

# Policy Exchange speech: Liz Truss sets out Britain's new trade policy

Well thanks very much Dean, it's fantastic to be here this afternoon at Policy Exchange to talk about trade and to talk about Britain's future as an open, enterprising economy where everybody shares the benefits of trade. And in order to recover from Covid, we need to make sure that we have thriving businesses who are seizing the opportunities of the future and creating jobs.

At the Department for International Trade, we are determined to make sure that we enable those opportunities. That's why we are building more successful trade routes, especially in digital and services, we're driving an exports-led recovery and we're bringing investment to every part of the UK.

Our trade strategy is grounded in the fundamental changes happening across the world... namely, that we are seeing a growth in the world's middle class, and two-thirds of the world's middle-class will be in Asia by 2030. Secondly, that we know that digital trade is becoming the dominant form of trade.

And finally we can see a huge rise in demand for the kind of high-value industries that the UK excels in – we're expecting that to double over the next decade.

And we face a choice as a country. Do we reach out to take forward those opportunities or do we stay in our comfort zone?

And in order to get those opportunities, we do have to jettison some of our outdated assumptions and attitudes. Today I am going to explain how we need to move from defence to offence in trade, and by doing that how we're going to benefit all parts of the UK and level up our country.

Our strategy is to grow trade with the fastest-growing parts of the world and to turbocharge trade, particularly in digital and services. This will help forge our future as a tech trade superpower.

Our approach will keep prices competitive, it will help make our businesses more dynamic, and ultimately it will help the UK economy grow and it will help level up our country.

Understandably, after nearly fifty years of being in the protectionist EU, we lost our trade muscle memory that we'd built up as a sovereign trading nation. But we've been building it back: negotiating our own trade deals, defending our key industries and getting out on the front foot.

Some people in the Twittersphere and beyond find this rather unsettling. But my view is now is the time that we need to dump the baggage of the previous debates and look forward to the future of trade, not the past. Many of these naysayers have thinly veiled vested interests to protect. They want the status quo rather than a dynamic future.

But I think it's important to recognise there is no status quo that we can stick with. We've got a choice: embrace these opportunities and dynamism, or face decline. Time and time again, our entrepreneurs in Britain have succeeded by looking forwards and being dynamic. The incumbents who have taken their positions for granted have seen failure.

Barely a third of the companies who are now in the FTSE100 were there when it was first established in 1984.

Now of course in the wake of Covid, we have worked really hard across government to make sure we are bringing in the life-saving goods for our country, and there were issues with supply chains, but I'm afraid that has led to calls for autarky. People saying that we should produce everything from gloves to microchips here in the United Kingdom.

And of course we need to make to make sure we're not strategically dependent on fair-weather friends. But cutting ourselves off from trade would be hugely damaging.

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There are some people here in Britain who have said if goods are not produced exactly according to the way they're produced in Britain, we shouldn't be importing them. But we've got to look at the logical results of those types of attitudes.

It would mean British businesses losing out on overseas government contracts. It would mean British consumers paying higher prices in shops and it would mean huge swathes of developing countries losing out on their potential to become more successful. There are other people who say that the impact and experience of Covid justifies a permanently bigger state.

But what we know from our history in post-war Britain is that it ultimately leads to worse outcomes for everyone. We saw poor productivity, we saw stagnant growth and we fell behind our international competitors in those years following the war.

Industries like steel and shipbuilding were let down by successive governments which led to job losses and deindustrialisation, a situation that we are now turning around.

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And that's why we must now face facts: the path to economic revival doesn't lie in retreating and retrenching from the global marketplace, or inexorably growing the size of the state. That would leave us poorer, less free and consigned to decline.

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For all those reasons and more, our best way forward is free trade and free enterprise. And I'm pleased to say that people across Britain increasingly agree.

Two-thirds of those surveyed last year supported free trade. Our most recent survey taken this year shows that support has risen. It has hit 70% of the public supporting free trade. It is clear that British people support our strategy to move from defence to offence.

This strategy is crucial for our success, as we expand our trade footprint across the globe. We were negotiating right through the pandemic, striking advanced trade deals while championing open markets and free enterprise.

Our strategy is grounded in the fundamental principle of securing more trade – and particularly expanding trade with the fastest-growing parts of the world. This is the way we are going to get the best deal for everyone and it's how we'll cement Britain's place as a global hub for trade and investment. We want to be open to the best and brightest.

We want to attract the world's top investors. We have struck deals so far covering 68 countries plus the EU, worth £744 billion. We are in negotiations now the Trans-Pacific Partnership which is one of the world's largest free trade areas by the end of 2022. We are just about to commence negotiations with India, Mexico, Canada and the Gulf.

We have established the Office for Investment under Lord Grimstone and are going to be holding the UK's first Global Investment Summit in October, and it will involve a reception at Windsor Castle with Her Majesty the Queen.

We will also be pursuing green investment through the COP26 summit. We are a science and tech superpower, as demonstrated by our world-leading vaccine rollout, our fantastic technology industries, our great universities, and we're also pursuing radical regulatory reform in areas gene editing, financial services and right across the board in technology.

We want to make sure that the United Kingdom is more competitive, bolder and more forward-leaning than any other country on the planet. We are supporting our exporters and investors through trade and investment hubs right across our country.

So why are we doing all of this?

Pretty much for the same reason that Robert Peel abolished the protectionist Corn Laws. It is about answering what he called the "great question – what is calculated to increase the comforts and to improve the condition" for working people?

Peel's reforms marked a new era of prosperity – GDP tripled by the end of the 19th century. And what we face now is significant economic challenges as we recover from the pandemic. Inflation is rising globally with commodity prices soaring, which heightens the need to keep prices down for consumers. Across the world, we see disrupted supply chains, labour shortages and costs rising.

