

Scottish Affairs Committee

Oral evidence: [Scotland and Brexit: trade and foreign investment](#), HC 903

Wednesday 14 November 2018

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Members present: Pete Wishart (Chair); Deidre Brock; David Duguid; Hugh Gaffney; Kirstene Hair; Christine Jardine; John Lamont; Danielle Rowley; Tommy Sheppard, Ross Thomson.

Questions 425 - 504

Witnesses

[I](#): Ivan McKee MSP, Minister for Trade, Investment and Innovation, Scottish Government, Steve Sadler, Head of Trade Policy Team, Scottish Government, and George Burgess, Head of Trade Policy, Food and Drink Division, Scottish Government.

Written evidence from witnesses:

- [Scottish Government](#)

Examination of witnesses

Witnesses: Ivan McKee MSP, Steve Sadler and George Burgess.

Q425 Chair: We welcome the new Minister for the first time to the Scottish Affairs Committee to help us with our inquiry into Scotland, Brexit and trade. For the record, could you say who you are—I think we know who you represent—and anything by way of a short introductory statement, where you can introduce your two associates?

Ivan McKee: Thank you. My name is Ivan McKee, MSP. I am the Minister for Trade, Investment and Innovation in the Scottish Government since June of this year and a Member of the Scottish Parliament for Glasgow Provan. Before I came into politics in 2016 I ran an international manufacturing, consultancy and turnaround business.

Since I started my new role I have had first-hand experience of listening to Scottish businesses and organisations and working with them to support their efforts to increase exports. On a daily basis I hear their concerns about Brexit and how the uncertainty and potential disruption of a hard Brexit or no deal undermines their ability to plan. As members of the Committee are well aware, the Scottish Government believe that the best option for the future wellbeing of both Scotland and the UK is to remain in the EU. Remaining part of the European single market and customs union will give us continued access to a larger single market for Scotland's international exports, since Scotland's top 10 export destinations are in the EU and a further two of the top 10 have trade agreements with the EU.

As a responsible Government, we are making preparations for Brexit and providing the tool for business to meet the challenges ahead. The Brexit toolkit for exporters, launched on the Scottish exports website in July, gives advice and access to grants for consultancy support to help companies. Our Brexit readiness programme will supplement this.

The Scottish Government understand the importance of trade to the success of our economy, which is why we take seriously Scotland's role in trade negotiations. We published a discussion paper of Scotland's role in the development of future UK trade arrangements, which I have here, in August of this year and the paper makes the case for a guaranteed role for the Scottish Government and Parliament in all stages of the formulation, negotiation, agreement and implementation of future trading arrangements. This will ensure Scotland's economic and social interests are protected and promoted and that the voices of Scotland's consumers, businesses and wider society are heard. As yet we have had no response to this discussion paper from the UK Government.

Our recent response to the Department for International Trade's consultation on potential future trade agreements made it clear that we



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expected this to be the start of our involvement in this work. Our response to that consultation sets out our views on Scotland's interests in relation to future trade arrangements in general in terms of both how and what we want to trade and the potential impact of the particular four trade deals that the UK Government are looking at currently. In doing so we are focusing in particular on areas where Scotland's interests may be different from those of the rest of the UK. The Scottish Government's overriding aim is to put consultation and decision-making processes in place that will protect Scotland's social and economic interests in the challenges we are facing.

Thank you for inviting me here this afternoon and I look forward to your questions.

Q426 **Chair:** Thank you for that opening statement. We never got quite to who your associates are. Please introduce yourselves for our record.

George Burgess: I am George Burgess. I am a deputy director in the Scottish Government responsible for trade policy, food and drink.

Steve Sadler: I am Steve Sadler; I am the head of the trade policy team in the Scottish Government.

Q427 **Chair:** Thank you for that. To get things started, Minister, in your written evidence—and we do have a copy of your paper—you stated that Scotland has different trade priorities from the rest of the United Kingdom. In your paper you go into detail of exactly what they are. How would you like to see the future of a UK-wide trade policy take account of these differences that you identify?

Ivan McKee: You are correct: there are a number of areas, be it different sectoral focus, different prioritisation on issues around GIs, the way we approach environmental or social aspects of the devolved matters, which are very much increasingly part of our international trade deals. We have a very different potential focus and priorities within Scotland.

The discussion paper I mentioned outlines how we would see the involvement not just of Scotland but of all the devolved Administrations in the formulation of future UK trade policy. We have looked internationally at best practice. Based on that, our proposal for discussion is that devolved Administrations are closely involved in all stages of that process, from the very beginning deciding which countries we want to have trade deals with, through to the process of understanding our priorities, both offensive and defensive position; what may happen as we plan through the negotiation; going through the negotiation process itself; the scrutiny of deals, and then the ratification and implementation of those deals.

We believe that having the devolved Administrations involved in all stages of that process not only protects the interests of all parts of the UK, but puts the UK Government and negotiators in a stronger position,



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because of access and expertise from across the whole of the UK, and taking into account all positions, prevents any surprises later on. It also gives more confidence in the process to the parties that the UK Government could be negotiating with. They will understand they are negotiating with a Government that has all aspects covered on their position. For all of those reasons, we think that is the best way to proceed and we have outlined some specifics on the mechanics of how we see that operating going forward.

Q428 Chair: Could you go into a bit of detail about the type of role that you would expect Scotland to have in future trade agreements when we leave the European Union? Do you have any specific model in mind? What would you expect to happen?

Ivan McKee: The situation the UK is in is unique, so there is nothing that you could cut and paste but there are some good examples out there. We looked at the Canadian model in a bit of detail. We have looked at what happens in Belgium and there are other examples internationally as well. At the core of what we are proposing is that there is an intergovernmental international trade committee statutory body that is able to oversee that whole process, take input from devolved Administrations, understanding at all stages what is happening in the negotiation process and acting as a body that oversees that. Around that you can plug in expert advice of sub-committees or whatever makes sense based on the specific negotiations you are going through. It is not dissimilar to the Canadian model where the C-Trade Committee provides a similar type of function. We see that as being a good place to start and then you can tweak that as the process develops.

As I say, that allows for all of the devolved Administrations to have an input into a process that allows the UK to take forward its best position with the best chance of success in any future negotiations.

Q429 Chair: The trade White Paper says that they would seek the input of the devolved Administrations to ensure they influence the UK's future trade policy, recognising the role they will have in delivering and developing it. Have you had conversations with the International Trade Secretary? Do you understand what he means by that?

Ivan McKee: We have heard words like that. As I mentioned earlier, we are yet to have any response to the specifics we have put forward in our discussion paper on Scotland's role in the future of UK trade arrangements. We are disappointed by that in the context of the conversations we have had with UK Government Ministers on this issue, and certainly at official level for a period of time we have been disappointed in the quality and volume of discussion that has gone on there. The UK Government very often are in a place where they are proceeding at pace without devolved Administrations to the extent that we would expect or like.

Q430 Chair: There is a memorandum of understanding between devolved



Administrations and the Department of Trade and Industry. Do you think this is going to be a suitable mechanism post-Brexit for dealing with these issues?

