



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Affairs Committee and Finance and Constitution Committee (Joint Meeting)

Thursday 29 November 2018

Session 5



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CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
31st Meeting 2018, Session 5

FINANCE AND CONSTITUTION COMMITTEE
30th Meeting 2018, Session 5

CONVENER

- *Bruce Crawford (Stirling) (SNP) (Finance and Constitution Committee)
- *Joan McAlpine (South Scotland) (SNP) (Culture, Tourism, Europe and External Affairs Committee)

DEPUTY CONVENER

- Claire Baker (Mid Scotland and Fife) (Lab) (Culture, Tourism, Europe and External Affairs Committee)
- *Adam Tomkins (Glasgow) (Con) (Finance and Constitution Committee)

COMMITTEE MEMBERS

- *Tom Arthur (Renfrewshire South) (SNP) (Finance and Constitution Committee)
- Neil Bibby (West Scotland) (Lab) (Finance and Constitution Committee)
- *Alexander Burnett (Aberdeenshire West) (Con) (Finance and Constitution Committee)
- *Willie Coffey (Kilmarnock and Irvine Valley) (SNP) (Finance and Constitution Committee)
- *Angela Constance (Almond Valley) (SNP) (Finance and Constitution Committee)
- *Annabelle Ewing (Cowdenbeath) (SNP) (Culture, Tourism, Europe and External Affairs Committee)
- *Murdo Fraser (Mid Scotland and Fife) (Con) (Finance and Constitution Committee)
- Kenneth Gibson (Cunninghame North) (SNP) (Culture, Tourism, Europe and External Affairs Committee)
- *Jamie Greene (West Scotland) (Con) (Culture, Tourism, Europe and External Affairs Committee)
- Ross Greer (West Scotland) (Green) (Culture, Tourism, Europe and External Affairs Committee)
- Emma Harper (South Scotland) (SNP) (Finance and Constitution Committee)
- *Patrick Harvie (Glasgow) (Green) (Finance and Constitution Committee)
- *James Kelly (Glasgow) (Lab) (Finance and Constitution Committee)
- *Stuart McMillan (Greenock and Inverclyde) (SNP) (Culture, Tourism, Europe and External Affairs Committee)
- *Tavish Scott (Shetland Islands) (LD) (Culture, Tourism, Europe and External Affairs Committee)
- Alexander Stewart (Mid Scotland and Fife) (Con) (Culture, Tourism, Europe and External Affairs Committee)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Neil Findlay (Lothian) (Lab) (Culture, Tourism, Europe and External Affairs Committee) (Committee Substitute)
- Rt Hon David Lidington MP (Minister for the Cabinet Office)

CLERK TO THE COMMITTEE

Stephen Herbert
James Johnston

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Finance and Constitution Committee

Thursday 29 November 2018

[The Convener opened the meeting at 15:30]

Article 50 Negotiations (Withdrawal Agreement)

The Convener (Bruce Crawford): Good afternoon and welcome to this joint meeting of the Finance and Constitution Committee and the Culture, Tourism, Europe and External Affairs Committee. We have received some apologies from our colleagues, which is understandable, because this afternoon's meeting of the Parliament is still under way.

The only item on our agenda is evidence from the Rt Hon David Lidington MP, the Minister for the Cabinet Office, on the European Union withdrawal agreement. I think that it is safe to state that we are living in a time of high political stakes. Much more importantly, it is a time when the economic and social stakes have never been higher during our lifetimes. If the wrong path is chosen, the people of Scotland and the rest of the United Kingdom might pay a heavy price.

I extend a warm welcome to the minister and sincerely thank him for attending this joint committee meeting. We appreciate his attendance and understand that his diary will be very full at this busy time.

If you wish, minister, you may make a short statement.

Rt Hon David Lidington MP (Minister for the Cabinet Office): Thank you for the invitation. I thank your officials for having worked at great speed so that we could put this afternoon's session together at short notice. In preparing for the meeting, I became aware that Joan McAlpine was overdue a response to a letter that she sent to me some while ago about UK ministers attending such a meeting. I can only apologise for that delay, and I hope that my presence here is an indication that there is no reluctance on our part to come and give evidence.

From the UK Government's point of view, the agreement that was negotiated by the Prime Minister and the other 27 EU heads of state and Governments provides some welcome clarity and predictability for citizens and businesses large and small in every part of the UK. The agreement points towards a free-trade agreement between

the UK and the EU27 involving goods of all types, including agri-food products. We recognise the importance to Scotland of deep and ambitious customs and regulatory co-operation, and we are confident that the deal will deliver for Scottish businesses in that regard.

Financial services are important to the Scottish economy, so I am pleased that, under the arrangements that are set out in the political declaration, we will have a close relationship with the EU on services and investment.

I believe that the deal delivers for Scottish fishermen in making the UK an independent coastal state that will control access to fish in its waters. That means that the UK will decide who can fish in UK waters and how fishing will take place, putting us in the same position as Norway and Iceland. We will be able to act independently to negotiate fishing quotas.

The agreement guarantees that geographical indications such as Scotch whisky will be protected until a future economic relationship is put in place, and we have agreed comprehensive and close reciprocal law enforcement and judicial co-operation to keep people safe.

On the process that we now face, I am sure that the committees will be aware that the UK Parliament will vote on the deal on 11 December. That is in line with what the European Parliament is entitled to under the treaties. It will be a vote to approve or to reject the withdrawal agreement and future framework, so it will be a yes or no vote. If Parliament votes against the withdrawal agreement, which includes the citizens' rights deal and the implementation period, that agreement cannot legally be ratified. That is the product of the statute that was passed at Westminster earlier this year.

In such an event, the Government would be legally obliged to make a statement to Parliament on its proposed next steps and to table a motion in neutral terms on that statement.

Joan McAlpine (South Scotland) (SNP): The withdrawal agreement is 585 pages long, but Scotland is not mentioned once. The political declaration is 26 pages long, but Scotland is not mentioned once. That is despite Scotland being a distinct nation within the UK and a nation in which 62 per cent of people voted to remain—the highest remain vote in the UK. Why are we being ignored?

David Lidington: I do not accept the premise of the question. Joan McAlpine is right to say that there is no mention of Scotland, but nor is there mention of England or Wales. All are proud, equal nations within the United Kingdom.

