



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Economy and Fair Work Committee

Wednesday 4 February 2026

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

5th Meeting 2026, Session 6

CONVENER

*Daniel Johnson (Edinburgh Southern) (Lab)

DEPUTY CONVENER

Michelle Thomson (Falkirk East) (SNP)

COMMITTEE MEMBERS

*Sarah Boyack (Lothian) (Lab)
*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
*Murdo Fraser (Mid Scotland and Fife) (Con)
*Stephen Kerr (Central Scotland) (Con)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Lorna Slater (Lothian) (Green)
*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Emma Lopinska (Scottish Government)
Ivan McKee (Minister for Public Finance)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 4 February 2026

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Daniel Johnson): Good morning, and welcome to the fifth meeting in 2026 of the Economy and Fair Work Committee. We have apologies from the deputy convener, Michelle Thomson, who is unable to make this morning's meeting.

I move to the first agenda item. Do members agree to take items 4 and 5 in private?

Members indicated agreement.

Subordinate Legislation

Public Procurement (India Trade Agreement) (Miscellaneous Amendment) (Scotland) Regulations 2026 [Draft]

09:30

The Convener: Item 2 is consideration of the draft Public Procurement (India Trade Agreement) (Miscellaneous Amendment) (Scotland) Regulations 2026—I am glad that I managed to say that without pausing or hesitating. I welcome Ivan McKee, the Minister for Public Finance, who is joined by Emma Lopinska, procurement policy manager at the Scottish Government. I invite the minister to make a short opening statement.

The Minister for Public Finance (Ivan McKee): Good morning. As members know, the United Kingdom Government signed a free trade agreement with India on 24 July 2025. As is often the case, that agreement included a procurement chapter, which provides for reciprocal access to public procurement. Scottish procurement regulations set out that bidders from countries with which a relevant trade agreement applies are entitled to equal treatment when bidding for contracts in Scotland.

To implement the agreement with India, the regulations that the committee is considering today will, if agreed to by Parliament, update the list of relevant agreements by inserting a reference to the new agreement between the UK and India into the Scottish procurement regulations. That will ensure that suppliers from India are entitled to the same treatment as Scottish or other suppliers

when bidding for contracts that are covered by the agreement. Importantly, under the terms of the agreement, Scottish bidders will, of course, be entitled to equal treatment when bidding for contracts in India, too.

The Convener: Thank you. I have indications that three members would like to ask questions.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning. I have a question about safeguards for Scottish industry. Since 2008, many financial services jobs have been offshored to India. There is a large textile industry in India, and Scotland has its own textile and apparel industry. Is there a danger that, when it comes to public contracts, those industries could be exposed and we could lose market share? That would have an impact on Scottish businesses.

Ivan McKee: As with any trade deal, we need to look at this one in the round. The data shows that Scotland exports more to India than it imports from it, and analysis shows significant potential for increasing those exports as a consequence of removing trade barriers, which apply in both directions.

On the textile sector, the UK Government has done some analysis that shows a 0.7 per cent impact on gross value added in the sector. That is an impact, but it is not a significant one. As I said, we need to look at the issue in the round and consider the fact that we already export more to India and there is significant potential to increase that.

The Convener: I invite Lorna Slater to ask questions.

Lorna Slater (Lothian) (Green): Thank you, convener. I had said that I have two questions, but I actually have three. First, in your opening remarks, minister, you said that suppliers in India will have equal access to the Scottish market. We have just been discussing the Community Wealth Building (Scotland) Bill and prioritising local procurement—in some cases, it will be hyperlocal—to support communities. How do we balance that? How do we reconcile the interests of free trade and those of community wealth building? Has that been part of your consideration?

Ivan McKee: That is part of our consideration, but it is a legal requirement for us to put the measure into law as a consequence of the UK free trade agreement. You are right in the sense that there is always a tension—perhaps it is not a tension but a consideration—to do with how much to globalise the economy and how much to produce locally.

