

## **RSE written submission to CEEAC Committee 7 March 2025 – Review of the UK EU Trade and Cooperation Agreement Inquiry Part 2.**

### **General Comments**

The RSE welcomes this opportunity to provide written evidence to the CEEAC Committee inquiry into the trading relationship between the EU & UK within the context of the forthcoming TCA review. This submission will focus on issues relating to AI. The RSE argues that the UK faces difficult choices. Two regulatory regimes are likely to be globally significant: the USA and the European Union. The UK faces a choice between (a) aligning with the USA; (b) aligning with the EU; (c) mixing elements of both regimes and making its own choices. This choice may be governed by wider political considerations, such as a preference to get closer to the EU generally, or to exploit the opportunity provided by Brexit to act independently. It will also be governed by a political preference for a liberal or laissez-faire approach, stressing innovation and market opportunities, and a more regulatory approach, stressing consumer protection and social and environmental protections. The US inclines to the former and the EU to the latter. Any UK-EU reset in relations will offer substantial opportunities for a better trading relationship in relation to AI in sectors such as security and defence, compute, the green economy, and intellectual property. However, alignment with one bloc also implies costs associated with trading access in the other direction. The UK may wish to pursue a pathway that bridges between the EU and US models by developing a productive pathway that balances innovation and risk through smart regulation. However, as a small country, this approach will only work if the UK can bring others in the same direction. The RSE believes a priority for the UK should be to participate in and influence regulatory developments as a stakeholder, even if this does not translate into formal alignment.

### **1. What opportunities does any UK-EU reset provide for a better trading relationship in relation to AI?**

The term 'reset' is ill-defined and widely rejected in EU circles. There may be opportunities for cooperation in new areas, not covered by the TCA but these will almost inevitably be accompanied by requirements in related fields. The EU remains resistant to 'cherry picking'. Better UK-EU relations could present substantial opportunities for business and research institutions for joint investment and research to drive innovation and growth in responsible and sustainable AI. In combination, the UK and EU stand a chance of playing a role in the competitive global AI landscape. AI is not just a discrete area of policy but cuts across many matters, including security and defence, which are primary considerations for policymakers in the current state of geopolitics. A better trading relationship with the EU will also unlock opportunities for collaboration on Net Zero and the infrastructure that will be needed to meet our targets. However, collaboration across sectors will require talent mobility and mutual recognition of qualifications, which are currently major obstacles to a better trading relationship. This will be discussed in further detail in question 4.

## **2. What are the risks to AI in Scotland of regulatory divergence between the UK and EU in relation to AI and equally what are the benefits of regulatory alignment?**

There are risks and benefits of both regulatory alignment and dealignment with the EU in relation to AI.

One of the major risks to AI in Scotland of regulatory divergence between the UK and the EU is the associated trade barriers and limited access to the EU market this would create for businesses having to comply with two sets of rules. Additionally, research institutions will miss out on opportunities for joint investment and collaboration with EU counterparts which will have negative implications for innovation and talent retention. If UK does not want to move toward a light-touch style of regulation and miss out on the opportunities to be leaders in responsible and sustainable AI, then there are advantages in remaining close to the EU. Finally, if the UK diverges from the EU, it will be more reliant on the US market and political preferences which are looking increasingly unpredictable and volatile.

The benefits to AI in Scotland of regulatory alignment with the EU are the opportunities for collaboration, joint investment, and improving competitiveness outlined above, whilst making Scotland an attractive destination for talent from the EU. It would enable Scotland to operate within the most comprehensive set of regulations for AI in the world and set a global standard for ethical and responsible AI development.

