

Business and Trade Committee

Oral evidence: Export led growth, HC 649

Tuesday 25 March 2025

Ordered by the House of Commons to be published on 25 March 2025.

[Watch the meeting](#)

Members present: Liam Byrne (Chair); Antonia Bance; John Cooper; Sarah Edwards; Charlie Maynard; Gregor Poynton; Mr Joshua Reynolds; Matt Western; Rose Wrighting.

Questions 193 - 217

Witnesses

[II](#): Nicola Watkinson, Managing Director, International, TheCityUK, Harry Anderson, Head of Policy and Global Engagement, Universities UK, and Johanna Kyrklund, Global Chief Investment Officer, Schroders.

Examination of witnesses

Witnesses: Nicola Watkinson, Harry Anderson and Johanna Kyrklund.

Chair: Welcome to the second panel of today's session of the Business and Trade Committee as we pursue our export led growth inquiry with a focus on Asia-Pacific. Thank you to our witnesses for joining us and thank you so much for your patience this afternoon. Joshua Reynolds will open the questions.

Q193 **Mr Joshua Reynolds:** Nicola, Asia accounted for half the world's GDP growth between 2015 and 2021, but the share of UK exports into the region has hovered at about 15% since the 1990s. What is holding us back?

Nicola Watkinson: Let me start with some good news. In the financial and professional services industry we see that there is still a lot of headroom for growth in exports more broadly. You will be aware that our industry is already the largest services exporter and a lot of that is because we deliver our exports digitally. About 85% of the exports in financial and professional services are delivered digitally and that means that about 50% of them are being exported from the regions in the UK. It also means that there are lower barriers to entry for SMEs because you don't have the capital cost of setting up bricks and mortar.

When we look at what that means for Asia, we see that there are strong opportunities to tap into the growth in the Asia-Pacific region. We can do that through a number of ways and obviously digital delivery is one of those. The other important thing that gives us a competitive advantage is that many of the customers in these regions are still in high growth but evolving markets. Their own financial systems and professional services industries are not necessarily as mature, so they look outside their home market for the expertise that they need.

Q194 **Chair:** Why is our export share so static? Why is it not moving up, given all the opportunities that you have mentioned?

Nicola Watkinson: It is growing in our industry and I guess it is differentiated across different industries. We see the potential to continue to grow that, but you are right, there are some challenges that we need to be able to address and we would put those into two buckets. One is the trade barriers and the other is the regulatory barriers. If you look at the challenges in the trade side of things, one of the issues that are seeing is rising protectionism. If you think about data as the supply chain for services exports in the way that shipping is for goods exports, if you start having very protectionist policies in each market that stop data flowing between markets, you start to stymie the opportunity to build our exports.

Q195 **Chair:** Can you see that slowing trade today?

Nicola Watkinson: We can see the protectionism rising.



Q196 **Chair:** Can you see data localisation slowing trade today?

Nicola Watkinson: That will slow down trade if it continues, yes. We need to continue the work that we are doing through digital economy agreements like the one we have with Singapore or the CEPA with Japan, the CPTPP and look at where we can extend those kinds of opportunities, whether with India or the free trade agreement that is being negotiated or with growth markets like Indonesia.

Q197 **Chair:** Thank you. Harry Anderson, what is your view on this question?

Harry Anderson: We represent the higher education sector. If you are looking at the growth of exports from the UK to the Asia region, the university sector has seen huge growth. Asia as a region makes up the vast majority of the international students that study at UK universities, notably India but also China. Over the last five years we have gone from about 53% of students from Asia studying in UK universities up to about 68%. We have seen huge growth from a higher education and university perspective.

Q198 **Mr Joshua Reynolds:** Universities I have spoken to have told me that they have seen, in the last few years, a slowing down of Asian students coming and specifically Chinese students coming to the UK because of protectionism in China and China trying to put more benefits in to keep students local. How have you seen that impacting?

Harry Anderson: Certainly in the last couple of years we have seen a significant slowdown in the number of international students. It is partly due to the protectionism we have been hearing about. I think it is also partly due to Government policy in the UK, notably on immigration. We have seen a more restrictive approach to international student visas that has had a knock-on impact on our attractiveness, which is a challenge. Our universities are globally attractive but when you make it more difficult for students to bring family members over, for example, that has had an impact. We have seen over the last year about 14% visa declines from across the board, not just Asia, and about 18% over the last two years. The visa declines from India are 36% over the last couple of years.

Q199 **Mr Joshua Reynolds:** Do you attribute the majority of that to Government policy on immigration?

Harry Anderson: Yes. It tracks very closely to the change on dependants but also the uncertainty caused by the Government to review the graduate visa. This is the post-study work visa, which is a key component of our attractiveness to overseas talent.

Q200 **Chair:** Johanna, what is your view?

