HOUSE OF COMMONS

Business and Trade Committee

Oral evidence: China and the UK economy, HC 1767

Tuesday 21 April 2026

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[Watch the meeting]

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

Questions 100 - 115

Witnesses

- Miles Celic OBE, Chief Executive Officer, TheCityUK;
- Professor Sir Peter Mathieson MBBS(Hons), PhD, FRCP, FRCPE, FMedSci, FRSE, FRSA, Principal and Vice-Chancellor, University of Edinburgh;
- Sabina Ciofu, International Policy and Strategy Lead, techUK.

Examination of witnesses

Witnesses: Miles Celic, Professor Sir Peter Mathieson and Sabina Ciofu.

Chair: Welcome to the third session in today's inquiry hearings on the UK-China economic relationship. Thank you so much to our witnesses for bearing with our tardiness. Thank you very much indeed for joining us. Alison Griffiths is going to open the questioning.

Q100 **Alison Griffiths:** Could I ask each of you to comment on how important China is to the growth of UK financial and professional services? What potential do you see for future growth and indeed what might hamper that? Will deepening the links between the UK and China produce any strategic vulnerabilities?

Miles Celic: Thank you very much for the opportunity to give evidence to the Committee. This is a really important area for our industry.

China is an important market. If you include Hong Kong, it takes about 3% in total of UK financial services exports. To put that into context, the US is our largest single market with, depending on how you measure it, somewhere between 30% and 35% of UK financial services exports and the EU is second with a slightly lower figure. To put that in context, the UK is the world's leading exporter of financial services. It is a massive UK success story. Services generally, as the Committee will be well aware, is a massive UK success story.

The opportunity with China is a longer-term opportunity. Typically, particularly when it comes to the export of financial services, our industry is a bet on the development curve. As GDP per capita rises, as you develop a meaningful middle class, people move from consuming lower-quality manufactured goods to higher-quality manufactured goods to services. Services becomes a greater proportion of what they spend because manufactured goods tend to become cheaper over time.

The current proportion of the Chinese middle class of the global middle class is about 10% to 12%. There are about 400 million people in China in the middle class. In the middle of the next decade, the Chinese middle class will be somewhere between 20% and 25% of the global middle class. Particularly when one also thinks of the fact that China is an ageing society, from the conversations that we have, there is certainly an appetite for the UK expertise in retirement and income savings products. China shares a number of the same public policy challenges that we do, particularly around the move to net zero, addressing climate change and so on. There is a lot on green finance. The opportunities are certainly there.

In terms of the risks, this is part of the wider challenge around geopolitical risk that we find ourselves in. It is less about China specifically than it is about the fact that we are seeing global regulatory fragmentation. We are seeing barriers and obstacles coming in the way of data, capital and people. The UK is an open international financial centre.

Just as a point of context, there are two leading global financial centres at the moment: the UK and the US. About 80% of the activity that takes place in the UK is international. If you think of it as a penny farthing, the international work is the big wheel at the front and the wheel at the back, the 20% of domestic activity, is what you would expect from the fifth or sixth largest economy in the world.

In the US, it is the other way around. Everyone assumes that the US is an enormously international market, but most of the activity that takes place in the US is domestic. Some 20% of the activity that takes place is international. That leaves us exposed to these sorts of shifts associated with protectionism, populism and other challenges.

Sabina Ciofu: I am happy to jump into the tech bit of this. I fully agree with Miles. If you look at the tech sector, it is famously difficult to measure digital trade. We do not have a figure for just how valuable the digital trade exchange is, but we do have numbers on services trade. That encompasses Miles' industry, mine and a lot of other services industries. It was about £20 billion by June last year. We have a surplus. It is a surplus of about £11 billion. We are definitely really good at exporting services to China. How much of that is tech and digital is famously very hard to measure.

