

Business and Trade Committee

Export led growth: Trade with the Asia-Pacific region

Eighth Report of Session 2024–25

HC 1048

Business and Trade Committee

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Summary

The Asia-Pacific is emerging as the world's most dynamic engine of economic growth, and with sustained long-term engagement, the UK has a unique opportunity to emerge as the strategic partner of choice. Over the past two decades, Asia-Pacific has delivered a disproportionately large share of global growth. In the years ahead, this trajectory is set to continue. Over the coming decade, trillions of pounds in additional GDP will be generated in the region, driven by rapid growth in India, Southeast Asia, and developed markets like Japan, South Korea, and Australia.

Our Inquiry has found at the core of this growth story lies a vast and rapidly expanding middle class: by 2030, two-thirds of the world's middle-class consumers will live in Asia. This is fuelling extraordinary demand for goods and services across sectors where the UK has long-established strengths, from financial services and education to advanced manufacturing, healthcare, green finance and luxury brands.

The expansion of these markets however is unfolding against a complex and uncertain geopolitical backdrop. Rising strategic rivalry between the United States and China, uncertainty in US trade policy, intensifying tariff escalations, tensions between China and Taiwan, the rising threat from North Korea and a global surge in protectionism have created both new risks and new opportunities. In this environment, the UK's reputation as a stable, predictable and trusted partner is becoming a distinct strategic advantage, offering a valuable alternative for governments and businesses across the Asia-Pacific region who seek to hedge against geopolitical and regulatory uncertainty.

As such, we believe there is compelling evidence that these markets present enormous but still underutilised opportunities for UK exporters, particularly across the eight strategic sectors identified in the Industrial Strategy: advanced manufacturing, clean energy, creative industries, defence, digital technologies, financial services, life sciences, and professional and business services.

Yet, while UK companies remain global leaders in many of these fields, the UK's share of exports into Asia-Pacific has remained stubbornly flat for decades—hovering around 12% since the 1990s—and, in many sectors, the UK remains significantly underweight relative to both its capabilities and the size of these markets.

The UK, however, has set the stage for a breakthrough moment: through CPTPP accession, bilateral FTAs, and enhanced trade dialogues and significant new market access. We have rare defence alliances which could offer a potential strategic advantage over others.

This gives the UK significant leverage to drive down significant barriers, in the form of high tariffs, regulatory complexity, weak intellectual property enforcement, and diverging digital standards. The Committee heard that Free Trade Agreements alone will not unlock these markets. What is now required is a more sophisticated model of commercial diplomacy: one that is long-term, targeted, and capable of addressing sector-specific obstacles through sustained government-to-government engagement, backed by expert private sector input.

The Committee concludes that the Government must now adopt a five-part strategic approach to realise the full commercial potential of Asia-Pacific:

1. Deepen defence-industrial partnerships: building on existing cooperation with Japan, Australia and others to embed UK industrial capabilities into regional supply chains.
2. Leverage the UK's global soft power: especially through higher education, research collaboration, the creative industries, and cultural diplomacy, to strengthen long-term influence.
3. Accelerate digital trade interoperability: using CPTPP, bilateral agreements and plurilateral frameworks to remove regulatory friction and secure data-driven trade access.
4. Power Asia's green industrial transformation: aligning UK green industrial strengths with Asia's fast-growing markets in clean energy, carbon finance and supply chain decarbonisation.
5. Sustain senior-level political engagement: embedding the UK more fully within Asia's regional growth corridors through regular ministerial and diplomatic presence on the ground.

The UK has secured a strong platform in Asia-Pacific: economically, diplomatically and strategically. But the task now is one of delivery. Without a coherent cross-government strategy, one that integrates trade policy, industrial strategy, investment promotion and political diplomacy, there is a real danger that opportunities will be lost to more assertive competitors. The window for UK exporters is wide open. But it will not remain open indefinitely. The time for action is now.

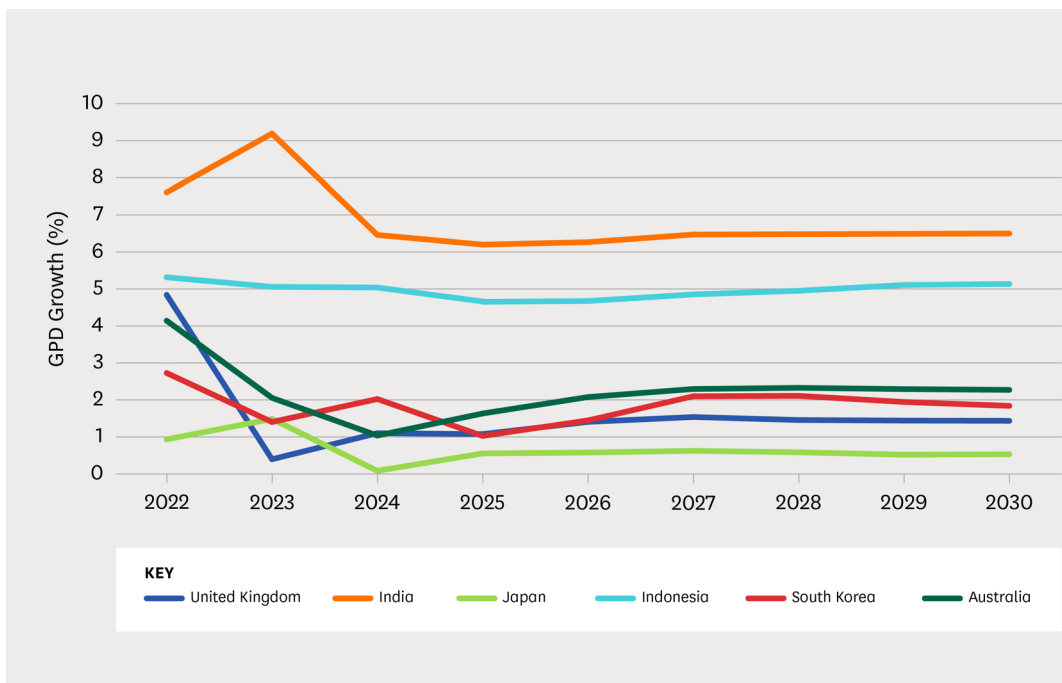
1 Introduction

Growing markets in the Asia-Pacific

1. Asia-Pacific economies are playing an increasingly central role in global growth.¹ Over the next five years, the global economy is forecast to increase by around £30 trillion, with over £7 trillion of that growth—almost a quarter—powered by the thirty seven nations of Asia-Pacific outside of China.² Growth in this region is heterogeneous with expected growth in 2025 ranging from 0.5% in Japan to 7% in Bhutan. Figure 1 illustrates the projected GDP growth of the five largest economies in the Asia-Pacific region, outside of China, over the next five years, alongside that of the United Kingdom for comparison.³

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- 1 This report uses the International Monetary Fund's (IMF) definition of Asia which includes 38 nations. These can be grouped as Advanced Asia (Japan, the Republic of Korea, Australia, Taiwan [Province of China], Singapore, the Hong Kong Special Administrative Region, New Zealand, and the Macao Special Administrative Region), Emerging Asia (China, India, Indonesia, Thailand, Vietnam, Malaysia, and the Philippines), and Emerging and Developing Asia (Bangladesh, Bhutan, Brunei Darussalam, Cambodia, Fiji, Kiribati, the Lao People's Democratic Republic, the Maldives, the Marshall Islands, the Federated States of Micronesia, Mongolia, Myanmar, Nauru, Nepal, Palau, Papua New Guinea, Samoa, the Solomon Islands, Sri Lanka, Timor-Leste, Tonga, Tuvalu, and Vanuatu). However, this report excludes China.
 - 2 Committee analysis using the IMF [World Economic Outlook database](#), using "Gross domestic product (GDP), Current prices, US dollar, World", between 2025 and 2030, and using the "Gross domestic product (GDP), Purchasing power parity (PPP) international dollar, percent of world GDP, Percent, ICP benchmarks 2017-2021" indicator to calculate proportion of world GDP that resides in the Asia-Pacific region.
 - 3 Committee analysis using the IMF [World Economic Outlook database](#), using "Gross domestic product (GDP), Constant prices, Percent change"

Figure 1: Expected GDP growth for major Asia-Pacific economies



2. Charlie Humphreys of Asia House, told us there are three principal drivers of economic growth in Asia: consumer spending, the digitisation of economies, and adoption of sustainable energy technologies and, in addition to that, development of carbon markets and green finance.⁴ By 2030, it is expected that two-thirds of the global middle class will reside in Asia.⁵ This will drive demand for UK strengths such as education, financial services, health, and luxury goods. Jonathan Brenton of Pernod Ricard referred to a “massive emerging middle class hungry for quality goods and services, which the UK can provide”.⁶ Alex Gover of Intralink similarly told us that “selling into these companies [in Asia] is effectively selling into the world”.⁷
3. However, economic transformation across the region is also unfolding in the context of intensifying geopolitical competition. According to the International Monetary Fund, the average number of new restrictions per month rose from around 20–30 in the previous decade to more than 70 per month in 2024 (see Figure 2).⁸ Asia-Pacific is part of this trend, although few of the measures implemented in Asia appear to target intra-regional trade,

4 [Q185](#)

5 Brookings Institution, “[The unprecedented expansion of the global middle class](#)”, Global Economy & Development (28 February 2017)

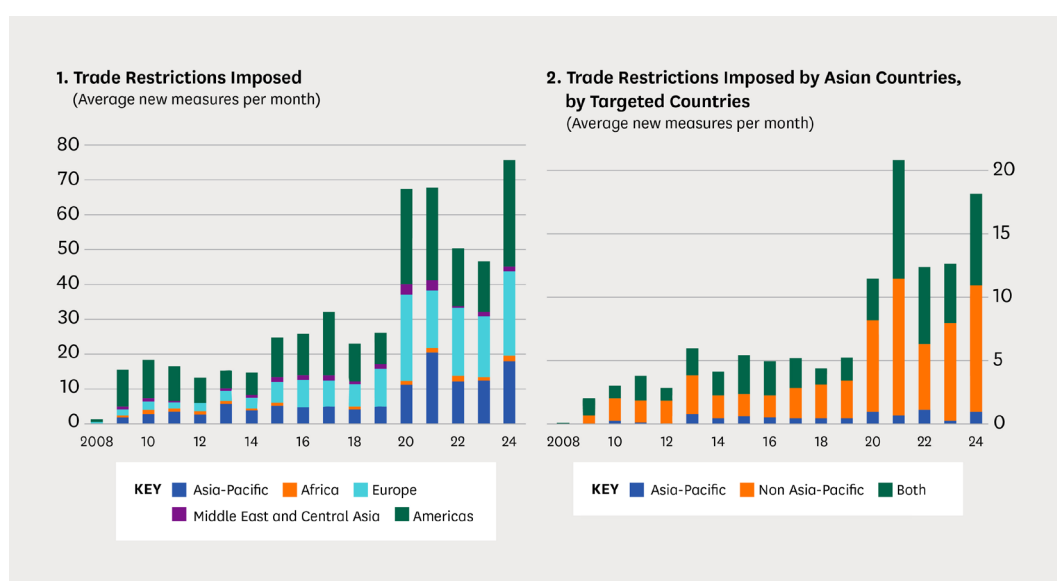
6 [Q219](#)

