Scottish Government
Riaghaltas na h-Alba

# A Fresh Start with Independence

## Questions and Answers

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## Questions and answers

The Scottish Government has published A Fresh Start with Independence, setting out its proposals for how the powers of independence could be used. It has also published a technical paper, The macroeconomic framework of an independent Scotland and the measurement of economic flows.

This Question and Answer paper is designed to focus on areas of particular interest: the public finances, currency, EU accession, the border with the rest of the UK, immigration and citizenship, and defence and security.

### Public finances

#### Q1. What is the difference between a budget deficit and a country's overall debt?

A. The budget deficit is the annual difference between the revenue raised and the amount of government spending.

If spending exceeds revenue then a country runs a budget deficit. The difference is made up through borrowing.

It is not unusual for countries to run budget deficits. The United Kingdom, for example, is in budget deficit and has been for most of the past 50 years.[1] A budget deficit is therefore not a 'black hole' that needs to be filled.

The national debt is the total amount of money the government of a country owes: in other words the accumulated budget deficits over the years.

Both the deficit and debt are usually expressed as a percentage of a country's national output.

#### Q2. Is it a problem for countries to run large budget deficits or to owe a large amount of debt?

A. Countries of Scotland's size, as Building a New Scotland: Independence in the modern world shows, tend to run smaller budget deficits and smaller debts than the UK. This helps to provide a cushion when an external shock happens and governments in those countries decide to borrow more money to cope with those shocks.

The Office for Budget Responsibility has noted concerns over the size of the national debt in the UK (and in other countries such as France) and the extent to which it is a problem, particularly with regard to the amount of money that goes on re-paying the interest on the debt.[2]

UK borrowing costs are currently the highest in the G7 group of countries.[3]

On the other hand, borrowing to invest in infrastructure and house-building can boost the economy and, in the long-term, help reduce borrowing as a percentage of national output as well as providing important benefits to people and communities.

In Building a New Scotland: A stronger economy with independence, the Scottish Government modelled the impact of targeted government investment in infrastructure which showed that after five years, an investment package of £1.56 billion a year could lead to the Scottish economy becoming between 0.5% and 1% larger at the end of the programme than it would otherwise be. Over 15 years, this is equivalent to increasing the size of the economy by between £10 billion and £25 billion (at 2017 prices).

### Q3. What would be the starting point of an independent Scotland in relation to the national debt?

A. The starting position for an independent Scotland is that it would not inherit any of the UK's debt stock, as the UK Government set out during the referendum campaign in 2014.[4]

In other words, Scotland would start off owing very low levels of debt to external lenders.

It has been argued that Scotland should accept none of the cost of servicing that UK debt as that was all incurred by the UK Government.[5]

However the Scottish Government recognises that Scotland, in a spirit of co-operation and responsibility, should seek in negotiations to agree to service a fair share of UK debt, taking into account a share of assets that Scotland would be entitled to.

Since 2014, UK Government decisions—many of which the Scottish Government and Parliament disagreed with—have contributed to the UK national debt rising from £1.6 trillion to £2.9 trillion.

The Institute for Government expects an agreement on national debt to help to reduce any new country premium and minimise any borrowing premium relative to other countries. It would also contribute to a positive and respectful relationship with the Westminster Government to support a period of orderly transition, and provide a basis for positive negotiations around the apportionment of UK assets.[6]

An independent Scotland would not be directly accountable to UK markets for historic UK debt. Any obligations for re-payments would be a matter for negotiation between the Scottish and UK Governments.

### Q4. What would be the starting point for an independent Scotland in relation to the budget deficit?

A. This will not be known until Scotland actually becomes independent.

Given the uncertainty over the outlook for the global, UK, and Scottish economies, and future fiscal and economic policy decisions by the UK and Scottish governments prior to independence, we are not presenting an estimate of the starting fiscal position of an independent Scotland.

In relation to the current situation within the United Kingdom, the latest estimates of the tax revenue raised in Scotland and the cost of public services provided for Scotland, show a notional deficit for Scotland larger than the UK as a whole (-11.6% of GDP in Scotland compared with -5.1% for the UK in 2024-25).[7]

Those public finance figures, however, are just a way of describing the unbalanced UK economy, in which, as A Fresh Start with Independence shows, all areas of the UK outside of London and the South-East operate estimated budget deficits.

