

Business and Trade Committee

Oral evidence: China and the UK economy, HC 1767

Tuesday 21 April 2026

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Members present: Liam Byrne (Chair); Dan Aldridge; Antonia Bance; Chris Bloore; John Cooper; Sarah Edwards; Alison Griffiths; Leigh Ingham; Justin Madders; Charlie Maynard.

Questions 48 - 99

Witnesses

- James Brougham, Senior Economist, Make UK;
- Shaun Grady, Chair, AstraZeneca UK;
- Julian Scriven, Managing Director of Bike Hire, Brompton Bicycle.

Examination of witnesses

Witnesses: James Brougham, Shaun Grady and Julian Scriven.

Chair: Welcome to today's second panel in our first inquiry session into the UK-China economic relationship. Thank you so much to our witnesses for joining us today to give us some insights from the business frontline on the UK-China relationship.

Q48 Justin Madders: James, I have some questions to you to start with. In terms of your members, how important is the Chinese export market? We know that about £18 billion of goods go over every year. Give us a sense as to how big a piece of the pie that is?

James Brougham: It is not critical, but it is not dispensable. Our recent research is quite convenient to the timing of this inquiry. We recently published, in February, our international trade trends research, which has a knowledge of reshoring and looking at how our members might be moving away from certain markets for non-business reasons or risk reasons. We understood from that sample—and this is looking at exporting UK manufacturers—that 19% take direct orders from China. That gives you a sense of the scale. It does not look at the volume of the trade in that sense, but it looks at what degree of our exporting membership is engaged with China.

Q49 Justin Madders: Your survey indicated that about 24% of your members were not exporting at the moment but were considering it, and about 30% were not doing it and were not considering it. That is a majority of your members that are not exporting to China. Do you have any sense as to what the reasons are for what seems to me a pretty high figure?

James Brougham: The companies in our membership that export to China are typically doing so with goods that are very bespoke and highly technologically advanced, and not that high-volume, low-value product that so often is the import into our production process here. There is certainly opportunity for growth. That is part of our response here. We think that that low-risk, bilaterally valuable trade should be enhanced and promoted between the UK and China from our members. There will be a limit to where China has demand for our products, where they are technically bespoke and there is insufficient demand in the Chinese market.

Q50 Justin Madders: Could you give us a sense as to what some of those low-risk, high-value opportunities might be?

James Brougham: I would avoid naming individual sectors, but I would say that, for example, food and drink, in terms of our food and drink representation, is particularly popular in China. We know that, with the Prime Minister's recent visit, that saw a special mention of Scotch in particular. As bemusing as it sounds, it makes up a significant proportion of particularly beverage exports to China. Those areas, for example, are considered low risk and are something that the UK and our members



would look to in order to enhance and further build that trading relationship.

- Q51 **Justin Madders:** Looking at it from the other end, in terms of UK manufacturers that are importing parts of their supply chain from China, how important is that to them? We have talked a little bit about some of the risks associated with that. What are your members doing to mitigate those risks?

James Brougham: They are doing a lot. We were, frankly, quite surprised by the amount of action that has happened already from the sector. We put it into our written response, but we have seen that just under half—49%—over the past five years have been looking to pull away. It is not explicitly China, but they are looking to pull away from foreign import supply chains and bring them back into the UK where possible. Over the next five years, 63% suggest that they are going to continue looking to do this in their business. That gives a sense that, even over the past five years and in the coming five years, UK manufacturers are already taking action on this.

Depending on the input, sometimes it is not readily substitutable with another country or business based on geography. It has been a trial by fire for the sector, whether it be the energy crisis or, critically, infamously, between maybe 2021 and 2023 the semiconductor crisis. Manufacturers know that, whether there is Government direction or not, it is on them as well to understand where their supply chain limitations are and at least have ready substitutable options where available. We are seeing that happening at a greater rate than even we expected before we did this research.

- Q52 **Justin Madders:** Can you give us an indication of which particular items there would be a desire to have more variety of in the supply chain, but it is proving problematic?

James Brougham: It depends where we want to look. It is in the tiered supply chain. The Government have done a good job recently recognising this with the critical minerals strategy. That is right down in the ground, quite literally. There is obviously a very strong geographic limit to where the UK could otherwise source these level 1 components. Indeed, we are often not sourcing them directly; we are sourcing them through a secondary supplier, but of course we are directly exposed to them.

