



OFFICIAL REPORT  
AITHISG OIFIGEIL

DRAFT

# Constitution, Europe, External Affairs and Culture Committee

Thursday 16 January 2025

Session 6



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**Thursday 16 January 2025**

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**CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE**  
**2<sup>nd</sup> Meeting 2025, Session 6**

**CONVENER**

\*Clare Adamson (Motherwell and Wishaw) (SNP)

**DEPUTY CONVENER**

\*Alexander Stewart (Mid Scotland and Fife) (Con)

**COMMITTEE MEMBERS**

\*George Adam (Paisley) (SNP)

\*Neil Bibby (West Scotland) (Lab)

Keith Brown (Clackmannanshire and Dunblane) (SNP)

Patrick Harvie (Glasgow) (Green)

\*Stephen Kerr (Central Scotland) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Dr Arianna Andreangeli (University of Edinburgh)

Jackie Dunbar (Aberdeen Donside) (SNP) (Committee Substitute)

Emily Fry (Resolution Foundation)

David Henig (European Centre for International Political Economy)

Peter Holmes (The University of Sussex)

Gillian Mackay (Central Scotland) (Green) (Committee Substitute)

Angus Robertson (Cabinet Secretary for Constitution, External Affairs and Culture)

**CLERK TO THE COMMITTEE**

James Johnston

**LOCATION**

The Robert Burns Room (CR1)



## Scottish Parliament

### Constitution, Europe, External Affairs and Culture Committee

*Thursday 16 January 2025*

*[The Convener opened the meeting at 08:45]*

#### Interests

**The Convener (Clare Adamson):** Good morning, and welcome to the second meeting in 2025 of the Constitution, Europe, External Affairs and Culture Committee.

We have received apologies from Keith Brown, who is substituted by Jackie Dunbar—we welcome her back. We have apologies, too, from Patrick Harvie, who is substituted by Gillian Mackay. As this is Ms Mackay's first time at the committee, I invite her to declare any relevant interests.

**Gillian Mackay (Central Scotland) (Green):** I have nothing to declare.

### Decision on Taking Business in Private

08:45

**The Convener:** Our next agenda item is to decide whether to take in private item 4 on today's agenda, and an agenda item at next week's meeting, on consideration of a draft letter to the Scottish Government regarding budget scrutiny. Do members agree to take those items in private?

**Members** *indicated agreement.*

## Budget Scrutiny 2025-26

08:45

**The Convener:** Our next agenda item is the final part of our budget scrutiny of the culture spending portfolio for 2025-26, and it follows the committee's pre-budget scrutiny last year and the publication of the budget in December. Last week, we heard from stakeholders in the culture sector and from Creative Scotland. We are joined today by Angus Robertson, the Cabinet Secretary for Constitution, External Affairs and Culture, and Shona Riach, director of external affairs and culture, Scottish Government.

I invite the cabinet secretary to make an opening statement.

**The Cabinet Secretary for Constitution, External Affairs and Culture (Angus Robertson):** Good morning to you, convener, and to committee members, especially any new or substitute members. It is nice to see you all.

Thank you very much for the opportunity to open our discussion with some reflections on what I have heard from the organisations that gave further evidence to the committee last week and from colleagues, particularly from members who took part in Tuesday's debate on valuing culture. I have listened to and read those responses with great interest and have also listened to the views of the many and varied culture stakeholders that I have had the opportunity to meet since the Scottish Government's draft budget for 2025-26 was published in December.

It is clear to me that, although the proposed significant increase of an additional £34 million for Scotland's culture sector in 2025-26 has been warmly welcomed by many across the sector and underlines this Government's on-going commitment to strengthening it, we will not achieve all that we want to achieve together for culture in a single year. However, the budget is a significant milestone and, if supported by parliamentary colleagues, will take the Scottish Government halfway towards meeting our forward commitment of at least an additional £100 million annually for culture by 2028-29.

I would add that our aim for 2026-27, subject to the normal budget processes, is to deliver a further £20 million increase for the sector. I hope that my opening remarks will provide a level of confidence for the committee as well as the sector with regard to the longer-term trajectory of the Scottish Government's commitment to invest in culture.

The Scottish Government's budget is transformational for the culture sector in Scotland

and could not be clearer about our steadfast support for Scotland's arts and culture. It will enable us to continue funding initiatives such as the youth music initiative and Sistema. The additional funding will provide a package of support to the culture sector as a whole, including a significant funding uplift and multiyear settlement for Creative Scotland, giving it the means to offer regular funding to the biggest ever number of cultural organisations across Scotland.

The draft budget will enable the development of a culture and heritage capacity fund for the organisations that would benefit most from tailored supportive funding and guidance to help build their capacity and develop their future resilience. There will be increased funding for our national collections, the centre for design and the national performing companies to support their work, which is so important to our local communities, as well as being of international significance.

The draft budget will also double the funding available for Scotland's festivals and ensure that more festivals beyond the central belt receive the support that they need to reach their full potential. There will also be an increase for Screen Scotland's successful production growth fund, which will help attract international investment and encourage large-scale productions to choose Scotland because of our incredible locations, our studio and post-production facilities and our talented crews.

If passed, the draft budget for 2025-26 will support other important areas of work, such as community access to culture, improving Scotland's cultural exports and exchange and improving access to Scotland's vital public libraries. Those plans for increased investment will be delivered alongside a commitment to reform the funding mechanisms for the culture and arts sector. We want to help the culture sector maximise the impact of every penny of public funding and to support it to work more closely with the private and third sectors to grow the overall funding pot for culture, diversify funding streams and become more sustainable and resilient.

In the recent programme for government, we announced a review of Creative Scotland as part of wider considerations of how the culture sector is supported. That review will ensure that the additional funding coming to the culture sector can be used to best effect.

I recognise that it is essential that the culture sector has an opportunity to input into the review, and at the start of the week, the Scottish Government launched a short survey to inform its scope. Members will know that, during the debate on culture in the chamber on Tuesday, I invited colleagues to take part, and I would encourage as many people who work across the culture sector

as possible to respond. I should also say that the Scottish Government announced this week that Dame Sue Bruce will be appointed as the chair of the independent review of Creative Scotland, with a view to providing recommendations at the end of the summer.

I know that the pressures of meeting what are often significant capital infrastructure needs, along with pay settlements and inflationary pressures, have not gone away, and that many of our publicly funded culture bodies are continuing to grapple with those issues. Through our on-going work on public service reform, we are supporting our national culture bodies to work collaboratively and think creatively to come up with solutions to some of those challenges.

That approach has already yielded some positive outcomes. For example, we have agreed a revised framework document with Historic Environment Scotland that provides it with greater financial freedom to manage its commercial income. As part of that agreement, HES will reduce its dependency on public funding for its operational budget as commercial income continues to grow. This is the first year of that agreement, with a £2 million reduction in public funding as part of a five-year plan to reduce public funding by £10 million. Those greater freedoms will mean that HES will for the first time be able to invest every penny of its commercial income in protecting our historic environment for future generations, mitigating the impact of climate change, improving visitor experiences and delivering for Scotland.

It is that spirit of innovation, confidence and self-determination that is at the heart of the planned budget increase for culture in the next financial year. Facilitating an expanded multiyear funding offer from Creative Scotland will enable more of our creative people to worry less about funding and focus more on their creative practice. I look forward to working with the committee and members across all parties to make our collective ambition for a flourishing culture sector in Scotland a reality through support for the budget bill in the coming weeks.

**The Convener:** Thank you, cabinet secretary. I will open with a couple of questions.

In last week's evidence session, we heard about the new funding model for HES, which seemed to be welcomed by the sector. However, we also heard about the pressures on the national collections and our museums and galleries. Is a similar model being considered for that part of the sector?

**Angus Robertson:** The arrangement with Historic Environment Scotland is a first. It was asked for, considered and has been agreed to,

and everybody will be looking very closely at how it works. HES is confident that it will be able to grow its commercial income. Everyone understands that if organisations in the sector are better able to increase their income, it will allow us to think about the appropriate use of Government and public funding in the years ahead, and there is potential for a recalibration in our natural heritage, historic environment and cultural organisations as a result.

It is part and parcel of not only providing a funding increase for the culture sector but changing the nature of funding across the sector. We are at the beginnings of that journey. I will not rule out changing the financial arrangements for other organisations in the light of what we learn from Historic Environment Scotland.

We should be prepared to think about the broad range of ways in which we can marshal the good will of people who want to support our heritage and culture sector. On a number of occasions, including in front of this committee, I have talked about opportunities through philanthropy, working with the sector both domestically and internationally. Some organisations are very good at raising money; understandably, those are usually the larger organisations, but there is potential for cultural organisations of all types to find financial support through philanthropy.

I am very interested in working out how we do that. How do we help people who want to be helpful? How do we help them identify which projects have the greatest need? I discussed those questions with the new chief executive of Historic Environment Scotland only yesterday, and I will be having those conversations with the rest of the sector, too.

A review of Creative Scotland that also considers the wider culture sector will give us pointers in that area. The Government does not have all the answers; indeed, that is why I have made my offer to colleagues. If anyone with a particular interest in any relevant area has views on how the culture sector or, in the case of HES, our historic environment, can be better supported—that is, what we can do more of, less of or differently—I am sure that Dame Sue Bruce would welcome all of them, and I genuinely encourage colleagues in that regard. It will help steer the remit of her review, her considerations and, no doubt, her conclusions, which we will all await with great interest.

**The Convener:** You have mentioned the bigger organisations. One theme that has come through very strongly during this parliamentary session has been the wellbeing economy and how cultural organisations fit into that in our communities. We have talked about this for a long time over many sessions of the Parliament, and I guess that there

is a bit of frustration about the progress in other funding streams. We have heard that the Deputy First Minister has announced a review of the national performance indicators and framework. I would also point out in particular Wigtown Festival Company's evidence about the big problem of accessing culture in rural communities.

As you have said, an awful lot is going on next year with regard to the strategic development of how things move forward, both in Creative Scotland itself and in the review that you have mentioned. How will the budget support the aims of that cross-portfolio area of work?

**Angus Robertson:** There is a lot in that question, convener.

First, on the wellbeing economy, I want to put on record my appreciation of the many cultural organisations that already do a tremendous amount of work in that sphere. I saw that Neil Bibby was with the Royal Scottish National Orchestra in some of its outreach work; Scottish Ballet will, I think, be in the Parliament shortly, and members might not be aware of the outreach work that it has been doing, along with that of Scottish Opera, the National Theatre of Scotland and the Scottish Chamber Orchestra. Our national performing companies do a lot of outreach work, and that impacts very much on the wellbeing economy. Incidentally, they also tour across Scotland, reaching different places, and it is important that our cultural organisations are able to do so. A lot of good work is currently happening in relation to the wellbeing economy.

However, the question is: is there room to grow with that? Are there any gaps? How do we make sure that, across Government, we understand that this is as relevant in health, in education and in justice as it is in the culture directorate? It is a work in progress, and no doubt you will have me back—along with, perhaps, some of my colleagues from Government—to reflect on the importance of the matter and on the progress that is being made. Can there be more or quicker progress? No doubt there can, and I would encourage that to happen, as I am a strong believer in what culture and the arts can offer society more generally.

