The Committee will meet at 2.00 pm in Committee Room 2.

1. **Item in private:** The Committee will discuss whether to take Item 7 in private.

2. **Promoting Scotland worldwide - an Inquiry into the external relations policy, strategy and activities of the Scottish Executive:** The Committee will hear from—

   **Panel 1 (Trade and Industry)**
   
   Martin Togneri, Scottish Enterprise  
   Brian Shaw, Scottish Development International  
   Douglas MacDiarmid, Highlands and Islands Enterprise  
   Allan Hogarth, Confederation of British Industry, Scotland

   **Panel 2 (Trade and Industry)**
   
   Alan Murray, Standard Life  
   David Brackenridge, Scottish Textiles Forum  
   Theresa Houston, Scotland the Brand  
   Keith Anderson, Scottish Power plc

3. **Convener’s Report:** The Convener will update the Committee on the—

   Invitation to UK Ministers to give evidence to the Committee as part of its Inquiry into the Repatriation of European Regional Development Funds  
   Statement by the Rt. Hon Jack Straw MP on the UK Government’s plans for enhancing the role of Parliament in European Union matters
4. **Pre- and post-EU Council scrutiny**: The Committee will discuss the agendas and information received from the Scottish Executive on the following meetings of the Council of the EU—

**Forthcoming Councils**

General Affairs and External Relations Council, 22-23 March
Agriculture and Fisheries Council, 22-23 March

**Previous Councils**

ECOFIN, 10 February

5. **Implementation of EC legislation**: The Committee will consider proposals from the Scottish Executive to implement EC legislation using section 57 (1) of the Scotland Act, specifically the revision or abolition of the Fertilisers Regulations 1991.

6. **Sift of EC/EU documents and draft legislation**: The Committee will consider the latest list of EC/EU documents and draft legislative proposals received for this meeting.

7. **Arrangements for the visit by the Committee to the Catalan Parliament**: The Committee will discuss briefing papers from the Clerk.

   **Stephen Imrie**
   Clerk to the Committee
   Tel: 0131 348 5234
   Email: europe@scottish.parliament.uk

*******************************************************************************
The following papers are attached for this meeting:

**Agenda Item 1**
There are no papers for this Item

**Agenda Item 2**
BRIEFING PAPER: “Written submissions of evidence for today’s meeting”  
EU/S2/04/5/1

**Agenda Item 3**
Convener’s Report, including—
Letter from Ms Ruth Kelly MP, Financial Secretary to the HM Treasury  
EU/S2/04/5/2

**Agenda Item 4**
BRIEFING PAPER: “Pre- and post-Council of the EU analysis and scrutiny”  
EU/S2/04/5/3
BRIEFING PAPER: “Correspondence received from Scottish Executive on pre- and post-Council”  
EU/S2/04/5/4

**Agenda Item 5**
EU/S2/04/5/5

**Agenda Item 6**
Sift of EC/EU documents and draft legislative proposals  
EU/S2/04/5/6

**Agenda Item 7**
PRIVATE PAPERS – Briefing papers for the visit to the Catalan Parliament (to follow)  
EU/S2/04/5/7
Introduction

1 This paper contains, in Annex A, the written submissions of evidence (where one has been received) from today’s witnesses. Most submissions received so far for this Inquiry can be seen on the Committee’s homepage within the Parliament’s website:

http://www.scottish.parliament.uk/european/index.htm

2 The paper also contains, as Annex B, the terms of reference for the Inquiry as agreed by the Committee.

Recommendation

3 Members are requested to refer to these witness submissions to assist them in their preparations for the meeting.

Stephen Imrie
Clerk to the European and External Relations Committee
The Scottish Parliament
Tel: 0131 348 5234
Email: europe@scottish.parliament.uk
Scottish Enterprise and Scottish Development International

Covering Letter

Scottish Enterprise is pleased to have been invited to submit evidence to the Committee’s inquiry.

In today’s globalised economy, Scotland’s ability to achieve maximum value from its links with the rest of the world is more crucial than ever.

Scottish Enterprise’s role in promoting Scotland overseas is through Scottish Development International (SDI), a joint venture with the Scottish Executive. SDI’s specific contribution is to:

- support the internationalisation of Scottish companies, including export promotion, with a particular emphasis on increasing international knowledge flows and on helping companies with deeper overseas engagements (‘Knowledge Out’);
- attract high value economic activity, including inward investment, to Scotland (‘Knowledge In’);
- facilitate the exchange of skills, ideas, intellectual capital and networks of people to further international economic development in Scotland;
- market Scotland’s economic development proposition internationally

In carrying out these activities – which are in line with the Executive’s Global Connections Strategy, SDI works closely with many partners to ensure a comprehensive and co-ordinated approach is taken to boosting Scotland’s international profile.

We believe that the international networks being developed by Scottish Development International provide a sound foundation for further developing the profile of Scotland as a modern, innovative place to do business with. We look forward to the Committee’s identification of key challenges and future approaches to help Scotland’s engagement with the rest of the world become even more focussed and successful.

Yours sincerely

Sir Ian Robinson

Written Submission

INTRODUCTION & EXECUTIVE SUMMARY

1. Scottish Enterprise is pleased to have been invited to submit evidence to the Committee’s inquiry. In today’s globalised economy, Scotland’s ability to achieve the maximum value from its links with the rest of the world is more crucial than ever. There is no question that a joined-up approach is required to add value to each organisation’s individual efforts. Scottish Enterprise aims to play its part in this through the mechanisms set out in
this paper, and will continue to work with its wide range of partners to enhance the profile of Scotland overseas in future.

2. Scottish Enterprise’s main role in promoting Scotland overseas is through Scottish Development International (SDI), a joint operation with the Scottish Executive. SDI’s specific contribution is to position Scotland as an innovative and inventive place to do business in and with, which offers a modern and confident global outlook, world-class ideas and a highly skilled workforce.

**Partnerships (paragraphs 7 to 16)**

3. SDI maintains close operational relationships with colleagues in the Scottish Executive and the UK Government to ensure complementary activity, and in particular is a member of the Scottish Executive’s Scottish International Forum. Through SDI, Scottish Enterprise is a full participant in the Forum’s ethos of developing a co-ordinated approach to planning overseas promotional activity. This builds on the opportunities presented by the work programmes of Forum partners, as well as identifying flagship events which Ministers would want to lead and to which one or more partners may also be able to contribute. The level of economic development involvement in and allocation of resource to any specific overseas promotional activity will vary depending on factors such as the demand from Scottish companies for support to enter the geographic market in question, the degree of market potential and the timing.

4. Other national partners include VisitScotland, the British Council, Scotland the Brand and the Scottish Council for Development & Industry. In addition, SDI is responsible for co-ordinating international trade promotion activity at local level across Scotland through the LECs in conjunction with local authorities and chambers of commerce. The submission summarises the partnership arrangements with these various organisations.

**Priorities (paragraphs 17 to 21)**

5. SDI targets most of its resources towards identifying and pursuing opportunities overseas to enhance the development of priority industry sectors for Scotland, in line with the industry and cluster priorities of the Enterprise Networks. SDI seeks to identify and focus activities around developing sustained and in-depth business relationships with the key influencers in the areas which represent the best current and future market opportunities for the priority industries and clusters.

6. The key strategic issue in international economic development sales and marketing activities - and therefore in Scottish Enterprise’s contribution to the promotion of Scotland overseas - is that while we can to some degree identify the specific individuals who are likely to take or influence the decisions we are trying to affect, we cannot know in advance the timing of such decisions. Consequently, our sales and marketing activities need to use a wide mix of both direct and indirect channels to market and need to be sustained across the full course of each year, so as to maximise the chances of being close to ‘top of mind’ at whatever point in the year decision-makers are engaged in making decisions relevant to our economic development.
International activities (paragraphs 22 to 39)

7. SDI’s work to help Scottish companies internationalise is increasingly geared towards covering the widest possible range of ways in which companies might need help to enter or expand in overseas markets. SDI is also responsible each year for co-ordinating the production of a Scottish Exhibitions and Missions Programme (SEMP) for the operating year ahead, which covers not only SDI-led missions and exhibitions but also those proposed or led by other local and national delivery partners. This information is shared with the other members of the Scottish International Forum so we can realise the synergies between trade mission destinations and wider Executive programmes. The SEMP for 2003-04 covers around 130 missions and exhibitions around the world with involvement by Scottish companies.

8. Overseas ‘knowledge in’ activity centres around the efforts of our staff to identify and develop strategic relationships with senior staff in companies headquartered outside Scotland, through their ongoing programmes of sales calls. Whenever appropriate, SDI seeks to cement relationships, exert leverage and gain senior-level access by involving Scottish Ministers in meetings both overseas and during visits to Scotland by top overseas corporate management.

9. Scottish Enterprise also leads a number of other international projects, such as:

- **Talent Scotland**, aimed at improving Scotland’s access to internationally mobile, skilled and experienced individuals in the electronics and biotechnology sectors, which is being taken forward in discussion with Executive staff developing the ‘Fresh Talent’ initiative;

- The **Globalscot project**, which has created an international network of Scots and allies of Scotland to help further Scotland’s economic success, and whose staff share information regularly with the Friends of Scotland initiative to avoid duplication;

- **Scotland Europa** which promotes Scotland’s interests to the European institutions and to the regions of the EU and which co-ordinates activity with the Scottish Executive’s EU office through a fortnightly Scotland House calendar and a six-monthly ‘forward look’; and

- **Bilateral relationships** with overseas economic development agencies.

10. Additionally, there have in past years and may well in future years continue to be opportunities for SDI participation in **Tartan Day** activities. However, the degree to which it is appropriate to concentrate economic development resources into Tartan Day and Tartan Week events is limited, given the need to prioritise resources so that marketing and sales efforts can be maintained year round, and given that the main decisions around audience, timing and location of Tartan Day events are made by the organising bodies in the US without a specific focus on Scotland’s economic development strategies.
In conclusion

11. We believe that the international networks being developed by Scottish Development International provide a sound foundation for further developing the profile of Scotland as a modern, innovative place to do business in and with. We look forward to the Committee’s identification of key challenges and future approaches to help Scotland’s engagement with the rest of the world become even more focused and successful.

PROMOTING SCOTLAND WORLDWIDE:
AN INQUIRY INTO THE EXTERNAL RELATIONS POLICY, STRATEGY AND ACTIVITIES OF THE SCOTTISH EXECUTIVE

SUBMISSION FROM SCOTTISH ENTERPRISE

SCOTTISH ENTERPRISE’S ROLE IN PROMOTING SCOTLAND OVERSEAS

1. Scottish Enterprise’s main role in promoting Scotland overseas is through Scottish Development International (SDI). SDI was established in 2001 as a joint operation between Scottish Enterprise and the Scottish Executive to be the country’s ‘one door’ international economic development arm, to take forward key elements of the Scottish Executive’s Global Connections Strategy. The rationale for the organisation being a joint operation is that SDI took over the functions of two previous directorates/branches that were also jointly operated between the two parent organisations, namely Scottish Trade International (STI), the former export promotion organisation, and Locate in Scotland (LIS), the former inward investment organisation. These had been established as joint operations to enable a ‘one door’ approach to be provided to clients in instances where the services required by clients needed, for various reasons, to be sourced both from the non-departmental public body (Scottish Enterprise or its predecessor, the Scottish Development Agency) and central government.

2. SDI’s core role is to support the fullest possible Scottish participation in the global economy by focusing on the following areas:
   - supporting the internationalisation of Scottish companies, including export promotion, but with a particular emphasis on increasing international knowledge flows and on helping companies with deeper overseas engagements (‘Knowledge Out’);
   - the attraction of high value economic activity, including inward investment, to Scotland (‘Knowledge In’);
   - the exchange of skills, ideas, intellectual capital and networks of people to further international economic development in Scotland; and
   - international marketing of Scotland’s economic development proposition.

3. SDI’s international role, structure and activities make it an important player in the Executive’s efforts to promote Scotland worldwide. In terms of the six key messages that the Scottish Cabinet has agreed as the focus for the promotion of Scotland overseas, the Key messages agreed by the Scottish Cabinet for the promotion of Scotland: ‘Pride and passion’; ‘Cultured’; ‘Must visit’; ‘Skilled and educated people’; ‘Innovation’; ‘Inclusion’
SDI’s specific contribution is to position Scotland as an innovative and inventive place to do business in and with, which offers a modern and confident global outlook, world-class ideas and a highly skilled workforce.

4. Although SDI is a joint operation between Scottish Enterprise and the Scottish Executive, it has a remit for international economic development across the whole of Scotland, and works in increasingly close partnership with Highlands & Islands Enterprise (HIE) to fulfil its responsibilities in the HIE area. These include HIE membership, through its Chief Executive, of the SDI Supervisory Board which is chaired by the Deputy First Minister and Minister for Enterprise & Lifelong Learning. The joint nature of SDI enables it to access Scottish Enterprise network expertise and resources and to maintain close operational links with local business advisers throughout Scotland, while also being able to act as part of the Scottish Executive, use UK Government facilities overseas, and offer direct access to UK Government assistance schemes. Further detail on the structure, resources and objectives of SDI is given at Annex A.