Ivan McKee: If you are talking about the JMC, we think that that process is not robust enough to deal with what needs to happen going forward. There either has to be a significant beefing up of that—which is something I know my Welsh colleagues have been discussing—or, as we are proposing, a completely new body that is statutory and meets on a regular and planned basis, unlike the JMC, and gives due weight and attention, in a structured way, to the needs and requirements of the devolved Administrations.

Q431 **Chair:** I know that in your paper you say that the solution for the Scottish Government and the Scottish Parliament is to have a guaranteed role in all stages of the formulation, negotiation, agreement and implementation of future trade deals. Then you go on to say, however, the the extent of this involvement could change depending on the situation. Could you describe what you mean by that?

Ivan McKee: In any given trade negotiation there are going to be aspects where the interests of certain devolved Administrations are going to be more to the fore, either because of the sectors that are prioritised or because of specific issues that are of importance in those parts of the UK. Through that process there will be the opportunity to tailor and refocus that depending on what has been discussed, who it has been discussed with and the relative prioritisation of those aspects of it. I could foresee a situation where at the very beginning stage everyone is involved but as different strands of a negotiation move forward there may be parts that are more important to certain devolved Administrations than others.

Q432 **Christine Jardine:** You touched on Canada and the different states' relationship to trade. Would you accept that Canada is a federal state and that the administrations there are federal government? Scotland is a devolved state. There is a difference between a devolved Administration, where powers are reserved to Westminster, and a federal system. Are you suggesting that we should be looking to the UK perhaps moving towards a federal structure? It is a serious question. You have looked at a federal example. Are you suggesting that we should be moving towards a federal structure rather than a devolved one? In a devolved situation, trade is reserved.

Ivan McKee: Absolutely, I appreciate that. I think there are a number of different strands there. We have looked at examples that we think we can learn from. The fact that it is devolved or federal or neither of those is interesting, but we have looked at the structures there to pick out the best aspects of that.

On the other question, which is completely outside the scope of what we are talking about today, our position on the constitutional future of



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Scotland is clear, I think, that a federal solution in the UK is problematic to arrive at because of the supremacy of the UK Parliament. Without a written constitution, frankly, I am struggling as to how you could implement a federal system in the UK. Good luck with trying to get that through a UK Parliament that sees itself as sovereign and above everybody else in all other matters.

Q433 **Christine Jardine:** The UK Parliament is actually a sovereign Parliament; I do not think we can argue with that.

Ivan McKee: No, sorry, in a federal system that sovereignty would be divided among the federal entities.

Q434 **Christine Jardine:** What would you say to people who might argue that what you are doing is putting forward an argument to support independence rather than looking at the system and seeing where it could work?

Ivan McKee: You are jumping all over the place from devolution to federal to—

Christine Jardine: No, I am not jumping; I am simply asking the question. What would you say to people who would say that the argument that you are putting forward for a different structure is not because there is inherently anything wrong with the present structure but simply because you want to make an argument for independence and a structure that suits that?

Ivan McKee: Your first question puts the lie to that because you have just demonstrated that—

Christine Jardine: No, because you have ruled out—

Ivan McKee: The solution that we put forward works adequately in a federal system, where the Canadian provinces, for example, are not independent countries in their own right. It works perfectly well in a unitary state and it would work perfectly well in the UK if we chose to go down that route.

Q435 **Christine Jardine:** If it chose to go down the federal system?

Ivan McKee: No, if we choose to go down the route of taking on what we are proposing in our paper of having a structure that takes on board the requirements and interests of the different parts of the UK.

Q436 **Christine Jardine:** Do you not think that there is a responsibility on Members of Parliament from Scotland to represent Scotland's interests in trade and for the Secretary of State for Scotland to represent Scotland's interests in trade?

Ivan McKee: There is, but there is also a requirement on the Scottish Government to do so and that is their focus, making sure that happens.

Q437 **Christine Jardine:** It is not trade then; it is the responsibility of the



Scottish Government?

Ivan McKee: As I said before, trade is a reserved matter but the implications and the consequences of those trade deals impact on many devolved aspects, be that environmental, employment or the health service. There is a whole range of aspects where those complex trade deals in the modern world are far more than just to deal with goods and services that impact on devolved Administrations. There is also a duty on the Scottish Government and a drive to do the best to build up Scotland's economy to protect the sectors that are clearly very important as well.

Chair: It only took five minutes to get to issues of independence, so that was not too bad this afternoon. Just to let you know, Minister, that we did meet a Canadian delegation to discuss some of the issues about the CETA arrangement. They greatly impressed this Committee about the place and position they had and the discussions and negotiations around that deal.

Q438 **John Lamont:** Good afternoon. 61% of Scotland's exports are to the rest of the United Kingdom. Do you agree that the Scottish Government's priority should be retaining alignment with the rest of the United Kingdom rather than with the EU, which I think is the Scottish Government's position?

Ivan McKee: The Scottish Government's position is that we want to grow trade with everybody, be that the rest of the UK, the EU or the rest of the world. They are focused on building up all trading aspects. I have visited a number of countries since taking up my post and I have also had several visits to London to look at how we can increase trade to London and the south-east, which we see as a potential strong growth market. As a springboard to the rest of the world, I visited international countries where we are trying to increase trade as well. We are focused on building up a trade across all of those entities.

It is fair to say that in the medium to long term we would prefer a situation to develop as has happened in the Republic of Ireland where they have significantly over decades increased their trade to the rest of the UK, but have increased their trade to the rest of the world much faster than that. They have now gone from a position where 63% of their trade was with the rest of the UK back in the 1970s to a situation where only 13% of their trade is now with the UK. It is not because their trade with the UK has shrunk—it has grown significantly—but because they increased trade everywhere else much faster.

Q439 **John Lamont:** I think we would all want to see trade increase, but my question was about alignment. Do you agree that the Scottish Government should be aspiring to attain alignment with the rest of the United Kingdom?

Ivan McKee: Absolutely, and we should have that with the rest of the UK and with the rest of the EU. That is why we argue the position where Brexit is a mistake, it should not be happening. They clearly should be staying in the EU, but if that is not happening then the whole of the UK



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should be staying in the single market and the customs union. That is our position.

Q440 **John Lamont:** We are leaving the EU so there is going to be increasing divergence between the United Kingdom—

Ivan McKee: We have not seen a deal yet so we will find out.

John Lamont: I have not mentioned the deal yet but we are leaving the EU, is what I said, so there is going to be increasing differentiation between the UK and the rest of the EU. Given the significance of Scotland's exports to the rest of the United Kingdom—I go back to my original question—do you therefore agree that alignment with the rest of the United Kingdom is more important than anything else?

Ivan McKee: We want to be able to trade in all those markets. First of all, we have not seen a deal yet, so on your assertion that the UK will not be aligned with the EU we will have to wait and see what happens and what gets through the UK Parliament. Our intention is to trade with everybody and our solution that we think makes the most sense is for an alignment between Scotland and the rest of the UK, as there is at the moment, and for there to be an alignment between UK and Scotland's biggest trading partner, which is the EU, going forward as well.