As far as intermediate producers are concerned, there is a small amount of movement to the east of China. Where possible, there is a significant movement to the east of Europe.

- Q53 **Antonia Bance:** From the previous panel we heard some discussion of the impact of subsidy for manufacturing in China, and particularly the impact that that has on the competitiveness of UK-based manufacturing. I wondered whether you wanted to comment on the implications of that for your members. What should Government be doing to protect British



industry? Are you seeing any promising signs in that area?

James Brougham: It is a challenge that all UK manufacturers are particularly aware of. In our own research just under 80% said that they had faced enhanced competition over the past five years. In the coming year, 87% of our membership suggest they expect that competition to increase. This is not explicitly relating to China; this is about the international manufacturing market generally.

As part of that research, we found as well that UK manufacturers have been long competing on things away from price. This has been a function of competing with eastern manufacturing in general, not exclusively limited to China, where the structural components of production, such as labour, much greater enhanced state support, energy and those base factors of production, are much cheaper. UK manufacturers have been competing internationally on reliability, trustworthiness and quality, more so than on raw prices.

Some of the structural components make it largely impossible to compete on price, which, over the past 10 to 20 years, has shaped the nature of what we produce in the UK to be that bespoke, high-value and technologically advanced output, as opposed to that high-volume, low-value good that is now more associated with eastern manufacturing.

Q54 **Sarah Edwards:** Building on that point around supply chain resilience and whether enough is being done, I had a conversation with a company called Toray Textiles, which explained that it would like to supply the armed forces and the MOD with its quality product. It is struggling and competing because, at the moment, the British Government's procurement process is on a lowest price basis. In exactly the same way that my colleague was highlighting, this is about competing on price. If they have that subsidy, how can you do that?

I was wondering what you thought about that challenge and whether more can be done. We know, for example, that covid-19 was another supply chain shock, which showed how much we need to have more onshoring. We should also make sure that we buy British and back British companies. I thought, James and Julian, you might have a comment to make on that basis.

James Brougham: It has been a long campaign of Make UK and it forms part of our industrial strategy campaigning that we are now very glad to see here. We think procurement policy should work more hand in hand and intentionally with the industrial strategy. You correctly identify that it is important to look for lowest price and the best value for the British taxpayer. At the same time, we think that the current formulas do not adequately, particularly as far as industrial and strategic capacity are concerned, account for the wider economic and strategic benefits that procurement contracts placed in the UK may bring to the UK in the long term.

Q55 **Chair:** That is still true even in the light of the new procurement strategy



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the Government have published.

James Brougham: We think that it could go further.

Julian Scriven: I would broadly agree with that. We see in the cycling sector, especially in bike share, such as Santander Cycles in London, where price is an important criterion in that, that UK bicycle manufacturers struggle to compete on the price component. We were very pleased that the Trade Remedies Authority maintained the status quo in terms of folding e-bikes. Sadly, it did not take the same approach for non-folding e-bikes, which has put certain British manufacturers at a disadvantage.

Q56 **John Cooper:** Coming back to you, Julian, from Brompton, I am a huge admirer of the technology behind your product. You have skewed transport policy in Scotland, unfortunately, because the Scottish Government think that we can all ride on foldy bicycles, even if we live 75 miles away from the nearest hospital. Anyway, that is an aside. You are enormously successful in China. What lies behind that? What did you do that made the Chinese so keen on your product?

Julian Scriven: That is a really interesting question. Around about 33% of our bikes are currently sold in China. We export 80% of our products, so it is no surprise that a large quantity goes to China. I think that it is the perception of the brand. It is seen as a premium brand that represents British quality and workmanship. We are able to compete based on the standards of our brand, rather than being just another bicycle.

Q57 **John Cooper:** Do you think that that growth can continue? Do you think that there are risks to this?

Julian Scriven: From our perspective, we have grown over the last 15 years that we have been in China. We now have 14 franchise stores and three owned and operated stores out in China. We have reached quite a nice level. We are seeing steady growth in China. However, with the launch of new products that are designed to appeal to the European market, such as our new G Line with a larger wheel, we are able to maintain our growth stably globally, rather than being over-dependent on one particular market.

Q58 **John Cooper:** You are looking to diversify into other markets, but what do you think the chances are of you setting up manufacture in China? Can you see the day when Bromptons are made over there?

