HOUSE OF LORDS

International Relations and Defence Committee

Corrected oral evidence: The UK's security and trade relationship with China

Wednesday 12 May 2021

10 am

Watch the meeting

Members present: Baroness Anelay of St Johns (The Chair); Lord Alton of Liverpool; Lord Anderson of Swansea; Baroness Blackstone; Lord Boateng; Lord Campbell of Pittenweem; Baroness Fall; Lord Mendelsohn; Baroness Rawlings; Lord Stirrup; Baroness Sugg; Lord Teverson.

Evidence Session No. 9 Virtual Proceeding Questions 80 - 93

Witness

I: Lord O'Neill of Gatley.

USE OF THE TRANSCRIPT

1. This is corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witness

Lord O'Neill of Gatley.

Q80 **The Chair:** Good morning. I welcome to this meeting of the International Relations and Defence Select Committee in the House of Lords Lord O'Neill of Gatley, former Commercial Secretary to Her Majesty's Treasury. Thank you for joining us today to share your expertise as we continue our inquiry into the UK's security and trade relationship with China. I remind members and our witness that today's proceedings will be transcribed and broadcast, and that they should declare any relevant interests before asking questions. If there is any time remaining at the end of the formal run of questions, I shall invite my colleagues to ask supplementaries and, as ever, priority will be given to those colleagues who have not asked questions by that point. I shall begin by asking the first question, which is very general in nature, and then I shall turn to my colleagues for their more detailed questions.

Lord O'Neill, you were one of the main advocates of closer economic ties with China in what has been described as the golden era. What was your reason for taking that view, and has your opinion changed?

Lord O'Neill of Gatley: It is a pleasure and an honour to be with you all this morning. I wanted to go back what I might call 40,000 feet. When I first started professionally working, post PhD studies in finance, as an economist in the early 1980s, it was not many years before what became the perennial dilemma of the excessive global dependency on the US consumer as the main engine. The world was characterised then, and has been so on and off ever since, as the US consuming something in the vicinity of 70% of GDP, while the countries that were perceived to be the other big western engines of the time, Germany and Japan, did not consume very much. That meant that there was continuous vulnerability to something going wrong with the US consumer.

As the 1980s morphed into the 1990s, I started to vaguely follow this place called China, and I saw the remarkable growth rates that were taking place. I think 1990 was the first time I visited China. As an anecdote—I say this jokingly, but it is what I felt at the time—I had also been to Taiwan on the same trip, and as I wandered around Beijing and Shanghai I felt as though I had got the two countries mixed up in my mind, because there was a lot of street market activity going on in Beijing and Shanghai that you would not typically expect from a restrained communist society.

By the mid-1990s, and certainly the late 1990s, it became apparent to me that if China was going to continue on the same growth path, the world had found a potential global engine of similar importance to the US. That was at the core of what then became the whole BRIC thing, or at least of China's involvement in it, and through the 2000s the huge growth of the Chinese economy became more and more apparent. So it seemed pretty obvious to me that if you wanted to be a successful open economy anywhere in the world, you had to try to participate in this remarkable economic story. By and large, that is what has played out, notwithstanding all the various global threats and dilemmas and China's role within them—contributing to them and being vulnerable to them. Today, China is probably the number one trade partner for close to half the world's economies, not including the UK but certainly for many others.

The Chair: And does your view remain the same, based on your experience?

Lord O'Neill of Gatley: To turn this into a UK-specific question, I remember the first time I was asked in a semi-formal way to deal with this issue. I will guess that it was in 2010 or 2011—my dates get somewhat mixed up—when the then Prime Minister, David Cameron, made a quite well-known trip to China, and I was asked as a private citizen at the time to participate in and present an event on the opportunities for the UK from China's rise.

I tried to characterise it as the new China—that is, the one that certainly appeared to be emerging at the start of the last decade, and parts of it still do—being likely to benefit specifically what the UK had to offer more than in the previous two decades. As China developed more and more middle-class and middle-income citizens, they would be more likely to want to acquire higher-quality goods, particularly service-related type goods such as better healthcare, which would probably place the UK in a better position than would have been the case in the preceding 20 years when they were more needy or dependent on the expertise of very pure capital goods-type producers.