However, if the UK chooses to pursue regulatory alignment with the EU, UK leaders in AI will be exposed to the more stringent rules of the EU AI Act. The stated aim of the Act is to “foster trustworthy AI in Europe.”<sup>1</sup> It focuses a lot on consumer protection and responsible AI, which is a benefit for society, but has been criticised for being too prescriptive for business and innovation. From a commercial perspective, the UK is performing well in various areas of AI and the application of this Act may constrain growth and innovation in the UK. This could also starve companies of access to US products and the associated opportunities to improve public services such as healthcare. In certain areas, such as self-learning dynamic AI, we are a long way away from this materialising and knowing what it means in practice. In this sense, the EU AI Act could be guilty of “regulating the hype,” which might be a mistake and have negative implications for competitiveness. Moreover, if the UK is aligned with Europe and a global company decides not to sell its product in Europe due to the EU AI Act, then consumers will be denied access to certain AI-based products from the US and other markets.

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<sup>1</sup> [AI Act | Shaping Europe's digital future](#)

Alternatively, the UK could choose to bring the two approaches together to maximise the opportunity whilst ensuring there are effective regulations and awareness of the risks involved. By taking a complementarity approach between the US and EU models, the UK could create a competitive advantage by minimising the societal and economic risks via smart regulation. However, the UK is too small to be a global leader or regulation-setter, unlike the USA or the EU so this approach may entail losses on both sides. If the UK has its own unique regulatory environment, global companies will refrain from bringing their products here.

We assume that the terms of the Scotland Act, together with the UK Internal Market Act will mean that this will be largely or entirely a Westminster responsibility so any Scottish concerns would have to be pursued with the UK Government.

**3. Does the review of the TCA provide any opportunity for closer cooperation between the EU and UK on AI and/or are there any other means through which this can be achieved?**

The RSE understands that the review of the TCA is very strictly about the TCA itself and how it is working and is therefore not an opportunity to raise new issues. Any new cooperation must occur outside of the TCA. Negotiating a side deal on AI will depend on how this impinged on other issues inside the TCA, for example the basic trading arrangement and mutual recognition. It is not clear how a separate deal on AI could be agreed because of the impact it would have on other areas in the TCA. However, there are opportunities for closer cooperation between the EU and the UK on AI through areas such as security and defence, intellectual property, and compute, whereby our shared interests are suited to a joined-up approach.

Security and defence, as referenced in the withdrawal agreement, with all the caveats around the risks of using AI in this context, would be a mechanism to bring closer cooperation between EU and UK, particularly at a time of geopolitical instability.

Intellectual property – There are big discussions around copyright, creative work, fair compensation and so on that alignment would really help create cooperation between EU/UK.

Compute – the UK and EU are not competitive in terms of the hardware manufacturing, data centres, and energy supply that can be secured for the big compute that is needed for AI growth compared to China and US. This might be an opportunity to join forces and become more competitive as well as address some of the sustainability issues such as how green is the energy we use for AI. The UK and Scotland have great capabilities in the

semiconductors and electronics technology, but the major limitation is scale of investment. The UK could turn these capabilities into economic growth, but international collaboration could help achieve the scale needed to realise this.

**4. To what extent are mobility issues and mutual recognition of qualifications significant issues in delivering closer cooperation on AI between the UK and the EU?**

The ability of EU people to visit or work in the UK is a big issue for cooperation. This mobility is absolutely essential to Scotland's talent base. The RSE has urged the UK Government to rejoin Erasmus+ and establish a reciprocal youth mobility scheme. Nothing is going to happen in Scotland in terms of economic growth and innovation in AI if we do not have the people. We need to ensure that there is an exchange in the mobility of young people, but also the whole visa regime and permission to work in the UK needs to change to meet Scotland's talent gaps. AI is going to grow and the demand for skilled people is going to increase. However, this is currently a red line for the UK Government.

Mutual recognition of qualifications is also important and if the UK is diverging more on this then it will generate increasing problems for inward migration from the EU.

From a competitiveness point of view, Scotland can only capitalise on the strength of its universities, institutions, and businesses if it competes for the best globally, and currently, the AI opportunity is becoming essential to doing so given the competitiveness of the global talent landscape. Making Scotland an attractive destination for people with AI skills is clearly a desirable objective. This is also true for people coming from the US or Asia, but is particular true for those from the EU, given our existing strong links and cultural and geographical proximity.