think that the emphasis at the moment should be on the Government's forthcoming export strategy. We see that, and some of the initiatives around that, being more relevant to businesses on a day-to-day level at the moment. I will leave it there.

Tim Allan: I am Tim Allan. I am the president of Scottish Chambers of Commerce. I sit on the board of the court at the University of St Andrews. I am a private businessman with extensive business interests, particularly in Dundee, and I am proud to be the vice-chair of the V&A campaign. My main business is a petrol station business, which is the biggest in the UK. We turn over £4.5 billion, so we see the economy of all different parts of the United Kingdom and particularly in Scotland, where we now have about 15% of the Scottish fuel market.

Turning to Scottish Chambers of Commerce, you will have your own questions, which I can answer. But by and large my members, of which there are about 12,000, reflect the comments made by colleagues here.



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Q108 Chair: We might just start with an opening general question to you, then, Mr Allan. Perhaps you could help the Committee. What are the main exporting sectors of the Scottish economy just now, and how might they differ from the rest of the UK?

Tim Allan: The main exporting sectors, as we see it—remember, the Scottish Chambers of Commerce is, by and large, for SME businesses; that is, small and medium-sized enterprises—are, depending on which country you are going to, oil and gas, financial services and services. Colleagues, you all know what they are: whisky, food and drink, and, I would say, education.

Where do the opportunities lie? I think that the opportunity lies in the fact that not enough Scottish companies, and particularly SMEs, are exporting. What we need to do is get those SMEs to be brave enough, strong enough, capable enough and properly resourced to go and export to those markets that are as yet unexploited by us, and to those markets that might be increasingly closed to us with Brexit—whoever knows what the solution to Brexit is going to be.

I would see there being plenty of opportunities for our new industries in technology. I see many more consumer-driven exporting opportunities with the emerging markets coming in: China, Latin America and India. I emphasise the point that always grips me, which is that China is the 14th export destination in the Scottish top 20. That is behind Belgium and Ireland. We export less to China than we do to Belgium. India does not feature in the top 20 in Scotland. As far as Indonesia is concerned, we welcomed the Indonesian Ambassador to Edinburgh and the Scottish Chambers of Commerce last month. £55 million of exports—oil and gas, basically—go to Indonesia. Indonesia is about to enter the G10, yet Scotland is not doing enough—

Q109 Chair: Could you help me with this? We know, obviously, because we have seen it—I think it was in your submission—that most Scottish exports go to the rest of the United Kingdom. The amount that goes to the EU is not small or insignificant, but it is quite significantly smaller than the amount that goes to the rest of the UK, and then you mentioned China. Why has Scotland been so poor, if we want to describe it as such, at exporting to the rest of the world beyond the UK?

Tim Allan: That is a very good question and it is one that everyone is struggling with. Maybe it is easier to do business with the rest of the UK. Maybe our mindset as a business community is too fearful of reaching out to the difficult and harder-to-reach areas of the world. I have led three missions to China in the last year with the Scottish Chambers of Commerce. The world is an open door. The Chinese are extremely open to our products and services, particularly food and drink, and yet companies are reticent about going there because it is easier to do more of the same. It is perhaps easier to reach the UK than it is to take the risk of going to China or India, but the rewards are greater.



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Q110 Chair: Mr Lancashire, as we are leaving the EU, will Scotland have any different priorities, in terms of trade, from the rest of the United Kingdom? Are there any particular challenges that we should be looking at and aware of?

Matthew Lancashire: Tim has touched on the sectors—they might be slightly different from other UK-wide sectors—that are specific in certain exports. The challenge goes back to what we were just discussing there. If you look at the domestic base of Scottish businesses, we can export more, whether that be to the EU or whether that be to China. It goes back to the challenges of how we get over that mindset to export to these other countries moving forward. There is a challenge that goes back historically over the past 10 or 15 years, which is that we have seen 96% of our SMEs—they are our business base—lag behind the likes of Northern Ireland in terms of how much we export. How we change that going forward is something of critical interest that we need to put thought into.

In terms of the sectors, yes, there is a voice from Scotland that does need to be heard around how we look at future exporting agreements and trade agreements. How that is done is up to the politicians. The mechanism for that is something that you guys need to sort out with your counterparts. Yes, absolutely, that voice needs to be heard about different sectors in Scotland and how that is prioritised among the deals that we are going to take forward.

Tim Allan: Just following on on that point from Matthew, yes, it is for politicians to work out how trade agreements work and so forth for the country, but it has to be deeply influenced by what the needs are for exporting in our trading community. SMEs have to be very brave and bold businesses to go out to the Shandong province in China to try to create new markets for themselves or break into new markets in India and Indonesia. You need to know what these companies need in order for you to create the structure for them to operate in. None of this can happen without this place and the devolved Parliament in Edinburgh creating the environment for business to operate, working with our partners at SDI and DIT, but it must be business-led.

Q111 Chair: We will come on to that. Ms Renison, I have heard all of you talk about frictionless trade with the European Union as a desired outcome. That has been said to us by business again and again, as we leave the EU. We still do not have an arrangement or a deal. Apparently there is a third one on offer, which is yet to be discussed, far less negotiated. What do you know about this third option and, in your view, is it a goer in terms of getting some sort of deal and arrangement?

Allie Renison: I think that it has to be gauged in terms of the outcome, not just the means through which it is delivered. In fact, we have data coming out tomorrow that make it clear that in looking at the options between something that relies on a certain level of friction and trying to avoid the need for customs declarations altogether, the vast majority of



the membership would prefer to have something that avoids customs declarations and customs processes. The means through which that is done are up to the politicians to arrange. By and large, you would expect, under any other scenario, that that would be the repository of a customs union to deal with. Having said that, we think that the EU should be open to looking to the customs partnership if that is still on the table. The main thing to look at is what the outcome is here, not just the process through which it is delivered.

Q112 Chair: Do you suspect that this will be acceptable to the rest of the European Union? We have heard that it has aspects of a customs partnership and of the maximum facilitation of the previous two outcomes, both of which were more or less rejected by the EU27. What chance does this one have?

Allie Renison: I think that you have to distinguish a little bit between what is in the press and what is actually happening in the negotiating room, the latter of which is hard to tell. To all intents and purposes, we are not really into the substantive negotiating stage on the future relationship yet. We are still waiting for the Government's proposals and then that has to go into a negotiation on the political declaration on the future framework that accompanies the withdrawal agreement.

I think the reason why you have heard a lot of discussion about what has potentially been rejected out of hand is in the context specifically of the backstop that has to be done now for Northern Ireland before we get to the future relationship. In fact, I think that there have been statements by the Taoiseach to say that he would be open to looking at this idea of a customs partnership, but the main thing here has to be the outcome.

One of the issues that the EU probably legitimately has concerns over is making sure that money comes into its budget that it is due. Very often you will hear people in Brussels talk about—they do not really use the word “trusted” trader; they like to talk about “regulated” trader. A lot depends on what the safeguards the UK Government, in detail, are willing to put up in conjunction with some of these options.

Chair: Great; that was very helpful. Thank you. I think that we have a better sense of what is happening from that than we have had in the last few days.

Q113 Tommy Sheppard: Can I ask which new markets you think the UK Government should prioritise when we are securing free trade agreements?