7 [Q221](#)

8 Such measures reflect efforts to strengthen supply chain resilience and diversification in critical sectors (for example, in high-tech and green products), while others have a retaliatory character.

but instead against wider regions.⁹ China’s dual role, as both a vital market and a source of regulatory and geopolitical risk requires countries to take a strategic approach, while uncertainty about US trade policy, including the risk of renewed tariff escalations, has left many nations and businesses questioning the reliability of its traditional partner. Charlie Humphreys told us that “the decisions being made at government and business level across Asia, south-east Asia, China, Japan, Korea, India, are very much looking at spreading risk, hedging, given the unpredictable nature of trade”.¹⁰

Figure 2: Global and Asian Trade Restrictions, International Monetary Fund



4. Together, these trends present considerable opportunities for UK exporters and an opportunity for the UK to strengthen its diplomatic and trade relationships across Asia-Pacific by emphasising institutional reliability. Douglas Barrie, Senior Fellow for Military Aerospace, International Institute for Strategic Studies, described the UK is now seen as “an alternative to the US in many ways.”¹¹ Johanna Kyrklund, Global Chief Investment Officer, Schrodgers, reinforced the point, telling us that Asia Pacific nations “are looking to diversify away from American [asset] managers... That is where I am seeing the benefit of the current environment.”¹²
5. We must confront the reality however, that for some years, the UK has not made the progress we hoped for in Asia Pacific. For example, while the share of UK goods exports to Asia has increased, from 10% in 2000 to a peak of 20% in 2022, that growth has mainly been due to the growth of

9 [REGIONAL ECONOMIC OUTLOOK](#), Asia and Asia Pacific, Resilient Growth but Higher Risks, IMF, November 2024

10 [Q181](#)

11 [Q183](#)

12 [Q205](#)

China. Excluding China, the share of UK goods only increased from 9% to 12% in the same period. Services exports into the region has remained flat, or even decreased, from 12% in 2000 to 11% today.¹³

Market access structures

6. Since leaving the European Union, the UK has made significant diplomatic progress in the Asia-Pacific, with agreements covering 65% of GDP in the region.¹⁴ For example, the UK has now agreed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), bilateral Free Trade Agreements with Japan, Singapore and Vietnam, and an agreement in principle with India, and continues to negotiate to update its FTA with South Korea.¹⁵ The UK has also established a number of regulatory dialogues, including with China, India and ASEAN, which witnesses identified as important tools for managing complex trade rules and building long-term cooperation.
7. The UK is also a significant defence partner in the Asia Pacific region. UK alliances through AUKUS, GCAP, the Five Eyes alliance, and Five Power Defence Arrangements collectively cover countries accounting for 22% of the region's GDP, excluding China.¹⁶ In January 2024, the previous Government also highlighted further achievements in the region, including Defence and Security Roadmaps with India and Indonesia, and securing Dialogue Partner status with ASEAN.¹⁷ Figure 3 illustrates the intersection between the UK's CPTPP trade relationships and its broader defence partnerships in the region. These relationships provide government-to-government relationships that offer us a potential strategic advantage over others.

13 Committee analysis using Office for National Statistics, [UK Total Trade: All Countries](#), Non-Seasonally Adjusted, dataset (April 25, 2025),

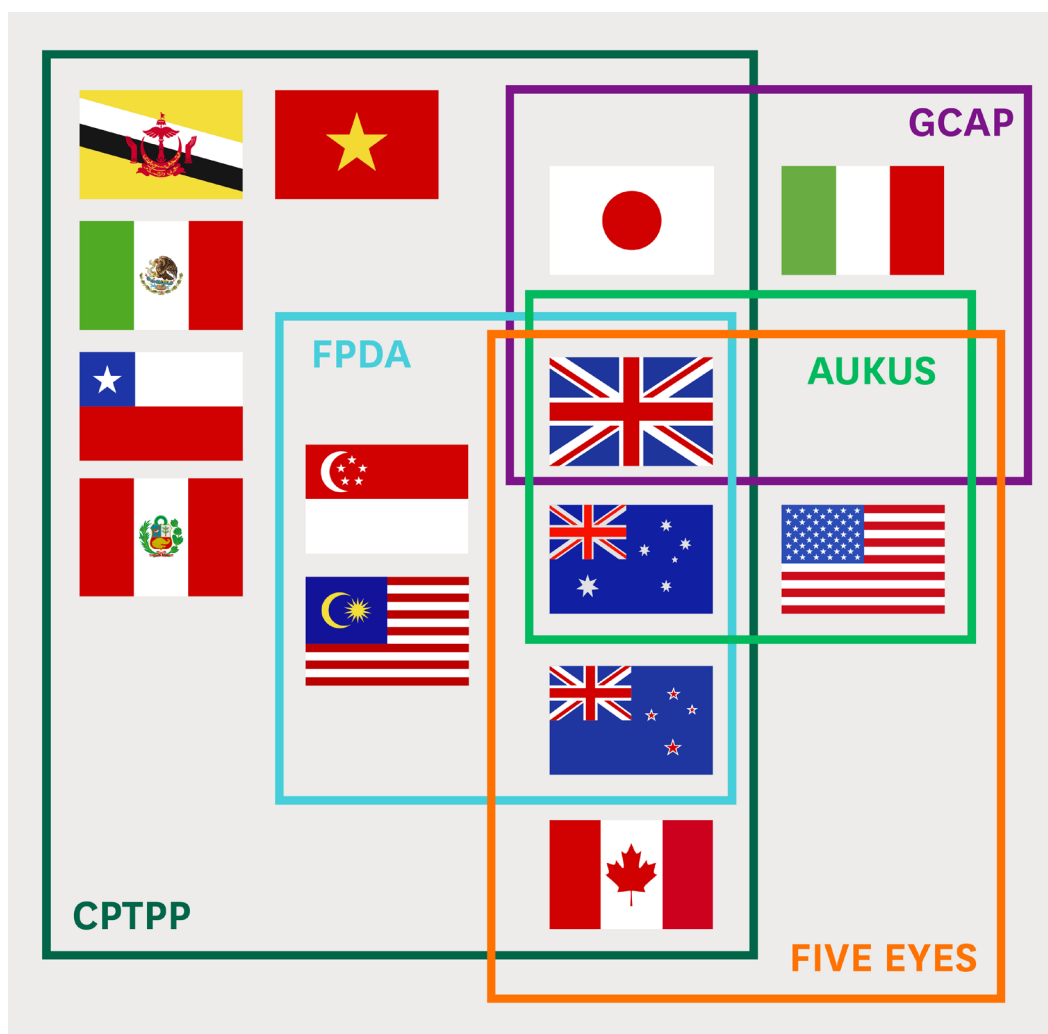
14 Committee analysis using the IMF [World Economic Outlook database](#), using “Gross domestic product (GDP), Current prices, Purchasing power parity (PPP) international dollar, ICP benchmarks 2017–2021”, and using [UK trade agreements in effect](#), Department for Business and Trade, Accessed 29 May 2025 to select UK trade partners.

15 [UK trade agreements in effect](#), Department for Business and Trade, Accessed 29 May 2025

16 Committee analysis using the IMF [World Economic Outlook database](#), using “Gross domestic product (GDP), Current prices, Purchasing power parity (PPP) international dollar, ICP benchmarks 2017–2021”

17 [UK Defence and the Indo-Pacific](#): Government Response to the Committee's Eleventh Report of Session 2022–23

Figure 3: Overlap in UK Trade and Defence Alliances



8. These agreements are also delivering results. While the UK had agreements with many CPTPP members prior to accession, joining the bloc brings geo-strategic benefits and is still expected to lower tariff barriers in certain new markets.¹⁸ For example, Malaysian tariffs on Scotch whisky are set to fall to zero by 2033.¹⁹ Pernod Ricard urged the UK to build on this momentum, recommending it “support swift enlargement of CPTPP and share its accession experience with interested countries” such as Thailand and Indonesia.²⁰ This was also supported by business representatives we met in Japan. Meanwhile, the UK’s agreement in principle with India has been described by the Government as offering a “first-mover advantage” for UK firms.²¹

18 [UK accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership](#), Business and Trade Committee, p.14, 6 February 2024

19 Pernod Ricard (ELG0050)

20 Pernod Ricard (ELG0050)

21 [UK-India Free Trade Deal: A Deal For Growth - GOV.UK](#)

Our Inquiry

9. This report examines the UK's export opportunities in Asia-Pacific outside China, with the aim of informing the Government's strategic approach to trade policy. The Committee considers that a whole-of-government approach is now required to make more effective use of the UK's new market access architecture in Asia. Trade, regulation and diplomacy must work together to support exporters and strengthen long-term commercial partnerships.
10. Policymakers also face a dual challenge: to adopt a more cautious trade posture that addresses economic security risks and anti-competitive practices, while also crafting targeted responses that reinforce the UK's reputation as a trusted partner in the region. The Committee argues that this strategy must support UK firms to increase market share in eight strategic sectors of the economy.²²
11. On 25 March 2023, the Committee took oral evidence on the UK's trade relationship with Asia across three panels. Witnesses represented Asia House, the UK-ASEAN (Association of Southeast Asian Nations) Business Council, the International Institute for Strategic Studies, CityUK, Universities UK, Schroder, Walpole, Pernod Ricard, and Intralink.²³ The Committee also visited Japan between 30 March and 4 April 2025, to inform the Committee's export led growth and industrial strategy inquiries, and to examine the opportunities for bilateral trade. The Committee conducted trade-related meetings with the following people and organisations whilst in Japan:
 - Parliamentary Vice-Minister for Foreign Affairs, Eri Arfiya;
 - British Chamber of Commerce Japan (BCCJ);
 - British Market Council;
 - Kansai Economic Federation, Kankeiren, representing the Kansai region's business community;
 - Keidanren, the Japan Business Federation;
 - Businesses operating in Japan including Quantinuum and Panasonic; and
 - Japan Ministry of Defence officials on the Global Combat Air Programme (GCAP) and the GCAP partner companies in Japan.

