

# Press release: Governments agree plans to work together on UK frameworks

The ninth Joint Ministerial Committee (EU Negotiations) met today in 70 Whitehall. The meeting was chaired by the Rt Hon David Lidington MP, Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office.

The attending Ministers were:

From the UK Government: the Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office, Rt Hon David Lidington MP; the Secretary of State for Exiting the EU, Rt Hon David Davis MP; the Secretary of State for Northern Ireland, Rt Hon Karen Bradley MP; the Secretary of State for Wales, Rt Hon Alun Cairns MP; the Secretary of State for Scotland, Rt Hon David Mundell MP; the Minister for the Constitution, Chloe Smith MP; the Parliamentary Under Secretary of State for Exiting the EU, Robin Walker MP.

From the Welsh Government: the Cabinet Secretary for Finance, Mark Drakeford AM.

From the Scottish Government: the Minister for UK Negotiations on Scotland's Place in Europe, Michael Russell MSP.

Dr Andrew McCormick, Director General International Relations from the Northern Ireland Civil Service attended the meeting in the continued absence of a Northern Ireland Executive.

The Chair opened the meeting by summarising the constructive Ministerial and official level engagement that had taken place since the Committee last met.

The Secretary of State for Exiting the EU provided an update on negotiations, including the March meeting of European Council and the agreement reached on the terms of the Implementation Period. The Committee discussed the UK Government's paper on the Devolved Administrations' role in the negotiations. The Committee noted this paper.

The Committee discussed the EU (Withdrawal) Bill.

The Committee noted the need for continued engagement on common frameworks and agreed plans for the next phase of multilateral official level discussions in a range of areas where frameworks may be required, with progress to be considered at the next meeting.

---

# Press release: Government action to end letting fees

Unexpected letting fees and high deposits can cause a significant affordability problem for tenants and are often not clearly explained – leaving many residents unaware of the true costs of renting a property.

Introduced into Parliament today (2 May 2018), the [Tenant Fees Bill](#) will bring an end to costly letting fees and save tenants around £240 million a year, according to government figures.

The Bill will also give tenants greater assurances that the deposit they pay at the start of the tenancy cannot exceed 6 weeks' rent.

Housing Secretary Rt Hon James Brokenshire MP said:

This government is determined to build a housing market fit for the future. Tenants across the country should not be stung by unexpected costs.

That's why we're delivering our promise to ban letting fees, alongside other measures to make renting fairer and more transparent.

The Tenant Fees Bill will stop letting agents from exploiting their position as intermediaries between landlords and tenants, and prevent unfair practices such as double charging for the same services.

It will also help to increase competition between agents and landlords, which could help drive lower costs overall and a higher quality of service for tenants.

Other key measures in the Bill, which reflects feedback from a recent public consultation and pre-legislative scrutiny from the Housing, Communities and Local Government Select Committee, include:

- capping holding deposits at no more than one week's rent. The Bill also sets out the proposed requirements on landlords and agents to return a holding deposit to a tenant
- capping the amount that can be charged for a change to tenancy at £50 unless the landlord demonstrates that greater costs were incurred
- creating a financial penalty with a fine of £5,000 for an initial breach of the ban with a criminal offence where a person has been fined or convicted of the same offence within the last 5 years. Financial

penalties of up to £30,000 can be issued as an alternative to prosecution

- requiring Trading Standards to enforce the ban and to make provision for tenants to be able to recover unlawfully charged fees via the First-tier Tribunal
- prevents landlords from recovering possession of their property via the section 21 Housing Act 1988 procedure until they have repaid any unlawfully charged fees
- enabling the appointment of a lead enforcement authority in the lettings sector
- amending the Consumer Rights Act 2015 to specify that the letting agent transparency requirements should apply to property portals such as Rightmove and Zoopla
- local authorities will be able to retain the money raised through financial penalties with this money reserved for future local housing enforcement

Alongside rent and deposits, agents and landlords will only be permitted to charge tenants fees associated with:

- a change or early termination of a tenancy when requested by the tenant
- utilities, communication services and Council Tax
- payments arising from a default by the tenant such as replacing lost key

The new measures are subject to Parliamentary timetables and will be introduced in law next year.

The Tenant Fees Bill builds on government's work this year to protect tenants and landlords through the introduction of new rogue landlord database, banning orders for rogue landlords and property agents as well as a new code of practice to regulate the letting and managing agents sector.

## **Further information**

All proposals relate to England only. The ban on letting fees will apply to assured shorthold tenancies and licences to occupy in the private rented sector.

A ban on letting fees was announced at Autumn Statement 2016, it was also a commitment in the 2017 Conservative Manifesto.

The Tenant Fees Bill reflects feedback from the recent [public consultation](#),

which ran from April to June 2017 and received over 4,700 responses. 58% of respondents (93% of tenants) agreed with government's proposed approach to ban letting fees to tenants with the exception of a holding deposit, refundable tenancy deposit and tenant default fees.

A [draft Tenant Fees Bill](#) was published by government on 1 November 2017 and underwent pre-legislative scrutiny by the Housing, Communities and Local Government Select Committee who published their [report](#) on 29 March 2018.

The Committee agreed that the Bill has the potential to save tenants in the private rented sector hundreds of pounds as well as making the market more transparent. Government has carefully considered the Select Committee's report and accepted the majority of their recommendations. Read the [government response](#) to the Select Committee report.