That was my view, and it was a big influence on my thinking when I joined the Government. Even though the prime purpose of me becoming Commercial Secretary was northern powerhouse-related, the request to be the key person thinking about the economic relationship with China was a very powerful supplementary motive.

The Chair: Thank you. That is a very helpful start for us.

Q81 **Lord Teverson:** One of the big pluses of the golden era was the UK involvement in the Asian Infrastructure Investment Bank. In fact, one of my former colleagues, Danny Alexander, is still a senior vice-president of that organisation. I wondered about your views on how important that relationship is for the UK and China these days and where you see that relationship going. I must admit that it has surprised me how global that organisation has become since its foundation, although obviously without the United States, and how important it is. Are we going to keep our vice-presidency? Are we going to keep our important voting rights? Has that been seen as a positive lever to date?

Lord O'Neill of Gatley: I smiled to myself as you started asking that question, because I was the person who officially signed the documents for the UK in Beijing. It was a very lengthy meeting, and I have to say that it was not the most thrilling meeting that I have ever been at, but for fairly obvious reasons it was a very important moment. In China's eyes, if one can use a probably overly simplified way of looking at it I think it symbolised a different UK stance from the one before. It consolidated the beginnings of the so-called golden relationship, so it was very important. The fact that Danny was given that position and has maintained it since is also very important.

Since leaving government, my own regular activities have adapted over time. I am no longer that familiar with the month to month goings on of the AIIB, but it seems to me that, partly because of Danny's presence but also due to the leadership that was chosen by the Chinese, it tries to have some of the best standards of governance—or it did—that I was aware of in this field. Our role in it has been very important, and I hope that the UK continues to have an active role in it. I think it is quite respected, not least because of our historical role in many international organisations.

Q82 **Baroness Blackstone:** I want to go back to a more general question. How important is China to the UK's economy today and to our prospects for growth? Could you set out what you see as the main opportunities presented by China as a trading and investment partner for the UK?

Lord O'Neill of Gatley: I checked the data earlier this morning. Provisional trade data for 2020, which of course was a very peculiar year and one to be a little bit careful about, shows that China, as an export market for the UK, dropped to seventh from what would have been sixth the year before.

As a sign of the rate of change—linking this back to my answer to the opening question—at the beginning of the millennium, or in 1999, China was the 26th most important export market for the UK, so not relevant in aggregate at all, although it probably was for some niche companies then. So it has risen sharply. There is not a lot of difference between being sixth or seventh and being fourth, so if, post Covid, China were to maintain or resume something like 5% to 6% GDP growth—domestic demand being an important driver, because it is the biggest determinant of import growth—it seems pretty reasonable to assume that by not long after the middle of this decade China could become our third most important export market.

I should perhaps mention in this regard something that is often forgotten. It was actually a declared policy intention of the Cameron and Osborne Government that, within a decade, China would be our third most important export market. I think that was the statement. I remember teasing my colleagues by saying, "Well, that's not that ambitious a hurdle, given how speedily China is becoming an export market for many others".

In terms of imports, China is already third or fourth in importance for us, so it is important but not as important as it is for many other nations that we think of ourselves as being comparable with. Putting it into context, and without getting overly into how economists look at these things, conventional wisdom by and large—I do not subscribe to a lot of conventional wisdom, but I would on determinants of trade—is that the relative size of domestic demand growth, particularly consumption and investment, are typically the biggest drivers of how much a country imports from the rest of the world. That is along with geographic distance and obviously aspects that determine price competition, but relative domestic demand and distance are often the most important.

So China is more important than it was, but it is not as important as it might be in ideal circumstances. One would imagine that, post Brexit, you would want it to be more.

Finally, to contextualise this, when I observe various officials or Ministers talking about free trade deals with various parts of the world, I have to say that having a trade deal or not with a relatively small country would be nowhere near as important, in my judgment, as having good improving trade with the most important drivers of global domestic demand, of which China is a pre-eminent one.

