

Speech: Speech: A world beyond Europe, a time beyond Brexit

It's a pleasure to be here this morning at the Royal Portbury Dock.

As MP for North Somerset, as well as Secretary of State for International Trade, it's fair to say I have a significant interest in the success of a venture that supports more than 500 jobs in my constituency.

And I can't help but notice that business is booming.

At the time of the referendum, we were told that just voting to leave the EU would cause such an economic shock that we'd lose half a million jobs, our investors would desert us, and we would require an emergency budget to deal with the ensuing fiscal imbalance.

What's happened since? We've added over 700,000 jobs to the economy, with more people finding work than at any time in the past 40 years.

This upward trajectory shows no signs of slowing. Indeed, the OBR has calculated that we can add another 800,000 jobs without creating inflationary pressure, because there's still slack in the economy.

In 2017 we saw total UK exports rise by 10.9% compared with 2016.

And what did we sell? We sold almost £50 billion worth of mechanical machinery, £41 billion worth of motor vehicles, £16 billion worth of aircraft and £14 billion worth of medical equipment.

And, as I have to mention on St Andrew's Day, some £4.3 billion of Scotch Whisky.

So much for Britain not making anything anymore. And that's before we even consider our world-leading services sector.

Clearly, the vote to leave the European Union has not had the catastrophic effect on our economy that was predicted. Quite the reverse.

Now is the time to raise our sights, and acknowledge that there is a world beyond Europe, and a time Beyond Brexit.

My Department for International Trade exists to look to this world, and plan for that time. Perhaps more than any other part of government, we are mandated to look beyond the process of leaving the EU and to prepare for the open, global future that lies ahead.

The referendum settled the question of our departure from the European Union and our manifesto made clear that we will leave the Customs Union and the Single Market as we do so.

The IMF has predicted that 90% of global growth in the next 5 years will originate outside the EU. So the question is, where do we, as a nation, position ourselves to take advantage of the opportunities that this growth will produce.

Future relationship with the EU

The government has made clear that we want to take a balanced approach to the question of our future trading prospects. We need to maximise our access to the EU market but without damaging our potential to benefit from emerging trade opportunities in other parts of the world.

The 27 nations of the European Union constitute some of our largest trading partners. As a whole, some 44% of this country's exports of goods and services still go to the EU, although that proportion has been declining over the past decade or so.

The withdrawal agreement, and the political declaration on the future relationship, have put us on the verge of securing a deal with the European Union.

It is a deal that delivers on the result of the referendum, ending vast payments to Brussels, and giving the UK control over our own borders for the first time in a generation.

Of course, the end of free movement does not mean the end of immigration. The UK is always open to those who want to work hard and build a life here. But now, we can offer a level playing field, ensuring that we can admit the people we need to meet business demand, wherever they come from – so it won't matter if you were born in Marseilles, Memphis or Mumbai. The key difference is that we will set the rules according to what we believe is best for our own country.

Above all else, the withdrawal agreement and the political declaration provide the stability and certainty that businesses crave, as well as a firm foundation on which to continue to operate across the EU.

The political declaration proposes the creation of a free trade area for goods, combining deep regulatory and customs co-operation with no tariffs, no fees, charges or quantitative restrictions across all goods sectors.

This would be the first such agreement between an advanced economy and the EU, a recognition of the unique position of the UK and our economy to those of our European partners.

Ambitious arrangements have been made in the political declaration for services and investment, arrangements that go well beyond WTO commitments and build on recent EU FTAs.

And an arrangement on financial services, grounded in the economic partnership, provides greater cooperation and consultation than is possible under existing third country frameworks.

But we have also been clear that our future relationship with the EU would recognise the development of an independent UK trade policy and not tie our hands when it comes to global opportunities.

We have set out an approach which means the UK would be able to set its own trade policy with the rest of the world, including setting our own tariffs, implementing our own trade remedies, and taking up our independent seat at the World Trade Organization.

FTA Consultations

Perhaps most importantly, during the implementation period, my department will have the freedom to negotiate, sign and ratify new trade agreements. . The Withdrawal Agreement means that, from the 29th of March next year, we can begin to build closer commercial relationships with our closest allies, such as the US, New Zealand and Australia, as well as laying the groundwork for improved market access for UK companies to key global growth economies.

As some of you may know, we recently carried out extensive public consultations on our future FTAs with those three nations, as well as on the UK's potential accession to the Trans-Pacific Partnership – known as CPTPP.

Leaders across these nations have been clear in their endorsement of future trade agreements with the UK.

As Prime Minister Shinzo Abe of Japan put it, we would “be welcomed with open arms”. Far from being isolated, Britain will be an ‘in-demand’ trading partner.