## Office address and general enquiries

2 Marsham Street

London  
SW1P 4DF

Contact form

<http://forms.communiti...>

General enquiries: please use this number if you are a member of the public  
030 3444 0000

## Media enquiries

Email

[newsdesk@communities.gsi.gov.uk](mailto:newsdesk@communities.gsi.gov.uk)

Please use this number if you're a journalist wishing to speak to Press Office  
0303 444 1209

## Social media – MHCLG

Twitter – <https://twitter.com/mhclg>

Flickr – <http://www.flickr.com/photos/mhclg>

LinkedIn – <http://www.linkedin.com/company/mhclg>

---

# Speech: A civil service fit for the future

Thank you for inviting me back to the Institute for Government on the topic of transformation of the Civil Service.

I made one of my first speeches here as Chief Executive, a little over three years ago.

And it's fair to say, I think you'll agree, that quite a lot has happened since then.

We've had two changes of government, we've had the EU referendum – on the back of which we've created from scratch, and staffed, two new departments. One of which, the Department for Exiting the European Union, is coordinating the work of more than 300 Brexit-related work streams across government.

I should take this opportunity to thank Philip Rycroft and his team who run DExEU and who are doing a fantastic job and deserve our collective thanks for that work.

Back in 2015 I made the observation that Civil Servants were brilliant, talented people, doing too much. Not much has changed!

But I also made four specific observations:

First, that as a result of progressively outsourcing delivery the Civil Service had evolved to focus mainly on policy-making. Our policy strength will always be important, but we had lost much of our capability to implement and deliver policies and services.

Second, that while the fiscal envelope was continuing to shrink, the standard efficiency drive had run its course – to get to the next level of efficiency, while at the same time improving the effectiveness of service delivery, we needed a more fundamental transformation of how we worked as a Civil Service.

Third, that we needed to begin to break down the silos that existed, learn to work across boundaries, and take a more collaborative approach.

Lastly, I said that we needed to move our leadership approach on from a focus on pure intellect to one that embraced depth of experience: from elegant explanations to delivered solutions.

And I then set out four priorities to address these observations, aimed at setting us up to be fit for the 21st century:

1. Increase the numbers of people in Whitehall with delivery skills, and to offer clear career pathways so that they would feel valued, and could build their experience within the Civil Service
2. Develop functional leadership across government

3. Build our planning and performance management capability
4. Evolve the model of leadership in the Civil Service, developing a pipeline of credible, confident, and experienced leaders.

The second of those priorities, functional leadership, is integral to delivering all of the others.

And I want to return to it now to provide some context for the Institute's series on this and to reflect on our progress to date.

Because we haven't stood still.

We now have 9 core cross-government functions, each with a dedicated, experienced leader, and championed at Permanent Secretary level. These are complemented by dozens of professional networks that connect civil servants right across government, from the Operational Delivery Profession – our largest – with more than 240,000 civil servants, to the International Trade Profession – our newest – which launches today.

These advances are important. I believed then, as I do now, that deploying professional expertise across the system through a functional structure is the only way to tackle the transformation needed to meet the requirements of being both more efficient and more effective.

And since then – we have Brexit. It's been said before, but this is the biggest, most complex peacetime task the Civil Service has faced.

The challenge is not a distraction, or a substitute for other priorities, it is an opportunity; and one we must seize.

Because at the same time as the task of delivering Britain's EU exit strengthens the argument for strong functional leadership, it also provides an opportunity to accelerate the changes we're already making, to implement the complex tasks ahead.

To remind you – I believe the functions have 3 primary roles:

First, to set standards – because:

- without a consistent approach to working with the private sector – every contract is different
- without a consistent approach to cyber security – it's every department for themselves
- without consistency of pay structures – there's arbitrage across departmental boundaries
- without consistent data standards – there are no linkages between departments
- without consistent technology standards in buildings, it sometimes isn't even possible for visiting employees from one department to log-on in another departmental building

Second, functions have a leading role in building skills and capability; because:

- I've said many times we need to build professionalism and experience back into the Civil Service
- making shared services work needs people who have done it before
- building sophisticated and flexible relationships with the private sector needs experienced commercial people – to move us on from the transactional, price-based relationships that still exist across parts of our system
- we need to have people with technical and data skills as we increasingly engage with citizens in a digital world
- and we need proper project management skills to undertake the complex projects the Civil Service is now involved in

And, third, functions help to shape cross-government strategies, because:

- we needed to see the multiple connections a company like Carillion had across government, so that we were able to respond to that situation and protect public services in the way that we did – something that would simply not have been possible even two or three years ago
- we need to have mechanisms for building careers and developing our people to be the best they can be – and that needs cross-government coordination
- we need to have consistency in how we build new digital systems – because of the efficiencies and economies that come from having common platforms
- we need to bring multiple departments into the same buildings – not just for the sake of economy – but for better, smarter, more collaborative working
- and we need to have common ways of doing the transaction process, so that we can benefit from the huge economies of scale that government can bring to bear; to do otherwise would be such a waste of taxpayers' money

Seen through these lenses – the appeal of the functional model seems obvious.

But historically we haven't been set up like that. And to make it so is not a quick fix.