Allie Renison: I will have a stab at that. I think there are several variables to look at here. Some of it has to link up with the export strategy, because when you look at it from the perspective of trade agreements, sometimes this has to be also taken in conjunction with what kind of countries we want to have good negotiating experience with. That is a different question from where we would get the maximum leverage from a trade agreement. Very often, the value of a trade



agreement will depend on how open or closed a market is. For example, if you are looking at trying to crack open things like the insurance market in India, which is very, very protected, or the 100%-plus import duties on Scotch whisky, that would be something predominantly for a trade agreement to try to crack.

With some of the more open economies, it is a little bit more difficult. Even with the US, which is to some degree, and in some respects, still a closed market in certain states, there are different forums through which it is probably better to pursue some of these issues. Very often we hear from our members that the Foreign Account Tax Compliance Act, which deals with foreign banking institutions, is a big issue, but it is not something you would necessarily deal with in the context of a classical trade agreement. That has to be done through different forums. It depends on the level of openness of that market, and what the best forum for dealing with it is. It is not just a trade agreement that is useful, particularly for some of the more open, liberal economies.

The last thing I would say on that is that for a country like the UK that wants to build up its negotiating experience in terms of benchmark setting and setting standards with likeminded countries, you would probably want to do that particularly with countries that may already be very open to the UK. You are not going to see a huge amount of immediate benefit because they are quite open, but it is important for the UK, in terms of building up its negotiating capacity and acting in concert with likeminded countries. There is a whole plethora of variables you have to look at in terms of targeting the trade agreement set.

Q114 Tommy Sheppard: Mr Allan, in terms of new priorities, which sectors do you think would be most advantageous to the Scottish economy?

Tim Allan: Following on from Allie's extremely good exposition of the wider framework, I come at this from a business point of view. You go to where the market is potentially rich for your exports. What is Scotland world-leading at, at the moment? We are world-leading in so many fields, but food and drink is one of the things that emerging economies really want. We have fantastic assets as a nation in that field, and likewise with education. I personally think that we should be focusing on those very large emerging markets.

We know that there are restrictions in some of them that make it difficult to do business. China is gradually liberalising, but if you listen to what President Xi is saying, he wants the west to engage with those markets. He wants his consumers to be able to buy on the different platforms products that we have: organic baby food, shortbread and gin. Pickering's Gin has just opened a gin bar in Beijing. This is the kind of thing we should be focusing on. Businesses should be going where it is easiest and the returns are greatest. Some of the obstacles that you might face, you have to overcome. That is where we need our colleagues at SDI and DIT in Scotland to be helping us to access those biggest emerging markets for consumers.



Q115 **Tommy Sheppard:** Where else apart from China?

Tim Allan: Indonesia, India and Latin America—I think that is a good start. There is limited capacity for what a country of 5 million can do. Remember in the Shandong province, which we are focusing on in China, there is 100 million and that is three cities of 7 million each. If we cracked gin in Yantai city, with 7 million people, we might do very well out of that.

Allie Renison: Particularly with countries like China and India, they have rapidly maturing middle-class economies. The demand is more geared towards particularly the services that we provide. The one thing I would reassert is that I am not sure that those countries are necessarily the best to go to a trade agreement right away. That is a different question from what DIT and SDI should be looking at. You do not always have to put it into the FTA bucket to try to make progress.

Chair: I know Mr Lancashire is bursting here, so we will move on. Thank you.

Matthew Lancashire: No, I think that it is a good question. Rather than priorities, I think that it is about opportunities. If you look at what we have at present—I take Tim's point about emerging markets—16% of our exports from Scotland go to the US, which is worth £5 billion a year to the Scottish economy. We talk about food and drink, we talk about whisky and we talk about energy. There is a real opportunity there to further do trade and further grow that market, but the comeback from that is the expertise and knowledge transfer that we get back into Scotland from other businesses—other skillsets coming to Scotland and supporting our businesses. It is critical that we look at that.

I take Tim's point wholeheartedly on the emerging markets and places like Brazil. In the subsea technology that we are developing in the north-east, Aberdeen and other areas of Scotland, there is a great opportunity in South America and Brazil, which are doing something similar, to look at trade deals on this kind of stuff.

Q116 **Ross Thomson:** Leaving the European Union does present potential to open up new markets to us. You are absolutely right that we have some of the greatest assets and products to sell across the world. In my constituency of Aberdeen South, I had the Secretary of State for International Trade meeting with a local fish processing business that is in my patch. They were talking about the real opportunity for their business now to market their products elsewhere and, in their own words, to have a boom for their sector. The challenge would be that the Secretary of State can go and find these new markets and sign deals for new markets, but do we have the capacity to meet the demand, whether it is Scottish lamb or fish processing products? What is the state just now of the industry, and do you think we would be able to meet some of the new demand in new markets that is out there?



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Allie Renison: If you just take fish processing, for example, some of the answer to that question lies in how much these sectors or certain businesses are going to be forced to look elsewhere. Particularly with access to the EU, there is obviously a big, contentious issue around whether the control over water should be linked to access to the EU market. If that is completely de-linked and access is stripped back, what you saw, for example, with Norway with fish exports was that processing moved to Poland because they did not have access to the EU market. If that is what is going to happen, I think that particularly in the UK and in Scotland you are going to be forced to look elsewhere very, very quickly.

Ross Thomson: Were there any other answers to that particular point on capacity?

Matthew Lancashire: I was just going to add that I am not an expert on the fishing industry or fishing, so we will start at that point, but I think that around capacity we need to look at the economy in general and where the economy is heading for all industries and sectors. The thing about Brexit and the EU is that there is concern among many businesses about labour and migration. If we talk about further productivity and further capacity, that is one of the key issues that we need to focus on: how do we get the right skills and the right people post this? How do we get that correct so we have the right workplace makeup to be able to increase our capacity?

The second part of this is that we are living in a world of AI, automation and data. Whatever industry we are in, how does that increase your business efficiency and productivity? How do we use that to our benefit? How you become world-leading in Scotland and how you export that are some of the critical things that we need to look at beyond the EU Brexit debate.

Chair: I am grateful. All the witnesses have mentioned fishing, which is an interest of Mr Duguid.

Q117 **David Duguid:** I just want to pick up on the point about fish processing moving to Poland. I believe that came from a response to a question that I asked Dr Hopewell in a previous session. I believe that comment was speculative, and certainly the fish processors in my constituency of Banff and Buchan, of which there are many, do not recognise that assessment. I believe we have evidence from somebody representing the processing industry at a later session, so I just wanted to pick up on that point.

Deidre Brock: I wanted to quote Sir Martin Donnelly, who is the former Permanent Secretary to the UK Department for International Trade, regarding this suggestion that new trade deals can offset the loss of access to the EU market. He said, "Even implausibly favourable market access deals with some third countries are arithmetically unable to make up for the loss of unrestricted access to more local EU markets in which so many UK producers are currently integrated". Would that be your take on this situation as well? How quickly will we need to get things into place



to be able to access those new markets to make up for the very imminent loss of access to European markets?

Tim Allan: My experience of business is that since 24 June 2016 they have been making contingency plans already. It might come as a surprise to some people that the NHS is making a plan for leaving Brexit, but businesses have been doing that from day one. We entirely changed our strategy in petrol stations from looking at buying into Europe to simply stopping. In fact, we moved all our procurement in our business to purely UK products rather than European products, to ensure that our supply chain would be maintained. Businesses have been making these decisions already, so I think that it is impossible to say at the moment what impact whatever putative deal we are going to get in March next year is going to have. Businesses are already making their changes.

Q118 **Deidre Brock:** Interesting. That is not necessarily the response I have had from businesses I have spoken to. Ms Renison, could I get your point of view?

Tim Allan: Okay; I am wrong, then.