In the last five years or so that I have led the trade work at techUK, it is fair to say that businesses have become a lot more risk aware. This is not primarily China-driven. It is driven by the broader geopolitical agenda, which has landed on boards' and CEOs' agendas and to-dos in recent years because of that fragmentation and the nature of what we do really well in the UK, which is deep tech, advanced semiconductor design and R&D, and all of that agenda. That quickly becomes a geopolitical question. It is fair to say that we have seen a lot more risk awareness and selectiveness in how they look at the world, at markets and at potential growth in markets. China has become more of that kind of market. They look at it with a lot more risk awareness.

With that said, in terms of opportunities, if you look at where Chinese market demand lies and what we are good at, there are a number of areas where we possibly fall into that green zone of tech. Education technology is a very good example. I am sure Peter will touch on that in a second. We are good at edtech and they are demanding it. This is a good example.

There is big demand from China on industrial digitalisation more broadly. We have a lot of software enterprises in that area. We are very good at that and we are exporting that heavily around the world. There are potentially other areas around climate tech.

Q101 **Chair:** Let us bring in Sir Peter. I just want to ask a very quick question about how plausible these extrapolations are, given the risks that we are all confronting. Sir Peter, what is your perspective on this?

Professor Sir Peter Mathieson: Your question was about financial and professional services. Forgive me if I concentrate on universities because it is the only thing that I really know anything about. Obviously, we contribute to those services numbers, along with others.

China is a massively important partner for British universities. The university mission basically has three components: education; research, which encompasses innovation, entrepreneurship, research and commercialisation; and everything else. "Everything else" is really the civic mission, public education and various other contributions to civic society. China is an important partner in all three of those. Chinese students take all the headlines.

At the University of Edinburgh, about 40% of my students are non-UK. It is about 30/30/40 for us: 30% from Scotland; 30% from the rest of the UK, mostly England; and 40% international. Since Brexit, everything is international. About half of those 40% are Chinese. For the University of Edinburgh, about 9,000 or 10,000 students on campus at any one time are from China.

The Russell Group, of which we are a founding member, takes about 73% or 74% of all Chinese students. They go to the 24 Russell Group universities. Some go to non-Russell Group universities, but the majority go to Russell Group universities, where the overall percentage of Chinese students is often higher than it is for Edinburgh. It sounds high, at 50% of international students, but other Russell Group universities have even higher percentages.

Q102 **Chair:** You said it was important for the future. Does that mean you would like to forecast growth in this market?

Professor Sir Peter Mathieson: We are seeing a fall in the numbers of applicants. Fortunately, Edinburgh is not seeing a fall in the number who are enrolled. We still, fortunately, have far more applicants than we can take, but, of course, these applicants apply to many universities. The competition has become much stronger.

The current financial situation of British universities is such that, were that to stop suddenly for whatever reason, geopolitical or otherwise, it would drive a coach and horses through the business model of most British universities, particularly research-intensive universities. We modelled that at the start of the pandemic because there was a possibility that international students would not be able to come, maybe for one year or maybe for two—we did not know.

We modelled that and, at that time, Edinburgh felt we could survive for about four years unmitigated. We would have to mitigate, but we could survive unmitigated for about four years. That was however many years ago. Right now, we do not have that level of financial resilience. We have not modelled it again now. Were it to happen now, it would be much less than four years.

Chair: That is a very helpful perspective. Thank you very much indeed.

Q103 **Sarah Edwards:** I wanted to ask Sabina about the tech situation in China and the opportunities for our firms and how well they are positioned. We know that we are the third most valuable in the world, according to one of the reports that techUK has published. How do you see some of these opportunities? Which might be the companies that can take advantage? Where do you see that going in the future? Then I will come on to a few follow-up points.

Sabina Ciofu: I am very happy to start on that. To take a step back, the UK tech sector is very services-based. We have some manufacturing in the UK, but fundamentally we are talking about digital services. Therefore, when I am talking about trade, we are mostly talking about data flows, which is a particular sore point with China. China has very strict data localisation policies, which create all kinds of exposures and control issues for companies operating there. You then have the whole question of IP, which was brought up a few times. In our sector, that is a huge risk.