Julian Scriven: We currently have no plans to build bikes in China.

Q59 **Chair:** Why not?

Julian Scriven: We are a British brand. We believe in manufacturing in the UK.

Q60 **Chair:** Manufacturing in China diminishes your brand value, basically.



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Julian Scriven: We do not philosophically believe that our bikes should be built outside the UK at this time.

Q61 **Leigh Ingham:** Shaun, AstraZeneca recently announced a \$15 billion investment in Chinese research and production facilities. What made China such an attractive site to invest that amount of money?

Shaun Grady: I will maybe take a moment to put AstraZeneca's presence in China in context. We have been in China for over 30 years. Our first presence there was in 1993. That initially was to access an emerging patient population in order to treat unmet medical need. Subsequently, China became an attractive place for cost-effective, efficient manufacturing. We have four manufacturing sites in China.

Critically, to start to answer the question, we have recently seen China becoming an amazing source of innovation in the life sciences sector. We have six global R&D centres around the world: two in Europe, here in Cambridge and in Sweden; two in the US; and two in China, in Shanghai and, more recently, in Beijing. The announcement that was made during the Prime Minister's visit—and the Prime Minister was accompanied by Pascal Soriot, our chief executive—was signalling our desire to access that emerging, growing and really exciting innovation in China, so that we can make those medicines available globally.

China is our second biggest market. It is 12% of our revenues. The US is our largest market at 43%. In the UK, very briefly, if I may, we are 10,000 people across five sites. Put simply, there is research and development in Cambridge, and manufacturing in Macclesfield and Liverpool. AstraZeneca is the largest private investor in research and development in the UK. We are enormously committed to both places, but it is a global game. You have to access innovation where the really exciting things are happening.

Q62 **Chair:** Can you say a word about why China is now so essential to your R&D strategy? Presumably it is not just the investment that the Chinese state is making, but things such as the organisation of field trials, the healthcare system and the private citizens' spend.

Shaun Grady: For a long time, people had the perception of China as a "me too", copying kind of life sciences environment. What we think has happened is that there has been very significant investment in basic research. The universities are really well funded. There has been the phenomenon of the so-called sea turtles: people who left China to study in Europe, the US and Canada 20-plus years ago are now returning, so there is a huge talent pool.

There is something slightly cultural about it as well. In AstraZeneca, we talk about China speed. There is a real culture of delivery. Not only is there really exciting innovation coming out of universities that has been translated into start-ups and scale-ups, but that is happening hugely quickly.



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- Q63 **Leigh Ingham:** This huge investment in China has happened at the same time as we have seen a scaling back, potentially, of projects in the UK. How do you respond to concerns that have been raised that investment in China is coming at the expense of investment in UK R&D capacity? To follow on what you just said about the products being developed in China, can you clarify whether any IP or property developed in China will be owned, shared or locally licensed and how this would affect the UK's position as a life sciences leader?

Shaun Grady: There are quite a few aspects to that question.

Leigh Ingham: There are a couple of points there, yes.

- Q64 **Chair:** If you are freezing investment in Speke and the Cambridge facility, but you are investing there and we cannot then re-export that IP to the UK, that is an issue that we want to understand.

Shaun Grady: We are 10,000 people here. About half of those people are in research and development. We have the AstraZeneca discovery centre in Cambridge, which was a £1.1 billion investment over the last phase. As I have mentioned already, we are the largest private investor in R&D in the UK, so we are making investments here.

On Speke, we spoke at the Select Committee, Chair, about a year ago, did we not? That became quite a high-profile issue, but it was really rather situational. It was, to my mind, a function of the change of Government and the delay that took place around that, which led to us not proceeding with that expansion. We still have 450 people at our Speke site in Liverpool doing great work producing flu vaccines for children, so I think that it is the wrong way to think about it.

- Q65 **Chair:** Even on the Cambridge investment, I think that there was about £200 million that did not go forward at Cambridge.

Shaun Grady: There is what has been described as a pause around the development of further facilities on the Cambridge biomedical campus. Whether we proceed with that is still under review. To be candid, to be helpful, that really comes down to the commercial environment in the UK.