We have to build professional pathways to attract people to join the Civil Service and plan their careers to give them the experience they need over time; and that is now starting to happen.

We have to begin to value new skills in our leaders. Intellect alone is no longer enough – we need more – because otherwise the system won't be able to support the the implementation challenges we face today.

We need to learn new ways of working – because a cross-government matrix structure in itself is new – and it has to add value to what went before. And that takes time to learn – and skilled people to implement it.

And, of course, at the same time we must continue to deliver services that meet the standards and convenience citizens have come to expect as 21st century consumers.

So, transforming what we deliver means transforming how we deliver it.

And that delivery needs the skills and experience I have described.

Returning to the current challenges of Brexit, and the need to use this moment as an opportunity to accelerate – it demands that we both think through a complex set of problems and deliver the solutions on the ground within a fixed time period.

We can't do that unless we approach this challenge differently to the way we have done things in the past.

And the good news is, it's already happening – we are accelerating the changes we need and they are helping us to deliver what we need to deliver.

To take just a few examples where we are leveraging the functional structure in that task:

In commercial:

- many of the Brexit-related projects require multiple new contracts and procurements – we are already using commercial teams to help structure those for maximum effectiveness in the market
- we are setting up ways of accessing skills in the market that will deliver right cross government – not just department by department

In technology:

- many Brexit projects require new technology in one form or another, and those systems are being built to our new digital standards, in agile ways with new and different partners, allowing an iterative development process
- even three years ago that would not have happened – because we didn't have the digital skills or awareness in-house to do it

In project leadership:

- we have a group of experienced project leaders, many of whom have been trained through our Major Projects leadership programmes, and are now being deployed into the most complex Brexit projects
- These are the leaders who will help us get projects through the difficult gap between designing a policy and putting it into action – as Tony Meggs has called it recently, the 'Valley of Death'

This is all work in progress. But we have come a long way in a short time.

It's a fact that we don't have all the implementation skills that we need in-house – but we are building them quickly – and we have hired more than 5,000 people into 8 departments over the last 12 months in order to help.

And we are using the current imperatives to accelerate new joined-up ways of working. We have established the new Border Delivery Planning Group of officials across Whitehall to tackle the complex issues around making sure

our borders continue to work effectively post-EU withdrawal.

I'm not going to get into the complexities of the negotiations here, but this new Group will create and oversee a joined-up implementation plan, drawing together the 30 or so departments and agencies that interact at our borders.

Responsibility for delivery, of course, remains with departments – but the cross-department group will define the plan – and hold the departments to account for delivering their piece of it.

That goes against the grain of traditional accountabilities in our Civil Service system.

Many more challenges – and not just in relation to Brexit – now transcend the boundaries between departments – from healthcare to justice to housing and benefits. We can learn from the borders experience and apply that elsewhere over time.

The matrix structure introduced by the functions helps us to address those cross-cutting issues – because it cuts across the vertical departmental silos and enables more transparency, lets information flow, allows us to target expertise and generally work more collaboratively.

I have used Brexit-related examples, but there are many others outside Brexit.

And I'm not going to go into great detail here – because I've done that in other fora – but to take just a few examples.

We've launched the Government Property Agency. Over time, this will help us make more collective and collaborative use of our property portfolio.

We've already announced 13 government hubs across the country – mostly, predominantly HMRC, but with many of them including other departments. Just the other day I was at our new building in Canary Wharf, which will host 8 different public bodies. These hubs together will impact and benefit around 40,000 public servants – that is a very material change. And we have yet to announce another 8 to 10 hubs over the course of the next few years, and those will host even greater numbers of departments than the ones that we've already announced.

We have now stabilised and are seeing the benefits from the various centres of expertise that we have across the Civil Service – from the Shared Services centres which are taking shape across government; to the Debt Market Integrator joint venture, which has collected 17% more debt, that would otherwise have been lost to government; and our Crown Hosting JV – which again has proven hugely successful in efficiently hosting legacy systems, and has saved many hundreds of million of pounds.

The digital transformation of public services means we're delivering in ways that people expect and that are becoming more and more routine for government.

At Newcastle Crown Court last month, I saw first-hand how video hearings are

revolutionising the way our courts system operates. In the first month of starting to resolve small claims online, there are litigants who have resolved their case out in just two hours. And prosecutors are getting to work digitally too, with online pleas for offences like fare evasion. This is groundbreaking modernisation – which takes an enormous management focus and huge attention to deliver.

HMRC is trailblazing the adoption of artificial intelligence and robotics for mass-repetitive tasks, and we've recently established a Centre of Excellence to accelerate the adoption of this technology across government. And we're mining the potential in data and prospecting in emerging areas like geospatial data to unlock value across the economy.

All these are in motion, and over the last 2 or 3 years have contributed material savings and efficiency to government.

I could go on – but the point is that significant change is already being delivered, and our task is to accelerate that change, not only using the imperative of Brexit but our impatience to change and modernise our Civil Service to meet the challenges of today.

So the question is, "what next?", and what must we do to sustain and accelerate this progress?

I will highlight three areas:

- How we're codifying the skills we recruit and reward, and hence embedding new career paths across the organisation
- How we need to think about funding the functions and the centre going forward
- And how we might adjust our governance to accommodate the changes I have described

To take the first of these – we want to continue to attract and develop people with professional skills within the Civil Service.