There has been some improvement in IP laws and protections in China over recent years. However, it is nowhere near what we have with some of our traditional free-trading partners. The risk there, in this day and age, is less of theft as it is loss of control. If you lose control of your data and your IP, you do not have much of a tech company.

Those are the two major ones, and then one that is widely recognised across the UK security system is the whole cyber-security threat. It is a very challenging environment for UK tech companies to operate in. You need a lot of Government support and guidance.

In terms of those red, amber and green areas that you have been talking about through the session, in tech there is a lot of grey in between those. The reason we do not have them is that it is a famously complicated exercise. What are you going to say to a semiconductor company? What are you going to say to a data and AI company? Do they fall fully into red? Is there a grey area in between red and amber? Is it that you need extra guidance and extra protections, but you can operate? It is genuinely a very difficult exercise. That is why we do not have it. Is it worth trying to do it? Yes, absolutely. I would support the Government in attempting to create some of those buckets.

Q104 **Chair:** This has been a such an important point. Your sector would prefer clarity over the ambiguity that we have.

Sabina Ciofu: Yes, we would absolutely love clarity. The reason that we do not have clarity from the Government is that it is a famously complicated exercise to do.

Chair: It could be that this Government are disorganised.

Sabina Ciofu: You can organise the green bucket pretty easily, but in the amber and red buckets it is much more nuanced.

Q105 **Sarah Edwards:** Picking up on the data point, for example, that has come up before and we have discussed it. Our Sub-Committee on Economic Security is very interested in all these different elements right through society. Do you see data as being the No. 1 challenge? Does it mean that we are more likely to receive Chinese products and software than we are likely to export? Is it like the problem we were talking about before in relation to goods and the trade deficit there, for want of a better example? Are we going to see this type of thing potentially emerge in tech? What could we do to mitigate that?

Sabina Ciofu: Data localisation is, by far, the No. 1 problem. Maybe it is on an equal footing with IP, but it is very important for tech. Data localisation in general is not a great policy, but with countries that we have negotiations with or that have similar policies we can move the dial forward.

Data localisation in China in particular is very problematic because it is implemented differently in different bits of China. You are running into both central implementation and local implementation, which can be quite patchy. It is hugely important and it has always been. China has always had data localisation policies—very strict ones, for that matter—but the trade and services data speaks for itself. We still export a lot more than we import in services.

All our services run on data. Regardless of whether you talk about tech companies or the broader services industries, we all run on data. Somehow we still manage to export more than we import. That is purely the nature of our economy and the size of our services sector.

Chair: Can we move on to education? I am conscious that we have only about 20 minutes. Sir Peter, you have said a little bit about why China is so important. We had not quite realised that the Russell Group universities were in such a perilous state when it came to reliance on Chinese students. Sarah, do you want to pursue this point?

Q106 **Sarah Edwards:** Yes. We are quite interested in the potential opportunities that education has, but, as you have alluded to, there are a great number of universities whose entire business model is stacked upon Chinese students. What do we do? Do we encourage more of that? Do we have a problem whereby—we see some of these stories coming through the press—our research becomes stifled by some of the requirements that China may place upon certain professors and research teams? Where would you place that balancing act at the moment between our concerns around security and the ability to maintain cash flow?

Chair: You are allowed to make the points about the immigration levy at this point.

Professor Sir Peter Mathieson: Thank you. So far it does not apply to Scotland. With my Scotland hat on, I have less to worry about there.

There were lots of points there. There are lots of reasons why universities such as Edinburgh, other Russell Group universities and indeed non-Russell Group universities want to be international. There are all sorts of reasons. It diversifies the experience for our home students. It spreads our influence around the world. It allows us to collaborate in multiple parts of the world. There are lots and lots of reasons for being international.