5. In Scottish Enterprise organisational terms, SDI sits inside Scottish Enterprise’s International Operations directorate. Scottish Enterprise also has a number of other international activities and teams which are not formally part of the SDI joint venture but which also sit within the International Operations directorate and which, in some cases, have a promotional role. These include the globalscot project, Scotland Europa and the Talent Scotland project, details of all of which are provided later in this submission.

6. The next section describes how SDI works with internal and external partners to ensure that targeted messages about Scotland’s strengths in key business sectors are fully aligned with other overseas promotion activities. This is followed by more detail on the rationale for SDI’s choice of target sectors, overseas markets and promotional methods.

PARTNERSHIP APPROACH

7. It is mission critical that SDI works effectively with its many internal and external partners to deliver its contribution to boosting Scotland’s international profile. Within the Scottish Executive, key partners include the Scottish Executive’s Promotion of Scotland and External Relations Divisions. Among wider UK Government networks, it works closely with Whitehall Departments with international responsibilities such as the Department for Trade & Industry, the Foreign & Commonwealth Office, and their overseas trade and investment body UK Trade & Investment (formerly British Trade International), to ensure that Scottish companies can make best use of the resources at the UK’s disposal. SDI has standing membership of the UKTI committee aimed at agreeing co-ordinated approaches to overseas activity across the UK, and regular meetings are held with DTI and FCO counterparts at all levels to share information on plans and priorities.

8. SDI works alongside Scottish Executive colleagues to support Scottish Ministers by contributing to strategic and operational planning for overseas Ministerial programmes and visits to Scotland by key influencers. It also acts jointly with Executive colleagues to take advantage of UK promotional opportunities such as the major FCO campaign currently underway on opportunities in the EU accession countries, and the forthcoming US campaign for the promotion of UK science where it sits on the steering committee.
9. SDI is a key member of the Scottish International Forum established by the Scottish Executive’s Promotion of Scotland Division, which brings together major players promoting Scotland overseas to improve the co-ordination of activity. SDI works to ensure that additional benefit is achieved from co-ordinating promotional activities with other Scottish Executive Divisions around overseas Ministerial visits such as Scottish Ministers’ attendance at the Smithsonian Folk Festival in Washington in June 2003, the ‘Scotland with Catalonia’ programme in September 2003, and ongoing planning for Tartan Day in the US in 2004.

10. Through SDI, Scottish Enterprise is a full participant in the Scottish International Forum’s ethos of developing a co-ordinated approach to planning overseas promotional activity. This builds on the opportunities presented by the work programmes of Forum partners, as well as identifying flagship events which Ministers would want to lead and to which one or more partners may also be able to contribute. The concept of ‘Scotland in/with’ seasons, for example, is strengthened by the explicit recognition that each programme will have a different focus, so it is not appropriate to expect all partner organisations to be equally involved in all events. For trade promotion to be undertaken effectively and efficiently, the choice of destination and timing must be driven by the attractiveness of different market opportunities to key Scottish industries and companies, rather than being an add-on to a programme that is principally designed to reach quite different audiences. As a consequence, the level of economic development involvement in and allocation of resource to any specific overseas promotional activity will vary depending on factors such as the demand from Scottish companies for support to enter the geographic market in question, the degree of market potential and the timing.

11. Therefore, where there is a fit between planned overseas promotional activity and specific Global Connections priorities, Scottish Enterprise will expect that SDI should assess what economic development opportunities can be contributed to the wider programme. However, the Executive’s approach also acknowledges that not every overseas programme will have a strong economic development focus, and that on some occasions cultural or tourism events, or public diplomacy - aiming to ensure wide understanding of the new Scotland - may be emphasised more strongly. In these circumstances, the programme may have limited relevance as a means of targeting the audiences who make decisions about doing business with Scotland, which requires sustained and in-depth one-to-one communication of Scotland’s comparative advantages in places and at times convenient to them.

12. Other key public sector partners with whom SDI co-ordinates overseas activity include VisitScotland and the British Council. SDI staff meet formally on a regular basis with their counterparts in VisitScotland to identify complementary activities and opportunities for synergy have been identified in SDI’s marketing communications plan, which is resourced and implemented through Scottish Enterprise’s Customer Relations directorate. Recent examples include the co-sponsoring with VisitScotland of the Tartan Bus and the Scotland at the Smithsonian event, and making available VisitScotland Business Tourism materials at key business events. SDI also works closely with the British Council in Scotland through support for the international promotional activities of Education UK Scotland (formerly Scottish Education + Training) which supports Scottish universities and colleges to attract overseas students. As well as providing financial
support, SDI is represented on the steering committee which agrees priorities and activities for the year ahead.

13. In addition, SDI works closely with 'Scotland The Brand’, the private sector organisation promoting the use of the Scotland country of origin device created in the mid-1990’s and helping Scottish companies, primarily food, drink and other consumer goods companies, utilise the research it has undertaken on Scottish brand values in their marketing strategies. Until April 2003, 'Scotland The Brand’ was a Scottish Enterprise project, but the intent was always that it would move into the private sector when self-sustainable. SDI’s ongoing engagement is through membership of the organisation’s Board, and ownership of the country of origin device for the moment remains with Scottish Enterprise, albeit with the intent in due course and upon satisfactory performance to transfer it to ‘Scotland the Brand’.

14. SDI also has responsibilities for co-ordinating overseas mission and exhibition activities with delivery partners across Scotland. As well as working directly with Scottish Enterprise’s Local Enterprise Companies and with national partners such as the Scottish Council for Development & Industry, SDI operates with local Business Gateway-International Trade (BG-IT) Partnerships. This infrastructure, partially funded by SDI on behalf of the Executive, is a collaboration between Local Enterprise Companies and SDI’s main business development partners: Chambers of Commerce and Local Authorities.

15. BG-IT partnerships assist local business with their international trade activities, providing core advice and guidance on a range of areas from export regulations to overseas market information. The 12 local BG-IT partnerships are required to implement local plans and actions in support of SDI’s annual operating plan. Their management staff form a network with SDI’s International Business Development teams, aimed at providing consistent local services across the country which are focused on delivering the broader Global Connections strategy.

16. The normal mode of operation is for the BG-IT partnership to provide general first level support. SDI staff back this up with specialist services such as business strategy development, market research and overseas market entry assistance.

SDI’S PRIORITIES FOR ACTION

17. Scotland is a small country and to achieve impact on the global stage we need to be highly focused in prioritising the limited resources available to us. SDI targets most of its resources towards identifying and pursuing opportunities overseas to enhance the development of priority industry sectors for Scotland, in line with the industry and cluster priorities of the Enterprise Networks. Figure 1 below identifies the main clusters and industries given particular priority in 2003-04, which we pursue alongside cross-cutting priorities such as supporting software development and shared service centres across a range of industries; and responding to approaches for assistance with internationalisation from high potential companies, whatever their sectoral background.
18. Given the enterprise networks’ strategic focus on the development of key industries, SDI’s strategy is about **targeting international opportunities in those priority industries rather than about prioritising individual countries.** Global markets and the decision makers within them by definition operate across national boundaries, for example within a network of corporate and regional HQs; or an international cluster involving companies and research institutes. Therefore SDI seeks to identify and focus our activities around the key influencers in the areas which represent the best existing and future market opportunities for the key priority industries and clusters.

19. The choice of locations for SDI’s overseas offices is determined by the current and potential attractiveness to the priority industries of different geographies, the scale of the economic opportunities they represent and the ease or difficulty of operation in the territory. The current pattern of overseas offices is summarised in Table 2 below and is the result of a review approved by the then Minister for Enterprise, Transport & Lifelong Learning in October 2002.

20. In addition to a network of its own offices, SDI is able to draw on the resources of the UK embassy and consular network, and a contract with a global office services provider. It is therefore able to provide internationalisation support to Scottish companies across a wider range of global locations than those in which it happens to have offices. Nevertheless, to get the best return on limited resources, it has focused the majority of its overseas promotional effort in the markets with the highest critical mass of opportunities.
In **North America**, while the richest seams of opportunity are in Silicon Valley, the New England Technology Corridor, and Houston for the energy sector, there are very significant numbers of companies in priority industries across the US and Canada. In addition to maintaining offices and incubators for Scottish companies in all three locations mentioned above, SDI has a Chicago office which services the major manufacturing centres of the Mid West. SDI also supports some specialist oil and gas interests in South America.

In the **Asia Pacific** region the main areas of future focus have been identified as China, Japan and Singapore, since they all score highly on market attractiveness criteria and are also regionally pivotal or strategically significant. New offices incorporating incubation facilities for Scottish companies have recently been opened in Shanghai and Singapore. Taiwan, South Korea, Australia and India continue to provide more modest opportunities.

In **Europe, Middle East & Africa** SDI covers the entire EU market, including the accession countries, from its offices in Glasgow, London, Germany, France, Italy, Belgium, Moscow and Dubai.

Figure 2: SDI overseas bases

21. In these target markets SDI focuses on **developing sustained and in-depth business relationships**, which it believes will yield the optimum benefits in the long term. For the purposes of enhancing Scotland’s global profile as a first-choice business partner, the audience SDI targets consists of business decision makers not consumers. The key strategic issue in international economic development sales and marketing activities - and therefore in Scottish Enterprise’s contribution to the promotion of Scotland overseas - is that while we can to some degree identify the specific individuals who are likely to take or influence the decisions we are trying to affect, we cannot know in advance the timing of such decisions. Consequently, sales and marketing activities need to use a **wide mix of both direct and indirect channels to market**. Direct channels are most often appropriate when we can identify specific, named individuals to whom we wish to direct messages, while indirect channels are most often appropriate when we wish to address specific groups of individuals whose individual identities we may not know, or when direct communications might be too expensive. Communications also need to be **sustained across the full course of each year**, so as to maximise the chances of being close to ‘top of mind’ at whatever point in the year decision-makers are engaged in making decisions relevant to our economic development.

**KEY AREAS OF OVERSEAS ACTIVITY**

22. This section summarises the main areas of Scottish Enterprise and SDI activity which are relevant to the promotion of Scotland overseas.

‘Knowledge Out’ activity

23. SDI’s work to help Scottish companies internationalise is increasingly geared towards covering the widest possible range of ways in which companies might need help to enter or expand in overseas markets. Potential areas of support include:
• basic help with initial export enquiries or market research;
• identifying potential buyers and putting together and executing individual overseas sales visit programmes;
• conducting more detailed and extensive market research;
• organising trade missions, learning journeys and delegations to key international exhibitions or conferences;
• identifying and assisting negotiations with potential joint venture or licensing partners;
• providing incubation support for companies establishing their first direct overseas representation; and
• assisting Scottish companies to make their own foreign direct investments.

24. Within this portfolio of services, **SDI focuses particularly on working intensively with individual high-potential companies** to help them develop and implement comprehensive international strategies which might encompass any or all of the above tactics. In addition, it is increasingly working with Scottish universities (for example, through the ‘Voyages Of Discovery’ programme showcasing Scottish research excellence to Chief Technology Officers of leading international companies) to support their efforts to secure more overseas contract research business.


26. When Ministers’ overseas travel plans are known at the time of preparing the SEMP, clearly these can be taken into account. For the future, through the mechanisms that now exist within the Scottish International Forum, the forthcoming SEMP can be actively reviewed to determine which trade missions it might be appropriate for Ministers to be involved with in the coming year, and whether there is scope for other Forum partners eg arts and culture bodies to mount activity in the same location at the same time.

27. However, the overall pattern of trade missions and exhibitions to be supported clearly has to be driven primarily by the opportunities available to companies in the priority industries the enterprise networks are supporting. Furthermore, trade missions need to be seen in the context of being only one possible means of supporting company internationalisation, which it may or may not be appropriate to deploy in particular circumstances.
‘Knowledge Out’ Case Studies

**Strategic life science partnerships**
Strategic Partnering is a new, more focused approach to commercial activity with specifically targeted overseas organisations, working in partnership with the Life Sciences cluster in Scotland. The objective is to increase the newer forms of high value business development opportunities between Scottish companies and universities and international partners (collaborative and contract research, acquisitions, joint ventures, etc) in the short to medium term and to secure a more embedded form of investment in the medium to long term. The project focuses on identifying and servicing long term partners for Scotland to create stronger and lasting international linkages, by designing and delivering proposals for collaborative work tailored to their interests and the strengths of the Scottish life sciences community.

**Global reach for Scotland’s oil & gas expertise**
Oil and gas sector firms Merpro and RGIT Montrose are just two examples of companies benefiting from SDI’s internationalisation support. Merpro has developed unique technologies to separate oil from water that have applications across a wide range of industries. With SDI’s help, Merpro has revamped its international activities and is looking at the wider opportunities for the company in the Environmental field. RGIT Montrose offer training solutions for oil companies and have centres of excellence as widely spread as Australia and the Caribbean. SDI’s Global Companies Development Programme helped them develop their international strategy, and they also benefited from incubation facilities in Houston, Texas, which helped them break into the huge US market for their services.

