

EMBARGOED UNTIL 00:01, FRIDAY 23 JUNE

Scotland in Europe: Brexit anniversary briefing

1. Brexit and Scotland

On 23 June 2016, people in Scotland voted to remain within the European Union by a margin of 24 per cent: 62 per cent for remain, and 38 per cent for leave. There was a majority for remain in every one of Scotland's local authority areas.

In the years since, opinion polls have shown an even higher level of support for EU membership. An August 2022 poll found the largest gap between remain and leave support so far recorded, of 40 percentage points.

Despite this, Scotland has been removed from the EU along with the rest of the UK. Scotland's formal relationship with the EU is now determined by the agreements struck between the UK Government and the European Union – the [Withdrawal Agreement](#) (WA), and the [Trade and Cooperation Agreement](#) (TCA). Because of the UK Government's negotiating preferences and "red lines" Scotland has been removed from the European Single Market - which by population is around seven times the size of the UK - and the Customs Union.

Seven years on, this briefing note sets out Brexit's impact on Scotland; specifically, the particular kind of Brexit chosen by the UK Government.

Democratic impact

There was always a risk that the Brexit process would result in greater centralisation in Whitehall and Westminster, and we are seeing fundamental changes in the relationship between the governments and the parliaments at Westminster and Holyrood. Instead of recognising the role of Scotland's devolved democratic institutions and respecting their choices, or extending an approach based on agreement and consensus, the UK Government's approach increasingly asserts Westminster's authority over the Scottish Parliament and Government. This is inconsistent with, and has not previously been seen under, devolution.

The UK Government's approach has eroded the powers of the Parliament. Examples include the imposition of the Internal Market Act and ignoring the Sewel Convention by proceeding with UK legislation after the Parliament has refused its consent. UK Ministers are taking new powers to act directly in devolved areas and to spend money for devolved purposes, rather than allowing the Scottish Parliament to decide.

A poorer nation

The Office for Budget Responsibility expects the UK's GDP to be 4% lower in the long run because of Brexit. That equates to £3 billion in lost public revenues for Scotland, each and every year. Research by the Centre for European Reform paints an even gloomier picture, finding that the UK's GDP was 5.5% lower by the second quarter of 2022 than if Brexit had not occurred. It also found that UK investment was 11% lower and trade 7% lower than it would have been without Brexit.

A cost of living crisis

The UK had the highest inflation rate in the G7 in April. Brexit has exacerbated the cost of living crisis, driving a £250 increase in annual household food bills. Food and drink inflation is now at a 45-year high, with food prices rising by almost 25 percentage points between December 2019 and March 2023. Recent analysis suggests that a third of that increase is due

to Brexit, meaning UK households have paid out almost £7 billion to cover the extra costs of overcoming trade barriers that make importing food from the EU harder. No community has escaped, but inevitably our poorest families are hurting the most.

The UK has also withdrawn from the EU Internal Energy Market as a result of Brexit, leaving us with a less efficient model of energy trading just as energy bills reach unprecedented levels.

Increased costs to business and damaged trade

The International Monetary Fund said of the UK economy, "investment has been weaker since 2016, labour market flexibility has come down, and the intensity of trade of the UK with the EU has come down ... all of these factors are in line with a weakening economy." The UK has experienced the slowest growth in export volumes in the G7 since Brexit, and the trade in some goods has actually shrunk. For example, between 2019 and 2022 exports to the EU of fruit and vegetables fell 38%, clothes fell 33%, and footwear fell 45%.

EU markets are completely closed to some of our key products. Pre-Brexit, Scottish producers sold 20,000 tonnes of seed potatoes to EU customers each year. That trade has now collapsed.

44% of businesses in Scotland facing difficulties trading overseas named Brexit as the main cause. Scottish firms trying to export to Europe face significant additional costs and bureaucracy, at a time when their margins are already being squeezed. Our prized seafood industry has been hit with an estimated 50% increase in the cost of packaging items sent to the EU, and new Export Health Certificates are costing the salmon sector alone approximately £1.3 million per year.