The UK's deficit position has also been getting worse. Official figures show UK Government borrowing rose to a five-year high in August.[8] Notional estimated figures for Scotland are not therefore a guide to the public finances of an independent Scotland, which would not follow the UK model.

Nevertheless, it is the Scottish Government's view that Scotland should operate sustainable public finances with clear fiscal rules and targets in line with international practice.

The new EU common framework, for example, calls for "credible and gradual public debt reduction where needed."[9] The European Commission says:

> "Member States can benefit from a more gradual fiscal adjustment path when their plans are underpinned by a set of investment and reform commitments that contribute to sustainable and inclusive growth and resilience, support fiscal sustainability and address common priorities of the Union."[10]

As well as sustained and gradual debt reduction, the EU supports policies that ensure sustainable and inclusive growth, with countries setting out reforms and investment plans. The Scottish Government supports an independent Scotland having a fiscal plan built around growth, investment and sustainable levels of debt and borrowing, taking into account Scotland's particular circumstances.

The Scottish Government would use the EU rules as a guide given our ambitions to join the EU. These require Member States to produce credible multi-year National Medium Term Fiscal Structural Plans (FSP) to reduce debt and deficit levels towards the agreed criteria.

Productivity improvements can support deficit reduction by raising tax revenues, alongside ensuring public spending is brought closer into balance with those revenues. As A Fresh Start with Independence shows, there is substantial catch-up potential in this regard for an independent Scotland to match the performance of comparable independent countries.

The social partnership arrangement suggested in A Fresh Start With Independence could ensure there was agreement on any required measures to bring down the budget deficit. This consensus model could provide assurance to the market of policy stability over the long-term.

The Scottish Government rejects an austerity approach.

The Scottish Government believes there is a case for an infrastructure investment spending stimulus in the early years of independence to help kick-start our newly independent country to finance affordable house-building and refurbishment activity and develop renewable energy projects to drive lower energy prices in the long-term. Doing so would reinforce our existing Infrastructure Investment Plan.[11] The modelling in Building a New Scotland: A stronger economy with independence suggests there would be overall benefits in terms of growing the economy.

### Q5. Would Scotland need a budget deficit of 3-percent of GDP or below to be accepted as an EU member state?

A. No. Other countries, for example Poland and Croatia, joined the EU with budget deficits higher than 3 percent.

### Q6. As a newly independent country would Scotland face higher interest payments on new borrowing?

A. This question would apply directly to any new borrowing from the point of independence. Paying a contribution to UK debt servicing costs would likely reflect UK cost of borrowing.

The cost of borrowing from the point of independence would reflect our fiscal plans, economic outlook and the market perception of the strength of our democratic institutions, economic policy frameworks, commitment to the rule of law and other factors.

The Scottish Government believes that the strength of the Scottish economy, the potential impact of consensus-building institutions, our ambition to be an EU member and our catch-up potential are all reasons for optimism in this respect.

## Currency in an independent Scotland

### Q7. What would the currency in an independent Scotland be?

A. On independence, Scotland would continue to use the pound sterling for a period, before moving to the Scottish pound.

Using the pound sterling from the point of independence would not require any formal agreement with the UK Government. Its use would ensure continuity for citizens and businesses immediately after independence and allow time to build up Scottish institutions such as a Scottish Central Bank.

Continuing to use the pound sterling would be the natural starting point for an independent Scotland.

### Q8. Wouldn't it make sense therefore to keep using the pound sterling indefinitely?

A. No.

It is the Scottish Government's view that adopting the Scottish Pound would provide Scotland with the opportunity for greater policy flexibility and would be more appropriate for an independent country. It should be noted that the UK Government ruled out a monetary union with Scotland in 2014 in the event of a Yes vote.

Most countries have typically operated with their own currency at some point, however the advent of the euro has seen a number of EU countries adopt a common currency, for which monetary policy is conducted by an independent single Central Bank.