22 Advanced Manufacturing, Clean Energy, Creative industries, Defence, Digital technologies, financial services, life sciences, and professional and business services.

23 [25 March 2025 - Export led growth - Oral evidence - Committees - UK Parliament](#)

12. The Committee is grateful to all those who shared their insights and contributed to this programme of work through written and oral evidence and meetings with the Committee. We would also thank the staff of the British Embassy in Japan who assisted us with our visit.

2 Barriers to Trade

13. Evidence to the Committee highlighted three strategic barriers that continue to limit UK trade in the Asia-Pacific: tariffs, regulatory complexity, and weak intellectual property protection. We heard that addressing these should be a priority for UK diplomats.
14. For example, we have heard how Free Trade Agreements, even when they are struck, are not a panacea because of the extent of ‘behind the border’ and non-tariff barriers. Automotive industry representatives for example cautioned that “while potential benefits from negotiating FTAs with heavily protected markets could be substantial, so are the associated risks from concluding rushed agreements.”²⁴ As an example, the Society of Motor Manufacturers and Traders (SMMT) provided the Committee with a checklist of key priorities for automotive in any future free trade agreement.²⁵ These included:
- Tangible, commercially meaningful market access for goods, with elimination or reduction of tariffs based on workable origin rules.
 - Balanced, reciprocal access commitments and adequate tariff phase-out periods to allow gradual market adjustment.
 - Targeted non-tariff barrier reduction, including for electric and hydrogen vehicles.
 - Dedicated annexes and regulatory cooperation mechanisms.
 - Flexibilities for Premium and Small Volume Manufacturers (SVMs).

Tariffs

15. High tariffs remain a major barrier for exporters across key Asian markets (see Box 1). In the automotive sector, tariffs on UK goods can reach up to 100% in India, 80% in Thailand, and 50% in Indonesia, limiting UK vehicle and parts exports.²⁶ British spirits face duties as high as 150% in India and up to 160% in Malaysia.²⁷ Pernod Ricard told the Committee that reducing

24 Society of Motor Manufacturers and Traders (ELG0035)

25 Society of Motor Manufacturers and Traders (ELG0035)

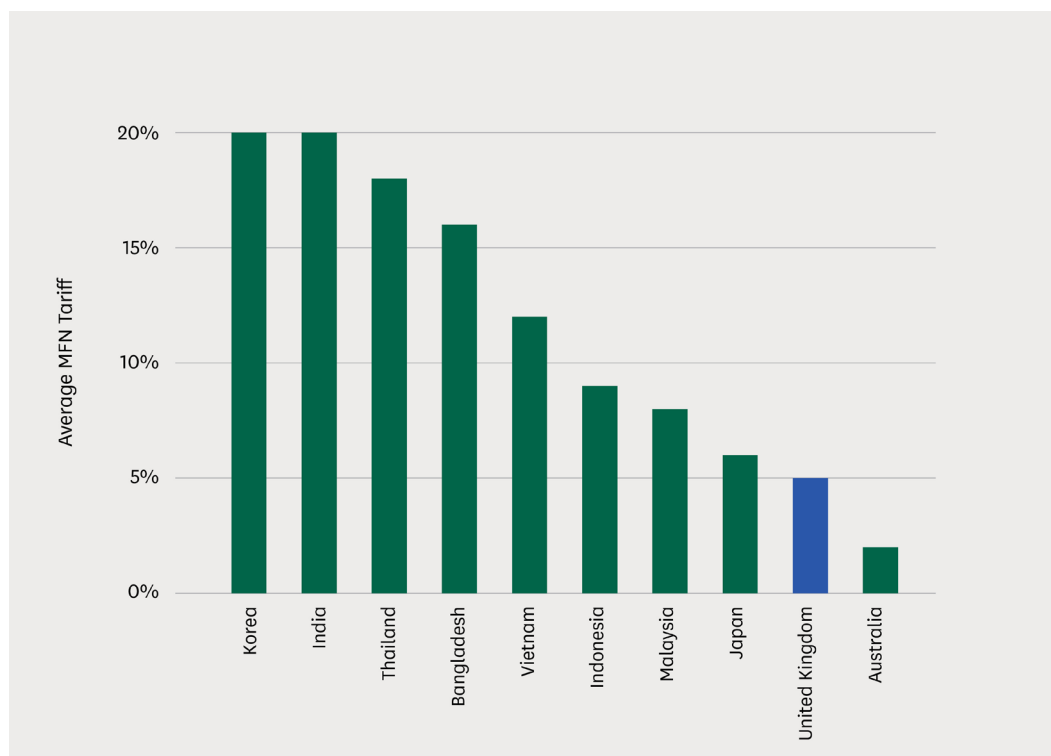
26 Society of Motor Manufacturers and Traders (ELG0035)

27 Pernod Ricard (ELG0050)

tariffs in India could double UK exports of Scotch, while UK gin exports are also projected to grow rapidly in both India and China if trade becomes more accessible.²⁸

Box 1: Tariff Barriers in Asia Pacific Markets

The chart below shows the average Most Favoured Nation (MFN) tariff rates applied by the ten largest Asia-Pacific economies by GDP, alongside comparative figures for the United Kingdom.



The data shows that MFN tariffs remain high in several major markets. Korea and India each apply average tariffs of around 20 per cent, with Thailand, Bangladesh, and Vietnam also maintaining relatively high levels. These rates suggest that UK goods exports to these countries may still face substantial border costs in the absence of a trade agreement.

More developed economies, such as Japan and Malaysia, apply lower MFN tariffs, typically below 10 per cent. The UK and Australia remain at the lower end of the scale, reflecting their more liberal trade regimes.

These figures reflect MFN rates, or those applied in the absence of preferential arrangements. UK exporters may benefit from reduced or zero tariffs where Free Trade Agreements (FTAs) are in place. The UK's agreements with Japan and Korea, for example, include zero tariffs on all goods. The UK is also in the final stages of negotiating a trade

agreement with India, which, once concluded, is expected to lower tariffs from the current average level and improve goods market access. In markets without such agreements, like Thailand, MFN rates continue to form the baseline for UK goods trade.

Data: Committee analysis of MFN tariff rates at the HS2 level and averaged across all product chapters for each economy. [International Trade Centre, Market Access Map](#)

Regulatory Complexity

16. Regulatory barriers were identified as a major obstacle for UK services exporters. For instance, Johanna Kyrklund highlighted the constraints facing UK asset managers, including regulatory caps in India:

“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 going to change.”²⁹

17. In services sectors, where barriers are largely regulatory, we heard the need for more structured engagement between business and government. The Association of British Insurers noted the importance of stakeholders having access to negotiating texts and proposed that Non-Disclosure Agreements could be used to ensure legal drafting meets commercial needs. Continued formal and informal outreach by HM Treasury and the Department for Business and Trade was also strongly encouraged.³⁰ CityUK also told us that more formalised public-private engagement is needed to unblock regulatory barriers and embed commercial priorities into bilateral dialogues.
18. Nicola Watkinson, Managing Director International, City UK highlighted the India-UK Financial Partnership, a private sector group that provides formal recommendations into the Economic and Financial Dialogue (EFD), as a best-practice model.³¹ They pointed to this Partnership’s recent proposals to enable dual listings between UK and Indian capital markets as a live example of business-driven reform.³² To ensure that dialogues create impact, “task and finish” groups were also suggested to be created to deliver focused, commercially responsive outcomes within existing dialogue structures.³³

29 [Q200](#)

30 Association of British Insurers (ELG0020)

31 [Q205](#)

32 [Catalysing bilateral growth: Connecting India and the UK’s equity capital markets](#), India UK financial partnership, April 2025

33 [Q216](#)

19. Legal services were identified as a priority sector where regulatory barriers particularly limit market access. The Law Society told us of the specific restrictions faced by UK law firms across the region.³⁴ For example:

- In China, there are restrictions on foreign law firms from practising Chinese law, and while the joint law office model in the Shanghai Free Trade Zone offers some opportunities significant restrictions remain.
- In India, foreign lawyers including English and Welsh solicitors and law firms have for decades been prevented from establishing a presence, with the only route to practice available being ‘fly-in,-fly-out’, considerably restricting the opportunities available to the UK legal profession in the world’s most populous country.
- While South Korea was the first country to have liberalised its legal services sector through FTAs, it has implemented its existing commitments narrowly and has not satisfactorily addressed the issue of joint practice between Korean and foreign lawyers, meaning that the market has yet to fully open.

Intellectual Property

20. Weak and inconsistent intellectual property (IP) protection is also a concern across parts of Asia, particularly around the enforcement of rights.³⁵

Inadequate IP regimes contribute to the spread of counterfeit goods, undermining brand value and deterring market entry. In 2021, counterfeit and pirated goods accounted for up to 2.3% of global trade with more than 70% of seized items originating from China and Hong Kong.³⁶ The growth of e-commerce across Asia has intensified these challenges, with small parcels sent direct to the consumer often bypassing regulatory oversight and potentially presenting risks to health, safety, and the environment, due to the absence of quality or safety testing.³⁷

21. Walpole, representing UK luxury brands, told us of the challenges of operating in China. They include language barriers, an inaccessible trademark database, and an oversaturated system of over 46 million trademarks make it difficult for UK businesses to register new brands and avoid costly disputes. However, Walpole also pointed to improvements

34 Law Society (ELG0010)

35 Walpole (ELG0051)

36 Consumer goods are particularly affected, with counterfeit watches and footwear making up 23% and 15% of the total seized value globally. [Mapping Global Trade in Fakes, Global Trends and Enforcement Challenges](#), OECD, February 2025

37 [Mapping Global Trade in Fakes, Global Trends and Enforcement Challenges](#), OECD, February 2025

with legal systems in several countries evolving, and high-profile decisions strengthening judicial credibility and reinforcing the region’s reputation as a safe destination for foreign investment.³⁸ They told us:

“Experience with Asian marketplaces shows many to be compliant and efficient in removing infringing listings when we provide the relevant IP certificate. This is particularly true for Shopee (in various Asian territories) and Tokopedia.”^{39 40}

- 22.** Stakeholders emphasised that future Free Trade Agreements (FTAs) should include strong IP rules with practical enforcement mechanisms. AstraZeneca warned the Committee that “with the WTO unlikely to regain authority over politically charged trade disputes in the short term, it is even more important that FTAs include strong rules and practical enforcement mechanisms for IP protection.”⁴¹ This was echoed by the Association of the British Pharmaceutical Industry, who noted: “At the multilateral level, the UK has consistently been a strong advocate for the international IP framework, but we have not seen this replicated in its bilateral trade agreements to date.”⁴²
- 23.** The Growth Commission also argued that weak IP regimes in key economies amount to anti-competitive market distortions that artificially lower production costs and undermine fair competition.⁴³ This logic extends beyond IP alone, and was echoed in evidence on industrial subsidies and regulatory practices in the green economy, where state support risks tilting the playing field against UK exporters.