09:00

On the point about rural areas and the cultural offering in other parts of Scotland, a number of measures and initiatives in the budget are well focused on ensuring that culture is supported across the country. I have talked a couple of times before about the foundational change that we will see through multiyear funding for the culture and arts sector, with organisations the length and breadth of Scotland being supported. At the

moment, there are, I think, about 120 regularly funded organisations throughout Scotland, but there is every indication that in Creative Scotland's forthcoming announcement on multiyear funding—which is dependent on the budget being passed—it will talk about plans to significantly increase the number of organisations, venues, companies, and so on that will be supported across Scotland. That multiyear funding approach will have a significant impact in rural as well as in urban Scotland.

The funding for the Culture Collective and on the community side of things across Scotland will be really important, too. The previous iteration of the Culture Collective did some really excellent work, much of which falls into the space of impacting on the wellbeing economy. That is where you are seeing the double benefit of those changes.

I would point to other elements of the budget—for example, funding for festivals in general. However, expo funding, which is aimed beyond Edinburgh and Glasgow, will have an impact elsewhere. There is support that we want to give festivals; you mentioned one very successful festival that is not in the central belt, and there are many others that I could go on about, but that would not be fair.

There is a lot in the budget proposals that will make a positive impact in general, and a lot that will specifically help the wellbeing economy, as well as support the arts in rural and urban Scotland.

**The Convener:** Thank you, cabinet secretary. We will now move to questions from the committee.

**Alexander Stewart (Mid Scotland and Fife) (Con):** Good morning, cabinet secretary. Much has been made of the welcome funding in the proposed budget, but every organisation and individual that we have heard from has said that it is too little, too late. It will not stop the rot and it will not deal with the fact that confidence and trust in the sector are at an all-time low. Over the past few weeks, we have heard from individuals and organisations that the pay awards, the reduction in the working week, the increase in national insurance contributions and the building maintenance backlog will mean that libraries, venues, theatres and museums will all struggle to survive, let alone thrive, even with the additional funding that is proposed.

The sector is still not managing to progress. This morning, you have provided information about other organisations, many of which are pioneers. They must deal with the reality of having to do less. They might have to close or decrease in size and pay off people. That will happen in the sector in the foreseeable future.



**Angus Robertson:** I very much hope that that is not the case. One of the great hopes across the culture sector is that multiyear funding will be able to deliver the exact opposite of what you have described.

I do not diminish the fact that there have been significant pressures and existential challenges, particularly for cultural organisations with built property and the issues that Mr Stewart has narrated as being a challenge for them. I await Creative Scotland's confirmation of its multiyear funding decisions, in the anticipation that it will significantly improve the funding of cultural organisations across Scotland and that it will be transformational for a great many of them.

I have no doubt that we will come back to that, but it is for Creative Scotland to announce its decision and its board still has to sign off on that.

On Mr Stewart's point about things that are causing significant problems, many of which we have already discussed in committee, a relatively new one is employer national insurance contributions. That is a real challenge, not least because the expectation is that the United Kingdom Government's offset for its decisions to introduce the tax on jobs will not cover all the overheads. The increase in national insurance contributions for cultural organisations at scale, such as our national galleries, national museums and the National Library of Scotland, is a significant deal. It did not need to be so. We have not yet had satisfactory answers from the UK Government on funding to offset it, but we are working on that. I acknowledge that that is a significant challenge.

On the general point, I welcome the fact that Mr Stewart describes the budget funding commitments as being welcome, because I think that they are. I am perhaps generally more of a glass-half-full person than he is, but I know that he is asking pointed questions to identify whether the Scottish Government understands that things have been very challenging in the culture sector. I understand that—I have said that before and do so now again—but I think that this year will see a significant change at scale for the culture sector.

In the current year, funding for culture has increased by £15.8 million. Next year, it will increase by £34 million. That will take us halfway towards our five-year aim of raising annual funding by £100 million. We will have done that in two years. I am trying to do it as quickly as I can. Any encouragement that colleagues can give within their parties to support reaching that target is gratefully received; it will make a big difference.

Even when we get there, there is no doubt that there will be more to do, Mr Stewart. However, we

are on the right course and that is why it is important that we get the budget passed.

**Alexander Stewart:** I welcome the fact that Dame Sue Bruce has been appointed to deal with the review. During the past few months and years, we have heard that Creative Scotland has not been fit for purpose in relation to some of the ways in which it has managed the organisation and continues to do so. I hope that the review will be balanced and provide the opportunity to look at that. As you rightly indicate, cabinet secretary, we should all participate in the process and give our views and opinions.

The governance and scrutiny of, and confidence and trust in, Creative Scotland have been diminished because of its deeds and actions in the sector. It has not always taken advice from the professional bodies and the individuals who manage and co-ordinate things, and I hope that that will change as we go through the review. Whether Creative Scotland survives or another arts organisation takes its place, I hope that we can be confident that it will work hand in hand with the organisations and our outstanding performers. In recent times, there has not been much respect for the organisation within the sector, which has been and continues to be a problem.

**Angus Robertson:** I am sure that Dame Sue Bruce will look closely at colleagues' views of Creative Scotland and the wider cultural sector. That is why I have encouraged colleagues to take part and share their views. Dame Sue will look closely at any suggestions about potential changes and will come to her own conclusions on the basis of the evidence that she is provided with.

In fairness, it is important to put on the record, among other things, the fact that Creative Scotland was responsible for helping the culture sector to get through the pandemic. As far as I am aware, at no point have any serious concerns been raised about the way in which very significant public funding was used to keep the culture sector afloat at that time. I have no doubt that Creative Scotland will have its own reflections on how it might wish to have done things differently. However, given the history of arm's-length cultural organisations in Scotland, it is important that we have an organisation that plays a significant role.

I will share with the committee my hopes for what will emerge from the review. Given that we will have multiyear funding, it is important to understand what that will mean for, and how it will interact with, the rest of cultural support. How will the provision of multiyear funding for more cultural organisations relate to the open fund that Creative Scotland operates? How will it relate to other funding streams for festivals and so on? I could go on. I am really keen for the review to think about

those questions and to work out what needs to happen next, because the world in which our creative community operates is changing very quickly.

I have mentioned to the committee previously that there are things—the digital dimension and the artificial intelligence dimension are just two examples—that will have an absolutely transformational impact on cultural organisations, on venues, on creatives in general and on freelancers in particular. A lot is wrapped up in what is heading in our direction.

Therefore, I think that now is the right time for a review. There has not been a review of Creative Scotland since 2010 or 2011, which means that Dame Sue Bruce has a good length of time to reflect on. She will also think about what is happening elsewhere. I am always keen to find out whether there are good examples from arts bodies in the rest of the UK or further afield that we can learn from, and whether there is anything that we should be thinking about doing more or less of or doing in a different way.

There is also the question of our arts infrastructure—we have Creative Scotland, Screen Scotland, Architecture and Design Scotland and a number of other bodies. We need to think about how we make sure that all that works together as well as it can. I do not know Dame Sue Bruce personally, but she has a great track record, and the fact that there has been such a broad welcome for her appointment makes me extremely pleased that we have someone in whom we can have the greatest confidence. She will look at what needs to be looked at, she will reflect on everyone's input and she will make recommendations, which we will, of course, take very seriously.

**Jackie Dunbar (Aberdeen Donside) (SNP):** I know Dame Sue Bruce, because she came in to help Aberdeen City Council when I was a councillor there. I hope that it brings the cabinet secretary comfort to know that she is not scared to take difficult decisions.

In your opening remarks, you mentioned funding for local projects. As you are aware, I have written to you in the past about the project that is under way in Aberdeen to reopen the Belmont cinema. I met the project team and heard about its exciting plans, along with its educational partner, Station House Media Unit. I was not at Tuesday's culture debate in the chamber—I am sorry about that—but I believe that the Belmont was mentioned. I was pleased to hear that you met the project team this week. It is absolutely brilliant that, for once, politicians of all colours across the north-east have come together to support that project.

How will the funding in the budget help local projects and organisations such as the project to

reopen the Belmont? The bigger question is, what will happen if the budget is not passed?

09:15

**Angus Robertson:** Again, there is quite a lot in that question.

As I think Jackie Dunbar knows, I lived in Aberdeen for four years when I was a student. Shona Riach, my senior official here, is from Aberdeen as well. We both understand how important the Belmont cinema is for cultural life. Yesterday, I met for the second time the team who are working on the Belmont cinema project. Hugely encouraging progress has been made so far. Public money has gone towards that, which is absolutely the right thing to do. A lot of thinking is going into what needs to happen now when it comes to capital for the project, and what needs to happen after—fingers crossed—the cinema opens. We had a discussion about both those things.

There has been a lot less focus on the issue of capital spending on culture than there has been on revenue. I was discussing that only this morning. When the budget is passed, as we hope that it will be, and we begin to get in place the revenue changes, we will all have to take a much closer view on dealing with the challenge of the limited capital that is at our disposal. In recent years, the capital allocation to the Scottish Government has been hugely problematic. Consequently, that has an impact on different areas of Government spend.

We have done our best. I am sure that colleagues will have noticed that, in the budget, we are contributing an additional £8 million in capital costs towards the Citizens Theatre project in Glasgow. I have previously given evidence to the committee that, when projects have run the risk of failure, a significant part of my and officials' work in recent years has been to keep open cultural organisations and venues. In significant part, that has related to capital challenges. The increased cost of restoration, building, rebuilding and reopening has made the situation very challenging.

There is no magic wand when it comes to capital. You have heard evidence from other organisations that have significant buildings and maintenance programmes and would wish to have a bigger capital allocation. I, too, would wish to have a much bigger capital allocation for culture. However, we have secured significantly more funding this year than last year, which, in largest part, is going to the Citizens Theatre.

There are other calls on that money. I want to be as supportive as I can, but I do not have a magic wand, and there are other significant

projects. The art works project in Granton is the biggest of those—in effect, it is the arts and culture repository of the nation. We need to get that right. There has already been significant investment from the Scottish Government, but there needs to be much more.

I am very interested in being as supportive as I can to the Belmont cinema. If I might abuse my position in having the microphone, convener, I say to any significant economic actors in the north-east that, if they wish to support a very worthy cultural project in the city of Aberdeen, they might support the Belmont cinema in its efforts; they will have our undying thanks for their involvement. I have committed to continuing work on that.

The second question was about what happens if the budget does not pass. If a new budget is not in place by the next financial year, the finances will roll forward every month on the basis of one twelfth of what they were during the previous financial year. The biggest consequence of that would be that there would not be funds for multiyear funding.

The consequences of not passing the budget would be pretty severe. I am working very hard to get agreement, and I have been inviting colleagues from all parties to ensure that they vote for the budget so that we do not get into that territory. I would rather spend my time and effort encouraging colleagues to understand why I think that what is being proposed has been welcomed across Government, particularly in my area of responsibility. In the debate in the chamber on Tuesday, members welcomed the increase in culture funding. Fantastic: let us pass the budget, and let us not have to confront what would happen if the budget was not passed. That is particularly important because of the sequencing and timing of multiyear funding.