### Q9. When would a Scottish pound be introduced?

A. The change to the Scottish pound would take place as soon as practicable. The decision when to move to the new currency would be guided by:

- economic conditions, including criteria published by the Scottish Government
- the advice and reports of the new, independent Scottish Central Bank
- discussion and liaison with the European Union, in the context of negotiations for Scotland to become an EU member state

### Q10. How would the Scottish pound be introduced?

A. The Scottish pound would be introduced in a clear, transparent and planned way with the Scottish Central Bank working with the financial sector in Scotland.

On the day that the Scottish pound became an independent Scotland's currency, Scotland's households and businesses would hold deposits, investments and assets denominated in pounds sterling.

The introduction of the Scottish pound would not prevent sterling from being used. However, when households and businesses chose to exchange pounds sterling for the Scottish pound in transactions this would automatically build up sterling reserves at the independent Scottish Central Bank.

This would happen as a matter of course with transactions and provide sterling—a reserve currency—to the Scottish Central Bank.

Given that households and businesses will be holding billions of pounds of sterling, this would enable the Scottish Central Bank to accumulate large amounts of reserve currency.

The pace of uptake of the Scottish pound would also depend upon the managed transition period and the extent to which the Scottish Government mandated spending, benefits, public sector pay, and taxes to be denominated and paid in the Scottish pound. The banking sector could also be licensed to operate and regulated on that basis.

Over time, the balance of use between the pound sterling and the Scottish pound would change as citizens and businesses use the new currency.

The Scottish pound would be the general trading currency of the economy and of the banking system, and the Scottish Government would expect the bulk of transactions through the banking system in an independent Scotland to be in the Scottish pound

### Q11. Would existing contracts such as mortgages which are denominated in sterling continue to be so?

A. Yes, individual private contracts would continue as before.

The process of exchange from sterling to the Scottish pound would be voluntary, and would reflect the preferences and requirements of individuals, as well as the provisions available via the banking and wider financial services sector in Scotland.

Decisions about the currency that applies to new contracts, products and services, as well as the option to switch existing contracts, would be for individual providers and consumers.

### Q12. Would Scotland need its own currency to become a member of the EU?

A. The EU treaties that govern accession to the EU are silent on that matter, so this would be a point of negotiation with the EU.

But given it is Scottish Government policy to move to our own Scottish pound as soon as practicable, it could coincide with the likely time of entry to the EU.

Timescales for new member states are discussed below.

### Q13. As an EU member state would Scotland have to use the euro?

A. The EU does not prescribe a timetable for member states joining the eurozone.

As with other new EU member states, joining the euro would happen only if both the conditions for doing so—known as the convergence criteria—were met, and the Parliament of an independent Scotland decided this was the right course of action to take.

One of the convergence criteria, joining what is called the Exchange Rate Mechanism 2, is voluntary.

A number of EU members, such as Poland, joined in 2004 and still use their own currencies and it should be noted that in 2017 the then president of the European Commission Jean Claude Juncker said: “I have no intention of forcing countries to join the euro if they are not willing or not able to do so.”[12]

### Q14. Will bank deposits be safe?

A. Yes.

The current UK Financial Services Compensation Scheme is funded by the sector with a backstop or guarantee by UK Government. In an independent Scotland, provisions would be made for a Financial Services Compensation Scheme and the Scottish Government would provide the backstop or guarantee.

### Q15. Who will be lender of last resort?

The lender of last resort usually means a lender to a bank that is in financial difficulty either because it is facing insolvency or having short-term issues raising enough cash.

That function is typically carried out by the Central Bank but with the Government as the ultimate guarantor.

The large banks operating in Scotland are now part of groups whose main activities, assets and liabilities are located outside Scotland. At present Scotland has a relatively small domestically-focussed banking sector. In practical terms most headquarter functions are already carried out in London. In an independent Scotland this is likely to be formalised.

With the introduction of ring-fencing and proper capitalisation and supervision of retail activities such support should not involve any significant cost to Scottish taxpayers.

## EU accession and Scotland's borders

### Q16. Would there be passport checks for Scottish citizens travelling from Scotland to England if Scotland joins the EU?

A. No.

Under an arrangement called the Common Travel Area (CTA), citizens of an independent Scotland would be able to move freely across the UK and Ireland. By remaining in the CTA there would be no new passport or immigration checks at any of an independent Scotland's land, sea or air border points with the UK and Ireland for those travelling between Scotland, the UK and Ireland.

