

Speech: The Trade Dividend

Your excellencies, my lords ladies and gentlemen. It's an absolute pleasure to be here tonight. I would like to thank, in particular, the Lord Mayor and the Lady Mayoress, and all the staff of Mansion House for hosting us this evening.

Charles has been an advocate of DIT from the very beginning, so thank you for your support and your unwavering commitment to spreading the message of free trade around the world on behalf of the City of London.

I would also like to thank my three excellent ministers who are with us this evening – George Hollingbery, Rona Fairhead and Graham Stuart, all our trade envoys and all my fantastic staff from the Department for International Trade, all of whom contribute so much to Britain's trade and investment performance.

And I wish to extend a particular welcome to the Director-General of the World Trade Organization, my friend and colleague, Roberto Azevêdo, who you'll all be fortunate enough to hear from once you've sat through my speech.

Winston Churchill said that:

Free Trade is a condition of progress; it is an aid to progress; it is a herald of progress.

Those words were written more than a century ago, yet he was speaking from a tradition which stretched a lot further – almost a quarter of a millennium – to Adam Smith and David Ricardo.

In all our recent history the Governments of this country, whether Labour or Conservative, have recognised the strategic advantages of international free trade.

In this, of course, they have been right. All trade is strategic. It is also economic. It is also social.

It represents one of the oldest forms of human interaction, and one of the most enduring.

It has linked civilisations, crossed the deserts and the oceans, and bridged the chasm of time.

It spurs innovation, rewards enterprise, and fosters interdependence.

Trade is the food we eat, the clothes we wear, the TVs we watch, the mobiles we use, and the cars we drive.

And all these elements contribute to the “trade dividend”, and that is what I wish to discuss tonight – the human dividend, the security dividend, and the economic dividend of trade – before briefly turning to tonight’s Brexit discussions.

The Human Dividend

The first part of the trade dividend – the human dividend – is not always given the credit it deserves. But it is, perhaps, the most important of all.

As economies across the world have liberalised, opportunities for employment, or commerce, have allowed billions of people to lift themselves from poverty.

According to the World Bank, the three decades between 1981 and 2011, within all of our lifetimes, witnessed the single greatest decrease in material deprivation in history.

It is hard to imagine an international aid programme – even one as generous as our own – that would or could have been so effective.

Such a reduction in human suffering should rank among the greatest of humankind’s achievements, and we should recognise it.

At a fundamental level, free and open trade allows people to improve their own lives, by giving them access to global opportunities, sharing knowledge, skills and experience and fundamentally, by the exchange of goods and services.

As a consequence, living standards across the globe are at their highest level in history.

The desire for comfort, for financial security, to provide for your family and to leave something for your children is innate in humankind. We should all strive to ensure that the next generation can have an easier start in life than the one before.

The dream of achieving what once only existed in the developed world, increasingly blossoms in all parts of the globe – and more importantly is increasingly possible.

Our aim, as a Department and as a country should be to continue this remarkable progress. To give the world’s poorest the ability to trade their way out of poverty.

Yet those in the anti-trade lobby would deny them this possibility. As part of their wider ideological anti-capitalist agenda, they would stop the clock on the social progress and poverty reduction of recent decades.

We must take head-on the destructive arguments of those whose narrative is that free trade is nothing more than a global corporate conspiracy. In fact, our ability to trade is a condition of our freedom.

Indeed, as the American economist Milton Friedman said:

Underlying most arguments against the free market is a lack of belief in freedom itself.

Free trade is intrinsically linked to personal and political freedom. And that brings me onto the second of our trade dividends – the security dividend.

It is important to understand that trade is not an end in itself but a means to an end – to grow and spread our collective prosperity.

The Security Dividend

I have always believed that prosperity underpins social cohesion. That social cohesion itself underpins political stability, and that political stability is the building block of our collective security.

These are all part of the same continuum; you cannot disrupt one of these without disrupting the whole.

To deny people their access to prosperity, or the economic freedom to achieve it, is to risk political extremism, uncontrolled migration, and diminished security.

For the United Kingdom, trade contributes directly to our safety, helping to fund our armed forces and our security services.

It ensures that vital supplies, such as energy and raw materials, continue to enter the UK from abroad.

And the denial of trade – the ability to impose effective economic sanctions on external aggressors – provides a vital tool in dealing with global dangers and rogue states.

Looked at another way, the clamour for economic freedoms against an authoritarian state can help to liberate the innovation, enterprise and individual aspiration that are hallmarks of a free society.

By this reckoning, the promotion of free and open international trade, will in turn foster political stability, promote social security, and build a safer world.

The Economic Dividend

Of course, the benefits of prosperity are not only felt internationally, but in this country as well.

It is as true today as it always was that there is no such thing as government money – only taxpayers' money.

And, £186 billion of that taxpayer's money comes, in one form or another, from business. So, it follows that if we improve the profitability and

productivity of business through exporting and investment, then the public coffers benefit too.

