

# News story: David Davis' speech to the Suddeutsche Zeitung Economic Summit

Thank you for inviting me to speak here tonight.

It's a privilege to be here, at Berlin's Museum of Communication, to talk to you about how the United Kingdom is approaching talks to leave the European Union.

I'm not here tonight to give you a blow-by-blow account of the Brexit negotiations.

I'm sure have already got that from the pages of Suddeutsche Zeitung already.

And I'm sure I'll be answering questions about that once we've finished.

Just to say we have made a great deal of progress in the negotiations to date – far more than is understood by most people.

I've come to talk about the future for Europe these talks will create and their importance to generations to come.

Earlier this evening I spent a little time walking around this incredible museum.

To see the evolution of technology that has made our world closer and more interconnected than ever before.

Put simply, what I believe is this:

In that more interconnected world, it's more important than ever that the United Kingdom and Germany work together to protect the values and interests that we share.

Values that define our relationship, and are more important than our membership of particular institutions.

Values of democracy.

Of the rule of law.

Of human rights.

Of economic liberalism.

And of freedom.

These are the values that will guide the new partnership we want with the European Union.

## **Shared interests**

I know that the UK and Germany came to the EU from different starting points.

For Germany, and others, the creation of the EU is still seen properly as a foundation for peace and stability, democracy and justice, across our continent.

The UK's experience is different.

For us the European Union – and the European Economic Community before it – was primarily an economic endeavour.

One that bolstered trade but which always provoked public debate about the political integrity of sovereign states.

Now his isn't to say that one is right and the other is wrong.

Indeed they are linked.

Trade and peace have always been mutually beneficial objectives.

But simply we have always viewed the Union differently.

Germany was a founder member. We chose not to be.

Germany was a founder of the euro. Again, we stayed out.

It also doesn't mean that we do not see the value in the wider political project for Europe.

There cannot be any doubt that we want to see the European Union succeed and flourish.

It's in both of our interests.

And while the British people have had their say, and we have decided to leave the institutions of the European Union.

Brexit does not and will not mean the end of our relationship with the EU or indeed with Germany.

Or that trade between the UK and Germany should reduce.

Neither does it undermine, or reduce, our unwavering commitment to Europe's security.

I believe, with determination from both sides, the opposite can be true.

So we need to create the right structures for after our European Union exit that will enable our partnership to thrive.

We will always – always – stand up to the shared threats our continent faces and cooperate on the security of Europe.

And the close economic ties that we both benefit from should continue, if not strengthen, in the years to come.

The weight of evidence requires it.

Bilateral trade between the United Kingdom and Germany is worth a total of 176 billion euros a year.

Spanning the entire economy.

And that's more than a thousand euros to every man, woman, and child in both our countries.

In 2015, two billion euros worth of German aviation exports were sold in Britain's markets.

In the same year 8.5 billion of chemical and rubber exports went to the UK.

And 29 billion of automotive exports, from your biggest manufacturers BMW, Mercedes and the like, end up on British roads.

That translates to roughly one in three cars sold in Britain – that's 810,000 cars – coming from Germany.

For our part, Germany is the UK's second biggest trading partner – receiving 9% of our exports – and we're your fourth biggest investor.

Meanwhile 220,000 Germans work for the 1,200 British companies in Germany.

That trade creates jobs.

It boosts prosperity.

And it creates wealth not just in Britain, not just in Germany, but across the entire continent.

I have twice served on the boards of FTSE100 businesses and I've seen it myself first hand.

In the face of those facts I know that no one would allow short-term interests to risk those hard-earned gains.

Because putting politics above prosperity is never a smart choice.

Two months ago, our Prime Minister Theresa May explained a bold ambition for the form of our future relationship.

One that ensures these links with our friends and partners, such as Germany, are maintained and indeed, strengthened.

It goes beyond just wanting a positive outcome to the negotiations.

Because fundamentally, it is about the kind of country that the UK wants to be, after we leave the European Union.

I recognise that, since the referendum last year, some in the European Union have had their doubts about what kind of country we are or indeed what we stand for.

Now if you want to know the mind of a nation all one must do is read its press.

So with that in mind I looked through some copies of *Suddeutsche Zeitung*.

I read that "Britain wants to isolate itself", that we are "short-sighted islanders", or at least that's how I translated "Inselbewohner".

Well I'm afraid I have to disagree.

We are the same country we have always been.

With the same values and same principles we have always had.

A country upon which our partners can rely.

The sixth largest economy in the world and a beacon for free trade across the globe.

And when it comes to trade – as we forge a new path for Britain outside the European Union – I believe we can be its boldest advocate.

### **Continued security cooperation**

Being a country that our partners rely on also means the United Kingdom continuing to play its part in maintaining the security of the continent.

From mass migration to terrorism, there are countless issues which pose challenges to our shared European interests and values that we can only solve in partnership.