The CTA was in existence before both countries joined the EU and it has continued despite Brexit. There is no reason to believe Scottish independence will change that. Indeed commentators widely expect these arrangements to continue in the event of an independent Scotland.[13]

### Q17. Would there be checks on goods at the border?

A. This will depend on the relationship the UK has with the EU at the time of independence.

As an EU member state, Scotland would have a responsibility to check goods coming into the single market, to ensure they are of high standards to protect consumers and our businesses.

The Scottish Government believes it is better for Scotland's future to be part of the huge European single market, which is seven times the size of the UK. This means most checks would be removed between Scotland and 27 members of the EU.

Border arrangements between the UK and EU are changing. It is therefore not possible to say at this point what the requirements will be.

### Q18. Doesn't it matter that Scotland trades much more with the rest of the UK than with the EU?

A. The rest of the UK would remain an important trading partner for Scotland. The Scottish Government would put in place measures to smooth checks required as a result of Brexit on goods moving to and from England and Wales.

The movement of goods is likely to be aided by current negotiations on a comprehensive Sanitary and Phytosanitary (SPS) and Veterinary Agreement with the EU. Such an agreement could remove the need for the vast majority of checks of the post-Brexit checks on goods moving between the EU and the UK.

When Ireland diversified its trade into the EU it became wealthier than the UK with a higher national income per head.[14]

### Q19. If there were border checks on goods where would they take place?

A. The nature of any checks would be contingent on the trading relationship at the time between the UK and the EU. But any checks on goods would likely only be undertaken on the main trunk routes between England and Scotland or at freight terminals. For minor routes, as along the Sweden-Norway border, Automatic Number Plate Recognition and cameras to monitor for non-compliance could be deployed.

### Q20. Would the Scottish Government put in place any measures to help businesses prepare?

A. Yes.

The Scottish Government would ensure that support is provided through:

- ample notice of any new trading arrangements, for both exporters and importers
- clear guidance to help Scottish businesses and businesses which trade with us to understand and comply with any new procedures
- practical help for companies trading with the rest of the UK, including a support service for paperwork and administrative requirements and a package of grants and loans that would be drawn up after detailed discussions with relevant businesses and business organisations
- a new government service with responsibility for trading with the rest of the UK.

### Q21. What would the transitional arrangements be before an independent Scotland became an EU member state?

A. In order to ensure continuity of rights and obligations as well as legal certainty during the EU accession process, the Scottish Government would seek to agree transitional arrangements to provide certainty and facilitate the continuation of trading arrangements with the UK, EU and other countries—in a broadly similar manner to those in place before independence—until Scotland joins the EU.

### Q22. How long would it take for Scotland to join the EU?

Scotland would apply to join the EU as soon as possible after independence.

Having been part of the EU for over 47 years, with a positive record of implementation of EU legislation and a high level of alignment with EU law, Scotland is clearly well-placed to move through the accession process quickly.

The average time it has taken existing member states to join the EU is under five years from the opening of the accession negotiations. Austria, Finland and Sweden joined the EU in under two years.

In 2016, Lord Kerr of Kinlochard, former Ambassador and UK Permanent Representative to the European Union, said: “I think that when independent the Scots could apply and probably get in pretty quickly through the door marked accession.”[15]

When asked about the level of support in the EU towards an independent Scotland joining the EU, in 2020, the former President of the European Council, Donald Tusk, said: “Emotionally I have no doubt that everyone will be enthusiastic here in Brussels, and more generally in Europe.”[16]

### Q23. When could accession negotiations start?

A. The Scottish Government would apply to join the EU as soon as possible after independence.

Once a country has had its application for membership accepted, it becomes known as a candidate country and negotiations can start on the conditions and timing of the adoption, implementation and enforcement of the EU's standards and rules.

Given the merit-based nature of the EU accession process, Scotland would be well placed to fulfil the requirements of the accession process under Article 49 of the Treaty on European Union smoothly and quickly.

### Q24. Would Scotland's application be vetoed by other countries, for example Spain?

A. The Spanish Government has never said it would veto Scotland's membership. The crucial point is that independence needs to be achieved through an agreed, constitutional process.