‘Knowledge In’ activity

28. Overseas ‘knowledge in’ activity centres around the efforts of SDI staff to **identify and develop strategic relationships with senior staff in** companies headquartered outside Scotland, through their ongoing programmes of sales calls. This activity aims to bring to the attention of key decision-makers the opportunities to succeed by bringing their knowledge to Scotland and exploiting it in the overseas market place by means of using Scotland as a base. There is a wide variety of means to achieve this, ranging from inward investment as traditionally understood through to licensing their products, processes and technologies for exploitation overseas to Scottish organisations, through to exporting via Scottish based agents and distributors. In addition to fostering networks of company contacts, overseas staff also target overseas universities and key influencers such as specialist consultants and industry centres of excellence, together with ‘globalscots’ (see paragraph 30 below) in key positions who are willing to help further Scottish business interests. Whenever appropriate, SDI seeks to cement relationships, exert leverage and gain senior-level access by involving Scottish Ministers in meetings both overseas and during visits to Scotland by top overseas corporate management.
‘Knowledge In’ Case Studies

**Aircraft support expertise at Prestwick**

The past year has seen several developments strengthen the investment in Prestwick airport as an important hub for aircraft support services. BAE systems decided to site its headquarters and core support and engineering functions for its regional aircraft support business at Prestwick. This involved transferring operations from England and France, and has resulted in the creation of over 200 quality jobs. Alan Fraser, Managing Director of Regional Aircraft, said that the attraction of the skills base, the ability to create a cost-competitive environment and, most importantly, a highly committed and flexible 'can-do' workforce were major plus points in their decision.

**Laser technology excellence**

Scotland's reputation as a world-class centre for laser technology was strengthened in September with the opening of a centre of design and manufacturing excellence at Coherent Scotland. Based at the West of Scotland Science Park, the site was chosen by its US parent company Coherent Inc because of Scotland’s formidable reputation for ideas and technology, according to Dr Graeme Malcolm, Managing Director of Coherent Scotland Ltd.

**Scotland attracts leading-edge biotech investment**

Last year SDI was involved in securing inward investment projects in the life sciences sector involving over 200 planned jobs in research, design and development, helping to expand research teams at companies like drug delivery firm Controlled Therapeutics, based in East Kilbride, with a planned addition of 12 new R&D posts.

29. Scottish Enterprise is also becoming increasingly involved in the ‘talent attraction’ agenda, and in August 2003, the International Operations directorate assumed responsibility for the ‘Talent Scotland’ project from Scottish Enterprise Edinburgh & Lothians. The Talent Scotland project, launched in 2001, seeks to improve Scotland’s access to internationally mobile, skilled and experienced engineers in specialist areas such as optoelectronics, microelectronics and communication technologies, in order to enhance the Project Alba semiconductor design campus at Livingston. An integrated global marketing campaign is used to identify and build its target audience database using the web site talentscotland.com as a key part of communication. By June 2003 Talent Scotland had facilitated the fulfilment of 146 vacancies in the original target sectors, and its remit was expanded to include the life sciences sector, which led to the decision to transfer responsibility for the project to the International Operations directorate. As a specialised but significant contribution to ‘attracting talent’ to live and work in Scotland, the Talent Scotland project is being taken forward in light of discussions with Scottish Executive staff leading the broader ‘Fresh Talent’ initiative.

**Cross-cutting activity**

30. Scottish Enterprise’s globalscot project has created an international network of Scots and allies of Scotland in business across the world, to harness their talents, expertise, experience and willingness to help further Scotland’s economic success. To date, globalscot has recruited just over 700 members - 338 in North America, 278 in Europe and 87 in Asia Pacific. Of those, approximately 25% have already been actively involved in furthering Scotland’s economic development agenda, for example by
providing business advice, serving as non-executive directors in Scottish businesses, and through mentoring schools. Potential globalscot members are identified in a number of ways including through recommendation by Scottish Enterprise staff and referral by existing members. The emphasis of the project has now shifted away from recruiting further members and towards supporting the existing membership to maximise their contribution to Scotland’s economic development.

31. Arrangements are in place to co-ordinate the activity of the globalscot project with the Friends of Scotland initiative for which the Scottish Executive recently assumed responsibility. This takes place through regular meetings at which the two teams share information about activity, membership and key messages, and through mechanisms to ensure that any individual who may be interested in being a member of both networks receives clear information on the distinction between the two projects. In this context it is important to note that the globalscot project is not primarily concerned with the promotion of Scotland overseas, albeit that any efforts that globalscot members make to raise the profile of Scotland are of course to be welcomed. Rather, the project is about facilitating globalscot members making the contributions many of them wish to make to the growth of Scottish companies, the teaching of entrepreneurship in schools and the improvement of the Scottish ‘product’.

**Globalscot Case Studies**

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<th>Influential contacts</th>
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<td>Scotland’s Interactive University (IU) is continuing its rapid global expansion with support from the globalscot network. According to David Farquhar, IU’s Chief Operating Officer, a meeting with globalscot Bob McDowell, Corporate Vice-President Worldwide Services at Microsoft, was a significant step. As David commented, ‘We’re a company of 50 people and were never going to be taken seriously by a global corporation such as Microsoft without the influence of an individual such as Bob’.</td>
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<th>Expert help with negotiations</th>
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<td>Globalscot member John McGoldrick was able to help Marcom, a Paisley-based electronic engineering firm, negotiate a licensing agreement with a US company. John – an ex-President of Houston based Enterprise Oil – had expertise that was matched to the company’s needs and flew to Scotland at a day’s notice to discuss the deal with Marcom.</td>
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<th>Inspiring the next generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currently 36 globalscot members are signed up to work with Scottish schools to provide enterprise and entrepreneurial ambition among young Scots. Many more are helping to establish a leadership programme for Scottish students.</td>
</tr>
</tbody>
</table>

32. **Scotland Europa was established in 1992 with the aim of promoting Scotland’s interests to the European institutions and to the regions of the EU.** A subsidiary of Scottish Enterprise, Scotland Europa is a membership organisation of over 60 members including industry, public bodies and the voluntary sector. Scotland Europa’s direct presence in Brussels facilitates non-governmental representation to the EU, positions and raises Scotland’s profile and allows benchmarking and learning in economic development matters from other nations and regions across Europe. ‘Scotland House’ in Brussels is the
base for Scotland Europa, its resident members and the Scottish Executive EU Office. Activities are co-ordinated on the basis of a fortnightly Scotland House calendar and a six-monthly ‘forward look’ prepared by the Scottish Executive to coincide with each EU Presidency.

33. As well as being exposed to international good practice through the EU and worldwide offices, Scottish Enterprise has also developed specific bilateral relationships with overseas economic development organisations. These partnerships help us provide support to Scottish companies to enter the markets in which those organisations are based, by virtue of mutual cooperation agreements, and enable us to learn from the economic development experiences of other countries. For example, the then Minister for Enterprise, Transport and Lifelong Learning signed a Plan of Co-operation with the Economic Development Board of Singapore in March 2003 designed to help both economies benefit from opportunities based around knowledge exchange and innovation, sharing best practice, and the provision of mutual assistance to our companies and institutions. Singapore was selected both since the country is strategically significant for Scotland as a gateway to Asia and because the Economic Development Board has an international reputation as one of the world’s most innovative economic development agencies.

34. We also have links with the Organisation for Economic Co-operation and Development and have recently participated in a comparative study of policies for stimulating international knowledge flows. This has highlighted good practice from Scotland and other relevant OECD countries operating in similar economic environments and pursuing knowledge-based development strategies. In this area of organisational learning, we aim to pursue the same strategy as with our client relationships, choosing to work with a limited number of partners in an intensive and sustained programme of mutually beneficial activity.

International marketing

35. To support knowledge out, knowledge in and cross-cutting initiatives, a wide range of marketing communications activities is undertaken overseas, including advertising, press and public relations, influencer relations, e-marketing, direct mail, conferences, exhibitions and tailored events eg media tours. In those target markets or for those sales and marketing initiatives where it is possible to identify the target clients by name, direct marketing and selling methods are generally preferred over indirect ones. While it is often possible to identify who the specific target clients are, it is not, however, possible to know in advance the timing of the decisions we are trying to influence. As a result, the marketing strategy calls for a relatively evenly spread marketing effort over the full course of the marketing year, rather than resource-intensive periodic ‘bursts’ of marketing activity.

36. The overall objective of these marketing communications activities is to increase awareness and improve perceptions of Scotland as a modern, knowledge-intensive economy.
Marketing Case Studies

Boosting Scotland’s reputation for innovation
Recent events in Asia and the US have provided highly targeted opportunities for SDI to help enhance Scotland’s reputation for business innovation on the world stage. For the second year running SDI sponsored The Economist’s Innovation Awards in San Francisco in September 2003. This event targets an audience of Chief Technology Officers, heads of research, CEOs and entrepreneurs from among The Economist’s target readership. Also in September, Scottish Enterprise’s CEO Robert Crawford was a speaker at the Forbes Magazine Global Chief Executive’s conference in Shanghai and SDI sponsorship enabled him to get access to some of the very senior figures in international business and academia who were in attendance. This was tied in with the formal opening of SDI's Shanghai office and created enhanced leverage around the sponsorship, involving Steve Forbes, Kip Forbes and Casper Weinberger, as well as the Vice Mayor of Pudong who formally opened the office. This has resulted in high profile media placings and some key high level meetings. SDI's association with these events forms part of its year-round international marketing activity and provides powerful opportunities to boost the message among influential audiences that Scotland is an innovative and inventive place to do business in and with.

Tartan Day

37. Tartan Day is primarily an American voluntary organisation led effort to recognise historical and cultural links with Scotland. Events tend to focus on cities and regions where such organisations are active, especially New York, Chicago and Washington.

38. There have in past years and may well in future years continue to be opportunities for SDI participation in Tartan Day or associated Tartan Week activities. Ministerial economic development focused programmes or individual engagements have been undertaken in New York, Washington DC and Chicago, and ‘Scotland The Brand’ has for several years undertaken significant Scottish consumer goods promotion activity in Chicago during Tartan Week.

39. However, the degree to which it is appropriate to concentrate economic development resources into Tartan Day and Tartan Week events is limited. Firstly, as has already been noted, the fact that the timing of the business decisions we are trying to influence is not known or knowable in advance means that sales and marketing resources must be deployed roughly evenly over the course of the year; this means there are constraints on the degree to which it is appropriate to concentrate resources into any individual day or week. Secondly, as outlined above, the main areas of concentration of companies in our priority industries in North America are Silicon Valley, the New England Technology Corridor and Houston. The fact that Tartan Week events are concentrated elsewhere also limits the degree to which it is appropriate to devote resources to them (albeit that New York, Chicago and, to a lesser degree, Washington DC are, of course, important economic centres in their own right).
CONCLUSION

40. An effective framework for the overseas promotion of Scotland must enable the delivery of consistent overall messages which are mutually reinforcing, while allowing the flexibility for agencies charged with delivering specific parts of the international agenda to make their distinctive contributions.

41. Robust prioritisation is important to make the best use of Scotland’s limited resources in making an impact on a vast international stage. Our experience suggests that where possible, the approach should be focused on direct, integrated marketing to very tightly defined target audiences. The aim should be to develop long-term strategic relationships with key individuals and organisations around the world.

42. We believe that the international networks being developed by Scottish Development International provide a sound foundation for further enhancing the profile of Scotland as a modern, innovative place to do business in and with. We look forward to the Committee’s identification of key challenges and future approaches to help Scotland’s engagement with the rest of the world become even more focused and successful.

Annex A

SDI STRUCTURE AND RESOURCES

43. SDI is a joint operation between the Executive and Scottish Enterprise and is formally therefore part of the Enterprise and Lifelong Learning Department as well as being a directorate of Scottish Enterprise. There are four SDI Divisions covered by the joint operation:

- International Business Development (assisting Scottish firms to internationalise)
- Inward Operations (securing high value investment into Scotland)
- Field Operations (providing an integrated global sales force)
- Group Services (co-ordinating the joint operation and briefing Ministers)

44. These teams work alongside the two Scottish Enterprise divisions of Globalscot & E-Networks (developing international business networks using the potential of ICT) and Scotland Europa (advising on EU policy and funding). All six divisions are headed by the Senior Director of International Operations who reports jointly to the Head of the Scottish Executive Enterprise, Transport & Lifelong Learning Department and the Chief Executive of Scottish Enterprise. This structure is summarised in the diagram below.
45. Scottish Development International and International Operations have a combined staff complement of around 175 (125 Scottish Enterprise, 48 Scottish Executive and 2 Highlands & Islands Enterprise funded posts) based both in Glasgow and in our London and overseas offices.

46. The total Scottish Enterprise resources planned for Financial Year 2003-04 to support the activities of Scottish Development International and the International Operations divisions are summarised in the table below.

<table>
<thead>
<tr>
<th>Scottish Enterprise Staffing Budget</th>
<th>3,140,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scottish Enterprise International Operations Budgets</td>
<td>10,760,000</td>
</tr>
<tr>
<td>Scottish Enterprise International Marketing Budget</td>
<td>4,100,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>18,000,000</strong></td>
</tr>
</tbody>
</table>

47. The high level objectives and targets in 2003-04 for SDI and International Operations are outlined in Figure 3.

<table>
<thead>
<tr>
<th><strong>KEY OBJECTIVE</strong></th>
<th><strong>TARGET 2003-04</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>To support the internationalisation of Scottish organisations in order to help Scottish knowledge generate value abroad</td>
<td>Support 600 Scottish organisations to internationalise, assisting at least 50 organisations to achieve deeper forms of internationalisation such as joint ventures or technology licences</td>
</tr>
<tr>
<td>To help Scotland realise value by attracting international knowledge in a variety of forms, including inward investment</td>
<td>Secure 1000 planned high-value jobs through inward investment in 2003-04 (defined as being in RD&amp;D areas and/or with salaries of over £30,000 pa)</td>
</tr>
<tr>
<td>To support the fullest possible Scottish participation in the global economy by maximising two-way flows of knowledge and investment</td>
<td>Secure 100 contributions of direct assistance by globalscots to Scottish Enterprise customers</td>
</tr>
<tr>
<td></td>
<td>Assist Scottish Enterprise to attract at least £19M in EU funding</td>
</tr>
</tbody>
</table>

*Figure 3: SDI key objectives and targets*
**Highlands and Islands Enterprise**

**INTRODUCTION**

The Highlands and Islands Enterprise (HIE) Network is responsible for economic and community development across a diverse geographical area which covers more than half of Scotland and is home to around 425,000 people. Established in 1991, the HIE Network has played a major role in diversifying the area’s economy – assisting locally-based business and attracting new ventures, helping people acquire work-related skills and supporting a host of community and cultural activities.