The committee is aware that Creative Scotland's board will be meeting this month, with a view to making an announcement before the end of the month on what it wishes to do at the beginning of the next financial year in April. If we do not have a budget, it will not have the money, so how can we launch one of the biggest-ever changes in funding for Scottish culture? I would rather not have to deal with those circumstances. I have made my point, and I hope that colleagues of all parties realise the consequences. The Government in Scotland is a minority, so it behoves members of other parties to realise that their votes matter, and that it is important to pass the budget.

**The Convener:** Neil Bibby has a brief supplementary.

**Neil Bibby (West Scotland) (Lab):** Cabinet secretary, last week, you tweeted:

“Glad to see the Scottish Government's budget is set to pass”.

**Angus Robertson:** I very much hope that it is set to pass; I genuinely hope that it passes. As all parliamentarians know, there will be certainty on that only once the votes have been cast. Certain parties have suggested that they might countenance voting for the budget and that they would not rule that out, some have said that they might vote against it and some have said that they might abstain. Given the public statements that the parties have made, I would be delighted if the budget is passed. I would prefer it if members decided to vote for it, so that we know that that will happen. Perhaps Mr Bibby might vote for it.

**Neil Bibby:** A week is a long time in politics.

**Angus Robertson:** Mr Bibby makes my point: there is no certainty until the votes have been cast. Given that there are some weeks for Mr Bibby to listen to what is, I hope, the very persuasive case that I am making for the Scottish Government's culture budget, I hope that he can be tempted to vote for it.

**The Convener:** We have covered that point in detail.

**Stephen Kerr (Central Scotland) (Con):** The budget does not quite work in the way that you think it does, Mr Robertson. We do not vote on it line by line; there are bits of a budget that we might quite like, but we have to take it as a whole. I applaud you for making your case for the arts, but the reality is that that is not how it works.

I will ask you about the awards that Creative Scotland wants to make and will make. There is a view that your comment about the number of bodies that should receive public money through Creative Scotland has created a scenario in which the “jam”—to use the phrase of an arts sector representative—would be spread so thinly that it would make no difference, particularly at the top end for the bigger companies. What is your response to that?

You will remember what you said. I can read it out if you would like me to, because it is important to set the issue in context. In a report in *Scotland on Sunday* or *The Scotsman*, you were quoted as saying that 100 organisations currently receive funding, but that you would like that number to be 150. Your comments have been interpreted to mean that you are instructing Creative Scotland to take the money that it has and to spread it out more thinly. What is your comment on that?

**Angus Robertson:** Whoever is inferring that would be incorrect. I stand by the comments that I made. However, I think that the number is higher than the one that you put to me.

**Stephen Kerr:** The article quotes you as saying that there are 100 regularly funded organisations—

**Angus Robertson:** Yes—currently.

**Stephen Kerr:** —but that more than 250 organisations applied.

**Angus Robertson:** Indeed. That is 100 more organisations than you just suggested.

**Stephen Kerr:** No—I said 100 organisations.

**Angus Robertson:** You suggested that 150—

**Stephen Kerr:** I beg your pardon; 150 more organisations applied.

**Angus Robertson:** Point taken. There are a couple of points to make. First, this is a process that Creative Scotland is progressing with as an arm's-length organisation. The "arm's-length" part of that is really important. Secondly—

**Stephen Kerr:** What is the context of your comment, then?

**Angus Robertson:** I am getting to that. Notwithstanding the fact that Creative Scotland is an arm's-length organisation, it has been working with the Scottish Government to explain the process that it is engaged in, what financial quantum would be required for multiyear funding to be introduced and the range of organisations that could and would be financially supported as part of that change. The process has been made clear to the Scottish Government, but we are not involved in Creative Scotland's operational decisions around that process.

As I think that the member is aware, organisations have applied for multiyear funding. Creative Scotland knows who they are, how many of them there are and how much support they want to receive. The Scottish Government has been involved in the conversation, because we support the introduction of multiyear funding and we want to work with Creative Scotland to make sure that the process works well. We want the funding model for regularly funded organisations to be broader and deeper with regard to the number of organisations that are supported—that would mean significantly more organisations being supported—and the scale of funding than is currently the case.

That is why I do not recognise the characterisation by others of the funding as being spread so thinly. However, we are now getting into the territory of recommendations that I have not seen, which the board of Creative Scotland will consider later in the month, and the announcement that it is yet to make. I will be looking closely at that announcement—along with, no doubt, Mr Kerr and everybody else—in order to

be satisfied that the process is as foundational and transformational as I hope and believe it will be.

**Stephen Kerr:** On a point of arithmetic, you said:

"I would like the maximum number of artistic organisations to receive that funding; if the figure is anything close to that, it will be more than double the number of Scottish cultural organisations that receive multiyear funding."—[*Official Report, Constitution, Europe, External Affairs and Culture Committee*, 3 October 2024; c 5.]

The budget has gone up, and across the parties we are saying, "Yes, that is great," but if you then say that the number of organisations that receive multiyear funding is going to be doubled, it is inevitable that the jam will be spread more thinly, is it not?

**Angus Robertson:** No, I do not accept that. I suspect that we will come back to the issue when we actually have the facts before us rather than supposition.

**Stephen Kerr:** I accept that. Let us talk about the review for a moment, which I asked you about in the chamber this week. You seem to have led Robert Wilson at Creative Scotland to believe that some things will not be included in the review. Why is that?

**Angus Robertson:** I have looked at Robert Wilson's quote. To quote to Mr Kerr the evidence that Robert Wilson gave to the committee, he said:

"The point of the review is that it will cover the whole culture sector".—[*Official Report, Constitution, Europe, External Affairs and Culture Committee*, 9 January 2025; c 30.]

The review that we have announced will examine Creative Scotland's remit, its functions and how it can best support the culture sector's ambitions. It will be for Dame Sue Bruce to agree with ministers the review's remit. That will be informed by the responses to the surveys that we have launched this week.

**Stephen Kerr:** But you have already said to Robert Wilson that the review will not include Creative Scotland's operating processes. Anne Langley echoed that in her comments to the committee last week.

**Angus Robertson:** I have just outlined the two—

**Stephen Kerr:** Is that not right, then?

09:30

**Angus Robertson:** I am telling the committee that the position is as follows: the review will examine Creative Scotland's remit, its functions and how it can best support the culture sector's ambitions, and it will be for Dame Sue to agree the

remit of the review. I will repeat what the chair of Creative Scotland said to the committee, which was:

“The point of the review is that it will cover the whole culture sector”.—[*Official Report, Constitution, Europe, External Affairs and Culture Committee*, 9 January 2025 c 30.]

**Stephen Kerr:** In answer to the questions that I put to him, he also said:

“We have had many discussions with the cabinet secretary and Government officials. That is our understanding based on what has been presented to us in those discussions.”—[*Official Report, Constitution, Europe, External Affairs and Culture Committee*, 9 January 2025 c 31.]

The operating process is not included in the remit; it is there in black and white in the *Official Report*. I know that you have read it.

**Angus Robertson:** Convener, do you require me to say for a third time that the remit of—

**Stephen Kerr:** I am asking you to square the circle.

**Angus Robertson:** For the third time, for the benefit of Mr Kerr, the remit of the review will be agreed. It has not yet been agreed. It will be agreed with Dame Sue, who is leading the review, and me, and that is yet to happen.

**Stephen Kerr:** Cabinet secretary, my job here as a member of this Parliament is to scrutinise the work of the Government, and I am reading to you from the *Official Report* of our previous meeting, when something was said to have been excluded from the review. Is that incorrect? I think that you are saying that Robert Wilson is wrong.

**The Convener:** Mr Kerr—

**Angus Robertson:** No. I agree with Robert Wilson. For a third time, if not a fourth time—

**Stephen Kerr:** No, no.

**The Convener:** Mr Kerr—

**Angus Robertson:** If I may be allowed to finish, convener, Robert Wilson said:

“The point of the review is that it will cover the whole culture sector”.—[*Official Report, Constitution, Europe, External Affairs and Culture Committee*, 9 January 2025 c 30.]

I agree with Robert Wilson: it will.

**Stephen Kerr:** Right. I am sorry, convener. You wanted to say something.

**The Convener:** You have got your answer.

**Stephen Kerr:** I think that I have, but, frankly, it is very vague. I can only go on the evidence that the committee gets from the people who come before it, and the evidence that we got last week is not what the cabinet secretary is saying.

**The Convener:** Mr Kerr, I, too, know Dame Sue Bruce from my time as a councillor. We will have her in when the remit is decided and will engage in that process, as the cabinet secretary has said.

**Stephen Kerr:** Convener, I accept your evidence as well as that of the cabinet secretary. The issue with the remit will not go away; that is understood.

Cabinet secretary, Alexander Stewart put to you the real prospect that some of our national assets will close, particularly in the light of some of the evidence that we received from NGS. If I may say so, your response to that does not cut it. You said that you hope that that will not be the case, but we need more than hope. Apart from the fact that we have the most beautiful country in the world, one of the main reasons why people come to Scotland is because we have the richest cultural context that can be imagined. It makes Scotland Scotland.

Last week, Anne Lyden told us that, in 2025, wings of institutions and perhaps whole institutions will be shut down and hours will be reduced. Hope is not going to cut it. What will you do in a situation in which National Galleries of Scotland shuts down attractions?

**Angus Robertson:** Maybe Mr Kerr was about to talk about the budget itself—

**Stephen Kerr:** I am talking about it.

**Angus Robertson:** —and the budget lines in relation to capital. The capital allocation for the National Galleries of Scotland is going up from £4.1 million to £6.2 million. It is important and right that NGS receives more money, because of the pressures that Mr Kerr has outlined. However, as I said in my opening statement, I acknowledge that not everything will be sorted to everybody's satisfaction in one year. That is why we have committed to raising funding by the amount that we have committed to raising it and to doing so as quickly as possible.

I also said a few moments ago that there is more to be done on the capital allocation. I think that I am right in saying that the National Galleries of Scotland finished its maintenance review in November, which was after the budget considerations were made. I will look closely at all reports from our cultural organisations that require capital support, including the National Galleries of Scotland, and my officials will work closely with that organisation and others to make sure that we can support them all as well as we possibly can.

Dealing with the challenges that we are dealing with at present is a case of doing much more than hoping. We are providing extra resource and support, and we are working closely with all the organisations that are dealing with such challenges. I will be making the strongest case

that I can for more capital funding. We have secured a significant increase in funding this year, and we have largely put that into a project that would probably have failed without that support.