24. CONCLUSION

Asia-Pacific offers vast commercial potential for UK exports of both goods and services, but realising these opportunities for greater trade will depend on overcoming barriers through targeted regulatory diplomacy and sustained engagement through dialogues and trade frameworks. In particular, the Government must include robust and enforceable IP chapters in all new and updated FTAs. It should also ensure that adequate resources are allocated to support enforcement, investigation, and trade promotion of IP protections.

38 Walpole (ELG0051)

39 Walpole (ELG0051)

40 Shopee and Tokopedia are major e-commerce platforms in Southeast Asia, with Shopee based in Singapore and Tokopedia based in Indonesia.

41 AstraZeneca (ELG0011)

42 Association of the British Pharmaceutical Industry (ELG0046)

43 The Growth Commission (ELG0008)

25.

RECOMMENDATION

The Government should use its full network of trade dialogues in Asia to push for real, commercially meaningful outcomes to drive down tariffs, remove regulatory uncertainty and improve intellectual property protection. In particular, the Department should explore wider use of ‘between the meeting’ task and finish groups that include the private sector to identify problems that hamper exports and develop solutions more rapidly.

3 Opportunities for trade with Asia-Pacific

26. Throughout our visit to Japan and in oral and written evidence, we heard that there were opportunities for further trade with Asia that UK businesses should exploit. The eight sectors identified by the Industrial Strategy have considerable opportunities to grow in Asia-Pacific markets. However, we repeat that these sector definitions should be wide enough to include both food and drink manufacture, and education/ higher education.
27. Some examples of exports of these strategic sectors that we heard about during the course of our inquiry included:
- The IISS underlined how defence industrial partnerships are deepening quickly. For example, we were told that GCAP is already raising the UK's profile in the region and embedding UK suppliers into Asia-Pacific defence supply chains.⁴⁴
 - CityUK told us that Asia-Pacific offers major opportunities for export growth in financial and business services, particularly through digital delivery. Nicola Watkinson, Managing Director International, argued that “many of the customers in [Asian] regions are still in high growth but evolving markets ... they look outside their home market for the expertise that they need.”⁴⁵
 - There are significant opportunities for UK advanced manufacturing goods such as automotive. For example, the Society of Motor Manufacturers and Traders (SMMT) told our predecessor Committee that automotive exports to South Korea increased by 32% in 2023.⁴⁶
 - Similarly, Universities UK told us that higher education has seen huge growth to the Asian region as “Asia makes up the vast majority of the international students that study at UK universities.”⁴⁷ However, with

44 [Q188](#)

45 [Q193](#)

46 Evidence submitted to our predecessor Committee, the Society of Motor Manufacturers and Traders Limited ([ELG0042](#))

47 [Q197](#)

an estimated 150,000 Chinese students, there is a risk that increasing tensions could affect this, with implications for UK universities who are increasingly reliant on them as a revenue stream.⁴⁸

- 28.** The Government should not attempt to do the private sector's job for it. But it can help make sure that the bridges to new markets are as strong as possible, and that the environment into which British exporters trade as are warm as possible. This will especially help sectors that may not be earmarked as 'industrial policy' priority sectors, but which nonetheless of extremely important UK exporters. For example, Walpole told us that Asia is the third most important market for the British luxury sector, accounting for 22% of all exports.⁴⁹ As such, we conclude there are five strategic moves that ministers can make to give UK firms, in particular exporters from the eight sectors identified in the Industrial Strategy, the best possible trading advantage:
- a.** deepening defence ties;
 - b.** enhancing UK soft power;
 - c.** accelerating and de-risking Asia-Pacific's digital transformation;
 - d.** helping power Asia-Pacific's green transition; and
 - e.** sustained political engagement and diplomacy.

Deepening defence ties

- 29.** Asia-Pacific is home to some of the most important trade routes—and choke points—in global trade and is at the epicentre of rising tensions between the United States and China, China and Taiwan, North Korea, and Russia's Pacific Fleet exercises regularly with the Chinese military.⁵⁰ Asia-Pacific nations have been spending more on defence, although defence spending in China has outpaced that of other countries in the region.⁵¹ Outside of China, the International Institute for Strategic Studies (IISS) pointed out that much of the increase in defence spending has come from the "more mature" economies in the region, such as Australia, Japan and South Korea.⁵² In 2024, Japan spent £41.1 billion on defence - the largest

48 [Figure 11, Higher Education Student Statistics: UK, 2023/24](#) – Where students come from and go to study

49 [Q220](#)

50 [‘Russian Navy flexes its muscles, China assist](#), Naval News, September 2024

51 [Asian defence spending grows, China's grows more](#), International Institute for Strategic Studies (IISS), 22 May 2024

52 [Asian defence spending grows, China's grows more](#), International Institute for Strategic Studies (IISS), 22 May 2024

annual increase since 1952.⁵³ This pushed defence spending in Japan up to 1.4% of GDP.⁵⁴ Japan has announced plans for defence spending to increase further to 2% of GDP by 2024.⁵⁵ This would lead to Japan spending £60bn, or another £20 billion increase, annually on defence.⁵⁶ Defence spending is expected to grow further across the region between now and 2035.⁵⁷

30. Preserving peace in Asia-Pacific is a global public good. The UK is a leading player in the defence alliances: AUKUS, Five Eyes, the Five Power Defence Alliance—and now GCAP Tempest—which help preserve the peace in the region. We are also one of the world’s most important defence suppliers in the world, and so there is now opening up a very significant opportunity for the UK to expand sales of defence equipment, which is one of the eight strategic sectors earmarked by the Industrial Strategy.
31. The Global Combat Air Programme (GCAP), a tri-national defence partnership with Japan and Italy, is amongst the most important programmes for expanding our contribution to peace in Asia Pacific and for expanding defence sales. On our visit to Japan, it was consistently cited to us as a high-profile example of how strong diplomatic and strategic alignment can translate into long-term export opportunities. Douglas Barrie, IISS, told us that beyond the specific defence gains, the programme is “a boost in itself” by raising the UK’s profile, embedding UK suppliers into regional supply chains, and demonstrating that British expertise can deliver at scale.⁵⁸ He went on to add “There will be spin-off activities... the sensors, the guided weapons propulsion, all of which in the fullness of time may be spun out into other projects as well... you build additional sales of the aircraft itself and the skillset that you come out with”.⁵⁹ So not only is the programme an important platform for developing and sharing sixth generation air combat capabilities (including drones), it will also provide important pull through for digital and cyber industries. The Committee heard that continued government backing is essential to sustain this momentum and capitalise on wider regional interest in UK defence industrial capabilities.⁶⁰

53 [Unprecedented rise in global military expenditure as European and Middle East spending surges](#), Stockholm International Peace Research Institute, 28 April 2025, Committee analysis converted \$55.3 billion into British pound.

54 [Unprecedented rise in global military expenditure as European and Middle East spending surges](#), Stockholm International Peace Research Institute, 28 April 2025

55 [Japan’s Defence Budget Surge: A New Security Paradigm](#), Royal United Services Institute, Royal United Services Institute, 2 December 2024

56 Committee analysis used IMF [World Economic Outlook database](#), using “Gross domestic product (GDP), Current prices to find Japan’s 2024 GDP of \$4,026 billion. If spending increased to 2%, Japan would spend \$80.52 billion, or £60 billion on defence spending.

57 [Feature: Shifting geopolitics impacts Asia-Pacific defence spending](#), Janes, 22 April 2025

58 [Q188](#)

59 [Q188](#)

60 [Q184](#)

- 32.** The Defence Industrial Strategy, in addition to reforming defence to deal with the new threats the UK and its allies face, is looking to ensure that the sector contributes to the Government's Growth Mission. The pull through of technologies, and the development of relevant skills, from international collaborations, such as GCAP, strengthens the UK's defence industry. The UK already has strengths in aerospace, cyber and other digital technologies that form part of the programme. Rolls Royce, one of the UK businesses involved in GCAP, also specialises in civilian industries. Partnerships in pioneering technologies help generate positive spillovers between defence and civil industries. Building relationships with trusted partners will also support the ability of the UK to benefit from defence exports, which are critical for the growth and resilience of the UK's defence industry.
- 33.** The security of our Asia-Pacific allies rests on their economic security. The UK is similarly exposed to many of the same dependencies on critical supply chains and critical supply chains that emanate from China. It is in our shared interest that we both strengthen our resilience to risks and diversify sourcing. Many of our allies in the region, especially Japan, have advanced plans in place for precisely this transition to resilience. Both Japan and South Korea for example are building safer supply chains for critical technologies like semiconductors. The Business, Energy and Industrial Strategy (BEIS) Committee (a predecessor of this Committee) said that the UK lacks an "end-to-end supply chain" for semiconductors, has an aging and niche production stock that leaves manufacturers reliant on global supply chains, including automotive manufacturers, and is highly sensitive to the "bullwhip" effects of upstream global instability on production.⁶¹ In light of these constraints, the BEIS Committee observed that it would not be "realistic" for the UK to wholly onshore its semiconductor supply chain, rather coordinated and more secure forms of interdependence is needed with trusted partners.⁶² Japan is now building up the capacity and capability of its semiconductor industry, and as our predecessor Committee heard during its visit to the country, South Korea maintains approximately 20% of the market share in the global semiconductor market through firms including Samsung Electronics and SK Hynix with a dominant position in critical digital components, including memory chips, making it an important constituent of the broader ecosystem for semiconductor production. All in all, there is a great deal to be gained by deepening the economic security dialogue with our Asia-Pacific allies to accelerate new safeguards against the risk of economic coercion.