There is specific mention of Northern Ireland because of the exceptional position that Northern

Ireland is in by virtue of two things. First, it is the only part of the United Kingdom that has a land border with the European Union. Therefore, there will be a potential EU external border, with all that the treaties imply for such a border, once we are no longer a member of the EU. Secondly, the United Kingdom Government, all parties in the United Kingdom Parliament and, as far as I am aware, all parties in the devolved Parliaments and Assemblies are committed to the Belfast Good Friday agreement. It is of overriding importance that we ensure that all parts of that still fragile settlement and peace-building process are protected.

Joan McAlpine: Apart from Northern Ireland, do you know how many other nations, regions and territories that are part of the UK umbrella are mentioned in the withdrawal agreement?

David Lidington: I have not gone through it and made a count, but I am confident that Scotland is being treated no differently from England or Wales.

Joan McAlpine: There are 153 mentions of other territories including the Channel Islands, the Isle of Man and Akrotiri in Cyprus. Tristan da Cunha gets a mention, and so do the South Sandwich Islands and the British Antarctic Territory. Given that the British Antarctic Territory gets a mention and we do not, can you see why Scotland feels disrespected? We do not seem to be included at all.

David Lidington: People should not feel that way on a reasonable analysis. Unlike the British Antarctic Territory, the British Indian Ocean Territory or the South Sandwich Islands, Scotland elects members of the United Kingdom Parliament and is a full part of the United Kingdom. Those other territories are not part of the United Kingdom. They are either British overseas territories that have a particular relationship with the European Union but that are not fully part of it by virtue of protocols to the European treaties or they are Crown dependencies, which, although different in constitutional status from the British overseas territories, are also entities that are self-governing and not part of the United Kingdom or the European Union although they have a relationship with the United Kingdom that is provided for in protocols to the treaties.

Part of the responsibility of the United Kingdom in conducting the negotiations has been in ensuring that the interests of territories that are outside the United Kingdom itself are properly safeguarded and protected. I honestly do not think that that should be seen as a threat to Scotland. In my experience, people in Scotland fully understand the need for the United Kingdom Government to ensure that the interests of the Isle of Man and Gibraltar are properly protected.

Joan McAlpine: I am not suggesting that that is not the case; I am merely suggesting that people in Scotland had an expectation—indeed, they were told—that their wishes would be considered. For example, when the Prime Minister came to Scotland in July 2016, she said:

“I’m willing to listen to options and I’ve been very clear with the first minister ... that I want the Scottish government to be fully engaged in our discussion.”

The Scottish Government has said that there has not been full engagement at all. The Scottish Parliament voted for a compromise solution in which we would remain in the single market, but we have been ignored again and again. As a result, we are now looking at a deal that will damage the Scottish economy. Each person in Scotland will be affected to the tune of £1,600 per year, which will be the cost of a free-trade agreement.

Do you understand why people feel that they have not been respected or included in a process that will have a direct effect on their lives and livelihoods?

David Lidington: If you look at the detail of the withdrawal agreement and the political declaration, you will find many things that reflect the position that the Scottish Government and the Scottish Parliament have advocated. I completely acknowledge that there are political differences between the Scottish and United Kingdom Governments over the shape of the final deal. Whenever I sit down with Scottish ministers, those differences about some of the overall policy objectives are acknowledged.

The Scottish Government has been clear throughout that its preference is to remain fully part of the single market, which is different from the United Kingdom Government’s position. However, if you look at what is in the political declaration, you will see that, on trade in goods, including agri-food, we have an agreement for the creation of a free-trade area for goods that facilitates trade through a new customs arrangement and deep regulatory co-operation and that avoids any tariffs and quotas. That is a priority for people in Scotland and elsewhere in the United Kingdom.

“Scotland’s Place in Europe”, which was published two years ago, said that it is

“important to ensure continuing participation in law enforcement, criminal law and civil law measures.”

There is a whole section of the political declaration about a future security partnership to enable strong operational capabilities to tackle serious crime and terrorism, swift and effective data exchange, fast-track surrender programmes and continued close co-operation with Europol and Eurojust.

Earlier this month, the publication “Scotland’s Place in Europe: An Assessment of the UK Government’s Proposed Future Relationship with the EU” called for

“continued full participation in competitive EU funding programmes”.

We are committed to seeking associate membership of, or participation in, such programmes as Erasmus+ and the successor to horizon, provided that the future design of those continues to match the United Kingdom’s overall strategic priorities. Of course, we would be prepared to make an appropriate financial contribution to those programmes as part of the price for such participation. Earlier today, I talked about the issue with professionals at the University of Stirling, who were clear that that is what they want. I hope that that is the outcome not just of the political declaration but of the final partnership agreement.

Joan McAlpine: It does not guarantee participation in programmes such as Erasmus+.

David Lidington: As the committees will know, we cannot guarantee things that would be the outcome of a negotiation that, under the European treaties, cannot be commenced until we have actually left. The treaties provide for member states to have particular rights and obligations and for the EU collectively to negotiate trade agreements, political co-operation agreements and scientific agreements with third countries. The consistent position of the European Commission, which I think reflects the view of the EU27—to be honest, from my experience as the Europe minister, it is probably an accurate reflection of the distinctions that are made in the treaties—is that, until we have left, although in the meantime we can have political commitments about the future negotiation, we cannot have formal legal negotiations to turn those commitments into legal text.

The Convener (Bruce Crawford): Each member has a certain time in which to ask questions. I encourage everybody to be as concise as possible so that I can get through all the members who are at the table.

David Lidington: I will seek to do the same.

Adam Tomkins (Glasgow) (Con): Good afternoon, minister, and thank you for joining us. I have two questions. I hope that the first one will be relatively short, but we might need to go into a bit more detail on the second one.

At the moment, one of the most significant differences of view—perhaps the most significant difference—between the United Kingdom Government and the Scottish Government on the withdrawal agreement is that, in essence, the UK

Government says that it is this deal or no deal whereas the Scottish Government has reiterated, even as recently as First Minister’s question time today, that other options are still on the table. Why is it the UK Government’s view that it is this deal or no deal?

15:45

David Lidington: Partly because there is a time factor involved but chiefly because, to get to this deal, both sides have had to move—there has been give and take on both sides. I expect that the members of the two committees here have picked up some of the flak that has been directed at Michel Barnier by other EU countries over the past fortnight for supposedly giving us too soft a time.

However, the Commission and the heads of Government—President Macron, Chancellor Merkel, Chancellor Kurz and others—could not have been clearer that, as far as they are concerned, this is the deal. They are not interested in reopening negotiations. Frankly, they have their politics, too, and they have other priorities on their to-do lists. When I talk to French politicians at the moment, they are thinking much more about Italy and the challenges that the Italian budget poses to the future of the eurozone than about Brexit.