### Q25. Would Scotland go to the back of the queue?

A. There isn't a queue.

The process of accession is merit-based. Having been part of the EU for 47 years until 2020, Scotland is well placed to meet the relevant criteria quickly. As A Fresh Start with Independence shows, Scotland shares EU values, and would make an important contribution to the EU's goals.

### Q26. Will EU membership mean rejoining the Common Fisheries Policy (CFP)?

A. Yes.

As an integral part of EU law, it is well-established that adherence to the CFP is a fundamental requirement of EU membership.

The Scottish Government supports the overarching principles and strategic outcomes of the CFP and its role in supporting long term sustainable fishing in the North East Atlantic. While we acknowledge that previous versions of the CFP had aspects that created real difficulties for Scotland's fishing industry, it is important to recognise that the current CFP balances environmental, social and economic interests. EU membership also brings wider benefits for fishing and coastal communities, including enabling seafood exporters to have untrammelled access to the world's largest single market and customs union.

Benefits in terms of fishing opportunities arising from the Trade and Cooperation Agreement have also been limited. While quota gains have been made for a small number of species, Scotland now has access to fewer fishing opportunities than it had under the CFP for key stocks like North Sea Cod, Haddock and Whiting.

For North Sea Haddock, for example, the Trade and Cooperation Agreement (TCA) gives the UK a maximum share of 84.2% of total UK-EU quota, compared to average UK landings of 92.5% in the period 2015-19.

The granting of a 12-year EU fisheries access agreement to 2038 as part of the UK EU Summit announcement in May was done without any discussion with Scottish authorities, despite the Scottish Government having the devolved responsibility and representing this sector. While the Scottish Government has welcomed key aspects of the overall UK EU deal—for example on reducing barriers to trade in agrifood, or returning to the Erasmus+ programme—this deal still falls short for the catching sector.

An independent Scotland within the EU—as an influential maritime nation—would have a significant opportunity to shape the future of the CFP and relevant legislative and regulatory

developments, promoting our fishing and seafood interests directly at the heart of the EU and using our expertise and influence to maximise efficient and effective delivery of CFP objectives and mutually beneficial outcomes.

Restoring freedom of movement from the EU would also mean that our seafood industry can address the acute labour shortages they have faced since Brexit and our coastal and island communities can again benefit from the inward migration they need to prosper.

That includes not only attracting working age people and families to build lives in our communities but also access to labour on a seasonal and flexible basis, which is vital to the seafood processing sector but which has been ignored by a flawed UK immigration system.

## Immigration and citizenship

### Q27. Who would be a citizen of an independent Scotland at the point of independence?

A. The Scottish Government proposes that the following groups of people would be entitled to become citizens of Scotland:

- British citizens habitually resident in Scotland
- British citizens born in Scotland but living elsewhere
- British citizens living elsewhere but with a parent who was a British citizen born in Scotland
- British citizens living elsewhere who previously lived in Scotland for at least ten years, or five years as a child, with a pro rata calculation for young adults.

### Q28. Who could become a citizen?

A. We propose that the following two groups of people would be entitled to register as citizens of Scotland at the point of independence:

- British and Irish citizens living in Scotland
- children of any nationality living in Scotland who have been brought up here.

Anyone else who wants to become a citizen of Scotland would be able to apply to become one.

### Q29. What would an independent Scotland's migration policy be?

A. The Parliament and Government of an independent Scotland, as chosen by the people who live in Scotland, would decide immigration policy.

The Scottish Government believes that Scotland's economy benefits from inward migration. People who have chosen to live and work in Scotland are helping to grow our economy. They help us address skills shortages in key sectors and make an important contribution to our population growth. Inward migration contributes to higher economic growth, increased productivity and innovation, and increases in trade. This has been demonstrated recently by the experience in Spain, which has a more open and welcoming approach to migration and high growth.

At the moment though, Scottish employers — including in key industries like healthcare , hospitality and tourism — can struggle to find the workers they need. A flexible visa system would help Scottish businesses and employers to attract and retain the international talent they need to thrive.

Migration could also help island and rural communities to grow, address depopulation challenges and keep vital public services working.

### Q30. What sort of visa routes would be available for those wanting to live or work in Scotland?

A. The Scottish Government would offer a range of visa routes in an independent Scotland. These would support people to live, work or study in Scotland, or to visit or invest here.