Q441 **John Lamont:** Sorry, you are not actually answering my question. As we leave the EU, it is more important, given the export market for Scotland, that we remain more closely aligned with the rest of the UK than with the EU?

Ivan McKee: We want to increase trade with everybody.

Q442 **John Lamont:** I am not talking about increasing trade. I am asking about regulatory alignment.

Ivan McKee: Alignment with the EU is important as well and we think that makes the most sense. My job is to increase trade, make life as easy as possible for businesses to trade, not to put barriers up.

Q443 **John Lamont:** I will turn the question around to make it slightly easier for you to answer. Could you prioritise for me the importance? Is your priority regulatory alignment with EU or regulatory alignment with the rest of the United Kingdom? It is one of the two.

Ivan McKee: Our priority is to increase trade with all—

John Lamont: That is not the question.

Ivan McKee: That is our priority. Our priority is to increase trade with all geographies from Scotland.

John Lamont: On a point of order, Mr Chairman.

Chair: We do not really have a point of order in Select Committees. What would you like to ask?



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John Lamont: I would like some guidance as to how we can ensure that the witness will answer questions.

Chair: You asked the question and he answered the question.

Tommy Sheppard: Asked and answered.

Chair: We will move on and we will leave it at that. As the Speaker often says, the point is made in the point of order. Thank you for that.

Q444 **Deidre Brock:** Further to what we were discussing about post-Brexit trade talks, Minister, is it your view that Scottish Government Ministers should have a seat at the negotiating table? What measures might be brought in to guarantee that position?

You might recall in 2015, the infamous occasion when, because the representation of the EU fisheries talks is decided by the UK Government, Lord Rupert Ponsonby de Mauley was selected to lead the UK delegation rather than Scotland's Rural Affairs Minister at the time, Richard Lochhead who had far more experience of the talks—some seven years' experience—and despite the fact, of course, that Scotland lands at its ports over 60% of the catch in the UK, has huge interests in salmon, trout and so on.

Is that something you would like to see happen and what sort of guarantees might be put in place to ensure that an unfortunate incident like that does not happen in the future?

Ivan McKee: The process you are describing ensures that the devolved Administrations are in at the very early stages and all those interests are put on the table and as we proceed through the negotiation. Clearly one of the challenges the UK as a whole has is not having negotiated trade deals for 40 years, and the level of expertise needs to be rapidly increased. It does make sense to draw in expertise where you have it from all parts of the UK to take part in those negotiations. In a scenario where there is a specific sectoral interest—you mentioned fishing but there are several examples—where the Scottish Government would have placed a higher priority on fishing and trade negotiations than the UK Government have, with that situation you could say that it would make sense to engage Scottish expertise in that sector as part of those negotiations. The negotiation team clearly would be multi-faceted and depend on the aspects that are being discussed at any point in time, but absolutely you would want to draw from all the expertise you have and make sure those interests are put forward correctly.

Q445 **Deidre Brock:** The UK Government said that if Scottish Government Ministers were to attend future trade negotiations they would have to abide by the UK negotiating position. How do you think that is going to work? When we met with the Canadian interests in Brussels recently they seemed quite comfortable with that position and it did not seem to present a big problem for them. There were a lot of blank looks and shrugs at the thought that the Canadian Federal Government would impose anything on the provinces or territories of Canada. How do you



envisage working in the current situation around the UK?

Ivan McKee: It is a good question. On the Committee appearance this morning, one of the members—I cannot remember their name—described the Canadian process as mature. I thought that was a very good way of putting it. If you have met with the Canadians, you will understand that. It comes back to what I said earlier about the importance of the devolved Administrations being involved in the early stages of deciding who you are going to do trade deals with and, following on from that, what are your defensive and offensive interests, what are your opportunities, what do you think will happen through the process and negotiations, what will they ask from you, how are you going to respond to that? There is a whole game plan of strategy that needs to be worked out in quite a bit of detail. For everybody to be in the room at that point allows you to define the negotiating position, the strategy, the tactics, what cards you are going to play, when you are going to play them, how you are going to play them, and all of that gets defined upfront within your team. When you have that game plan it is easy to see that you are in a position where everybody has bought into that and they are deploying through that negotiation.

It is a very mature way of proceeding, a very grown-up way of proceeding, and I think it gives the UK position more strength because it is taking account of all the expertise and opportunities that are there.

Q446 **Danielle Rowley:** I recently met with different producers in my consistency and while they welcome that trade with the UK, the EU and the rest of the world is important to the Scottish Government, they would like to know if there is a list of priorities and what would be the priorities that will help them to know how to prepare?

Ivan McKee: Prepare for what? Prepare for Brexit?

Danielle Rowley: Yes, just to know what priorities the Scottish Government have in terms of trading.

Ivan McKee: The Scottish Government priorities are clearly sectors that we have that we prioritise, be that food and drink, our financial services, our FinTech sector, our life science sector—which is hugely innovative and growing on the back of a very strong university sector—or the education sector itself. The energy sector is hugely important and oil and gas for both product and services, and not forgetting our engineering sector, which is doing some fabulous work in products and one of the fastest growing export sectors we have is engineering professional services. There is a whole range of services there that the Scottish Government prioritise in sectoral interests.

Moving wider than that, there are clearly priorities around protecting Scotland's NHS, which is different from the NHS in the rest of the UK in terms of the privatisation across the rest of the UK. There is our position on environmental aspects, which are hugely important to us, as you are well aware, and our position on workers' rights and human rights. There



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is a whole number of areas where the Scottish Government take a position. Many of those are clearly devolved and that is why it is important that we are engaged in that process to protect those devolved interests as well.

There is a whole range of different areas where we see priorities for our input into trade deals. It depends on the specifics of a trade deal, who we are negotiating with and, as I say, what your strategy and game plan is going to be for proceeding through those negotiations in a way that those aspects would evolve through the negotiation.

Q447 Tommy Sheppard: Good afternoon, Minister. You will be aware, just in the brief exchange so far, that there is a divergence of views on this Committee, indeed a divergence of views in this House, on the attitude towards the Scottish Government's aspiration to be involved in post-Brexit trade deals. I have no difficulty understanding the reasonableness of the position but I feel that some colleagues view the Scottish Government as impudent upstarts sticking their noses into areas that do not really concern them.

Could we explore in a little more detail the possible reasons why the Scottish Government might want to have a formal and statutory involvement in the development of UK trade deals? You mentioned earlier the fact that trade deals impact on a lot of devolved areas. Could you exemplify a little and give us a couple of illustrations of where, if there was not involvement by the Scottish Government and no ability to make a case in the formulation of a UK trade deal, something might happen that would be disadvantageous to Scotland and impact on the jurisdiction you have under the devolution settlement?

Ivan McKee: Yes, sure. We are not clear where the trade deals are going to go necessarily but there are a couple of examples. If you look at the TTIP process, as far as I understand it the NHS was not put in as an exclusion there to prevent US companies taking part in the health service. The UK Government did not put that on the table as an exclusion although other European countries had put sectors in as exclusions. That would be one example where the Scottish Government would be extremely concerned were that to happen.

