

# Speech: Chancellor of the Duchy of Lancaster gives the MEDEF Keynote address

Mesdames et Messieurs...c'est un immense plaisir d'être parmi vous aujourd'hui – et cette matinée fut très intéressante. Comme je le rappelle trop souvent à mes collègues français, le Royaume-Uni importe bien plus de produits français que nous exportons vers la France et, pourtant, cette excellente tradition des "Universités d'été" n'a jamais été exportée de l'autre côté de la Manche.

Je tiens à remercier Geoffroy Roux de Bezieux pour cette invitation qui m'honore, et pour tout ce que lui et son excellente équipe au sein du MEDEF ont fait pour faciliter un dialogue continu entre les milieux d'affaires français et britanniques pendant cette période importante de notre histoire.

## **Shared History and Values**

Ladies and Gentlemen, relations between the UK and France today are unprecedented in their breadth and strength. More than 150,000 British citizens live in France, and at least 165,000 French citizens live in the UK.

We share deep cultural ties and a history so long that it stretches back even beyond than Julius Caesar's first invasion of Britain in 55BC. Something confirmed by any reader of Asterix.

A mere 23 miles of sea – pardonnez-moi, trente-trois kilomètres – separate us.

You are our gateway to Europe on what we like to refer to as the 'continent'.

And yes – for all our differences – the truest of friends.

We share almost 80 billion Euros in trade, and investment across the channel supports more than half a million jobs in both countries.

The mercantilist system of rivalry and conflict that once characterised relationships in Europe is now long in the past.

Trade liberalisation has been key to the peace, stability and prosperity that we have enjoyed in Western Europe in recent decades.

And it is an agenda France and the UK have worked together to promote.

It is through this system that France continues to enjoy a big trade surplus in goods with the UK. In fact, it is currently France's biggest trade surplus with any EU country – in the region of 6 billion Euros annually.

We share common values. Indeed the Rights of Man penned by the revolutionaries of 1789 are France's gift to Western Civilisation.

And today respect for human dignity, human rights, freedom, democracy and equality are treasured not only by us, but around the world.

Together we have played in different ways a key role in developing modern democracies, with our method today somewhat more evolutionary than revolutionary.

As permanent members of the United Nations Security Council, we collaborate daily on international issues.

And my country's defence cooperation with France is exceptionally close, with our countries being the only European powers able to deploy and sustain significant military force overseas.

And we are able to do so jointly.

Time and again we find ourselves on the same side of the argument across international issues: on Iran, on trade, on climate change and the Paris Accords, in response to the horrifying acts of terrorism like the ones seen in Paris and Nice.

And in response to Russia's use of chemical weapons for another assassination attempt on British soil we greatly appreciated the solidarity that France showed by expelling four Russian diplomats.

Today in the Sahel, 3 RAF Chinook helicopters are now deployed alongside their French comrades, providing powerful support to the French operation fighting the terrorist threat on the ground.

And it is from this unique position of closeness that we stand as neighbours and allies amid great global change.

And I believe that this is a time when Europe, and by there I mean Europe inside the EU and Europe outside the EU, needs to pull together to embrace the spirit of unity and cooperation that has been the cause of our success for more than half a century.

Because the foundations of the world order that we forged, that we worked together to build in the aftermath of war are creaking:

Economic power is diffusing away from Europe and America.

Military power is shifting in its wake.

The spectre of nuclear proliferation has reared its head again.

The threats of climate change are becoming ever more real.

And migration is putting strains on state services and social cohesion.

Breaches of international norms are becoming more frequent and are going unchallenged.

The truth is the march of democracy and liberalism has lost pace, in and some

places has reversed.

Even in Europe, dark political forces, long banished to the very fringes of society and the ashes of history, are now re-emerging – feeding on the reality of resentment over inequality, stalling standards of living and rapid social change.

So this is the time to pull together;

To work together to solve these common problems;

To reinforce the liberal democratic world order that has nurtured our interests for so long;

To show unity in the face of division, resolution in the face of doubt and cooperation in the face of competition.

As we have done together for more than a hundred years.

Barely a month goes by when the UK and France do not commemorate the sacrifices that we have made for the peace and liberty of our continent.