Q83 **Baroness Fall:** I declare my interest as a senior adviser at Brunswick Group.

Thank you for your time this morning. My question comes off the back of what you have just said about the importance of trade and, in a way, the intention of government to drive that. What more should the UK be doing to encourage trade? What sort of obstacles do you see in the way? I am thinking about regulation and trade barriers, but also about the appetite to trade more in China. We have seen the problems recently with Xinjiang, retailers' concerns about supply there, boycotts in China. These are tricky times. If you were still sitting in government, what would you recommend to increase trade with China?

Lord O'Neill of Gatley: Oh dear. I could probably spend hours trying to answer this question. I shall try to resist the temptation to meander.

First, being good at trade requires being good and serious at being good at trade.

The second thing to say, and I have already been guilty of this myself, is that one immediately lurches into thinking about this as trying to export more. Obviously trade involves imports as well as exports. We tend to be better in general at importing than we are at exporting. Again, this sounds a bit academic, but it is an important point: countries that generally have low domestic savings rates relative to their investment needs have to have a net import of capital in order for the balance of payments to equalise.

Remarkably through Covid we have seen a huge rise in our savings rates. Certainly for decades pre Covid the UK had a very low savings rate, which is why we typically have a deficit in trade and the current account. If we really want to get more Germanic or Japanese and so on in terms of the balance of trade, ultimately we have to permanently raise our savings rates so that we are not so dependent on foreign capital. That is an important point that should not be lost in the minds of the many people who talk simplistically about trying to improve trade performance, because it relates to what your domestic policies are.

Specifically, and more to the point of your question on China—if the other questions come up in the way I was guided before, more aspects of this will come out, so I will try to be brief—at the centre of this, and one of the current issues, is how you position economic policy. What concerns me a bit about how things have developed in the run-up to the so-called golden relationship and since is that a lot of these things are seen as separate from each other. At the moment, with some justification and as represented by the Integrated Review, there seems to be a lot more focus on security matters and diplomatic matters, and not so much on economic matters.

There is a lack of interest in the economics or a presumption that having an increased focus on those other issues will not matter. I am not sure that that makes a lot of sense.

As an aside, one thing through the whole Brexit process that I have learned about human psychology and the way people feel about global trade is that trade itself should be regarded as a direct linkage to your domestic economic priorities, not some remote thing. That needs to be the case with respect to security matters and international diplomacy, too.

The speed with which the mood has shifted towards certain aspects of how the Chinese leadership seems to conduct itself is, by definition, not conducive to a conscious effort to improve the overall economic relationship, including trade and attracting foreign direct investment. It is about getting the right balance, and we seem to lurch from one to the other. I know from conversations that I still have with mid-level Chinese officials that they are very confused about what the UK really wants from a relationship with China.

Q84 **Lord Alton of Liverpool:** I declare an interest as vice-chair of the All-Party Parliamentary Group on Uyghurs and a patron of the Coalition for Genocide Response. Lord O'Neill, thank you for sharing your insights with us. Last year, you said that the UK was "drifting into a trade war, while dressing it up as a security issue". Could you explain what you meant by that? How in your view do UK security and trade interests with China intersect? Is it, for instance, legitimate for a country like the United Kingdom to trade with a state that is credibly accused of genocide? What is your opinion of the way in which the Integrated Review describes China?

Lord O'Neill of Gatley: I saw that quotation in the advance notes, and I must have given a slightly inaccurate answer to the journalist who asked, or maybe my comments were taken slightly out of context. I did not quite mean it that way. I was suggesting, linked to what I just said to Baroness Fall, that if we have an aggressive security-based approach, towards China in this instance, it is quite conceivable that it would have a consequence for trade at some point. That is slightly different from the way the headline of the piece, at least, portrayed what I was trying to say.

The other parts of your question are complex issues. I again touch on what I mentioned to Baroness Fall: the consistency of the UK's approach through time and, crucially, how it relates to all nations with which we have relationships. To some people in China it appears that we are trying to make a particular case on human rights purely because it is China. One considers, for example, Saudi Arabia, which, to a number of observers, we seem much more at ease in conducting trade with and relegating the importance of matters to do with human rights and security. Are we adopting an equally considered and fair approach to the world as a whole?

