

# Speech: Chancellor of the Duchy of Lancaster speech to the Ambrosetti Forum: 08 September 2018

I am very grateful to the European House Ambrosetti for extending this invitation to me.

It is an absolute pleasure to be able to be able to speak to you in these truly beautiful surroundings.

Italy has, for centuries, been an inspiration for the great figures of English literature. Shakespeare set thirteen – a third – of his plays in this country.

And being in Cernobbio demonstrates to me why so many great writers in the English tradition – Fleming, Beckett, Twain and Shelley to name but a few – chose to set their works on Lake Como.

Platforms like Ambrosetti for global dialogues is becoming ever more important as our geopolitical context changes.

As economic and military power shifts away from Atlantic dominance.

As we confront the threats of climate change.

Increasing migration puts strain on state services and social cohesion.

International norms are challenged, and a once seemingly-inevitable consensus about the advantage of democracy and globalisation now falters.

So I believe that this is a critical time for our international rules-based system.

It is a system that we, in Europe, played a leading role in building.

And a system that we, in Europe, must endeavour to protect.

So it is good to take part in this exchange of ideas with European friends.

And I know that, here in this room, we have business leaders who are driving economic growth and job creation – including in the UK.

The UK and Italy has a long history of confronting these challenges together.

Our defence and security relationship dates back to the early years of Italy's history. And I am not talking about Julius Caesar's invasions of Britain...

... but of the fact that Italian forces fought with British forces on both the Western and "Forgotten" Fronts during the First World War.

And since the Cold War, Italy has been with the UK on operations more than any other single nation.

Today, our Armed forces are facing challenges together, fianco a fianco, in Afghanistan, Iraq, Kosovo, Somalia and increasingly in other parts of Africa.

We work closely together, bilaterally and in multilateral, to address the political, social and economic challenges that we all share.

In a couple of weeks, I am looking forward to taking part in the 26th annual UK-Italy Pontignano Conference, entitled this year "Bridging the Gaps"...

... there where we will debate and analyse together the challenges and opportunities in the fields of Culture and Society, Business and Innovation, Defence and Security and Cities and Education.

And just talking about innovation, I was delighted to learn that yesterday, Samantha Payne, a young British entrepreneur, was awarded yesterday the Peres Heritage Institute Award, alongside Julian Melchiorri – a young Italian innovator who is based at the Innovation Hub in Imperial College London.

But there is a different kind of challenge that you have asked me to address today.

That is the UK's departure from the EU and the implications for Europe.

## **Shared values**

Let me say up-front that we are, and will always remain, a European nation. One proudly committed to European security, European trade and European values.

But two years ago, the British people voted to take greater control of their national destiny by withdrawing from the political and economic institutions of the EU.

Now it is true that we do not see, and probably have never seen, those institutions as being synonymous with the idea of Europe itself.

And throughout the exit negotiations, my government has resolutely strived for a deal that keeps us as close as possible to our European partners, whilst at the same time respecting the result of the referendum.

The trade agreement and security cooperation we have proposed are ambitious. But also pragmatic.

For our relationship with the EU and that relationship of EU with the UK is not the same as that of any other third country.

## **Future relationship**

The British 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 a referendum, where people voted more than at any other UK election.

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

There are problems with the two 'off the shelf' answers proposed by the Commission so far.

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.

It is hard to reconcile those outcomes with the referendum result.

Indeed, the House of Commons rejected amendments to our recent EU Withdrawal Bill that were intended to keep us at within the customs union or the EEA.

And the problem with a Canada-style Free Trade Agreement is that it 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.

So in July this year, the Cabinet agreed a new proposal for our future relationship.

It addresses the issues the EU has raised about the vision our Prime Minister has set out previously. It respects the legal autonomy of the EU as well as the sovereignty of the UK.

First, our proposed Facilitated Customs Arrangement respects the referendum result. It helps businesses to import and export goods without friction and also respects the integrity of the customs union of the EU.

It would also 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.

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

I understand the Commission's concern to prevent things 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.

But I don't think there are other credible solutions on customs on the table, so we must strive to make this work.

Second, our proposals have at their heart the need to avoid a hard border in Ireland without compromising the EU's autonomy or the constitutional

integrity of the UK.

And we remain focused on negotiating that future relationship alongside fulfilling our obligation from December to negotiate a legally operable backstop text as part of the Withdrawal Agreement relating to the Irish border.

But it can't be the proposal brought forward by the Commission in March, which no British Prime Minister – or Parliament – could accept.

That's not only because it would impose a customs border within the United Kingdom – but because its approach does not respect that set out in December's Joint Report.

That much like the Good Friday Agreement itself is a delicate political balance.

We need to respect and preserve Northern Ireland's place in the internal market; recognising the hugely important trade links both North-South and East-West. And ensuring that any solution properly respects both communities and traditions in Northern Ireland.

Third, our free-trade area for goods commits us to a common rulebook covering those things necessary to provide for frictionless trade at the border, whether between Ireland and Northern Ireland or Calais and Dover.

Now I want to stress this point. This is not about cherrypicking. It is about finding a compromise to reconcile the fundamental interests of both sides. And it is not just in our UK interests.