Over 14 weeks, we asked businesses, organisations and individuals to tell us what they needed from these FTAs, and how the Department for International Trade can help them to thrive internationally.

The response rate was phenomenal, far exceeding all expectations.

Above all, the exercise demonstrated the interest that exists in the shape of the UK's future trade policy, right across the country.

How do we take advantage of this groundswell of interest and engagement from businesses and individuals?

The answer is to harness that enthusiasm to boost exports and attract investment to this country. Clearly, businesses the length and breadth of Britain are eager to move into new markets overseas.

If we want Britain to become a global exporting superpower, all we have to do is unlock that potential.

Even before we get to new trade opportunities afforded by new trade agreements there are still considerable export opportunities for British businesses to exploit in existing markets. We still have ground to make up on our international competitors in many of these countries.

Export Strategy

Our new Export Strategy, published in August, is an important first step to doing just that.

I won't exhaust you with the detail. But suffice to say that the Export Strategy represents one of the most comprehensive export packages offered to businesses anywhere in the world, designed to inform, connect, encourage and finance exporting opportunities for businesses of all sizes.

There are currently over 24,000 live export and investment opportunities on our website. Put simply, the world wants what Britain is selling. Businesses large and small can find these real-time opportunities at great.gov.uk.

Royal Portbury Dock

And the Royal Portbury Dock where we now stand is a perfect example of the dynamic, global outlook that hundreds of thousands of British businesses have already embraced.

In 1991 the dock was owned and managed by Bristol Council, and it was regarded as a 'white elephant'.

Since the port was privatised almost 30 years ago and reborn as the Bristol Port Company, over £500 million has been invested to turn this into one of the most capable and advanced ports in the United Kingdom.

Each year, the Bristol Port Company handles some 750,000 motor vehicles, 27% of UK aviation fuel imports, 10% of coal imports, and more than 6 million tons of bulk dry goods.

In all, the work done here at Portbury, and at Avonmouth, contributes over £1 billion to the British economy. Now that is something to be proud of.

Integrated imports and exports

This port, and dozens like it across the UK, shows that the UK's global commercial footprint is not just about what we sell overseas, but also what we import into this country.

It is crucial in ensuring that competition provides consumers with greater choice and at affordable prices.

But in a highly integrated economy it would also be wrong to ignore the huge and necessary role that imports play in the production of goods and services for export – some 23% of all UK exports have some added value or component that originated as an import.

Less than half of this value added originates in EU countries. And it shows how the United Kingdom is already closely linked to global value chains, that extend far beyond the boundaries of Europe.

In the long-term, a global future for an economy as large, diverse and interconnected as ours was inevitable. Our departure from the EU, combining an open, comprehensive trade relationship there, with the possibility of creating new trading relationships elsewhere is the next phase of that journey.

WTO/The changing world of trade

Internationally, of course, a wholesale revolution in the patterns of trade has already arrived. The tectonic plates of global commerce are shifting under our feet. Our future FTAs are hugely important – not least because they are strategic as well as economic tools – but in the long run, it is not what we do unilaterally, or even bilaterally, that will make the biggest difference.

Instead, it is working to update and improve the rules-based international system that governs global trade.

How the multilateral trading environment develops will almost certainly be the most crucial determinant of the degree of trade liberalisation that will occur and consequently the scale of future opportunities.

This is an area in which the UK will play a pivotal role. The world's fifth-largest economy taking its seat at the WTO, as a powerful and unabashed defender of free trade, will be a key moment for the United Kingdom. It is one of the most important, if seldom mentioned, aspects of Brexit.

With 164 full members, the WTO is the home of the rules-based international system, and the crucible of free and fair global trade.

Yet even they will admit that their current rules are in need of updating.

The fundamental framework of the WTO's rules has not changed substantially since 1995. A time before the widespread use of business email. A time before internet banking. A time before data became a valuable traded commodity, like cars and steel.

Consider this: back in 1995, if I asked you whether the digital code that I have sold you on the internet to make something on your 3D printer counts as a good or a service, you wouldn't even begin to understand the question, let alone be able to answer it!

This is an example of how the real economy has moved and outgrown the rules and regulations that still attempt to govern it.

It's not just the architecture of the WTO itself that needs reform, but also the regulatory framework, which must be flexible enough to move with the new realities of the global economy, updating itself in real time.

The Prime Minister acknowledged this recently in a speech at the Guildhall when she observed that goods as a proportion of UK and global commerce are declining.

This will be a priority as she attends the G20 in Argentina, where she will hold trade talks with world leaders including Argentinian President Macri. The leaders are expected to agree the first ever UK Trade Envoy for the country.

And as the proportion of trade in goods declines, the digital and knowledge economy are racing ahead, as new products and services emerge from the disruption that technology has left in its wake.