The reason I put it this way—it could of course be completely coincidental—is that it is also perceived as coinciding with the aggressive stance adopted, at least publicly, by the Trump Administration, and that the UK is being dragged into this position and is not doing this based on its independent judgments, rightly or wrongly. This was not part of your question, but aspects of the Huawei decision in particular are seen in that context. The issue with the Uighurs, as I am sure Lord Alton is more than aware, has gone on for a long time, although perhaps not on the scale of publicly available evidence that we have today. Part of the issue is why we did not have a view about that before. Why has it suddenly become an issue today?

The Chair: Continuing along the lines of human rights, I go to Baroness Sugg.

Q85 **Baroness Sugg:** Thank you for joining us today. To follow up on your responses to a number of previous questions, how do you think the Government should best seek to balance that concern about human rights and labour protections with their ambition to increase economic co-operation with China?

Lord O'Neill of Gatley: My honest answer is that I do not know. I guess that is the billion-pound question. Again, if you go back—I mean all the way back to the turn of the millennium—part of the fascination and interest of our times is that the world economy today is nowhere near as dominated by like-minded countries as it was in the 1980s. It is a fact that the G7 countries, and we are about to proudly host the G7, are significantly less than 50% of global GDP. If you want to engage in global trade, by which I mean investment flows as well as exports and imports, by definition you have to trade with countries that do not necessarily share our standards. So you have to make a conscious decision about the relative importance of your choice as a nation.

I often think that we are in a trickier situation with somewhere like China today partly because there was a slightly naive assumption 15 or 20 years ago that it was simply a matter of time before China chose to be a democracy like us. It was obvious to someone like me, following China from my relatively early years, that that was unlikely. It could happen at some point in the future, but it was not my starting position. These are important basic choices.

For many other countries, some of which are our G7 allies, such as Japan and Germany—Japan in particular, partly because of its geography—China has been their number one export market for, I would say, 15 years. I do not think you necessarily have to compromise your standards; it is just about how you pursue them and the style in which one publicly opines on these matters.

Going back to the Uighurs, clearly we should stand up for what we think is right in terms of human rights, but for us suddenly to jump on a soapbox about it, when we did not for a long time, is a bit strange.

Q86 **Lord Boateng:** I declare my interest as chancellor of the University of Greenwich and a board member of the Syngenta Foundation. Lord O'Neill, you have made the point that we as a country are dependent on foreign capital. Successive Governments, including the one you were a distinguished Member of, have sought to attract foreign direct investment. You were quoted in March as saying that we had "to be careful about taking too much of a dogmatic stance" towards foreign capital. What did you mean by that? Do you think that the National Security and Investment Act takes the right approach in that regard, or is it too dogmatic? To what extent does China see the Act as being focused on it in some way, and does it actually care?

Lord O'Neill of Gatley: Thank you, Lord Boateng, for those nice, easy questions. I welcome the Integrated Review. It would have been good if it had happened many years earlier, as a principle—this links to how I answered Baroness Fall's question and others'—to show the world what we really mean by global Britain. That is highly necessary, in a post-Brexit world in particular, and something that we should have as part of an ongoing, permanent strategic focus.

I remember a long time back when the Australians published a White Paper on their economic relationship, and otherwise, with the rest of the world. It impressed on me that that was a pretty sensible thing to do. In that sense, I welcomed the review. To have with it a stronger declared stance on what the nation will or will not accept as foreign investment into the UK, from any country, is highly welcome.

Again taking this back to what I touched on earlier, trade and investment policy overseas has to link to domestic economic policy. One of our biggest domestic problems, going back over all my adult lifetime, appears to be how we manage to develop small exciting start-up businesses that somehow end up being owned by somebody overseas, not staying British. That implicit part of the Integrated Review is highly welcome.