Some universities are more international than others. The Russell Group universities tend to be the more international. It would be nice if being international was not a matter of survival. We are now in a financial situation where without being international, without recruiting international students, we would have a real survival problem on our hands.

Chair, you said the Russell Group is in peril. I would not want to be quoted as saying the Russell Group is in peril, but British universities are in peril. More than half of British universities are either in financial deficit or facing financial deficit sometime soon. Edinburgh, fortunately, is not. We are taking steps to make sure that we do not go into financial deficit because we do not want to be in financial deficit. We are a charity. The only way that we can invest in our future is to generate a surplus that allows us to reinvest. We are not motivated by profit. We are motivated by our mission and our ability to deliver it.

The dominant group within international students is Chinese. It is not by any means the only group, but it is the dominant group. They are a matter of day-to-day survival. Were we not to have that mechanism, we would be in difficulty.

What could the Government do? I will comment on the international levy. The Government could not put yet another tax on universities at a time when they are in financial difficulty. It is a tax on one of our main income streams. If the elasticity theory, which I understand the levy was based on and which has never been applied to higher education, by the way, was to prove true and the price was passed on to the students, it would do less damage to the economy of the universities, but it would damage us in other ways. It would mean that we would take even more students from socioeconomically privileged backgrounds because they would be the only ones who could afford it.

The levy is going to be applied in England, not in Scotland. We have elections in two weeks' time. Who knows what the next Scottish Government will say? The previous Government said it would not apply in Scotland. The Scottish universities are wondering whether there will be some selective advantage for us here, whereby students can come to Scotland for a lower price than England because we are not taxed in the same way. Either way, it is a perverse tax on a major income stream that we require in order to survive.

There are other things that the Government could do. Sir Keir Starmer spoke to me in Edinburgh before he was Prime Minister. He said, "What could an incoming Labour Government do for British universities?" I said, "You could do two things. First, get us back into Horizon and Erasmus"—tick, we have achieved that. Then I said, "Secondly, take international students out of net migration numbers"—we are a million miles away from that. That would be a game changer. You would not necessarily need to do it for all international students or all universities.

For example, Chinese students have amazingly high levels of compliance with visa requirements. It is 99.8% or something; they are very compliant. They are students who bring economic, social and cultural benefits. They do not behave like any other immigrant group. Why would you put them together with any other immigrants?

Chair: The clock is slightly against us.

Q107 **Charlie Maynard:** Going back to Sabina, who would you recommend that we, as a Committee, go and have a look at in terms of the best research about the security risks around tech between China and other countries? The US is thinking about this; the EU is thinking about it; the UK is thinking about it. Who has the best research out there? There are some really scary scenarios. We do not need to list them all out. Who is doing the best thinking about it?

Sabina Ciofu: That is well above my pay grade, but I would assume that the security services of the UK would have a pretty good insight.

Q108 **Charlie Maynard:** I mean in the public domain. I worry that we need to discuss it publicly because otherwise none of us is going anywhere.

Sabina Ciofu: That is an argument that I will very gladly make. There is not enough exchange between our security establishment in its assessment of China and the rest of our Government. You have probably heard this quite a lot.

We have a national security programme and a defence programme in techUK. We have a big focus on defence and national security. If you speak to the national security establishment, it is like, "No business with China," but DBT is hosting a webinar on market opportunities in China. There is no actual dialogue within Government on what we are telling people to do or be aware of.

This is where we find it really difficult as a sector because a lot of the tech companies in the UK are small and medium-sized companies. They do not have consultancies, market advisers and lawyers to tell them what to do and where to go. Unlike many other moments in history, we have a whole industry looking to Government for guidance on China, on which market to go to, on geopolitical power competition and on geopolitics more broadly, but not a lot of that is coming their way.

There is a point to be made—we have made it in the past, and not only with regard to China—about having an international tech taskforce in Government, bringing together defence, national security, trade, FCDO and DSIT to do a bit of closed-room thinking about what the Government position is, and engaging industry in that process.