Our vision is to help the Highlands and Islands become a dynamic and progressive region at the economic and cultural heart of a progressive Scotland, making a distinctive and valued return to the UK and Europe. To achieve that vision we must seek to build new links between the Highlands and Islands and the rest of the world. This paper sets out some of the ways in which the HIE Network currently seeks to build these links.

**STRATEGIC PRIORITIES**

The HIE Network’s strategy ‘A Smart Successful Scotland – the Highlands and Islands Dimension’ sets out four strategic objectives: Strengthening Communities; Developing Skills; Growing Businesses; and Making Global Connections. All successful regions throughout the world recognise that they are part of a larger, global economy and the Highlands and Islands is no exception. We are taking positive steps to ensure that our people, communities and businesses are connected with markets and opportunities around the world. Strategic priorities for the HIE Network include:

- **Increased involvement in global markets**

Success by Highlands and Islands businesses in international markets has been a feature of the area’s recent economic growth but, in the face of ever-increasing global competition, efforts must be increased to raise levels of market intelligence, analysis, marketing and sales.

HIE works in increasingly close partnership with Scottish Development International (SDI) and Highlands and Islands businesses to achieve increased competitiveness in global markets, ensuring that accessible and relevant advice and information is available throughout the area.

SDI is a joint operation between Scottish Enterprise and the Scottish Executive with a remit for international economic development across the whole of Scotland. HIE’s Chief Executive is a member of the SDI Supervisory Board which is chaired by the Deputy First Minister and Minister for Enterprise & Lifelong Learning and HIE currently funds two posts within SDI offices, one in Glasgow and one in London.

The HIE Network helps businesses identify, access and develop overseas markets for their products and services, both through region-wide initiatives and the activities of our ten local enterprise companies. Each year, the Scottish Council for Development and Industry carries out a survey of regional export performance. The results for 2001-2002 showed continued progress, despite the strength of sterling at the time. The total value of manufactured exports from the Highlands and Islands, excluding whisky, was 9.4 per cent higher than the previous year, rising from £398.3 million to £435.6 million. These figures highlight the importance of international trade to the Highlands and Islands.
• **The Highlands and Islands as a globally attractive location**

Across the UK opportunities to attract new inward investments have declined in the last three years. Although the market has shrunk overall, the HIE Network is still managing to win good projects and, in 2002-03, helped create 109 jobs in businesses and organisations that were new to the area. These include Cambrian Engineering, which expects to employ over 60 people at its wind turbine manufacturing plant at the former Arnish fabrication yard on Lewis.

The Highlands and Islands have superb advantages in natural environment, high quality of life and a high-quality of business infrastructure that is benefiting from modern telecommunications and computer technology. It is essential that these advantages are marketed vigorously through the most effective channels and networks worldwide. The HIE funded posts within SDI’s Glasgow office links with the SDI’s Rural Team to promote the interests of rural areas, such as the Highlands and Islands, for inward investment.

• **More people choosing to live and work in the Highlands & Islands**

For many observers the major test of HIE’s value is our success in encouraging more people to choose to live and work in the Highlands and Islands. Population growth is vital to the area and we are striving to create conditions which will draw more people to live in all parts of the Highlands and Islands. We have to ensure, and recent census data underlines this point, that we see an increase in population in all of our region, not just a select group of prosperous centres.

This will require sustained employment creation, availability of affordable housing and first-class community services and facilities to offer a standard of living with the widest appeal. The promotion of Scotland, and the Highlands and Islands in particular, to a worldwide audience as one of Europe’s most desirable places to live, learn, work and relax will also be vital in attracting people to live and work here.

• **Global success in key sectors**

One of the key sectors for the HIE Network is tourism. Tourism supports 20,000 full-time equivalent jobs in the Highlands and Islands and is worth more than £1 billion annually. The HIE Network plays an important role in supporting the industry.

While international promotion of Scotland as a “must visit” tourism destination is the responsibility of VisitScotland, working with VisitBritain, HIE has a role, through business and skills development, in ensuring the product offering fits with messages being communicated worldwide and matches or exceeds visitor expectations.

The emerging role of SDI in tourism is also recognised. HIE has been working with SDI to identify interventions that add value to existing support mechanisms for businesses wishing to participate in international trade.

Through our involvement in the Tourism Framework for Action, HIE works in partnership in many areas with VisitScotland, such as developing opportunities in golf tourism, genealogy, and wildlife. The positioning of Scotland in an international context using such niche markets is welcomed by HIE, particularly as this contributes to our own objectives of increasing global success in key sectors. There is, however, potential to further strengthen Scotland’s image abroad through better promotion of our cultural strengths, and increasing mutual promotional benefits between tourism and iconic food and drink products such as whisky.
Another key sector for the HIE Network is food and drink. Across the world, the Highlands and Islands is synonymous with high quality food and drink, and the HIE Network helps local producers capitalise on that reputation. In 2002-03 we supported firms to take part in prestigious showcase events, including the European Seafood Exposition in Brussels and the International Food Exhibition in London.

INTERNATIONAL POLICY LINKS

HIE’s international affairs team ensures that the area’s economic and community development are known and understood at an international level, especially within the European Union, and maintains close links with similar organisations in other countries throughout the world. This approach helps the Network learn from sharing best global practice, enables the region’s voice to be heard when European regional policy is being shaped and means we are well placed to attract European Union funding for projects which meet the relevant criteria.

Scottish Executive has done much to foster links, not least through the excellent facility of Scotland House in Brussels. Scotland House has further potential, both for engineering formal high quality co-operation exchanges, and for facilitating partnerships and networks with other European Regions.

Alliances with other regions and Member States work best if they have commonality and a common objective. The Highlands and Islands has a unique position because of its combination of mountainous features, insularity and sparsity of population. The Scottish Nordic Partnership, pioneered by the Scottish Executive and Highlands & Islands Enterprise, provides benefits to the whole of Scotland because of the commonality that the Highlands and Islands provides with the northern areas of our counterpart Nordic partners. A long-term target is European recognition of Northern Peripherality. We also have the potential to bond very practically and dynamically with island areas and mountain areas throughout Europe. Highlands & Islands Enterprise is well advanced in developing these opportunities in a very practical way because of the common perception of the justification of European support for ‘permanent physical disadvantage’. Not least as a result of our efforts, Commissioner Barnier is now acknowledging this argument. This process has given Scotland a Highlands and Islands entry into very strong organic European networks.

LEADER+, Interreg, EQUAL and URBAN already have strong international elements and it is likely that the Structural Funds regime post 2006 will concentrate this trans-national feature in an enhanced Interreg type programme. We should have a strong specific Scottish policy to selectively pursue these and to divert them as much as possible to embrace the private sector. For the Highlands and Islands, Interreg IIIC offers the prospect of dynamic networking with other mountain areas or insular areas throughout Europe and we will be exploring other themes with a view to selective practical networking.

CONCLUSION

The turnaround in the fortunes of the Highlands and Islands in the last twenty-five years has been remarkable. Sustaining that momentum will require full participation on the world stage.
Dear Mr. Lochhead

INQUIRY INTO THE PROMOTION OF SCOTLAND WORLDWIDE

Thank you for your letter of 18 September inviting comments on this wide-ranging inquiry.

Before commenting on some of the specific issues that your inquiry seeks to address, I would like to make some general points about Standard Life and its global positioning. Standard Life is Europe’s largest mutual life insurer, with over 5 million customers. With its headquarters in Edinburgh, it is a major employer in the city. Globally Standard Life has operations in the EU in Ireland, Germany, Austria, and Spain (and in France from next year) and more widely in Canada, India, Hong Kong and China, where we will be opening for business before the end of the year.

As a Scottish company with its primary employment base here, the broader success and sustained growth of the Scottish economy is clearly very important to us. As a company with a growing international presence, we are mindful also of how Scotland’s broader international reputation can impact positively on our overseas operations. An important factor is the increasing pre-eminence of the EU as the originator of legislation which impacts directly upon the financial services sector and its regulation. Although responsibility for such legislation is reserved rather than devolved, this does not mean, given the core importance of the financial services sector for Scotland’s economy, that there should not be a role for the Scottish Executive here. I comment further on this below.

Turning to the specific remit of your inquiry I understand that Andy Kerr MSP, Minister for Finance and Public Services, in a recent session with your Committee on 9 September, set out the priorities of the Scottish Executive as being:

- Promoting Scotland’s devolved policy interests
- Building links
- Promoting Scotland abroad
- Working closely with the UK Government to ensure we have a strong effective influence on European matters.
He also tellingly added: "So much is coming out of Brussels that we cannot realistically hope to influence everything. We have to be selective, agree priorities and go for them systematically." From our perspective this seems to be entirely the right approach. If our agenda is too wide there is a danger of messages becoming diffused and confused. Therefore focusing and priority setting will be essential. With regard to the EU, and the decision making processes there, we are increasingly building our own links to influence the debate on forthcoming legislation which could impact upon our ability to operate effectively as a provider of financial services. However we also look to the Scottish Executive to ensure that the views of the Scottish financial services community are fully taken into account in the negotiations between the UK Government and the European Commission on these matters. We would therefore propose close liaison between the Executive and major Scottish financial services groups, to ensure that our views were conveyed effectively to Whitehall.

More widely, and reflecting my comment above about focus, we would counsel against an excess of initiatives. It is clear from the terms of reference for your inquiry that there is already a wide range of organisations involved in some way in the promotion of Scotland overseas, and your Committee's audit should provide more detail of this. The upside to this is the level of resource devoted to this kind of activity. The downside is the risk of a scattergun approach if the activities are not properly coordinated. This argues, above all, for a centrally driven strategy with clearly defined objectives from which these various strands of activity would flow. This should ensure a more coherent and effective message to the different target audiences and, almost certainly, greater cost effectiveness.

The core messages which such a strategy might hope to deliver might include:

- The dynamism and strengths of the Scottish economy
- The strong pool of indigenous talent within Scotland
- Scotland as a great place to live, work and invest
- Those vibrant cultural and historical factors which differentiate Scotland from the rest of the UK

Above all, emphasis needs to be placed on Scotland's modernity.

If Scotland is to be promoted effectively abroad, the messages need to be clear, strong and convincing. Market promotion is highly competitive. In the UK alone, the four constituent countries have fought for years often to attract the same potential inward investors. It is essential therefore that Scotland is seen to have differentiators which enhance its attractiveness as a place for business, tourism and investment.

Scottish companies, particularly those with international operations, can of course do much themselves to project the right image of Scotland. For example, in developing our business in China we have worked hard with the Chinese government, officials, our joint venture partner and others to demonstrate how a modern financial services company can be run in the best interests of its customers and staff. Brining people to Edinburgh to emphasise the importance of our Scottishness and the extent to which that informs our approach to business, has been a key element in this.
I hope these comments will be helpful to your inquiry. In conclusion, I would emphasise again the need for a focused and targeted approach underpinned with a clearly defined strategy. This would be far more likely to secure positive buy in from business and the successful achievement of the objective of effectively positioning Scotland externally.

Yours sincerely
Scotland the Brand

Introduction

Scotland the Brand has been invited to submit evidence to the committee exploring the promotion of Scotland.

It should be noted that Scotland the Brand has been in existence since 1995 as an agency of Scottish Enterprise National through Scottish Development International, with public funding of c.£5m, but that it gained its “independence” from the public sector as a company limited by guarantee with its own board of directors on 28.5.03.

The staff, office location and general objectives remain unchanged but new articles of association were adopted and changes in the style of the organisation have been introduced to achieve financial viability in the private sector without the significant subsidy received previously from Scottish Enterprise.

1.1 Brochure

Enclosed [see clerks for copy] is the current brochure which explains the background to Scotland the Brand, identifies its current membership and philosophy and introduces the revised categories of membership.

1.2 Transfer of ownership

It should be noted that the transfer from being a subsidiary of and managed by Scottish Development International (Scottish Enterprise National) was demanding, lengthy and substantially more costly than originally planned. This was the consequence of misunderstandings over outstanding fees leading to disagreements over the monies owed to Scotland the Brand and serious difficulties over the legal process, which in turn was not helped by a change in Scottish Development International management in the last months of the process.

Public funding

There has been £4m received in core funding from Scottish Enterprise, with additional project funding for the Epcot Exhibition of £1m. Private sector contributions/leverage towards programmes and activities have generated in excess of £7m and it is hoped that this investment of £12m in public and private money into the promotion of Scotland and the development of a national brand will not be prejudiced or wasted.

