

Highlands and Islands of Scotland European Partnership



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European Partnership**

Economy, Jobs & Fair Works Committee Scottish Parliament Holyrood Edinburgh EH99 1SP	Please ask for: Angus MacLeod Direct Dial: E-mail: angus.macleod3@highland.gov.uk Our Reference: Your Reference: Date: 25 November 2016
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Economies, Jobs & Fair Work Committee call for evidence on the Economic Impact of Leaving the European Union.

In view of the significant potential impacts on the Highlands and Islands, the Highlands and Islands European Partnership (HIEP) ¹ welcomes the opportunity to contribute views on the Economic Impact of leaving the European Union. This letter is in addition to and should be read in conjunction with the evidence submitted on 12th September 2016 to the European and External Relations Committee that highlighted the implications to the Highlands and Islands as a result of the UK decision to leave the EU. This letter covered the immediate impacts related to the current EU funding programmes and the medium to longer term impacts on the region that bullet pointed;

- Economic Development
- Migrant labour
- Agriculture
- Fisheries
- Communications technology
- Research
- Community Impacts

HIEP notes that this Committee's focus is on possible impacts & opportunities for Scotland's exporters and non-UK companies investing in Scotland as well as the impact on labour market issues, including migration and worker rights.

¹ . The Highlands and Islands European Partnership has a membership of:

Argyll & Bute Council Comhairle nan Eilean Siar
Moray Council North Ayrshire Council
Orkney Islands Council Shetland Islands Council
The Highland Council Highlands & Islands Enterprise
University of the Highlands & Islands

Whilst the precise impacts of leaving the EU remain unclear the expert view is that there will be a negative impact on GDP as exporting becomes more complex and costly in the longer term² although the current devaluation in the pound is helping exporters but disadvantaging importers.

There are over 90 businesses in the HIEP area that benefit from Foreign Direct Investment including energy, food & drink and financial & business services.³ In those areas where access to EU markets is a key driver this investment may be impacted. However if access to the EU is not the decisive factor opportunities may exist to build upon this.

In terms of labour market issues it is important to re-iterate that the Highlands & Islands has a low population base that is boosted by migrant workers (23% of our businesses employ EU nationals)⁴. We would have no wish to see any reduction in the populace that either live or work in our area and see the growth of the University of the Highlands & Islands as integral to attracting and keeping young people in an area that is dependent on their skills and training. Brexit has already had an impact on private sector investment in relation to the withdrawal of funding for UHI student residences due to commercial uncertainty.⁵

HIEP has previously advised that we are still in an information gathering phase and specific impacts and opportunities will continue to come to light across all our sectors. As part of this ongoing work some issues over aquaculture have arisen that is pertinent to this Committee's request. Scotland is currently the largest salmon producer in the EU and salmon is the UK and Scotland's number one food export with approximately 40% of Scottish salmon exported to the EU (mainly France). This industry is an important contributor to the rural Highlands & Islands' economy, both in terms of the jobs that it generates and the location of these jobs in rural areas supported by an upstream and downstream supply chain. This industry is reliant on foreign national workers to fill posts in the processing and added value sectors as well as farm husbandry and skilled laboratory work.

It is worth noting that the majority of fish farms in Scotland are owned by Norwegian companies and the current UK access to the single market is advantageous from a Norwegian perspective in relation to EU salmon exports. It remains to be seen what view will be taken by these Norwegian multinationals over Brexit.

Scotland's salmon industry does have the potential to suffer from an EU exit, as import tariffs could be imposed from key markets. Should the UK become a member of the European Economic Area (EEA), Scottish salmon sold to EU countries would be subject to an import tariff of least 2%, the rate for Norwegian salmon imported to the EU.

Other Brexit options could see import duties on Scottish salmon to the EU at 8% (current tariff outside EEA) and there is doubt over the potential export developments

² http://www.parliament.scot/S5_European/General%20Documents/Fraser_of_Allander_-_Brexit.pdf
www.sussex.ac.uk/webteam/gateway/file.php?name=uktpo-briefing-paper-5.pdf&site=18

³ Highlands & Islands Enterprise

⁴ Highlands & Islands Enterprise- Highlands and Islands Business Panel Oct-Nov 2016

⁵ Convention for the Highlands & Islands workshop 26th August 2016

to the Far East in which China alone accounts for 14% of Scottish fresh salmon exports. They currently impose a duty of 12% to EU countries but it is possible that the UK may negotiate new trade agreements.

It is HIEP's view that any future negotiations over the UK's relationship with the EU will need to consider the often unique need of all our sectors and businesses in more remote and peripheral areas to prevent recruitment difficulties impacting on business growth.

HIEP recognises that there is still a high degree of uncertainty over the detail of leaving the EU yet appreciates that to be of real value any response must be well informed. The lack of existing data makes it very difficult to give a clear indication of the impacts in individual parts of the region or in particular business sectors so a key task for HIEP in the coming weeks is to gather more robust information to better inform our future engagement as discussions on leaving the EU progress.

HIEP members wish to stress the fact that they would expect further discussions between the Scottish Government and individual partners to take place over the coming months which will allow more detailed information on specific impacts to be articulated.