Allie Renison: I will pick up on two points. First, to your immediate question, I think it obviously depends on the extent to which the arrangements are different and what the differentiated access arrangements are. It is generally consensually accepted that lost trade is pretty hard to make up for rapidly. I think that you see that in respect of the very concerned reaction to the barriers that are being put up by the current White House Administration. Very often, businesses are not quick to take advantage of trade agreements. They do respond, however, very quickly to the potential for the imposition of new barriers to them. That reflects the concern about the loss of potential trades that link to access arrangements.

In terms of a more comprehensive snapshot of where businesses are on contingency planning, I would say from our survey data that that is still a minority approach at the moment. Most businesses are getting on with their day-to-day lives because Brexit is such an unknown quantity. There are certain sectors where you have seen advanced planning—not limited to the large companies, but in petrochemicals and financial services in particular—because the regulators and the Bank of England asked, I think, all the listed companies and some of the bigger ones for details of their contingency planning back in July of last year.

We are finding that most businesses are still looking at this and saying they have mapped out their potential pinch points of exposure—I think that just over half have done that—but that does not mean that they are taking any steps to implement any changes at the moment, because no one wants to do that and disrupt existing supply chains completely unnecessarily. I think it is still a small minority who have made serious plans to make any adjustments to their supply chain.



Matthew Lancashire: Just very quickly, whatever deal is struck, it goes back to what I said originally about transitional arrangements and mitigating impact. Lengthening the time of that is helpful for businesses. If you are a small SME, you do not have the resource and capacity to subsume what is coming down the line. The longer that time is, the easier and more effective it is for a business to do that. Without going into too much detail, there is also concern among SCDI members that if it is a bad deal or a no-outcome deal, there are member businesses considering relocating some parts—not the entirety—of their businesses elsewhere, which is not a situation we want to be in.

Allie Renison: Could I just supplement that quickly? I think that it is important to stress that not every contingency plan involves relocation. We are finding that a much bigger share have been looking at drawing up recommended contingency plans, relative to those who are actively moving or looking at moving operations. I think it is quite important to stress that they are not always one and the same.

Q119 **John Lamont:** I think that my question has just been asked, so I will ask something slightly different. The Scottish Government have said they are going to pull out of the Joint Ministerial Committee meetings, which are the forum for UK Government Ministers and Scottish Government Ministers to have discussions, particularly around Brexit. How do you think that might impact on Scotland's representation during these trade negotiations?

Tim Allan: This is a very uncertain time for the whole UK. As Scotland is part of the United Kingdom, Scotland should be taking part in that discussion at the highest levels. The devolved Administration has its role; the UK Government have their role. They should be working together for the interests of business. I am not interested in the party politics as to the constitutional arrangements. Business has a need for as much stability and certainty as it can possibly get. At the moment, we are not getting any kind of clarity at all. I agree with Deidre's point originally; not everyone is making a contingency plan at the moment, but we need Governments working together in the best interests of all business. Drawing red lines and pulling out of any negotiation or joint working is an error. We need to be working together, and that needs to involve business as well.

Allie Renison: I would concur with just about everything that has just been said. It does lend itself to the question of very quickly getting into the politics of the constitutional arrangements. Having said that, it may be partly a reflection of the lack of information from the UK Government about their proposals. When the White Paper is published, ostensibly next week, we hope that it will allow, across the board—whether it is engagement with business or engagement with the devolved Administrations—for more fruitful and substantive discussion about what the UK is asking for.

Q120 **John Lamont:** You can only have that discussion if the Scottish



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Government are on that ministerial council.

Allie Renison: Yes. We would hope and expect that they would not follow through on that.

Matthew Lancashire: I echo some of the sentiments that have been expressed. I think that there has to be collaboration between both Governments to achieve what we can for the needs of business in Scotland. SCDI works closely with the Scottish Government and the UK Government, whether it be through SDI or the Department for International Trade. We need the voice of business to be heard in any of these deals and conversations, and we only get that through speaking to the likes of you in Government.

I would also like to extend an olive branch, in a sense, to both the Scottish and the UK Governments, to encourage them to work with SCDI to hear the voice of business, particularly around Brexit investment. In the recent past, we have had conversations with DIT, and we have had conversations recently with SDI and the Scottish Government, so we extend that olive branch. Effectively we are pro-trade, so we are going to do that as best we can.

Q121 **Chair:** Is there a real sense that business has not been listened to in this process? We keep hearing what business leaders are saying and they do not seem to be shy about coming forward with their various opinions. Even you, Mr Allan, have been known to make a few public comments about certain issues that do not quite satisfy you. What type of engagement are you looking for? How is this view that you are not being listened to represented?

Tim Allan: We often have circumstances where plans are conceived in political circles without first having a conversation about what the need is for business. Perhaps in this case it is such a big question, with Brexit. Perhaps it is fundamentally a political question and business has suffered for it, but business has offered to engage. We have offered to be involved with the UK Government in all their discussions, and often we find that it has not been as productive as one would hope.

With the devolved Administration in Edinburgh, we find that it is extremely open architecture and there is a very frequent exchange of views between the Government and all parties, which is what Scottish Chambers of Commerce and its members want. In general, in this process there is a prevailing fear among private enterprise that they have not been engaged in the earliest possible shape of what Brexit should look like. That is why we end up with the possibility of a cliff edge, which could be disastrous for some UK businesses.

Allie Renison: To some extent, it was reflective of the fact that we were in a situation shortly after the referendum where there had not really been any contingency planning for the outcome of the referendum. For at least the first six or 12 months, there was a huge listening exercise going



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on about what businesses' priorities were. That was not obviously accompanied at that time by a response that said, "This is how we are thinking about approaching it."

Since that time, concern has mounted because it has still been very much a listening exercise, and we wanted to see more of a feedback reaction from the UK Government. I certainly agree that when it comes to the devolved Administrations and the Scottish Government, there was a very open door. I think that was partially to try to inform their initial White Paper approach to the Brexit negotiations. It was also, to some degree, a reflection of the sequencing of the negotiations that the EU asked for—or, I would say, insisted on. The first issues dealt with were, rightly, citizens' rights—the rights of EU nationals here and vice versa—as well as some of the separation issues and more administrative issues. We have now had progress on that, as of the December summit, so the expectation is that that will ramp up as we get into the technical trade negotiation side.

I would say, however, that in respect of trade organisations, who obviously represent their members in discussions with Government, there has been a huge pickup of the pace in that engagement on our objectives in the last three to six months.

Q122 Hugh Gaffney: Given the future of UK and EU trade, what are the main benefits that Scottish businesses get from UK membership of the single market?

Tim Allan: It is such a long list, and this is the obvious question. Just think about the ease of going through Dover. The fact of the matter is you have, I think, about an eight-page document to complete if you are a lorry going through the port of Dover and the process is, by and large, roll on/roll off. Are we confident that process is still going to be that seamless post March next year? I do not have that confidence. Even if it slows down by twice that time, you are increasing the cost of men on the road in the lorries, the cost of fuel and the cost of waiting time. The friction for business could be colossal. The ease of these open architecture borders has been fundamental to the success of the UK economy over the last 40 years.

Allie Renison: To supplement that, initially the internal market of the EU, as it is technically called, was conceived as a way of trying to encourage mutual recognition of regulatory standards. That failed to a certain extent because it was not enforced properly. That is where you got a real drive towards more of a harmonisation around product standards. Once that went into effect, it removed the need for duplicated testing. For example, if you are looking for type approval for a vehicle and you get it done through the Vehicle Certification Agency, you do not have to have it re-tested when it goes through to Germany. Those sorts of regulatory aspects on certification are some of the most important parts, and in a sense you cannot replicate that through mutual recognition. That is derived from the harmonisation aspect of technical regulation for goods and products.