Scotland the Brand mark

An integral part of Scotland the Brand is the mark which members may use on a controlled basis under a licensee arrangement, controlled and managed by Scotland the Brand Limited.

It should be noted that this mark is a critical asset of Scotland the Brand Limited and the board wrote to the chief executive of Scottish Enterprise National pointing out that any competitive mark would be unacceptable and would undo the organisation.

The positioning of Scotland the Brand and the use of the mark was discussed with the First Minister in February 2003 following circulation of a memorandum to the major political parties in December 2002. At this meeting the necessity for integrating the
activities on the promotion of Scotland was reviewed and agreed together with the desirability of a focus on a single national mark.

Presumably as a result of this Scotland the Brand was mentioned in the Partnership Document (although erroneously restricted to the overseas promotion of food and drink only).

1.3 Activities

Scotland the Brand has organised and managed over 50 integrated marketing events in the UK, Europe and the US. Notably, instrumental in developing and extending the opportunities presented by Tartan Day in the US to a week long celebration of Scotland – based mainly in Chicago – 2003 was the 5th consecutive year of StB activities.

Appendix A gives a more detailed account of the activities and events undertaken since 1997 in promoting Scotland and developing a national brand.

Promoting Scotland Unit of Scottish Executive

Within a month of the transfer of Scotland the Brand to the private sector it became apparent that there were possible draft plans being developed by the new Promoting Scotland Unit of the Scottish Executive, these being aired at the Scottish International Forum in June 2003. These plans developed beyond the discussion of the Fresh Talent Initiative and Scottish International Forum on which Scotland the Brand was consulted.

This possibility of a wider Scottish branding initiative has been a serious distraction to management requiring contacts at ministerial and official levels and a brake on the promotional activity of the new organisation.

Scotland the Brand has co-operated with the Scotland Office and the Promoting Scotland Unit, explaining its position and making constructive proposals including Friends of Scotland and use of the Scotland the Brand mark as a national mark. It has been frustrating in that there has not been transparency in the process.

Promoting Scotland has wished to undertake further market research on national branding, an exercise already undertaken by the originators of Scotland the Brand.

Indeed Scotland the Brand had already in August offered to make this market research material (Project Galore) available to Promoting Scotland and reiterated this in a ministerial meeting in September. This offer was finally taken up with a presentation in October given by the original market research firm and using the Scotland the Brand funded research. Conversations with the Promoting Scotland Unit continue but at a slower rate than we would like.

While it is appreciated that the Scottish Executive wishes to be thorough in their deliberations, the continued delay leaves Scotland the Brand in a state of suspended animation. Feedback from the membership is quite clear that the last thing needed in the market is yet another quality mark; the whole concept of the Scotland mark was that it could be used across a wide range of goods and services to identify authenticity and quality and aid clarification for both business and the consumer.

Future of Scotland the Brand

As has been explained to ministers and officials, it is difficult for Scotland the Brand to continue its campaign to sell the concept of a membership-led, membership fee funded organisation promoting the cause of Scottish goods and services when there may be an alternative or conflicting organisation emerging again from the public sector. Scotland the Brand has made it clear to ministers that there is a
congruence of objective and that Scotland the Brand wishes to and is fully prepared to work with the Scottish Executive.

The issue of a sound funding platform for Scotland the Brand remains to be clarified and forward planning is vital if the proposed plans and programmes are to be discussed, determined and implemented. Specific difficulties relate to services to Scotland with Catalonia 2003 and the planning of our St Andrew’s Day Conference and Dinner 2003. Until the intentions of the Scottish Executive are known and the Scotland the Brand position defined as a consequence, Scotland the Brand will be seriously impeded in making plans for major promotion of Scotland around the Entente Cordiale programme, Tartan Day in USA 2004 and other future activities.

The board of Scotland the Brand believes that the organisation can continue to deliver and indeed enhance its programme of events and co-operation in order to promote the cause of Scotland, in Scotland and UK as well as internationally. Scotland the Brand wishes to build upon its activities to promote the smart, successful Scotland policies of the Partnership Document and to ensure that Scotland is increasingly recognised as a country that has quality goods and services, is a country that is good to do business with, to invest in, to study in, to live in and to visit.

1.4 Conclusions

Since the presentation on 10.12.02 to the Scottish International Forum Scotland the Brand has made it clear that is keen to work on a partnership basis with all who share these aspirations in order to ensure co-operation across all sectors in order to gain optimum leverage in the promotion of Scotland and its core values. The board believes that a private sector led organisation can also work well with players from the public sector and with branches of government provided that there is clarity and a sound organisational platform. The board believes that Scotland the Brand can make a significant and serious contribution in this area.

Scotland the Brand wishes to stress:

- Scotland has a “brand” and core values that are not fully exploited and which represent riches that other countries do not enjoy; Project Galore supports this thesis.
- Major investment has been made in the Scotland mark since 1995 and this should be exploited rather than undermined or wasted.
- The present multiplicity of national marks should be controlled and possibly reduced; the Scotland mark could be the single must-have quality mark for all Scottish organisations, goods and services of quality.
- Scotland the Brand has many years of experience of organising international events, whether using its own staff or on an out-sourced basis; this expertise can be made available to other organisations.
- Scotland the Brand has plans to accelerate the membership and funding, to be implemented once the current uncertainty generated by the thinking of the Promoting Scotland Unit is clarified.
- Collaboration between the private and the public sector is critical if Scotland is to be promoted on an optimal basis.
- Significant marketing resource and marketing management is necessary if the full potential is to be realised; it is critical this resource, the strategic thrust and the funding are managed on a concentrated effective long-term basis.

Scotland the Brand is prepared to support this evidence and to contribute to any debate geared to improving the promotion of Scotland on a long-term integrated basis.
Appendix


1. INTEGRATED MARKETING AND PROMOTIONAL EVENTS IN DOMESTIC AND INTERNATIONAL MARKETS

Scotland
- Launch of Scotland mark – Edinburgh Castle 1977
- Nationwide Consumer Promotions with Major Retailers
  - Hector Russell Showcase of Scotland Promotion 1998
- Royal Highland Show 1999 - 2002
- Scotland’s International Trade Fair 1999
- European Awareness Day – Scottish Showcase 1999
- Essential Scotland Launch – Scottish Showcase 1999
- StB - International Global Opportunity Conference 2000
- StB Corporate Golf Day 2002/3
- StB Corporate Race Day 2003

England
- St. James Club Scottish Garden Party 1997
- Scotland Week – Covent Garden 1998
- Scottish Reception, Dover House 1998
- Harrods Food and Drink Promotion 1998
- Scottish Roadshow (with Tesco), Birmingham, London 2000
- BBC Good Food Show, Birmingham 1999

France
- Masterchef’s Festival of Scottish Cuisine 1997
- M&S Spring Promotions 1997/8/9
- Trophe D’Ecosse Golf Tournament, 1998
- World Cup, 1998, Paris, Bordeaux – consumer events
- Le Monde Scottish Supplement, 1998
- Vinexpo, Bordeaux 1999
- Le Grande Epicerie Consumer Promotion 2000

Belgium
- Scotland Europa – Destination Lunch 1998
- Scotland Week 1999 (opening of Scotland House)
- Scotland Week 2001

Germany
- M&S Consumer Promotion 1999

Spain
- M&S Consumer Promotion 2001
- Scotland with Catalonia 2003

USA
- Scotsfest, New York, San Francisco 1997/8
- Roadshow – 12 US Cities 1999
- Tartan Day/Week Boston, Washington 1999
  Chicago 1999 through to 2003
- Kings Supermarkets, New Jersey - Food and Drink Promotion 1998/9
Epcot, Burns Festival, 2000

Iceland
Burns Supper - showcasing Scottish produce 2003

GENERAL PROMOTION OF SCOTLAND MARK AND OPPORTUNITIES TO BE SEEN

Membership
Over 400 Scottish companies applied to join since launch in November 1997
External assessment process – approval is dependent on meeting authenticity and quality criteria.
New Fee structure introduced September 2003
First Vanguard members joined October 2003

Use of the Scotland Mark
Independent research carried out in early 1999 of 100 member companies revealed an estimated 2.9 million units of product carried the Scotland mark.
Subsequent evaluation later in 1999 estimated there were just over 19 million items carrying the Scotland Mark, with a potential reach of 152.5 million people through products, services, marketing materials, advertising, company stationery, etc.
It should be noted that work is currently underway for a major review of use of the mark by members and to identify the overall ‘opportunities to see’.
Scottish Development International – the Scotland mark has been incorporated in the generic branding of all international and domestic activities of Scottish Development International – involving over 100 exhibitions and trade events world-wide each year.

General Advertising/Promotion of the Scotland mark
In addition to the integrated marketing events, a range of TV/Radio and Press advertising and promotion has been undertaken, largely in Scotland.

Billboards
Glasgow and Edinburgh Airports May to November 1998

TV
National Campaign 2001

Radio
Scot FM 2000
Real Radio, 2001, 2002

Other International Activities in the Promotion of the Scotland Mark

2002  June – StB CE invited to World Trade Centre in Geneva to discuss StB experiences in National Branding – resulting in an invitation to present a paper/case study to their International Conference in Montreux in September, with over 70 countries represented

2003  January – StB Chairman presented to British-Chilean Chamber of Commerce in Santiago, Chile

KEY PARTNERSHIPS WITH SCOTTISH ORGANISATIONS

Institute of Directors, Scotland
Scottish Organic Industry (Accreditation Bodies and Scottish Food & Drink)
Scottish Networks International
Scottish Institute for Entrepreneurs
Scottish Financial Enterprise
Scottish Development International
Scottish Tourism Forum
VisitScotland
INQUIRY TERMS OF REFERENCE

Background – developing an external relations policy (a short history)

In 1999, the then UK Government’s Foreign Secretary Robin Cook MP told the House of Commons that, “Labour’s plans for devolution will create a Minister for European Affairs in a Scottish administration, set up a Scottish European office in Brussels accountable to a Scottish Parliament in Edinburgh, confer on Scottish Ministers the same observer status as that of the German Länder”2.

Upon establishment of the Scottish Parliament, responsibility for such matters rested ultimately with the then First Minister, Donald Dewar MSP, with involvement from Jack McConnell MSP in then his capacity as Scottish Finance Minister, in part because of his involvement with European Union (EU) funds but also because he became increasingly engaged in promoting Scotland’s wider interests in Brussels.

When Henry McLeish MSP became First Minister, Jack McConnell MSP was given a new portfolio. His formal title was to be “Minister for Education, Europe and External Affairs”. This was the first time that such a role (Europe and External Affairs) was mentioned explicitly in a ministerial title and portfolio. As a consequence, in the first parliamentary session, the Committee began the process of altering its remit to cover scrutiny of the external relations policy of the Scottish Executive. Previously, its scrutiny functions extended only to European Union issues.

Press reports prior to the Nice summit of late 2000, began to note the emergence of significant efforts being by the Scottish Executive made to carve out an approach for its new external relations policy. According to reports, this said the Minister would, “Set out a new strategy for Scotland in Europe, which puts the Executive on a potential collision course with the Foreign Office in London. He [Jack McConnell] is aiming to build strategic alliances with parts of the Continent to pursue Scotland’s interests separately from those of the UK. Although it does not clash directly with Robin Cook, it represents the most significant extension of the Executive’s role since the parliament was elected”3.

In a press release issued by the Scottish Executive at the time, the Europe and External Affairs Minister was quoted as saying:

“Scotland must step up its involvement with Europe if it is to be in the premier division of legislative regions or nations within EU member states.

“For the first time the Executive has a Scottish Minister with a specific responsibility for Europe. This demonstrates that it is a top priority for the Executive to engage

2 Official Report, House of Commons, Scottish Grand Committee, 13 January 1997; c 29.
3 The Sunday Herald, 3 December 2000
constructively and thoroughly with the European Union. With the benefits of devolution, we are determined to make a step-change in our level of engagement. We have already done much to create links with other nations and regions. Now we need to move our engagement up a gear or two. […]

“Ministers must do everything possible to raise Scotland's profile in the EU. We cannot move on alone though. We have to work in close partnership with others such as the local authorities, Parliament, our MEPs and our arts bodies. The objective of this increased activity is simple. It is to help achieve a Scotland in which both its people and businesses feel completely at ease in Europe: a Scotland influencing decisions which will ultimately affect us all and a Scotland where jobs dependent on European markets are secure.”

By early 2001, this political message had been translated into the day-to-day work of the administration’s civil servants in its expanded External Relations division, which is responsible for both EU affairs and international relations. At this stage in the development of an external relations policy, officials had three priorities in relation to the EU. These were:

- To monitor and where necessary influence the UK line on the forthcoming enlargement;
- To raise Scotland’s profile within the EU in relation to the smaller member states, other territorial governments and the EU’s institutions; and,
- To exchange ideas with other territorial governments on policy.

When Jack McConnell MSP became First Minister, responsibility for such functions were to be shared with Jim Wallace MSP in his role as Deputy First Minister and, by the summer of 2001, the Executive was making the arguably bold step of submitting a joint policy paper along with the Convention of Scottish Local Authorities (CoSLA) direct to the European Commission as part of the debate on the governance of the EU. This led to further involvement and engagement by the Executive in the parallel debate on the future of Europe and the resulting draft constitutional Treaty. This culminated in a joint submission to the European Convention developing the new Treaty, along with the UK Government’s representative and the other devolved governments.