Again talking about a potential US trade deal, there could be issues around food standards or food processes that we would be concerned about, that could find their way into a trade deal. We could reserve matters that the Scottish Government have a position on that might find their way into those trade negotiations if there was not the opportunity for us to make a comment there.

Those are two examples and there could be others.

Q448 Tommy Sheppard: Just to get the cards on the table, there are some people who would suggest that what is happening here is the Scottish Government are essentially seeking some sort of arrangement that would



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give it a veto over potential UK-third party trade deals and trying to impose policies they may have for Scotland on the rest of the UK. What is your response to that?

Ivan McKee: You said the word “veto”, referring back to the initial comment you made about divergence, which I think is unfortunate given the seriousness of what we are talking about here and reflecting back on what has been mentioned with regards to the maturity of the Canadian process. The Canadians do not talk about the veto because that is not how they are understanding the process aims. That is not how it works, as the process allows the provinces to make their input at a very early stage and then develop a common strategy and approach that is executed at the federal level. That is exactly what we are talking about. It allows all parts of the UK to pool knowledge, expertise, specific requirements so that is all on the table at the start and a common process is worked out that is then executed on. It is very different. I do not know why that kind of terminology keeps coming in but it is a much more mature, considered and effective approach than doing something in isolation and then being surprised when people have concerns about it because they have not been involved in the process. I think that is a much less effective way of proceeding.

Q449 **Tommy Sheppard:** Finally, and I know we are in the realm of speculation and hypothesis here, is it possible, in your view, for the United Kingdom to establish a free trade agreement with a third-party country or group of countries within which differences arising from the devolution settlement are respected, for example within which it may refer to different policies on food standards in different parts of the UK and how these need to be built into trade?

Ivan McKee: I think that is certainly possible. It would clearly depend on the specifics of what you are talking about and who you are negotiating with, but you could envisage a situation where that would be the case. Using the NHS as an example, it could well be, because of the differentiation there, that there are things that would be on the table potentially for the UK that would be off limits in Scotland. That would be part of the negotiating position and that would be something that we would be signed up to. Yes, in theory, that is something that could happen.

Q450 **Chair:** We are not having the UK Government come this afternoon, for very understandable reasons, because of what is going on with the Secretary of State and, of course, he has Cabinet this afternoon. One of the things I was going to ask him was about some of their attitude concerning Scotland’s role in trade deals. I am particularly curious about a statement by the Secretary of State for International Trade where he said that the devolved Administrations might have specific interests that may allow us to have a seat at an international negotiation. He then goes on to say: “we could not go into negotiations with someone sitting on the British side of the table who took a different view from the Government’s”.



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When I read that it suggests that some sort of failure has been set up where you would be sitting around the table and there would be the British side disagreeing and falling out with each other over particular interests. Surely the sensible thing is to be involved, as you say, in the very early stage, shape up a joint position, agree and negotiate it. That sounds to me like there is no place for the devolved Administrations. I do not know what your interpretation of those remarks is.

Ivan McKee: I think it is an unfortunate line. Again, reflecting back on the Canadian experience, or we can talk about others, you have a mature understanding of what it is we are trying to achieve and what everybody can bring to the table, how to pull that together and have an approach to the strategy and the execution of the negotiations that works for the whole of the UK. That language clearly portrays a lack of understanding of what it is we are trying to do and where we are trying to get to to get the best possible trade deals.

Q451 **Hugh Gaffney:** Have British Government officials spoken to you to find out, UK-wide, what your opinions are?

Ivan McKee: In terms of the process, we have done a paper and we have not had an official response back on that.

Q452 **Hugh Gaffney:** You have not had a response back?

Ivan McKee: Not an official response on the paper. We have put in our response to the four consultations that are underway at the moment. It is the Transpacific, US, Australia and New Zealand, so we have put in our perspective on—

Q453 **Hugh Gaffney:** How long ago did you put it in?

Ivan McKee: That has only been in in the last day or so. That is the latest one, so we are waiting to hear on that. That will be a real test to see what comes back there. We would argue it will probably be at the stage where they are deciding which trade deals they are going to go and pursue, which happened, obviously, months ago. We have put that in now and it will be interesting as a starting contribution to that process to see how that evolves. It is a real test case.

Q454 **Hugh Gaffney:** It has just been submitted?

Ivan McKee: Yes, this is just now.

Q455 **Kirstene Hair:** Good afternoon, Minister. Following up on my colleague John Lamont's point, could you clarify if you believe the preservation of regulatory alignment across the UK to be of significance? I do not think we got a definitive answer from the previous line of questioning.

Ivan McKee: I will give you the answer I gave before. It is important from my point of view and from the Scottish Government's point of view to support Scottish businesses to export and trade everywhere. In our opinion, the best solution is if we have regulatory alignment with the rest of the UK and with the EU because that maximises the potential for



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Scottish businesses to do what they need to do, which is to increase the strength of Scotland's economy. If you talk to any of Scotland's businesses, they would agree with that.

Q456 Kirstene Hair: Can you remind the Committee what percentage of exports from Scotland go to the rest of the UK?

Ivan McKee: We have already been through the numbers. It is about 60% of Scotland's total exports, including exports to the rest of the EU. About 60% goes to the rest of the UK but I have also said there is a desire on our part—if you look at the Irish and other experiences—over time to change that because it is not a healthy situation for one country to be so dependent on another for such a high percentage of their exports. It is to grow our exports to the rest of the UK over time but to grow our exports to the rest of the world faster than that.

Q457 Kirstene Hair: I do not think Scottish businesses would agree with you. You are suggesting that in fact they should cut their exports to the rest of the UK, which is the position that you have taken. It is absolutely shocking.

Ivan McKee: That is exactly the opposite of what I just said.

Chair: The way this works is that people on the Committee asks questions, the Minister responds. You may not like the answer you receive but that is the way it is done and there is no point haranguing and trying to insist on particular types of answers. If you do not mind, we ask questions, we listen to the answers respectfully, we take a note of them and then we form a report at the end of that process.

Q458 Kirstene Hair: Moving on to trade promotion, do you think it is helpful that both UK and Scottish Governments have separate trade promotion campaigns? Do you think they work collaboratively enough together at the moment?

Ivan McKee: I think it is horses for courses. The Scotland Is Now campaign is hugely strong and it projects Scotland in a very effective light. It is not just about trade, it is about encouraging people to come and live, work, study and invest in Scotland and to buy Scottish products. That underpins all those activities that the Scottish Government are undertaking. It is something that we think very strongly projects the image of Scotland we want to project and encourages people to do business with Scotland. SDI works internationally as the export and direct investment arm of the Scottish Government's agencies. I have visited SDI in a number of countries, spoken to SDI employees across most countries in the world now and worked with them to understand how we go forward.

I have also met with DIT officials in countries I have visited and I have met with British embassy staff in countries I have visited. The way we see it is DITs do a job for the whole of the UK. That is what they are paid to do and that is what they should do. Their job is to project Scotland



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through Scotland Is Now, to use SDI, Scottish Enterprise to drive up business into Scotland and to push Scotland as high up the DIT agenda as we possibly can so they are also working to develop Scotland's businesses.

