

## **DISCUSSION GROUP 1: International Trade and the Single Market (including Regulation)**

**Host:** Paul Wheelhouse MSP, Minister for Business, Innovation and Energy

**Facilitator:** Martin Bell, Deputy Director Global Affairs, Scottish Whisky Association

### **Summary:**

It was agreed that Brexit presents both risks and potential business opportunities. On risk it was confirmed that any new arrangements, no matter what model is pursued, will impact all businesses at some level. It was noted those impacts will vary depending on sector, location and size of the business, and the increased costs and paperwork that would apply.

It was suggested that as a minimum there should be a Customs Union arrangement to reduce disruption and barriers to EU market access. It was agreed that Ministers should continue to engage with investors (existing and potential) to reassure them on actions being taken and to explain thinking on any potential second independence referendum in Scotland.

It was noted that businesses also operate in markets outside the EU and that trade there may also be affected through loss of EU Free Trade Agreements (FTAs). It was agreed that UK Government need to confirm what they can now on arrangements for business going forward. In particular on regulation (environmental, health and safety, industry standards) to give as much stability as possible and to enable businesses to plan ahead. Product development timelines can be lengthy and urgent clarity is needed.

On EU funding it was noted that businesses benefit from this currently and some depend on it to survive (CAP, Horizon 2020 and other support). It was noted that UK Government need to guarantee this funding will be maintained going forward. If this was lost competitiveness, including in research and development could be significantly impacted.

On the opportunities side it was noted that removal of State Aid rules could enable support to businesses to be offered in different ways.

It was agreed that UK Government need to be as open as possible with businesses about the model being pursued to enable them to plan ahead and mitigate negative impacts, as well as engaging with SG to inform their negotiating position. There was broad agreement that Scottish Ministers and businesses need to keep talking and sharing information as the position develops.

### **Key Themes**

A number of key themes were raised across the discussions.

**Transparency** – It was agreed that UK Government need to give as much clarity to business as possible on the potential models being pursued to enable them to plan ahead. Increased costs and paperwork can significantly affect business competitiveness. It was acknowledged that SG's responsibility and priority is to

protect Scotland's interests and that SG focus is on doing all it can to push for the best UK wide deal that does that.

**Regulation** – It was noted that there are some aspects of business legislation which the UK Government can confirm now (environmental, health & safety, industry standards) therefore offer as much stability as possible in turbulent times, and to inform product development timelines.

**Investment** – It was agreed that Scottish Ministers should engage with current and potential investors to reassure them on the actions being taken to secure continued market access. That dialogue should continue to reaffirm Scotland is open for business.

**People** – It was noted that businesses need continued access to the best skills and talent to remain competitive. This needs to be recognised and addressed within any new immigration rules.

**Funding** – It was noted that businesses of all sizes benefit from EU funding (to survive and to innovate to compete). UK Government need to guarantee this will be maintained, particularly in sectors like agriculture where 16% of UK CAP payments go to Scottish farmers, enabling farmers them to produce at competitive prices.

**Engagement** – It was agreed UK Government need to engage fully with Scottish businesses and with SG to shape negotiations and to assess and mitigate any negative impacts. The open door in SG for companies to engage with was broadly welcomed and comments raised that it was important this was maintained.

**Capacity** - It was also noted that new FTAs could present opportunities to negotiate more favourable terms than the EU currently has. However, this would take a major upgrade in capacity within the UK Government as trade specific knowledge and experience is a skills shortage in the UK, as this is mostly dealt with at an EU level at present. It also takes time to negotiate the complexities of FTAs.