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Obviously the other big one is the movement of labour. That is probably one of the biggest ones that you see that unites business opinion across the board, whether it is goods or services, is the ability for people to move and conduct business across the EU and the EEA itself as well. When you need to deploy an engineer at a moment's notice, for example, that is where those arrangements are particularly useful.

Tim Allan: Could I just supplement that, because you all want evidence? In China, I was talking to the Head of the Food Safety Administration for the Yantai province—a very important man, Mr Chu. We were talking about a specific opportunity for organic baby food and Chinese recipes going into China. That is very popular, because food security is very important there. He said that of course it would be very important that it was EU standards. He was not interested in British standards of food; they are constant about EU standards. We are going to need to harmonise with EU standards to remain acceptable for the emerging markets.

Matthew Lancashire: I think that we have touched on it. Recurring delays at the UK-EU border on a daily basis cost £750,000 a day. You see that cost just going straight on to business if that increases, so that is benefit one straight away.

The second benefit we have already touched on is migration and labour, going back to the capacity issue. Scotland having a fantastically low unemployment rate, how do we get the people to support that?

The third one is around research and development and knowledge. Our universities are linked in with the EU to develop innovation, products and services across a range of sectors, and knowledge transfer comes from people going back and forth. I could go on and on, but it sums up all of that. We can provide further information to you.

Allie Renison: I think that one of the things that is also important to stress is the right of judicial redress that comes from the institutional arrangements that underpin the single market. If you look at some of the dispute resolution systems that the Government trailed in its paper on this last August, some of the things being cited do not give individuals direct redress unless they are investors. We are looking at ISDS—investor-state dispute settlement—whereas if you are part of the internal market, leaving aside the European Court of Justice, you can go to the EFTA court, which oversees the EEA arrangement in some of these countries like Norway and Iceland. If you feel that your rights have been infringed, you have the direct opportunity to bring a challenge on the basis of non-discrimination law et cetera. Even though it is not widely talked about, that is often sometimes an overlooked benefit, that direct right of redress.

Q123 **Deidre Brock:** Returning to the possibility of organisations shifting to Europe as a result of the loss of single market access, could I ask what your thoughts are? I have to say that I think, Mr Duguid, the possibility



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of, say, fish processing shifting as a result of a hard Brexit is sadly feasible. Could you tell us what you think the UK Government might be doing at the moment to help mitigate against that? Is there anything that you can think of that they might do to help to stave that off?

Allie Renison: A lot of people have put their hopes into the White Paper. The more clarity you have about the option that the Government are narrowing down their proposals to, the easier it becomes to do the scenario planning if you know certain things. The PM has talked a lot about having a different balance of rights and obligations in this arrangement, but you have heard discussion about this putative three-basket approach. The more detail and clarity we have on the areas—even if it is by sector—in which the Government want to stay in total lockstep with the EU, where they want scope for divergence and where they want to actively diverge, the better. That would be particularly helpful to business in terms of knowing what things they will probably have to get, whether it is medicines, pharmaceuticals or chemicals, and whether they will have to have a qualified body set up in the EEA. Knowing where the Government want that scope for divergence and where they want to stay in total lockstep with the EU would be very helpful.

Matthew Lancashire: Yes, I agree with that and with the White Paper comment. The reason why businesses consider it—they are not necessarily doing it—is the risk factor of the unknown. It is a safeguard, I suppose, depending on what the actual deal looks like and what the deal informs. It is a bit chicken and egg: until you have a deal, you do not know whether someone would take the nuclear option of relocating their operations abroad because it would be easier to trade, because there is better product safety, or whatever the reasons are. Until you have that, it is hard to comment on whether they would do that, but they are comparing and considering it.

Tim Allan: It also depends on sector. If you talk to colleagues in SFE—Scottish Financial Enterprise—and if you talk to the people in the financial services, they already have started, with the EU badges stuck on the front of their company reports, by getting small offices in Dublin or small offices in Luxembourg or Liechtenstein. That is pre-emptive in anticipation of who knows what in March, but they should be able to have business continuity. The long-term risk for Scotland is that our financial services sector, which is so very important, starts to find that it is better off migrating out of the isolated United Kingdom into a more beneficial environment abroad. That is a risk that we face, and colleagues of mine on Friday were telling me exactly that point.

Allie Renison: You have to distinguish between financial and professional services, and manufacturing. I would not say it is easier, but there is usually more fiscal bandwidth to do some of this pre-emptive licensing safeguarding. You are not going to lightly shift an entire production facility until you absolutely have to, and unless you absolutely have to. I think that making that distinction is quite important.



Q124 **Ged Killen:** How might non-tariff barriers with the EU impact on different sectors of the Scottish economy?

Tim Allan: I think that we have touched on that. We are talking about harmonisation. That is one of the greatest problems that we face. To go back to my friends in China, they want our quality standards to be exactly the same as the European standards, which are so much a kitemark for world trade. If we deviate from that too much, we are increasing our own friction. We are making our products competitive in the international marketplace, so at a time when we are trying to open up new and emerging economies—whether it is Indonesia, India, Latin America or anywhere else—if we look like we have created our own systems of accreditation, we will immediately be behind the Europeans, who have a long-established, trusted pan-European approach to harmonisation of standards.

Allie Renison: Particularly in the chemical sector in Scotland—obviously, INEOS Grangemouth—this is one of the sectors where you do not see a divergence between big and small, and what kind of alignment they want to see. It is a highly technical, highly regulated sector. Most of the regulations are not necessarily what I would call normative in the way that financial services regulation coming from the EU can be, and so they want to work to a single standard as much as possible.

One of the issues that I think will come up for chemicals is we have had the PM say in one of her speeches that she wants the Government to maintain participation, even as an associate member of some of these regulatory agencies, like the chemicals regulatory agency. We have a Health and Safety Executive here, but it does not do the functions of the ECHA and the EU.

That is only part of the equation, so it also depends on whether the UK retains access to REACH, which chemical companies hated when it first came into implementation. At the moment, they do not want to have to create a duplicated REACH in the UK and have two duplicated equivalent sets of regulations, so a lot of the potential in that sector for non-tariff barriers depends on whether in addition to staying in the ECHA—the Chemicals Agency—we will still have access to REACH. Technically, REACH is a single market instrument.

It is not clear whether the UK could continue to have access to that database in terms of the registration of chemicals if it is outside the single market. If it does not, it has to go through another very costly set of registration procedures for chemicals and hopefully have some kind of mutual recognition deal with the EU. You are creating new equivalent regulations where they do not necessarily need to exist.

Matthew Lancashire: Yes, I agree with both comments that have been made, and with the regulatory one in particular. I think we touched on brand in the last session, of which I heard about half an hour. If you look at something like Scotch whisky and what that is built on, the



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harmonising of that across the globe is phenomenal. It is not just that it is made in Scotland; it is the strong environmental work it does, the animal welfare and the sanitary standards. It keeps to all these things, like just giving that kitemark that Tim was talking about. It is a fantastic product, so why wouldn't you buy it when it is doing all these great things as well?

The other part of that is the PGI stuff that was discussed earlier. That harmonisation is well is critical to the success—

Q125 **Chair:** We have been around the block with PGIs today.

Matthew Lancashire: That is why I will not go any further.