That's why we have already set out our ambition for continued partnership in areas such as security, defence, law-enforcement and counter-terrorism.

Drawing on the full weight of our military, intelligence, diplomatic, law enforcement and development resources to lead action both inside and outside Europe.

Hand in hand with our closest allies and partners our determination to defend the stability, security and prosperity of the European continent remains steadfast.

Because the threats that European people face are the same, whether they are attending a pop concert in Manchester, Christmas markets in Berlin or simply using public transport in Brussels, Madrid or London.

Britain always has – and always will – stand with its friends and allies in defence of those values that we share.

And, of course, the United Kingdom always has been – and always will be – a

country which honours its international commitments and obligations.

This is more than just rhetoric.

If we spent the European Union average on defence and international development, and other foreign affairs, we'd spend 22 billion pounds a year less than we currently do.

That's money that demonstrates how seriously we take our role on the world stage and it's money that we'll continue to spend in our mutual interest.

Future economic partnership

Because of our shared values and shared history, we're ambitious and optimistic about our future partnership with the European Union.

Of course, life will be different. We recognise that we can't leave the European Union and have everything stay the same.

And as we leave, we will be leaving the single market and the customs union.

This is not an ideologically driven decision but a practicality based on what our people voted for and the respect we have for the four freedoms of the EU.

It's clear that the British people voted to have greater control.

Greater control over our borders.

Greater control over our laws.

And a greater say over the United Kingdom's destiny in the world.

Now as we look to the future, we understand that the single market's four freedoms are indivisible.

And that it is built on a balance of rights and obligations.

So we don't pretend that you can have all the benefits of membership of the single market without its obligations.

However, we are seeking a new framework that allows for a close economic partnership but that holds those rights and obligations in a new and different balance.

That recognises both our unique starting point and our trusted, historic relationship.

We will be a third country partner like no other.

Much closer than Canada, much bigger than Norway, and uniquely integrated on everything from energy networks to services.

The key pillar of this will be a deep and comprehensive free trade agreement – the scope of which should be beyond any the European Union has agreed before.

One that allows for a close economic partnership while holding the UK's rights and obligations in a new and different balance.

It should, amongst other things, cover goods, agriculture and services, including financial services.

Seeking the greatest possible tariff-free trade, with the least friction possible.

And it should be supported by continued close cooperation in highly-regulated areas such as transportation, energy and data.

### **Race to the top**

Because there is so much that, even after we exit the European Union, the UK will continue to share with our European partners.

Like our European counterparts, people in Britain do not want shoddy goods, shoddy services, a poor environment or exploitative working practices.

We cannot be cheaper than China.

And we'll never have more resources than Brazil.

And that is why the UK is committed not only to protecting high standards, but to strengthening them.

So after we leave the European Union we will not engage in a race to the bottom.

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

After Brexit, Britain will have an independent trade policy and we will use it to lead a "race to the top" on quality and standards across the globe.

A race that both Britain and Germany are well equipped to win.

And where it makes sense for our economies where we can, we will want to do so by working in tandem with our European partners – and especially with Germany.

For example, we have worked closely with Germany in the G20, especially through the Financial Stability Board.

This has set global standards for financial businesses, aimed at averting any new international financial crises.

### **Goods and services**

So the real question is how should this economic partnership work for the most important parts of our economy – goods and services.

Our trade in goods is deeply integrated – and I believe it's in the interests

of both parties that this is maintained.

That consumers and businesses must continue to have access to the widest possible range of goods.

That UK and European businesses should be able to continue to work together through integrated supply chains.

And that the safety of consumers, patients and food should be paramount in any agreement.

The first step is ensuring that we maintain tariff-free access across the board.

There is precedent for this already.

The Canada-EU free trade agreement will eventually remove tariffs on all industrial goods; and most tariff lines for non-industrial goods.

But we can go further than that.

Because we already have established supply chains.

And unlike other agreements, it is not a case of opening up a previously-protected market to new challengers from abroad.

We should be trying to maintain what we already have.

Think of a BMW car, produced here in Germany to be sold in the United Kingdom.

Currently, that car only has to undergo one series of approvals, in one country, to show that it meets the required regulatory standards.

And those approvals are accepted across the European Union.

That's exactly the sort of arrangement we want to see maintained even after we leave the European Union.

We also fully trust each other's institutions.

For decades we have been happy to let German bodies carry out the necessary assessments to make sure that products – from cars to medical devices – are fit to go to market in the United Kingdom.

And our regulators work together within European Agencies.

Collaborating on scientific assessments to authorise products from medicines to chemicals for use across the European Union and sharing data on public health and safety risks.

Leaving the European Union should not necessarily change our approach on cooperation – even as we diverge.

## **Services**

These principles are true, not only for goods, but also for services.