I think that everybody would accept that there is absolutely a need for global markets in certain

services and products. For example, that allows the Scotch whisky industry to make exports and support many jobs in Scotland. Likewise, there will be much that India can produce that it would benefit Scottish public procurement and the economy more generally to import. It comes down to the particular goods and services that we are talking about. There will be areas that are more suited to local supply—hyperlocal services, as you said—and products that can be most effectively and efficiently supplied locally.

In the Community Wealth Building (Scotland) Bill—treated in the round, because procurement is only one part of that—and across our wider public procurement, we have a huge focus on what we can do to support and develop Scottish businesses. However, it is absolutely undeniable that the ability to trade internationally is also a huge benefit to Scotland's economy.

Lorna Slater: On a similar theme, the committee has discussed the outsourcing of our carbon footprint. In Scotland, we more or less keep alignment with the European Union on things such as pesticides and other environmental regulations. By joining the free trade agreement with India, are we allowing the import of goods such as foods that have been grown with harmful pesticides and products that are manufactured with harmful environmental impacts? Are we outsourcing our carbon footprint and environmental damage?

Ivan McKee: First, this is a UK Government free trade agreement so, unfortunately, we were not in the room when the negotiations took place. I am not familiar with all the chapters in the agreement, but I am pretty sure that there will be climate and environmental chapters. If you want us to provide more information on what the UK Government has negotiated, we can do that, but, as I said, it would be normal for there to be those chapters in an FTA to address precisely the points that you have raised.

Lorna Slater: I would appreciate it if you could write to us to let us know what protections there are.

Finally, are there any issues in the trade agreement that would be problems if the UK or an independent Scotland were to rejoin the EU?

Ivan McKee: The EU has just negotiated an FTA with India, too. For example, with tariffs on spirits, the Scotch Whisky Association sees reductions in tariffs as a consequence of the UK FTA, and the EU deal is broadly similar. It starts slightly later, because it was negotiated later, but the ramp down or reduction in tariffs is actually faster for EU exporters to India than it is for UK exporters, including Scotch whisky exporters. If Scotland or the UK were part of the EU, the FTA would be broadly similar. Clearly, if you are in the

EU, you have much more negotiating power so, by and large, you would expect the EU to be able to negotiate better deals than the UK can.

Stephen Kerr (Central Scotland) (Con): I will pick up on a point that Lorna Slater introduced. Public sector contracts are notoriously margin tight for businesses that win them. What assessment have you made of the impact of the new competitive element for those contracts on small and medium-sized enterprises in Scotland?

Ivan McKee: I do not think that we have anything specific on that yet, because we do not know what bids we might expect for which products or services and in which sectors. We will be able to assess that once we see which Indian businesses are seeking to bid into the Scottish market and what the consequences of that are.

Stephen Kerr: So, at present, there has been no assessment of what the impact of the deal would be on businesses that are competing for those contracts.

Ivan McKee: As I said, it is a UK FTA. It is not a deal that we have negotiated, so we found out what is in it only at the end of the process.

I am not aware of any such assessment, but I will check with officials. As I said, it is difficult to do that in the absence of knowing what the specific bidding into the Scottish market for specific goods and services from Indian businesses would be. I have no doubt that assessments will have been done at UK level, and we can certainly seek to access those.

Stephen Kerr: The risk—Lorna Slater rightly identified it when we spent some time talking about how we retain wealth in our communities, and I think that you are acknowledging it—is that there might be a propensity to spreadsheet those contracts, basically, and award them to the lowest-cost bid. For example, that might involve a company from India, which is to be treated on the same footing as a Scottish or a UK business, that has a much lower cost base to manage low-margin-priced contracts. I think that you are acknowledging that.

Ivan McKee: It depends very much on the sector and what the offer is.