The other EU countries want this done and sorted, and they are making it very clear to us that they are simply not prepared to countenance reopening a deal that, in their view, they made concessions to obtain.

Adam Tomkins: It is not simply the UK Government’s assertion that it is this deal or no deal; it is the UK Government’s reading of European politics, both in key member states of the EU and in the EU institutions themselves, that led you to the view that there is no room, no appetite and no space for any renegotiation between now and Brexit.

David Lidington: There is absolutely no appetite for that. That is true of both their public and private statements. The EU member states and institutions have other things to do. They need to sort out some of the challenges that the eurozone faces, and they have to devise a future multi-annual budget for the EU without the UK’s contributions. When I was involved in devising those budgets the last time round, it took about two and a half years, so they have to get on with that at pace. They need to move on, and they want this sorted.

Adam Tomkins: That is very helpful.

I want to ask about the Northern Ireland backstop. As you will appreciate, some of my colleagues around the table are of a nationalist persuasion. I am not; I am of a unionist

persuasion. You will know that there are a number of concerns within both Northern Irish unionism and Scottish unionism, which are very different sorts of unionism for all sorts of reasons. There are concerns within Scottish unionism about the extent to which the Northern Ireland backstop, as provided for at length in the withdrawal agreement, will lead to a differentiated settlement for Northern Ireland on the one hand and the rest of the United Kingdom on the other, which is difficult from a unionist perspective. Unionist to unionist, what can you say to me and to my unionist friends around the table that would reassure us that the deal does not pose an unacceptable risk to the United Kingdom?

David Lidington: First, nobody whatsoever in London, Brussels, Dublin or any other capital wants the backstop to be used. People want it to be an insurance policy that is there just in case. In my conversations with the Taoiseach and the Tánaiste, they have both been absolutely clear on that point.

This all derives from the political significance and genuine security significance of the Northern Ireland and Republic of Ireland border. Certainly, if one has listened to what the chief constable of the Police Service of Northern Ireland, George Hamilton, has said repeatedly, one will know that he is deeply alarmed about any prospect of there being the need for any kind of border checks or infrastructure at all.

The Irish Government could not have been clearer—in private to me and in public—that it does not want the backstop to be used. It wants to go as quickly as possible to a UK-EU trading relationship that obviates any need for the backstop and, if it were ever needed, the Irish Government wants it to be in place for as short a time as possible. If the committees wish, I am happy to go into the reasons why I believe that the EU27 have every incentive not to try to keep the backstop—

Adam Tomkins: I am sorry to interrupt you, minister. I fully accept that the stated intention is that it is there not just as a backstop but as a kind of longstop insurance policy. However, just for the sake of argument, let us assume that it comes into force. As I understand it, the backstop will require Northern Ireland, as a matter of binding European law, to continue to adhere to a number of provisions of single market law with regard to goods. If, during that period, the rest of the United Kingdom is not required to adhere to those provisions of single market law with regard to goods, will there be regulatory divergence between Northern Ireland and the rest of the UK, which would risk the integrity of the UK's internal market?

David Lidington: I understand the point. For many months, the EU's position was that only a Northern Ireland-specific arrangement on customs and regulatory alignment was obtainable and that a UK-wide arrangement was not negotiable. Only in the past month has the EU conceded the point on customs. From February, when the European Commission published its draft protocol, we have been clear that we would not accept, and that we did not believe that any British Government would accept, the division of the UK into more than one customs territory. The EU has conceded that point.

On regulations, as Professor Tomkins knows, Northern Ireland already diverges from Great Britain in some areas, such as livestock, for which the island of Ireland is a single epidemiological area, and electricity—there is a single electricity market across the Irish border.

In the negotiation, we have sought to reduce the risk that Professor Tomkins described to the bare minimum that is necessary, to ensure that the backstop is an insurance policy for the sake of the peace-building process in Northern Ireland, and we want to ensure that the experience for ordinary businesses on both sides of the Irish Sea is pretty much exactly as it is now.

In such circumstances, EU law would require more intensive livestock inspections than are currently carried out, but the principle is already there in the current arrangements—livestock would still go through the port of Larne, as it does now. However, the Commission has already signalled that it wants a veterinary agreement. New Zealand's veterinary agreement with the EU has reduced checks on livestock imports to the EU from that country to just 1 per cent of the total, so there are tried and trusted ways to minimise the burden.

As for regulatory checks on industrial goods, I can say several things to give comfort.

Adam Tomkins: The convener will want your comments to be brief.

David Lidington: I will try to be very brief. Any checks would be only on the market, so nothing would happen at the borders. Checks would be carried out by UK officials such as trading standards officers through normal market surveillance mechanisms in Great Britain.

The Government has given a guarantee that, if the backstop were used as a temporary measure, we would seek to align GB with Northern Ireland, to give the assurance that there would be no divergence or any risk to the single market. In case anyone misunderstands that, I say that we accept that that would mean conversations with the devolved Governments in Wales and Scotland, too.

The Convener (Bruce Crawford): I have allowed a bit of latitude at the beginning, because I knew that the questions would be about the process, but the meeting needs to be a bit sharper if I am to get through everybody.

Neil Findlay (Lothian) (Lab): Mr Tomkins said that there are nationalists and unionists around the table. I remind him that there are also socialists—indeed, I think that he might have been one in a previous life.

The deal appears to be going absolutely nowhere. All the Opposition parties in the House of Commons oppose it, including the Government's former chums in the now-estranged Democratic Unionist Party. The European research group will never accept the deal, and some of what I will call your more rational back benchers will not accept it, either.

In the Government's eyes, it looks as though we are heading for no deal. Under the Treasury's analysis, that would mean a reduction of more than 9 per cent in economic activity, the end of security arrangements, a hard border in Ireland and all the rest that goes with that. Do you seriously think that the British people will accept that?

David Lidington: I believe that a no-deal situation would be seriously damaging to the UK economy and UK interests, and it is certainly no part of the Government's objectives. Nevertheless, we must plan for that risk, not least because it is not just Westminster but the European Parliament that must vote on the deal. Just as any sensible business has contingency plans that it hopes will stay in the safe and not have to be deployed in practice, so we need to have done the thinking and the preparation that any Government or commercial organisation would do.

As far as Parliament is concerned, my view is that members of Parliament at Westminster of all political parties and from all parts of the UK need to confront a very serious choice. Overwhelmingly, the message that I have had from businesses in my constituency and different parts of the UK—I have picked it up again in Scotland today—is, "For goodness' sake, get on and get this done." People want the Government to focus on other important domestic political and policy priorities. Business wants clarity and certainty on the implementation period, on the approach to the free-trade agreement and on the other forms of co-operation that are spelled out in the political declaration.

