

SCDI BRUSSELS DELEGATION REVIEW

APRIL 2023

Brussels Delegation Purpose

Following the publication of SCDI's International Trade Committee's report on the future of the UK-EU Trade and Cooperation Agreement ("Trade and Cooperation with the EU: Actions to Support Scotland's Economy"), SCDI committed to hosting a delegation of members to Brussels.

Among its recommendations the TCA report had suggested greater engagement with EU actors on policy development and impact, increasing cooperation with Scotland House Brussels, and facilitating a programme of regular policy missions to key international partners. The purpose of these delegations would be to ensure that Scottish organisations are meaningfully engaged in the issues facing our neighbours, that SCDI where possible supports its members in building the understanding they need to take forward their international ambitions, and that members' interests are represented in the UK and Scotland's international relationships.

It was proposed by our International Business Committee that a high-level programme should be facilitated for a group of senior SCDI member delegates, complimented with a series of individual small group or bilateral meetings. Underpinning this thinking was the goal of building a common programme that would inform delegates of the strategic issues facing the EU and the reality of current EU-UK civic engagement, and at the same time organise bespoke meetings for delegates to foster relationships that they can take forward in the interests of their respective sectors and organisations.

The offer to take part in the delegation was open to all SCDI members and in the end 9 organisations and 20 individuals including SCDI policy representatives took part in the delegation. Planning and hosting for the delegation was developed and delivered in partnership with Scotland Europa and we thank Sarah English and her team for their assistance making this a successful mission.

The purpose of this paper is to offer reflections for the wider SCDI membership on the key takeaways from the delegation. All elements of the core programme were held under a format of opening remarks and reflections from speakers under Chatham House Rules followed up by discussions with delegates. Thus the observations and remarks in this paper are necessarily broad, non-attributable, and are restricted to reflect the nature of discussions.

The core programme was held under three main themes (reconnect, reflect, reshape) which aim to characterise the nature of future EU-UK engagement at a governmental and civic level, with particular insights for Scottish organisations. Feedback from the trip has been clear that the core programme of meetings was a success in providing useful and informative insights, which successfully complemented the bilateral and sector-specific discussions on the margins that were set up for individual organisations. Delegates have built their understanding of the high-level issues facing the EU and the challenges of EU engagement as a third country. Individual organisations have used the connections they have made to take forward their own EU engagement in the longer term. The trip also offered an opportunity for senior-level networking between delegates as well as networking with senior Brussels-based UK officials, EU public affairs leads, and officials from the European Institutions.

Key Delegation Learnings

Wednesday 29 March

Networking Scotland in Europe – our changing engagement

- Speakers noted that the messaging coming from the Scottish Government is changing in light of the progress delivered on the Northern Ireland Protocol. The breakthrough in discussions has improved trust between both sides that a substantive and sustainable agreement can be reached on other issues.
- It was noted that our exit from the EU and relations with the UK are no longer among the EU's top priorities. The European Council's latest agenda focussed on the Energy Crisis, the War in Ukraine, and issues around competition and migration.
- The EU is looking at its response to the US's Inflation Reduction Act (which is intended to protect US businesses and stabilise markets) and is looking to develop a more active industrial policy.
- The EU has also found unity on a number of issues. Unanimity on issues of foreign policy is not common, and in the case of arming Ukraine is unprecedented.
- The Ukraine War has bolstered Eastern European members' participation and influence, especially Poland given the size of its military.
- However, as we might expect there are ongoing areas of disagreement e.g. there is disagreement between France and Germany about whether nuclear power should be considered a green power source.
- Following the Windsor Agreement there are new opportunities for UK/Scotland/EU relations.
- Areas of closer cooperation sought by the Scottish Government between the UK and EU, in the context of the Trade and Co-operation Agreement (TCA) are set to include a Memorandum of Understanding on financial services (intended to support transparency and regular conversations) and future UK involvement in Horizon Europe (funding for research for Higher Education). In the case of Horizon, timing and financing pose some issues because the EU's next financial cycle ends in 2027 so agreeing something with a third country in advance of that will be more complicated because a financial settlement will need to be reached to access a programme for less than its full operational length.
- Other areas that will be on the agenda relating to the TCA include building up arrangements around energy, law enforcement, and looking at barriers to trade.
- Delegates were keen to emphasise that Horizon was of fundamental importance to Scottish institutions and offered to support any and all efforts from UK and Scottish officials to access the programme.
- The Scottish Government's commitment to remain aligned with EU rules has been recognized by EU counterparts even if they understand that the reality is that there is no way Scottish regulations will not diverge from the EU over time, particularly if the Retained EU Law Bill means that the UK will scrap EU rules in a number of areas.
- Future Scottish alignment to EU regulation going forward will proceed very much on a case-by-case basis because Scotland will not necessarily have the powers to continue to follow EU law.
- The EU remains a significant regulatory power on the world stage. This means that the EU will continue to be an effective global trend-setter in terms of regulatory matters. The food and drink sectors should be particularly mindful of this, particularly where this is a risk of further divergence due to the progress of the EU Retained Law

Bill.