The interesting thing about setting up a functional structure is that we are now organised more like the outside world. Many of our recent external hires have entered the Civil Service via the functions – because they can now see how and where they can add value, and the organisation looks more familiar to them than perhaps it has in the past.

But it's no use bringing these people in with functional skills, and then assuming we can judge them against criteria that aren't matched to their personal career experience. If we did that, over time they'd just leave.

And that's why we are now launching Success Profiles – an expansion of our competency-based approach to recruitment and promotion, broadening it to include more robust and wide-ranging selection criteria.

This change, in my view, is really, really important – because it bears on what qualities and skills we value and promote.

It relates to building experience – so that we are no longer creating generalists by default, but people with broad and deep experience in delivery and implementation.

The new Success Profiles will be used for recruitment and promotion, and over time will allow us to evaluate candidates on what they have done before, what their actual experience, behaviours and values are – rather than on how they answer a competency questionnaire.

This means we can encourage people to build a career path, and be promoted within that career path, to build deeper experience and depth in their profession – and that is a significant change.

It will require quite a change in our leaders, too – involving them much more in interviewing and performance managing their people.

It may also be time to think about how we fund the centre of government. This is something I would like to see as part of the 2019 Spending Round.

There is always a tension of course – because in the end the functions only exist to help the delivery teams in departments deliver their outputs. There is, therefore, a strong argument to insist on the rigour and discipline of demand-driven mechanisms to fund the functions. It ensures that the functions don't do things which don't add value.

But it can also be inefficient and slow. Our new IT system for sensitive information took far longer than it should have because funds had to be negotiated with each separate department.

To leverage some of the centres of expertise I have talked about, sometimes needs central funding to build consistency across government.

The same imperative applies to building a new recruitment platform that everybody can use.

Accelerating the roll-out of our commercial capability also needs to be addressed centrally, so that we can do it quickly. Our Assessment and Development Centre has been piloted with the big departments. It has assessed more than 1,100 people against professional commercial standards. Now, we're extending it to Arms Length delivery bodies.

So, I am hopeful we can make a sensible case for funding the centre in a different way, while still retaining good discipline to ensure that the functions only do what adds value.

And finally, while we have built a function structure into government over the last few years, we have not reviewed the overall governance within the Civil Service to reflect that. This is internal plumbing – not, frankly, the stuff of headlines – but nonetheless important in how we function as an organisation.

There is no single right way. Our structures are inherently complex, and I don't pretend to have answers today. But it's something we must start to

consider over the next period.

So, there's more to do.

We have taken up the enormous challenge of Brexit. And while we tackle it – indeed, as part of tackling it – we are building our future capability and accelerating towards that goal.

Ultimately, this is all about people. The citizens we work for as civil servants; and the civil servants themselves. They are already doing extraordinary things to deliver the government's priorities.

They are also in the middle of huge changes and improvements that everyone in government has to embrace. As senior leaders it is up to us to create the structures within which they can be most effective; give them the modern tools and workplaces to do the best job they can, providing the best public services; and the training and experience to realise their potential.

That is the task before us. And we are on the way. Success means we will remain one of the most admired public institutions in the world.

Ladies and gentlemen, thank you very much.

---

## [Press release: Professor Brian Morgan appointed to regulatory board](#)

Secretary of State for Wales Alun Cairns has today welcomed the appointment of Professor Brian Morgan to the independent Regulatory Policy Committee (RPC).

Professor Morgan is currently a Professor of entrepreneurship at Cardiff Metropolitan University and director of its Creative Leadership and Enterprise Centre.

The Regulatory Policy Committee (RPC) is an independent body sponsored by the Department for Business, Energy and Industrial Strategy which assesses the impact on business of new regulatory and deregulatory proposals.

Professor Morgan joins four other new appointments to the board – and one reappointment. Each member has substantial experience and expertise to play a key role in overseeing the government's better regulation agenda.

**Marking Professor Morgan's appointment, Secretary of State for Wales Alun Cairns said:**

The RPC is a body which plays such an important role in providing a robust and impartial check on the purpose and effects of proposed government regulatory activity.

Brian brings with him decades of leadership and experience in economics and enterprise and I am delighted to see him appointed to this important position.

I have no doubt that he will work effectively with his co-members in their efforts to achieve better regulatory outcomes that promote growth and jobs, and protect the interests of society.

Appointments to the RPC are made by the Secretary of State for Business, Enterprise and Industrial Strategy in line with the OCPA Code of Practice.

**Business Minister Lord Henley said:**

The Regulatory Policy Committee has been applauded by business for the strong, independent scrutiny it provides around the impact of regulation on business.

The new members will bring valuable expertise and experience to the Committee and play a vital role in supporting the Government to ensure that the evidence underpinning policy making is robust.

**Chair of the Regulatory Policy Committee Anthony Browne said:**

It is great to have such a strong range of new members joining the RPC, as we prepare for leaving the EU. Never has the work of the RPC in helping ensure high standards of policy making been more important.

The other new members are:

**Laura Cox**

Laura Cox is currently a partner at PriceWaterhouseCoopers and is a member of the Law Society (England and Wales) and the American Bar Association.

**Stephen Gibson**

Stephen Gibson has over 25 years' experience as a professional economist, a regulator in regulated industries, and as a consultant. He has also lectured on the subject at Birkbeck and City Universities.