As you know from our previous appearance at the Select Committee, the industry, not only AstraZeneca, is in discussions with the Government around the VPAG, the famous quality of life thresholds and so forth. The position we took was to put those investment projects on pause to see how those discussions progressed and where they led us to. We are very engaged and active in the so-called sprints, looking at how we might work together to improve the commercial environment for pharmaceuticals in the UK. I sit on the oversight committee. That is a very live, dynamic interaction that is happening in real time.

- Q66 **Chair:** Is the IP developed in China re-exported back to the UK?

Shaun Grady: I spent 20 years running the business development and M&A group for AstraZeneca and the treatment of IP is pretty much case



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by case. You might acquire a company, in which event you own all the IP. If you do a licensing transaction, because you are only getting certain territories and not a global position, that would be a licensing or collaboration approach. It differs almost on a transaction-by-transaction basis.

What I would say about IP—and it was picked up, I think, on the earlier panel—is that there is this sense that IP is a real issue and a real challenge in China. I have to say that that really is not our experience. You get IP challenges pretty much wherever you operate and wherever you are successful, funnily enough. We do not see China as having an enlarged or weighted IP risk compared with other places where we do business. In fact, we had a very disappointing IP court outcome here in the UK, where one of AstraZeneca's major products for diabetes and other conditions, unfortunately, was not upheld, whereas that was upheld elsewhere in Europe.

Q67 Leigh Ingham: When you are making decisions about investing in China, how do you weigh up the risks and rewards? Obviously there is an opportunity cost as well. That would be helpful to understand.

Shaun Grady: As has been said by other witnesses, we are careful, thoughtful and cautious. We are fortunate to be a large multinational. We have the resource, expertise and capability to assess the opportunities that we pursue very carefully.

In life sciences, China is emerging as such an important place in terms of being a source of innovation and the size of the market. We are firmly in the position of collaborating with our partners in China, as well as competing. I mentioned that we have six global R&D centres: two in Europe, two in the US and two in China. It is not a single bet on China to generate innovation for our new medicines. That is a global activity.

Q68 Chair: I know you cannot comment on a live case, but AZ suffered the arrest of Mr Wang, one of the architects of the growth of your business in China. There was then a voluntary payment to the Chinese state of \$3.5 million with potential fines, I think, of about five times that. I think you prepaid a sum that you called voluntary compensation to the state. Then during the prosecution, which was under way, you announced a \$15 billion investment commitment, alongside Sir Keir Starmer.

I do not want you to get into the details, but it could look to some like a hostage strategy rather than a commercial strategy. Help us understand what we, as a Committee, should learn about the risk management of doing business when a firm like yours is having to navigate those kinds of risks.

Shaun Grady: As we discussed with the Committee before coming along, given there is a live case, it would be inappropriate to speak to that. Our motivation and incentive for our investments and activities in China is based on three or four key drivers that I have mentioned already: the size of the market, the manufacturing base that that provides and,



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critically and importantly, the innovation that is now emerging, which is truly world class.

Q69 **Chair:** *The Times* reported in February this year, as you know, that the company was making that kind of investment to “contain the fallout”—that was the phrase that was used—from the investigations. You would refute that, would you, and say that actually the investment is being made in China because of the growth potential?

Shaun Grady: Completely, yes. We have been there for 30 years. We are 18,000 people—I have 18,000 colleagues in China. We did \$6.5 billion of revenue in 2025. That has not happened overnight. We had the good fortune or the good judgment to be an early mover in China. A lot of our growth over the last period has come from growth in China. It is maintaining, sustaining and pushing forward with that opportunity, which, by the way, benefits the UK. The value that we create in China, the US and elsewhere around the world enables us to maintain our R&D and manufacturing presence here in the UK.

Q70 **Chair:** A line of argument that we are pursuing is whether the prize on offer in China is actually a mirage, given how much risk comes with the potential for investing. Your risk-reward calculation is pretty interesting to us, because you can see how it could be a cautionary tale for others making large-scale investments in China.

Shaun Grady: There are risks everywhere. There is a particular focus on China. The risks in China tend to get magnified and assessed in detail by commentators. There is a risk profile in pretty much every market that we operate in.

Q71 **Chair:** The risk profile is different from, say, CPTPP members or Korea, where our exports are currently three times what they are to China and growing three times as quickly. Help us understand why it makes more sense to make investments in a risky country such as China, rather than a bunch of free-trading democracies that happen to be our strategic partners.

Shaun Grady: I mentioned earlier that China represents 12% of our global revenues. The UK is 1%. Our sales in China are six times that in the UK.