The one thing that is certain about a vote at Westminster to reject the deal is that there would be continued and acute uncertainty, because some people would campaign for no deal while others would campaign to reverse the 2016 result altogether. In light of what I said earlier to

Professor Tomkins, I genuinely think that the deal that we are discussing is the one that the EU has been prepared to negotiate; I do not believe that the appetite is there to reopen the package and to start looking at things again. I think that, if the deal were to be rejected, we would get into more dangerous and riskier territory.

Neil Findlay: Of course people want it to be done. If I hand my car in to get it fixed, I want it to be done; I do not want the garage to prevaricate. However, I want the wheel nuts to be tightened so that the wheels do not fall off. What we have is a deal that looks as though the wheels will fall off very quickly. Do you accept that a motion can be tabled in the House of Commons that is for neither no deal nor your deal?

David Lidington: The motion that the Government has tabled is a substantive motion, but it will certainly be amendable under the rules of order of the House of Commons. I am aware that at least one amendment has been tabled already, and I am pretty confident that others will follow. It is entirely up to the Speaker of the House of Commons to decide which amendments are in order and which orderly amendments to select for division. That is a matter for the Speaker.

As a matter of legal certainty, given the statutory requirement for any agreement that is reached by the Government to be approved in a so-called meaningful vote before it can be formally ratified, there needs to be a clear vote for or against that agreement if there is to be legal certainty for the future, but it is not in the Government's hands to decide what amendments are tabled and which are selected for division.

Neil Findlay: You said that you are preparing for every scenario. If the deal is rejected and the House of Commons votes for an amendment that requests another deal, what have you got prepared for that scenario?

David Lidington: As I said in my introductory remarks, the Government is already subject to a statutory obligation, in the event that it looks as though there will be no deal, to make a statement to Parliament and to put forward a set of proposals about what it considers the way forward to be.

So far, in none of the published or mooted amendments that I have seen is a clear alternative put forward to what the Government has put on the table. No evidence has yet been provided in relation to any rival proposition to the effect that what is sought is something that the other 27 countries are remotely prepared to countenance.

The Convener (Bruce Crawford): I am afraid that you are out of time, Mr Findlay. Patrick Harvie is next.

Patrick Harvie (Glasgow) (Green): Good afternoon, and thanks for coming.

I have to say that I speak to more people who want this not to be done than who just want it to be done. That aside, in acknowledging the economic hit that is likely as a result of the various scenarios, the UK Government generally falls back on the argument that that is what people voted for—people made their decision back in 2016, and even though the choice is between being much poorer and being slightly poorer, the democratic mandate is still there.

There were clear majorities for leave in England and Wales. The overwhelming majority in Scotland was for remain. Northern Ireland also voted to remain, but at least it gets something that it needs—a specific set of mechanisms to look after its needs. Scotland remains, undeniably, the only one of the four nations within the UK that gets neither what it needs nor what it wants. If you are supposed to be regarding the union as precious and looking to preserve it, I suggest to you that you are going a funny way about it.

16:00

David Lidington: In my earlier answer to Joan McAlpine, I listed a number of the ways in which what is in the agreement provides the very things that the Scottish Government and the Scottish Parliament have been calling for.

Mr Harvie and I may differ on this depending on who we speak to, but I think that there is a real yearning in very large sections of the population and particularly the business community that have come out in Scotland, Northern Ireland and elsewhere in support of the agreement and have said, “We need to have this sorted. We need clarity and the ability to plan.” At the moment, investment decisions and employment decisions have been put on hold because businesses are not yet able to plan with certainty. We need to get the implementation period in place and get going with negotiations on the way forward. I think that that is the best approach as far as future living standards and economic growth are concerned.

Patrick Harvie: I certainly saw one business voice from Scotland backing the deal recently—Mr Ratcliffe from Ineos, a tax-dodging billionaire. It does not hugely surprise me that that is the kind of support that you are calling on.

I will move on, because we are tight for time, to talk about some of the environmental governance aspects. The one silver lining that I can see to this cloud is that the political declaration makes it pretty clear that there will ultimately be a common fisheries policy with shared stocks, sustainable management, quotas and access to waters—the works. The idea of returning to some sort of

isolationist approach is clearly blown out of the water.

However, there is a lot less clarity on climate change. Paragraph 72 of the political declaration says:

“The Parties should consider cooperation on carbon pricing by linking a United Kingdom national greenhouse gas emissions trading system with the Union’s Emissions Trading System.”

However, I cannot find anything on the UK Government’s website that tells me what the UK ETS will be, how it will work or when it will be established. Can you answer those questions?

David Lidington: That will be part of the negotiations. I reject Mr Harvie’s description of the proposed fisheries arrangements in the political declaration. It is very clear. The language says expressly that

“the United Kingdom will be an independent coastal state.”

That means that we will have the rights and responsibilities of countries such as Iceland or Norway.

On climate change, let us not forget that there are already UK-wide statutory obligations on the Government to ensure that we continue to reduce our carbon emissions at speed and, if we look overall, we have a pretty good record compared with most other developed economies. However, we need to do more on that. In the negotiations that would start from March, we need to get to grips with the detail of emissions trading schemes and the like, and those ministers and officials who have lead responsibilities for that will be very much wanting to crack on with that task.

Patrick Harvie: The political declaration has already been negotiated. You must have some idea that the mechanism that you are proposing—a UK ETS—is deliverable, and have some notion of what it will look like. Can you at least guarantee that it will not be based on the UK ETS that preceded the EU ETS? That UK ETS was not even mandatory.

David Lidington: I am not in a position to go into detail on that because those negotiations have not started, but we have clearly committed ourselves to no regression in our environmental standards. To be frank, I detect no appetite among my Cabinet colleagues, in Parliament or among public opinion anywhere in the United Kingdom for a diminution of environmental standards. The public—

Patrick Harvie: You must be listening to different voices on the Tory back benches from those that we hear.

David Lidington: The public expect us to be leading the international pack, not falling behind.

Patrick Harvie: I suggest—

The Convener (Bruce Crawford): Patrick—

Patrick Harvie: Do I have a moment left?

The Convener (Bruce Crawford): Please be very quick.

Patrick Harvie: We are at a point where there is a new wave of anger and impatience, particularly among younger people who have been demonstrating in the most creative ways in London and are going to do that in Scotland as well, for more ambitious action on climate change. It seems that you have created an unnecessary political crisis with Brexit when you should be fixing the climate crisis, and there is absolutely nothing in this document that says how your mechanisms are going to work.

