

# News story: David Davis' speech at US Chamber of Commerce

## **Introduction**

Good morning.

The last time I gave a speech in the US I was in Texas, now facing the devastating natural disaster of Hurricane Harvey.

The people of the US and the UK are one and the same.

We stand side by side through the tough times.

Through world wars, through terrorism and through natural disasters.

And as always Britain will be here as a friend, to help in any way we can.

And you may be sure that our thoughts and prayers are with the American people suffering from this terrible tragedy.

I've just flown in from Brussels where I've been busy in the detailed negotiations over our departure from the European Union.

For the UK, the overarching aim of those talks is securing a successful future partnership with the EU.

One that delivers the most seamless and frictionless trade in goods and services possible.

There are many that doubt this is possible but, as I said to my European counterpart, Michel Barnier.

The pessimist sees difficulty in every opportunity. The optimist sees possibility in every difficulty.

As ever – I am a determined optimist.

Because fundamentally I believe that a good deal is in the interests of both the UK and the EU – and, indeed, of the entire global community.

I know that US firms, including many of those who are represented in this room, want clarity over our approach to Brexit.

But you'll understand better than anyone that you don't start a negotiation, knowing its exact conclusions.

Instead you know its broad aims in advance, and navigate the best way to achieve the desired outcome.

The UK has begun to lay out those strategic aims in detail through the

publication of a series of papers on the partnership we want to build with the EU on areas as diverse as customs, dispute resolution and data.

And we have begun to navigate our way towards them. And I am confident that we can deliver success.

But this morning I want to step away from the detail of our negotiations in Brussels.

To look beyond the next few years.

To the kind of country the UK will be outside the EU.

And to outline how, by working together with our closest friends and allies, like the United States of America, we can tackle the greatest social and economic challenges we face in this new era of globalisation.

My message today is clear.

The answer to these challenges is not to turn inwards and become isolationist.

The answer to the economic problems of the West can not be to turn our back on globalisation and free trade.

It is to lead the world forward once again.

To do this we must address the imbalance between trade in goods and trade in services.

And we must develop our economy in areas where we have a competitive advantage.

This is the great prize that we can win from Brexit.

A Britain committed to striking new free trade agreements across the globe, including with the EU.

A Britain co-operating with our friends and allies to drive up standards around the world.

A Britain which is liberal and international in both temperament and outlook.

For the UK, the terms of engagement are really quite simple.

We are the world's fifth largest economy.

We lead the world in our adaptation of technology.

And we will soon be setting the terms of our own independent trade policy, outside the European Union.

## **Impact of Globalisation**

But achieving this won't be easy.

So, we need global businesses to help us deliver our global vision.

Businesses that many of you represent in this room.

Sometimes when speaking to academic institutions I pose a question to the audience.

What idea or invention has, in the last 50 years, done the most to save the the lives of hundred of millions of people, and improved the lives of billions?

Many think it is something like antibiotics, or a piece of medical technology.

But the answer is, actually, free trade.

Free trade has delivered an unrivalled increase in prosperity for people across the world.

And raised more people out of poverty than any government in history.

But now the world is undergoing a new period of extraordinary economic change.

Advances in technology are generating new forms of production and disrupting others.

And it feels to me that it is necessary to make the case, once more, for free trade.

For me, here, in the United States, is the logical place to make that case.

The US is the crucible of the modern technological revolution.

It is here in America that we are seeing some of the most dramatic advances in technology.

In artificial intelligence. In genetics and biotechnology. In robotics.

Often, this is happening in partnership with companies and research centres based in the UK.

Our countries and companies are great collaborators. Pushing the boundaries of academic research.

Producing more research together than any other nations.

Two centuries ago, it was the North of England rather than the west coast of America that drove the Industrial Revolution.

We associate the Industrial Revolution with the great technologies of the era: the combustion engine, electricity, the railway.

But it was free trade, as much as technological change, which created that wave of globalisation.

Free trade helped to spread that new technology beyond Europe.

And it was free trade that helped transform Britain's domestic economy.

It took Britain from being a largely rural economy at the end of the 18th century to a largely industrial one at the end of 19th century.

A revolution that was more than matched 70 years later in America – in the era of Vanderbilt and Carnegie, Rockefeller and JP Morgan.

Our openness to goods from across the globe allowed us to import the food we needed, so we could focus on the products that we were best placed to manufacture.

These changes had a transformational effect on the way British people live and work, then and now.

At the beginning of the 18th century, around 50% of people worked in agriculture.

Today that figure is closer to 1%.

That transformation wasn't always easy.

It changed the social fabric of both our countries.

And it ripped apart conventional political parties, turning normal politics upside down.

But the fact is, it led to a society that is unequivocally better off.

Now, once more, we are seeing a shift in the production of manufactured goods, this time from West to East.

In 1990 less than 3% of manufactured goods by value were made in China, now it is just under a quarter.

To those in the industrial towns across the UK, who were driving the earlier waves of globalisation, this new era of change may feel like a threat.

And there are good reasons to think globalisation isn't working for everyone in Britain, the United States, Europe, and the rest of the western world.

Sluggish productivity growth has left wages falling for many in the UK and US.

Our current account deficits are high – the UK and US have for a long time spent more than we save.

Meaning that we need to borrow from abroad to cover the shortfall.

These are significant economic challenges that we face.

And the response of the international community has been to reduce, rather than intensify, our cooperation on matters of trade.

Last year, the WTO recorded a rise in new protectionist measures. And we saw that measures to restrict free trade were outstripping measures to encourage it.

