

DISCUSSION GROUP 5: INTERNATIONAL TRADE AND SKILLS

Hosts: Fiona Hyslop MSP, Cabinet Secretary for Culture, Tourism and External Affairs

Alasdair Allan MSP, Minister for International Development and Europe

Speakers: Alison Culpan Director Government Affairs, GSK; Ross Martin Chief Executive SCDI

Summary

The discussion centred around how international trade and access to necessary skills would be affected as a result of the EU Referendum result. Attendees discussed a number of key themes in relation to this including: the effects on recruitment of any changes to freedom of movement; how leaving the EU would affect regulation; how business support currently funded by the EU would be affected;

Introduction

- The Minister for International Development and Europe introduced the session and asked Alison Culpan, to set the context for the discussion.
- GSK has around 1,500 staff in Montrose and Irvine and the products it manufactures in Scotland includes 20% of the world's penicillin. Almost all of the product from Montrose is exported.
- GSK's Chairman was vocal for remain during the Referendum campaign.
- The Cabinet Secretary for Culture, Tourism and External Affairs outlined the role that she and the Minister for UK Negotiations on Scotland's Place in Europe had.
- This involved maintaining relationships in Europe so that Scotland continued to have a receptive audience.
- She had met the Chair of the European Parliament's Constitution Committee and had held meetings in Malta, which would hold the Presidency of the Council of the EU during the period likely to be covered by Brexit negotiations.
- Ross Martin ran through the questions in the discussion paper and invited the thoughts of attendees on the impact they were feeling from the Referendum result.

Topics Discussed

Opinions on Brexit

- Some organisations had already held surveys among their members and it was generally felt that the result would have a negative impact on businesses.
- This may lead to investment and recruitment being put on hold.
- It was recognised that a lot of the detail was not known.
- Leaving the EU may provide a distraction from other industry issues.
- There was uncertainty around what WTO rules or other models would involve.
- The referendum result could lead to further uncertainty in some sectors.
- The UK's ability to influence the EU on matters such as regulations even before the UK leaves the EU may be diminished.
- Organisations are building EU issues into everyday conversations with members and clients.

- The fall in the value of the pound had a mixed response as the group consisted of both importers and exporters.
- Industry must let UK Government know that what it proposes is unsustainable.
- Scottish exporters have faced a number of challenges before the EU referendum. Issues with languages were recognised but it was pointed out that the 1+2 Programme is building foundations for improvement.
- The quality of Brexit will depend on the tone of discussion with the EU and there was feedback that the EU did not appreciate the UK's tone.
- Initial feeling in EU was that Brexit might not happen despite the referendum result. However there is now recognition that UK leaving EU might happen.
- Brexit is not considered the main issue in any other EU country.
- Scottish Government's focus on maintaining a relationship with Europe is encouraging.
- Announcement of Berlin hub was welcomed.

Freedom of Movement

- Staffing may be an issue across a range of sectors reliant on EU staff, including tourism and food & drink as well as any sector depending on specialist skills.
- As restrictions on freedom of movement would work both ways, the ability of Scottish organisations to send their own staff overseas to make connections and build networks would also be affected.
- London and other large cities are likely to suffer through lack of free movement.
- Some companies may struggle to ensure that the right skills are available to allow them to expand.
- There were also concerns about the size of the employment pool in parts of Scotland and how restrictions on labour movements would impact these.
- Unemployment and under employment an issue within Scotland was highlighted in the context of expectations of work among the local workforce and the types of employment which people with specialist skills were interested in undertaking.
- Questions were raised around how freedom of movement should be assessed. Apart from numbers, should there be some thought on the qualitative impact?

Regulation

- Regulation meant that there are shared standards, allowing UK companies to participate in European markets.
- Regulations would exist wherever Scottish companies wanted to trade so there was no real benefit in being outside the EU's regulatory system.
- Many companies had invested time and effort in shaping and conforming to regulations, it would make sense for these to stay in place.
- Many, such as health and safety and environmental regulations were felt to be fit for purpose so there would be no benefits to changing them.
- Feeling that EU over-regulation is a myth and there would be no sudden freedom from the burden of bureaucracy.
- The UK had been active on the Refit programme for reforming internal regulation. There was concern that this involvement may drop off in advance of Brexit.

EU Funding

- In areas where business support activity is funded to some extent by the EU there is a need for clarity about who steps in. This applies both to continued funding for programmes that are already established and to new initiatives.
- Without freedom of movement, companies will have to rely on the local workforce with questions about who will provide funding to up-skill workforces to take on these roles.
- Companies may be encouraged to be more imaginative with regard to recruitment.
- The Scotland Act states that anything not reserved is automatically devolved. Scottish Government would therefore need to ensure that any relevant funding was devolved to Scotland.

Closing Comments

Minister for International Development and Europe

- Freedom of movement was seen as important both in a qualitative and quantitative sense.
- Almost 90% of Scotland's recent population growth has come from migrants.
- The lack of clarity of the UK Government position was considered unhelpful.
- The Scottish Government was working in good faith and was keeping options open to protect Scotland's relationship with the EU.

Alison Culpan, Director Government Affairs, GSK

- It is important that Scotland remains a confident and cohesive nation.
- This National Economic Forum is a good example that the Scottish Government is listening and will represent views.
- Need to show a strong face and that Scotland is open for business regardless of how Brexit plays out.

**The Scottish Government
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