61 The semiconductor industry in the UK, Fifth Report of Session 2022–23 from the Business, Energy and Industrial Strategy Committee

62 The semiconductor industry in the UK, Fifth Report of Session 2022–23 from the Business, Energy and Industrial Strategy Committee

34.

RECOMMENDATION

The Government must continue its commitment to the Global Combat Air Programme as a conduit to build further on good relations with Japan, a key partner in the region. By recognising the power of such partnerships, and exploring where these can be grown, the UK is building a bedrock upon which greater trading ties can be created in the defence and other sectors. To sustain industry confidence, the Government must also provide longer-term funding commitments, moving beyond the current 12-month cycle, to give companies the certainty needed to scale their involvement.

35.

RECOMMENDATION

The UK should explore with Japan the potential to widen the partnership to include digital and cyber technologies, to explore potential ties to the AUKUS programme, and to develop joint exports to allies across the region. Furthermore, the Government should quickly deepen the economic security dialogues with Asia Pacific allies to enhance our mutual resilience and diversity of our supply chains.

Enhancing UK Soft Power

36. The Committee heard very clearly that soft power remains a vital enabler of UK trade and influence in Asia, particularly through education, science, and research. Witnesses described a “transformational opportunity” to use transnational education (TNE) to drive global development and deepen long-term engagement in the region.^{63 64}
37. However, the UK’s international education strategy was seen as falling short of its full potential. While currently led by the Department for Education and the Department for Business and Trade, the international education strategy often lacks coherence across Whitehall. Harry Anderson, Head of Policy and Global Engagement, Universities UK argued that if the strategy were reimagined “not just as an international student recruitment strategy, but as a genuinely cross-government international education strategy”, including the Foreign Office and Cabinet Office, it could better support universities to leverage their role in driving research partnerships, consultancy, spinouts, and economic development.⁶⁵

63 Transnational education (TNE) is education delivered in a country other than the country in which the awarding institution is based. For example, students based in country Y studying for a degree from a university in country Z. UK HE TNE refers to UK degree programmes delivered outside of the UK.

64 [Q208](#)

65 [Q208](#)

38. Recent moves by the UK Government to strengthen institutional soft power were nonetheless welcomed. Harry Anderson also told us: “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.”⁶⁶
39. The UK’s soft power strengths extend beyond higher education to its wider creative industries. Asia-Pacific is an important market for British creative brilliance, but stakeholders suggested the UK’s efforts could be better coordinated. In the previous Parliament, UK Music and PACT, the trade body representing independent visual content producers, called for a sector-led export strategy, including a dedicated Music Export Office and stronger support for trade bodies to deliver export services and activities.⁶⁷ In 2022–23, the then-Digital, Culture, Media and Sports Committee recommended the creation of a Creative Industries Export Office to consolidate advice, tools and support within an export-oriented policy framework.⁶⁸
40. Culture should of course be a two way street providing a powerful context for ‘people to people’ exchanges across everything from Pokemon to K-drama. During their visit to Korea, our predecessor Committee noted the rise of Korean entertainment, often referred to as “Hallyu” or the “K-Wave” by commentators, as a defining feature of the Korean growth story, embodying sustained global growth in Korean cultural exports within all forms of popular media, including music, gaming, film and television. This rise was captured in a survey of the prevalence of Korean media by the Korea Foundation, noting how “in 2022, the number of Hallyu fans surpassed 178 million—19 times the number of fans counted through the first survey in 2012 (9.26 million).”⁶⁹

66 [Q202](#)

67 Evidence submitted to our predecessor Committee, including UK Music ([EXP0009](#)) and PACT ([ELG0021](#))

68 [Promoting Britain abroad](#), Digital, Culture, Media and Sport Committee, Second Report of Session 2022–23, paragraph 15

69 [2022 Analysis of Global Hallyu Status by The Korea Foundation - Issuu](#), page 03

41.

RECOMMENDATION

Education and higher education are critical export sectors in Asia-Pacific and strategic enablers of the best possible export environment in the region. The Government's trade strategy should confirm that education is a priority sector and the Industrial Strategy Council should ensure there is a cross-Whitehall dialogue that helps maximise the potential of UK education exports. On the ground in export markets, UK embassies should ensure that universities feature in a five-year business plan for advancing local 'soft-power strategies' which choreograph taxpayer-funded soft power institutions including UK universities, UK research councils, the British Council and the BBC World Service and connect to better organised drive behind export of UK creative industries, organised through the Industrial Strategy Council.

Accelerating and de-risking Asia-Pacific's digital transformation

42. Digital trade refers to cross-border transactions that are digitally ordered or delivered, such as e-commerce, cloud computing, data transfers, and the delivery of services like fintech or streaming.⁷⁰ In Asia, this market is growing at pace. ASEAN's digital economy alone is forecast to triple to \$1 trillion by 2030. This is driven by deepening regional integration, digital-first consumers, and government-led initiatives such as the world's first digital trade agreement—the Digital Economy Partnership Agreement (DEPA) between Singapore, Chile, and New Zealand—and ASEAN Digital Economy Framework Agreement.⁷¹⁷²⁷³ China is a global leader in the e-commerce sector, with neighbouring Southeast Asia poised for rapid growth.⁷⁴
43. The UK is well-positioned to compete in this space. The UK has one of the lowest Digital Services Trade Restrictiveness Index scores in the OECD, reflecting a regulatory environment conducive to digital exports

70 In a joint effort to measure digital trade, the World Trade Organization (WTO), the Organisation for Economic Co-operation and Development (OECD), the IMF, and the United Nations (UN) issued a report which defines digital trade simply as "all trade that is digitally ordered and/or digitally delivered. WTO, OECD, IMF, and UN, [Handbook on Measuring Digital Trade](#), second edition (2023) p5

71 [Digital Economy Framework Agreement \(DEFA\): ASEAN to leap forward its digital economy and unlock US\\$2 Tn by 2030 - ASEAN Main Portal](#)

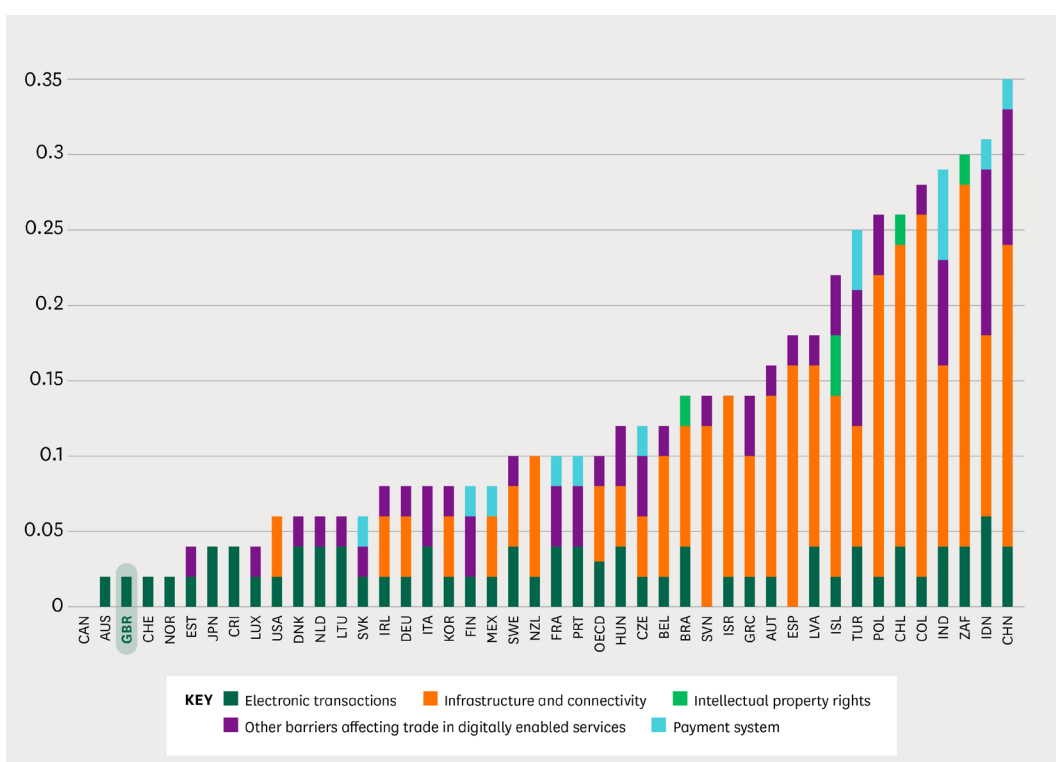
72 [ASEAN Digital Economy Framework Agreement: Unlocking Southeast Asia's Potential](#), Tech for Good Institute, December 2023

73 The Association of Southeast Asian Nations (ASEAN) is an inter-governmental international organization, comprised of Indonesia, Vietnam, Laos, Brunei, Thailand, Myanmar, the Philippines, Cambodia, Singapore and Malaysia.