Allie Renison: I would add though that Scotch whisky is probably not as reliant as some of the other sectors on continued alignment with the EU. In fact, there is a big question about whether after we leave the EU, in terms of the future economic partnership, we will continue to have to accept EU GIs, for example. It is worth noting that the Scotch whisky industry has done a very good job of not waiting for trade agreements, for example, to get recognition for some of its products. It goes out and negotiates. I think the Mozambique Government gave it protection for its products. The Scotch whisky industry has done a very good job of not just relying on existing arrangements to try to secure access for its products.

Q126 **David Duguid:** Before I move on to my next question, I want to pick up on something. Mr Allan, you said that businesses want standards to be exactly the same. Is there not the scope for standards to be even better, and so to be aligned or harmonised—to use your words, harmonised plus—in certain areas?

Tim Allan: No. Of course it makes evident sense that if you improve standards, you have to be able to persuade your buyer on the other side that your standard is credible, viable and better. The thing about European standards, and all the great litany and list of standards applied, is that they are established and credible and in place now. For us to create a whole new set of those standards means that we will suddenly have to compete and persuade people that they are credible. That is a whole job of work in itself.

Q127 **David Duguid:** We are not going to have to do that anyway as we move into opening up markets outside the EU.

Tim Allan: Is it not conceivable that a UK product could also get a European kitemark under any kind of arrangement currently being discussed by the Government?

Allie Renison: I would differentiate between goods and services. What you find in manufacturing and goods is that the vast majority of businesses in Scotland and the UK prefer to stay aligned to the EU to maximise market access. We specifically asked them about regulatory



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alignment, market access to the EU, realigning to tailor to UK domestic needs and realignment with other standard setters, like the US, for example.

The one sector where you had—even though a majority was still in favour of alignment with the EU—a much higher share than average of companies that wanted to have regulations tailored to their own domestic needs was in financial services. I think that is one of the big outliers. I think everyone remembers the litany of EU regs that have come in in the last five years. Bonus cap was not really technical in nature, so that is where you see a bit of an outlier.

David Duguid: Sorry; I wish my phone would stop buzzing. Mr Lancashire, do you have an answer to that?

Matthew Lancashire: No, I think it—

Q128 **David Duguid:** I think you answered my next question, which was about whether there are any areas—this is to all the panel—where you think the UK should or could take a different approach to regulatory issues, even if that causes some barriers to trade with the EU, bearing in mind the wider non-EU market, on top of the EU market, that we are hoping to capitalise on.

Matthew Lancashire: The regulatory standards in the UK as a whole are pretty strong. Financial services and legal services are something that we have strength in, in terms of people investing into us. We should believe in representing those standards across the globe, because they cause investment to come back in. People want to invest in us because we have legal and financial powers and regulatory systems that work, which are based on ethics that are based on proper ways of working and doing business. Those are things that we can sell to the world and that can be part of our trade agreements. We should look to utilise them in a way that brings investment into the country.

Q129 **Ross Thomson:** I know there has been quite a lot of public debate about this already, but I would be interested in getting the views of Scotland's business community. As you know, currently there are two proposals by the UK Government in relation to our customs arrangements with the EU: the customs partnership and maximum facilitation. I would be interested in your view on the practicalities of these proposals; are they going to work? I also hear there may be a third option, but anything you have would be interesting to hear.

Chair: Mr Allan, how about you on this one?

Tim Allan: If you take a view that leaving the European Union is going to throw our business arrangements into disarray—

Ross Thomson: Which it will not.

Tim Allan: It depends on whose perspective. That is a concern for the business community. We all know that. There are a number of options on



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the table. Who knows which side is going to be thrashed out at Chequers this weekend, or whether, indeed, anything will be thrashed out at Chequers this weekend?

Ross Thomson: You will have to be a fly on the wall.

Tim Allan: Only you can tell us. I forgot the question, actually.

Ross Thomson: It was about your views on the two models that have been talked about: the new customs partnership and maximum facilitation, and any practical issues you see with—

Tim Allan: Basically, the Scottish Chambers of Commerce would want to have a frictionless process as we move. We want the current arrangements to exist and we are not going to get that, so the question is: what are we going to be able to negotiate? I suspect a slightly longer time will spent at our ports and our airports, but business require the same circumstances and the same benefits that we currently have. That is a position that we can take. It is up to you guys to try to work out how that is done.

Allie Renison: On the two options, as I mentioned, we have data coming out tomorrow that makes it clear that, whatever it is, business would prefer not to have to deal with customs declarations. The interesting thing is that that is also true across the international trading community, not just among people who trade only with the EU. Even companies who had experience of dealing with customs processes would prefer it to be avoided.

Obviously, the proposals in the Government's paper make it clear that the customs partnership objective is to obviate the need for customs declarations, whereas the pilot streamline arrangement max fac would rely on a certain level of new friction. One of the issues—I will take them in turn—with max fac is that people seem to think that it is going to be the only thing that matters for the movement of goods, when in fact probably about 20% to 25% of checks on goods deal with customs issues. The rest of them are regulatory related, so this is not a panacea for the movement of goods in any shape or form.

Maximum facilitation relies a lot on unilateral simplifications and facilitations, and you cannot guarantee it the other way. You could probably negotiate a mutual recognition deal on trusted trader, and also on economic operators. The difficulty with that—I think the Secretary of State for Exiting the EU has said this himself—is that this is predominantly something that large companies use, so how are you going to encourage small companies to take advantage of it? It is usually companies who have a long history and paper trail of customs declarations and are used to doing that. It is a particular issue for EU traders who are not used to doing that, to a certain extent.

Obviously one of the benefits is that it would theoretically take a shorter time to put in place. Talking to members, we find that the difficulty with



trying to comprehensively understand the customs partnership is that it has not been tested in a widespread way with companies. We know—I think it is in the public domain now—that there has been some limited testing from a consultancy with certain companies; most of them have signed non-disclosure agreements, so they are not going to talk about them at length.

It has been reported by the Director General of HMRC that when you look at it, even though there is this potential complexity with a tariff rebate element of it, at the end of the day it is more cost-neutral than max fac. That is why businesses are generally more in favour of that, or of anything that obviates the need for customs declarations.

The final thing I would add is that the big question that we have, at least with the customs partnership—I think it is assumed that it would apply under max fac—is what happens with rules of origin? We will probably come to it later. We have proposed a partial customs union approach that would keep tariffs on industrial goods because they are not big issues—they are not big levers in trade negotiations anyway—and rules of origin tend to be a bigger issue for manufacturing. The question we have under the customs partnership or the third way is: does this obviate the need for rules of origin in UK-EU goods trade?

Matthew Lancashire: I think there are four options now. One is no deal. It is still there. It is still lingering and it is still a massive concern for business. There is this third option about which we are waiting to hear more detail on Friday—that seems quite late—and we will have to wait and see whether the option is good or not. It is late in the day in terms of the Brexit timeline. A lot of this is putting infrastructure and thinking in place before that deadline runs out. Then we are left with the two: the customs partnership or the customs arrangement. I think SCDI's members are leaning towards more of a free single market or single market access, which mean less disruption for exports, the supply chain and so on.

Q130 **Paul Masterton:** Ms Renison, I wanted to draw on your paper on the issue, which I thought was very good. Perhaps you could expand a bit on why you identified process, agricultural goods and industrial goods. Was that purely because those are areas whereby tariffs are not a particular concern? What was the reason for your coming up with an idea that would keep elements of the customs union framework, but only for certain industries?