Q459 Kirstene Hair: Do you think there is value in having, for example, the British brand alongside the Scottish brand? I know there were issues before around, for example, strawberries in Tesco whereby the Scottish Government were not keen to have the British flag on them and they wanted the Scottish flag on them. There was also an issue with Marks & Spencer that was very prominent in the media. Do you think there is an issue with having a British flag on a product that is, of course, British?

Ivan McKee: Business will decide to market and brand the product in whatever way they think makes more sense for them to sell it wherever they are going to sell it. It is up to businesses to do that.

Q460 Kirstene Hair: The Scottish Government would not intervene with a business, like a supermarket such as Tesco or Marks & Spencer, with the branding of their products. Is that what you are suggesting, Minister?

Ivan McKee: It is not up to us to intervene. Do you mean to stop somebody doing that? That is clearly not within our scope. Do you mean for us to legislate to stop people putting Union Jacks on products; is that what you are saying?

Q461 Kirstene Hair: I am not suggesting legislation. I am suggesting intervention from Scottish Government on which there are documents that are widely available, there was a freedom of information request done on that, and there were media reports on it. It was also raised in the House of Commons Chamber a couple of months back. I am quite surprised that you are not aware of the situation.

Ivan McKee: Businesses will brand as they see fit to increase their sales or whatever. Our job is to project Scotland through the Scotland Is Now campaign, which we think is very strong. Scotland has a very strong brand story to tell. Our job is to make that as strong as possible, to push that brand to support Scottish businesses and use SDI, working in conjunction with DIT where it makes sense to support and project Scottish businesses and the Scottish economy.

Q462 Kirstene Hair: The British brand is also of value to Scottish businesses; would that be correct?

Ivan McKee: That is for businesses to decide what they want to do.

Chair: That has excited a flurry of supplementary questions.

Q463 Tommy Sheppard: I wanted to clarify, because I am intrigued at the line of questioning of my Conservative colleagues and it strikes me that I may have missed something in the Brexit debate. Minister, to your knowledge is there anything in the Brexit process that would lead to a lack of alignment in trading regulations north and south of the Scottish



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border? If there is, I would like to know what new regulatory authority the Scottish Government are likely to achieve but, if there is not, why would it then be a priority to seek alignment where there is no misalignment?

Ivan McKee: An alignment is in place and the Brexit process is not going to change that.

Tommy Sheppard: That is what I thought.

Ivan McKee: That alignment stays in place and we would also prefer to have, and would strongly argue for, alignment with the EU as well.

Q464 **Deidre Brock:** I want to raise something that James Withers, the chief executive of Scotland Food and Drink, said to this Committee when he was giving evidence. He said that he thought, "At best I think the GREAT campaign is a missed opportunity. At worst it runs roughshod over the efforts of the devolved Administrations...the GREAT campaign has an opportunity to celebrate food from these islands. Unfortunately, it was developed in isolation of any meaningful engagement with the industry and certainly the devolved Administrations." Could I get a comment from you on that point?

Ivan McKee: I think he is in a good place to judge it because his day job is to work with the food and drink industry in Scotland to increase their sales and exports. He has done an excellent job of that so far. He has some very ambitious plans going forward. As I said, it is up to businesses to decide how they want to brand their products to project Scotland and the Scottish brand. We are doing that through Scotland Is Now and that is what we will continue to do as strongly as possible.

Q465 **David Duguid:** I want to ask a very simple question. We had Ruth Watson from Keep Scotland The Brand providing evidence in an earlier session and I asked her a question, which at the time I didn't feel had a satisfactory answer. I was checking their website just now and it seems to be the case, as she stated, that they are not a political organisation and it would not be appropriate for her to comment on a political, constitutional aspect of whether it should have a Scotland flag or a Union flag on the packaging. I asked the question—and maybe you could answer—is it also the case that it is inappropriate for political parties and their support to use the Keep Scotland The Brand campaign for their own political purposes?

Ivan McKee: You want me to comment on what individuals would do with flags?

David Duguid: No, I am asking for you to comment on whether or not you think it is appropriate for political parties or their support to use the Keep Scotland The Brand for their own political purposes?

Ivan McKee: People will use flags for political purposes.

Q466 **David Duguid:** Not the flag, I am talking about the Keep Scotland The



Brand campaign.

Ivan McKee: I do not know where you are going with that. My job is to promote trade for Scottish businesses and increase their exports. We do that through the branding that promotes Scotland through Scotland Is Now. We believe it is a very strong brand, it projects very strongly internationally and we believe it is something that Scottish businesses benefit hugely from. That is what we will continue to do working in conjunction with Scottish businesses and the business organisations.

Q467 **David Duguid:** As Scotland is part of the UK, what do you believe having the Union flag on Scottish produce takes away from the value of that product?

Ivan McKee: As I said, it is up to businesses to make those choices on how they see the brand that works best for them. Our job is to protect Scotland and that is what we do.

George Burgess: As you have already heard from James Withers, Scotland Food and Drink has provided—and I am sure can make available to the Committee—quite detailed evidence from consumer surveys of the associations that people have with either flags or national origin. The evidence from that is that both in Scotland and in the rest of the UK generally Scottish food and drink is considered to be superior to that from the rest of the UK. As the Minister said, it is a matter for individual businesses whether they choose to use Scottish or UK branding, so long as that is not misleading, but the evidence is that there is often a commercial advantage if it suits them to use Scottish branding rather than UK branding. That will vary internationally from market to market. I believe there is evidence that in the Chinese market often using a UK image better resonates with consumers.

Q468 **David Duguid:** Even if it is on haggis, for example?

George Burgess: Even potentially on haggis. But there is a lot of evidence there as to what works best in particular markets.

David Duguid: Those different markets have different preferences.

Q469 **Chair:** I do not know if this is as a result of the two campaigns but we are hearing a lot about resistance to promoting Scotland the brand and we have heard a little bit about that today. There is an insistence that some products get covered with Union Jacks and it seems to be down to an argument about flags. I do not know how we have arrived here. In your view, is it a result of these competing campaigns that have been run by the Scottish Government and the UK Government and how helpful do you find all this? Certainly from here it does not seem to be particularly helpful or useful to so many of our Scottish products that need the widest variety of means to try to sell and purchase them worldwide.

Ivan McKee: I thought I was coming here this afternoon to talk about trade policy and trade deals, but there is an obsession with flags kicking around that we have to talk about. I agree with you. I think there are



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some serious issues here. Scotland's exports is a serious matter and something we are hugely focused on growing and expanding and we are doing a huge amount of detailed work to support businesses to make that happen despite Brexit. That is where our focus is on and, as I said before, businesses will brand how they choose to run.

Chair: I thought I had the last word but Danielle Rowley is determined to come in for another go.

Q470 **Danielle Rowley:** I would like it to be on record that we have heard from trade areas and when I have certainly spoken to local businesses they do not understand why we keep using this phrase, "competing brands", because they are just happy for any opportunity for promotion and they are happy to be promoted in any way they can. I do not know if the Minister would agree that it is just a bit silly to talk about the competition of the two different brands and anything we can do to help promote trade and Scottish produce is a good move.

