

# Speech: Chancellor of the Duchy of Lancaster speech to CBI Scotland

Thank you Paul for that kind introduction – and thank you everyone for that very generous welcome.

Before I start, and on behalf of everyone here, can I pay tribute to Paul, your tenure with the CBI, and for everything you have done on behalf of the thousands of businesses across the UK.

Leading this organisation through two general elections and a referendum on our membership of the European Union would be a tall ask for anyone, but you have kept the CBI at the forefront of our national debate – and it is fair to say you have kept the UK Government permanently on our toes.

And so for that I thank you, and wish you all the success in the future.

It is a pleasure to be with you today, and to have the great privilege of addressing CBI Scotland. And it is also a pleasure to be back here in Edinburgh.

Whenever I visit this great city, I am constantly reminded of the weight of history that is all around us.

Edinburgh isn't simply a thriving, modern capital within our United Kingdom.

It is the cradle of so much that our country, and indeed Europe, can celebrate in terms of philosophy, literature, architecture, poetry and political thought.

It is the birthplace of the Scottish Enlightenment, a period in our history when pragmatism, reason and freedom of thought rose to the fore.

And so it is the proud home of many of our finest intellectual figures, such as Adam Smith, whose statue stands proudly just a few streets away from here, and whose legacy continues to remind us of that virtue of choice that is so integral to our economic way of life and wellbeing.

That is what I want to touch on very briefly with you this lunchtime: the importance of making choices – not just in the economic sense, but in the political sphere too.

## **The choice to leave the EU**

Because politics is ultimately about having preferences and making choices.

Left or right; conservative or socialist; liberal or protectionist; Unionist or Nationalist; I guess Hearts or Hibs; even Celtic or Rangers – it is the virtue of having different choices which makes democracy something we must always cherish and respect.

I am sure there are many of you here who voted to Remain in the European Union nearly two years ago. As many of you will know, I also fought hard for such an outcome.

But on June 23rd 2016, the British people made a clear choice to leave the European Union and forge a new and different path for ourselves in the world.

Now it is incumbent all of us, both individuals and governments, not just to accept that choice as democrats – and not merely to understand why the British people made that choice – but to minimise the risks and seize the opportunities that this choice presents.

Now there will be those here in this room who, for perfectly understandable reasons, have concerns about the challenges we face – and want nothing more than certainty and clarity as negotiations proceed.

But you should be in no doubt of the resolve of the UK Government to respond to those concerns and deliver a Brexit that prioritises certainty and clarity for businesses and consumers in all four parts of our union.

## **Update on negotiations**

And as negotiations proceed, that is precisely what we are doing.

We have already agreed a fair deal on citizens' rights, ensuring that EU citizens in the UK and UK nationals can get on with their lives broadly as they are now.

We've agreed a good financial settlement for British taxpayers, made in the spirit of our future partnership with the EU.

We've agreed a Joint Declaration with the EU that makes clear our mutual determination to preserve the Common Travel Area, avoid a hard border between Northern Ireland and the Republic of Ireland, and uphold the totality of relationships embodied in the Belfast Agreement, both East-West and North-South.

And we've reached agreement with the EU on an implementation period, providing that certainty and clarity for people and businesses so they will only see one change when we enter into a new relationship with the EU in the future.

So while these are real achievements we have made in the interests of businesses and individuals across our country, we must now look to build our future economic partnership with the European Union.

In her speech at Mansion House in March this year, the Prime Minister set out her aim for a deep and comprehensive partnership in which:

- trade between the UK and the EU would be as frictionless as possible

- UK regulatory standards remain at least as high as the EU's
- and in which there is no hard border on the island of Ireland

She also made clear that one important objective in building that partnership would be to seek a new customs arrangement with the European Union.

At Lancaster House in 2017, the Prime Minister said that we will be leaving the EU's customs union, its Common Commercial Policy, and the Common External Tariff.

But she also said that we do want to have a customs agreement with the EU. As she said, we have an open mind on how: it is not the means that matter, but the ends.

And that is why last year, we set out two potential options for what this new customs arrangement might be.

Option one was a customs partnership between the UK and the EU, in which the UK would mirror the EU's requirements for imports from the rest of the world, applying the same tariffs and the same rules of origin as the EU for those goods arriving in the UK and intended for the EU.