Allie Renison: Briefly, a combination of factors led into some of our thinking around that. One was to say that it was not as black and white between whether you had a customs union or not. There was a precedent that existed with Turkey to have something that was more partial in scope, but as part of a wider preferential trade framework. Basically, for Turkey the tariffs are aligned on industrial goods and some processed agricultural goods, but different trade arrangements cover agricultural products.



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Turkey has that because it has been a gradual process towards integration. I think we would come at it from a different perspective, in the sense that the main issue that we found in respect of the customs union that you cannot get away from is rules of origin. We looked at the sectors that are most impacted by it: what are the companies that tend to have the widest share of third country components coming in? You do have it in some agricultural sectors—in animal feed and spices there is some third country element—but it is much more widespread in manufacturing. You tend to have things coming in from lots of different parts of the world going into what you then sell on to the EU.

That idea was to try to offer a compromise to the Government. Even if they did not want to go for a full-on customs union, would they consider something that was partial in scope as part of a wider preferential deal? In addition, the big-ticket items on which one usually tries to extract leverage and concessions in trade negotiations are primary agricultural products. You would still have plenty of negotiating leverage to either unilaterally bring them down yourself or negotiate them down in trade agreements, so you would not be completely removing your negotiating leverage by entering into some kind of agreement along these lines.

Q131 Paul Masterton: Also, you are removing your ability to strike your own domestic trade deals in all the areas that were not covered by what you would want to include within that customs arrangement.

Allie Renison: If you look at where trade agreements to date really focus when a tariff element comes in, the one thing that you might be constrained on doing is negotiating down tariffs on cars. You would have to wait for the EU to do that. That is about 10%. But that is the only real outlier because most industrial goods tariffs around the world are 3% to 5%, so they are not the big-ticket things that you want to try to bring down in a trade agreement.

Q132 Paul Masterton: In my understanding, your proposal was, at least in part, to try to locate ways of getting around the very complex issue of the Irish border. Obviously, we are here primarily to look at the position for Scottish businesses. In terms of the scenario that you brought forward from the IoD, is that something you think would benefit or work in terms of Scotland's industry makeup in key sectors, or do you think there are other frameworks that would suit Scotland's particular good markets or emerging markets?

Allie Renison: If you look at where the bulk of EU exports go from Scotland, it is in manufacturing. That is something that would certainly benefit in terms of avoiding rules of origin for that particular sector. Then obviously you still have plenty of freedom. Food and drink, and particularly drink, is higher up the list of Scotland's big exports compared to the rest of the UK as a whole, so I think it fits relatively well. It is not a panacea, but I think it was an attempt to say to the Government, "Let's look at where we can make a compromise on keeping tariffs aligned where it makes sense for manufacturing, in particular."



Q133 **Paul Masterton:** Lastly, what reaction did the IoD receive from the UK Government and from Brussels? I think you went over there as well. Was it largely kyboshed within 10 minutes, or did you find any kind of acceptance?

Allie Renison: It was on two fronts. First, unfortunately, people no longer debate the term “customs union” on their own merit. Just the name seems to have become an issue. At the moment, people are still approaching it from a very all-or-nothing, black-or-white approach. From the EU standpoint, I do not think they are going to engage in any discussion on it until the UK Government ask for something along these lines, so it is a bit of a chicken-and-egg approach over there. When Michel Barnier goes around with his map of sliding scale options and talks about the UK wanting things that do not stack up to precedent, it is helpful to be able to point to a precedent in Turkey for having that partial arrangement. It is useful to have the precedent to say this is not something that is totally off the table.

Q134 **Chair:** Turkey is quite far down the stairway to hell though, is it not, in terms of a solution?

Allie Renison: Turkey plus plus plus.

Q135 **Deidre Brock:** I want to ask about the EU’s existing free trade agreements with third countries, how you feel Scottish exports have benefited from them and how important it is that those arrangements are replicated in any post-Brexit world.

Matthew Lancashire: It is vitally important that we replicate those interests in moving forward. How we do that, again, is down to you guys and others. Those arrangements are vitally important for the Scottish economy. It is simple as that.

Tim Allen: At the same time, I imagine that the purpose of our leaving the EU is fundamentally to strike our own trade deals, which would be more beneficial and preferential to us than the ones offered by the European Union. The Chinese Ambassador said to me in September that he saw nothing but huge advantages for the UK in being outside the European Union, but he would say that, wouldn’t he? The European Union does not necessarily have a comprehensive list of international trade agreements in place with other countries—China being a case in point. Then again, how much of a priority will we get in establishing our own trade agreement with China when the European Union does not have one either?

Q136 **Deidre Brock:** How nervous are you all about the possibility of those agreements being negotiated, and other countries using this as an opportunity to re-negotiate those agreements, potentially under less favourable terms? What are your feelings about that? It is certainly something that has been commented on a lot.



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Allie Renison: It depends on the country. For example, some of the older trade agreements tend to be pretty narrow in scope and do not factor in a huge amount of trade that the UK does. I think the issue is some of the more recent and bigger ones. Very often, bigger countries want to use these as opportunities to rectify terms. The term changes depending on the day. Some people call it re-negotiation; some people call it technical rectification.

I think the bigger issue is for industries like manufacturing, particularly in textiles. With the arrangements that the EU has with Switzerland, Turkey, Norway—the countries that are more integrated—it is not that they are going to ask for those things to be re-negotiated necessarily, but that we do much more trade with them than we do with some of the smaller countries. Just looking at it from a manufacturing perspective, having a trade agreement with Turkey is massively different from having a customs union arrangement with Turkey, so whatever arrangements are with the EU will then ripple out. There will be that ripple effect.

I think the Government have said that all the countries want to agree to begin the rollover process, but that is very different from having it transitioned. Even though only about 15% of our members use trade agreements currently, the concern is that those that do use them, particularly in the goods space, are not given enough time if the Government suddenly find themselves in a situation where they have to prioritise the rollover of some but not others.

I think it would be foolhardy to say that there are not countries that are looking at this as an opportunity to extract better terms, and the Government's approach is to say, "You either have this deal or you do not have it at all." I do not know that that approach is going to work with those third countries, but obviously the third party in all of this is the EU. We are not sure at what point that process is going to be triangulated, if it all.

Q137 **Deidre Brock:** Are there any areas that, in your opinions, would be considered more expendable to the UK Government in those trade negotiations than others?

Tim Allen: It would be quite wrong to speculate.

Allie Renison: I can tell you that the two areas that are definitely going to be trickier are tariff rate quotas on agricultural products and rules of origin for manufacturing. Those are going to be difficult issues.

Tim Allen: It is important to talk about rules of origin and disruption of supply chains. Allie mentioned it a bit earlier, but I think we need to come back to that point. I was visiting a very large truck business in Lanarkshire the other day, and these guys export basically hundreds of millions of pounds worth of large lorries for an international brand into the mining industry. 95% of the lorries manufactured in Scotland go abroad, so that is a great exporting business, and they have 400 other



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companies supporting them inside the local area within Scotland and the UK.

They are saying their biggest concern is not being able to strike a deal with China, South Africa or wherever for lorries, because they are a very specific product. It is the maintenance of the supply chain that has been established over the last 40 years, drawing in parts from all over Europe and the immediate European Economic Area, for want of a better expression. They are very concerned, and it might just be easier for them to go and do it in Europe now. The chief executive is a passionate Scot and he is not going to do that, but the market will drive him.