Ivan McKee: I am fairly surprised that the discussion has taken this turn but, as I say, my job is to support businesses to export. They will choose to use whatever brand and vehicles at our disposal and our job is to give them a very strong Scottish brand they can sell and if that works then that is great. If they have other routes to market that is great for them as well.

Chair: On a typically conciliatory note from Danielle Rowley, we will move on from that.

Q471 **Christine Jardine:** Moving away from fun with flags, the Government appear, from what we are told, to have ruled out your preferred option of staying in the single market and customs union. If that is true, it becomes difficult to see how you could, as a Scottish Government, achieve regulatory alignment with both. Given that we have spent a year in negotiations over UK-wide frameworks, can you clarify for us in those circumstances what you feel is of greater priority to the Scottish Government: regulatory alignment with the European Union or with the rest of the United Kingdom?

Ivan McKee: I refer back to the answers I gave before. Our strong desire is that we have better alignment in all those cases. The job of Government should be to make trade easier for businesses, not to make it harder, so we see it as a huge backward step. We would not be in the same position we are now with ease of trade with the EU but there is absolutely nothing in this process that says we would not continue to be aligned with the rest of the UK.

Q472 **Christine Jardine:** Thank you for that clarification. You can appreciate that over the last year there has been a lot of talk about frameworks and in terms of trade where the framework should be run from and we are still waiting on a final agreement on that going forward. Given that, do you have alternative proposals and some way that the UK's future relationship with the EU would be acceptable to the Scottish Government



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and that we could maintain that unified frameworks and regulatory alignments with the rest of the United Kingdom going forward?

Ivan McKee: There are two separate things. On the relationship between the UK and the EU, we will see what the deal says and we will see how far the deal gets, but we continue to push for the UK to comply with the result of the Brexit vote if it wants to leave the EU but that does not mean leaving the single market and the customs union. They are two different things. We will continue to argue for the UK to remain in the customs union and the single market.

On the matter of frameworks, the Scottish Government have always said that common frameworks are required. Of course they are; that is not the issue. The issue is the process by which you agree those common frameworks and that is where the debate has been. Similar to the trade process, we think there is value and strength in those frameworks being agreed across all parts of the UK so that everybody has bought into what they are and how they operate. We see absolutely no reason why that could not be the case and that is what we continue to argue for.

Q473 **Danielle Rowley:** Just to confirm, you said earlier in a response to Ms Hair that the aim is to cut the amount of trade with the rest of the UK.

Ivan McKee: That is absolutely not what I said. Please for the record go back and check what I said. I said our objective is to increase trade with the rest of the UK and I made that point very clear.

Q474 **Christine Jardine:** To clarify that, the impression you gave, whether you meant it or not and if you would like to take this opportunity to clarify, was that you wanted to see Scotland less dependent on trade with the rest of the United Kingdom and more dependent on trade elsewhere. You said that was a healthier situation. Can you clarify? Are you recommending that the rest of the United Kingdom ceases to be as high a priority for Scottish businesses as it is at the moment and you would like to see them put their attention elsewhere, or are you happy for them to continue to trade with the rest of the United Kingdom to the extent that they do?

Ivan McKee: I am very happy to see all Scottish businesses continue and significantly increase their trade with the rest of the United Kingdom. That is very clear. I am saying the trade with the rest of the world is a huge focus for us. If you look at Scotland compared with other countries of our size, we do far less trade with the rest of the world than other countries of our size. As an example I could cite Denmark, Finland and New Zealand. There are many countries of Scotland's size—and this is what was done in the Growth Commission—that trade far more internationally than we do.

I have made this point several times. The UK market is hugely important. I have made several trips to London to specifically focus on this: how do we get more Scottish businesses exporting more to the rest of the UK? It is an excellent first market for them to leave Scotland to go to. It is an



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excellent springboard to the rest of the world because of the number of international businesses and institutions that are based here and it is a great place to start that journey. It is hugely important for those businesses, but if you look at where Scotland is compared with other countries of our size, those other countries do far more internationally than we do.

Q475 Christine Jardine: But those other countries are not in the same position as Scotland. Do those figures take into account the number of deals that are international deals, the first step of which, as you just said, is to trade with the rest of the United Kingdom and that then introduces Scottish businesses to the rest of the world? I am thinking, for example, of someone who perhaps manufactures components for central heating systems in Scotland that they sell to a company based elsewhere in the UK that then exports it. That would appear in your figures as a UK export when in actual fact it is an international export.

Ivan McKee: There is a possibility that the numbers we are talking about and accepting are overstating exports to the rest of the UK, if you want to call them exports, and understating exports for the other. That is possible.

Q476 Christine Jardine: I prefer not to call them exports.

Ivan McKee: That is why I said if you want to call them that or whatever word works in that context, but we all know what we mean.

Q477 Christine Jardine: Trading is good.

Ivan McKee: That may well be the case but as I say, refer back. The Irish example is instructive. They have continued over decades to rapidly increase their trade with the UK.

Q478 Christine Jardine: But they are not part of the UK.

Ivan McKee: I understand that. If you go back a period of time, that was by far their biggest market but they have increased their exports to the rest of the world significantly faster than that. I think that puts them in a more balanced place and they export far more than we do from Scotland.

Q479 Chair: We have heard in this Committee that some of the good products made in the United Kingdom are dependent upon the supply chain from the rest of the European Union so it is not something specific to the UK and these are the things that exist.

I want to get back to your point on the single market. I think we are all aware on this Committee of the very strong opinion of the Scottish Government that we remain part of the single market and customs union. I remember when "Scotland's Place in Europe" was presented to the UK Government as the Scottish Government's view. What happened to that paper and how seriously was that taken by the Government down here?



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Ivan McKee: We think that paper as the Scottish Government's position is a proposal for differentiation that we think stands up and gives a route forward, and it is still on the table for discussion. The engagement on it is not what we hoped, although it was understood this would take time and as the Brexit process unfolded it could be something that would be available for discussion.

Q480 **Chair:** We will obviously have to see this evening and we will probably get a few details, but one of the things that seems to be emerging as a theme is that there will be a differentiated arrangement for Northern Ireland, another nation that voted "yes", though not to the same extent as Scotland. Is it your view that if a differentiated arrangement can be made for one part of the United Kingdom, it could be made for other parts?

Ivan McKee: I think that is self-evidently the case, yes. One of the lines of questioning this morning was around what advantages that could give Northern Ireland with a foot in both camps and would that place Northern Ireland in a competitive advantage against Scotland.

Q481 **Chair:** Is this something that the Scottish Government would seek to pursue if an arrangement has been given to Northern Ireland that meets with a number of particular issues and requirements that Scotland should seek to pursue?

Ivan McKee: We are closely watching that position as it evolves. It is clearly a great unknown on today of all days, but we are watching that situation as it evolves and we will see what we can learn from it that can be applied in the Scottish context to the advantage of Scottish trade and Scottish business.