## **Andrew Williams-Fry**

Andrew Williams-Fry is a regulatory economist and government affairs professional. He has worked in economically regulated sectors, including energy, water, rail, post, aviation and financial services and most recently has led regulatory and government affairs teams within the Mastercard group.

## **Sheila Drew-Smith OBE**

Sheila Drew-Smith was a member of the Committee on Standards in Public Life. She is the Chair of the National Approved Letting Scheme, a committee member for SafeAgents and is the safeguarding adviser to the Secretary of State for International Development.

In addition to the five new members, Jeremy Mayhew has been reappointed to the Committee. He has served since 2012 and is, also, a Member of the Legal Services Board and the British Transport Police Authority. Previously, his experience was mainly in the media and broadcasting industry, both at the BBC and as a consultant.

The new appointments have been made following an open recruitment process and in accordance with the Ministerial Governance Code on Public Appointments.

**ENDS**

## **NOTES TO EDITORS**

### **Professor Brian Morgan biography**

Brian Morgan is a professor of entrepreneurship and director of the creative leadership and enterprise centre at Cardiff Metropolitan University.

In March 2016 the Enterprise Centre launched a two year Research project into aimed at mapping the future trends of the Welsh economy.

Brian traces his interest in economics and enterprise to his time as a student and lecturer at the LSE.

Before returning to academia at Cardiff University in 1997 Brian was Chief Economist at the WDA.

Has worked as a senior policy adviser in Wales (for the WDA and the Assembly), and in Whitehall (the DTI) and he has worked extensively in Europe (for the OECD and EU).

He is the co-founder of world renowned whisky brand, Penderyn and was chairman of Brecon Carreg.

In 2011 he was Chair of an independent review panel set up by the Welsh Government to assess the impact of business rates on economic growth.

---

# Speech: Brexit and beyond: Britain's place in the world in the 2020s

## **Introduction**

Where to begin? That is the question I have repeatedly asked myself since the Speaker kindly asked me to deliver this lecture.

Obviously, the place that Britain will hold in the world in the next decade is fundamentally dependent on 2 things – what Britain itself will be like and what the world around us will look like.

So, that was easy!

But, given the rapid rate of change in the global environment and the unpredictable nature of recent political events – from Brexit itself to the changing balance of global power to the rise of protectionist instincts and the emergence of political and economic nationalism – predicting the future is a fraught business. It would be, in the words of Yes Minister 'a very brave course of action, Minister'.

Yet, we must try to comprehend the forces at work if we are to set a definite course for ourselves and shape the world around us.

I decided, as a point of reference, to go back to the book I wrote in 2012 called 'Rising Tides'. It was written before our decision even to hold a referendum on EU membership at a time when the effects of the global financial crisis were causing many to question the stability, or even the validity, of the rules based global economic system.

What I wrote in the introduction was this:

'Understanding why things are as they are and how they have reached this point are vital if we are to make sense of the complex world around us. In an age when globalisation not only creates greater interdependence but brings an unavoidable importation of strategic risk, we need to understand as well as know – and they are not the same.'

As I often say, there is a reason why information, knowledge and understanding are all different words in the English language.

The introduction continued

'As we become more interdependent we interact with many more players in many more parts of the world than at any time in our history. This makes us more vulnerable to external shocks and less able to insulate ourselves from instability in distant parts of the global economy or from transnational

security threats which may arise in a far-flung corner of the world. Phenomena ranging from the economic and security implications of the 9/11 attacks, through the vulnerability that the SARS outbreak in Asia in 2000, to the economic reverberations following the Japanese tsunami showed that the era when we believed events happened 'over there' is behind us. The whole history of globalisation tells us that the rate of its progress continues to accelerate.'

The point is that all these issues are inextricably linked: economic well-being, global political influence, the quality of life offered to our citizens, the ability of liberty to flourish within safe and secure societies, the need to recognize our mutual interdependence in a world where natural resources are unavoidably finite and where, in the words of a Kenyan proverb, we do not own the world but borrow it from future generations.

Understanding the great forces moving the tectonic plates of the economic, political and security world around us is vital to the navigation of its hazards and the realisation of its opportunities.

Some will say that the forces we are dealing with are too great – an easy way to abdicate our responsibilities at home and abroad. It is a view I reject.

For it is important for us to remember that we are not simply passively travelling on a globalisation conveyor belt but are able to influence its direction and destination. In the West, especially in the UK and the United States, we are defined by our belief in liberty and the rule of law; it is what enabled us to rescue Europe from both fascism and communism in the 20th century. It was our moral resolve as much as our military hardware that enabled us to prevail against the threats from Nazi Germany and the Soviet Union.

So the challenge is to ensure that our value systems survive, and the biggest challenge we now face is how we maintain our values in the debate about the balance between liberty and security in a world where new threats are constantly emerging – and emerging in ever more complex and unexpected ways.

So, before I turn to the specific challenges and opportunities that we will face in the global trading environment, let me just touch on the big picture against which we must consider our role. For while I believe that trade will be a key determinant in shaping our future there are several other factors that will define our global posture.

First, we have to determine how we, the UK will orientate ourselves in the post-Brexit period and beyond. Will it be an excuse for insularity or an opportunity to reject the concept of imposed supranational identity and be an outward looking liberal Britain, embracing the free market and championing free trade at a time when such a champion has never been so necessary?