The 'Live in Scotland' route would be a new type of visa, allowing people to live and work in Scotland with their families without employer sponsorship, if they meet criteria set out in the Scottish immigration rules.

This visa would give credit for a broad range of characteristics including age, education, skills and work experience, earning potential and language ability – and could include the opportunity to be credited for Gaelic as well as English.

The 'Live in Scotland' route would also incorporate a place-based element, supporting migration to rural and island communities within Scotland, therefore helping to address depopulation.

The 'Work in Scotland' route would be an employer-sponsored visa route, with simplified rules to allow more employers to interact with the immigration system and allow them to recruit internationally.

And the 'Scottish Connections' route would provide an immediate route post-independence for people with a connection to Scotland to return or remain here. It would also replace the two-year post-study work visa, meaning that international graduates of Scottish universities could apply straight after their studies to stay in Scotland to live and work for a further five years.

The Scottish Government would remove the minimum income requirement for family migration, introduced as part of the last UK Government's approach. This would make it easier for families to choose Scotland as a place to live and would support family reunification.

More detail about the Scottish Government's proposals for an independent Scotland's migration system are set out in Building a New Scotland: Migration to Scotland after independence.

## Defence and security

### Q31. In a dangerous world, could Scotland defend herself?

A. Yes.

In the event of independence, the Scottish Government believes Scotland's defence and security priorities would rest on three pillars:

- joining NATO
- committing to the EU's Common Security and Defence Policy, and
- building a collaborative, mutually beneficial defence and security relationship with the UK as well as other strategic partners.

### Q32. Would an independent Scotland keep nuclear weapons?

A. The Scottish Government has been clear that nuclear weapons would have no place in an independent Scotland.[17]

The Scottish Government has proposed that the interim constitution of an independent Scotland should place a duty on the post-independence Scottish Government to pursue nuclear disarmament.[18] This would mean that, immediately upon securing a vote for independence, the Scottish Government would pursue negotiations with a view to securing the safe and expeditious removal from Scotland of the nuclear weapons based here.

### Q33. Could an independent Scotland join NATO without nuclear weapons?

A. The Scottish Government believes that the removal of nuclear weapons from Scottish soil would not prove an obstacle to an independent Scotland's aims of joining NATO. Only a minority

of NATO members host nuclear weapons[19] and Finland's accession to NATO in April 2023 shows that hosting nuclear weapons is not a precondition for membership.[20]

An independent Scotland would seek discussions with NATO leaders with a view to Scotland joining as soon as possible.

An independent Scotland would:

- align with NATO's defence principles, contributing to the global alliance as an active partner
- work with neighbouring members in defence of the North Atlantic and High North region, with a likely focus on the strategically important Greenland–Iceland–UK Gap
- provide conventional forces to NATO operations in support of Treaty objectives and participate in joint exercises conducted by NATO and by neighbouring countries
- contribute forces to NATO and UN-led international humanitarian and peacekeeping missions
- work with NATO allies towards worldwide nuclear non-proliferation and disarmament.

### Q34. Would Scotland's defence depend on the UK?

A. Scotland would contribute to the collective defence of these islands and of Europe.

An independent Scotland would build collaborative, mutually beneficial defence and security relationships with the UK, as well as other strategic partners in our region. An independent Scotland's geographic position, sharing a landmass with the rest of the UK and proximity to Ireland, means that cooperation on issues of defence and security with our nearest neighbours makes sense. It is already happening now between the UK and Ireland.[21]

An independent Scotland's most enduring defence and security partnership would be with the UK and Ireland, and would require our respective independent countries to work collaboratively to ensure our mutual safety.

An early aim, following a vote for independence, would be to establish the joint readiness, capability and intelligence-sharing mechanisms to support the security of these islands and our wider alliances, as well as arrangements for the transition to independent Scottish military capability.

To read more about the Scottish Government's proposals for an independent Scotland's approach to defence and security, and international relations, please see: Building a new Scotland: an independent Scotland's place in the World

## Endnotes

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This publication is available at **www.gov.scot**

Any enquiries regarding this publication should be sent to us at
The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-80643-260-8 (web only)

Published by The Scottish Government, October 2025

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1662666 (10/25)