Q482 **Chair:** It would seem that all the nations of the United Kingdom have what they voted for other than Scotland: Northern Ireland voting "yes" with its own arrangement; Wales voting to leave the European Union getting to leave the European Union; England voting to leave. It is only Scotland—

Ivan McKee: Not forgetting Gibraltar.

Chair: Yes, Gibraltar too. Anyway, we will not pursue that any further but thank you for that, Minister.

Q483 **John Lamont:** My question was going to be about Chequers but I think things have moved on a bit since that proposal was put out there. There is obviously much speculation in the press today about the potential deal that has been done with the European Union. What has been the best bit of the speculation that you have heard about the proposed deal? What is exciting the Scottish Government about the deal the UK Government have supposedly done?

Ivan McKee: You are asking me to speculate on something. I am not going to speculate on hypothetical—



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John Lamont: You have just speculated about the differentiation between—

Ivan McKee: As a possibility that is on the table. I am not going to—

John Lamont: I am not talking about that. I am talking about all the different possibilities—

Ivan McKee: If you want to put to me a specific question on a specific aspect I can talk to, but I am not going to talk to—

Q484 **John Lamont:** Minister, there is much speculation in the press as we speak about what is potentially in the deal. From what you have heard—

Ivan McKee: I have not been paying attention. I am waiting. You hear a hundred different things in a day. I am waiting to see what is in the deal and then we will comment on what is in the deal. Ask me a specific question and I will answer you.

Q485 **John Lamont:** I will ask you a specific question. From what you have heard so far about the deal, what excites the Scottish Government most about what you have heard so far about the proposed deal?

Ivan McKee: Do you mean from the speculation that is swirling around?

John Lamont: Yes. We have all heard it. We are all part of it.

Ivan McKee: I am going to wait and see what is in the deal. We will hear soon enough and then we can comment.

Q486 **Chair:** You could give a few indications of what type of—

Ivan McKee: If there is anything—

Q487 **John Lamont:** The session is about trade, Minister. Of what you have heard about the proposed deal that we will find out the detail of in due course very shortly, what are you most excited about?

Ivan McKee: I am not going to comment on wild speculation that is out there without understanding what is in the deal. We will wait and see. If you want to give me a specific I can talk to that but not a general comment about things that I may see or whatever. If you want to give me a specific, I can talk through on that but I am not going to comment on speculation.

Q488 **John Lamont:** Okay, let us move the question on. There is speculation that we are going to get ourselves into a situation where we either sign up to the deal that the Prime Minister has done or we leave with no deal. Your colleagues down here at Westminster in the SNP have already given a very strong indication that they are likely to go against the deal and leave with no deal. Is your preference for no deal or is your preference the deal that the Prime Minister has negotiated?

Ivan McKee: I do not know the deal the Prime Minister has negotiated. If you want to show me what it is then I can comment on it. Our position



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has been and is that the single market and customs union membership is what is important and that is what we would vote for.

Q489 **John Lamont:** But that is not an option.

Ivan McKee: That is our position, Mr Chairman.

Q490 **Chair:** I don't know how fruitful this line of questioning is. We don't know what is in the deal. We will know later. Maybe the one thing you can help us with is that we are expecting a deal today. Was there a call from the Prime Minister to the Scottish Government before today's Cabinet meeting to give details of what is in the deal? We have seen something to the effect from the First Minister that no such call was made but a call might be made after the Cabinet has—

Ivan McKee: You are asking me to comment on what is on live Twitter. I don't know.

Q491 **Chair:** Well, this was from the First Minister actually.

Ivan McKee: I have been sat here all day and preparing for the Committee. We will wait and see what plays out, but certainly from a respect point of view the Prime Minister should have had discussions with the First Ministers of Scotland and Wales in advance of this. I did hear that allegedly Gibraltar has had sight of the deal already and the devolved Administrations, as at whatever time I came in here, half an hour ago, to my knowledge had not, but clearly that is evolving hour by hour. That is my understanding of where we are at the minute, if that helps you.

Going back to the point on the single market and customs union, it is probably fair to say that it is certainly not outwith the bounds of possibility that if there was a free vote in the House of Commons there would be a prevailing majority for single market and customs union membership.

Q492 **Chair:** There was a question on Chequers, which may have fallen off the edge, given where we are, but part of the Chequers arrangement was that there would be a common rulebook when it came to manufacturing goods where regulatory divergence would be allowed when it comes to services. We don't know if that is going to survive today's conversation but that was in the Chequers arrangement and agreement. Is that something that you would find favour with and is it something the Scottish Government would feel useful?

Ivan McKee: Services are a big part of Scotland's exports and increasingly so, so anything that made that position difficult would be problematic potentially. In that sense, a deal that did not include services would be problematic.

Chair: We have received quite extensive evidence from representatives of the Scottish financial services sector that had real concerns about that, but thank you for that response. Moving on.



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Q493 **Danielle Rowley:** We have heard a lot in this inquiry from different bodies about geographical indicators and the importance that they play in Scotland's trade. What importance do you think they play and are you worried that we think that the UK Government don't have that as part of a deal yet?

Ivan McKee: Again, we will wait and see what is in the deal, but what we can reflect back on is the CETA deal. The European Union included many European GIs in that deal but the UK Government failed to put forward any UK, including Scottish, GIs to be included in that deal. That is something that is disproportionately important to Scotland. Whether it is beef, lamb, salmon or whatever, those GIs are important in the Scottish context. It is one of those areas that highlights that had we been involved in the process through all stages we would have drawn attention to it and ensured that it was put on the table. It is important to Scotland. It is something that we think should be part of any trade deal that the UK is involved in going forward and something that is best protected by designing a process along the lines of what we have proposed in our discussion document.

Q494 **Hugh Gaffney:** Can you explain what you mean by a secret deal? Was that your opening comment—a secret deal you mentioned?

Ivan McKee: The CETA deal. If it was a secret deal I couldn't tell you about it.

Q495 **Chair:** Maybe Mr Burgess could help us with this, because I know you have been very close to the whole question about geographical indication. My understanding is, and you can tell me if this is correct, that the EU is prepared to sign up to a system of GI recognition and Michel Barnier has even gone as far as to say that he is prepared to offer this. But there seems to be a lot of concern on the UK side to secure some sort of reciprocal arrangement. Is that what is happening and why is that happening with something so critically important for Scottish food and drink and Scottish produce?

George Burgess: I think you are substantially correct on that. We will obviously see, later today hopefully, what is in the withdrawal agreement, but earlier this year the Commission published a copy of the draft withdrawal agreement and various sections were marked as having been substantially agreed and others were not and at that stage the GI section was still not agreed. The UK Government's proposal is to create its own GI system but initially will recognise only UK GIs and are relying on the European Union to continue to recognise UK GIs, so there is an asymmetry in that process. We understand that while it is correct for the UK Government to say that there is currently no process for the EU to remove the UK GIs, if that asymmetry continued it would be very likely that the European Union would move to remove the UK GIs. Our preference, which I am sure you have heard from industry, is for continued mutual recognition, at the very least, of the existing GIs between the UK and the EU.