I campaigned and voted to leave the EU because I fundamentally, constitutionally, believed that the whole concept of 'ever closer union' was dated and that in an era of globalisation, it would not be in Britain's national interest to be tied too closely politically and economically to a

model that was designed for the world of the second half of the 20th century.

But, the referendum is behind us and the democratic decision made so, however we voted, we now need to put the division of the referendum behind us and focus on our collective future.

I believe that Britain's future role must be as an unashamed champion of a rules-based system whether in trade through the WTO, security through NATO or economic and political stability through a host of other multinational institutions. I believe that trade will be an essential part of that stability and I will turn to that in detail later on.

None of us know precisely how the world around us will evolve. I have thought for some time that if the 20th century was the era of the block – the economic block, the military block and the trade block – then the 21st century is likely to be the era of the organic solution.

We will need to find new partnerships, new alliances and new mechanisms to deal with a whole new range of global challenges. We will need to develop new levers to pull in a wide variety of situations – the age of the one-size-fits-all solution is, I think, behind us.

Agility and flexibility will be the indispensable tools for those who want to succeed in the emerging global environment.

This will require us to update many of the institutions that have been an essential part of the global architecture from the second half of the last century if they are to maintain their relevance and effectiveness – from the economic to the security to the political. And the UK has, and will continue to have, an important influence in all of them.

## **Britain's security obligations**

Let me take just one example. The United Nations was founded in 1945 to replace the League of Nations and Britain has always played a central role.

From an initial 51 members it has now grown to encompass almost 200 nations. As well as its central bodies such as the General Assembly, Security Council and the International Court of Justice, it also operates agencies such as the World Health Organization, UNICEF and the World Food Programme.

From its early days reform has always been on the agenda, especially in the areas of peacekeeping and humanitarian operations, but possible changes to the security Council have attracted most attention.

It is here that Britain has, and will continue to have a key role. The size of its membership and the veto rights of the 5 permanent members are hotly contested.

Those who advocate reform point out that global political realities have changed fundamentally since the formation of the security Council in 1945, and, they say, its membership should change to reflect this. Certainly the arguments seem compelling, and there is no doubt that the

economic and geopolitical landscape has altered dramatically over the past seven decades. But is the case as strong as its proponents suggest?

Geographical territory or economic size do not equate with security commitment. It is, after all, the Security Council, not the GDP Council.

Malcolm Rifkind put it in his typically forensic fashion:

The whole point about the Security Council is the contribution to security. It's not just a club. Those who want a permanent role will need to make a permanent contribution of the sort that Britain and France make. If they can't contribute to security in a meaningful way then their claim to a greater role will be much weaker.

There is surely an important point here for Britain's future role. How, for example, can countries who have constitutional restrictions on their military capabilities and use be equal partners with those who are willing to fund, equip and use military forces in whatever circumstances are necessary?

This means that while Britain will want to persuade our allies in NATO to contribute their promised dues of 2% of GDP, Britain must accept a leadership role in European, North Atlantic and global security.

This will mean a willingness to shoulder our share of the burden maintaining adequate defence forces as well as leadership in crucial areas such as cyber security and intelligence. One thing that we can predict with reasonable certainty is that the threats to our national and international security will not diminish in the 2020s and Britain must be willing to take a leadership role alongside our key allies such as the US.

It is also worth noting that when the UK leaves the EU, the 27 EU states will contribute only around 20% of NATO funding, a position that will be increasingly difficult to justify.

## **WTO**

But there is one key institution where I believe Britain can play a pivotal role post-Brexit and it is where the issues of trade and the global institutions meet.

The World Trade Organization came into being on 1 January 1995, replacing the General Agreement on Tariffs and Trade (GATT), which was having problems adapting to the speedily globalising world economy. Its main functions are the regulation of international trade and the resolution of disputes between members. At the end of March next year, we will take up our independent seat at the WTO, having been a founding member.

We will do so at a critical time for the organisation which is facing a challenge to the rules-based system amid a rising chorus of protectionism.

Across this decade, according to the OECD, we have seen the G20 countries steadily silt up the flow of global trade by adding to the number of non-tariff barriers being operated. Britain will have a crucial role in helping to shape the trading environment of the 2020s. We will do so by unequivocally championing and making the case for free trade while understanding the fundamental shifts that are occurring in the global trading system as well as the changing pattern of Britain's own trade. Let me deal with each of these in turn.

## **The economic case for free trade**

In my [first speech](#) as Secretary of State for International Trade I set out in Manchester, with its iconic associations to free trade, the case for an open and liberal trading environment.

It was just over 240 years ago, on 9 March 1776 that Adam Smith published the Wealth of Nations.

It set out the principles for the emerging world of global commerce at the end of the 18th century but its lessons are just as relevant today.

Smith had a vision of what trade could produce in terms of prosperity and opportunity, a vision that was revolutionary in its time.

He reminds us still that the essential element of a successful trading system is mutual benefit.

'It is not', he famously wrote 'from the benevolence of the butcher, the brewer or the baker that we expect our dinner, but from their regard to their own interest'.

Yet, although the principles of free trade are the same today as set out by Smith in the 1770s, the trading environment has changed beyond recognition.