Allie Renison: It is also worth just remembering that there has been a lot of focus on the trade arrangements, and I would not say that these are all technically agreements. A lot of arrangements that are very pertinent to Scotland do not fall under the scope of the agreements that DIT is looking to roll over. Those include wine and spirits agreements—agreements between, for example, the Agricultural and Horticultural Development Board and China to allow export licensing for port. These are things that are not technically trade agreements, but they have been struck through the EU, relying on EEA law, to be observed.

There is a whole gamut of things outside classical trade agreements that it will be important for businesses to make sure that they are rolled over, which are not within the purview of the Department for International Trade. DEFRA will be looking at a lot of those in particular, so we need to make sure the focus is not just on the DIT ones.

Q138 **Christine Jardine:** How effective do you think the UK Government are in what they do to support Scottish businesses, and how can they improve that?

Tim Allen: I will answer that question quickly from a personal perspective, not the perspective of the Chambers of Commerce. It is particularly to do with exporting and trade, because we operate within a devolved Administration and most of our support for SMEs is strictly Scottish stuff, and that works effectively enough in Scotland. As far as trade and exporting goes, the Scottish Chambers of Commerce work with other chambers in the hundreds of thousands round the world: Manhattan, Milan, Mexico—all the Ms coming in there—China and, recently, Indonesia.

The UK Government agencies such as SCO and the embassies in Beijing and elsewhere, and likewise the DIT, have been extremely effective. We have greatly appreciated the support they have given us and we were impressed by it. From an exporting point of view, colleagues report back to us that it has worked pretty well.

Matthew Lancashire: I will just reinforce what Tim is saying. The UK Government have been very supportive on exporting conversations, and SCDI and DIT members are critical to that. I also think there are



opportunities through—Tim touched on it—the SCO and the Commonwealth countries beyond Brexit, where there has historically been a similar culture, business culture or business regulation, to open up new deals and new markets. That might be easier than looking at some of the markets that we have suggested today. That relationship with the SCO is developing, certainly more so than it has in the past.

Very lastly on this, there are other exporting opportunities, if we look at how the UK industrial strategy is moving on and the exporting opportunities that can come out of that; the new technologies being supported in Scotland; or the blue economy—the SCDI is doing some quite critical work on trying to get a deal to Scotland—how we export that is critical. Yes, the relationship is positive.

Q139 **Christine Jardine:** We could categorise you as being happy with—

Matthew Lancashire: Yes, but I would not say that to the detriment of SDI in Scotland, because what they try to achieve is fantastic too. The critical part of this is how the DIT, the SDI and the SCO collaborate and work together to get the things we want.

Allie Renison: We would not want to see it framed in a competition narrative. Sometimes people might fall into the trap of thinking that is what it is about. The UK Government's forthcoming export strategy is a very important opportunity to look again at what kind of collaboration there is between the devolved Administrations and the various trade and commercial investment agencies, but also in particular to look at local government. In England you have the LEPs doing some of this work with mixed results.

In Scotland, to what extent is brand Scotland being fed through from the unitary authorities and the councils? It sounds like a very specific example, but some of the festivals in Scotland are a huge opportunity to try to drive some of that trade and investment. We are hoping that the export strategy is a very inclusive approach to how it should be organised at a collaboration level.

Tim Allen: I would also like to do a shout out to the Department for International Trade & Investment, a relatively new evolution in the Scottish devolved Administration, which are working very effectively. They are very active in their encouragement of us, so it is definitely not them and us. This is a definite complementary arrangement.

Q140 **Tommy Sheppard:** You have sort of answered my question. I was going to ask how well you feel the Scottish and UK Governments are working in terms of trade promotion. I get the feeling in the mood music that there is a lot of love there, and that they are working quite well.

Without rehearsing the arguments we had in the last panel, I wonder to what extent you feel that either the profile of Scottish exports is distinctive or individual components within it have a Scottish character, which means there is merit in advocating a Scottish identity for some of



these things and therefore there is a requirement for somebody to be the Scottish poster for this—that will presumably be the Scottish Government. Would you agree with that assessment, and do you feel that is happening adequately?

Tim Allen: Going around China, you will see the Union Jack logo on many products and there is great brand recognition of the British kitemark of quality. Likewise, you see the European Union symbol as well, which foreign countries see as being a valuable asset. If you put the wonderful Saltire on it, it is not going to make very good recognition in Shandong province at the moment. What needs to be done is to increase that brand in its own right. The Scottish Government has gone some way with that, with the concept of a unified marketing campaign through the Scotland Is Now initiative. Whether that works or not, and whether that is going to be sustainable, remains to be seen, but it is certainly an attempt by the Scottish Government to create a coherent, consistent branding message that we all fully embrace and are meant to use. That is also going down to the unitary authorities. With the V&A, for example, this year, which is opening in September, we are embracing the “Scotland Is Now” branding message to push it out to the rest of the world. We have to create our branding and the distinct flavour of Scotland has to put across in our marketing.

Q141 **Tommy Sheppard:** To be honest, I am not wanting to get into the flags and the numbers aspect of this; I was thinking more in the sense that you said earlier that food and drink is much more important to Scottish exporters than it is generally to UK exporters, just in terms of volume. It might be the case that left to their own devices, a UK body would not adequately prioritise food and drink within an export drive, where the Scottish Government might argue for more effort in that area. Am I right in that assumption and is it the sort of thing that is happening?

Matthew Lancashire: Again, it goes back to both Governments speaking and collaborating together to ensure that that does not happen. Isn't that happening right now? I would not like to comment, because I do not have the evidence in front of me to be able to share that perspective. We can certainly come back on that at some point and ask our members. I would be happy to do that, Tommy.

I think it goes a bit further than branding, though. I think branding is important, but it is about knowledge of where you are doing trade with and the customs and systems. The branding takes you so far, but it does not do the deal; it does not shake the hand on it, and it does not push things over the line. I think there is a role around Scottish development hubs—SDI hubs—increasing their capacity and their resource in certain areas where we do want to do more work on food and drink or export more of it. But whether the UK Government and the Scottish Government are working together on food and drink in a fashion that is appropriate is something that I need to go away and take a look at it.



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Allie Renison: I think there are two questions, going into that. One was the thing that we talked about initially, which whether the UK Government support Scottish industry sufficiently. Then there is a separate, but related, question about the extent to which they are working together. I think that the answer is more nebulous and tenuous at the moment. Even though we want to see that collaboration, there are going to be some things that it is more appropriate for the SDI to focus on in terms of Scottish branding campaigns. But when you go down to the sectoral level, is the gaming industry in Dundee, for example, being positioned as a Scottish brand, or is it being positioned as “Dundee has become a hub for gaming”?

I think sometimes you also get into tensions about Scotland versus local. You see that in the rest of the UK as well: is this going to be a West Midlands thing or is it going to be a Birmingham kind of focus? It is not just a UK—for lack of a better word—versus Scotland approach; it is also sometimes within the devolved Administrations you get certain tensions. City Deals, for example, are not something that the UK Government—DIT—is going to necessarily promote as well as SDI and the Scottish Government. Some things are more appropriate for devolved regional agencies, devolved national authorities and agencies to put effort into. But I think that where the collaboration potential exists, after the export strategy, is for the UK Government to be a bit more aware of what some of those campaigns are.

That is where I think you could see some scope for better collaboration going forward, but some of these things are more appropriate for devolved national authorities and agencies and regional bodies to take forward on their own.