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In terms of how far that agreement has got, the Committee will be aware that the figure of 95% was mentioned in recent weeks as to what had been agreed. Earlier this week when I was discussing it with DEFRA officials, they were unable to say whether agreement had or had not been reached on this component. We await today's denouement with great interest.

Q496 **Chair:** Have the Scottish Government, either through the Minister or Cabinet Secretary Ewing, stressed how important GIs are for Scottish produce and food and drink and encouraged them as much as possible to ensure that some sort of mutual recognition is put in place as quickly as possible?

George Burgess: Absolutely. I sometimes feel that we speak of little else, but if it is helpful to the Committee, I am sure we can share the correspondence that we have had with the Government on this matter.

Q497 **Chair:** If you could, please. We have heard so often in the course of this inquiry that the GI recognition is a feature that is put forward on leaving the European Union.

Lastly, on the no-deal notices that I am sure have been shared either with yourself, Minister, or through your officials, how helpful have they been in preparing Scotland for a no-deal scenario?

Ivan McKee: Many of the technical notices have been disappointing but not surprising in the lack of—

Ross Thomson: Chair, in the pre-meeting when we went through the question order, I was down for question 9.

Chair: I am sorry. I am in the hands of the Clerks when it comes to this.

Ross Thomson: It is fine. I will come in afterwards.

Q498 **Chair:** I am sorry about that. There is some confusion, in that Mr Thomson wants to ask the same question but probably in a different way. I think you can very much count on that, so we will look forward to Mr Thomson's interpretation of the question following this exchange. Minister, sorry about that.

Ivan McKee: The no-deal is such a problematic outcome. It is an impact that both our analysis and the UK Government's analysis showed would hit Scotland's GDP by 8.5%. It is a hugely problematic outcome. The technical notices did the best they could in that situation to explain what the problems were, given there is so much uncertainty, and many of them just said things like, "Yes, there will be issues we will need to resolve here but we are not quite sure exactly how this is going to play out, so we can't tell you very much more". There was a lot of lack of detail in many of them that we were disappointed in but, frankly, did not find surprising given the uncertainty about those scenarios.

Chair: I am grateful. Now the Ross Thomson version of the question.



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Q499 Ross Thomson: It is not that different, Chair. Even in my own constituency there are a number of businesses that export right across the world. They welcomed some of the notices that came through that gave them a bit more information. I would be interested to find out what your Department and the Scottish Government are doing to engage with businesses in preparations for any no-deal situation.

Ivan McKee: It is really important, hopefully, that it does not come to that. We are doing quite a considerable amount of work in all of the exit preparation. There is a Brexit readiness group that sits with the Scottish Government and its agencies and all interested relevant organisations, and meets regularly. It has put together online information. Through Scottish Enterprise account management process and Highlands and Islands account management process it has reached out to businesses, talked to businesses individually about their preparation for Brexit. We have online information on what kind of things they should be looking at. We are helping them through that process. Clearly every business is in a different scenario based on their supply chain, where their customers are, what the labour market challenges are and so on. We are pulling together examples of case studies or Brexit readiness plans other businesses have done that may be relevant and sharing those where it helps to give them an indication of where they may want to pursue that. We are making funds available for consultancy support for businesses that want to avail themselves of that to help prepare their own Brexit readiness plans. At that individual business-to-business level, we are working very hard to support businesses through this.

Q500 Ross Thomson: In answers to questions earlier, you rightfully spoke about how you want to achieve trade with everybody, help businesses to export and trade with everyone, and that your job was to help to support increased trade and not to put up any barriers. One point I would like to raise with you is that at the moment UK-Israel trade is at a record high. The value of trade and goods between Scotland and Israel was £120 million just in 2016. Could you answer the point that in February of this year you signed a Scottish parliamentary motion that celebrated the Boycott, Disinvestment and Sanctions campaign? The motion said that it urges the use of economic and cultural boycotts of Israel and it was a positive campaign. As the Minister of Trade, do you see any conflict of interest at all in signing that motion as well as seeking to increase trade with partners across the world?

Ivan McKee: Human rights is an issue that we take very seriously and there are a number of countries where those factors are something that we consider where we are trading. I have mentioned this already. Human rights is a very significant part of how we would look to consider trade relationships with countries going forward. I think that is the answer to that question.

Q501 Ross Thomson: Just being clear, having said that you want to not put up barriers, as Minister responsible for trade in the Scottish Government you would support economic boycotts of Israel?



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Ivan McKee: I think I need to read through the detail of exactly what that motion said when I was a Back Bencher. The position of the Scottish Government and my position is that we do not support a trade boycott but there are issues—and it is a European Union position as well—about the product from occupied territories that we do not support. I think that position is clear.

Ross Thomson: Thank you for your answer. I do appreciate that.

Ivan McKee: As I say, there are other countries where we make the human rights argument clearly and upfront as well. There are a number of countries like that where we would make the case that there are human rights issues here that we need to sit around a table and talk about in advance of or alongside any discussions on trade.

Q502 **Ross Thomson:** I think it is right that in answer to Danielle Rowley's question you talked about the sectors that are important for Scotland and one was life sciences, which you mentioned. You will know that Israel is renowned for its research and development, particularly in biomedical and environmental sciences, and there could be greater collaboration between Scotland and Israel and Scottish universities on those issues. Is that something that the Scottish Government would be quite happy to look at in future?

Ivan McKee: We are mapping out at the moment where we see the opportunities for sectors and life sciences is clearly a growth industry in Scotland. We are looking at where it makes sense, based on the data available and based on the projections going forward, to focus from a trade point of view. The results of that will be available and we will look at where the focus is going to go but, as I also said, human rights aspects are always a very strong part of the discussions that we have and that is something we will continue to do.

Q503 **Hugh Gaffney:** Just coming back to Brexit, if there is a snag and there is no deal, have the Scottish Government started storing any raw materials and any equipment to keep business moving in Scotland?

Ivan McKee: That is something we have looked at across the piece, and particularly with respect to the health service, to understand what we need to do and put in place provision for that.

Q504 **Chair:** To conclude the conversation, what do you expect to secure from the UK Government about a role in future trade arrangements when we leave the European Union? We have had conversations and discussions with the Minister and we have heard some of the comments from the Secretary of State and some of things that are included in the trade arrangements. What is your expectation of what you will be able to secure in your role?

Ivan McKee: Sorry, could you repeat the question?

Chair: What is your expectation that Scottish Ministers would have in



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playing a part in determining future trade arrangements in the UK?

Ivan McKee: It comes back to what we said in the paper here. A result for us is for the UK Government to engage in that and to put in place a process that enables the devolved Administrations to be engaged in that process from deciding who we are going to talk to right through to implementation of trade deals, structured in a way that maximises the input from the devolved Administrations to protect interests.

Chair: This Committee is about to undertake an inquiry into intergovernmental relations and some of the issues around the JMCs will be under scrutiny from this Committee. We expect to be able to shape up a few recommendations and have a meaningful inquiry that will involve both Governments.

Minister, thank you for your first appearance in the Scottish Affairs Committee. It was a roaming session today, given what is happening elsewhere. If there is anything further that you feel you could usefully contribute to this inquiry, please get back in touch. Thank you.