- The need to build and maintain relationships at all times with EU counterparts, not just when there is an issue to resolve, was also emphasised.
- Scotland has worked hard to earn good will in the EU following the UK's exit so it would be a huge disappointment if key exporting sectors were targeted as they were by the US in the Boeing-Airbus dispute. One of the functions of the TCA is to enable that conversation with the UK as a trusted partner to the EU.
- If an agreement on Horizon is reached in the near term, then this should be expected to last for the duration of the programme (i.e. to 2027).
- In the context of opportunities around net zero, the UK has the potential to be seen as a constructive partner. We should be thinking about how we can contribute to the EU's goals in this respect and where we might help plug the gaps in their supply chains. How regulatory developments evolve will point towards the market opportunities for Scottish or UK firms.

Changing UK-EU relations – Brexit, TCA and beyond

- There are still opportunities for the UK to influence decisions in the EU. There are many areas of shared interest and respect for some of the UK's policy expertise. The objective now is to create a mutually beneficial framework. The Windsor Agreement has been helpful in this respect. For the UK this is about maximising the TCA, exploring areas of co-operation such as the North Sea, working jointly on global issues such as Ukraine, and sharing insight into each other's parliamentary priorities and processes.
- The Scottish Government also has bilateral dialogue with EU countries and is operating in a third country model. This means using soft power, cultural assets, and marketing to positively influence.
- The focus now in the period ahead of the TCA's renewal in 2025 is how the UK maximise the trading opportunities it affords.
- Engagement with the European Parliament is increasingly important as is work with the EU27 and other third countries. There is a window of opportunity to re-look at things.
- The UK leaving the EU hasn't created the imbalance in dynamic between member states as many had predicted, with things largely resetting to a new dynamic on an issue-by-issue basis with countries like the Nordics, Ireland, and Luxembourg coming together on issues that would be usually driven by the UK (such as competition and market regulation).
- The issue of carbon border mechanisms will be a big priority for the UK as it seeks to establish a good working dynamic with the EU as its close neighbour and a potential carbon importer / exporter going forward.
- In comparing the UK's situation in engaging with the EU with that of the US for example: the US has 3-4 dominant economic priorities in its EU engagement – the UK has no such luxury since almost every sector has a large EU interest, and as such its engagement with the EU needs to be successful across a number of fronts.
- The legacy of the UK's withdrawal from the EU also affected those individuals that have worked on it. There has been an immense loss of trust in the UK as a political actor, and the consequences of this will continue to be felt for some time.
- The Scottish Government has found itself 'translating' the thinking behind UK policy positions to EU officials.
- Despite some very low points in the UK-EU relationship, trust has somewhat recovered in the past months.
- There has been a misunderstanding in the UK press about what was meant by a "Swiss-style" relationship with the EU: this relationship has nothing to do with

closeness to the EU, and much more to do with the fact that issues are handled on a case-by-case basis when it comes to adoption / adaption of EU rules and norms at a Swiss level.

- The group discussed forthcoming data protection legislation which is expected to present major issues for the UK in terms of the transfer of data and to UK organisations to ensure they are compliant.
- It was noted that – should there be an issue on costs with Horizon – that the EU will quite quickly present the approximate budget contributions that it would consider satisfactory, as issues of funding are often resolved relatively quickly.