On the other part of your question, the slightly unfortunate aspect is that the timing of this makes it seem geared against China. This is the wrong phrase, but the fashionable strands at times seem to come together. The heightened focus on the Uighurs, the Integrated Review, aspects of Hong Kong and much of this seemingly coincidental with the aggressive stance of the Trump Administration create the idea that it has not been done for the right core purposes. What do we as a country want to stand for from a global Britain perspective? I would have liked more economics in the Integrated Review, as a balance, but I thought it was pretty good.

Lord Boateng: Do the Chinese care about the National Security and Investment Act? Do they see it as specifically focused on Chinese interests?

Lord O'Neill of Gatley: That is a partial interpretation, again because of the timing. But taking away the heat and the emotion, as other countries have such policies it is my judgment that they probably think it is understandable and justified, not least because China has them.

Q87 **Lord Stirrup:** I take the opportunity of my position as tail-end Charlie on the first round of questions to draw some strands together. You spoke earlier about the need for balance. You said that UK policy on China tended to lurch from one extreme to the other. Of course, striking an appropriate balance is, to a large extent, what this inquiry is all about. If you were advising the Government, how would you advise them to manage the issue of economic co-operation, in a period when there are lots of stresses on human rights, on security in the South China Sea and so on, which will lead to frictions between the UK and China? China is going to be annoyed with the UK over some of its stances. How do we manage those sorts of issues in an era when we are trying to continue our economic co-operation?

Secondly, when you spoke about balance you seemed to put trade on one side of the scale, and security and diplomacy on the other. But diplomacy ought to be one of our tools to manage this balance. In that regard, do you think that we are sufficiently well equipped? Do we have enough Sinologists? Do we have the skill and experience to manage our relationship with China, particularly on economic co-operation, as we travel down what will almost certainly be a very bumpy road?

Lord O'Neill of Gatley: From my personal experience, I think that having stronger China expertise in the Civil Service would be good. I look at countries of a similar standing around the world and suspect that there may be more depth in others than in ours. I should quickly add, not least as chair of Chatham House, that there are plenty of think tanks based here that play an important role and help in that regard. Those important things help.

Again, I go back to what I touched on in response to Lord Boateng. I wish that something like the Integrated Review had happened a decade ago, and that it was deeper and stronger on the premise of how we are approaching the world. That principle of what we stand for and how it relates to our domestic priorities as a nation, rather than something separate, would be a superb structural change. It might even help us to understand the complexities—I am not suggesting that I do—of what we can do to improve our dreadful productivity performance as a nation and raise the living standards of everybody in the country, particularly those left behind. We should look at this in those terms, rather than as separate, distinct things.

The fact that the Integrated Review has now happened is definitely a positive step. I made an error, Lord Stirrup: I do not try to imply at all that security and economics should be entirely distinct things, since—linked to what I have just tried to say now—they have to relate to each other. How we position and present things to the rest of the world is as important as the substance.

I am reminded, going back to my days in business, of a tool that I pinched from Jack Welch's guys. It was an equation: QxA=E—that is, quality of idea x acceptability = effectiveness. How you position things, A, is as important as the quality of your ideas, Q. If your Q is 10 but your A is 0, the E is 0. That relates to the lurching that I touched on: it creates the impression of opportunistic moments as opposed to a thought-through strategic approach. So in something like the Integrated Review that brings in all these considerations, as you yourself state, diplomacy should be how we help to do the A around the world, but at times it seems as though, because we like to think of ourselves as having diplomatic skills, the diplomacy itself is why we are doing things.

Q88 **Lord Anderson of Swansea:** In the profile of our economic relationship with China, compared with Germany we seem to be more successful in investment and services than in our trade relationship. Does that matter?

Lord O'Neill of Gatley: These are famous last words, but this has a pretty easy answer compared to the other questions: yes it does, because that is what we have as a net value-added to the world. Maybe I should have made this more explicit earlier, but in trying to think of what we as a nation have to offer to the rest of the world that others do not, the UK's net value-added is as a more sophisticated services provider than some other countries. So yes, it matters.

Q89 **Lord Mendelsohn:** I will try to probe you based on your comment that the Integrated Review could have had more economics, and will ask you to flesh out what it could have had on economics, addressing three dimensions in a sense. First, just after the transition to Theresa May, you were quoted by the *FT* on one of your visits to Beijing as saying that we had to get over one of our perpetual problems of being seen in China as a fair-weather friend. What does not being seen as a fair-weather friend look like as we develop?