74 [Annual Outlook 2025, 'Asia's economies to power ahead in the face of global turbulence'](#), Asia House, January 2025, p.47

(see Figure 4).⁷⁵ Digital trade already makes up over half of UK exports, and the UK ranks third largest in the OECD behind the US and Germany.⁷⁶ UK digital trade exports have grown nearly three times faster than non-digital trade over the past decade.⁷⁷ The Board of Trade, an advisory body chaired by the Secretary of State for Business and Trade, set out an ambition for the UK to become a global leader in digital trade in its 2021 Digital Trade Strategy, advising the previous Government to prioritise the Indo-Pacific as a key region.⁷⁸ Policy levers outlined in that strategy include free trade agreements, digital economy agreements, multilateral rule-shaping, and focused trade promotion.⁷⁹

Figure 4: OECD Digital Services Trade Restrictiveness Index, by OECD country



- 75 The OECD Digital Services Trade Restrictiveness Index (DSTRI) measures cross-cutting barriers that inhibit or completely prohibit firms' ability to supply services using electronic networks, regardless of the sector in which they operate, where 0 indicates an open regulatory environment for digitally enabled trade and 1 indicates a completely closed regime. The UK is the third most open environment in the OECD.
- 76 [Of bytes and trade: Quantifying the impact of digitalisation on trade](#), OECD Trade Policy Paper No 273, May 2023, p7-10
- 77 [Making the Most Out of Digital Trade in the United Kingdom](#), OECD Trade Policy Papers No. 285, p.11, 2023
- 78 UK Board of Trade, [Digital Trade: A board of trade report](#), 26 November 2021, p37
- 79 By the end of 2023, over 40% of the UK's trade agreements included a digital trade chapter, showcasing the country's commitment to integrating digital provisions in its trade policies. [Making the most out of digital trade in the United Kingdom](#), OECD, 2023

44. We received evidence that there is growing concern that the UK’s liberal approach to digital trade is being undercut by rising protectionism. CityUK warned “If you think about data as the supply chain for services exports... then protectionist policies that stop data flowing between markets stymie the opportunity to build our exports... We can see the protectionism rising.”⁸⁰ To combat this and strengthen digital trade, we heard that the UK should build on the UK’s recent digital economy agreements, such as those with Singapore, Japan (via CEPA), and CPTPP, and identifying further opportunities for expansion.
45. CityUK also called for continued UK participation in plurilateral efforts to shape global digital rules.⁸¹ For example, there was strong support for continued UK advocacy for the WTO e-commerce moratorium, which prevents the imposition of tariffs on digital products.⁸² As CityUK explained, “It may not sound like the most glamorous issue but it could have widespread ramifications for our industry... [with] no resolution, we could start to see customs duties being imposed on electronic transmissions.”⁸³
46. Beyond market access alone, we heard about the importance of regulatory interoperability. Charlie Humphreys from Asia House explained it neatly:
- “Broadly there are three data regimes—the US style regime, the European style and the Chinese style—but south-east Asia and other parts of Asia are picking one path or another. One thing that will help enormously—it will help the UK and many other countries and companies engaged in the digital economy opportunities—is to push for a greater alignment... I think if that is done in a very humble way and a collegiate way with Asian partners, either via deals like CPTPP, which has a very advanced digital chapter ripe for expansion, or bilaterally through considered engagement, there is a way to move forward to a more joined-up market. That would definitely be beneficial to UK firms operating internationally in the digital space.”⁸⁴

80 [Q195](#)

81 [Q196](#)

82 Since 1998, World Trade Organization (WTO) members have maintained a moratorium on imposing customs duties on electronic transmissions. This moratorium, renewed periodically, aims to support the growth of digital trade by preventing tariffs on digitally delivered products such as software, e-books, music, and videos. At the 13th WTO Ministerial Conference in 2024, members [agreed](#) to extend the moratorium until March 2026, after which its future remains uncertain.

83 [Q211](#)

84 [Q189](#)

47.

CONCLUSION

Asia is fast becoming a key market for digital trade, shaped by divergent data governance models and rapid technological transformation. While regulatory fragmentation poses challenges, it also creates a window for the UK to support greater alignment through trusted, collaborative partnerships. There is a clear opportunity to promote convergence—via CPTPP, bilateral frameworks, or targeted initiatives—in ways that expand access, build resilience, and benefit UK firms operating globally

48.

RECOMMENDATION

As part of the new trade strategy, the Government should shift greater attention and resourcing toward joining open-ended digital agreements, such as DEPA, that better reflect the Indo-Pacific's role as the engine of global digital growth, and offer faster, more flexible market access than traditional FTAs.

49.

RECOMMENDATION

The Government should step up collaborative engagement to encourage greater alignment and interoperability in digital rules, while maintaining strong multilateral commitments. In particular, the Government must continue to support the WTO e-commerce moratorium and the Joint Statement Initiative on e-commerce.

Helping power Asia-Pacific's green transition Green Transition

50. Asia will play a decisive role in the global effort to achieve net-zero. The region is home to five of the world's ten largest emitting countries and accounts for around 45% of global greenhouse gas emissions, reflecting its large population and industrial base.⁸⁵ At the same time, it is among the most climate-vulnerable regions. Countries such as Myanmar, the Philippines, Thailand, and Vietnam are already among the ten most affected globally by climate-related weather events over the past two decades.⁸⁶
51. In Japan, we heard there is considerable opportunity in the green energy transition, especially in offshore wind where we are seen as a global leader alongside related services, such as regulatory reform, and design, build and green finance. Trade can support the green transition in two primary ways: by liberalising trade in environmental goods and services, and by reducing

85 [Asia's net-zero transition: Opportunity and risk amid climate action](#), McKinsey Global, September 2022

86 [The ASEAN climate and energy paradox](#), Energy and Climate Change, December 2021

market distortions that encourage environmentally harmful practices.⁸⁷ On the former, the most direct mechanism is to lower tariffs and non-tariff barriers on environmental goods and services, whether through WTO negotiations, FTAs, or reductions to the UK tariff. While FTAs increasingly include environmental cooperation provisions, and act as a vital signal of intent, the impact of these depends on the resources and follow-through both parties are willing to commit.⁸⁸

52. At the same time, efforts to internalise the carbon cost of production and curb carbon leakage are accelerating. By 2024, carbon taxes and emissions trading systems (ETS) grew to cover 24 per cent of global emissions – up from 7 per cent a decade earlier.⁸⁹ The Asian Development Bank predicts that by 2050, Asia will sell approximately four gigatons of carbon dioxide equivalent (CO₂e), an amount that represents more than 10 per cent of global annual emissions in 2023 and could potentially be worth more than US\$40 billion.⁹⁰ But price divergence across the region, with carbon prices ranging from \$0.61 per tonne in Indonesia to \$12.57 in China, compared to \$61.30 in the EU, leads to distorted incentives and increases the risk of carbon leakage.⁹¹ Businesses will need to navigate these divergent approaches, which will present additional barriers for exporters.
53. Ceres also highlighted the increasing importance of industrial strategy across Asia, noting that “Asia is leading in this space through strong industrial strategies that support the energy transition while creating local jobs and supply chains”.⁹² These dynamics were evident throughout our visit to Japan, where we explored how the country is navigating the intersection of climate ambition, economic security, and geopolitical risk. Key insights from that visit are summarised in Box 2.
54. Similarly, the Committee heard that UK businesses, particularly SMEs, may be ill-equipped to take advantage of green trade opportunities without greater domestic support. The Institute of Directors noted that “trade policies to promote green trade will ultimately only succeed if accompanied by domestic strategies to support business decarbonisation.”⁹³ They cited

87 [GREEN TRADE](#), Board of Trade Report, June 2021

88 [Do labour and environmental provisions in trade agreements lead to better social and environmental outcomes in practice?](#), UKTPO, December 2023

89 ‘Global carbon pricing revenues top a record \$100 billion,’ World Bank, May 2024

90 ‘National strategies for carbon markets under the Paris Agreement,’ Asian Development Bank, November 2023, p.6

91 ‘Compliance Carbon Prices,’ Carbon Pricing Dashboard, World Bank

92 Ceres (ELG009)

93 Institute of Directors (ELG0026)

their own research showing that that only 30% of business leaders currently measure their carbon footprint, and fewer than a quarter have made net zero commitments.⁹⁴

55. In addition, experts from the Board of Trade and the UK Trade Policy Observatory (UKTPO), among others, have published proposals on how the UK could better align its trade and climate policies, including through a dedicated green trade strategy.⁹⁵ Suggestions range from joining plurilateral climate-focused trade initiatives, such as the Agreement on Climate Change, Trade and Sustainability (ACCTS) and Environmental Goods Agreements, to unilateral tariff removals on green goods, border carbon measures, supply chain decarbonisation, and targeted government incentives through trade promotion to support low-carbon trade and investment.

56. **RECOMMENDATION**

As part of its new trade strategy, the Government should clearly set out how it will promote the liberalisation and export of environmental goods and services, particularly in and to the fast-moving Asia-Pacific region. The strategy must be aligned with the UK's industrial strategy, underpinned by clear commitments to assess and respond to strategic dependencies and anti-competitive distortions in sectors of national security, while maintaining the UK's support for a rules-based trading system.

Box 2: Trade with Japan and insights from Committee Visit to Japan: Trade, Climate and Economic Security

During its visit to Japan in Spring 2025, the Committee explored how Japan is navigating a volatile global trading environment while accelerating its energy transition and strengthening economic resilience. Discussions covered a range of themes, including recent trade developments, supply chain security, and opportunities for deeper UK–Japan collaboration. Japan and the UK face similar economic challenges. Both countries have struggled to increase their productivity and are regionally imbalanced economically. Growth has been concentrated in Tokyo and the surrounding region. We heard that in a similar way to the UK, Japan needs to strengthen its competitiveness and break out of an extended period of economic stagnation. We heard that Japan's ageing population meant that it was critical to provide employment opportunities for older people.

94 Institute of Directors (ELG0026)

95 [GREEN TRADE](#), Board of Trade Report, June 2021, [Towards a comprehensive UK Green Trade Strategy](#) George Riddell & Sam Lowe, October 2021

The greatest share of Japan's trade is with other countries in Asia. Over half of the Japan's exports (54%) and just under 50% of Japan's imports come from other Asian countries. China a large trading partner for Japan. China accounts for 17% of Japan's exports and 22% of imports. Kansai—a more industrial region—imports and exports more from other Asian countries than the country as a whole and is more reliant on trade with China. After Asia, most of Japan's trade is with North America. We heard that only 10% of Japan's exports go to Europe.

Trade Volatility

The visit coincided with the announcement of a new wave of US tariffs on key imports. All stakeholders repeatedly raised the implications of these measures, particularly for medium-sized, open economies such as Japan and the UK. At the time, the Japanese Government was continuing to negotiate with the US and had not decided whether to retaliate. Although retaliatory tariffs were frequently discussed, stakeholders noted the limited leverage of countries operating outside the scale of the US, EU, and China. In isolation, we heard that there were not many examples of industries where retaliatory measures by either country would have a sufficient impact. Participants stressed that both Japan and the UK benefit from open, rules-based trade and must remain cautious about escalation.