Q72 **Chair:** Yes, but compared with the rest of Asia-Pacific was my real question.

Shaun Grady: There is a lot of interest and growth. The so-called emerging markets, including China, are the fastest-growing part of AstraZeneca. Pascal Soriot, our CEO, comments that we talk about the rest of the world when actually those markets are most of the world, but they are small and it is a combination of markets rather than China.

Q73 **Chair:** The bottom line to your judgment is that the risk-reward ratio can be made to work in China.



Shaun Grady: Yes, subject to looking at everything very carefully and thoughtfully on a situation-by-situation basis. A significant number of the recent business development partnering transactions that AstraZeneca has done have been with Chinese counterparties.

Q74 **Chair:** That diminishes the risk.

Shaun Grady: That is part of mitigating that risk. A third of the significant business development transactions in life sciences over the last period have been with Chinese counterparties globally, which demonstrates the exciting innovation that is emerging there.

Q75 **Charlie Maynard:** Mr Grady, what do you think the UK can learn from the remarkable steps that China has made in innovation in your sector? What should we be doing given what you see it has been doing?

Shaun Grady: It is about funding basic R&D through universities and the great research institutes that we have here in the UK. Actually, the UK is pretty good at that.

The second so-called tenet is having a business environment where it is straightforward to employ people here, build factories and build R&D centres. We have a fantastic talent pool for life sciences in the UK, so that is all good.

Thirdly, big pharma companies such as AstraZeneca will want to invest in places where their innovation is adopted. There has been this discussion around the commercial environment.

Again to comments made on the earlier panel, this is a global competition. Ireland is offering incentives. Singapore is offering incentives. The UK does not offer incentives to quite the same scale, but companies such as ours at least hope and expect that the product of our innovation should be available to patients here in the UK. It is UK patients who are missing out.

Q76 **Charlie Maynard:** What would you like to be different? What could the UK change so that innovation happened more effectively in the UK?

Shaun Grady: There has been a good and really welcome first step around the commercial environment, with changes around the QALY thresholds for NICE and what have you. As I mentioned already, there are ongoing discussions. From our perspective, and when I observe what our peers are saying, that is the key thing: that innovation is adopted here in the UK.

Q77 **Charlie Maynard:** What about beyond that?

Shaun Grady: We are the envy of a lot of countries around the world. A lot of people would die to have what we have here: amazing universities, research institutes, a talent pool. We just need to fix that commercial point, so that people feel it is worth investing here because we value the adoption of innovation.



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Q78 **Charlie Maynard:** If I may play devil's advocate, you just mentioned that we are 1% of your entire global market, so we are kind of irrelevant. If we are only 1%, does it really matter that much? You just go after the talent; we want to be the best talent and do the best research, so the 1% seems a bit like retribution.

Shaun Grady: If you are on the board of AstraZeneca and you are sitting there making these global decisions about where you could go, you want to invest in a territory or country that values that innovation. We came out of ICI, so we have been here for 100 years.

Q79 **Chair:** I want to bottom something out. You are confident that you can manage the IP risks in China. What are the challenges for you in managing exposure to both the United States and China, given the push that we hear from the United States if not for wholesale decoupling—although sometimes it sounds like decoupling—then for de-risking from China? How confident are you that you can actually ride both horses?

Shaun Grady: It is a very fair question. With our No. 1 market being the US and our second largest market being China, we are spending a lot of time, effort and energy thinking all this through. The \$15 billion investment in China has already been mentioned. Towards the end of last year, we announced a \$50 billion investment in the United States. We are signalling our commitment to both places.

This goes back to the Prime Minister's visit to Beijing and Shanghai. Our sense, as was said on the previous panel, is that there is higher interest from China to work with the UK because of the situation with the US. I was part of a delegation two or three weeks ago with Cambridge University and people from the Cambridge ecosystem. We have a three-way collaboration between the Beijing Government, AstraZeneca and part of the University of Cambridge looking at life sciences ecosystem acceleration and expansion.

Q80 **Chair:** You are confident that you can manage the geopolitical tensions by doubling down on investment in both countries.

Shaun Grady: We are spending a lot of time and giving a lot of thought to how we can continue to be successful in both places.

Q81 **Chair:** What are the early conclusions?