If there are any other such projects or any institutions that are suffering from such challenges—there have been a number and, incidentally, they have not closed, because we acted—we will deal with them not on the basis of hope but on the basis of understanding the nature of the challenge and working out what resources are at our disposal. I have signalled that capital funding is a particular challenge, but, notwithstanding that, we have tried to do everything that we can to help organisations. That was the case with the V&A in Dundee, where we intervened to support it as an important institution in Scotland. If there are—

**Stephen Kerr:** Are you saying that, in extremis, there is a possibility that more support might be available—for example to NGS—in a scenario such as that which Anne Lyden painted for the committee last week? Frankly, it was a depressing scenario. She talked about cutting the number of days that assets are open for and closing whole assets. When I asked her whether she was talking about that happening in the coming year, her exact word was “definitely”. Are you saying that, when the leader of NGS provides such a set of immediate actions to deal with financial challenge, you will act?

**Angus Robertson:** I have always acted.

**Stephen Kerr:** You have always acted—that is good.

**Angus Robertson:** I can think of other examples. Often, they are not in the public realm because of the commercial sensitivities for some organisations, so I hope that Mr Kerr appreciates that dynamic as part of my answer. However, whenever organisations are suffering distress, I would wish the Scottish Government to know about that. We are aware of the organisations that have given evidence to the committee and outlined the constraints under which they are operating, and there is constant discussion between officials and those organisations. However, if committee members are aware of other organisations in that situation, I would wish them to raise that with me.

If the history is ever written of the nature of the challenge to the culture sector here, elsewhere in these islands and internationally, during and since Covid especially, one of the things that we can be very appreciative of is the work that has gone on, mostly behind the scenes, with a significant number of organisations that we view as part of our cultural firmament. We have done everything that we possibly can to ensure that those

organisations have been able to continue. My great hope is that, now, we are beginning to see significant change—this goes back to the point about foundational change—in the nature of funding for culture and the arts, which includes, among other things, our national galleries, national libraries and national museums.

However, Mr Kerr could, equally, say to me that there are challenges with regard to other parts of the cultural estate, including local museums and libraries—

**Stephen Kerr:** Yes, we covered that in the debate on Tuesday.

**Angus Robertson:** —and I agree that those pressures are felt across the piece, which is why, among other interventions, we are raising the amount of funding for local government, because the issue is not just the responsibility of the Scottish Government.

**Stephen Kerr:** Absolutely.

**Angus Robertson:** Frankly, I hope that Dame Sue will also consider how we can work in partnership. We have done that, but we need to think about whether we can do more, working with the likes of local government, to ensure that our infrastructure is retained—or retained for the best purpose for 2025 and the future—and to ensure the delivery of cultural policies, whether those relate to music tuition or anything else.

**Stephen Kerr:** We had a pretty good debate about that and all those issues on Tuesday.

**The Convener:** Mr Kerr, I will stop you there. We have a second session today and we are tight for time. I have three other members who have not been in yet. I will come back to you if there is time.

I will bring in George Adam, and then Ms Mackay.

**George Adam (Paisley) (SNP):** When you have been here as long as I have, cabinet secretary, you have heard and seen just about everything. I cannot believe how smug Mr Bibby was, talking about sitting on his hands and abstention in the budget vote.

In relation to the budget process, so that everybody in the room understands, I note that it is not a case of simply picking and choosing parts of the budget; it is about the budget in its entirety. In the past, we have had political parties who have had the maturity to say, “There are certain aspects of the budget we don’t like, and there are certain bits that we do like, but it’s about coherence, and the way in which this place works is done in such a way.”

However, we do not seem to be in that place now, but in a place where the Labour Party wants to sit on its hands and say to everybody, “We’re

doing absolutely nothing”, while the Conservative Party simply wants to say, “We just think it’s all rotten and we’re going to vote against it.”

**Stephen Kerr:** No, no.

**George Adam:** You have had your time, Mr Kerr.

**Stephen Kerr:** But you cannot say that.

**George Adam:** Surely it is a case of having a level of maturity in the debate about the Scottish Government’s budget. Surely they should up their game a bit in this situation.

**Stephen Kerr:** Hang on—

**Angus Robertson:** Well, I would—

**The Convener:** Just a second, cabinet secretary.

Please, Mr Kerr. You have not been called to speak and I am the convener.

If we could try to concentrate on budget scrutiny with the cabinet secretary—

**George Adam:** That is exactly what I am doing.

**The Convener:** —and treat one another with respect.

I ask, please, for a bit of order in the committee.

**Angus Robertson:** It is for my colleagues to make the case about other parts of Government spending. In relation to the culture budget, however, I really think that this year’s culture budget proposals are transformational and important, and that the sector is expecting, and hoping, that the budget be passed. I share that hope. However, as I have said, I have been at this long enough to know that one knows the result of the vote only when one actually sees it.

I think that the budget will have a transformational impact. At the same time, we are thinking about what changes need to happen in relation to the administration of, and support for, the culture sector more generally. That is why I repeat my point that I am genuinely interested in hearing colleagues’ specific proposals.

My one takeaway for all colleagues, beyond this meeting, is that they should have a look at the survey that has been circulated and share their views. I am sure that Dame Sue will take it all very seriously.

**George Adam:** One of my other questions is about the organisations that we had in front of us last week. The difference in attitudes among them was stark.

Historic Environment Scotland, for example, said that it is working in very difficult times and has many challenges, but has a plan with the

Government on how it can release funding streams from elsewhere. Other organisations, as colleagues have mentioned, went down the route of saying, “Well, I just need the power to sack people and cut my wages bill”, rather than looking at different ways of working.

One individual in particular, when asked about commercial funding, said, “Well, I don’t think there’s much chance of us being able to get that”. I do not believe in double-jobbing as an MSP, but I felt like saying that I would quite happily take an afternoon off and get them the commercial funding that they are looking for.

Surely, in current times, organisations should be looking at other ways of getting funding. Historic Environment Scotland is a perfect example of an organisation that has found a different way of doing business.

**Angus Robertson:** One area for which we have a budget allocation this year, which we have not had until now, is a culture and heritage capacity fund. That could provide some very useful help and support to organisations that might not have the capacity for, expertise in, or insight into how to diversify or build more resilience into themselves.

I am really interested in the matter. At the heart of what Mr Adam is pointing to is the fact that, although some organisations are early adopters of doing things in new ways, reviewing how they operate and working out how they can access more funding streams, that might be more of a challenge for other organisations. A fund that will support organisations through that process is a really good thing at a time of change, and £4 million has been allocated to it.

09:45

There is a lot of thinking in Creative Scotland about organisations that will be funded on a multiyear basis, but also about organisations that will not. How can one help those organisations to get themselves to a place where they may be considered for multiyear funding in future rounds, or where they have the help and support that they need in order to become more commercially successful, better able to get income from other sources or better able to use certain kinds of technology?

That, in part, is what I am saying about the budget being not just about foundational funding change, but about helping with change in organisations so that they are on a firmer footing and able to do what they want to do.

**George Adam:** That is important. Creatives in Scotland will always complain about Creative Scotland, but it is a grant-awarding organisation. There will be those who get their grants and those

who do not, so someone will always complain about it.

There are issues with Creative Scotland. I was perhaps a bit harsh when Robert Wilson was here and I asked him what the point of him was, which was because I could not really see what Creative Scotland was delivering for many creatives. There is a need for an organisation like Creative Scotland, however, whatever we call it. Back in my day, it was the Scottish Arts Council.

We can look at the success of Screen Scotland, as part of Creative Scotland. It is working on a commercial basis and is able to generate some funding itself. How could we make that model part of Creative Scotland and get that dynamism into the organisation?

**Angus Robertson:** The first thing to reflect on is that Screen Scotland is part of Creative Scotland. As Mr Adam has just pointed out, Screen Scotland has shown itself to be extremely successful at using the resources that it has to leverage in additional resources for co-production and so on. One reason why we have been keen to give it some more resource is so that it can do even more of that.

We need to reflect on the fact that there are bits of artistic creation that will never make money or be profitable, but are as intrinsically important to our cultural life as those that are commercially viable and successful. That is the eternal tension: it will never go away. We have to try to get the balance right for our cultural life—between the commercial and the non-commercial and the conventional and the less conventional. Some things are not necessarily everybody's taste or priority, which is why we have an arm's-length organisation to deal with those things. Mr Adam is right to say that there is a tension.

It is my hope that, in her review, Dame Sue Bruce will be able to point us in the right direction to share understanding from the bits of the cultural ecosystem that are early adopters and forward looking in securing commercial income. We should ensure that organisations that are very good at philanthropy are more widely understood. I think that we can grow the cake.

It is not just that certain institutions are very good at things, so they should just be left to get on with it—we all have an interest in the entire sector thriving. I hope that the review will help us through this period of change, both by signposting different ways of doing things and by providing capacity and support.

We have not talked about skills yet. We must ensure that part of the wider thinking—it is—is about the next generation of people who want to become creatives or work in trades within the

culture sector, and their getting the traditional and modern skills to enable them to do so.

That is why this is a really exciting time for us to be getting the funding to where it needs to be, as well as getting in place the architecture around how we administer, fund, educate, skill and promote the entire sector so that all that can be done in the best way possible. This is going to be a very good year with regard to all those aspects.

**George Adam:** Finally, on that point, one reason why I am quite disappointed with the national creatives when they come here with their attitudes is the fact that, being from Paisley, I know that the creatives in Paisley are extremely proactive. Indeed, everyone in Paisley has had to fight for everything in our lives over the years. Let us look at the projects that have been on-going in Paisley for the past five or six years. In the High Street, there is the multimillion pound investment in the museum at the top end, a new library in the middle and the renovated Paisley town hall bookending it. There is a venue at one end and a museum that will attract more footfall. That shows a different approach to town centres, with culture at its heart.

I have often said that culture and the cultural world will regenerate our high streets and town centres, given that the big-box retailers will not be coming back to town centres the length and breadth of Scotland. Do you agree with that? I would be quite happy if we were to use Paisley as a pilot for such a programme, should you ever look at anything like that, cabinet secretary. I think that that is the way forward. What are your opinions on that?

**The Convener:** I caution you, cabinet secretary, that we are really tight for time. Although that is an ambitious wish of Mr Adam—

**George Adam:** It is a budget-related matter as well.

**The Convener:** I am not sure that it covers this year's budget. I ask you to be succinct, because two other members still want to come in.

**Angus Robertson:** As every member of the Scottish Parliament knows, Mr Adam is a fine ambassador for the city of Paisley. I know his views on city status. He has made a really interesting point. Let us consider how Dundee has been able to redefine itself as a city of design, of which V&A Dundee and other cultural organisations are parts. Indeed, Dundee is a United Nations Educational, Scientific and Cultural Organization city of design. Those things have helped Dundee to tell a story about where it has come from and where it is going, and it is making itself a very attractive place for people to visit, in the meantime. That is a really good model for any town, city or rural area to consider. How is it



thinking about culture? How does it reflect what that says? How inviting is it to people from elsewhere to visit? I definitely think that there is something in being more strategic about all that.

If the—alliterative—Paisley pilot is going to be the way to do it, I would, of course, be delighted to work with Mr Adam or colleagues from anywhere else who feel that the convening power of Government should be used to bring together Scottish Government and its agencies, local government and its agencies, the third sector and the local cultural community as parts of an initiative. I would be very interested in thinking and reflecting on that.