Secondly, you made the point that traditionally we look to the US consumer as the main driver. Today, people generally look at the Chinese consumer as the main driver. So what is our strategy to target the Chinese consumer? Is it beyond what we have already—that is, students and tourism—and how can we expand that to exports?

Thirdly, what is the Chinese economic strategy in relation to the UK? What do they want from us? What are their objectives? When it comes to innovation, one of the crucial issues that they are looking at at the moment, are we a potential partner or just a place to acquire IP from?

Lord O'Neill of Gatley: Thank you very much, Lord Mendelsohn—nice simple questions.

I would link both questions together with an overriding comment that I have not made so far. It is important to try to understand what China itself is trying to achieve from its own social and domestic economic perspective. I say that partly because from my experience—possibly because of it being a single-party state, but maybe not—it is a bit easier to understand where the Chinese are trying to travel to compared with other countries that we would engage with. Secondly, it is my impression, rightly or wrongly, that the Chinese policy machine really values other countries that understand where they are going and what they want and need from a trade and investment relationship with the rest of the world. That relates to all three of your questions.

I do not remember being quoted like that. I hope it was not as a Minister, because if it had been seen at the time I would have been shown the door. As I touched on earlier, I think we are seen as a fair-weather friend. The Chinese struggle to understand what our underlying philosophical view is as global Britain, particularly now, because that phrase has been used so much. What is "global Britain" really all about? What do we value? What do we want to be better at and do better with other nations, economically or otherwise?

In that regard—I guess this is implicit, but I will make it more explicit—partly because of our history and role in international diplomacy I think we are in an excellent position, if we think more strategically about these things, to play a hugely more powerful role, not just with China but in the world, in helping others to navigate this complex world where much less than 50% of global GDP is coming from G7 countries. The fact that we are now outside the EU gives us an opportunity to be, let us say, more of an honest broker than we could as a member of the EU, for obvious reasons. I do not know the answers to all the other parts of your question, but we have the ability and an opportunity to play an important role in that regard through the G7, the G20 and so on, even more than we have done in the past.

In the last part there, I touched on what China wants from the UK. I think China would like the UK to try to be expert in providing China with what it needs and wants. I remember when I was a Minister occasionally teasing other Ministers and officials that when we went into the bilateral annual discussions as part of the China-UK Economic and Trade Forum we would try, unless I dissuaded them, to promote things that we wanted purely because it suited us, without beginning to think why that would be of any interest to China.

I remember specifically the whole idea of China issuing an renminbi-denominated bond in London—China has something like $3 trillion of foreign exchange reserves, so that did not seem to make a lot of sense—

whereas helping China to develop a proper domestic interest rate market and credit markets and helping it to develop a proper healthcare system around the whole country are things that I think the UK is still in a very good position to do today.

Q90 **Baroness Rawlings:** I would like to go back to your BRICS—that very good acronym. How do you see a change of leadership in China fitting in today, and where do you see your BRICS going in future?

Lord O'Neill of Gatley: I do not try to be some kind of expert on the machinations of various factions of the Chinese Communist party, so in that sense I have no idea, and I am always a bit sceptical of many others who claim that they do.

What I would say, and I talked about this with somebody yesterday, is that it is not as if China is going to land in one particular place. China, like many other countries, is always travelling. I have no view on whether its current leader will remain the leader for as long as people sometimes take for granted.

Part of the unwritten pact between the CCP and Chinese citizens is that unless whoever is leading the Chinese Communist Party continues broadly to succeed in taking the millions who are in poverty out of poverty, and continues to increase the numbers of the middle classes, they will not be the leader.

Again, going back to the false assumption made by many people overseas 15 to 20 years ago that China would soon become a democracy, which I touched on, I may be wrong but my presumption is that most Chinese people are quite accepting of the status quo because, for whatever reason, it delivers a constantly large and rising number of people into the middle classes. Today, China probably has more than 300 million people enjoying the same level of annual income levels as we do. Even though the average GDP per capita for the whole of its 1.4 billion population is around $11,000 to $12,000, it probably has five times as many people who enjoy the same average income as we do in the UK.