This November, we will mark 100 years since the end of the Great War.

Next year we will mark the 75th anniversary of D Day when over sixty thousand British troops landed on the beaches of Normandy to help liberate Europe from tyranny.

And our commitment today is as steadfast as it was then.

The UK today accounts for around 27% of defence spending by EU Member States and for us the security of Europe is the security of the UK.

My government has been clear throughout our discussions with our European partners on our future relationship: we want a deep and special partnership with the EU. We are and we shall remain a proud European nation committed to European values, European security and European trade.

My country's vote to leave the institutions of the European Union was a vote to have greater control of our national destiny.

We have always had a complicated relationship with the EU, both before our membership and during.

And this reflects our particular history and institutions, especially the role of our Parliament in our national life and our historic links with other partners across the globe.

Those historic trading relationships were a key reason why we hesitated to join the early predecessors of the EU in the first place.

For us, for the British people, the EU is a political and economic institution and not synonymous with 'Europe'.

I emphasise again: our referendum was not a vote to abandon the unity, cooperation and trade with our European friends that has served us so well.

And we intend looking forward to remain faithful to the shared European values that underpin this cooperation. An unswerving commitment to the rule of law, human rights and democratic institutions will always be the foundation of our partnership.

So today, I want to discuss the UK's proposed model for our future relationship with the EU and to make an appeal that, in considering how to respond to our proposal for a broad and ambitious partnership, the EU also take into full account the geopolitical context – and potential implications – of that decision.

## **Our future relationship**

Let me first emphasise this: the UK has made a strategic choice.

In deciding what kind of relationship we want with the EU after Exit, we have resolutely strived for a deal that keeps us as close to our European allies and trading partners as possible, whilst at the same time respecting the result of the referendum.

A deal that preserves the links we have.

That keeps us standing together as economic and political partners.

We are totally committed to a partnership that will endure for the long-term, and that will keep our people safe and prosperous.

Now this approach should not be taken for granted. There are those in the UK who wanted a looser relationship.

Who wanted to cast off all the links that we had built and start again from scratch.

Who wanted to cut off regulatory ties to the EU entirely.

Who on trade wanted Britain to face away from Europe.

Our government has been clear that in order to sustain our partnership, we will need to find compromises and a new balance of rights and obligations.

But there are certain issues that are non-negotiable. Any solution must respect the result of the referendum. One where people voted more than at any other UK election.

We must have the freedom to be able to negotiate free trade agreements with other trade partners around the globe and to determine our own immigration policy.

And any solution must respect the constitutional and economic integrity of the UK, while avoiding any hard border between Northern Ireland and Ireland.

That is why the text put forward by the European Commission is impossible for us to accept, or for our Parliament to support.

Indeed, the House of Commons rejected amendments to our EU Withdrawal Bill aimed at keeping us within the customs union or the EEA.

Because membership of the EEA would entail continuing to accept freedom of movement and remaining in the customs union would undermine our ability to sign FTAs with other countries.

Such outcomes would simply not be consistent with our referendum result.

And the problem with a Canada-style Free Trade Agreement would not enable us to deliver in full on our commitments to the people of Northern Ireland as set out in the December Joint Report.

As neither of those outcomes works for the UK, last month the Cabinet agreed a new proposal for our future relationship.

It's a proposal that addresses the issues that EU has raised about the vision set out by the Prime Minister at Mansion House and at Munich and that respects the legal autonomy of the EU as well as the sovereignty of the UK.

Our proposed Facilitated Customs Arrangement does respect the referendum result.

It helps businesses to import and export goods without friction; it respects the integrity of the customs union of the EU; and it would help to maintain the seamless border that has provided the basis for the deep economic and social cooperation that we see today on the island of Ireland.

I don't pretend that these issues are easy to reconcile.

We understand the Commission's concern to prevent issues like fraud. It is in our mutual interest to maintain the integrity of our respective markets.

And we are eager to resolve these issues through the negotiations. There are no other credible solutions on the table, so we must strive to make this work.

Similarly, our proposals for the future relationship have at their heart the need to avoid a hard border without compromising the EU's autonomy or the constitutional integrity of the UK.