Johanna Kyrklund: On the asset management side we have seen growth in Asia because generally we are seeing a growing middle class and savings are very significant there. The main constraint on our growth has been regulatory. We have caps on the amount of assets that overseas managers can manage onshore in India and I think that is not



HOUSE OF COMMONS

going to change. In China you typically have to have a joint venture with a state-owned enterprise, so we have a joint venture with Bocom. The main challenge we have had has been poor sentiment in China. The market has been in the doldrums for the last couple of years, although that has turned. It has been a growth area for us. I wouldn't say there have been any barriers from a protectionist stance other than obviously some caps, like in India.

- Q201 **Matt Western:** On higher education, I am interested in your views on the Asian market, which I think has a real affinity for UK education whether it is school-age or higher education. I was recently talking to a group of parliamentarians in a particular country and 60% of the parliamentarians around the table had been educated at UK universities. That is a real demonstration of soft power, I am sure you would agree, and I am interested in your comments. Secondly, what do you think is the opportunity for TNE investment?

Harry Anderson: I completely agree with you. I think the higher education sector is a key soft power asset for the United Kingdom.

- Q202 **Matt Western:** Should the Government be looking at this part of the world and perhaps softening its stance?

Harry Anderson: Whatever we can do to increase mobility flows, research partnerships, connections with the UK and Asia would be welcome. The Government should be congratulated on the development of the Soft Power Council, which I think recognises a lot of the role that the higher education sector plays in promoting the UK's values overseas.

Your point about TNEs is a well-made one. The development of UK-based education overseas, the branch campuses or dual degrees, is a huge and growing interest of university members. Asia is a core part of the UK's TNE offering. The vast majority of TNE is within Asia. For every 10 international students who come to the UK, there is a further nine who study for UK degrees overseas. That develops a fantastic network of contacts of individuals across other parts of the world that the UK could make the most of.

- Q203 **Chair:** Johanna and Nicola, is English in general and the UK higher education a strategic enabler of services growth in other sectors?

Johanna Kyrklund: We are in a global search for talent, so to the extent that we are able to attract students from overseas that is supportive of our industry. We also have operations on the ground in Asia, so those links are definitely helpful.

Nicola Watkinson: We are looking for talent in the market in Asia. Having people who have been educated to UK standards is a clear competitive advantage for companies looking to expand and grow. Also the students who come back here are a potential talent pool at a time when we are looking to tap into innovation and skills to be able to progress in a very fast-moving technological environment. We are



certainly supportive of some of the moves around things like post-study work visas, which have been a terrific way to leverage the resource that we have when it comes here.

Q204 Gregor Poynton: Johanna and Nicola, how can the UK's banks, asset managers and financial sector expand and influence in Asia's capital markets? What should the UK Government be doing to support them in their effort?

Johanna Kyrklund: I will focus specifically on the markets where we are most active—China, India, Japan—if that is helpful. I mentioned the caps in India and I don't think there is much we can do about that, but India is promoting GIFT City, which is essentially an offshore location, I guess their version of Guernsey but in Gujarat. We have a presence there via our joint venture already but I think that supporting that would be helpful in India.

With China, I have already seen the benefit from the dialogue that is now being built. For example, our CEO went to Beijing with Rachel Reeves in January. I was there in February, pitching for business, and we were able to talk about that and, interestingly, I was in a situation where I was pitching against Americans, our big competition in asset management. The UK is second only to the US in this industry, so I am typically pitching against American managers. The fact that I was able to reference that dialogue with quite helpful and I already saw that within weeks of our CEO going to Beijing.

Q205 Chair: Is the different tone from Washington changing your business?

Johanna Kyrklund: The way that Washington is approaching China in my sector is also encouraging state clients not to invest in China. That creates a slightly difficult situation for American asset managers who are trying to pitch for business in China because their state clients are not being allowed to invest. It creates a slightly hostile environment for them. Clearly the fact that we don't have any constraints on investment in China is helpful in itself. I think part of the reason why we were in that pitch was because they are looking to diversify away from American managers. They were looking for a partner who was not American. That is where I am seeing the benefit of the current environment specifically in China.

Japan, to be honest, is working fine. I don't think there is any barrier in Japan. It has always been an open market for us. We have been there for 50 years.

Nicola Watkinson: If I build on what Johanna said, with the China EFD, and hopefully we have an India EFD upcoming, those kinds of regulatory dialogues present an important way in which we can raise some of the challenges that we are facing in each other's markets but also look at how we deal with some of the fast-moving technological developments like AI, cyber-security and other issues. I think there is an opportunity for



us to look at stronger models. In India, for example, we have the India-UK financial partnership and we are hoping to release a report—building on the point about GIFT City—about how we could look at dual listings in capital markets, so that Indian companies can list in the UK as well as being in India. That requires quite a lot of regulatory changes so the business community has been looking at what that might mean and this partnership between business and government and the regulator is a best practice model that we could look to extend to other dialogues.