**The Convener:** I think that that is something to consider going forward, cabinet secretary. I note Mr Adam's members' business debate on St Mirren Football Club's partnership with the University of the West of Scotland. You were talking about skills earlier on, cabinet secretary. That would be another way of looking at how those skills can be developed.

We have to move on. I call Ms Mackay.

**Gillian Mackay:** Mr Adam has, unknowingly, teed me up nicely for my questions. Paisley is a good example of a place where cultural venues are located along its high street. However, that is not the norm across a lot of the country. Across my region, we have seen the closure of town halls. Motherwell concert hall is closed because of reinforced autoclaved aerated concrete within it, and it is very unlikely that it will reopen without major investment, which the local authority is not able to make.

Many local authorities offload cultural venues to make budgetary cuts across the piece. It is great that there is the Ravensraig regional sports facility in North Lanarkshire, but that is not the same as having an accessible concert hall in the middle of the community in Motherwell.

The accessibility of culture is something that we need to consider. It is great to have the museums in Edinburgh and Glasgow that people are able to visit for free, but getting to Edinburgh and Glasgow is very expensive and time consuming for many people.

I know that the cabinet secretary touched on this earlier, but what other conversations can be held with, and what support can be given to, local authorities to ensure that we do not lose many important venues for smaller-scale cultural performances or whatever? If we lose those venues, the likelihood of their coming back and being there for future generations—and for future budgets to provide support to—is quite low.

**Angus Robertson:** That is a big subject. We need to understand the cultural forces that are

leading to changes in use of cultural venues. Cultural venues, high streets and churches—though not exclusively those—are three particular areas where we have seen massively accelerating factors at play that make our public authorities and agencies reflect on what that means for venues.

I am not sure that we have yet got to grips with how we make sure that we retain cultural venues at the level that all communities wish for, or how we make sure that high streets are as vibrant as people wish them to be. The church estate, which has been an important part of community life and history, is being sold off at an accelerating rate.

Those three things were the subject of a conversation that I had yesterday with the new chief executive of Historic Environment Scotland. The conversation was about with whom we need to work and talk about those three things—there will, no doubt, be others—to make sure that there is coherence in dealing with such societal change. With three minutes left in this evidence session, I suspect that we will have to come back to all that, but Ms Mackay can rest assured that I believe that the matter is definitely something that we need to be thinking about.

On accessibility, our having significantly more regularly funded organisations being part of the multi-annual funding programme, the Cultural Collective operating right across Scotland, and the community collective operating as part of a wider offer, will mean that, throughout the country, cultural organisations will have funding so that they can rehearse, perform, have open days, work with schools, work with groups of retirees and so on.

I think that that funding will go some way—I hope it will go a significant way—in relation to the accessibility of culture in localities across Scotland, and that it will also be felt positively by venues across Scotland, whether they are headline culture venues, repurposed public venues or church venues. That is part of what I hope will emerge this year, in relation both to funding and working together with other bodies to make that so.

**Neil Bibby:** I have a couple of questions on cross-portfolio working and policies. The first question is on the economy. The office of the chief economic adviser reported that

“Employment in the Creative Industries sector stood at 90,000 in 2023, accounting for 3.4% of employment in Scotland and 5.4% of employment in Creative Industries across Great Britain.”

There is a significant relative gap between Scotland and Great Britain in creative industries employment. That is obviously not a role just for the culture portfolio—there is also a wider economic role. I have raised this issue with you

before. Can you confirm that creative industries will be part of the wider review, and that the role of economic development agencies in supporting culture and the creative industries will form part of that review?

**Angus Robertson:** Yes.

**Neil Bibby:** Okay. I thank you for that.

10:00

**Angus Robertson:** I will go back to Mr Bibby's point briefly. His question is a really good one. I will give him an example of a very current area that he knows about, because I have spoken to him this week.

Let us take broadcasting as an example from the creative sector. We have worked on a cross-party basis to make sure that public service broadcasters are commissioning everything that they can and should in Scotland, given that we pay a licence fee. In recent weeks, we should all have been given reason to question whether the system is working. Is television commissioning in Scotland's screen sector supported in the way that we have been told it should be, and does it have safeguards for supporting jobs in the sector?

A good example of why there has been a difference in employment levels is the massive concentration of screen and TV in London and the south-east of England, although there have been moves to correct that. The Governments of Scotland, Wales and Northern Ireland agreed, the English regions agreed and the BBC has agreed. That is why the BBC moved to Salford and why it says that it is trying to commission elsewhere.

I know that the committee is looking at that issue, but that is a good example of why there is a differential, and why there is a real prize in getting it right so that there is a smaller differential and so that we grow the creative sector as much as possible.

**Neil Bibby:** That is an important issue to look at. The BBC will be at committee next week; I am sure that ensuring that Scotland and all nations and regions of the UK get their fair share of production will be a topic of discussion.

On cross-portfolio working, I want to ask about education. Robert Burns is a significant part of Scottish culture. His writings have influenced our history and have been part of the curriculum for some time. However, the move to downgrade Burns from higher English has been criticised by many, including Professor Gerard Carruthers, who holds the Francis Hutcheson chair of Scottish literature at the University of Glasgow, who has said:

"It is vitally important that we provide our young people with endless opportunities to study Burns".

What is the culture secretary of the Scottish Government's view on the downgrading of Burns in the curriculum in Scottish education?

**Angus Robertson:** My understanding is that it is not a downgrading as much as it is giving teachers the ability to choose texts and areas for focus. I definitely do not want any downgrading of Robert Burns or Scottish literature more generally; I do not want downgrading of literature or poetry from any background. Learning as much about our own culture as we do about others is a boost to our culture. Any evidence of downgrading of teaching Scotland's literature would be of concern to me.

I have no doubt that Mr Bibby will continue to ask me about the subject, and I will be happy to correspond with him on it.

**Neil Bibby:** Have you raised the removal of Burns as a stand-alone author with the Cabinet Secretary for Education and Skills and the Scottish Qualifications Authority—

**The Convener:** We are on the budget today, although I appreciate the concerns about that.

**Angus Robertson:** I will write to Mr Bibby on that point.

**Neil Bibby:** The question is on the cross-portfolio scheme.

**Angus Robertson:** I have said to Mr Bibby that I will write to him, because I know that it is an important subject.

**The Convener:** The meeting is about the budget. Mr Bibby, do you have another question?

**Neil Bibby:** That is all, thank you.

**The Convener:** Cabinet secretary, do you have time for one more question from Mr Kerr this morning?

**Stephen Kerr:** I have loads of questions.

**The Convener:** Mr Kerr, if you could, please ask your question succinctly.

**Stephen Kerr:** I will conclude on a note of unanimity.

**Angus Robertson:** Fantastic.

**Stephen Kerr:** I think that the convener and the cabinet secretary would welcome that.

I am concerned about the flight of corporate sponsorship from the arts because of political activism. I know that you have spoken out on the subject, cabinet secretary, and I agree with what you have said. You went further than some others in your remarks: you said that the loss of corporate sponsorship by organisations such as Baillie Gifford is an "existential threat" to the whole arts sector.

What can we do to reverse that trend? What can we do to insulate the arts sector from the kind of reckless political activism that includes wrecking of art treasures, invading of cultural spaces, disruption of performances and now blackmailing of organisations to rid themselves of sponsors such as BP?

**Angus Robertson:** I agree with Mr Kerr that it is important that we appreciate how important philanthropy and corporate sponsorship are to culture and the arts in Scotland, as they are elsewhere. There are recent examples that should give us all cause for concern. For example, I am concerned that children from deprived backgrounds might not be able to take part in the likes of the Edinburgh book festival, as they were previously, because funding has been reduced.

This is all a matter of public record, but Mr Kerr has asked me specifically about what can be done. There are things that can be done and I am keen to explore some of them this year. We might get some helpful insights and advice on the area from the forthcoming review. I will certainly share my views with Dame Sue Bruce.

It is not illegitimate for people to want to know that the financial support for events is contributed by ethical providers and to ask how companies make their money. At the same time, it is important that we are protective, helpful and supportive of the arts sector so that its income is not undermined, as it has been. The challenge is in striking a balance between those two things.

I am happy to discuss that further with Mr Kerr, because I already have some ideas, but now is not the time to share them. I am seized of the issue and it cannot go on like this. A lot of the commercial organisations that have been tremendous supporters of arts and culture, such as Baillie Gifford, want to be able to support culture and the arts, and I want them to be able to do it. At the same time, I also want to make sure that, if there are ethical considerations that we should reflect on, we find ways of doing that without undermining culture and the arts. There is no doubt that the conversation is to be continued.

**Stephen Kerr:** I look forward to that conversation.

**The Convener:** Cabinet secretary, I thank you for your attendance at committee this morning. I have no doubt that we will see you again soon.

10:07

*Meeting suspended.*

10:14

*On resuming—*

## **Review of the EU-UK Trade and Co-operation Agreement**

**The Convener:** Under our next agenda item, we continue to take evidence in the second phase of our inquiry in relation to our review of the European Union-UK trade and co-operation agreement. The second phase focuses on trade in services.

We are joined online by Peter Holmes, who is an emeritus fellow of the University of Sussex and a member of its UK trade policy observatory; Emily Fry, who is a senior economist at the Resolution Foundation; and David Henig, who is the director of the UK trade policy project at the European Centre for International Political Economy. With us in the room is Dr Arianna Andreangeli—Andreangeli; sorry, I will hopefully get it right as we go forward. She is professor of competition law at the University of Edinburgh.

Good morning. I welcome you all to the committee. I will begin with some questions before I bring in other members.

Our focus is on how the EU-UK trading relationship is likely to be impacted by wider geopolitical considerations. I have a broad opening question for you all. What do recent developments in international trade mean for the UK's relationship with the EU and with the United States of America?

I begin with Dr Andreangeli.

**Dr Arianna Andreangeli (University of Edinburgh):** As you know, trade circumstances have been changing for a while. It could be argued that the balance of geopolitics has been deteriorating in some ways and that there is increasing instability. We saw that a few years ago with the Ukraine crisis, which is set to continue.

In addition, there has been a weakening, if you like, of traditional approaches to trade relations. For instance, we were committed to multilateralism for many years through the World Trade Organization, which has been in a crisis situation for some time—at least as far back as 2017—due to the lack of space for a renegotiation of the appointments of members to the dispute resolution panel. That is a broader symptom of unease and of the general weakening of multilateralism as an approach to trade relations.

Trade relations have become much more concerned with reciprocity. There have been a lot of bilateral or more restricted multilateral attempts at forging new trade relations.

To refer to the position of the European Union, where my field of expertise lies, there is an argument for saying that, with the trade and co-operation agreement, the EU and UK have forged a partnership that has its own principles and frameworks for governance, review and implementation. One could therefore argue that, in some ways, the TCA has set out a trail for its own development in the future. However, it would be naive to think that the geopolitical situation does not and is not likely to affect how the relationship might develop.