David Lidington: I do not see there being a contradiction between coming to a sensible and ambitious future partnership with the EU and continuing in that context—nationally and globally—to try to lead the way on climate change. That is what we should be doing.

Tavish Scott (Shetland Islands) (LD): I represent Shetland, so you will probably understand why I want to drag you back to fisheries, minister. Why was fisheries included in the transitional period?

David Lidington: That was one of the outcomes of the negotiations. It also ensured that, for that transitional period, we would continue to have certainty of access to markets elsewhere in the EU for fish, shellfish and the products that Scottish, English, Welsh and Northern Irish fishermen have taken from the sea.

The other issue that is obviously there with regard to the implementation period is that we are facing a decision about a potential fisheries deal in 2018 when, as full members of the EU, we will be having talks for 2019, which will include a period in which we will be outside the EU. I think that what we arrived at with regard to the implementation period was a reasonable outcome and settlement for the period during transition.

Tavish Scott: Do you accept that, in the period after March, the industry will have no formal input into the EU negotiating machinery, and that it therefore wonders how exactly it will influence quotas?

David Lidington: We will take part as a full member state, with all the associated rights and responsibilities, in the settling of the quotas for 2019. During the implementation period, we will be non-members when the fisheries quotas are settled in December 2019 for the calendar year 2020. In the political agreement, as you know, there is an obligation on the EU to act in good

faith, taking account of UK interests, and part of the agreement is that the keys to the quota system will not be touched.

Tavish Scott: The Prime Minister's letter that was published last week said:

"If there is no fisheries agreement in place with the EU"

by the end of the transition period, then

"no EU country's fishing fleet will have access to our waters."

I am sure that you are aware that two thirds of the fish that is landed in the UK goes to Europe. Where do you think that it will go if it cannot go to Europe?

David Lidington: We are making it clear that both sides have an interest in coming to a fisheries agreement—us as an independent coastal state, by that stage, and the EU as an important commercial partner. That would be in line with how Norway or Iceland operate with regard to their relationships with the European Union.

The issue indicates one of the reasons why, for example, the backstop—let alone any prolonged backstop—is not in the interests of the EU27. If we were in the backstop and no fisheries agreement was in place, the EU27 would immediately lose any legal entitlement to fish in UK waters.

It has always been the case that fish migrate between jurisdictions and that there are stocks that straddle jurisdictions. The sensible thing, therefore, has been for us to sit down as one of the big players in the North Sea and Atlantic fisheries areas to talk with our neighbours about access arrangements and access to markets for fish and shellfish. That is the way in which other independent coastal states go about it.

Tavish Scott: Is what you have described not a direct linkage between access to waters and access to markets?

David Lidington: I said "fisheries". What has caused a furore in the last week is the suggestion by President Macron that the question of access to waters should be linked to that of access to trading markets generally in all sectors. That is something on which the Commission made concessions during the negotiation. If you look back at the wording of its mandate last spring, you will see that it says that future UK access to the EU market per se, not just fish, has to be linked to access to UK waters. We dug in and said that that is not how independent coastal states operate. In any other agreement between the EU and a third country, those issues are distinct, and trade is separate from access to waters. That remains our position, and the EU agreed not to push that in the final negotiations.

Tavish Scott: I have one final question, on trade. Every year, salmon exports are worth £600 million to the Scottish economy. Responding to the political agreement, the Scottish Salmon Producers Organisation said last week:

“By coupling aquaculture with future catch fish quotas, this document raises the prospect of tariffs being imposed on exports of farmed fish”.

That would be calamitous news for an important Scottish industry. What is the Government's response to that?

David Lidington: We would certainly not want that, which is why the fact that the political declaration looks forward to tariff-free trade is welcome. I am well aware of the importance of salmon exports for the Scottish economy and, in particular, for the Highlands and Islands. That is a considerable priority for UK negotiators.

The Convener (Bruce Crawford): Thank you for the sharp, snappy questions, Tavish. That was helpful.

Tom Arthur (Renfrewshire South) (SNP): I will focus my questions on the future trade agreement, with reference to the context in which negotiations will take place as a consequence of the withdrawal agreement. The UK will face pressures when negotiating, given that achieving an independent customs policy will ultimately require the European Union to agree a deal with the United Kingdom. More specifically, there are time pressures that I want to explore.

The withdrawal agreement stipulates that a decision on extending the transition period is required before 1 July 2020. Due to the EU political calendar—and, as you acknowledged, other pressing commitments in Europe—substantive negotiations between the UK and the EU cannot commence until autumn 2019. Given the Prime Minister's stated goal of not wishing to invoke an extension to the transition period, that leaves approximately eight months for the substantive negotiations on the future trade deal between the UK and the EU to take place. Those negotiations are to be based on the 26-page non-binding political declaration.

For context, at the time of the EU referendum, the EU's most ambitious trade deal was the comprehensive economic and trade agreement with Canada. Minister, do you know how long it took to negotiate that agreement?

David Lidington: Yes.

Tom Arthur: You appreciate that it took seven years to negotiate, with a further year to provisional implementation, and that it runs to more than 1,600 pages, which is nearly three times the length of the withdrawal agreement. How

long will it take the UK to negotiate a trade deal with the European Union?

David Lidington: It will depend on the degree of political will on both sides to achieve that. I am relatively optimistic for a number of reasons. Mr Arthur is being too pessimistic in saying that substantive negotiations cannot start until the new European Commission is in place next autumn. The riding instructions have now been given and there is absolutely no reason why preparatory work should not commence. Indeed, as the committee knows—

Tom Arthur: Sorry, minister, but can you give me an estimate for how many months or years—

David Lidington: It is quite possible that, just as we turned the—

Tom Arthur: Are you unable to give me an answer about how many years it will take to negotiate?

David Lidington: I am trying to give you an answer, but this is a bit like a John Humphrys interview at times.

We turned last December's declaration of the European Council into a nearly 600-page legal text in less than a year. We have until the end of 2020 to get the economic agreement, in particular, in place.

Unlike Canada, we start from a position in which we are in complete conformity with EU standards and regulations. Furthermore, by virtue of the withdrawal act, we have imported the *acquis* on to a UK legal basis. Unlike with CETA or the association agreement with Ukraine, we do not have to go through an immense process of working out the degree and speed of alignment, as we are starting from complete alignment.

It can be done, and the EU has a tried and trusted process of provisional application, once agreement has been reached, even before formal ratification.