They form an essential element of both the United Kingdom and the European Union's economy.

Both collectively and individually, we have been leading the way in opening up the trade in services across borders.

And our new partnership should keep with this tradition.

Our objective is that services can be traded across borders, in areas ranging from highly regulated sectors – such as financial services to modern ones such as artificial intelligence.

Even here, we will need a common set of principles to underpin our new partnership in services.

An obvious starting point for this is our shared adherence to common international standards.

To ensure that there is no discrimination in highly regulated areas between services providers.

Our approach here must be evidence-based, symmetrical and transparent.

But, of course, for such an approach to be lasting over time, there will need to be a couple of further things in place.

First, there must be continued cooperation between our public authorities, building on their long history of working together.

And second, we must have an effective dispute resolution mechanism.

This should provide for clear and proportionate remedies for any dispute which might arise.

You wouldn't expect that arbitration to be in the UK courts, nor can it be the European Court of Justice.

It must be appropriate for both sides, so that it can give business the confidence it needs for this partnership will endure.

## **Movement of workers**

But services trade is not only about regulation.

Even in today's modern world, services are often still provided in person, on the ground.

This means people must be able to move to provide those services.

While the free movement of people will end when we leave the EU, the UK has



been clear that this does not mean pulling up the drawbridge – or doing harm to our shared interests.

The UK will continue to welcome people, both from the EU and around the world, who want to work and contribute to our society.

Services provisions are commonplace in trade agreements today but as in other areas and given where we are starting, the UK and the European Union should seek to go beyond existing arrangements and existing precedents.

And in many cases, the ability for people to move to provide services will not be enough.

They will also have to have their qualifications recognised.

Again, another area where our unique starting point is important.

Currently, many UK qualifications are recognised across the European Union and vice versa.

Since the creation of the current recognition system in 1997, nearly 26,000 UK qualified professionals have succeeded in getting their qualification recognised in another Member State.

And after the UK leaves the European Union, the quality of training received at British universities and the high standards needed to gain these qualifications will not change.

And we are sure the same is true for the European Union.

We have recognised and trusted these qualifications on the current basis for over two decades.

And that's why we would like to agree a continued system for the mutual recognition of qualifications to support these arrangements.

### **How we get there**

So one of the biggest questions we face is how we get from where we are currently to this new partnership.

But as we work out the path together, I would urge us all to think creatively about how we can best exploit our unique starting point.

But no matter what approach we take, both sides will need time to implement those new arrangements.

And, that's why the Prime Minister set out in her Florence speech that we want to secure a time-limited transition period.

And that would mean access to the UK and European markets would continue on current terms.

Keeping both the rights of a European Union member and the obligations of

one, such as the role of the European Court of Justice.

That also means staying in all the EU regulators and agencies during that limited period which, as I say, we expect will be about two years.

This means that companies will only have to prepare for one set of changes, as the relationship between Britain and the European Union evolves.

There are three main reasons we see the need for such a period.

Number one – it allows the UK Government the time to set up any new infrastructure or systems which may be needed to support our new arrangements.

Number two – it allows European Union governments to do the same.

It should not be forgotten that, our new arrangements may well require changes on the EU's side as well as on the United Kingdom's side.

For example Calais, which sees over two and a half million road haulage vehicles come in from Dover each year.

They'll have to accommodate for that.

And number three – and most importantly – it avoids businesses in both the United Kingdom and the European Union having to take any decisions before they know the shape of the final deal.

Without such an implementation period, some of these decisions would need to be taken in the near future on the basis of guesswork.

And that is why we want to agree this period as soon as the European Union have a mandate to do so.

There is urgency to this; for all 28 Member States, including the UK and Germany, and for our businesses and citizens.

My message to you is that when it comes to an implementation period, and our economic partnership, you are not detached observers you are essential participants.

## **Conclusion**

Now I've laid out what I think the solutions, and even the opportunities, can be as we leave the European Union and forge a new relationship over the coming decades.

But I am under no illusions.

I know that the negotiations currently underway are difficult and they will be into the future.

Despite all this, as the United Kingdom exits the European Union, I have no doubt that the future for all 28 members is bright.

We're very lucky, the Brits and the Germans.

We live in prosperous countries, whose inhabitants enjoy great lives, and great cultures.

Who have freedom and privacy, justice and democracy, with strong economies that support people into work, and provide a safety net for people who can't.

And we're lucky enough to live in a world where technology and globalisation – while challenging governments – creates huge opportunities.

Our future will be brighter still if we achieve the positive, ambitious partnership we are aiming for.

It's one that is unprecedentedly close.

That allows for the freest possible trade in goods and services.

And that recognises that Brexit means that things must change but takes account of our unique starting point, as the basis for a new order.

And a new, exciting and enduring relationship between the United Kingdom and Germany as friends and allies into the future.