Q91 **Lord Campbell of Pittenweem:** Thank you very much for a most interesting presentation. I want to ask you about Australia, Canada and New Zealand—all members of the Commonwealth and all members of the Five Eyes. Australia made the quite sensible point that an independent inquiry into the pandemic might be a good idea, but that resulted in the use by China of economic means against it. When Canada extradited a senior member of the management of Huawei to the United States in furtherance of its treaty with the United States on extradition, that resulted in a couple of Canadian citizens finding themselves arrested in China. New Zealand has just withdrawn from any suggestion that the Five Eyes could be more than intelligence; that is to say, that it could form into some kind of political grouping. The old saying is that all is fair in love and war, but does it not come to this: that, as far as China is concerned, all is fair in trade and war?

Lord O'Neill of Gatley: Oh gosh, you try to prod me to answer some very delicate issues.

Lord Campbell of Pittenweem: That is the purpose of our inquiry.

Lord O'Neill of Gatley: All I would say, again, as I think I said in part of my answer to Lord Alton, is that we need some kind of consistency. I will answer you slightly rhetorically. Would we say publicly things that we do not like about the United States? I suspect that we would use our diplomatic channels, and otherwise, to try to do that under the radar rather than trying to make some statements aimed partly at the media. Again, consistency is what is necessary if we are all to live amicably in the complex world that we are in.

On the substance, going back to many other parts of my answers so far, if we have a known, declared strategic position on certain issues that are not respected by other countries, China or anyone else, obviously we should make that clear, but it is not obvious to me that just shouting and screaming about them is necessarily the right way to have some sensible outcome.

Q92 **Lord Boateng:** What are the implications for the UK of China's relationship with India and Africa?

Lord O'Neill of Gatley: Oh gosh, another question that I could spend hours on.

We should try to have criteria as to how we want to engage with the world. Those should be seen by other nations, China included, as the standards, goals and purpose that we have, rather than excessive fears about what one country's relationship with another necessarily means for us, if you see the difference. In that regard—this is something that I spent some brief time on when I was a Minister—given the enormous development needs, and frankly the exciting long-term dynamics of Africa, here is another area, given our historical expertise, for considerable co-operation between ourselves and China. Indeed, during my brief time as a Minister, I was approached for us to consider pursuing those things at the time, and it is something that should be considered in future.

With respect to China's relationship with India, frankly it is about more than just how the UK is going to position itself. If you think of the border that they share and them both being the only two countries in the world with more than 1 billion people, if they could engage more constructively together the positive consequences for both countries and for global trade would be immense.

Going back to what I said about the UK being a powerful, credible, independent voice in this post-Brexit world, we could play a role in that, I am sure.

Q93 **Lord Alton of Liverpool:** May I take you back to what you said about genocide and challenge the idea that we did not know what was happening to the Uighurs? If you check House of Lords *Hansard*, you will find that in 2008, 13 years ago, I raised the issue of the Uighurs, and indeed, in 2013, moved a Take Note Motion on the Floor of the House that cited the Uighurs, two years before the golden era was proclaimed?

Lord O'Neill of Gatley: Can I stop you there?

Lord Alton of Liverpool: Let me finish my question. Have you read the debate in the House of Commons just a month ago, where they declared a genocide to be taking place—not human rights violations but the crime above all crimes? My question to you earlier was whether it was legitimate to trade with a nation that has credibly been accused of the crime above all crimes of genocide. It is a simple question.

Lord O'Neill of Gatley: I think you misunderstood my answer. On the contrary, I said that the Uighur issue and the treatment of Uighurs have been known for a long time. I was not suggesting at all that it was new.

The Chair: Thank you very much indeed. I know that there are many sensitive issues surrounding our inquiry, and we are always grateful to our witnesses for being able to navigate their way through that and still come up with a lot of meaty answers and assistance with our inquiry. Lord O'Neill, thank you very much for enabling us to achieve that.