Additional costs and red tape for our fishing and agriculture industries

Key Brexit promises made to the Scottish fishing industry have been broken. The UK Government's characterisation of Brexit outcomes has been described by Mike Park of the Scottish White Fish Producers Association as "hyperbole" and "spin".

Because of the UK Government's broken Brexit promises, Scotland has effectively lost quota share and has access to fewer fishing opportunities for some species than it had under the EU's Common Fisheries Policy. This includes, for example, North Sea whiting, where the maximum percentage of total EU and UK quota available to the UK is 73.5%, compared to average UK landings of total UK and EU quota from 2015-2019 of 82.7%. Even where quota has been gained through the TCA, much of it is for species that the Scottish fleet does not generally catch or does not wish to catch, making it of little practical value.

In the wider seafood sector, some shellfish exporters have estimated that the new barriers to trade with the EU have resulted in additional costs of £500-600 per consignment, making some exports unviable. Seafood Scotland have described post-Brexit labour shortages as having a "huge impact" on the seafood processing sector, with businesses, "turning down growth opportunities due to a lack of labour."

Agricultural businesses are also struggling with major staff shortages as a result of Brexit, which has hampered efforts to recruit seasonal workers from the EU. As much as £60 million worth of food has been wasted on UK farms because of a labour shortage, according to the National Farmers' Union, which found at least £22 million of fruit and vegetables had been wasted prior to August 2022 because of a lack of pickers.

A leading growers cooperative in Scotland reported a 17% labour shortage for 2022. NFU Scotland has highlighted severe difficulties replacing EU workers with UK staff, with horticulture chair Ian Brown stating, "we need migrants to get the food that is grown on our farms onto our plates, and not rotting in our fields."

Freedom of movement has gone

We have lost the right to live, work and travel freely across the EU, and cannot easily recruit European workers to fill labour shortages in our key industries.

45% of tourism businesses in the Highlands and Islands have reported staff shortages, forcing otherwise successful firms to cut their opening hours. In July 2022 UK Hospitality reported 40,000 hospitality vacancies in Scotland, but the sector is excluded from the UK Government's seasonal worker scheme. Recent media reporting found one hotel in the Highlands alone short of 70 staff for the busy summer season.

The UK's £5.8 billion music industry has also been badly impacted by new restrictions on touring in the EU, with 77% of musicians reporting that they expect their earnings in Europe to decrease and 21% considering a change in career as a consequence.

Travel is more difficult and costly

Brexit has slowed down the process of entering the EU on a British passport, with business travellers and holidaymakers reporting long delays at some airports and hours-long tailbacks at the port of Dover. Pets can only be brought into the European Area with an Animal Health Certificate, which in turn must be issued by a vet and can cost between £100 and £300 per trip. Most mobile phone operators have also reintroduced roaming charges, which were abolished for EU members in 2017.

Less effective law enforcement cooperation

Our police and prosecutors need to use slower, less effective methods to cooperate with European partners, meaning they must work much harder than they did pre-Brexit to achieve the same outcomes. We no longer have access to instant EU-wide alerts and intelligence, and some EU countries are no longer able to extradite their own nationals to face justice in Scotland. We have also lost access to EU civil justice co-operation measures.

Missed youth opportunities

The UK Government decided not to participate in Erasmus+, preventing Scotland from participating fully in its own right.

With an estimated budget of €26.2 billion for 2021-2027, Erasmus+ provides wide-ranging opportunities for over 4 million participants to study, train, gain experience, and volunteer abroad. The 2021-2027 programme places a strong focus on social inclusion, the green and digital transitions, and promoting young people's participation in democratic life.

Erasmus+ previously enabled generations of young people to study in Europe and contributed £22 million to 190 educational projects across Scotland in 2020 alone. The UK's replacement Turing scheme is a poor substitute, allocating only £9 million to 30 Scottish projects in 2022/23.

