

Speech: Britain is open for business: a commitment to open trade

Good morning.

It is a pleasure to be here today to address the SuperReturn Conference, and so many leading representatives of the Private Equity Industry.

We meet in a climate of growing adversity for global trade and commerce, yet it is a subject that seldom gets the attention it deserves.

I hope today to offer plenty of hope and optimism but it would not be responsible to paint only a partial picture.

The fact remains, that for the first time in decades, the established order of fair, free and open global trade, which has done so much to enrich and empower the world's nations, is under threat.

Between 1985 and 2007, global trade volumes increased dramatically, growing at around twice the rate of GDP.

Since 2012 they have barely kept pace.

Perhaps most significantly, in September last year, the World Trade Organisation downgraded their forecast for global growth in the trade in goods from 2.8% in 2016 to just 1.7% this year.

This is an implicit prediction that, for the first time this century, trade will grow more slowly than GDP.

These predictions would be concerning on their own, but they come at a time when an undercurrent of protectionism is once again beginning to tug at global commerce.

Across the world, barriers to trade are going up and the G7 and G20 are some of the worst culprits when it comes to non-tariff barriers and market access restriction.

Each day, the challenges facing businesses – like yours – who wish to buy, sell and invest freely across the world – are rising.

The WTO, in response, has issued a call to its member states to resist protectionism and 'get trade moving again'.

It may seem amazing to us that free trade as a concept should face so much opposition.

In recent decades, the liberalisation of Asia's major economies in particular, has seen millions lifted from poverty.

We have taken more people out of abject poverty in the last 25 years than in all of human history combined.

In western countries, imports and technological advances driven by global competition have seen living standards climb higher than ever before.

And yet, we find the rhetoric of protectionism creeping once more into political and economic debate across the world.

In 1824, the British statesman Thomas Babington Macaulay said that:

“Free trade, one of the greatest blessings which a government can confer on its people, is in almost every country unpopular.”

2 centuries on, his observation is as pertinent as it was then.

It is clear that now, more than ever, free trade needs a champion.

And that is exactly what Britain intends to be.

As one of the world’s largest economies, we have the commercial clout and the political will to make the case not just for free trade but for further trade liberalisation, working with our partners across the world, including here in Germany, to dismantle tariffs and remove barriers to trade wherever they are found.

For the first time in more than 4 decades, trade is back at the heart of British policymaking.

Yet if trade is to shape Britain’s global future, then it must also shape the future of our relationship with the EU.

At the heart of that relationship will be our partnership with Germany.

The United Kingdom is Germany’s largest export market in Europe – and second only to the United States globally.

Germany’s trade surplus with the UK is also its second largest worldwide, encompassing almost all sectors from textiles to pharmaceuticals, and insurance to R&D services.

In turn, Germany is the destination of over 10% of British exports – our 2 countries have developed a deep and productive economic interdependence.

Yet, as the 2 greatest free trading nations in Europe, we not only share the bonds of commerce and industry, but work closely together to make the case for free and open trade both inside and outside the European Union.

Chancellor Merkel in particular has been a strong advocate of free trade, and her tireless work on European FTAs and staunch defence of commercial liberalisation has been much admired in the UK.

The United Kingdom may have voted to leave the European Union, but we will never leave Europe.

Our partners across the continent will remain among our closest friends and allies in commerce and in security .

We want to realise a new relationship with Europe based upon open trade and mutual prosperity.

Given the challenges facing commercial interests across the globe, we should all consider whether we really want to create barriers where none currently exist.

The OECD has recently published a paper documenting the ever-increasing interdependence of the global economy, highlighting the number of countries whose exports contain a high proportion of imports, all competing in the market place.

Indeed, so much of world trade relies on the existence of complex global value chains.

So let me be very frank, any new impediments to trade and investment in Europe would not only be politically irresponsible, but economically dangerous – and not just for Europe but for the wider global economy too.

We do not act in a political vacuum and our economic action will have global implications.

I must, at this point, be unequivocal – Britain wants the EU to succeed, and to succeed in a competitive and open trading environment.

Our referendum result was in no way a desire to see the EU broken or diminished.

The United Kingdom may have chosen a different path, but we will not reject those values that still bind us to our European neighbours.

Freedom, equality, democracy, the rule of law – these have always formed the basis of our relationship with our European neighbours, and will continue to do so far into the future.

From a purely practical standpoint, too, it is in the interests of the British government to have a strong, stable and prosperous European Union as our immediate neighbour.

Our co-operation on defence, intelligence and security has been one of the most successful such projects in history working alongside our key allies in North America.