We remain focused on negotiating that future relationship alongside agreeing a legally operable backstop text as relates to the Irish border in parallel.

Yet the Prime Minister has been clear that the proposal brought forward by the Commission in March is one no British Prime Minister – or indeed Parliament – could accept.

That's not only because of the suggestion that it would impose a customs border within the United Kingdom – but also because its approach does not

respect that set out in December's Joint Report.

Much like the Good Friday Agreement, this is a delicate political balance.

So as we take the process on the backstop forward, and we're determined to do so, we must keep in mind that approach. Respecting and preserving Northern Ireland's place in the UK's internal market; recognising the hugely important trade links both North-South and East-West and ensuring that any solution properly respects the identity, the ethos and the aspirations of both communities and traditions within Northern Ireland.

At the same time, we should be clear, as both the Prime Minister and the Taoiseach have been, that meeting our commitments to the people of Northern Ireland. Avoiding a hard border, maintaining the conditions for North-South cooperation and upholding the Belfast Agreement are all best achieved through a deep and special future partnership with the EU, which would ensure that in practice the backstop is not required.

And that is what our proposed free trade area for goods would do, by committing us to a common rulebook covering those things necessary to provide for frictionless trade at the border. Whether that border is between Ireland and Northern Ireland or between Calais and Dover. I want to stress this point. This is not about cherry-picking, or avoir le beurre et l'argent du beurre – et meme le sourire de la cremiere it is about finding a compromise that reconciles the fundamental interests of both the UK and EU. And it is not just in our interests.

The EU is a net exporter of goods to the UK, so it is obviously beneficial to businesses here to keep trade frictionless.

But we respect the EU's position and we are not seeking to undermine the integrity of the single market, which we are leaving.

We will no longer have the rights of a Member State.

Nor will we have the same market access or influence.

We will have no British Commissioner, no UK MEPs, no UK Prime Minister around the European Council Table, no votes and no vetoes.

But we will remain committed to sharing the same rules to ensure a frictionless border and fair competition.

Our proposals would ensure a level playing field – with UK commitments on areas like state aid, environmental standards, social and employment protections and other regulatory standards.

We also propose a robust dispute resolution mechanism to allow for a means of redress if in the future the UK does not fulfil its obligations.

We are clear that this new relationship requires a new balance of rights and obligations.

I believe these commitments ensure that the UK cannot seek to gain a competitive advantage through unfair subsidies or reducing regulatory standards. Now I will be frank with you. What was in the Chequers' package was a hard fought compromise that not everyone in the government agreed with, which is why we saw two (senior) Cabinet resignations. Yet the fact remains that the current Cabinet is fully signed up to the proposals in the Chequers White Paper.

The White Paper represents a compromise that we are ultimately willing to make, not least because it enables us to avoid a border between Ireland and Northern Ireland, while still maintaining the constitutional and economic integrity of the United Kingdom.

Our proposals mean that we can avoid the need for regulatory checks at the frontier, protect our highly integrated supply chains, and enable products to undergo only one set of approvals and authorisations. It goes without saying that these proposals also serve to protect businesses on both sides of the Channel.

This is particularly important for the large number of small- and medium-sized enterprises, who form the bedrock of our economies and are a crucial source of innovation, employment and entrepreneurship.

I understand that the EU is concerned that we could lower our standards to gain a competitive advantage.

I believe these concerns are completely unfounded. Like France, we view economic growth, consumer and worker protection and sustainable development as going together hand in hand, not as trade-offs.

We have a strong record as one of the leading countries for championing Clean Growth, which we have put at the heart of our Industrial Strategy.

We've already got some of the highest environmental standards in the world, and we expect there to be a reciprocal non-regression commitment in any agreement we strike.

On services, we are seeking a looser relationship based on new arrangements, which we recognise means that the UK and EU will not have current levels of access to each other's markets.

We are seeking to ensure high levels of cooperation continues in areas such as transport, energy, and financial services.

The finance and insurance sectors also represent 22% of France's total trade with the UK.

Our financial services sector is one of the most tightly supervised and regulated markets anywhere in the world. Given our painful experience of the 2008 Financial Crisis and the importance of financial stability, we are totally committed to maintaining global standards and it is in our interests that we do so.