Lost funding

EU structural funding would have been worth around £549 million to Scotland over 3 years, supporting vital economic and social initiatives in some of our most deprived communities. Scotland's 3-year allocation from the UK's Shared Prosperity Fund – a supposed replacement – is only £212 million, or 61% less.

The EU's Common Agricultural Policy provided secure long-term multiannual funding security to support Scotland's rural economy. Without access we are reliant on annual allocations from the UK Government, with no guarantees after 2025, and no commitment that Scotland's rural communities will not lose out further due to Brexit.

Cutting edge research halted

We still don't know whether the UK will participate fully in the EU's prestigious €96 billion Horizon Europe programme, two years after its launch. A predecessor scheme brought €870 million to Scotland between 2014 and 2020, fuelling cutting edge research across our world leading universities. Ongoing uncertainty is impacting the Scottish research sector's stability, capacity, and competitiveness in international research and innovation.

It is hardly surprising that recent polling found every single Westminster constituency in Scotland agreed that the UK was wrong to leave the EU.

2. What the Scottish Government is doing to mitigate the damage caused by Brexit

Our presence in Europe

Scotland remains an outward looking, active participant in the European family of nations. Despite Brexit the Scottish Government is working hard to foster ever closer partnerships with our European neighbours, supporting our goal of addressing major societal challenges such as the just transition to net zero.

Our offices in Brussels, Paris, Berlin, Copenhagen and Dublin play a vital role in that, enabling bilateral collaboration as well as multilateral cooperation with the EU and its institutions. That work includes promoting and attracting investment to Scotland, and doing what we can to promote and secure Scottish research and innovation capability, partnerships and funding in the post-Brexit landscape. However, despite our efforts other countries that are comparable to Scotland and are independent members of the EU, because of the fact of that membership, enjoy privileges and rights that are denied to Scotland.

Our Brussels office is crucial in our efforts to identify opportunities to keep pace with EU policy in devolved areas. It works closely with the Friends of Scotland group in the European Parliament, facilitating engagement with the Parliament, EU institutions, and influential stakeholders, to protect and promote Scotland's interests.

In addition, Scottish Development International continues to help businesses navigate the complex trading conditions caused by Brexit. Last year alone, working through our Paris office, SDI helped 14 companies achieve forecast increases in international sales worth more than £3 million. This support is crucial if Scottish businesses are to continue to grow, creating new jobs and opportunities despite the post-Brexit costs and bureaucracy they now face.

The Trade and Cooperation Agreement

Scotland has crucial interests at stake in the post-Brexit relationship between the EU and UK. That includes the Trade and Cooperation Agreement signed in December 2020.

The TCA represents a step backwards in our trading relationship with the EU, when compared with the benefits the UK enjoyed as a member state. Nevertheless, if fully implemented it has the potential to help reduce at least some of the barriers to trade and movement caused by Brexit.

For two years almost no progress was made in this regard because of the protracted dispute over the Northern Ireland Protocol and the UK Government's threat to disapply key parts of the Withdrawal Agreement. The impact on Scotland has been significant and detrimental, including complete loss of market access for some of our renowned seafood, and a less efficient model of energy trading that we can ill-afford in the middle of an energy and cost of living crisis.

The Windsor Framework agreement may create new opportunities to better implement the TCA, though European Commission Vice President Maroš Šefčovič has warned that increased regulatory divergence between the EU and the UK will only deepen the barriers to trade and increase costs.

The Scottish Government will continue to push hard for the UK Government to align with EU rules where it makes sense to do so, and to deliver progress on Scotland's key TCA implementation priorities. Those include:

Access to EU Programmes, particularly Horizon Europe

We need to see legal association to Horizon Europe concluded as soon as possible.

Agrifood export rules

The difficulties facing traders in Scotland – especially the exporters of food and drink products such as seafood, whisky and seed potatoes – are well-documented. Trade must flow with as few restrictions as possible. The UK needs to move this issue forward, including giving proper consideration to dynamic alignment with EU rules.