Shaun Grady: We have good relations in China with Beijing and Shanghai. AstraZeneca was the first non-US company to meet with President Trump in the White House to talk about our specific business interaction with the US.

Q82 **Chair:** It is an ongoing—

Shaun Grady: It is ongoing, yes. No one is going to declare victory in this uncertain and unpredictable world.

Chair: It sounds like, "Watch this space".



Q83 Alison Griffiths: To go back to the earlier conversation around risk-reward, you have talked a lot about innovation in China. We have heard in previous panels from other organisations that the level and quality of innovation and the talent available to deliver that innovation in China is world beating.

The question that I have for you is twofold. First, is it a greater risk not to be in China? Secondly, picking up on something the Chair referred to earlier, how do you manage the IP risk there? Are you confident that all the intellectual property that you are generating with Chinese employees in China stays within AstraZeneca?

Shaun Grady: That is a really good point. For companies in our sector, the biggest risk is not collaborating with China. AstraZeneca is fortunate because we have had a long relationship in China. We have been there for 30 years. We are at a size and scale that potentially creates some advantage for us because we are more confident about partnering and getting access to emerging innovation in China.

On the IP point, it is no different from anywhere else. Guess what? We have lots of lawyers and lots of IP attorneys. I mentioned that I ran the business development and M&A group. We are world leading at due diligence. We look before we leap and we make an informed decision around whether to proceed with a particular partnership or collaboration. That covers a huge range of things, including the intellectual property estate.

Q84 Alison Griffiths: Of what order of magnitude is the level of innovation happening in China relative to the UK or other parts of the world? Is it the education system that is bringing out people who think differently? What are the drivers behind it?

Shaun Grady: It is really smart people, but we have lots of smart people here too. It is funding for basic R&D. It is co-ordination. The emerging innovation out of universities and research institutes is picked up. Entrepreneurs will pick it up and create new companies, scale-ups and the like.

There is also something about the culture moving really quickly. The Chinese regulatory authorities are unrecognisable from where they were a few years ago. Things happen really quickly with the regulator. In our industry, if you go back five or 10 years, people would launch their medicines in the US and maybe Europe, and China would lag behind a number of years. That is all happening pretty much around the same time now.

Q85 Justin Madders: I will come back to you, James. We had some discussion on the first panel about how helpful or otherwise the Government were in terms of giving you support and guidance about how to deal with China. You have talked a bit about what some of your members are doing. Do you feel that they are de-risking in response to Government advice or is it something they are taking up off their own



bat?

James Brougham: I understand the question. We are seeing a third angle to that as well, which is business community understanding. There are those in the supply chain that might have taken that action. Another thing that can encourage it, which is not so often considered, is the difficulty around whether your export finance provider or your usual finance provider is comfortable or will grant you that finance, if that is the activity you are undertaking as an SME. Those finance providers have myriad reasons of their own for why that might be.

This is the point that we really want to make here. I understand the Committee's desire to understand that risk-reward balance. While this is the right sentiment, it is too much of a blanket approach. For strategically unimportant bilaterally beneficial trade products, it is very low risk, and the reward is significant for UK manufacturers.

There is risk of overcorrection there if regulation or policy steps too aggressively into that space. There is already a proclivity from the sector to say, "It's all too difficult," particularly for SMEs. We are trying to encourage them to grow their export base. There is a sense of, "This is a risk market. You will get burned. Don't do it," even if they are innocently ignorant to the un-strategic nature of that and the bilateral benefit that can be enjoyed for the UK and their company.

Q86 Chair: The CBI and ADS have both told us that there is just not enough clarity about where the green, amber and red zones are. Is that an analysis you share?

James Brougham: That is a fair analysis. It is what we are seeing. What our submission brings light to is that we think manufacturers, and SMEs particularly, are starting to err on the side of caution due to that lack of understanding. "It's all a bit too difficult. We may not look to grow our exports into that market." Our research, which we have here, shows that about a third of these exporters are looking to move away from markets that they consider risky, which would otherwise be good business. That really shows the direction of travel. Are we scaring off potential growth in low-risk exports before it has even had the chance to get going?

Conversely, as a final point, in the same breath, those businesses that are strategically significant may not be quite acutely aware of how strategically, technologically or IP sensitive they are to the UK. They are often underinformed about the risks of engaging with China.