Outwith the European Union, the Executive also became more involved in a dialogue with other nations and in efforts to promote Scotland abroad. Amongst its main efforts was the launch of a more domestic Scottish involvement in the annual Tartan Day events held in North America (established in 1998 in the USA and traced back also to the early 90’s in Canada). During one of these events, the then First Minister was invited to have a short personal audience with the President of the United States. Subsequently it was announced that a civil servant from the Scottish Executive would be placed in the UK’s embassy in Washington DC, with the title First Secretary, Scottish Affairs. Despite the somewhat overreaction in some quarters, this was not a new phenomenon as Scottish officials had been placed overseas through Scottish Trade International.

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4 Scottish Executive News Release, 4 December 2000, SE3124/2000
Elsewhere in the world, the Scottish Executive reported that it was keen on developing links with the Eastern Cape region of South Africa. These links were to be one of the supposed benefits of the attendance by a delegation from the Scottish Executive to the World Summit on Sustainable Development 2002 being held in Johannesburg, South Africa. It is unclear how these links have been furthered.

By January 2002, the parallel activities of links with the European Union and promotion of Scotland elsewhere had been brought together when the Deputy First Minister wrote to the then Committee to provide a new definition of “external relations”. He said⁵:

“The Executive is of course engaged in a very wide range of external (that is, European Union or international) activities, across all Ministerial portfolios; and foreign affairs policy of course remains a reserved matter, for which the UK Government is responsible. My interests as the Scottish Executive Minister with responsibility for external relations primarily comprise the following:

- the development and implementation of links with Europe;
- co-ordination of the Executive’s role in European Union decision-making;
- co-ordination of the Executive’s implementation of EC legislation;
- the Executive’s contribution to cross cutting EU issues (such as the Future of Europe debate); and
- co-ordination of the Executive’s international activities, including the promotion of a positive image of Scotland overseas.”

As part of these activities, the Executive has now signed formal bilateral, subject-specific ‘protocols’ with a number of regions across the EU – Catalonia, Tuscany, North Rhein Westphalia and Bavaria. It has also built links with other countries such as Ireland, the Nordic states, the Czech Republic and Estonia.

In February 2002, the Executive helped create the Scottish International Forum to maximise and improve the promotion of Scotland overseas. It is intended to bring together the main organisations and agencies involved in promoting Scotland overseas, including Scottish Enterprise, the CBI, VisitScotland, the Scottish Arts Council, the British Council, the Scottish Parliament, the Scotland Office and CoSLA. It is chaired by the Executive. These types of activities are central to the Executive’s Global Connections Strategy and its Global Scot Network.

In February 2003, the First Minister again expanded his vision of the external relations policy to include the importance of attracting more people to Scotland to help both our economic performance and add to the diversity of our population. This lead to the ‘Fresh Talent’ initiative, designed to encourage people to consider coming to live and work in Scotland.

In a final development, the recent changes to the structure of the UK Government led to an agreement with the new Secretary of State for Scotland that the Scottish

⁵ European Committee Paper, EU/02/1/2, 15 January 2002.
Executive would now take the lead in the promotion of Scotland abroad\textsuperscript{6}. This potentially gives the Executive a freehand in such matters.

**Key questions for the Inquiry**

The Inquiry has been broken down into five key areas:

- Definition and implementation of a coherent, co-ordinated and resourced strategy for external relations
- Success of efforts to develop government-to-government links with the European Union and internationally
- Analysis of the efforts to co-ordinate the Scottish Executive’s role in the EU decision-making process (including inter- and intra-UK processes) and in the implementation of obligations
- Success of efforts to promote Scotland abroad, including through tourism\textsuperscript{7}, economic development, trade, education links, culture and heritage and the attraction of a new populace to Scotland. This will include an analysis of the successes of other nations/regions in these areas
- Success of Tartan Day and its future development, in particular the plans of the Scottish Executive for future involvement and resource allocation. This will include an analysis of the wider Scottish-North American links.

The following questions form the basis of the Committee’s terms of reference, drawing on these five key areas.

**Strategy**

1. To what extent does the Scottish Executive have a clear policy, ambition and vision for external relations, what does it comprise of and how is it resourced?
2. How has this strategy developed over time and how might it develop in the future?
3. How is the strategy internally co-ordinated within the Scottish Executive?
4. How is the strategy externally co-ordinated outwith the Scottish Executive with other governmental, public and private sector bodies?
5. How does the Scottish Executive seek to work with the UK Government’s Foreign and Commonwealth Office in terms of promoting devolution, receiving visitors etc?

**Links**

1. What government-to-government links have been, and will be, established, and what were the purposes of these links?
2. How effective have the links been, how have they been implemented and reviewed and what benefits are they providing?
3. What were the criteria used for deciding (in the past or in the future) where such links should be made?

\textsuperscript{6} Scottish Parliamentary Question, S2W-1006

\textsuperscript{7} Building upon the extensive inquiry carried out by the Enterprise and Lifelong Learning Committee, Session 1, “1st Report 2003, Report on the Future of Tourism in Scotland.”
4 How sustainable have the links been?
5 How are the formal and informal links co-ordinated internally and externally?
6 How successful has the Scottish Executive been in encouraging and supporting others in Scotland to benefit from such links?
7 What bodies, networks, associations is the Scottish Executive a member of, what is the value of these networks and is membership of any other grouping planned?
8 What other networks are Scottish politicians a part of and what processes are followed in terms of nominations to such networks?

**EU decision-making process**

1 How does the Scottish Executive co-ordinate its role in the EU decision-making process (including inter- and intra-UK mechanisms and processes) and in the implementation of obligations?
2 How effective has this been and what improvements can be made?

**Promotion of Scotland abroad**

1 What is the rationale for promoting Scotland abroad, how does the Scottish Executive achieve this, how does it co-ordinate both internally and externally with other bodies?
2 What level of resources is available and what strategies and activities are being used?
3 What success stories do we have, what needs to be improved and what can we learn from other nations/regions?
4 What are the benefits of the ‘Scotland in’ series of events\(^8\), the coherency of the programme and the sustainability of this promotional tool?
5 What visits, delegations or trade missions has the Scottish Executive participated in and what measures are planned?

**Tartan Day and wider Scottish-North American links**

1 What is or should be the purpose of the Scottish input into Tartan Day?
2 What strategy has been used in the past to promote Tartan Day events and what are the Scottish Executive’s plans for its involvement in the future, both in North America and in Scotland/UK?
3 What level of resources has been spent in the past and how might this change?
4 How can the co-ordination with others, both within Scotland and externally, be improved in relation to Tartan Day?
5 What are the Executive’s broader plans for Scottish-North American relations, promotional events, trade etc?

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\(^8\) Such as ‘Scotland in Sweden’, ‘Scotland in Brussels’ and ‘Scotland with Catalonia’
Timetable

The Inquiry runs from mid September 2003 until June 2004. This will enable the Committee to have a sustained period of evidence taking in what is a wide-ranging Inquiry, and to particularly assess the merits of Tartan Day 2004.
CONVENER’S REPORT

1. **Invitation to UK Ministers to give evidence to the Committee as part of its Inquiry into the Repatriation of European Regional Development Funds.** As agreed by the Committee at its meeting of the 20 January 2004, the HM Treasury was asked to reconsider the original invitation to address the Committee as part of its Inquiry into the potential impact of the UK Government’s proposals for reform of European regional development funds. A copy of the letter to HM Treasury is attached as [Annex A](#). A reply from the Financial Secretary to the Treasury has now been received, see [Annex B](#). A follow-up letter asking the UK Department of Trade and Industry to reconsider its original invitation (also declined) has now been sent, see [Annex C](#). The Convener now recommends that:

   Members note the correspondence in Annexes A-C and make arrangements as agreed at the meeting of the 20 January 2004 ([Official Report](#), Column 365) to send a cross-party delegation to London to meet with UK Ministers from HM Treasury and/or the DTI.

2. **Statement by the Rt. Hon Jack Straw MP on the UK Government’s plans for enhancing the role of Parliament in European Union matters.** Members may be aware that the UK’s Foreign Secretary made a statement in the House of Commons on 11 February regarding the UK Government’s plans for enhancing the role of Parliament in European Union matters\(^1\). A copy of the statement and the debate can be found at the following website, or can be requested from the Clerks:

   [http://www.publications.parliament.uk/pa/cm200304/cmhansrd/cm040211/debtext/40211-05.htm#40211-05_head0](http://www.publications.parliament.uk/pa/cm200304/cmhansrd/cm040211/debtext/40211-05.htm#40211-05_head0)

   This proposed the creation in the UK Parliament of a new committee looking at EU affairs. This would be a successor to the ad-hoc committee on the IGC and the development of the EU’s draft constitution.

   During the debate Mr Wayne David MP (Labour, Caerphilly), a Member of the European Scrutiny Committee, highlighted the possible involvement of participants from the devolved parliaments and assemblies (Hansard, Column 1427) in this new committee. The Convener now recommends that:

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\(^1\) Hansard, Wednesday 11 Feb 2004, Volume No. 417 Part No. 39
Members welcome the statement made by the Foreign Secretary; give general support to any proposals at Scottish, UK or EU level that increase the ability of parliaments to be more involved and engaged in scrutiny of EU matters; and, in line with the excellent working relationship already established between “European Affairs” committees throughout the UK’s parliaments and assemblies\(^2\), support the call made by Mr Wayne David MP (Labour, Caerphilly) whilst noting the issue is of course a matter for the UK Parliament to decide.

Richard Lochhead MSP  
Convener  
25 February 2004

\(^2\) The chairs of the 5 “European Affairs” committees across the UK meet twice per year. This includes Members from the Scottish Parliament, House of Commons, House of Lords, National Assembly for Wales and the Northern Irish Assembly. These meetings are held as the EC-UK (European Chairs-United Kingdom) group.
LETTER TO HM TREASURY (dated 29 January 2004)

Thank you for your letter of the 22 December 2003. The progress of our inquiry was considered by the Committee on the 20 January 2004. This included issues such as the delay in the publication of the European Commission’s 3rd Cohesion Report and our impressions of the evidence we have heard to date by all of our witnesses. Much of this evidence has focussed on the financial issues/guarantees within the UK Government’s proposed new framework.

At our meeting of the 20 January, there was a consensus that it would be both valuable and extremely informative to hear from a UK Minister directly on HMG’s proposed framework. This would enable us to understand more about the policy proposed than that which is available in the DTI’s two written statements to the House of Commons. Whilst we have further witnesses lined up from DG REGIO in the European Commission and from Scottish Executive ministers, the framework itself is of course a matter for HMG and it would be inappropriate to ask any of the witnesses yet to come before us to answer questions about the framework itself.

As we indicated in our letter of the 18 November 2003, the Committee accepts fully that UK Ministers are not accountable to the Scottish Parliament. This was a point we made to Dr MacShane MP when we invited him to address us recently, and we were grateful that he was able to accept our invitation in any case, following a previous appearance by his predecessor. We accept also that there are diary issues that need to be considered. However, with the delay to the Commission’s 3rd Cohesion Report, the deadline for completion of our inquiry has moved until later in the year.

Given the cross-party consensus within the Committee and the central importance of HMG’s proposed framework to our inquiry, it was agreed that I write again on behalf of the Committee to ask you to reconsider whether you could agree to address us. The two most suitable dates would be 16 or 23 March 2004. We would of course consider other dates if these proved difficult for you.

I very much hope that you will be able to reconsider our invitation and be in a position to accept. I look forward to hearing from you in due course.

Yours sincerely,

Richard Lochhead MSP
Convener
HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Richard Lochhead MSP
Convenor
European & External Relations Committee
The Scottish Parliament
c/o Room 5.16
Parliament Headquarters
George IV Bridge
Edinburgh EH99 1SP

/5 February 2004

Dear Mr. Lochhead,

INVITATION TO ADDRESS THE COMMITTEE: REPATRIATION OF EUROPEAN REGIONAL DEVELOPMENT FUNDING AND THE UK GOVERNMENT’S PROPOSALS: AN INQUIRY INTO THE IMPACT IN SCOTLAND

Thank you for your letter of 29 January asking me to reconsider the invitation to address the Committee which I had earlier declined in my letter of 22 December.

I have reconsidered as you asked but regret that I must still decline the invitation. The Scottish Executive is responsible for implementing Structural Funds programmes in Scotland and the DTI coordinates the UK’s position on Structural Funds. The Government has already made clear its position on the future of the Structural Funds post 2006 as I indicated previously, although the final outcome of the negotiations between Member States and the Commission is, of course, not yet known. If there are any particular matters on which the Committee would like clarification in relation to financial aspects, I would be happy to provide a note, although these have already been set out in the Government’s consultation document and response to the consultation.

Ruth Kelly MP, Financial Secretary to the Treasury
LETTER SENT TO THE DTI (dated 24 February 2004)

I write to inform you that our approach to the HM Treasury to give evidence to us on the above-mentioned issue has regrettably been declined. This was an approach suggested to us by officials in the DTI since our questions were mainly to do with the financial aspects of the UK Government’s framework.

However, in the letter from the Financial Secretary to the Treasury (dated 15 February), the Minister indicates that the, “DTI co-ordinates the UK’s position on Structural Funds.”