The EU is a net exporter of goods to the UK, so it is in the EU's as well as the UK's interest to keep trade frictionless.

Fourth, our proposals would ensure a level playing-field – with UK binding commitments on things like state aid, environmental standards, social and employment protections and other regulatory standards.

And fifth, a robust dispute resolution mechanism to allow a means of redress if in the future the UK or the EU did not fulfil its obligations.

It's a new relationship requiring a new balance of rights and obligations.

Now I will be frank with you.

The Chequers package was a hard-fought compromise that not everyone in the government agreed with, and that is why we saw two top-level Cabinet resignations.

But the current Cabinet is fully signed-up to the proposals in the Chequers white paper. And it represents a compromise we are willing to make.

On services – where we enjoy a surplus – we have accepted that the regulatory flexibilities that we seek mean that UK and the EU will not maintain the

current levels of access to each other's markets.

But let me be clear.

When we leave the EU, we will leave the Single Market, not undermine it.

We won't have the same rights as a Member State.

We won't participate in the institutions. We will have no influence in shaping EU rules.

But we are committed to aligning with those EU rules, in so far as necessary, to ensure frictionless trade at the border.

And we have proposed the appropriate level playing-field commitments too.

These provide firm assurances that we have no intention of undercutting Member States or lowering our standards to gain an unfair competitive advantage.

## **Citizens rights**

And this is not just about trading ties. We want to preserve the people-to-people ties that value.

There are about 700,000 Italian nationals currently living in the UK. I myself represent a parliamentary seat with a large Italian community. They make a huge contribution both locally and nationally.

And as my Prime Minister said during her speech in Florence last year, we want those people to stay in the UK, if that is what they wish.

And that is what we committed to in the December deal on Citizens' Rights.

EU citizens in the UK, and British citizens in the EU too, will be able to continue living their lives broadly, as they do now.

And looking forward, we want to see reciprocal mobility arrangements between the UK and the EU.

Our white paper contains proposals that would ensure that Italians can visit, work and study in the UK.

We have a long history of links between our respective universities.

And I suspect many of you here may have attended, or worked in, a British higher-education institution at some point in your careers.

Those exchanges are vital: they offer social, cultural and educational development. And we cannot refuse such opportunities to the next generation.

## Security partnership

On our future security partnership, we are seeking the closest relationship possible.

As the Prime Minister has said many times...

...we are unconditionally committed to European security.

The security of Europe is the security of the United Kingdom.

The UK currently represents 27% of defence spending by EU Member States.

And Italy is an important partner for us.

With Germany and Spain, together we developed the Eurofighter Typhoon, a key piece of Europe's military equipment.

It sustains 100,000 highly-skilled jobs across Europe and has generated £15 billion in exports.

And in July this year, our two Defence Secretaries signed a Joint Statement of Intent, making a commitment to work more closely together to reinforce that strategic partnership.

We face common threats, both in the UK and the EU: terrorism, serious organised crime, trafficking of people, drugs and counterfeit goods.

Our cooperation is made easier by access to EU databases and agencies, as well as by practical collaboration.

And that information sharing would simply not be as effective through bilateral agreements.

Along with Italy and Germany, the UK is one of the most active users of the European Criminal Records Information System.

Between 2016 and 2018 there were 644 occasions where the UK was able to use the SIS II system to alert European partners to the fact that their terrorist suspects had travelled to Britain.

Europol has allowed us to identify human-trafficking operations, where migrants have been smuggled through Italy.

And when Hussain Osman fled to Italy after the failed London bombings in 2005, we were able to issue a European arrest warrant. And he was extradited to face justice in the UK just 56 days later.

This kind of cooperation has saved many lives.

An unambitious deal that led to our loss of access to EU tools and measures would have serious implications for the safety of both UK and of EU citizens.

Our continued cooperation on foreign and security policy will also be pivotal. We will always be part of the same neighbourhood and face the same external challenges.

As well as the military cooperation with Italy, we remain close diplomatic partners.

Together, we stand determined to preserve the JCPOA with Iran, and find solutions to other challenges from the Western Balkans, to terrorist use of the Internet, to climate change.

It is why we are so supportive of Italy's 2018 OSCE Chairmanship.

And why we are hugely grateful for Italy's support following Russia's deplorable use of a nerve agent on British soil, to carry out an assassination that tragically resulted in the death of a British citizen in July.

The evidence released by our investigators this week vindicates the solidarity that Italy and other allies then showed.

I believe a firm and united stand is the best response to attempts to challenge the rules of our international system.

And that we cannot let our departure from the EU undermine that unity.

We have put forward a credible and ambitious proposal for the future relationship.

And there are now only six weeks until the October European Council – and the end of the Article 50 process is in March next year.

There are decisions to be made.

And we face the choice between the pragmatic proposals that we are discussing now with the European Commission, or the risk of leaving without a deal, with all that that implies.

As we enter this final phase, we ask our European partners to engage with ambition, pragmatism and urgency to our proposals.

## **Conclusions**

These are uncertain times.

But I believe we can build future cooperation on terms with which both sides feel confident and comfortable.

And that will deliver us an agreement which enables us to stand still, side-by-side, those global challenges that face the peoples of the UK, of Italy and of all members of our European family.

Thank you.