After these points, I will leave the floor to my colleagues. The EU has, in and of itself, changed its approach to trade policy. Because I am old enough to remember the European Economic Community treaty, I am old enough to remember a time when trade policy was called common commercial policy. That was always an instrument for the European Union to forge ahead with its plan of European integration. Just as much as integration is on the inside, it should also be seen as providing a common front on trade policy between the community—afterwards, the union—with the third states outside.

That has developed in ways that are more diversified. For instance, we have preferential agreements, which have chapters that have little to do with trade and a lot to do with politics, the rule of law, democracy and so on. If you look at it from a European standpoint, the TCA is an expression of that diversification.

However, when it comes to trade, the European Union has also become a much more canny operator on the international plane. In my written evidence, I mentioned the all-important contribution that the Draghi report has made to the competitiveness agenda. That report is scathing. It says that multilateralism is weakening and that we need to be far more functional and strategic in the way in which we forge ahead with our trade relations.

I go back to my initial point. You could argue that the trade and co-operation agreement has set in motion a process that is based on principles. However, we are likely to see the European Union adopting to an extent the same sort of strategic and functional approach to trade policy when it comes to the reset.

Something that is important and should be welcomed is the fact that there seems to be a general willingness to look for areas in which co-operation is in the common interest of the European Union and the United Kingdom. In those areas, talks should be encouraged, and co-operation should be fostered and enhanced.

**The Convener:** I bring in Mr Holmes.

**Peter Holmes (The University of Sussex):**

Thank you very much for inviting me. It was very nice to hear Arianna Andreangeli's presentation. I will try to be brief, but I risk failing on that front.

The key point in relation to what has changed in recent months is that the changes have, in some sense, exaggerated issues that were already present. I do not think that the presence of Trump totally alters the state of the world economy, because the Biden Administration was already very much undermining the functioning of the World Trade Organization and Britain was at risk from the backlash from American protectionism. The experience of the past few years has shown that, even where there was a degree of harmony in views across the Atlantic, the scope for intensifying trade relationships and agreements between the UK and the US was very limited.

Emily Fry is much more of an economic modeller than I am, but I think that I am right in saying that the evidence is in line with the old-fashioned economic theory—the gravity model of trade—that you do most trade with countries that are big and near. It is a bit like that lovely episode of “Father Ted”, which you might recall.

The EU is still our largest trading partner. Our economic relations with the EU are much more sensitive to trade policy matters than they are with the US. Our trade with the EU is value-chain oriented, and includes technical standards, the backwards and forwards movement of intermediate goods—where friction in supply chains really matters—and rules of origin. Those are very much embedded in our economic relationship with the EU. It has always been a fancy to think that trade with the US or Australia could replace that. That is even more true in the present circumstances.

We need to consolidate our relations with the EU. It is beginning to consider economic defences—that is, trade defence measures—and the UK might be caught up in those. In some ways, it is much more important that we avoid getting caught up in the backlash of frictions between the EU and the US than it is to worry about the backlash as a result of US actions against China.

The nature of our trade with the US is much less susceptible to what Trump might do. Above all, one has to say that no deal that we might do with Trump is likely to be credible. Look at the fuss that was made over the Trump renegotiation of the North American Free Trade Agreement, which became the United States-Mexico-Canada Agreement. Almost the day that it was signed, Trump broke promises that he had made in it.

From the point of view of restoring economic growth and getting the UK embedded in value

chains, the changes in trade make the challenges that the UK is facing much harder.

You may remember that Boris Johnson gave a speech in Greenwich in February 2020, in which he announced that Britain was going to lead the world into re-embracing free trade and multilateralism. That was the worst possible time, up until that point, to launch a project such as that—and it is even worse now. In my opinion, we have very little alternative but to simply reinforce the wish to improve our economic relations with our nearest neighbours.

**The Convener:** I will go to you next, Ms Fry, given that you were mentioned by Mr Holmes.

**Emily Fry (Resolution Foundation):** There is a somewhat curious difference between some of the economics around what has been happening recently in trade trends globally and the politics of what has been happening in those trends. You might have heard of the term “slowbalisation”: the idea that the growth in global trade is slower. We are definitely seeing slower growth in global trade, in particular on the goods side of things. However, taking the most recent year of data, the UN has shown that, actually, services reached new heights in 2024, growing by about 7 per cent, whereas goods trade grew by only about 2 per cent in 2024. There is a kind of bifurcation between some of the goods trends and some of the services trends.

It is curious that the political glare has been on the goods side. As Pete Holmes and Arianna Andreangeli have said, that has been building for a number of years, most obviously characterised by the China shock, which gave rise to some concentrated harms to manufacturing, for example in the US, as well as broader benefits to the US. Because of those concentrated harms, that appears to have captured some political minds. Some of the issues around the trade in goods are clearly continuing. For example, a big focus from Trump on potentially implementing some type of tariffs would continue to change some of the global calculations on goods trade.

On the services side, a challenge that we face is that the last big multilateral services deal—pretty much the only one—was the general agreement on trade in services by the WTO, but that was decades ago, and there has not really been an update to that multilateral deal. As we know, however, technology has changed substantially over the past 20 to 30 years. We are all much more online—I am dialling into this meeting remotely, for example—so the ways in which we trade services have really changed, and that gives us a clue as to how we should think about our position and the types of trade approaches that we should take in future.

As Arianna Andreangeli was saying, there are a lot of challenges in the multilateral space at the moment, so looking for deeper bilateral deals—potentially sectoral deals—will be key for the UK, particularly in reflecting the updated technologies and ways in which we are doing services trade, which, as we have learned through the Brexit process, can change.

**David Henig (European Centre for International Political Economy):** Just to wrap up some of that discussion and to follow on from what Emily Fry has said, I note that actual trade figures are not reflecting the turn away from globalisation that politicians and the media are discussing. It is companies that trade; Governments set the framework. As we have seen from Brexit, when Governments make the conditions for trade much harder, it does not affect all companies equally, nor does it affect all sectors equally. Larger companies are better able to cope, as are services companies.

I do not think that there is likely to be a fundamental transformation over the next four years in the way that trade is actually carried out. Therefore, the question is what Governments can do to change the conditions of trade in their countries so as to improve them. We traditionally reach for the idea that the answer is trade deals but, from what we have seen, I am not sure that that is the case.

Trade deals can certainly help sometimes, but it is a matter of setting the right direction to show companies that a particular country is a reliable place from which to do business. Companies make their own decisions about where they want to be based; in that sense, it is as important for countries to set a sense of direction, such as, for example, by aligning regulations with the EU or, instead, aligning them with the US. It gives companies a basis on which to plan.

10:30

One of the big weaknesses of UK trade policy since 2016 is that it has been all about the deal; it has not been about the direction that allows anybody to plan what the policy will actually be.

**The Convener:** Thank you for those answers.

I will put a direct question to you, Ms Fry. In your submission, you suggested that

“some of the testing features of goods trade—hard borders, physical checks, fears about ‘backdoor’ access—don’t arise in quite the same way for services. Nor is the service trade caught in the same political glare”.

However, if we look at some of the technical services—information technology in particular, as well as financial services and fintech—following regulation around that, how does the UK balance

having access to the EU and to the US, and keeping those standards in line for trade?

**Emily Fry:** Thank you for the question. What is very interesting in relation to Brexit is that it has really tested some of our assumptions around what might happen to trade flows when you start implementing quite high barriers to trade. Under the TCA, the non-tariff barriers to services trade are estimated to be equivalent to a 21 per cent tariff, which is really quite substantial on the services side. However, what is interesting about services is that you can trade them in several different ways. You can physically go somewhere and deliver a consultancy presentation or you can deliver it online digitally, or you can set up a subsidiary in another country and use it as a mechanism to deliver services to another country.

Different types of services have very different ways of using those methods. Other business services, which I believe your committee has talked about, including professional services, are particularly traded digitally, whereas information and communication services, which include computer programming and film and television, are often delivered through subsidiaries. They might not face some of the physical checks that goods face. That said, a lot of our services are linked to goods. If you are advertising a specific product, you will not just be doing an advertising campaign that is completely irrelevant to anything that underlies it.

On the services side, when we think about regulations, there is quite a difference for the advertising and public relations sectors, which typically face different cultural barriers when trading with other countries. You need to understand the cultural nature of the country, and there are specific advertising and PR regulations that you need to operate within. The people who deliver advertising services do not necessarily face some of the regulatory barriers, so what becomes critical from a Government point of view when thinking about services trade is what other professional qualifications might be needed to deliver services across different countries, as well as what is needed under visa restrictions. Although a lot of trade is digital, gravity, as Peter Holmes said, is still very important, and it is important for people to travel to a different country in order to deliver services there. Thought needs to be given to the complements between professional qualifications, because some of our regulated sectors have struggled a bit more than some of our less-regulated sectors, post Brexit.

**The Convener:** Thank you. Does anyone else want to come in on that question?

**Dr Andreangeli:** Emily Fry is absolutely right to point out that limits on those with professional qualifications, how long they can stay and the

conditions under which a service provider can be in a place—whether someone is coming to the UK from the EU or going in the other direction—are going to be extremely critical.

The TCA put some provisions in place to allow short-stay visas, among other things. I had the benefit of listening to a bit of the committee's previous evidence session on culture. One of the sectors that was hit hard by the limits on short-stay visas was, unsurprisingly, the arts sector. We are in Edinburgh, the city of the festival and so on, and we saw first-hand that artists were being stopped at the border and told, "Yes, you are coming on a short-stay visa, but you cannot be paid for what you do in Edinburgh". That needs to be thought about.

I would not say that the issue is low-hanging fruit—do not quote me as saying that—but it is an area where improvement is likely to be in the interests of both the EU and the UK. Rethinking the short-stay visa would be a way of fostering links and that type of movement, which would in turn allow the delivery of various kinds of services.

My final point is that of course we also have to look at the conditions under which services can be provided. In the arts sector, there are no professional qualification limitations of any sort; either you are a painter or a theatre artist, or you are not, whereas a lawyer, for instance, needs to be qualified and that qualification must be recognised in the country that hosts them.

Obviously, that opens the area of mutual recognition of professional qualifications, and you have already had the benefit of listening to my colleagues from the Law Society of Scotland talk about that. However, we should seriously think of this as another area where co-operation could foster that kind of movement.

**The Convener:** Thank you. Does anybody else want to come in on that?

**Peter Holmes:** Yes. I very much agree with what has just been said. As both David Henig and Emily Fry have stressed, the impact on trade has not been that world trade has collapsed. Unless there are massive multiplier effects that have not yet kicked in, we are not talking about it being like the 1930s.

However, as David or Emily said—I cannot remember which of them it was—and as our friend Lucian Cernat keeps stressing, we are increasingly seeing that we have a great, intertwining relationship between goods and services.

One question that I want to put a little flag on is that of the testing and certification of goods that cross borders. As part of the value chain, we need to have guarantees when selling products into a

market, particularly the EU, that they conform to the host's, or destination market's, regulations. Wherever you are selling, you have to be able to do that.