At our meeting of the 20 January, there was a consensus that it would be both valuable and extremely informative to hear from a UK Minister directly on HMG’s proposed framework. This would enable us to understand more about the policy proposed than that which is available in the DTI’s two written statements to the House of Commons. Whilst we have further witnesses lined up from DG REGIO in the European Commission and from Scottish Executive ministers, the framework itself is of course a matter for HMG and it would be inappropriate to ask any of the witnesses yet to come before us to answer questions about the framework itself.

As we indicated in previous letters to UK ministers, the Committee accepts fully that UK Ministers are not accountable to the Scottish Parliament. This was a point we made to Dr MacShane MP when we invited him to address us recently, and we were grateful that he was able to accept our invitation in any case, following a previous appearance by his predecessor. We accept also that there are diary issues that need to be considered. However, with the delay to the Commission’s 3rd Cohesion Report, the deadline for completion of our inquiry has now moved until later in the year.

Given the cross-party consensus within the Committee, the central importance of HMG’s proposed framework to our inquiry and the reply from HM Treasury, I write to you again on behalf of the Committee to ask you to reconsider whether a DTI Minister could agree to address us. The two most suitable dates would be 23 or 30 March 2004. We would of course consider other dates if these proved difficult for ministers.

I very much hope that you will be able to reconsider our invitation and be in a position to accept. I look forward to hearing from you in due course.

Yours sincerely,

Richard Lochhead MSP
Convener
Introduction

1 One of the core scrutiny tasks that the European and External Relations Committee conducts is the analysis of information received from the Scottish Executive on meetings of the various Council of the EU formations (formerly known as the Council of Ministers).

2 Two types of information are shared with the Committee under the agreement between the previous Committee and the Executive. First, a few weeks in advance of a Council meeting, the Committee is provided with an annotated agenda of the Council. This sets out the nature of the agenda and the Executive’s views on the items in question where it has a competence. The Executive’s views tend to be italicised so as to stand out for the reader. Members should be aware that often the agenda is a ‘best guess’ and second, the views provided are designed not to prejudice the UK’s negotiating position whilst still providing sufficient information for Members to have an understanding of the subject.

3 Second, following the meeting of the Council, within a few weeks, the Executive provides the Committee with a post-Council report, detailing attendance and the discussions that took place.

4 These two types of information give rise to the shorthand terminology of ‘pre- and post-Council scrutiny’ for this particular task of the Committee. In scrutinising the material, the Committee has a range of options:
   - note the material having placed it into the public domain for others to use
   - ask for more written information from the Executive
   - invite the relevant minister to attend the next committee meeting for further discussions

5 The nature of the scrutiny to be undertaken by Members should be focusing on two distinct areas. As a first priority, the Committee should aim to focus on the Council agenda items that make reference to early,
formative discussions (e.g. on Green Papers, White Papers, Commission Communications, orientation debates etc.) in the Council. This is an indication that the decision-making process for these agenda items in the Council is at an early stage. It is here that the Committee might best influence the minister's thinking early on.

6 As a second priority, to be used perhaps only occasionally, the Committee may choose to focus upon agenda items nearing final decisions.

7 In a new development for session two of the Parliament, the relevant sectoral information is being sent directly by the relevant minister to other subject committees. This means, for example, that in addition to this Committee receiving fisheries information, the Environment and Rural Development Committee is simultaneously in receipt of the same information.

8 What this means for this Committee is that any further dialogue with the Executive is best done in co-ordination and co-operation with the dialogue that another committee may choose to undertake. Members should note that such as system does not preclude the European and External Relations Committee from engaging with all the material and information received. On occasions, it may be that an issue is pressing, but a subject committee has no time in which to deal with it and therefore this Committee may tackle the issue. This system requires good communication between conveners and between clerks, and close co-operation between the clerks and officials in the Executive.

This paper

9 Based on experience from session one of the Parliament, these papers are best sub-divided into two sections. Annex A contains a summary table, with the Convener’s recommendation(s) for each Council agenda/report. Annex B contains the full information provided by the Executive for each of the Councils being considered at today’s meeting.

Action requested

10 Members are requested to consider the recommendations set out in the table in Annex A in light of the information provided by the Executive, set out in Annex B.

Richard Lochhead MSP
Convener
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## ANNEX A

### SUMMARY TABLE OF CONVENER’S RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Council</th>
<th>Did Executive meet deadline for sending information?</th>
<th>Notes and recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pre-Council scrutiny</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment Council, 2 March</td>
<td>No, due 10.2.04, delivered 24.02.04</td>
<td>To welcome information provided, but note delays in delivery (correspondence with the minister and department is ongoing)</td>
</tr>
<tr>
<td>General Affairs and External Relations Council, 22-23 March</td>
<td>Due 1.03.04</td>
<td></td>
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<tr>
<td>Agriculture and Fisheries Council, 22-23 March</td>
<td>Due 1.03.04</td>
<td></td>
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<tr>
<td><strong>Post-Council scrutiny</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ECOFIN, 10 February</td>
<td>Due 2.03.04</td>
<td></td>
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ANNEX B

ANNOTATED AGENDAS/REPORTS

Environment Council, 2 March

1. **Spring 2004 European Council meeting** – Report from the Commission to the spring European Council delivering:

   **Lisbon Strategy – reforms for the enlarged Union.** The Spring Council considers EU progress towards the Lisbon Strategy – making the EU the most competitive and dynamic knowledge based economy in the world. The key elements of the strategy are economic, social and environmental. These key elements also reflect the 3 key pillars of sustainable development.

   **2003 environment policy review** – communication from the Commission to the Council and the European Parliament on the progress and achievements made during 2003 on environment policy.

   **Towards a thematic strategy** – communication from the Commission to the Council and the European Parliament towards a thematic strategy on the sustainable use of natural resources.

   **Stimulating technologies** - communication from the Commission to the Council and the European Parliament on stimulating technologies for sustainable development – an environmental technologies action plan for the European Union.


   **Policy debate**

   Proposal for a regulation of the European Parliament and of the Council on shipments of waste. This will amend regulation (EEC) 259/93 on the supervision and control of shipments of waste within, into and out of the EC, from notification of a shipment through to final disposal/recovery of the waste. Exporting and importing countries would have to give explicit prior written, rather than tacit, consent to all shipments of waste for disposal, and to shipments of hazardous and semi-hazardous waste for recovery. Exporters would notify a shipment to the authorities of the exporting country, who would then notify authorities of importing and transit countries. National authorities could object to a shipment if it were not in accordance with national waste management plans, if the treatment facility were covered by the IPPC Directive but did not apply Best Available Techniques (BAT) guidelines, or if the shipment’s classification were in dispute e.g. whether the waste is being shipped for disposal or to be incinerated and the resulting energy recovered. Rules specific to shipments of animal by-products would be agreed by a Regulatory Committee – comprising of MS experts and chaired by CEC. Mainly reserved but with a Scottish interest.


   The aim of REACH is to protect human health and the environment by taking steps to phase out chemicals of concern. Given the inherent complexity of REACH and the vast number of
substances involved the UK have a common approach. The European Union published an updated extended impact assessment in October 2003. The adoption of REACH will be the end of 2005 at the earliest and member states with major chemical producers, including the UK, favour more pragmatic solutions while others with no sizable domestic chemicals industry seek a more complex, all embracing system. *Executive recently launched a consultation document which examines future options for UK chemicals policy and will shortly be giving a detailed consultation on the EU proposals.*


*Progress Report*

Proposal is for a Directive to amend the Directive establishing a scheme for greenhouse gas emission allowance trading within the Community, in respect of the Kyoto Protocol’s project mechanisms. It will enable operators within the EU Emissions Trading Scheme (ETS) to use credits obtained for emissions reductions through the Kyoto project based mechanisms (Joint Implementation and Clean Development Mechanisms) for compliance with their commitments under the EU ETS from 2008. Negotiations are ongoing and there is a possibility that earlier linking will be allowed. Linking with the project mechanisms will improve the liquidity of the European market in greenhouse gas emission allowances. Negotiations will resume in March with a view to agreeing a first reading deal before the European Parliament dissolves for its elections.

5. **12th session of the Commission on Sustainable Development** - to be held in New York, 19th – 30th April 2004

Communication from the Commission to the Council and the European Parliament on the World Summit on sustainable Development during the year and progress on implementing commitments plus a chance to exchange views.

6. **8th special session of the Governing Council/Global Ministerial Environment Forum (UNEP)** - to be held in Jeju, Republic of Korea 29th to 30th March 2004

This will be the subject of an Exchange of Views

7. **Convention on Biological Diversity (CBD)**

7th meeting of the Conference of the Parties to the CBD (COP 7) and the 1st meeting of the Conference of the Parties serving as the Meeting of the Parties to the Cartagena Protocol on Biosafety (MOP1).

The Cartagena Protocol on Biosafety come into force on 11th September 2003 and sets out international rules governing decisions on the import and export of genetically modified organisms (GMOs). The Protocol is of particular benefit to developing countries without existing legislation on GMOs since it gives them the necessary information and means to decide before accepting GMO imports, whether there may be adverse effects on the conservation and sustainable use of their particular habitats and wildlife. The EU has recently agreed a Regulation on the transboundary movements of GMOs that addresses particular exports of GMOs, in order to align EU legislation with the provisions of the
Biosafety Protocol and under the terms of the Protocol individual countries must ratify the Protocol with the United Nations.

Reports of outcome of the COP/MOP

8. Other Business

- Maritime safety – statement from the French delegation
- Protection of the marine environment – statement from the Belgian delegation


- Development on the Action Plan on environment and health – Commission briefing
General Affairs and External Relations Council, 22-23 March

Awaiting information from the Executive
Agriculture and Fisheries Council, 22-23 March

Awaiting information from the Executive
Post-Council Report – ECOFIN, 10 February

Awaiting information from the Executive
Introduction

1 At various meetings held previously, the Committee asked for further information on a variety of subjects following its analysis of material on pre-Council of the EU annotated agendas. On behalf of the Committee, the Convener sent letters to various ministers in the Scottish Executive seeking more information. Copies of these letters for which replies were outstanding are attached as Annex A. Where replies have now been received, these are set out next to the appropriate letter from the Committee.

Action requested

2 Members are requested to consider the letters and the responses set out in Annex A.

Richard Lochhead MSP
Convener
Tel: 0131 348 5234
Email: europe@scottish.parliament.uk
LETTER SENT TO THE SCOTTISH EXECUTIVE BY THE CONVENOR (DATED 29 SEPTEMBER)

TO JIM WALLACE MSP, DEPUTY FIRST MINISTER AND MINISTER FOR ENTERPRISE AND LIFELONG LEARNING

Following the recent meeting of the Committee, it was agreed that further information be sought on various items relating to the information you kindly provided on the Council of the EU agendas. This request was originally sent to Ross Finnie MSP, but it would appear that the matter is more a competence of your department.

Transport and Telecommunications Council

1. To ask the Scottish Executive to share with parliamentary committees the material collated on the EU experience of the roll out of 3G telecommunications systems and the siting of masts.

As these information requests are to do with the scrutiny of EC/EU legislation, it is my view that they are not covered by the usual timescales set out in the relevant concordat. I would be grateful therefore if you could arrange to provide this material in time for the Committee’s meeting of the 4 November*. If this is not possible, could I be informed as to the reasons for the delay and your suggested solutions, which would enable responses to be received from one meeting of the Committee to the next.

NB. *this was subsequently extended to 1 December due to mis-posting by the clerk of the initial request to the incorrect minister.

EXECUTIVE’S RESPONSE

Awaiting response from the Executive
LETTER SENT TO THE SCOTTISH EXECUTIVE BY THE CONVENOR (DATED 5 NOVEMBER)

TO ROSS FINNIE MSP, MINISTER FOR ENVIRONMENT AND RURAL DEVELOPMENT

Following the recent meeting of the Committee, it was agreed that further information be sought on various items relating to the information you kindly provided on the Council of the EU agendas.

Agriculture and Fisheries Council

1. To ask the Scottish Executive why no annotated notes were provided on the Fisheries aspects on this agenda, setting out the Executive’s initial view of the Council agenda item. This prevented the Committee from understanding the nature of the agenda items and the Executive’s view.

2. To ask the Scottish Executive for a statement on its position vis-à-vis the establishment of Regional Advisory Councils and whether these will, as agreed by a previous Committee, have now or in the fullness of time delegated decision-making powers and be inclusive of all stakeholders.

3. To ask the Scottish Executive for a view on whether it is possible and whether it will seek a financial contribution to the new build within the Scottish fishery protection fleet under the proposed scheme amending the financial contribution by the Community to Member States’ expenditure incurred in implementing the control, inspection and surveillance systems applicable to the CFP. Additionally, could such a contribution be sought to assist with the contribution made by the Scottish fishery protection fleet in the North East Atlantic?

4. To note developments relating to the discussions on animal welfare during transportation and to ask that the post-Council report sets out the discussions on this agenda item in full, including the views put forward by the UK delegation at the Council and any decisions taken.

As these information requests are to do with the scrutiny of EC/EU legislation, it is my view that they are not covered by the usual timescales set out in the relevant concordat. In this respect, if possible, may we have a reply in time for the next meeting of the Committee. To this extent, a response by Monday 1 December would be greatly appreciated.