As regards for our future security partnership with Europe, we have made an unconditional commitment to maintain the high level of co-operation that we currently enjoy.

We want to continue and build-on the practical co-operation around the number of tools and measures we have developed that support our combined operational capability, like the European Arrest Warrant.

This is not simply a UK 'ask'. In 2015-16, the UK made fewer than 250 requests for arrests in other Member States.

In the same year, other Member States made almost 15,000 requests for arrest in the UK – nearly sixty times as many – and more of a thousand of which came from France.

Though we will no longer be part of common policies, participation in key agencies such as Europol and Eurojust would allow us to share information effectively.

So we want a set of proposals to maintain our close cooperation and reflects that fact that as the common threats we face evolve, so must our joint capabilities. We firmly believe that it is in our shared interests to do so.

This is also one of the reasons why the UK regrets the lack of creativity in the Commission's approach to the Galileo satellite programme, which bolsters all of Europe's resilience, defence and economies, which are now dependent on space.

The UK has invested heavily in Galileo – our experts and our finances – because we believe in it.

But to justify maintaining our contribution, it is right that our access to the system, its information and contracts is also maintained. The UK needs to be involved in the ongoing design and build of the system.

We need to understand its reliability and efficiency to help identify, monitor and address its vulnerabilities and develop its strengths.

Just as MEDEF fights for French jobs, you should expect me to fight for British jobs – and I will continue to do so.

But we can fight together for fair competition. There are many genuine security risks to Europe's space infrastructure.

But I can promise you, the UK is not one.

With or without Galileo, we will continue to invest our expertise in the defence and security of Europe, as we always have.

We continue to see France as one of our closest allies to this end.



## Strategic context and risks of failure

So we have put forward a precise, responsible and credible basis for progressing the negotiations.

With exactly seven months until the end of Article 50 process and less than two months ahead of the October European Council. We face the choice between the pragmatic proposals we are discussing now with the European Commission, or the risk of no deal.

The alternative models do not meet the level of ambition or the outcome we all want to see delivered.

So we need the EU to engage in negotiating the detail of our positive vision of the future relationship.

We are confident that both sides can and will agree a deal. We have already agreed around 80% of the Withdrawal Agreement and are making further progress on the outstanding separation Issues.

And we wholeheartedly believe that such a deal is in everyone's interests.

It is not just important for the UK and the EU, it is important for Europe's place in the world and its relationships with its neighbours and partners more generally.

I truly feel that we are at a fork in the road.

There are trends on both sides of the channel, on both sides of the North Sea, and both sides of the Atlantic that could see us drift apart.

In the heat of negotiations it is easy to forget that we and our European allies are on the same side.

We all want a deal.

But without compromise, pragmatism and appreciation of the wider context, there is a risk that we do not strike a deal before March 2019 and we end up leaving without one.

This is not what either side wants or expects. But we have a duty to prepare.

We need to have sensible, responsible and realistic conversations with our citizens, businesses, and others so that we can mitigate the risks.

Some have argued that a good deal for the UK could undermine the EU project. But this is not a zero sum game.

There is a good deal to be had for both sides.

We must be able to build shared European approaches to address common challenges.

The EU needs its relationships with its neighbours to be positive, constructive and based on common interests, not a kind of fortress that one is either inside or out.

In an age where people are losing confidence that their political systems, I don't think it is in anybody's interest and certainly not those of the EU – to try to keep the British people in the EU against the wishes of the majority of them.

And the short-term disruption to businesses caused by a No Deal Exit would only feed resentment, division and the radical political forces waiting in the wings.

The other path leads to a reinvented, refreshed and reinvigorated relationship of unity, cooperation and trade. A new accommodation:

In which the UK restores its sovereignty.

In which the EU can pursue its project of ever-closer union without the UK resisting that trend.

In which we reaffirm our shared commitment to cooperation, our common values and common prosperity.

In which we can harness economic growth on other continents rather than try to shield ourselves from it.

In which we stick up for our values.

In which we defeat those who are seeking to splinter our alliances, benefit from our distraction and usurp the global order that we built together.

We are indispensable partners in an unpredictable world. Now is the opportunity to renew, to cement that partnership and face that turbulent future together.