The EU regulations are rather strict about the way that that is ensured. Not only do you have to conform to the regulations, but you have to have the right paperwork, testing and certification. One of the Brexit debate's oddities was that people, particularly on the pro-Brexit side, overlooked the fact that testing and certification—the conformity assessment sector of the economy—is actually a substantial service activity in its own right. In certain areas, we are seeing situations where trade in goods is being disrupted because the previous UK Government insisted on a rather eccentric policy: in simplistic terms, even where mandatory standards are the same in the UK and the EU, there has to be a special UK conformity assessed mark placed on the goods in a British testing lab.

One of the consequences is that, because manufacturers wanted to avoid getting their products tested twice and preferred to use only the EU's CE marks, the testing certification sector of the economy has shrunk quite considerably. In September, the Government had to modify one of the few remaining sectors where it had insisted on keeping British testing certification marks—the building materials sector—because there was not enough testing and certification capability in the economy. That is a very specific example.

In cars, so many things that were previously done by mechanical things are now done by electronics. In the future, we will need to be clear about the link between the service sector and the industrial sector.

There was discussion about whether we should align our standards with those of the EU or of the US. We had to take a decision within the first two years of Brexit that the UK would remain part of the European standards system—CEN and CENELEC, which are the European Committee for Standardization and the European Committee for Electrotechnical Standardization. We made that decision, and it is very difficult to contemplate reversing that.

**The Convener:** Thank you. I will move on to questions from members, starting with Mr Stewart.

**Alexander Stewart:** Good morning. Individuals and organisations have said that the re-election of Donald Trump does not change much of the position that we find ourselves in, but that it does change the outlook and the opportunities that might have existed in the past. That is because Mr Trump is no longer as sympathetic to the UK Government as he might have been in his first term of office. That leaves institutions and

individuals in a little bit of a dilemma as to how to manage things.

Moreover, some believe that securing deeper trade relations with the US would jeopardise some of the proposed reset with the EU, because the new UK Government wants to see a reset with the EU and Donald Trump would be against that. That might create some difficulties for the new Westminster Government when it comes to relations.

However, we should consider the fact that Trump will seek to deal with tariffs—we have already had the threat of tariffs being imposed—and, if there was to be any negotiation, we might want to align with the idea of putting more tariffs on China, which could benefit the UK in some ways.

It would be good to hear the views of you learned individuals about that and what it could mean. I do not believe that the reset with Europe will do anything other than turn the American President against the United Kingdom, because of the way that that is perceived in relation to what might happen in the future generally and particularly over the next three or four years. Maybe Peter Holmes could answer first.

**Peter Holmes:** That is a good question. David Henig used to negotiate the transatlantic trade and investment partnership, so he will be well informed on the matter.

The politics of it matter. There is not much that we could get out of a deal with Trump—even if he kept to it—that would benefit us enormously, compared with the kinds of benefits that we could get from a binding commitment to align our rules and regulations with those of the EU, as David suggested. We actually could not do that with the US because of the nature of the regulatory systems. We have very little alternative other than to consolidate and deepen our efforts to keep up the movement towards a reset with the EU.

However, the more that the UK appears to hint that it wants to try to use the opportunities that could conceivably be there for a deal with Trump, the less that the EU is going to trust us.

10:45

It is worth looking back at the EU's accession negotiations with the countries of eastern Europe. When the east European countries said, "Tell us what we have to do to get a better deal," EU officials always used to say, "Let's see what you choose to do. Do you show yourselves as being good potential members of this club?"

There are risks in trying to cosy up to Trump. He is open to flattery and will like it when we say what a great nation the Americans are and how we

need to improve our relations. However, the EU wants Britain to appear pro-European, and it does not give us leverage to look like we are thinking instead of doing a deal with Trump—that makes us look like a less reliable partner. However, I will defer to David Henig on the diplomatic aspects of that.

**David Henig:** What we are already remembering about President Trump is that chaos follows him and that he spreads chaos. Let us look at what he intends to do on the trade policy front—or at least at what he has said, or what those around him have said, he intends to do. They have said that they are going to have tariffs on everybody—on China, Mexico and Canada in particular. Those may or may not be introduced in different ways. The social media companies want us all to change our rules regarding social media. We have the old-fashioned food and drink—the famous chlorinated chicken—that the US might want us to change our rules on. However, none of that is a fixed position; any of it might happen or it might not.

On how the UK deals with this, the UK Government has made a good start by saying that its principle is that it believes in free trade. That is always a good principle for a UK Government to start with because it reflects popular opinion in the country. However, Europe will be the more important market, as it makes up 50 per cent of our trade compared to 15 to 20 per cent for the US.

It is also important to say that if Trump does impose tariffs on everybody, the UK will almost certainly be one of the least-affected economies, because our trade relationship with the US is predominantly in services. I do not have the exact figures to hand but we export far more services to the US than we do goods. We also do not have a trade surplus with the US, and it is well known that Trump's main targets will be countries that the US has a trade deficit with and that he thinks are cheating the US in some way. That is not the case with the UK.

For the UK, in many respects, I suspect that the correct approach is to try to duck and weave a bit in the hope that we can somehow escape tariffs, but not necessarily to go into negotiations where we will probably start in a poor place due to the US demanding that we do all these things that do not necessarily suit our economy.

When it comes to alignment, why do we talk about alignment with the EU and not the US? That is not just because the EU is our largest trading partner; it is also because the EU is regarded globally as the better regulator. Aligning with a higher regulatory approach should mean that you are more easily able to sell goods to the rest of the world. It is not an EU-only approach; it is an

approach of starting with the EU and then expanding globally. That is what the UK wants to do.

To finish off on China, just as we hope that what we do with the US will not affect our trade relations with the EU, we also hope that it will not affect those with China. However, I think that we are in a much trickier place in that regard. On Chinese electric vehicles, for example, on which the UK has not imposed extra tariffs but the EU and the US have, if the US made some kind of demand on us, I think that we might have to follow that. We may have to take greater actions with regard to China as the price for continuing to have friendly and strong trade relations with the US.

That is a price that we may have to pay—that is just being realistic. There is a hierarchy, if you like, which goes with the size of our trade relations. The EU, and Europe more generally, is clearly the most important of our trade relations. The US is clearly the second, but it is also important for defence. The rest of the world, including China, falls behind, I am afraid, and if need be, we may have to sacrifice something. That is just where we are, although we hope that that will not be the case.

**Dr Andreangeli:** I agree. David Henig is making exactly the right point.

I will add to David's point about the EU being the better regulator. The committee may have heard of the book, "The Brussels Effect: How the European Union Rules the World" by Anu Bradford. In it, she speaks about the EU as the exporter of regulatory standards in an array of areas, a very prominent example of which is privacy. The impact of the general data protection regulation being a binding instrument that applies to anyone who wishes to process data within the EU or data that comes from the EU is that it applies to everyone, regardless of where they are incorporated. It could be an American company, for example, and it would still have to abide by GDPR.

In the book, Anu Bradford basically reconstructs the process of the externalisation of legal standards that were enacted by the EU and then applied not only within the EU but, to all intents and purposes, worldwide. Why? Because they were cogent and binding standards, but also because the EU was recognised as an important market and as an important regulatory area. It was therefore very much in the interest of companies to adhere to European standards, with a view to being able to trade within the EU. At the same time, because of the costs linked to compliance, it made sense to adopt the EU standards as very much the standards to abide by.



David is therefore right to say that the EU is the better regulator. As such, if there is not a diplomatic reason, if you like, as to why we should perhaps deepen and enhance our co-operation with the EU, there is definitely a business reason as to why that should be the case. That is felt by Governments, certainly, but also by companies that wish to trade within the EU, and it is very much the case that there are also British companies in that area.

The other point that I will make is in relation to the Trump issue that has been raised. I am very glad that Peter Holmes briefly mentioned TTIP, because I sat before one of the Parliament's committees giving evidence on TTIP and the impact on health services in 2014. Be that as it may, one point that is very clear is that the US has always had, and has never reneged on, its policy of America first, including when it comes to the provision of key services such as health and, most importantly, public procurement. I do not think that you will find, or at least it would be very, very rare to find, a foreign provider as the winner of a public procurement deal within, for instance, the US federal Government.

That might be an isolated example, but it gives the committee an insight into and a sense of the likely approach of the US federal Government to market access into the US, especially when it comes to services and especially in key strategic areas, which are the areas of interest. I know about that in relation to TTIP from the EU side, but I would argue that there is unlikely to be a difference if it was a UK provider wishing to bid for those contracts. Access to those markets is incredibly limited.

The UK should of course reiterate its approach of being open to external trade; that goes without saying. However, when it comes to choosing your strategic partners—in other words, your main bedfellow—the EU is probably the best bet in terms of not only trade volumes, but geographical closeness.

If we think about this in terms of cultural ties, I also think that it makes a difference that we are talking about the TCA, which is, if you like, the weakening of the co-operation that used to be much closer, because it was about membership before. The UK and the EU are like no other partners in that respect.

**Alexander Stewart:** Thank you. I know that time is tight, convener.

**Stephen Kerr:** It is absolutely true that the TCA is unique. It is one of a kind for the European Union—there is no doubt about it. The fact is, though, that there is a changing dynamic in world trade. The European Union is losing share to the rest of the world, and British business—being

pretty nimble, to be frank; it has managed to negotiate some particularly difficult political and economic minefields, not just in recent years but over the longer term—will go to where the opportunities are. The committee has heard in evidence that the United States is a market where British businesspeople are doing rather well, specifically in the service sector.

There is a change of heart in the European Union towards the overregulation of the EU market, is there not? I am thinking of Mario Draghi and the comments from Emmanuel Macron. I am looking at Arianna Andreangeli as I say that, because I know that her expertise is in the European Union. When we talk about a reset of Britain's relationship with the European Union, is there not also a reset happening in the European Union in terms of its attitude towards trade?

**Dr Andreangeli:** Yes, certainly—I absolutely agree. I highlight the Draghi report, not just because it paints an incredibly realistic picture of how things are going in Brussels and in the EU in general, but because the European Council, which sets the tone and the strategy for the direction of the European Union, said at its meeting in Budapest at the end of 2024, “We agree with what Draghi says and we adopt many of the points.” It adopted pretty much all of the agenda, in terms of future policy, that comes out of the report. The European Council said that, while the EU is committed to multilateral trade frameworks such as the WTO, it is also committed to fostering trade policy wherever it suits the European Union's interests.

One of the themes of the Draghi report is the idea of open, strategic autonomy. That is not a new concept. I have a long memory, and I remember when the first concerns about social media companies started to arise, for instance, around standards in relation to the protection of minors, privacy and so on. The EU said, “We don't want to be hostages to fortune regarding what these social media platforms, as global actors, decide to do—we want to be able to set our own regulatory frameworks.” That is what regulatory autonomy means in practice.

The broad concept of open, strategic autonomy takes the concept of autonomy a step forward. In that regard, Draghi said, “We need to make sure that we use trade policy in a way that furthers our objectives for industrial policy internally.” That is already visible in, for instance, a lot of the analysis that has been undertaken in relation to critical raw materials, access to the defence industry and so on.