The other option was a highly streamlined customs arrangement, in which we would jointly agree to implement a range of measures to minimise frictions to trade.

This would include waivers for goods moving between the UK and the EU, "trusted trader" schemes, specific exemptions for small businesses, and online systems – such as for customs declarations to be made far from the border, as is already the case with VAT declarations when VAT regimes between the Republic of Ireland and Northern Ireland are different.

But whatever option we are discussing, our objectives remain the same:

- for trade at the UK-EU border to be as frictionless as possible
- with no hard border between Northern Ireland and Ireland
- and for us to conduct our own trade policy and sign free trade agreements that will benefit businesses and consumers here in Scotland, as well as those in England, Wales, and Northern Ireland too

And I am pleased to say that, despite what you may have read, this work is now nearing completion.

So as negotiations continue, these are choices that will have the best interests of Scottish businesses and consumers at their heart, and the need

to provide clarity and certainty as soon as possible for you all.

## **Importance of the UK common market**

Because this is a long road that has many different twists and turns, as we together journey out of the European Union.

But as negotiations continue on that future deep and special partnership we all want to see, we must not forget the need for certainty and clarity here at home as well.

It is why the UK has a responsibility, through our modern industrial strategy, to improve living standards, spread prosperity and promote growth around all parts of our country, and ensure we are match fit for the next wave of technological change that is fast approaching.

For example, our Industrial Strategy Challenge Fund is providing £795 million for potential innovators, and we are working to ensure as many Scottish bidders as possible are successful.

And we are investing in new City Deals – which have been committed to or agreed for all seven of Scotland’s cities – as well as a Borderlands Growth Deal to help secure prosperity in southern Scotland. We have also opened formal negotiations for the Ayrshire Growth Deal.

But it is also why the UK has a deep-seated responsibility to maintain the integrity of our union.

When I spoke in North Wales earlier this year about the value of our union, I emphasised the importance the UK Government places on preserving the common market of the United Kingdom – what many of you may refer to as the “internal market” or the “UK single market” that comprises Scotland, England, Wales and Northern Ireland.

I also emphasised why it is so crucial that our businesses and consumers face no new internal barriers to conducting their business on the day of our exit in March next year.

For it is only by maintaining the coherence of that common market – and keeping barriers to trade within it to an absolute minimum – that businesses and consumers in all parts of our union can continue to benefit.

Preserving that common market is exactly what the EU Withdrawal Bill, currently making its way through Parliament, will do.

It will make sure that, as we carry out the delicate process of transferring European Union law back onto the UK statute book, we do so as smoothly as possible...

The current regulatory and legal framework will remain in place, but on a UK rather than an EU legal footing.

If and when we wish to move away in future from the current rules, we can do

so in a considered and deliberate fashion, taking account of consultation with business.

So it will make sure that when we leave the European Union in March next year, we do so in a way that avoids a damaging cliff-edge for businesses, firms; factories, industries and consumers alike – so that businesses have certainty from day one of our exit.

And on devolution, the Bill will make sure that, as this process is carried out, we retain the ability to keep common and temporary UK frameworks where necessary, while we work on the long term solution – such as one set of package labelling and hygiene rules, instead of four different ones.

The Bill respects the devolution settlement – but stops short of giving any part of the UK a veto over that temporary mechanism.

This has always been a red line for us.

For if one part of the UK has a veto over the ability to establish a common framework across the rest of the UK, it could be used to undermine this common market we all, everyone in this room, prospers from.

And the message we have from business is that the UK common market is vital to their growth and prosperity.

For Scottish businesses trade four times as much with the rest of the UK as they do with the EU.

And as businessmen and women you want to be sure that your factories in Paisley and farms in Perthshire will be able to continue selling their goods freely to customers in Preston and Swansea and Londonderry.

And not only will the temporary preservation of common frameworks guarantee certainty for businesses trading within the United Kingdom – it will mean that, with a clear set of commonly-recognised standards, we can agree those new trade deals with the global growth markets of tomorrow as well.

Indeed, when I visited China just last month, I saw first-hand how hard our network of embassies around the world work to promote both UK and Scottish exports, such as the finest Scotch Whisky, of which 61 per cent of exports go to countries outside the EU.

I even had the pleasure of seeing the First Minister during my visit to China, who was also using the network of UK embassies to promote Scottish goods overseas.