Q206 John Cooper: Going back to the education sector, there seems to be a particular problem in Scotland. The Scottish Government's decision to scrap tuition fees has effectively capped the number of Scottish students. Am I right in saying that Scottish universities are exposed to Asia? It was quite remarkable: I think you said that 68% in total are Asian students. Is Scotland particularly exposed?

Harry Anderson: Particularly given the different funding model in Scotland, there is an ever so slightly greater exposure, but if you look at what has been driving some of the growth in the higher education sector in recent years it has been the underfunding of that sector. It is probably not a sustainable model in the long term to fund a world class higher education sector purely through exports. That is one of the challenges facing Scotland but it is certainly not a Scottish-specific challenge. In any university in the UK you see the challenges that universities are facing due to the underfunding.

Q207 Chair: What is the wish list for His Majesty's Government? If the goal is to grow UK higher education in Asia-Pacific export markets, what are the two or three things that you need Ministers to do?

Harry Anderson: Starting with the key focus for the higher education sector, it would be a period of stability for immigration. We have seen a lot of back and forth from previous Administrations over what our visa policy and visa offer was to overseas students. Similar to what Johanna said, the UK is second only to the US for the quality and the reputation of our institutions. The US has had a very stable and consistent offer to its international students for many years and I think we need to replicate something similar.

Q208 Chair: How long is stable in your book? Is that six months, five years?

Harry Anderson: No, I would argue you are talking years if not decades. One of the challenges we had was the introduction of a post-study work visa and then the threat to remove it two years later.

Chair: It was introduced by a pioneering Immigration Minister back in 2006, I remember.

Harry Anderson: More recently, the graduate visa, as it was reintroduced, was announced in 2019, brought in in 2020, was threatened to be removed in 2022, was reviewed in 2023-24 and is subject to speculation at the moment ahead of the immigration White



HOUSE OF COMMONS

Paper from the Government. Ending that speculation and providing a bit of certainty would be key.

I will make a couple of other brief points on your colleague Matt Western's point. I think there is a real transformational opportunity to make the most of TNE to drive global development and engagement around the world, particularly in Asia but other places too. Also we have an international education strategy that probably is not as joined up as it could be across other Government Departments. It is led by DFE and DBT. Other Government Departments are involved in that but there is huge potential there to make the most of science and research partnerships and exploring the role that higher education can play in driving research partnerships and consultancy and spinouts and development.

If the international education strategy became a genuinely cross-government international education strategy, rather than, as it is often perceived, an international student recruitment strategy, and able to create join-ups between all the various elements that cross universities, whether it is research, TNE, global development, I think that would be transformational in our approach.

Q209 **Chair:** Who should lead that? Should it be led by DFE or the Department for Business and Trade?

Harry Anderson: At the moment it is led by various Government Departments.

Q210 **Chair:** I know, but who should it be led by?

Harry Anderson: I think it should be led cross-government by DBT, DFE, the Foreign Office and should be led ultimately by the Cabinet Office.

Q211 **Chair:** That is very useful. This is the last question—but the penultimate question if the votes aren't called. The World Trade Organisation has some long-standing moratoria on tariffs for cross-border electronic transmissions and they are in peril of being scrapped in 2026. Nicola, that sounds like a disaster. What is your perspective on what is about to happen and how the UK can help avoid that?

Nicola Watkinson: It may not sound like the most glamorous issue but it could have widespread ramifications for our industry, especially as we mentioned how important digital trade is for many of our industries in the services sector. The moratorium is due to come to an end in March 2026. If it does come to an end and there is no resolution, we could start to see customs duties being imposed on electronic transmissions. That will give rise to more economic protectionism. We know that one or two markets that we have seen at the WTO, specifically India and Indonesia, have already been opposing the extension of the moratorium and may be the most likely early movers on imposing customs duties on electronic transmissions.



HOUSE OF COMMONS

Our view is that it is really important to see the moratorium extended. The UK is working on this with about 70 other countries. There is a package of measures that could be put forward that would see it extended and the industry would be very supportive of all help to achieve that. If it does get put forward as part of this package of measures that includes e-commerce and digital trade as well, we will have for the first time a road map of what digital trade should look like into the future. That can be a forward-leaning win for the UK and other markets that are driving digital trade, so we should definitely be trying to encourage it.

That goes alongside the other work that we think is really important in expanding the trade policy toolbox to look at more things like digital economy agreements as well as digital chapters in free trade agreements. There are lots of more innovative ways these days to extend the issues around not just digital trade but data localisation, the deployment of AI and other technologies like distributed ledger technology. There is lots that can be done in this space and it would be a huge win for the UK services industry for exports and growth.