When I arrived in the newly created Department for International Trade, I was amazed to find that we had no mechanism to enable us to translate the value of our exports into returns for the Treasury – although, as I am finding, this is not unique to the UK.

Since that day, the United Kingdom's exports have risen dramatically. In 2017 alone, we saw a 10.9% increase. This means that since the time of the referendum we have added £111 billion to our annual exporting total with all the financial implications of tax receipts that this brings.

The result of this is what we might call the economic, or more precisely, the "export dividend". As a government, we have been elected to be fiscally responsible whilst, of course, continuing to fund public services.

This can only be achieved through a strong economy that brings rising tax revenues without increasing the individual tax burden.

But fiscal balance is not solely about whether to raise taxes or cut spending – it is also about how to generate more revenue by growing the economy domestically and selling more of our goods and services abroad. Put simply as a country, if we want to spend more, we must earn more.

Increasing GDP, however, is not the sole preserve of government. I need hardly tell a room full of business leaders, the head of the City of London Corporation, and the Director-General of the WTO, that economic activity is led by private enterprise and through the demand and supply of a free market, rather than by government directive.

But where government does have a role to play is in facilitating enterprise – creating the optimum conditions for our businesses to succeed and thrive.

And thrive is what our businesses have done.

This remarkable achievement belongs to the thousands of exporters across the United Kingdom who have worked tirelessly to develop and manufacture great products and expand into global markets.

Many of you have joined us here this evening. Your success is Britain's success.

Exporting, generates wider benefits for the economy, including productivity gains, greater profitability and increased longevity for those that participate in it.

That is not to downplay the importance of imports. It would be naïve indeed to ignore the huge and necessary role that imports play in the production of goods and services for export, as well as consumer benefits: with more choice of higher quality products at lower prices.

Our global era is one where interdependence is increasing – one of the

reasons why protectionism and economic nationalism are likely to be inefficient, ineffective, and damaging.

Of course, to benefit fully from the opportunities of the global economy we have to be fully 'match fit'.

Which is why it is important that supply side reforms, such as those set out in the Government's Industrial Strategy, complement our push to transform the UK's exporting potential. The two are mutually reinforcing. We must, create the right conditions for firms to move up the value chain, improving their productivity, competitiveness and profitability.

It is here that we can see the 'coal face' of the potential intersection between exports and GDP and its impact on government finances.

We know that higher incomes and economic activity translate into higher tax revenues, both at a business and personal level.

This obviously raises the question of just how great an export dividend could be.

Last month the Institute of Economic Affairs attempted to work this out – and I stress that this is not government analysis. But, where they got to suggested that a 10% increase in the gross value of our exports – currently at £620 billion – could lead to a £50 billion increase in GDP.

Put simply, increased exports could mean increased economic activity. Increased economic activity increases labour demand, raising employment and pushing up wages. And the resulting increased output leads to higher profits and higher corporate tax revenues.

And what of our budget balance. Based still on the 10% uplift in exports, the budget deficit could, according to the IEA, reduce by some £20bn. The potential for us to balance our budget, is real.

Of course, raising the value of a country's exports by 10% is no easy task, even for a nation as dynamic, resourceful and competitive as the United Kingdom. But not impossible. 20 years ago, Germany's exports were exactly ours are today as a proportion of GDP, and now they stand at 47% of GDP, sitting on a fiscal surplus.

So we have accepted this challenge.

Our Export Strategy, launched in August, set out the ambitious target of raising exports as a proportion of the UK's GDP from 30 to 35 percent, putting us towards the top of the G7.

That is the scale of our ambition.

For Britain to fulfil its whole potential we must access all the available global markets. It is not a choice between the EU and the rest of the world – we need to sell to both. The EU remains the market for 44% of our exports, but the EU itself accepts that 90% of global growth in the next five to ten

years will come from markets outside Europe.

Tonight, the Prime Minister is in Brussels for the October EU Council. We have made our position clear: that we will honour the democratic decision of the British people made at the referendum.

We will leave the customs union and the single market. We cannot accept the jurisdiction of the European Court of Justice. We will leave the Common Fisheries policy and the Common Agricultural Policy. We will end free movement. We will have our own independent trade policy and we will not accept any solution that divides the United Kingdom by treating Northern Ireland differently to any other part of our country.

We hope that we will achieve agreement that leaves all European countries able to take advantage of both our own and growing global markets.

Trade, and the rules-based international system that upholds its freedoms, underpins everything, from political stability and security, to economic prosperity and the livelihoods that have lifted a generation out of poverty.

We are opening a new chapter in this nation's history. It is a once in a generation chance to shape a better future for our own people, realise the highest ambitions of our businesses, and offer real leadership on free trade in an often uncertain and divided world.

It is also a chance to address the legitimate concerns of those who have been left behind by the pace of global change, and to build a global economy that works for everyone.

We in government have a responsibility to ensure that the dividends of trade are evenly spread. The rising tide of prosperity must lift all boats.

In fact, the dividends of trade are perhaps greater than for almost any other human activity. Yet in every place in the world, and at every time in history, trading freedoms have been under threat.

We all have a duty to defend it.