Trade infrastructure and opportunities

The UK and Japan have a bilateral trade agreement but are also both members of the CPTPP, which was described as providing a comprehensive infrastructure for government-to-government dialogue and for trade to take place. However, this infrastructure was not yet being used to its full potential and opportunities for greater trade links were available. There was frustration expressed by some that government efforts were not focused around clear strategic priorities – and the planned UK Government trade strategy was keenly awaited by those working to increase Japanese investment in the UK. We heard that support tended to be focused on large suppliers and that opportunities for SMEs to trade with Japan were not being properly exploited.

Business links between UK and Japan

UK businesses operating in Japan and Japanese businesses investing in the UK provided good examples of cooperation (e.g. the Sumitomo cable factory investment in Scotland) potential for stronger links (for example on offshore wind farms). Businesses all appealed for greater policy certainty and a long-term view of this to encourage greater investment into the UK. They also said that greater support for businesses planning to invest in the UK would be welcomed (a one-stop shop approach was

discussed). Business and trade links were often strengthened by other forms of collaboration and the example of university collaboration was given (e.g. between Manchester and Osaka).

Economic Security Risks

China is a strategic concern for Japan. Japan and China are large trading partners. Japan also trades heavily with the US, which has been a long-established ally. We heard that some Japanese companies were becoming more and more cautious over their relationships with China, whereas those that were more exposed were seeking to mitigating the risks. One major industrial Japanese company told us that its trade with America accounted for around a quarter of its total sales, while sales to China made up a fifth. As such, they need to be a trusted company in both countries. Companies, we heard, were actively developing contingencies in the event of an escalation of tensions between China and Taiwan.

Japan has long been considering the role of economic security. Japan appointed an Economic Security Minister in 2021, for example. In 2022, Japan passed the Economic Security Protection Act setting out regulations and subsidies covering key supply chain, critical national infrastructure and the promotion of strategic technologies. Two of Japan's pillars of economic security include: strategic autonomy and strategic indispensability. Strategic autonomy refers to addressing vulnerabilities and dependencies in key infrastructure and supply chains, whereas strategic indispensability involves strengthening Japan's technological advantage.

Japanese firms were described as being further ahead in embedding economic security practices, with many companies having established dedicated offices to map supply chains and identify potential vulnerabilities. A global company based in Japan told us that it has established an internal Economic Security Office, partly to upgrade the level of economic security within the business. There was a recognition that companies needed to enhance their intelligence capability. We heard from a global Japanese company, with a large supply of 40,000 companies and 1 million items, which used artificial intelligence to conduct a survey of 180,000 items in its supply chain. They told us about the potential supply chain risks for their business from certain critical minerals.

There was also a recognition that it was in the interests of like-minded countries to collaborate to diversify supply chains and boost their resilience. However, there was also a recognition that it is not possible to diversify everything.

Green Partnerships

Japan is actively pursuing decarbonisation and views collaboration with like-minded partners as essential. Stakeholders highlighted that China's current dominance in green technologies, such as solar PV, underscores the need for diversification. Offshore wind—particularly floating wind—was cited as a key area where UK expertise could support Japan's ambitions. One example is Panasonic's memorandum of understanding with Greater Manchester Combined Authority, which seeks to deploy green hydrogen across the region. During the visit, the Committee observed first-hand how Panasonic is integrating hydrogen, battery storage, and solar energy to decarbonise operations.

UK-Japan Strategic Alignment

There was optimism about the deepening UK-Japan relationship. While the UK's departure from the EU initially created uncertainty, Japanese stakeholders welcomed the stability now returning to the UK's trade policy and viewed CPTPP accession as a major positive step. Japan sees the UK as a pragmatic and constructive partner in the CPTPP agreement, particularly amid potential accession bids from China and Taiwan. We heard the CPTPP agreement could now serve as a framework for deepening bilateral trade ties, enabling both countries to do more within a shared strategic structure. We also heard loud and clear how, as the two largest economies in CPTPP, the UK and Japan together have an extraordinary new opportunity to drive wider the arc of a high-quality, rules-based trading system that embraces some of the fastest growing economies on earth. However, without a clear strategic narrative, anchored in sectoral priorities and long-term relationship-building, the full value of these tools will not be realised. The Government's forthcoming trade and industrial strategies should help address this. The UK-Japan Free Trade Agreement, together with joint initiatives such as the Global Combat Air Programme (GCAP), were cited as signs of an increasingly strategic bilateral partnership.

Sustained political engagement and diplomacy

57. Consistent senior-level engagement and ministerial diplomacy are also critical to unlocking trade opportunities. High-level visits can offer UK businesses competitive advantages in tight markets. Ian Gibbons, Chief Executive Officer of the UK-ASEAN Business Council, told the Committee that ministers can have significant impact when they are clear on priorities: “three or four events are key; your attendance really matters and you need

to be there.”⁹⁶ He recommended that targeted attendance at such moments should be a key ministerial focus over the course of this Parliament to support trade growth.

58. Johanna Kyrklund gave us an example of the recent UK-China Economic and Financial Dialogue from January 2025:

“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.”⁹⁷

59. Equally, the UK must not shy away from using the dialogues available to us to continue to push for the values we believe in, including higher labour standards. These issues remain relevant with several of the UK’s Asia-Pacific trading partners, as there are concerns differing labour standards concerns regarding Vietnam, Brunei, Malaysia and India.⁹⁸ These are matters of great concern to the Committee, and we believe UK credibility in these arguments will be stronger when the Government implements the Committee’s recommendations to improve the Modern Slavery Act 2015 and improve safeguards against forced labour in supply chains. Ian Gibbons also told us that it is “incumbent particularly upon the Government to make sure that those important issues are raised at ministerial and senior official level, not just once but continuously.”⁹⁹
60. We also heard that the UK must move beyond a purely export-oriented or “hub and spoke” approach to diplomatic trade policy. This model, where activity is driven primarily from the UK outward, risks missing opportunities within Asia’s rapidly evolving growth corridors. One example given was GIFT City in Gujarat, India’s flagship hub for global services, where regular UK attendance at key events could help unlock new growth. As one witness explained: “If we started attending some of the events at GIFT City that are looking to attract investment from China and think about how there is

96 [Q192](#)

97 [Q204](#)

98 [Vietnam](#) and [Brunei](#) do not recognise independent trade unions; there is evidence that [Malaysia](#) is vulnerable to forced labour and [Indian](#) employers are not legally obliged to recognise unions

99 [Q187](#)

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.”¹⁰⁰

61. This is particularly timely evidence given recent reporting that Foreign Secretary David Lammy has instructed top diplomats to act as a “salesforce for the UK economy”.¹⁰¹ The Committee understands this but fears this risks reinforcing the same “hub and spoke” dynamic by focusing too narrowly on promoting Britain from the centre, rather than embedding UK engagement within Asia’s localised growth ecosystems.

62. In his evidence to us, the Rt Hon Douglas Alexander, Minister for Trade Policy and Economic Security at the Department for Business and Trade and Minister of State at the Cabinet Office, argued that trade strategy will be “data heavy and delusion light” and that the Government’s trade-focused resource must be matched to the potential of the export opportunities around the world.¹⁰²

63. **CONCLUSION**

The UK’s reputation as a reliable and constructive partner makes it well-placed to navigate Asia’s evolving trade landscape. However, the Committee heard that seizing these opportunities will require a more embedded and consistent approach, underpinned by policy certainty and sustained political engagement at the highest levels.

64. **RECOMMENDATION**

The Committee, therefore, calls on the Government to provide long-term policy certainty to businesses navigating rising geo-political and regulatory complexity across the region to enable them to take up the opportunities that greater trade with Asia. It must also continue to engage, through all available channels, with Asian partners and set a clear strategic policy direction in its upcoming trade strategy.

65. **RECOMMENDATION**

The Government should look to incorporate regular ministerial and official attendance at key events in Asian economic centres, such as GIFT City in India, where UK exports have the most potential to grow. Diplomatic trade policy should move beyond a centralised, export-driven model and aim to embed the UK in Asia’s regional growth corridors.

100 [Q216](#)

101 Politico, David Lammy orders top diplomats to sell ‘Brand Britain’, 17 May 2025. Available at: <https://www.politico.eu/article/uk-david-lammy-orders-top-diplomats-sell-brand-britain/> [accessed 22 May 2025].

102 [Q2](#)

66.

RECOMMENDATION

We agree with Douglas Alexander that the Government's trade-focused resource must be matched to the potential of the export opportunities around the world. The Government must, therefore, invest properly in trade resources that are tailored to the needs of each significant Asian market. In order to match resources to the potential of the export opportunities the Government must undertake an analysis of DBT's overseas based staff and compare this with the projected market growth in each market. The Department must then ensure resources are suitably realigned to meet strategic priorities and fully exploit the potential of growing markets.

Conclusions and recommendations

Barriers to Trade

1. Asia-Pacific offers vast commercial potential for UK exports of both goods and services, but realising these opportunities for greater trade will depend on overcoming barriers through targeted regulatory diplomacy and sustained engagement through dialogues and trade frameworks. In particular, the Government must include robust and enforceable IP chapters in all new and updated FTAs. It should also ensure that adequate resources are allocated to support enforcement, investigation, and trade promotion of IP protections. (Conclusion, Paragraph 24)
2. The Government should use its full network of trade dialogues in Asia to push for real, commercially meaningful outcomes to drive down tariffs, remove regulatory uncertainty and improve intellectual property protection. In particular, the Department should explore wider use of ‘between the meeting’ task and finish groups that include the private sector to identify problems that hamper exports and develop solutions more rapidly. (Recommendation, Paragraph 25)

Opportunities for trade with Asia-Pacific

3. The Government must continue its commitment to the Global Combat Air Programme as a conduit to build further on good relations with Japan, a key partner in the region. By recognising the power of such partnerships, and exploring where these can be grown, the UK is building a bedrock upon which greater trading ties can be created in the defence and other sectors. To sustain industry confidence, the Government must also provide longer-term funding commitments, moving beyond the current 12-month cycle, to give companies the certainty needed to scale their involvement. (Recommendation, Paragraph 34)
4. The UK should explore with Japan the potential to widen the partnership to include digital and cyber technologies, to explore potential ties to the AUKUS programme, and to develop joint exports to allies across the region.