And just this morning I was visiting Diageo here in Edinburgh hearing about the breadth of ambition the industry has to reach new and emerging markets and build on the strength of the internationally renowned quality of Scottish food and drink.

And during my last visit to Scotland in January, I also visited a Marine Harvest factory in Rosyth, specialising in salmon sales and learned that not

only do they sell to every part of the UK, but export the fish heads to China and the skins to Thailand, where they are made into crisps.

That is why having a successful domestic market and competitive global markets are complementary to one another, and why the UK Government is committed to delivering directly for Scottish businesses and consumers.

Put simply, respecting and preserving the United Kingdom common market is to uphold one of the fundamental expressions of the constitutional integrity that underpins our existence as a union.

But put even more simply, any attempt to undermine that common market would represent a self-inflicted blow to the thousands of firms who owe their prosperity to its success.

## **Clause 11 negotiations**

Now I am well aware from the conversations I have had with Scottish and Welsh businesses that what they care about is what all this means for business – and whether it provides the certainty they need.

That is why all of us – Westminster, Cardiff and Holyrood – have worked hard to identify only those absolutely essential areas where we agree that UK-wide frameworks are needed.

And of course it is worth underlining that we already have UK-wide frameworks in all these areas right now.

Our approach as we leave the EU however, is to see the vast majority of powers returning from Brussels bypass Westminster entirely.

Indeed, we have moved a considerable distance in the spirit of compromise and collaboration so as to ensure we reach a deal with the Scottish and Welsh Governments that not merely respects the devolution settlements and improves upon them, but also upholds the Sewel Convention and provides the certainty that businesses require.

That is why I was pleased that the Welsh Government, in this spirit of pragmatism, recently agreed to our approach, and to recommend the Welsh Assembly give legislative consent to the Withdrawal Bill.

As the Welsh CBI, the Federation of Small Business in Wales, and the Farmers Union of Wales have all made clear, this deal is very good not only for the Welsh economy and its people, but for the whole of the UK too.

And as the First Minister for Wales himself said this week: “the nature of an agreement is that you come to ground that you believe to be common ground”.

I am glad that thanks to the joint work of the three governments there is now far more common ground between all.

## **The door is still open**

But it is also why it is disappointing that the Scottish Government still does not feel able to sign up to our proposals and deliver that certainty for businesses.

Of course, it is now for the Scottish Parliament to decide what view it wants to take on the compromise we have reached, and that we have now agreed with the Welsh Government.

So that is why I say to the Scottish Government – and to the Scottish Parliament – the door is still open.

At a stroke, they can join the Welsh Government – who have also put so much into getting us to this stage – and recommend to the Parliament here in Holyrood that we should end any lingering question of legal uncertainty for businesses in all parts of the UK.

Indeed, just a couple of weeks ago, the Food and Drink Federation Scotland, Scottish Bakers, and the Scottish Retail Consortium all emphasised the importance of the UK common market.

How it benefits Scotland's businesses enormously by lowering costs and increasing efficiency and how it also benefits Scotland's consumers by providing more choice and keeping prices down.

And as the Scottish Government themselves have agreed, it makes sense for there to be frameworks applying across the UK in some areas.

But no matter what the Scottish Government decides, I want to reiterate that the UK Government is committed to acting in accordance with the Intergovernmental Agreement that – even now at this late stage – is open to the Scottish Government to sign up to.

Scottish businesses can see this in black and white: our Intergovernmental Agreement is public for all to see.

You can have that certainty and clarity that we will work to agree the approach needed to protect our vital common market, and that we will respect – in full – the devolution settlements as we do so.

## **Conclusion**

So as we all face choices, the Scottish Government also faces a choice.

But I am confident that, if we work together, we can and will forge a path that fully respects the democratic choice the United Kingdom made two years ago while maximising clarity and certainty wherever we can for our families and businesses not just here in Scotland, but across our whole country.

For our union is strongest when each of its constituent parts is strong and working together.

As I have said before, the unity that exists between our four nations gives us a scale of ambition that none of us could possess alone.

But this ambition can only be realised if we do work together, and make those choices that are truly in the national interest.

For together, we are a union that is greater than the sum of its parts.

A country that can remain a strong, global leader.

A United Kingdom at home.

And an active, force for good in the world.

Thank you very much.