Stephen Kerr: In my experience, most public sector contracts are pretty tightly priced. That might be seen as a good thing from a taxpayer value point of view, but it is difficult for businesses—particularly SMEs—to compete or even make a bid, because of the scale of the commercial risk that they face if they price low. That is the story behind many highly publicised contract failures in the UK in general, such as that of Carillion, which was pricing for public sector work at a very low margin. I am asking you to

concede that it is another pressure on businesses to have to respond to low-cost bids.

Ivan McKee: It depends very much on the sector and what the product is. If Indian businesses were bidding for construction contracts in the Scottish public sector, it is clear that the delivery of those contracts would involve a workforce based in Scotland. If they are manufacturing products on the global market, they will typically be competing with other global suppliers of those products. If the contract was for local services, you would expect local businesses to be in a much better place to provide those. Of course, we need to take into account transport, logistics, cost, times and a range of other factors that affect the decision on where the procurement happens.

Stephen Kerr: There are the social value dimensions.

Ivan McKee: Yes.

Stephen Kerr: We have raised that point particularly in relation to the situation with electric buses, which is highly topical.

You mentioned a few minutes ago that we will have to see how this works out. What are the provisions and arrangements for assessing the trade agreement's impact on Scottish SMEs, which I have raised? How will that be done? How will we get included in the feedback loop so that we can see what the impact is?

Ivan McKee: I can certainly give feedback on the analysis that we take forward. As I said, the UK Government has done analysis as part of the negotiations. I will check how much we have access to and will provide what we have.

On the impact on Scottish SMEs, all that you would see is whether there was any increase in the number of Indian businesses winning contracts and who else could have won the contracts otherwise, which might well have been another global supplier or a large UK or Scottish business, or it might have been an SME. It would be difficult to unpick that, but I will certainly sit with officials and see what work we have in train that is able to address that issue.

On procurement in general, you have to recognise that, as I indicated to the committee, 47 per cent of our £16.5 billion public sector spend in Scotland is with SMEs, so we have a very strong record of placing contracts with SMEs and with Scottish SMEs in particular.

Stephen Kerr: I believe in free trade, of course, but I want to be sure that we are not disadvantaging our domestic businesses, which are already under a lot of pressure, as we all know. This is a UK-wide measure, but is there a risk that

one part of the UK or one part of the public sector complies and other parts of the UK do not comply? I think that you know what I am talking about. Will the implementation be even?

Ivan McKee: Yes. England and Wales are also implementing this, because it is a requirement of the FTA.

Stephen Kerr: England, Wales and Northern Ireland will all be the same—is that correct?

Ivan McKee: I do not know about Northern Ireland, to be honest.

Emma Lopinska (Scottish Government): It is UK-wide.

Ivan McKee: It is UK-wide, including Northern Ireland—there you go.

Stephen Kerr: Right—I thought that it would include Northern Ireland.

I guess that that is it—I have set out my concerns, which are broadly in line with those of others.

The Convener: Willie Coffey would like to ask a question.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Minister, I was just—

Ivan McKee: I beg your pardon, Mr Coffey—I want to clarify something before you come in. In Scotland, we have a sustainable procurement duty that is set out in law, which requires any public contracts that are placed to be placed not only on the basis of price but after other aspects have been taken into account. That is why we have driven such a large percentage of contracts to SMEs in Scotland.

Stephen Kerr: I understand the technical aspect, but I am always interested, as I am sure you are, in the practical implementation of such policies.

09:45

Willie Coffey: Are there any exclusions in the agreement? I am thinking about businesses such as those involving digital, artificial intelligence and call centres. I think that we are already at a significant disadvantage there, with quite a lot of that business being driven and sourced in India and serving a UK customer base. Do you have any details on that?

Emma Lopinska: In relation to procurement, there are no exclusions. It is just standard equal treatment.

Willie Coffey: Is there a risk that, under the agreement, Scotland might lose more of these digital services to offshore suppliers?

Ivan McKee: Again, analysis of that would have been done at the UK level. I can update the committee with any specifics on what that work has uncovered.