It is really a want of a risk register. That would encourage beneficial bilateral low-risk activity and make sure that we do not overcorrect, while introducing some correction for those that are strategically significant, potentially where the UK industrial base has suffered injurious activity.

Q87 Justin Madders: Would your members know where to go to get advice on those risks?



James Brougham: First off, that would normally be their trade association or their contacts within DBT. I would not say there is a unified risk approach to this. There are, of course, Government resources around business in China, which highlights the more generic advice on the risks around IP and other things that we have discussed today.

Particularly around individual business activity, if I am an SME that is producing cups, should I go and pursue opportunities in China, if they might present themselves to me? That is a position where—let us say that these cups are not strategically significant—the company should feel emboldened to do so. That is not there at the minute; they are not pursuing growth in markets that they otherwise consider risky because there is a price to be paid.

Conversely, if I was in a strategically sensitive or technologically advanced export business, I might want to think about the onward impact on the supply chain, British IP and British clustering as a result of that export activity.

Q88 **Chair:** Is this new Diplomatic Advisory Hub going to help? It sounds quite a lot like a website. Anything that is called a hub we are inherently suspicious of.

James Brougham: Full disclosure: I am not directly familiar what with the content of that website will be. From the title, it does not sound like it is going to be a sort of per product or per sector business advisory portal for those who may want to engage with China.

Q89 **Justin Madders:** In terms of that caution, where businesses do not feel emboldened to take that sort of risk, is that a very China-specific thing or does it apply to other countries?

James Brougham: It is not China-specific at all. It is probably highlighted a little more with China. It will ebb and flow with the sentiment in the papers and the mood music that we see in the UK.

A lot of trade in the wider ASEAN region sees risks, particularly where we are seeing export production into relatively low-labour-cost areas. That comes with inherent supply chain risks—although not as much for UK manufacturing, without regard to energy—such as the closing of various international logistics channels like the strait of Hormuz. Those things all instil risks that are not uniquely China-related.

Q90 **Justin Madders:** Shaun and Julian, do you have any other perspectives on the level of guidance and support that you get from the UK Government?

Shaun Grady: Julian, you can go first.

Chair: Julian, we are interested because you have taken a very different strategy from Shaun. You are keeping all your manufacturing in the UK. Shaun's business has had to take a different approach. We are interested



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in whether the risk-reward calculation is different for you.

Julian Scriven: The first thing to say is that, if we think about the traffic lights, we are probably in the green zone. I am not aware of many security risks associated with bicycles.

Q91 **Alison Griffiths:** What about e-bikes?

Julian Scriven: Yes. There is potentially a supply chain issue with e-bikes, although fewer than 8% of our components come from China, even though we are growing on the e-bike side.

For us, the reward significantly outweighs the risk. We see China as a huge opportunity both directly and indirectly. Directly, it is the second most populous market in the world. They have a natural affinity to cycling that we do not perhaps see in every market. We are not having to push water uphill in China like we are in some other markets.

Interestingly, though, the whole consumer experience is very different in China. We have learned a lot by trading in China. It has caused us to up our game in terms of how we work with consumers to match the standard in China. We then bring that back to Europe and it reinforces the premium level of our brand.

There is another thing that China has enabled us to do, which is incredibly powerful. China has become more of a gateway into other eastern markets. Having a platform in China allows us to build out from there. We are in 44 markets. We have been in places such as Singapore for about the same amount of time as China. China is a very useful hub for us as part of our growth.

Shaun Grady: In general terms, the Government's position does not inhibit our ability to work and be successful in China. We very much welcome the Prime Minister's visit. As mentioned, Pascal Soriot was part of the mission. The Prime Minister spoke very favourably about AstraZeneca's relationships and business in China as a bit of an exemplar of the ability to work efficiently to everybody's mutual benefit.

Q92 **Chris Bloore:** James, I was really interested in the picture you painted about businesses erring on the side of caution and some taking a more strategic decision to engage with China. That is a message that I get regularly from businesses. I represent Redditch, which has a large manufacturing history making specialised parts. If by some clerical mistake I ended up being in Government with the portfolio and you met with me, what would you be asking Government to do to de-risk some of the opportunities for businesses and maximise the opportunities?

Chair: You can be very demanding, if you want to.