Today, we stand on the verge of an unprecedented ability to liberate global trade for the benefit of our whole planet with technological advances dissolving away the barriers of time and distance.

I have often said that if Francis Fukuyama had called his book 'the end of geography' rather than 'the end of history' he would have more closely described the world in which we find ourselves today.

Nearly a quarter of a millennium since Adam Smith, his vision is repeatedly vindicated. Time and again, studies have found evidence of a strong positive correlation between economic openness and growth.

During the 1990s, per capita income grew 3 times faster in the developing countries that lowered trade barriers than in those that did not. That effect is not confined to the developing world, either. The OECD Growth Project found that a 10 percentage-point increase in trade exposure was associated with a 4% rise in income per capita. In other words, free trade works.

Globalisation has been of huge and sustainable benefit to the world economy, including through trade, specialisation and innovation.

Increased competition, economies of scale and global value chains have all contributed to a productivity revolution, boosting the output of businesses across the globe.

## **Making the political case for free trade**

It would be a major political mistake, though, to assume that the case for free trade is so self-evident that it does not require political champions today.

We have seen the way in which trade agreements such as the EU's proposed agreement with United States, TTIP, produced violent reactions, however carefully orchestrated, in traditionally free-trade countries such as Germany.

We need to be careful, though, to distinguish between the violent anti-capitalists on one hand and the legitimate concerns of those, on the other, worried about the effects that free trade and the development of new technologies may have on their own jobs and communities.

We need people to confront the myths and wilful distortions perpetuated by the anti-trade lobby, while at the same time introducing mitigations, particularly in providing access to reskilling and training, to those displaced by unavoidable technological change.

It is not only our democratic duty but our responsibility for the generations to come, to build the case for free trade by making coherent arguments that are attractive across the political spectrum. We can begin by pointing out that global free trade has enabled us to take 1 billion people out of poverty in just one generation. It is one of the greatest achievements in the whole of human history.

As the world's emerging and developing economies have liberalised trade practices and taken advantage of the opportunities of access to a more open global economy, prosperity has spread, bringing industry, jobs and wealth where once there was only misery, hopelessness and deprivation.

Are the antitrade lobby really suggesting that those of us who have benefited from free trade should somehow pull up the drawbridge behind us and deny the opportunities from which we ourselves have profited to others.

I believe that there is a strong moral case for free trade and that we should make its benefits available across the globe and to future generations and that to turn our back on it would be both socially irresponsible and morally unthinkable.

But there are other ways to describe the benefits of free trade.

I do not see trade as an end in itself but a means to an end. As I have just

described, I believe that trade is one of the means by which we can spread prosperity. That prosperity underpins social cohesion and that in turn underpins political stability. That political stability in its turn provides the building blocks of our collective security. It is a continuum that cannot be broken in one part without affecting the rest.

If we deny prosperity to those who simply want to benefit from the same opportunities that we ourselves have benefitted from we should not be surprised at the consequences – whether that be greater waves of migration or new drivers to radicalisation. It is why isolationism and protectionism can be so dangerous.

This is why we must take head-on the destructive arguments of the antitrade lobby whose narrative is that free trade is nothing more than a global corporate conspiracy, a front for their wider ideological anticapitalist agenda.

They peddle the irresponsible myths that agreements such as the new EU trade agreement with Canada, CETA, will result in reduced protection for workers, a degradation of environmental standards and the forced privatisation of organisations such as our NHS. These false claims are as dangerous as they are pernicious.

The facts paint a very different picture.

First of all, it is very hard to portray the current Canadian Prime Minister, the liberal Justin Trudeau, as a lackey of global corporatism.

Secondly, do we really believe that the Swedish or the Danish or the Dutch governments would jeopardise their ability to shape and control their policies in areas such as education or healthcare or social provision?

Do we really believe that political leaders in Europe and Canada, increasingly aware of the fragility of the natural world and who, along with voters, have increasingly pushed environmental concerns up the political agenda would willingly undo the collective progress that has been made?

We fully support the CETA agreement and have already announced that we will use it as the basis of a new UK – Canada agreement once we have left the EU. So let us be judged not by the rhetoric of the antitrade brigade but by the actions that we have already committed to take.

In replicating the CETA agreement we will be building into our future trading law its provisions and assumptions. Chapter 23 of the agreement, on trade and labour, specifically prevents the lowering of standards in order to boost trade. This comes on top of the replication of current labour rights which we are specifically transferring into UK law at present from EU law.

Chapter 24 of the agreement on trade and environment protects each side's ability to regulate where necessary and specifically prevents relaxation of current environmental law to boost trade.

And when it comes to privatisation of the NHS, one of the favourite accusations of the antitrade lobby, the agreement could not be more specific.

Annex II sets out the areas where there are specific reservations from the general applications of the treaty in certain areas. In the market access reservation it specifically exempts health services from the other investment elements of the treaty.

In other words, governments retain their right to regulate their own public services, such as health, as they see fit and the general provisions of the treaty, for example on investment, do not apply.

It could not be more explicit or more clearly set out and we will continue to apply these measures post Brexit.

If we're not willing to take head-on the deceptions of the antitrade lobby then we will deny to future generations, including those in developing countries, the benefits of free trade that we ourselves have enjoyed with improved living standards, improved safety and reliability of goods and improve choice for consumers.