Tom Arthur: That was a circuitous way to say, “I don't know.” Since the referendum, the EU has completed further negotiations, including the EU-Japan economic partnership agreement, which took four years to negotiate and still awaits formal implementation. Former British ambassador to the European Union Sir Ivan Rogers has said that it could take up to 10 years to negotiate a post-Brexit EU trade deal.

I have a specific question for you, Mr Lidington. Can you guarantee today that businesses in my constituency that export to the EU will not have to pay additional tariffs after 2021?

16:15

David Lidington: I cannot speak for 27 other national Governments—

Tom Arthur: Thank you. That is—

David Lidington: —but I can point to the fact that each of those Governments has agreed to set itself the objective of going through the process comprehensively by the end of 2020.

Tom Arthur: Well—

The Convener (Bruce Crawford): Sorry, Tom, but I am afraid that, in the circumstances, you cannot have another question.

Murdo Fraser (Mid Scotland and Fife) (Con): Good afternoon, minister. I want to follow on from the questions that Adam Tomkins asked about the Northern Irish backstop. One concern that the Scottish Government has raised is that, in the event of the backstop applying, Northern Ireland would be in the EU single market for goods while Scotland and the rest of Great Britain would not. The Scottish Government has expressed concern that that would give businesses in Northern Ireland a competitive advantage over businesses in Scotland. What is the UK Government's view on that concern?

David Lidington: I again say that the clear intention of all sides is for the backstop not to be used and, if it is, used for as short a time as possible.

The alignment of Northern Ireland with the EU on goods would be in respect of only those things necessary to ensure that there was no need for any sort of controls at the Irish border. If we look at the issue in terms of pages, the rules under the agreement amount to about 40 pages compared to about 1,100 pages of single market rules, if we take the whole proposition into account. In practical terms, the degree of difference between businesses in Scotland and those in Northern Ireland will be marginal. Where Northern Ireland businesses could well have an advantage would be within the island of Ireland, and that has certainly caused a few complaints south of the Irish border.

Murdo Fraser: We do not expect businesses in Scotland to relocate to Northern Ireland to take advantage of that situation, nor do we expect investors coming into the UK to favour Northern Ireland over Scotland. Contra Mr Harvie, I would say that we know quite well what Scottish businesses think about the deal that the UK Government proposes: they want it to go through. They might well have reservations about it but, overwhelmingly, the voices of Scottish business are saying that it should be supported. Have any of those voices expressed concern to you or the UK Government that Scotland might be put at a

competitive disadvantage in the event that Northern Ireland, because of the backstop, remains in the single market for goods?

David Lidington: No. What I have heard clearly from Scottish businesses is that they want the UK-wide single market to be protected. They know that Scottish exports to the rest of the UK—if one can term them that—have about four times the value of exports to the other 27 countries of the European Union. In all sectors of Scottish business, I find people saying, "Please get on and do this, because we need the ability to plan for the future with confidence."

Angela Constance (Almond Valley) (SNP): It seems to me that the deal is designed to achieve one thing and one thing only, and that is to end freedom of movement, apparently once and for all. That is not something that we in this Parliament have asked for. Specifically, do you know what percentage of Scotland's population growth over the next 25 years will come from migration?

David Lidington: One would need a degree of caution in predicting 25 years ahead. I do not have the figure immediately to mind, but I have certainly been told by Scottish ministers that it is significant, and I appreciate that there is a particular issue for the Highlands and Islands.

Angela Constance: It is actually 100 per cent. Our population growth over the next 25 years is entirely reliant on migration. To press you further, do you know by what percentage Scotland's working-age population would decline without EU migration?

David Lidington: The premise behind the question is that there would be no migration at all. The UK Government is preparing a white paper on future migration policy, which will spell out the approach that we plan to take. That is in addition to the proposals for a specific migration partnership included in the political declaration on the future relationship.

Clearly there will need to be provision for people, particularly those with high skills who might be on, for example, intra-company transfers, to be able to move to the United Kingdom or from the United Kingdom to other countries. The proposition is that, in the future, we should apply broadly the same rules to newcomers from the European Union as apply to people from other parts of the world. People will be looked at equally in terms of skills and particular market needs in sectors of our economy.

Angela Constance: From your answer, what we are sure of is that it all seems rather uncertain. We know that, without EU migration, Scotland's working age population will decline by 3 per cent. Will that have a positive or negative impact on Scotland's public finances?

David Lidington: That presupposes a number of judgments about the structure of the Scottish economy and about how Scottish Governments, now and in the future, can make Scotland a more attractive place for inward investment and employment by providing incentives for people to come to Scotland. There is no avoiding the fact that the free movement of people was one of the prime reasons why a majority of the UK as a whole voted to leave the EU in 2016.

Angela Constance: Forgive me for stopping you there, but I must point out that you are giving evidence to a Parliament in a country where 62 per cent of people voted to remain, and to the Scottish Parliament's Finance and Constitution Committee, which has thoroughly explored the demographic risks to Scotland's budget. Everybody knows that population growth is a driver of economic growth and that the funding of public services in Scotland is dependent on economic growth in a way that the funding of services in English regions is not. Without migration, we cannot grow our working-age population, so why on earth would we support a deal that seeks to end freedom of movement once and for all?

David Lidington: On the broader issue of principle, I point out that it was a UK-wide vote. I completely acknowledge that two parts of the UK voted one way and two parts voted the other way. Had the result been 52 per cent to 48 per cent the other way, and had the Scottish vote been decisive in the remain vote, that result should have been accepted, too.

Angela Constance: I am asking about the risks to our budget as a result of a declining working-age population, to which you have given no consideration.

David Lidington: Those risks are why the immigration system already has a shortage occupation list that is specifically for Scotland and which the Migration Advisory Committee keeps up to date to ensure that it reflects changes. So far, the evidence that the Migration Advisory Committee has presented and published has shown that there is not much difference between shortage occupations in Scotland and those in the rest of the UK.

Angela Constance: However, the committee conceded that it had not done any modelling for Scotland—

The Convener (Bruce Crawford): I know that you do not want to move on, Ms Constance, but if I am to get through this, I will need to move on to questions from James Kelly.

James Kelly (Glasgow) (Lab): Minister, we heard yesterday from your colleague Philip Hammond, the Chancellor of the Exchequer, that

the consequence of the agreement being implemented will be a smaller UK economy. As a direct result, there will be less money available for the Scottish budget, via the block grant. We will therefore have a reduced Scottish budget, will we not?