The future of world trade has already arrived, and the United Kingdom is ideally prepared to realise all the opportunities of the digital age and embrace the possibilities of communications technology as a commercial tool.

To take just one example, a higher proportion of retail spending takes place online in the UK than anywhere else on earth. More than China or the USA. More than South Korea. More than Japan.

Recent research by PayPal found that in the 12 months to July, 1 in 7 online shoppers globally had bought goods from the UK – more than any other European country.

In fact., overall, they found that the UK was the third most popular country in the world from which to buy goods online, behind only the US and China.

There are few countries that are as prepared for the coming digital economic revolution as the United Kingdom.

The world's investors already know this – last year, the UK tech sector attracted more venture capital investment than Sweden, France and Germany combined.

The simple fact is that this country is already a genuine world-leader in fields from artificial intelligence, to digital and data trade, to e-commerce and FinTech.

In the knowledge economy, Britain's shelves are already stacked with what the world wants to buy.

This is not to say that we are falling behind in goods. On the contrary, those same factors that have made us a global powerhouse of the digital economy have enabled us to retain the cutting-edge of advanced manufacturing.

For example, 17% of all the aerospace products sold in the entire world come from the United Kingdom.

Nearly half of the world's planes are flying on wings that have been designed, engineered or assembled within just a few miles of where we are today, either in Filton or across the water in Wales.

And how do these wings reach their customers in every corner of the world? They are shipped on specialised ferries from right here in the Royal Portbury Dock.

The world beyond Europe, and the future beyond Brexit, starts right here.

And if you want to know if the world has confidence in this new Global Britain, then look at our investment record and see where global investors are choosing to put their money.

According to UNCTAD, in the first 6 months of 2018 the UK was second only to China in terms of FDI, ahead of the United States and data published by Ernst and Young showed that all parts of the UK and all England regions are benefiting with around 50,000 jobs created as a result.

In the 19th Century, Britain became the world's first free-trading nation. In the 20th century, we helped to design and create the architecture of global trade.

And in the 21st, we will help reshape the rules-based international system through our independent trade policy.

Today I can announce that in April, when we become an independent trading nation once more, I will push for three key things:

Firstly, the UK will aim to revolutionise the rulebook on digital trade. The existing framework of international trade is vitally important to the functioning of the global economy. Yet, as we have seen, all too often its rules are outdated and unfit for purpose, acting as a brake on the digital economy.

There are too many innovative, rapidly growing companies who find it too difficult to operate overseas because of ridiculous barriers like unjustified server localisation requirements.

Our ambition is to negotiate agreements that go further on digital trade than ever before.

To join those agreements, such as the CPTPP, which take digital seriously.

And to work in coalition with other like-minded countries to drive reform on digital services at the WTO.

Secondly, we will put services at the heart of our trade policy.

The mass liberalisation that has reduced barriers on global goods trade, has never been mirrored for services. Yet the UK is an 80% services economy and has huge comparative advantage across the service sectors, from accountancy and legal, to science, research and development.

Services are a huge part of our present, and will be a larger part of our future, and we must play to our strengths, creating partnerships with countries around the world who want what we have to offer.

This is our commitment to the British SMEs of today, so that they can become the digital giants of the future.

And thirdly, we will continue to fight trade protectionism and improve international economic co-operation.

This is not something that Britain will be doing alone. As the political declaration with the EU says, our unique relationship with the EU 27 will ensure that we can work together to improve global trade, while continuing to develop and operate our own independent trade policy.

But our steadfast commitment to the philosophy and practice of free trade is an irreducible element of what we believe and who we are.

The withdrawal agreement and the political declaration will not please everyone, and we have had some tough choices to make. Choices which many in Parliament, on both sides of the House, are yet to face up to.

But the deal we've reached will give us a firm and stable base on which to leave the EU and build this country's global future, a future that still encompasses Europe, of course, but also the wide fast-growing markets beyond, with all the opportunity that entails.

We will maximise our post-Brexit opportunities by helping British businesses take advantage of the considerable untapped potential of existing markets.

We will use our independent trade policy to negotiate new trade agreements and we will use our ability to act independently at the WTO to shape the global trade environment of the future, defending the open, free and fair trade that is crucial to the elimination of poverty, the nurturing of stability and the building block of our collective security.

We are well prepared for the future of world trade. We are embracing all the possibilities of the digital economy.

No other country has the same combination of fundamental strengths that will allow us to thrive in an age where knowledge and expertise are the instigators of success. Our recent export and investment performance show that sceptics have been wrong. Britain is flourishing.

The divisions of the referendum need to be consigned to the past. Now is the time to set aside our differences, and lead our country to a future of freedom, success, and prosperity.

In politics we cannot always have the luxury of doing what we want for ourselves, but we have an abiding duty to do what is right for our country.