James Brougham: I would give a round of applause and demand more. UK Export Finance's annual report and accounts last year showed that it disbursed the greatest ever amount of support to businesses to grow and



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promote UK exports. In the same sentence, however, we found in this report from February that the top or just shy of the top piece of Government support demand from the sector was to increase general UK Government export support, which would most likely be through the vehicle of UK Export Finance. It is successful and it has disbursed the most amount of money it has ever done, but our businesses are still saying, "That is what would really help us grow into that market."

Q93 **Chair:** They have very modest targets for reaching a grand total of 1,000 businesses, which is 0.3% of exporting UK firms.

James Brougham: It is interesting. The value is very high and the number of businesses, on a quick division—

Q94 **Chair:** Are they all defence contractors?

James Brougham: Perhaps, yes. It is in demand. It is very much in demand from our members. We have published this in our report. It is infamous, particularly in what are considered the riskier markets from the UK point of view, such as China, that securing non-guaranteed private finance, particularly for SMEs, is extremely difficult.

If I want to start that process, if you ask me to treat you like a manufacturer, you would be looking at going to your usual finance provider. They may even scare you off because they would not provide the finance, the trade insurance credit or whatever function it might be out of a fear that, when your product gets there, it might not be unique enough, it might not penetrate the market and/or your IP might be at risk.

It is all those things. We need a little more Government backing, whether that is advice and support or, critically, financial guarantees. The money does not necessarily have to come directly from Government, but they need to encourage those financial providers and the partners that those businesses already have to enable that export growth, particularly in the SME space.

You should also consider the types of products that are in demand in China, which includes things that are now somewhat grandfathered in our energy industry, such as oil and gas products. That is a growing sector in China. If you combine that with the fact that those industries miss domestic ESG targets and find it difficult to get finance, the British producers that operate in those spaces are not able to reach the prize they otherwise perhaps could.

Q95 **Chair:** Julian, what would your transitional demands be for Mr Bloore?

Julian Scriven: Modestly, I have only three. First, we would love to see more support on the ground.

Chair: In China?



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Julian Scriven: Yes, in China and in international markets in general, not limited to China. While there are institutions such as the British Chambers of Commerce, it is still sometimes quite challenging going into new markets. We are in 44, but when we look at some other markets it is kind of, "Where do you start?" While we welcome the concept of the Diplomatic Advisory Hub, we wait with interest to see its true efficacy. We would love to see Government support us on the ground more directly.

Secondly, we are a British manufacturer that is very labour heavy. We have over 800 employees, which is small compared with AstraZeneca, but it is quite a ratio when you are building 80,000 bikes. We would like the Government to look again at the costs that manufacturers face, whether it is energy or the increase in national insurance, which forces big competitive disadvantages for UK manufacturers.

Thirdly, the Government should look to encourage a level playing field wherever possible. As I said earlier, we welcomed the Trade Remedies Authority's decision to maintain the status quo with tariffs on folding electric bikes coming into the UK from overseas. We would encourage more of the same to continue.

Q96 **Chair:** Mr Maynard has this very helpful graph, which perhaps he could just hold up.

Julian Scriven: That is a lovely graph, Mr Maynard.

Q97 **Chair:** It is from the OECD. It shows the massive over-subsidisation of the Chinese manufacturing base. Is that a competitive threat to your business?

Julian Scriven: It is something that would make it challenging for us to work if we were dealing purely in cost. As Brompton is a premium product, we are fortunate enough that people are buying based on quality and heritage. For the wider cycling industry, that is certainly a challenge.

Q98 **Chair:** That is very useful. Mr Grady, what would your demands of Chris Bloore be in terms of extra support and help?

Chris Bloore: We have taken this too far now.

Shaun Grady: We seek the Government's continued support for improving relations and business and trade with China.

Q99 **Chair:** This is at an atmospheric level.

Shaun Grady: Yes, atmospherically. China has changed enormously. How people think about and commentate on China around security and IP, as we have been discussing today, in our experience is not the reality. We need a recognition that we have to work with China. We have to compete with China—of course, we have to—but we need to collaborate with China so as not to get left behind.



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To finish on a parochial point, we need to do whatever we can to improve the competitive environment in the UK, such that the UK can maintain its status as one of the leading life sciences environments in the world. The Government have an objective to be third in the world by 2035. We need to fix that. We need to fix the adoption of innovation, if that is going to be secured.

Chair: That has been a comprehensive set of evidence. Thank you very much indeed. That has been superbly helpful in helping us pursue this inquiry. That concludes this session.