EXECUTIVE’S RESPONSE

Awaiting response from the Executive
LETTER SENT TO THE SCOTTISH EXECUTIVE BY THE CONVENOR (DATED 20 NOVEMBER)

TO JIM WALLACE MSP, DEPUTY FIRST MINISTER AND MINISTER FOR ENTERPRISE AND LIFELONG LEARNING

Re. Economic and Finance Council (ECOFIN), 24-25 November

Following the recent meeting of the Committee, it was agreed that I write to you to ask for more information in relation to the Investment Services Directive (ISD). I agree with you that the ISD is of significant importance to Scotland given that it aims to revise and update the 1995 directive, which established the legal framework governing firms and markets conducting specific types of investment business within the EU, and ensured their ability to operate across borders.

In your report to the Committee, you note that political agreement on the Directive was achieved at the last ECOFIN, but unfortunately the UK’s blocking minority on mandatory quote disclosure rules fell apart here. May I ask you to provide some further information that explains how this occurred, what implications this may have for the Scottish financial industry and what options are open to the Executive and the UK Government to ensure the best possible outcome to Scotland during the conclusion of any outstanding negotiations. I would be grateful if this information could be supplied by 12 December.

I shall endeavour to copy this letter and your response to Alasdair Morgan MSP, Convener of the Enterprise and Culture Committee, for his interest.

EXECUTIVE’S RESPONSE

Awaiting response from the Executive
LETTER SENT TO THE SCOTTISH EXECUTIVE BY THE CONVENOR (DATED 29 JANUARY)

TO MALCOLM CHISHOLM, MINISTER FOR HEALTH

Re. The Honey (Scotland) Regulations 2003 (SSI 2003/569)

Our Committee considered the above-mentioned Regulations at our meeting of 20 January 2004, following a referral from the Parliament’s Subordinate Legislation Committee (SLC).

The SLC’s referral brought to our attention the potential ramifications of the Regulations on the labelling of honey and product of origin in particular. In the material sent to us, SLC noted that according to the Scottish Executive, the most persuasive interpretation of the term "country of origin" within the context of the Regulations on the labelling of honey is that it means the Member State, in this case the United Kingdom.

SLC also provided a copy of the advice from the Food Standards Agency (FSA) that indicated that Article 2.2(b) (second indent) of the Directive and Note 3 (ii) of Schedule 1 to the Regulations provide that most honeys may include their regional, territorial or topographical origin in their name. Therefore, in the view of the FSA, in addition to the mandatory provisions contained in regulation 5(1)(c), Scottish honey may be named as such if a producer wishes.

The Committee agreed to write to you asking for further clarification on the permissible types of "product of origin" labelling, i.e. what can and cannot appear on a label.

The Committee agreed also to bring to your attention a question as to whether the Regulations (specifically section 5) are open to misrepresentation. We are concerned that honey, perhaps with only minor proportions of EC honey mixed in with honey of non-EC origin, can be sold as a blend. We are aware that there are alleged problems with honey from certain non-EC sources. Perhaps EC honey should be described firstly by region and then by country of origin and non-EC honey by the country or countries of origin.

I look forward to receiving your reply in due course and would ask that this be delivered by 26 February as this would enable us to consider your response at our meeting of the 2 March.

EXECUTIVE’S RESPONSE

Awaiting response from the Executive
Introduction

1. One of the Committee’s core roles is to consider and report to Parliament on the transposition and implementation of EC/EU law in Scotland. Following agreement of the Committee, this is a role currently being reviewed with a paper expected from the Clerk shortly.

2. In the interim, the Committee continues to monitor the transposition and implementation of EC/EU law in Scotland according to two criteria:

   - The Executive’s performance in adhering to the timetables and deadlines for the transposition and implementation of our Community obligations.
   - The Executive’s reasoning behind a recourse to section 57 (1) of the Scotland Act. This section is the power that enables Westminster to implement EC obligations in a devolved area on an UK- or GB-wide basis.

3. It is in respect to this role for the Committee and in particular its historic interest in the amount of times section 57 (1) is used and the reasons why, that the Executive has written to the Committee with regard the following piece of Community legislation.

   - Revision or Abolition of the Fertilisers Regulations 1991

4. Annex A sets out details provided by the Executive on this piece of Community legislation and the Executive’s reasoning behind a recourse to implementation UK- or GB-wide through section 57 (1) of the Scotland Act.
Recommendation

5. The Committee is asked whether it considers that the Executive has provided sufficient explanation and justification as to why in its view it is necessary to implement these regulations UK- or GB-wide and not have recourse to specific Scottish legislation.

Further observations

6. The Committee may wish to recall that its predecessor had no objection in principle to a recourse to section 57 (1) – i.e. to use UK- or GB-wide legislation in devolved areas – provided that there were no specific localised interests that need to be accommodated and which may therefore need the legislation to be made separately in Scotland.

7. Making a judgement on the merits or otherwise of a recourse to section 57 (1) was seen as ensuring that where occasions arose, “Scottish solutions to Scottish problems” could be accommodated within the framework of Community legislation. For example, in dealing with the disposal of animal carcasses, different solutions may be required in remote or island areas compared to mainland Britain. In this case, a “one size fits all approach” may not be the best option. Alternatively, in the case of certain legislation, it may be that there is a case to be made in order to have a level playing field. Each case should be judged by the Committee on its merits and the explanation provided by the Scottish Executive.

Richard Lochhead MSP
Convener
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Email: europe@scottish.parliament.uk
LETTER FROM THE SCOTTISH EXECUTIVE, DATED 18 FEBRUARY

SCOTTISH EXECUTIVE

Deputy Minister for Environment & Rural Development
Allan Wilson MSP

Mr Richard Lochhead MSP
Convener
European and External Relations Committee
The Scottish Parliament
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10 February 2004

Dear Richard,

REVISION OR ABOLITION OF THE FERTILISERS REGULATIONS 1991

USE OF SECTION 57 OF THE SCOTLAND ACT 1998

1. I am writing to inform the Committee that I propose to agree to Defra’s forthcoming revision of the Fertilisers Regulations 1991 being done on a GB basis, by reference to section 57 of the Scotland Act 1998.

Background

2. The Fertilisers Regulations 1991 (Statutory Instrument Number 1991/2197, as amended) control the composition, labelling and packaging of fertilisers. An initiative to consider the revision or possible abolition of these Regulations is being taken forward south of the border. This initiative is led by the Department for Environment, Food and Rural Affairs (“Defra”), because of the importance of the legislation to farmers.

3. The Fertilisers Regulations 1991 currently apply throughout Great Britain. Fertiliser legislation is a devolved issue and, in theory, we in Scotland could operate our own fertiliser regimes, as could the Welsh Assembly. However, this could lead to significant enforcement problems. Defra is therefore proposing that any revision of the Regulations will apply throughout Great Britain. I agree that this is sensible, and I have been informed that the Welsh concur.

4. The 1991 Regulations cover the range of lime and fertiliser products from mineral fertilisers primarily used in agriculture to those used for horticulture, for amenity purposes and in the garden. They include some (but not all) organic and organic-based products. Additional controls apply to ammonium nitrate-based fertilisers where the nitrogen content derived from ammonium nitrate is greater than 28% of the material by weight. These additional controls will remain in force whatever the outcome of the Defra initiative.
5. The Fertiliser Regulations 1991 implement EC Directives 76/116/EEC, 80/876/EEC, 89/284/EEC, 89/530/EEC (all as amended). These Directives set the conditions and criteria (e.g. minimum nutrient content, labelling and packaging) for fertilisers, which can be traded freely throughout the Community. The European Council recently completed work on consolidating and simplifying these Directives into a single Regulation – EC No 2003/2003 - commonly referred to as the 'Refonte' Regulation. Because this Regulation is directly applicable, Member States are prohibited from maintaining implementing legislation which covers the same ground.

6. The Refonte, which covers only those fertilisers that have been through an EC approvals procedure and have been designated as EC fertilisers, entered into force in December 2003. Separate from the initiative which I am writing about, consideration is being given to statutory instruments to implement the areas of the Regulation where there is discretion. As part of that separate process, those parts of the 1991 Regulations that relate to EC designated fertilisers are likely to be disapproved.

7. What remains in force of the 1991 Regulations, if anything, will therefore cover only non-EC designated fertilisers. These Regulations could, in theory, be left on the statute book without further amendment. However, they contain a number of anomalies and omissions and are increasingly becoming out-of-date. It is therefore an opportune time to consider revising or even abolishing them.

Differences between EC and domestic legislation

8. Products that have been designated as EC fertilisers can be freely sold throughout the Community. In Great Britain there is no compulsion to designate fertilisers as EC fertilisers, as there is the alternative to designate as non-EC fertilisers. The situation is different in some other EC Countries, where only EC fertilisers can be sold. All EC fertilisers have minimum levels of Nitrogen, Phosphate, Potash, Magnesium and Sulphur specified in the Refonte. In Great Britain, fertilisers with less than these minima may be sold, providing they comply with the definitions in every other respect.

How the Regulations operate

9. The Fertilisers Regulations 1991 prescribe names for and descriptions of fertiliser materials as well as particulars and information to be given in statutory statements, which must be provided when such materials are sold. The Regulations also specify marking and labelling requirements. Enforcement of the Regulations is the responsibility of Trading Standards Departments.

Use of Section 57 of the Scotland Act 1998

10. Section 57(1) of the Scotland Act 1998 allows a Minister of the Crown to continue to exercise functions in relation to implementing and observing European obligations. It was the Minister for Agriculture, Fisheries and Food, the Secretary of State for Scotland and the Secretary of State for Wales who jointly made the original Regulations in 1991, and as these Regulations relate to EC Directives it is possible for the current Secretary of State for the Environment, Food and Rural Affairs (at Westminster) to make – on a GB basis – any amending Regulations.

11. Using section 57(1) powers is contrary to the policy that, where, appropriate, the Scottish Executive should legislate for Scotland in the first instance. On this occasion, however, there is a strong argument for Defra to extend the application of its proposed revising regulations to Scotland. By following this route, significant difficulties which would otherwise arise - such as cross-border enforcement issues - will be overcome.
12. Were section 57(1) not to be invoked, the Scottish Executive would have to consider consulting on - and thereafter making - its own separate revision of the 1991 Regulations.

Consultation

13. The 1991 Regulations were made under provisions in the Agriculture Act 1970, and Defra intends to consult a wide range of interested parties in accordance with section 84 of that Act. We will ensure that this consultation covers relevant stakeholders in Scotland.

14. The main options which Defra is planning to offer consultees are:-

- Revoke the 1991 Regulations and have no controls on non-EC designated fertilisers;
- Revoke the Regulations and require that all materials sold as fertilisers in Great Britain should be EC designated;
- Revise the Regulations to incorporate a registration/approval procedure for non-EC designated fertilisers which would be a condition of their being marketed;
- Revise the Regulations to deal with the anomalies and omissions but do not incorporate a registration/approvals procedure.

15. The proposals in the planned Defra consultation are not likely to give rise to any specific concerns as regards Scotland.

Conclusion

16. I believe that there is a strong case for relying on section 57(1) of the Scotland Act 1998, and thus for agreeing that Defra should extend to Scotland the application of its proposed amending provisions. It is especially important for reasons of practical enforcement that revisions of the Fertilisers Regulations 1991 are done on a consistent basis throughout England, Scotland and Wales. Responsibility for enforcement throughout Great Britain rests with Trading Standards Officers, and their functions are not devolved.

17. I shall ensure that I am kept abreast of developments from the consultation, and will inform the Committee of any relevant issues which arise.
Background
This document contains the list of EC/EU documents received by the European and External Relations Committee for this meeting, classified according to which committee(s) the particular document is most relevant too. The document is sent by the European and External Relations Committee to each of the Scottish Parliament’s committees for their attention.

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Note
As a new feature, this list of recent legislative proposals and developments in the EU contains a preface to the Committee Relevancy lists. This preface highlights certain documents considered of ‘Special Importance’ by the European and External Relations Committee, along with a short explanatory note of why they have been highlighted as such.

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<td>Report from the Commission to the Spring European Council: Delivering Lisbon - reforms for the enlarged Union</td>
<td>May be of interest to these Committees and worth noting. The document gives the fourth update on the state of progress of the Lisbon strategy. The strategy relates to creating a competitive job creating, knowledge based economy characterised by growth, social cohesion and respect for the environment. Explanatory Memoranda to follow.</td>
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<td>COM (2004) 38 final</td>
<td>Communication from the Commission to the Council and the European Parliament - Stimulating Technologies for Sustainable Development: An Environmental technologies Action Plan for the European Union</td>
<td>May be of interest to these Committees and worth noting. The document deals with renewable energy technologies and sets out three main objectives of the Action Plan which include ensuring that the EU takes a leading role in developing and applying environmental technologies. UK Government Explanatory Memorandum to follow.</td>
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<td>Finance European and External Relations Committee</td>
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<td>COM (2004) 101 final</td>
<td>Communication from the Commission to the Council and the European Parliament: &quot;Building our common Future: Policy challenges and Budgetary means of the Enlarged Union 2007-2013</td>
<td>May be of interest to both these Committees. The document outlines the Commission’s Budgetary plans for the stated years, which takes in the allocation of structural funds in an enlarged EU, and how the Commission’s budget may relate/impact on the Member States, and the devolved parliaments and regions within them. UK Government Explanatory Memorandum to follow.</td>
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