Tim Allan: If there was a concern that certain Scottish areas were not being promoted effectively by a UK-wide agenda, what we should be doing is looking to empower those bodies. We should empower the trade bodies that we have in Scotland and give them the capacity as private organisations to promote things. The Scottish Whisky Association is extremely effective at promoting their brand and the UK Government love the duty that comes off it. Likewise, the salmon industry in Scotland is one of the biggest exports through Heathrow Airport and the Chinese simply cannot get enough of our salmon. It is an open goal as far as that is concerned.

I do understand what you are saying, Tommy. There is a concern; we have to keep a watching brief on that, but I think we should also be empowering those private groups to help lead on that.

Allie Renison: I think that is important, because we put out a trade paper about three months ago to try to inform some of the development of the export strategy. We were very clear in the recommendations that there was one set of recommendations for Government authorities and agencies to take forward and some for ourselves, as trade organisations,



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to put forward. There is a huge amount of work that business organisations do in concert with universities in Scotland, for example. Education in itself is an export. That is something that we are not going to necessarily wait for Government to take forward. The responsibility, the onus and sometimes the efficacy of these initiatives also is just as well done by private organisations, linking up with our counterparts in other countries as well.

I am always cautious about putting too much of the burden of this on the Government's shoulders generally, because when we run trade missions, we tend to make sure that the people they are meeting—there is a huge amount of work that goes into it, and they are not done at the last minute. Sometimes we do find with Government trade missions that they are put together at the last minute and they might be too expansive in their focus, so sometimes some things are better done and focused. We do not want to wait for the Government to create some of this trade; we have to do it ourselves as well.

- Q142 **Deidre Brock:** Just quickly, on the comments about the flags and identification, I was just thinking that we heard from the representative of the Scottish Law Society about evocation being illegal and he gave us the example of putting a bagpiper on a bottle of spirits of some sort being potentially misleading. There are other images connected with Scotland that presumably all exporters are exploiting, and perhaps they would have greater recognition in China, and places like that, anyway.

Tim Allan: Tartan is very useful. The Chinese national tartan is very popular.

- Q143 **Deidre Brock:** It is often said of Scotland the Brand that many countries around the world would kill to have the sort of reputation and branding that Scotland has.

Matthew Lancashire: It plays a part, the tartan, but it goes back to why people come to Scotland and our quality of life. It is about the fact that we have great people who are highly educated; and people want to invest here because they have great physical connectivity in terms of transport, airports and so on. There is a lot more to it.

- Q144 **Chair:** Just to finish off, when we were in Brussels last month, we visited the Canadians and we were very interested in how they discuss trade arrangements, in particular the formation of the CETA deal. They have a model that involves the provinces in terms of the trade arrangements, and they are essential to any agreement that went through with CETA. I do not know how it was compiled, but they were in the room and made the decision and were properly consulted about the terms of the CETA trade arrangement.

In the UK it seems, with the common frameworks and the lack of opportunity we have to debate it here, that the UK Government want to shut out the Scottish Government from being involved in trade arrangements. They seem to be more determined to pursue this as one



UK Government. Do you think there is scope for the devolved Administrations in the UK to have a central role in the formulation of these trade arrangements and discussions? Allie, you will know about the Canadian model probably better than anybody here, but is this a model that would be worth adopting for us as we go forward?

Allie Renison: It depends on what you mean by “central” and at what point that role comes to fruition. I think if you are talking about consultation, there is a huge opportunity to learn from what has not worked in other countries and how negotiating mandates are drawn up. At the moment, we really want to make sure that the Government are thinking more about strategic frameworks and overarching policy, particularly in terms of how they engage the devolved Administrations in that, rather than just running after the first trade deal that we find.

Q145 **Chair:** Taking the common frameworks as an example, the UK Government have been very determined that things like animal welfare, food labelling and all manner of regulations to do with animal welfare are retained and administered at a UK level. They seem to be moving away from this idea of involving the devolved Administrations, and there seems to be more taking away of powers from the devolved Administration. Are we doing this wrong? Do we have something to learn from the Canadians, for example?

Allie Renison: There are two things. Certainly, in the Canadian model there is the consultation. It is kind of like a formalised informal consultation mechanism with the Canadian framework. If you look at also the US, for example, when the EU was trying to negotiate a deal with the US, it was a huge complicating factor that the states had such different frameworks. Basically you could not negotiate on public procurement because there were such different frameworks. It can be a big complication to have massively different frameworks if you are trying to get big added value through the trade agreements. I think that that is why the focus should be on figuring out what kind of common frameworks we want to have first before we go down the trade agreement route. I think it is a sequencing issue that the Government needs to focus on first.

Chair: Mr Lancashire, do you have a view on that?

Matthew Lancashire: Yes. It goes back what we said earlier about collaboration between both Governments to support the best trade deals that are coming to Scotland.

Q146 **Chair:** How is there collaboration if the UK Government are saying to the Scottish Government, “You do not have a role in all this and we will take the power and responsibility, thank you very much”?

Matthew Lancashire: I hear what you are saying. I cannot figure a path through that, but what I do understand is that the voice of Scottish business needs to be there. The Scottish Government hear Scotland’s voice of business as well as the UK Government. How they come



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together, both the UK and Scottish Government, to achieve the best trade deals and hear that voice more as a collective is entirely something that the politics and you guys can take hold of, not us. But what we can say is that there needs to be a role for Scottish Government within these discussions. What role and how that manifests itself is something that will be decided over the next few weeks and months, and I would not like to comment what that is.

Chair: Mr Allan, do you have a view on this?

Tim Allan: I have very trenchant views, whether I say them or not.

Chair: We will be interested in them anyway.

Tim Allan: Okay. In 2014, Scotland voted to remain part of the United Kingdom, therefore we want the benefits of being part of the United Kingdom. If we are going to be treated as party to the United Kingdom, we should be right there in the negotiation of the most significant constitutional change to this country there has been in the last 50 years, which is leaving the European Union. I would like to think the Scottish people and Scottish business are deeply represented at the heart of that discussion. It is up to you guys, and to our colleagues from all parties across this place, to make sure that happens.

Allie Renison: One of the issues facing the Government, in terms of how it approaches trade policy strategy more widely, is that some of it depends on where we get to with the EU. It is hard to say what kind of common framework should go into future trade deals with the US, or improving the one with Canada, until you know what kind of deal we have with the EU on the chemicals framework or on agricultural subsidies, for example. Is that going to be devolved? I just come to this: it is difficult to make too many inroads into saying now what that trade policy strategy should be.

Q147 **Chair:** Just let me give you an example. Mr Duguid is not here, and he will probably take great exception to me raising this. Just say that, for example, to get a trade arrangement, the European Union were insisting that something like the Common Fisheries Policy was in existence. That is centrally important to Scotland, so Scotland has every right to say, "Hold on a minute. We have the bulk of the fishing industry, and it was part of the arrangement that the UK had in leaving the European Union." Surely Scottish businesses involved in the fisheries have every right to put up their hands and say, "Hold on a minute, we want a say in all this. We want to make sure there is a formal process for being able to be involved in this decision." Surely there is nothing wrong with that?

Tim Allan: The critical decision is whether the powers flow back through Westminster to the devolved Administrations, rather than directly. I would like to think, personally speaking, that the freedoms that we currently enjoy in the devolved Administrations as part of the EU are the same freedoms that we will enjoy post leaving the EU. We should have rights to the determination of our own policy.



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Chair: Thank you ever so much for a fascinating session, I really enjoyed it. Again, as we say to everybody, if there is anything that you observe as we continue with this inquiry, please get back in touch with this Committee, because we are always interested in your views.