We have also seen examples of countries failing to play by the rules, in turn creating risks to the global trading system.

Nowhere is this clearer than in relation to the dumping of steel on global markets.

The urgent need to act to remove excess capacity has been recognised but not enough has been done.

But the 1930s also taught us the dangers of protectionism.

It damages global trade.

Between 1929 and 1932 volumes of trade fell by a quarter. And half of this was due to new trade barriers.

Barriers that deeply inhibited global and domestic growth.

So it is through free trade that we can deliver sustainable growth in our economy.

The bottom line is that the only sustainable way to deliver better public services, higher real wages and increased living standards, is through boosting productivity.

That means more trade, not less;

For Britain it means maintaining our strong trade links with European markets after we leave the EU

as well as seeking out new opportunities for trade and investment with old friends and fast growing emerging economies alike. And that's why the Trade Secretary was here in July to launch the US-UK Trade and Investment Working Group, dedicated to comprehensively strengthening our bilateral relationship.

At home, Britain will remain open to the talent, the ideas and the capital that have driven success in the past.

Tackling regional economic disparity through our new industrial strategy. Creating an economy that works for all.

And we will drive that message at the global level too.

By redoubling our efforts to open up new markets, and strengthen the rules-

based trading system that ensure trade is free and fair for all.

## **Services**

For both the UK and the US, the target of that effort should be the liberalisation of the service sector.

Which represents roughly 80% of our economies.

Doing so gives us the potential to revitalise productivity and growth.

But we must work together to convince other countries of the benefits.

Crucially, we must continue to engage with multilateral institutions, including the World Trade Organisation.

Because they have an important role to play in finding solutions that help share the benefits of globalisation more evenly.

Success would help us demonstrate that the multilateral organisations remain relevant, adaptable, and credible.

At the same time as delivering a global economy that works better for all of our citizens.

Inside the European Union, with many other member states, we have worked to liberalise trade in services.

And we have had some success.

But once we are outside the EU we can push harder still.

And we will.

By spearheading a move to open up trade in services, to boost productivity and growth in industries where the UK and the US have a competitive advantage.

Opening up service markets also brings another important benefit.

As the Governor of the Bank of England has said, a lack of liberalisation in services is one of the reasons for the size of our trade deficit with the rest of the world.

Recent history has taught us that large excess trade imbalances can be damaging for the global economy.

These imbalances were a forerunner to the financial crisis of 2007 and the Eurozone crisis half a decade ago.

Surplus countries saved vast amounts of money and some of this flowed to the West.

It allowed people to buy houses and goods they couldn't afford.

And while, since the financial crisis, we have done more to regulate the financial institutions who were allocating the capital flowing into our countries

These excess global imbalances persist.

This remains a global problem and should be addressed with international solutions.

And we will play our full part in helping attain those answers.

## **“Race to the Top” on Standards**

I want this commitment to greater international cooperation in matters of trade liberalisation to be matched by greater international cooperation on standards.

We cannot outcompete emerging economies with cheap labour.

There is no future in our trying to be cheaper than China, or the other emerging economies which have enormous low wage cost advantages.

And while I am no fan of excessive burdens for business, we cannot do much to eradicate this disadvantage with less regulation.

So after we leave the EU, we will not engage in a race to the bottom.

That would mean lower global standards for our consumers and poorer prospects for our workers.

An independent Britain after Brexit has the opportunity to lead a “race to the top” on quality and standards across the globe.

Acting as a global leader, raising standards across the world.

Focusing on the high quality, high innovation, high value added sectors where the developed world can compete.

To the benefit of workers and consumers at home and abroad.

Shared standards can lay the foundation for new trade deals.

They can build trust between companies in different countries who want to start to trade with each other.

They can also help develop better, more efficient products which protect the consumer.

Take the automotive industry.

An industry where the safety of the consumer is paramount.

The United Nations Economic Commission for Europe has recently established a new safety standard for all vehicles, electronic stability control.

It is now standard for all new cars being registered in North America, Europe, and many other countries globally.

Standards can help to protect our environment too.

The UN international Civil Aviation Organisation work to agreeing measures on aviation's climate impact.

In 2016, they agreed a new CO2 standard for new aircraft designed in 2020, setting a new global benchmark for aerospace technology.

These standards do more than protect the environment.

They can help drive innovation and promote the uptake of new technology in industry.

They can benefit our economy too.

By helping companies to export new products and adopt new technology.

And they can help spread the new technology which is emerging in this third phase of globalisation, such as autonomous vehicles, electric cars and "smart" technologies.

We are going to have to create a whole new class of standards in the digital and data technologies where both our countries dominate.

if we are going to prevent some regions using their own standards to create anti competitive non tariff barriers.

The UK has an outstanding track record of promoting standards domestically and internationally.

I want this to continue after we leave the European Union.

Driving up standards across the globe.

Helping consumers benefit from changing technology.

Helping our workers and companies compete in the new economy.

And helping us to build a country which is ready to compete in the modern world.

## **Conclusion**

So taken together, this is our vision for Britain after Brexit.

A bold vision of international cooperation in which countries like the US and UK can provide global leadership

A Britain committed to striking new free trade agreements across the globe, including with the EU.



A Britain co-operating with our friends and allies to drive up standards around the world.

A Britain that helps set the rules of the global system, and works to ensure that those rules are honoured.

A Britain which is liberal and international in both temperament and outlook.

A Britain I have long campaigned for.

Thank you.