Q212 **Chair:** Have we spent enough time in the past focusing on this?

Nicola Watkinson: I think there is a team that has been working very hard in Geneva that focuses a lot on it. Those of us who you might call trade policy nerds certainly spend a lot of time on it, but probably it is not as widely known and recognised as it should be for the ramifications it can have, largely because it is a little bit of a technical trade issue. We have had excellent support from the former ambassador there, Simon Manley, who championed this issue over a period and we are certainly continuing to be active in this area. These again are examples of where by bringing in the private sector and having it champion and making the business case alongside government, we can really strengthen our hand.

Q213 **Chair:** Johanna, do you have a view on this peril which is about to land?

Johanna Kyrklund: No, I don't.

Q214 **Chair:** Let's just conclude with this. If you have two or three bits of advice that you want Ministers to take on board as they think about growing trade in Asia-Pacific, what would be top of your list? Harry, I think you have set it out fairly clearly but is there anything else to add to the wish list?

Harry Anderson: Specifically if we are drilling down, given the prominence and importance of immigration to this debate, we know that there will be the immigration White Paper. As a country over recent years we have had a quite specific and focused obsession with net migration, particularly measured over the previous six months. We often see knee-jerk policy measures introduced off the back of the last net migration figures. If at all possible, I think it would be helpful for the Government to take a different approach and use the opportunity that the new Government have to set a long-term strategy for immigration policy and



HOUSE OF COMMONS

focus on net migration averaged out over a rolling five, seven-year basis, so forward-looking measures of net migration not retrospective.

I also think that it would be helpful to have a clear strategy for immigration policy—what are we trying to achieve—and greater join-up across different Government Departments. When we come to say we have an international education strategy that presumably requires student visas to be issued, you cannot then have a Home Office on the other hand that is trying to restrict that or prevent that.

It is a focus away from retrospective net migration to forward-looking trends and a greater join-up across Government Departments.

Johanna Kyrklund: I will add a couple of points to what I have already said. Obviously, economic dialogue in China is very helpful and leaning into GIFT City in India. Realising that the asset management industry employs a lot of people in the UK—to the extent that we are managing money in Asia, a lot of it is being managed here. About 125,000 people are employed in this sector, a third of which is outside London. People often think it is a London-centric business but it generates a lot of jobs.

The other thing is the link to sustainable finance. For example, we have been involved in helping companies decarbonise their supply chains in China. That is an element that people often don't associate with the asset management sector, but sustainable finance in general is again an area where the UK could be very strong at a global level and an important part of our engagement with China. Being aware of those links is important here in the UK but also in how we are leaning into other areas such as sustainable finance.

Q215 **Chair:** Are there things that you think Ministers can do to help all of that go faster?

Johanna Kyrklund: Maintaining the dialogue at senior level is absolutely essential. They are looking for friends, particularly in China right now. That is certainly the message I get and I deal with a lot of the major institutions in China.

Q216 **Chair:** Nicola, what would be on your list?

Nicola Watkinson: Building on that, some task and finish groups between these sorts of economic and financial dialogues would be helpful to maintain momentum and much more engagement with the private sector so that we are not watching it on the side but are much more engaged, giving it a little bit more momentum. EFDs have ministerial level attention but some of the other dialogues, financial dialogues, could be strengthened by having some sort of reporting up to Ministers and some clear outcomes that they aim for.

Another thing we should be thinking about is looking at where regional growth corridors are taking place. So much of our trade model has been quite old-fashioned. It is very hub and spoke. Everything emanates from



HOUSE OF COMMONS

the UK, but we are seeing that a lot of the growth is happening in other growth corridors. The intra-ASEAN trade or the trade between, say, China and ASEAN or India and Africa, rather than growing at 2% a year is growing at 6% to 7% a year.

If we thought about our trade policy, about how we interpose UK expertise into those trade corridors—there is a real need for the services and expertise that we can offer. There is sometimes a bit of a trust deficit between some of these markets with the expertise that each individual market can offer, but the UK can bring in genuine neutral expertise that can support companies that are looking to do business between, say, India and ASEAN markets and offer legal services that are needed or the M&A or the asset management advice. Legal services, for example, have grown 80% over the last 10 years and there is a lot more that can be done in these kinds of high growth markets.

It is how we could reconfigure our trade policy thinking to look at tapping into those growth corridors rather than always doing everything as the mission from the UK out. If we started attending some of the events at GIFT City that are looking to attract in investment from China and think about how there is advisory or asset management or legal services support there, that could give us even more growth and even more growth in regions and through our SMEs, who have some real capabilities in this area.

Q217 **Chair:** That is incredibly helpful and incredibly clear. We are going to chance our luck and call panel 3 as the votes have not yet been called, but for this panel thank you very much indeed. That has been incredibly helpful and nice and clear. That concludes this panel.