Chair: It is an argument that we made in our economic security report, I have to say, but, yes, go on.

Q109 **Charlie Maynard:** If we accept that the UK Government are exactly as you describe them—I am not arguing—how would you compare that with the EU and the US, which are grappling with the same problem? Is either of those further advanced? Do they have better ideas or better plans? Is there anybody out there to look at? Does anybody else have any views?

Sabina Ciofu: I will make a very short comment. Comparing ourselves with the EU or the US, in terms of our size and what we are doing with regard to China, is not very helpful. However, a very good example here may be Japan. Japan has very close economic security co-operation with its industries. It has a team Japan workstream. It has to think about China a lot more and a lot more closely than we do, but it has developed that. We need that in the UK, especially in these particularly turbulent geopolitical times. We need a team UK approach to the world.

In some areas, there is more team UK than in others. China is a very good example of where there is not. There may need to be some sharing of some level of information from the Government and industry to come up with a plan.

Q110 **Chair:** You must have this in spades in the universities sector.

Professor Sir Peter Mathieson: Yes. We see a lot of these things, particularly the mixed messages from different Government Departments. That has been a problem. As you know, about five years ago I got a job that I neither applied for nor thought I was particularly well qualified for, which was to become the lead on international security for the Russell Group and Universities UK. Both organisations wanted somebody to lead on aspects of international security.

We worry about the tech industry and I do not think it is sufficiently included, but, as far as universities goes, the UK is leading the way. The UK is generally seen as being the country that has the best join-up between the security services, Government Departments—it is not perfect, but it is certainly better than it was five years ago—universities and, to some extent, public-sector research establishments, which is the other place where research happens.

The UK has introduced a thing called RCAT, the research collaboration advice team, which runs out of DSIT. Every other country in the world has RCAT envy. The Dutch copied it—well, they claim they had the idea at the same time—so they have something very similar. Other European countries have something very similar.

Canada has taken a rather different approach, with so-called blacklists and grey lists. There are blacklists of universities that you will not work with, most but not all of which are in China, or else you will not get federal funding. There are also grey lists, which are technologies. You can work in these areas only if you have specific permissions. Canada has also embedded into the research offices of every major research university people with security services experience. Canada is taking a different approach.

The United States is much more hawkish about risk and much less interested in opportunity, as a generalisation.

Q111 **Chair:** Do you believe that the UK Government could go further? That would be something where we would be very grateful for Russell Group advice.

Professor Sir Peter Mathieson: RCAT was formed about four years ago. At that point, the UK was comfortably in the lead and was recognised as such. Lots of other countries are doing similar things now. RCAT is under-resourced and the demands on it are excessive. We could definitely consider bolstering the existing structures.

I was at a meeting recently where the Department for Education, another Government Department, announced some guidelines on what it is calling foreign interference, which are not the same as the things that RCAT is worried about. It is foreign interference in other aspects of university activities. They want a single point of contact for foreign interference. Once you have two single points of contact, it is no longer a single point of contact.

Miles Celic: Briefly, in the light of the time, I would agree with much of what has been said. There is a lack of clarity within Government. The approach that one gets from the Home Office versus DBT or HMT is often quite different.

What we would look for is proportionality. For instance, look at the CFIUS regime in the United States. The UK regime called in 1,143 instances of investment last year. CFIUS in the US, an economy nine times the size, called in 325. If you look at the FARA regime in the United States, it is very broad but applied very selectively. The FITS regime in Australia, again looking at a similar regime with a similar background, has a commercial activity exemption where it makes sense. It feels like the Government are still finding their way and determining where the balance and the trade-offs are.

Chair: As a quick wrap-up, let us have your wish lists before we conclude.

Q112 **Leigh Ingham:** Yes, quick-fire, please: how satisfied are you and your members with the UK Government's current approach to China?