Furthermore, the Government should quickly deepen the economic security dialogues with Asia Pacific allies to enhance our mutual resilience and diversity of our supply chains. (Recommendation, Paragraph 35)

5. Education and higher education are critical export sectors in Asia-Pacific and strategic enablers of the best possible export environment in the region. The Government's trade strategy should confirm that education is a priority sector and the Industrial Strategy Council should ensure there is a cross-Whitehall dialogue that helps maximise the potential of UK education exports. On the ground in export markets, UK embassies should ensure that universities feature in a five-year business plan for advancing local 'soft-power strategies' which choreograph taxpayer-funded soft power institutions including UK universities, UK research councils, the British Council and the BBC World Service and connect to better organised drive behind export of UK creative industries, organised through the Industrial Strategy Council. (Recommendation, Paragraph 41)
6. Asia is fast becoming a key market for digital trade, shaped by divergent data governance models and rapid technological transformation. While regulatory fragmentation poses challenges, it also creates a window for the UK to support greater alignment through trusted, collaborative partnerships. There is a clear opportunity to promote convergence—via CPTPP, bilateral frameworks, or targeted initiatives—in ways that expand access, build resilience, and benefit UK firms operating globally (Conclusion, Paragraph 47)
7. As part of the new trade strategy, the Government should shift greater attention and resourcing toward joining open-ended digital agreements, such as DEPA, that better reflect the Indo-Pacific's role as the engine of global digital growth, and offer faster, more flexible market access than traditional FTAs. (Recommendation, Paragraph 48)
8. The Government should step up collaborative engagement to encourage greater alignment and interoperability in digital rules, while maintaining strong multilateral commitments. In particular, the Government must continue to support the WTO e-commerce moratorium and the Joint Statement Initiative on e-commerce. (Recommendation, Paragraph 49)
9. As part of its new trade strategy, the Government should clearly set out how it will promote the liberalisation and export of environmental goods and services, particularly in and to the fast-moving Asia-Pacific region. The strategy must be aligned with the UK's industrial strategy, underpinned by clear commitments to assess and respond to strategic dependencies and anti-competitive distortions in sectors of national security, while maintaining the UK's support for a rules-based trading system. (Recommendation, Paragraph 56)

10. The UK's reputation as a reliable and constructive partner makes it well-placed to navigate Asia's evolving trade landscape. However, the Committee heard that seizing these opportunities will require a more embedded and consistent approach, underpinned by policy certainty and sustained political engagement at the highest levels. (Conclusion, Paragraph 63)
11. The Committee, therefore, calls on the Government to provide long-term policy certainty to businesses navigating rising geo-political and regulatory complexity across the region to enable them to take up the opportunities that greater trade with Asia. It must also continue to engage, through all available channels, with Asian partners and set a clear strategic policy direction in its upcoming trade strategy. (Recommendation, Paragraph 64)
12. The Government should look to incorporate regular ministerial and official attendance at key events in Asian economic centres, such as GIFT City in India, where UK exports have the most potential to grow. Diplomatic trade policy should move beyond a centralised, export-driven model and aim to embed the UK in Asia's regional growth corridors. (Recommendation, Paragraph 65)
13. We agree with Douglas Alexander that the Government's trade-focused resource must be matched to the potential of the export opportunities around the world. The Government must, therefore, invest properly in trade resources that are tailored to the needs of each significant Asian market. In order to match resources to the potential of the export opportunities the Government must undertake an analysis of DBT's overseas based staff and compare this with the projected market growth in each market. The Department must then ensure resources are suitably realigned to meet strategic priorities and fully exploit the potential of growing markets. (Recommendation, Paragraph 66)

Formal minutes

Tuesday 24 June 2025

Members present:

Liam Byrne, in the Chair

John Cooper

Sarah Edwards

Charlie Maynard

Joshua Reynolds

Export led growth: Trade with the Asia-Pacific region

Draft Report (*Export led growth: Trade with the Asia-Pacific region*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 66, read and agreed to.

Summary agreed to.

Resolved, That the Report be the Eighth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134)

Adjournment

Adjourned till Tuesday 1 July at 2.00pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 21 January 2025

Rt Hon Douglas Alexander MP, Minister for Trade Policy and Economic Security, Department for Business and Trade; **Rt Hon Nick Thomas-Symonds MP**, Minister for Constitution and European Relations, Cabinet Office; **Amanda Brooks CBE**, Director General for Trade Policy, Implementation and Negotiations, Department for Business and Trade; **Niall MacEntee-Creighton**, Deputy Director, UK-EU Economic and Trade Partnership, Cabinet Office

[Q1-94](#)

Tuesday 25 February 2025

The Lord Hannan of Kingsclere, President, Institute for Free Trade; **Mr Marley Morris**, Associate Director for Migration, Trade and Communities, Institute for Public Policy Research (IPPR); **Tom Brufatto**, Executive Director of Policy and Research, Best for Britain

[Q95-130](#)

Tom Wills, Director, Trade Justice Movement; **Rosa Crawford**, Policy Officer, Trade Union Congress (TUC); **Eric Gottwald**, Trade and Globalization Policy Specialist, AFL-CIO

[Q131-142](#)

Sarah Williams, Head of Strategic Partnerships, Green Alliance; **Frank Aaskov**, Director, Energy and Climate Change Policy, UK Steel; **Rebecca Sedler**, Managing Director of National Grid Interconnectors, National Grid

[Q143-157](#)

Lord Mark Sedwill, Cabinet Secretary (2018–2020), Former National Security Adviser and Cabinet Secretary; **Sean Sargent**, Chief Executive Officer, Green Lithium; **Sir Sherard Cowper-Coles**, Chair, China-Britain Business Council; **George Magnus**, Research Associate, University of Oxford China Centre and School of Oriental and African Studies

[Q158-178](#)

Tuesday 25 March 2025

Charlie Humphreys, Director of Corporate Affairs, Asia House; **Ian Gibbons OBE**, Chief Executive Officer, UK ASEAN Business Council; **Douglas Barrie**, Senior Fellow for Military Aerospace, International Institute for Strategic Studies [Q179-192](#)

Nicola Watkinson, Managing Director, International, TheCityUK; **Harry Anderson**, Head of Policy and Global Engagement, Universities UK; **Johanna Kyrklund**, Global Chief Investment Officer, Schroders [Q193-217](#)

Helen Brocklebank, Chief Executive Officer, Walpole; **Mr Jonathan Brenton**, Director of Public Affairs, Pernod Ricard; **Alex Gover**, Head of Business Development, Intralink [Q218-221](#)

Tuesday 3 June 2025

Russell Codling, Director, Markets Business Development & Commercial Services, Tata Steel; **Andy Richardson**, Managing Director, Special Melted Products; **Murray Paul**, Public Affairs Director, Jaguar Land Rover; **George Drakos**, Director, Bridgnorth Aluminium [Q222-257](#)

David Exwood, Deputy President, National Farmers Union; **Paul Kenward**, Chief Executive Officer, ABF Sugar; **Steve Bates**, Chief Executive Officer, Bioindustry Association [Q258-299](#)

Simon Thomas, Chief Executive Officer, Paragraf; **Sabina Ciofu**, Associate Director - International, techUK; **Jonathan Legh-Smith**, Executive Director, UKQuantum [Q300-320](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

ELG numbers are generated by the evidence processing system and so may not be complete.

1	Anonymised	ELG0051
2	ADS Group	ELG0016
3	AirportsUK	ELG0021
4	Association of British Insurers (ABI)	ELG0020
5	AstraZeneca	ELG0011
6	Best for Britain	ELG0007
7	British Educational Suppliers Association	ELG0039
8	British Standards Institution	ELG0025
9	Brown-Forman	ELG0015
10	Centre for Business Prosperity and Enterprise Research Centre	ELG0045
11	Centre for Cities	ELG0030
12	Centre for Inclusive Trade Policy (CITP); and UK Trade Policy Observatory (UKTPO)	ELG0019
13	Ceres	ELG0009
14	Chemical Industries Association Ltd	ELG0033
15	Collins, Professor David (Professor of International Economic Law, City St George's, University of London)	ELG0004
16	Dow	ELG0028
17	Federation of Small Businesses	ELG0032
18	Greater Manchester Combined Authority	ELG0027
19	Horticultural Trades Association (HTA)	ELG0029
20	Institute of Directors	ELG0026
21	International Meat Trade Association (IMTA)	ELG0001

22	Legrenzi, Dr Gabriella (Senior Lecturer in Economics and Finance, Keele University)	ELG0038
23	Lloyd's of London	ELG0042
24	Manchester Airports Group	ELG0002
25	Mandal, Dr Anandadeep (Associate Professor, University of Birmingham)	ELG0005
26	National Farmers' Union of England and Wales	ELG0031
27	National Grid	ELG0047
28	Pernod Ricard	ELG0050
29	Quality Meat Scotland	ELG0044
30	RenewableUK	ELG0048
31	Rise Coalition	ELG0013
32	Royal Institution of Chartered Surveyors	ELG0040
33	Salmon Scotland	ELG0041
34	Society of London Theatre & UK Theatre	ELG0022
35	Tees Valley Combined Authority	ELG0043
36	The Association of the British Pharmaceutical Industry (ABPI)	ELG0046
37	The City of London Corporation	ELG0034
38	The Food and Drink Federation	ELG0012
39	The Growth Commission	ELG0008
40	The Law Society	ELG0010
41	The Society of Motor Manufacturers and Traders Ltd (SMMT)	ELG0035
42	The Wine and Spirit Trade Association	ELG0037
43	TheCityUK	ELG0014
44	Trade Union Congress (TUC)	ELG0049
45	UK Export Finance	ELG0024
46	UK Trade Policy Observatory (UKTPO)	ELG0018
47	UKTRF	ELG0023
48	University of Surrey Business School – The Centre for the Decentralised Digital Economy (DECaDE).	ELG0006
49	Walpole	ELG0017
50	West London Chambers of Commerce	ELG0003

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2024–25

Number	Title	Reference
7th	Industrial Strategy	HC 727
6th	How to strengthen UK-EU relations: Policy Priorities for the Summit	HC 908
5th	How to strengthen UK-EU relations	HC – 814
4th	Post Office Horizon scandal redress: Unfinished business: Government response	HC 778
3rd	Make Work Pay: Employment Rights Bill	HC 370
2nd	Priorities of the Business and Trade Committee	HC 423
1st	Post Office and Horizon scandal redress: Unfinished business	HC 341
2nd Special	Post Office Horizon scandal redress: Unfinished business: Government response	HC 969
1st Special	Make Work Pay: Employment Rights Bill: Government response	HC 932