I certainly agree that the EU is becoming far more assertive on what its position should be on trade policy and that that is likely to affect the reset. However, I go back to what you said about

the TCA being unique. In some respects, it has been defined as an unfinished partnership. In other words, the TCA, in the same way as any other preferential agreement—it is a preferential agreement on steroids, in that respect—is subject to review and continuous development through its supervision, oversight and implementation systems. That is where the potential lies and where the research should be: in looking at how we can further diversify and deepen the relationship, albeit within the framework of the TCA, in areas that are of mutual interest.

With regard to what Peter Holmes said, it has been said previously in this committee that one area that needs to be strengthened for the UK concerns veterinary certifications. I read the *Official Report* of the evidence session in which a person from the veterinary college said that we have too few veterinary professionals who can provide those certifications.

Another area in which there is certainly a common interest concerns professional qualifications in those industries that are particularly critical not just for the UK position but for the EU, because the debates about phytosanitary standards and veterinary standards happen in a number of European countries as well.

11:00

**Stephen Kerr:** The UK has not changed its view of veterinary qualifications, has it? If you are a European vet, you can still come to the UK and get a job, and your qualifications are accepted as totally valid.

Many people believe—I am probably one of them—that the problem with the EU is that it often acts in a very protectionist way. That has fuelled a perception, and whether it is real or just a perception, it is certainly the perception that Donald Trump has of the actions of the European Union. A lot of the issues that we are discussing today are ultimately political. For example, the issue of trade between the US and the EU is framed by how Donald Trump sees Europe's commitment to properly contribute towards its defence. He sees trade in the context of European weakness when it comes to dealing with Russia and China. He sees these things in that geopolitical context, first and foremost, and he is ultimately transactional. Yes?

**Dr Andreangeli:** In relation to Trump, I dare say that he is transactional. However, I would like to make a point on what you said about China. I do not think that the EU is being weak towards China. Quite to the contrary, the EU is acting in a very defensive way when it comes to trade with China. That can be seen with the foreign subsidy

regulation, for example, which was enacted especially to counteract the pressure that is caused when goods come in from jurisdictions where there is, frankly, state-sponsored competition, as is the case in China. When those goods come into the EU, they can be sold at much lower prices, for obvious reasons.

You are, of course, familiar with the idea of the anti-dumping regulation. The foreign subsidy regulation acts exactly where it is needed, and the EU has already been quite successful in applying it—for example, in relation to electric vehicle batteries. The EU is not being weak in relation to China—quite to the contrary.

**Stephen Kerr:** Yes, but there—

**Dr Andreangeli:** If I might just finish, on what you said about Trump. Of course he is transactional. I am not an expert in American politics by any manner or means; I am just a humble EU lawyer. However, I can see that Trump is also incredibly ill-advised in conflating what the EU is and does with what the member states do, for example as part of NATO or other multilateral defence treaties. Those are entirely different jurisdictions and frameworks. It is all Europe to Trump, but that is really not the case.

The EU is acting in ways that reflect the core values that are contained, ultimately, in the European Union treaty. Quite frankly, I would argue that the EU cannot claim to be what it is not. The EU can only be what the EU is.

**Stephen Kerr:** I think that you are totally right that Donald Trump sees Europe as Europe. When the European Union has developed its own foreign policy and is formulating its own defence strategies, he is not entirely wrong to see the EU in that light and as tangential to what is happening in NATO.

Because of the time, I will get to the bottom line. I think that Keir Starmer has a point here. Britain does not have to choose between the United States and the EU. The appointment of Peter Mandelson to Washington as our ambassador is quite a clever move on Keir Starmer's part, is it not? Peter Mandelson will take what I think has historically been the British approach to these things, which is to try to get the best of all worlds. We do not actually have to make a choice. Commerce and businesses will make a choice but, politically, we do not have to make any statements or choices, do we?

**Dr Andreangeli:** If you do not make a choice, even that might have, and is likely to have, considerable fall-backs, for instance in terms of regulatory standards. I am sorry if I am splitting a hair in four here, but I feel that it is necessary.

**Stephen Kerr:** No—I am enjoying what you are saying.

**Dr Andreangeli:** I am very pleased about that.

The point is that the political choice has a legal fall-back. The UK may or may not want to make a choice between aligning with the US and aligning with Europe. Nonetheless, those are two distinct jurisdictions and each of those jurisdictions has its own regulatory standards.

Of course, business can choose, and it will do so. However, you are forgetting that that is likely to lead to considerable duplication costs when it comes to regulatory standards, for instance. David Henig remembered the famous example of chlorinated chicken. I do not think that they chlorinate chicken in the US any more, but never mind.

**Stephen Kerr:** I have eaten a lot of American chicken and I am okay.

**Dr Andreangeli:** I am glad to hear that. Me too.

**Stephen Kerr:** Okay. We will not put that to a vote.

**Dr Andreangeli:** My point is that aligning with a jurisdiction is not just about making a political choice—important legal consequences flow from that choice, too.

**Stephen Kerr:** But businesses manage all of that.

**Dr Andreangeli:** Yes, but it has a cost, and that is the measure of the opportunity cost of accessing specific markets.

**Stephen Kerr:** Pragmatism suggests that all aspects of that relationship—political, commercial, general economic and free trade—can be managed and that declarations of loyalty do not have to be made to one side or the other. You can just do what is in your best interests. In other words, if we have America first and the EU first, which is the attitude that has been described in the evidence, can we not also have a Britain first approach and do what is in the best interests of this country?

**The Convener:** Mr Kerr, David Henig wants to comment and the other witnesses might also want to respond.

**Stephen Kerr:** We need much more time to discuss these things, convener.

**The Convener:** I will bring David in first.

**David Henig:** I want to make two points in response to the original question. Part of it was about why we cannot sell services, in particular, into expanding markets. The answer is that we can and we are doing that. Trade in services with the US is in a healthy place and I am told that

huge amounts are being done with the Gulf. UK consultancies are doing huge amounts of work there and in other markets. I do not necessarily link that to trade deals. It is not as if we need trade deals. If the US wants to give us some easier business mobility, which it has not done in the past, that would be helpful, but most of what is done in services trade does not really address the sorts of trade that are happening now.

My second point is that Stephen Kerr was starting to compare levels of protectionism in the EU and the US. Major markets such as the EU, the US and China are protectionist. By their nature, they are going to gain less from trade and they can source more at a competitive price internally. The UK is not a major market. Along with other countries that are what we call mid-sized powers, we are very keen on trade, but the US, the EU and China are not. We just have to work around that. We cannot assume that everybody else likes trade as much as we do. We have to make some choices, but the good news is that a lot of countries think that we are good at services, and that trade is happening anyway. I do not have a negative view on that.

**Stephen Kerr:** That eloquently describes what I have been trying to say that the British position should be.

**Emily Fry:** On the regulatory side, it is important to understand where we are coming from in our UK regulation, which has been deeply intertwined with EU regulation for a number of years. What is happening is active disalignment in regulation, which might harm companies' abilities to export. That involves the UK changing our regulation. For example, the UK has recently diverged from the EU and increased animal standards. Meanwhile, other types of passive divergence are happening for UK companies through the EU implementing regulation that the UK is not implementing. We are increasingly seeing that happen in areas such as climate, the environment, AI and digital policy, as well as in some of the chemicals sectors. That is where we will see on-going friction in trade from the UK to the EU if there is not some kind of regulatory alignment deal. That will be really important in the future and it is where some of the impacts of Brexit might increase over time.

**Stephen Kerr:** Arianna Andreangeli mentioned that the reality of our relationship with the EU is not the same as Switzerland's. I am not saying that it is, but the Swiss experience of working with the EU teaches us that you must be constantly in negotiation—it is a living relationship. The Swiss have never completed that process. There is not a comprehensive agreement that is like tablets of stone from Sinai—the agreement is constantly moving.

**Dr Andreangeli:** It is. However, the Swiss have accepted convergence on key regulatory standards. The European Economic Area instrument is substantially different from the TCA. For instance, the EEA has institutions that are heavily intertwined with Brussels, whereas the TCA involves largely diplomatic oversight and implementation with updating of the governance framework, so there is a difference.

When the EEA was established, what the Swiss decided to do was also different in terms of the nature of the integration. I do not want to speak about theories in this committee meeting, because I do not think that that would be particularly helpful—I will keep that for the pleasure of my poor students. However, there is something about disintegrating a relationship, which is what happened with the TCA, versus creating a diversified type of integration that involves, if you like, negotiating a relationship upwards. The latter is what happened with regard to the European Community and Switzerland. I am talking about the 1980s and 1990s and the Single European Act.

You are therefore right to say that the Swiss are working to a relationship that fits them and the EU. There is no doubt about that but, when we compare the two relationships, we can see that the relationship that the Swiss have with the EU is substantively different in terms of quality and gradient.

**Peter Holmes:** I want to reinforce something that several speakers have said. In the era of hard Brexit, at the time of Boris Johnson and Liz Truss, there was an attempt to use trade agreements with third countries as a way of putting down, if you like, landmines against any Government that wanted to realign with the EU in the future. Doing a deal on food safety standards with the US was going to be a way of making it harder to do a deal on food safety standards with the EU. However, the era of going in that direction has completely gone. As all the speakers on the panel have said, we have a regulatory system that is based on the EU type of ecosystem.

To an extent, if we are not careful, we run the risk of being in the worst of all worlds. For practical reasons, we cannot diverge much from what the EU does—we are forced to accept the EU way of doing things, such as in relation to building materials and EU CE marking for technical regulations—but, because the EU knows that we are in that position, it is very relaxed about signing mutual recognition agreements with us because it knows that we will have to recognise its standards.

One of the prices that we are going to have to accept is that we will have to go beyond voluntary dynamic alignment, as we might call it. We will have to commit ourselves, legally, to signing up to

accepting EU standards. We accept European standards through CEN and CENELEC, but we will have to make binding legal commitments, and that will require us to acknowledge that we cannot choose entirely a la carte. We might be able to do a bit of cherry picking, as the new negotiations are more flexible than the original TCA, but we run the risk of being forced to align ourselves with the EU, at least in most ways, without getting as many of the benefits as we could get. Arianna Andreangeli mentioned the book “The Brussels Effect: How the European Union Rules the World”. We will have to confirm that we will bind ourselves in a legally enforceable way and the EU will know that our goods will be absolutely and rigidly in conformity with its rules, as it requires.

We have a choice to make. Doing the regulatory alignment voluntarily will not bring us the benefits that we need if we are to be part of value chains and, increasingly, service activities that are integrated with the EU.

**Stephen Kerr:** We probably do not have time for this debate, but I think that some of the things that Peter Holmes has just said are perhaps contestable. I will leave it there, convener.

**The Convener:** That is not for today. As there are no further questions, I thank the witnesses for attending. It has been a helpful evidence session.

I will now move the committee into private session. Thank you, everyone.

11:16

*Meeting continued in private until 11:25.*

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