The Convener: Further to that, although members have been asking questions about the balance of trade in goods, in terms of global competition, India is probably more on the services side. It has significant global businesses in information technology services in particular. Do you have information about the quantum that the Scottish Government has spent with Indian service providers such as Tata Consultancy Services, Infosys or others?

Ivan McKee: Total imports from India into Scotland were about £480 million. That includes goods and services in the public and private sectors. I will see whether we can pull up the number on the public sector specifically, but I expect that it will be a lot smaller than that.

We have data available for the past three years. The amount last year was £900,000; in the year before, it was £1 million; and in the year before that, it was £500,000. The numbers are not significant.

The Convener: Do you anticipate any alterations in the Scottish Government's procurement processes for tenders and bidding processes—particularly for digital services—as a result of the trade agreement?

Ivan McKee: It would not change any processes, because they are already configured to deal with the Scottish, UK and international markets. It is difficult to assess whether there will be more Indian bidders as a consequence of the trade agreement.

The Convener: Agenda item 3 is formal consideration of the motion. I invite the minister to move motion S6M-20367.

Motion moved,

That the Economy and Fair Work Committee recommends that the Public Procurement (India Trade Agreement) (Miscellaneous Amendment) (Scotland) Regulations 2026 [draft] be approved.—[*Ivan McKee*]

The Convener: Would any members like to speak?

Stephen Kerr: It is important to note, given the numbers that the minister shared with us moments ago, that there are huge opportunities for Scottish businesses in India, but, similarly, it has to be said that there are now clear opportunities for Indian businesses in Scotland. That is the nature of trade.

We need to constantly assess the impact of any trade agreement, simply because free trade exists only on the basis of the appropriately applied remedies. If there is any form of unfairness in a

trade agreement, it can quickly become less than the asset that we think we have. Therefore, it is a case of constant vigilance.

I know what the minister has said about the fact that this is a UK trade agreement. It is a reserved matter; trade is reserved. However, there is a part to be played in Scotland by our public authorities and our Government to make sure that this trade agreement is properly balanced and fair. I hope that the minister will take that on board. He has mentioned a few times that there is provision on the part of Scottish ministers, working with UK ministers, to assess the impact of the trade agreement—I think that I have understood that correctly.

Ivan McKee: What I said was that the UK will have done assessments, but the Scottish Government has not been involved in any of that discussion.

Stephen Kerr: I understand that but, with economic policy, there are shared responsibilities in many areas. All that I am saying is that I hope that it is something that will be monitored and assessed as we go along, rather than just being parked until, one day, someone wakes up and realises that this has not had the impact that we hoped it would have, because that is the nature of free trade if it is to be maintained.

The Convener: No other member has indicated that they wish to speak. Minister, do you have anything to add?

Ivan McKee: In reference to Stephen Kerr's points, in terms of the overall trade relationship, we track very closely the annual exports and imports between Scotland and other countries, including India. India is one of the target markets in the export strategy for seeking to increase exports. The free trade agreement will support the Scottish whisky sector and others in that endeavour. That data is tracked annually by Scottish Development International and by the Government.

In public sector procurement, we publish extensive data annually on the spend of public bodies, which identifies how much is spent in Scotland, in the rest of the UK and internationally. We have quoted data on the proportion that involves suppliers in India. We will continue to track that data.

The Convener: The question is, that motion S6M-20367 be agreed to.

Motion agreed to,

That the Economy and Fair Work Committee recommends that the Public Procurement (India Trade Agreement) (Miscellaneous Amendment) (Scotland) Regulations 2026 [draft] be approved.

The Convener: The committee will prepare a short report, which will be published. Does the committee agree to delegate responsibility for approving the report to me?

Members *indicated agreement.*

The Convener: I thank the minister for his contribution. We will now move into private session.

09:52

Meeting continued in private until 10:31.

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Room T2.20
Scottish Parliament
Edinburgh
EH99 1SP

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