David Lidington: The Treasury scenarios that were published yesterday all show, under any circumstances, continued growth in the future. The Treasury analysis compared different outcomes over the long term and looked at how great the growth would be, depending on the nature of our future relationship with the European Union. What that analysis showed was that the deal on the table would have far better outcomes than the no-deal scenario, which I suspect that most members present would agree is undesirable, and that it was significantly better than a standard free-trade agreement.

James Kelly: It is a matter of public record that the person in charge of the UK economy, Philip Hammond, has said that the economy would, relative to its present size, be smaller as a result of the deal that is on the table. That means that what you are putting forward is a cuts Brexit, with cuts to the Scottish budget that would affect communities and mean less money for schools and hospitals. When MSPs come to consider and debate the deal in the Scottish Parliament next week, why should we give it our support, when it will make our communities worse off?

David Lidington: Because nothing that Philip Hammond said yesterday nor anything that is in the Treasury documents that were published yesterday suggests that people will be poorer than they are today. What the Treasury was looking at was the relative outturn, depending on different scenarios and leaving aside completely the question whether UK—or, for that matter, EU—policies might change in a way that reflected the comparative competitiveness of us and the EU. It was an attempt, through analysis, to isolate the economic impact of different scenarios with regard to our future relationship with the EU.

Two years ago, I campaigned for us to remain in the EU, and I argued on doorsteps that that would be the better option, economically. However, the decision was taken in the UK in 2016. When people voted, they took account of the economic arguments, but they also took account of other arguments to do with sovereignty, control of laws and so on in coming to their decision. If, as I do, you accept that the outcome in 2016 was decisive, even though it was narrow—the turnout was vast—it seems to me that we should seek an outcome that honours that democratic verdict but which also does the maximum possible to promote growth and protect jobs and investment in the whole of our country.

James Kelly: I am not arguing about the referendum result—I am saying that, as a consequence of it, you have put on the table a deal that will make people in the communities that we represent worse off. How can you say to us, in all honesty, that we should support that?

David Lidington: I am asking you to look at the Treasury analysis. If you accept the outcome of the referendum—and I take it from the question that Mr Kelly does—the question is, what is the best available form of partnership outside membership of the European Union? The Treasury analysis shows that, compared with the alternatives, the deal before us is very attractive indeed.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): I will continue on the same theme. Surely, we will take a hell of a hammering to hit rock bottom before we can begin to improve in the way that you suggest. The Chancellor of the Exchequer himself said that every outcome would make everyone worse off. Do you accept that, or do you deny that that is the case?

David Lidington: You are referring to what the chancellor said when he was talking about outcomes outside the EU compared with the outcomes if we continued to be a member of the EU. However, he also said very plainly that he accepts the democratic legitimacy of the decision that was taken in 2016. Given that verdict, we must plan for the best form of partnership with countries that will remain our neighbours, friends, allies and key trading partners for as far ahead into the future as I can possibly predict, as well as the best way forward for the economies of all parts of the UK and for all sectors of UK business. That is the merit of what the Prime Minister has managed to negotiate. It has meant concessions from the EU and from us from our starting positions, as in any negotiation. It is a compromise, but it is a decent compromise that the 52 per cent and the 48 per cent across the UK should be able to get behind.

16:30

Willie Coffey: Independent experts have put a figure on the cost. They say that it could be £100 billion a year by the end of the 15-year period after Brexit. Do you recognise that figure?

David Lidington: I have seen a number of different figures, and it depends very much on the assumptions that are made. In some of the research that the Scottish Government has published, just as in the work that the Treasury and the Bank of England have done, there are notes explaining the assumptions, and one has to look at those assumptions before coming to a judgment on the figures. The Treasury analysis

involves a series of studies that try to isolate the impact of leaving the EU without taking account of other possible variables that contribute to economic performance and growth. In reality, it will in large part be in our own hands. It will be the policies of the UK Government, the Scottish Government and the Welsh Government that will determine the future prosperity of the people whom we represent.

Willie Coffey: How long will it take us to make up that deficit of £100 billion?

David Lidington: I do not necessarily accept that figure without testing the assumptions. I am saying that, if we accept the democratic verdict of 2016, on the basis of the Treasury analysis, the evidence suggests that the deal that is on the table will deliver well compared with the alternatives that are available and possible and that are not some fantasy of having all the benefits of EU membership without any of the obligations that go with it.

Willie Coffey: Is it still the UK Government's position to support the Tallinn declaration, which it signed in October 2017?

David Lidington: Sorry—which declaration?

Willie Coffey: The Tallinn declaration, which your Government signed in 2017.

David Lidington: You will need to give me a bit more information on that.

Willie Coffey: It is basically a commitment to remain within the digital single market.

David Lidington: We are committed in the political declaration to a close partnership on that issue. We are committed to new and specific arrangements on digital, covering a wide range of areas including e-commerce, telecommunications and emerging technologies. We have agreed to specific arrangements, compared with those in the outline political declaration, on telecommunications services, so that we get fair and equal access to networks and services in both jurisdictions. Broadcasting is not covered in the political declaration, but it is not explicitly excluded or carved out either, and a carve-out would usually be the case in EU external trade agreements.

We will be formally outside the EU single market arrangements, so we will not be obliged to follow every new regulation or directive from the EU. However, for example, we are urgently seeking an equivalence decision on data transfer, because that is clearly vital to businesses and public services on both sides of the Channel. I have no reason to think that a good digital partnership with other EU countries is unattainable, and it is in everybody's interest to have that.

The Convener (Bruce Crawford): I know that Willie Coffey could ask more questions on that subject, but I am afraid that, if we are going to make this—we might just about do it if we are snappy—we need to move on.

Jamie Greene (West Scotland) (Con): Let us see what we can squeeze into my six minutes.

More than 1 million Scots voted to leave the EU, and many will, naturally, be suspicious of any deal that leaves them in some transitional purgatory in which they are bound by EU rules and are rule takers, not rule makers. What can you say to provide comfort to them that the withdrawal agreement that is on the table will not let that happen?

David Lidington: Point 1 is that, because they are getting the UK's withdrawal from the European Union, there will be the restoration or repatriation—however one terms it—of national control over lawmaking in this country. There will be an end to the automatic free movement of people under the European treaties, and there will be an end to the system of annual budget payments in line with a formula agreed as part of EU membership.

Under the proposed deal, there will be a two-year transitional arrangement. The reassurance for people who supported leave is that that is important for businesses large and small, because it means that they will have time to plan and adjust and will not be faced with the turbulence of, perhaps, changing regulatory arrangements at least twice in a short period. We really want to minimise the number of times that business has to change its regulatory compliance arrangements.