Thursday 30 March

European Institutions

- High-level impressions were shared about the current focuses of the EU, with the point being made that the assumption of consistent conflict between member states is not a fair reflection of the EU on most issues. On the contrary, agreement can be and has been achieved in some areas quickly. The response to the War in Ukraine being given as an example of further consolidation of the EU's unity on responses to issues of strategic importance.
- There are many areas where the member states have powers outside the jurisdiction of the EU. Power is shared between the Council and Parliament and the treaties are the framework for agreement which can be achieved if the political will is there.
- Unity on security issues does set a new precedent. Now that the working precedent has been set it is clear that the EU is capable of cohesion on geopolitical issues.
- Current priorities are Ukraine and Competitiveness (particularly in areas of net zero and digital), particularly in the context of the US Inflation Reduction Act.
- Member states such as Poland and France have become more powerful given the security dynamic, and the Eastern states have attained a greater presence within the Council.
- Brexit has damaged the good will and trust in the UK-EU relationship. Scotland has earned some good will but it will need to be sure not to overplay its hand and must continue to understand its place within the evolving dynamic between the EU and the UK.
- The ways that science and research binds with industrial policy was discussed at length, and the role for Horizon going forward was looked at within this. The Commission has committed resources to anticipate, integrate, and ensure Impact of Science and Technology across the EU.
- The next Multi-Annual Financial Framework in 2027 will be seen be some in the EU as a chance to reset the EU as a more interventionalist presence within the Single Market, particularly given the more interventionist and isolationist approach within the US.
- Priorities in 2019-2024 framework were: the EU Green Deal, Digital Age, A stronger EU in the world, an economy that works for people, Protecting our way of life, and greater EU democracy. Future planning priorities will continue to reflect these to some extent. Plans for the next research framework (Horizon 10) are in development.
- The politics of the EU has also evolved. For example, on Green issues the greater bloc of Green MEPs made the EU Green Deal (the 'fit for 55' agenda) "greener" than it otherwise would have been.
- The regulation of media and the future of technologies such as AI are a growing focus and concern. There is a sense that losing control of these technologies will create a

lot of unknown unknowns, and that the EU is under threat from malign actors that can exploit technologies, attack (digital) infrastructure, and drive misinformation through largely unregulated and ever-expanding social media.

- Whilst the UK and Scotland's ability to influence directly is diminished there is still value in being present in Brussels, engaging early and working across a range of points of engagement still makes sense.

Third country engagement

- In characterising their organization, Simon Marti from SwissCore set out that the Brussels office acts as a liaison on R&D and innovation between the EU and Swiss institutions. Switzerland offers a useful perspective to the EU on these areas as a non-member state.
- Iben Dahl from Innovation Norway contrasted her country's relationship with the EU with the relationships of other third countries. Norway enacts almost all EU legislation and is bound to EU frameworks by the EEA, as well as further informal arrangements even at Council level. Furthermore 70% of Norwegian exports go to the EU. Innovation Norway provides support for innovation and enterprise development, offers marketing services, and offers and facilitates funding opportunities at national and EU level.
- The Canadian High Commission has a role as an embassy but has a significant role in supporting Canadian businesses. The support services from Canada's trade and investment agency are free for all businesses to use and, given that the EU is Canada's second largest trade partner, it has a significant EU presence. Canada also has large offices representing its regions in Brussels, all of whom are driving for expansion into the EU markets and becoming competitive at a global level. Canada also has significant interests in an EU context with respect to hydrogen, minerals, and semi-conductors and significant academic exchange links. An element of Melissa's role is to identify alignment between Canadian businesses and the objectives of EU programmes.
- The nature of trade policy deliberation and decision-making at a political level was discussed. In Norway the decisions are taken in Oslo in line with EU Directives and Norway's interpretation of their implementation. Trade is very much a national competence in Switzerland even if the confederal structure of government creates a different dynamic in decision-making from most countries. In Canada states have significant powers but often exercise them when regional priorities are affected (such as Alberta on energy).
- In Canada's case there is significant autonomy in trade promotion with Quebec, New Brunswick, and Alberta all having a significant EU presence. Diversity has been a strength in promoting Canada, and the focus around specific opportunities has led to meaningful wins in trade and investment at a regional level. The strength of regional promotions is also reflected in Innovation Norway's experience.
- EFTA and bilateral relationships characterize the main focal points in Switzerland's trade policy development. The WTO has been much less powerful in recent years, but their presence in Geneva has a significant benefit for networks for Swiss organisations nonetheless.
- On Horizon, Norway has full association and access within governance structures on alliances. Switzerland's relationship is more complex given their withdrawal from Horizon but retention of many of the research links, and the prevailing desire in Switzerland to regain associate membership.
- Canadian businesses have secured funding with the roll out of the Inflation Reduction Act in the US, which created significant public sector investment and

procurement opportunities – this is also being looked at in the context of the EU's packages.

- On energy: the countries have differing relationship. Canada is a net exporter of hydrogen and sees opportunities to continue to push into this space at an EU level. Switzerland has a network of agreements governing energy relations but has significant shared interests in continued EU-Swiss trade in energy, which already has a decades-long history. Norway is largely integrated into EU energy markets already.