## **Consumer power**

Which brings me to one of the next major factors that will shape our training future – the rise of the informed consumer.

Pascal Lamy, the former director-general of the WTO said that:

in the old world of trade, production systems were national and obstacles to trade were about protecting domestic producers from foreign competition. In the new world, production is transnational along global supply chains of goods and services and obstacles to trade are about protecting the consumer from risk.

There is no doubt that free trade is the ally of the consumer and that in the theoretical land of free trade the consumer is king (or queen)!

We can all see the benefits of greater choice, greater competition and lower prices in the vast array of goods in our shops and supermarkets where traditional seasonal provision has given way to year-round availability with an increasingly wide selection of produce – from Sauvignon Blanc from New Zealand and coffee from South America. We are also seeing increasing demand for global goods with the growth of world food aisles and the popularity of superstores like Wholefoods and Aldi.

Consumers will, according to time and place, have different priorities. Some will simply care about price and as long as items, from food to electrical goods, are safe then it is a legitimate concern that should not be mocked or condescended.

Just because some choose organic at a higher price does not mean that all the rest should be denied choice at lower costs.

Some consumers will have a greater concern about the means of production and

will choose to buy free range products, for example.

Some may care about the country or region of origin, in order to promote certain economies, for example by buying British, or to make a political protest against others. These are, again, legitimate and the right of consumers in a free society.

In order to satisfy them it will require greater transparency and information about produce, including labelling, and I believe that consumers are likely to take a greater interest in trade agreements in the future than they have in the past, something that will require much wider consultation by policymakers.

These are welcome trends which should be embraced by politicians who believe in the concept of trade as a consumer benefit.

## **Changing patterns of global trade**

And, in the future, these consumers will be most prevalent in those hugely growing markets that are radically redefining the patterns of global trade.

I often repeat the fact that the IMF estimates that, in the next 10 to 15 years, 90% of global economic growth will originate from outside the European Union.

The thriving economies of South and East Asia and, increasingly, Africa, are, and will become, ever more important as their newfound prosperity drives demand for the goods and services from the developed countries that are prepared to interact with their markets.

The sheer scale of the change that is underway is often difficult to grasp from here in Europe, a region which has long enjoyed economic and political dominance. Here, old assumptions can be difficult to shed.

Twice this year I have been in the Chinese city of Shen Zen. When Britain handed Hong Kong back to China in 1997 Shen Zen had a population of 40,000. Today it has a population of over 19 million. By 2030 China is expected to have 220 cities with more than 1 million inhabitants. The whole of Europe will have 35. It is a stunning change.

By 2020 China's middle class is expected to number 600 million, and by 2050 Africa, on its own, will represent 54% of world population increase. And on top of the vast Asia-Pacific growth it is predicted that there will be 1.1 billion middle class Africans by 2060.

Such a shift, not just in global demographics, but in the rise of the collective wealth of developing countries, will determine where the golden economic opportunities of the future will be and where we must be too if we are to provide jobs and prosperity for the future.

If we are to navigate the changes that the next decade will bring we will have to fully accommodate these changes and recognise the changing pattern of our own trade too.

56% of Britain's exports are now to outside the EU, compared with only 46% in 2006. What is more, while our EU exports are still dominated by goods, our non-EU exports are evenly split between goods and services. Yet it is services that present the greatest opportunity to expand Britain's trade.

Our approach with the EU should not be premised on simply identifying how much of our current relationship we want to keep, but what we need to prosper in a rapidly changing global environment.

We cannot let the practices and patterns of the past constrain the opportunities of the future.

We require an economic outlook that allows us to take advantage of the substantial opportunities that Europe will continue to bring but without limiting our ability to adapt to a changing and growing world beyond the European continent.

For it is growth in these newly emerging middle classes in China, South East Asia and Africa where demand for British services will offer enormous future potential growth for our exporters.

Since the Department for International trade was created, my ministers and I have undertaken 167 visits overseas. No matter where we have travelled, we have found the same phenomenon. A British label on goods is regarded as a sign of quality and in services, the demand for British expertise is huge.

In the knowledge economy we already have what others want and need.

From legal services to accountants to architects to planners to medical services to financial services, the demand is out there for what Britain is able to sell.

Of course, if we are to take maximum advantage of these opportunities then we will need to ensure that we have a sufficient supply of the appropriate skills to export and this will require cross governmental cooperation, including in education and training, and will require a cultural shift in many of our professional organisations.

We need to ensure that we do not identify the demand and opportunities but then fail to provide the capacity to take advantage of them.

## **Conclusion**

As I said earlier, it is too easy to see the scale of the challenges as an excuse to abdicate our responsibilities to our own and our collective global future. We are not passengers in our own destiny, we can make change happen.

In my book I quoted one of my medical heroes, Jonas Salk, whose work on vaccines conquered the scourge of polio. He said 'I have had dreams and I have had nightmares, but I have conquered my nightmares because of my dreams'.

As we navigate the challenges of an uncertain world we must be bold, optimistic and confident – in ourselves, our people and our values.

Brexit has awoken the world's interest in Britain and it has awoken Britain's interest in the world. That is why our exports have grown 11% in a year while global trade has grown by less than 4%.

None of us can know what lies ahead but we can be certain that the scale of our ambition will be the key to what we can achieve together – for our people, our country and for the world beyond our borders.