Energy, particularly electricity trading

We have a less efficient model of electricity trading than we enjoyed pre-Brexit, when we were part of the EU Internal Energy Market. The UK needs to reach agreement with the EU on a more effective approach – which could reduce costs and improve resilience – as quickly as possible.

Professional qualifications

The TCA creates a framework for mutual recognition of professional qualifications, but many professions are currently excluded. We want to see progress in key sectors, including for lawyers and architects.

Touring creative professionals

We recognise the complexity of this issue as a result of the approach taken by the UK Government in negotiating the TCA. However, we need a better solution for this group, which currently faces separate visas and permits for different legs of a tour, and complicated rules around movement of equipment (cabotage).

Student exchange

Losing the Erasmus+ programme has deprived a generation of young Scots, and their European counterparts, of opportunities that their immediate elders enjoyed. The UK should return to this prestigious initiative, or at the very least provide equivalent alternatives. The Turing scheme, as currently devised, falls far short of that.

Research funding

Our world leading universities built their reputations on their world leading research. The UK Government must secure association to the EU's flagship, €96 billion Horizon Europe programme, or see our institutions lose their hard-fought advantage – and some of their best minds – to competitors elsewhere in Europe.

Security cooperation

The Schengen Information System (SIS) is the largest and most widely used mechanism in Europe for sharing data on security and border management. Exclusion from SIS is a significant loss to law enforcement. It is urgent, in the public interest, that an alternative means be found to better exchange vital information that keeps the people of Scotland safe.

Emissions trading

The TCA provides for linkage between the UK and EU emissions trading schemes (ETS). More needs to be done in this area, so that the UK can maximise the benefits that could accrue from a larger cooperation zone.

Civil society input

The TCA created two forums that should enable Scottish businesses, trade unions, and third sector organisations to share their experiences of the TCA and promote their concerns – a UK Domestic Advisory Group (DAG), and a joint UK/EU Civil Society Forum (CSF). At present the UK DAG is not proportionately representative of the UK's nations and regions, and membership is heavily weighted in favour of business groups. More needs to be done to ensure representation is fair.

Parliamentary input

We welcome the creation of the Parliamentary Partnership Assembly (PPA), which has drawn attention to key TCA implementation issues like energy cooperation. We also welcome the invitations that have been extended to the Scottish Parliament to attend PPA meetings, and will work to ensure this is accepted as standard practice.

3. The benefits of an independent Scotland joining the EU

In 2016 Scotland voted overwhelmingly to remain in the EU. The only way to meaningfully reverse the losses inflicted by Brexit and ensure we have a seat at the table of the world's most powerful union of nations is for an independent Scotland to re-join the EU. We would seek to do that as soon as possible, and will be bringing forward a detailed paper on EU membership as part of our 'Building a New Scotland' series.

Joining the EU as an independent country would bring benefits to our country. These benefits would include being part of the European Single Market and taking advantage of the EU's size when negotiating trade agreements, freedom of movement, participation in Erasmus+, participation in Horizon Europe on Scotland's own terms, and tools and measures on law enforcement and judicial cooperation, to name just a few.

Scotland also has a great deal to offer. For example – our shared values, our rich energy resources to contribute to European energy security, world class universities and research establishments, and a strong cultural heritage.

The EU has many more smaller than larger member states. They are all successful, independent nations. They all set their own course, but work with partners to tackle challenges and deliver for their citizens. As a member of the EU, an independent Scotland would be represented at every level of EU decision making and able to influence decisions and promote Scotland's interests, whilst collaborating with EU partners.

We are committed to joining the European Union as an independent country. There is, of course, work ahead to ensure an independent Scotland is primed and ready for a rapid move back into the EU, but the benefits of being in a marketplace around seven times the size of the UK outweigh the challenges. The alternative – many more years of limited growth, restricted trade, and diminished opportunities for our young people – is stark.