Reflections on the EU's strategic outlook

- The situation worldwide seems to be a state of “perma-crisis”, with constant challenges facing state actors everywhere. It is clear that drastic actions will need to be taken to address the threats and pressures that the EU faces at a global and strategic level. Aside from the Energy Crisis and the War, climate change and an aging population present a clear long-term threat to the EU as these will in-turn create crises which will build greater and greater pressure.
- The nature of any possible progress in the case of the Ukraine War is rather linear. Addressing the crisis presented by the war requires several elements: the right US President, a strong Ukraine, and a weak Russia. At present we have all three, mainly because Ukraine's resilience has massively improved since Crimea and Russia has massively over-estimated its own capabilities.
- However the War in Ukraine is likely to continue to deepen Russia's relationship with China, which presents its own strategic issues.
- ‘My country first’ is clearly becoming a greater part of the geopolitical mindset, and this siloed thinking will present its own issues if it continues. Confrontation rather than solution-focused politics is becoming the norm, particularly at a political level – relatively minor domestic issues will increasingly become marginal in political debate as there will be little bandwidth at a government level to look beyond key issues and threats.
- At a domestic level worldwide among democracies our politics have become more fragmented, and we now see disintegration of national unity in politics and discourse in some cases. This is attributed in part due to the polarisation of political debate, greater disinformation particularly on social media platforms, and distrust in perceived political and economic elites and institutions.
- While the EU is not alone in facing these universal challenges, the EU wasn't built to handle multiple actors (both internal and external) breaking the rules of the international order at the same time. The US's global role is becoming more detached, Russia has become more extremist and opportunistic, and countries like the UK and Hungary are being much more irresponsible and populist in their approach. Different actors within the EU (institutions and member states) will have to re-evaluate their role given the rapidly changing circumstances.
- If peace is restored in Ukraine then the EU must take the opportunity to bring Ukraine into membership or close association immediately. In much the same way as the EU has shown unprecedented unity in outfitting the Ukrainian military on a scale that was previously unheard of, it must also drive reconstruction when and if the time comes.
- Weapons and military expenditure is expected to rise across the board in the future, with AI playing an increasing role. The UK risks being left out of EU cooperation in these areas, with the Ukraine War illustrating why the UK needs to view EU cooperation on foreign affairs as being of strategic importance.

Delegation Attendees

- ARUP, James Kenny (Head of Global Affairs)
- Baillie Gifford, Lindsay Gold (Director of Public Affairs and Non-Executive Director)
- BP, Karri Tough (UK Government Affairs Manager)
- Brodies, Niall McLean (Partner)
- Brodies, Rebecca Morrison (Senior Solicitor)
- The Data Lab, Mark Wilkinson (Director of Partnerships and Business Development)
- Edinburgh Napier University, Naomi Graham (Vice Principal (International))
- Glasgow Caledonian University, Mark Anderson (Director, Research and Innovation)
- Global Ethical Finance, Allan Watt (Senior Advisor)
- Salmon Scotland, James Park (Head of Insights)
- SCDI, Angus Robertson (Policy Manager)
- SCDI, Sara Thiam (Chief Executive Officer)
- SCDI, Clare Reid (Director of Policy and Public Affairs)
- Scotch Whisky Association, Martin Bell (Deputy Director of Trade and SCDI International Business Committee Chair)
- Shepherd and Wedderburn, Joanna Boag-Thomson (Partner and SCDI Chair)
- Universities Scotland, Alastair Sim (Director)
- Universities Scotland, Ulrike Peter (Senior Policy Officer)
- University of Dundee, Prof Iain Gillespie (Vice Chancellor and Principal)
- University of the West Scotland, Prof Milan Radosavljevic (Vice Chancellor)
- Zero Waste Scotland, Ray Georgeson (Head of Policy, Impact & Evaluation)

Contributors

We would like to thank the individuals below for meeting with our delegates throughout the programme:

- Sattam Al-Mugheiry (Senior Policy Advisor/First Secretary, Scottish Government)
- Iben Dahl (EU Advisor, Innovation Norway)
- Sarah English (Head of Scotland Europa)
- David Galloway (European Council, Deputy Director General)
- Melissa Gartland (Trade Commissioner to EU, Canada)
- Martin Johnson (Director, EU Directorate, Scottish Government)
- Eleanor Kenny (Policy and Communications Manager, Scotland Europa)
- Nick Leake (UK Mission Political Counsellor)
- Simon Marti (Head of Office, SwissCore)
- Paul McAleavey (European Commission, Senior Advisor, Joint Research Centre)
- Frank Moeschler (Head of Research and Innovation, Scottish Government)
- Joni Smith (Deputy Director, EU Directorate, Scottish Government)
- Valentine Willmann (Senior EU Policy and Funding Executive, Scotland Europa)
- Fabian Zuleeg (Chief Executive, European Policy Centre)