Every day, Britain, Germany, France and our other partners work tirelessly to protect the citizens of Europe, tackling every threat from crime to terrorism to foreign military powers.

Economically, too, the benefits of continued partnership are clear to see.

Commercial and economic interdependence is the future – protectionism is no

longer simply import tariffs and border checks by uniformed customs men, but anything that jeopardises the free flow of resources and capabilities between companies located in different countries.

These networks cross every country in Europe, economic ties that bind us together.

And standing here in Berlin, I must say that few nations on Earth understand this as well as Germany.

The simple reality is that for Britain to wish failure upon the EU would be to wish failure upon ourselves, and vice versa.

The economic destinies of Britain and Europe, and the prosperity of our people, are too closely enmeshed.

To have a future that does not involve friendship and co-operation is simply inconceivable but the British people have made it clear that they want a different structural relationship with our European partners – a decision the British government will fully respect.

As Britain's first-ever Secretary of State for International Trade, it is my department's responsibility to attract investors to the UK, and to protect our international reputation as one of the most business-friendly nations on earth.

The Prime Minister talked about her ambitions for 'Global Britain' and I, and my Ministers, have travelled extensively with this same message.

We repeat the message that Britain is open for business.

It may be a well-used mantra, but that does not make it any less true.

The simple fact is that Britain remains one of the best places on Earth to do business.

I have no need to espouse to you the sheer capability of the City of London as a financial centre – the greatest concentration of capability and expertise in the world.

This capability and expertise doesn't solely benefit the UK. London is one of the global cities: its success is an enormous benefit to businesses across Europe. We all have a shared interest in supporting the role London plays.

The underlying strengths that have allowed the City to become such a dominant player are still very much apparent.

Our regulations are clear, our legal system fair and open, and our tax rates comparatively light.

We have a skilled workforce, access to some of the world's best universities and an increasingly strong and world-leading research base.

Our mother tongue is the natural language of international business.

The UK lies in the right time zone to trade with Asia in the morning and the United States at night.

Many European countries boast some of these advantages, but I would argue that only in the United Kingdom are investors guaranteed them all.

It is small wonder that the London Stock Exchange remains Europe's choice from which to launch an IPO or manage an investment fund.

Financial services will have to play a central role in establishing, and supporting, the post-Brexit commercial environment across Europe.

It will be driven, of course, by Britain and Germany, the twin hearts of European commerce – it is a relationship that British businesses and British politicians alike hold particularly dear.

I am only too aware that business can manage risk but dislikes uncertainty. Politicians, both in the UK and across the continent, therefore have a role to play to avoid brinkmanship and embrace pragmatism.

It should be the interests of business and consumers that underpin future negotiations, not wrangling at the political level.

If we are to maintain the confidence of our investors and businesses, then we must strive to minimise disruption at every point of the process.

The most important thing to remember, though, is that we are starting from a point of maximal convergence.

The greatest barrier for those nations wishing to trade into the single market, particularly when it comes to financial services, is regulatory equivalence.

Going forward, then, Britain is in a historically unique position.

This is not an accession negotiation.

In the past, many of those countries seeking access to the Single Market were those newly liberated from the Soviet bloc, striving to bring a sense of order to their economies and regulatory systems.

Clearly, Britain does not fall into this category.

Instead, we will be looking to sell our services into the single market from an equal position, abiding by regulations that Britain helped to design and still implements.

We are already at the point of maximum equivalence – so disruption is not inevitable.

If the UK works with Germany and our other European partners, recognising that we are starting from a position of unity, not division, then there is no

need to disrupt trade, no need to erect barriers, and no need for any investor or business to feel anything but optimism for the future.

Above all else, we must make the prosperity and security of our people the guiding principle of any negotiation.

If we willingly forgo this prosperity, then the burden will fall most heavily on the shoulders of the poorest.

For free and open trade is progressive, creating choice for consumers and helping incomes go further.

Protectionism on the other hand, is regressive, hitting those with the lowest incomes hardest.

The economic wellbeing of our citizens should be paramount, the driver of our public policy.

Prosperity is the British government's guiding principle – yet we recognise that mere policy cannot provide jobs, pay wages, or raise taxes.

It is you – the wealth creators – who are the key to the future.

That is why my department, and the British government, will strive to make the UK the most attractive place to do business – strengthening our economic fundamentals to ensure that we remain at the forefront of global competition.

We will ensure that Britain is a hub of global commerce, a link to an increasingly interconnected world and all the opportunities that entails.

Out of Brexit, a Global Britain will be born: the most ardent advocate for free trade anywhere in the world.

In Germany, we know that we have a longstanding ally in this endeavour.

If we all work for the benefits of our people there is so much that we can achieve together.

Thank you.