Trade has a vital role to play in keeping prices down. Research published by the National Bureau of Economic Research estimates that the average British consumer would lose a third of their net income in real terms without trade.

And it's even worse for the poorest ten per cent of our society – their net income would be cut in half. That's because those on the lowest incomes spend a greater share of their money on imported goods like food and clothing.

Protectionism is no way to protect people's living standards. At this critical time, we need trade to curb any rise in the cost of living through the power of economic openness.

By extending and deepening our trade routes, we can buy more of what we need at competitive prices. We are also broadening our range of reliable suppliers.

That's what the Trans-Pacific Partnership is all about. We currently import £28 billion of goods from those areas, but by joining the Trans-Pacific Partnership, we can do it on reliable terms. They have high labour standards, high environmental standards baked into the deal, so we get more reliable supply.

The stronger trade routes we establish, the more British employers can benefit from exchanging their products, innovation and capital. As the OECD makes clear, "trade openness" is really crucial to success.

We have seen how countries have transformed their fortunes. New Zealand, a nation of over 4 million people, now produces enough food to feed 40 million thanks to its open approach to trade. It's the second largest dairy exporter in the world.

By contrast, other countries like Malaysia and Mexico that pursued protectionist policies found themselves struggling to compete. They've now embraced the Trans-Pacific Partnership and are seeing economic growth as a result.

I am determined that in the UK we learn the lessons from our overseas counterparts and from our own history, and at this critical moment we make the right choice.

Rejecting protectionism and statism, and instead embracing enterprise and free trade, and in doing so making people better off – particularly those on the lowest incomes, particularly those outside London and the South East.

I am determined to make sure this industrial success is shared across the country. We want to involve businesses in negotiating those agreements as well as encouraging them to export and invest in Britain.

In the past, we have made mistakes. We focused too much on trade with the EU despite the richest opportunities being in the Asia-Pacific. We were too fragmented in our support and not focused enough on exporters right around the country. Over half of the money spent on our trade shows previously went to businesses around London.

But now our new Tradeshow programme will focus on the whole country, helping more firms across the Midlands, North and other parts of the UK. Nearly half of the businesses UK Export Finance supported were also in London and the

southeast. But now we have the new UKEF general exporting facility, it's targeting businesses from Aberdeen to the West Midlands, making sure that everyone benefits with the backing of the UK Government.

We are also launching a new export strategy later this year which will support jobs and level up the country by creating a single export support service and we'll extend its reach through our hubs in Darlington, Edinburgh, Cardiff and Belfast.

The next step is going to be fully digitising our trade – Singapore is a model for this. It has the world's largest trans-shipment port; it has a single window at the border. We want that here in the United Kingdom.

And why is all this important?

It's important because we know exporters pay higher wages, are more productive, they do more research and development. But exporting businesses are far more likely to be found in London than in Sunderland or Glasgow. That is why we want to level up the country by making exporting the norm, rather than the exception.

I want Britain to become a nation of exporters again, and it's not insurmountable, we did export £600 billion in goods and services last year. But only one in ten British businesses export. In Germany and Denmark, twice as many businesses export per capita, and businesses in Slovenia are three times as likely to export their goods.

There is no reason we cannot match them.

My message to business is clear: we are out there negotiating trade deals, we want to help you walk through those doors, access those opportunities. Our agenda is about unleashing Britain's full exporting potential, and I want to see more goods that are made in Britain sold across the world. We, together, we can lead a huge exporting revival.

Ultimately, more British businesses becoming high-wage, high-growth and high-productivity will help drive our future economic success. And we're going to make that happen by focusing on the areas where we have comparative advantage: services, science and technology, culture, advanced manufacturing, quality food and drink.

Today, I am publishing new analysis by the Department for International Trade, which sets out the potential prize in the global market. It lays bare two major trends.

Firstly, the centre of gravity in the global economy is moving East. Almost 60% of the world's high-income earners are set to be in Asia by 2030. That means more consumers who want to buy high-quality goods and services that Britain sells, whether it's technology, financial services, or high-quality manufactured goods.

Secondly, we are seeing the accelerated adoption of technology, particularly after Covid presents. Demand for digital services is set to double in this

decade. And we're also seeing demand booming for all of the types of key industries Britain specialises in, from life sciences to media, in a global market which could be worth £9 trillion by 2030.

We are going to make the opportunities work for us and take advantage of them as a newly nimble nation. We are using our first mover advantage to the utmost.

For example, we started negotiating with Australia a year ago and have already secured agreement. We are achieving quality at speed by building a global network of next generation trade deals that are advanced in services and digital trade, where Britain excels.

We are forging modern trade routes taking us from Silk Road to the Silicon Road. And we are playing to our strengths as the world's second largest services exporter and, for me, the world's most innovative economy.

While some say we should stay on the defensive and focus on they could lose, we are on the offensive; we are zeroing in on where the biggest opportunities are to make our country successful.

Now of course we will continue to protect our industries from unfair practices and malign actors. We have shown that we are prepared to operate in trade defence as well.

But we know fundamentally that offence is the best form of defence. By taking this approach, we are helping the export British goods and services and driving up productivity and wages.

At the same time, we are defending our core beliefs in free enterprise, free speech, and democracy.

I know that the British people are up for the journey ahead. They want to see us out in the global market, on the front foot competing and succeeding. They're ready to join us, seizing the opportunities of the future.

Together, we are moving to offence to cement our status as an open, enterprising economy which shares the benefits of trade with everyone. And that's helping us to level up our country with new opportunities, new jobs, and new growth.

And by doing so, we are answering Peel's "great question" about how to best improve the lives of people across our country. That answer remains true as ever: free enterprise and free trade.

Thank you.