If we then look at the backstop, the assurance is that the political commitment that the other member states have given not to bring it into effect or, if it is there, to end it as rapidly as possible is backed up by what is in their interests. The EU27 see the backstop as giving the United Kingdom unbalanced, unfair, tariff-free and quota-free access to their markets without the requirement to pay into the budget each year, without free movement and without shouldering all the obligations of membership. That is why Barnier has been criticised in a number of European capitals in the past two weeks.

Secondly, the Irish, in particular, see east-west trade as much more valuable economically than north-south trade. North-south trade is hugely important politically, but east-west trade is much more valuable. They therefore need not just the Irish border but Holyhead, Fishguard and Pembroke to be sorted out, and that can come only with the future partnership and the ending of any backstop arrangement.

Thirdly, the Commission has always been clear that it cannot legally erect a future partnership on the basis of a withdrawal agreement under article 50, because, as I said earlier, it can have a partnership agreement with a third country only once that country has left. It therefore knows that, with every year that passes in which we are in the backstop position, the legal risk increases of a successful challenge to it—for example, from a business in the Republic of Ireland that says, "Our neighbour 10 miles north, on the border, has an unfair advantage over us."

There are, therefore, very good reasons to reassure people who voted leave that they will get what they want, that they should not fear being locked into the backstop semi-permanently and that we have good reasons for taking the EU27 at their word on that.

Jamie Greene: I want to pick up the point about the fact that so many people are asking for a transition period and it appears that the withdrawal period offers that. Is it not the reality—I think that there needs to be a reality check around all this—that one of two things will happen after 29 March next year? Either we will enter a transition period as is proposed in the withdrawal agreement, or we will leave with no deal and, overnight, become a third country. The evidence that has been taken in numerous meetings of numerous committees is that leaving with no deal would be disastrous for all parts of the UK and that we need that transition period. The Confederation of British Industry, the Federation of Small Businesses, NFU Scotland and the Institute of Directors are all telling us that, and I am inclined to listen to them. Why do you think that so many politicians will not do that?

David Lidington: That is a question that individual politicians will have to answer. Among some politicians, I think that there is still a lot of wishful thinking that the 27 are somehow going to go back and change the deal that they worked very hard and made concessions to negotiate, and which has not been easy in terms of compromises among themselves. Let us not forget that getting 27 countries to agree on a common proposition is far from straightforward.

Mr Greene is absolutely right about the prospect of no deal. That would mean, for example, that at the end of March meat and livestock exports would become subject not only to World Trade Organization tariffs and quotas—the tariffs on beef and lamb exports are pretty steep—but to phytosanitary checks, which under EU law have to take place at a designated border inspection post. If I say that there is no designated border inspection post at either Calais or Coquelles, which are the two chief destinations for roll-on, roll-off freight, that starts to tell you the scale of the problem for the automotive industry. It would mean

a 10 per cent tariff as well as the requirements for rules of origin declarations—not just when an assembled car moved out of the UK, but whenever a widget that was part of a component moved backwards and forwards on the just-in-time cross-continental production systems and supply chains that we have at the moment.

No deal is not something that anybody should contemplate lightly. We need to plan against the risk, but we should not seek no deal.

Annabelle Ewing (Cowdenbeath) (SNP): Let us talk about the real world. Is it not the case that there is no majority in the House of Commons for the Prime Minister's Brexit deal and that there is no majority in the House of Commons for no deal? Short of Scotland remaining a member of the EU, which is what 62 per cent of people in Scotland voted for, surely it is in Scotland's best interests to remain in the single market, which is a market of 500 million people and eight times the size of the UK market, and to remain in the customs union, thereby benefiting from the some 50 trade agreements that the EU has, as we speak, across the globe. That is what Scotland enjoys at present. Why do you want to make my constituents in Cowdenbeath and my country worse off?

David Lidington: I want to give Ms Ewing's constituents and local businesses in Cowdenbeath the certainty that will arise from a two-year implementation period, so that they have time to adjust and do not face a cliff edge. I want her businesses and consumers in Cowdenbeath to have the free trade agreement in goods and foodstuffs and the close alignment and partnership on customs and regulation that is provided for in the political declaration. I want her constituents to have the security partnership through policing and criminal justice co-operation that is provided for in the political declaration. I also want her constituents to continue to have access to the UK-wide single market that is of such value to them.

Annabelle Ewing: The idea that a two-year implementation period will provide certainty is risible. We have heard comments about the time that it will take to negotiate a deal.

Aside from that reply being disappointing, it is predictable—it is what we have heard from the outset. Is it not the case that your Brexit deal is going down and that the UK Government has no plan B in place as we speak?

David Lidington: What is clear is that no proposition is on offer from those who have expressed opposition to the Prime Minister's deal that is likely to be negotiable, realistic or better in terms of outcomes than the deal that we have on the table. I remain much more optimistic about the timescale because, unlike Canada, Japan, Ukraine, Moldova or Singapore, we start from a

position of complete alignment and conformity with EU rules and standards. That makes it much easier to define where any difference might be agreed. We are not starting from scratch in trying to decide the nature and scope of any alignment.

Annabelle Ewing: All the evidence suggests that a two-year period to negotiate a trade deal with the EU is completely unrealistic but, if that is your fantasy position, that is fine.

The better outcome for Scotland and, indeed, for the entire United Kingdom would surely be to stay in the single market and the customs union. Any other option would make us worse off. Why does the Tory Government want to inflict that on the people of the United Kingdom?

David Lidington: First, there is a question of whether staying in the single market and customs union would command a parliamentary majority. Ms Ewing needs to accept that it is unrealistic to expect the European Union to accept that position without the United Kingdom accepting all four freedoms. That has been the completely consistent line from the European Commission and the 27 Governments that stand behind it. That takes us back to the freedom of movement question.

It would also leave the United Kingdom obliged to follow future EU rules on services. The goods acquis has been stable for the past 30 years and it is not likely to change in any significant way. However, the acquis on services is much more dynamic and, with us not being at the table, it is probable that it will develop in a way that is more protectionist of EU interests on things such as financial services. There will be considerable advantages to us in remaining outwith the scope of the single market arrangements on services, because services growth is where there will be the greatest global opportunity in the future.

Annabelle Ewing: On a point of clarification, goods cases are before the European Court of Justice every other month, so the idea that the acquis on goods is fixed and stable is completely untrue.

The Convener (Bruce Crawford): Minister, we appreciate you appearing before the committees. We would all have liked the session to be longer as there are other questions to ask, but at least you came to give us a session this afternoon. We are up against the clock as we have to vote in the chamber shortly. I thank you for coming.

Meeting closed at 16:45.

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