Chair: Give us a mark out of 10, just to force the point, with 10 being brilliantly fantastic.

Sabina Ciofu: I agree with what has been said today, which is that we are moving in a better direction by restarting the dialogue and with the PM's visit. These are good signals. We cannot have a world-leading tech sector without China. That is absolutely clear. It is not only about critical minerals and rare earths. We need to understand that market. We need to know what is happening in that market. We need to know the tech developments in that market. We need to have deep China expertise in our Government as well as industry, for that matter. That has been going in the right direction.

We probably need a broader China strategy. We have bits and pieces of components of a China strategy that have appeared in various places. The future trade services negotiation that we are doing with China is very welcome, but it needs to come under a bigger umbrella of what our national interest is, what our national strategy is and what we are doing with China in a broader sense. That should probably be done on the basis of an audit—I do not know what happened with the last one.

Chair: I think we all know what happened with the last one.

Sabina Ciofu: We need a proper strategy with a big services component.

Q113 **Chair:** Sir Peter, give it an academic marking.

Professor Sir Peter Mathieson: I would give it 6 or 7 out of 10.

Leigh Ingham: That is a first. That is not bad.

Chair: It is a 2:1.

Professor Sir Peter Mathieson: There are lots of good words, but so far not much real meaningful action to back up the words.

There are two things that I would appeal for. One would be a financially sustainable model for Britain's universities, which in my opinion are among the jewels in Britain's crown. That applies to Scotland; it applies to the whole of the UK. They are in danger. If we have a sustainable funding model for universities, our activities will become choices rather than necessities, if you like.

Secondly, while I understand the electoral significance of immigration and the level of public concern about it, we should not damage universities in the crossfire of policies that are primarily aimed at other immigrants.

Miles Celic: From our perspective, the engagement we have seen from Government has been welcome. It was great that the Chancellor went out for the EFD and the FSS in China last year. It was great to have the prime ministerial visit. It was great to see Lucy Rigby as a part of that as the Economic Secretary. We are concerned that we have fallen behind comparable countries. If you look at visits to China from some of our major international competitors, they have been ahead of us for some time. Ahead of the Government visit, we were way behind compared with where other countries had got to. The Prime Minister's visit was welcome from that perspective.

I worry about complacency in Hong Kong, so the number of Government visits, either ministerial or official, has been behind where our competitors are. I go to the Asian Financial Forum in Hong Kong every January. The Japanese are there; the Americans are there in numbers; the French and the Germans are there; the Taiwanese are there. UK Government representation is pretty limited.

There is a view that, because you have household names in Hong Kong, such as HSBC, Standard Chartered and Prudential, the UK is represented through the private sector. That is great and it is a fantastic position to be in. We export twice the financial services to Hong Kong as we do to China. If you think about that in terms of the scale of the market and the opportunity—

Q114 **Chair:** Will the mooted trade in services agreement help?

Miles Celic: It could. We are in the scoping position at the moment. What is unclear at this point is what is covered. There is a lack of detail.

Q115 **Chair:** Would you like more detail?

Miles Celic: We would like more detail. There is a commitment that the private sector will be consulted on this formally in September. Certainly, we are involved in conversations around that. I know the CBBC has been involved in conversations around that as well. It is welcome that the private sector is involved in that. That needs to be absolutely hardwired into how it goes forward because we are the ones who will be able to identify where the opportunities are.

Certainty is another one. Some of that is outside the gift of Government because of the geopolitical backdrop. The more that our members can see there is an ongoing commitment from both sides to deepening the relationship in economic terms, the more that sends a demand signal and a reassurance. That could be tied into greater regulatory engagement, which we are already beginning to see through the working group that has been set up between the regulators.

The final one is to strike a balance between what has been a very risk-averse approach and a recognition of the opportunities that exist there.

Chair: That has been incredibly helpful and succinct. Thank you very much indeed for your evidence. That has given us a flying start into this inquiry. That concludes this panel and the session.